



B.C. HOUSING AFFORDABILITY DETERIORATES AS VANCOUVER MARKET SURGES FORWARD: RBC ECONOMICS

TORONTO, November 25, 2009 — B.C. posted the biggest increases in homeownership costs in the country in the third quarter and costs will likely remain well above long-term averages, according to the latest housing report released today by RBC Economics.

“While all provinces and major markets experienced diminished home affordability during the third quarter, British Columbia led the way with the largest rise in costs across all housing types,” said Robert Hogue, senior economist at RBC. “We believe this marks the end of the affordability improvement in the province, with the cost of homeownership remaining fairly high in the near future.”

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, rose across all four housing classes in the third quarter of 2009 (the higher the measure, the more expensive it is to afford a home). Affordability of the benchmark detached bungalow moved up to 60.8 per cent, the standard townhouse to 47.4 per cent, the standard condo to 34.0 per cent and the standard two-storey home to 67.6 per cent.

According to the RBC report, the Vancouver housing market continues its spectacular rebound, with property prices now heating up and poised to boil over. Sales of existing homes have surged since the spring and demand is outpacing supply, leading to a more competitive market and the reemergence of bidding wars.

“The near-frenzied tone of the Vancouver market is occurring despite still historically poor, and now declining, levels of affordability,” noted Hogue.

RBC’s Affordability measure for a detached bungalow for Canada’s largest cities is as follows: Vancouver 66.8 per cent, Toronto 48.6 per cent, Ottawa 39.2 per cent, Montreal 37.5 per cent and Calgary 36.7 per cent.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, including Vancouver and Victoria. 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 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:

- **Alberta:** The province experienced the first increase in homeownership costs since late-2007, in the third quarter. Housing market activity has picked up and stabilized with the modest rise in costs attributable to higher mortgage costs rather than a rise in property values. Attractive affordability levels and a return to economic growth should fuel housing demand in Alberta next year.
- **Saskatchewan:** With mortgage rates rising slightly and properties gaining value, owning a home became slightly less affordable in the province, following steady improvement for more than a year. However, homeownership costs remain historically high in Saskatchewan as a result of the sharp price appreciation that took place during the recent housing boom.
- **Manitoba:** Despite slight increases in the cost of homeownership – the smallest amongst all provinces in the third quarter – Manitoba's housing market remained relatively affordable. Market conditions in the province appear tightly balanced, which should sustain solid resale activity in the near-term. Job growth and a faster economic expansion next year should maintain solid housing demand.
- **Ontario:** After a period of declining property values, the Ontario housing market appears to be bouncing back with home resale prices returning to and, in some cases, surpassing earlier peaks. While this reversal has brought confidence back into the market, third quarter affordability levels have deteriorated for the first time in over a year.
- **Quebec:** Broad-based vigour in the housing market fueled by the earlier drop in mortgage rates to historically low levels, has sent property values to new highs in many parts of Quebec. Consequently, housing affordability deteriorated in the province for the first time in more than a year during the third quarter.

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- **Atlantic Canada:** Housing on the east coast continued to be among the most affordable in the country, with Atlantic Canada experiencing moderate but steady gains in property values sustained by a gradual increase in the sale of existing homes. Increases in homeownership costs in the region, in the third quarter, were modest relative to other provinces, with levels mostly below national averages.

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

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