



QUEBEC'S HOUSING AFFORDABILITY IMPROVES FOR SECOND STRAIGHT QUARTER: RBC ECONOMICS

- Home resale activity weakens slightly, slows upward pressure on prices
- Montreal-area affordability remains relatively even-keeled

TORONTO, November 22, 2012 — Quebec's housing affordability improved in the third quarter of 2012 for the second consecutive quarter, and returned to levels witnessed in late 2011, according to the latest [Housing Trends and Affordability Report](#), released today by RBC Economics Research.

“Much like many of the other markets in Canada, home resale activity softened in Quebec in the middle of this year, slowing upward pressure on prices,” explained Craig Wright, senior vice-president and chief economist, RBC. “While we have seen some loosening in the Quebec market recently, conditions generally remained balanced.”

According to RBC, affordability levels in Quebec stand slightly above the historical average, which indicates that the province's prospective homebuyers may be feeling a slight pinch budget-wise if they bought a home at the current market prices.

RBC's 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, edged lower across all housing types (a decrease in the measure represents an improvement in affordability). The RBC measure for the benchmark detached bungalow fell by 0.8 percentage points to 33 per cent, while the standard two-storey home and condominium categories fell by 0.6 percentage points to 42 per cent and 27 per cent, respectively.

Montreal-area market mirrors developments seen across Canada

“Developments in the Montreal-area housing market were very similar to the most of Canada's major cities in the third quarter,” said Wright. “Affordability levels in the city remained slightly stretched, but improved for the most part as home resales slowed, prices moderated, and as market conditions loosened but stayed largely balanced.”

RBC notes that the only exception to this improved affordability picture has been a slight deterioration in the measure for detached bungalows, which inched higher by 0.1 percentage points in the third quarter in Montreal. The measures for two-storey homes and condominium apartments fell by 0.5 percentage points to 51.7 per cent and 31.7 per cent, respectively.

Since 2007, two-storey homes have been less affordable than they were historically, putting some stress on the area and pushing measures above both the long-term and historical averages. Still, RBC indicates that there has been little evidence of undue affordability stress outside of this market segment.

Where housing affordability stands in Canada

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 83.2 per cent (down 5.8 percentage points from the previous quarter); Toronto 52.4 per cent (down 0.7 percentage points); Montreal 40.2 per cent (up 0.1 percentage points); Ottawa 38.7 per cent (down 0.4 percentage points); Calgary 38.3 per cent (down 0.7 percentage points) and Edmonton 31.1 per cent (down 0.6 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 hurdles still tough to clear

British Columbia's housing market experienced improvements in the third quarter of 2012, and yet, affordability conditions remained the poorest across Canada. RBC measures fell between 2.0 percentage points and 3.7 percentage points, the largest drops across Canada. The situation remains less severe elsewhere in the province; the share of income needed to carry ownership costs in Victoria, for instance, is almost half the share in Vancouver for some housing types.

- [Alberta](#): Attractive affordability contributes to market renaissance

Alberta's housing market enjoyed firm and steady resale activity, balanced demand-supply conditions, moderate home price increases, and improved housing affordability. Third quarter affordability measures for the province edged lower – between 0.2 percentage points and 0.4 percentage points – remaining below their long-term and the national averages.

- [Saskatchewan](#): Little evidence of affordability strain

Significant deteriorations in housing affordability in the second quarter in Saskatchewan were largely reversed in the third with RBC measures in the province falling between 0.9 percentage points and 1.3 percentage points. The measures stood just slightly above their long term averages for all housing categories, indicating little in the way of undue affordability induced strain on the market.

- [Manitoba](#) – Market losing some of its steam; minimal pressure on affordability

Declining housing prices spurred a notable improvement in housing affordability in Manitoba over the third quarter. RBC measures fell between 0.6 percentage points and 1.6 percentage points, which fully unwound the deterioration that occurred in the prior quarter. Provincial affordability levels sit slightly higher than their averages since the mid 1980s, but remain well below the corresponding national averages.

- [Ontario](#): More balanced conditions help to ease affordability stress

Ontario's housing affordability eased somewhat in the third quarter, but remains under mild pressure, most notably in the two-storey home segment. RBC measures declined between 0.5 percentage points and 1.1 percentage points in the province, which, in effect, rolled back the two consecutive quarterly increases that took place in the first half of this year.

- [Atlantic](#): Affordability position remaining quite stable

Housing affordability in Atlantic Canada improved slightly across the board, with RBC measures in the region inching lower by 0.2 percentage points to 0.7 percentage points relative to the previous quarter. Affordability measures have been reasonably stable over the past three years in the region, showing no discernable trends on either the up or down sides.

The full RBC Housing Trends and Affordability report is available online, as of 7 a.m. ET today, at rbc.com/economics/market/.

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