



## **QUEBEC'S HOUSING AFFORDABILITY REVERSES EARLIER IMPROVEMENTS: RBC ECONOMICS**

**TORONTO, November 27, 2013** — Second-quarter improvements in Quebec's affordability levels were largely reversed in the third quarter, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

“Home ownership in Quebec remains quite manageable despite deteriorating affordability in the third quarter – levels sit near historical norms,” said Craig Wright, senior vice-president and chief economist, RBC. “This is supporting homebuyer demand which continues to rebuild, although at a slower pace than in many other markets in Canada. A weaker job market and uncertain economic prospects may well be the factors influencing this lack of confidence in Quebec's housing market.”

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 in Quebec, deteriorated across all housing categories in third quarter of 2013 (an increase in the measure represents deterioration in affordability).

Earlier improvements in RBC's measures for single-family homes gave way to modest erosion in the third quarter; two-storey homes rose 0.6 percentage points to 42.9 per cent and bungalows increased 0.5 percentage points to 33.9 per cent. RBC's measure for condominiums was unchanged at 26.4 per cent in the third quarter.

### **Montreal-area housing affordability deteriorates slightly in Q3**

Following a downturn in the latter half of 2012, the Montreal-area housing market continues to rebound though a full recovery is still not in sight, RBC says. Home resales logged moderate quarterly gains in the second and third quarters of 2013 – up 3.8 per cent and 3.2 per cent, respectively – only partially reversing the earlier drops.

“Even with the recent strengthening in activity, third quarter resales in Montreal still stood more than 16 per cent below the 10-year average,” said Wright.

At the same time, the supply of homes available for sale also rose. RBC notes that condos posted the fastest increase in listings among the main housing categories during the past year, contributing to a quarterly decline in prices in this market segment in the latest period.

RBC measures for housing in Montreal rose slightly across all categories in the third quarter; up 0.3 percentage points for detached bungalows to 38.3 per cent, up 0.9 percentage points for two-storey homes to 50.6 per cent and up 0.2 percentage points for condos to 30.5 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 84.2 (up 2.0 percentage points from the previous quarter); Toronto 55.6 (up 1.3 percentage points); Montreal 38.3 (up 0.3 percentage points); Ottawa 37.3 (up 0.4 percentage points); Calgary 33.7 (up 0.7 percentage points); Edmonton 32.9 (up 0.5 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's housing affordability ebbs](#)  
Firmer market conditions in the third quarter propped up home prices in the province, contributing to erosion in housing affordability levels. RBC measures rose by 1.5 percentage points for bungalows, 1.2 percentage points for two-storey homes, and 0.8 percentage points for condominiums.
- [Alberta's affordability remains attractive despite deterioration](#)  
Alberta's housing affordability deteriorated for the third consecutive quarter in the third quarter, albeit modestly. This kept the province in an attractive position relative to other provinces with respect to affordable housing. RBC's measures rose 0.6 percentage points for bungalows, 0.2 percentage points for two-storey homes and 0.1 percentage points for condominiums.
- [Saskatchewan's homeownership remains reasonably affordable](#)  
RBC measures for Saskatchewan edged slightly higher in the third quarter, up 0.6 percentage points for two-storey homes, 0.2 percentage points for condominiums, and 0.1 percentage points for bungalows. Affordability in the province has mostly trended sideways since 2009, suggesting that it likely has a neutral effect on home buying decisions in the province, RBC says.
- [Manitoba's housing affordability mirroring the national picture](#)  
RBC's measures for Manitoba increased by almost the same magnitude as Canadian measures for single family homes in the third quarter (0.6 percentage points for bungalows and two-storey homes), while the measure for condos remained unchanged compared to a marginal rise of 0.1 percentage points in Canada overall.

- [Ontario's single-family homes are tougher to afford relative to condos](#)  
Ontario saw a further modest erosion in housing affordability in the third quarter, largely concentrated in the single-family home segment. RBC's measures rose by 0.9 percentage points for bungalows, 0.7 percentage points for two-storey homes and 0.2 percentage points for condominiums.
- [Atlantic Canada's affordability levels remain within manageable range](#)  
Affordability in the region compares well against the rest of the country, showing little movement in the third quarter, and keeping within a very manageable range for homebuyers. RBC's measures edged higher by 0.5 percentage points for two-storey homes and by 0.2 percentage points for bungalows. The measure remained unchanged for condominiums in the region.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at [www.rbc.com/economics/economic-reports/canadian-housing-forecast.html](http://www.rbc.com/economics/economic-reports/canadian-housing-forecast.html).

**For more information, please contact:**

[Craig Wright](#), Senior Vice-President and Chief Economist, RBC, 416 974-7457  
[Robert Hogue](#), Senior Economist, RBC Economics Research, 416 974-6192  
[Elyse Lalonde](#), Manager, Communications, RBC Capital Markets, 416 842-5635