



SASKATCHEWAN'S HOUSING AFFORDABILITY IMPROVES THANKS TO STEADY HOUSEHOLD INCOME GAINS: RBC ECONOMICS

TORONTO, November 22, 2012 — The significant deterioration in housing affordability in the second quarter in Saskatchewan was largely reversed in the third quarter, according to the latest [Housing Trends and Affordability Report](#), issued today by RBC Economics Research. The report indicates that a moderation in home price increases and increased household incomes contributed to an improvement in affordability in the province.

“Homeowners’ budgets in Saskatchewan were somewhat stretched in the second quarter as home prices spiked, particularly in markets like Saskatoon and Regina,” said Craig Wright, senior vice-president and chief economist, RBC. “While property appreciation continued in the third quarter, gains were comparatively modest and any impact on affordability was offset by rising household incomes.”

RBC notes that Saskatchewan’s housing affordability levels were far from excessive, with measures standing just above their long-term averages for all housing categories, indicating little in the way of undue affordability-induced strain on the market.

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, declined across all housing types (a decrease in the measure represents an improvement in affordability). The RBC measure for the benchmark detached bungalow fell by 0.9 percentage points to 38.2 per cent, the standard two-storey home eased by 1.3 percentage points to 41.7 per cent and the measure for condominium apartments declined by 1.0 percentage points to 26.2 per cent.

“Housing market activity in the province has moderated since the spring, providing some slack to the tighter conditions that Saskatchewan experienced earlier in the year,” added Wright. “Nonetheless, given the strong start to the year, home resales remain on pace to set a new record high in the province in 2012.”

[Where housing affordability stands in Canada](#)

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities is as follows: Vancouver 83.2 per cent (down 5.8 percentage points from the previous quarter); Toronto 52.4 per cent (down 0.7 percentage points); Montreal 40.2 per cent (up 0.1 percentage points); Ottawa 38.7 per cent (down 0.4 percentage points); Calgary 38.3 per cent (down 0.7 percentage points) and Edmonton 31.1 per cent (down 0.6 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.

Highlights from across Canada:

- [British Columbia](#): Affordability hurdles still tough to clear

British Columbia's housing market experienced improvements in the third quarter of 2012, and yet, affordability conditions remained the poorest across Canada. RBC measures fell between 2.0 percentage points and 3.7 percentage points, the largest drops across Canada. The situation remains less severe elsewhere in the province; the share of income needed to carry ownership costs in Victoria, for instance, is almost half the share in Vancouver for some housing types.

- [Alberta](#): Attractive affordability contributes to market renaissance

Alberta's housing market enjoyed firm and steady resale activity, balanced demand-supply conditions, moderate home price increases, and improved housing affordability. Third quarter affordability measures for the province edged lower – between 0.2 percentage points and 0.4 percentage points – remaining below their long-term and the national averages.

- [Manitoba](#) – Market losing some of its steam; minimal pressure on affordability

Declining housing prices spurred a notable improvement in housing affordability in Manitoba over the third quarter. RBC measures fell between 0.6 percentage points and 1.6 percentage points, which fully unwound the deterioration that occurred in the prior quarter. Provincial affordability levels sit slightly higher than their averages since the mid 1980s, but remain well below the corresponding national averages.

- [Ontario](#): More balanced conditions help to ease affordability stress

Ontario's housing affordability eased somewhat in the third quarter, but remains under mild pressure, most notably in the two-storey home segment. RBC measures declined between 0.5 percentage points and 1.1 percentage points in the province, which, in effect, rolled back the two consecutive quarterly increases that took place in the first half of this year.

- [Quebec](#): Second straight affordability improvement

Housing affordability improved for the second straight quarter in Quebec, with RBC's measures edging lower across all housing types in the province, between 0.6 percentage points and 0.8 percentage points, in the third quarter. For the most part, levels are only slightly worse than the average historical level, indicating that prospective homebuyers in Quebec may feel minimally stretched budget-wise, if they bought a home at current market prices.

- [Atlantic](#): Affordability position remaining quite stable

Housing affordability in Atlantic Canada improved slightly across the board, with RBC measures in the region inching lower by 0.2 percentage points to 0.7 percentage points relative to the previous quarter. Affordability measures have been reasonably stable over the past three years in the region, showing no discernable trends on either the up or down sides.

The full RBC Housing Trends and Affordability report is available online, as of 7 a.m. ET today, at rbc.com/economics/market/.

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