



ALBERTA'S HOUSING AFFORDABILITY REMAINS ATTRACTIVE: RBC ECONOMICS

Calgary one of the most affordable major cities in Canada

TORONTO, August 22, 2011 — Alberta remains one of most affordable provinces in the country to own a home, despite a slight deterioration in the second quarter, according to the latest Housing Trends and Affordability report issued today by RBC Economics Research.

“Housing affordability improved a great deal in Alberta since the provincial housing boom ended in 2007,” said Robert Hogue, senior economist, RBC. “The benefits of the improvement in home resale activity, however, have been slow in coming as homebuyer demand remains stuck in low-gear.”

According to the report, the financial troubles of many Alberta households related to the excesses during the 2006 to 2007 housing boom has likely caused persistent hesitation on the part of homebuyers. Weak homebuyer demand is evident in existing home sales, new home construction and home prices, all of which continue to exhibit flat month-to-month trends.

“Going forward, attractive affordability, robust growth and rising employment will act to shore up confidence in Alberta’s housing market,” added Hogue.

RBC’s housing affordability measures for Alberta, which capture the province’s proportion of pre-tax household income needed to service the costs of owning a home at the going market value, remained relatively unchanged in the second quarter of 2011 and continue to fall below long-term averages. The measure for standard condominiums in the province increased moderately by 0.5 percentage points to 21.3 per cent, the benchmark detached bungalow rose 0.7 percentage points to 32.8 per cent and a standard two-storey home increased 1.3 percentage points to 36.4 per cent.

At a local level, Calgary continues to be one of the most affordable major cities in the country. Calgary’s housing market has lost some of its momentum in the second quarter after a rebound earlier this year. Home resales edged lower in the second quarter, keeping price pressures at bay. RBC measures for the Calgary area rose minimally (between 0.4 and 1.1 percentage points).

“Owning a home in the Calgary area continues to be the most affordable it has been in almost six years,” said Hogue. “Strong economic fundamentals of Alberta and Calgary will eventually have a greater impact on the housing market and will support homebuyer demand going forward.”

RBC's housing affordability measure for a detached bungalow in Canada's largest cities is as follows: Vancouver 92.5 per cent (up 10.4 percentage points from the previous quarter), Toronto 51.0 per cent (up 2.0 percentage points), Montreal 42.6 per cent (up 1.4 percentage points), Ottawa 41.2 per cent (up 1.3 percentage points), Calgary 37.1 (up 0.6 percentage points), and Edmonton 33.8 per cent (up 0.6 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. Alternative housing types are also presented, including a standard two-storey home and a standard condominium. The higher the reading, the more costly it is to afford a home based on the going market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, take up 50 per cent of a typical household's monthly pre-tax income.

Highlights from across Canada:

- **British Columbia**: Affordability in the province deteriorated as home values appreciated further in the second quarter. The primary contributor to this significant decline was hefty price gains for bungalows. Measures for B.C. rose between 1.0 and 5.7 percentage points in the quarter – the largest increases in the country.
 - Vancouver's sky-high market valuations drove B.C.'s affordability measures to their worst levels on record at 92.5 per cent.
- **Saskatchewan**: Price increases for two-storey homes and bungalows weighed on Saskatchewan's housing affordability in the second quarter. RBC measures for these two categories rose the most in more than two years – by 2.8 percentage points and 2.0 percentage points, respectively. At this point, affordability levels have moved further above long-term averages for the province, potentially causing some strain for homebuyers.
- **Manitoba**: Housing affordability has continued along in the 'neutral zone' in Manitoba this quarter. RBC measures experienced a modest deterioration in the latest quarter – ranging from 0.7 to 1.2 percentage points. This rise in homeownership costs may have contributed to cooling in spring home resale activity, though major flooding in the province likely caused some disruptions in certain areas. Before spring, Manitoba's existing home sales registered the best first quarter ever, led by strong gains in Winnipeg.
- **Ontario**: Although existing home sales eased in the second quarter, sellers remained in the driver's seat in many local Ontario markets, leading to continued house price increases. This raised the cost of homeownership in the province. RBC measures increased between 1.1 and 2.0 percentage points, further reversing some of the declines registered in the latter half of last year. Still, affordability in the province is not being overly strained.
 - In the second quarter, slim availability of homes for sale in Toronto allowed for sellers to have a strong hand in the price-setting process.

In spite of a decline in affordability, Toronto-area homebuyers remained motivated. Second quarter RBC measures rose between 1.2 and 2.9 percentage points.

- So far this year, homebuyer demand has softened in the Ottawa area. Second quarter costs of owning a home rose for the third straight quarter, as property values appreciated moderately across all housing types. RBC measures for Ottawa increased between 0.7 and 1.3 percentage points this quarter.
- **Quebec:** Affordability has been a mixed bag in Quebec so far this year. The cost of owning freehold homes slipped for two successive quarters and the cost of owning a condominium apartment did not change materially. In the second quarter, RBC measures for bungalows and two-storey homes climbed 1.0 and 1.8 percentage points, respectively. The measure for condos barely rose (up only 0.2 percentage points). Divergent affordability patterns were reflected in home prices.
 - It has become increasingly more difficult to afford a home in the Montreal area. In the second quarter, the RBC measures rose for all housing types, indicating further deteriorating affordability. Over the past year, price increases led to Montreal losing its status as one of Canada's most affordable cities. This did not seem to concern homebuyers as they increased their purchases of homes for the second consecutive quarter.
- **Atlantic:** Rather flat market activity kept gains in property values in Atlantic Canada at bay, which limited the deterioration in housing affordability in the second quarter. RBC measures rose between 0.9 and 1.2 percentage points across the region. Atlantic Canada continues to have a long-standing affordability advantage relative to most other Canadian markets. The Atlantic Canada market was resilient during the 2008-2009 downturn and is well positioned to weather possible adversity going forward.
 - Several local markets in the region experienced a slowing in resale activity, including Halifax, St. John's and Saint John. Moncton, on the other hand, saw meaningful gains in the second quarter.

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

For more information, please contact:

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

[Elyse Lalonde](#), Media Relations, RBC, 416-974-8810