



QUEBEC'S HOUSING AFFORDABILITY CONTINUED TO IMPROVE IN Q2 2015: RBC ECONOMICS

TORONTO, August 31, 2015 — Quebec's housing affordability levels continued to improve in the second quarter of 2015, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

RBC reports that, despite signs of renewed vigour in Quebec's resale market, home prices changed little in the second quarter, which contributed to improved housing affordability across the board for the third consecutive quarter. Following back-to-back quarters of declines, home resales rose by a solid 5.5 per cent to a level that matched their 10-year average for the first time in three years.

"Quebec homebuyers are currently enjoying the most affordable conditions in some time across the province," said Craig Wright, senior vice-president and chief economist, RBC. "A recent string of improvements in housing affordability levels - along with the recent encouraging employment gains - no doubt contributed to pull the provincial market out of its slump."

The RBC Housing Affordability measures, which capture the province's proportion of pre-tax household income that would be needed to service the costs of owning a home at current market values in Quebec, improved for all housing types in the second quarter of 2015.

RBC's measures for Quebec fell in all three categories, and did so by some of the largest margins across the provinces. Two-storey homes fell by 1.1 percentage points to 40.0 per cent, bungalows eased by 0.9 percentage to 32.0 per cent, and condominium apartments dipped by 0.5 percentage points to 25.0 per cent. Each measure fell to, or close to, 10-year lows in the province. A decrease in the measure represents an improvement in affordability.

"While slowing population growth, lacklustre economic performance and high inventory of unabsorbed new condo units in Montreal will continue to pose a challenge for Quebec's market in the near term, housing affordability considerations are unlikely to be an obstacle for potential homebuyers in the province," added Wright.

Owning a home in the Montreal area becomes more affordable

Montreal's affordability levels continued to steadily improve in the second quarter, following a string of sizeable dips in affordability measures earlier this year and in 2014. RBC reports that, among Canada's top urban cities, Montreal enjoyed the greatest easing in the overall burden of owning a home in the past year.

“While Montreal’s pricing environment remained soft in the second quarter due to fairly loose supply-demand conditions in some market segments, material improvement in affordability in the past year helped re-energize resale activity in the area,” said Wright. “A high inventory of recently-built, but still-unoccupied, condos continues to be a considerable issue for the market; however, we saw a small decline in that inventory in Q2, which suggests that things are moving in the right direction on this front.”

RBC’s measures for Montreal eased by 1.5 percentage points to 46.3 per cent for two-storey homes, by 1.2 percentage points to 36.0 per cent for bungalows, and by 0.7 percentage points to 28.5 per cent for condominium apartments.

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:

British Columbia: Vancouver skews provincial affordability

- Rapid home price increases in Vancouver significantly impacted housing affordability in British Columbia in the second quarter. RBC’s measures for the province rose more than any other province, up 2.5 percentage points for two-storey homes, 2.1 percentage points for bungalows, and 0.4 percentage points for condominiums.

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).

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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