



SASKATCHEWAN'S HOUSING AFFORDABILITY EXPECTED TO STABILIZE IN 2008, SAYS RBC

TORONTO, January 24, 2008 — After Saskatchewan's housing affordability sharply deteriorated across all home segments last year, the province is expected to see housing affordability stabilize in 2008, according to a new housing report issued today by RBC Economics.

"For 2008, we expect softer but still elevated housing market conditions," said Derek Holt, assistant chief economist, RBC. "Bucking the trend of every other province, where housing starts are expected to decline and affordability conditions improve, Saskatchewan should actually see a modest increase in housing starts and only a stabilization of affordability rather than outright improvement."

RBC's Housing Affordability measure for Saskatchewan, which captures the proportion of pre-tax household income needed to service the costs of owning a home, deteriorated across all four classes last quarter as the benchmark detached bungalow moved to 40 per cent, the standard townhouse to 31 per cent, the standard condo to 26 per cent and the standard two-storey home to 42 per cent.

Commodity-led growth that created a surge in job opportunities along with a sudden influx of migrants after years of declining population, led to an unexpected demand for housing, straining the existing market and driving a more than 60 per cent surge in housing starts and a 30 per cent gain in house prices. Higher home prices have weighed down demand and sales-to-listings ratios have slowed from their peak of 0.92 to 0.67 in the past six months. Annual price gains for 2008 are also expected to moderate, dropping from approximately 30 per cent last year to approximately 12 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 condo. The higher the measure, the more costly it is to afford a home. For example, an Affordability measure 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.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the province, including Regina and Saskatoon. For these cities, RBC has used a narrower measure of housing affordability that only takes mortgage payments relative to income into account.

RBC's Affordability measures for a detached bungalow for Canada's largest cities are as follows: Vancouver, 72 per cent, Calgary, 46 per cent, Toronto, 46 per cent, Montreal, 37 per cent and Ottawa, 32 per cent.

Highlights from across Canada:

- **British Columbia:** Housing affordability reached into uncharted territory late last year as affordability deteriorated to its worst level since 1985 when RBC started tracking conditions. Modest improvements are expected for 2008.
- **Alberta:** Many prospective homebuyers were priced out of the market last year as housing affordability conditions eroded, pushing markets into unsustainable territory. With a softer influx of migrants, the housing market is poised for a significant slowdown and improved affordability.
- **Manitoba:** The province's housing market is still running at full tilt. Affordability should improve as rising costs start to weigh on demand and help rebalance the market in 2008.
- **Ontario:** Income growth is expected to cool amidst toughening economic conditions in the province. On balance, our affordability forecast in 2008 points to overall improving conditions as mortgage rates drift lower and price gains moderate even further.
- **Quebec:** Housing affordability continued to deteriorate last year. Stable and modest price gains combined with some mortgage rate relief this year should translate into an overall improvement in affordability conditions across all four home segments in 2008.
- **Atlantic region:** Strong house price gains and rising mortgage rates chipped away at affordability conditions in 2007. In 2008, Atlantic Canada is expected to move onto a softer growth trajectory as housing construction activity gears down.

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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