



OWNING A HOME IN QUEBEC WAS MORE AFFORDABLE IN Q4 2014: RBC ECONOMICS

Homebuyers enjoyed the most affordable conditions in more than five years for single family homes and in nearly 10 years for condos

TORONTO, March 3, 2015 — On the heels of steady improvements throughout the first three quarters of last year, Quebec's housing affordability conditions broadly improved in the final quarter of 2014, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

"The improved affordability picture is the upside of otherwise predominantly soft housing market conditions in Quebec," said Craig Wright, senior vice-president and chief economist, RBC. "Home resales picked up in the second half of 2014, but remained 4.1 per cent below the 10-year average, and an increase in supply of homes for sale gave more sway to buyers in setting prices, leading to price declines across all categories."

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income that would be needed to service the costs of owning a home at current market values in Quebec, improved for all housing types in Q4 of 2014 (a decline in the measure represents an improvement in affordability). RBC's measures fell by 0.6 percentage points for two-storey homes to 41.3 per cent and by 0.4 percentage points for both bungalows and condos, to 33.1 per cent and 25.6 per cent, respectively.

Montreal area: Affordability improvements take a pause

Fourth quarter RBC affordability measures for the Montreal area were little changed from the prior quarter, though this followed substantial improvement earlier last year. RBC says that despite flat readings for bungalows (37.3 per cent) and condos (29.2 per cent), and a modest decline of 0.2 percentage points for two-storey homes (to 48.1 per cent), there is a bright spot.

"Our measures for Montreal during the final months of 2014 were the most improved versus year-ago levels among Canada's biggest metropolitan markets," said Wright. "This is largely thanks to weakness in prices, especially during the first half of last year."

RBC says that results show resale activity perked up during the latter half of last year from deeply depressed levels. In Q4, home resales were 1.2 per cent higher than they were a year earlier; however, they stood 20 per cent below the 10-year average for the quarter.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in Q4 of 2014 is as follows: Vancouver 82.4 (down 1.2 percentage points from Q3); Toronto 56.8 (up 0.8 percentage points); Montreal 37.3 (unchanged); Ottawa 36.0 (up 0.2 percentage points); Calgary 33.7 (down 0.6 percentage points); Edmonton 33.5 (up 0.1 percentage points).

The RBC Housing Affordability measure, which has been compiled since 1985, is based on the calculated 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.

It is important to note that RBC's measure is designed to gauge ownership costs associated with buying a home at present market values. It is not a representation of the actual costs incurred by current owners, the vast majority of whom have bought in the past at significantly different values than those prevailing in the latest period.

Highlights from across Canada:

British Columbia: Small improvement in affordability conditions

- Housing affordability slightly improved across all categories of homes measured by RBC, primarily reflecting stronger household income arising from brighter economic prospects in the province. During Q4, RBC's measures eased between 0.1 and 0.7 percentage points.

Alberta: Housing remains relatively affordable despite buffeted economic confidence

- Housing affordability was mainly unchanged in Alberta during Q4, continuing to be fairly attractive relative to other provinces and compared to historical averages. RBC's measure for bungalows fell by 0.4 percentage points, and remained unchanged for both condos and two-storey homes.

Saskatchewan: Price declines translate to improved affordability

- Price declines in the province during the fourth quarter of 2014 contributed to the fifth consecutive quarter of affordability improvements. RBC's measures fell by 0.6 percentage points for both bungalows and two-storey homes. The measure for condos, however, rose by 0.6 percentage points.

Manitoba: Affordability improves across the provincial housing market

- It became more affordable to buy a home in Manitoba during the fourth quarter of 2014, with RBC's measures falling across all housing categories (between 0.1 and 0.4 percentage points over the third quarter).

Ontario: Robust housing market conditions impact affordability

- Ontario's housing market bucked the generally improving trend in affordability across Canada in Q4, 2014. RBC's measures rose in all categories between 0.2 percentage points and 1.0 percentage points.

Atlantic Canada: Among the most affordable markets in Canada

- The region's homebuyers continued to face some of the most affordable conditions across the country in Q4 of 2014. RBC's affordability measures fell for both the two-storey and bungalow segments, by 0.5 and 0.1 percentage points, respectively. The measure for the condo segment edged higher by 0.1 percentage points.

The full RBC Housing Trends and Affordability report is available [online](#) as of 8 a.m. ET today.

For more information, please contact:

[Robert Hogue](#), Senior Economist, RBC Economics Research, 416-974-6192

[Elyse Lalonde](#), Communications, RBC Capital Markets, 416-842-5635