



QUEBEC HOUSING AFFORDABILITY A MIXED BAG IN THE FIRST QUARTER OF 2013: RBC ECONOMICS

TORONTO, May 23, 2013 — Affordability measures in Quebec did not reveal any visible deterioration in the first quarter of 2013, according to the latest [Housing Trends and Affordability Report](#), issued today by RBC Economics Research. In fact, RBC says it could be argued that the trend in condominium affordability marginally improved.

Still, homebuyers in the province have become increasingly hesitant to seal the deal on home purchases during the past year.

“Heightened caution in the Quebec housing market led to the second weakest showing in provincial home resales data in ten years in the first quarter of 2013,” said Craig Wright, senior vice-president and chief economist, RBC. “We have no doubt that the collective weight of uncertain economic prospects and stricter mortgage insurance rules took a toll on homebuyer confidence; what is less clear, however, is whether affordability played a role.”

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 in the province, were a mixed bag in the first quarter of 2013 (a rise in the measure indicates deterioration in affordability).

Affordability levels marginally deteriorated in the first quarter for single family homes in Quebec; the bungalow and two-storey homes categories rose slightly by 0.4 percentage points to 33.3 per cent and 0.1 percentage points to 41.3 per cent, respectively. These readings are slightly worse than their historical averages. RBC’s measure for condominiums declined, however, by 0.6 percentage points to 27.0 per cent.

Montreal-area housing market activity shows slight signs of improvement

RBC notes that there have been recent signs indicating that the significant slide in Montreal-area resale activity in the past year may be over. Home prices have made steady gains so far this year and home resales rose on a month-to-month basis in both March and April.

“The Montreal housing market still faces some challenges ahead, most notably the record-high number of housing units currently under construction – 85 per cent of which are condos,” said Wright. “There is a risk that this construction boom could fuel a jump in the number of homes for sale and disturb the balance we are seeing in the resale market.”

RBC also says that some Montreal homebuyers may be feeling pinched at current market prices – particularly with respect to owning a two-storey home.

Montreal-area affordability deteriorated across all housing types tracked by RBC in the first quarter. Measures rose by 1.5 percentage points to 52.1 per cent for two-storey homes, by 0.6 percentage points to 40.1 per cent for bungalows and by 0.1 percentage points to 32.0 per cent for condominiums.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.3 per cent (up 0.1 percentage points from the previous quarter); Toronto 53.8 per cent (up 0.8 percentage points); Montreal 40.1 per cent (up 0.6 percentage points); Ottawa 39.1 per cent (up 0.1 percentage points); Calgary 38.7 per cent (up 0.8 percentage points); Edmonton 30.4 per cent (down 0.2 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.

Highlights from across Canada:

- **British Columbia**: affordability improves, but still has a long way to go
Homeownership in the province became slightly more affordable in the first quarter, though the market has a long way to go before homebuyers can experience more normal levels by historical standards. RBC measures fell by 0.4 percentage points for bungalows and by 1.3 percentage points for two-storey homes. The measure for condominiums remained unchanged.
- **Alberta**: slight erosion in affordability does little to deter homebuyers
High household incomes in the province kept homebuyers unfazed by the slight erosion in affordability in the first quarter. Alberta's housing market remains a bright spot in Canada despite the fact that affordability measures rose slightly by 0.2 percentage points across all housing types tracked by RBC.
- **Saskatchewan**: biggest affordability improvement in Canada
Following a noticeable deterioration in the fourth quarter of 2012, Saskatchewan's affordability levels registered the largest improvement across Canada in kicking-off 2013. RBC measures fell by 1.7 percentage points for two-storey homes, 1.0 percentage point for bungalows and 0.3 percentage points for condominiums.

- **Manitoba**: second consecutive quarter of affordability deterioration
Manitoba's affordability levels deteriorated for the second straight quarter in the first quarter of 2013, though levels are still not considered dangerous for provincial homebuyers. The RBC measures rose modestly across all housing categories – up 0.8 percentage points for bungalows, 0.4 percentage points for condominiums and 0.2 percentage points for two-storey homes.
- **Ontario**: affordability conditions extend their recent trends
Ontario's affordability conditions in the first quarter of 2013 were by and large an extension of recent trends – a deterioration in the single family homes categories and a standstill for the condominium category. RBC's measures for both bungalows and two-storey homes rose by 0.4 percentage points, while the measure for condominiums remained unchanged.
- **Atlantic Canada**: cooling housing market keeps affordability attractive
Increasingly looser housing market conditions have reduced sellers' pricing power, keeping affordability fairly attractive in Atlantic Canada. First quarter measures rose very modestly, between 0.4 and 0.6 percentage points, for all categories tracked by RBC.

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

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