



ALBERTA'S HOUSING AFFORDABILITY REMAINED RELATIVELY UNCHANGED IN Q4 2014 AS HOME RESALES DROP: RBC ECONOMICS

TORONTO, March 3, 2015 —The state of Alberta's housing affordability in the fourth quarter of 2014, while still generally positive, has been overshadowed by the effect of plunging oil prices on confidence in the market, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

The report indicates that home resales in Alberta plummeted during December and January, falling 35 per cent cumulatively following a strong summer and early fall.

"We've also seen evidence of shaken confidence in Alberta's housing market on the supply side with listings surging," said Craig Wright, senior vice-president and chief economist, RBC. "While we have yet to see this translate into widespread price declines, the earlier strong rate of property appreciation moderated substantially in Q4."

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, remained mostly unchanged in the fourth quarter (a decrease in the measure represents an improvement in affordability).

RBC's affordability measures for Alberta were stable for both two-storey homes (33.9 per cent) and condos (20.4), while the measure for detached bungalows eased by 0.4 percentage points to 32.4 per cent. Affordability continued to be fairly attractive from a historical perspective and compared to other provinces.

Drop in market confidence supersedes affordability conditions in Calgary

Housing affordability in Calgary improved in the fourth quarter of 2014. Homebuyers in the area did not give this much consideration, however, as they exited the market en masse in December and into January. RBC says that major cutbacks announced by the oil industry contributed to a drop in housing market confidence.

"Large increases in new listings during October and November represented early signs of nervousness for sellers, but it really was the 26 per cent freefall in home resales during December that gave compelling proof that the unease spread among all market participants," said Wright.

A further 24 per cent monthly drop in resales in January confirmed the turn of events was no fluke – demand-supply conditions swung in favour of buyers, setting the stage for some weakening in prices.

RBC's measures for Calgary fell 0.2 percentage points to 20.0 per cent for condos, 0.4 percentage points to 33.9 per cent for two-storey homes and 0.6 percentage points to 33.7 per cent for bungalows in Q4 2014.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in Q4 of 2014 is as follows: Vancouver 82.4 (down 1.2 percentage points from Q3); Toronto 56.8 (up 0.8 percentage points); Montreal 37.3 (unchanged); Ottawa 36.0 (up 0.2 percentage points); Calgary 33.7 (down 0.6 percentage points); Edmonton 33.5 (up 0.1 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: Small improvement in affordability conditions

- Housing affordability slightly improved across all categories of homes measured by RBC, primarily reflecting stronger household income arising from brighter economic prospects in the province. During Q4, RBC's measures eased between 0.1 and 0.7 percentage points.

Saskatchewan: Price declines translate to improved affordability

- Price declines in the province during the fourth quarter of 2014 contributed to the fifth consecutive quarter of affordability improvements. RBC's measures fell by 0.6 percentage points for both bungalows and two-storey homes. The measure for condos, however, rose by 0.6 percentage points.

Manitoba: Affordability improves across the provincial housing market

- It became more affordable to buy a home in Manitoba during the fourth quarter of 2014 with RBC's measures falling across all housing categories (between 0.1 and 0.4 percentage points over the third quarter).

Ontario: Robust housing market conditions impact affordability

- Ontario's housing market bucked the generally improving trend in affordability across Canada in Q4, 2014. RBC's measures rose in all categories between 0.2 percentage points and 1.0 percentage points.

Quebec: Broad-based improvements in affordability continue

- Steady improvements in Quebec's housing affordability continued in the fourth quarter of 2014 with RBC's measure declining across all categories tracked. Measures fell by 0.6 percentage points for two-storey homes and by 0.4 percentage points for both bungalows and condos.

Atlantic Canada: Among the most affordable markets in Canada

- The region's homebuyers continued to face some of the most affordable conditions across the country in Q4 of 2014. RBC's affordability measures fell for both the two-storey and bungalow segments, by 0.5 and 0.1 percentage points, respectively. The measure for the condo segment edged higher by 0.1 percentage points.

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

For more information, please contact:

[Robert Hogue](#), Senior Economist, RBC Economics, 416-974-6192

[Elyse Lalonde](#), Communications, RBC Capital Markets, 416-842-5635