



ALBERTA'S HOUSING AFFORDABILITY REMAINS ATTRACTIVE DESPITE MODEST EROSION IN Q3 2013: RBC ECONOMICS

TORONTO, November 27, 2013 — Affordability levels in Alberta remained relatively attractive in the third quarter of 2013, with measures standing below their historical averages and the national averages, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

“Alberta’s strong provincial economy and rapidly rising population continue to fuel housing market activity – third quarter home resales increased by 7.8 per cent from the second quarter, the fastest pace in nearly three years,” said Craig Wright, senior vice-president and chief economist, RBC. “The province’s unrelenting economic boom bodes well for continued solid housing market conditions next year.”

In the third quarter of 2013, RBC’s 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, edged slightly higher for all three categories tracked (an increase in the measure represents deterioration in affordability).

RBC’s measure for bungalows rose by 0.6 percentage points to 32.5 per cent, and the measure for two-storey homes rose 0.2 percentage points to 34.6 per cent. The measure for condominiums increased slightly by 0.1 percentage points to 19.6 per cent.

Homebuyer demand remains strong in Calgary

The RBC report indicates that while home prices in Calgary are among the most expensive in Canada, the on average high household incomes in the area help to ensure that affordability conditions remain relatively favourable, which is constructive for home buying demand. Home resales in Calgary surged to their highest level in six years in the third quarter (32,200 units, seasonally adjusted and annualized).

“Much like the rest of Alberta, Calgary’s hot labour market, increasing population and booming economy are the key factors underpinning housing market activity,” said Wright. “The flooding that hit the area at the end of June had very little impact on resales, which clearly demonstrates the market’s resilience and continued strength.”

RBC’s measures increased for all housing categories in the area over the latest period; however, levels continue to be below the national and historic averages. The measure rose by 0.7 percentage points to 33.7 per cent points for bungalows, 0.4 percentage points to 34 per cent for two-storey homes, and 0.2 percentage points to 19.6 per cent for condominiums.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 84.2 (up 2.0 percentage points from the previous quarter); Toronto 55.6 (up 1.3 percentage points); Montreal 38.3 (up 0.3 percentage points); Ottawa 37.3 (up 0.4 percentage points); Calgary 33.7 (up 0.7 percentage points); Edmonton 32.9 (up 0.5 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's housing affordability ebbs](#)
Firmer market conditions in the third quarter propped up home prices in the province, contributing to erosion in housing affordability levels. RBC measures rose by 1.5 percentage points for bungalows, 1.2 percentage points for two-storey homes, and 0.8 percentage points for condominiums.
- [Saskatchewan's homeownership remains reasonably affordable](#)
RBC measures for Saskatchewan edged slightly higher in the third quarter, up 0.6 percentage points for two-storey homes, 0.2 percentage points for condominiums, and 0.1 percentage points for bungalows. Affordability in the province has mostly trended sideways since 2009, suggesting that it likely has a neutral effect on home buying decisions in the province, RBC says.
- [Manitoba's housing affordability mirroring the national picture](#)
RBC's measures for Manitoba increased by almost the same magnitude as Canadian measures for single family homes in the third quarter (0.6 percentage points for bungalows and two-storey homes), while the measure for condos remained unchanged compared to a marginal rise of 0.1 percentage points in Canada overall.
- [Ontario's single-family homes are tougher to afford relative to condos](#)
Ontario saw a further modest erosion in housing affordability in the third quarter, largely concentrated in the single-family home segment. RBC's measures rose by 0.9 percentage points for bungalows, 0.7 percentage points for two-storey homes and 0.2 percentage points for condominiums.

- [Quebec's affordability reverses earlier improvements](#)
Small improvements in Quebec's affordability levels that took place in the second quarter were for the most part reversed in the third quarter. RBC measures rose for two of three housing types tracked; up 0.6 percentage points for two-storey homes and 0.5 percentage points for bungalows. The measure for condominiums remained unchanged.
- [Atlantic Canada's affordability levels remain within manageable range](#)
Affordability in the region compares well against the rest of the country, showing little movement in the third quarter, and keeping within a very manageable range for homebuyers. RBC's measures edged higher by 0.5 percentage points for two-storey homes and by 0.2 percentage points for bungalows. The measure remained unchanged for condominiums in the region.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at www.rbc.com/economics/economic-reports/canadian-housing-forecast.html.

For more information, please contact:

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

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

[Elyse Lalonde](#), Manager, Communications, RBC Capital Markets, 416 842-5635