



INTENSE BUYER COMPETITION CONTINUED TO PRESSURE ONTARIO'S HOUSING AFFORDABILITY IN Q4 2014: RBC ECONOMICS

TORONTO, March 3, 2015 — Ontario's housing market bucked the generally improving housing affordability trend across Canada in Q4 2014, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

"The contrast between Ontario's eroding affordability and developments in the majority of other provinces highlights the fact that the ability to become a home owner in key local markets – mainly Toronto – continue to be pressured by intense competition between buyers," said Craig Wright, senior vice-president and chief economist, RBC.

Despite declines in December and January, home resales stood at moderately elevated level, from historical perspective, in the latter months of 2014. This, coupled with a limited number of homes available for sale, gave sellers more control over pricing, RBC says.

"While demand-supply conditions in Ontario loosened a bit in Q4, they continue to support among the stronger rates of price increases across Canada's provincial markets," said Wright.

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, edged lower for all housing types in the third quarter (a rise in the measure represents deterioration in affordability).

RBC's affordability measures for Ontario increased across categories in the fourth quarter: 1.0 percentage points to 51.5 per cent for two-storey homes, 0.6 percentage points to 45.3 per cent for bungalows, and 0.2 percentage points to 29.2 per cent for condos.

Toronto homebuyers unfazed as affordability slips further

Toronto's housing market saw robust demand in the fourth quarter, maintaining the sellers' advantage and supporting solid price increases.

In spite of easing resales in the closing months of 2014, activity in the area was historically brisk in the fourth quarter. RBC says demand was likely even stronger than resale numbers suggested because of limited new listings possibly restraining activity in the past year.

"Although Toronto's demand-supply conditions eased up in Q4, price momentum remained solid, further contributing to a deterioration in affordability and raising the homeownership bar even higher, especially for single detached homes" added Wright.

RBC measures for Toronto climbed in all categories, extending long-standing deteriorating trends in the area. RBC's measures rose by 1.8 percentage points to 65.6 per cent for two-storey homes, by 0.8 percentage points to 56.8 per cent for bungalows and by 0.3 percentage points to 33.9 per cent for condominiums. Current affordability levels appear stretched relative to historical norms for single family homes.

Deterioration in Ottawa's affordability likely temporary

Some earlier concerns that arose in Ottawa due to slowing resale activity in late 2013 and early 2014 have eased recently thanks to a rebound in resales during the second half of last year. RBC says concerns do still persist, however. Since 2010, steady increases in the number of homes available for sale brought a lot of supply to market which reached historically high levels in 2014.

"Despite minor tightening in the last two quarters, demand-supply conditions in the Ottawa area stand near their loosest state since 1998," said Wright. "This has had a clear restraining effect on prices, particularly in the condo segment where there have been outright declines."

Still, Q4 brought modest price increases to all housing categories, contributing to slight deterioration in affordability. Given challenging market conditions, however, further deterioration seems unlikely in the near term, says RBC.

RBC's measures edged higher for all housing types, moving up 0.2 percentage points to 36.0 per cent for bungalows, 0.1 percentage points to 37.7 per cent for two-storey homes and 0.1 percentage points to 24.1 per cent for condominiums.

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.

Alberta: Housing remains relatively affordable despite buffeted economic confidence

- Housing affordability was mainly unchanged in Alberta during Q4, continuing to be fairly attractive relative to other provinces and compared to historical averages. RBC's measure for bungalows fell by 0.4 percentage points, and remained unchanged for both condos and two-storey homes.

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).

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.

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