



RBC Housing Affordability – PROVINCIAL FACT SHEET

Key centre highlights

September 29, 2017

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British Columbia:

Victoria – Lack of affordability is a growing issue for buyers

Victoria property values appreciated for an 11th consecutive quarter as demand-supply conditions led RBC's aggregate affordability measure to jump to a record high 58.6%. Lack of affordability clearly is being felt by potential buyers, as home resales dropped by 23% this past year.

"Earlier tight demand-supply conditions led to sharply-rising property values in Victoria," said Craig Wright, Senior Vice-President and Chief Economist, RBC. "However, there are signs that market pressure is easing, which should help to cool off prices in the period ahead".

Vancouver area – Is that all for affordability relief?

RBC's aggregate affordability measure for Vancouver picked up by 2.6 percentage points after back-to-back declines. Vancouver remains the least affordable market for would-be buyers in Canada with an aggregate measure of 80.7%. With demand-supply conditions favouring sellers and home prices again on the rise, it likely means that the window of affordability relief has closed.

"The cumulative decline of 5.8 percentage points in RBC's measure looks like all the relief buyers we'll likely get this cycle," said Craig Wright, Senior Vice-President and Chief Economist, RBC. "Besides housing prices, interest rates are also rising now and we expect that additional hikes will put mounting pressure on ownership costs in Vancouver."

Alberta:

Calgary – Soft patch to be temporary

Alberta's economic turnaround has helped boost prospects for Calgary's housing market. Yet the market recovery process in Calgary hasn't been smooth with resale activity hitting a soft patch in the second quarter. This likely will prove to be a temporary setback, however. RBC's aggregate measure was stable at 40.9% in the second quarter, indicating that home ownership remains relatively affordable in the area.

“The recent pick-up in global oil prices and continuing improvement in market fundamentals will help support a strengthening in home resale activity in Calgary,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “We expect home prices to remain affordable in the short term, although oil-price volatility could affect confidence in the market.”

Edmonton – Affordability not a concern, unemployment is

RBC’s aggregate measure fell slightly by 0.2 percentage points to 30.3%. With unemployment still trending higher in the area, the outlook for Edmonton’s housing market is challenged.

“Edmonton’s demand-supply conditions have deteriorated this spring but they remained balanced, keeping prices on a modest upward trajectory,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “Unfortunately, the high unemployment rate undermines the prospects for further recovery in resale activity.”

Saskatchewan:

Saskatoon – Good affordability not enough to shake off market slump

Saskatoon’s housing market remains in rough shape. With a rising unemployment rate, home resale activity fell to a seven-year low. RBC’s aggregate affordability measure rose slightly by 0.2 percentage points in the second quarter to 32.1%.

“Buyers are in full command of the market and helping to drive prices lower and lower,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “In spite of this, buyers lacked the confidence or ability to enter the market.”

Regina – Activity stabilizes but remains weak

RBC’s aggregate measure for Regina rose marginally by a 0.1 percentage point to 28.7%. Home resale activity stalled at an eight-year low in the second quarter, following a 12% drop in the first quarter.

“Potential home buyers in Regina simply aren’t biting at this point,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “With an unemployment rate that continues to rise, we expect house resales to remain low.”

Manitoba:

Winnipeg – Riding on stronger job market and neutral affordability

Winnipeg housing resales have continued to thrive, as they are on their way to surpass last year’s record high. RBC’s aggregate affordability measure rose by 0.6 percentage points to 30.7% in the second quarter.

“Winnipeg’s house sale outlook is bright, with positive job prospects continuing to provide solid support in the area,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “Tighter demand-supply conditions are generating increasing upward pressure for prices.”

Ontario:

Greater Toronto Area (GTA) – Definitely cooling but still far from affordable

Home resales dropped by 44% between April and July as Ontario’s Fair Housing Plan took its hold on the Toronto market. The cooling effect of the Plan on prices was not immediate, however. RBC aggregate measure jumped by 4.3 percentage points to 75.4% in the second quarter. This was the 12th straight increase, and a new record high for the measure.

“We didn’t see an instant impact on house prices in spite of the significant drop in resales,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “The good news is that we expect some relief to come soon, as downward pressure on prices is poised to lower ownership costs in the months ahead.”

Ottawa – Strong market run despite deteriorating affordability

Housing demand remains strong in Ottawa, as resales are on track to surpass last year’s record high. RBC’s aggregate affordability measure in the second quarter rose to 37.3%, a 1.4 percentage point increase.

“We are seeing sellers gain the upper hand and prices accelerate modestly in Ottawa,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “Our National Capital is expected to stay on its strong course in spite of some erosion in affordability in the area.”

Quebec:

Montreal area – Measured market upswing keeps affordability on track

RBC’s aggregate measure for the Montreal area continued its upward swing in the second quarter, as it rose by 0.2 percentage points to 41.5%. Thanks to a strong regional economy and labour market, Montreal’s housing market activity has been brisk so far this year.

“It’s been a great year for the Montreal housing market,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “Unlike the Toronto and Vancouver markets, we are seeing a measured and orderly upswing in activity in the area.”

Quebec City – Affordability improves but buyers aren't biting yet

Despite positive labour market conditions, Quebec City buyers have been quite cautious about jumping in the housing market. RBC's aggregate affordability measure fell slightly by 0.1 percentage point but, 34%, remained historically high for the area in the second quarter. With demand-supply conditions favouring buyers, any upward price pressure is likely to remain contained in the near term.

"Home resales have been little changed over the past year in Quebec City," said Craig Wright, Senior Vice-President and Chief Economist, RBC. "Affordability issues could be dampening demand."

New Brunswick:

Saint John – Taking a breather

Saint John's housing market has been on an impressive upswing since 2015 but took a breather in the second quarter when home resales fell by 7.5%. RBC's aggregate measure dropped by 0.8 percentage points to 24.5% in the second quarter.

"We are likely experiencing just a temporary setback," said Craig Wright, Senior Vice-President and Chief Economist, RBC. "A major drop in unemployment and good affordability are likely to boost demand going forward."

Nova Scotia:

Halifax – A burst of activity put sellers in control

Solid activity sales activity helped tighten demand-supply conditions this year in Halifax, which now clearly favour sellers. This contributed to stronger price gains in the second quarter. RBC's aggregate measure for Halifax rose by 1.0 percentage point to 32.4%, closely matching the long-run average in the area.

"Halifax saw more buyers jump into the market this past quarter motivated in part by still-affordable ownership costs," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

Newfoundland and Labrador:

St. John's – Poor economy is top of mind, not improving affordability

Housing affordability improved for the third-straight time in St. John's in the second quarter. RBC's aggregate measure fell by 0.3 percentage points to 27.7%.

"St John's has an oversupplied housing market coupled with a high unemployment rate and sluggish provincial economy," said Craig Wright, Senior Vice-President and Chief Economist, RBC. "Given these tough conditions, we aren't expecting activity or prices to pick up meaningfully any time soon."

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