



RBC Housing Affordability – Key Centre Highlights

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[British Columbia](#)

Victoria – On the upswing

Victoria was among several B.C. markets that saw a surge of home resale activity in 2015, with the number of homes sold in the area reaching its highest level in eight years, up 23.5 per cent from 2014. “Victoria’s brisk resale activity reflected growing demand, supported by solid job gains during the latter half of last year, and accelerating population growth. As a result of the resales activity, RBC’s aggregate affordability measure for Victoria rose for the third consecutive quarter in the latest period, increasing 0.5 percentage points to 46.4 per cent — close to the national average,” said Craig Wright, RBC Chief Economist.

Vancouver – Single-detached home affordability a dream for most

“In the hottest housing market in the country, 2015 home resales soared 28 per cent to a new record high and prices jumped 11 per cent, both representing the strongest gains anywhere in Canada. RBC’s measure for the single-detached category reached an astounding 109.0 per cent in the fourth quarter of 2015, up 4.3 percentage points from the previous quarter. Such a level implies that only households at the very high end of the income distribution scale can afford to own a single-detached home in the area,” said Craig Wright, RBC Chief Economist. Condo apartments, on the other hand, remain comparatively more affordable—with a measure of 44.1 per cent—and therefore cater to a broader base of local buyers. Given the extremely tight demand-supply conditions, affordability-related pressures are unlikely to subside anytime soon.

[Alberta](#)

Calgary – Market’s focus is on the economy, not affordability

“With global oil prices plummeting to multi-year lows, energy firms hunkering down and non-energy sectors increasingly feeling the pain from the energy sector’s bust, Calgary’s economic landscape soured in 2015,” said Craig Wright, RBC Chief Economist. The area’s housing market clearly suffered with resale activity plummeting by 29 per cent. However, because the Calgary market was previously so strong and the supply of homes available for sale also adjusted to some extent, the erosion remained reasonably contained until late in 2015. Prices were generally flat on the year and RBC’s aggregate measure for the area was largely unchanged. In the fourth quarter, the measure inched 0.2 percentage points higher to 35.3 per cent.

Edmonton – Holding on but for how long?

“Facing challenges similar to those in Calgary, housing resale activity also dropped in Edmonton in 2015, albeit by a smaller magnitude of 8.2 per cent. Upward price momentum slowed to a crawl, but still generated small year-over-year increases. RBC’s aggregate measure rose slightly by 0.3 percentage points in the fourth quarter of 2015 to 31.4 per cent, but remains below the long-term average of 33.9 per cent,” said Craig Wright, RBC Chief Economist. More recent demand-supply data, however, suggests that price gains are unlikely to be sustained. “We expect the ongoing recession in the province to drive both housing activity and prices down further in the short term.”

Saskatchewan

Saskatoon – Navigating in choppy waters

“Saskatoon’s housing market contained its losses as it navigated choppy waters in 2015. Home resales fell by 13 per cent in 2015 to a four-year low, but prices registered modest gains overall. Buyer sentiment was seriously tested by a surge in Saskatoon’s unemployment rate, which reached an 11-year high (6.4 per cent),” said Craig Wright, RBC Chief Economist. At the same time, the market worked through elevated levels of unabsorbed units following strong housing construction in the previous two years. RBC’s aggregate measure was little changed on the year, but edged down marginally by 0.1 percentage points to 32.7 per cent in the fourth quarter, effectively matching the long-term average of 32.3 per cent.

Regina – Soft market conditions sustain improving affordability trends

“The Regina housing market experienced several challenges in 2015. Not only did the number of homes sold in the area fall by 8.1 per cent, prices followed a (modest) downward trajectory as well. While the local job market held up better than in Saskatoon, slowing population growth and elevated levels of unsold new homes kept demand-supply conditions quite soft,” said Craig Wright, RBC Chief Economist. RBC’s aggregate measure continued to trend lower in 2015, posting a 0.4 percentage point decline in the fourth quarter to 28.3 per cent. We expect this improving trend in affordability to persist in the short term.

Manitoba

Winnipeg – Market generally balanced; affordability in a neutral stance

“A reasonably constructive economic backdrop supported homebuyer demand in the Winnipeg area and kept the home resale market generally balanced last year. The number of homes sold rose by 1.0 per cent, just short of the all-time high set in 2007. Newly built condo apartments continues to be the main concern, with a year-end unsold inventory amounting to 25 per cent of all apartment units completed in the past 12 months,” said Craig Wright, RBC Chief Economist. RBC’s aggregate affordability measure eased in 2015, including by a 0.2 percentage-point margin in the fourth quarter to 29.9 per cent.

Ontario

Toronto – Market still in full flight - Affordability moving ever closer to risky levels

“The Toronto-area housing market featured an apparently insatiable appetite of buyers who are willing to pay ever-rising prices. Home resales blasted through the previous threshold (95,160 units in 2007) to set a new record of 101,850 units last year, up 9.2 per cent from 2014. Continued low interest rates and a solid job market helped maintain a positive environment for homebuyers,” said Craig Wright, RBC Chief Economist. Sellers, who took command of the market in late 2014, exercised increasing pricing power. As a result, property values accelerated at double-digit year-over-year rates by the end of the year. Even condo prices posted respectable gains (4.4 per cent year-over-year in the fourth quarter) despite earlier concerns about the condo construction boom. “A major side effect of the intense heat in the Toronto-area market is the rapid deterioration in affordability, particularly for single-detached homes. RBC’s aggregate affordability measure rose steadily in 2015 to 60.6 per cent in the fourth quarter, a level unseen since 1990,” added Wright.

Ottawa – Springing back to life

“Ottawa’s resale market sprang back to life last year after stagnating in the previous five years. The number of residential properties changing hands rose by 5.3 per cent in 2015, the second highest tally ever recorded in the area,” said Craig Wright, RBC Chief Economist. Generally balanced conditions kept price gains to a minimum, with the condo segment even seeing some declines at various points of the year. The Ottawa-area market is flush with new condo apartments following a construction boom. A large inventory of these units remains unsold. Housing affordability is unlikely to be a significant obstacle to homeownership in the Ottawa area. RBC’s aggregate measure has fallen below its long-term average since early-2014. It was unchanged in the fourth quarter at 33.1 per cent.

Quebec

Montreal – Market turning around at last

“The Montreal-area market ended a four-year-long string of declines in home resales in 2015 with a gain of 6.1 per cent. Housing affordability trends have been stable to slightly positive in recent years, and this remained the case in 2015,” said Craig Wright, RBC Chief Economist. RBC’s aggregate measure for ended the year with a 0.9 percentage-point rise in the fourth quarter to 43.0 per cent. Sales of single-detached homes showed the strongest increase last year (up 7.4 per cent). “While encouraging, the total sales last year remained 5.0 per cent below the annual average during the previous 10 years. In other words, market activity has further to go before it can be considered back at full strength,” added Wright. The condo segment is tilted in favour of buyers, as many of the condo units built in 2014 and early 2015 have come onto the resale market and builders still carry a high inventory of unsold, move-in ready units.

Quebec City – Affordability unlikely to be an obstacle for homebuyers

“Home resales rose for the second consecutive year in the Quebec City area in 2015 (up 2.4%; however, activity was still nearly 10 per cent weaker than the 10-year average. The affordability of owning a home at market prices has improved gradually since 2013 and now stands near its average since the mid-1980s,” said Craig Wright, RBC Chief Economist. In the fourth quarter, RBC’s aggregate measure deteriorated modestly by 0.6 percentage points to 33.3 per cent, primarily reflecting developments in the single-detached category. Prices increased modestly for the most part, except for condo apartments where small declines were registered. Strong condo construction a few years ago has pumped up the supply of condo units, handing condo buyers more sway in setting prices. [link to full report]

Atlantic Canada

Saint John – Buyers remain in command

“Despite having its most active year in five years, the Saint John market experienced soft demand-supply conditions in 2015. With plenty of homes for sale, buyers maintained substantial bargaining power, prompting prices to fall further,” said Craig Wright, RBC Chief Economist. RBC’s affordability measures for the area fell substantially across the board in the past five years and this trend continued in the fourth quarter, with the aggregate measure slipping a further 0.3 percentage points to end 2015 at 27.1 per cent (compared to the long-term average of 28.2 per cent). “Saint John has been a ‘buyers’ market’ since 2011 and has seen prices weaken steadily during that period,” added Wright. Far more problematic than any affordability issues for the market are a steady decline in Saint John’s population and stagnation in its job market.

Halifax – Favourable affordability helps revive homebuyer demand

“Owning a home in the Halifax area has become increasingly affordable during the past several years,” said Craig Wright, RBC Chief Economist. RBC’s aggregate affordability measure fell in three of the four quarters in 2015, including a 0.7 percentage-point drop in the final period. The closing value of 29.7 per cent for the measure was well below its long-term average of 33.5 per cent and among the lower readings recorded by a major Canadian market. “Conditions are broadly favourable for buyers in Halifax, which likely played a role in the modest pick-up in market activity last year, when home resales rose for the first time (by 1.7 per cent) in three years,” added Wright. A slight acceleration in population growth also gave a boost to the area’s demographic fundamentals. Nonetheless, resale levels remained historically weak in 2015 and economic uncertainty has weighed on buyers’ confidence.

St. John’s – The shine is off

“With the flow of oil money slowing to a trickle, the shine has come off the St. John’s housing market. Beset by rising unemployment, slower population growth and rising economic uncertainty, demand for housing has cooled in the past couple of years and affordability has improved,” said Craig Wright, RBC Chief Economist. RBC’s aggregate affordability measure fell during most of 2015, recording a 0.6 percentage-point decline in the fourth quarter to 27.6 per cent, the lowest level in eight years. Despite a 3.7 per cent gain in 2015, home resales remained near the lower bound of their range since 2007 and only partly reversed a 4.7 per cent drop in 2014. As more sellers have entered the market since 2014, demand-supply conditions have tilted in favour of buyers and exerted downward pressure on prices. Such conditions extend the affordability trends in place since 2011.