

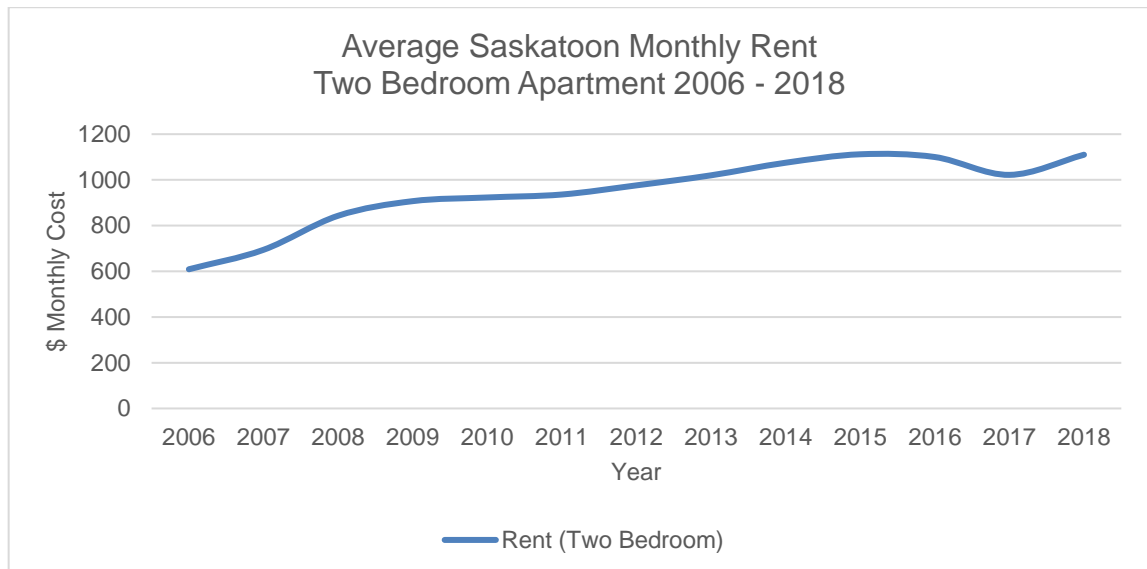
Housing for Moderate Income Earners

1. Definition of Moderate Income

A Moderate Income household is often defined as having annualized family income between 80% and 120% of the area's median income. Saskatoon's median after-tax income currently stands at \$58,410. Using the moderate income range of 80% - 120%, this would lead to Saskatoon having a moderate income range of \$46,728 - \$70,092.

2. The Rental Market

Moderate Income earners make up a significant part of the demand for rental housing. After a sharp drop in rental rates in 2017, rates increased again in 2018. Despite the increase, rental rates for two bedroom apartments have remained relatively stable in recent years, as shown in the chart below. The average rent for a two bedroom apartment increased by \$88 per month in 2018, to \$1,110.

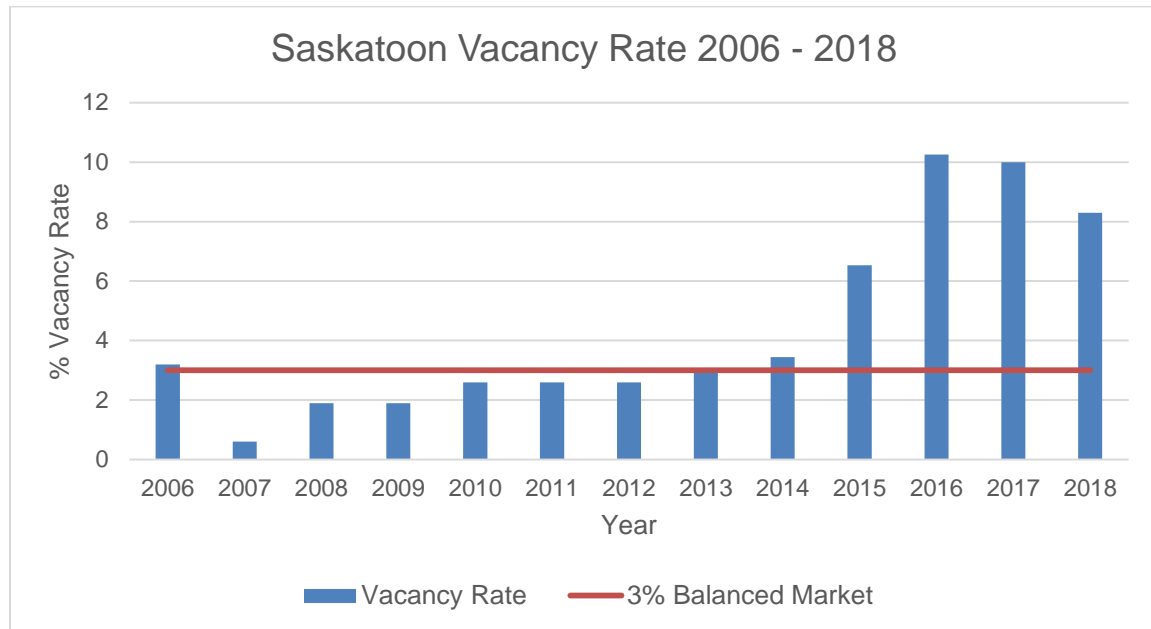


Rental rates are closely related to the city's vacancy rate. For the second year in a row, the vacancy rate dropped from recent highs to 8.3%. The previous increase in vacancy rates were primarily due to a recession hitting the Saskatoon economy in 2015-2016 that reduced overall employment in the city. CMHC attributes the decrease in vacancy rates partially to renewed growth in gains in full-time employment across various industries. This included 4,000 full-time jobs added between January – September 2018. Additionally, further increases in interest rates this past year (along with the previous implementation of a stress test on mortgages) have raised the costs of home ownership. This has resulted in more people either seeking or remaining longer in rental accommodations.

An additional factor that has impacted the current vacancy rate is a higher supply of condo units being rented out. CMHC is reporting that 11,773 condominium

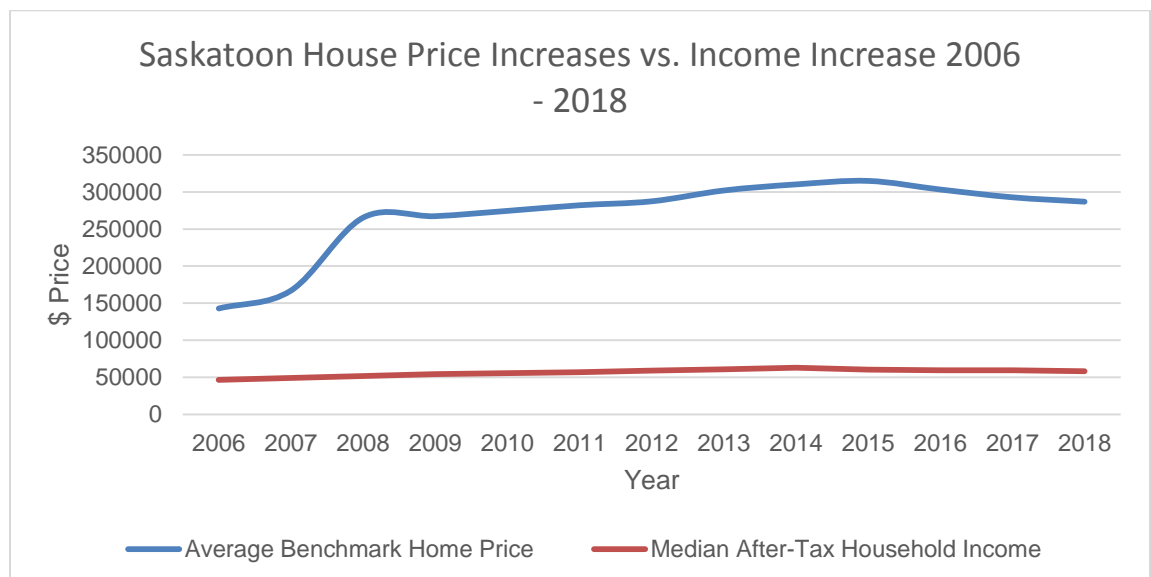
units were rented out in 2018. These units could become owner occupied at any time putting additional tenants in the rental market and lowering the city's vacancy rate.

While the supply is currently adequate as shown in the below table, shortages of rental housing can appear suddenly, as was the case in 2007 when the vacancy rate dropped nearly 3% in a matter of months.



3. Housing Prices Beginning To Level Off

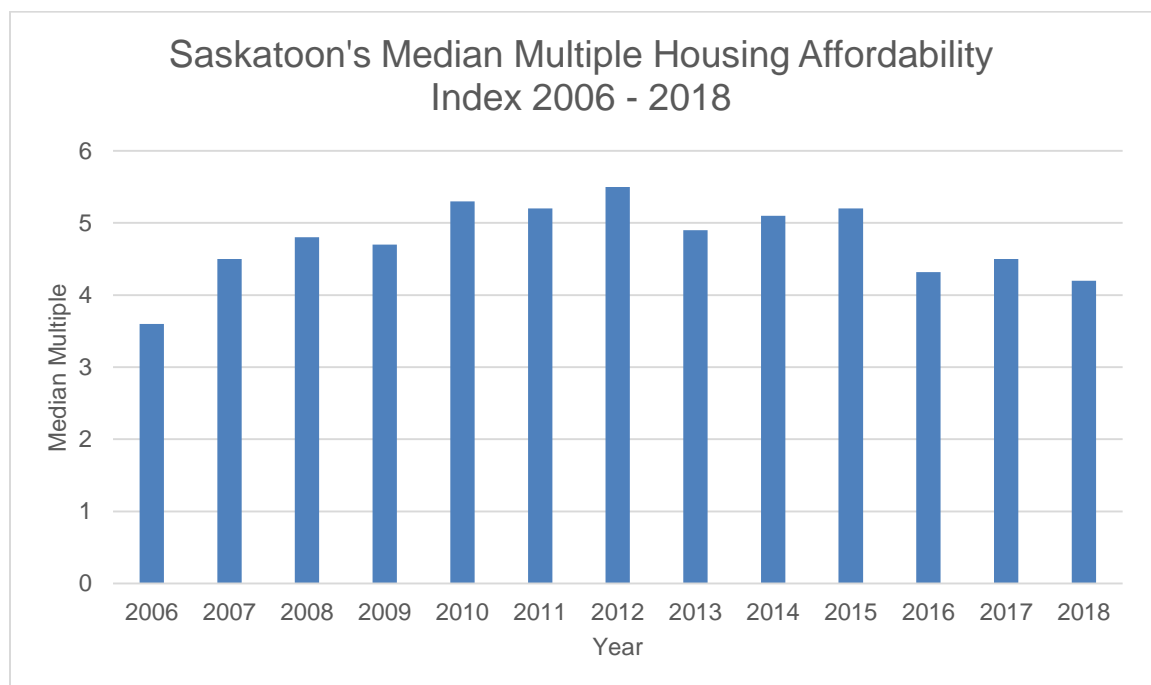
As the chart below illustrates, average house prices have begun to drop due to higher inventory levels. In 2018, the average price of a Saskatoon home sold through the MLS system decreased by 3.5%. CMHC is predicting that prices will begin to level off in 2019 and 2020.



Household incomes are also beginning to drop in Saskatoon, as shown in the bottom line of the chart. In 2018, Saskatoon saw median household after tax income drop to \$58,410, a decrease of about 2.2%. A household income of at least \$89,500 (pre-tax) is required to purchase the average Saskatoon home. The current median household after tax income would currently not be enough to purchase the average home. Therefore, it is evident that many Saskatoon households with moderate income find it a challenge to purchase the average home in Saskatoon.

The chart below shows the Median Multiple for Saskatoon since 2006. The Median Multiple has been leveling off in recent years just above four. This means it takes over four times the median household income to purchase the median priced Saskatoon home.

Historically, a Median Multiple below or equal to 3.0 has indicated a reasonably affordable/balanced housing market. Low interest rates in recent years has allowed many households to purchase a home priced at up to 4-5 times their income which is not sustainable in the long run. The Federal government's requirements for a mortgage stress test has helped in this regard requiring an applicant's ability to pay mortgage payments with an extra 2% interest rate attached to their given rate. However, Saskatoon's Median Multiple is still considered unaffordable.



4. Availability of Housing Priced Below Average and Median Price Points

The charts in the section above show that many Moderate Income homebuyers in Saskatoon can only afford homes that are priced significantly below the average and median prices for the city. The City's support for entry-level housing

under the Mortgage Flexibilities Support Program (MFSP) has made home ownership possible for this group.

Entry-level and affordable ownership homes are essentially the same product with the main difference being that the affordable buyers qualify for a 5% down payment grant under the City's MFSP program.

Targets for the City's MFSP were reduced 2019, as supply has elevated in the condo market. The MFSP program still continues to draw demand and serves those with incomes who can't qualify for a mortgage at the average price point presently.