

Rising home prices posing a challenge for affordability

By Kyle Dahms & Camille Baillargeon

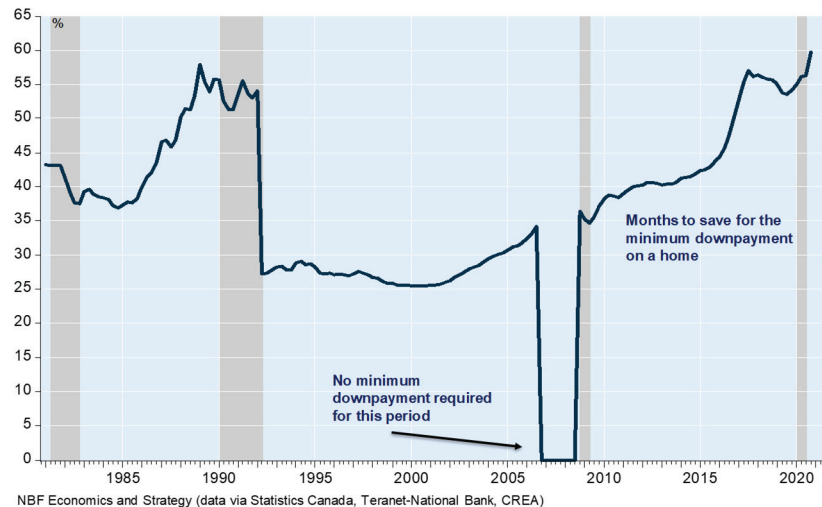
Housing affordability in Canada improved in the fourth quarter of 2020, marking a third amelioration in a row. That said, the improvement this quarter was much less impressive. Higher incomes and record low interest rates were almost completely offset by a substantial rise in home prices. Indeed, prices for the national composite rose 4.5% in the quarter, the highest quarterly gain in 11 years. While a 29 basis points decline in our 5-year benchmark mortgage rate has helped keep housing affordable this quarter, the nearly 100 basis points decline for rates since the start of the pandemic is surely propulsion for the current appreciation in home prices. Although the confluence of all these factors has resulted in home affordability having never been better since 2015 (see page 13), there is another hurdle for potential homebuyers. The rise in home prices has translated into a higher down payment. At a national level, there has never been a worse time to accumulate the minimum down payment (see left chart). Assuming a savings rate of 10% of total median household income, it would now take 60 months (5 years) to save for the minimum down payment (approximately 6%) on the representative home. Still, with interest rates unlikely to rise soon, vaccine rollout ushering a return to normal and market conditions in favour of sellers, home prices are on track to keep growing in 2021. As a result, affordability is likely to deteriorate on both a mortgage payment as a percentage of income and down payment basis going forward.

HIGHLIGHTS:

- In the fourth quarter of 2020, Canadian housing affordability improved for a third consecutive quarter. The mortgage payment on a representative home as a percentage of income (MPPI) fell 0.1 points after a 2.2-point decline in Q3'20. Seasonally adjusted home prices increased 4.5% in Q4'20 from Q3'20; the benchmark mortgage rate (5-year term) declined 29 basis points; while median household income rose 1.2%.
- Among the ten markets covered, affordability improved in five of them. There were improvements in Calgary, Winnipeg, Vancouver, Edmonton and Quebec (see chart on the right). On the flip side, Hamilton, Ottawa, Montreal and Toronto showed deteriorations in the quarter. Victoria was essentially flat in the month. Countrywide, affordability improved in the condo (-0.8pp) portion while the non-condo (+0.1pp) segment got slightly worse. See detailed statistics on page 12.

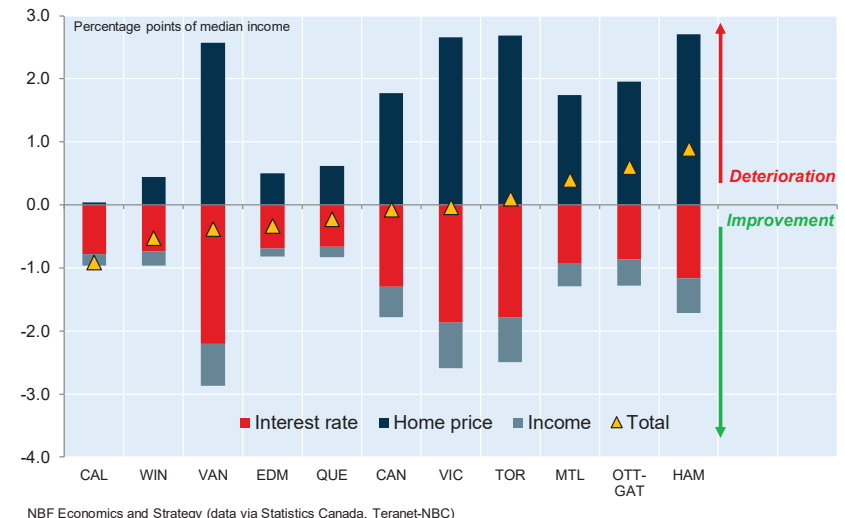
Canada: Saving for a down payment has never been worse

Months of saving assuming a 10% savings rate and the lowest available down payment option (approx. 6%)



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

In Toronto, housing affordability moved in opposite directions by market segment in the fourth quarter of 2020. It deteriorated for non-condo dwellings (MPPI* up 0.4 pp) and improved for condos (MPPI* down 1.2 pp). This was in line with the urban composite index. The median home price for condos and for non-condo dwellings increased 1.2% and 5.5%, respectively, lifting the median home price for all dwellings combined to nearly one million dollars. The median annual income increased 1.3% and interest rates declined, but this was not enough to fully offset higher home prices. The median home price for all dwellings combined increased 4.9% over the quarter, outrunning the urban composite index in this regard. Overall, the MPPI* deteriorated 0.1 pp on a quarterly basis, which was worse than the urban composite index, but improved 3.0 pp on an annual basis, which was slightly better. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non- Condo	58.2%	▲ +	0.4%	Q/Q
Condo	34.5%	▼ -	1.2%	Q/Q



Non-

\$1,039,438

Price of the representative home in the metropolitan market

\$178,499

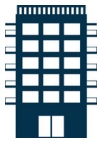
Household annual income needed to afford the representative home

289

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

30.5%

Premium for buying compared to the national urban composite



Condo

\$615,805

Price of the representative condo in the metropolitan market

\$124,335

Household annual income needed to afford the representative condo

51

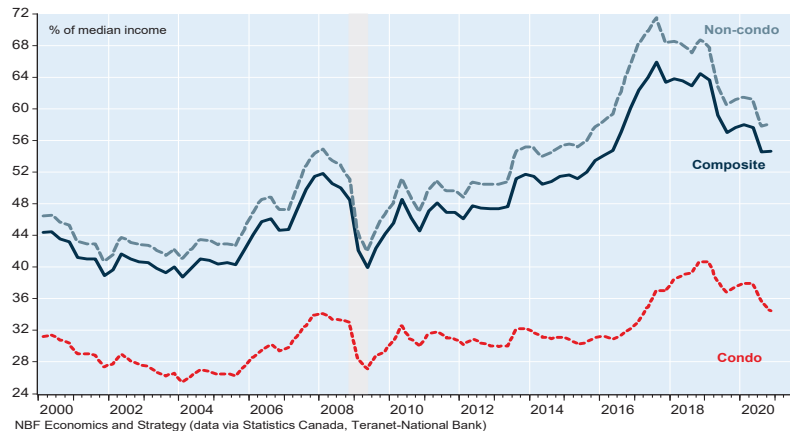
Months of saving required for the down payment (saving rate of 10%)

-0.7%

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

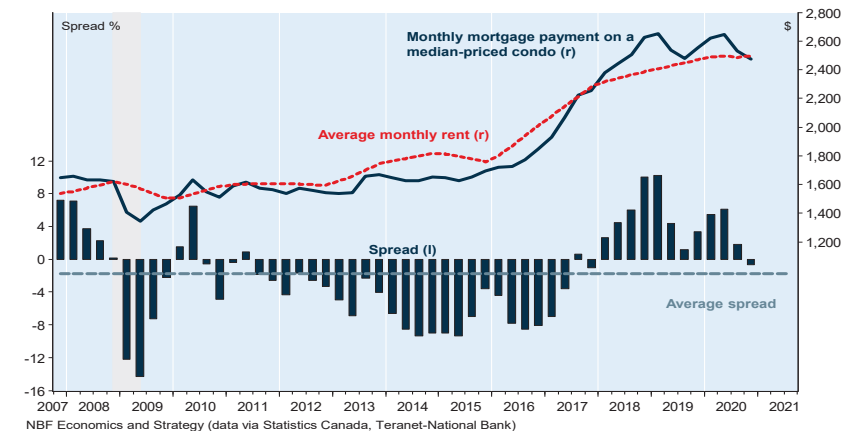
Toronto : Perspective on housing affordability

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



Toronto: Buying compared to renting

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



Montreal

Montreal saw the median home price for all dwellings combined rise 6.1% in the quarter on jumps of 6.6% and a 3.5%, respectively, for non-condo dwellings and condos. An increase in the median annual income (+1.3%) and lower interest rates were not enough to offset higher home prices (MPPI* up 0.4 pp). Unlike what transpired in the non-condo segment (+0.6 pp), the situation did improve in the condo segment (-0.3 pp). Year on year, Montreal registered the second weakest decline in MPPI* (-0.5 pp) of the ten urban centres covered after Ottawa/Gatineau. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non- Condo	31.3%	▲ +	0.6%	Q/Q
Condo	23.3%	▼ -	0.3%	Q/Q



Non-

\$446,648

Price of the representative home in the metropolitan market

\$91,083

Household annual income needed to afford the representative home

39

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

-43.9%

Premium for buying compared to the national urban composite



Condo

\$332,230

Price of the representative condo in the metropolitan market

\$67,750

Household annual income needed to afford the representative condo

29

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

4.3%

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

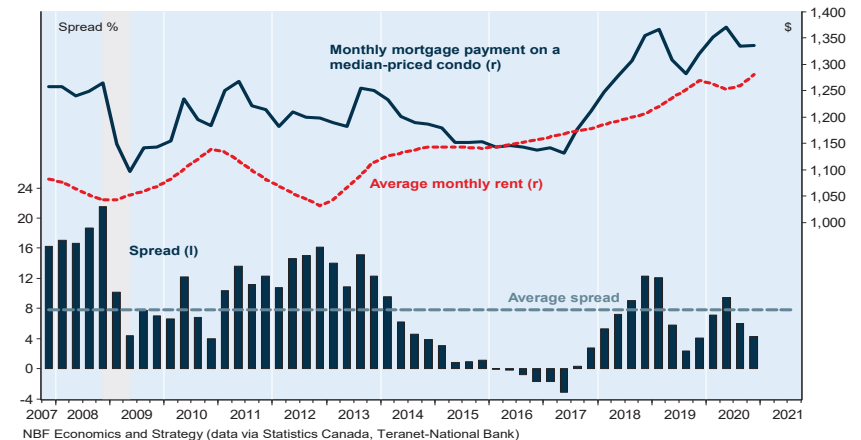
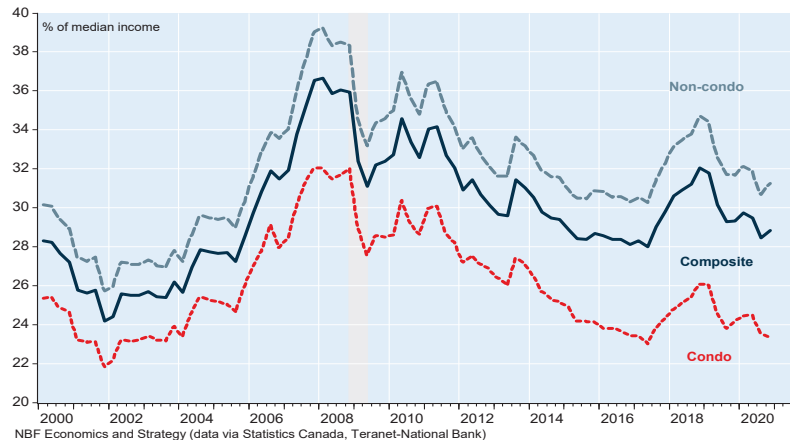
Montreal : Perspective on housing affordability

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

Housing affordability in Vancouver as measured by the MPPI* improved for condos (-1.3 pp) while holding steady for non-condo dwellings. As a result, the MPPI* for all dwellings combined improved more than the urban composite index did (-0.4 pp vs. -0.1 pp). The monthly mortgage payment as a percentage of household income remained the highest of all the urban centres even though it stood at its lowest level since the first quarter of 2016. A higher median annual income (+1.0%) teamed up with low interest rates to negate higher home prices (+3.8%), thus contributing to improve the MPPI*. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non-Condo	82.1%	▶	0.0%	Q/Q
Condo	38.7%	▼	- 1.3%	Q/Q



Non-

\$1,342,184

Price of the representative home in the metropolitan market

\$230,488

Household annual income needed to afford the representative home

409

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

68.5%

Premium for buying compared to the national urban composite



Condo

\$633,030

Price of the representative condo in the metropolitan market

\$127,663

Household annual income needed to afford the representative condo

58

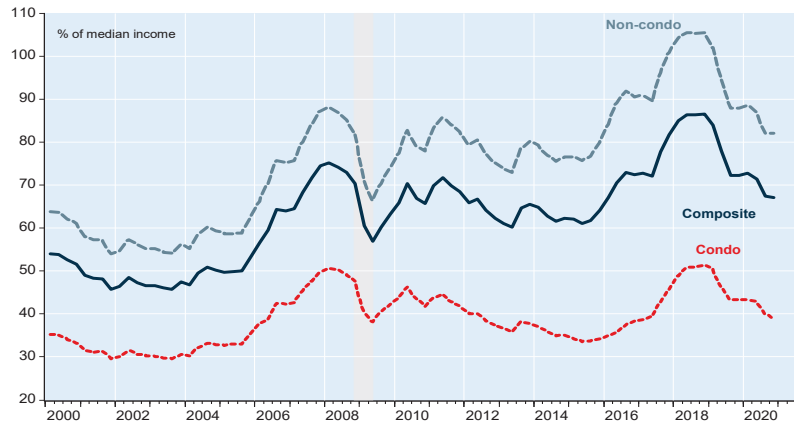
Months of saving required for the down payment (saving rate of 10%)

26.9%

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

Vancouver : Perspective on housing affordability

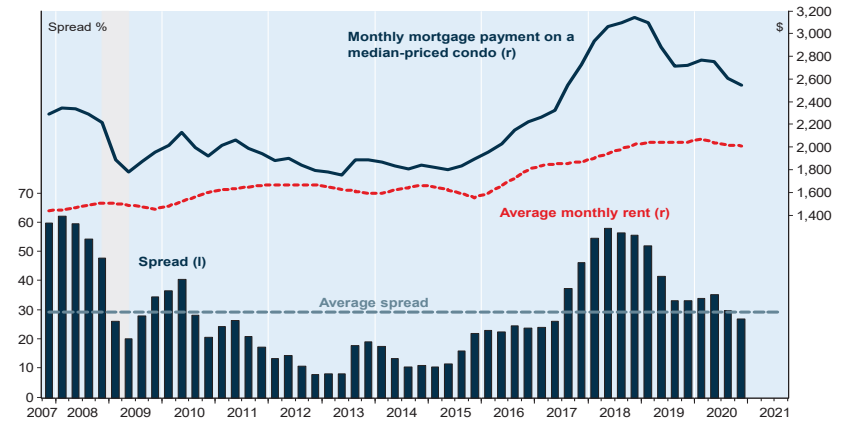
Monthly mortgage payment on median home price (25 year amortization, 5-year term)



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 recorded the best improvement in MPPI* (-0.9 pp) among the ten urban centres covered in the fourth quarter of the year. The improvement was observed in both the condo and the non-condo segments (-0.6 pp and -1.0 pp, respectively). Calgary was the only urban centre where condo prices fell on a quarterly basis (-0.1%). They also fell on an annual basis (-2.4%). This retreat, combined with a higher median annual income (+0.7%) and lower interest rates, improved affordability for all dwellings combined by 0.9 pp on the quarter. At 23%, the MPPI* was the lowest ever recorded for this city. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non- Condo	26.2%	▼ -	1.0%	Q/Q
Condo	13.3%	▼ -	0.6%	Q/Q



Non-

\$480,192
Price of the representative home in the metropolitan market

\$97,923
Household annual income needed to afford the representative home

33
Months of saving required for the down payment (saving rate of 10%)

-39.7%
Premium for buying compared to the national urban composite



Condo

\$243,336
Price of the representative condo in the metropolitan market

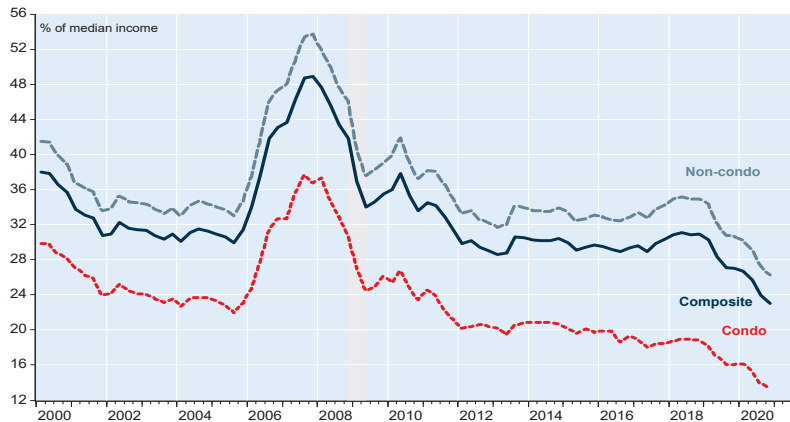
\$49,622
Household annual income needed to afford the representative condo

17
Months of saving required for the down payment (saving rate of 10%)

-38.7%
Premium/discount for buying compared to renting a two-bedroom condo in Calgary

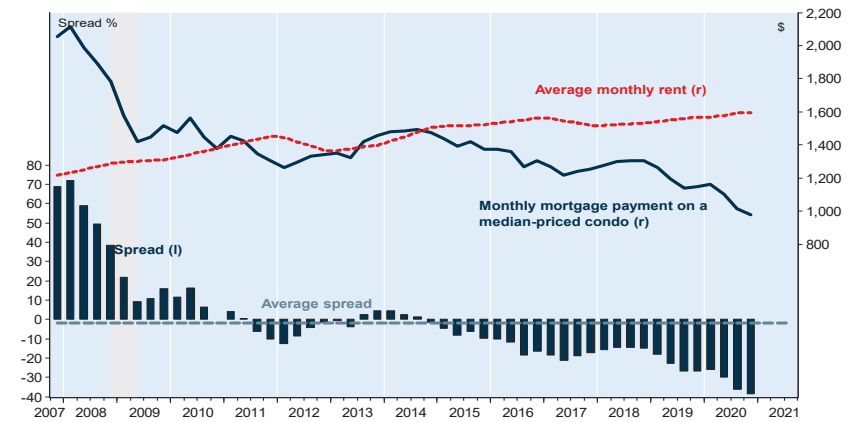
Calgary : Perspective on housing affordability

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



Calgary: Buying compared to renting

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



CALGARY

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

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

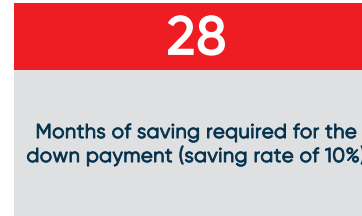
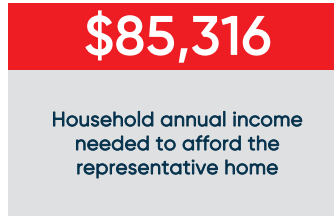
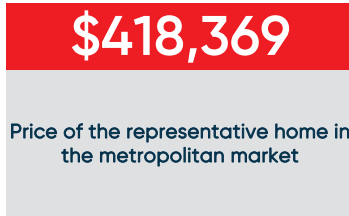
Edmonton

In Edmonton, the median home price for all dwellings combined climbed 2.4% in the last quarter of 2020. However, this was more than offset by a higher median annual income (+0.6%) and lower interest rates, which combined to pull the MPPI* down 0.3 pp. Affordability improved in both the condo and the non-condo segments (-0.2 pp and -0.4 pp, respectively). On an annual basis, though the median annual income increased at a slower pace compared with the urban composite index, the MPPI* for all dwellings combined retreated 2.7 pp on par with the urban composite index, because the median home price, too, increased at a slower pace compared with the index. *See tables page 12

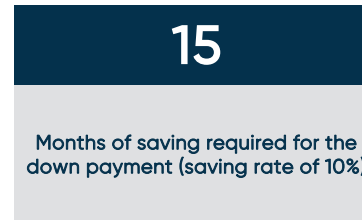
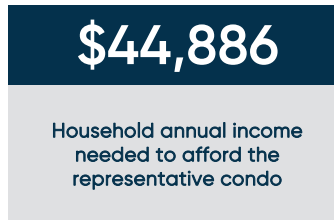
Mortgage payment as a % of income (MPPI)				
Non- Condo	22.3%	▼	- 0.4%	Q/Q
Condo	11.7%	▼	- 0.2%	Q/Q



Non-

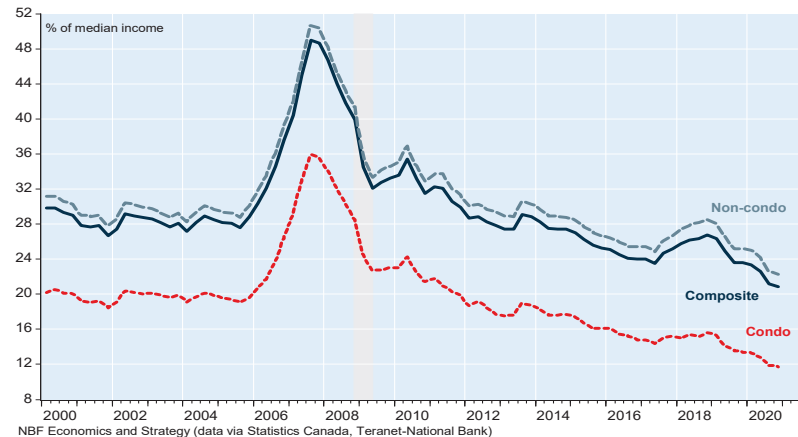


Condo



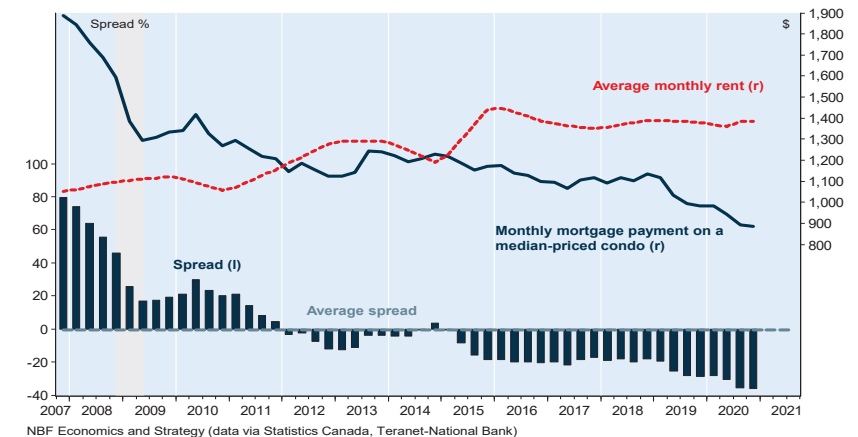
Edmonton : Perspective on housing affordability

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* worsened for all dwellings combined (+0.6 pp), as it held steady for condos but rose 0.7 pp for non-condo dwellings. Ottawa/Gatineau registered the second highest median home price increase (+7.4%) in the fourth quarter among the ten urban centres covered. A 1.6% increase in the median annual income and lower interest rates were not enough to offset higher home prices. Year on year, however, there was no change in the MPPI*. Ottawa/Gatineau came in last in this regard among the ten urban centres because, though it registered the strongest increase in median annual income (+6.8%), it also registered the sharpest increase in median home price (+18.2%) of the lot. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non-Condo	29.0%	▲ +	0.7%	Q/Q
Condo	18.0%	▶	0.0%	Q/Q



Non-

\$544,644

Price of the representative home in the metropolitan market

\$110,587

Household annual income needed to afford the representative home

39

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

-31.6%

Premium for buying compared to the national urban composite



Condo

\$338,014

Price of the representative condo in the metropolitan market

\$68,929

Household annual income needed to afford the representative condo

22

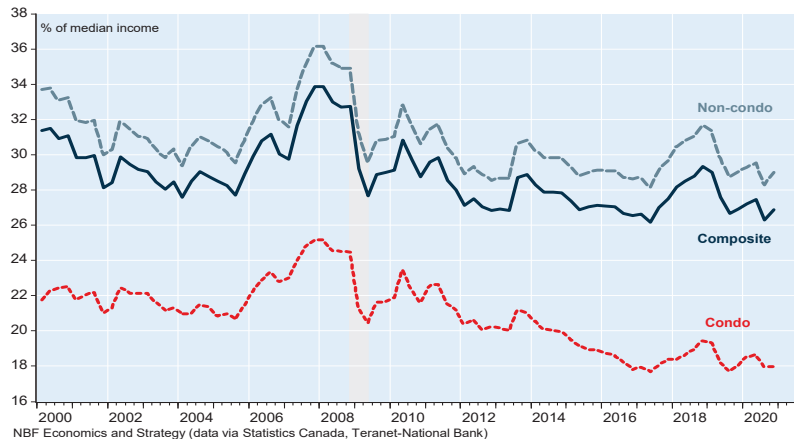
Months of saving required for the down payment (saving rate of 10%)

-22.0%

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

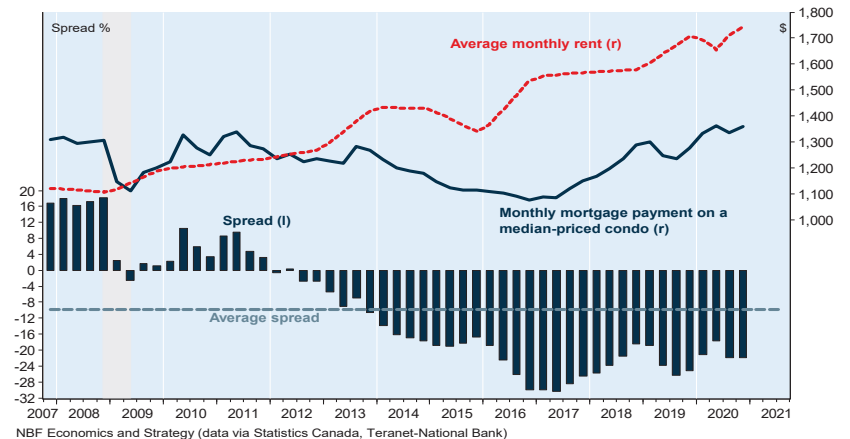
Ottawa/Gatineau : Perspective on housing affordability

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



Quebec City

The MPPI* in Quebec City improved 0.2 pp in the last quarter of 2020, which allowed the city to retain the title of most affordable market in Canada. It improved 0.3 pp in the non-condo segment, where the median home price rose 2.9%, well below the urban composite index of 4.9%. This smaller price hike, in conjunction with a higher median annual income (+0.8%) and lower interest rates, contributed to improve the segment's MPPI* on the quarter. Where condos are concerned, the MPPI* improved 0.1 pp over this period. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non-Condo	20.7%	▼ - 0.3%	Q/Q	
Condo	14.5%	▼ - 0.1%	Q/Q	



Non-

\$311,811

Price of the representative home in the metropolitan market

\$63,586

Household annual income needed to afford the representative home

26

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

-60.8%

Premium for buying compared to the national urban composite



Condo

\$219,132

Price of the representative condo in the metropolitan market

\$44,687

Household annual income needed to afford the representative condo

18

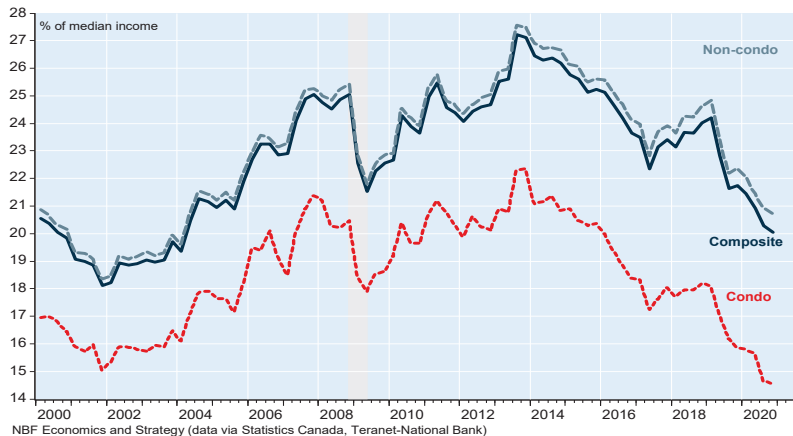
Months of saving required for the down payment (saving rate of 10%)

-20.6%

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

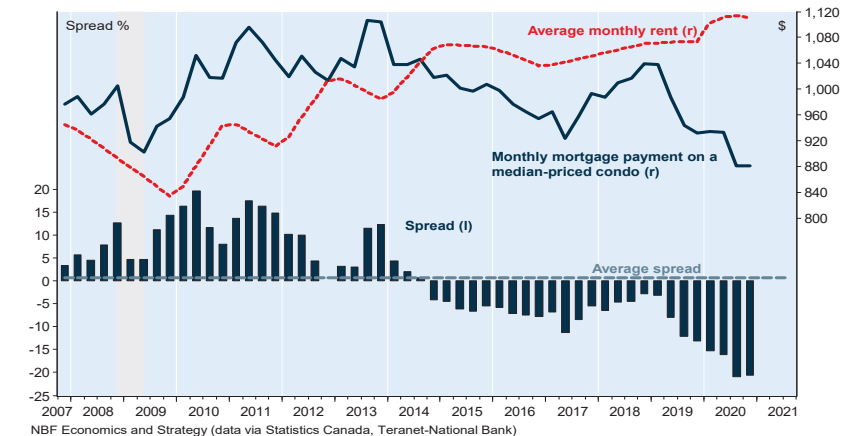
Quebec city: Perspective on housing affordability

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

In Winnipeg, housing affordability improved in the last quarter of 2020, as the MPPI* declined 0.4 pp for condos and 0.5 pp for non-condo dwellings. For all dwellings, the median home price increased 2.0% on a quarterly basis, below the urban composite index. The median annual income, too, grew at a pace below the Canadian average. This, combined with lower interest rates, resulted in a 0.5-pp improvement in the MPPI* for all dwellings. The city did better than the urban composite index in this regard. *See tables on page 12.

Mortgage payment as a % of income (MPPI)				
Non- Condo	22.2%	▼ - 0.5%	Q/Q	
Condo	14.9%	▼ - 0.4%	Q/Q	



Non-

\$341,616

Price of the representative home in the metropolitan market

\$69,664

Household annual income needed to afford the representative home

28

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

-57.1%

Premium for buying compared to the national urban composite



Condo

\$229,422

Price of the representative condo in the metropolitan market

\$46,785

Household annual income needed to afford the representative condo

19

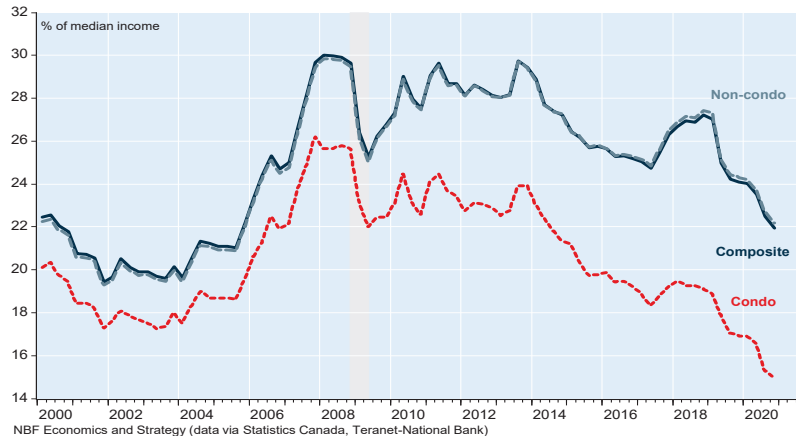
Months of saving required for the down payment (saving rate of 10%)

-34.4%

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

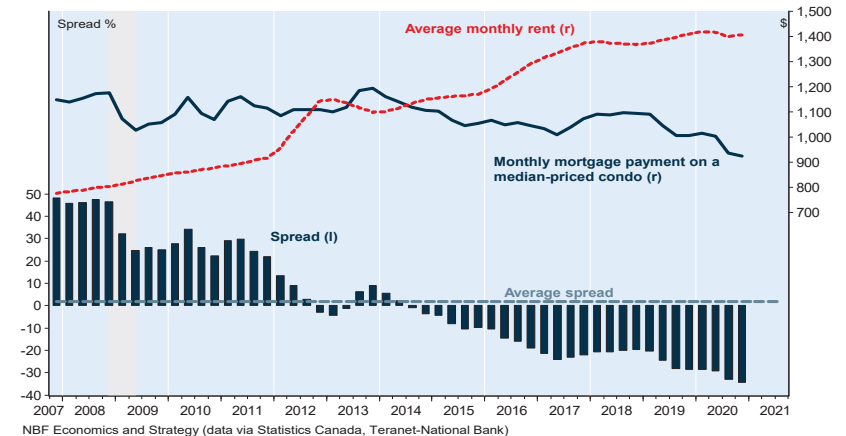
Winnipeg: Perspective on housing affordability

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



Winnipeg: Buying compared to renting

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



WINNIPEG

Hamilton

In the fourth quarter, Hamilton registered the worst deterioration in MPPI* (+0.9 pp) among the ten urban centres covered. The MPPI* improved for condos (-0.1 pp) but deteriorated for non-condo dwellings (+1.1 pp), for which the median home price sprang 8.0%, the highest increase among the cities this quarter. For all dwellings combined, the median home prices rose 7.6%, which was also the highest increase observed over this period. A higher median income and lower interest rates were not enough to pull down the MPPI* in Q4. The mortgage payment as a percentage of the median pre-tax household income stood at 38.7%. This was below the urban composite index but above the city's 20-year average. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non-Condo	38.7%	▲ +	1.1%	Q/Q
Condo	28.5%	▼ -	0.1%	Q/Q



Non-

\$718,569

Price of the representative home in the metropolitan market

\$144,188

Household annual income needed to afford the representative home

63

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

-9.8%

Premium for buying compared to the national urban composite



Condo

\$528,579

Price of the representative condo in the metropolitan market

\$107,484

Household annual income needed to afford the representative condo

37

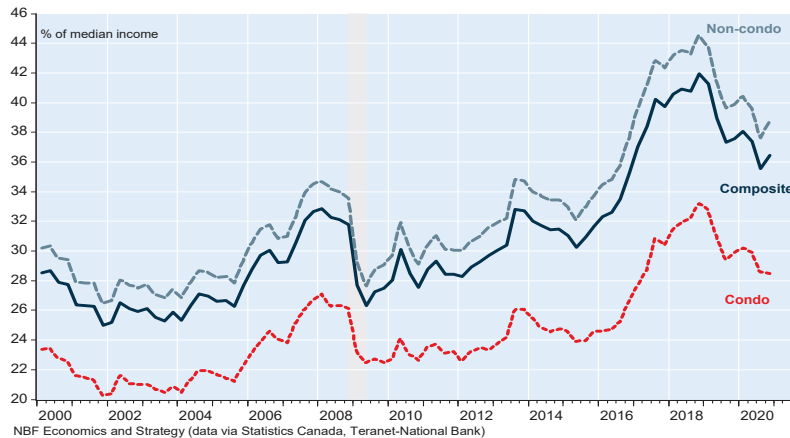
Months of saving required for the down payment (saving rate of 10%)

11.3%

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

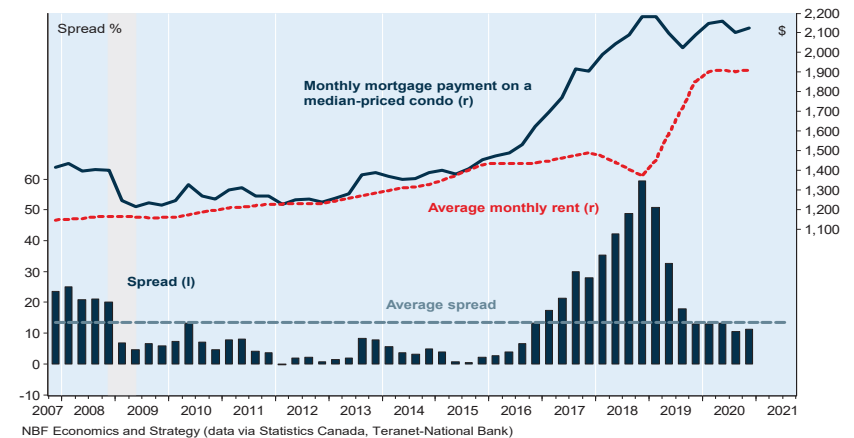
Hamilton: Perspective on housing affordability

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



Victoria

In Victoria, the MPPI* stayed put over the quarter, which means the city did slightly worse than the urban composite index (-0.1 pp) in this regard. The stability was due to the fact that the MPPI* declined 1.0 pp for condos while climbing 0.2 pp for non-condo dwellings. On an annual basis, the city registered the strongest improvement in MPPI* (-5.6 pp) of the ten urban centres covered. *See tables page 12.

Mortgage payment as a % of income (MPPI)				
Non-Condo	60.6%	▲ +	0.2%	Q/Q
Condo	33.5%	▼ -	1.0%	Q/Q



Non-

\$910,536
Price of the representative home in the metropolitan market

\$181,275
Household annual income needed to afford the representative home

109
Months of saving required for the down payment (saving rate of 10%)

14.3%
Premium for buying compared to the national urban composite



Condo

\$503,072
Price of the representative condo in the metropolitan market

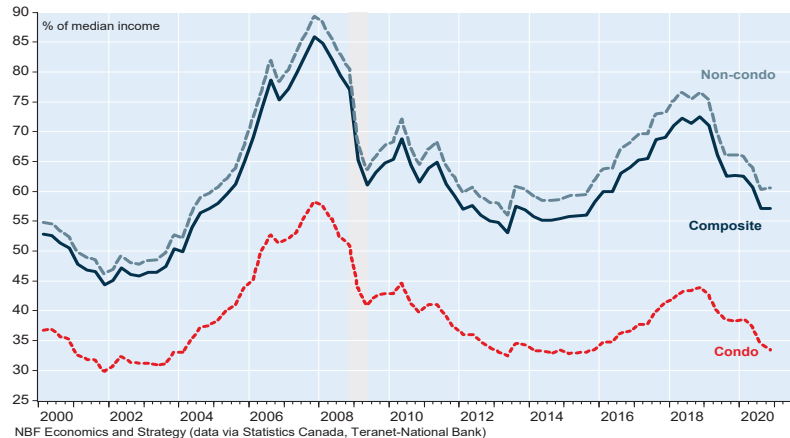
\$102,556
Household annual income needed to afford the representative condo

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

13.2%
Premium/discount for buying compared to renting a two-bedroom condo in Victoria

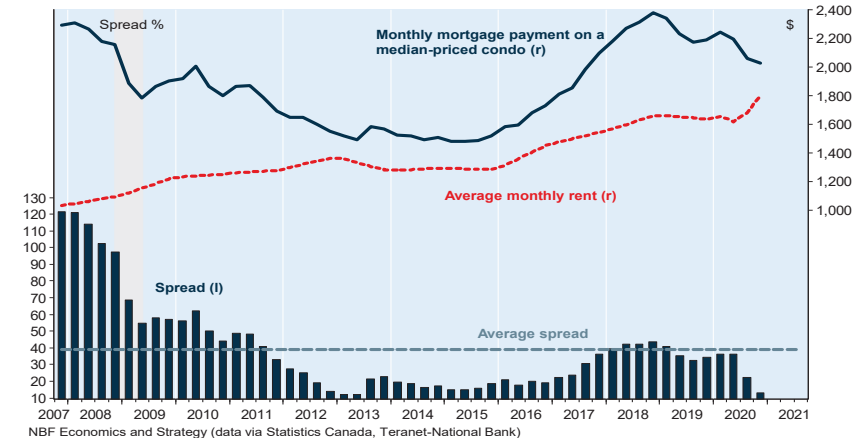
Victoria: Perspective on housing affordability

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	\$ 632,044	4.5	9.1	\$ 38,204	59.8	35.7	\$ 2,541	39.7	-0.1	-2.7	40.0	\$ 127,472	\$ 76,720	68%
Toronto	\$ 975,143	4.9	10.9	\$ 72,514	101.0	49.2	\$ 3,920	54.6	0.1	-3.0	48.8	\$ 193,756	\$ 86,179	66%
Montreal	\$ 411,974	6.1	14.8	\$ 20,599	35.9	25.4	\$ 1,656	28.8	0.4	-0.5	29.8	\$ 84,012	\$ 68,931	56%
Vancouver	\$ 1,095,554	3.8	7.1	\$ 219,111	333.5	100.3	\$ 4,404	67.0	-0.4	-5.2	63.2	\$ 188,135	\$ 78,849	64%
Calgary	\$ 421,592	0.2	-2.4	\$ 21,080	28.6	26.9	\$ 1,695	23.0	-0.9	-3.9	32.9	\$ 85,973	\$ 88,315	73%
Edmonton	\$ 391,201	2.4	0.4	\$ 19,560	25.9	24.1	\$ 1,573	20.8	-0.3	-2.7	29.6	\$ 79,776	\$ 90,640	70%
Ottawa/Gatineau	\$ 505,229	7.4	18.2	\$ 25,523	33.8	24.5	\$ 2,031	26.9	0.6	0.0	28.8	\$ 102,973	\$ 90,625	67%
Quebec	\$ 302,473	3.0	5.7	\$ 15,124	24.9	19.8	\$ 1,216	20.1	-0.2	-1.7	22.8	\$ 61,682	\$ 72,776	60%
Winnipeg	\$ 337,915	2.0	5.2	\$ 16,896	27.3	21.6	\$ 1,359	22.0	-0.5	-2.1	25.0	\$ 68,909	\$ 74,264	67%
Hamilton	\$ 676,045	7.6	14.6	\$ 42,605	57.1	28.1	\$ 2,718	36.4	0.9	-1.2	30.9	\$ 135,973	\$ 89,549	70%
Victoria	\$ 857,803	4.6	6.5	\$ 60,780	100.6	57.2	\$ 3,449	57.1	0.0	-5.6	61.1	\$ 171,087	\$ 72,514	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	\$ 439,314	1.7	6.1	\$ 21,966	34.4	24.9	\$ 1,766	27.6	-0.8	-2.7	29.3	\$ 89,587	\$ 76,720	9%	\$ 1,954
Toronto	\$ 615,805	1.2	7.6	\$ 36,581	50.9	27.9	\$ 2,476	34.5	-1.2	-3.0	31.3	\$ 124,335	\$ 86,179	15%	\$ 2,493
Montreal	\$ 332,230	3.5	12.2	\$ 16,612	28.9	22.1	\$ 1,336	23.3	-0.3	-0.9	26.0	\$ 67,750	\$ 68,931	11%	\$ 1,281
Vancouver	\$ 633,030	0.9	3.7	\$ 38,303	58.3	34.8	\$ 2,545	38.7	-1.3	-4.4	38.8	\$ 127,663	\$ 78,849	22%	\$ 2,006
Calgary	\$ 243,336	-0.1	-5.3	\$ 12,167	16.5	18.7	\$ 978	13.3	-0.6	-2.8	23.4	\$ 49,622	\$ 88,315	14%	\$ 1,595
Edmonton	\$ 220,110	2.7	-0.2	\$ 11,005	14.6	15.7	\$ 885	11.7	-0.2	-1.6	19.8	\$ 44,886	\$ 90,640	12%	\$ 1,383
Ottawa/Gatineau	\$ 338,014	5.2	18.0	\$ 16,901	22.4	17.6	\$ 1,359	18.0	0.0	-0.1	20.9	\$ 68,929	\$ 90,625	9%	\$ 1,743
Quebec	\$ 219,132	3.4	4.8	\$ 10,957	18.1	15.9	\$ 881	14.5	-0.1	-1.3	18.5	\$ 44,687	\$ 72,776	9%	\$ 1,110
Winnipeg	\$ 229,422	1.9	1.8	\$ 11,471	18.5	17.4	\$ 922	14.9	-0.4	-2.0	20.5	\$ 46,785	\$ 74,264	6%	\$ 1,406
Hamilton	\$ 528,579	4.6	12.7	\$ 27,858	37.3	21.6	\$ 2,125	28.5	-0.1	-1.4	24.7	\$ 107,484	\$ 89,549	11%	\$ 1,909
Victoria	\$ 503,072	1.7	2.5	\$ 25,307	41.9	32.3	\$ 2,023	33.5	-1.0	-4.7	39.0	\$ 102,556	\$ 72,514	14%	\$ 1,787

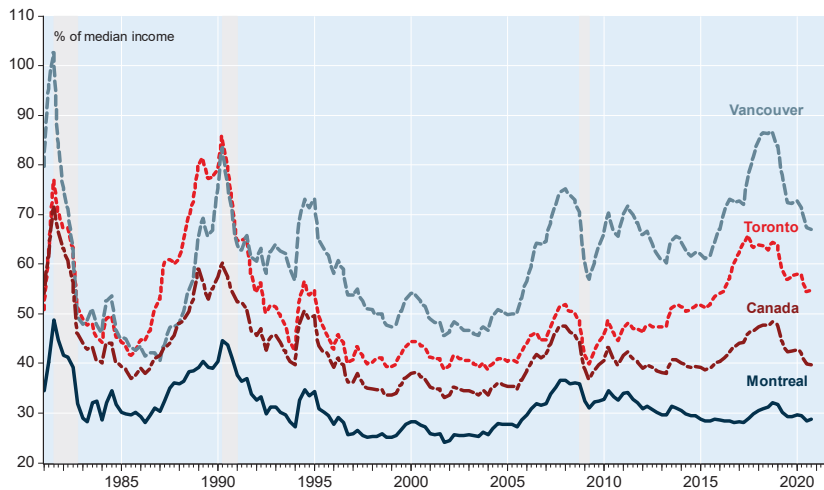
Table 3

	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	\$ 796,432	4.9	9.6	\$ 54,643	85.5	47.4	\$ 3,202	50.1	0.1	-3.2	50.0	\$ 159,231	\$ 76,720	59%
Toronto	\$ 1,039,438	5.5	11.4	\$ 207,888	289.5	55.4	\$ 4,179	58.2	0.4	-2.9	51.9	\$ 178,499	\$ 86,179	52%
Montreal	\$ 446,648	6.6	15.2	\$ 22,332	38.9	27.3	\$ 1,796	31.3	0.6	-0.4	31.9	\$ 91,083	\$ 68,931	45%
Vancouver	\$ 1,342,184	4.5	7.8	\$ 268,437	408.5	140.0	\$ 5,396	82.1	0.0	-5.8	76.0	\$ 230,488	\$ 78,849	42%
Calgary	\$ 480,192	0.2	-2.0	\$ 24,010	32.6	30.0	\$ 1,931	26.2	-1.0	-4.4	36.4	\$ 97,923	\$ 88,315	59%
Edmonton	\$ 418,369	2.3	0.5	\$ 20,918	27.7	25.3	\$ 1,682	22.3	-0.4	-2.9	31.0	\$ 85,316	\$ 90,640	57%
Ottawa/Gatineau	\$ 544,644	7.7	18.2	\$ 29,464	39.0	26.2	\$ 2,190	29.0	0.7	0.0	30.8	\$ 110,587	\$ 90,625	58%
Quebec	\$ 311,811	2.9	5.8	\$ 15,591	25.7	20.1	\$ 1,254	20.7	-0.3	-1.7	23.1	\$ 63,586	\$ 72,776	51%
Winnipeg	\$ 341,616	2.0	5.4	\$ 17,081	27.6	21.6	\$ 1,373	22.2	-0.5	-2.1	25.0	\$ 69,664	\$ 74,264	61%
Hamilton	\$ 718,569	8.0	14.9	\$ 46,857	62.8	30.3	\$ 2,889	38.7	1.1	-1.2	32.8	\$ 144,188	\$ 89,549	60%
Victoria	\$ 910,536	5.1	7.1	\$ 66,054	109.3	61.0	\$ 3,661	60.6	0.2	-5.6	64.2	\$ 181,275	\$ 72,514	49%

Canadian perspective on housing affordability

Canada : Perspective on housing affordability

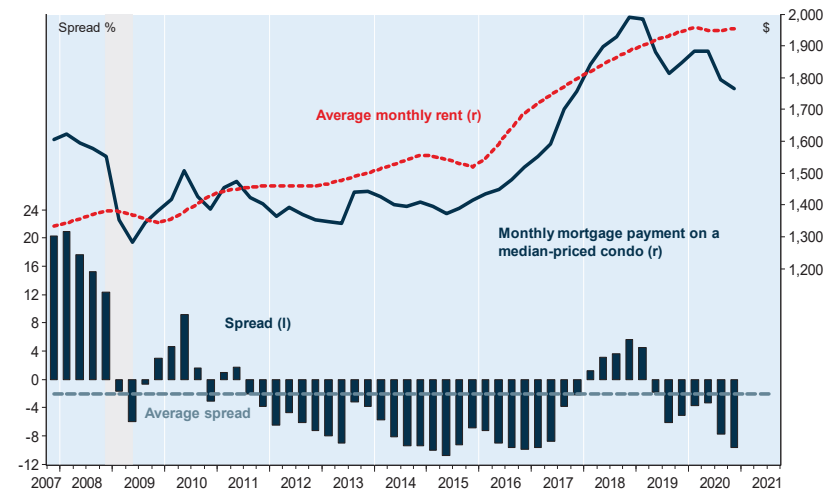
Monthly mortgage payment on median home price (25 year amortization, 5-year term)



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

Canada: Buying compared to renting

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

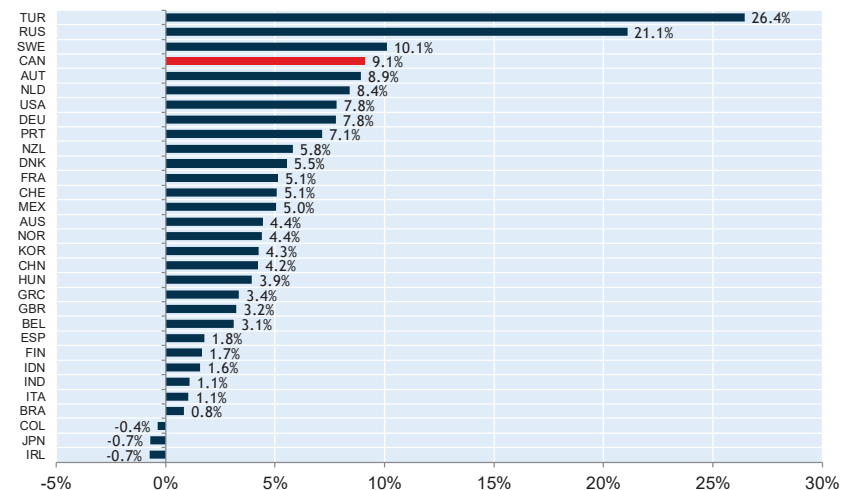


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Global perspective on housing affordability

World: Perspective on home price growth

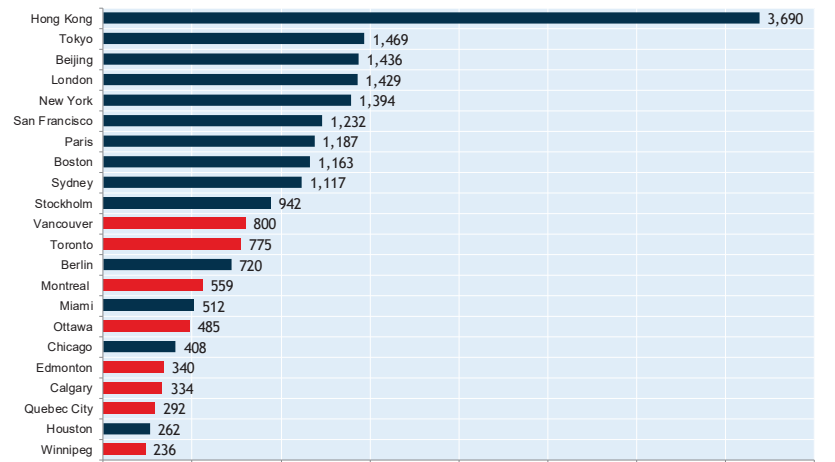
Home price percentage change year over year (Last data available)



NBF Economics and Strategy (Data via OECD)

World: Home prices do not seem extreme in Canada

Price per square feet in USD for downtown living* (June 2020)



* For a 645 sq.ft. apartment
NBF Economics and Strategy (as of June 15 2020)

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 and apply a Hodrick–Prescott filter to smooth short-term fluctuations.

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.

Economics and Strategy

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Housing Affordability Monitor

Economics and Strategy

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