



British Columbia's housing affordability improves for second consecutive quarter: RBC Economics

- **Remains the priciest province in which to own a home**
- **Vancouver remains the least affordable market in Canada**

TORONTO, February 25, 2013 — While it remains the country's priciest province in which to own a home, British Columbia's housing affordability saw noticeable improvements for the second consecutive quarter, in the fourth quarter of 2012, according to the latest [Housing Trends and Affordability Report](#) released today by RBC Economics Research.

"Affordability improvements across most housing types in the fourth quarter were welcome news to prospective buyers in British Columbia," said Craig Wright, senior vice-president and chief economist, RBC. "Still, the market has a long way to go before affordability reaches less stressful levels."

The RBC report notes that poor affordability levels were a key factor playing into the sharp 11.9 per cent drop in provincial home resales last year. B.C. was one of only two markets in Canada to experience a decline in activity. The province's home prices were also down between 0.8 per cent and 4.0 per cent from 2011.

"Much of the cooling that took place in B.C. is owed to the Vancouver-area, where affordability tensions are by far the greatest," added Wright.

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, declined across two out of three housing types tracked in the fourth quarter (a decrease in the measure represents an improvement in affordability).

The RBC measure fell for the benchmark detached bungalow by 1.0 percentage points to 66.4 per cent and for condominium apartments by 1.1 percentage points to 33.4 per cent. The two-storey home category experienced a small increase of 0.4 percentage points to 72.7 per cent but this followed a substantial decline of 3.2 percentage points in the third quarter.

Market correction makes Vancouver slightly less unaffordable

The Vancouver-area market was in correction mode in 2012, with home resales falling 23 per cent to the lowest level in 12 years (excluding the recession in 2008), tipping the home price scale in favour of prospective buyers.

“Following a run-up over the previous nine years, Vancouver home prices fell across the board in 2012 and, by the fourth quarter, the area was the only major market showing year-over-year price declines,” Wright explained. “While Vancouver still holds the title as least affordable market in Canada, the softening in activity helped to significantly ease homeownership costs in the latter half of 2012 and made the market slightly less unaffordable.”

Fourth quarter RBC affordability measures for Vancouver fell by 2.6 percentage points for detached bungalows, by 1.2 percentage points for condominium apartments and by 0.8 percentage points for two-storey homes.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities is as follows: Vancouver 82.2 per cent (down 2.6 percentage points from the previous quarter); Toronto 52.8 per cent (down 0.4 percentage points); Montreal 39.3 per cent (down 0.9 percentage points); Ottawa 38.8 per cent (down 0.5 percentage points); Calgary 38.1 per cent (up 0.2 percentage points) and Edmonton 30.7 per cent (down 0.1 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:

- [Alberta](#): vibrant market bolstered by attractive affordability

Brisk demand for the province’s housing in 2012 was supported by a strong provincial economy, accelerating population growth and attractive affordability. Further improvement was registered in the fourth quarter with measures falling between 0.1 and 0.2 percentage points.

- [Saskatchewan](#): affordability conditions buck the national trend

Tight market conditions at the beginning of 2012 had a lasting impact on home prices in Saskatchewan, which climbed at some of the faster paces in Canada in the fourth quarter. Rising property values caused affordability to deteriorate in the fourth quarter with measures increasing between 0.5 and 1.1 percentage points.

- [Manitoba](#): market vigour unhindered by slight affordability deterioration

Manitoba's housing market registered a banner year in 2012 with a record 14,000 existing homes sold, indicating that housing affordability levels had little dissuasive effect on homebuyers in 2012. Although measures for detached bungalows and condominiums deteriorated in the fourth quarter, measures for two-storey homes remained unchanged. RBC's measures for Manitoba continued to rank slightly above their long-term average, suggesting that any affordability strain is likely minimal at this point.

- [Ontario](#): affordability largely improves, tempering overall market conditions

The tightness that characterized Ontario's housing market in the early part of 2012 gave way and a more balanced market was observed in the second half of 2012, improving overall affordability conditions in the province. RBC's measures inched lower by 0.1 and 0.3 percentage points for the detached bungalow and condominium apartment, respectively, while the measure for two-storey homes rose marginally by 0.1 percentage points.

- [Quebec](#): generally improving affordability tone is sustained

Quebec's housing affordability improved, for the most part, for the third quarter in a row in the fourth quarter, yet this did little to stimulate homebuyer demand as resale activity continued to cool in the province. RBC measures fell for two-storey homes (by 1.1 percentage points) and detached bungalows (by 0.3 percentage points), but rose for condominium apartments (by 0.4 percentage points).

- [Atlantic Canada](#): housing continues to be affordable

Affordability in the Atlantic region received another boost in the fourth quarter, with RBC measures falling for two-storey homes (by 1.0 percentage points) and detached bungalows (by 0.5 percentage points), keeping levels well below their respective national averages. The measure for condominium apartments rose modestly by 0.3 percentage points, though this followed a more sizable drop in the previous period.

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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