



Housing affordability deteriorates slightly in Atlantic Canada: RBC Economics

TORONTO, May 25, 2010 — Housing affordability in Atlantic Canada deteriorated slightly for most housing types during the first quarter of this year, according to the latest housing report released today by RBC Economics Research.

“The housing market in Atlantic Canada seems to be in good shape as strong demand for homes is met by an increased supply of properties for sale,” said Robert Hogue, senior economist, RBC. “These broadly balanced conditions have limited the pace of price increases, keeping housing affordability in the region among the most attractive in the country.”

In the first quarter of 2010, continued gains in property values caused the majority of RBC’s Housing Affordability measures for Atlantic Canada, which capture the province’s proportion of pre-tax household income needed to service the costs of owning a home, to rise slightly (a rise in the measure means a decline in affordability).

Affordability of the benchmark detached bungalow moved up to 30.5 per cent (an increase of 0.1 of a percentage point relative to the last quarter), the standard condominium to 25.2 per cent (up 0.2 of a percentage point) and the standard two-story home to 35.7 per cent (up 0.4 of a percentage point). The measure for a standard townhouse was unchanged at 26.3 per cent.

“The majority of housing affordability measures in the region still remain below long-term averages, which bodes well for market activity going forward,” added Hogue.

With the exception of Alberta, home affordability measures deteriorated across all provinces with a significant decline in affordability in B.C., Saskatchewan and Manitoba. Housing affordability declined more moderately in Quebec, Ontario and Atlantic Canada.

RBC’s Housing Affordability measure for a detached bungalow in Canada’s largest cities is as follows: Vancouver 73.4 per cent (up 4.8 percentage points over the last quarter), Toronto 49.1 per cent (up 0.4 of a percentage point), Ottawa 40.3 per cent (up 0.3 of a percentage point), Montreal 39.7 per cent (up 0.9 of a percentage point), Calgary 36.5 per cent (down 0.3 of a percentage point) and Edmonton 32.0 (down 0.5 of a percentage point).

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, including Halifax. 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 become significantly more expensive, as housing costs rose in B.C. to the highest level among all provinces. Continued momentum in the province's housing market has brought affordability measures close to the all-time highs reached in early-2008. This trend represents a risk that could weigh on the province's economy in the near term.
- **Alberta:** Affordability measures eased in the first quarter, as Alberta was the only province to show a decline in the costs associated with owning a home. Provincial housing prices remained fairly stable over the past year, which has kept home ownership levels relatively affordable at or below the long-term average.
- **Saskatchewan:** Real estate activity picked up in the province as home affordability measures rose significantly in the first quarter of the year, which reflect rising house prices. This is a change from previous quarters, which showed an improvement in affordability. Despite this increase, affordability measures still remain below the peak levels reached in early-2008.
- **Manitoba:** Manitoba's housing market surged ahead in the first quarter of 2010, with affordability measures moving above the long-term average for the province. Home prices became more expensive for condominiums, townhouses and bungalows. Additional increases in provincial housing costs may become more difficult for Manitobans to manage in the near-term.

- **Ontario:** Home prices in the province continued to rise, with property values reaching record highs in many parts of the province. This has led to a decline in housing affordability, after showing consistent improvement since the middle of last year. With escalating prices, affordability measures are now above the long-term average but below peak levels, for most housing types. This suggests that housing costs are becoming more difficult for Ontario residents to handle.
- **Quebec:** Quebec's housing market rally continued in the first quarter of the year, with record-levels of buying activity and rising property values. This escalation in home prices, while more moderate than in the previous two quarters, exceeds the long-term average in the province.

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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