



ALBERTA'S LOWER HOMEOWNERSHIP COSTS HELP BOOST RESALES, SAYS RBC ECONOMICS

TORONTO, September 9, 2009 — Homeownership costs in Alberta have dropped to levels that were last seen three years ago, further boosting the resale market according to the latest second quarter housing affordability report released today by RBC Economics.

"The biggest cumulative drop in the history of RBC Affordability measures in Alberta further deepened in the second quarter, reaching levels that last prevailed in late 2005 and early 2006," said Robert Hogue, senior economist, RBC. "In response, buyers have jumped back into the housing market in a big way since the spring, sending existing home sales soaring over 60 per cent between April and July."

RBC's Housing Affordability measure for Alberta, which captures the proportion of pre-tax household income needed to service the costs of owning a home, shrank by 0.2 to 0.5 percentage points, depending on the housing type (the lower the measure, the more inexpensive it is to afford a home). Affordability for the benchmark detached bungalow moved down to 33.5-per cent, the standard townhouse down to 25.0 per cent, the standard condo down to 21.9 per cent and the standard two-storey home down to 36.6-per cent respectively.

In Calgary, sales of existing homes picked up considerably through spring and summer. Consequently, for the first time in two years, the balance of supply and demand is slightly favouring sellers. RBC's Affordability measures for Calgary in the second quarter eased again by between 0.1 and 0.3 percentage points, reaching levels below long-term averages.

"The latest figures show property values are still generally languishing in Calgary, but we believe that, as confidence gradually returns in the city, the stage will be set for a turnaround," added Hogue.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 63.4 per cent, Toronto 46.5 per cent, Ottawa 38.6 per cent, Montreal 37.3 per cent and Calgary 35.7 per cent.

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

The property benchmark for the Housing Affordability measure, which RBC has compiled since 1985, is based on the costs of owning a detached bungalow. Alternative housing types are also presented including a standard two-storey home, a standard townhouse and a standard condominium. 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 second quarter, housing affordability in B.C. eased once again, further extending the downward trend since the start of 2008, although homeownership costs are still significantly above long-term levels. Sales of existing homes surged by more than 125 per cent from their cyclical trough early this year. Market conditions have tightened and there has been some firming of prices.
- **Saskatchewan:** Affordability has improved considerably in Saskatchewan since early last year, but homeownership costs remain above long-term averages. Regardless, sales of existing homes rebounded smartly, rising by more than 50 per cent since their lows in March. If this trend is sustained, property prices can be expected to eventually heat up as well.
- **Manitoba:** The notable easing of homeownership costs in the past year has fully repaired affordability in Manitoba, compared to historical averages. Resale activity ramped up during spring and summer and property prices generally maintained their steady upward trend, supported by relatively tight market conditions.
- **Ontario:** Solid improvements in affordability in Ontario have supported a strong upturn in the market in recent months. All Affordability measures are now below historic averages, indicating that homeownership costs are at attractive levels in the province. The general tone of the market is generally positive, but local demand continues to be held back by the tough economic prospects many communities in Ontario continue to face.

- **Quebec:** Housing affordability improved once again in the second quarter in Quebec, prolonging a trend that has been ongoing during the past year. Sales of existing homes surged by more than 40 per cent over the cyclical low reached mid-winter. With a more upbeat market sentiment and tightening demand-supply conditions pushing property values upward, the Quebec housing market appears to be back on track.
- **Atlantic Canada:** Rebounding from a relatively restrained downturn, housing affordability in Atlantic Canada continues to improve, albeit at a more moderate pace than elsewhere in the country. Affordability measures have declined noticeably since early last year and now stand below long-term averages. Sales of existing homes climbed by more than 18 per cent since January and property values increased modestly. Overall, Atlantic Canada is enjoying relatively attractive affordability levels, which should support housing activity in the period ahead.

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

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