

# Desjardins Affordability Index

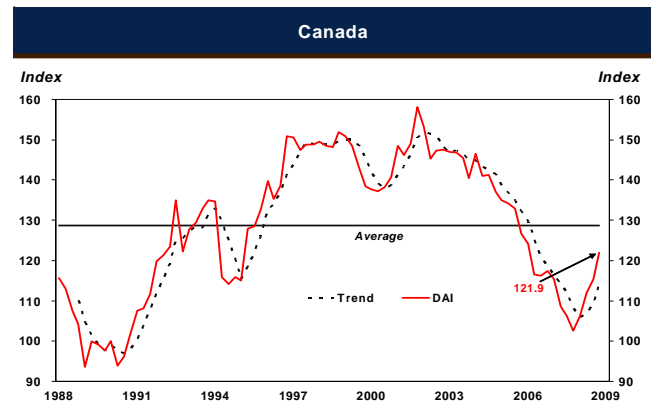
**Desjardins**  
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## The country's housing market is a little more affordable But the economy's deterioration leaves its mark

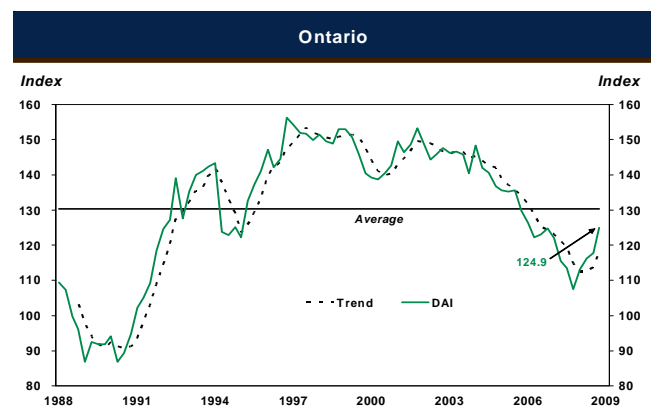
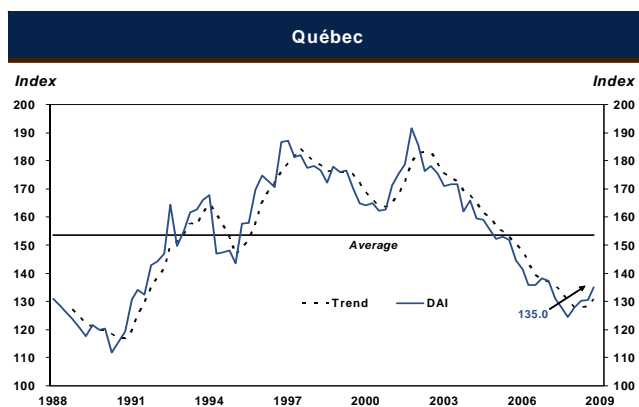
Affordability improved in Q4 of 2008, on the decline in average home prices and drop by mortgage rates. The Desjardins Affordability Index (DAI) therefore continued to ascend, closing in on its historic average. Although the housing market has been more affordable for a few quarters now, this will not be enough to turn things around. The deterioration in the economic situation, among other things resulting in substantial job losses and low consumer confidence, will put additional weight on housing activity in Canada. As in the United States, the housing market will continue to drag, even though affordability has improved.

From the peak reached at the end of 2007, home prices have declined by almost 15% on average in Canada. The decline, which began in western Canada, is now affecting half of Canada's major cities. Ontario, which was hit a little later, is now showing the biggest decline in Canada. In the fourth quarter, the average price fell below \$300,000, for a decline of 4.6% from the previous quarter. Affordability has thus improved substantially, closing in on the historic average. The DAI reached 124.9 at the end of 2008, indicating that Ontarians' average disposable income is about 24.9% higher than the income mortgage lenders require to finance the purchase of an average priced residence. Although property



is more affordable, the recession, which will be deeper in this province, will continue to be a drag on the housing sector.

Québec saw a smaller increase in affordability as prices have stabilized around \$210,000. However, the decline in mortgage rates still helped the DAI reach 135.0 at the end of 2008 from the previous quarter's 130.5. Although Québec has avoided price declines to date, this possibility cannot be ruled out. If the recession is harsher than expected, the market could end up with a surplus situation, as in the early 90s.



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## AFFORDABILITY IN CENSUS METROPOLITAN AREAS (CMA)

Affordability improved slightly in **Vancouver** at the end of 2008; in **Calgary**, the reverse occurred. The price decline that began in both cities last summer gave way to stability in Vancouver and a slight rise for Calgary in the final quarter of 2008 (from the previous quarter). Despite the pause, the correction period will continue in 2009 as the economic problems worsen in western Canada as well. Year over year prices have fallen by over 5% in both of these CMAs. Home sales even fell by about 50% at year's end in Vancouver and Calgary, confirming that the housing sector's deterioration is picking up speed. Half of the country's major markets are showing declines, which are now affecting most cities in Ontario. In Québec, prices are stabilizing, but slight upward and downward changes occurred in the six CMAs in Q4 of 2008.

### QUÉBEC

The Desjardins Affordability Index (DAI) improved in all of Québec's CMAs, except for **Saguenay** and **Trois-Rivières**.

Affordability deteriorated in **Saguenay** on the quarterly 2.8% increase in the average home price. It went from \$133,681 to \$137,473 from Q3 to Q4 of 2008. This market is therefore not very affordable.

**Trois-Rivières** saw a similar decline in affordability. Home prices are at an average of \$134,195, up 2.6% from the previous quarter.

In **Québec City** and **Ottawa-Gatineau**, the DAI rose despite a slight increase in prices. Quarterly growth was 1.7% in Québec City and 1.2% in Gatineau. Average prices were \$198,509 and \$190,082 respectively in the fourth quarter. The drop in

mortgage rates is therefore behind Q4's improvement in affordability. The Québec City market, however, is still not very affordable, while the Ottawa-Gatineau market is now a market to watch.

The DAI advanced in **Montréal** and **Sherbrooke** in the fourth quarter. Stable prices and the drop in mortgages rates led to the improvement. However, both markets are still not very affordable.

### ONTARIO

The Desjardins Affordability Index (DAI) shot up in Ontario. All CMAs except for **Kingston** participated in the change.

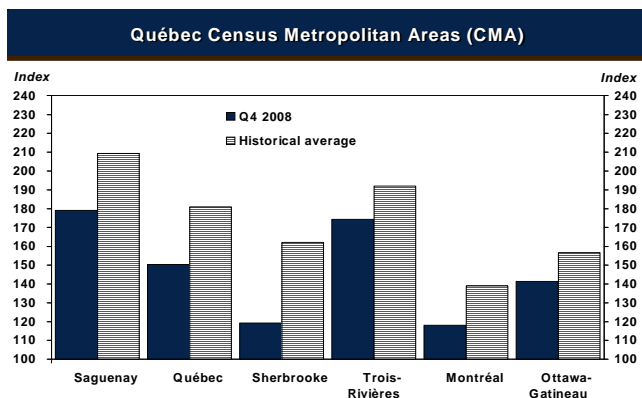
**Kingston's** decline in affordability is due to price growth. The 4.8% increase from Q3 to Q4 of 2008 has reduced households' financial capacity to buy a home.

The DAI rose substantially in **Oshawa**, **Hamilton** and **Windsor** in the last quarter of 2008. The quarterly drop in prices, almost 5% in some cases, led to the improved affordability. The housing market will nonetheless remain depressed in these CMAs as the problems in the auto sector are far from over.

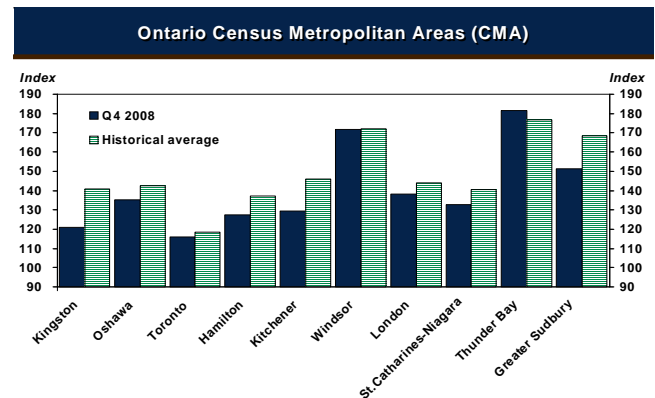
The price decline has not left **Toronto** unscathed, meaning that affordability has improved there as well. The market is still to watch closely as average home prices are relatively high (\$367,010 in the fourth quarter).

The DAI was almost steady in **Kitchener**, as the slight increase in home prices was offset by the drop in mortgage rates.

**Hélène Bégin**  
Senior Economist



Source: Desjardins, Economic Studies



Source: Desjardins, Economic Studies

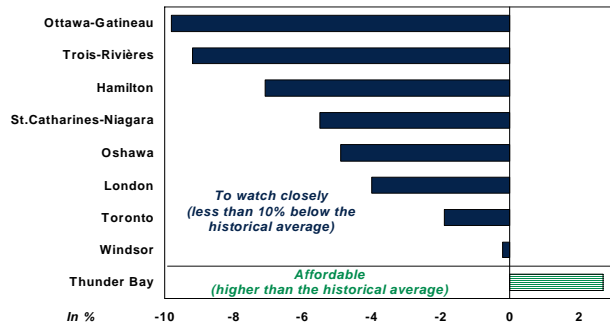
## Desjardins Affordability Index

	Change	Level gap	2008Q4	2008Q3	High	Low	Average
CANADA	↑	6.4	121.9	115.4	158.0	93.6	128.7
QUÉBEC	↑	4.5	135.0	130.5	191.6	111.7	153.7
ONTARIO	↑	7.2	124.9	117.7	156.3	86.8	130.3
<b>Metropolitan Areas</b>							
Saguenay	↓	-0.3	179.0	179.3	255.5	159.4	209.5
Québec	↑	1.1	150.4	149.3	223.9	131.3	181.0
Sherbrooke	↑	2.6	119.2	116.5	208.9	112.1	162.0
Trois-Rivières	↓	-0.3	174.3	174.6	237.7	134.3	192.1
Montréal	↑	2.7	117.9	115.2	180.4	99.5	139.0
Ottawa-Gatineau	↑	3.1	141.2	138.1	185.3	110.2	156.6
Kingston	↓	-1.0	120.8	121.7	171.9	93.0	140.7
Oshawa	↑	4.8	135.4	130.6	178.5	83.0	142.4
Toronto	↑	5.9	116.0	110.1	142.3	72.4	118.2
Hamilton	↑	7.4	127.5	120.1	164.9	85.8	137.3
Kitchener	↑	0.1	129.3	129.2	180.6	90.9	146.1
Windsor	↑	3.2	171.6	168.4	199.7	116.5	172.0
London	↑	6.0	138.2	132.2	176.9	97.3	144.0
St.Catharines-Niagara	↑	10.0	132.7	122.8	168.0	93.4	140.5
Thunder Bay	↑	7.0	181.4	174.4	217.0	125.8	176.7
Greater Sudbury	↑	5.4	151.2	145.8	218.1	120.5	168.6
CALGARY	↓	-1.7	135.2	137.0	211.1	112.9	169.0
VANCOUVER	↑	1.8	73.7	71.9	111.8	62.4	87.1

Sources: Statistics Canada, Conference Board of Canada, Canadian Real Estate Association and Desjardins, Economic Studies

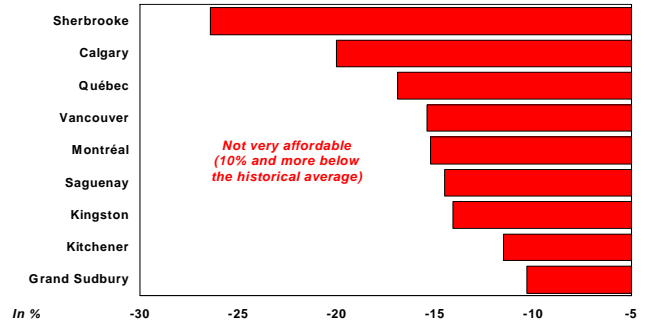
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property taxes and utility costs). An information document on the DAI is available on our Web site: <http://www.desjardins.com/economics>

Gap between the DAI and its historical average



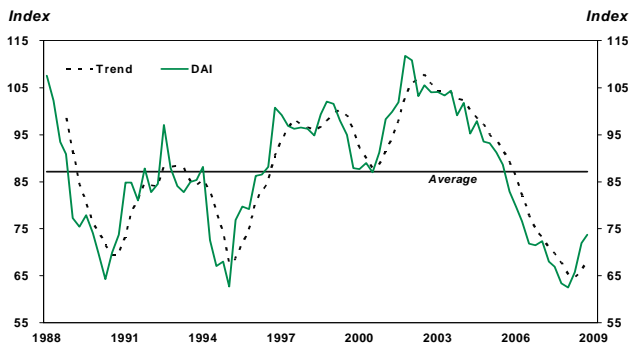
Source: Desjardins, Economic Studies

Gap between the DAI and its historical average



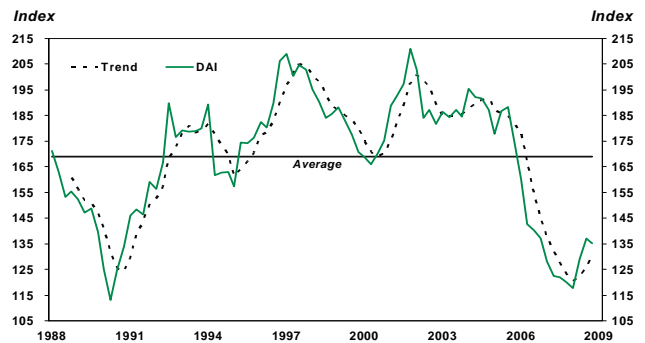
Source: Desjardins, Economic Studies

Vancouver



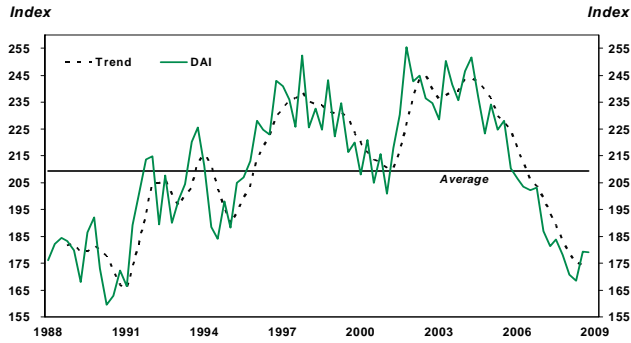
Source: Desjardins, Economic Studies

Calgary



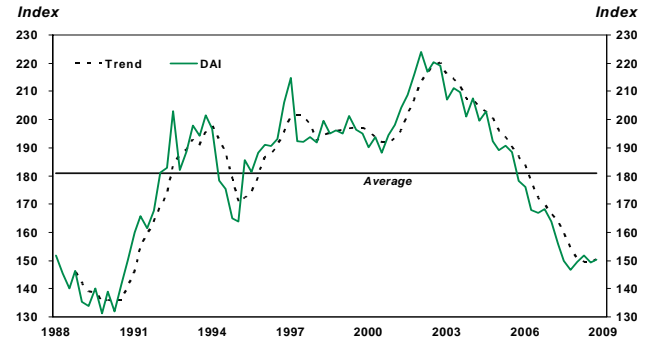
Source: Desjardins, Economic Studies

**Saguenay**



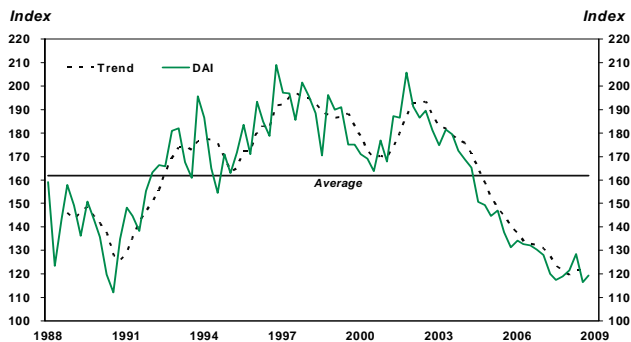
Source: Desjardins, Economic Studies

**Québec**



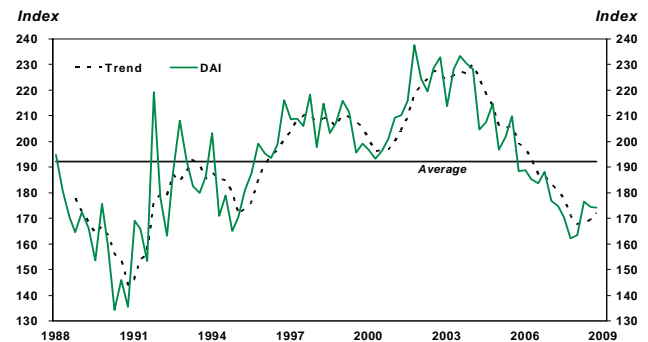
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**Sherbrooke**



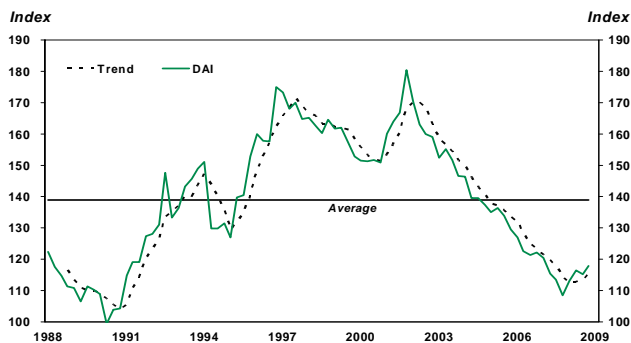
Source: Desjardins, Economic Studies

**Trois-Rivières**



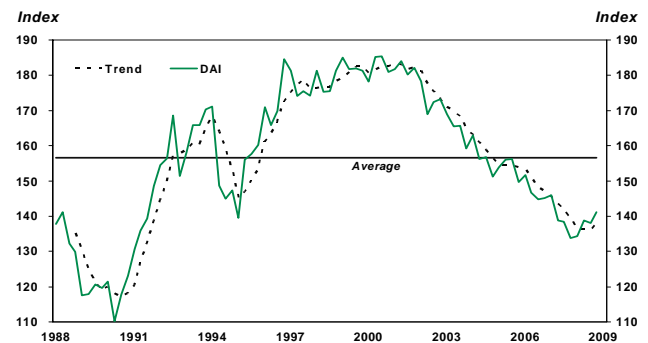
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**Montréal**



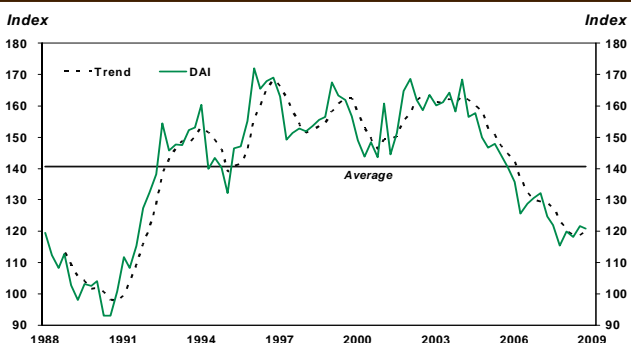
Source: Desjardins, Economic Studies

**Ottawa-Gatineau**



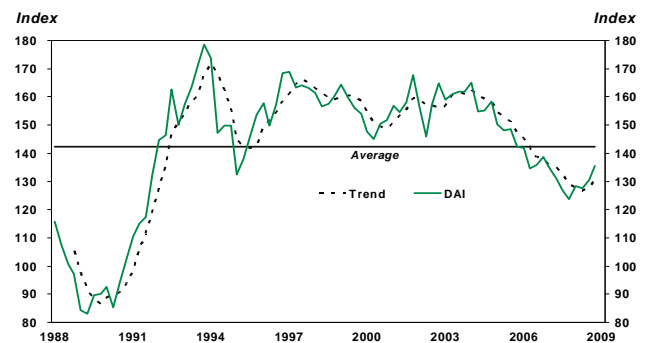
Source: Desjardins, Economic Studies

**Kingston**



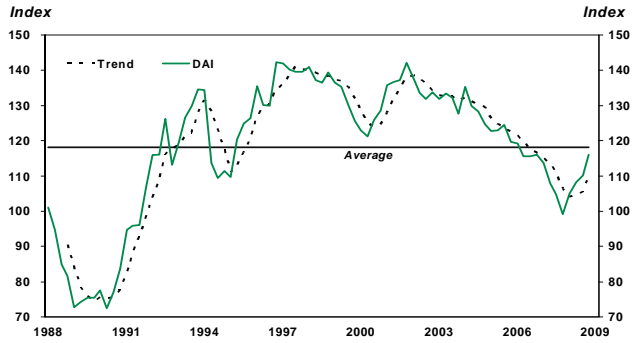
Source: Desjardins, Economic Studies

**Oshawa**



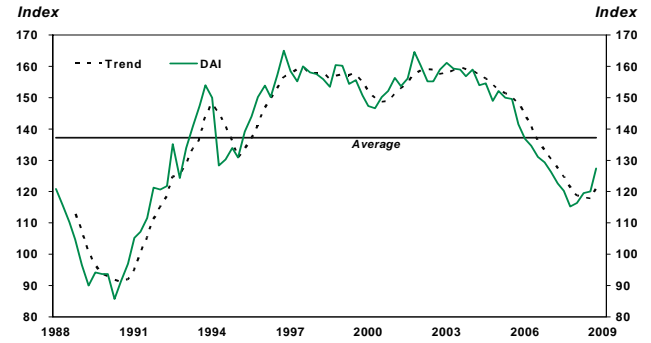
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### Toronto



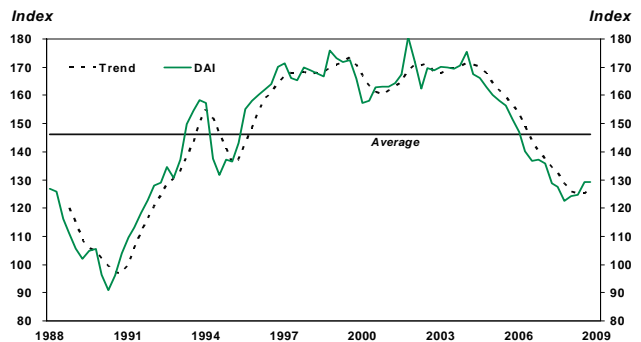
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### Hamilton



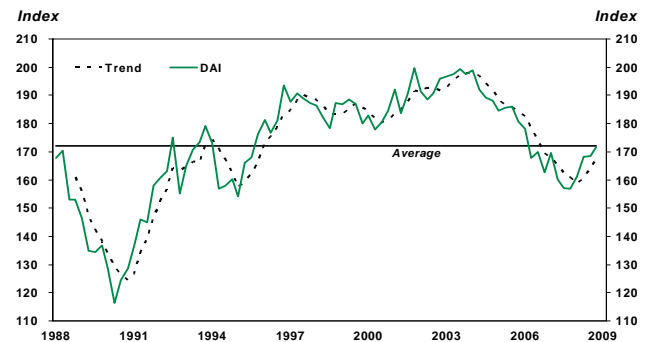
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### Kitchener



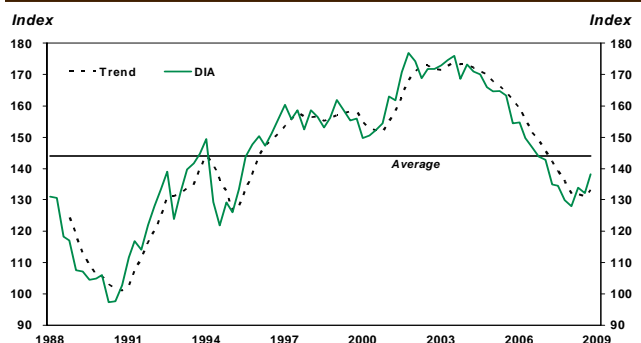
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### Windsor



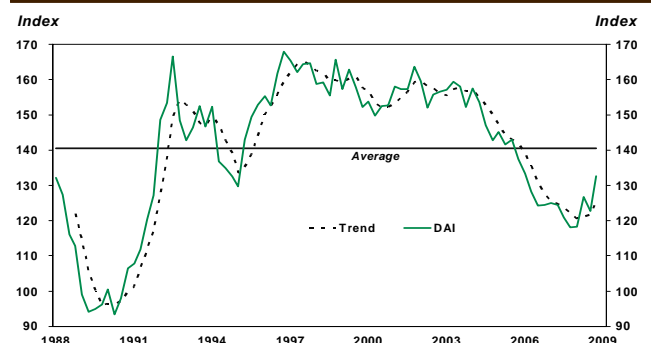
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### London



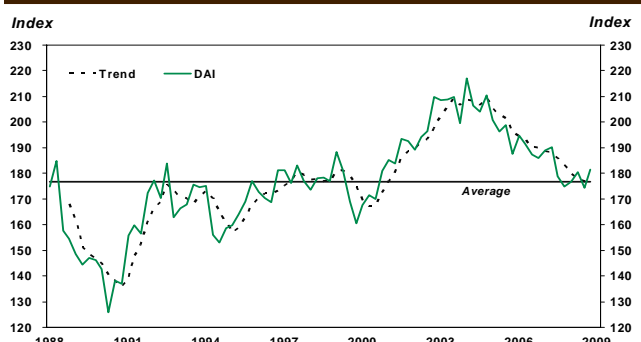
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### St.Catharines-Niagara



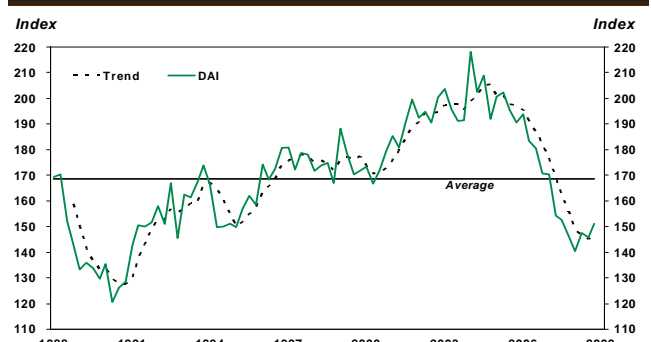
Source: Desjardins, Economic Studies

### Thunder Bay



Source: Desjardins, Economic Studies

### Greater Sudbury



Source: Desjardins, Economic Studies