



HOUSING CONDITIONS IN ATLANTIC REGION AMONG THE MOST AFFORDABLE IN CANADA: RBC ECONOMICS

TORONTO, June 22, 2015 — The lingering effect of earlier softness in home resale activity led to further improvement in housing affordability in the Atlantic region during the first quarter of 2015, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

“The affordability of owning a home in the Atlantic region is still attractive and improving for home buyers – current affordability conditions are some of the best across Canada,” said Craig Wright, senior vice-president and chief economist, RBC.

RBC says the cost of owning a home in the region generally has been easing since late-2013 thanks to stretches of weak demand and a rising number of homes for sale in key markets.

In the first quarter of 2015, home resale activity slowed in part due to poor weather conditions. RBC notes that Halifax, Moncton and Saint John saw resales fall noticeably relative to the fourth quarter of 2014. Despite weaker resales, RBC says demand-supply conditions in Q1 generally tightened because new listings plunged across many local markets - likely an outcome of adverse winter weather.

“While demand-supply conditions firmed up in the first quarter, prices for single-detached homes edged lower - this contributed to drops in affordability measures for the Atlantic region, which stand at their lowest levels in nearly 10 years,” said Wright.

The RBC Housing Affordability measures, which capture the region’s proportion of pre-tax household income needed to service the costs of owning a home at market values, decreased for single-detached homes and remained flat for condos (a decrease in the measure represents an improvement in affordability). RBC’s measures decreased 0.7 percentage points to 29.4 per cent for bungalows and 0.5 percentage points to 34.0 per cent for two-storey homes. The measure for condos was unchanged at 25.0 per cent, still within close range of an eight-year low.

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.

Alberta: plummeting oil prices contributed to improvement in affordability

- Housing affordability improved significantly across the province during the first quarter, with RBC measures falling across all categories (between 1.0 and 0.6 percentage points).

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.

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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).

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

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For more information, please contact:

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

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