



THE WORST APPEARS TO BE OVER FOR ONTARIO HOUSING MARKET: RBC ECONOMICS

Greater affordability sets the stage for a rebound in activity

TORONTO, July 8, 2009 — Ontario experienced a surge in home resale activity this past spring following a year-long period of repair in housing affordability, signaling that the overall housing market in the province may have seen the worst of its downturn, according to the latest housing report released today by RBC Economics.

“After falling heavily during the fall and early winter, Ontario’s housing market is seeing a resurgence, due in large part to greater affordability,” said Robert Hogue, senior economist at RBC. “Average prices for existing homes have started to rise again, climbing back to where they were in mid-2008, with spring resales figures showing a surprising surge of activity across the province.”

The RBC Housing Affordability measure for Ontario, which captures the proportion of pre-tax household income needed to service the costs of owning a home, dropped below long-term averages for detached bungalows and condominiums over the first quarter of 2009. Affordability of the benchmark detached bungalow in Ontario moved to 38.6 per cent, the standard townhouse to 31.8 per cent, the standard condo to 27.0 per cent and the standard two-storey home to 44.2 per cent.

In the Toronto area, RBC’s Affordability measures have now been restored to historical averages for all housing types, with homeownership costs declining sizably by a range of 3.9 to 7.0 percentage points in the first quarter. Resale activity has bounced back, with signs that prices are moving up again.

In Ottawa, sales of existing homes reached a new record in May and home prices are showing signs of a swift recovery. While RBC Affordability measures for the Ottawa area showed a meaningful decline in homeownership costs for the first quarter – moving down by 2.2 to 3.7 percentage points – the reduction has been moderate in comparison to most other major cities over the last year and still stand above long-term averages for all housing types.

“Recent signs indicate that Ontario has seen the worse of the correction, but it is still too early to wave the ‘all clear’ sign,” Hogue added. “Economic uncertainty is still a factor in some regions of the province – particularly those reliant on the manufacturing sector – and the healing process may be long and difficult.”

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 Kitchener, London, St. Catharines, Thunder Bay and Windsor. 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 levelling 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.

- **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. EDT today at www.rbc.com/economics/market/pdf/house.pdf.

For more information, please contact:

Robert Hogue, RBC Economics, 416 974-6192

Matthew Gierasimczuk, RBC Media Relations, 416 974-2124