



BRITISH COLUMBIA HOUSING REMAINS LEAST AFFORDABLE IN CANADA: RBC ECONOMICS

Vancouver's sky-high property values continue to make homeownership unaffordable for most local residents

TORONTO, November 25, 2011 — After a substantial deterioration in affordability in the previous two quarters, housing became slightly more affordable in British Columbia in third quarter of 2011, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics. Nevertheless, B.C. continues to be the province with the poorest aggregate affordability levels in the country.

“B.C. homebuyers benefitted from a small mortgage rate decline in the third quarter. This, coupled with softer prices for two-storey homes and condominiums, contributed to making housing slightly more affordable in the province in the latest period,” said Robert Hogue, senior economist, RBC. “Even so, for prospective buyers on the hunt for a home, the ownership bar seems incredibly high.”

RBC's housing affordability measures for British Columbia, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, decreased across all housing types in the third quarter of 2011 (a decrease represents improved affordability). The measure for the benchmark detached bungalow fell by 0.8 points to 70.2 per cent, the condominium sat at 36.4 per cent (down 0.3 percentage points) and the standard two-storey was down to 75.1 per cent (a loss of 1.2 percentage points).

The RBC report notes that sky-high home prices in the Vancouver area heavily skewed the picture for British Columbia; elsewhere in the province, owning a home took a lesser toll on household budgets.

“Overall, Vancouver remains a wildly unaffordable market. At current market prices, more than 94 per cent of a typical household's income would be needed to cover homeownership costs for a two-storey home and this figure is almost as high for a detached bungalow, at nearly 91 per cent,” added Hogue. “Extremely unaffordable housing appears to be driving local buyers away – Vancouver resales have dropped more than 16 per cent since winter.”

Affordability measures in Metro Vancouver decreased by 1.5 percentage points (to 90.6 per cent) for detached bungalows and by 0.8 percentage points (to 94.4 per cent) for standard two-storey homes. The measure for standard condominiums increased by 0.2 percentage points to stand at 47.2 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 90.6 per cent (down 1.5 percentage points from the previous quarter), Toronto 52.1 per cent (up 0.1 percentage points), Montreal 40.9 per cent (down 1.3 percentage points), Ottawa 40.8 per cent (down 0.6 percentage points), Calgary 37.6 per cent (up 0.5 percentage points) and Edmonton 33.2 per cent (down 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 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:

- **Alberta**: Impressive gains in Alberta's economy contributed to a stronger provincial housing market in the third quarter of this year. Home resales and housing starts reached their highest levels in over a year, thanks to renewed demand for housing in the province. RBC affordability measures for Alberta remained mostly unchanged and the lowest among the provinces in the third quarter.
 - Affordability measures in Calgary deteriorated slightly for most housing types in the third quarter, rising between 0.2 and 0.5 percentage points. Nonetheless, Calgary-area homebuyers continue to benefit from attractive affordability, which remained the best among Canada's major cities.
- **Saskatchewan**: In the third quarter, there was widespread improvement in housing affordability in Saskatchewan. RBC measures fell for all housing types between 0.8 and 0.9 percentage points, reversing part of the increases from the previous quarter. Home resales picked up significantly in the province, with strong gains registered in Saskatoon and Regina. The Saskatchewan housing market will continue to be well-supported by strong economic growth in the coming year.
- **Manitoba**: Housing affordability continues to be attractive in Manitoba, showing some of the most significant improvements in the country in the third quarter. The RBC measures for two-storey homes fell 1.5 percentage points, while the measures for detached bungalows declined by 1.2 per cent and for condominium apartments by 0.8 percentage points. Homebuyers took advantage of the greater affordability in the third quarter and boosted home resales by 5.3 per cent.
- **Ontario**: Ontario's housing affordability experienced very little change in the third quarter of 2011. Condominium apartments were the only housing type to see any movement, with the RBC measure decreasing by a mere 0.1 percentage point.

Affordability in Ontario stands just slightly worse than the historical average in the province. Home resales in Ontario increased at a robust 3.8 per cent rate. Market activity in Ontario is balanced at the moment, and home prices are increasing at a steady yet moderate pace. The number of homes for sale in Ontario is on the rise, which will likely slow the pace of property appreciation in the period ahead.

- The Toronto area remains a sellers market even as RBC measures clearly stand above long-term averages for the area. In the third quarter, measures for Toronto were little changed, increasing by a mere 0.1 percentage point for detached bungalows, declining by 0.3 percentage points for two-storey homes and staying flat for condominiums.
- Ottawa measures decreased over all housing types in the third quarter from 0.2 to 0.6 percentage points. The earlier cooling in market activity in the area has almost entirely reversed in the latest period, as home resales rebounded by eight per cent.
- **Quebec:** RBC measures for Quebec declined between 0.1 and 1.4 percentage points, reversing some of the back-to-back deteriorations in affordability seen in the first and second quarters. All measures in Quebec stand slightly above their long-term averages, and more so in the case of standard two-storey homes, corresponding to a moderate strain in affordability in the province.
 - Montreal's affordability measure for standard two-storey homes fell the most among Canada's largest cities in the third quarter, dropping by 2.3 percentage points. The measure for detached bungalows also fell substantially (by 1.3 percentage points), while condominium affordability was largely unchanged (a marginal increase of 0.1 percentage points). Despite the improvement in the latest period, the Montreal-area market still faces some stress, as affordability levels continue to be somewhat worse than they have historically been, on average.
- **Atlantic Canada:** Atlantic Canada's housing market continues to be among the most affordable in Canada, with further modest improvements in the third quarter: the RBC measures eased between 0.4 and 0.6 percentage points. Although many markets in New Brunswick have displayed signs of cooling in the last two quarters amid deterioration in the province's labour market, overall, home resales increased marginally in the region. With slow economic growth projected in Atlantic Canada next year, housing trends are likely to remain largely stable 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/market/.

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