



B.C.'s housing costs surge, affordability measures rise higher than any other province: RBC Economics

TORONTO, May 25, 2010 — Housing costs in B.C. shot up over the first quarter of 2010, with home affordability measures rising higher than any other province (a rise in the measure means a loss of affordability), according to the latest housing report released today by RBC Economics Research.

“B.C. housing markets have staged an impressive rebound since last summer, with resale activity moving to pre-recession levels by the end of 2009,” said Robert Hogue, senior economist, RBC. “This was accompanied by significant gains in property values.”

The report found that rapid price increases in B.C. are quickly undoing last year’s improvement in housing affordability. This has returned affordability measures closer to the all-time highs that prevailed in early 2008. According to the report, poor affordability levels could weigh on the B.C. housing market and restrain activity in the months ahead with the pace of real estate activity already starting to slow.

The RBC Housing Affordability measures for B.C., which capture the province’s proportion of pre-tax household income needed to service the costs of owning a home, rose across all housing types in the first quarter of 2010. The measure for the benchmark detached bungalow moved up to 66 per cent (a rise of 4.0 percentage points over the previous quarter), the standard townhouse to 49.5 per cent (up 0.9 of a percentage point), the standard condominium to 35.5 per cent (up 1.5 percentage points) and the standard two-story home to 73.0 per cent (up 3.2 percentage points).

“The super-charged Greater Vancouver Area market has been at the forefront of the rally in residential real estate activity in Canada over the past year,” said Hogue.

According to the report, there are signs the market might have begun to react to the significant drop in affordability since the middle of 2009, with seasonally-adjusted home re-sales falling noticeably in recent months.

Vancouver's affordability measures in the first quarter continued to rise, moving between 0.5 and 4.8 percentage points—to levels far above long-term averages and inching closer to all-time highs. Housing demand is likely to further decline in the period ahead, taking steam out of prices in the market.

With the exception of Alberta, housing 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 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:** 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.
- **Atlantic Canada:** Resale activity on the East Coast remained solid, with an increase in sales balanced by an increased supply of available homes. These stable conditions have limited the pace of price increases in the region. Overall housing affordability in Atlantic Canada continues to be among the most attractive in the country, with affordability measures still below long-term averages.

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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