



QUEBEC'S HOUSING AFFORDABILITY AT MULTI-YEAR BEST LEVELS IN Q1 2015: RBC ECONOMICS

TORONTO, June 22, 2015 — Quebec's housing affordability progressively improved during 2014 and continued to do so in the first quarter of 2015, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

“During the past year, improvements in Quebec's housing affordability marked some of the more significant developments among the provinces. Provincial home buyers enjoyed the most affordable conditions in nearly six years for single-family homes and 10 years for condos,” said Craig Wright, senior vice-president and chief economist, RBC. “Still, these more favourable conditions did not constitute a major pull for home buyers with market activity remaining below historic averages.”

In the first quarter, home resales were still 5.4 per cent below the 10-year average, although activity picked up substantially this spring. After a year of stagnation in 2014, the resumption of job creation – with close to 50,000 new jobs created between January and May of 2015 – has likely begun to revitalize housing demand, RBC says.

“New jobs and more favourable affordability conditions should bode well for home resales in the period ahead,” added Wright.

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, decreased across all housing categories in Q1 2015 (a decrease in the measure represents an improvement in affordability).

RBC's measures fell in all three categories in the latest period: by 0.3 percentage points for both bungalows and two-storey homes, to 32.9 per cent and 41.1 per cent, respectively, and by 0.1 percentage points to 25.5 per cent for condos.

Montreal's affordability continues in positive direction

RBC notes that housing affordability in Montreal continued to steadily improve in the first quarter of 2015.

“After a series of sizeable improvements last year, further progress in Montreal's housing affordability during Q1 allowed home buyers in the area to experience some of the larger reductions in the burden of owning a home among Canada's biggest cities,” added Wright.

Property values in the city stagnated, and even diminished slightly in some cases, earlier this year in the face of soft demand and strong supply for condos, RBC says. Elevated levels of new condo construction in recent years have resulted in a high inventory of unsold condos in the area, which will likely take time to clear.

“The good news is that home buyer demand picked up noticeably this spring, likely in part reflecting a strengthening in local employment,” said Wright.

First-quarter affordability levels for Montreal showed improvements in all three housing categories. RBC’s measures fell 0.4 percentage points to 47.8 per cent for two-storey homes, 0.2 percentage points to 37.2 per cent for bungalows, and 0.1 percentage points to 29.2 per cent for condos.

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:

British Columbia: Vancouver skews provincial affordability

- Q1 developments varied by housing categories, but still signaled greater-than-average pressure on affordability. RBC’s measures eased 0.4 percentage points for condos and 0.1 percentage points for two-storey homes, and rose 1.0 percentage points for bungalows.

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.

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.

- 30 -

For more information, please contact:

[Robert Hogue](#), Senior Economist, RBC Economics Research, 416-974-6192

[Elyse Lalonde](#), Communications, RBC Capital Markets, 416-842-5635