



ONTARIO'S HOUSING AFFORDABILITY SHOWING MODEST SIGNS OF STRESS: RBC ECONOMICS

Toronto home resales back on track in the third quarter

TORONTO, November 27, 2013 — Housing affordability in Ontario saw further modest erosion in the third quarter of 2013, primarily concentrated in the single-family homes segments, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research. Still, RBC notes that this deterioration has had no visible restraining effect on housing market activity.

“Ontario homebuyers paid little attention to the less affordable conditions in the third quarter as the resale market continued on an upswing, rising 5.3 per cent from the second quarter,” said Craig Wright, senior vice-president and chief economist, RBC. “Over the last four years, affordability levels have drifted higher, particularly for single-family homes, suggesting prospective Ontario homebuyers are experiencing some affordability-induced stress. Still, tension levels remain far from dangerous at this point.”

While single-family homes have become increasingly more expensive, RBC notes that the trend in affordability for condominiums in Ontario has been much flatter, indicating that ownership within this category remains relatively within reach for the majority of condo buyers in the province.

The RBC 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 up slightly in the quarter of 2013 (an increase in the measure represents a deterioration in affordability).

RBC's measures for Ontario rose by 0.9 percentage points to 44.9 per cent for bungalows and 0.7 percentage points to 50.6 per cent for two- storey homes, while the increase for condo apartments was more subdued at 0.2 percentage points to 29.6 per cent.

Toronto-area activity reverses cooling from 2012; affordability remains stretched

Homebuyer activity in Toronto has not let up despite the fact that housing affordability continued to appear somewhat stretched, particularly for single-family homes, RBC says; home resales posted a third straight quarterly gain for a cumulative increase of 18 per cent since the end of 2012.

“Third-quarter housing market activity advanced by a notable 9.3 per cent from the previous quarter in Toronto, effectively marking a full reversal of the significant cooling activity that took place in the latter half of 2012,” said Wright. “Going forward, however, affordability-related stress in the Toronto area will likely be a restraining force preventing housing activity from reaching heated levels.”

The RBC report indicates that third-quarter housing affordability measures continue to stand above average levels – quite noticeably for bungalows and two-storey homes, but much less so for condominiums. RBC measures increased by 1.3 percentage points to 55.6 per cent for bungalows, by 0.8 percentage points to 63.7 per cent for two-storey homes and diminished marginally by 0.1 percentage points to 33.8 per cent for condominiums.

Ottawa-area affordability remains near long-run averages

Third-quarter home resales in the Ottawa area continued to grow; however, at 1.8 per cent, the quarterly growth rate was slower than the 2.9 per cent registered in the second quarter and lagged the 6.0 per cent pace of growth nationally.

“With Ottawa-area demand-supply conditions loosening slightly over the past year, home price increases have been quite subdued,” said Wright. “This has helped to keep affordability levels at, or close to, long-run averages in the area, suggesting little undue affordability-related stress on local homebuyers at this stage.”

RBC measures for Ottawa edged higher by 0.4 percentage points for both bungalows and two-storey homes to a corresponding 37.3 and 39.0 per cent. The measure for condominiums rose 0.1 percentage points to 25.2 per cent.

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.
- [Alberta’s affordability remains attractive despite deterioration](#)
Alberta’s housing affordability deteriorated for the third consecutive quarter in the third quarter, albeit modestly. This kept the province in an attractive position relative to other provinces with respect to affordable housing. RBC’s measures rose 0.6 percentage points for bungalows, 0.2 percentage points for two-storey homes and 0.1 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.
- [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.

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