



ATLANTIC HOUSING MARKET IS CANADA'S NEWEST HOTSPOT...FOR NOW, SAYS RBC ECONOMICS

TORONTO, December 8, 2008 — According to the latest housing report by RBC Economics, rapid price increases in the past two years have eroded Atlantic Canada's affordability conditions, although some improvement is on the way in 2009.

"Forget the West. The new housing hotspots are in Atlantic Canada," said Robert Hogue, senior economist at RBC. "St. John's housing market is firing on all cylinders, trailing only Regina in terms of year-over-year price increases. Saint John and Halifax are also showing solid price momentum, creating favourable conditions for sellers."

The RBC Housing Affordability measure for Atlantic Canada, which captures the proportion of pre-tax household income needed to service the costs of owning a home, improved slightly across all four classes in the third quarter of 2008 as the benchmark detached bungalow moved to 35.4 per cent, the standard townhouse to 30.3 per cent, the standard condo to 27.6 per cent and the standard two-storey home to 41.2 per cent.

The report noted that despite recent meaningful price gains across the region, housing affordability has not deteriorated excessively during the boom of the past two years. Affordability measures in Atlantic Canada currently stand only five to 13 per cent above long-run averages. Nonetheless, momentum in the region's market is expected to wane in 2009 as economic uncertainty takes the wind out of its sail.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 74.8 per cent, Toronto 53.3 per cent, Calgary 47.3 per cent, Ottawa 43.3 per cent and Montreal 40.4 per cent.

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

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:** In the last two quarters, affordability conditions have started to improve. The province's housing markets are entering a correction phase that will see prices decline, reversing recent gains.
- **Alberta:** Housing conditions have softened since prices peaked back in 2007. In the third quarter of 2008, further price declines in most housing segments contributed to improved affordability.
- **Saskatchewan:** After reaching its lowest level of affordability ever, the province's housing sector is feeling the downside effects of a frenzied market. Skyrocketing prices significantly overstepped household incomes, which is anticipated to push the housing sector into a correction phase in 2009.
- **Manitoba:** Well-positioned to weather the storm, the province's housing market is nonetheless expected to cool in 2009 amid mounting economic uncertainty.
- **Ontario:** Housing markets softened in the third quarter as several regions across the province reported notable price declines and weakening re-sale activity – evidence that the sector can no longer resist the downdraft of a souring provincial economy.
- **Quebec:** Affordability conditions improved in the third quarter but economic storm clouds are darkening the housing market outlook. Relatively strong fundamentals should help limit damages during the downturn.

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

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