



HOUSING MARKET EXPECTED TO COOL IN MANITOBA, SAYS RBC ECONOMICS

TORONTO, January 24, 2008 — Manitoba's housing market is expected to rebalance as rising costs start to weigh on demand in 2008, according to a new housing report issued today by RBC Economics.

"While many markets across Canada have shown signs of a slowdown, Manitoba's housing market is still running at full tilt," said Derek Holt, assistant chief economist, RBC. "As hot markets return to more balanced conditions and mortgage rate relief materializes, affordability should improve in 2008."

RBC's Housing Affordability measure for Manitoba, which captures the proportion of pre-tax household income needed to service the costs of owning a home in the province, slightly deteriorated across all four classes last quarter as the benchmark detached bungalow moved to 34 per cent, the standard townhouse to 20 per cent, the standard condo to 19 per cent and the standard two-storey home to 36 per cent.

The report noted that underlying fundamentals in the Manitoba economy, such as higher migration inflows and tight labour markets, remain supportive of the province's housing markets. Although elevated conditions and higher mortgage rates led to overall deteriorating affordability last year, sales-to-listings ratios still currently point to a seller's market.

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 measure 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 province, including Winnipeg. For these 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:

- **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.
- **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.

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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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