



MANITOBA'S HOUSING AFFORDABILITY IMPROVES IN Q1 2014: RBC ECONOMICS

TORONTO, May 27, 2014 — Manitoba's housing affordability made modest improvements in the first quarter of 2014, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

Frigid winter temperatures disturbed housing market activity in the first quarter, with home resales plunging by 6.6 per cent from the fourth quarter, reversing most of the gains made in the previous three quarters. RBC says, however, that April resales were 5.0 per cent higher than March, which indicates that the spring season is likely to spur homebuyers back into action.

"Manitoba homebuyers will not only benefit from better weather this spring, but also an overall improvement in affordability conditions," said Craig Wright, senior vice-president and chief economist, RBC. "Measures for both bungalows and condominiums fell to their lowest levels in almost a year, and though rising slightly this quarter, the measure for two-storey homes is still lower than last spring."

RBC notes that 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.

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, decreased for two of the three categories in the first quarter of 2014 (a decline in the measure represents improvement in affordability).

RBC's affordability measures eased by 0.4 percentage points to 37.3 per cent for bungalows and by 0.6 percentage points to 24.1 per cent for condominium apartments. The measure for two-storey homes rose modestly by 0.3 percentage points to 38.6 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in the first quarter of 2014 is as follows: Vancouver 82.4 (up 0.9 percentage points from the previous quarter); Toronto 56.1 (up 0.2 percentage points); Montreal 38.9 (up 0.1 percentage points); Ottawa 36.4 (down 0.5 percentage points); Calgary 34.5 (up 0.9 percentage points); Edmonton 32.9 (down 0.2 percentage points).

The RBC Housing Affordability Measure, which has been compiled since 1985, is based on the calculated costs of owning a detached bungalow (a reasonable property benchmark for the housing market in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household's monthly pre-tax income.

It is important to note that RBC's measure is designed to gauge ownership costs associated with buying a home at present market values. It is not a representation of the actual costs incurred by current owners, the vast majority of whom have bought in the past at significantly different values than those prevailing in the latest period.

Highlights from across Canada:

British Columbia: single-family homes less affordable

- Housing affordability continues to be poor in British Columbia. RBC measures rose 1.2 percentage points for two-storey homes and 0.9 percentage points for bungalows to 74.2 per cent and 68.4 per cent, respectively. The measure for condos remained unchanged at 33.6 per cent.

Alberta: attractive housing affordability conditions

- The provincial housing market continues to be among the stronger in Canada, supported by a booming economy, rapidly rising population and attractive affordability. RBC's measures rose a slight 0.1 percentage points to 32.6 per cent for bungalows and 0.4 percentage points to 20.2 per cent for condominiums. The measure for two-storey homes was unchanged at 34.4 per cent.

Saskatchewan: affordability plays a neutral role

- Owning a home in Saskatchewan became slightly more affordable for the most part in Q1 2014. RBC's measures fell in two of the three categories – bungalows by 0.6 percentage points to 36.4 per cent and condominiums by 0.1 percentage points to 25.4 per cent. The rise in the measure for two-storey homes – 0.5 percentage points to 40.7 per cent – reversed a decline that took place in the previous quarter.

Ontario: affordability deteriorates in single-family homes

- First quarter affordability measures point to a consistently eroding affordability picture in the province, particularly for single-family homes. RBC's measures stood at 24-year highs for bungalows at 44.9 per cent and two-storey homes at 51.0 per cent. The measure for condominiums was 29.4 per cent – not much below its multi-decade peak.

Quebec: housing affordability levels sit close to historical averages

- Housing affordability in the province did not erode much or at all in the first quarter and largely remain close to historical norms. RBC's measures edged higher by 0.2 percentage points for bungalows to 34.5 per cent and 0.1 percentage points for two-storey homes to 43.7 per cent. The measure for condominiums fell 0.1 percentage points to 26.6 per cent.

Atlantic: favourable affordability conditions do little to energize market

- The region's housing affordability conditions largely improved in the first quarter, but did little to pull the market out of its slump. RBC measures declined 0.4 percentage points to 31.2 per cent for bungalows and 0.4 percentage points to 25.9 per cent for condominiums. The measure for two-storey homes rose by 0.2 percentage points to 36.2, but remained below its long-term average.

The full RBC Housing Trends and Affordability report is [available](#) online as of 8 a.m. ET today.

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