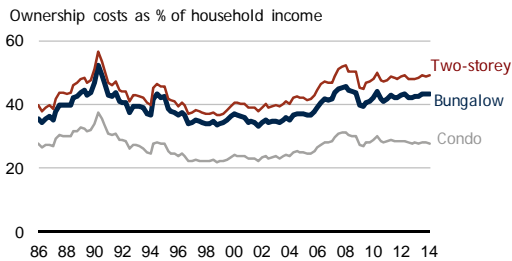


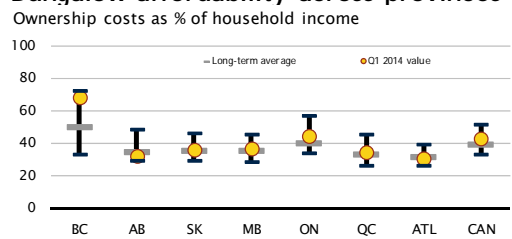
HOUSING TRENDS AND AFFORDABILITY

May 2014

RBC Housing Affordability Measures - Canada

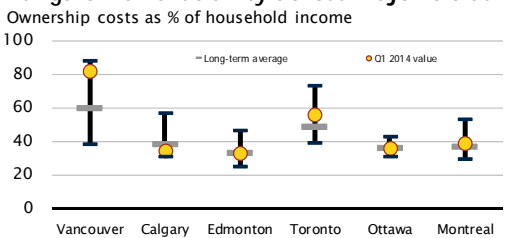


Bungalow affordability across provinces



Note: the top of each scale is the all-time high; the bottom, the all-time low.

Bungalow affordability across major cities



Note: the top of each scale is the all-time high; the bottom, the all-time low.

Source: Statistics Canada, Royal LePage, RBC Economics Research

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Rising home prices weighed on housing affordability in Canada in the first quarter of 2014

There was some erosion in housing affordability in Canada in the first quarter of 2014 despite the helping hand of a decline in fixed mortgage rates. The dominant factor weighing on affordability was the further acceleration in home price increases—particularly for single-family homes—in top-tier markets, which boosted ownership costs in Canada. Single-family home prices in Calgary, Toronto, Vancouver, and, to a lesser degree, Edmonton provided substantial upward momentum, thereby leading to the strongest annual price gains at the national level in nearly two years. Overall conditions in the condo segment were not nearly as robust, however, and affordability improved slightly in this category. As intense competition in the mortgage lending business brought down fixed mortgage rates during the first quarter of this year, there was scope for generalized declines in homeownership costs across the country. In the event, higher prices took precedence in the single-family home segments and stood in the way of a second-straight broad-based quarterly improvement in affordability. That being said, this latest erosion was modest at the national level and did not pose any immediate threat to the health of the market. RBC’s affordability measures rose by 0.1 percentage point to 43.2% for detached bungalows and by 0.3 percentage points to 49.0% for two-storey homes (an increase represents deterioration in affordability). The RBC measure for condominium apartments, however, edged lower by 0.1 percentage points to 27.9%.

Stable multi-year trends, except in Toronto and Vancouver

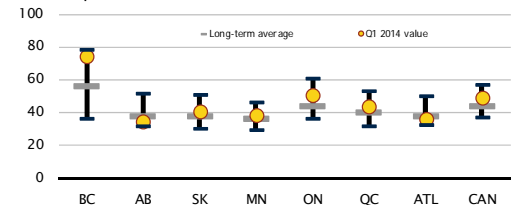
Multi-year trends continue to show fairly stable affordability levels at the national level that suggest persistent, albeit moderate affordability-related pressures. The most recent values of RBC’s measures are little changed from where they were in 2010 and remain modestly above long-term averages. At the local level, however, trends deteriorated for single-family homes in Toronto and Vancouver (notwithstanding substantial volatility). In these markets, owning a single-family home has become quite a stretch, budget-wise, for the ‘average’ homebuyer. Condos continue to be the more affordable ownership option, which largely explains the popularity of this type of housing not only in these markets but also across many of Canada’s metropolitan areas.

Affordability slips relative to the previous quarter in most markets

The majority of local markets saw affordability slip in the first quarter of 2014 relative to the previous quarter. Toronto and Calgary recorded some of the bigger increases in RBC’s measures (concentrated in the two-storey home segment), although increases were generally modest elsewhere. Still, a strong minority of areas experienced an improvement in two or more housing categories, including Ottawa, and markets in Saskatchewan, Manitoba, and Atlantic Canada. The picture was mixed in Montreal.

Two-storey affordability across provinces

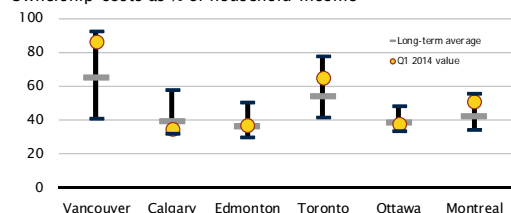
Ownership costs as % of household income



Note: the top of each scale is the all-time high; the bottom, the all-time low.

Two-storey affordability across major cities

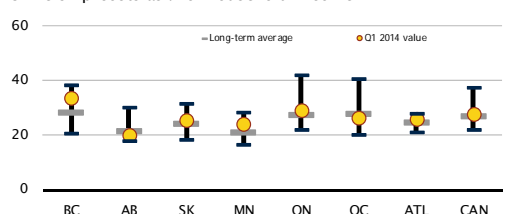
Ownership costs as % of household income



Note: the top of each scale is the all-time high; the bottom, the all-time low.

Condo affordability across provinces

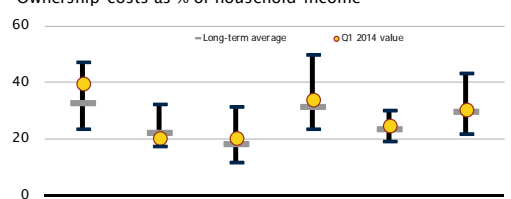
Ownership costs as % of household income



Note: the top of each scale is the all-time high; the bottom, the all-time low.

Condo affordability across major cities

Ownership costs as % of household income

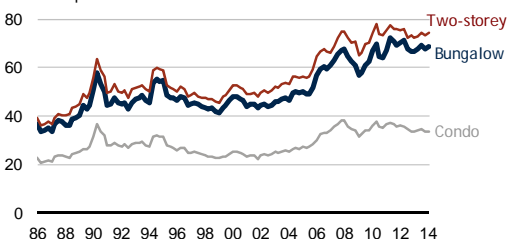


Note: the top of each scale is the all-time high; the bottom, the all-time low.

RBC Housing Affordability Measures

British Columbia

Ownership costs as % of household income



Source: Statistics Canada, Royal LePage, RBC Economics Research

Relatively few homes were available for sale

Faster-rising home prices in the first quarter reflected tight demand-supply conditions in markets such as Calgary, Toronto, and, to a lesser extent, Vancouver. Generally speaking, upward pressure on prices emanated principally from a dearth of homes offered for sale and not necessarily because homebuyer demand was particularly hot, although strong demand clearly was a defining feature of the Calgary market. For the most part, home resales were subdued across Canada this past winter, declining by 4.8% between the fourth quarter of 2013 and first quarter of 2014. Poor weather likely restrained activity—possibly quite materially in certain markets—and we expect this softness to reverse when better weather returns in the coming months. Indeed, data for April hinted that this process is already underway in several markets. At the national level, April home resales picked up smartly, climbing the most (by 2.7% month over month) since August last year.

Resale activity to reach a ‘cruising altitude’ later this year

Despite an uneven start across the country, we expect the rest of the spring season to show more broad-based vigour, thanks in large part to the stimulative effect of the recent reductions in fixed mortgage rates (now at historical lows). This anticipated strengthening in resales will be short-lived, however, because we believe that there will be minimal pent-up demand to satisfy in the first place, and that longer-term interest rates will start to rise materially by the third quarter of this year. We expect resale activity to stabilize later this year at a ‘cruising altitude’ corresponding to its long-term average (on a per capita basis). Overall, we project home resales to rise modestly by 0.8% in 2014 to just over 461,000 units in Canada, which would still be close to the 10-year average of 467,000 units.

Rising interest rates could erode affordability later in 2014

The outlook for housing affordability in Canada continues to be mixed although the risks are skewed toward deterioration in both the near and medium terms. In the near term, should price increases continue to accelerate in key Canadian markets, homeownership costs may escalate to increasingly uncomfortable levels. A potential offset could come from mortgage rates dropping further and/or household income growing much more rapidly, however. In the medium term, the eventual normalization of monetary policy will lead to substantial rises in interest rates, which may be too much for other affordability determinants to counteract. That being said, we expect the Bank of Canada to proceed gradually in normalizing its overnight rate (starting in the middle of 2015), and this will cause bond yields to drift only gently upward as a result, thereby containing the risk of higher rates unhinging affordability in Canada.

Provincial overviews

British Columbia – Single-family homes less affordable

Housing affordability continues to be poor in British Columbia; however, developments diverged between the single-family home and condo segments in the first quarter of 2014. Strong price increases for detached bungalows and two-storey homes led to higher homeownership costs in these categories, whereas comparatively contained condo appreciation kept their affordability unchanged. RBC’s measures rose by 1.2 percentage points for two-storey



homes and by 0.9 percentage points for bungalows to 74.2% and 68.4%, respectively. The measure for condos remained at 33.6%. In the first quarter, home resales in the province fell for the second straight quarter by 4.3%; nonetheless, this easing followed substantial increases from low levels earlier in 2013. Compared to a year ago, home resales were still up by more than 20% in the first three-month period of 2014. Last year's rebound in activity countered concerns about a protracted downturn in the BC housing market.

Alberta – Vibrant, under control, and affordable: what's not to like?

Alberta's housing markets continued to be among the stronger ones in Canada, supported by a booming economy, rapidly rising population, and attractive affordability. First-quarter home resales were 9.0% above the 10-year average, which contributed to keeping demand-supply conditions fairly tight in the province's largest markets. Activity stabilized in the past two quarters, however, thereby indicating that trends remain under control with few signs of overheating. While generally up solidly from a year ago, home prices were tame in the first quarter. With no added pressure coming from prices, housing affordability remained predominantly flat in the first quarter. RBC's measures rose only slightly by 0.1 percentage points to 32.6% for detached bungalows and 0.4 percentage points to 20.2% for condominium apartments, while the measure for two-storey homes was unchanged at 34.4%. All RBC's measures continue to be below their long-term average in the province.

Saskatchewan – Weather not poor affordability to blame for winter slowdown

Owning a home in Saskatchewan became slightly more affordable for the most part in the first quarter. RBC's measures fell in two of three categories, with the one segment showing a rise (two-storey homes) only reversing a decline that took place the previous quarter. The drops in the measures amounted to 0.6 percentage points for bungalows (to 36.4%) and 0.1 percentage points for condo apartments (to 25.4%) while the rise for two-storey homes was 0.5 percentage points (to 40.7%). The latest data maintain the housing affordability trends prevailing in the province since 2009, which have been essentially flat near historical norms, and thereby continue to suggest that affordability plays a largely neutral role in home-buying decisions in the province. First-quarter home resales declined for the second-consecutive quarter (by 5.5%); however, poor weather this winter may be mostly to blame. A sharp snapback in April (resales jumped 7.0% from March) is consistent with the view that the recent slowdown will prove to be temporary.

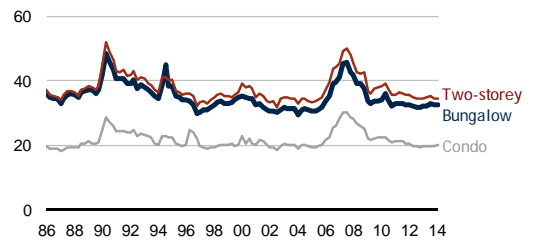
Manitoba – Spring weather and some improvement in affordability to spur buyers

Dreadfully cold temperatures this winter no doubt also disturbed housing market activity in Manitoba in the first quarter. Home resales plunged by 6.6% from the fourth quarter, thereby reversing most of the gains made in the previous three quarters. The arrival of spring, however, is likely to spur homebuyers back into action, as the 5.0% monthly increase in April seems to indicate. Buyers will enjoy more than just better weather, since they bene-

RBC Housing Affordability Measures

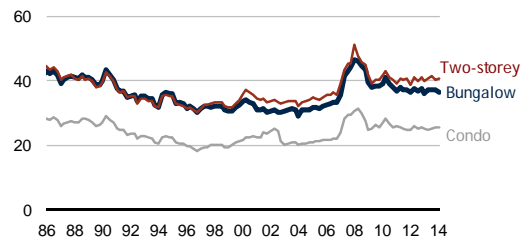
Alberta

Ownership costs as % of household income



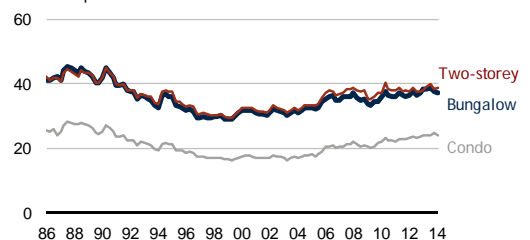
Saskatchewan

Ownership costs as % of household income



Manitoba

Ownership costs as % of household income

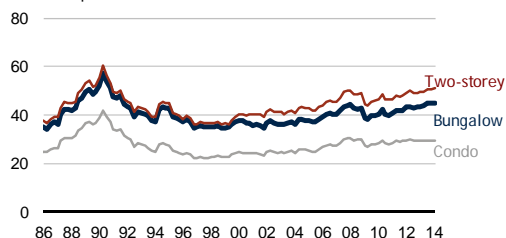


Source: Statistics Canada, Royal LePage, RBC Economics Research

RBC Housing Affordability Measures

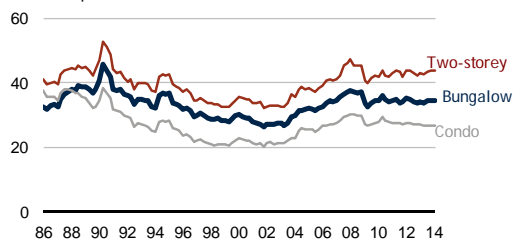
Ontario

Ownership costs as % of household income



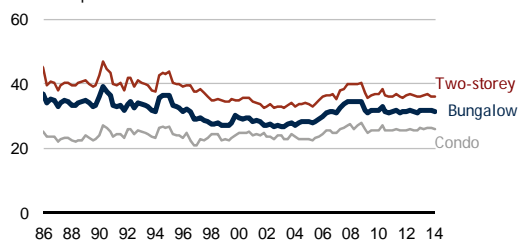
Quebec

Ownership costs as % of household income



Atlantic Provinces

Ownership costs as % of household income



Source: Statistics Canada, Royal LePage, RBC Economics Research

fit from some improvement in affordability in the latest period. RBC's measures for bungalows and condominium apartments fell in the first quarter—by 0.4 percentage points and 0.6 percentage points, respectively—to their lowest levels in almost a year. Even the measure for two-storey homes, which rose modestly by 0.3 percentage points, is still lower than it was last spring. Strong increases in the number of homes available for sale since last year brought more choices to buyers and likely will subdue future price gains.

Ontario – Affordability trends continue to deteriorate for single-family homes

Recent trends continue to point to a consistently eroding affordability picture in Ontario, particularly for single-family home categories. RBC's measures were at 24-year highs for both bungalows (44.9%) and two-storey homes (51.0%) in the first quarter, and the measure for condo apartments (29.4%), while barely rising in recent years, was not that much below its multi-decade peak. Ontario homebuyers no doubt will take little solace in the fact that affordability eroded only minimally in the first quarter (only the measure for two-storey homes went up modestly by 0.4 percentage points; the bungalows measure was unchanged, and the condos measure fell slightly by 0.3 percentage points), despite appreciable price increases taking place in some of the province's major markets. Fairly poor affordability makes owning a home, especially a detached home in a major market such as Toronto, increasingly a stretch for most households in Ontario. Home resales fell by 7.5% in Ontario in the first quarter to a level that was more than 7% below the 10-year average. Poor weather and a lack of listings likely were primary causes for this drop; however, stretched affordability also may have played some role.

Quebec – Activity weakens further despite mostly neutral affordability levels

Quebec's housing market continued to soften in the first quarter. Home resales declined by 2.2% from the fourth quarter, thereby representing the sixth drop in the past eight quarters. On a seasonally adjusted basis, the market was the weakest it has been since early 2009, which was during at the worst of the recession. Contrary to developments in most other provincial markets, there was no real sign of a rebound in April in Quebec; consequently, any adverse winter weather effect may have been only secondary in this market. It also is unlikely that affordability constraints played much of a role either. Housing affordability remains close to historical norms in the province (except perhaps in the two-storey home category) and did not erode much or at all in the latest period. RBC's measures rose slightly by 0.2 percentage points for bungalows (to 34.5%) and 0.1 percentage points for two-storey homes (to 43.7%) in the first quarter, whereas the measure for condo apartments edged 0.1 percentage points lower (to 26.6%). A spotty job market could be undermining homebuyer confidence at this stage.

Atlantic – Mostly favourable affordability insufficient to energize market

Housing affordability predominantly improved in Atlantic Canada in the first quarter, yet this did little to pull the regional housing market out of its slump. RBC's measures declined for detached bungalows (by 0.4 percentage points to 31.2%) and condo apartments (by 0.4 percentage points to 25.9%) in the latest

period. Even if the measure for two-storey homes moved upward slightly (by 0.2 percentage points to 36.2%), its level remained below the long-term average. In fact, all affordability measures continue to compare reasonably favourably to historical averages in the region. In other words, affordability should not be a major deterrent for homebuyers at this stage. Nonetheless, home resales hit a nine-year low in the region in the first quarter and stood nearly 14% below the 10-year average. Activity was particularly depressed in Halifax where resales were the weakest in 19 years. Saint John also posted the softest numbers in 10 years. While the tough weather conditions probably contributed to the slump, homebuyer demand likely is restrained by poor labour market conditions and weak demographics.

Major city markets

Vancouver – Rising prices: good for confidence, not so much for affordability

Market sentiment visibly turned much more upbeat in the Vancouver area since last fall when resales reversed most of the losses that occurred in 2012 and the early part of 2013. A more convincing sign that the market was back on track, however, may have been the resumption of price increases in the area, following a nearly year-long slide. The persistence of the rising trend in prices so far this year probably helped to overcome any doubt that might have crept in from the slowing in activity in the first quarter. Home resales fell by 6.5% in the area in the first quarter and stood 8.5% below the 10-year average—not exactly a sign of a ‘hot’ market. Upside from current levels may be limited given the market’s long-standing poor affordability. With prices back in growth mode, the modest improvement in affordability registered in the last two years will be difficult to replicate. In the latest period, affordability mostly deteriorated. RBC’s measures rose for both bungalows (by 0.9 percentage points to 82.4%) and two-storey homes (by 0.6 percentage points to 86.5%). On the other hand, the measure for condos declined for the third straight quarter (by 1.0 percentage point to 39.9%).

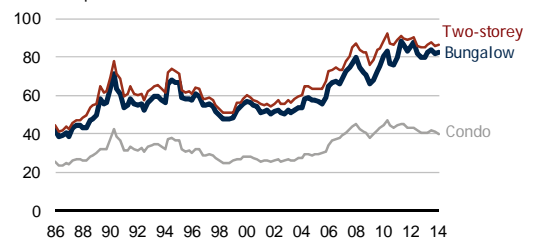
Calgary – Star performer

Calgary’s housing market pretty much has everything going for it at the moment: a strong economy, solid demographic demand, and attractive affordability. The trend in activity clearly is sloping upward (home resales climbed a further 2.2% in the latest quarter), yet it shows few signs that the market is getting ahead of itself. Home prices are rising at the fastest rate in the country, yet these increases can be absorbed fairly easily given Calgary’s high (and growing) household income levels. Housing affordability has eroded slightly in the past year (including in the first quarter), yet it remains at historically favourable levels. All RBC’s measures for the area continue to be well below their long-term averages, which suggest that developments to date in the Calgary-area market have been quite sustainable. In the first quarter, RBC’s measures increased in all three categories: by 0.9 percentage points for bungalows (to 34.5%), 1.0% for two-storey homes (to 35.0%) and 0.5 percentage points for condo apartments (to 20.4%).

RBC Housing Affordability Measures

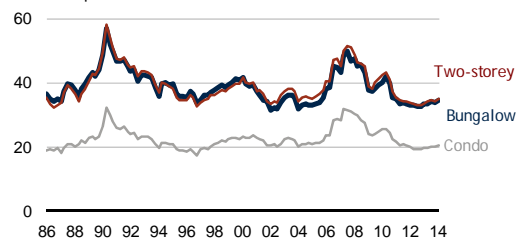
Vancouver

Ownership costs as % of household income



Calgary

Ownership costs as % of household income

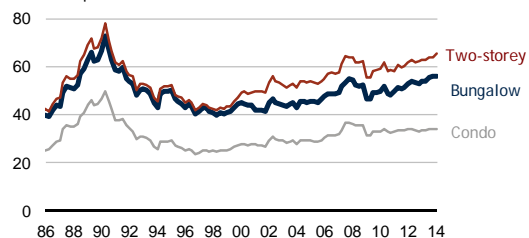


Source: Statistics Canada, Royal LePage, RBC Economics Research

RBC Housing Affordability Measures

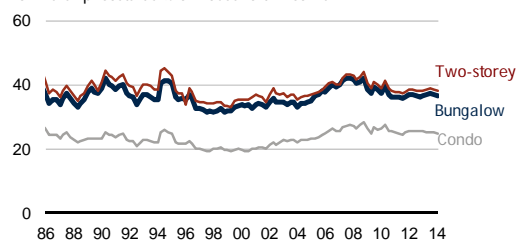
Toronto

Ownership costs as % of household income



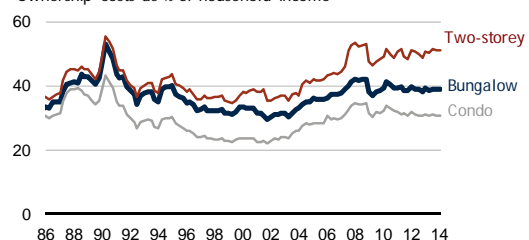
Ottawa

Ownership costs as % of household income



Montreal

Ownership costs as % of household income



Source: Statistics Canada, Royal LePage, RBC Economics Research

Toronto – Heat from an unusual source

With stories of bidding wars frequently making news headlines, it would be natural to think of the Toronto-area market as ‘hot’. Indeed, rates of price increases exceeding 7% certainly make a strong argument in favour of that view. Interestingly, however, Toronto’s recent heat emanated from an unusual source: a lack of homes available for sale. Home resales, themselves, have not been particularly high (or hot). In fact, home resales not only fell by 7.5% in the first quarter of 2014 (probably due in large part to poor weather) but also stood 7.3% below the 10-year average. Rather, it is the fact that new listings plummeted by 8.6% cumulatively in the past quarters that contributed most to the fairly tight demand-supply conditions in the area. Strong price increases obviously have negative implications for housing affordability. Affordability trends deteriorated substantially in recent years in the Toronto area, particularly for single-family home categories. This again was the case in the first quarter, with all RBC’s measures moving up by between 0.1 and 1.3 percentage points.

Ottawa – Still lacklustre but affordability not really an issue

The Ottawa-area market continued to be lacklustre so far in 2014 despite some improvement in affordability. Home resales declined for the second-straight quarter in the first quarter of this year by 3.3%, thereby reaching their lowest levels since mid-2010. Demand-supply conditions weakened further due to the fact that new listings edged higher by 0.9% in the latest period. Higher home inventories in turn transferred more power into the hands of buyers, which applied heavy downward pressure on home prices. Price increases ground to a halt for the most part in the first quarter and even went into reverse in the case of condo apartments. The upside of these developments has been that housing affordability improved across all housing types in the Ottawa area. RBC’s measures fell by 0.5 percentage points for bungalows (to 36.4%), two-storey homes (to 38.1%), and condo apartments (to 24.7%). The levels for all three measures remain very close to historical norms, thereby continuing to suggest little in way of undue stress on local homebuyers.

Montreal – Struggling to turn around

It is becoming increasingly clear that the Montreal-area market is struggling to turn around. There were tentative signs of strengthening demand in the middle of last year; however, these were not sustained. Home resales weakened again in the two most recent quarters. With results for April showing further month-to-month decline, any convincing snapback may have to wait longer still. Soft demand comes at a time when the supply of homes available for sale is expanding rapidly, especially for condo apartments. Rising home inventory, in turn, applies increasing downward pressure on prices—to date, they are still rising but at a fairly slow pace, primarily for condo apartments. Housing affordability, meanwhile, continues to be range-bound in the area at levels that generally should not deter homebuyers. The two-storey home segment may be an exception, however, as RBC’s measure for this category exceeds its long-term average quite materially. In the first quarter, RBC’s measures edged higher for bungalows (by 0.1 percentage points), were unchanged for two-storey homes, and declined by 0.2 percentage points for condos.

How the RBC Housing Affordability Measures work

The RBC Housing Affordability Measures show the proportion of median pre-tax household income that would be required to service the cost of mortgage payments (principal and interest), property taxes, and utilities on a detached bungalow, a standard two-storey home and a standard condo (excluding maintenance fees) at the going market prices.

The qualifier 'standard' is meant to distinguish between an average dwelling and an 'executive' or 'luxury' version. In terms of square footage, a standard condo has an inside floor area of 900 square feet, a bungalow 1,200 square feet, and a standard two-storey 1,500 square feet.

The measures are based on a 25% down payment, a 25-year mortgage loan at a five-year fixed rate, and are estimated on a quarterly basis for each province and for Montreal, Toronto, Ottawa, Calgary, Edmonton, and Vancouver-metropolitan areas. The measures use household income rather than family income to account for the growing number of unattached individuals in the housing market. The measure is based on quarterly estimates of this annual income, created by annualizing and weighting average weekly earnings by province and by urban area. (Median household income is used instead of the arithmetic mean to avoid distortions caused by extreme values at either end of the income distribution scale. The median represents the value below and above which lays an equal number of observations.)

The RBC Housing Affordability Measure is based on gross household income estimates and, therefore, does not show the effect of various provincial property-tax credits, which could alter relative levels of affordability.

The higher the measure, the more difficult it is to afford a house. For example, an affordability measure of 50% means that home ownership costs, including mortgage payments, utilities, and property taxes take up 50% of a typical household's pre-tax income.

Qualifying income is the minimum annual income used by lenders to measure the ability of a borrower to make mortgage payments. Typically, no more than 32% of a borrower's gross annual income should go to 'mortgage expenses'—principal, interest, property taxes, and heating costs (plus maintenance fees for condos).

Summary tables

Detached bungalow

Region	Average Price			Qualifying Income (\$) Q1 2014	RBC Housing Affordability Measure			
	Q1 2014 (\$)	Q/Q % ch.	Y/Y % ch.		Q1 2014 (%)	Q/Q Ppt. ch.	Y/Y Ppt. ch.	Avg. since '85 (%)
Canada*	386,500	1.8	5.0	81,200	43.2	0.1	0.8	39.2
British Columbia	638,100	3.6	6.0	121,500	68.4	0.9	1.8	50.6
Alberta	378,900	-0.2	4.7	80,800	32.6	0.1	0.6	35.1
Saskatchewan	348,900	-0.7	2.0	74,200	36.4	-0.6	0.2	36.0
Manitoba	310,300	0.6	0.4	68,100	37.3	-0.4	-1.0	35.7
Ontario	418,600	1.8	5.8	88,900	44.9	0.0	1.3	40.3
Quebec	255,200	1.6	3.7	56,600	34.5	0.2	0.2	33.3
Atlantic	220,000	-0.4	0.6	52,500	31.2	-0.4	-0.5	31.7
Toronto	597,800	2.4	7.4	119,800	56.1	0.2	2.4	48.7
Montreal	301,300	1.2	2.3	65,400	38.9	0.1	-0.1	36.9
Vancouver	832,600	3.2	5.9	155,100	82.4	0.9	2.4	60.1
Ottawa	396,900	0.1	1.8	89,300	36.4	-0.5	0.0	36.4
Calgary	480,200	2.4	6.3	96,700	34.5	0.9	1.2	38.5
Edmonton	344,700	-0.9	4.5	75,800	32.9	-0.2	0.4	33.3

Standard two-storey

Region	Average Price			Qualifying Income (\$) Q1 2014	RBC Housing Affordability Measure			
	Q1 2014 (\$)	Q/Q % ch.	Y/Y % ch.		Q1 2014 (%)	Q/Q Ppt. ch.	Y/Y Ppt. ch.	Avg. since '85 (%)
Canada*	435,900	2.4	5.3	92,200	49.0	0.3	1.0	43.7
British Columbia	688,400	3.8	6.2	131,700	74.2	1.2	2.1	55.8
Alberta	387,600	-1.1	1.7	85,300	34.4	0.0	-0.1	37.6
Saskatchewan	387,100	3.2	3.3	83,100	40.7	0.5	0.7	37.4
Manitoba	319,500	2.9	5.8	70,400	38.6	0.3	0.6	36.6
Ontario	474,100	3.0	6.0	101,100	51.0	0.4	1.6	44.0
Quebec	326,900	1.0	5.2	71,600	43.7	0.1	0.8	39.9
Atlantic	247,800	1.8	2.8	60,800	36.2	0.2	0.0	37.9
Toronto	691,300	4.3	7.2	139,400	65.3	1.3	2.7	54.3
Montreal	403,700	1.1	3.4	85,600	50.9	0.0	0.2	42.5
Vancouver	869,300	2.8	4.8	162,900	86.5	0.6	1.6	65.3
Ottawa	404,700	0.2	1.9	93,500	38.1	-0.5	0.1	38.6
Calgary	472,600	2.5	7.5	98,300	35.0	1.0	1.6	39.0
Edmonton	385,700	2.8	4.0	85,700	37.1	0.8	0.3	36.6

Standard condominium

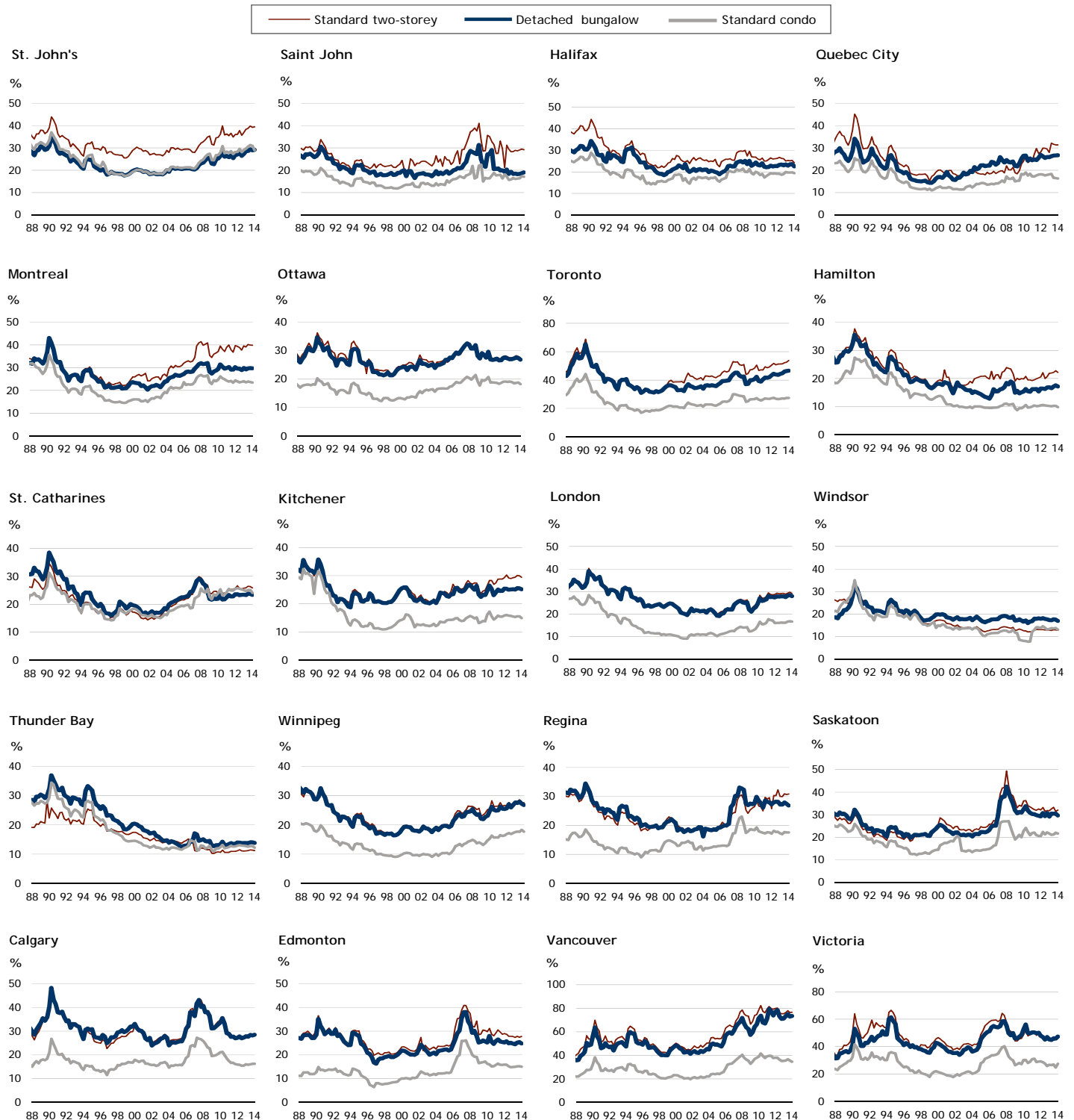
Region	Average Price			Qualifying Income (\$) Q1 2014	RBC Housing Affordability Measure			
	Q1 2014 (\$)	Q/Q % ch.	Y/Y % ch.		Q1 2014 (%)	Q/Q Ppt. ch.	Y/Y Ppt. ch.	Avg. since '85 (%)
Canada*	242,400	0.7	2.2	52,400	27.9	-0.1	0.0	27.0
British Columbia	301,500	1.8	2.0	59,600	33.6	0.0	-0.2	28.4
Alberta	228,000	1.8	4.9	50,100	20.2	0.4	0.5	21.6
Saskatchewan	243,500	0.8	2.3	51,800	25.4	-0.1	0.2	24.0
Manitoba	204,700	-1.4	4.6	44,000	24.1	-0.6	0.1	21.2
Ontario	266,200	0.5	2.5	58,200	29.4	-0.3	0.2	27.6
Quebec	196,100	0.2	0.1	43,600	26.6	-0.1	-0.5	27.7
Atlantic	188,500	-0.7	0.8	43,600	25.9	-0.4	-0.4	24.5
Toronto	351,900	2.2	4.7	73,000	34.2	0.1	0.8	31.3
Montreal	237,900	0.3	0.3	51,300	30.5	-0.2	-0.6	29.5
Vancouver	391,500	-0.9	0.9	75,100	39.9	-1.0	-0.6	32.9
Ottawa	269,200	-0.8	-1.5	60,600	24.7	-0.5	-0.6	23.5
Calgary	274,700	1.8	5.3	57,200	20.4	0.5	0.6	22.3
Edmonton	208,800	0.3	5.1	46,800	20.3	0.1	0.4	18.2

* Population weighted average

Source: Royal LePage, Statistics Canada, RBC Economics Research

Mortgage carrying costs by city

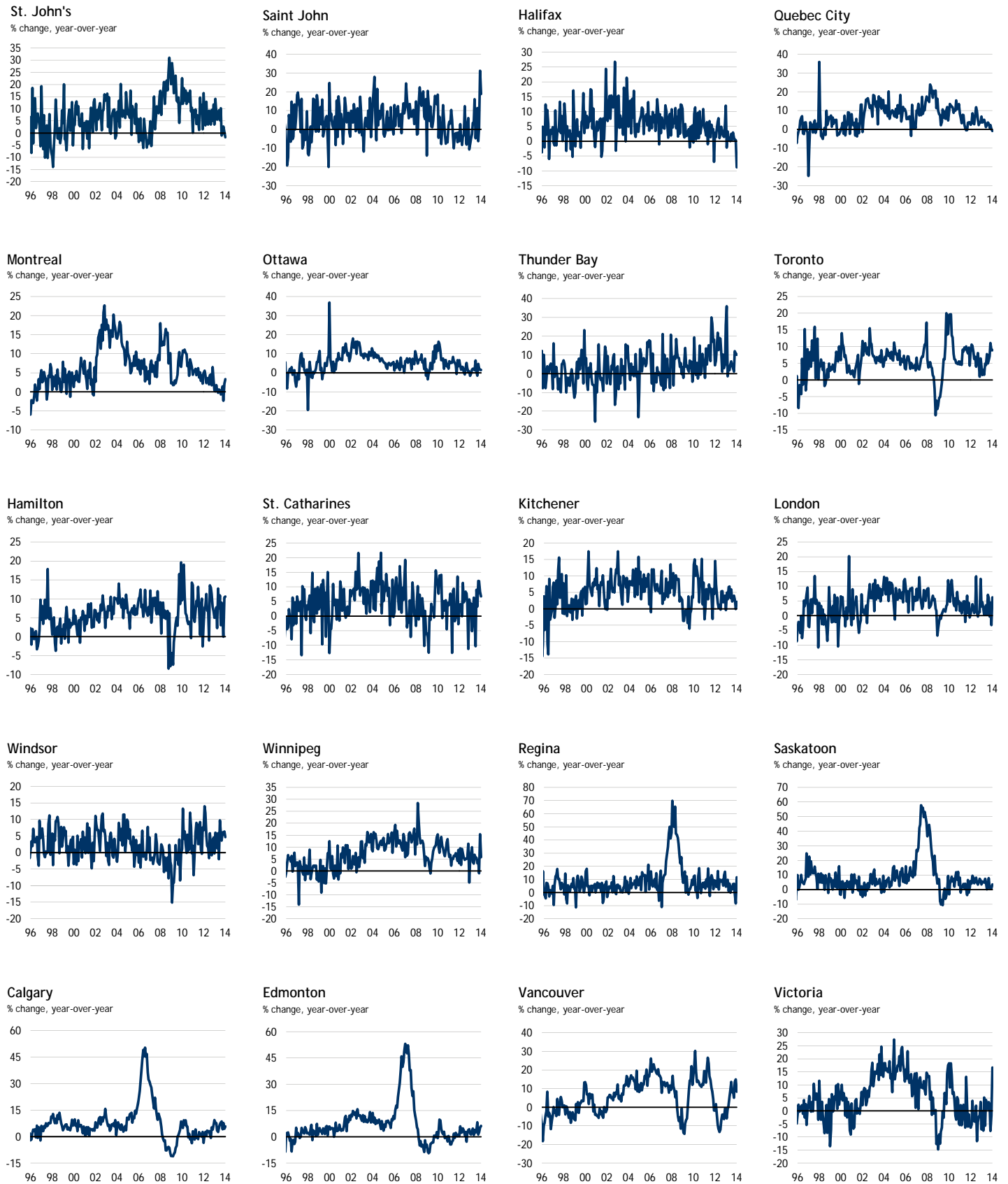
Our standard RBC Housing Affordability Measure captures the proportion of median pre-tax household income required to service the cost of a mortgage on an existing housing unit at going market prices, including principal and interest, property taxes and utilities; the modified measure used here includes the cost of servicing a mortgage, but excludes property taxes and utilities due to data constraint in the smaller CMAs. This measure is based on a 25% down payment, a 25-year mortgage loan at a five-year fixed rate, and is estimated on a quarterly basis. The higher the measure, the more difficult it is to afford a house.



Source: Statistics Canada, Royal LePage, RBC Economics Research



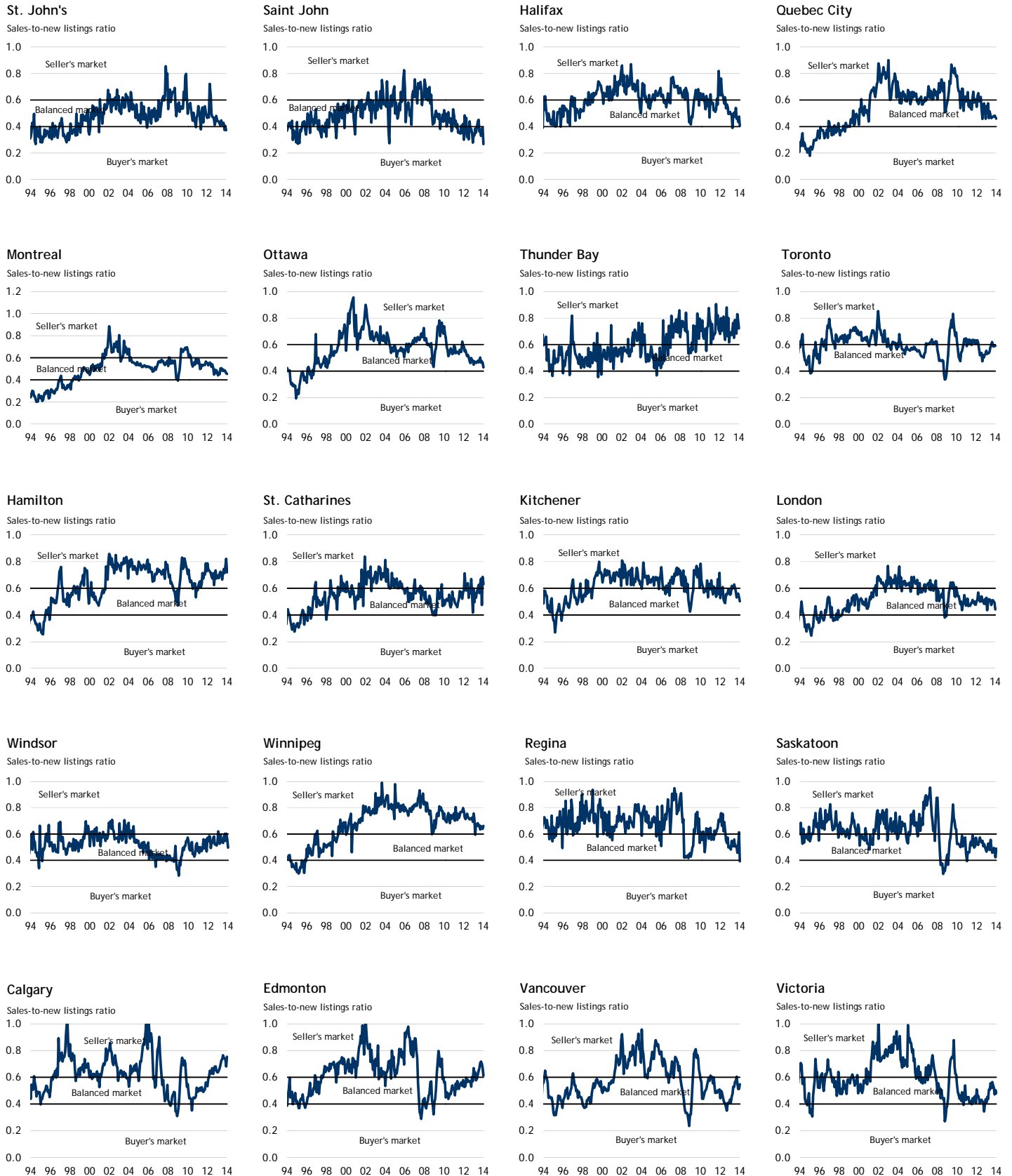
Average price of homes sold on the MLS system



Source: Canadian Real Estate Association, RBC Economics Research



Home sales-to-new listings ratio



Source: Canadian Real Estate Association, RBC Economics Research



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