



MANITOBA HOMEOWNERSHIP COSTS MANAGEABLE DESPITE DIP IN AFFORDABILITY: RBC ECONOMICS

TORONTO, August 27, 2012 — Manitoba's housing market experienced a notable drop in affordability in the second quarter of 2012, but households in the province still benefit from some of the lowest home ownership costs in the country as a share of their income, according to the latest [Housing Trends and Affordability Report](#), issued today by RBC Economics Research.

"Homeownership costs rose in Manitoba in the second quarter, as prices were driven up by very strong demand relative to supply of homes for sale," said Robert Hogue, senior economist, RBC. "Despite this affordability deterioration, levels were only slightly worse than they have been historically, so the situation remains manageable in the province."

RBC's housing affordability measures for Manitoba, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at going market value, increased between 0.4 and 1.9 percentage points (an increase in the measure represents deterioration in affordability).

The measure for the benchmark detached bungalow jumped by 1.9 percentage points to 37.8 per cent, while measures for two-storey homes increased by 1.2 percentage points to 39.6 per cent and measures for condominium apartments rose 0.4 percentage points to 22.6 per cent.

"Manitoba's housing market was quite hot this spring – second quarter home resales recorded the highest pace ever in the province for that period, while monthly figures showed substantial volatility since the beginning of the year," added Hogue. "Resale statistics for June and July indicated that some cooling of activity has taken place more recently."

[Where housing affordability stands in Canada](#)

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 91.0 per cent (up 2.2 percentage points from the previous quarter), Toronto 54.5 per cent (up 0.9 percentage points), Ottawa 41.9 per cent (unchanged), Montreal 40.4 per cent (down 1.0 percentage points), Calgary 36.7 per cent (unchanged) and Edmonton 32.4 per cent (down 0.1 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 costly it is to afford a home based on going market values. 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](#): Affordability situation less severe outside Vancouver

Owning a home at market prices stretched the budgets of B.C.'s households even more in the second quarter of 2012. Affordability remains poor in the province, with RBC measures rising between 0.2 and 1.2 percentage points, although this largely reflects the extremely unaffordable conditions in the Vancouver-area market. The situation is much less severe elsewhere in the province.

- The Vancouver-area continues to be the least affordable market in Canada by a considerable margin. RBC's measures deteriorated further for all types of housing in the area, standing close to the worst levels on record.

[Alberta](#): Lower utility costs help affordability

Markets in Alberta defied the national trend in the second quarter, experiencing widespread improvements in affordability, thanks to significant drops in the prices for electricity and natural gas. RBC measures eased between 0.3 and 0.6 percentage points, to levels well below their long-run averages.

- Calgary's housing market enjoyed stronger home resales and building activity, as well as moderately rising prices, and continues to register one of the most attractive affordability levels among Canada's largest cities.

[Saskatchewan](#): Strong price increases dent affordability

Brisk housing activity over the past year has considerably tightened market conditions and applied upward pressure on home prices in the province, leading to some of the bigger deteriorations in affordability across Canada in the second quarter. The RBC measure for two-storey homes surged by 2.8 percentage points, while measures for condominium apartments and detached bungalows climbed 1.6 and 1.4 percentage points respectively.

[Ontario](#): Slowly deteriorating affordability trends live on

Ontario's homeownership costs rose in the most recent quarter, extending the gradually rising trend seen since 2009. RBC measures increased between 0.1 and 0.8 percentage points, modestly exceeding their long-term average.

- The Toronto area market saw modest deterioration in affordability for the second straight quarter. Homeownership costs consumed a larger share of household income in comparison to the historical average, revealing the presence of some greater-than-usual stress in the market, though mostly in single family home categories. Such stress will weigh on homebuyer demand in the period ahead. Meanwhile, market activity has cooled several degrees in recent months and the earlier tightness has eased.

- There was no change in homeownership costs as a share of household income in the Ottawa area market in the second quarter. RBC measures continue to stand above their long-run average and near their historic peaks, representing a greater-than-normal strain on Ottawa homebuyers. While second quarter existing home sales recorded the third-best ever pace in the area, the market's momentum has shifted down from the brisk pace recorded last year.

Quebec: Affordability trending sideways

Affordability measures in the province trended sideways in the second quarter, moving in the opposite direction of changes registered in the previous period. Following widespread increases earlier this year, RBC measures declined for detached bungalows (0.7 percentage points) and condominium apartments (0.5 percentage points), while the measure for two-storey homes edged higher by 0.2 percentage points for the second consecutive quarter.

- In Montreal, the RBC measures remain roughly in line with historic norms for most housing categories. However, the measure for the two-storey homes segment remained notably above its long-term average, indicating that greater-than-usual tensions will likely persist.

Atlantic Canada: Long-standing favourable affordability position maintained

Moderate affordability deterioration in the Atlantic region continued in the second quarter, with RBC measures rising between 0.3 and 0.7 percentage points, within close range of their long-run averages.

The full RBC Housing Trends and Affordability report is available online, as of 7 a.m. ET today, at rbc.com/economics/market/.

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