



HOUSING AFFORDABILITY IMPROVES IN ATLANTIC CANADA: RBC ECONOMICS

TORONTO, March 15, 2010 — Housing affordability in Atlantic Canada improved during the fourth quarter of last year, according to the latest housing report released today by RBC Economics.

“Homeownership costs decreased in the region late last year, which is in contrast to rises seen in many other provinces,” said Robert Hogue, senior economist, RBC. “Increases in housing prices have been relatively subdued in recent months, overall, which should keep affordability at attractive levels in the near future.”

The RBC Affordability measures for Atlantic Canada, which capture the proportion of pre-tax household income needed to service the costs of owning a home, declined across most housing types in the fourth quarter of 2009 (a drop in the measure means an improvement in affordability). Affordability of the detached bungalow benchmark moved down to 31.1 per cent (a drop of 0.6 percentage points relative to the third quarter), the standard townhouse was unchanged at 26.9 per cent, the standard condominium marginally dipped to 25.5 per cent (down 0.1 percentage point) and the standard two-story home decreased to 36.1 per cent (down 0.3 percentage points).

“All housing affordability measures in the region remain below long-term averages, except for condominiums,” added Hogue. “Attractive affordability levels should support brisk real estate activity in Atlantic Canada in 2010, particularly in major markets like St. John’s.”

RBC’s Housing Affordability measure for a detached bungalow in Canada’s largest cities is as follows: Vancouver 69 per cent (up 1.4 percentage points), Toronto 49.1 per cent (up 0.1 percentage point), Ottawa 40.4 per cent (down 0.3 percentage points), Montreal 39.1 per cent (up 0.9 percentage points), Calgary 37.1 per cent (up 0.1 percentage point) and Edmonton 32.9 per cent (down 0.4 percentage points).

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

The RBC Housing Affordability measure, which has been 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 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:** Homeownership costs are rising in B.C. as very strong demand and a limited supply of homes for sale combine to propel prices substantially higher. All home affordability measures are above long-term averages in the province, a trend that is likely to continue in the near term.
- **Alberta:** The lagging economic recovery in Alberta, compared to other provinces, has stabilized housing affordability rates. Excessive supply left over from last year's downturn and housing slump has limited increases in housing prices. Attractive affordability levels and additional economic recovery should boost housing demand over the next year.
- **Saskatchewan:** Increased supply and lessened demand has put a damper on the housing market in the province, as the real estate market cooled from the heightened resale activity in the spring and summer. While home affordability improved in the province, the cost of owning a home still remains historically high.

- **Manitoba:** Manitoba's real estate market picked up considerably over the last quarter of 2009. Prices for condominiums and two-storey homes rose significantly, causing affordability levels to deteriorate in the province. Despite these increases, affordability levels are in line with long-term averages as Manitobans still see the costs associated with owning a home as manageable.
- **Ontario:** The housing market in Ontario has staged a remarkable recovery in the past year. Resale activity has recently reached record levels as prices have rebounded to new heights in most housing categories. This has caused only limited damage to housing affordability in the province as lower mortgage rates and growth in household income kept affordability levels close to long-term averages.
- **Quebec:** The provincial rally in the resale housing market shows few signs of slowing, as property values have fully recovered what little ground was lost during the downturn early last year. Home prices have risen substantially for most housing categories in the fourth quarter in Quebec, causing some of the sharper deteriorations in affordability among provinces.

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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