



## HOUSING AFFORDABILITY IN ONTARIO HOLDS STEADY: RBC ECONOMICS

- **Toronto remains a sellers market; housing affordability slightly strained**
- **Price increases slow in Ottawa market; housing affordability improving**

**TORONTO, November 25, 2011** — The cost of owning a home in Ontario stabilized in the third quarter of 2011, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

“Ontario’s housing market is fairly balanced overall and affordability remains neutral in the province. With little to hinder market activity, resales advanced by 3.8 per cent,” said Robert Hogue, senior economist, RBC. “Looking ahead, the province will likely continue to experience modest price increases. As the number of homes for sale continues to rise, the pace of property appreciation will slow in the period ahead.”

RBC’s housing affordability measures for Ontario, which capture the province’s proportion of pre-tax household income needed to service the costs of owning a home based on the going market value, held steady in the third quarter across most housing types (an increase represents a deterioration in affordability). The RBC measures for the benchmark detached bungalow and the standard two-storey home remained unchanged (at 42.6 per cent and 48.8 per cent respectively). A marginal improvement was recorded for condominium apartments – the measure edged lower by 0.1 percentage points to 29.8 per cent.

The RBC report notes that the Toronto-area housing market continued its march forward, as motivated homebuyers drove the sales of existing homes higher.

“Toronto remains a sellers’ market. Conditions remained tight in the third quarter, even as the number of units for sale rose,” added Hogue.

RBC measures for Toronto-area homes increased by 0.1 percentage points to 52.1 per cent for detached bungalows and decreased by 0.3 per cent to 61.3 per cent for standard two-storey homes. The measure for standard condominiums was unchanged at 34.3 per cent.

“With affordability levels clearly standing above long-term averages, the local market continues to push the envelope on the affordability front,” Hogue commented. “Housing demand is bound to face some affordability headwinds going forward.”

There was a strong rebound in home resales in Ottawa in the third quarter – increasing by 8.0 per cent, after falling by 4.5 and 4.1 per cent in the previous two quarters. This was accompanied by an even stronger increase in the number of homes for sale (9.5 per cent), which led to a modest easing of market conditions.

“Since the fall of 2010, we have seen a rapid rise in home prices in the Ottawa area,” added Hogue. “In the third quarter, however, Ottawa experienced a substantial slowing in the pace of home price increases across all housing categories. For detached bungalows, prices actually remained flat. This weaker rate of property appreciation contributed to improvements in housing affordability.”

RBC measures for the Ottawa area decreased in the second quarter by 0.2 percentage points to 28.2 per cent for standard condominiums, by 0.6 percentage points to 40.8 per cent for detached bungalows and by 0.4 percentage points to 42.9 per cent for standard two-storey homes.

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.
- **Alberta**: Impressive gains in Alberta’s economy contributed to a stronger provincial housing market in the third quarter of this year. Home resales and housing starts reached their highest levels in over a year, thanks to renewed demand for housing in the province. RBC affordability measures for Alberta remained mostly unchanged and the lowest among the provinces in the third quarter.

- Affordability measures in Calgary deteriorated slightly for most housing types in the third quarter, rising between 0.2 and 0.5 percentage points. Nonetheless, Calgary-area homebuyers continue to benefit from attractive affordability, which remained the best among Canada's major cities.
- **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.
- **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/](http://www.rbc.com/economics/market/).

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