

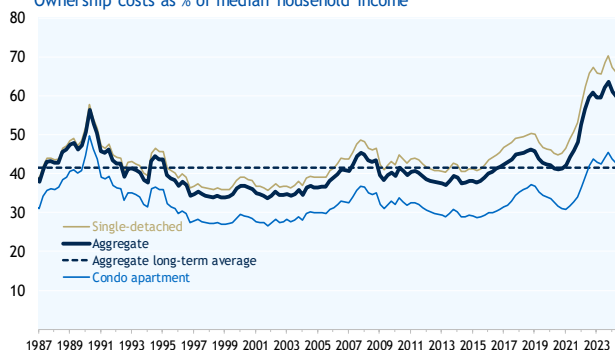
HOUSING TRENDS AND AFFORDABILITY

March 2025

Improving housing affordability in Canada takes a backseat

- **Homeownership costs see a fourth straight drop in Canada.** An average household needed to allocate 55.9% of its income to cover mortgage payments, property taxes and utilities in Q4. That's down from an all-time high of 63.8% a year earlier.
- **The decline only partly restored the massive loss of affordability during the pandemic.** RBC's affordability measures are still at exceptionally stretched levels nationally. In many major markets, most Canadians face extremely challenging conditions for buying a home.
- **Lower mortgage rates brought relief from coast to coast.** Interest rate cuts drove down RBC's measures in all markets we track in Q4. (A decline in the measure represents a gain in affordability.) Toronto and Vancouver recorded the largest drops.
- **Further improvement will likely come in 2025, but it could be overshadowed by trade.** We see the Bank of Canada cutting its policy rate until mid-year—which should continue to take a load off ownership costs. But such a market friendly development may not spur potential buyers into action if U.S. tariff-related uncertainty significantly erodes confidence. The trade war is likely to loom large over the market near term.

RBC Housing Affordability Measures - Canada
Ownership costs as % of median household income



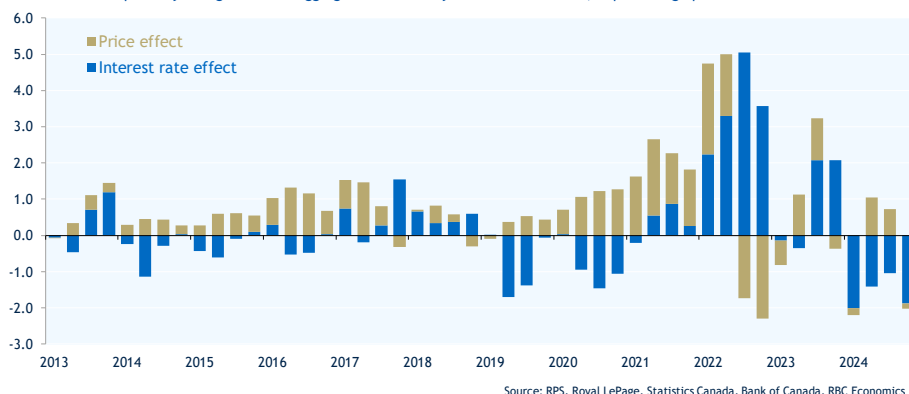
The share of income a household would need to cover ownership costs (%)

Canada	Vancouver	Calgary	Edmonton	Toronto	Ottawa	Montreal
55.9	92.8	41.5	33.6	70.8	45.6	48.2

Q4 2024

Declining interest rates help partially restore affordability

Contribution to quarterly changes in RBC's aggregate affordability measure for Canada, in percentage points



Source: RPS, Royal LePage, Statistics Canada, Bank of Canada, RBC Economics

Falling rates move the needle in the right direction

Last year's monetary policy pivot was a turning point for affordability in this country. The drop in fixed mortgage rates—which started before the BoC's first cut in June as financial markets anticipated the shift—set mortgage payments associated with a home purchase on a downward course following three years of rapid escalation.

Lower rates accounted for more than four-fifths of the 7.7 percentage-point decline in RBC's national composite affordability measure since Q4 2023. Household income gains explained the remainder.

Cheaper borrowing costs moved the needle



lower in every part of Canada—generating larger savings in the pricier markets (Toronto, Vancouver and Victoria).

The turning point couldn't have come soon enough. Skyrocketing prices between 2020 and early-2022, and then soaring interest rates as the BoC fought inflation caused ownership costs to balloon to crisis levels by the end of 2023.

Protracted recovery process underway

There's still a long way to go to fully restore affordability, though. The improvement in the past year reversed only a third of the deterioration that took place during the pandemic.

We think additional rate cuts could raise that proportion to half by the end of this year.

Any further progress gets trickier once rates stabilize, because after that it rests entirely on the evolution of home prices and household income (the denominator in RBC's affordability measures). Price drops or strong income gains would be required to keep the improving trend. However, we expect prices to continue rising gradually overall—with some local exceptions—as supply-demand conditions stay in balance, and wages grow modestly amid persistent labour market weakness.

Policy changes will help... eventually

We believe significant policy efforts initiated in recent years to boost housing supply will eventually have a positive impact on affordability. It's just the benefits of many of them—including easing zoning restrictions or other administrative burdens—will take a long time to play out.

Any boost to sentiment from lower interest rates and partial improvement in affordability has been quashed this year by tariff-related fears.

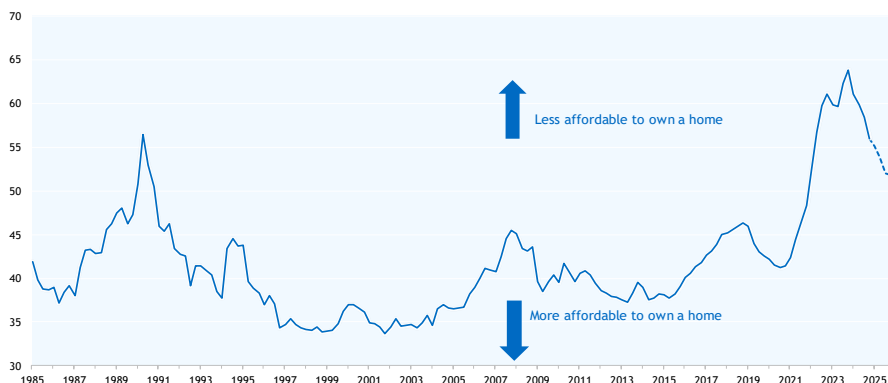
Trade war worries overtake affordability issues

The huge risk the U.S. trade war poses to Canada's economy—with significant potential job losses in communities that highly depend on trade with the U.S.—has prompted many market participants to adopt a wait-and-see approach. This led to a sharp slowdown in home resale activity in most of Canada in February.

We see the housing market remaining on edge as long as tariff threats persist. Affordability consideration will likely take a backseat.

Further improvement on the way but affordability will remain a huge issue

Ownership costs as % of household income, Canada, composite of all housing categories



Source: RPS, Statistics Canada, Bank of Canada, RBC Economics



British Columbia

Victoria: Buyers still face affordability hurdles despite improvement

Victoria saw a notable improvement in affordability in the past year with RBC's aggregate measure falling to 68.8% in Q4, an 11 percentage-point drop. Still, affordability remains a serious challenge, which continues to weigh heavily on buyers. The housing market recovery has lost substantial momentum this year after picking up steam in the fall. New listings rose nearly 20%, leading supply-demand conditions to loosen noticeably. If sustained, we expect this will moderate home price appreciation in the period ahead.

Vancouver area: Gradual relief from record high costs

Affordability in Vancouver improved again in Q4 with RBC's measure falling 4.0 percentage points to 92.8%—lowest level in nearly two years. This represents a meaningful reversal of the pandemic-era affordability erosion, yet ownership remains out of reach for many. A budding market rally late last year has since faltered as buyers and sellers retreat. Home resales are little changed from a year ago, but available supply has increased markedly—especially amid soft demand. Such conditions are beginning to modestly erode property values, which had been mostly flat for about a year. We see the erosion process continuing in the near term.

Alberta

Calgary: Still strong but in a better balance

Calgary has long been among the more robust markets in Canada, though it has shown signs of cooling in the past year. Trade uncertainty has been a further headwind, contributing to sales transactions slipping more than 12% from a year ago. Homebuyers have seen ownership costs decline, though only moderately. RBC's aggregate affordability measure at 41.5% is down 2.1 percentage points from a year ago, yet it's still well above the 38.8% long-term average. The good news is that rapid inventory rebuilding—thanks in part to strong housing construction—has rebalanced the market. This shift has considerably moderated price gains, which should drive further improvement in affordability.

Edmonton: Price gains stall affordability progress

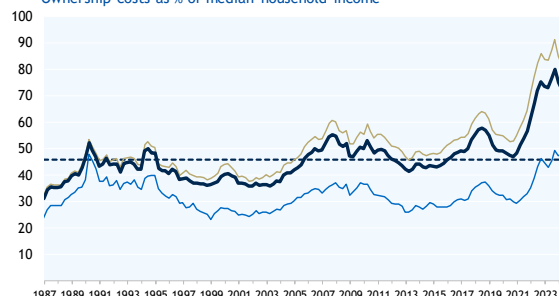
The hectic pace of activity hasn't let up much—in part because affordability compares favourably to other major markets. Home resales are up more than 4% from the same period last year, but could potentially be even higher if there was more inventory. Edmonton is one of the few markets where active listings still track lower, which sustains strong competition between buyers and upward price pressure. The downside is that affordability is barely getting better. In fact, RBC's aggregate measure stalled at 33.6% in Q4 as strong price growth offset the impact of lower rates. We expect slow improvement to persist in the near term while supply-demand conditions remain tight.

RBC Housing Affordability Measures

— Single-detached — Aggregate
 Aggregate long-term average — Condo apartment

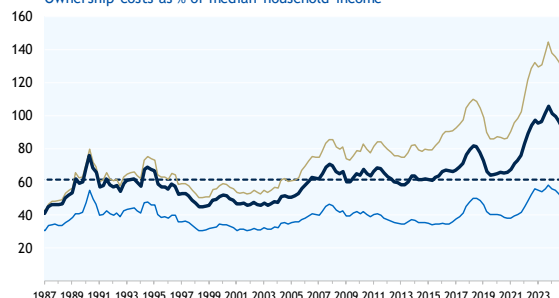
Victoria

Ownership costs as % of median household income



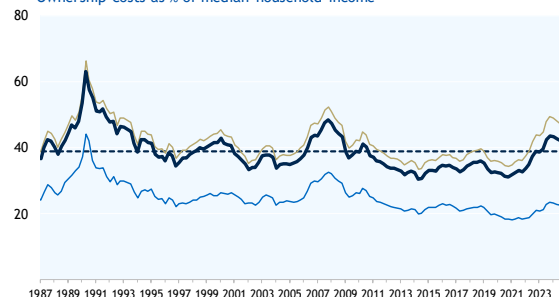
Vancouver Area

Ownership costs as % of median household income



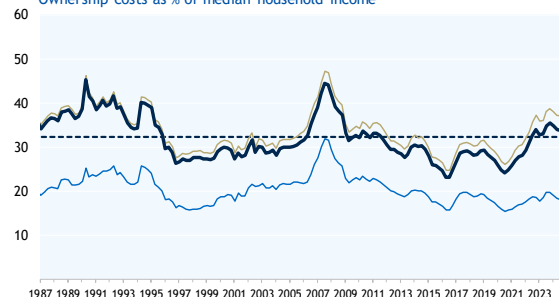
Calgary

Ownership costs as % of median household income



Edmonton

Ownership costs as % of median household income



Source: RPS, Statistics Canada, Bank of Canada, Royal LePage, RBC Economics

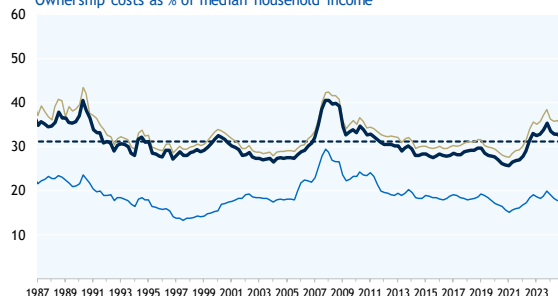


RBC Housing Affordability Measures

— Single-detached — Aggregate
 Aggregate long-term average — Condo apartment

Saskatoon

Ownership costs as % of median household income



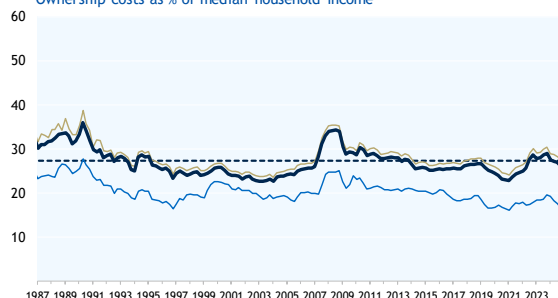
Saskatchewan

Saskatoon: All fired up

A booming population continues to fuel housing demand with resales hovering above pre-pandemic highs. However, supply is struggling to keep up—forcing buyers to bid up prices assertively. This has kept the benchmark price on a solid uptrend. Saskatoon's housing affordability improved modestly in Q4 with RBC's aggregate measure falling 0.4 percentage points from Q3 to 32.2%. The share of income needed to cover ownership costs remains within historical norms, but tight supply conditions suggest further price growth may slow future improvements.

Regina

Ownership costs as % of median household income

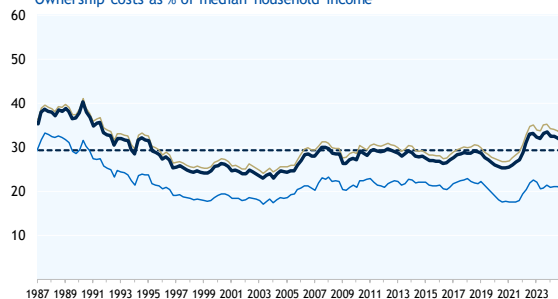


Regina: Super busy and affordable

Regina retains its status as the most affordable market we track in Canada with an RBC aggregate measure of 26.1%. It's no surprise then that the market is very busy. Resales transactions are holding near record highs despite slipping slightly this year. A rise in newly completed units has helped contain home value appreciation, though upward pressure persists amid tight supply-demand conditions.

Winnipeg

Ownership costs as % of median household income



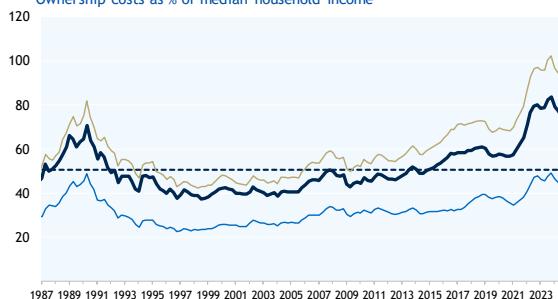
Manitoba

Winnipeg: Recovery on track

Mounting economic uncertainty hasn't derailed the market recovery. Home resales and prices still track higher—up 12% and 8% from a year ago, respectively—propelled in part by solid population growth. The flow of supply has eased a little with new listings running some 3% below year-ago levels, which makes it a more competitive landscape for buyers. Winnipeg's affordability saw a small improvement in Q4 with RBC's aggregate measure declining 0.5 percentage points to 31.6%—still above the long-run average (29.3%).

Toronto Area

Ownership costs as % of median household income



Ontario

Toronto area: High ownership costs weigh on activity

Owning a home in Toronto became more affordable over the past year. Lower interest rates contributed to a sharp 13.1 percentage point decline in RBC's aggregate measure to 70.8%. However, ownership costs remain exceptionally high, keeping many potential buyers sidelined. A rise in inventory has strengthened buyer leverage, particularly in the condo segment. This has led to modest price declines, and downward pressures could intensify. Activity has recently sunk to its lowest level this cycle as market participants hit pause in the face of trade turbulence, deteriorating labour markets and stretched affordability.

Source: RPS, Statistics Canada, Bank of Canada, Royal LePage, RBC Economics



Ottawa: Market softens amid economic uncertainty

The weight of ownership costs continued to ease in the Ottawa area in Q4. RBC's affordability measure dropped for a fourth consecutive time by 1.8 percentage points to 45.6%, reflecting lower mortgage rates and rising income. However, conditions remain stretched compared to historical levels. This is likely one of the factors restraining activity. Resales are down more than 6% this year. The threat of tariffs and a softer job market are no doubt also curbing the market's trajectory. So far, supply and demand have remained in balance, and prices continue to rise modestly. But any further weakening in demand could stall the recovery.

Quebec

Montreal area: Market heat poised to partly dissipate

Montreal's affordability saw modest improvement in Q4 with RBC's aggregate measure falling to 48.2%, a 4.2 percentage point decline from a year ago. The market had been very active until trade turbulence put a sudden halt to the long rebound in activity since 2023. Supply-demand conditions are now easing, though it remains relatively tight. Earlier brisk demand and levelling inventories have increased competition between buyers and heated up prices. We expect some of this heat will dissipate in the period ahead. Any sizable economic shock from the trade war could accelerate this cooling.

Quebec City: Rising prices limit drop in ownership costs

The market carries substantial momentum as lower interest rates and strong population growth drive up demand. Affordability looks relatively favourable against many other markets—including Montreal. Home resales are running some 8% above year-ago levels. And, with inventory continuing to shrink, upward price pressure is intense. In fact, gains in property values are among the strongest in the country. This has limited the improvement in affordability, however. RBC's aggregate measure at 33.8% is down only 1.4 percentage points from a year ago.

Atlantic Canada

Saint John: Stuck in a low gear

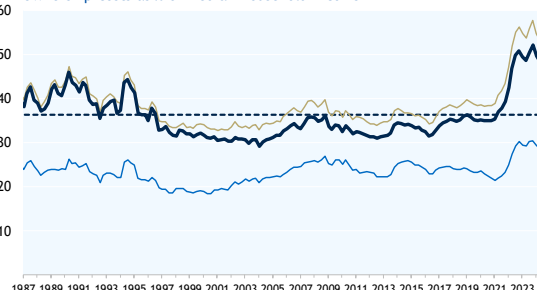
Saint John's aggregate measure stands at 32.4%, down 2.3 percentage points from its record high in 2023. Ownership remains more accessible than in most other markets, but solid price gains have slowed progress toward restoring affordability and dampened the recovery in demand. Activity is stuck in a low gear amid slowing population growth, souring labour markets and an earlier rise in ownership costs. It could also be that sellers aren't willing to bend as the supply of homes for sale remains tight compared to demand.

RBC Housing Affordability Measures

— Single-detached — Aggregate
 Aggregate long-term average — Condo apartment

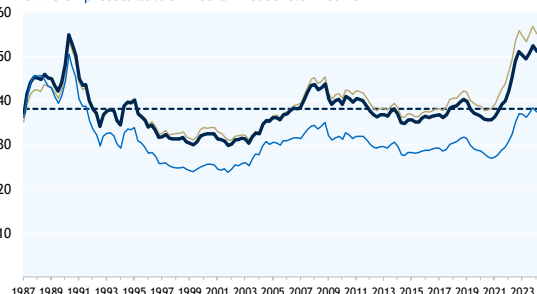
Ottawa

Ownership costs as % of median household income



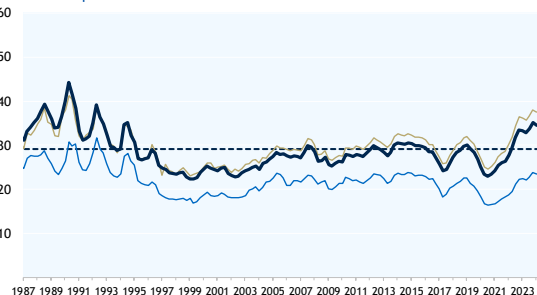
Montreal Area

Ownership costs as % of median household income



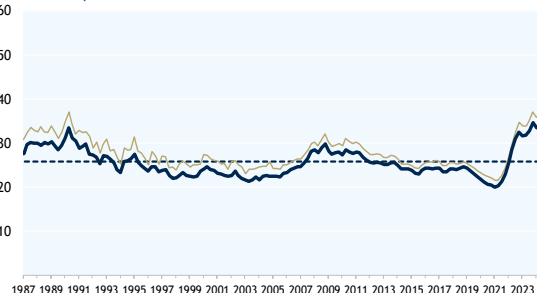
Quebec City

Ownership costs as % of median household income



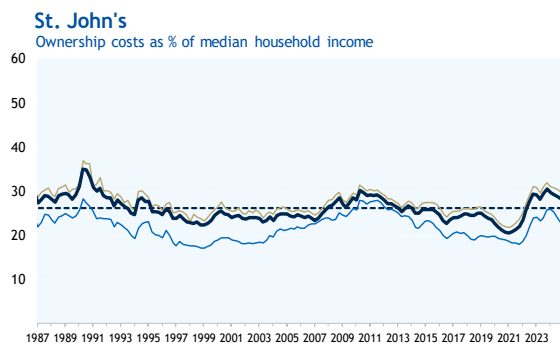
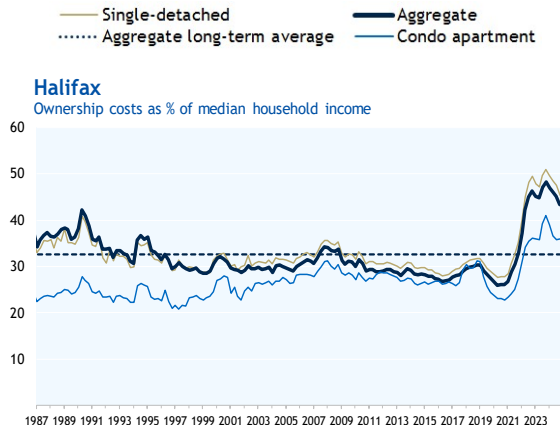
Saint John

Ownership costs as % of median household income



Source: RPS, Statistics Canada, Bank of Canada, Royal LePage, RBC Economics

RBC Housing Affordability Measures



Source: RPS, Statistics Canada, Bank of Canada, Royal LePage, RBC Economics

Halifax: Earlier affordability losses still sting

The massive loss of affordability during the pandemic still stings Halifax homebuyers despite a partial reversal in the past year. They've been slow to return to the market since the BoC began cutting rates in June with home resales still down nearly 25% from pre-pandemic levels. Low inventory may also be a restraining factor. Interest rate cuts, a strong inflow of newcomers and a solid pace of job creation should be driving housing demand harder at this point—especially since Nova Scotia is among the least exposed provinces to U.S. tariffs. Tight supply-demand conditions are likely to keep prices on an upward trajectory in the near term, which could restrain the pace of improving affordability. RBC's measure for Halifax eased 1.5 percentage points in Q4 to 43.4%.

St. John's: Firing on all cylinders

The market is in full swing fuelled by growing demand spurred by positive economic and demographic trends. Home resales have surged 26% from a year ago to close to all-time highs, and prices have reached record levels—up between 6% and 12% in the past 12 months depending on the measure. Trade uncertainty poses a downside risk, but low supply is likely to support further price gains ahead. Ownership costs remain relatively affordable with RBC's aggregate measure at 28.9%—the second lowest among tracked markets. Modest price gains are expected to continue.

How the RBC Housing Affordability Measures work

The RBC Housing Affordability Measures show the proportion of median pre-tax household income that would be required to cover mortgage payments (principal and interest), property taxes, and utilities based on the benchmark market price for single-family detached homes and condo apartments, as well as for an overall aggregate of all housing types in a given market.

The aggregate of all categories includes information on semi-detached, row houses, townhouses and plexes—categories not covered in this report—in addition to single-family detached homes and condominium apartments. In general, single-family detached homes and condo apartments represent the bulk of the housing stock (excluding purpose-built rental buildings).

Mortgage payments are based on a 20% down payment, a 25-year mortgage loan and a five-year fixed mortgage rate. The latter is a weighted average of 5-year fixed rates charged by chartered banks on new insured and uninsured mortgages.

Benchmark prices are sourced from RPS Real Property Solutions.

RBC's affordability measures use household income rather than family income to account for unattached individuals. Pre-tax income doesn't show the effect of various provincial property-tax credits, which could alter relative levels of affordability. Quarterly income is obtained by interpolating annual data. We apply the growth in average weekly earnings to extend the income series to the latest period. The median income represents the value below and above which lays an equal number of observations.

The higher the measure, the less affordable owning a home is. For example, an affordability measure of 50% means that home ownership costs, including mortgage payments, utilities, and property taxes would take up 50% of a typical household's pre-tax income at current price and interest rate levels.

Summary tables

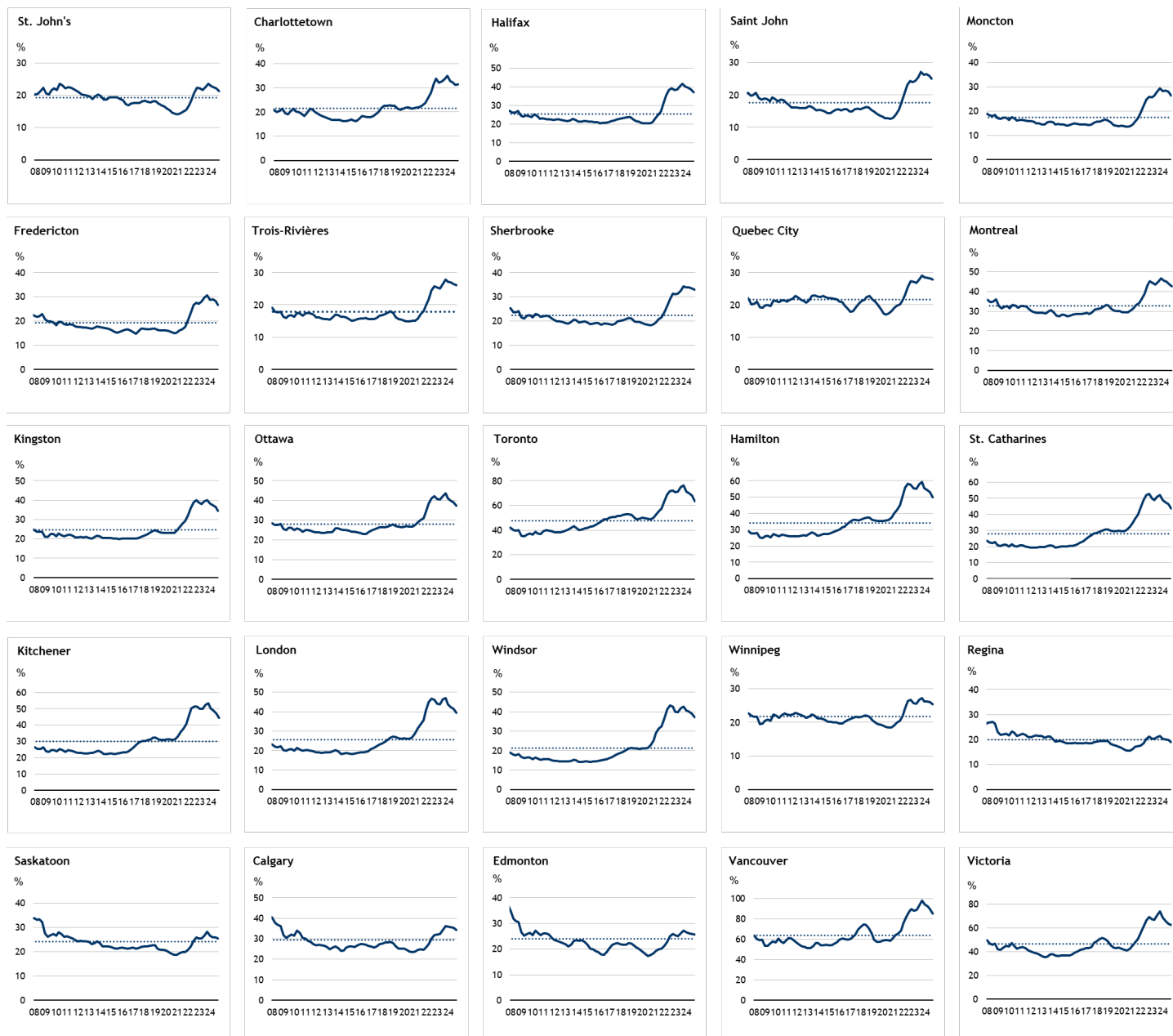
Aggregate of all categories							
Market	Price			RBC Housing Affordability Measure			
	Q4 2024 (\$)	Q/Q % ch.	Y/Y % ch.	Q4 2024 (%)	Q/Q Ppt. ch.	Y/Y Ppt. ch.	Avg. since '85 (%)
Canada	821,200	-0.1	3.1	55.9	-2.4	-7.7	41.6
Victoria	1,170,800	2.0	0.2	68.8	-1.3	-11.1	45.8
Vancouver area	1,499,800	-0.6	2.5	92.8	-4.0	-12.8	61.1
Calgary	700,100	0.7	11.5	41.5	-0.7	-2.1	38.8
Edmonton	485,300	1.8	10.4	33.6	-0.2	-1.8	32.3
Saskatoon	461,700	1.8	7.8	32.2	-0.7	-3.2	31.1
Regina	353,700	-0.2	5.5	26.1	-0.8	-2.9	27.2
Winnipeg	404,100	0.6	7.5	31.6	-0.5	-1.8	29.3
Toronto area	1,198,600	-1.1	0.0	70.8	-4.2	-13.0	50.5
Ottawa	706,100	0.4	2.9	45.6	-1.8	-6.5	36.4
Montreal area	692,700	1.6	8.2	48.2	-1.5	-4.3	38.2
Quebec City	456,200	3.4	13.7	33.8	-0.4	-1.3	29.1
Saint John	370,500	1.7	9.5	32.4	-0.9	-2.2	25.7
Halifax	610,300	0.3	5.3	43.4	-1.8	-4.8	32.6
St. John's	381,300	1.2	6.3	28.3	-0.6	-2.1	26.2

Single-family detached							
Market	Price			RBC Housing Affordability Measure			
	Q4 2024 (\$)	Q/Q % ch.	Y/Y % ch.	Q4 2024 (%)	Q/Q Ppt. ch.	Y/Y Ppt. ch.	Avg. since '85 (%)
Canada	911,400	0.4	3.7	62.2	-2.4	-8.1	44.3
Victoria	1,354,700	2.7	1.4	79.2	-1.0	-11.9	49.8
Vancouver area	2,104,900	0.4	3.5	128.0	-4.5	-16.5	74.1
Calgary	787,600	0.8	10.4	46.5	-0.8	-2.8	41.8
Edmonton	530,800	1.7	10.5	36.8	-0.2	-2.0	34.0
Saskatoon	499,600	1.9	8.4	35.2	-0.6	-3.2	33.0
Regina	363,100	-0.1	6.3	27.5	-0.8	-2.8	28.5
Winnipeg	415,300	0.1	6.2	33.1	-0.6	-2.2	30.5
Toronto area	1,493,600	-0.2	1.4	87.4	-4.4	-14.9	58.9
Ottawa	771,000	0.3	2.4	50.4	-1.9	-7.2	39.1
Montreal area	740,900	1.9	7.4	51.9	-1.4	-4.9	39.1
Quebec City	493,900	4.2	15.1	37.0	-0.2	-1.0	30.0
Saint John	389,200	1.7	9.1	34.6	-1.0	-2.4	27.9
Halifax	630,200	-0.5	4.3	45.4	-2.1	-5.4	33.2
St. John's	391,700	0.9	6.6	29.7	-0.7	-2.2	27.5

Condominium apartment							
Market	Price			RBC Housing Affordability Measure			
	Q4 2024 (\$)	Q/Q % ch.	Y/Y % ch.	Q4 2024 (%)	Q/Q Ppt. ch.	Y/Y Ppt. ch.	Avg. since '85 (%)
Canada	562,200	-1.9	-0.9	38.7	-2.3	-6.8	33.0
Victoria	642,300	-5.7	-8.8	39.3	-3.5	-10.1	32.1
Vancouver area	766,200	-2.7	-1.3	49.7	-2.9	-8.3	39.0
Calgary	339,400	1.4	12.9	22.4	-0.2	-1.0	25.1
Edmonton	220,400	0.1	3.0	18.0	-0.1	-1.8	20.5
Saskatoon	231,400	4.9	5.0	17.8	0.1	-2.1	19.3
Regina	208,800	-5.3	-3.9	16.5	-1.1	-3.0	20.7
Winnipeg	255,000	0.2	10.2	20.7	-0.3	-0.6	22.4
Toronto area	655,400	-2.8	-4.0	40.1	-2.9	-8.9	32.1
Ottawa	388,300	-2.5	-0.2	26.1	-1.6	-4.3	23.6
Montreal area	498,400	0.9	6.5	34.8	-1.3	-3.6	31.6
Quebec City	299,200	0.8	9.9	22.2	-0.8	-1.6	22.2
Saint John	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Halifax	514,100	5.7	2.2	35.9	0.1	-5.1	26.7
St. John's	313,500	-2.3	-0.1	22.7	-1.2	-3.0	22.0

Mortgage carrying costs by city

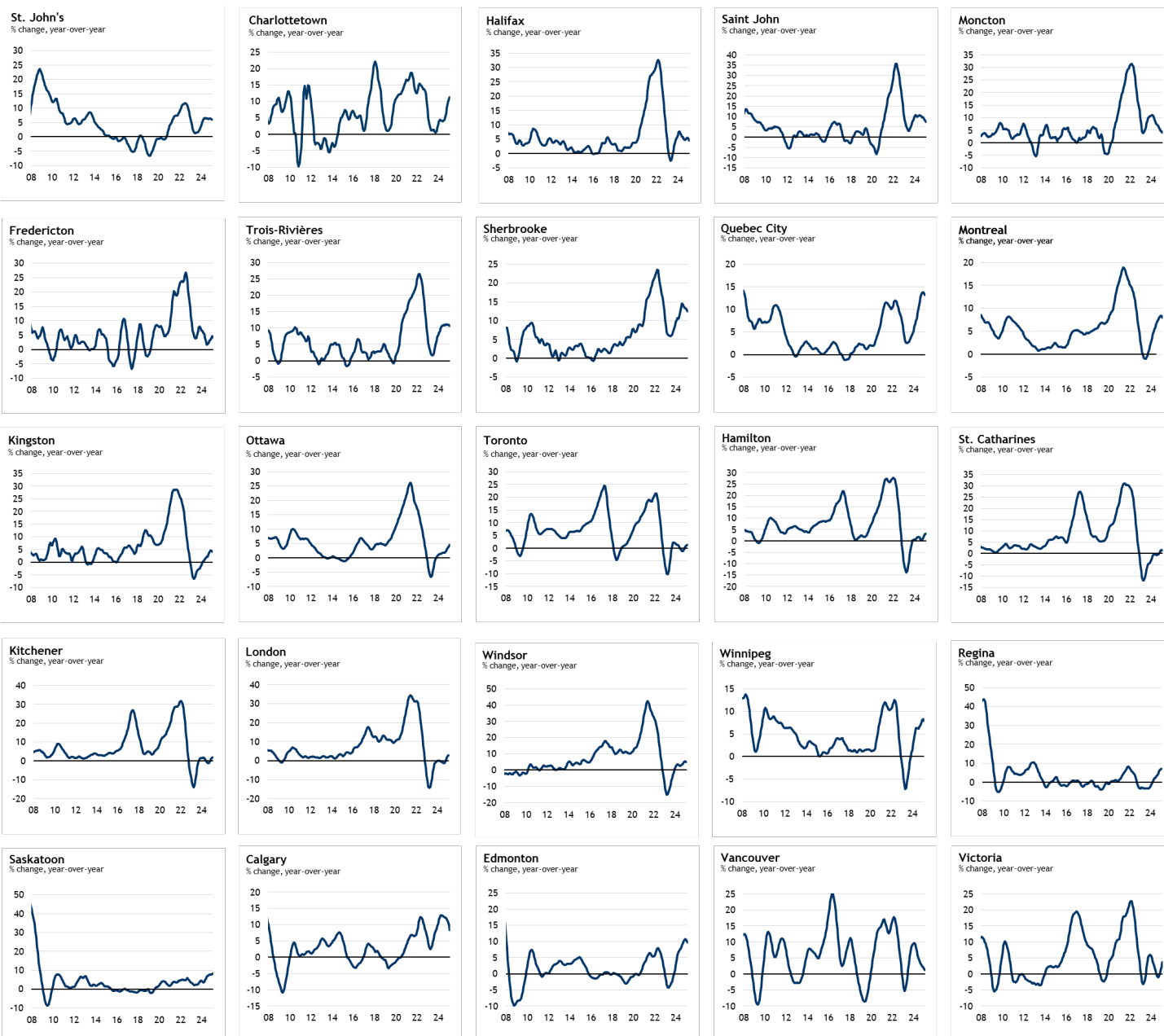
Our standard RBC Housing Affordability Measure captures the proportion of median pre-tax household income required to service the cost of a mortgage on an existing housing unit at market prices, including principal and interest, property taxes and utilities; the modified measure used here includes the cost of servicing a mortgage, but excludes property taxes and utilities due to data constraint in the smaller CMAs. This measure is based on a 20% down payment, a 25-year mortgage loan at a five-year fixed rate, and is estimated on a quarterly basis. The higher the measure, the more difficult it is to afford a home.



The dashed line represents the long-term average for the market.

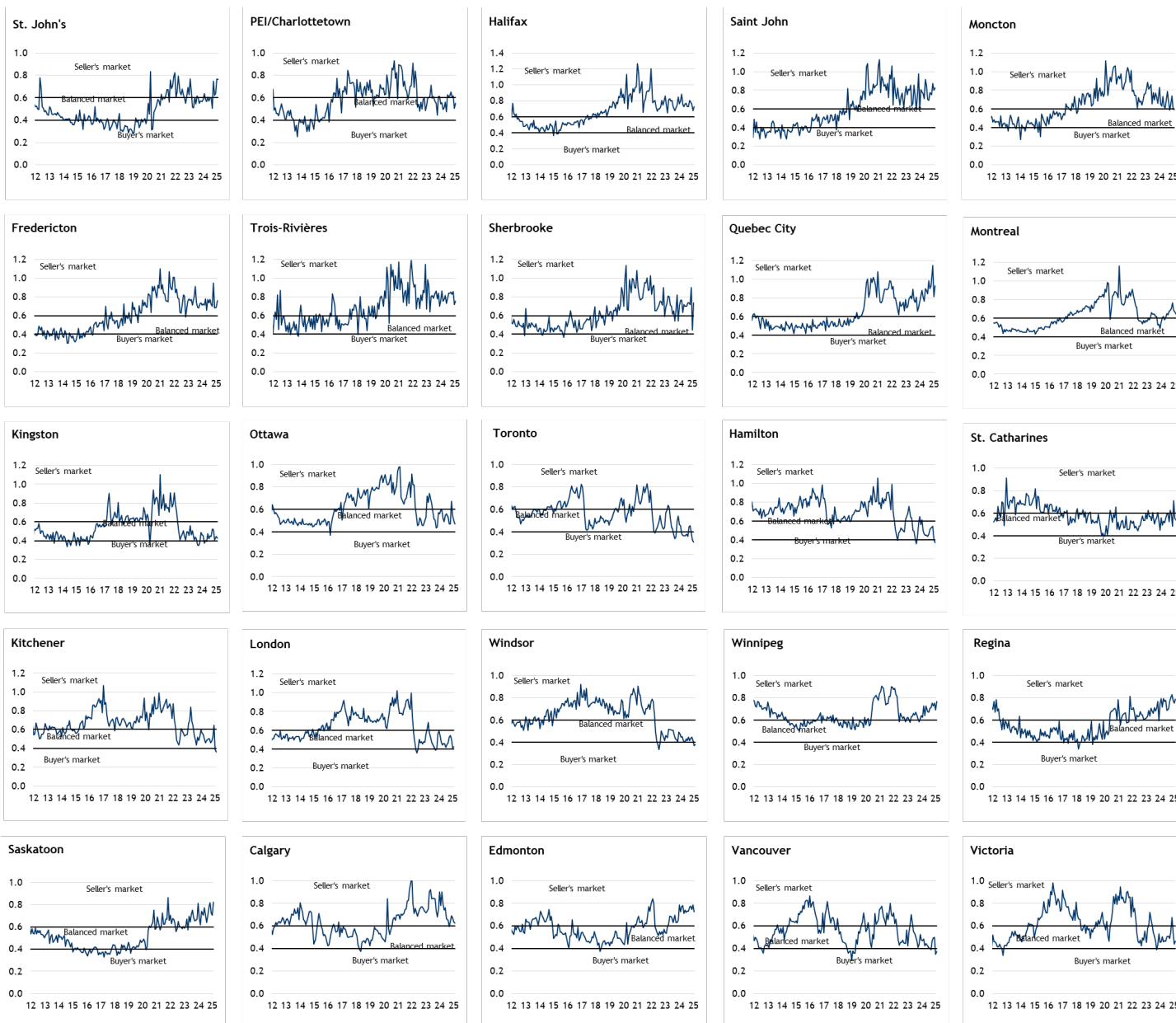
Source: RPS, Statistics Canada, Bank of Canada, RBC Economics

Aggregate home price



Source: RPS, RBC Economics

Home sales-to-new listings ratio



Source: Canadian Real Estate Association, RBC Economics

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