



RBC Housing Affordability – Provincial Fact Sheet

Key centre highlights

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British Columbia

Victoria – Attracting more attention

The heat from Vancouver’s housing market continued to make its way to Victoria where home prices escalated further and demand-supply conditions remained exceptionally tight. RBC’s aggregate affordability measure climbed 2.7 percentage points to 54.8 per cent in the third quarter, well above the historical average of 43.9 per cent.

“Surging prices continue to weigh heavily on housing affordability in Victoria,” said Craig Wright, RBC chief economist. “Recent property transfer statistics showed an increased presence of foreign buyers in the Capital Regional District, a region where B.C.’s foreign-buyer tax currently does not apply.”

Vancouver area – Still making (un) affordability history

Home resales have dropped 41 per cent since numbers peaked in the winter of 2016, but affordability relief has yet to arrive in the Vancouver area. RBC’s aggregate measure for the area continued to soar by 2.2 percentage points in the latest period, setting yet another record high (92.0 per cent) for any market in Canada since RBC began compiling affordability data in the mid-1980s.

“A detached home is clearly a luxury form of housing in Vancouver,” said Craig Wright, RBC chief economist. “While the Vancouver area is still setting records, recent indications that detached home prices have come under downward pressure suggest that some affordability relief is on the way.”

Alberta

Calgary – Market trend is improving

Despite recent monthly volatility, the worst of the housing downturn may be over for Calgary, but activity levels remained historically weak as the city’s unemployment rate climbed above 10 per cent and softening demographic trends continued in the third quarter. RBC’s aggregate measure inched upwardly by 0.5 percentage points in the third quarter to 33.6 per cent.

“Despite challenging economic conditions, home resales in Calgary have picked up modestly from their cyclical lows earlier this year,” said Craig Wright, RBC chief economist. “Relatively attractive housing affordability conditions could stimulate the Calgary market, especially once the provincial economy picks up and confidence returns.”

Edmonton – Moving in slow motion

Resale activity remained sluggish in the Edmonton area but stayed above the six-year lows recorded at the start of 2016. RBC's aggregate measure crept upwardly by 0.2 percentage points to 35.3 per cent in the third quarter. As is the case for other markets in Alberta, the Edmonton housing market continues to be hampered by a tough economy that drove the local unemployment rate higher to a decades-high of 8 per cent in August.

"The level of market activity in Edmonton saw little change in the third quarter, but an expected return to positive growth for the provincial economy in 2017 would be positive for the housing market," said Craig Wright, RBC chief economist.

Saskatchewan

Saskatoon – Back in balance but still facing challenges

Market conditions improved modestly as Saskatoon experienced a 3.6 per cent quarterly bump in home resales in the third quarter. The sales-to-new listings ratio rose above 0.40—the threshold above which demand and supply are considered to be in balance. RBC's aggregate measure for the area rose slightly by 0.4 percentage points to 32.7 per cent in the third quarter, effectively matching the long-term average.

"Despite the movement towards a more balanced housing market, weak local employment is clouding the near-term outlook in Saskatoon," said Craig Wright, RBC chief economist.

Regina – Remaining within recent ranges

Owning a home was still reasonably affordable, and demand and supply remained in balance in the Regina market in the third quarter. RBC's aggregate measure of affordability rose by 1.2 percentage points to 30.1 per cent. While gains are still modest, prices have gathered some momentum since the second quarter.

"The number of homes newly listed for sale fell for the third straight quarter, which along with stronger resales contributed to further re-balance the Regina market," said Craig Wright, RBC chief economist.

Manitoba

Winnipeg – Quickly clearing earlier excess supply

The plentiful supply of homes in Winnipeg has dwindled over the past two quarters. As a result, demand-supply conditions have firmed up in the market, which in turn provided a boost to property values following a period of minimal increases. RBC's aggregate measure edged slightly upwardly by 0.7 percentage points to 30.4 per cent in the third quarter.

"2016 has been a solid year for the housing market in Winnipeg," said Craig Wright, RBC chief economist. "The number of newly-built homes still unsold and properties newly listed for sale both have fallen noticeably since the spring, firming up demand-supply conditions in the market."

Ontario

Toronto – Pedal to the metal

There are few signs that the Toronto-area housing market is slowing, or that affordability stress is easing. RBC's aggregate affordability measure for the area rose by 3.0 percentage points, the largest increase among all major markets in Canada in the third quarter. At 63.7 per cent, it signals intense affordability stress, which is concentrated in the detached home segment where supply is significantly short relative to demand. The condo apartment segment, with a measure of 35.5 per cent, remains a more affordable ownership option, and represents a rapidly growing share of the resale market.

"Fueled by a vibrant regional economy, strong demographic flows and continued investor interests, Toronto home resales set yet another record high in the third quarter," said Craig Wright, RBC chief economist. "The Toronto housing market is on track for its best year ever in 2016."

Ottawa – Gathering momentum

Ottawa's housing market has been on an upswing since spring with momentum building in the third quarter when home resales reached their second-strongest level ever. Homebuyer demand has been re-energized by an improving job market, which helps decrease elevated inventory of unsold condos and restore pricing power for sellers. RBC's aggregate measure rose for the third consecutive quarter by 1.1 percentage points to 36.3 per cent.

"Ottawa home prices picked up noticeably in the third quarter, with the fastest year-over-year rate in five years," said Craig Wright, RBC chief economist. "However, the downside of such pace of property appreciation is that it contributed to a decline of housing affordability in the Ottawa area."

Quebec

Montreal – The turnaround continues

Montreal home resale activity continued to follow an upward trend in the third quarter with gains in all housing categories. Confidence in the market has been rebuilding this year due to an improved job market, and despite modest declines in housing affordability. RBC's aggregate measure climbed 0.7 percentage points to 40.0 per cent in the third quarter, although this increase is unlikely to signal stress for buyers.

"The recent erosion in affordability has reflected moderately accelerating price increases in Montreal," said Craig Wright, RBC chief economist. "Sellers regained some pricing power in 2016 thanks to tightening (though still-balanced) supply and demand conditions."

Quebec City - Buyers stressed out by sub-par affordability?

Somewhat stretched housing affordability may be stressing homebuyers out in Quebec City. RBC's aggregate measure has been consistently above the long-term average for the area since 2012, further inching upwardly by 0.5 percentage points to 34.3 per cent in the third quarter of 2016. Slow resale activity is inconsistent with positive signs in Quebec City's labour market, where the unemployment rate is low, and accelerating population growth.

"Quebec City's resale activity remains flat as the supply side of the market continues to struggle with high inventories of homes for sale," said Craig Wright, RBC chief economist. "The balance between supply and demand remains tilted in favour of buyers at this stage, which generally subdues price increases."

Atlantic Canada

Saint John - Buyers emboldened by attractive affordability

Saint John's housing market is the most affordable among the major markets that we cover, with an RBC aggregate measure of 25.5 per cent—considerably below the 44.3 per cent at the national level. It continues to be more affordable to own a single-detached home in Saint John than a condo apartment in many cities in Canada.

"Buyers in Saint John started to take advantage of the favourable conditions since the middle of 2015, as home resales have climbed substantially," said Craig Wright, RBC chief economist. "Saint John home resales were the strongest in the second and third quarters in more than six years."

Halifax - In a quiet period

Halifax's housing market has been relatively quiet in 2016. Resale activity remained steady at historically moderate levels, housing starts eased, and housing affordability was little changed. RBC's aggregate measure rose slightly by 0.7 percentage points to 30.5 per cent in the third quarter.

"A second-consecutive drop in the number of Halifax homes listed for sale tightened demand-supply conditions significantly," said Craig Wright, RBC chief economist. "Any further tightening in the period ahead would likely increase pressure on prices in Halifax."

St. John's - Tough economic times weigh on the market

Home resale activity remained soft in St. John's in the third quarter, as a quarterly decline of 8.7 per cent reversed a 10.8 per cent gain recorded in the second quarter. The trend in resales has been flat, and buyers have maintained control of the market with plenty of homes for sale. These conditions have kept upward price pressures in check and contributed to modest affordability improvement in recent years. RBC's aggregate measure however rose by 0.6 percentage points in the third quarter, although the reading of 27.0 per cent remained unchanged from a year ago.

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“Housing demand in St. John’s is being challenged by a tough economic landscape resulting from weak oil prices and provincial fiscal austerity. These economic pressures no doubt are top of mind for buyers at this stage,” said Craig Wright, RBC chief economist.

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