



ATLANTIC CANADA'S HOUSING AFFORDABILITY CONDITIONS IMPROVE: RBC ECONOMICS

Regional housing market remains soft

TORONTO, May 27, 2014 — Improved housing affordability across Atlantic Canada was not enough to pull the regional housing market out of its slump in the first quarter of 2014, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

RBC notes that home resales in the region hit a nine-year low, standing nearly 14 per cent below the 10-year average. Housing activity in Halifax was particularly depressed with resales at their weakest level in 19 years. Saint John also posted the softest numbers in 10 years.

“Despite an improvement in Atlantic Canada’s housing affordability conditions, activity was soft,” said Craig Wright, senior vice-president and chief economist, RBC. “While tough weather conditions no doubt contributed to the slump, demand for housing was likely hampered by poor labour market conditions and weak demographics.”

The RBC housing affordability measures, which capture the region’s proportion of pre-tax household income that would be needed to service the costs of owning a home at current market values, decreased for two of the three categories in the first quarter of 2014 (a decline in the measure represents improvement in affordability).

RBC’s affordability measures eased by 0.4 percentage points to 31.2 per cent for detached bungalows and to 25.9 per cent for condominiums in the first quarter. The measure for two-storey homes rose slightly by 0.2 percentage points to 36.2 per cent. Atlantic Canada’s affordability measures continue to compare relatively favourably to the region’s historic averages.

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.

Alberta: attractive housing affordability conditions

- The provincial housing market continues to be among the stronger in Canada, supported by a booming economy, rapidly rising population and attractive affordability. RBC's measures rose a slight 0.1 percentage points to 32.6 per cent for bungalows and 0.4 percentage points to 20.2 per cent for condominiums. The measure for two-storey homes was unchanged at 34.4 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.

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

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