

Desjardins Affordability Index

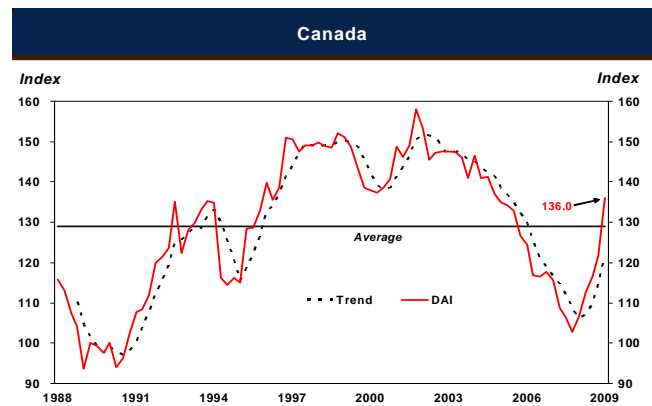
Desjardins
Economic Studies
www.desjardins.com/economics

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Affordability is up sharply nationwide The decline in prices and mortgage rates is behind it

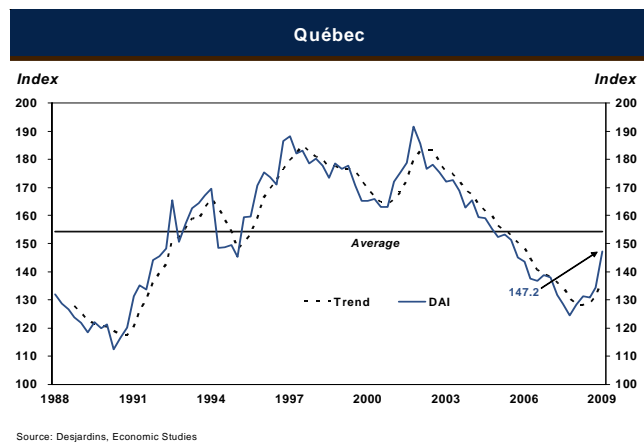
The Desjardins Affordability Index (DAI) shot up in Canada in the first quarter of 2009. It jumped by a considerable 14.3 points, going to 136.0. Here, households' wiggle room improved substantially in the last quarter as the average disposable income was 36.0% higher than what mortgage lenders require to finance the purchase of an average priced home. For the first time since the third quarter of 2005, the DAI exceeded its historic average. This improvement resulted from further price decreases, i.e. of 1.5% from the previous quarter, and lower mortgage rates, which decreased owners' monthly payments. Currently, rates posted for oneyear and fiveyear terms both show a decline of 150 basis points in comparison with levels recorded at the beginning of January. Although the deteriorating economy will leave its mark on the housing market this year, the rise in affordability is easing concerns of a deep slump.

The DAI was also up in Québec in the first quarter of 2009. Although the market was still not very affordable, the index was 147.2, closing in on its historic average of 154.3. Whereas the province benefited from lower loan rates, the average cost of houses posted a quarterly increase of 0.8%, reaching \$211,555.

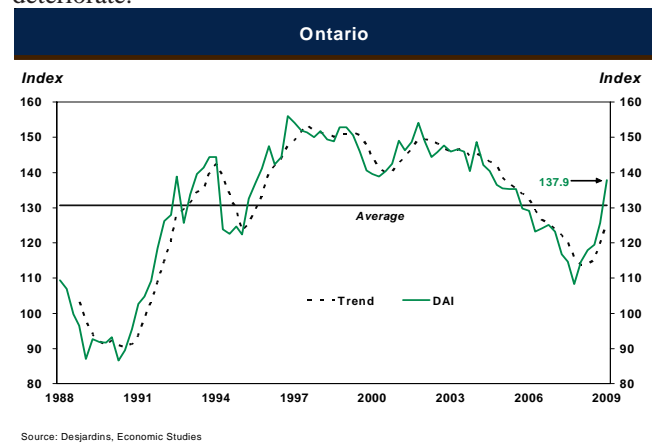


Source: Desjardins, Economic Studies

In Ontario, the average price of properties continued downward by 0.1%, reaching \$288,894. This third straight quarterly decline helped take the DAI back above its historical average for the first time since 2005. The average household disposable income was 37.9% higher than the qualifying income for purchasing a residence, in comparison with the historical 30.6%. Ontario's improved affordability comes at a perfect time for the housing sector, which has already suffered greatly as a result of the recession. In spite of the solid increase in affordability across the nation, a turnaround in the housing market will not be possible if the job market continues to deteriorate.



Source: Desjardins, Economic Studies



Source: Desjardins, Economic Studies

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AFFORDABILITY IN CENSUS METROPOLITAN AREAS (CMA)

Vancouver had a substantial 21.1 point increase in the DAI in the first quarter of 2009. Easier lending rates lightened households' monthly mortgage payments. Moreover, the average price for property dropped below the \$500,000 mark in the first quarter of 2009. In fact, a home was going for around \$488,046, which was a quarterly decline of 15.3%. In **Calgary**, the DAI gained 16.9 points in relation to the previous quarter, reaching 151.6. Although the average price decreased by 2.8% in the last quarter, this western city has not yet reached its historical average of 168.9. In short, the housing market is becoming more affordable in western Canada after many years of overheating. This situation will help moderate the drop in the housing sector caused by the economy's contraction.

QUÉBEC

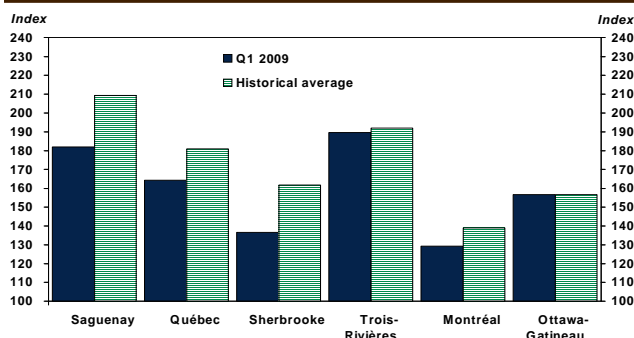
The reduction in mortgage rates led to an overall increase in the DAI in the Québec CMAs. However, ongoing high prices historically speaking are keeping some markets not very affordable.

In **Sherbrooke**, in the first quarter of 2009, the DAI was 136.7, which was a sharp increase of 17.2. This gain resulted from a quarterly decrease of 4.0% of the average home price, taking it to \$180,162.

In **Trois-Rivières**, the DAI increased mainly because of the drop in lending rates, thereby mitigating the quarterly increase of 1.7% in home prices. This market is only 2.4 points below its historical average.

In the first quarter, the DAI recorded growth of 11.6 and 13.6 points in **Montréal** and **Québec City** respectively. Nevertheless, the market remains to watch closely because of price hikes. The quarterly markup reached 0.5% in Montréal (\$260,243) and 1.4% in Québec City (\$201,227).

Québec Census Metropolitan Areas (CMA)



Source: Desjardins, Economic Studies

The market is still not very affordable in **Saguenay**. Ongoing strong price growth of 12.4% limited the DAI's increase to 2.4 points.

In **Ottawa-Gatineau**, the index reached its historical average, settling in at 156.7 in the first quarter of 2009.

ONTARIO

The IAD has greatly improved in Ontario. All cities transitioned to affordable status in the first quarter of 2009.

In the first quarter, **Greater Sudbury**, **Windsor** and **Kingston** saw the biggest increases in the DAI, i.e. of 24.7, 24.2 and 21.2 points respectively. The decrease in average selling price along with the decrease in mortgage rates led to this impressive jump.

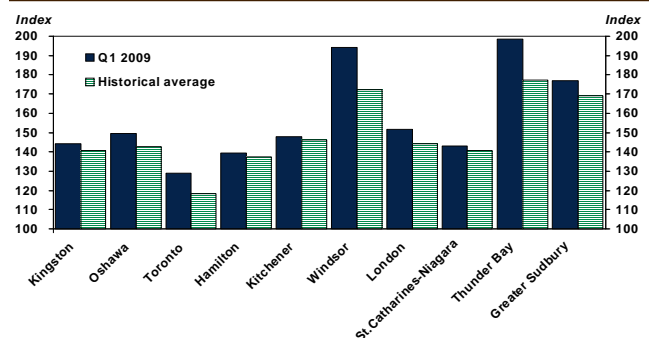
The DAI rose slightly above its historical average in **Hamilton**, **Kitchener** and **St. Catharines-Niagara** in the first quarter of 2009. The difference ranged from 1.1 to 1.8 points. Price declines, including a drop of 6.0% in Kitchener, and drop in lending rates led to the improvement.

The **Thunder Bay**, **London** and **Oshawa** markets became more affordable last quarter. Thunder Bay was 12.1 points higher than its average; for its sister cities, the difference was 5.0 points.

Toronto's market became affordable, primarily due to another 1.5% price decrease in the first quarter. Average disposable income was 28.9% higher than the income mortgage lenders require to finance the purchase of a residence, vs. the average of 18.4%.

Louis Gagnon
Economist

Ontario Census Metropolitan Areas (CMA)



Source: Desjardins, Economic Studies

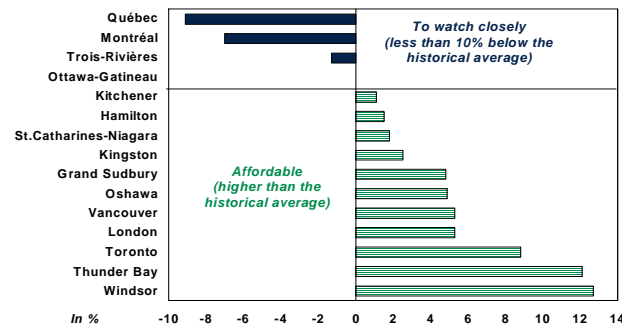
Desjardins Affordability Index

	Change	Level gap	2009Q1	2008Q4	High	Low	Average
CANADA	↑	14.3	136.0	121.7	158.1	93.6	128.9
QUÉBEC	↑	12.8	147.2	134.3	191.6	112.4	154.3
ONTARIO	↑	12.2	137.9	125.7	156.0	86.5	130.6
Metropolitan Areas							
Saguenay	↑	2.4	182.1	179.7	255.5	159.4	209.4
Québec	↑	13.6	164.5	150.9	223.9	131.2	180.9
Sherbrooke	↑	17.2	136.7	119.5	208.9	112.1	161.8
Trois-Rivières	↑	14.8	189.7	174.9	237.7	134.3	192.1
Montréal	↑	11.6	129.2	117.6	180.4	99.4	139.0
Ottawa-Gatineau	↑	14.6	156.7	142.1	185.2	110.1	156.7
Kingston	↑	21.2	144.3	123.1	171.9	93.0	140.8
Oshawa	↑	13.6	149.5	135.9	178.5	83.0	142.6
Toronto	↑	13.0	128.9	115.9	142.4	72.3	118.4
Hamilton	↑	14.3	139.5	125.2	164.9	85.7	137.4
Kitchener	↑	19.6	147.8	128.3	180.8	90.9	146.2
Windsor	↑	24.2	194.1	170.0	200.0	116.5	172.3
London	↑	12.8	151.8	139.0	177.1	97.3	144.3
St.Catharines-Niagara	↑	12.0	143.1	131.2	168.0	93.4	140.6
Thunder Bay	↑	18.2	198.4	180.3	217.0	125.8	177.1
Greater Sudbury	↑	24.7	177.0	152.3	218.0	120.5	168.9
CALGARY	↑	16.9	151.6	134.7	210.8	113.0	168.9
VANCOUVER	↑	21.1	91.5	70.4	111.7	61.8	86.9

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

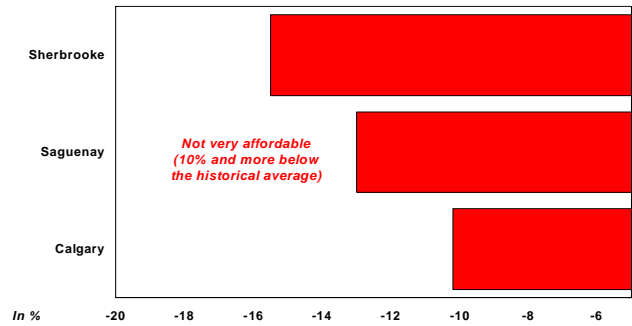
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property 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



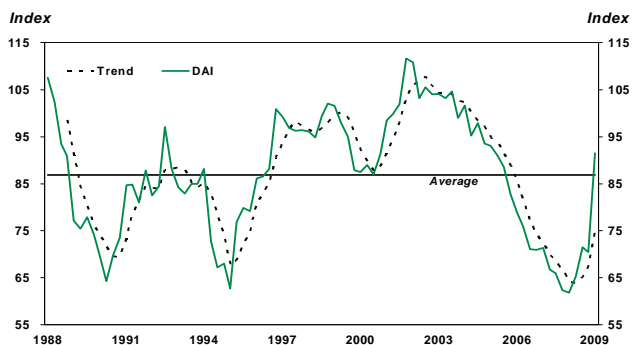
Source: Desjardins, Economic Studies

Gap between the DAI and its historical average



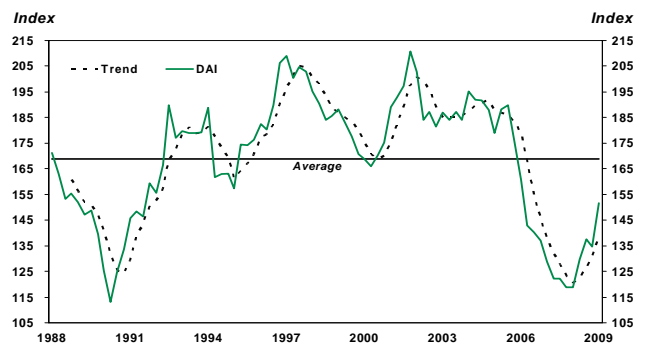
Source: Desjardins, Economic Studies

Vancouver



Source: Desjardins, Economic Studies

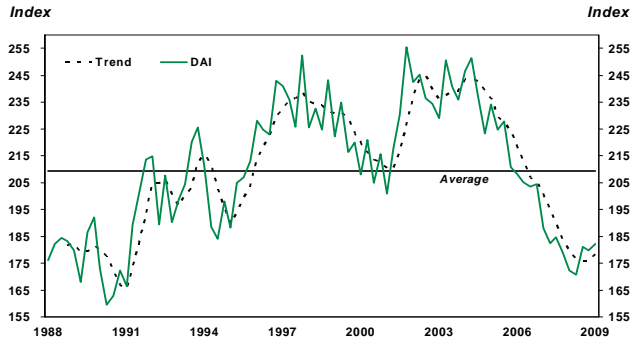
Calgary



Source: Desjardins, Economic Studies

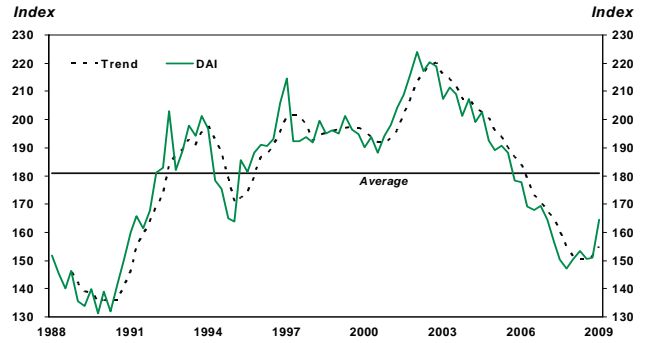


Saguenay



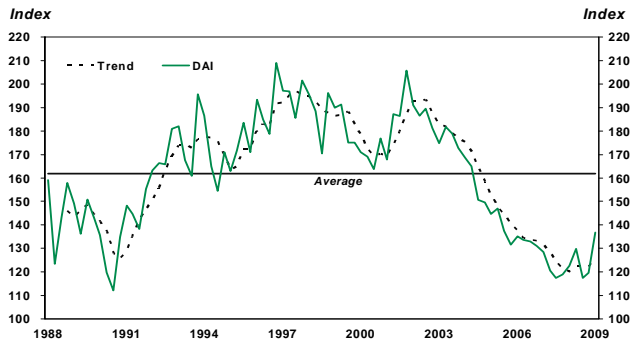
Source: Desjardins, Economic Studies

Québec



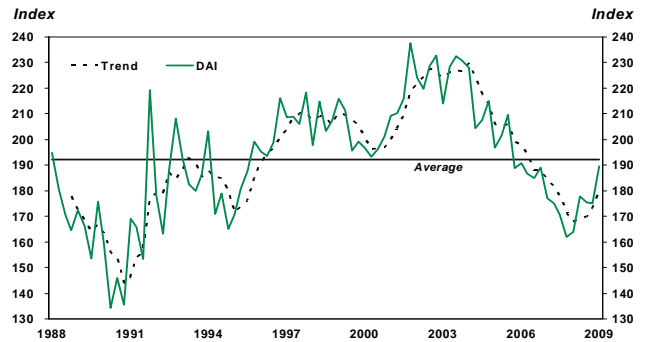
Source: Desjardins, Economic Studies

Sherbrooke



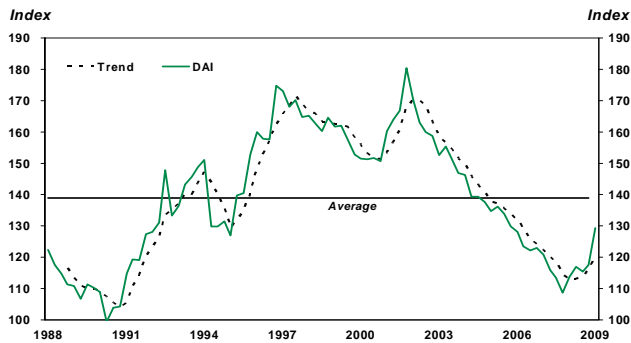
Source: Desjardins, Economic Studies

Trois-Rivières



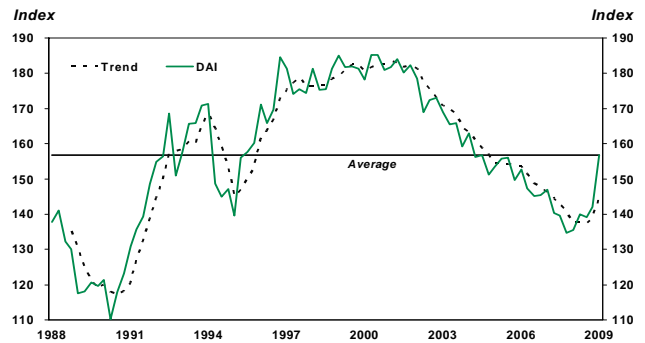
Source: Desjardins, Economic Studies

Montréal



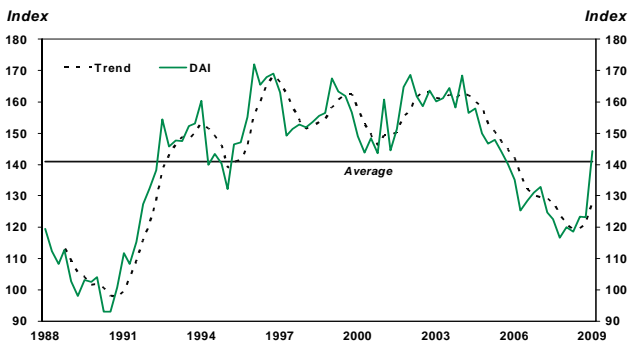
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Ottawa-Gatineau



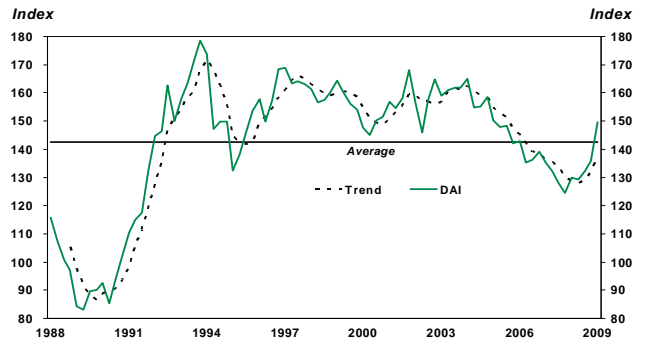
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Kingston



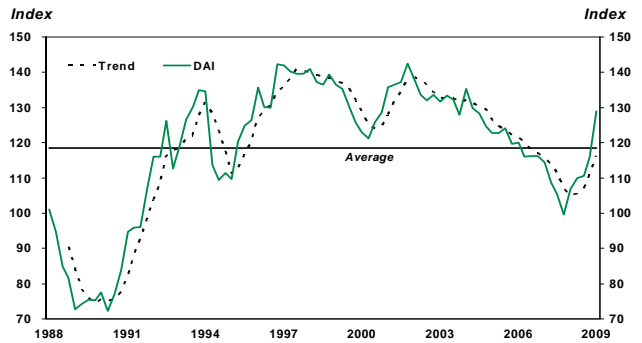
Source: Desjardins, Economic Studies

Oshawa



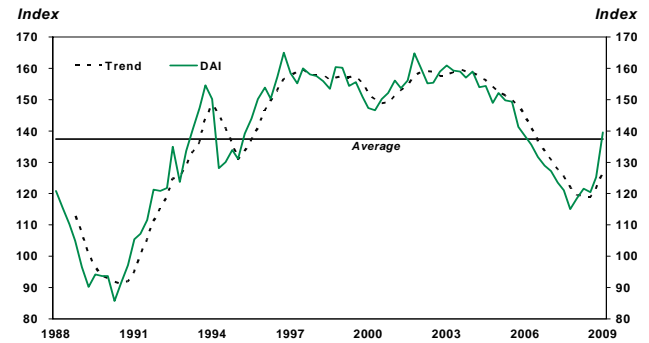
Source: Desjardins, Economic Studies

Toronto



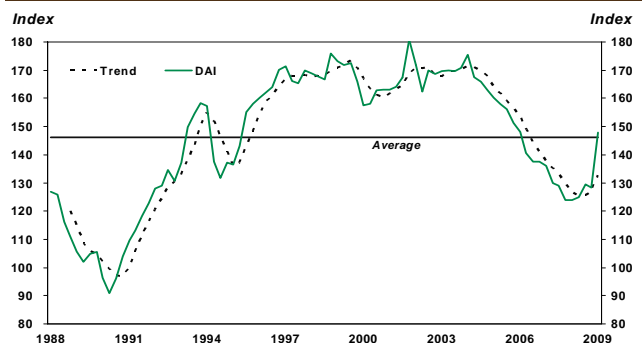
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Hamilton



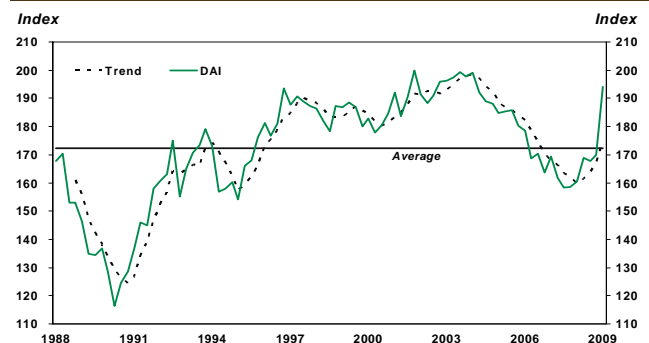
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Kitchener



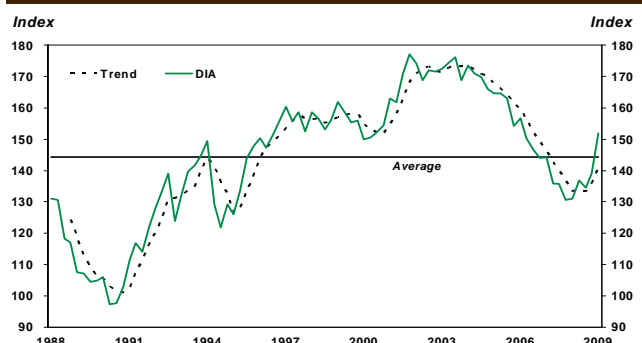
Source: Desjardins, Economic Studies

Windsor



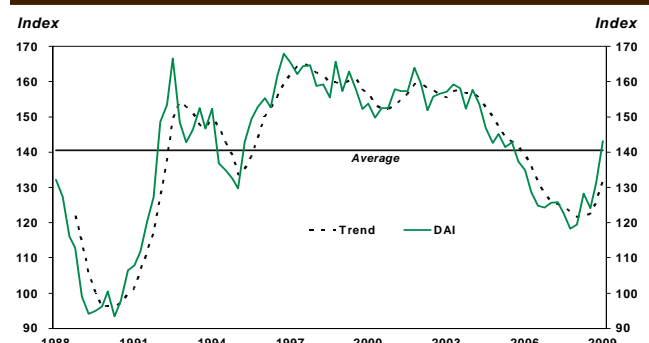
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London



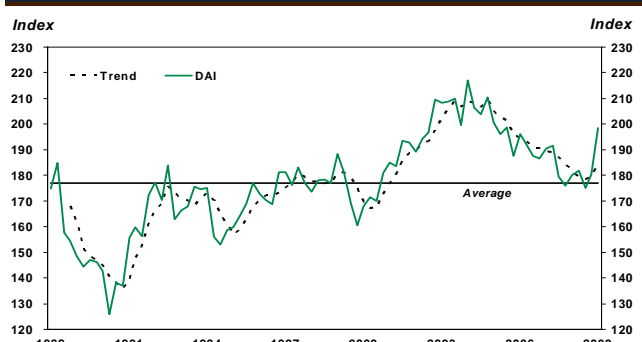
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St.Catharines-Niagara



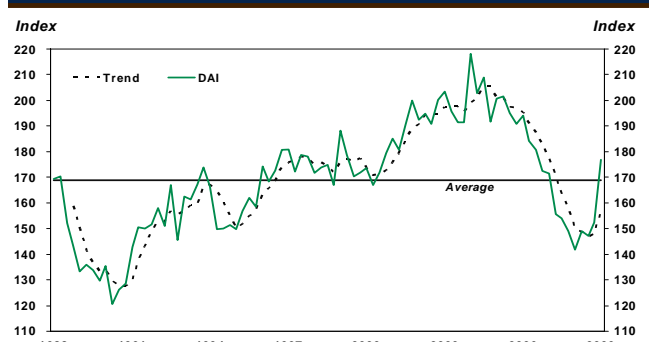
Source: Desjardins, Economic Studies

Thunder Bay



Source: Desjardins, Economic Studies

Greater Sudbury



Source: Desjardins, Economic Studies