



## RBC Housing Affordability – Provincial Fact Sheet

### Key Centre Highlights

April 5, 2018

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#### British Columbia:

##### **Victoria – Increasingly unaffordable to buy yet more sellers are needed**

The cost of home ownership in Victoria reached record-high levels as 2017 drew to a close. Yet despite the sky-high prices, would-be sellers have not been swayed into putting their properties up for sale. This has kept the housing market very tight. RBC's aggregate affordability measure rose again in the fourth quarter by 0.5 percentage points to 61.6 per cent. Housing affordability is calculated as the share of household income that would be required to carry the costs of owning a home at market price. A higher number means ownership is less affordable.

"Victoria is continuing to see a sharp deterioration in affordability – and with the relative lack of sellers, it has made for constricted demand-supply conditions," said Craig Wright, Senior Vice-President and Chief Economist, RBC

##### **Vancouver area – Affordability concerns prompts further policy intervention**

RBC's aggregate measure jumped by 1.8 percentage points in the fourth quarter to an astounding 85.2 per cent. This came on the heels of even larger increases in the previous two quarters. Amid the re-acceleration of home prices since the middle of last year, the BC government has imposed new and expanded initiatives to cool down the market. The government will raise the foreign-buyer tax from 15 per cent to 20 per cent and introduce a property tax on unoccupied properties owned by non-residents.

"Local homebuyers are being challenged by the worst affordability levels ever recorded anywhere in Canada," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

#### Alberta:

##### **Calgary – Market recovery drives gradual rise in ownership costs**

Home ownership costs are on a modest upward track in Calgary. However, it's not necessarily a bad sign. Costs are rising because the market conditions have improved. In fact – home resales rose by 6 per cent in 2017, the first increase in three years. Still, RBC's aggregate affordability measure remains close to its long-run average of 41.0 per cent, rising to 42.1 per cent in the fourth quarter.

"We expect the housing market - along with the provincial economy - to continue to recover progressively in the year ahead," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Edmonton – No complaints here about affordability**

Housing affordability in Edmonton is among the most attractive in the country. RBC's aggregate measure stood at 27.7 per cent in the fourth quarter. Despite the fact that housing prices have remained relatively flat over the past couple of years, buyers have not been eager to jump into the market. However, this could soon change.

"With the recent decline in Edmonton's unemployment rate, it bodes well for a pickup in market demand," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Saskatchewan:**

#### **Saskatoon – Slow-moving trends all-round**

Saskatoon's housing affordability continues to be stuck in neutral. A challenging provincial economy and slumping job market have weighed heavily on buyer's minds in recent years. Home resales fell for a third straight year in 2017 and RBC's aggregate measure for the area rose only slightly by 0.2 percentage points to 33.4 per cent in the fourth quarter — very close to the long-term average of 32.7 per cent. However, good news could be on its way.

"Saskatoon's unemployment rate began to ease this past fall. This has the potential to bolster homebuyer demand and set the stage for a long-awaited turnaround to the housing market," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

#### **Regina – Still soft**

Regina most recently faced similar conditions to Saskatoon. The area had low home resale activity throughout 2017 in spite of fair housing affordability conditions. RBC's aggregate affordability measure rose by 0.3 percentage points to 30.2 per cent in the fourth quarter, following declines earlier last year.

"Buyers continue to be in the driver's seat in Saskatoon, which has kept a lid on price increases," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Manitoba:**

#### **Winnipeg – Market stays busy despite some affordability erosion**

Winnipeg managed to record its second-best year ever in terms of housing sales in 2017. Until recently, sellers were in a position of strength. However, the trend moderated somewhat in the fourth quarter of 2017 as demand eased and the supply of homes for sale increased. RBC's aggregate measure for the area increased 1.5 percentage points in the past year, including a 0.4 percentage-point rise in the fourth quarter to 30.6 per cent.

"We don't expect affordability to be significant deterrent for buyers at this point, as the market is in balance and housing prices have moderated," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

## Ontario:

### **Greater Toronto Area (GTA) – Finally some affordability relief but does it matter much?**

After 13 straight quarters of deterioration, Toronto finally saw improvement to housing affordability. The significant cooling in the area after the introduction of Ontario's Fair Housing Plan brought the market into balance and reduced the upward price pressure that had prevailed previously. Still, RBC's aggregate measure for the area remains at 75.1 per cent.

"We don't expect this improvement to housing affordability to be the start of a new improving trend because we anticipate that prices will bottom out sometime this spring," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Ottawa – Still in good shape**

Ottawa's housing market remains in good shape. With solid resale activity and prices trending higher, buyers are showing few signs that affordability is an issue for them. RBC's aggregate measure eased slightly by 0.1 percentage points to 36.1 per cent in the fourth quarter.

"Given the firm demand-supply conditions and solid economy, Ottawa sellers are in command for the most part," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

## Quebec:

### **Montreal area – Gradual erosion of affordability not a big deal so far**

Montreal's housing market is on an impressive run. It recorded its second-strongest year ever in 2017, as home resales rose by 8 per cent from 2016. Sellers currently have the upper hand in the detached-home segment, and are slowly gaining power in the condo segment. RBC's aggregate measure inched higher by 0.4 percentage points to 44.1 per cent in the fourth quarter.

"Tighter mortgage lending rules and the spectre of higher interest rates will generate headwinds in 2018, but we aren't expecting Montreal's housing market to quiet down much," Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Quebec City – Buyers are in the driver's seat**

Despite a loss in momentum in the fourth quarter, Quebec City showed a fourth-straight annual increase of 2 per cent in home resales in 2017. With buyers firmly in the driver's seat, they have plenty of housing options to choose from in the current climate. RBC's aggregate measure inched higher by 0.1 percentage points to 32.7 per cent in the fourth quarter.

"Housing prices changed very little this past year in Quebec City with the exception being lower-priced properties where demand exceeded supply," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

## Atlantic Canada:

### **Saint John – Positive signs continue to emerge**

With a pick-up in population growth and an attractively priced market, Saint John continues to show positive signs. Home resales reached a nine-year high in 2017 and prices began to firm up over the second half of the year. RBC's aggregate measure was 25.4 per cent in the fourth quarter – the lowest on the list.

"We believe things are looking up for the St John's housing market, especially given the balanced demand-supply conditions and a falling unemployment rate in the area," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **Halifax – Confidence in the market is rising despite some affordability erosion**

Halifax's housing affordability has eroded modestly – but it shouldn't be cause for too much worry. With a 32.3 per cent aggregate measure in the fourth quarter, the area remains attractive for would-be buyers. Home resales also climbed to their highest level in five years in 2017.

"Buyers have demonstrated increasing confidence in the Halifax housing market and with a recent spike in the area's employment, it bodes well for further gains in 2018," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **St. John's – Tough Challenges Remain**

Despite the attractive housing market in St. John's, there has been little to motivate prospective buyers – especially as the province's economy remains unsettled and job prospects remaining uncertain. RBC's aggregate measure was 27.1 per cent in the fourth quarter, below the long-run average of 27.3 per cent. However, there could be a glimmer of hope.

"The worst could be over in St John's, as we saw home resale activity pick up steam over the second half of last year and the unemployment rate ease after a thirteen year high," said Craig Wright, Senior Vice-President and Chief Economist, RBC.

### **For more information, please contact:**

[Craig Wright](#), Senior Vice-President and Chief Economist, RBC, 416-974-7457

[Robert Hogue](#), Senior Economist, RBC Economics Research, 416-974-6192

[Joel Dembe](#), RBC Communications, 647-518-4981