



VANCOUVER'S HOT HOUSING MARKET CONTINUED TO TAKE ITS TOLL ON BRITISH COLUMBIA'S OVERALL AFFORDABILITY IN Q2 2015: RBC ECONOMICS

TORONTO, August 31, 2015 — British Columbia's housing affordability continued to slide in lock-step with the steady rise in Vancouver home prices in Q2 2015, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

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, rose the most for B.C. among all provinces in the second quarter of 2015. RBC's measures increased by 2.5 percentage points to 75.3 per cent for two-storey homes, by 2.1 percentage points to 71.4 per cent for bungalows, and by 0.4 percentage points to 33.3 per cent for condos. An increase in the measure represents a deterioration in affordability.

"Poor housing affordability at the provincial level, particularly in the single-detached home segment, is a reflection of the extreme situation in Vancouver," said Craig Wright, senior vice-president and chief economist, RBC. "That said, deteriorating affordability did not pose any issue for home resale activity in the second quarter. In fact, the resale market was on a roll across most of the province, including: Vancouver, Victoria, the Fraser Valley, Chilliwack and Kamloops, and we expect B.C. home resales to rise by more than 20 per cent overall in 2015 - the highest increase in the country by far."

Hot Vancouver market continues to raise the bar for home ownership

The Vancouver-area housing market, along with the Toronto market, has been in the spotlight so far in 2015.

"Vancouver's housing affordability readings are nearing the worst levels ever recorded in Canada, but this is still not reining in buyer demand at all," Wright said. "Given the current high degree of tightness in the market, further price acceleration and affordability deterioration are even very likely in the near term."

Strong housing demand in Vancouver outpaced supply, especially for single-detached homes, which in turn produced some of the stronger gains in home prices in the country. The average price of a detached bungalow, for example, in Q2 2015 was \$967,500, up close to 5 per cent from Q1, and up more than 12 per cent from a year earlier.

Not surprisingly, this took a further toll on already poor housing affordability in the area. RBC's affordability measure for a detached bungalow in Q2 2015 was 88.6 per cent, up 3 percentage points from Q1. RBC's measures rose a significant 3.7 percentage points for a standard two-storey home to 90.6 per cent, and a comparatively more subdued 0.5 percentage points for a condo apartment to 40.1 per cent.

RBC notes that deteriorating affordability didn't abate the surge in Vancouver home resale activity in the second quarter, with a fifth consecutive quarterly increase (5.6 per cent) and the sales-to-new listings ratio (0.72) moving deep into sellers' market territory.

During Q2 2015, national affordability measures rose by 0.7 percentage points to 43.3 per cent for bungalows and by 0.4 percentage points to 48.3 per cent for two-storey homes. The measure for condominiums remained unchanged at 27.1 per cent.

RBC's Housing Affordability measure for the benchmark detached bungalow in Canada's largest cities in Q2 2015 is as follows: Vancouver 88.6 (up 3.0 percentage points from Q1 2015); Toronto 59.4 (up 2.1 percentage points); Montreal 36.0 (down 1.2 percentage points); Ottawa 35.4 (unchanged); Calgary 32.4 (down 0.4 percentage points); Edmonton 32.5 (down 0.4 percentage points).

The RBC Housing Affordability measure, which has been compiled since 1985, is based on the 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: Market settling down with support from affordable conditions

- Following the plunge in oil prices in the first quarter of 2015, Alberta's housing market settled down in the second quarter. RBC's measures for the province fell by 0.5 percentage points for two-storey homes, 0.1 percentage points for bungalows, and inched higher by 0.2 percentage points for condominiums.

Saskatchewan: Signs of market recovery

- Signs of recovery in the home resale market were apparent in the second quarter, although resale activity remained far below levels in 2014. RBC's measures increased by 0.8 percentage points for both bungalows and two-storey homes, while the measure for condominiums decreased by 0.2 percentage points.

Manitoba: Affordability was a mixed bag

- Owning a bungalow or condominium became less affordable in Q2, while owning a two-story home became more affordable. RBC's measures rose modestly for both bungalows and condominiums at 0.7 percentage points, while the measure for two-storey homes fell by 0.5 percentage points.

Ontario: Affordability picture continues to be split

- Owning a single-detached home at market prices in the province has become less and less affordable, while owning a condominium appears to be within reach. RBC's measures showed further deterioration for bungalows (rising by 1.1 percentage points) and two-storey homes (up 0.7 percentage points), while condominiums remain fairly steady (down only 0.1 percentage points).

Quebec: Improving affordability trends persist

- Housing affordability continued to improve in Quebec in Q2. RBC's affordability measures fell in all three categories for the third consecutive quarter and by some of the largest margins across all the provinces. Two-storey homes fell by 1.1 percentage points, bungalows fell by 0.9 percentage points, and condominiums decreased by 0.5 percentage points.

Atlantic Canada: Soft demand-supply conditions despite favourable affordability

- Softness in the housing market drove homeownership costs down in Q2. RBC's affordability measures fell across all categories (between 0.3 and 0.7 percentage points), adding to the continuous decline registered since late 2013.

The full RBC Housing Trends and Affordability report is available online, as of 8:00 a.m. ET today, at rbc.com/economics/market.

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