



## **RBC SAYS MANITOBA HOUSING MARKET WELL-POSITIONED TO WEATHER THE STORM**

**TORONTO, December 8, 2008** — Manitoba's housing market activity is expected to cool in 2009 as economic uncertainty mounts, however, the province is well-positioned to weather the storm that is hitting housing markets in other provinces according to the latest housing report by RBC Economics.

"The housing boom has been a rather low-key affair in Manitoba compared to its western neighbours, with prices increasing steadily over the past few years, but well within manageable territory," said Robert Hogue, senior economist at RBC. "Consequently, housing affordability did not deteriorate excessively."

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 improved across all four classes in the third quarter of 2008 as the benchmark detached bungalow moved to 39.5 per cent, the standard townhouse to 25.8 per cent, the standard condo to 23 per cent and the standard two-storey home to 42.6 per cent.

Housing affordability measures for Manitoba stood between six and 13 per cent above long-term averages in the third quarter of 2008, suggesting only a moderate risk of markets being overextended. Homeownership costs have risen modestly since 2005 but remain fairly close to historical norms, sitting in a much better position than other provinces. High sales-to-new listings ratios are also consistent with reasonably firm support for prices. Nonetheless, mounting economic uncertainty will slow market activity in 2009, causing prices to give up some ground, the RBC report said.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 74.8 per cent, Toronto 53.3 per cent, Calgary 47.3 per cent, Ottawa 43.3 per cent and Montreal 40.4 per cent.

The RBC report also looked at mortgage carrying costs relative to incomes for a broader sampling of smaller cities across the country, including Winnipeg. For these cities, RBC has used a narrower measure of housing affordability that only takes mortgage payments relative to income into account.

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 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.

Highlights from across Canada:

- **British Columbia:** In the last two quarters, affordability conditions have started to improve. The province's housing markets are entering a correction phase that will see prices decline, reversing recent gains.
- **Alberta:** Housing conditions have softened since prices peaked back in 2007. In the third quarter of 2008, further price declines in most housing segments contributed to improved affordability.
- **Saskatchewan:** After reaching its lowest level of affordability ever, the province's housing sector is feeling the downside effects of a frenzied market. Skyrocketing prices significantly overstepped household incomes, which is anticipated to push the housing sector into a correction phase in 2009.
- **Ontario:** Housing markets softened in the third quarter as several regions across the province reported notable price declines and weakening re-sale activity – evidence that the sector can no longer resist the downdraft of a souring provincial economy.
- **Quebec:** Affordability conditions improved in the third quarter but economic storm clouds are darkening the housing market outlook. Relatively strong fundamentals should help limit damages during the downturn.
- **Atlantic region:** Rapid price increases over the past two years have eroded affordability conditions in the region. St. John's, Saint John and Halifax are currently among Canada's housing hotspots.

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](http://www.rbc.com/economics/market/pdf/house.pdf).

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