



ALBERTA'S HOUSING MOST AFFORDABLE IN CANADA: RBC ECONOMICS

- **Strong provincial economy drives provincial housing market**
- **Calgary ranks among Canada's most affordable major cities**

TORONTO, November 25, 2011 — Alberta's housing market is showing increasing signs of strength, owing to impressive employment gains and a strong provincial economy so far this year, according to the latest [Housing Trends and Affordability Report](#) released today by RBC Economics.

"In the third quarter, provincial home resales and housing starts picked up some steam, reaching their highest levels in more than a year," said Robert Hogue, a senior economist with RBC. "This renewed demand for Alberta's housing was partly a result of being an easily affordable market – in fact, the most affordable in Canada."

RBC's housing affordability measures for Alberta – which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values – have remained the lowest among the provinces. Most measures were unchanged in the third quarter (a decline represents increased affordability). The two-storey home category was the only measure that moved, showing a decrease of 0.4 percentage points to 36.0 per cent.

"Going forward, we expect that positive underlying fundamentals will continue to underpin home resale activity in the province," said Hogue.

The RBC report indicates that Calgary's market is seeing some renewed momentum in the latest quarter – home resales and prices picked up again for most housing categories in the area. Strong market momentum translated into a slight deterioration in affordability, however. RBC measures for Calgary increased for most housing types in the third quarter – detached bungalows by 0.5 percentage points, and condominiums by 0.2 percentage points. Two-storey homes were the exception, posting a decrease of 0.3 percentage points to 38.2 per cent.

"Despite some slight deterioration in affordability, Calgary continues to be one of the most affordable major cities in the country," added Hogue.

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:

- **British Columbia**: The combination of moderate declines in mortgage rates and softer prices for some housing types made it slightly more affordable to own a home in British Columbia in the third quarter. The RBC Affordability measures for British Columbia decreased between 0.3 and 1.2 percentage points in the quarter, but remain well above historical norms. The poor affordability picture in British Columbia will continue to weigh on local housing demand.
 - Vancouver continues to experience sky-high home prices, even though the RBC affordability measures fell between 1.5 percentage points and 0.8 percentage points. Current market prices continue to weigh on local homebuyers, as home ownership costs remain well above historical norms.
- **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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