



BRITISH COLUMBIA'S HOUSING AFFORDABILITY REMAINS SKEWED BY VANCOUVER MARKET: RBC ECONOMICS

TORONTO, June 22, 2015 — During the first quarter of 2015, British Columbia's housing affordability levels across categories were mixed, but overall conditions continued to signal the presence of greater-than-average pressure on home buyers in the province, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

“Our housing affordability measures for British Columbia remain above long-term averages, substantially so for bungalows and two-storey homes – the higher the measure the less affordable the segment,” said Craig Wright, senior vice-president and chief economist, RBC. “That being said, poor affordability levels primarily reflected the extreme situation in Vancouver. Home ownership is comparatively more affordable across other markets in the province.”

RBC notes that, despite the presence of affordability pressure, B.C.'s home resale activity surged in Q1 with Vancouver registering a 12 per cent gain and markets such as Victoria, Fraser Valley and South Okanagan recording significant increases as well.

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 two of the three housing types tracked in the first quarter (a decrease in the measure represents an improvement in affordability). RBC's measure eased by 0.4 percentage points to 32.9 per cent for condo apartments and by 0.1 percentage points to 72.8 per cent for two-storey homes. The measure for bungalows rose 1.0 percentage points to 69.3 per cent.

Vancouver's hot housing market puts added pressure on affordability

RBC says that Vancouver's home resales rose for the fourth-consecutive quarter in Q1, reaching their highest level in more than five years. Demand was so strong that sellers had the upper hand. Strong price increases were the reality, particularly for the single-family home categories, putting further pressure on the already poor affordability levels in the city.

“Our measure for condos bucked the deteriorating trend in Vancouver – the segment was better supplied thanks to increased multi-unit construction over the past couple of years, keeping prices generally contained,” said Wright. “Overall though, Vancouver has recently experienced the fastest rate of appreciation among Canada's largest cities, which suggests that affordability may well deteriorate further going forward.”

RBC's measure for bungalows posted its biggest increase in three years – up 2.8 percentage points to 85.6 per cent – while the measure for two-storey homes rose 0.9 percentage points to 86.9 per cent. The measure for condos eased 0.5 percentage points to 39.6 per cent.

During Q1 2015, affordability measures at the national level edged lower by 0.3 percentage points to 27.1 per cent for condominiums and 0.2 percentage points to 47.9 per cent for two-storey homes. The measure for detached bungalows was unchanged at 42.7 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in Q1 2015 is as follows: Vancouver 85.6 (up 2.8 percentage points from Q4 2014); Toronto 57.3 (up 0.6 percentage points); Montreal 37.2 (down 0.2 percentage points); Ottawa 35.4 (down 0.6 percentage points); Calgary 32.8 (down 1.0 percentage points); Edmonton 32.8 (down 0.8 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 home ownership 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: plummeting oil prices contributed to improvement in affordability

- Housing affordability improved significantly across the province during the first quarter, with RBC measures falling across all categories (between 1.0 and 0.6 percentage points).

Saskatchewan: slower resale activity combined with moderating household income mutes impact on affordability

- Home resales plummeted more than 16 per cent in the province during Q1, contributing to price declines across housing segments. The impact on affordability was partly muted by a moderation in household income. RBC's measures fell 0.1 percentage points for condos, rose 0.3 percentage points for bungalows and remained unchanged for two-storey homes.

Manitoba: affordability stands close to long-run averages

- Affordability of single-detached homes and condos evolved in opposite directions in Q1. RBC's measures rose by 0.3 percentage points for both bungalows and two-storey homes, while the measure for condos fell noticeably by 1.1 percentage points.

Ontario: affordability theme continues to be split

- For the past four years, owning a single-detached home at market prices in the province has become less and less affordable, whereas the weight of owning a condo has remained fairly constant. RBC's measures for bungalows and two-storey homes rose by 0.3 percentage points, while the measure for condos edged lower by 0.2 percentage points.

Quebec: affordability at multi-year best levels

- After remaining steady for years, housing affordability improved in the province over the course of 2014 and the trend continued in Q1 2015. RBC's measures fell across all three categories tracked (between 0.3 and 0.1 percentage points).

Atlantic Canada: affordability still attractive and improving

- The lingering effect of earlier softness in home resale markets led to further improvement in housing affordability in the Atlantic region in Q1. RBC's affordability measures fell 0.7 percentage points for bungalows and 0.5 percentage points for two-storey homes. The measure for condos was unchanged.

The full RBC Housing Trends and Affordability report is available [online](#) as of 8:00 a.m. ET today.

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