



Housing affordability in Atlantic Canada remains the envy of the country's home buyers: RBC Economics

TORONTO, February 25, 2013 — Atlantic Canada's long-standing status as an affordable housing market received another boost in the fourth quarter of 2012, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

"Affordability levels in Atlantic Canada improved yet again in the last quarter of 2012, with measures for two-storey homes and detached bungalows dropping again and hitting levels that are at, or slightly below their long-term averages and well below the national averages," said Craig Wright, senior vice-president and chief economist, RBC. "Condos across the region became slightly more difficult to own for a typical household budget in the fourth quarter; however, this comes on the heels of a notable improvement in affordability around the mid year mark."

RBC's housing affordability measures for the region, which capture the pre-tax household income needed to service the costs of owning a home at market values, were slightly lower in two out of three housing types (a decrease in the measure represents an improvement in affordability).

The RBC measure for the benchmark detached bungalow fell by 0.5 percentage points to 31.9 per cent and the standard two-storey home by 1.0 percentage points to 36.3 per cent. The measure for condominium apartments rose by 0.3 percentage points to 26.4 per cent.

"Even with little to no affordability-related tensions across the region, there was a pull back in fourth quarter home resales, cumulating in a 13 per cent drop since the start of 2012," added Wright. "This dip in activity, coupled with a steady rise in the number of homes newly listed for sale in 2012, resulted in considerably softer market conditions in Atlantic Canada."

Fourth quarter home resales fell in the majority of local markets, including: Halifax, Moncton, Fredericton and Saint John. Markets such as Fredericton and Saint John in particular now favour buyers.

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.

- [Alberta](#): vibrant market bolstered by attractive affordability

Brisk demand for the province's housing in 2012 was supported by a strong provincial economy, accelerating population growth and attractive affordability. Further improvement was registered in the fourth quarter with measures falling between 0.1 and 0.2 percentage points.

- [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).

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/market/.

For more information, please contact:

[Robert Hogue](#), Senior Economist, RBC Economics Research, 416 974-6192

[Elyse Lalonde](#), Manager, Communications, RBC Capital Markets, 416 842-5635