



NEWS

SASKATCHEWAN'S HOUSING BOOM IS OFFICIALLY OVER, SAYS RBC

TORONTO, April 16, 2009 — With Saskatchewan's housing affordability still sitting at poor levels, house prices have begun to decline and market activity cooled significantly from the frenzied pace experienced between 2006 and early 2008, according to the latest housing report released today by RBC Economics.

"So far, the post-boom period has been a mostly orderly affair, thanks to the province's largely supportive economic and demographic fundamentals," said Robert Hogue, senior economist at RBC. "These positive factors overshadow a high cost of homeownership relative to family income which has resulted from the spike in prices of recent years."

RBC's Housing Affordability measure for Saskatchewan, which captures the proportion of pre-tax household income needed to service the costs of owning a home, improved modestly across all four classes in the last quarter of 2008. Affordability of the benchmark detached bungalow in the province moved to 45.6 per cent, the standard townhouse to 37.2 per cent, the standard condo to 29.9 per cent and the standard two-storey home to 47.6 per cent respectively.

According to the report, while lower mortgage rates, income gains and, in more recent quarters, lower prices have helped improve affordability in the past year, housing affordability remains at worrisome levels compared to historical averages. This represents an element of risk if the provincial economy performs weaker than expected.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 70.3 per cent, Toronto 51.3 per cent, Calgary 42.7 per cent, Ottawa 42.7 per cent and Montreal 39.4 per cent.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, including Regina and Saskatoon. 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:** Housing markets remain under heavy downward pressure, and prices and sales continue to slide. In the past year, there has been a notable improvement in affordability, though the recovery process has far to go.
- **Alberta:** Since last fall, the declining Alberta economy has intensified the downdraft on the province's housing markets, causing home resales to drop to a 12-year low at the end of 2008 and rebound only modestly since. Affordability has been on an improving track since about the middle of 2007.
- **Manitoba:** Manitoba's housing markets have fared much better than the vast majority in Canada: resale activity has slowed moderately and prices have either held their own or edged down just slightly. Affordability has been kept out of the danger zone, helping to minimize any downside risks.
- **Ontario:** With the recession pounding many communities, housing market conditions have deteriorated considerably. However, the impact is unlikely to develop into an all-out rout similar to that of the early 1990s. Affordability, while still causing some stress, is quickly being restored to levels closer to long-term averages.
- **Quebec:** The province's housing markets have been among the last in Canada to yield to the weakening trend. The main sign of cooling thus far has been a drop in resale activity, as prices have held up reasonably well. Some of the persisting market strength can be ascribed to sensible affordability levels, which had eroded only modestly in recent years.
- **Atlantic region:** Markets have largely remained stable against the general housing downturn, with St. John's becoming the housing hot spot in Canada and Halifax and Saint John maintaining steady upward price momentum. The region is benefiting from improving affordability following two years of deterioration.

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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