



QUEBEC HOUSING MARKET BUCKS THE NATIONAL TREND IN THE SECOND QUARTER OF 2013 AS AFFORDABILITY IMPROVES: RBC ECONOMICS

TORONTO, August 27, 2013 — Quebec’s housing market enjoyed broad-based improvement in affordability in the second quarter, bucking the deteriorating trend seen across the country, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research. Despite this improvement in affordability, home resales rose by a relatively subdued rate of 3.7 per cent – almost half the pace of the national level.

“Although Quebec resales bounced back from the four-year lows reached earlier this year, they didn’t mirror the same vigorous activity we saw in other parts of the country in the spring and summer,” said Craig Wright, senior vice-president and chief economist, RBC. “A lacklustre labour market and uncertain economic prospects in the province may be weighing on homebuyer confidence.”

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 fell for two of the three housing categories tracked in the second quarter of 2013 (a fall in the measure indicates improvement in affordability).

Affordability measures for Quebec fell for bungalows and condominiums; down 0.5 percentage points to 33.5 per cent and 0.4 percentage points to 26.5 per cent, respectively. RBC’s measure for two-storey homes remained unchanged at 42.5 per cent. RBC notes that affordability levels are largely in line with historical norms in Quebec, which suggests that owning a home at market values shouldn’t exert any undue stress on homebuyers at this point.

Montreal-area housing activity lagging behind other major markets

Although home resales in Montreal rose in the second quarter of 2013, the level of activity remained nearly 14 per cent below the 10-year average in the area.

“It seems that many potential homebuyers in the area are still hesitant to enter the market – this could be linked to the fact that the unemployment rate rose above eight per cent this spring and Montrealers may be concerned about their job situations,” explained Wright.

The RBC report indicates that any affordability tensions are mostly isolated to the two-storey home segment of the market, where the measure stands significantly above its long-run average. This is not the case for the measures in other categories, which remain only slight above historical norms, RBC says.

Second quarter RBC affordability measures fell modestly across all housing types in the Montreal area. Measures eased 0.5 percentage points for both condominiums and two-storey homes to 30.4 per cent and 49.9 per cent, respectively, while the measure for bungalows fell 0.7 percentage points to 38.1 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:

- [British Columbia](#): affordability takes one step back

Homeownership of single-family homes in the province became less affordable in the second quarter of 2013 amid a surge in resale activity since early spring following a near two-year long cooling stretch. RBC measures rose by 1.1 percentage points for bungalows, by 0.8 percentage points for two-storey homes, and by only 0.1 percentage points for condominiums.

- [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.

- [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/.

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