



Manitoba's housing market unhindered by slight affordability deterioration: RBC Economics

TORONTO, February 25, 2013 — Manitoba's housing market had a banner year in 2012 with a record 14,000 existing homes sold, despite a slight deterioration in affordability that occurred late in the year, according to the latest [Housing Trends and Affordability Report](#) released today by RBC Economics Research.

“Comparatively speaking, the cooling in housing activity that took place across the country in the latter half of last year was fairly modest in Manitoba – quite vigorous housing activity persisted,” said Craig Wright, senior vice-president and chief economist, RBC. “Our affordability measures for Manitoba continue to stand just slightly above historical averages, suggesting that any affordability related strain is likely minimal at this point.”

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, deteriorated somewhat in the fourth quarter of 2012 (an increase in the measure represents deterioration in affordability). RBC's measure for detached bungalows rose by 0.8 percentage points to 38.1 per cent and for condominium apartments increased by 0.3 percentage points to 24.0 per cent. The measure for two-storey homes was unchanged at 38.5 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.2 per cent (down 2.6 percentage points from the previous quarter); Toronto 52.8 per cent (down 0.4 percentage points); Montreal 39.3 per cent (down 0.9 percentage points); Ottawa 38.8 per cent (down 0.5 percentage points); Calgary 38.1 per cent (up 0.2 percentage points) and Edmonton 30.7 per cent (down 0.1 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 in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household's monthly pre-tax income.

Highlights from across Canada:

- [British Columbia](#): housing affordability improving, still has to go the distance

While housing affordability in British Columbia still has a long way to go before reaching less stressful levels, homebuyers in the province received a welcome reprieve in the fourth quarter. RBC measures fell by 1.1 percentage points for condominium apartments and 1.0 percentage point for detached bungalows. The two-storey home category experienced a small increase (0.4 percentage points), though this followed a substantial decline in the third quarter.

- [Alberta](#): vibrant market bolstered by attractive affordability

Brisk demand for the province's housing in 2012 was supported by a strong provincial economy, accelerating population growth and attractive affordability. Further improvement was registered in the fourth quarter with measures falling between 0.1 and 0.2 percentage points.

- [Saskatchewan](#): affordability conditions buck the national trend

Tight market conditions at the beginning of 2012 had a lasting impact on home prices in Saskatchewan, which climbed at some of the faster paces in Canada in the fourth quarter. Rising property values caused affordability to deteriorate in the fourth quarter with measures increasing between 0.5 and 1.1 percentage points.

- [Ontario](#): affordability largely improves, tempering overall market conditions

The tightness that characterized Ontario's housing market in the early part of 2012 gave way and a more balanced market was observed in the second half of 2012, improving overall affordability conditions in the province. RBC's measures inched lower by 0.1 and 0.3 percentage points for the detached bungalow and condominium apartment, respectively, while the measure for two-storey homes rose marginally by 0.1 percentage points.

- [Quebec](#): generally improving affordability tone is sustained

Quebec's housing affordability improved, for the most part, for the third quarter in a row in the fourth quarter, yet this did little to stimulate homebuyer demand as resale activity continued to cool in the province. RBC measures fell for two-storey homes (by 1.1 percentage points) and detached bungalows (by 0.3 percentage points), but rose for condominium apartments (by 0.4 percentage points).

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- [Atlantic Canada](#): housing continues to be affordable

Affordability in the Atlantic region received another boost in the fourth quarter, with RBC measures falling for two-storey homes (by 1.0 percentage points) and detached bungalows (by 0.5 percentage points), keeping levels well below their respective national averages. The measure for condominium apartments rose modestly by 0.3 percentage points, though this followed a more sizable drop in the previous period.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/market/.

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For more information, please contact:

[Robert Hogue](#), Senior Economist, RBC Economics Research, 416 974-6192

[Elyse Lalonde](#), Manager, Communications, RBC Capital Markets, 416 842-5635