



Quebec's housing affordability improved for third consecutive quarter: RBC Economics

TORONTO, February 25, 2013 — Quebec's housing affordability registered a general improvement for the third consecutive quarter in the final quarter of 2012, according to the latest [Housing Trends and Affordability Report](#), released today by RBC Economics Research. RBC notes, however, that such progress did little to stimulate homebuyer demand in the fourth quarter.

“While Quebec experienced strong housing demand early last year, resale activity began to cool in the spring – a trend that continued through to the end of the year,” said Craig Wright, senior vice-president and chief economist, RBC. “Even still, overall market conditions only slightly softened, which helped to temper the rate of rising home prices rather than cause widespread declines.”

With the exception of two-storey homes, the most recent affordability levels match long-term averages in the province and suggest little in the way of undue affordability-related strain on Quebec homebuyers.

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 in the province, fell in two of the three housing categories; two-storey homes edged lower by 1.1 percentage points to 41 per cent and detached bungalows by 0.3 percentage points to 32.8 per cent. The measure for condominium apartments rose by 0.4 percentage points to 27.4 per cent.

Montreal-area affordability follows provincial trend and improves for third consecutive quarter

Although the costs of owning a home still took a bigger bite out of household budgets in Montreal than it has on average historically, homeownership became more affordable for the third quarter in a row.

In the fourth quarter, RBC measures for Montreal declined in both two storey homes and detached bungalows by 1.4 percentage points (to 50.4 per cent) and 0.9 percentage points (to 39.3 per cent), respectively. Condominium apartments, however, rose marginally by 0.1 percentage points to 31.8 per cent.

“Slower momentum in home resales, which were down by more than 15 per cent in the fourth quarter compared to the same period a year earlier, and downward pressure on prices helped to make the Montreal-area market modestly more affordable in the fourth quarter,” explained Wright. “While some small price declines are possible in the near term, reasonably balanced conditions between buyers and sellers at this stage should help to limit their extent.”

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.2 per cent (down 2.6 percentage points from the previous quarter); Toronto 52.8 per cent (down 0.4 percentage points); Montreal 39.3 per cent (down 0.9 percentage points); Ottawa 38.8 per cent (down 0.5 percentage points); Calgary 38.1 per cent (up 0.2 percentage points) and Edmonton 30.7 per cent (down 0.1 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](#): housing affordability improving, still has to go the distance

While housing affordability in British Columbia still has a long way to go before reaching less stressful levels, homebuyers in the province received a welcome reprieve in the fourth quarter. RBC measures fell by 1.1 percentage points for condominium apartments and 1.0 percentage point for detached bungalows. The two-storey home category experienced a small increase (0.4 percentage points), though this followed a substantial decline in the third quarter.

- [Alberta](#): vibrant market bolstered by attractive affordability

Brisk demand for the province's housing in 2012 was supported by a strong provincial economy, accelerating population growth and attractive affordability. Further improvement was registered in the fourth quarter with measures falling between 0.1 and 0.2 percentage points.

- [Saskatchewan](#): affordability conditions buck the national trend

Tight market conditions at the beginning of 2012 had a lasting impact on home prices in Saskatchewan, which climbed at some of the faster paces in Canada in the fourth quarter. Rising property values caused affordability to deteriorate in the fourth quarter with measures increasing between 0.5 and 1.1 percentage points.

- [Manitoba](#): market vigour unhindered by slight affordability deterioration

Manitoba's housing market registered a banner year in 2012 with a record 14,000 existing homes sold, indicating that housing affordability levels had little dissuasive effect on homebuyers in 2012. Although measures for detached bungalows and

condominiums deteriorated in the fourth quarter, measures for two-storey homes remained unchanged. RBC's measures for Manitoba continued to rank slightly above their long-term average, suggesting that any affordability strain is likely minimal at this point.

- [Ontario](#): affordability largely improves, tempering overall market conditions

The tightness that characterized Ontario's housing market in the early part of 2012 gave way and a more balanced market was observed in the second half of 2012, improving overall affordability conditions in the province. RBC's measures inched lower by 0.1 and 0.3 percentage points for the detached bungalow and condominium apartment, respectively, while the measure for two-storey homes rose marginally by 0.1 percentage points.

- [Atlantic Canada](#): housing continues to be affordable

Affordability in the Atlantic region received another boost in the fourth quarter, with RBC measures falling for two-storey homes (by 1.0 percentage points) and detached bungalows (by 0.5 percentage points), keeping levels well below their respective national averages. The measure for condominium apartments rose modestly by 0.3 percentage points, though this followed a more sizable drop in the previous period.

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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