



ONTARIO'S HOUSING AFFORDABILITY LEVELS STAY THE COURSE: RBC ECONOMICS

TORONTO, May 23, 2013 — By and large, developments in Ontario's housing market in the first quarter of 2013 were a continuation of recent trends, according to the latest [Housing Trends and Affordability Report](#), issued today by RBC Economics Research.

“During the first quarter of this year, Ontario's housing market continued its transition from slightly hot to more temperate conditions – resale activity remained subdued, demand and supply stayed somewhat more balanced and price increases eased off a little,” said Craig Wright, senior vice-president and chief economist, RBC.

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, extended their modest deteriorating trend for the single family homes categories and stationary trend for condominium apartments (a rise in the measure indicates deterioration in affordability). RBC's measures for both bungalows and two-storey homes rose by 0.4 percentage points in the first quarter to 43.5 per cent and 49.5 per cent, respectively. The measure for condominiums was unchanged at 29.2 per cent.

Affordability still eroding slightly in the Toronto area

“Developments in the Toronto-area housing market so far in 2013 should ease concerns that cooler activity might morph into a full-blown retreat,” said Wright.

In the first quarter of 2013, home resales increased modestly, while fewer homes were newly listed for sale, which together worked to tighten market conditions a little bit and provide some support to home prices, which had come under some downward pressure in the latter half of 2012.

On the flip side of Toronto's housing market 'forward step', there was a slight erosion in affordability. Deteriorating trends in the past couple of years have made the ownership of a single family home at current prices a stretch for local homebuyers. RBC affordability measures for bungalows and two-storey homes stand well above their historical averages; condo ownership, however, imposes less of a financial burden.

RBC measures increased by 0.8 percentage points to 53.8 per cent for bungalows, by 0.3 percentage points to 62.7 per cent for two-storey homes, and by 0.2 percentage points to 33.5 per cent for condominium apartments.

Ottawa-area housing market softens in the first quarter of 2013

Home resales fell for the fifth consecutive quarter in the Ottawa area. Among other worries, buyers still seem uncertain about public sector job prospects. At the same time, new listings rose for the fourth time in the past five quarters.

“Diverging trends between demand and supply drove down the sales-to-new listings ratio in the area to its lowest level since 1998,” said Wright.

At 0.46, the ratio implies the market is balanced, but that buyers hold increasing power in the price-setting process. In fact, RBC says that home prices in Ottawa have been close to a standstill recently.

At the margin, housing affordability may be straining some Ottawa homebuyers, as it remains slightly worse than it has been on average historically. RBC’s affordability measures were little changed in the first quarter, inching higher by 0.1 percentage points to 39.1 per cent for bungalows and 0.2 percentage points to 41.0 per cent for two-storey homes, and easing by 0.1 percentage points to 27.2 per cent for condominium apartments.

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.
- **Alberta**: slight erosion in affordability does little to deter homebuyers
High household incomes in the province kept homebuyers unfazed by the slight erosion in affordability in the first quarter. Alberta’s housing market remains a bright spot in Canada despite the fact that affordability measures rose slightly by 0.2 percentage points across all housing types tracked by RBC.

- **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.
- **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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