



## BRITISH COLUMBIA'S HOUSING AFFORDABILITY DETERIORATED IN THE SECOND QUARTER OF 2013: RBC ECONOMICS

**TORONTO, August 27, 2013** — British Columbia's housing affordability took a hit in the second quarter, with deterioration noted in the bungalow and two-storey home segments of the market, after seeing progress during the previous three quarters, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

“The weakening in affordability is a bit disappointing and the latest setback disrupting the way to healthier housing market conditions in British Columbia,” said Craig Wright, senior vice-president and chief economist, RBC. “The silver lining is home ownership costs in the province are still lower than a year ago despite moving up in the second quarter.”

Following a nearly two-year long cooling stretch, provincial resales rebounded 13.6 per cent from a historically low level in the first quarter, but still remained 19 per cent weaker than the 10-year average.

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, were mixed in the second quarter of 2013 (a fall in the measure indicates an improvement in affordability).

RBC measures rose by 1.1 percentage points to 67.6 per cent for bungalows and by 0.8 percentage points to 72.8 per cent for two-storey homes. The measure for condominiums was little changed, inching up by only 0.1 percentage points to 33.8 per cent.

### **Vancouver area housing market rebounding**

After showing signs of stabilizing earlier this year, the Vancouver area rebounded smartly in recent months. Home resales surged 14 per cent in the second quarter and climbed another 11 per cent between June and July.

“Housing market developments in Vancouver strongly suggest that the market correction has run its course and that the risk of a catastrophic outcome has greatly moderated,” said Wright.

RBC notes that the turnaround supported some gains in prices during the past several months, though prices have yet to move above year-ago levels. The downside of recent appreciation is that it took a toll on affordability, which remains by far the poorest in Canada.

Higher prices across all housing types in the second quarter were key in causing a broad based deterioration in affordability in the Vancouver area. RBC's measures rose noticeably by 2.2 percentage points for bungalows and by 1.1 percentage points for two-storey homes to 82.1 per cent and 85.8 per cent, respectively. The measure for condominiums rose a milder 0.3 percentage points to 40.7 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.1 per cent (up 2.2 percentage points from the previous quarter); Toronto 54.5 per cent (up 0.5 percentage points); Montreal 38.1 (down 0.7 percentage points); Ottawa 37.1 (up 0.5 percentage points); Edmonton 34.0 (up 1.8 percentage points); Calgary 33.0 (unchanged).

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.

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

- [Alberta](#): homeownership remains relatively affordable

Owning a home in Alberta continued to be relatively affordable for provincial homebuyers despite some increases in ownership costs in the past two quarters. RBC's affordability measures for the province rose between 0.1 and 0.7 percentage points across all housing types in the second quarter; yet, levels still stood below their long-term averages.

- [Saskatchewan](#): seesaw affordability pattern endures

Affordability in the province continued to experience a seesaw-like pattern which has characterized this market in recent years. RBC measures rose modestly by 0.9 percentage points for bungalow and 0.5 percentage points for two-storey homes in the latest period, while the measure for condominiums inched lower by 0.3 percentage points.

- [Manitoba](#): housing affordability a mixed bag

The province's second quarter housing affordability developments proved to be a mixed bag with RBC's measure for the two-storey home category rising by 1.8 percentage points, the measure for bungalows down slightly by 0.2 percentage points, and the measure for condominiums edging up by 0.2 percentage points.

- [Ontario](#): steady as she goes

There was little change in housing affordability in Ontario in the second quarter. RBC's measures for both bungalows and two-storey homes rose by 0.2 percentage points relative to the first quarter, while the measure for condominiums remained flat.

- [Quebec](#): bucking the deteriorating affordability trend

The Quebec housing market bucked the national trend by enjoying a broad-based improvement in affordability in the second quarter. RBC affordability measure for the province fell by 0.5 percentage points for bungalows and 0.4 percentage points for condominiums; the measure for two-storey homes remained unchanged.

- [Atlantic Canada](#): affordability stuck in neutral

Atlantic Canada's housing affordability levels remained relatively static at neutral levels in the second quarter of 2013. Affordability measures moved marginally in all categories tracked by RBC: bungalows and condominiums edged lower by 0.1 percentage points and 0.2 percentage points, respectively; two-storey homes edged up by 0.1 percentage points.

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

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