



## ATLANTIC REGION'S HOUSING REMAINED AMONG THE MOST AFFORDABLE IN CANADA IN Q2 2015: RBC ECONOMICS

**TORONTO, August 31, 2015** — Persistent price stagnation in large pockets of Atlantic Canada led to further improvements in housing affordability during the second quarter of 2015, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

Despite home resales rebounding in New Brunswick (up 4.4 per cent) and Prince Edward Island (up 13.5 per cent) from weather-affected levels in the first quarter, activity fell further in Nova Scotia (down 2.9 per cent), and in Newfoundland and Labrador (down 4.0 per cent). RBC says the situation was particularly grim in Halifax, where resales fell for a third straight quarter to a 17-year low amid a surge in new listings – leading to sharp deterioration in demand-supply conditions in the area.

“Still-soft demand-supply conditions in many parts of Atlantic Canada continued to weigh on home prices and drive further declines in home ownership costs; however, the persistent price stagnation throughout the region has led to improved affordability measures,” said Craig Wright, senior vice-president and chief economist, RBC. “With the region’s measures among the country’s lowest and below their long-run average, affordability is unlikely contributing to the softness in housing demand and is more likely to be a favourable factor. The bigger issues in the region are weak labour markets and poor demographics.”

The RBC Housing Affordability measure captures the proportion of pre-tax household income that would be needed to service the cost of owning a specific category of home at current market value. Adding to the string of declines registered since late 2013, RBC’s measures for Atlantic Canada in the second quarter fell across all housing types – condos decreased by 0.7 percentage points to 24.1 per cent, two-storey homes decreased by 0.5 percentage points to 33.8 per cent, and bungalows decreased by 0.3 percentage points to 29.1 per cent. A decrease in the measure represents an improvement in affordability.

During Q2 2015, national affordability measures rose by 0.7 percentage points to 43.3 per cent for bungalows and by 0.4 percentage points to 48.3 per cent for two-storey homes. The measure for condominiums remained unchanged at 27.1 per cent.

RBC’s Housing Affordability measure for the benchmark detached bungalow in Canada’s largest cities in Q2 2015 is as follows: Vancouver 88.6 (up 3.0 percentage points from Q1 2015); Toronto 59.4 (up 2.1 percentage points); Montreal 36.0 (down 1.2 percentage points); Ottawa 35.4 (unchanged); Calgary 32.4 (down 0.4 percentage points); Edmonton 32.5 (down 0.4 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: Vancouver skews provincial affordability**

- Rapid home price increases in Vancouver significantly impacted housing affordability in British Columbia in the second quarter. RBC's measures for the province rose more than any other province, up 2.5 percentage points for two-storey homes, 2.1 percentage points for bungalows, and 0.4 percentage points for condominiums.

#### **Alberta: Market settling down with support from affordable conditions**

- Following the plunge in oil prices in the first quarter of 2015, Alberta's housing market settled down in the second quarter. RBC's measures for the province fell by 0.5 percentage points for two-storey homes, 0.1 percentage points for bungalows, and inched higher by 0.2 percentage points for condominiums.

#### **Saskatchewan: Signs of market recovery**

- Signs of recovery in the home resale market were apparent in the second quarter, although resale activity remained far below levels in 2014. RBC's measures increased by 0.8 percentage points for both bungalows and two-storey homes, while the measure for condominiums decreased by 0.2 percentage points.

#### **Manitoba: Affordability was a mixed bag**

- Owning a bungalow or condominium became less affordable in Q2, while owning a two-story home became more affordable. RBC's measures rose modestly for both bungalows and condominiums at 0.7 percentage points, while the measure for two-storey homes fell by 0.5 percentage points.

#### **Ontario: Affordability picture continues to be split**

- Owning a single-detached home at market prices in the province has become less and less affordable, while owning a condominium appears to be within reach. RBC's measures showed further deterioration for bungalows (rising by 1.1 percentage points) and two-storey homes (up 0.7 percentage points), while condominiums remain fairly steady (down only 0.1 percentage points).

**Quebec: Improving affordability trends persist**

- Housing affordability continued to improve in Quebec in Q2. RBC's affordability measures fell in all three categories for the third consecutive quarter and by some of the largest margins across all the provinces. Two-storey homes fell by 1.1 percentage points, bungalows fell by 0.9 percentage points, and condominiums decreased by 0.5 percentage points.

The full RBC Housing Trends and Affordability report is available online, as of 8:00 a.m. ET today, at [rbc.com/economics/market](http://rbc.com/economics/market).

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