



## **BRITISH COLUMBIA'S HOUSING MARKET RECOVERS DESPITE CONTINUED DETERIORATION IN AFFORDABILITY: RBC ECONOMICS**

### **Vancouver remains Canada's least affordable market**

**TORONTO, November 27, 2013** — British Columbia's housing activity picked up pace for the second consecutive quarter in the third quarter of 2013, despite housing affordability further reversing previously recorded improvements, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

Provincial resales rebounded 13.6 per cent and 15.1 per cent in the second and third quarters, respectively, restoring provincial market activity to levels that prevailed prior to the most recent downturn which began in late 2011.

“With the return of firmer market conditions, we saw an increase in home prices, which in turn caused further erosion in affordability across British Columbia and clawed back the progress made during the second half of 2012 and first quarter of 2013,” said Craig Wright, senior vice-president and chief economist, RBC. “Determined homebuyers seem to be undaunted by the strained housing affordability levels in the province.”

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, rose across all categories in the third quarter of 2013 (an increase in the measure represents deterioration in affordability).

RBC's affordability measures for British Columbia increased by 1.5 percentage points to 69.2 per cent for bungalows, 1.2 percentage points to 74.1 per cent for two-storey homes and 0.8 percentage points to 34.7 per cent for condo apartments.

### **Fears of a crash fade in Vancouver; unaffordable housing concerns resurface**

After reaching a four-year low earlier this year, home resales in Vancouver surged in the last two quarters by nearly 42 per cent, quelling concerns of a market crash.

“As impressive as this rebound was, it does not suggest that the Vancouver area's housing market is on the verge of overheating. In fact, a 10 per cent drop in October suggests that this rebound may have run its course, and that activity may soon stabilize at lower than average levels,” said Wright.

RBC notes the surge in market activity since spring has propelled prices on an upward course following a year of decline, taking a toll on already poor affordability in the area.

“Affordability in Vancouver is uncomfortably strained and the city’s housing market still remains, by far, the most costly in Canada,” added Wright.

RBC’s measures for Vancouver rose the most among all major markets in Canada, moving up by 2.0 percentage points to 84.2 per cent for bungalows, 1.4 percentage points to 87.4 per cent for two-storey homes and 1.1 percentage points to 41.9 per cent for condo apartments.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities is as follows: Vancouver 84.2 (up 2.0 percentage points from the previous quarter); Toronto 55.6 (up 1.3 percentage points); Montreal 38.3 (up 0.3 percentage points); Ottawa 37.3 (up 0.4 percentage points); Calgary 33.7 (up 0.7 percentage points); Edmonton 32.9 (up 0.5 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:**

- [Alberta’s affordability remains attractive despite deterioration](#)  
Alberta’s housing affordability deteriorated for the third consecutive quarter in the third quarter, albeit modestly. This kept the province in an attractive position relative to other provinces with respect to affordable housing. RBC’s measures rose 0.6 percentage points for bungalows, 0.2 percentage points for two-storey homes and 0.1 percentage points for condominiums.
- [Saskatchewan’s homeownership remains reasonably affordable](#)  
RBC measures for Saskatchewan edged slightly higher in the third quarter, up 0.6 percentage points for two-storey homes, 0.2 percentage points for condominiums, and 0.1 percentage points for bungalows. Affordability in the province has mostly trended sideways since 2009, suggesting that it likely has a neutral effect on home buying decisions in the province, RBC says.
- [Manitoba’s housing affordability mirroring the national picture](#)  
RBC’s measures for Manitoba increased by almost the same magnitude as Canadian measures for single family homes in the third quarter (0.6 percentage points for bungalows and two-storey homes), while the measure for condos remained unchanged compared to a marginal rise of 0.1 percentage points in Canada overall.

- [Ontario's single-family homes are tougher to afford relative to condos](#)  
Ontario saw a further modest erosion in housing affordability in the third quarter, largely concentrated in the single-family home segment. RBC's measures rose by 0.9 percentage points for bungalows, 0.7 percentage points for two-storey homes and 0.2 percentage points for condominiums.
- [Quebec's affordability reverses earlier improvements](#)  
Small improvements in Quebec's affordability levels that took place in the second quarter were for the most part reversed in the third quarter. RBC measures rose for two of three housing types tracked; up 0.6 percentage points for two-storey homes and 0.5 percentage points for bungalows. The measure for condominiums remained unchanged.
- [Atlantic Canada's affordability levels remain within manageable range](#)  
Affordability in the region compares well against the rest of the country, showing little movement in the third quarter, and keeping within a very manageable range for homebuyers. RBC's measures edged higher by 0.5 percentage points for two-storey homes and by 0.2 percentage points for bungalows. The measure remained unchanged for condominiums 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/economic-reports/canadian-housing-forecast.html](http://www.rbc.com/economics/economic-reports/canadian-housing-forecast.html).

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