



## ONTARIO'S HOUSING AFFORDABILITY HOLDS THE COURSE: RBC ECONOMICS

**TORONTO, August 27, 2013** — There was little change to affordability levels in Ontario's housing market in the second quarter of 2013, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

RBC notes that the affordability situation in Ontario continues to show some greater strain than it has on average in the past – primarily in the single-family home segments – however, tension levels still remain far from excessive.

“After moving to the sidelines for the better part of the past year, Ontario homebuyers increasingly re-entered the market,” said Craig Wright, senior vice-president and chief economist, RBC. “Steady gains in home resales since March and firmer demand-supply conditions of late are shifting market psychology back to a more upbeat tone across the province.”

This shift in psychology is contributing to the steady rate of home price increases, or even a pick-up this summer after a year-long period of deceleration, the report says.

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, were little changed in the second quarter of 2013 (an increase in the measure represents a deterioration in affordability).

RBC's measures for both bungalows and two-storey homes edged higher by 0.2 percentage points to 44.1 per cent and 50.1 per cent, respectively, while the measure for condominiums remained unchanged at 29.5 per cent.

### **Toronto area housing activity making a healthy comeback**

Home resales made back-to-back gains in the first and second quarters of 2013 for a cumulative increase of 8.1 per cent since the last quarter of 2012, says RBC. Moreover, July data showed a further advance of 4.0 per cent over June.

“Toronto housing market activity has staged quite a healthy comeback so far this year, despite the fact that affordability levels were slightly stretched,” said Wright. “The upswing in demand likely reflected the lessening of negative effects from the new mortgage insurance rules introduced in July of last year, more so than any favourable change in affordability.”

RBC notes, however, that the continued presence of affordability-related stress will likely prevent Toronto home resales from reaching heated levels.

Second quarter housing affordability measures were similar to levels from a year ago, and moderately worse off than on average, historically speaking. RBC measures increased by 0.5 percentage points to 54.5 per cent for bungalows, by 0.2 percentage points to 63.1 per cent for two-storey homes, and by 0.4 percentage points to 34.0 per cent for condominiums.

### **Ottawa-area housing market logs average performance**

Second-quarter home resales in Ottawa matched the 10-year average for the area by rising 2.9 per cent following a year-long cool-down. Home prices increased at about the same rate as the average nationally for most housing types with the exception of condos where a small decline helped affordability to improve slightly in Ottawa compared to the flat trend across Canada.

RBC measures for Ottawa rose 0.5 percentage points for both bungalows and two-storey homes to a corresponding 37.1 and 38.8 per cent. The measure for condominiums eased 0.3 percentage points to 25.2 per cent.

“The Ottawa housing market is largely status quo; however, we have seen a rise in the number of homes newly listed for sale in the area during the past year, which has contributed to some loosening in demand-supply conditions,” added Wright.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities is as follows: Vancouver 82.1 per cent (up 2.2 percentage points from the previous quarter); Toronto 54.5 per cent (up 0.5 percentage points); Montreal 38.1 (down 0.7 percentage points); Ottawa 37.1 (up 0.5 percentage points); Edmonton 34.0 (up 1.8 percentage points); Calgary 33.0 (unchanged).

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 takes one step back

Homeownership of single-family homes in the province became less affordable in the second quarter of 2013 amid a surge in resale activity since early spring following a near two-year long cooling stretch. RBC measures rose by 1.1 percentage points for bungalows, by 0.8 percentage points for two-storey homes, and by only 0.1 percentage points for condominiums.

- **Alberta**: homeownership remains relatively affordable

Owning a home in Alberta continued to be relatively affordable for provincial homebuyers despite some increases in ownership costs in the past two quarters. RBC's affordability measures for the province rose between 0.1 and 0.7 percentage points across all housing types in the second quarter; yet, levels still stood below their long-term averages.

- **Saskatchewan**: seesaw affordability pattern endures

Affordability in the province continued to experience a seesaw-like pattern which has characterized this market in recent years. RBC measures rose modestly by 0.9 percentage points for bungalow and 0.5 percentage points for two-storey homes in the latest period, while the measure for condominiums inched lower by 0.3 percentage points.

- **Manitoba**: housing affordability a mixed bag

The province's second quarter housing affordability developments proved to be a mixed bag with RBC's measure for the two-storey home category rising by 1.8 percentage points, the measure for bungalows down slightly by 0.2 percentage points, and the measure for condominiums edging up by 0.2 percentage points.

- **Quebec**: bucking the deteriorating affordability trend

The Quebec housing market bucked the national trend by enjoying a broad-based improvement in affordability in the second quarter. RBC affordability measure for the province fell by 0.5 percentage points for bungalows and 0.4 percentage points for condominiums; the measure for two-storey homes remained unchanged.

- **Atlantic Canada**: affordability stuck in neutral

Atlantic Canada's housing affordability levels remained relatively static at neutral levels in the second quarter of 2013. Affordability measures moved marginally in all categories tracked by RBC: bungalows and condominiums edged lower by 0.1 percentage points and 0.2 percentage points, respectively; two-storey homes edged up by 0.1 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/](http://rbc.com/economics/market/).

**For more information, please contact:**

[Craig Wright](#), Senior Vice-President and Chief Economist, RBC, 416 974-7457  
[Robert Hogue](#), Senior Economist, RBC, 416 974-6192  
[Ellyse Lalonde](#), Manager, Communications, RBC Capital Markets, 416 842-5635