



QUEBEC HOUSING MARKET ON THE REBOUND, SAYS RBC ECONOMICS

TORONTO, July 8, 2009 — A sharp resurgence in resale activity in Quebec this past spring reflects a homeownership market that is more accessible than has generally been the case in the province since the mid-1980s, according to the housing report released today by RBC Economics.

“Quebec was one of the last housing markets in Canada to be affected by the general slump, but prices barely missed a beat,” noted Robert Hogue, senior economist at RBC. “Housing affordability is recovering very quickly in Quebec, due to its relatively good standing at the outset of the downturn.”

The RBC Affordability measure for Quebec, which captures the proportion of pre-tax household income needed to service the costs of owning a home, improved across all four housing classes in the first quarter of 2009. Affordability of the benchmark detached bungalow moved to 32.3 per cent, the standard townhouse to 27.4 per cent, the standard condo to 26.9 per cent and the standard two-storey home to 38.4 per cent.

The lower costs of homeownership in the Montreal area has helped to rekindle buyers interest this spring. Increased activity of existing home sales has helped sustain a healthy balance between supply and demand, which should provide support for prices going forward. RBC’s Affordability measure indicated that homeownership costs decreased by 2.5 to 4.5 percentage points, year-over-year in the first quarter depending on the housing segment.

“Sales of existing homes in Montreal have returned to the pace that prevailed at the end of last summer,” said Hogue. “Property values are down slightly from peak levels last year but may firm up again soon.”

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 Montreal and Quebec City. 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.
- **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.

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