



## HOUSING TRENDS AND AFFORDABILITY

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### Changes to RBC's housing affordability measures

The February 2016 issue of Housing Trends and Affordability incorporates significant changes to source data being used to calculate RBC's housing affordability measures, which affect the reported estimates in terms of housing categories specified and geographies covered.

RBC's housing affordability estimates are now based on home price data supplied by Brookfield RPS following the termination of price series earlier sourced from Royal LePage. The new dataset flows directly into the calculation of RBC's affordability measures for the period starting in 2005—estimates for earlier periods are backcasted using various information including previous RBC estimates.

#### Housing types

RBC's affordability measures continue to be estimated for select housing types in order to highlight trends within a market's housing mix; however, single-family detached homes are consolidated into only one category—compared with two previously (bungalows and two-storey homes). Condo apartment remains the other category under focus. In addition, we are introducing an aggregate measure which encompasses information on all housing categories in a market—relating to single-detached homes and condo apartments, as well as other categories (semi-detached, row houses, townhouses and multiplexes) excluded from our report. In most markets across Canada, single-detached and condos together represent more than 90% of the owned housing stock.

#### Broader local coverage

The Brookfield RPS dataset allows for an expansion of our geographic coverage to eight additional local markets: Victoria, Saskatoon, Regina, Winnipeg, Quebec City, Saint John, Halifax and St. John's. These markets will complement our continuing coverage of Vancouver, Calgary, Edmonton, Toronto, Ottawa and Montreal, such that our report now encompasses a total of 14 local markets in Canada. In light of this broader local coverage, we no longer report provincial affordability estimates.

#### Differences from previous estimates

In several markets, use of the Brookfield RPS home price data results in higher estimates for RBC's affordability measures. This stems primarily from the fact that market price values from Brookfield RPS are based on a wider sample of properties (spanning the entire price spectrum in a housing category) than the values used previously from Royal LePage which focused on 'standard' properties only and explicitly excluded higher-end homes (e.g. senior executive homes and luxury condominiums). The change affects mostly markets where luxury segments are more prominent. It is important to note that where new affordability measures increased relative to previously published ones, they did so consistently over the entire time horizon such that historical trends were largely unchanged.

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