



STUNNING RESALE MARKET RALLY IN B.C. DUE TO IMPROVED HOUSING AFFORDABILITY, SAYS RBC ECONOMICS

TORONTO, September 9, 2009 — The stunning rally staged by B.C.'s resale housing market this spring and summer largely reflects the significant decline in the costs of owning a home in the province, according to the latest housing report released today by RBC Economics.

"The cumulative declines in homeownership costs over the past five quarters have been the sharpest since 1991, which has helped revitalize B.C.'s resale housing market," noted Robert Hogue, senior economist, RBC. "Nonetheless, affordability levels are still above long-term averages, which suggests that affordability in B.C. has yet to be fully restored."

The RBC Affordability measure for British Columbia, which captures the proportion of pre-tax household income needed to service the costs of owning a home, indicated that, in the second quarter of 2009, homeownership costs of detached bungalows in the province moved down to 58.4 per cent, the standard townhouse down to 45.6 per cent, the standard condominium down to 32.7 per cent and the standard two-story home down to 64.4 per cent.

In Vancouver, resale activity staged a huge comeback through the spring and summer. Sales of existing homes more than tripled by July, after falling to their lowest levels in about 19 years at the end of 2008.

"While the significant drop in homeownership costs since the spring of 2008 has re-energized this market, housing is still expensive in Vancouver, relative to other cities in Canada," 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 Victoria and Vancouver. 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:

- **Alberta:** The biggest cumulative drop in the history of RBC Affordability measures in Alberta deepened further in the second quarter, falling to levels not seen since before the housing boom. Existing home sales soared by more than 60 per cent between April and July, fully reversing last year's slide. Tightening market conditions should set the stage for some property value appreciation in the near future.
- **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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