



RBC HOUSING AFFORDABILITY - PROVINCIAL FACT SHEET

Key Centre Highlights

British Columbia

Victoria – Good times indeed, but at a cost

Home resales are booming in Victoria and prices are rising rapidly, which has taken a toll on housing affordability. RBC's aggregate measure for the area continued to rise in the first quarter of 2016, climbing by 1.0 percentage point to 47.4 per cent. This represented the third largest increase (after Vancouver and Toronto) among the local markets that RBC tracks.

"The affordability of single-detached homes in Victoria is quite stretched compared to most cities across Canada, while the affordability measure for condo apartments eroded only slightly in the first quarter," said Craig Wright, RBC Chief Economist.

Vancouver – Epic surge in prices crushes affordability

The combination of very strong demand and limited supply of homes for sale has led to an epic surge in prices in the Vancouver area. Aggregate prices jumped by 8.0 per cent between the fourth quarter of 2015 and the first quarter of 2016 -- the strongest quarterly increase in 26 years.

"First-quarter prices for single-detached homes in Vancouver surged nearly 25 per cent year-over-year, and such a parabolic rise in prices signals the presence of over-exuberance in this segment of Vancouver's market that is not fully justified by the robust local fundamentals," said Craig Wright, RBC Chief Economist. The aggregate affordability measure jumped by 6.5 percentage points to 87.6 per cent in the first quarter. "While the situation was much less severe in the condo apartment segment, affordability in this segment also eroded modestly to 46.0 per cent in the first quarter."

Alberta

Calgary – Weakening prices and weakening incomes

The persistence of Alberta's recession and mounting employment losses took an increasing toll on Calgary's income in the first few months of this year and this weighed on housing affordability in the area (housing affordability is calculated as a share of household income). RBC's aggregate affordability measure edged 0.5 percentage points higher to 35.1 per cent in the first quarter of 2016 despite home prices falling by 0.7 per cent relative to the fourth quarter.

"The main factor for the deterioration was a 1.9 per cent decline in household income," said Craig Wright, RBC Chief Economist. "We expect that softness in both prices and incomes will continue to affect affordability in the near term."

Edmonton – Affordability unlikely to deter buyers

As in Calgary, housing affordability eroded slightly in Edmonton in the first quarter due primarily to downward pressure on household income. RBC's aggregate measure for the area rose by 0.4 percentage points to 31.2 per cent despite a slight 0.5 per cent easing in prices.

"The measure has been stable since 2012 and affordability is unlikely to be a major impediment for homebuyers," said Craig Wright, RBC Chief Economist. "A recent pick-up in resale activity since the first quarter may be a sign of confidence rebuilding in the market."

Saskatchewan

Saskatoon – Soft start to 2016

Home resales in Saskatoon were down 8.1 per cent in the first quarter relative to the fourth quarter of 2015, and the market still contends with a large inventory of unsold new units. RBC's aggregate affordability measure inched marginally higher by 0.1 percentage points to 32.8 per cent, which is very close to the historical average.

"The market's main challenge continues to be a lackluster economy, with approximately 5,000 jobs lost in the Saskatoon area in the first five months of 2016," said Craig Wright, RBC Chief Economist.

Regina – Affordability at a nine-year best

In Regina, there is plenty of housing supply available relative to demand and home prices generally drifted lower in the first quarter of 2016. Housing affordability in the area improved further in the first quarter. RBC's aggregate affordability measure fell by 0.5 percentage points to a nine-year low of 27.8 per cent.

"Overall, the cost of owning a home at market price in Regina takes a smaller share of household income than in most major Canadian cities," said Craig Wright, RBC Chief Economist.

Manitoba

Winnipeg – Finding an extra gear

Home resales in the Winnipeg area recently moved into record territory: almost 13,100 homes changed hands in the first quarter (on a seasonally adjusted and annualized basis), surpassing the previous high of 12,800 set in the second quarter of 2008.

"One of the factors driving demand higher in the Winnipeg area is affordability, which has been improving since 2012," said Craig Wright, RBC Chief Economist. "RBC's aggregate measure fell by 0.4 percentage points to 29.7 per cent, which is the lowest level in more than six years. Demand-supply conditions have tightened since the first quarter, which suggests prices may firm in the period ahead."

Ontario

Toronto – Keeps on going, and going, and...

The multi-year housing boom in the Toronto area continues to defy expectations of a slowdown. Housing affordability has deteriorated significantly so far this year (mostly in the single-detached home segment). RBC's aggregate measure rose by 1.1 percentage points to 60.6 per cent in the first quarter of 2016, ranking second only to Vancouver.

"In the single-detached segment it would take 71.7 per cent of a typical household income to cover ownership costs at market prices in Toronto," said Craig Wright, RBC Chief Economist. "Condo apartments, which required 36.5 per cent of household income to cover ownership costs in the first quarter, remain a more affordable option."

Ottawa – On a bumpy road

Home resales in the Ottawa market fell 6.2 per cent in the first quarter, although the modest tightening of demand-supply conditions in 2015 has led to a slight firming in prices this year. RBC's aggregate measure rose 0.5 percentage points to 33.0 per cent, which remains below the long-run average of 35.0 per cent in the area.

"The condo segment continued to be weighed down by a still-large inventory of newly-built units, and housing affordability is at generally attractive levels in the Ottawa area," said Craig Wright, RBC Chief Economist.

Quebec

Montreal – Momentum is (re)building

Most housing categories in the Montreal-area market showed balanced conditions; however, the condo segment still favoured buyers due to high levels of inventories.

"Price increases, while subdued, were a little more substantial in the first quarter -- aggregate prices rose 3.4 per cent year over year, compared to 2.0 per cent in 2015," said Craig Wright, RBC Chief Economist. RBC's aggregate affordability measure for Montreal edged slightly higher by 0.3 percentage points to 42.9 per cent. The measure for condo apartments stood still at 32.7 per cent and the measure for single-detached homes rose to 42.4 per cent.

Quebec City – Stable activity despite some economic headwinds

Resale activity in Quebec City's housing market rose by just two per cent in the first quarter from a year earlier. RBC's aggregate affordability measure rose modestly by 0.4 percentage points to 32.1 per cent in the first quarter.

"A decline in employment in the first five months of 2016 may have generated some headwinds for Quebec City's resale market, and demand-supply conditions still favoured buyers," said Craig Wright, RBC Chief Economist. "Prices in the first quarter continued to diverge based on housing segments." The single-detached affordability measure rose by 0.4 percentage points while the measure for condos eased by 0.2 percentage points.

Atlantic Canada

Saint John – On a (slow) recovery path

Home resales in the Saint John market increased for a third consecutive quarter, although the latest gain was quite modest (a rise of 0.9 per cent from the fourth quarter of 2015). RBC's affordability measures for the area are the lowest (i.e., home ownership is the most affordable) among all the cities that RBC tracks in Canada: the aggregate measure in the quarter was 27.5 per cent, which is below its long-run average of 28.1 per cent.

"It is more affordable for a Saint John buyer to own a single-detached home than it is for buyers in many large cities to own a condo apartment," said Craig Wright, RBC Chief Economist.

Halifax – Becoming even more affordable

Halifax's already attractive housing affordability position continued to improve in the first quarter. RBC's aggregate measure fell 0.5 percentage points to 29.0 per cent, the lowest level on record since the mid-1980s.

"In the first quarter of 2016, home resales increased by a robust 7.0 per cent from the previous quarter but activity remains quite soft from a historical perspective," said Craig Wright, RBC Chief Economist. "Property values softened in both the single-detached and condo segments in the first quarter. If the recent rise in local employment is sustained, it bodes well for continued strengthening in resale activity."

St. John's – Under pressure, yet affordability slips

The provincial recession and rising unemployment in St. John's pose substantial challenges for the area's housing market. Home resale activity fell by 4.8 per cent in the first quarter of 2016 and new listings surged by more than 10 per cent during the same period, forming conditions that favour buyers this year.

"Home prices fell for all St. John's housing types in the first quarter, and quite significantly in the case of condos," said Craig Wright, RBC Chief Economist. "Normally, a drop in price benefits housing affordability but in the case of St. John's, this benefit was more than offset by a decline in household income." RBC's aggregate affordability measure inched higher by 0.2 percentage points to 27.8 per cent.