



## MANITOBA'S HOUSING AFFORDABILITY STAYS NEUTRAL; MARKET SEES SURGE OF HOMES FOR SALE IN Q2 2014: RBC ECONOMICS

**TORONTO, August 28, 2014** — Housing affordability in Manitoba improved slightly in the second quarter of 2014 though it continued to play a predominantly neutral role on homebuyer demand in the province, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research. RBC says that in Q2 the larger narrative was the strengthening supply of homes for sale in the province.

“Manitoba’s housing activity bounced back as expected in the second quarter from the slowdown caused by frigid temperatures in the first quarter,” said Craig Wright, senior vice-president and chief economist, RBC. “The bigger story though was a surge of homes for sale. New listings – which have been on a steady upward trend for some time – rose to levels almost 14 per cent above where they were a year ago.”

The increase in homes available for sale coincided with a wave of completions of new housing units in the Winnipeg area, which RBC says represents between 85 per cent and 90 per cent of the Manitoba market, and far exceeded a 2.6 per cent increase in resales.

“This is the latest such divergence that resulted in a notable loosening of demand-supply conditions since the end of 2012, and more recently, limited price advances,” added Wright.

Despite relatively affordable conditions, levels remain close to historical norms in the province. 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 all three categories in the second quarter of 2014 (a decline in the measure represents improvement in affordability).

RBC’s affordability measures eased by 0.9 percentage points to 36.3 per cent for detached bungalows, by 0.5 percentage points to 23.7 per cent for condos and by 1.5 percentage points to 37.0 per cent for two-storey homes.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities in the second quarter of 2014 is as follows: Vancouver 81.8 (down 0.3 percentage points from the previous quarter); Toronto 55.9 (down 0.2 percentage points); Montreal 37.3 (down 1.6 percentage points); Ottawa 36.0 (down 0.4 percentage points); Calgary 33.6 (down 0.8 percentage points); Edmonton 31.7 (down 1.1 percentage points).

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 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: affordability broadly improves**

- Housing affordability in the province improved across the board in the second quarter, with two-storey homes and condos reaching their most attractive levels since late 2009. RBC's affordability measures for B.C. fell between 0.9 and 2.0 percentage points. Still, owning a home at market price in an area such as Vancouver continued to be very difficult for an average household to afford.

#### **Alberta: housing affordability remains attractive**

- Escalating prices in the province were largely taken in stride by Alberta homebuyers in Q2 as lower mortgage rates and solid growth in household incomes provided offset. Affordability in the province improved modestly with RBC measures easing between 0.2 and 0.9 percentage points.

#### **Saskatchewan: homebuyers face little undue affordability pressure**

- The provincial housing market rebounded strongly in the second quarter with home resales jumping to a new record-high. At the same time, RBC's affordability measures for Saskatchewan fell between 1.3 and 0.8 percentage points, and stood close to their historical averages.

#### **Ontario: homebuyers undisturbed by affordability strains**

- Housing affordability changed very little in Ontario in the second quarter and homebuyers did not appear to be overly concerned by the fact that affordability remained somewhat stretched for single-family homes. Lower rates were the main factor contributing to marginal declines in RBC's measures for Ontario, which edged lower between 0.1 and 0.2 percentage points.

**Quebec: improved affordability helps halt housing market slide**

- Quebec's housing market activity, which had been falling since early 2012, stabilized in Q2. Home resales rose modestly and the supply of homes for sale grew. Second quarter affordability measures for the province eased for all housing types – between 0.9 and 1.8 percentage points. This improvement in affordability likely helped stabilize the market at the margin in the latest quarter.

**Atlantic Canada: attractive affordability conditions**

- The region's housing affordability conditions improved quite noticeably in the second quarter thanks to lower mortgage rates and subdued price pressures. RBC's measures for Atlantic Canada dropped between 0.9 and 1.8 percentage points.

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

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