



Alberta's housing market and affordability levels amongst the strongest in Canada: RBC Economics

TORONTO, February 25, 2013 — Alberta's housing market remained vibrant in the final quarter of last year, buoyed by attractive affordability levels, accelerating population growth, a healthy labour market and a strong provincial economy, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

The report indicates that although the pace of home resales slowed in closing months of 2012, the housing market tightened up as fewer properties were listed for sale.

"While homes are not particularly cheap in the province, Albertans boast the highest household incomes in Canada, which helps ensure that the share of their budget taken up by homeownership costs is easily manageable," said Craig Wright, senior vice-president and chief economist, RBC. "Barring an unexpected shock to the economy, housing market conditions in Alberta should remain positive in 2013."

The RBC housing affordability measures for the province, which capture the pre-tax household income needed to service the costs of owning a home at market values, fell across all three housing types tracked by RBC (a decrease in the measure represents an improvement in affordability). RBC's measures for the benchmark detached bungalow and the standard two-storey fell by 0.2 percentage points to 32.1 per cent and 34.7 per cent, respectively. The measure for condominium apartments fell by 0.1 percentage points to 19.7 per cent.

Calgary-area affordability supports market renaissance

RBC notes that Calgary experienced a market renaissance in 2012, reaping the benefits of strong provincial GDP and in-migration, which propelled home resales in the area.

"Calgary-area buyers enjoyed significantly lower homeownership costs as a share of income than they faced at the market peak in early 2007 and the bar fell even further in 2012," added Wright. "In fact, it is the only major city in Canada where RBC measures are lower than their historical averages, suggesting that Calgary is one of the more affordable markets in the country."

Thanks to improvements in previous quarters, all RBC measures stood below their previous-year levels in the fourth quarter. There was some minor deterioration in the latest period, however, with the measure for detached bungalows rising by 0.2 percentage points. Still, the measure for two-storey homes remained flat, and that for condominium apartments fell by 0.1 percentage points.

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:

- [British Columbia](#): housing affordability improving, still has to go the distance

While housing affordability in British Columbia still has a long way to go before reaching less stressful levels, homebuyers in the province received a welcome reprieve in the fourth quarter. RBC measures fell by 1.1 percentage points for condominium apartments and 1.0 percentage point for detached bungalows. The two-storey home category experienced a small increase (0.4 percentage points), though this followed a substantial decline in the third quarter.

- [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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