



ALBERTA'S HOUSING MARKET CONTINUES TO BE AMONG THE STRONGEST IN CANADA: RBC ECONOMICS

Affordability set to neutral

TORONTO, May 27, 2014 — Alberta's home prices were tame in Q1 of 2014, keeping housing affordability levels relatively flat, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

"Alberta's housing market continued to benefit from a booming economy, rapid rising population and attractive affordability," said Craig Wright, senior vice-president and chief economist, RBC. "First quarter home resales were 9.0 per cent above the 10-year average, which kept demand-supply conditions fairly tight in the province's largest markets."

RBC notes, however, that activity stabilized in the past two quarters, suggesting that trends remain under control and that the housing market is showing few signs of overheating. While generally up solidly from a year ago, home prices were tame in the first quarter of the year.

The RBC housing affordability measures, which capture the proportion of pre-tax household income that would be needed to service the costs of owning a home at current market values, rose slightly for two of three categories tracked in first quarter of 2014 (an increase in the measure represents deterioration in affordability).

RBC's affordability measures rose by 0.1 percentage points to 32.6 per cent for bungalows and by 0.4 percentage points to 20.2 per cent for condominiums. The measure for two-storey homes was unchanged at 34.4 per cent.

Calgary-area housing market gives a strong performance

Calgary's housing market continues to benefit from a strong economy, solid demographic demand and attractive affordability levels.

"Home prices in Calgary are rising at the fastest rate in the country, but they seem to be easily absorbed by Calgary's high – and growing – household incomes," added Wright. "Calgary's housing market pretty much has everything going for it at the moment."

Despite slight erosion in housing affordability over the past year, including Q1 2014, all of RBC's measures for the area continue to be well below their long-term average. This trend indicates that developments in the Calgary-area market to date have been quite sustainable.

RBC's measures increased in all three categories in the first quarter: by 0.9 percentage points for bungalows to 34.5 per cent, 1.0 per cent for two-storey homes to 35.0 per cent and 0.5 percentage points for condo apartments to 20.4 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in the first quarter of 2014 is as follows: Vancouver 82.4 (up 0.9 percentage points from the previous quarter); Toronto 56.1 (up 0.2 percentage points); Montreal 38.9 (up 0.1 percentage points); Ottawa 36.4 (down 0.5 percentage points); Calgary 34.5 (up 0.9 percentage points); Edmonton 32.9 (down 0.2 percentage points).

The RBC Housing Affordability Measure, which has been compiled since 1985, is based on the calculated 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: single-family homes less affordable

- Housing affordability continues to be poor in British Columbia. RBC measures rose 1.2 percentage points for two-storey homes and 0.9 percentage points for bungalows to 74.2 per cent and 68.4 per cent, respectively. The measure for condos remained unchanged at 33.6 per cent.

Saskatchewan: affordability plays a neutral role

- Owning a home in Saskatchewan became slightly more affordable for the most part in Q1 2014. RBC's measures fell in two of the three categories – bungalows by 0.6 percentage points to 36.4 per cent and condominiums by 0.1 percentage points to 25.4 per cent. The rise in the measure for two-storey homes – 0.5 percentage points to 40.7 per cent – reversed a decline that took place in the previous quarter.

Manitoba: housing becomes more affordable

- Manitoba homebuyers benefited from some improvement in affordability in the first quarter of 2014. RBC measures for both bungalows and condominiums fell in the first quarter to their lowest levels in nearly a year – by 0.4 percentage points and 0.6 percentage points, respectively. Although the measure for two-storey homes rose by 0.3 percentage points, it stands at a lower level than last spring.

Ontario: affordability deteriorates in single-family homes

- First quarter affordability measures point to a consistently eroding affordability picture in the province, particularly for single-family homes. RBC's measures stood at 24-year highs for bungalows at 44.9 per cent and two-storey homes at 51.0 per cent. The measure for condominiums was 29.4 per cent – not much below its multi-decade peak.

Quebec: housing affordability levels sit close to historical averages

- Housing affordability in the province did not erode much or at all in the first quarter and largely remain close to historical norms. RBC's measures edged higher by 0.2 percentage points for bungalows to 34.5 per cent and 0.1 percentage points for two-storey homes to 43.7 per cent. The measure for condominiums fell 0.1 percentage points to 26.6 per cent.

Atlantic: favourable affordability conditions do little to energize market

- The region's housing affordability conditions largely improved in the first quarter, but did little to pull the market out of its slump. RBC measures declined 0.4 percentage points to 31.2 per cent for bungalows and 0.4 percentage points to 25.9 per cent for condominiums. The measure for two-storey homes rose by 0.2 percentage points to 36.2, but remained below its long-term average.

The full RBC Housing Trends and Affordability report is [available](#) online as of 8 a.m. ET today.

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