



ATLANTIC CANADA SAILS THROUGH THE HOUSING STORM WITH MINIMAL DAMAGE, SAYS RBC ECONOMICS

TORONTO, July 8, 2009 – The cost of owning a home in Atlantic Canada continues to improve with housing affordability rates among the best in the country, according to the latest housing report released today by RBC Economics.

“Generally favourable affordability levels in Atlantic Canada have given the region some protection against the housing storm,” said Robert Hogue, senior economist, RBC. “Home prices have sailed through mostly unscathed, with few declines reported since last fall.”

RBC’s affordability measures in the Atlantic Provinces improved again in the first quarter between 2.1 and 3.5 percentage points, marking the third time this has occurred in the past year, for all housing types.

The report noted that St. John’s continues to be Canada’s housing hot spot, showing significant price appreciation over the past year although the pace has slowed in recent months. The price of homes in Halifax, Saint John and Charlottetown also grew, despite increased levels of volatility.

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 St. John’s, Halifax, Saint John and Charlottetown. 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 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 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.
- **Alberta:** The drop in mortgage rates and sinking home prices have fully restored homeownership affordability in the province. Sales of existing units have rebounded smartly this spring from earlier depressed levels and market conditions have tightened. Alberta's housing market is likely at the point of turning the corner.
- **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.

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

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