



NEWS

ATLANTIC CANADA'S HOUSING MARKET EXPECTED TO SOFTEN IN 2008, SAYS RBC ECONOMICS

HALIFAX, January 24, 2008 — After a year of deteriorating affordability, Atlantic Canada's housing market is expected to soften in 2008 as construction activity gears down, according to a new housing report issued today by RBC Economics.

"Last year, the region's housing affordability had deteriorated as strong house price gains and rising mortgage rates chipped away at conditions," said Derek Holt, assistant chief economist, RBC. "House price growth should moderate from the 10 per cent range last year to the mid single-digit range in 2008, while both fixed and variable mortgage rates are likely to witness significant decreases."

The RBC Housing Affordability report for Atlantic Canada, which measures the proportion of pre-tax household income needed to service the costs of owning a home, deteriorated across all four classes last quarter as the benchmark detached bungalow moved to 32 per cent, the standard townhouse to 27 per cent, the standard condo to 27 per cent and the standard two-storey home to 38 per cent.

Among the Atlantic provinces, housing markets in Nova Scotia and New Brunswick are expected to put in a stronger performance, as a series of major capital projects come under construction, spurring new job opportunities and growth in the region. More employment opportunities in the region should help partially offset the migration outflows (mostly to Western Canada) witnessed over the last few years.

The Housing Affordability measure, which RBC has compiled since 1985, is based on the costs of owning a detached bungalow, a reasonable property benchmark for the housing market. Alternative housing types are also presented including a standard two-storey home, a standard townhouse and a standard condo. The higher the measure, the more costly it is to afford a home. 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.

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Also included in the report are housing affordability conditions for and a broader sampling of cities, including St. John's, Saint John, and Halifax. For smaller cities, RBC has used a narrower measure of housing affordability that only takes mortgage payments relative to income into account.

RBC's Affordability measures for a detached bungalow for Canada's largest cities are as follows: Vancouver, 72 per cent, Calgary, 46 per cent, Toronto, 46 per cent, Montreal, 37 per cent and Ottawa, 32 per cent.

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Highlights from across Canada:

- **British Columbia:** Housing affordability reached into uncharted territory late last year as affordability deteriorated to its worst level since 1985 when RBC started tracking conditions. Modest improvements are expected for 2008.
- **Alberta:** Many prospective homebuyers were priced out of the market last year as housing affordability conditions eroded, pushing markets into unsustainable territory. With a softer influx of migrants, the housing market is poised for a significant slowdown and improved affordability.
- **Saskatchewan:** Housing affordability deteriorated sharply across all home segments last year as a sudden influx of migrants strained existing housing capacity. In 2008, housing affordability conditions are expected to stabilize.
- **Manitoba:** The province's housing market is still running at full tilt. Affordability should improve as rising costs start to weigh on demand and help rebalance the market in 2008.
- **Ontario:** Income growth is expected to cool amidst toughening economic conditions in the province. On balance, our affordability forecast in 2008 points to overall improving conditions as mortgage rates drift lower and price gains moderate even further.

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- **Quebec:** Housing affordability continued to deteriorate last year. Stable and modest price gains combined with some mortgage rate relief this year should translate into an overall improvement in affordability conditions across all four home segments in 2008.

The full RBC Housing Affordability report is available online, as of 8 a.m. E.S.T. today at www.rbc.com/economics/market/pdf/house.pdf.

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