



ALBERTA'S HOUSING MARKET REMAINS ONE OF CANADA'S MOST AFFORDABLE: RBC ECONOMICS

TORONTO, MAY 23, 2013 — Alberta's housing market was not hindered by modestly higher home prices in the first quarter of 2013, as high household income across the province kept market conditions among the most affordable in Canada, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

The report indicates that Alberta's home resale activity picked-up in the first quarter, up 3.7 per cent from the fourth quarter of 2012, keeping market conditions relatively tight. Home prices continued to increase modestly across all housing types.

"Despite higher prices and, in turn, a slight erosion in affordability in the first quarter, homebuyers in Alberta enjoyed substantial buying power thanks to their elevated income. The provincial market remains among the most affordable in Canada," said Craig Wright, senior vice-president and chief economist, RBC. "Barring an unexpected shock to the economy, Alberta's housing market should remain brisk in 2013."

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, deteriorated somewhat in the first quarter of 2013 (an increase in the measure represents deterioration in affordability). RBC's measure rose slightly, by 0.2 percentage points, across all housing types, to 32.2 per cent for detached bungalows, 34.7 per cent for standard two-storey homes and 19.8 per cent for standard condominiums.

Calgary's housing market back on track

Calgary's housing market renaissance has not been a steady process. RBC notes that the overall improving trend in resale activity was inconsistent last year. Recent statistics, however, show that resales in the area stabilized in the first quarter of 2013 and that month-to-month gains were registered during the February to April period.

"Calgary-area buyers continue to benefit from a strong provincial economy, accelerating population growth and attractive affordability," added Wright. "RBC measures for Calgary compare favourably against both historical norms and the national average, keeping it one of the more affordable housing markets in Canada."

RBC measures for Calgary increased slightly across all housing categories in the first quarter of 2013. RBC's measure for bungalows rose by 0.8 percentage points to 38.7 per cent and for two-storey homes by 0.4 percentage points to 38.8 per cent. The measure for condominiums rose 0.8 percentage points to 22.9 per cent. This modest deterioration caused by higher home prices was the result of tight market conditions.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.3 per cent (up 0.1 percentage points from the previous quarter); Toronto 53.8 per cent (up 0.8 percentage points); Montreal 40.1 per cent (up 0.6 percentage points); Ottawa 39.1 per cent (up 0.1 percentage points); Calgary 38.7 per cent (up 0.8 percentage points); Edmonton 30.4 per cent (down 0.2 percentage points).

The RBC Housing Affordability Measure, which has been compiled since 1985, is based on the costs of owning a detached bungalow (a reasonable property benchmark for the housing market in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household's monthly pre-tax income.

Highlights from across Canada:

- **British Columbia**: affordability improves, but still has a long way to go
Homeownership in the province became slightly more affordable in the first quarter, though the market has a long way to go before homebuyers can experience more normal levels by historical standards. RBC measures fell by 0.4 percentage points for bungalows and by 1.3 percentage points for two-storey homes. The measure for condominiums remained unchanged.
- **Saskatchewan**: biggest affordability improvement in Canada
Following a noticeable deterioration in the fourth quarter of 2012, Saskatchewan's affordability levels registered the largest improvement across Canada in kicking-off 2013. RBC measures fell by 1.7 percentage points for two-storey homes, 1.0 percentage point for bungalows and 0.3 percentage points for condominiums.
- **Manitoba**: second consecutive quarter of affordability deterioration
Manitoba's affordability levels deteriorated for the second straight quarter in the first quarter of 2013, though levels are still not considered dangerous for provincial homebuyers. The RBC measures rose modestly across all housing categories – up 0.8 percentage points for bungalows, 0.4 percentage points for condominiums and 0.2 percentage points for two-storey homes.
- **Ontario**: affordability conditions extend their recent trends
Ontario's affordability conditions in the first quarter of 2013 were by and large an extension of recent trends – a deterioration in the single family homes categories and a standstill for the condominium category. RBC's measures for both bungalows and two-storey homes rose by 0.4 percentage points, while the measure for condominiums remained unchanged.

- **Quebec:** affordability variations a mixed bag
Affordability levels in Quebec remain modestly worse than they have been historically for single family homes, which could be contributing to homebuyers' hesitation in pulling the trigger on purchases over the past year. In the first quarter of 2013, RBC measures were a mixed bag, with bungalows and two-storey homes rising 0.4 percentage points and 0.1 percentage points, respectively, and condominiums declining 0.6 percentage points.
- **Atlantic Canada:** cooling housing market keeps affordability attractive
Increasingly looser housing market conditions have reduced sellers' pricing power, keeping affordability fairly attractive in Atlantic Canada. First quarter measures rose very modestly, between 0.4 and 0.6 percentage points, for all categories tracked by RBC.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/market/.

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