



HIGHER PRICES MELT HOUSING AFFORDABILITY IN BRITISH COLUMBIA: RBC ECONOMICS

TORONTO, March 15, 2010 — British Columbia once again posted some of the country's largest increases in homeownership costs in the fourth quarter of 2009, according to the latest housing report released today by RBC Economics.

The RBC Housing Affordability measures for B.C. rose 1.0 percentage point for detached bungalows and 0.8 percentage points for standard townhouses. The measures eased slightly by 0.2 percentage points for standard two-storey homes and condominiums; however, this follows particularly large increases in the third quarter of 2009.

“Very strong home resale activity and significant price gains were particularly evident in B.C., supported by rising demand and the scarce supply of homes available for sale until recently,” said Robert Hogue, senior economist, RBC. “Poor affordability levels in the province became worse, suggesting that buyers are stretching their budgets thin, which may eventually threaten the market rally.”

The strong demand for housing in B.C. is expected to continue in the first half of 2010, further fuelled by some buyers likely rushing ‘to beat’ the implementation of the HST, which will boost home purchase transaction costs on July 1, 2010.

The Greater Vancouver Area is easily Canada's hottest housing market, with resale activity in the area recently setting new all-time highs and prices now having almost fully reversed the slide experienced in 2008 and early 2009. With prices back around record-high levels in the area, already poor affordability has suffered further, particularly for bungalows, where RBC's measures rose by an outsized 1.4 percentage points. The measures for townhouses and condominiums also moved higher by 0.5 and 0.4 percentage points respectively; however, two-storey homes improved marginally, decreasing 0.1 percentage point.

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 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:

- **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.

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- **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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For more information, please contact:

Robert Hogue, RBC Economics Research, 416-974-6192

Matt Gierasimczuk, Media Relations, RBC, 416-974-2124