



SASKATCHEWAN'S RESURGENT HOUSING MARKET MAKES HOMES LESS AFFORDABLE: RBC ECONOMICS

TORONTO, November 25, 2009 — Propped up by strong housing resale activity, the cost of owning a home in Saskatchewan became slightly more expensive in the third quarter, according to the latest housing report released today by RBC Economics Research.

“After steady and substantial improvements over the past year, housing affordability in Saskatchewan deteriorated slightly in the third quarter, due to stronger property values and a modest rise in mortgage rates,” said Robert Hogue, senior economist, RBC. “Housing prices have been heated up by strong resale activity in the province, which is close to the record levels set during the winter of 2007 and spring of 2008.”

The RBC Affordability measure for Saskatchewan, which captures the proportion of pre-tax household income needed to service the costs of owning a home, rose across all four housing classes in the third quarter of 2009 (the higher the measure, the more expensive it is to afford a home). Affordability of the benchmark detached bungalow moved up to 41.2 per cent, the standard townhouse to 33.7 per cent, the standard condo to 26.8 per cent and the standard two-storey home to 44.0 per cent.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 66.8 per cent, Toronto 48.6 per cent, Ottawa 39.2 per cent, Montreal 37.5 per cent and Calgary 36.7 per cent.

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:** Following five consecutive declines, homeownership costs rose in B.C. during the third quarter. With housing demand now moving up faster than the supply of homes available, prices have been firming. This development likely marks the end of the affordability restoration phase in B.C., with indications that homeownership costs will remain well above long-term averages.
- **Alberta:** The province experienced the first increase in homeownership costs since late-2007 in the third quarter. Housing market activity has picked up and stabilized with the modest rise in costs attributable to higher mortgage costs rather than a rise in property values. Attractive affordability levels and a return to economic growth next year should continue to boost housing demand in Alberta.
- **Manitoba:** Despite slight increases in the cost of homeownership, Manitoba's housing market remained relatively affordable. With the lowest rise in home costs amongst all provinces, market conditions appear fairly balanced in the province, which should rise slightly in the near-term. Job growth and positive economic development should keep housing demand strong.
- **Ontario:** After a period of declining property values, the Ontario housing market appears to be bouncing back with home resale prices returning to and, in some cases, surpassing earlier peaks. While this reversal has brought confidence back into the market, affordability levels have deteriorated for the first time in over a year as housing prices move forward.
- **Quebec:** A hot housing market and historically low mortgage rates pushed housing affordability costs up in Quebec for the first time in more than a year during the third quarter. In many parts of the province, property values reached new highs and, overall, sales of existing homes fully recovered from last year's sharp drop. However, with homeownership costs expected to rise further, it is expected that gradually, some families will be priced out of the market, slowing growth in housing demand.
- **Atlantic Canada:** Housing on the east coast continued to be among the most affordable in the country in the third quarter, with Atlantic Canada experiencing moderate but steady gains in property values, as well as a pickup in sales of existing homes. Increases in the costs of owning a home in the region represented some of the smallest rises among all the provinces, leaving levels still mostly well below national averages.

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The full RBC Housing Affordability report is available online, as of 8 a.m. E.S.T. today at www.rbc.com/economics/market/pdf/house.pdf.

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