



## **Saskatchewan's homeownership costs on the rise: RBC Economics**

**TORONTO, May 25, 2010** — Owning a home in Saskatchewan became more expensive in the first quarter of 2010, as housing affordability measures posted some of the largest increases in the country, according to the latest affordability report released today by RBC Economics Research.

“Home prices in Saskatchewan rose significantly after slow gains in previous quarters,” said Robert Hogue, senior economist, RBC. “However, further price increases are unlikely to be as large in the near term, with sales slowing down more recently amid the rising supply of available homes.”

The report found that despite the rising costs of home ownership in the first quarter, affordability measures in Saskatchewan still remain well off the peak levels experienced in early-2008.

Saskatchewan's measures, which capture the proportion of pre-tax household income needed to service the costs of owning a home, rose across all housing types in the first quarter of 2010 (a rise in the measure means a loss of affordability).

The measure for the benchmark detached bungalow moved up to 41.4 per cent (a rise of 0.9 percentage points over the previous quarter), the standard townhouse to 33.9 per cent (up 1.4 percentage points), the standard condominium to 28.7 per cent (up 1.6 percentage points) and the standard two-story home to 44.8 per cent (up 1.4 percentage points).

With the exception of Alberta, home affordability measures deteriorated across all provinces with a significant decline in affordability in B.C., Saskatchewan and Manitoba. Housing affordability declined more moderately in Quebec, Ontario and Atlantic Canada.

RBC's Housing Affordability measure for a detached bungalow in Canada's largest cities is as follows: Vancouver 73.4 per cent (up 4.8 percentage points over the last quarter), Toronto 49.1 per cent (up 0.4 of a percentage point), Ottawa 40.3 per cent (up 0.3 of a percentage point), Montreal 39.7 per cent (up 0.9 of a percentage point), Calgary 36.5 per cent (down 0.3 of a percentage point) and Edmonton 32.0 (down 0.5 of a percentage point).

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 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. Alternative housing types are also presented including a standard two-storey home, a standard townhouse and a standard condominium. 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:** Homeownership became even more expensive in B.C., as strong home price momentum continued in the first quarter. Housing affordability measures have now returned close to the all-time highs reached in early-2008. This trend represents a risk that could weigh heavily on the province's housing market in the near term.
- **Alberta:** Affordability measures eased in the first quarter, as Alberta was the only province to show a decline in the costs associated with owning a home. Housing price increases in the province were fairly modest over the past year, which has kept home ownership relatively affordable. RBC affordability measures are at or below the long-term averages.
- **Manitoba:** Prices for most housing types surged ahead in the first quarter of 2010, pushing affordability measures above the long-term average for the province despite a slower pace of resale activity. Affordability in the province has reached a point where an additional decline in home affordability may temper housing demand.
- **Ontario:** Home prices in the province continued to rise, with property values reaching record highs in many parts of the province. This has led to a further decline in housing affordability, which has been on a deteriorating trend since the middle of last year. With escalating prices, affordability measures are now above the long-term average. This suggests that additional increases in housing costs may price more and more buyers out of the market in Ontario.

- **Quebec:** Quebec's housing market rally continued in the first quarter of the year, with record-levels of buying activity and rising property values. This escalation in home prices, while more moderate than in the previous two quarters, weakened affordability in the province. All affordability measures now exceed their long-term average, which may soon slow housing demand in the province.
- **Atlantic Canada:** Resale activity on the East Coast remained solid, with an increase in sales met by a rise in the supply of available homes. These broadly balanced conditions have limited the pace of price increases in the region. Overall housing affordability in Atlantic Canada continues to be among the most attractive in the country, with measures still below long-term averages.

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).

**For more information, please contact:**

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

Matt Gierasimczuk, Media Relations, RBC, 416-974-2124