



NEWS

BRITISH COLUMBIA'S STRESSED HOUSING AFFORDABILITY SHOULD START TO IMPROVE, SAYS RBC

VANCOUVER, January 24, 2008 — Retaining its title as the least affordable province in Canada in which to purchase a home, British Columbia's housing affordability is expected to improve modestly in 2008, according to a new housing report issued today by RBC Economics.

"B.C.'s housing market moved into uncharted territory last year as affordability deteriorated to its worst levels since we started tracking conditions back in 1985," said Derek Holt, assistant chief economist, RBC. "We expect affordability rates to see some modest improvements in 2008 as the province's housing market reached a peak stress point late last year."

The RBC Affordability measure for British Columbia, which captures the proportion of pretax household income needed to service the costs of owning a home in the province, deteriorated across all housing segments as the detached bungalow moved to 67 per cent, the standard two-story home to 71 per cent, the standard townhouse to 50 per cent and the standard condo to 36 per cent.

Slower demand, coupled with a downward trend in the sales-to-listing ratio, has helped ease some of the upward pressures on B.C. home prices. As a result, price gains have started to level off, dropping from 18 per cent in 2006 to 12 per cent last year. An even softer rate of eight per cent is expected for 2008.

In Vancouver, affordability deteriorated across all housing segments in 2007, but the pace slowed significantly mid-year. The combination of more modest house price growth and improved income growth helped restrain the affordability deterioration. The city's housing market remains robust, with annual price growth around 12 per cent and the sales-to-listing ratio skewed towards sellers. However, with an increased supply of homes on the market helping to moderate price gains, Vancouver should see some affordability relief later in the year.

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

- more -

standard two-storey home, a standard townhouse and a standard condo. The higher the reading, 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.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, including Victoria. For these 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.

Highlights from across Canada:

- **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.
- **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.
- **Atlantic region:** Strong house price gains and rising mortgage rates chipped away at affordability conditions in 2007. In 2008, Atlantic Canada is expected to move onto a softer growth trajectory as housing construction activity gears down.

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.

For more information, please contact:

Derek Holt, RBC Economics, 416-974-6192

Amy Goldbloom, RBC Economics, 416-974-0579

Jackie Braden, RBC Media Relations, 416-974-2124