



ALBERTA'S HOUSING MARKET REMAINS AMONG THE MORE AFFORDABLE IN CANADA: RBC ECONOMICS

TORONTO, February 25, 2014 — Owning a home in Alberta became slightly more affordable across most housing categories in the fourth quarter of 2013, and the province remains one of Canada's most affordable markets, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

Alberta's strong housing market rally since early 2010 took a breather in the fourth quarter, as home resales slipped 5.0 per cent from the previous quarter. RBC says this step back reversed only a small portion of the steady gains witnessed earlier in 2013, and that resales remained at a comfortable 12.3 per cent above year-ago levels.

"In the final months of 2013, Alberta's housing market cooled a little and owning a home in the province became slightly more affordable, continuing to compare favourably against both national and provincial historical averages," said Craig Wright, senior vice-president and chief economist, RBC. "Looking ahead this year, we expect that constructive affordability conditions, a booming provincial economy and strong population growth will continue to fuel homebuyer demand in the province."

The RBC housing affordability measures, which capture the proportion of pre-tax household income needed to service the costs of owning a home at market values, eased in the fourth quarter for two of three categories tracked (a decline in the measure represents improvement in affordability).

RBC's affordability measures declined by 0.5 percentage points to 34.6 per cent for two-storey homes and by 0.2 percentage points to 32.7 per cent for bungalows. The measure for condominium apartments, on the other hand, edged slightly higher by 0.1 percentage points to 19.9 per cent.

Strong household incomes in Calgary generate attractive affordability conditions

RBC notes that homebuyer demand in Calgary continues to benefit from attractive affordability levels, a hot labour market, a fast-rising population and a booming provincial economy.

Calgary's resale activity fell 5.3 per cent in the fourth quarter, though RBC says the broad trend for this market remains very strong. Resales made considerable gains in the first three quarters of 2013, such that levels during the fourth quarter were a solid 15 per cent higher than during the same period a year earlier.

"Calgary is one of the few markets in Canada where affordability conditions look better than their historical norms, keeping housing in the city attractive relative to other major markets across the country," added Wright. "This is not to say that home prices

are cheap in the area – they are in fact the third-highest in the country after Vancouver and Toronto – it is instead a reflection of just how strong household incomes are in Calgary. “

In the fourth quarter, RBC measures for Calgary eased by 0.3 percentage points to 34.2 per cent for two-storey homes and by 0.2 percentage points to 33.8 per cent for bungalows. The measure for condominiums inched slightly higher by 0.1 percentage points to 20.0 per cent for condominium apartments.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities in the fourth quarter of 2013 is as follows: Vancouver 81.6 (down 2.3 percentage points from the previous quarter); Toronto 55.6 (up 0.1 percentage points); Montreal 38.8 (unchanged); Ottawa 36.7 (down 0.4 percentage points); Calgary 33.8 (down 0.2 percentage points); Edmonton 33.3 (up 0.1 percentage points).

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 in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household’s monthly pre-tax income.

It is important to note that RBC’s measure is designed to gauge ownership costs associated with buying a home at present market values. It is not a representation of the actual costs incurred by current owners, the vast majority of whom have bought in the past at significantly different values than those prevailing in the latest period.

Highlights from across Canada:

- **[British Columbia’s housing affordability remains relatively poor despite some improvements](#)**

Affordability conditions improved across all housing categories in the province, with RBC measures falling between 1.0 and 1.4 percentage points in the fourth quarter. With levels at 73.2 per cent for two-storey homes, 67.7 per cent for bungalows and 33.7 per cent for condominium apartments, affordability remains poor, particularly in Vancouver.

- **[Saskatchewan’s affordability trends sideways](#)**

Housing affordability in the province continued to play a predominantly neutral role in home-buying decisions with levels standing close to historical norms. RBC’s affordability measures declined 1.1 percentage points for two-storey homes and 0.2 percentage points for bungalows. The measure for condominiums was up by 0.4 percentage points.

- **Manitoba's surge in listings lends a hand to affordability**
A surge in newly listed homes for sale weakened demand-supply conditions in Manitoba during the second half of 2013, which ultimately helped to improve affordability with RBC measures for two-storey homes and bungalows slipping by 1.1 percentage points and 0.6 percentage points, respectively. The measure for condominiums rose by 0.8 percentage points.
- **Ontario's affordability picture remains largely unchanged**
RBC's affordability measures for Ontario eased by 0.1 percentage points for both bungalows and two-storey homes and stayed flat for condominiums in the fourth quarter of 2013. Owning a single-detached home at market value in the province continues to take a larger share of household income compared to the historical average despite marginal improvements for the first time in a year.
- **Quebec's affordability conditions little changed from the third quarter**
The only observable variation in affordability conditions in Quebec during the fourth quarter was in the two-story homes category, with RBC's measure inching higher by 0.2 percentage points. The measures for bungalows and condominium apartments remained unchanged. All measures continued to stand near their long-run averages.
- **Atlantic Canada retains decent affordability conditions**
Housing affordability in the region remained at generally neutral levels in the fourth quarter, and still compared favourably against the majority of markets across Canada. RBC's measures fell by 0.6 percentage points for two-storey homes and by 0.1 percentage points for bungalows. The measure for condominiums rose by 0.2 percentage points.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/economic-reports/canadian-housing-forecast.html.

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