

## **MILD AFFORDABILITY DETERIORATION CONTINUES FOR SASKATCHEWAN, SAYS RBC ECONOMICS**

**TORONTO, March 15, 2007** — According to a new housing report by RBC Economics, Saskatchewan witnessed a mild deterioration in housing affordability as house prices remained elevated in the fourth quarter of 2006.

“For a fifth consecutive quarter, affordability eroded in three out of four home classes – detached bungalow, townhouse and condo,” said Derek Holt, assistant chief economist, RBC. “Saskatchewan’s annual house price gains, which are in the 10 per cent range, outweighed any mortgage rate relief or household income growth that would have helped offset costs.”

The RBC Affordability measure for Saskatchewan captures the proportion of pre-tax household income needed to service the costs of owning a home. The measure mildly eroded in the fourth quarter of 2006 to 31.1 per cent for a detached bungalow, 24.9 per cent for a standard townhouse and 20 per cent for a standard condo. Only the standard two-storey home saw improvement, requiring only 33.5 per cent of household income.

Two-storey homes were the only class to buck the trend and reported a modest affordability improvement. The combination of declining mortgage rates and marginal price gains helped drive monthly mortgage payments lower for two-storey homes. With the pace of erosion slower than previous quarters and the market continuing to cool, Saskatchewan should see affordability improve over the next year.

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 measure 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.

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The report also looked at mortgage carrying costs relative to incomes for a broader sampling of smaller cities across the country, including Regina and Saskatoon. Saskatoon witnessed a mild deterioration in affordability conditions across all classes while Regina reported improvements in two of its home segments. For these smaller 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 detached bungalows in Canada's largest cities is as follows: Vancouver 68.5 per cent, Calgary 40.9 per cent, Toronto 42.6 per cent, Montreal 35.3 per cent and Ottawa 30 per cent.

#### Highlights from across Canada:

- **British Columbia:** The final quarter of 2006 provided some relief for B.C. homeowners with affordability improving for the two-storey and detached bungalow segments. However, condos and townhomes continued a fifth straight quarter of deterioration. Overall, B.C.'s housing affordability should continue to improve over the next year.
- **Alberta:** Since the start of 2005, housing affordability across Alberta has been eroding at an aggressive pace. While the most recent quarter reported another across-the-board deterioration, the pace of erosion appears to have topped out and has slowed significantly.
- **Manitoba:** After declining affordability in the first half of 2006, Manitoba saw a marked improvement for the second half of the year. The strongest improvement came from the condo sector, reversing much of the deterioration that occurred in the early part of 2006.
- **Ontario:** As Ontario's housing market continued to cool, affordability improved across all classes. Softer price growth, a decline in mortgage rates and lower utility bills combined to bring monthly payments down by one to two per cent for all four housing segments.
- **Quebec:** Led by improvement in two-storey homes, housing affordability recovered significantly for the first time in over a year as the long-anticipated soft landing continues to unfold. Supply and demand fundamentals in Quebec's housing market are cooling off in tandem and the effects are overflowing to improve affordability conditions for prospective homeowners.

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- **Atlantic region:** Strong household income growth, lower monthly utility bills and a modest drop in mortgage rates contributed to improve conditions across Atlantic Canada.

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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