



Housing affordability declines in Manitoba: RBC Economics

TORONTO, May 25, 2010 — Manitoba's home costs increased in the first quarter of 2010, with housing affordability measures moving above long-term averages for almost all housing types, according to the latest housing report released today by RBC Economics Research.

“Continued strong real estate activity in Manitoba caused prices for most housing types to surge in the early part of the year,” said Robert Hogue, senior economist, RBC. “As a result, home affordability generally worsened in the province in the first quarter of 2010.”

RBC's Housing Affordability measures for Manitoba, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home, climbed in three of the four housing categories (a rise in the measure means a loss of affordability).

The measure for the benchmark detached bungalow moved up to 37.0 per cent (a rise of 1.8 percentage points over the previous quarter), the standard townhouse to 24.8 per cent (up 1.3 percentage points) and the standard condominium to 22.2 per cent (up 0.6 of a percentage point). The measure for a standard two-story home remained unchanged at 39.0 per cent.

“Affordability in the province has reached a point where further deterioration may temper housing demand,” noted Hogue.

RBC's Housing Affordability measure for a detached bungalow in Canada's largest cities is as follows: Vancouver 73.4 per cent, Toronto 49.1 per cent, Ottawa 40.3 per cent, Montreal 39.7 per cent, Calgary 36.5 per cent and Edmonton 32.0 per cent.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, including Winnipeg. For these cities, RBC has used a narrower measure of housing affordability that only takes mortgage payments relative to income into account.

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:** Homeownership became even more expensive in B.C., as strong home price momentum continued in the first quarter. Housing affordability measures have now returned close to the all-time highs reached in early-2008. This trend represents a risk that could weigh heavily on the province's housing market 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. Housing price increases in the province were fairly modest over the past year, which has kept home ownership relatively affordable. RBC affordability measures are at or below the long-term averages.
- **Saskatchewan:** Housing prices picked up in the province in early 2010, causing home affordability measures to rise significantly in the first quarter. This is a change from previous quarters, which showed an improvement in affordability. Despite this increase, affordability measures still remain well below the all-time peak levels reached in early-2008.
- **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 further decline in housing affordability, which has been on a deteriorating trend since the middle of last year. With escalating prices, affordability measures are now above the long-term average. This suggests that additional increases in housing costs may price more and more buyers out of the market in Ontario.

- **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, weakened affordability in the province. All affordability measures now exceed their long-term average, which may soon slow housing demand in the province.
- **Atlantic Canada:** Resale activity on the East Coast remained solid, with an increase in sales met by a rise in the supply of available homes. These broadly balanced 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 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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