



SASKATCHEWAN'S HOUSING AFFORDABILITY CONTINUED TO IMPROVE IN Q3: RBC ECONOMICS

TORONTO, November 26, 2014 — Home price declines in Saskatchewan contributed to significant improvement in the province's housing affordability conditions in the third quarter of 2014, particularly in the bungalow segment, according to the latest [Housing Trends and Affordability report](#) issued today by RBC Economics Research.

The report notes that after a weather-induced slowdown at the start of the year and a snapback in the second quarter, home resales in Saskatchewan stabilized at an elevated level in Q3. While the number of homes sold on the MLS system fell by a modest 1.4 per cent in the third quarter over the second quarter, RBC says it was still a high watermark for the third quarter historically in the province.

“The main challenge in Saskatchewan has been a significant increase in homes available for sale. New listings have consistently outpaced resales since 2012, partly as a result of higher new unit completions,” said Craig Wright, senior vice-president and chief economist, RBC. “This rising listings trend softened demand-supply conditions enough by 2013 to cause price drops in Regina, and it's now threatening other markets such as Saskatoon.”

RBC says that the upside of this development is that housing affordability in the province improved in the latest quarter, with RBC's 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, falling for all housing types (a decrease in the measure represents an improvement in affordability).

RBC's affordability measures eased by 1.3 percentage points to 34.1 per cent for bungalows (the largest such decline in the country), and by 0.4 percentage points for two-storey homes and condominiums, to 38.3 per cent and 23.8 per cent, respectively.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in the third quarter of 2014 is as follows: Vancouver 83.6 (up 1.6 percentage points from the previous quarter); Toronto 56.3 (up 0.3 percentage points); Montreal 37.0 (down 0.3 percentage points); Ottawa 35.7 (down 0.3 percentage points); Calgary 34.2 (up 0.6 percentage points); Edmonton 31.9 (up 0.2 percentage points).

The RBC Housing Affordability measure, which has been compiled since 1985, is based on the calculated 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 under pressure

- Housing affordability in the province came under pressure in the third quarter, with RBC measures rising for all housing categories between 0.2 percentage points and 1.0 percentage points. Affordability continues to compare poorly against historical norms in the province and the measures elsewhere in the country, largely reflecting extreme conditions in Vancouver

Alberta: affordability remains relatively attractive

- As a share of household income, ownership costs are fairly low in Alberta – compared to both long-term and national averages. RBC's third quarter measures for the province climbed by 0.4 percentage points for both bungalows and two-storey homes. The measure for condos eased by 0.2 percentage point, and stands at the lowest level among the provinces.

Manitoba: housing largely becomes more affordable

- Affordability conditions largely improved in Q3 in the province, much as it has been the case since the middle of 2013. RBC's measures for bungalows and condos fell by 0.4 percentage points and 0.2 percentage points, respectively. The measure for two-storey homes rose by 0.2 percentage points.

Ontario: affordability remains moderately strained

- Homebuyers in the province benefited from some modest improvement in affordability, though it still remains relatively strained – mostly in the Toronto area. RBC's measures edged lower between 0.1 percentage points and 0.4 percentage points across housing categories.

Quebec: most attractive affordability levels in years

- Housing affordability continued to improve for the most part in the province, reaching the most attractive levels in years. In Q3, RBC's measures eased by 0.8 percentage points for condos and 0.4 percentage points for two-storey homes. The measure for bungalows remained unchanged.

Atlantic Canada: affordability conditions remain generally favourable

- Homebuyers in the region are benefitting from generally favourable affordability conditions. RBC's measure for bungalows eased by 0.3 percentage points and edged slightly higher by 0.1 percentage points and 0.2 percentage points for two-storey homes and condos, respectively. Measures for the region remain among the lowest in the country.

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

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