RBC Housing Affordability – PROVINCIAL FACT SHEET

Key centre highlights

June 29, 2017

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British Columbia:

Victoria – Affordability still getting worse

Victoria saw the second-most significant erosion of housing affordability among major Canadian markets in the first quarter, with RBC's aggregate measure rising 1.1 percentage points to a seven-year high of 56.7 per cent. Unlike Vancouver, price pressure intensified in Victoria through the fall and the initial months of 2017.

"Demand-supply conditions in Victoria have been heavily in favour of sellers, with new listings plummeting close to 20 per cent in the first quarter," said Craig Wright, senior vice-president and chief economist, RBC. "However, there are signs that Victoria's market will become balanced and price increases will moderate in the months ahead, as more sellers list their properties."

Vancouver Area - Make that two quarters of affordability relief in a row

RBC's aggregate affordability measure for Vancouver fell for a second-straight time by 1.2 percentage points to 79.7 per cent—still the highest in Canada. A series of policy measures implemented in 2016 cooled homebuyer demand considerably leading into the winter.

"Vancouver home prices declined on a month-over-month basis last fall and early in 2017 as market participants adjusted to the new policies implemented to cool things down," said Craig Wright, senior vice-president and chief economist, RBC. "Unfortunately, the scope for further relief is limited as Vancouver's market has heated up again this spring with prices back at record-high levels in May."

Alberta:

Calgary – Good and bad factors affecting affordability

RBC's aggregate measure rose by 0.8 percentage points in the first quarter to 39.6 per cent. The provincial recession has taken a heavy toll on Calgary and household income continued to suffer this year.

"Calgary's market is in the early stages of recovering from its slump, and while the increase of homeownership costs is a sign of a healthier market, a decline in household income also contributed," said Craig Wright, senior vice-president and chief economist, RBC. "We expect household income in Calgary to strengthen once the provincial economy grows stronger."

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Edmonton - Still broadly affordable
RBC's aggregate measure inched higher by 0.5 percentage points to 31.0 per cent last quarter, compared to a long-run average of 34.4 per cent. Home resales climbed by more than 17 per cent from a year ago.

"Stronger buyer activity only tightened demand-supply conditions modestly in Edmonton, and we don't expect the strong increase in resales in the first quarter to be sustained," said Craig Wright, senior vice-president and chief economist, RBC. "Edmonton's stubbornly high unemployment rate is likely to impede the full restoration of confidence."

Saskatchewan:
Saskatoon – Good affordability not enough to spur buyers
Buyers are in command of Saskatoon's housing market, but there have been fewer and fewer sales since 2014 due to a lacklustre economy. RBC's aggregate affordability measure inched slightly lower by 0.1 percentage points in the first quarter to 32.5 per cent.

"Saskatoon's unemployment rate surged above 8 per cent this year for the first time in decades, and the rate of population growth has slowed significantly," said Craig Wright, senior vice-president and chief economist, RBC. "Properties for sale haven't been moving much in Saskatoon and the number of new listings has been increasing, resulting in a large inventory of homes for sale."

Regina - Market conditions are soft, but there's scope for a firming
RBC's aggregate measure for Regina fell for a second-consecutive time by 0.4 percentage points to 29.1 per cent in the first quarter. The decline primarily reflected a weakening in home prices, as demand-supply conditions in the market deteriorated considerably in the initial months of 2017.

"Home resales in Regina were the softest in more than eight years and new listings rose by 6 per cent from a year ago, providing buyers with a lot of sway over prices," said Craig Wright, senior vice-president and chief economist, RBC. "There is opportunity for firming of the Regina market in the period ahead, as an easing in the unemployment rate bodes well for a rebound in resales."

Manitoba:
Winnipeg - Slightly improving affordability trend persists
RBC's aggregate affordability measure for Winnipeg edged lower by 0.4 percentage points to 30.4 per cent, extending the modestly improving trend in place since 2012. "Sellers came out in greater force than buyers for the second straight quarter in Winnipeg," said Craig Wright, senior vice-president and chief economist, RBC. "The market recorded its strongest year ever in 2016 with home resales totaling almost 12,900 units. The outlook remains positive this year."

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Ontario:

Greater Toronto Area (GTA) – Well outside rational limits… and our comfort zone

Housing affordability is at a never-before-seen level in the GTA, leaving the market and hopeful buyers in a vulnerable state. RBC's aggregate measure jumped to 72.0 per cent, surpassing the previous peak of 70.6 per cent in the 1990s and coming the closest it has been to Vancouver's measure in 14 years. Ontario has introduced a plan in April to cool the market and address affordability issues.

"Toronto's housing market completely let go of any semblance of rationality in the first quarter," said Craig Wright, senior vice-president and chief economist, RBC. "We see Ontario's Fair Housing Plan as a way to bring some sanity back to the GTA housing market, although the impact on affordability may take up to two or three quarters to be felt and may last only for a period of time."

Ottawa – Sanity prevails

The Ottawa-area market has shown healthy signs with prices increasing moderately, resale activity growing solidly and affordability remaining under control. RBC's aggregate measure is only a little above the long-run average (34.8 per cent), and it compares advantageously to Toronto's measure (72.0 per cent). Such favourable comparisons to Toronto may attract migrants to choose to live in the more affordable Ottawa area.

"So far, the National Capital area has escaped the craze sweeping the GTA and other southern Ontario markets," said Craig Wright, senior vice-president and chief economist, RBC. "Home affordability is under control in Ottawa and the outlook remains bright for the year."

Quebec:

Montreal area – A stronger economy benefits the housing market

RBC's aggregate measure for the Montreal area has trended gently upwardly since last year. Standing at 43.0 per cent in the first quarter, the measure is above its long-run average of 40.0 per cent, which may be a potential sign of affordability stress. Yet, Montreal's market is on solid foundations: household income has grown stronger, demand for housing is rising, the inventory of unsold homes has been reduced and prices have picked up modestly.

"A stronger economy and an improved job market have had clear benefits for Montreal's housing market in the past year," said Craig Wright, senior vice-president and chief economist, RBC. "We expect these benefits to continue in the period ahead."

Quebec City – Trend still deteriorating, but affordability improved

The first quarter showed an improvement in housing affordability in Quebec City, with RBC's aggregate measure falling 0.4 percentage points to 34.2 per cent. However, developments in the first quarter reversed only a part of the affordability deterioration that Quebec has encountered over the past few years, which raised RBC's measure to a nine-year high at the end of 2016. Nonetheless, recent levels have been far from extreme.

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"Affordability issues may have held back buyers somewhat last year, but we expect Quebec's growing economy and lower ownership costs to encourage buyers in the period to come," said Craig Wright, senior vice-president and chief economist, RBC. Home resales rose by a solid 5% in the first quarter of this year.

New Brunswick:
Saint John – On an upswing
With home resales jumping to a nine-year high in the first quarter, Saint John recorded the strongest price increases among major markets in the Atlantic region. RBC's aggregate measure rose for a seventh consecutive time by 0.3 percentage points to 26.0 per cent. Despite this upswing, Saint John's measure was still the lowest among the 14 markets in our coverage and it's still much more affordable to own a home in Saint John than in any major city in Canada.

"The upswing in Saint John's housing market was in full force in the first quarter of this year, with price increases eroding affordability," said Craig Wright, senior vice-president and chief economist, RBC. "A drop in the area's unemployment rate, as well as still-low ownership costs, are expected to continue motivating buyers in Saint John."

Nova Scotia:
Halifax – Affordability not budging much—still fine
The balance between demand and supply continued to tighten in the Halifax market despite home resales falling 9 per cent from a year ago. The reason for the tightening was a significant 15 per cent drop in the number of sellers listing their properties. Nonetheless, prices eased in the first quarter and RBC's aggregate measure edged lower to 31.5 per cent.

"Notwithstanding usual period-to-period gyrations, home resale and affordability trends have been fairly stable for the past little while in the Halifax housing market. Affordability still compares favourably to historical norms" said Craig Wright, senior vice-president and chief economist, RBC.

Newfoundland and Labrador:
St. John's – Ownership costs are coming down, but Newfoundlanders have bigger fish to fry
Even with RBC's aggregate measure falling by 0.6 percentage points to 28.6 per cent. Newfoundland's dire provincial economy and rising unemployment rate no doubt ranked higher on buyer's minds in the first quarter. Home resales remained depressed in the first quarter and prices faced substantial downward pressure with little hope for a turnaround in the near term.

"Housing affordability improved to the best level in years in the first quarter in St. John's," said Craig Wright, senior vice-president and chief economist, RBC. "But right now, buyers are focused on the poor state of the provincial economy, rather than the affordability of the housing market, and we can't see this changing any time soon."

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