



## RBC Housing Affordability – Provincial Fact Sheet

### Key Centre Highlights

December 21, 2017

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#### British Columbia:

##### **Victoria – Affordability continues to erode but strong economy lends support to the market**

Upward price pressure throughout the third-quarter has caused housing affordability to deteriorate significantly in Victoria. RBC's aggregate affordability measure rose for a 10<sup>th</sup> consecutive time last quarter, jumping by 2.7 percentage points to a record-high of 61.5 per cent.

“Steady job creation and a low unemployment rate should continue to support Victoria's housing market,” said Craig Wright, Senior Vice-President and Chief Economist, RBC.

##### **Vancouver area – On the front burner... and affordability passes the boiling point**

After a brief respite, Vancouver housing prices are on the rise yet again. RBC's aggregate measure surged by 5.3 percentage points to 87.5 per cent in the third quarter - a new record high for any market in Canada.

“Demand-supply conditions continue to be tight in Vancouver, and with interest rates expected to rise again next year, the outlook for affordability is grim,” said Craig Wright, Senior Vice-President and Chief Economist, RBC.

#### Alberta:

##### **Calgary – Market struggles to recover despite being affordable**

Despite an affordable housing market, Calgarians aren't biting much. Home resale activity was quiet mid-year after showing signs of promise in 2016 and early 2017. RBC's aggregate measure rose by 0.8 percentage points in the third quarter to 40.6 per cent, running just below the long-run average of 41.4 per cent.

“Even though housing in the area is affordable, Calgary buyers aren't jumping into the market for the time being,” said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Edmonton – Good affordability helps to spur resale activity**

After a brief pause earlier in the year, Edmonton's year-old recovery resumed this past quarter. Demand-supply conditions and prices firmed a little. RBC's aggregate affordability measure stood at 31.2 per cent, still well below the historical norm in the area.

"With the market having rebounded this past year, we expect market conditions along with consumer confidence to continue to improve in the period ahead," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Saskatchewan:**

#### **Saskatoon – Lack of confidence trumps affordability advantage**

Poor job prospects continue to dampen homebuyer demand. Home resales dropped to a seven-year low, and buyers continue to remain in full control of the Saskatoon housing market. RBC's aggregate affordability measure rose slightly by 0.3 percentage points in the third quarter to 32.5 per cent.

"Despite attractive housing affordability in Saskatoon, the high unemployment rate continues to weigh heavily on homebuyer demand," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

#### **Regina – Light at the end of the tunnel?**

Regina is showing encouraging signs that the market is improving. Home resales increased for a second-straight quarter, and RBC's aggregate measure rose by 0.6 percentage points to 29.5 per cent.

"With housing prices inching higher and the unemployment rate lowering in November, we should see a boost in market confidence," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Manitoba:**

#### **Winnipeg – Market stays busy although some affordability erosion looms**

2017 has been a busy year for the Winnipeg housing market, as resales are on track to equal, or exceed last year's record high. The economic landscape is positive, as the job market remains healthy. Despite this, RBC's aggregate affordability measure increased by 0.9 percentage points to 31.3 per cent in the third quarter, a slight deterioration in affordability.

"Winnipeg's economic landscape is positive, and while home ownership costs aren't cheap, they aren't likely to deter buyers at this point," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

## Ontario:

### **Greater Toronto Area (GTA) – Calmer but still unaffordable**

It was an interesting year for Toronto's housing market, and demand-supply conditions returned to balance following Ontario's Fair Housing Plan. However, housing affordability remains elusive for many households. RBC's aggregate measure by increased 1.3 percentage points to 78.4 per cent, the thirteenth-consecutive quarterly increase.

"The costs of owning a home are well beyond the means of many local buyers, but recent downward pressure on prices should bring some relief in the period ahead," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Ottawa – Riding high... at the expense of affordability**

Ottawa home resales are on pace to set a new record high, and prices are rising at their fastest rate in seven years. RBC's aggregate measure rose by 0.9 percentage points to 39.2 per cent, the highest level since 1995.

"There is great vitality in the market right now, but consequently we are seeing Ottawa become less affordable for local buyers," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

## Quebec:

### **Montreal area – All abuzz despite home-buying becoming less affordable**

Montreal resale activity is the strongest it has been in years. With confidence on the rise, sellers have been having a stronger hand in setting prices. RBC's aggregate affordability measure for the area rose for a fifth time in the past six quarters, climbing by 0.9 percent points to 43.5 per cent.

"A reinvigorated regional economy and strong labour market have helped raise the confidence levels of buyers, although higher interest rates and tightening mortgage lending rules may dampen things later in 2018," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Quebec City – Demand-supply mismatch a symptom of affordability tensions**

Homebuyers are in the driver's seat in setting prices in Quebec City, with exceptions in the lower-priced market segments. This mismatch between demand and supply across market segments is a sign of affordability tensions. Buyers face affordability hurdles at higher price points and pile up at the lower end of the market. RBC's aggregate measure inched higher by 0.4 percentage points to 34.5 per cent in the third quarter.

"With Quebec City reaching a decade low in the unemployment rate, overall demand should remain vibrant in the near term," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### New Brunswick:

#### **Saint John – Most affordable market in Canada has plenty to offer**

Saint John's home resales are on pace to be the strongest since 2008, and improved job prospects should help sustain this upswing in the near term. RBC's aggregate affordability measure eased for a second-straight time, by 0.3 percentage points to 24.5 per cent in the third quarter.

"Housing prices softened in the past year, although we expect prices to firm somewhat in the period ahead," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### Nova Scotia:

#### **Halifax – Market momentum at risk of slowing though affordability is not a factor**

Tighter demand-supply conditions have put housing prices on their steepest trajectory since 2010. This momentum may lose steam, if weaker job prospects continue to persist. RBC's aggregate measure was 33.1 per cent in the third quarter, up by 0.6 percentage points from the previous quarter.

"2017 could be the best year since 2012 in terms of home resales in Halifax, but the recent rise in the unemployment rate could hamper buyer confidence in the area," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### Newfoundland and Labrador:

#### **St. John's – Signs of life likely to be fleeting**

After slumping to its lowest activity level in a decade throughout in the first half of 2017, St John's showed some signs of life in the third quarter as home resales picked up. This slight bump in activity is expected to be short-lived, however. RBC's aggregate affordability measure increased by 1.0 percentage point in the third quarter to 29.7 per cent.

"The outlook for St John's will remain grim, unfortunately. There are too many properties for sale relative to the number of buyers," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

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