



SASKATCHEWAN'S HOUSING AFFORDABILITY REMAINED CLOSE TO HISTORICAL NORMS IN Q2 2015: RBC ECONOMICS

TORONTO, August 31, 2015 —While activity levels remained low relative to last year, Saskatchewan's home resale market showed signs of recovery in the second quarter of 2015, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

“Saskatchewan's home resale activity levels showed renewed vigour this past spring, at a time when we continued to see little affordability strain across the province,” said Craig Wright, senior vice-president and chief economist, RBC. “Nonetheless, strengthening demand-supply conditions produced material price gains for single-detached homes, reversing some of the declines that took place in previous quarters in the face of falling oil prices.”

RBC notes that prices in Saskatchewan's condo segment remained under downward pressure in Q2 2015 amid plentiful supply. Of note, Regina continued to face an elevated inventory of unabsorbed, newly-built condos.

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, increased in Q2 2015 for two of the three housing categories tracked (an increase in the measure represents deterioration in affordability). RBC's measures for Saskatchewan rose by 0.8 percentage points for both bungalows and two-storey homes, to 34.7 per cent and 38.8 per cent respectively, while the measure for condos eased by 0.2 percentage points to 24.5 per cent. All measures continue to be quite close to their long-run average and suggest little in the way of undue affordability stress.

During Q2 2015, national affordability measures rose by 0.7 percentage points to 43.3 per cent for bungalows and by 0.4 percentage points to 48.3 per cent for two-storey homes. The measure for condominiums remained unchanged at 27.1 per cent.

RBC's Housing Affordability measure for the benchmark detached bungalow in Canada's largest cities in Q2 2015 is as follows: Vancouver 88.6 (up 3.0 percentage points from Q1 2015); Toronto 59.4 (up 2.1 percentage points); Montreal 36.0 (down 1.2 percentage points); Ottawa 35.4 (unchanged); Calgary 32.4 (down 0.4 percentage points); Edmonton 32.5 (down 0.4 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 home ownership 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 that would be associated if an average household were to buy a home at present market values and interest rates. It is not an observation of the costs actually 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: Vancouver skews provincial affordability

- Rapid home price increases in Vancouver significantly impacted housing affordability in British Columbia in the second quarter. RBC's measures for the province rose more than any other province, up 2.5 percentage points for two-storey homes, 2.1 percentage points for bungalows, and 0.4 percentage points for condominiums.

Alberta: Market settling down with support from affordable conditions

- Following the plunge in oil prices in the first quarter of 2015, Alberta's housing market settled down in the second quarter. RBC's measures for the province fell by 0.5 percentage points for two-storey homes, 0.1 percentage points for bungalows, and inched higher by 0.2 percentage points for condominiums.

Manitoba: Affordability was a mixed bag

- Owning a bungalow or condominium became less affordable in Q2, while owning a two-story home became more affordable. RBC's measures rose modestly for both bungalows and condominiums at 0.7 percentage points, while the measure for two-storey homes fell by 0.5 percentage points.

Ontario: Affordability picture continues to be split

- Owning a single-detached home at market prices in the province has become less and less affordable, while owning a condominium appears to be within reach. RBC's measures showed further deterioration for bungalows (rising by 1.1 percentage points) and two-storey homes (up 0.7 percentage points), while condominiums remain fairly steady (down only 0.1 percentage points).

Quebec: Improving affordability trends persist

- Housing affordability continued to improve in Quebec in Q2. RBC's affordability measures fell in all three categories for the third consecutive quarter and by some of the largest margins across all the provinces. Two-storey homes fell by 1.1 percentage points, bungalows fell by 0.9 percentage points, and condominiums decreased by 0.5 percentage points.

Atlantic Canada: Soft demand-supply conditions despite favourable affordability

- Softness in the housing market drove homeownership costs down in Q2. RBC's affordability measures fell across all categories (between 0.3 and 0.7 percentage points), adding to the continuous decline registered since late 2013.

The full RBC Housing Trends and Affordability report is available online, as of 8:00 a.m. ET today, at rbc.com/economics/market.

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