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MANITOBA'S HOUSING AFFORDABILITY DETERIORATES FOR SECOND CONSECUTIVE QUARTER: RBC ECONOMICS

TORONTO, MAY 23, 2013 — Affordability in Manitoba's housing market deteriorated for the second straight quarter due to strong price gains across most housing categories, according to the latest Housing Trends and Affordability Report issued today by RBC Economics Research. That said, RBC notes that affordability levels are still not in dangerous territory.

"Manitoba's existing home market had a record year in 2012. Winter 2013, however, was a different story, as home resales particularly weak in February and March," said Craig Wright, senior vice-president and chief economist, RBC. "The weakness might just be the market catching its breath, but it could also reflect the modest deteriorating trend in affordability taking its toll on the province's homebuyers."

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, rose modestly across all housing categories tracked in the first quarter of 2013 (an increase in the measure represents deterioration in affordability). RBC's measures rose by 0.8 percentage points to 38.9 per cent for detached bungalows, 0.4 percentage points to 24.4 per cent for condominium apartments and 0.2 percentage points to 38.7 per cent for two-storey homes.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.3 per cent (up 0.1 percentage points from the previous quarter); Toronto 53.8 per cent (up 0.8 percentage points); Montreal 40.1 per cent (up 0.6 percentage points); Ottawa 39.1 per cent (up 0.1 percentage points); Calgary 38.7 per cent (up 0.8 percentage points); Edmonton 30.4 per cent (down 0.2 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.

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Highlights from across Canada:

- **British Columbia**: affordability improves, but still has a long way to go
  Homeownership in the province became slightly more affordable in the first quarter, though the market has a long way to go before homebuyers can experience more normal levels by historical standards. RBC measures fell by 0.4 percentage points for bungalows and by 1.3 percentage points for two-storey homes. The measure for condominiums remained unchanged.

- **Alberta**: slight erosion in affordability does little to deter homebuyers
  High household incomes in the province kept homebuyers unfazed by the slight erosion in affordability in the first quarter. Alberta's housing market remains a bright spot in Canada despite the fact that affordability measures rose slightly by 0.2 percentage points across all housing types tracked by RBC.

- **Saskatchewan**: biggest affordability improvement in Canada
  Following a noticeable deterioration in the fourth quarter of 2012, Saskatchewan's affordability levels registered the largest improvement across Canada in kicking-off 2013. RBC measures fell by 1.7 percentage points for two-storey homes, 1.0 percentage point for bungalows and 0.3 percentage points for condominiums.

- **Ontario**: affordability conditions extend their recent trends
  Ontario's affordability conditions in the first quarter of 2013 were by and large an extension of recent trends – a deterioration in the single family homes categories and a standstill for the condominium category. RBC's measures for both bungalows and two-storey homes rose by 0.4 percentage points, while the measure for condominiums remained unchanged.

- **Quebec**: affordability variations a mixed bag
  Affordability levels in Quebec remain modestly worse than they have been historically for single family homes, which could be contributing to homebuyers' hesitation in pulling the trigger on purchases over the past year. In the first quarter of 2013, RBC measures were a mixed bag, with bungalows and two-storey homes rising 0.4 percentage points and 0.1 percentage points, respectively, and condominiums declining 0.6 percentage points.

- **Atlantic Canada**: cooling housing market keeps affordability attractive
  Increasingly looser housing market conditions have reduced sellers' pricing power, keeping affordability fairly attractive in Atlantic Canada. First quarter measures rose very modestly, between 0.4 and 0.6 percentage points, for all categories tracked by RBC.

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The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/market/.

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