



HOUSING MARKET IN ATLANTIC CANADA RANKS AMONG COUNTRY'S MOST AFFORDABLE, SAYS RBC ECONOMICS

TORONTO, November 25, 2009 – Atlantic Canada continues to have one of the most affordable housing markets in the country, after experiencing relatively modest increases in homeownership costs during the third quarter, according to the latest housing report released today by RBC Economics.

“Despite rising for the first time in a year, Atlantic Canada’s homeownership costs showed some of the smallest increases among all the provinces,” said Robert Hogue, senior economist at RBC. “The past few months have seen steady but moderate gains in property values, which has worked to limit declines in affordability.”

The RBC Affordability measure for Atlantic Canada, 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, yet remain mostly well below long-term averages. Affordability of the benchmark detached bungalow moved up to 31.2 per cent, the standard townhouse to 26.7 per cent, the standard condo to 24.6 per cent and the standard two-storey home to 35.9 per cent (the higher the measure, the more expensive it is to afford a home).

According to the RBC Report, St. John’s still stands out as one of the hottest markets in Canada, although it has shown signs of cooling off. Increases in home prices have slowed slightly in Halifax, but are still relatively solid in Saint John.

“Resale activity has picked up in the region since last winter, but the rebound has been relatively modest compared to other parts of the country,” noted Hogue. “Factors weighing on affordability in the past few months include a rise in property values and increases in key mortgage rates.”

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 Halifax, Saint John and St. John's. 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.
- **Alberta:** The province experienced the first increase in homeownership costs since late-2007, in the third quarter. Housing market activity has picked up and stabilized with the modest rise in costs attributable to higher mortgage costs rather than a rise in property values. Attractive affordability levels and a return to economic growth should fuel housing demand in Alberta next year.
- **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.

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

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