



NEWS

MANITOBA'S HOUSING MARKET STILL HEATING UP, SAYS RBC ECONOMICS

TORONTO, March 14, 2008 — Housing affordability in Manitoba is expected to remain steady as household income continues to grow at a healthy pace – the third fastest in the country, according to the latest housing report by RBC Economics.

“Strong price gains led to a deterioration in housing affordability at the end of last year. But overall, the magnitude of the decline in Manitoba’s housing affordability pales in comparison to that seen in Saskatchewan and Alberta over the past year,” said Derek Holt, assistant chief economist at RBC. “Manitoba’s overall affordability conditions remain steady as household income continues to grow at a healthy five per cent year-over-year pace.”

RBC’s Housing Affordability measure for Manitoba, which captures the proportion of pre-tax household income needed to service the costs of owning a home in the province, slightly deteriorated across all four classes last quarter as the benchmark detached bungalow moved to 35 per cent, the standard townhouse to 21 per cent, the standard condo to 19 per cent and the standard two-storey home to 36 per cent.

Resale markets across the province continue to heat up as excess demand is driving year-over-year price gains of between 12 and 15 per cent across all home segments. The report noted that an improving trend should take hold over the coming quarters as price gains weigh on existing demand and sales-to-new listings ratios improve.

The report also presents a comparison of Canadian and U.S. household finances, and shows that Americans are still modestly richer, but much more heavily leveraged and further in debt with less liquidity. That, in turn, makes them more vulnerable to ongoing credit market turmoil and risks towards house prices than Canadians. In fact, the sharp depreciation in the U.S. dollar over the past six years has made Canadians relatively richer over time, by raising the value of what their wealth will buy in world markets compared to that of their American counterparts.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of smaller cities across the country, including Winnipeg. For these cities, RBC has used a narrower measure of housing affordability that only takes mortgage payments relative to income into account.

RBC’s Affordability measure for a detached bungalow for Canada’s largest cities is as follows: Vancouver 74 per cent, Toronto 47 per cent, Calgary 42 per cent, Montreal 37 per cent and Ottawa 32 per cent.

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The Housing Affordability measure, which RBC has compiled since 1985, is based on the costs of owning a detached bungalow, a reasonable property benchmark for the housing market. Alternative housing types are also presented including a standard two-storey home, a standard townhouse and a standard condo. The higher the reading, the more costly it is to afford a home. 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:** Although affordability conditions deteriorated to their worst level on record at the end of 2007, the province is poised for some affordability relief in 2008 as a result of cooler price gains and lower interest rates.
- **Alberta:** At the end of 2007, the province witnessed broad-based affordability improvements across all housing segments for the first time in over three years. Rapidly cooling prices put the province on watch, but should result in improved affordability for 2008.
- **Saskatchewan:** Saskatchewan has become the new Alberta. Constraints in the existing home market have pushed into overflowing demand in the new home market. As the national leader for growth in housing starts, house prices, residential building permits, and resale activity, the province saw substantial erosion in affordability in 2007. In 2008, affordability conditions should gradually stabilize.
- **Ontario:** Even though housing affordability deteriorated across all housing segments, the pace has slowed. The province should see improvements in 2008 from a cooling economy, lower mortgage rates, and softer price gains.
- **Quebec:** A generally balanced market has helped keep housing affordability in check. In 2008, a slower pace of house price gains and softer income growth should contribute to improved affordability conditions.
- **Atlantic region:** Affordability continued to erode in the final quarter of 2007. A combination of income growth, moderate house price gains and anticipated mortgage rate relief across all home segments should improve affordability in 2008.

The full RBC Housing Affordability report is available online, as of 8 a.m. E.D.T. today at www.rbc.com/economics/market/pdf/house.pdf.

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