



## RBC HOUSING AFFORDABILITY - PROVINCIAL FACT SHEET

### Key Centre Highlights

**August 30, 2016**

- View latest [RBC Housing Trends and Affordability Report](#)
- [News release](#): Canadian Housing Affordability deteriorates the most in six years: RBC Economics

#### British Columbia

##### **Victoria – Topping out?**

In the second quarter of 2016, RBC's aggregate measure for the area rose by a sizable 1.6 percentage points to 51.4 per cent. This level exceeded the long-term average of 43.8 per cent quite significantly, which suggests greater-than-usual affordability stress.

“Home resales declined in the spring, which may be a signal that this market has topped,” said Craig Wright, RBC chief economist. “On the other hand, the new 15 per cent tax on home purchases by foreign nationals in the Vancouver area could shift foreign investor interest to the Victoria market.”

##### **Vancouver – In uncharted territory**

The Vancouver area's affordability measures are moving deeper into uncharted territory. RBC's aggregate measure surged by 6.1 percentage points in the second quarter to an astounding 90.3 per cent — a record high. The B.C. government's new 15 per cent tax on purchases by foreign nationals may indicate a shift in provincial housing policy toward actively engineering a cooldown of the market.

“Area home resales had already dropped before the announcement of the new tax, and any shift in market expectations about policy and home prices resulting from the tax may lead to further weakening in the near term,” said Craig Wright, RBC chief economist.

#### Alberta

##### **Calgary – Local demographics under pressure**

Calgary's housing market continues to struggle amid plentiful supply of homes available for sale, declining prices and softening demographics: more people left Calgary in the 12 months ending April 2016 than moved into the area. This was the first net outflow recorded since 2010. RBC's aggregate measure eased by 0.3 percentage points in the second quarter to 33.0 per cent, still well below the long-term average of 40.4 per cent for the area.

“While we don't see buyers jumping in at this point, attractive housing affordability conditions could help stimulate the market when confidence does return,” said Craig Wright, RBC chief economist.

### **Edmonton – Neutral affordability picture not changing much**

Housing affordability remained stable in Edmonton in the second quarter. RBC's aggregate measure was unchanged at 35.1 per cent in the latest period and was only slightly higher (up 0.9 percentage points) than its year-ago level.

"The spring recovery in home resales appears to have stalled in the summer months and weakening labour market trends may be to blame," said Craig Wright, RBC chief economist.

### **Saskatchewan**

#### **Saskatoon – Supply-side retreat launches rebalancing process**

The easing in existing home supply and stabilization of resale activity (following a recent slide) helped to boost prices slightly this spring and summer. However, household incomes remained under pressure and housing affordability eroded slightly as a result: RBC's aggregate measure for Saskatoon rose by 0.5 percentage points to 32.6 per cent in the second quarter, which is well within historical norms.

"A bigger issue at this point is the Saskatoon job market, where the jobless rate reached a multi-year high recently," said Craig Wright, RBC chief economist. "That has potential to dampen housing demand."

#### **Regina – Treading water**

Housing affordability trends are stable in Regina. In the second quarter, RBC's aggregate measure inched 0.5 percentage points higher to 28.6 per cent, which is little changed from a year ago. Home resale activity has trended mostly sideways in the past year.

"The number of homes available for sale in Regina has declined recently, and this reduction in supply has sustained a modest firming in prices during the first half of 2016," said Craig Wright, RBC chief economist.

### **Manitoba**

#### **Winnipeg – Strong demand, strong supply, stationary affordability**

Winnipeg's housing market continued to be vibrant in the second quarter with high levels of home resale activity, but price increases have been kept in check by the high number of properties for sale. RBC's aggregate measure of housing affordability edged 0.2 percentage points higher in the second quarter to 29.5 per cent, very close to the 29.9 per cent long-term average.

"The inventory of homes for sale in Winnipeg has been shrinking. In the second quarter, new listings fell 5.1 per cent from the first quarter, which if sustained, may eventually add some modest upward pressure on prices," said Craig Wright, RBC chief economist.

## Ontario

### **Toronto – Still booming but some moderation on the horizon?**

The housing boom was still in full swing in the Toronto area this spring with home resales setting more records and prices accelerating. RBC's aggregate affordability measure for the area increased the most in five years — by 2.1 percentage points — to 60.2 per cent, the most stressed level in the past quarter century. Demand continues to exceed supply, especially in the single-detached segment.

“We see tentative signs of moderation in the hot Toronto market. Home resales have retreated somewhat since hitting a peak in May, and new listings began to rise this summer after falling steadily in the first half of 2016,” said Craig Wright, RBC chief economist. “If these trends continue, there may be some moderation in the pace of price increases later this year or early in 2017.”

### **Ottawa – Market roars back, costing some affordability points**

A slowdown in Ottawa-area home resales at the start of 2016 was short-lived. Activity roared back in the second quarter, when resales jumped 12.4 per cent and the number of homes for sale (especially new condo apartments) continued to fall. These conditions provided increased support for prices. RBC's aggregate measure rose by 0.5 percentage points to 35.2 per cent in the second quarter, close to its historical average.

“Elevated inventories, especially of condo units, have been a thorn in the side of Ottawa's market for the better part of two years. With fewer new condo completions recently, inventories have been drawn down and there is a tighter demand-supply balance,” said Craig Wright, RBC chief economist.

## Quebec

### **Montreal – Affordability levels not budging much**

The cost of homeownership has barely budged as a share of household income in the Montreal area. This stability reflects both limited price increases and continued modest gains in household income in the past two years. RBC's aggregate affordability measure rose modestly by 0.6 percentage points in the second quarter to 39.4 per cent — still within the 38 per cent to 40 per cent band of the last two years.

“The Montreal market has contended with a wave of new condo completions in 2014 and early 2015. With completions now at lower levels, we expect to see further inventory drawdown in the period ahead,” said Craig Wright, RBC chief economist.

### **Quebec City – Buyers calling the shots**

In the first half of 2016, Quebec City's housing market has featured stubbornly high inventories, slow sales growth compared to a year ago and very limited price advances. RBC's aggregate affordability measure rose by 0.4 percentage points to 34.0 per cent in Q2, above its long-term average, but high inventories of homes for sale represent a challenge for the market.

“Buyers in the Quebec City area were still comfortably in the driver’s seat in the second quarter, with plenty of housing options to choose from and ample time to make up their minds,” said Craig Wright, RBC chief economist.

## Atlantic Canada

### **Saint John – Housing affordability leader**

Saint John continues to lead major Canadian markets in housing affordability. RBC’s aggregate measure stood at 24.3 per cent in the second quarter, well below the national average of 42.8 per cent. Relatively inexpensive housing options may have spurred buyers into action: home resales began to rebound last year and really took off in the second quarter this year when they jumped by almost 14 per cent.

“While resale activity was not quite as strong in Saint John this summer as it was in the spring, the upward trend in activity remains intact,” said Craig Wright, RBC chief economist.

### **Halifax – A pause in the improving affordability trend**

RBC’s aggregate measure rose by 0.8 percentage points to 29.6 per cent in the second quarter, only the third increase in the past three years in the area. Still, the latest measure was below the long-term average. Home ownership continued to be quite affordable in the Halifax area, yet buyers remain hesitant.

“Home resales have been soft for several years. There has been a significant drop in the number of homes offered for sale in 2016, and this declining supply has provided modest support for prices,” said Craig Wright, RBC chief economist.

### **St. John’s – Coping with a tough situation**

Home prices continue to be under downward pressure in St. John’s. The difficult economic backdrop – largely resulting from weak oil prices – undermines confidence and generates substantial uncertainty for buyers and sellers alike. A small decline in prices was the main factor behind an improvement in housing affordability in the second quarter. RBC’s aggregate measure edged lower by 0.2 percentage points to 26.2 per cent.

“Consistently high inventories of homes for sale in St. John’s pose the biggest challenge at this point,” said Craig Wright, RBC chief economist. “Plentiful supply relative to demand continues to tip the scale in favour of buyers.”