



## **ALBERTA'S HOUSING MARKET IS ON A ROLL: RBC ECONOMICS**

**TORONTO, August 28, 2014** — Alberta's housing market continued on a roll in the second quarter and homebuyers benefited from improved affordability, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

Home resales increased for the fifth time in the past six quarters, registering the fastest quarterly advance in nearly four years, and the total for that period was the second-best on record (unadjusted for seasonality) in the province. RBC says that the good news for homebuyers was there was a meaningful increase in the supply of homes for sale in Q2 with new listings rising 12 per cent over the first quarter to a multi-year high.

"Alberta has been a seller's market since the latter part of 2012, which led to rapid price increases in certain pockets such as Calgary over the past year – the increase in supply has helped ease some of this ongoing market tension," said Craig Wright, senior vice-president and chief economist, RBC. "Still, it should be flagged that Alberta homebuyers remained relatively unscathed by escalating prices as a recent drop in mortgage rates and solid household income growth provided offset – this kept affordability relatively attractive."

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, eased modestly for all housing types in the second quarter (a decrease in the measure represents an improvement in affordability).

RBC's affordability measures eased by 0.9 percentage points to 33.4 per cent for two-storey homes, by 0.6 percentage points to 31.9 per cent for bungalows and by 0.2 percentage points to 20.1 per cent for condominiums.

### **Calgary's housing activity soaring but affordability remains under control**

A surge in home resales in the second quarter confirmed that Calgary's housing market is soaring – resales set a new high for any Q2 on record, rising almost 29 per cent above the 10-year average. RBC says that this isn't surprising considering how strongly underlying housing demand is being supported by a booming provincial economy, rapid population growth and attractive affordability.

“The rate that home prices have increased in Calgary has been the fastest in Canada in the past year, though the impact on homebuyers’ ability to own a home has been fully neutralized by solid income gains and recent drops in mortgage rates,” said Wright. “A gush of new listings in the second quarter may help ease the current market tightness and soften price gains going forward.”

The report indicates that the latest readings on Calgary’s housing affordability still compare favourably relative to their historical norms. RBC’s measures edged lower for all housing types, moving down 1.0 percentage points to 33.9 per cent for two-storey homes, down 0.8 percentage points to 33.6 per cent for bungalows and down 0.5 percentage points to 19.8 per cent for condominiums.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities in the second quarter of 2014 is as follows: Vancouver 81.8 (down 0.3 percentage points from the previous quarter); Toronto 55.9 (down 0.2 percentage points); Montreal 37.3 (down 1.6 percentage points); Ottawa 36.0 (down 0.4 percentage points); Calgary 33.6 (down 0.8 percentage points); Edmonton 31.7 (down 1.1 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: affordability broadly improves**

- Housing affordability in the province improved across the board in the second quarter, with two-storey homes and condos reaching their most attractive levels since late 2009. RBC’s affordability measures for B.C. fell between 0.9 and 2.0 percentage points. Still, owning a home at market price in an area such as Vancouver continued to be very difficult for an average household to afford.

### **Saskatchewan: homebuyers face little undue affordability pressure**

- The provincial housing market rebounded strongly in the second quarter with home resales jumping to a new record-high. At the same time, RBC's affordability measures for Saskatchewan fell between 1.3 and 0.8 percentage points, and stood close to their historical averages.

### **Manitoba: new home listings surge; affordability plays largely neutral role**

- The big housing market story in Manitoba was a surge of homes being offered for sale with new listings growing to levels almost 14 per cent above where they were a year ago. RBC's affordability measures fell between 0.5 and 1.5 percentage points but remained close to long-run averages, suggesting that affordability likely plays a neutral role in home buying decisions in the province.

### **Ontario: homebuyers undisturbed by affordability strains**

- Housing affordability changed very little in Ontario in the second quarter and homebuyers did not appear to be overly concerned by the fact that affordability remained somewhat stretched for single-family homes. Lower rates were the main factor contributing to marginal declines in RBC's measures for Ontario, which edged lower between 0.1 and 0.2 percentage points.

### **Quebec: improved affordability helps halt housing market slide**

- Quebec's housing market activity, which had been falling since early 2012, stabilized in Q2. Home resales rose modestly and the supply of homes for sale grew. Second quarter affordability measures for the province eased for all housing types – between 0.9 and 1.8 percentage points. This improvement in affordability likely helped stabilize the market at the margin in the latest quarter.

### **Atlantic Canada: attractive affordability conditions**

- The region's housing affordability conditions improved quite noticeably in the second quarter thanks to lower mortgage rates and subdued price pressures. RBC's measures for Atlantic Canada dropped between 0.9 and 1.8 percentage points.

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

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