



# NEWS

## **SASKATCHEWAN IS THE NEW ALBERTA, BUT AFFORDABILITY RISKS GROWING, SAYS RBC ECONOMICS**

**TORONTO, March 14, 2008** — While Saskatchewan's housing market witnessed significant deterioration in affordability last year, it should start to improve gradually in 2008, according to the latest housing report by RBC Economics.

“Saskatchewan is the new Alberta – holding the top spot nationwide on growth across all key housing indicators including housing starts, house prices, residential building permits and resale activity,” said Derek Holt, assistant chief economist at RBC. “We still expect the province's housing market to stabilize sometime in 2008 as price gains come off their peaks and mortgage rates dip further.”

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 34 per cent, the standard condo to 26 per cent and the standard two-storey home to 42 per cent respectively.

The report noted that supply constraints in the existing home market have meant overflowing demand in the new home sector where housing starts soared 62 per cent last year. Saskatchewan is expected to be the only province to see an increase in housing starts for 2008. New house prices continue to escalate with year-over-year growth running at 45 per cent in Saskatoon and 26 per cent in Regina. Supply shortages continue to force prices higher and create overall inflationary pressures across the province.

The report also presents a comparison of Canadian and U.S. household finances, and shows that Americans are still modestly richer, but much more heavily leveraged and further in debt with less liquidity. That, in turn, makes them more vulnerable to ongoing credit market turmoil and risks towards house prices than Canadians. In fact, the sharp depreciation in the U.S. dollar over the past six years has made Canadians relatively richer over time, by raising the value of what their wealth will buy in world markets compared to that of their American counterparts.

The report also looked at mortgage carrying costs relative to incomes for a broader sampling of cities across the country, 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 measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 74 per cent, Toronto 47 per cent, Calgary 42 per cent, Montreal 37 per cent and Ottawa 32 per cent.

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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 reading, the more costly it is to afford a home. For example, an Affordability reading 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.

Highlights from across Canada:

- **British Columbia:** Although affordability conditions deteriorated to their worst level on record at the end of 2007, the province is poised for some affordability relief in 2008 as a result of cooler price gains and lower interest rates.
- **Alberta:** At the end of 2007, the province witnessed broad-based affordability improvements across all housing segments for the first time in over three years. Rapidly cooling prices put the province on watch, but should result in improved affordability for 2008.
- **Manitoba:** Housing markets across the province continue to heat up. Resale markets continue to drive strong price gains, but as household income continues to grow at the third-fastest rate in the country, affordability conditions remain steady.
- **Ontario:** Even though housing affordability deteriorated across all housing segments, the pace has slowed. The province should see improvements in 2008 from a cooling economy, lower mortgage rates, and softer price gains.
- **Quebec:** A generally balanced market has helped keep housing affordability in check. In 2008, a slower pace of house price gains and softer income growth should contribute to improved affordability conditions.
- **Atlantic region:** Affordability continued to erode in the final quarter of 2007. A combination of income growth, moderate house price gains and anticipated mortgage rate relief across all home segments should improve affordability in 2008.

The full RBC Housing Affordability report is available online, as of 8 a.m. E.D.T. today at [www.rbc.com/economics/market/pdf/house.pdf](http://www.rbc.com/economics/market/pdf/house.pdf).

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