



## **BRITISH COLUMBIA'S HOUSING AFFORDABILITY SLIGHTLY IMPROVES IN Q4 2014, BUT LEVELS REMAIN POOR: RBC ECONOMICS**

**TORONTO, March 3, 2015** — British Columbia's housing affordability slightly improved across all categories tracked in the fourth quarter, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

“British Columbia's homebuyers experienced some improvement in affordability during Q4 – a reflection of stronger household incomes related to brighter economic prospects and contained price increases for the most part,” said Craig Wright, senior vice-president and chief economist, RBC. “Still, affordability in the province remains the poorest in the country because of the persistence of extremely unaffordable conditions in segments of the Vancouver market.”

B.C.'s home resale activity drove forward in the fourth quarter, though results were uneven across local markets, with gains in areas such as Vancouver, Fraser Valley and Kamloops on the one hand, and declines in Victoria, Kootenay and Okanagan on the other.

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, edged lower for all housing types in the fourth quarter (a decrease in the measure represents an improvement in affordability).

RBC's affordability measures slightly improved across all levels in the fourth quarter of 2014. The measure for bungalows decreased by 0.7 percentage points to 68 per cent; the measure for standard two-storeys decreased by 0.3 percentage points to 72.5 per cent; and, the measure for condominiums eased by 0.1 percentage points to 33.1 per cent.

### **Vancouver remains Canada's least affordable market**

RBC says that the housing market in Vancouver was unfazed by the fact that affordability levels in the Vancouver area remained unambiguously poor in Q4, with RBC's measures far exceeding those of any other Canadian market and the area's own elevated historical norms.

“Despite extremely stretched affordability conditions facing homebuyers, the Vancouver area's housing market found renewed vigour in 2014, with resales reaching close to a three-year high by the fourth quarter,” added Wright.

The supply of homes for sale, meanwhile, did not gather as much momentum, RBC says. The demand-supply equation favoured sellers during the second half of 2014, which ultimately heated up home prices in the area allowing Vancouver to reclaim a spot among Canada's markets exhibiting the fastest-rising price increases.

Developments regarding housing affordability were mixed in the Vancouver area in the fourth quarter. RBC's measure fell quite noticeably by 1.2 percentage points to 82.4 per cent in the bungalow segment, rose modestly by 0.2 percentage points to 39.9 per cent in the condo segment and stayed unchanged at 85.6 per cent in the two-storey home segment.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in Q4 of 2014 is as follows: Vancouver 82.4 (down 1.2 percentage points from Q3); Toronto 56.8 (up 0.8 percentage points); Montreal 37.3 (unchanged); Ottawa 36.0 (up 0.2 percentage points); Calgary 33.7 (down 0.6 percentage points); Edmonton 33.5 (up 0.1 percentage points).

The RBC Housing Affordability measure, which has been compiled since 1985, is based on the calculated costs of owning a detached bungalow (a reasonable property benchmark for the housing market in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household's monthly pre-tax income.

It is important to note that RBC's measure is designed to gauge ownership costs associated with buying a home at present market values. It is not a representation of the actual costs incurred by current owners, the vast majority of whom have bought in the past at significantly different values than those prevailing in the latest period.

### **Highlights from across Canada:**

#### **Alberta: Housing remains relatively affordable despite buffeted economic confidence**

- Housing affordability was mainly unchanged in Alberta during Q4, continuing to be fairly attractive relative to other provinces and compared to historical averages. RBC's measure for bungalows fell by 0.4 percentage points, and remained unchanged for both condos and two-storey homes.

#### **Saskatchewan: Price declines translate to improved affordability**

- Price declines in the province during the fourth quarter of 2014 contributed to the fifth consecutive quarter of affordability improvements. RBC's measures fell by 0.6 percentage points for both bungalows and two-storey homes. The measure for condos, however, rose by 0.6 percentage points.

#### **Manitoba: Affordability improves across the provincial housing market**

- It became more affordable to buy a home in Manitoba during the fourth quarter of 2014 with RBC's measures falling across all housing categories (between 0.1 and 0.4 percentage points over the third quarter).

**Ontario: Robust housing market conditions impact affordability**

- Ontario's housing market bucked the generally improving trend in affordability across Canada in Q4, 2014. RBC's measures rose in all categories between 0.2 percentage points and 1.0 percentage points.

**Quebec: Broad-based improvements in affordability continue**

- Steady improvements in Quebec's housing affordability continued in the fourth quarter of 2014 with RBC's measure declining across all categories tracked. Measures fell by 0.6 percentage points for two-storey homes and by 0.4 percentage points for both bungalows and condos.

**Atlantic Canada: Among the most affordable markets in Canada**

- The region's homebuyers continued to face some of the most affordable conditions across the country in Q4 of 2014. RBC's affordability measures fell for both the two-storey and bungalow segments, by 0.5 and 0.1 percentage points, respectively. The measure for the condo segment edged higher by 0.1 percentage points.

The full RBC Housing Trends and Affordability report is available [online](#) as of 8 a.m. ET today.

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