

RBC Housing Affordability – Provincial Fact Sheet

Key Centre Highlights

March 30, 2017

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British Columbia

Victoria – Loss of affordability taking a bite out of resale activity?

Home buying activity in Victoria lost momentum in the latter stages of 2016. RBC's aggregate affordability measure reached a six-year high of 55.1 per cent in the fourth quarter of 2016, up 6.6 percentage points from a year earlier.

"This year-over-year deterioration was the third-largest among local markets in Canada after Vancouver and Toronto, and tight demand-supply conditions in early 2017 suggest that affordability may get worse," said Craig Wright, senior vice-president and chief economist, RBC.

Vancouver area – Affordability relief unlikely to matter much

RBC's aggregate measure for Vancouver fell for the first time—by 5.2 percentage points—in almost three years, but homeownership costs remain incredibly steep. RBC's aggregate measure was 84.8 per cent in the fourth quarter.

"Owning a Vancouver home at market price, especially a single-detached home, is out of reach for a typical household and even owning a condo apartment in the area is expensive, with an affordability measure of 46.1 per cent," said Craig Wright, senior vice-president and chief economist, RBC.

Alberta

Calgary – Attractive affordability likely to get more attention

Housing affordability in Calgary in the past couple of years has been near the best on record since the mid-1980s. RBC's aggregate measure for the area was little changed at 33.8% in the fourth quarter, still significantly below its long-run average of 40.3 per cent.

"As economic conditions improve and confidence returns, Calgary's attractive affordability is likely to become a more significant draw for buyers and we have recently seen home resales trending slightly upward," said Craig Wright, senior vice-president and chief economist, RBC.

Edmonton – Turning a corner

RBC's aggregate measure in the fourth quarter, 35.4 per cent, remained well within historical norms. Home resales have had a solid start to 2017 (up 20 per cent year over year in the first two months) and demand-supply conditions have tightened moderately.

“The Edmonton market may be turning a corner, although with local unemployment at more than 8 per cent, any recovery in the market may be a slow process,” said Craig Wright, senior vice-president and chief economist, RBC.

Saskatchewan

Saskatoon – Still waiting for a recovery to take hold

Demand-supply conditions weakened late last year, putting Saskatoon buyers more firmly into the driver’s seat and keeping downward pressure on prices. RBC’s aggregate affordability measure was 32.0 per cent in the fourth quarter, slightly below the long-term average of 32.9 per cent and down by 0.9 percentage points from the third quarter.

“Even though housing in the area is more affordable, Saskatoon buyers are probably hesitant to jump in because of uncertain economic and employment prospects,” said Craig Wright, senior vice-president and chief economist, RBC.

Regina – Mild improvement continuing

The housing market continued to improve mildly in Regina in the late stages of 2016. RBC’s aggregate affordability measure was 29.3 per cent in the fourth quarter, slightly above but near the area’s long-run average of 27.8 per cent.

“With Regina home resales strengthening and the inventory of newly built but unsold units falling, we see demand-supply conditions generally remaining in balance,” said Craig Wright, senior vice-president and chief economist, RBC.

Manitoba

Winnipeg – Maintaining a firm tone

Robust demand and diminishing supply tightened the Winnipeg market, although not enough to intensify upward pressure on prices. RBC’s aggregate affordability measure was unchanged at 30.4 per cent in the fourth quarter, slightly above the long-term average of 29.8 per cent.

“A softer job market in the past year may affect the Winnipeg housing market, but we expect any weakness to be temporary, given positive prospects for the provincial economy,” said Craig Wright, senior vice-president and chief economist, RBC.

Ontario

Toronto area – Sounding the alarm bell

Contrary to our expectations, demand for Toronto housing has continued to grow while listings have dropped. Prices are still going through the roof—at an accelerating pace! RBC’s affordability measure in the fourth quarter of 2016 hit 64.6 per cent, the second-worst level on record for the area since the mid-1980s.

“Various factors have crushed housing affordability in Toronto,” said Craig Wright, senior vice-president and chief economist, RBC. “Most of the affordability stress is concentrated in the single-detached segment, but the recent acceleration in condo prices signals that this segment is not far behind. Left unchecked, this situation will get worse, putting Canada’s largest housing market at high risk.”

Ottawa – Healthy trends persist

Affordability trends remain relatively healthy in the National Capital area. RBC’s aggregate measure inched lower to 35.6 per cent in the fourth quarter, modestly above the 34.0 per cent average since the mid-1980s. Demand-supply conditions tightened up late in 2016 but remained balanced, keeping price pressures contained.

“In sharp contrast to southern Ontario, we see few signs of overheating or affordability stress in the Ottawa-area market,” said Craig Wright, senior vice-president and chief economist, RBC.

Quebec

Montreal area – Strong labour market fueling homebuyer demand

The cost of owning a home in the Montreal area moved up slightly as a share of household income in 2016. RBC’s aggregate measure of 40.2 per cent in the fourth quarter was still within historical norms. The recent uptick coincided with a strengthening housing market activity.

“The improvement in Montreal’s job market in the past year has been positive for demand for housing, and this labour market strength continued in early 2017,” said Craig Wright, senior vice-president and chief economist, RBC.

Quebec City – Affordability issues may be holding back buyers

Slight deteriorating trends in affordability continued to prevail in the Quebec City market. RBC’s aggregate measure hit 34.3 per cent in the fourth quarter, its highest level since the early 1990s. This is above the long-term average of 30.1 per cent.

“While affordability issues may be deterring buyers, the fairly robust job market in the area may serve to increase housing demand and in fact home resales picked up modestly in the fourth quarter,” said Craig Wright, senior vice-president and chief economist, RBC.

Atlantic Canada

Saint John – Still Canada’s affordability leader

This remains the most affordable area for housing in Canada. RBC’s aggregate measure of 25.8 per cent in the fourth quarter was once again the lowest of the cities covered in our report and is miles below the national average of 44.2 per cent.

“Home resales in Saint John picked up noticeably last year, which helped to balance demand-supply conditions and led to modestly stronger price increases,” said Craig Wright, senior vice-president and chief economist, RBC.

Halifax – The market recovery continues

The Halifax market saw modestly growing demand and declining listings in 2016. Buyers benefited from generally attractive affordability levels. RBC’s aggregate measure ticked up slightly to 31.1 per cent in the fourth quarter, still below its long-term average of 32.7 per cent.

“Stronger population growth in the area likely contributed to the rise in homebuyer demand last year,” said Craig Wright, senior vice-president and chief economist, RBC.

St. John’s – Economy not affordability is the biggest issue

Housing affordability trends have been generally static since 2014 in St. John’s. RBC’s aggregate measure stood at 26.6 per cent in the fourth quarter, little changed from a year earlier. A much bigger issue for buyers was the very tough economic conditions in the province and surging unemployment.

“Home buyers in St. John’s had plenty of choice by the end of the year, with weak demand-supply conditions, and there were outright price declines in the condo segment,” said Craig Wright, senior vice-president and chief economist, RBC.

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