



SASKATCHEWAN'S HOUSING AFFORDABILITY IMPROVES AMID MARKET REBOUND FROM WINTER'S SLOWDOWN: RBC ECONOMICS

TORONTO, August 28, 2014 — Saskatchewan's housing affordability improved in the second quarter of 2014 amid a rebound in the housing market following poor weather that stifled activity this past winter, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

"Saskatchewan's housing market had a convincing snapback in Q2 from the winter slowdown with resales jumping to a new record-high of 4,500 units for this period of the year," said Craig Wright, senior vice-president and chief economist, RBC. "Strong activity more than made up for a sluggish first quarter."

RBC notes that year-to-date statistics suggest that the housing market is on pace to match 2012, which logged the strongest annual number of units sold on record at 13,900. Much of the gain in the second-quarter took place in Saskatoon, a market that RBC says has been flying high since 2011.

"At this point, homebuyers in the province face little undue affordability pressure as measures remain close to long-term averages," added Wright.

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, fell across all housing categories in the second quarter (a decrease in the measure represents an improvement in affordability). RBC's affordability measures for Saskatchewan declined by 1.3 percentage points to 38.9 per cent for two-storey homes, by 1.0 percentage points to 35.1 per cent for bungalows and by 0.8 percentage points to 24.4 per cent for condominiums.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in the second quarter of 2014 is as follows: Vancouver 81.8 (down 0.3 percentage points from the previous quarter); Toronto 55.9 (down 0.2 percentage points); Montreal 37.3 (down 1.6 percentage points); Ottawa 36.0 (down 0.4 percentage points); Calgary 33.6 (down 0.8 percentage points); Edmonton 31.7 (down 1.1 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.

It is important to note that RBC's measure is designed to gauge ownership costs associated with buying a home at present market values. It is not a representation of the actual costs incurred by current owners, the vast majority of whom have bought in the past at significantly different values than those prevailing in the latest period.

Highlights from across Canada:

British Columbia: affordability broadly improves

- Housing affordability in the province improved across the board in the second quarter, with two-storey homes and condos reaching their most attractive levels since late 2009. RBC's affordability measures for B.C. fell between 0.9 and 2.0 percentage points. Still, owning a home at market price in an area such as Vancouver continued to be very difficult for an average household to afford.

Alberta: housing affordability remains attractive

- Escalating prices in the province were largely taken in stride by Alberta homebuyers in Q2 as lower mortgage rates and solid growth in household incomes provided offset. Affordability in the province improved modestly with RBC measures easing between 0.2 and 0.9 percentage points.

Manitoba: new home listings surge; affordability plays largely neutral role

- The big housing market story in Manitoba was a surge of homes being offered for sale with new listings growing to levels almost 14 per cent above where they were a year ago. RBC's affordability measures fell between 0.5 and 1.5 percentage points but remained close to long-run averages, suggesting that affordability likely plays a neutral role in home buying decisions in the province.

Ontario: homebuyers undisturbed by affordability strains

- Housing affordability changed very little in Ontario in the second quarter and homebuyers did not appear to be overly concerned by the fact that affordability remained somewhat stretched for single-family homes. Lower rates were the main factor contributing to marginal declines in RBC's measures for Ontario, which edged lower between 0.1 and 0.2 percentage points.

Quebec: improved affordability helps halt housing market slide

- Quebec's housing market activity, which had been falling since early 2012, stabilized in Q2. Home resales rose modestly and the supply of homes for sale grew. Second quarter affordability measures for the province eased for all housing types – between 0.9 and 1.8 percentage points. This improvement in affordability likely helped stabilize the market at the margin in the latest quarter.

Atlantic Canada: attractive affordability conditions

- The region's housing affordability conditions improved quite noticeably in the second quarter thanks to lower mortgage rates and subdued price pressures. RBC's measures for Atlantic Canada dropped between 0.9 and 1.8 percentage points.

The full RBC Housing Trends and Affordability report is [available](#) online as of 8 a.m. ET today.

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