

Home affordability improves for a third consecutive quarter in Q3 2019

By Matthieu Arseneau & Kyle Dahms

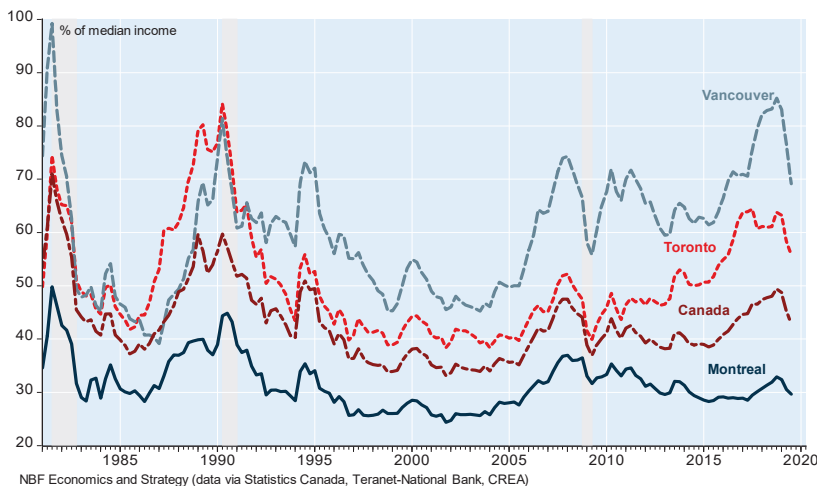
The housing affordability composite index reversed back to its historical average in Q3 2019 as all observed markets improved in each of the last three quarters. The most significant factor to this development was the decline in mortgage rates. Indeed, the free-fall in financing costs over the last nine months was the most substantial since 2012 (-87 bps). The booming labour market also played a significant role in this development as income grew at a whopping 5.1% annualized over that period while home prices did not materially change at the national level. While our national housing affordability composite index is now in line with its historical average (43% of median income), it does not mean that the situation is back to normal in all metropolitan areas. Despite some welcome progress in the last three quarters (see chart on the left), the situation remains difficult in the two largest markets by housing market value. In Toronto, both condo and non-condo affordability improved substantially since Q4 2018 but remain above their respective historical averages. In Vancouver, the monthly mortgage payment as a percentage of income has reverted to its Q1 2016 level helped by a cumulative decline of home prices (down 8.1% since their peak). We note that affordability in the condo market in Greater Vancouver is back to its historical average while the non-condo segment remains costlier. Elsewhere in the country, the Montreal market for its part saw a smaller improvement as home prices registered the largest increase following Ottawa-Gatineau. Surging population growth in Canada's largest metro areas, coupled with leveling mortgage rates should limit the scope for further improvement in home affordability.

HIGHLIGHTS:

- Canadian housing affordability improved for a third consecutive quarter in Q3 2019, posting the second largest one quarter progress since Q1 2009. The mortgage payment on a representative home as a percentage of income (MPPI) fell 2.2 points after a 3.5-point decline in Q2'19. Seasonally adjusted home prices edged up 0.1% in Q3'19 from Q2'19; the benchmark mortgage rate (5-year term) fell 36 basis points; while median household income rose 1.1%.
- In the third quarter, affordability improved most in Vancouver, Victoria, Toronto and Hamilton. No markets showed a deterioration with Winnipeg and Montreal posting the smallest improvements (see chart on the right). Vancouver is now at its most affordable level since 2016. Countrywide, affordability improved in both the condo segment and the non-condo portion. See detailed statistics on page 12.
- The time required to save for the down payment on a representative home at a savings rate of 10% fell 19.6 months to 311.2 months in Vancouver but held steady in Toronto (+0.3 to 89 months) and Montreal (+0.4 to 33.4 months) in Q3 2019.

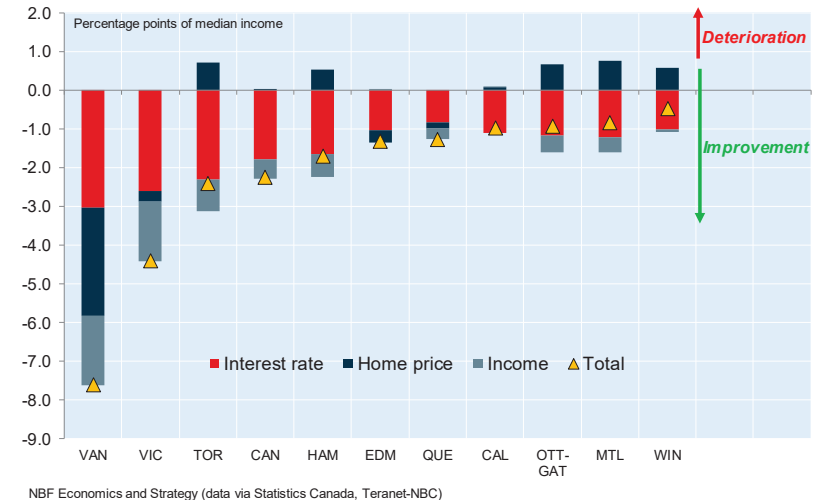
Canada : Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)



Canada: Q3 change in housing affordability in 10 metropolitan areas

Q/Q change in mortgage payment on median-price home (25-year amortization, 5-year term)



Toronto

Toronto's housing affordability improved in both the non-condo and condo segments in the third quarter. Indeed, lower interest rates and rising incomes have contributed to improving affordability in Canada's largest city. On the flip side, home prices posted an increase in the quarter. Condos rose +1.4% q/q and other dwellings +1.2% q/q). Home prices for all dwellings are now up 2.9% on an annual basis. All told, the composite for all dwellings showed an improvement in the MPPPI* for the quarter (-2.4pp) and the year (-5.2pp). *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPPI)				
Non-Condo	59.3%	▼	- 2.6%	Q/Q
Condo	36.2%	▼	- 1.5%	Q/Q



Non-Condo

\$908,785
Price of the representative home in the metropolitan market

\$188,299
Household annual income needed to afford the representative home

97
Months of saving required for the down payment (saving rate of 10%)

27.2%
Premium for buying compared to the national urban composite



Condo

\$555,328
Price of the representative condo in the metropolitan market

\$117,235
Household annual income needed to afford the representative condo

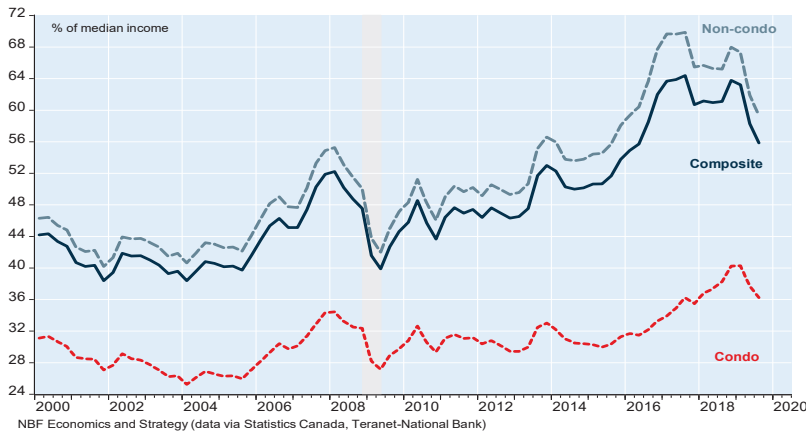
45
Months of saving required for the down payment (saving rate of 10%)

-1.1%
Premium/discount for buying compared to renting a two-bedroom condo in the GTA

Toronto : Perspective on housing affordability

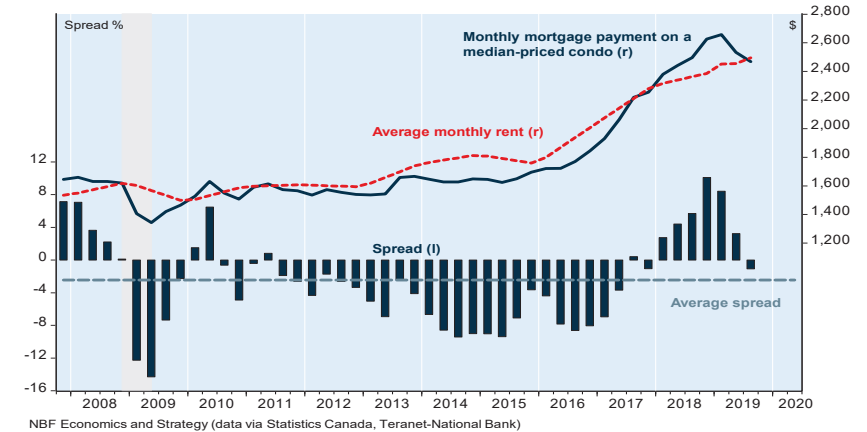
Monthly mortgage payment on median home price (25 year amortization, 5-year term)

TORONTO



Toronto: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



Montreal

In Montreal, affordability as measured by the MPPI improved for both the condo (-0.8pp) and non-condo (-0.9pp) segments. Prices continued their upward trajectory in this comparatively affordable city but were tamed by lower financing costs and higher incomes. Accordingly, for the aggregate of all dwellings, the MPPI* dropped to 29.7 %, slightly below its historical average. On a yearly basis, home prices have risen by 5.9%, essentially in line with income growth which progressed 5.7 % in the same period. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	32.1%	▼	- 0.9%	Q/Q
Condo	24.1%	▼	- 0.8%	Q/Q



Non-Condo

\$384,000
Price of the representative home in the metropolitan market

\$81,494
Household annual income needed to afford the representative home

36
Months of saving required for the down payment (saving rate of 10%)

-46.3%
Premium for buying compared to the national urban composite



Condo

\$287,909
Price of the representative condo in the metropolitan market

\$61,101
Household annual income needed to afford the representative condo

27
Months of saving required for the down payment (saving rate of 10%)

3.4%
Premium/discount for buying compared to renting a two-bedroom condo in Montreal

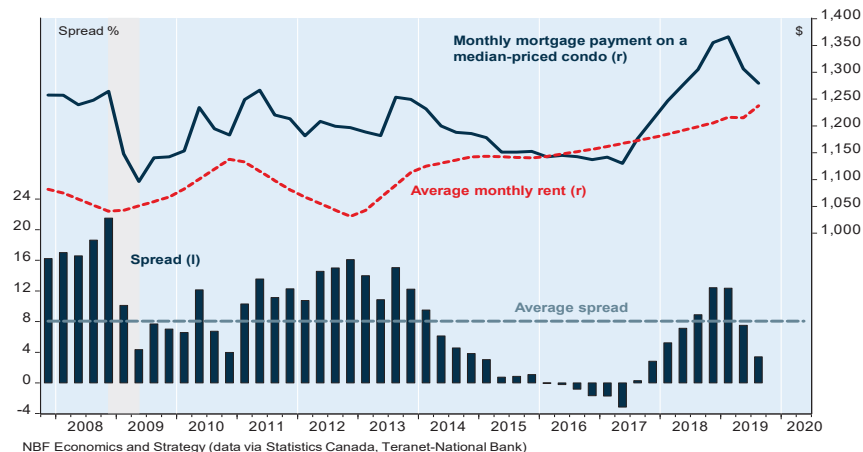
Montreal : Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)

Montreal: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo

MONTREAL



Vancouver

Vancouver's housing affordability as quantified by the MPPI* improved for both the condo and non-condo sectors in the second quarter (-4.0pp and -9.0pp respectively). This was the second largest improvement in the condo segment since 2009. Moreover, the mortgage payment for the non-condo portion now requires an even smaller share of the median household pre-tax income (83.9%) to service. This percentage fell this quarter on the back of lower interest rates, declining home prices and income growth. Home prices for the aggregate are now down 3.7% in the quarter and -7.4% over the past year. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	83.9%	▼	- 9.1%	Q/Q
Condo	41.6%	▼	- 4.0%	Q/Q



Non-Condo

\$1,226,762
Price of the representative home in the metropolitan market

\$219,239
Household annual income needed to afford the representative home

378
Months of saving required for the down payment (saving rate of 10%)

71.7%
Premium for buying compared to the national urban composite



Condo

\$608,610
Price of the representative condo in the metropolitan market

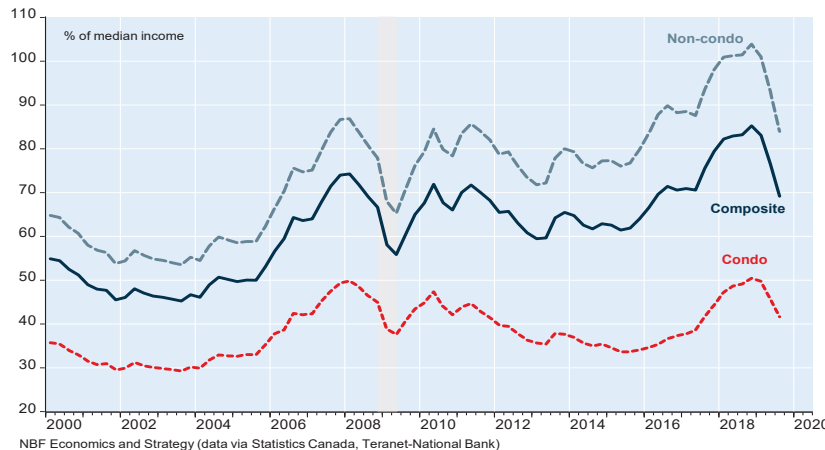
\$127,948
Household annual income needed to afford the representative condo

55
Months of saving required for the down payment (saving rate of 10%)

28.4%
Premium/discount for buying compared to renting a two-bedroom condo in Vancouver

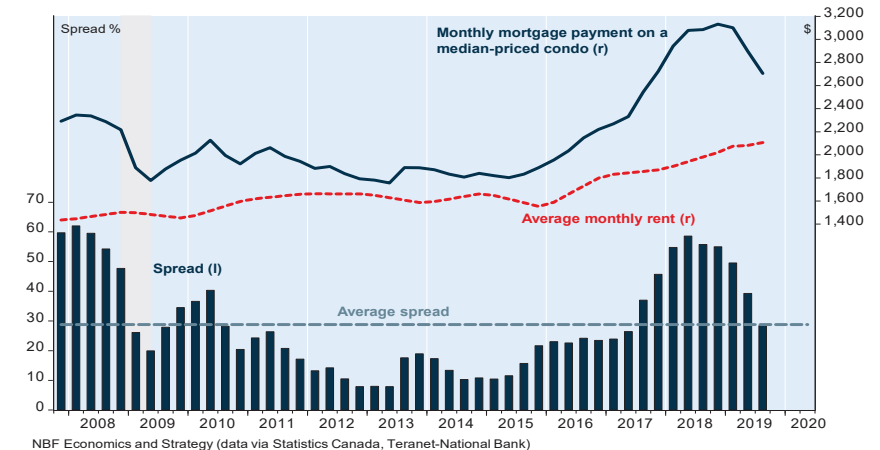
Vancouver : Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)



Vancouver: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



VANCOUVER

Calgary

Calgary also saw an improvement in the MPPI* for both the non-condo (-1.1pp) and condo (-0.8pp) segments. Indeed, on a quarterly basis, home prices for the city edged up slightly (+0.3 %) but remain lower on a year-over-year basis (-2.7% y/y). Incomes are still rising at a decent pace on an annual basis (+2.8%) and lower financing costs have contributed to improving affordability. While Calgary has become more affordable on a relative basis, relatively stagnant home prices are still indicative of economic woes in the province. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	30.4%	▼	- 1.1%	Q/Q
Condo	15.9%	▼	- 0.8%	Q/Q



Non-Condo

\$490,576

Price of the representative home in the metropolitan market

\$104,111

Household annual income needed to afford the representative home

34

Months of saving required for the down payment (saving rate of 10%)

-31.3%

Premium for buying compared to the national urban composite



Condo

\$256,111

Price of the representative condo in the metropolitan market

\$54,353

Household annual income needed to afford the representative condo

18

Months of saving required for the down payment (saving rate of 10%)

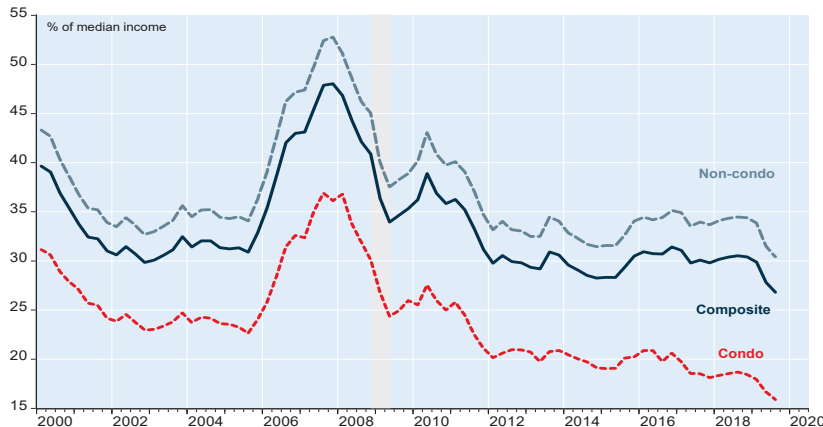
-25.6%

Premium/discount for buying compared to renting a two-bedroom condo in Calgary

Calgary : Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)

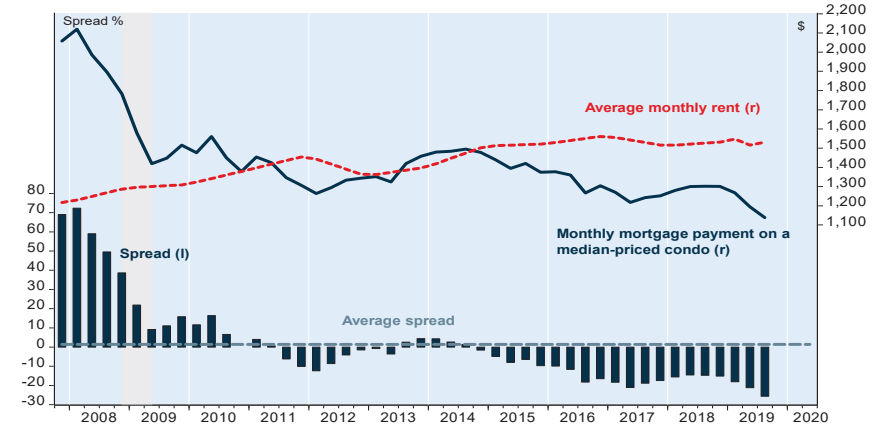
CALGARY



NBF Economics and Strategy (data via Statistics Canada, Teranet-National Bank)

Calgary: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



NBF Economics and Strategy (data via Statistics Canada, Teranet-National Bank)

Edmonton

Edmonton mirrored a similar situation as the one observed in Calgary. There was an improvement in affordability for both the condo and non-condo segments. The slowdown in the housing market can be seen by lower prices for all dwellings on both a quarterly and annual basis. Looking at the annual perspective, the MPPI* for the composite fell by 3.4-points. That improvement was still below the urban composite, a result of slower income growth. *See tables on page 12 for more information.



**Non-
Condo**

\$414,855

Price of the representative home in the metropolitan market

\$88,042

Household annual income needed to afford the representative home

30

Months of saving required for the down payment (saving rate of 10%)

-41.9%

Premium for buying compared to the national urban composite



Condo

\$223,186

Price of the representative condo in the metropolitan market

\$47,365

Household annual income needed to afford the representative condo

16

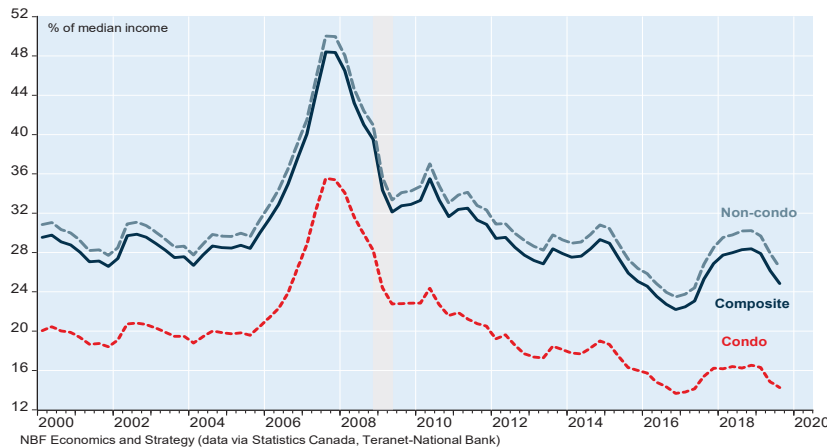
Months of saving required for the down payment (saving rate of 10%)

-30.9%

Premium/discount for buying compared to renting a two-bedroom condo in Edmonton

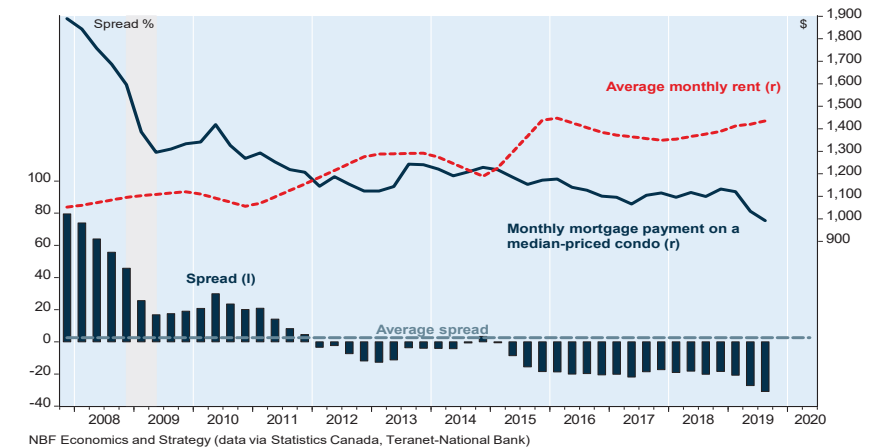
Edmonton : Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)



Edmonton: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



EDMONTON

Ottawa/Gatineau

In Ottawa-Gatineau, the MPPI* for both the non-condo and condo segments showed an improvement in affordability of -1.0pp and -0.5pp, respectively. Rising incomes and lower interest rates were more than enough to offset a rise in home prices for both segments of the market. For the aggregate of all dwellings, this was the third improvement in affordability after worsening for 8 consecutive quarters. All told, the MPPI fell 0.9pp in the quarter and was down 1.7pp from a year ago. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	31.1%	▼	- 1.0%	Q/Q
Condo	19.1%	▼	- 0.5%	Q/Q



Non-Condo

\$449,894
Price of the representative home in the metropolitan market

\$95,478
Household annual income needed to afford the representative home

35
Months of saving required for the down payment (saving rate of 10%)

-37.0%
Premium for buying compared to the national urban composite



Condo

\$276,750
Price of the representative condo in the metropolitan market

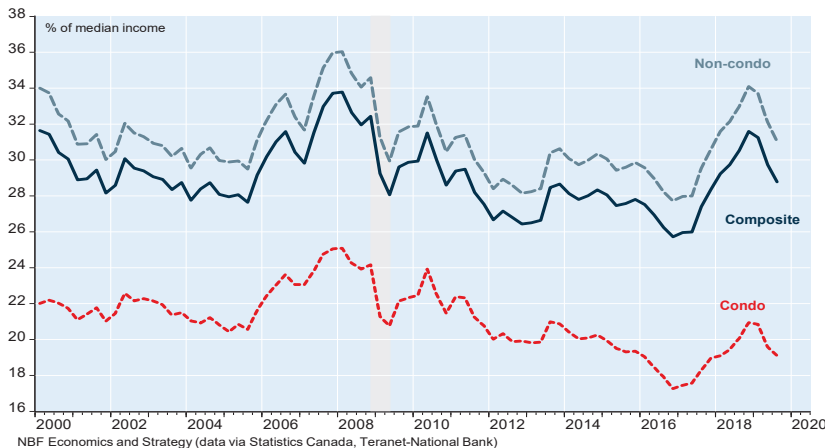
\$58,733
Household annual income needed to afford the representative condo

21
Months of saving required for the down payment (saving rate of 10%)

-24.2%
Premium/discount for buying compared to renting a two-bedroom condo in Ottawa/Gatineau

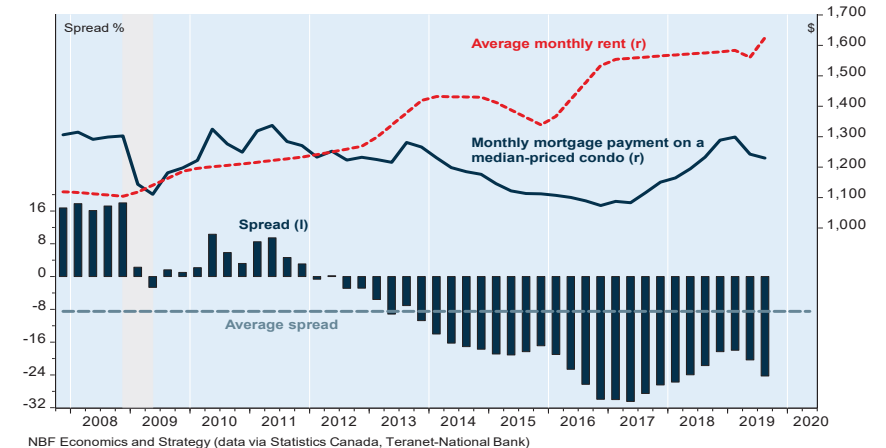
Ottawa/Gatineau : Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)



Ottawa/Gatineau: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



OTTAWA/GA

Quebec City

Canada's cheapest market became even less expensive in the quarter. Quebec city's MPPI* improved for both non-condo dwellings (-1.3pp) and the condo (-0.9pp) segment. On a yearly basis for the composite of all dwellings, the MPPI fell 2.5-points, and allowed the later to reach its lowest level since 2003Q3. This improvement in housing affordability can be attributed to a 36 bps decrease of the mortgage rate while incomes rose 5.7% in the year leading to the quarter. These factors were more than enough to offset a tepid rise in home prices (+1.3% y/y). *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non- Condo	20.3%	▼	- 1.3%	Q/Q
Condo	14.9%	▼	- 0.9%	Q/Q



**Non-
Condo**

\$289,996

Price of the representative home in the metropolitan market

\$61,544

Household annual income needed to afford the representative home

23

Months of saving required for the down payment (saving rate of 10%)

-59.4%

Premium for buying compared to the national urban composite



Condo

\$212,381

Price of the representative condo in the metropolitan market

\$45,072

Household annual income needed to afford the representative condo

17

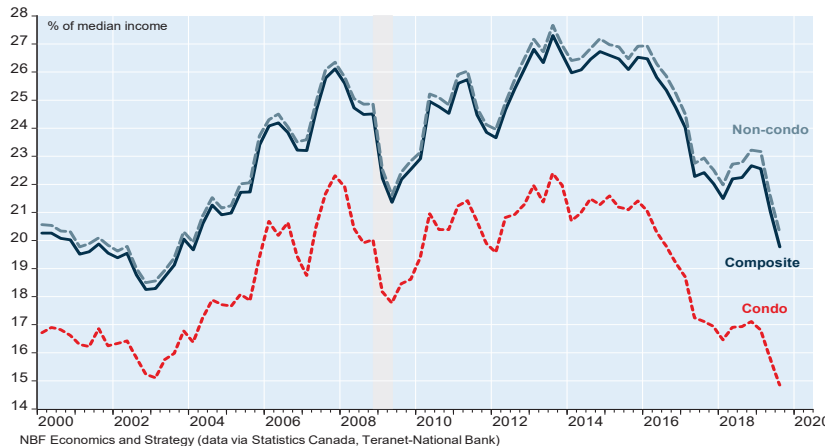
Months of saving required for the down payment (saving rate of 10%)

-9.6%

Premium/discount for buying compared to renting a two-bedroom condo in Quebec City

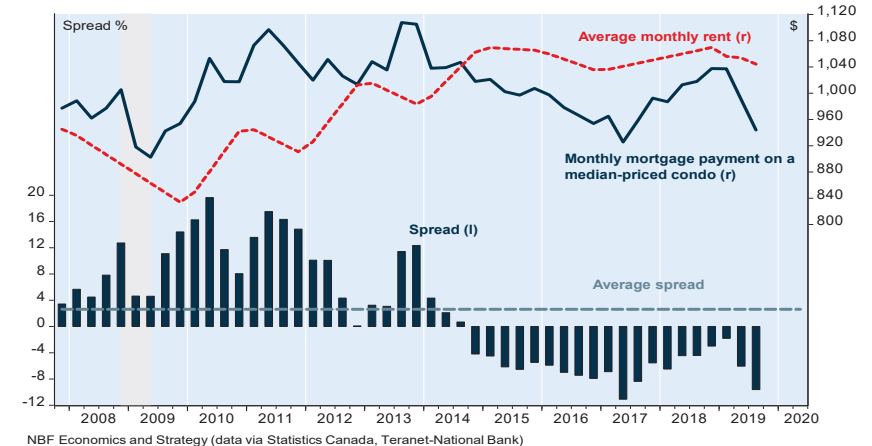
Quebec city: Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)



Quebec City: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



QUEBEC CITY

Winnipeg

Winnipeg saw affordability improve in the third quarter of the year. Indeed, the MPPI* showed a better situation for affordability in the non-condo (-0.5pp) segment and the condo portion(-0.9pp). For the aggregate of all dwellings, the improvement for the MPPI come after the largest amelioration since the recession. In addition, the MPPI was down 2.6-points in the year as a 3.1% jump in income combined with relatively flat home prices (+0.6%) and a decrease of the mortgage rate. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	25.0%	▼	- 0.5%	Q/Q
Condo	17.4%	▼	- 0.9%	Q/Q



Non-Condo

\$324,015

Price of the representative home in the metropolitan market

\$68,763

Household annual income needed to afford the representative home

28

Months of saving required for the down payment (saving rate of 10%)

-54.7%

Premium for buying compared to the national urban composite



Condo

\$225,433

Price of the representative condo in the metropolitan market

\$47,842

Household annual income needed to afford the representative condo

20

Months of saving required for the down payment (saving rate of 10%)

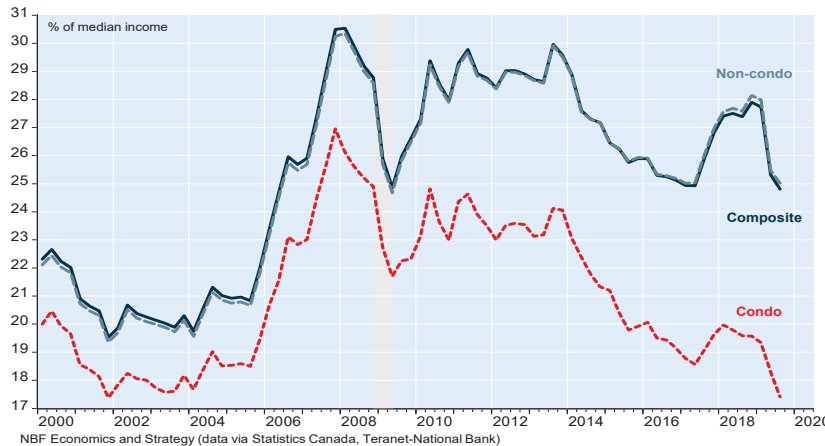
-28.0%

Premium/discount for buying compared to renting a two-bedroom condo in Winnipeg

Winnipeg: Perspective on housing affordability

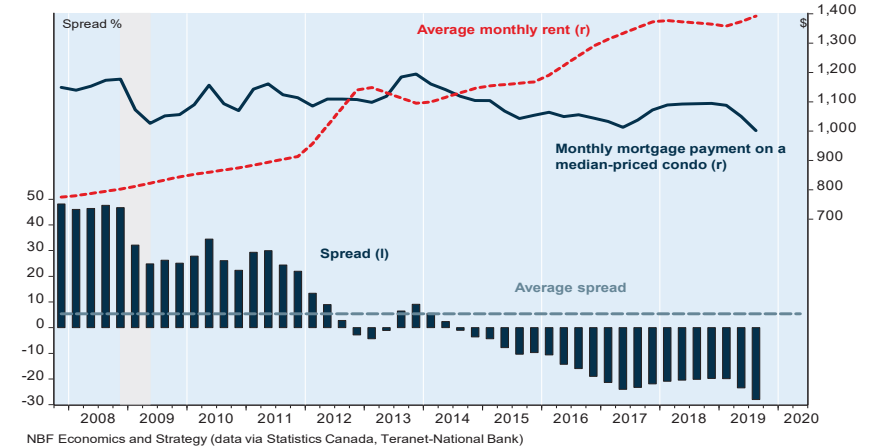
Monthly mortgage payment on median home price (25 year amortization, 5-year term)

WINNIPEG



Winnipeg: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



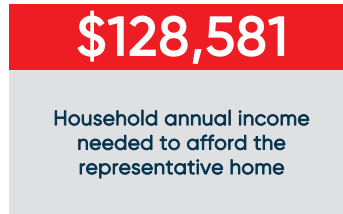
Hamilton

In Hamilton, the MPPI* for both the non-condo and condo segments showed an improvement in affordability of -1.7pp respectively. For the aggregate of all dwellings, the MPPI fell by 1.7-points in Q3, following the largest improvement in the post-recession period in the previous quarter. Indeed, the MPPI was down 3.0-points from a year earlier, but that is less than the 5.1 points decline for our urban composite. This can be credited to home prices rising by +4.7% y/y which were more than enough to offset modest income gains of 4.4% year on year. *See tables on page 12 for more information.

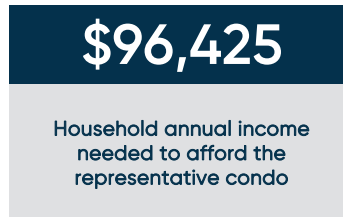
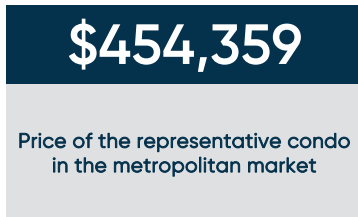
Mortgage payment as a % of income (MPPI)				
Non-Condo	42.3%	▼	- 1.7%	Q/Q
Condo	31.4%	▼	- 1.7%	Q/Q



**Non-
Condo**



Condo



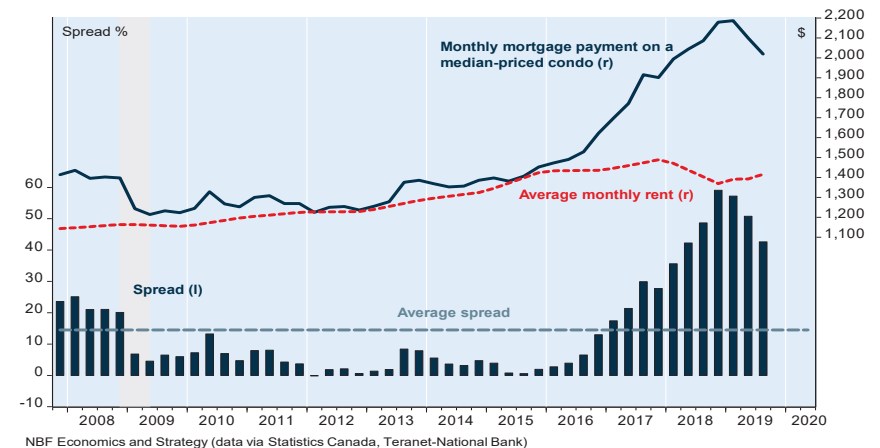
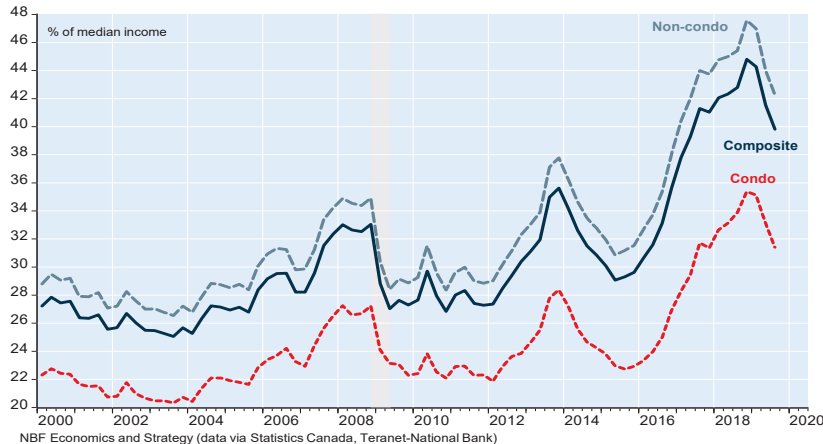
Hamilton: Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)

Hamilton: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo

HAMILTON



Victoria

Victoria experienced a substantial improvement in affordability among the cities observed with the MPPI* showing an enhancement for non-condos (-4.8pp) and the condo (-1.9pp) segment. For the composite of all dwellings, the MPPI fell by 4.3-points in Q3 down to 61.2%. This relatively unaffordable market was down 7.0-points from a year earlier essentially thanks to lower interest rates as home prices were mostly flat and income growth reached 3.4% y/y. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	64.5%	▼	- 4.8%	Q/Q
Condo	37.7%	▼	- 1.9%	Q/Q



Non-Condo

\$835,263

Price of the representative home in the metropolitan market

\$173,517

Household annual income needed to afford the representative home

102

Months of saving required for the down payment (saving rate of 10%)

16.9%

Premium for buying compared to the national urban composite



Condo

\$488,538

Price of the representative condo in the metropolitan market

\$103,679

Household annual income needed to afford the representative condo

42

Months of saving required for the down payment (saving rate of 10%)

25.9%

Premium/discount for buying compared to renting a two-bedroom condo in Victoria

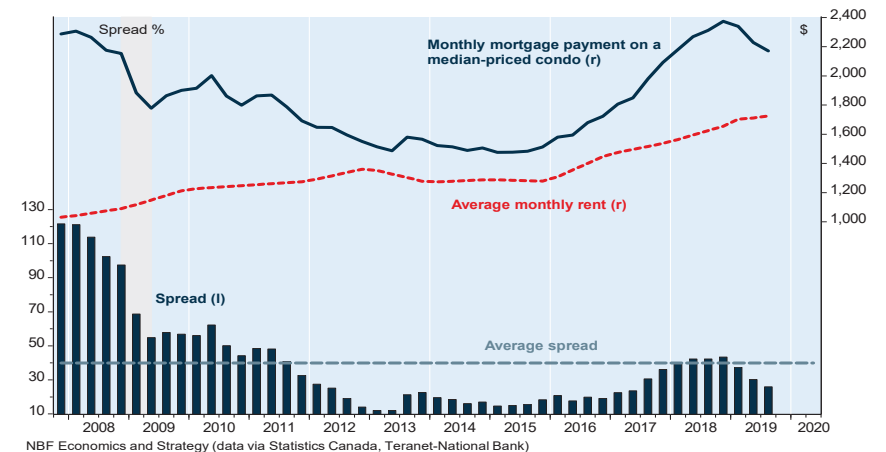
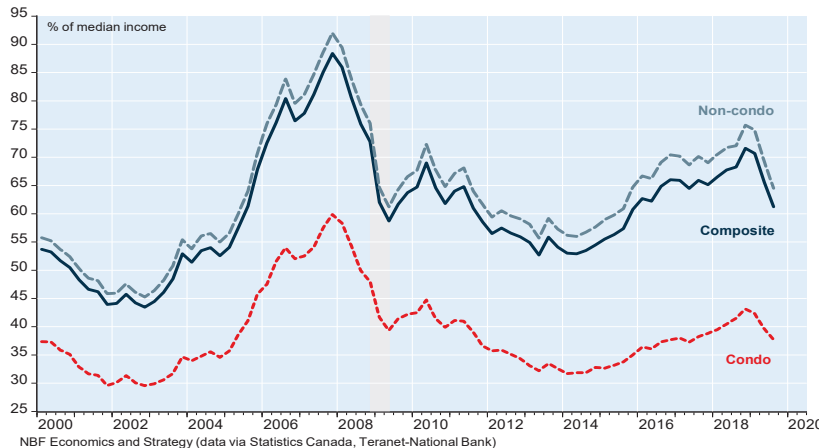
Victoria: Perspective on housing affordability

Monthly mortgage payment on median home price (25 year amortization, 5-year term)

Victoria: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo

VICTORIA



Housing affordability statistics

All dwellings	Home Prices			Downpayment			Mortgage Payment					Qualifying annual income	Median annual income	Home-ownership rate (2016)
	Median home price	Q/Q % change	Y/Y % change	Downpayment \$	Downpayment: Months of saving	Avg. Since 2000	Monthly mortgage payment	Mortgage payment as % of income	Q/Q diff. PP	Y/Y diff. PP	Avg. Since 2000			
Urban Composite	\$ 569,652	0.1	0.3	\$ 31,965	54.3	34.6	\$ 2,532	43.0	-2.2	-5.1	40.1	\$ 120,115	\$ 70,687	68%
Toronto	\$ 855,999	1.2	2.9	\$ 60,600	89.0	46.0	\$ 3,805	55.9	-2.4	-5.2	48.1	\$ 177,686	\$ 81,720	66%
Montreal	\$ 354,615	2.5	5.9	\$ 17,731	33.4	25.2	\$ 1,576	29.7	-0.9	-2.2	30.2	\$ 75,257	\$ 63,768	56%
Vancouver	\$ 1,010,437	-3.7	-7.4	\$ 202,087	311.2	84.5	\$ 4,491	69.1	-7.4	-14.0	62.2	\$ 180,579	\$ 77,938	64%
Calgary	\$ 432,331	0.3	-2.7	\$ 21,617	30.2	27.0	\$ 1,922	26.8	-1.0	-3.7	33.5	\$ 91,750	\$ 86,001	73%
Edmonton	\$ 388,959	-1.2	-2.7	\$ 19,448	27.9	24.2	\$ 1,729	24.8	-1.3	-3.4	30.3	\$ 82,546	\$ 83,535	70%
Ottawa/Gatineau	\$ 416,969	2.3	6.5	\$ 20,848	32.4	24.2	\$ 1,853	28.8	-0.9	-1.7	29.1	\$ 88,490	\$ 77,254	67%
Quebec	\$ 282,768	-0.8	1.3	\$ 14,138	22.2	19.6	\$ 1,257	19.8	-1.3	-2.5	23.1	\$ 60,010	\$ 76,265	60%
Winnipeg	\$ 321,302	2.3	0.6	\$ 16,065	27.9	21.4	\$ 1,428	24.8	-0.5	-2.6	25.4	\$ 68,188	\$ 69,078	67%
Hamilton	\$ 576,147	1.3	4.7	\$ 32,615	50.7	26.9	\$ 2,561	39.8	-1.7	-3.0	30.7	\$ 121,421	\$ 77,163	70%
Victoria	\$ 793,023	-0.4	-0.1	\$ 54,302	94.3	54.1	\$ 3,525	61.2	-4.3	-7.0	60.8	\$ 165,025	\$ 69,067	63%

Condo	Home Prices			Downpayment			Mortgage Payment					Qualifying income	Median income	Home-ownership rate (2016)	Monthly average rent
	Median home price	Q/Q % change	Y/Y % change	Downpayment \$	Downpayment: Months of saving	Avg. Since 2000	Monthly mortgage payment	Mortgage payment as % of income	Q/Q diff. PP	Y/Y diff. PP	Avg. Since 2000				
Urban Composite	\$ 407,099	0.0	1.3	\$ 20,355	34.6	24.5	\$ 1,809	30.7	-1.6	-3.3	29.4	\$ 86,396	\$ 70,687	9%	\$ 1,956
Toronto	\$ 555,328	1.4	6.5	\$ 30,533	44.8	26.4	\$ 2,468	36.2	-1.5	-2.0	30.8	\$ 117,235	\$ 81,720	15%	\$ 2,495
Montreal	\$ 287,909	2.0	5.6	\$ 14,395	27.1	21.9	\$ 1,280	24.1	-0.8	-1.9	26.4	\$ 61,101	\$ 63,768	11%	\$ 1,237
Vancouver	\$ 608,610	-2.8	-5.5	\$ 35,861	55.2	33.0	\$ 2,705	41.6	-4.0	-7.5	38.3	\$ 127,948	\$ 77,938	22%	\$ 2,107
Calgary	\$ 256,111	-0.8	-5.8	\$ 12,806	17.9	18.9	\$ 1,138	15.9	-0.8	-2.8	24.0	\$ 54,353	\$ 86,001	14%	\$ 1,531
Edmonton	\$ 223,186	-0.1	-2.8	\$ 11,159	16.0	15.9	\$ 992	14.2	-0.6	-2.0	20.4	\$ 47,365	\$ 83,535	12%	\$ 1,435
Ottawa/Gatineau	\$ 276,750	3.1	7.5	\$ 13,838	21.5	17.5	\$ 1,230	19.1	-0.5	-1.0	21.1	\$ 58,733	\$ 77,254	9%	\$ 1,624
Quebec	\$ 212,381	-0.8	-0.1	\$ 10,619	16.7	15.9	\$ 944	14.9	-0.9	-2.1	18.9	\$ 45,072	\$ 76,265	9%	\$ 1,044
Winnipeg	\$ 225,433	-0.7	-1.3	\$ 11,272	19.6	17.5	\$ 1,002	17.4	-0.9	-2.2	21.0	\$ 47,842	\$ 69,078	6%	\$ 1,392
Hamilton	\$ 454,359	0.1	4.3	\$ 22,718	35.3	20.9	\$ 2,019	31.4	-1.7	-2.5	24.5	\$ 96,425	\$ 77,163	11%	\$ 1,416
Victoria	\$ 488,538	1.5	1.2	\$ 24,427	42.4	31.4	\$ 2,171	37.7	-1.9	-3.8	38.8	\$ 103,679	\$ 69,067	14%	\$ 1,724

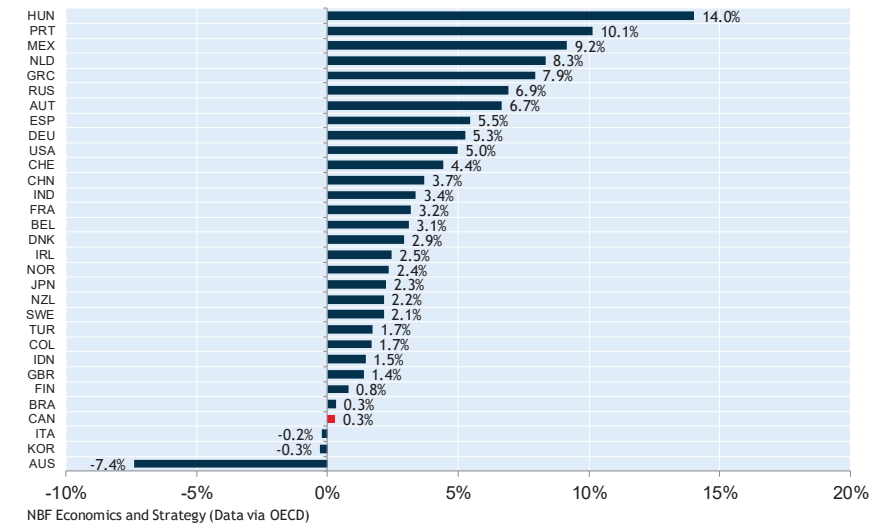
Other dwellings	Home Prices			Downpayment			Mortgage Payment					Qualifying income	Median income	Home-ownership rate (2016)
	Median home price	Q/Q % change	Y/Y % change	Downpayment \$	Downpayment: Months of saving	Avg. Since 2000	Monthly mortgage payment	Mortgage payment as % of income	Q/Q diff. PP	Y/Y diff. PP	Avg. Since 2000			
Urban Composite	\$ 714,572	0.1	0.1	\$ 46,457	78.9	45.5	\$ 3,176	53.9	-2.8	-6.4	50.1	\$ 149,252	\$ 70,687	59%
Toronto	\$ 908,785	1.2	2.3	\$ 65,879	96.7	49.7	\$ 4,039	59.3	-2.6	-5.9	51.1	\$ 188,299	\$ 81,720	52%
Montreal	\$ 384,000	2.5	6.0	\$ 19,200	36.1	27.0	\$ 1,707	32.1	-0.9	-2.4	32.3	\$ 81,494	\$ 63,768	45%
Vancouver	\$ 1,226,762	-3.9	-7.8	\$ 245,352	377.8	121.5	\$ 5,452	83.9	-9.1	-17.5	74.6	\$ 219,239	\$ 77,938	42%
Calgary	\$ 490,576	0.4	-2.2	\$ 24,529	34.2	30.0	\$ 2,180	30.4	-1.1	-4.1	37.0	\$ 104,111	\$ 86,001	59%
Edmonton	\$ 414,855	-1.4	-2.7	\$ 20,743	29.8	25.3	\$ 1,844	26.5	-1.4	-3.7	31.6	\$ 88,042	\$ 83,535	57%
Ottawa/Gatineau	\$ 449,894	2.2	6.3	\$ 22,495	34.9	25.9	\$ 2,000	31.1	-1.0	-1.9	31.1	\$ 95,478	\$ 77,254	58%
Quebec	\$ 289,996	-0.8	1.5	\$ 14,500	22.8	19.9	\$ 1,289	20.3	-1.3	-2.5	23.4	\$ 61,544	\$ 76,265	51%
Winnipeg	\$ 324,015	2.5	0.8	\$ 16,201	28.1	21.4	\$ 1,440	25.0	-0.5	-2.6	25.3	\$ 68,763	\$ 69,078	61%
Hamilton	\$ 611,761	1.4	4.7	\$ 36,176	56.3	28.9	\$ 2,719	42.3	-1.7	-3.1	32.5	\$ 128,581	\$ 77,163	60%
Victoria	\$ 835,263	-0.7	-0.3	\$ 58,526	101.7	57.6	\$ 3,712	64.5	-4.8	-7.6	63.8	\$ 173,517	\$ 69,067	49%

NBF Economics and Strategy (data via Statistics Canada, Teranet-NBC, CREA)

Global perspective on housing affordability

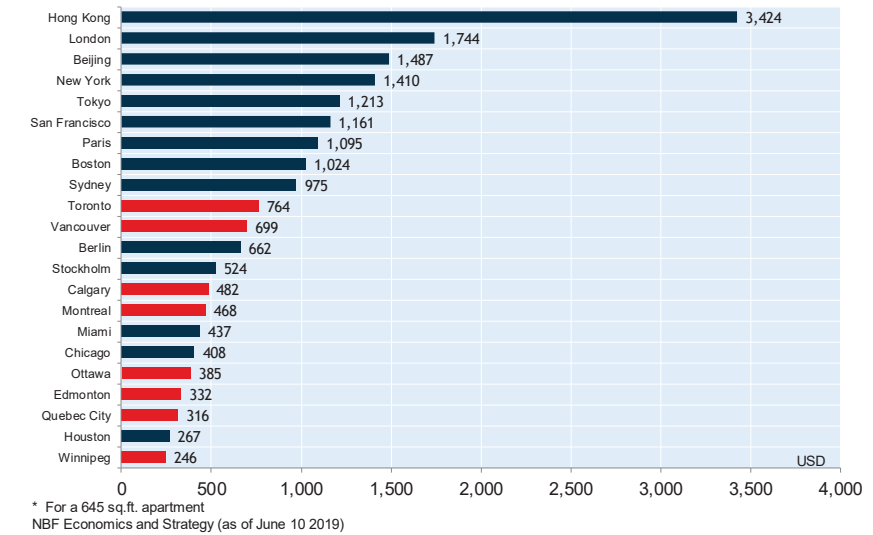
World: Perspective on home price growth

Home price percentage change year over year (Last data available)



World: Home prices do not seem extreme in Canada

Price per square feet in USD for downtown living* (June 2019)



Methodology

The National Bank Housing Affordability Report measures housing affordability in 10 major census metropolitan areas (CMAs) and summarizes the results in a weighted-average composite of the 10 CMAs. We track the **condo market**, **other dwellings** (single detached, semi-detached) and the **market as a whole**.

We measure two hurdles for the purchase of a home. First, a household must save the **down-payment** amount. We measure this requirement as the number of months a median-income household will require to save for the minimum cash down payment (CMHC insured mortgage) of the representative home at a savings rate of 10% of its pre-tax income. We evaluate the representative home using the Teranet–National Bank House Price Index for the market in question to calculate the home price for months before and after the median home price measured by the 2016 Census. For **median household income** in each CMA, we take the Statistics Canada annual data up to 2013. For subsequent months, we extend the series using average weekly earnings growth as a proxy.

The second hurdle for the purchase of a home is the monthly mortgage payment. We measure this as the monthly payment on a median-priced home assuming a 25-year amortization period and a 5-year term. The resulting amount is presented as a percentage of income calculated as described above (sometimes referred as **MPPI**). Note that we do not take the down payment into account in this calculation because there is an opportunity cost in a household's use of these funds for that purpose. Also, we do not wish policy changes in this regard to affect our indicator over time. We also calculate the income needed to purchase the median property assuming that a household devotes 32% of its pre-tax income for a mortgage payment at the posted rate (defined as **qualifying income** and is adjusted for the down-payment). For the condo market, we also compare the monthly mortgage payment to the average rent for a two-bedroom condo in the same market. We calculate that rent from annual CMHC data, updated to the current month by the rent component of the Consumer Price Index. Note that data in the report was seasonally adjusted when necessary.

Housing Affordability Monitor

Economics and Strategy



Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Krishen Rangasamy

Senior Economist
krishen.rangasamy@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Matthieu Arseneau

Deputy Chief Economist
matthieu.arseneau@nbc.ca

Paul-André Pinsonnault

Senior Fixed Income Economist
paulandre.pinsonnault@nbc.ca

Jocelyn Paquet

Economist
jocelyn.paquet@nbc.ca

Marc Pinsonneault

Senior Economist
marc.pinsonneault@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

MD & Head of Public Sector Strategy
warren.lovely@nbc.ca

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Housing Affordability Monitor

Economics and Strategy

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