



HOUSING AFFORDABILITY IN ATLANTIC CANADA REMAINED NEUTRAL IN Q4 2013: RBC ECONOMICS

TORONTO, February 25, 2014 — Housing affordability in Atlantic Canada remained at generally neutral levels in the fourth quarter of 2013 and continued to compare favourably with the majority of markets across Canada, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

Atlantic Canadians' pursuit of owning a home continued to be lacklustre in the late stages of 2013 with resales dropping 3.1 per cent between Q3 and Q4, and activity levels falling almost 10 per cent below the 10-year average.

“Demand for housing in Atlantic Canada is being undermined by a stagnant labour market, fragile consumer confidence, and weak demographics in many areas throughout the region,” said Craig Wright, senior vice-president and chief economist, RBC. “It is unlikely that sluggish demand has anything to do with affordability issues, however, as our affordability measures for the region largely improved in the last few months of 2013.”

The RBC housing affordability measures, which capture the proportion of pre-tax household income needed to service the costs of owning a home at market values, decreased for two of the three categories in the fourth quarter of 2013 (a decline in the measure represents improvement in affordability).

RBC measures fell by 0.6 percentage points to 36.0 per cent for two-storey homes and by 0.1 percentage points to 31.6 per cent for bungalows. The measure for condominiums rose by 0.2 percentage points to 26.3 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in the fourth quarter of 2013 is as follows: Vancouver 81.6 (down 2.3 percentage points from the previous quarter); Toronto 55.6 (up 0.1 percentage points); Montreal 38.8 (unchanged); Ottawa 36.7 (down 0.4 percentage points); Calgary 33.8 (down 0.2 percentage points); Edmonton 33.3 (up 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.

It is important to note that RBC's measure is designed to gauge ownership costs associated with buying a home at present market values. It is not a representation of the actual costs incurred by current owners, the vast majority of whom have bought in the past at significantly different values than those prevailing in the latest period.

Highlights from across Canada:

- **British Columbia's housing affordability remains relatively poor despite some improvements**
Affordability conditions improved across all housing categories in the province, with RBC measures falling between 1.0 and 1.4 percentage points in the fourth quarter. With levels at 73.2 per cent for two-storey homes, 67.7 per cent for bungalows and 33.7 per cent for condominium apartments, affordability remains poor, particularly in Vancouver.
- **Alberta's homes become even more affordable**
Owning a home at market value in Alberta became slightly more affordable for most housing categories in the final quarter of 2013 and continued to compare favourably against historical and national averages. RBC's measures fell by 0.5 percentage points for two-storey homes and by 0.2 percentage points for bungalows. The measure for condominiums edged higher by 0.1 percentage points.
- **Saskatchewan's affordability trends sideways**
Housing affordability in the province continued to play a predominantly neutral role in home-buying decisions with levels standing close to historical norms. RBC's affordability measures declined 1.1 percentage points for two-storey homes and 0.2 percentage points for bungalows. The measure for condominiums was up by 0.4 percentage points.
- **Manitoba's surge in listings lends a hand to affordability**
A surge in newly listed homes for sale weakened demand-supply conditions in Manitoba during the second half of 2013, which ultimately helped to improve affordability with RBC measures for two-storey homes and bungalows slipping by 1.1 percentage points and 0.6 percentage points, respectively. The measure for condominiums rose by 0.8 percentage points.

- **Ontario's affordability picture remains largely unchanged**
RBC's affordability measures for Ontario eased by 0.1 percentage points for both bungalows and two-storey homes and stayed flat for condominiums in the fourth quarter of 2013. Owning a single-detached home at market value in the province continues to take a larger share of household income compared to the historical average despite marginal improvements for the first time in a year.
- **Quebec's affordability conditions little changed from the third quarter**
The only observable variation in affordability conditions in Quebec during the fourth quarter was in the two-story homes category, with RBC's measure inching higher by 0.2 percentage points. The measures for bungalows and condominium apartments remained unchanged. All measures continued to stand near their long-run averages.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/economic-reports/canadian-housing-forecast.html.

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