



ALBERTA'S HOUSING MARKET CONTINUES TO EXPERIENCE RENAISSANCE IN THIRD QUARTER: RBC ECONOMICS

TORONTO, November 22, 2012 — Alberta's housing market enjoyed a strong resurgence in activity thanks to an unusual mix of favourable factors in the third quarter of this year, according to the latest [Housing Trends and Affordability Report](#), issued today by RBC Economics Research.

RBC indicated that attractive and improving affordability, firm and steady resales, balanced demand and supply and moderate price increases in the province are a far cry from the prolonged market slump that followed the mid-2000s boom.

"Underpinned by a vibrant provincial economy and strong population growth, we expect that Alberta's recent housing renaissance is likely still in its initial stages," said Craig Wright, senior vice-president and chief economist, RBC. "Strong economic growth is forecast to continue into 2013, which bodes well for further advances in the provincial housing market next year."

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 going market value, edged lower for all housing categories (a decline in the measure represents increased affordability). The measure for the benchmark detached bungalow fell by 0.3 percentage points to 32.7 per cent, the standard two-storey home by 0.4 percentage points to 35.4 per cent and the condominium apartment by 0.2 percentage points to 20.1 per cent.

"Alberta's housing affordability continues to be in a great position. With provincial measures standing below both historical averages and national averages, it's quite an attractive regional picture," added Wright.

Calgary-area affordability at multi-year best

The Calgary-area market bucked the slowing trend in home resales seen in other Canadian markets in the third quarter with steady activity relative to the previous quarter. It also matched the broad-based improving trend in housing affordability.

RBC measures eased between 0.2 and 0.7 percentage points in the Calgary area to multi-year lows; early 2009 was the last time two-storey homes had a measure this low and the measure for condominiums is at its lowest level since late 2005.

"A significant pickup in resales during the first half of the year considerably tightened Calgary's market conditions, which may eventually lead to stronger upward pressure on home prices in the city," stated Wright.

Where housing affordability stands in Canada

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 83.2 per cent (down 5.8 percentage points from the previous quarter); Toronto 52.4 per cent (down 0.7 percentage points); Montreal 40.2 per cent (up 0.1 percentage points); Ottawa 38.7 per cent (down 0.4 percentage points); Calgary 38.3 per cent (down 0.7 percentage points) and Edmonton 31.1 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) 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 hurdles still tough to clear

British Columbia's housing market experienced improvements in the third quarter of 2012, and yet, affordability conditions remained the poorest across Canada. RBC measures fell between 2.0 percentage points and 3.7 percentage points, the largest drops across Canada. The situation remains less severe elsewhere in the province; the share of income needed to carry ownership costs in Victoria, for instance, is almost half the share in Vancouver for some housing types.

- [Saskatchewan](#): Little evidence of affordability strain

Significant deteriorations in housing affordability in the second quarter in Saskatchewan were largely reversed in the third with RBC measures in the province falling between 0.9 percentage points and 1.3 percentage points. The measures stood just slightly above their long term averages for all housing categories, indicating little in the way of undue affordability induced strain on the market.

- [Manitoba](#) – Market losing some of its steam; minimal pressure on affordability

Declining housing prices spurred a notable improvement in housing affordability in Manitoba over the third quarter. RBC measures fell between 0.6 percentage points and 1.6 percentage points, which fully unwound the deterioration that occurred in the prior quarter. Provincial affordability levels sit slightly higher than their averages since the mid 1980s, but remain well below the corresponding national averages.

- [Ontario](#): More balanced conditions help to ease affordability stress

Ontario's housing affordability eased somewhat in the third quarter, but remains under mild pressure, most notably in the two-storey home segment. RBC measures declined between 0.5 percentage points and 1.1 percentage points in the province, which, in effect, rolled back the two consecutive quarterly increases that took place in the first half of this year.

- [Quebec](#): Second straight affordability improvement

Housing affordability improved for the second straight quarter in Quebec, with RBC's measures edging lower across all housing types in the province, between 0.6 percentage points and 0.8 percentage points, in the third quarter. For the most part, levels are only slightly worse than the average historical level, indicating that prospective homebuyers in Quebec may feel minimally stretched budget-wise, if they bought a home at current market prices.

- [Atlantic](#): Affordability position remaining quite stable

Housing affordability in Atlantic Canada improved slightly across the board, with RBC measures in the region inching lower by 0.2 percentage points to 0.7 percentage points relative to the previous quarter. Affordability measures have been reasonably stable over the past three years in the region, showing no discernable trends on either the up or down sides.

The full RBC Housing Trends and Affordability report is available online, as of 7 a.m. ET today, at rbc.com/economics/market/.

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