



## **ALBERTA HOUSING AFFORDABILITY IMPROVES FOLLOWING OIL PRICE PLUNGE: RBC ECONOMICS**

**TORONTO, June 22, 2015** — The silver lining for Alberta home buyers in the face of plummeting oil prices at the start of this year was that housing affordability improved significantly across the board in the first quarter of 2015, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

“Alberta’s housing market experienced a particularly violent bout of anxiety in response to plunging oil prices earlier this year – sellers rushed to list homes and buyers hit pause,” said Craig Wright, senior vice-president and chief economist, RBC. “This combination dramatically loosened demand-supply conditions, driving down property values and turning the table squarely in favour of buyers in Q1.”

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, declined across all segments in the first quarter (a decrease in the measure represents an improvement in affordability). RBC’s measures for Alberta fell 1.0 percentage points to 33.0 per cent for two-storey homes, 0.6 percentage points to 19.9 per cent for condos, and 0.7 percentage points to 31.8 per cent for bungalows.

Wright comments: “Alberta’s housing affordability measures stood at fairly attractive levels compared to historical averages and compared to current values in other provinces, which will likely help limit the extent of the correction in the province. In fact, resale activity has stabilized more recently, suggesting that the worst may be over for Alberta’s housing market.”

### **Buyers in Calgary remain hesitant despite improved affordability**

Like the rest of Alberta, Calgary’s housing market came under pressure when the plunge in oil prices shook the confidence of both buyers and sellers. RBC says that Calgary’s housing market swung sharply – shifting from favouring sellers to favouring buyers, thereby causing the earlier rapid pace of price increases to start running in reverse. The positive effect of this was a broad improvement in affordability.

“Calgary’s improving housing affordability may not be enough motivation for home buyers at this point in time as there is still uncertainty about global oil markets and Alberta’s economy in general. Still, recent developments suggest that housing activity stabilized in spring, and the market will be shaped by news on the economy and the job market in particular over the coming months.”

RBC’s measures for Calgary fell in the first quarter of 2015 across all categories tracked: declining 0.6 percentage points to 19.4 per cent for condos, 1.5 percentage points to 32.6 per cent for two-storey homes, and 1.0 percentage points to 32.8 per cent for bungalows.

During Q1 2015, affordability measures at the national level edged lower by 0.3 percentage points to 27.1 per cent for condominiums and 0.2 percentage points to 47.9 per cent for two-storey homes. The measure for detached bungalows was unchanged at 42.7 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in Q1 2015 is as follows: Vancouver 85.6 (up 2.8 percentage points from Q4 2014); Toronto 57.3 (up 0.6 percentage points); Montreal 37.2 (down 0.2 percentage points); Ottawa 35.4 (down 0.6 percentage points); Calgary 32.8 (down 1.0 percentage points); Edmonton 32.8 (down 0.8 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 home ownership 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: Vancouver skews provincial affordability**

- Q1 developments varied by housing categories, but still signaled greater-than-average pressure on affordability. RBC's measures eased 0.4 percentage points for condos and 0.1 percentage points for two-storey homes, and rose 1.0 percentage points for bungalows.

#### **Saskatchewan: slower resale activity combined with moderating household income mutes impact on affordability**

- Home resales plummeted more than 16 per cent in the province during Q1, contributing to price declines across housing segments. The impact on affordability was partly muted by a moderation in household income. RBC's measures fell 0.1 percentage points for condos, rose 0.3 percentage points for bungalows and remained unchanged for two-storey homes.

#### **Manitoba: affordability stands close to long-run averages**

- Affordability of single-detached homes and condos evolved in opposite directions in Q1. RBC's measures rose by 0.3 percentage points for both bungalows and two-storey homes, while the measure for condos fell noticeably by 1.1 percentage points.

**Ontario: affordability theme continues to be split**

- For the past four years, owning a single-detached home at market prices in the province has become less and less affordable, whereas the weight of owning a condo has remained fairly constant. RBC's measures for bungalows and two-storey homes rose by 0.3 percentage points, while the measure for condos edged lower by 0.2 percentage points.

**Quebec: affordability at multi-year best levels**

- After remaining steady for years, housing affordability improved in the province over the course of 2014 and the trend continued in Q1 2015. RBC's measures fell across all three categories tracked (between 0.3 and 0.1 percentage points).

**Atlantic Canada: affordability still attractive and improving**

- The lingering effect of earlier softness in home resale markets led to further improvement in housing affordability in the Atlantic region in Q1. RBC's affordability measures fell 0.7 percentage points for bungalows and 0.5 percentage points for two-storey homes. The measure for condos was unchanged.

The full RBC Housing Trends and Affordability report is available [online](#) as of 8:00 a.m. ET today.

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