



ALBERTA'S HOUSING AFFORDABILITY REMAINS IN CHECK: RBC ECONOMICS

TORONTO, March 15, 2010 — Housing affordability improved in Alberta in the fourth quarter of last year amid slower economic recovery, compared to other regions across the country, according to the latest housing report released today by RBC Economics.

“The downturn in the housing market has created a large surplus of homes available for sale. This has held back the pace of price increases in the province since the market rebound took effect,” said Robert Hogue, senior economist, RBC. “This subdued pace has kept Alberta’s affordability in check.”

The RBC Affordability measures for Alberta, which capture the proportion of pre-tax household income needed to service the costs of owning a home, declined across all housing types in the fourth quarter of 2009 (A rise in the measure means a loss of affordability). The measure for the detached bungalow benchmark moved down to 33.7 per cent (a drop of 0.4 percentage points over the previous quarter), the standard townhouse to 25.8 per cent (down 0.4 percentage points), the standard condominium to 22.5 per cent (down 0.1 percentage point) and the standard two-story home to 37.9 per cent (down 0.2 percentage points).

The Calgary housing market continues to be attractive with affordability measures at or below long-term averages. The strong rebound in resale activity slowed last summer and has reversed since the fall. However, the tight availability of homes for sale in Calgary has continued to provide a slight advantage to sellers, moving housing prices in a slight upward trend.

“With the exception of townhouses, price gains in the Calgary market have still been relatively modest and below the highs seen in 2007,” added Hogue.

RBC’s Housing Affordability measure for a detached bungalow for Canada’s largest cities is as follows: Vancouver 69 per cent (up 1.4 percentage points), Toronto 49.1 per cent (up 0.1 percentage point), Ottawa 40.4 per cent (down 0.3 percentage points), Montreal 39.1 per cent (up 0.9 percentage points), Calgary 37.1 per cent (up 0.1 percentage point) and Edmonton 32.9 per cent (down 0.4 percentage points).

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 RBC Housing Affordability measure, which has been 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:** Homeownership costs are rising in B.C. as very strong demand and a limited supply of homes for sale combine to propel prices substantially higher. All home affordability measures are above long-term averages in the province, a trend that is likely to continue in the near term.
- **Alberta:** The lagging economic recovery in Alberta, compared to other provinces, has stabilized housing affordability rates. Excessive supply left over from last year's downturn and housing slump has limited increases in housing prices. Attractive affordability levels and additional economic recovery should boost housing demand over the next year.
- **Saskatchewan:** Increased supply and lessened demand has put a damper on the housing market in the province, as the real estate market cooled from the heightened resale activity in the spring and summer. While home affordability improved in the province, the cost of owning a home still remains historically high.
- **Manitoba:** Manitoba's real estate market picked up considerably over the last quarter of 2009. Prices for condominiums and two-storey homes rose significantly, causing affordability levels to deteriorate in the province. Despite these increases, affordability levels are in line with long-term averages as Manitobans still see the costs associated with owning a home as manageable.

- **Ontario:** The housing market in Ontario has staged a remarkable recovery in the past year. Resale activity has recently reached record levels as prices have rebounded to new heights in most housing categories. This has caused only limited damage to housing affordability in the province as lower mortgage rates and growth in household income kept affordability levels close to long-term averages.
- **Quebec:** The provincial rally in the resale housing market shows few signs of slowing, as property values have fully recovered what little ground was lost during the downturn early last year. Home prices have risen substantially for most housing categories in the fourth quarter in Quebec, causing some of the sharper deteriorations in affordability among provinces.
- **Atlantic Canada:** Unlike many other parts of the country, housing affordability on the East Coast generally continued to improve in the fourth quarter. With most measures below long-term averages, activity in the housing resale market should remain elevated.

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

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