



## **ONTARIO'S HOUSING MARKET BOUNCES BACK BUT HOMEOWNERSHIP GETS LESS AFFORDABLE, SAYS RBC ECONOMICS**

**TORONTO, November 25, 2009** — Ontario's housing market has recovered its past strength with rising home prices contributing to a decline in affordability for the first time since early 2008, according to the latest third quarter housing report released today by RBC Economics Research.

“Ontario's housing market has experienced a remarkable turnaround with price levels returning to and, in some cases, surpassing earlier peaks,” said Robert Hogue, senior economist, RBC. “The downside is that rising property values and a modest increase in mortgage rates have negatively affected affordability, after significant improvement over the past year.”

Hogue noted that housing affordability improved considerably throughout most of 2008 and the first half of 2009, which has caused many home buyers in Ontario to jump into the market and drive up property values. The RBC Housing Affordability measure for Ontario captures the proportion of pre-tax household income needed to service the costs of owning a home.

During the third quarter of 2009, the RBC Affordability measure in Ontario rose across all housing types (the higher the measure, the more expensive it is to afford a home). Affordability of the benchmark detached bungalow in Ontario moved up by one point to 39.4 per cent, the standard townhouse rose by 0.6 percentage points to 32.2 per cent, the standard condo climbed by 0.5 per cent up to 27.4 per cent and the standard two-storey home increased by 1.0 percentage points to 45.2 per cent.

In the Toronto area, full confidence in the housing market and a renewed sense of urgency are now fuelling buyers to purchase homes. This has significantly bolstered resale activity, tightened inventories of homes offered for sale and pushed prices higher to near-record levels. Affordability levels have suffered as a result, with RBC's affordability measures for the Greater Toronto area (GTA) rising between 1.0 and 1.9 per cent in the third quarter.

“Affordability levels in the GTA still remain close to long-term averages, suggesting that this real estate rally is likely to continue in the near-term,” added Hogue.

Ottawa’s housing market is among the very few in the country expected to reach an all-time high in home resales this year. The RBC affordability measures moved up between 0.3 and 0.5 per cent in the third quarter, depending on the housing type. With affordability levels still above long-term averages, further increases in home costs within the region may become a restraining factor in the near term.

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.

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 Housing Affordability measure, which RBC has compiled since 1985, is based on the costs of owning a detached bungalow, a reasonable property benchmark for the housing market. 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:** 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.
- **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](http://www.rbc.com/economics/market/pdf/house.pdf).

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