



SASKATCHEWAN'S HOUSING AFFORDABILITY REGAINS LOST GROUND: RBC ECONOMICS

TORONTO, May 23, 2013 — Housing affordability in Saskatchewan improved marginally in the first quarter of 2013, but modest pressure still persists in the Prairie province, according to the latest [Housing Trends and Affordability Report](#) released today by RBC Economics Research.

“In the first quarter, Saskatchewan’s housing affordability showed the biggest improvement in the country. Since this follows on the heels of noticeable deterioration at the tail end of 2012, the market is really just regaining lost ground,” said Craig Wright, senior vice-president and chief economist, RBC. “Swings in home prices have been responsible for the volatile levels of affordability in the province in the past year.”

RBC notes that substantial gains in house prices in the fourth quarter of 2012 were followed by widespread declines early this year. Overall, however, affordability measures in the province have trended sideways since 2009, maintaining persistent, albeit modest, pressure on homebuyers.

Saskatchewan home resales slowed considerably in the latter half of 2012 and early months of 2013; however, activity perked up this spring in markets like Saskatoon, RBC says.

RBC’s 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, declined across all three housing types in the first quarter (a decrease in the measure represents an improvement in affordability). RBC’s measure for the benchmark detached bungalow eased by 1.0 percentage points to 38.1 per cent and the measure for two-storey homes fell 1.7 percentage points to 41.2 per cent. The measure for condominiums declined of 0.3 percentage points to 26.5 per cent.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities is as follows: Vancouver 82.3 per cent (up 0.1 percentage points from the previous quarter); Toronto 53.8 per cent (up 0.8 percentage points); Montreal 40.1 per cent (up 0.6 percentage points); Ottawa 39.1 per cent (up 0.1 percentage points); Calgary 38.7 per cent (up 0.8 percentage points); Edmonton 30.4 per cent (down 0.2 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**: affordability improves, but still has a long way to go
Homeownership in the province became slightly more affordable in the first quarter, though the market has a long way to go before homebuyers can experience more normal levels by historical standards. RBC measures fell by 0.4 percentage points for bungalows and by 1.3 percentage points for two-storey homes. The measure for condominiums remained unchanged.
- **Alberta**: slight erosion in affordability does little to deter homebuyers
High household incomes in the province kept homebuyers unfazed by the slight erosion in affordability in the first quarter. Alberta's housing market remains a bright spot in Canada despite the fact that affordability measures rose slightly by 0.2 percentage points across all housing types tracked by RBC.
- **Manitoba**: second consecutive quarter of affordability deterioration
Manitoba's affordability levels deteriorated for the second straight quarter in the first quarter of 2013, though levels are still not considered dangerous for provincial homebuyers. The RBC measures rose modestly across all housing categories – up 0.8 percentage points for bungalows, 0.4 percentage points for condominiums and 0.2 percentage points for two-storey homes.
- **Ontario**: affordability conditions extend their recent trends
Ontario's affordability conditions in the first quarter of 2013 were by and large an extension of recent trends – a deterioration in the single family homes categories and a standstill for the condominium category. RBC's measures for both bungalows and two-storey homes rose by 0.4 percentage points, while the measure for condominiums remained unchanged.
- **Quebec**: affordability variations a mixed bag
Affordability levels in Quebec remain modestly worse than they have been historically for single family homes, which could be contributing to homebuyers' hesitation in pulling the trigger on purchases over the past year. In the first quarter of 2013, RBC measures were a mixed bag, with bungalows and two-storey homes rising 0.4 percentage points and 0.1 percentage points, respectively, and condominiums declining 0.6 percentage points.

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- **Atlantic Canada:** cooling housing market keeps affordability attractive
Increasingly looser housing market conditions have reduced sellers' pricing power, keeping affordability fairly attractive in Atlantic Canada. First quarter measures rose very modestly, between 0.4 and 0.6 percentage points, for all categories tracked by RBC.

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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