



ATLANTIC CANADA'S HOUSING MARKETS RESISTING DOWNTURN BUT CRACKS ARE BEGINNING TO SHOW, SAYS RBC ECONOMICS

TORONTO, April 16, 2009— Atlantic Canada's housing markets remain stable against the general housing downturn, but some cracks are finally starting to show according to the latest housing report released today by RBC Economics.

“Sales of existing homes in Atlantic Canada have dropped in recent months,” said Robert Hogue, senior economist, RBC. “With demand for housing facing significant headwinds, market sentiment is set to tone down.”

However, St. John's has become the housing hot spot in Canada, having taken the lead with the fastest pace of price appreciation while other markets like Halifax and Saint John have maintained a steady upward price momentum.

RBC's Housing Affordability measure for Atlantic Canada, which captures the proportion of pre-tax household income needed to service the costs of owning a home, improved modestly across all four classes in the last quarter of 2008 as the benchmark detached bungalow moved to 34.8 per cent, the standard townhouse to 30 per cent, the standard condo to 27.5 per cent and the standard two-storey home to 40.6 per cent respectively.

Atlantic housing markets continue to be supported by a good balance between buyers and sellers. The report noted that improving affordability is also a positive factor with lower mortgage rates and rising income helping to repair some of the deterioration over the past few years. Nonetheless, the all around economic gloom is likely to soften market conditions in the period ahead.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 70.3 per cent, Toronto 51.3 per cent, Calgary 42.7 per cent, Ottawa 42.7 per cent and Montreal 39.4 per cent.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, including St. John's, Saint John, and Halifax. 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 condominium. 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:** Housing markets remain under heavy downward pressure, and prices and sales continue to slide. In the past year, there has been a notable improvement in affordability, though the recovery process has far to go.
- **Alberta:** Since last fall, the declining Alberta economy has intensified the downdraft on the province's housing markets, causing home resales to drop to a 12-year low at the end of 2008 and rebound only modestly since. Affordability has been on an improving track since about the middle of 2007.
- **Saskatchewan:** Market activity has cooled considerably from the frenzied pace from 2006 to early 2008 and prices have begun to decline. Nonetheless, economic and demographic fundamentals are still largely supportive of the housing market and overshadow extremely poor affordability levels.
- **Manitoba:** Manitoba's housing markets have fared much better than the vast majority in Canada: resale activity has slowed moderately and prices have either held their own or edged down just slightly. Affordability has been kept out of the danger zone, helping to minimize any downside risks.

- **Ontario:** With the recession pounding many communities, housing market conditions have deteriorated considerably. However, the impact is unlikely to develop into an all-out rout similar to that of the early 1990s. Affordability, while still causing some stress, is quickly being restored to levels closer to long-term averages.
- **Quebec:** The province's housing markets have been among the last in Canada to yield to the weakening trend. The main sign of cooling thus far has been a drop in resale activity, as prices have held up reasonably well. Some of the persisting market strength can be ascribed to sensible affordability levels, which had eroded only modestly in recent years.

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

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