



# NEWS

## **ALBERTA HOUSING MARKET SET TO TURN A CORNER WITH AFFORDABILITY RESTORED: RBC ECONOMICS**

**TORONTO, July 8, 2009** — Home affordability is being fully restored in Alberta, with declining mortgage rates and home prices in the housing market sparking renewed interest from buyers, according to the latest housing report released today by RBC Economics.

“The RBC Affordability measures are now broadly back to their long-term averages after record quarterly declines in the first quarter of this year,” said Robert Hogue, senior economist, RBC. “With affordability at the most favourable levels of the last two years, Alberta’s housing market is likely at the point of turning a corner, which will be further supported by a reduction in the supply of homes and expected economic recovery in the province.”

As buyers made their way back into the market, sales of existing homes rebounded this spring after reaching their lowest point since 1996 at the beginning of this year.

RBC’s Housing Affordability measure for Alberta, which captures the proportion of pre-tax household income needed to service the costs of owning a home, improved across all four classes last quarter as the benchmark detached bungalow moved to 33.2 per cent, the standard townhouse to 24.7 per cent, the standard condo to 21.6 per cent and the standard two-storey home to 36.2 per cent respectively.

“Calgary’s housing market is indeed showing positive signs, as a huge drop in the cost of homeownership over the past two years has led to enhanced affordability,” added Hogue. “There is still reason for caution with rising unemployment - which surged to a 12-year high this spring - and declines in home prices. However, it appears that a recovery may be on the horizon.”

Lower mortgage rates and home prices have driven down RBC’s affordability measures for Calgary by 7.6 (condominiums) to 11.9 percentage points (two-storey homes) over the last year, which are below long-term levels for most housing types. The report notes that greater affordability has contributed to a surge in sales during the spring after dropping to 14-year lows during the winter.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 62.6 per cent, Toronto 45.9 per cent, Ottawa 39.1 per cent, Montreal 36.5 per cent and Calgary 35.1 per cent.

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

The property benchmark for the Housing Affordability measure, which RBC has compiled since 1985, is based on the costs of owning a detached bungalow. 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:** In the first quarter, housing affordability in B.C. showed the sharpest improvements since 1991. Sales of existing homes have picked up vigorously since the November-January lows, prices appear to be leveling off and more balanced supply and demand conditions are expected to emerge in coming months.
- **Saskatchewan:** Significant improvement in affordability has helped the Saskatchewan housing market pick up pace again after bottoming at the start of the year. Moderately stronger sales of existing homes this spring and a slower pace of home sale listings have restored some balance into the market.
- **Manitoba:** Supported by relatively favourable affordability rates, Manitoba's market continues to be among the most resilient in the country. A relatively robust economy, steady population growth and recent improvement in affordability should support housing demand in the period ahead.
- **Ontario:** Spring resales figures show a surprising amount of activity in Ontario, with average prices for existing homes climbing back to where they were mid-2008. Much of this resurgence in the province is due to greater affordability, with homeownership costs for detached bungalows and condominiums dropping below long-term averages.

- **Quebec:** Resale activity has rebounded quickly in Quebec, reflecting a homeownership market that is now more accessible than has generally been the case in the province since the mid-1980s. Home prices have generally stayed their upward course, even through the period of weaker resale activity earlier this year.
- **Atlantic region:** The costs of owning a home in Atlantic Canada continue to improve, with housing affordability rates among the best in the country. Favourable affordability levels in Atlantic Canada have given the region some protection against the housing storm with minimal declines in property value.

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

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