



Alberta's housing affordability continues to buck the trend: RBC Economics

TORONTO, May 25, 2010 — Alberta was the only province to experience an improvement in housing affordability in the first quarter of 2010, according to the latest housing report released today by RBC Economics Research.

The RBC Housing Affordability measures for Alberta eased between 0.1 and 0.6 of a percentage point, further extending the significant drop in the measures since the end of 2007, a trend that was only briefly halted last summer (a drop in the measure means homes are more affordable).

“In contrast to most other provinces, house prices remained relatively tame in Alberta during the past year or so and this has kept the cost of homeownership in check,” said Robert Hogue, senior economist, RBC. “In the first quarter, all RBC measures were at or below their long-term average, suggesting that affordability remains at favourable levels.”

The RBC Housing Affordability measures for Alberta, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home, declined across all housing types in the first quarter of the year. The measure for the benchmark detached bungalow moved down to 33.0 per cent (a drop of 0.4 of a percentage point over the previous quarter), the standard townhouse to 25.4 per cent (down 0.1 of a percentage point), the standard condominium to 21.9 per cent (down 0.4 of a percentage point) and the standard two-story home to 36.9 per cent (down 0.6 of a percentage point).

The report found that home prices in Calgary have maintained an upward trend, although the overall pace has fallen short of the national average. In the first quarter, the increase in the costs of homeownership in Calgary was roughly equal to or slightly smaller than household income growth, leaving the RBC affordability measures hovering around the zero mark. Two-story homes were down 0.5 percentage points, while a standard townhouse was up 0.2 percentage points. Affordability continues to be attractive in the city with RBC measures close to long-term averages.

“The housing market rebound turned out to be a much more restrained in Calgary, compared to most of the other major markets in Canada,” added Hogue. “After posting strong gains in the early stages of the rebound, resale activity has slowed considerably since the fall, which likely reflects challenges in the city’s job market.”

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, including Calgary and Edmonton. For these cities, RBC has used a narrower measure of housing affordability that only takes mortgage payments relative to income into account.

RBC’s Housing Affordability measure for a detached bungalow in Canada’s largest cities is as follows: Vancouver 73.4 per cent (up 4.8 percentage points over the last quarter), Toronto 49.1 per cent (up 0.4 of a percentage point), Ottawa 40.3 per cent (up 0.3 of a percentage point), Montreal 39.7 per cent (up 0.9 of a percentage point), Calgary 36.5 per cent (down 0.3 of a percentage point) and Edmonton 32.0 (down 0.5 of a percentage point).

The RBC Housing Affordability measure, which has been compiled since 1985, is based on the costs of owning a detached bungalow, a reasonable property benchmark for the housing market. Alternative housing types are also presented including a standard two-storey home, a standard townhouse and a standard condominium. The higher the reading, the more costly it is to afford a home. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, take up 50 per cent of a typical household’s monthly pre-tax income.

Highlights from across Canada:

- **British Columbia:** Homeownership become significantly more expensive, as housing costs rose in B.C. to the highest level among all provinces. Continued momentum in the province’s housing market has brought affordability measures close to the all-time highs reached in early-2008. This trend represents a risk that could weigh on the province’s economy in the near term.
- **Saskatchewan:** Real estate activity picked up in the province as home affordability measures rose significantly in the first quarter of the year, which reflect rising house prices. This is a change from previous quarters, which showed an improvement in affordability. Despite this increase, affordability measures still remain below the peak levels reached in early-2008.

- **Manitoba:** Manitoba's housing market surged ahead in the first quarter of 2010, with affordability measures moving above the long-term average for the province. Home prices became more expensive for condominiums, townhouses and bungalows. Additional increases in provincial housing costs may become more difficult for Manitobans to manage in the near-term.
- **Ontario:** Home prices in the province continued to rise, with property values reaching record highs in many parts of the province. This has led to a decline in housing affordability, after showing consistent improvement since the middle of last year. With escalating prices, affordability measures are now above the long-term average but below peak levels, for most housing types. This suggests that housing costs are becoming more difficult for Ontario residents to handle.
- **Quebec:** Quebec's housing market rally continued in the first quarter of the year, with record-levels of buying activity and rising property values. This escalation in home prices, while more moderate than in the previous two quarters, exceeds the long-term average in the province.
- **Atlantic Canada:** Resale activity on the East Coast remained solid, with an increase in sales balanced by an increased supply of available homes. These stable conditions have limited the pace of price increases in the region. Overall housing affordability in Atlantic Canada continues to be among the most attractive in the country, with affordability measures still below long-term averages.

The full RBC Housing Affordability report is available online, as of 8 a.m. E.D.T. today at www.rbc.com/economics/market/pdf/house.pdf.

For more information, please contact:

Robert Hogue, RBC Economics Research, 416-974-6192

Matt Gierasimczuk, Media Relations, RBC, 416-974-2124