

## QUEBEC'S HOUSING AFFORDABILITY IN THE 'NEUTRAL ZONE': RBC ECONOMICS

### Montreal's affordability remains slightly strained but shows improvement

**TORONTO, November 25, 2011** — Following back-to-back deteriorations, Quebec's housing affordability improved across all housing types in the third quarter, according to the latest [Housing Trends and Affordability Report](#) released today by RBC Economics.

"With the possible exception of two-storey homes, affordability measures remain well within historical norms in Quebec," said Robert Hogue, senior economist, RBC. "Still, this mostly 'neutral' affordability picture has had only a muted effect on housing demand in the third quarter. Home resales barely rose, which is likely attributable to a sluggish provincial job market that has persisted since early summer."

RBC's housing affordability measures for Quebec decreased across all housing types in the third quarter of this year. RBC's measures capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values (a decline represents a move towards greater affordability). The measure for the standard two-storey home edged 0.6 percentage points lower from the previous quarter to 43.1 per cent. The measure for the benchmark detached bungalow fell by 1.4 percentage points to 33.5 per cent and the standard condominium inched lower by a mere 0.1 percentage points to 27.7 per cent.

"For its part, the Montreal-area market saw some of the bigger improvements in affordability of all major Canadian cities in the third quarter and remained significantly more affordable than Toronto and Vancouver," added Hogue. "Nonetheless, affordability levels in Montreal continue to be somewhat worse than historical norms in the area – this will likely exert some downward pressure on local housing demand."

RBC's affordability measures decreased in the Montreal area for two-storey homes (down 2.3 percentage points to 52.2 per cent) and detached bungalows (down 1.3 percentage points to 40.9 per cent), but increased marginally for condominiums (up 0.1 percentage points to 32.6 per cent).

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 90.6 per cent (down 1.5 percentage points from the previous quarter), Toronto 52.1 per cent (up 0.1 percentage points), Montreal 40.9 per cent (down 1.3 percentage points), Ottawa 40.8 per cent (down 0.6 percentage points), Calgary 37.6 per cent (up 0.5 percentage points) and Edmonton 33.2 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. Alternative housing types are also presented, including a standard two-storey home and a standard condominium. The higher the reading, the more costly it is to afford a home based on going market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, take up 50 per cent of a typical household's monthly pre-tax income.

### Highlights from across Canada:

- **British Columbia**: The combination of moderate declines in mortgage rates and softer prices for some housing types made it slightly more affordable to own a home in British Columbia in the third quarter. The RBC Affordability measures for British Columbia decreased between 0.3 and 1.2 percentage points in the quarter, but remain well above historical norms. The poor affordability picture in British Columbia will continue to weigh on local housing demand.
  - Vancouver continues to experience sky-high home prices, even though the RBC affordability measures fell between 1.5 percentage points and 0.8 percentage points. Current market prices continue to weigh on local homebuyers, as home ownership costs remain well above historical norms.
- **Alberta**: Impressive gains in Alberta's economy contributed to a stronger provincial housing market in the third quarter of this year. Home resales and housing starts reached their highest levels in over a year, thanks to renewed demand for housing in the province. RBC affordability measures for Alberta remained mostly unchanged and the lowest among the provinces in the third quarter.
  - Affordability measures in Calgary deteriorated slightly for most housing types in the third quarter, rising between 0.2 and 0.5 percentage points. Nonetheless, Calgary-area homebuyers continue to benefit from attractive affordability, which remained the best among Canada's major cities.
- **Saskatchewan**: In the third quarter, there was widespread improvement in housing affordability in Saskatchewan. RBC measures fell for all housing types between 0.8 and 0.9 percentage points, reversing part of the increases from the previous quarter. Home resales picked up significantly in the province, with strong gains registered in Saskatoon and Regina. The Saskatchewan housing market will continue to be well-supported by strong economic growth in the coming year.
- **Manitoba**: Housing affordability continues to be attractive in Manitoba, showing some of the most significant improvements in the country in the third quarter. The RBC measures for two-storey homes fell 1.5 percentage points, while the measures for detached bungalows declined by 1.2 per cent and for condominium apartments by 0.8 percentage points. Homebuyers took advantage of the greater affordability in the third quarter and boosted home resales by 5.3 per cent.

- **Ontario:** Ontario's housing affordability experienced very little change in the third quarter of 2011. Condominium apartments were the only housing type to see any movement, with the RBC measure decreasing by a mere 0.1 percentage point. Affordability in Ontario stands just slightly worse than the historical average in the province. Home resales in Ontario increased at a robust 3.8 per cent rate. Market activity in Ontario is balanced at the moment, and home prices are increasing at a steady yet moderate pace. The number of homes for sale in Ontario is on the rise, which will likely slow the pace of property appreciation in the period ahead.
  - The Toronto area remains a sellers market even as RBC measures clearly stand above long-term averages for the area. In the third quarter, measures for Toronto were little changed, increasing by a mere 0.1 percentage point for detached bungalows, declining by 0.3 percentage points for two-storey homes and staying flat for condominiums.
  - Ottawa measures decreased over all housing types in the third quarter from 0.2 to 0.6 percentage points. The earlier cooling in market activity in the area has almost entirely reversed in the latest period, as home resales rebounded by eight per cent.
- **Atlantic Canada:** Atlantic Canada's housing market continues to be among the most affordable in Canada, with further modest improvements in the third quarter: the RBC measures eased between 0.4 and 0.6 percentage points. Although many markets in New Brunswick have displayed signs of cooling in the last two quarters amid deterioration in the province's labour market, overall, home resales increased marginally in the region. With slow economic growth projected in Atlantic Canada next year, housing trends are likely to remain largely stable 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/market/](http://www.rbc.com/economics/market/).

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