

Home affordability deteriorated slightly in Q4 2019

By Matthieu Arseneau & Kyle Dahms

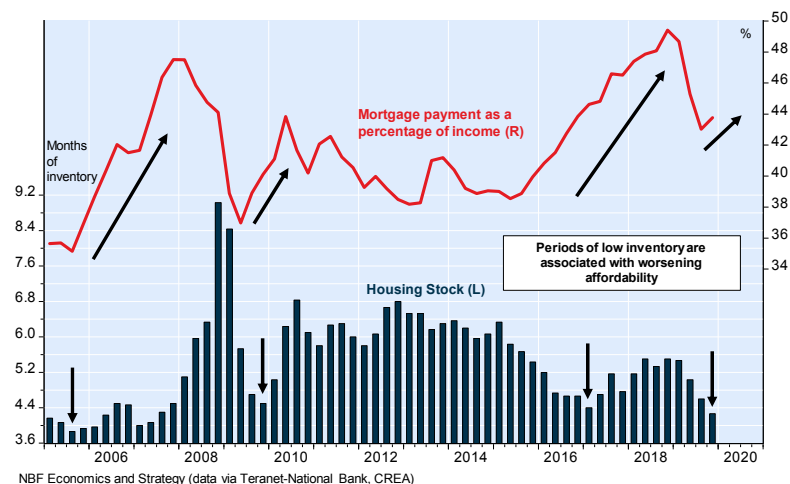
The streak of improvements in home affordability in major Canadian urban centers came to an end after three quarters with a slight deterioration in Q4 2019. While mortgage interest rates were essentially unchanged from Q3, income growth was unable to keep pace with the rise in home prices for the urban composite. The latter registered its strongest increase in more than 2 years. Among the 10 urban centers covered, only Vancouver and Winnipeg saw income increasing faster than housing prices during the quarter. Vancouver was the only market showing an improvement in affordability, the monthly mortgage payment as a percentage of income registering a fourth consecutive decline, a first since 2008–2009 when the global economy was mired in a recession. While our national housing affordability composite index stands on the cusp of its two-decade average, we note significant divergence in affordability among urban centers. Indeed, despite some ameliorations over the past year, the Vancouver, Toronto and Hamilton markets are still exhibiting affordability concerns while all other markets are either in-line with their historical norms or even better. The widespread improvement in affordability occurred in 2019 thanks to an 85 basis points decline in mortgage interest rates and one of the smallest increases in home prices among OECD countries (+1.2%, see chart page 13). That said, we doubt that a further improvement in home affordability is possible at this point as we see interest rates levelling off and home prices should accelerate given tight supply in the resale market. Indeed, the national active listings to sales ratio is at its lowest since 2007Q2, a level generally associated with worsening affordability (left chart).

HIGHLIGHTS:

- Canadian housing affordability worsened after three consecutive quarters of improvements in Q4 2019. The mortgage payment on a representative home as a percentage of income (MPPI) rose 0.7 point after a 2.3-point decline in Q3'19. Seasonally adjusted home prices increased 1.8% in Q4'19 from Q3'19; the benchmark mortgage rate (5-year term) edged up 3 basis points; while median household income rose 0.4%.
- Among the ten markets covered, affordability improved only in Vancouver in the fourth quarter. All other markets showed a deterioration with Toronto, Hamilton and Ottawa-Gatineau leading the worsening (see chart on the right). Vancouver remained its most affordable level since 2016. Countrywide, affordability waned 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% trimmed down 1.7 months to 309.6 months in Vancouver but rose in Toronto (+3.2 to 92.4 months) and Montreal (+0.3 to 33.7 months) in Q4 2019.

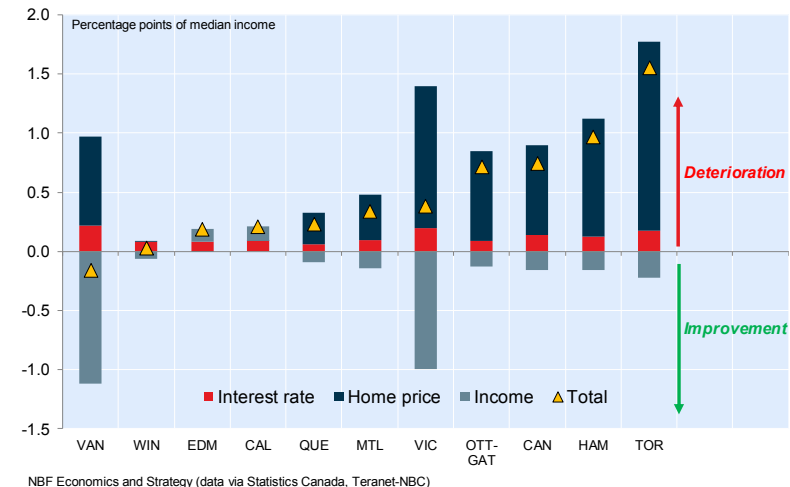
Canada: Perspective on affordability and resale inventory

Housing affordability index vs active listings to sales ratio (2019Q4)



Canada: Q4 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 deteriorated in both the non-condo and condo segments in the fourth quarter. Indeed, slightly higher interest rates and rising home prices have contributed to worsening affordability in Canada's largest city. An increase in incomes was not enough to offset the deterioration in affordability. Home price for condos rose +3.2% q/q and other dwellings +2.8% q/q. Home prices for all dwellings are now up 3.6% on an annual basis. All told, the composite for all dwellings showed a waning in the MPPPI* for the quarter (+1.6pp) but an improvement for the year (-6.3pp). *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPPI)				
Non-Condo	61.0%	▲ +	1.6%	Q/Q
Condo	37.4%	▲ +	1.1%	Q/Q



Non-Condo

\$934,902

Price of the representative home in the metropolitan market

\$193,550

Household annual income needed to afford the representative home

100

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

28.5%

Premium for buying compared to the national urban composite



Condo

\$572,948

Price of the representative condo in the metropolitan market

\$120,778

Household annual income needed to afford the representative condo

47

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

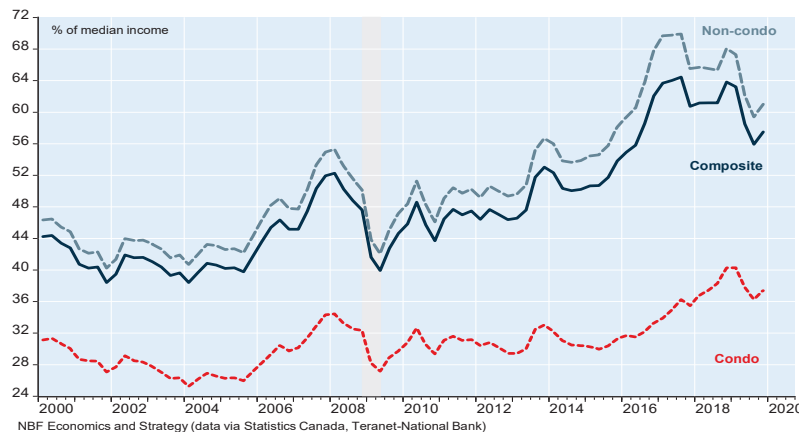
1.8%

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

Toronto : Perspective on housing affordability

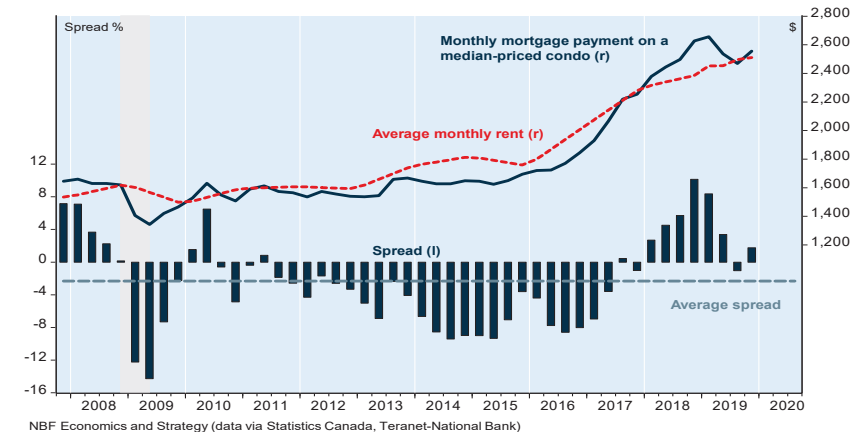
Monthly mortgage payment on median home price (25 year amortization, 5-year term)

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 deteriorated for both the condo (+0.7pp) and non-condo (+0.3pp) segments. Prices continued their upward trajectory in this comparatively affordable city and were impacted by slightly higher financing costs. Incomes for their part helped offset some of the worsening. Accordingly, for the aggregate of all dwellings, the MPPI* rose to 30.0 %, on the cusp of its historical average. On a yearly basis, home prices have risen by 5.6%, essentially in line with income growth which progressed 5.2 % in the same period. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	32.4%	▲ +	0.3%	Q/Q
Condo	24.8%	▲ +	0.7%	Q/Q



Non-Condo

\$387,956
Price of the representative home in the metropolitan market

\$82,333
Household annual income needed to afford the representative home

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

-46.7%
Premium for buying compared to the national urban composite



Condo

\$296,343
Price of the representative condo in the metropolitan market

\$62,891
Household annual income needed to afford the representative condo

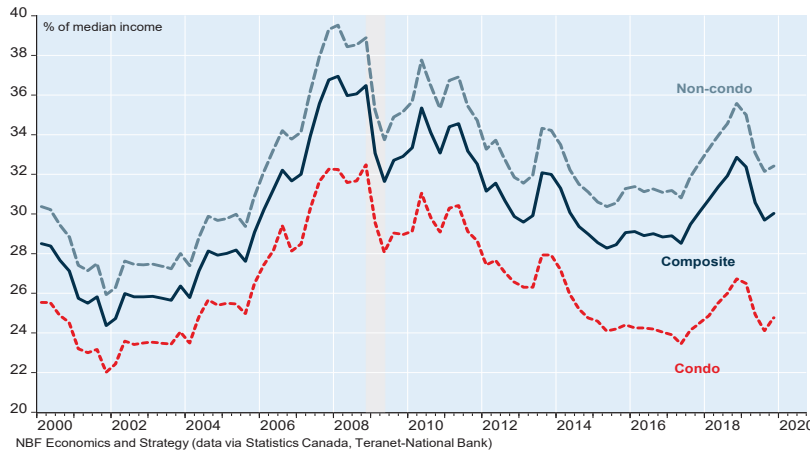
28
Months of saving required for the down payment (saving rate of 10%)

4.7%
Premium/discount for buying compared to renting a two-bedroom condo in Montreal

Montreal : Perspective on housing affordability

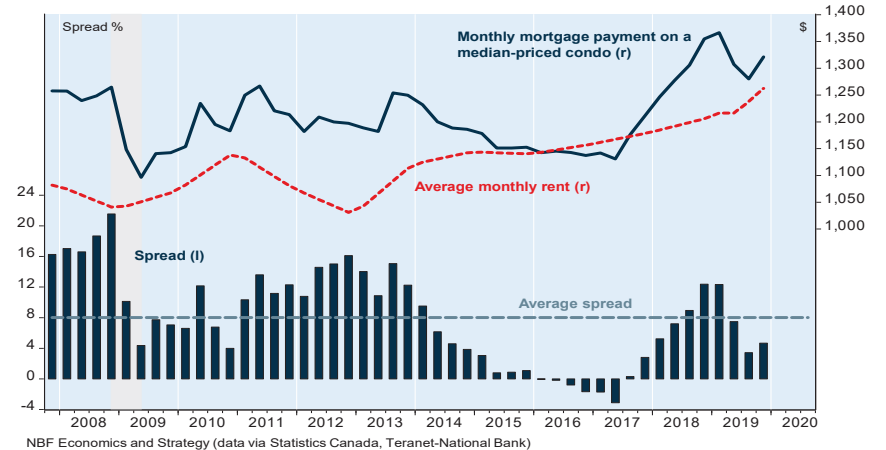
Monthly mortgage payment on median home price (25 year amortization, 5-year term)

MONTREAL



Montreal: Buying compared to renting

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



Vancouver

Vancouver's housing affordability as quantified by the MPPI* improved for the condo segment and stayed the same for the non-condo sector (-0.6pp and 0.0pp respectively). This was the fourth improvement in the condo segment, a first since 2014. The mortgage payment for the non-condo portion held steady and requires a 83.9% share of the median household pre-tax income to service. For the aggregate, this percentage fell this quarter on the back of higher incomes more than offsetting rising home prices and interest rates. Home prices for the aggregate are now up 1.1% in the quarter but down -5.4% over the past year. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non- Condo	84.0%	▶	0.0%	Q/Q
Condo	41.1%	▼	- 0.6%	Q/Q



**Non-
Condo**

\$1,244,341

Price of the representative home in the metropolitan market

\$222,381

Household annual income needed to afford the representative home

377

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

71.0%

Premium for buying compared to the national urban composite



Condo

\$608,121

Price of the representative condo in the metropolitan market

\$127,849

Household annual income needed to afford the representative condo

54

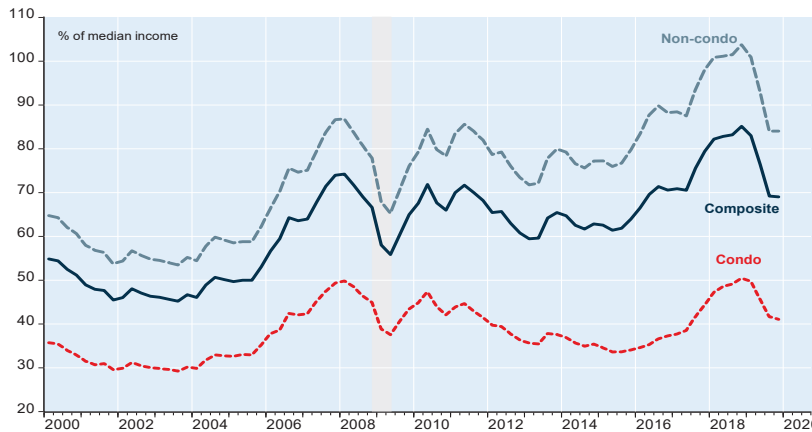
Months of saving required for the down payment (saving rate of 10%)

26.9%

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

Vancouver : Perspective on housing affordability

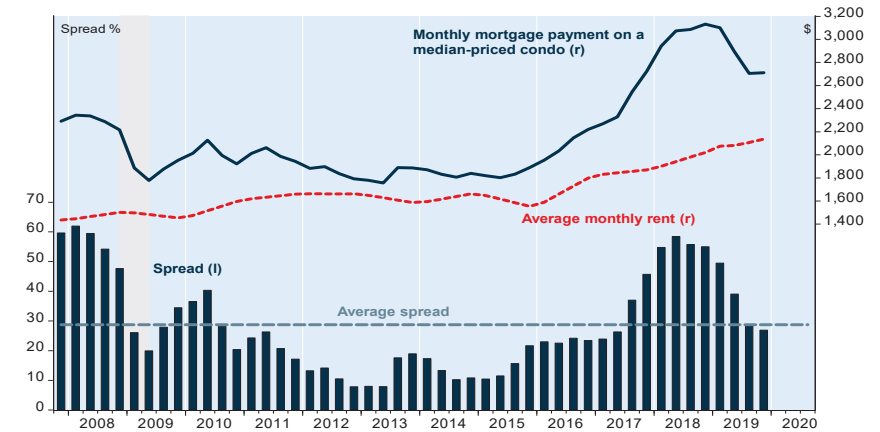
Monthly mortgage payment on median home price (25 year amortization, 5-year term)



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

Vancouver: 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)

VANCOUVER

Calgary

Calgary saw a slight deterioration in the MPPI* for both the non-condo (+0.2pp) and condo (+0.1pp) segments. On a quarterly basis, home prices for the city were flat and remain lower on a year-over-year basis (-1.3% y/y). Incomes were rising at a tepid pace on an annual basis (+1.0%) but the quarterly decline in wages combined with slightly higher financing costs contributed to worsening affordability. Calgary has become less affordable on a relative basis with stagnant home prices and tepid income growth 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	30.7%	▲ +	0.2%	Q/Q
Condo	16.0%	▲ +	0.1%	Q/Q



Non-Condo

\$490,528
Price of the representative home in the metropolitan market

\$104,101
Household annual income needed to afford the representative home

34
Months of saving required for the down payment (saving rate of 10%)

-32.6%
Premium for buying compared to the national urban composite



Condo

\$256,227
Price of the representative condo in the metropolitan market

\$54,377
Household annual income needed to afford the representative condo

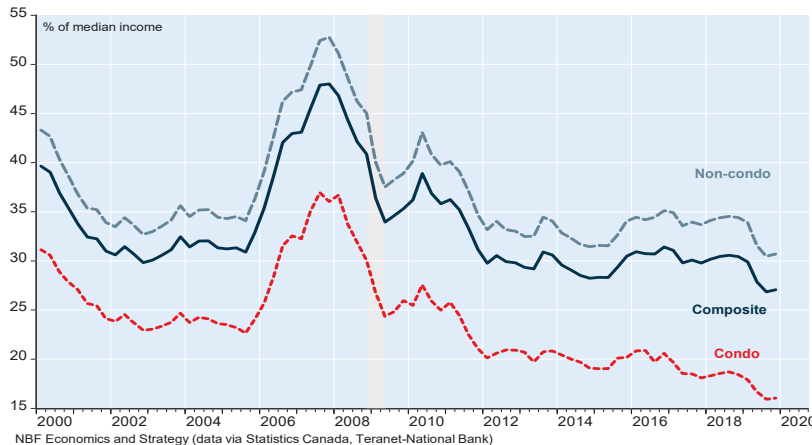
18
Months of saving required for the down payment (saving rate of 10%)

-26.5%
Premium/discount for buying compared to renting a two-bedroom condo in Calgary

Calgary : Perspective on housing affordability

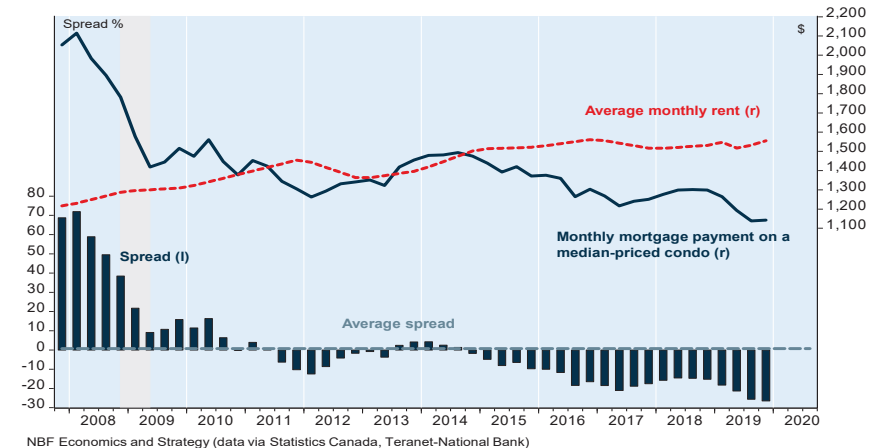
Monthly mortgage payment on median home price (25 year amortization, 5-year term)

CALGARY



Calgary: Buying compared to renting

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



Edmonton

Edmonton mirrored a similar situation as the one observed in Calgary. There was a worsening in affordability for the non-condo segments while the condo portion showed a slight improvement. The slowdown in the housing market can be seen by flat prices for all dwellings on a quarterly basis while home prices are still down -2.0% from 12 months ago. Looking at the annual perspective, the MPPI* for the composite fell by 3.3-points. That improvement was still below the urban composite, a result of slower income growth. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	26.8%	▲ +	0.3%	Q/Q
Condo	14.2%	▼ -	0.1%	Q/Q



Non-Condo

\$416,004
Price of the representative home in the metropolitan market

\$88,286
Household annual income needed to afford the representative home

30
Months of saving required for the down payment (saving rate of 10%)

-42.8%
Premium for buying compared to the national urban composite



Condo

\$219,888
Price of the representative condo in the metropolitan market

\$46,665
Household annual income needed to afford the representative condo

16
Months of saving required for the down payment (saving rate of 10%)

-32.3%
Premium/discount for buying compared to renting a two-bedroom condo in Edmonton

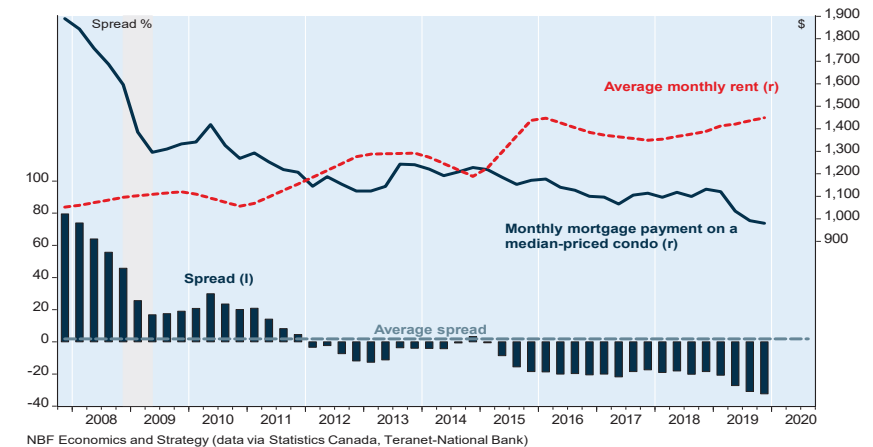
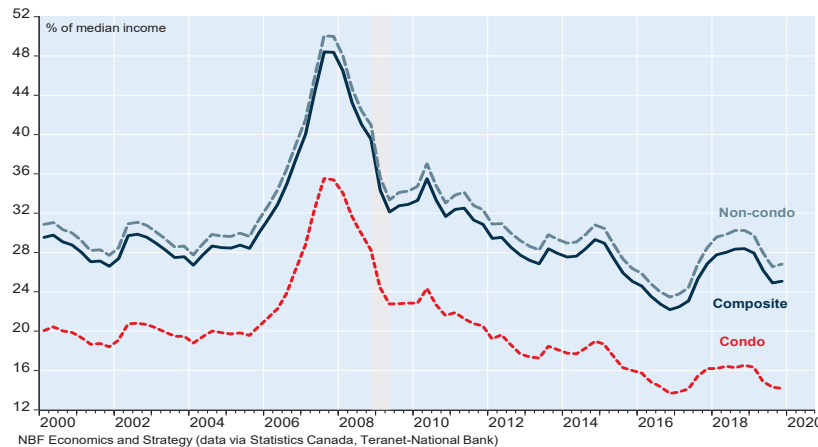
Edmonton : Perspective on housing affordability

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 a worsening in affordability of -0.7pp and -0.6pp, respectively. Rising incomes were not enough to offset a rise in home prices for both segments of the market. For the aggregate of all dwellings, this was the first deterioration following 3 consecutive quarters of improvements. All told, the MPPI rose 0.7pp in the quarter but was down 2.0pp from a year ago. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	31.8%	▲ +	0.7%	Q/Q
Condo	19.7%	▲ +	0.6%	Q/Q



Non-Condo

\$461,393

Price of the representative home in the metropolitan market

\$97,918

Household annual income needed to afford the representative home

36

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

-36.6%

Premium for buying compared to the national urban composite



Condo

\$285,839

Price of the representative condo in the metropolitan market

\$60,662

Household annual income needed to afford the representative condo

22

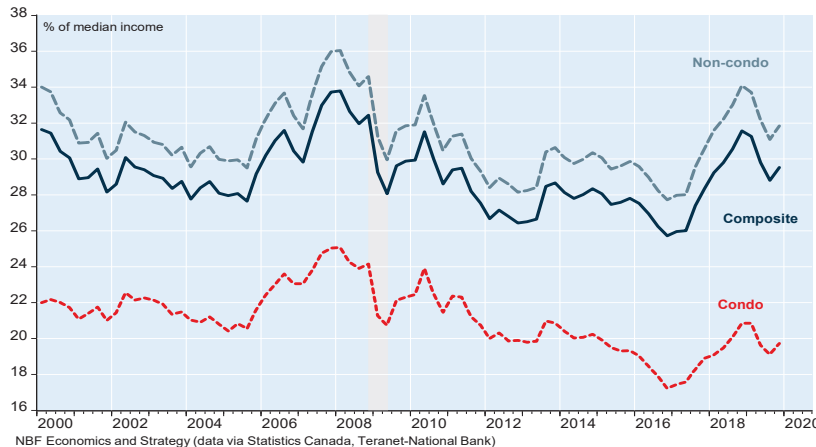
Months of saving required for the down payment (saving rate of 10%)

-23.1%

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

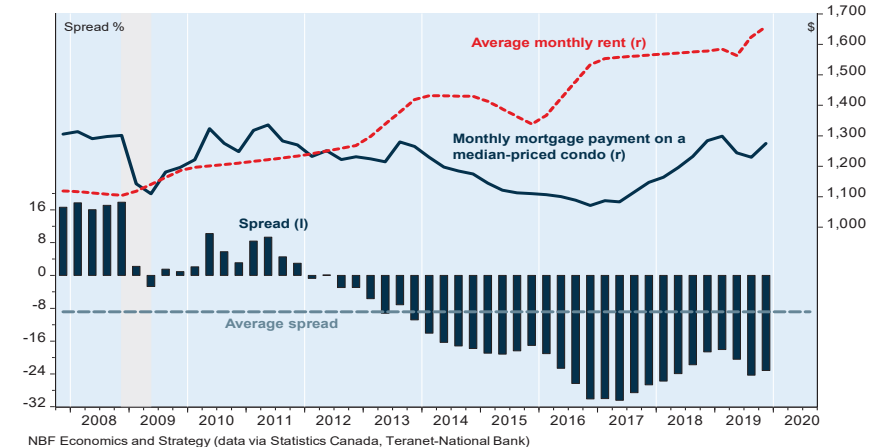
Ottawa/Gatineau : Perspective on housing affordability

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 got slightly more expensive in the quarter. Quebec city's MPPI* deteriorated for non-condo dwellings (+0.3pp) but improved marginally for the condo (-0.2pp) segment. On a yearly basis however, the composite of all dwellings saw its MPPI fall 2.6-points. This improvement in housing affordability can be attributed to an 85 bps decrease of the mortgage rate while incomes rose 5.2% in the year leading to the quarter. These factors were more than enough to offset the rise in home prices (+2.3% y/y). *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	20.6%	▲ +	0.3%	Q/Q
Condo	14.6%	▼ -	0.2%	Q/Q



Non-Condo

\$295,364

Price of the representative home in the metropolitan market

\$62,683

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

\$209,271

Price of the representative condo in the metropolitan market

\$44,412

Household annual income needed to afford the representative condo

16

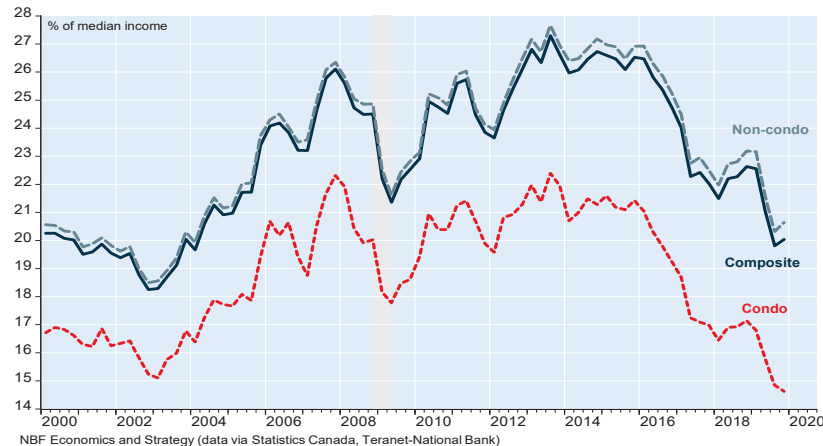
Months of saving required for the down payment (saving rate of 10%)

-10.2%

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

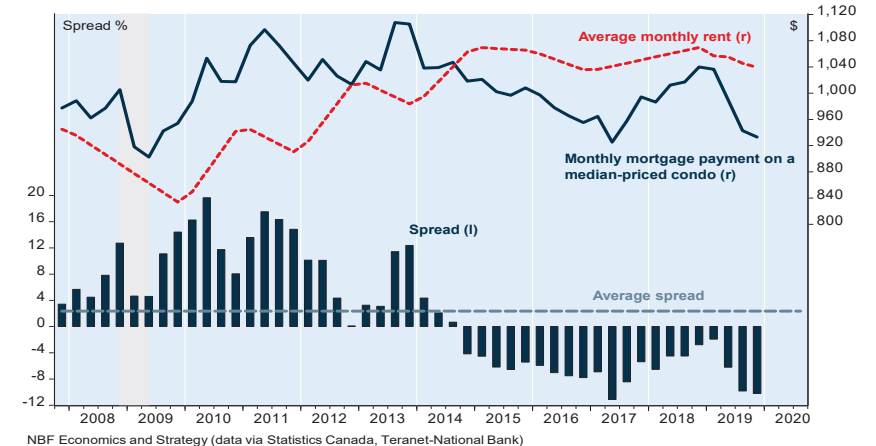
Quebec city: Perspective on housing affordability

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 stay unchanged in the fourth quarter of the year. Indeed, the MPPI* showed no change in both the non-condo segment and the condo portion. For the aggregate of all dwellings, home prices were essentially flat on a quarterly basis while incomes progressed at a slow pace and interest rates remained relatively stationary. In addition, the MPPI was down 3.1-points in the year as a 3.2% jump in income combined with relatively flat home prices (+0.9%) and a decrease of the mortgage rate improved conditions. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)			
Non-Condo	25.1%	▶	0.0% Q/Q
Condo	17.4%	▶	0.0% Q/Q



Non-Condo

\$324,094
Price of the representative home in the metropolitan market

\$68,780
Household annual income needed to afford the representative home

28
Months of saving required for the down payment (saving rate of 10%)

-55.5%
Premium for buying compared to the national urban composite



Condo

\$225,203
Price of the representative condo in the metropolitan market

\$47,793
Household annual income needed to afford the representative condo

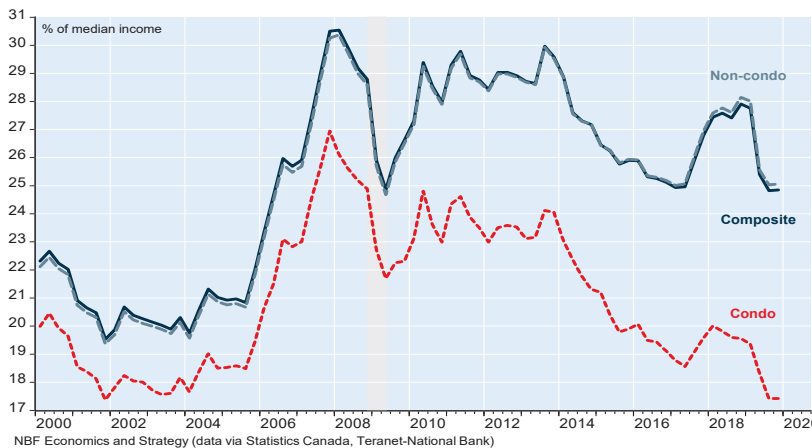
20
Months of saving required for the down payment (saving rate of 10%)

-28.5%
Premium/discount for buying compared to renting a two-bedroom condo in Winnipeg

Winnipeg: Perspective on housing affordability

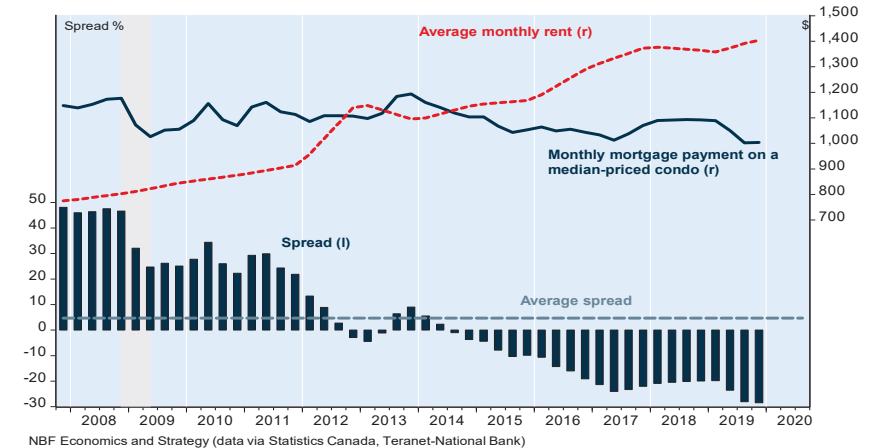
Monthly mortgage payment on median home price (25 year amortization, 5-year term)

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 a deterioration in affordability of -1.0pp respectively. For the aggregate of all dwellings, the MPPI rose by 1.0-point in Q4, but follows three consecutive improvements and the largest enhancement in the post-recession period in the second quarter of 2019. Indeed, the MPPI was down 3.9-points from a year earlier, but that remains less than the 5.7 points decline for our urban composite. This can be credited to home prices rising by +4.8% y/y which were enough to offset decent income gains of 4.7% year on year. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	43.3%	▲ +	1.0%	Q/Q
Condo	32.4%	▲ +	1.0%	Q/Q



**Non-
Condo**

\$626,519
Price of the representative home in the metropolitan market

\$131,548
Household annual income needed to afford the representative home

58
Months of saving required for the down payment (saving rate of 10%)

-13.9%
Premium for buying compared to the national urban composite



Condo

\$468,795
Price of the representative condo in the metropolitan market

\$99,489
Household annual income needed to afford the representative condo

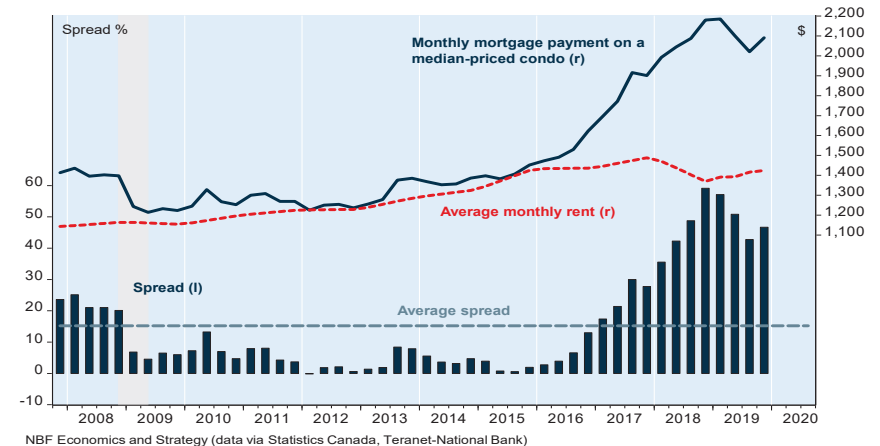
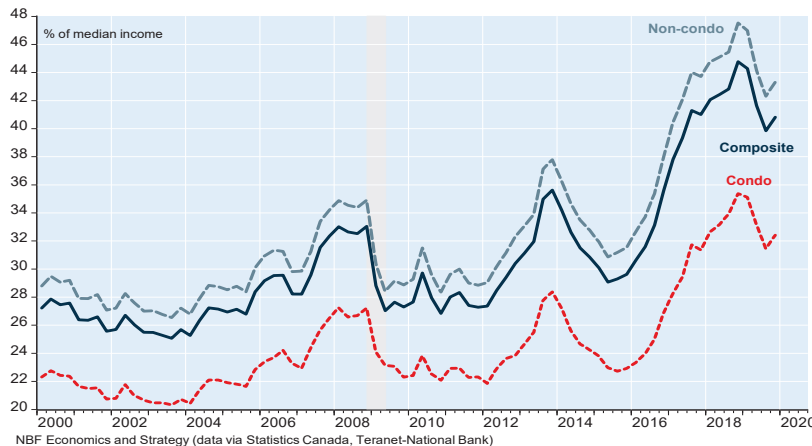
36
Months of saving required for the down payment (saving rate of 10%)

46.7%
Premium/discount for buying compared to renting a two-bedroom condo in Hamilton

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 an improvement in affordability for the condo portion (-0.4pp) while the MPPI* showed a deterioration for the non-condo (+0.6pp) segment. For the composite of all dwellings, the MPPI rose by 0.9-point in Q4 up to 61.6%. This relatively unaffordable market was down 9.9-points from a year earlier essentially thanks to lower interest rates and income growth reaching 6.3% y/y, as home prices were mostly flat. *See tables on page 12 for more information.

Mortgage payment as a % of income (MPPI)				
Non-Condo	65.1%	▲ +	0.6%	Q/Q
Condo	37.3%	▼ -	0.4%	Q/Q



Non-Condo

\$854,308
Price of the representative home in the metropolitan market

\$177,346
Household annual income needed to afford the representative home

103
Months of saving required for the down payment (saving rate of 10%)

17.4%
Premium for buying compared to the national urban composite



Condo

\$489,871
Price of the representative condo in the metropolitan market

\$103,962
Household annual income needed to afford the representative condo

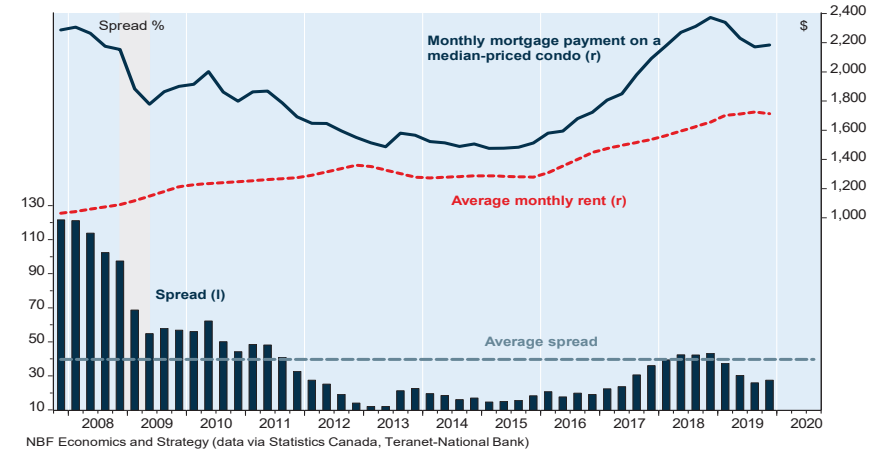
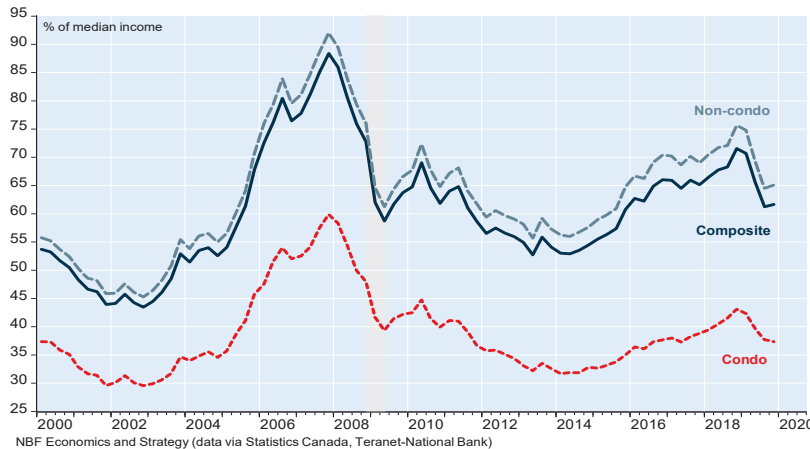
42
Months of saving required for the down payment (saving rate of 10%)

27.5%
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 Monitor

Economics and Strategy

Housing affordability statistics

Table 1

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
All dwellings	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	Qualifying annual Income	Median annual Income	Home-ownership rate (2016)
Urban Composite	\$ 579,969	1.8	1.2	\$ 32,997	55.8	34.9	\$ 2,586	43.8	0.7	-5.7	40.2	\$ 122,190	\$ 70,904	68%
Toronto	\$ 880,934	2.9	3.6	\$ 63,093	92.4	46.7	\$ 3,928	57.5	1.6	-6.3	48.2	\$ 182,699	\$ 81,983	66%
Montreal	\$ 359,327	1.3	5.6	\$ 17,966	33.7	25.3	\$ 1,602	30.0	0.3	-2.8	30.2	\$ 76,257	\$ 64,026	56%
Vancouver	\$ 1,022,165	1.1	-5.4	\$ 204,433	309.6	87.3	\$ 4,558	69.0	-0.2	-16.1	62.2	\$ 182,675	\$ 79,239	64%
Calgary	\$ 432,340	0.0	-1.3	\$ 21,617	30.3	27.0	\$ 1,928	27.1	0.2	-3.4	33.4	\$ 91,752	\$ 85,484	73%
Edmonton	\$ 389,217	0.0	-2.0	\$ 19,461	28.1	24.2	\$ 1,735	25.1	0.2	-3.3	30.2	\$ 82,601	\$ 83,033	70%
Ottawa/Gatineau	\$ 427,918	2.6	7.8	\$ 21,396	33.1	24.3	\$ 1,908	29.5	0.7	-2.0	29.1	\$ 90,814	\$ 77,539	67%
Quebec	\$ 286,783	1.3	2.3	\$ 14,339	22.5	19.6	\$ 1,279	20.0	0.2	-2.6	23.0	\$ 60,862	\$ 76,574	60%
Winnipeg	\$ 321,349	0.1	0.9	\$ 16,067	27.9	21.5	\$ 1,433	24.9	0.0	-3.1	25.4	\$ 68,198	\$ 69,187	67%
Hamilton	\$ 590,529	2.5	4.8	\$ 34,053	52.8	27.2	\$ 2,633	40.8	1.0	-3.9	30.8	\$ 124,312	\$ 77,410	70%
Victoria	\$ 808,902	2.0	0.5	\$ 55,890	95.5	54.7	\$ 3,607	61.6	0.4	-9.9	60.8	\$ 168,217	\$ 70,220	63%

Table 2

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Condo	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	Qualifying Income	Median Income	Home-ownership rate (2016)	Monthly average rent
Urban Composite	\$ 413,612	1.6	1.9	\$ 20,681	35.0	24.6	\$ 1,844	31.2	0.5	-3.8	29.5	\$ 87,778	\$ 70,904	9%	\$ 1,977
Toronto	\$ 572,948	3.2	6.8	\$ 32,295	47.3	26.7	\$ 2,555	37.4	1.1	-2.9	30.9	\$ 120,778	\$ 81,983	15%	\$ 2,511
Montreal	\$ 296,343	2.9	7.1	\$ 14,817	27.8	22.0	\$ 1,321	24.8	0.7	-2.0	26.4	\$ 62,891	\$ 64,026	11%	\$ 1,262
Vancouver	\$ 608,121	-0.1	-5.0	\$ 35,812	54.2	33.3	\$ 2,711	41.1	-0.6	-9.4	38.3	\$ 127,849	\$ 79,239	22%	\$ 2,137
Calgary	\$ 256,227	0.0	-3.5	\$ 12,811	18.0	18.9	\$ 1,142	16.0	0.1	-2.4	23.9	\$ 54,377	\$ 85,484	14%	\$ 1,555
Edmonton	\$ 219,888	-1.5	-4.9	\$ 10,994	15.9	15.9	\$ 980	14.2	-0.1	-2.4	20.3	\$ 46,665	\$ 83,033	12%	\$ 1,449
Ottawa/Gatineau	\$ 285,839	3.3	9.0	\$ 14,292	22.1	17.5	\$ 1,274	19.7	0.6	-1.1	21.1	\$ 60,662	\$ 77,539	9%	\$ 1,658
Quebec	\$ 209,271	-1.3	-1.5	\$ 10,464	16.4	15.9	\$ 933	14.6	-0.2	-2.5	18.8	\$ 44,412	\$ 76,574	9%	\$ 1,039
Winnipeg	\$ 225,203	-0.1	0.9	\$ 11,260	19.5	17.5	\$ 1,004	17.4	0.0	-2.1	21.0	\$ 47,793	\$ 69,187	6%	\$ 1,404
Hamilton	\$ 468,795	3.1	5.3	\$ 23,440	36.3	21.1	\$ 2,090	32.4	1.0	-3.0	24.6	\$ 99,489	\$ 77,410	11%	\$ 1,425
Victoria	\$ 489,871	0.3	1.1	\$ 24,494	41.9	31.5	\$ 2,184	37.3	-0.4	-5.8	38.8	\$ 103,962	\$ 70,220	14%	\$ 1,713

Table 3

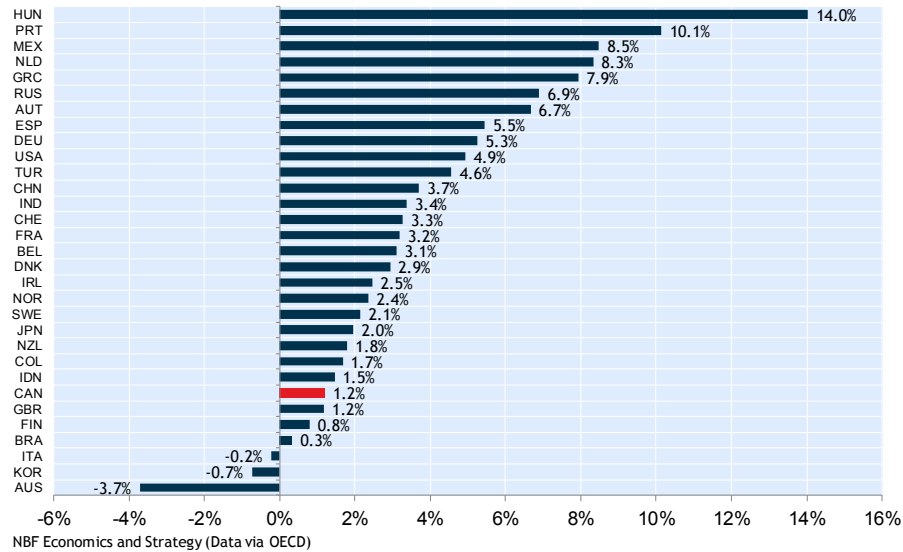
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
Other dwellings	Median home price	Q/Q % change	Y/Y % change	Downpayment \$	Downpayment: Months of saving	Avg. Since 2000	Monthly mortgage payment	Mortgage payment as % of income	Q/Q diff. PP	Y/Y diff. PP	Avg. Since 2000	Qualifying Income	Median Income	Home-ownership rate (2016)
Urban Composite	\$ 727,761	1.8	1.1	\$ 47,776	80.9	46.0	\$ 3,245	54.9	0.9	-7.2	50.2	\$ 151,903	\$ 70,904	59%
Toronto	\$ 934,902	2.8	3.1	\$ 68,490	100.3	50.4	\$ 4,168	61.0	1.6	-7.0	51.3	\$ 193,550	\$ 81,983	52%
Montreal	\$ 387,956	1.0	5.3	\$ 19,398	36.4	27.1	\$ 1,730	32.4	0.3	-3.2	32.3	\$ 82,333	\$ 64,026	45%
Vancouver	\$ 1,244,341	1.3	-5.5	\$ 248,868	376.9	124.7	\$ 5,548	84.0	0.0	-19.7	74.7	\$ 222,381	\$ 79,239	42%
Calgary	\$ 490,528	0.0	-1.0	\$ 24,526	34.4	30.0	\$ 2,187	30.7	0.2	-3.7	37.0	\$ 104,101	\$ 85,484	59%
Edmonton	\$ 416,004	0.2	-1.7	\$ 20,800	30.1	25.4	\$ 1,855	26.8	0.3	-3.4	31.6	\$ 88,286	\$ 83,033	57%
Ottawa/Gatineau	\$ 461,393	2.5	7.7	\$ 23,070	35.7	26.0	\$ 2,057	31.8	0.7	-2.2	31.1	\$ 97,918	\$ 77,539	58%
Quebec	\$ 295,364	1.7	2.9	\$ 14,768	23.1	19.9	\$ 1,317	20.6	0.3	-2.5	23.4	\$ 62,683	\$ 76,574	51%
Winnipeg	\$ 324,094	0.1	0.9	\$ 16,205	28.1	21.5	\$ 1,445	25.1	0.0	-3.1	25.3	\$ 68,780	\$ 69,187	61%
Hamilton	\$ 626,519	2.4	4.8	\$ 37,652	58.4	29.3	\$ 2,793	43.3	1.0	-4.2	32.7	\$ 131,548	\$ 77,410	60%
Victoria	\$ 854,308	2.2	0.4	\$ 60,431	103.3	58.2	\$ 3,809	65.1	0.6	-10.6	63.8	\$ 177,346	\$ 70,220	49%

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

Global perspective on housing affordability

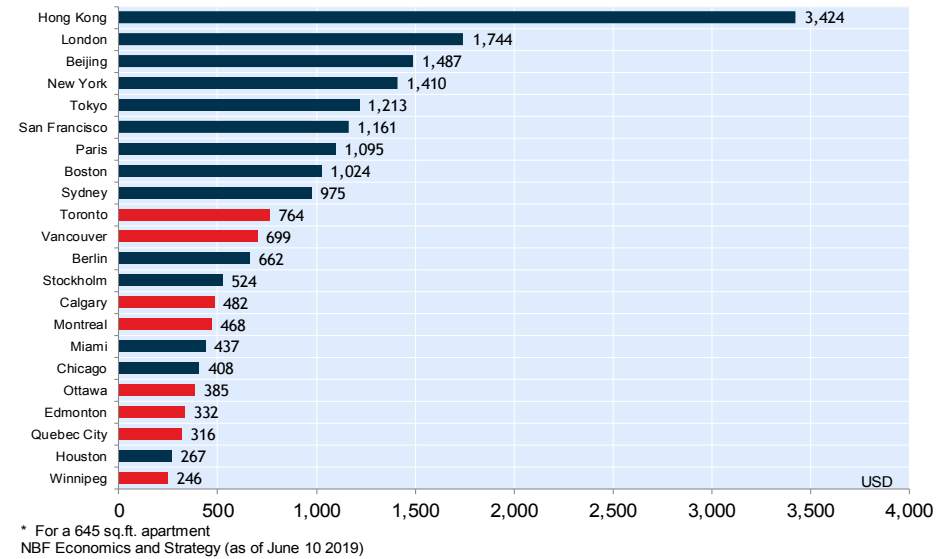
World: Perspective on home price growth

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.

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Housing Affordability Monitor

Economics and Strategy

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