



ALBERTA'S HOUSING MARKET STILL AFFORDABLE BUT COSTS ARE CLIMBING: RBC ECONOMICS

TORONTO, November 25, 2009 — Alberta's long string of improvements in housing affordability ended in the third quarter, as homeownership costs deteriorated for the first time since the winter of 2007, according to the latest housing report released today by RBC Economics.

"Although home affordability has deteriorated, it still compares favourably to long-term averages," said Robert Hogue, senior economist at RBC. "Activity in the housing market has picked up considerably in the province since last winter, with prices now stabilizing or even gaining in some areas."

The RBC Affordability measure for Alberta, which captures the proportion of pre-tax household income needed to service the costs of owning a home, rose across all four housing classes in the third quarter of 2009 (the higher the measure, the more expensive it is to afford a home). Affordability of the benchmark detached bungalow moved up to 34.4 per cent, the standard townhouse to 25.9 per cent, the standard condo to 22.4 per cent and the standard two-storey home to 37.9 per cent.

According to the RBC report, the Calgary housing market is showing signs of improvement with resale activity rebounding from a 14-year low reached earlier this year. RBC affordability measures for Calgary rose between 0.3 and 2.0 per cent in the third quarter of 2009.

"The market recovery has been less pronounced in Alberta than in other regions of Canada, largely reflecting the particularly tough economic conditions in the province," noted Hogue. "Nonetheless, still-reasonable affordability levels and an expected economic recovery next year should boost housing demand in the period ahead."

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 66.8 per cent, Toronto 48.6 per cent, Ottawa 39.2 per cent, Montreal 37.5 per cent and Calgary 36.7 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 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:** Following five consecutive declines, homeownership costs rose in B.C. during the third quarter. With housing demand growing faster than the supply, prices have been rising again. This development likely marks the end of the affordability upswing in B.C., with indications that homeownership costs will remain well above long-term averages.
- **Saskatchewan:** With mortgage rates rising slightly and properties gaining value, owning a home became slightly less affordable in the province, following steady improvement for more than a year. However, homeownership costs remain historically high in Saskatchewan as a result of the sharp price appreciation that took place during the recent housing boom.
- **Manitoba:** Despite slight increases in the cost of homeownership – the smallest amongst all provinces in the third quarter – Manitoba's housing market remained relatively affordable. Market conditions in the province appear tightly balanced, which should sustain solid resale activity in the near-term. Job growth and a faster economic expansion next year should maintain solid housing demand.

- **Ontario:** After a period of declining property values, the Ontario housing market appears to be bouncing back with home resale prices returning to and, in some cases, surpassing earlier peaks. While this reversal has brought confidence back into the market, third quarter affordability levels have deteriorated for the first time in over a year.
- **Quebec:** Broad-based vigour in the housing market fueled by the earlier drop in mortgage rates to historically low levels, has sent property values to new highs in many parts of Quebec. Consequently, housing affordability deteriorated in the province for the first time in more than a year during the third quarter.
- **Atlantic Canada:** Housing on the east coast continued to be among the most affordable in the country, with Atlantic Canada experiencing moderate but steady gains in property values sustained by a gradual increase in the sale of existing homes. Increases in homeownership costs in the region, in the third quarter, were modest relative to other provinces, with levels mostly below national averages.

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

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