



SASKATCHEWAN'S HOUSING AFFORDABILITY REMAINS POOR, SAYS RBC ECONOMICS

TORONTO, December 8, 2008 — After reaching its poorest level of affordability last year, Saskatchewan's housing sector is starting to feel the downside effects of a frenzied market, according to the latest housing report by RBC Economics.

"Housing demand in the province benefited greatly from the red-hot prairie economy and the inflow of people moving to the province," said Robert Hogue, senior economist at RBC. "However, it appears housing markets got carried away as skyrocketing prices significantly overstepped household income."

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, improved modestly across all four classes last quarter as the benchmark detached bungalow moved to 47.7 per cent, the standard townhouse to 39.1 per cent, the standard condo to 32.5 per cent and the standard two-storey home to 50.1 per cent respectively.

Saskatchewan's affordability measures spiked across all housing segments last year, reaching their poorest levels on record, dating back to the mid 1980s. As a result, the province is now starting to witness a correction with housing resales and prices showing clear signs of weakening. The correction is expected to persist through 2009, as markets return to more sustainable levels.

RBC's Affordability measure for a detached bungalow for Canada's largest cities is as follows: Vancouver 74.8 per cent, Toronto 53.3 per cent, Calgary 47.3 per cent, Ottawa 43.3 per cent and Montreal 40.4 per cent.

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.

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:** In the last two quarters, affordability conditions have started to improve. The province's housing markets are entering a correction phase that will see prices decline, reversing recent gains.
- **Alberta:** Housing conditions have softened since prices peaked back in 2007. In the third quarter of 2008, further price declines in most housing segments contributed to improved affordability.
- **Manitoba:** Well-positioned to weather the storm, the province's housing market is nonetheless expected to cool in 2009 amid mounting economic uncertainty.
- **Ontario:** Housing markets softened in the third quarter as several regions across the province reported notable price declines and weakening re-sale activity – evidence that the sector can no longer resist the downdraft of a souring provincial economy.
- **Quebec:** Affordability conditions improved in the third quarter but economic storm clouds are darkening the housing market outlook. Relatively strong fundamentals should help limit damages during the downturn.
- **Atlantic region:** Rapid price increases over the past two years have eroded affordability conditions in the region. St. John's, Saint John and Halifax are currently among Canada's housing hotspots.

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.

For more information, please contact:

Robert Hogue, Economics, RBC, 416-974-6192

Stephanie Lu, Media Relations, RBC, 416-974-5506