

Housing affordability remained the same thanks to regional trends

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Housing affordability improved in some cities during the first quarter of 2015, but it was offset by rising unaffordability in other cities.

The national affordability of three types of housing (condominium apartments, two-storey bungalows and detached bungalows) saw little change, according to RBC's recent Housing Trend and Affordability report.

Owning a condo became more affordable with the property's costs equal to 27.1 per cent of a Canadians' median household income, which is 0.3 percentage points lower than in late 2014. Owning a two-storey home also became slightly more affordable with its costs accounting for 47.9 per cent of household income, which is a 0.2 percentage point drop. Owning a detached bungalow saw no change in affordability with its costs requiring 42.7 per cent of Canadians' household income.

The slight affordability improvements were caused by lower mortgage rates and while some markets saw housing prices drop, other markets such as Toronto and Vancouver saw rises instead.

"Canadian markets heavily associated with the oil and gas industry – Calgary and Edmonton in particular – were impacted earlier this year by the plunge in oil prices which tipped the market in favour of buyers due to softening home prices and ownership costs," said Craig Wright, RBC's senior vice-president and chief economist, in a press release.

"At the other end of the spectrum, solid price increases continued to erode housing affordability in Toronto and Vancouver which remain Canada's hottest markets."

Despite a slow winter, home resales picked up during the spring by an increase of 11.2 per cent between February to May with demand highest in Vancouver and Toronto. The Montreal and Ottawa housing markets were soft recently, but there was a stir in activity which could lead to a revival of these housing markets. It also looks as if the Alberta and Saskatchewan housing markets have stabilized after the drop in prices and activity.

RBC forecasts that home resales will rise by 1.5 per cent to 488,500 units this year from 481,200 units last year thanks to strong sales expected in Ontario and British Columbia.

In Ontario, there continues to be a growing gap between the cost of a condo and a house. The average price of a condo in the first quarter of 2015 was \$278,100, which takes 28.9 per cent of a resident's household income. The average price of a detached bungalow was \$454,000, which accounted for almost half of a resident's household income (45.5 per cent) and the average price of a two-storey house was \$514,000, which accounted for slightly more than half of a resident's income (51.7 per cent).

Condos in Ontario grew slightly more affordable due to increased supply, but affordability of detached bungalows and two-storey houses worsened as these properties continue to remain scarce.

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