



Saskatchewan bucks national trend as home ownership becomes slightly less affordable: RBC Economics

TORONTO, February 25, 2013 — Record high home resales and the resulting appreciation in property values last year led to a decline in Saskatchewan's housing affordability in the fourth quarter of 2012, according to the latest [Housing Trends and Affordability Report](#), issued today by RBC Economics Research.

“Job market gains and decades-high inflows of migrants into Saskatchewan played a considerable role in the provincial home buying boom witnessed in the first half of 2012,” said Craig Wright, senior vice-president and chief economist, RBC. “While market momentum slowed noticeably in the tail end of the year, it wasn't enough to curb home prices in the province, which continued to climb at some of the faster paces in Canada in the fourth quarter.”

The RBC report notes that while housing market activity in Saskatchewan slowed markedly in the latter stages of the year, nearly 14,000 homes were sold in 2012, which sets a new record for the province.

The RBC 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, increased across all housing types (an increase in the measure represents deterioration in affordability).

RBC's measure for the benchmark detached bungalow rose by 0.7 percentage points to 39.0 per cent, the standard two-storey home increased by 1.1 percentage points to 42.8 per cent and the measure for condominium apartments increased by 0.5 percentage points to 26.8 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 82.2 per cent (down 2.6 percentage points from the previous quarter); Toronto 52.8 per cent (down 0.4 percentage points); Montreal 39.3 per cent (down 0.9 percentage points); Ottawa 38.8 per cent (down 0.5 percentage points); Calgary 38.1 per cent (up 0.2 percentage points) and Edmonton 30.7 per cent (down 0.1 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](#): housing affordability improving, still has to go the distance

While housing affordability in British Columbia still has a long way to go before reaching less stressful levels, homebuyers in the province received a welcome reprieve in the fourth quarter. RBC measures fell by 1.1 percentage points for condominium apartments and 1.0 percentage point for detached bungalows. The two-storey home category experienced a small increase (0.4 percentage points), though this followed a substantial decline in the third quarter.

- [Alberta](#): vibrant market bolstered by attractive affordability

Brisk demand for the province's housing in 2012 was supported by a strong provincial economy, accelerating population growth and attractive affordability. Further improvement was registered in the fourth quarter with measures falling between 0.1 and 0.2 percentage points.

- [Manitoba](#): market vigour unhindered by slight affordability deterioration

Manitoba's housing market registered a banner year in 2012 with a record 14,000 existing homes sold, indicating that housing affordability levels had little dissuasive effect on homebuyers in 2012. Although measures for detached bungalows and condominiums deteriorated in the fourth quarter, measures for two-storey homes remained unchanged. RBC's measures for Manitoba continued to rank slightly above their long-term average, suggesting that any affordability strain is likely minimal at this point.

- [Ontario](#): affordability largely improves, tempering overall market conditions

The tightness that characterized Ontario's housing market in the early part of 2012 gave way and a more balanced market was observed in the second half of 2012, improving overall affordability conditions in the province. RBC's measures inched lower by 0.1 and 0.3 percentage points for the detached bungalow and condominium apartment, respectively, while the measure for two-storey homes rose marginally by 0.1 percentage points.

- [Quebec](#): generally improving affordability tone is sustained

Quebec's housing affordability improved, for the most part, for the third quarter in a row in the fourth quarter, yet this did little to stimulate homebuyer demand as resale activity continued to cool in the province. RBC measures fell for two-storey homes (by 1.1 percentage points) and detached bungalows (by 0.3 percentage points), but rose for condominium apartments (by 0.4 percentage points).

- [Atlantic Canada](#): housing continues to be affordable

Affordability in the Atlantic region received another boost in the fourth quarter, with RBC measures falling for two-storey homes (by 1.0 percentage points) and detached bungalows (by 0.5 percentage points), keeping levels well below their respective national averages. The measure for condominium apartments rose modestly by 0.3 percentage points, though this followed a more sizable drop in the previous period.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/market/.

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