

Desjardins Affordability Index

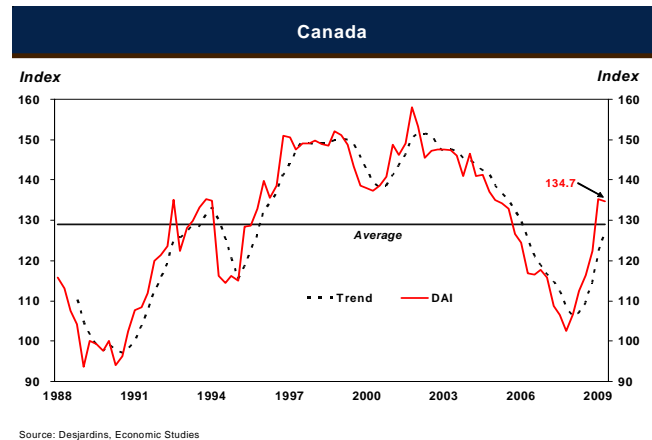
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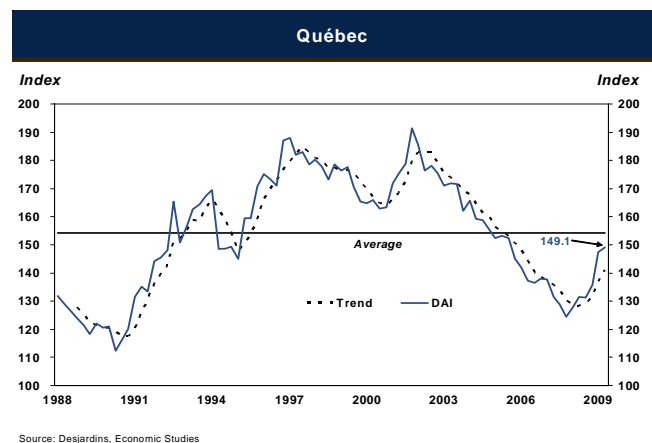
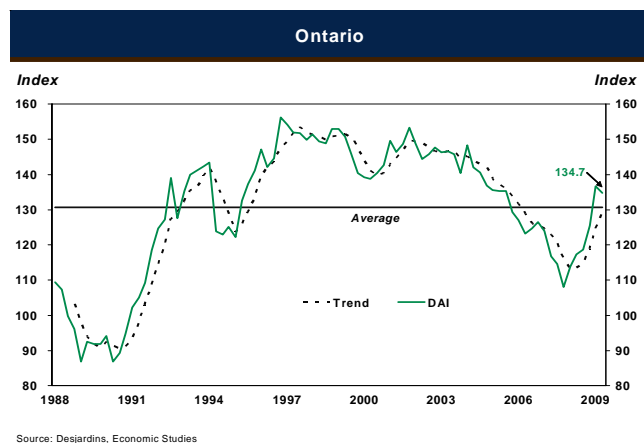
Affordability stabilizes in Canada The drop by mortgage rates neutralizes the comeback by prices

The Desjardins Affordability Index (DAI) was almost stable for Canada in the second quarter of 2009. The previous quarter had seen a substantial comeback due to the price correction that was magnified by the recession. The winds in the real estate market have shifted since then, even though the labour market is still deteriorating. Demand has firmed up in a number of markets. Confident that the worst of the economic quagmire is behind us, buyers have come back strong. In Canada, average home prices have thus gone back over \$300,000 for the first time in a year, up 6.9% from the previous quarter. Without the drop in mortgage rates, especially the rate for the one-year term, which fell below 4%, affordability would have deteriorated across the country.

In Ontario, average home prices shot up in Q2 for the first time in a year. The quarterly increase of 7.9% drove average prices over \$300,000. Affordability has thus deteriorated, although the index is still over its historic average. The Ontario and Canadian markets remained affordable despite the increase in prices. If this trend holds, the markets' journey into affordable territory will have been short-lived.



In Québec, the DAI has improved as the increase in prices was not as sustained in the second quarter as it was in the rest of the country. However, the province has managed to avoid a shakeout like the one that has just ended elsewhere in Canada. As prices have not gone down, affordability is still below its historic average. The DAI is nonetheless at 149.1, indicating that households' average disposable income is 49.1% higher than the income mortgage lenders require to finance the purchase of an average priced residence, which is now \$221,928, up 4.8% from the first quarter.



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AFFORDABILITY IN CENSUS METROPOLITAN AREAS (CMA)

In Q2 of 2009, affordability improved substantially in the **Calgary** and **Vancouver** markets. With the index at 168.9, Calgary has reached its historic average for the first time since the recession began. The sharp increase is primarily due to a quarterly 5.7% drop by the average home price and the decline by mortgage rates that is making it easier to buy homes Canada-wide. In Q1 of 2009, Calgary was not very affordable; now, however, it is one of the CMAs to watch closely. Affordability shot up in Vancouver in Q2, with an average price of \$476,144, a quarterly decline of \$34,958. Note that, just six months earlier, this price was \$100,000 higher.

QUÉBEC

Affordability improved in all Québec CMAs, which are now all in the «watch closely» category, except for **Sherbrooke**, which remains not very affordable compared with its historic average, and **Ottawa-Gatineau**, which is affordable. Although Sherbrooke remained not very affordable, the Desjardins Affordability Index (DAI) advanced, but it is still well below its historic average. The slight improvement can be chalked up to the drop by mortgage rates.

The DAI's biggest increase occurred in **Montréal**, which is now just 1.9 point below its historic average, contrary to 10.3 points the previous quarter. The improved affordability is due to quarterly drop of 0.7% in the average home price, the only decline in the entire province.

The **Québec**, **Trois-Rivières** and **Saguenay** CMAs posted substantial advances by the DAI, with respective increases of 5.3, 4.7 and 7.6 points. The Saguenay region's biggest increase in affordability is due to quarterly growth of 1.8% in the average home price, compared with growth of 4.8% for Québec as a whole.

ONTARIO

Although the Desjardins Affordability Index (DAI) has edged down province-wide, all CMAs remained affordable in Q2 of 2009, except for **Kitchener**, which is now in the «watch closely» category.

The DAI improved in **Greater Sudbury**, **St. Catharines–Niagara** and **London**. The slight increases in average home prices were offset by the decline by mortgage rates. Note that prices varied by 0.4% in Greater Sudbury, 2.8% in London and 3.8% in St. Catharines–Niagara from the previous quarter, compared with 7.9% for the province as a whole.

In **Toronto**, **Oshawa**, **Hamilton** and **Kingston**, affordability improved slightly due to lower borrowing costs, despite substantial variations in average home prices which ranged from 5.7% to 6.2% from the first quarter.

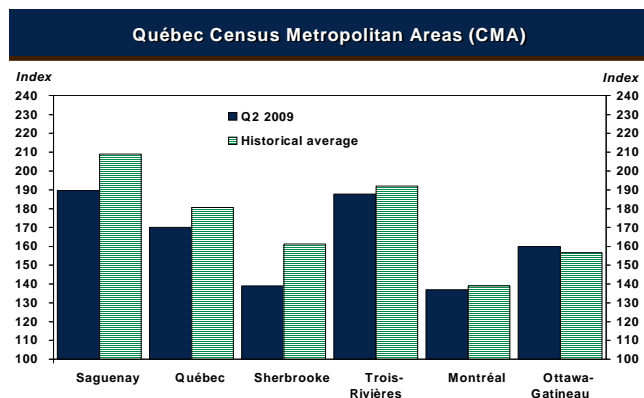
The **Windsor** and **Thunder Bay** CMAs became less attractive for buyers. Although still affordable, purchase conditions in these CMAs are not as appealing as they were in the previous quarter.

Hélène Bégin

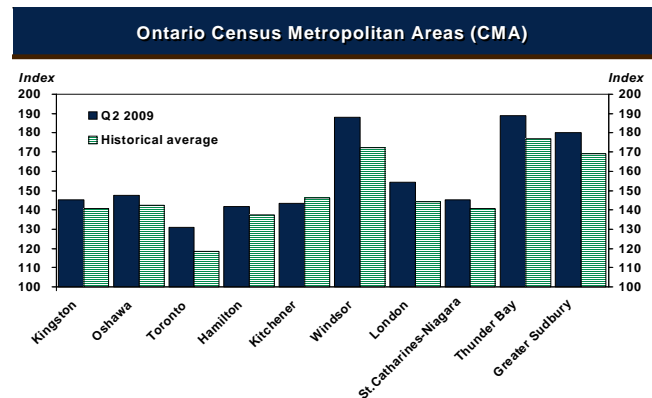
Senior Economist

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Economist



Source: Desjardins, Economic Studies



Source: Desjardins, Economic Studies

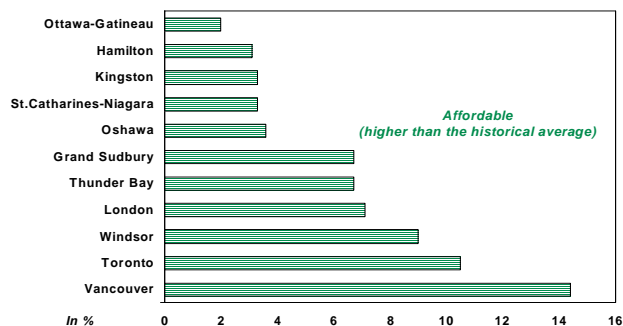
Desjardins Affordability Index

	Change	Level gap	2009Q2	2009Q1	High	Low	Average
CANADA	↓	-0,6	134,7	135,3	158,1	93,6	129,0
QUÉBEC	↑	1,6	149,1	147,4	191,5	112,5	154,3
ONTARIO	↓	-1,9	134,7	136,6	156,3	86,8	130,6
Metropolitan Areas							
Saguenay	↑	7,6	189,8	182,2	255,5	159,4	209,1
Québec	↑	5,3	170,1	164,8	223,9	131,2	180,8
Sherbrooke	↑	3,9	138,9	135,0	208,9	112,1	161,5
Trois-Rivières	↑	4,7	187,6	182,9	237,7	134,3	191,9
Montréal	↑	8,4	137,0	128,6	180,4	99,4	138,9
Ottawa-Gatineau	↑	2,2	159,9	157,7	185,2	110,1	156,7
Kingston	↑	1,5	145,4	143,9	171,9	93,0	140,8
Oshawa	↑	1,4	147,7	146,2	178,4	83,0	142,5
Toronto	↑	1,7	131,0	129,3	142,4	72,3	118,6
Hamilton	↑	2,4	141,7	139,3	164,9	85,7	137,4
Kitchener	↓	-3,3	143,4	146,6	180,6	90,9	146,1
Windsor	↓	-0,8	187,9	188,8	199,7	116,5	172,4
London	↑	4,5	154,5	150,0	176,9	97,3	144,2
St.Catharines-Niagara	↑	3,1	145,2	142,2	168,0	93,5	140,6
Thunder Bay	↓	-2,5	188,9	191,4	216,8	125,8	177,0
Greater Sudbury	↑	5,5	180,2	174,7	217,8	120,6	169,0
CALGARY	↑	18,0	168,9	150,9	210,8	113,0	168,9
VANCOUVER	↑	11,9	99,5	87,7	111,7	61,7	87,0

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

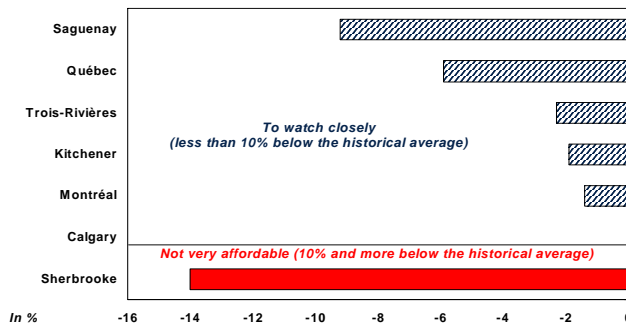
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property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



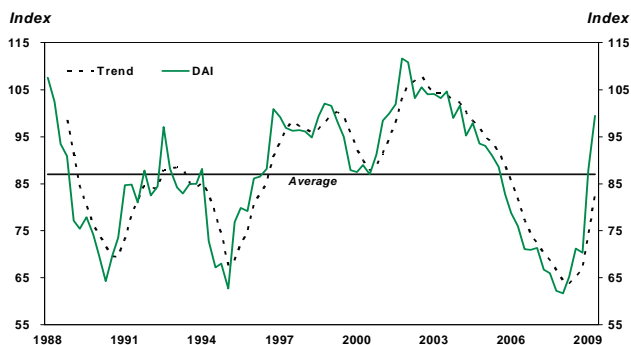
Source: Desjardins, Economic Studies

Gap between the DAI and its historical average



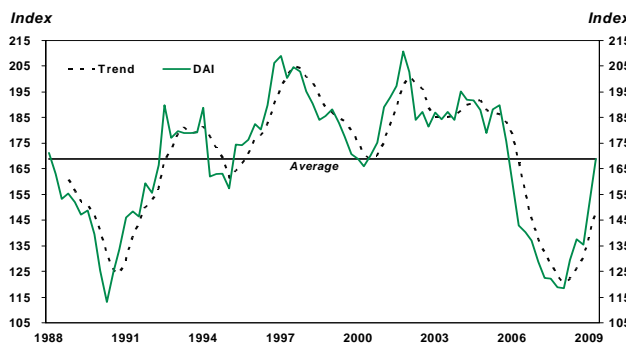
Source: Desjardins, Economic Studies

Vancouver



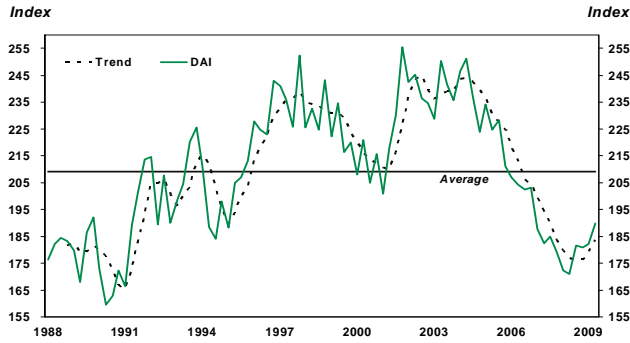
Source: Desjardins, Economic Studies

Calgary



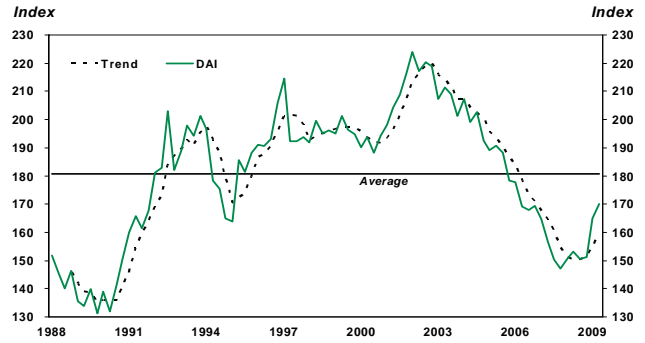
Source: Desjardins, Economic Studies

Saguenay



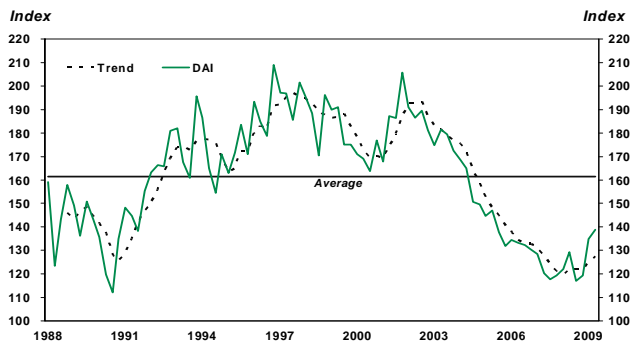
Source: Desjardins, Economic Studies

Québec



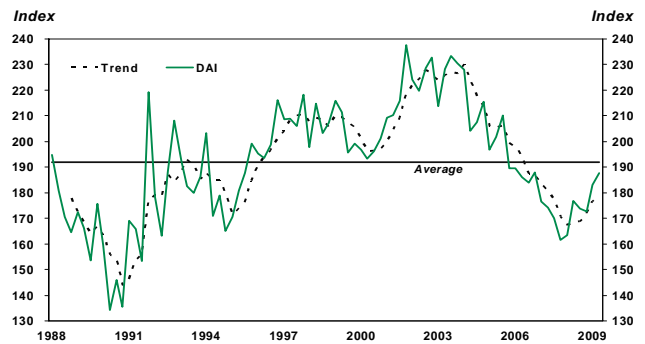
Source: Desjardins, Economic Studies

Sherbrooke



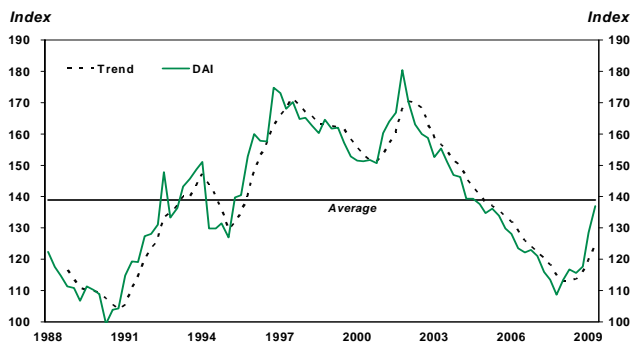
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Trois-Rivières



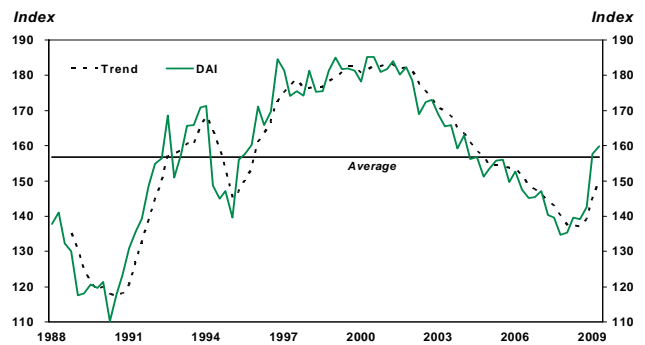
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Montréal



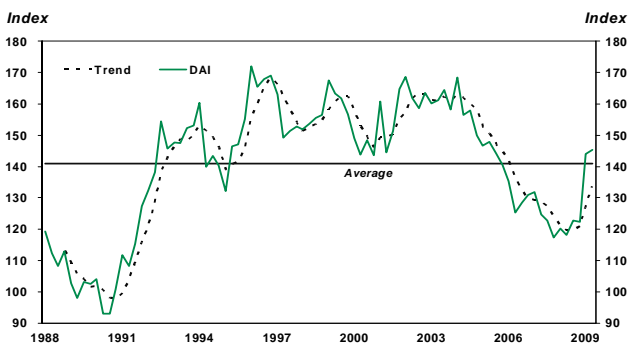
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Ottawa-Gatineau



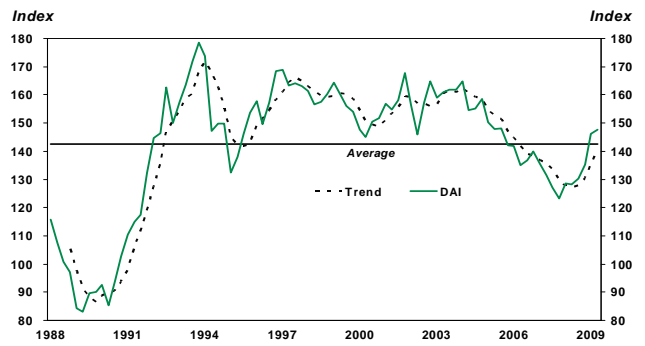
Source: Desjardins, Economic Studies

Kingston



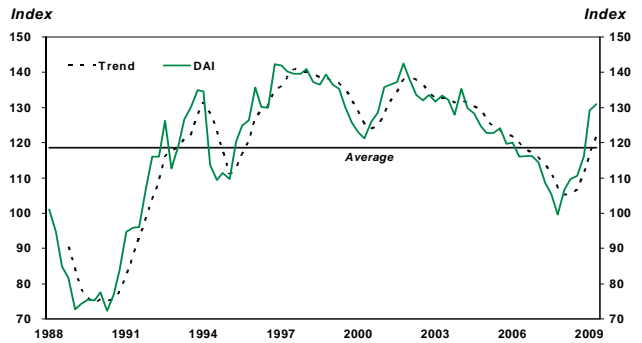
Source: Desjardins, Economic Studies

Oshawa



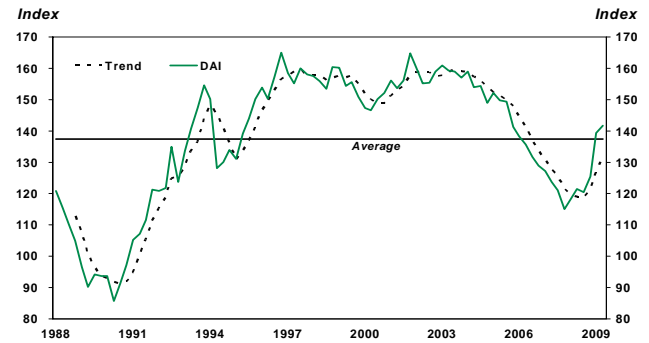
Source: Desjardins, Economic Studies

Toronto



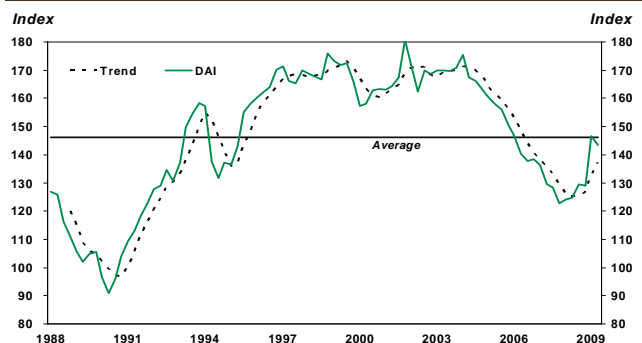
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Hamilton



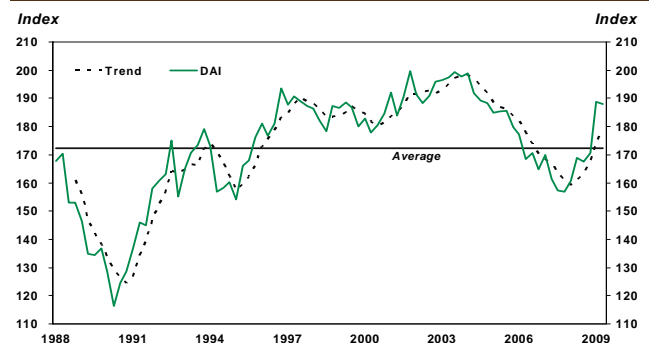
Source: Desjardins, Economic Studies

Kitchener



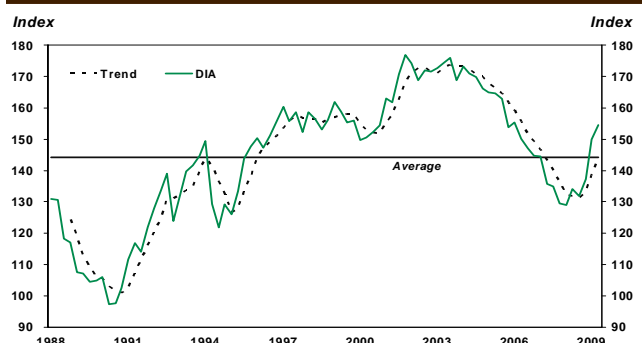
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Windsor



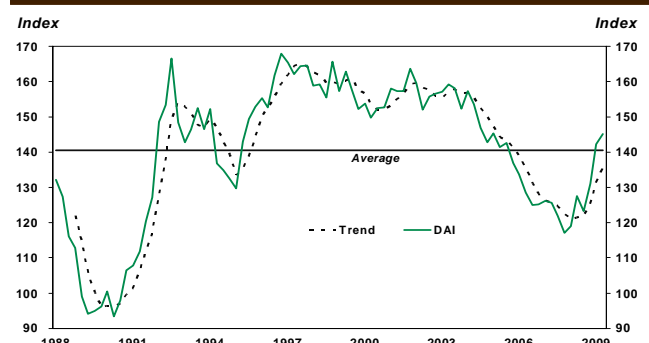
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London



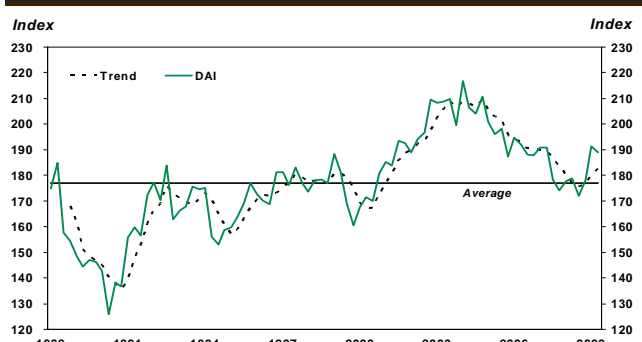
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St.Catharines-Niagara



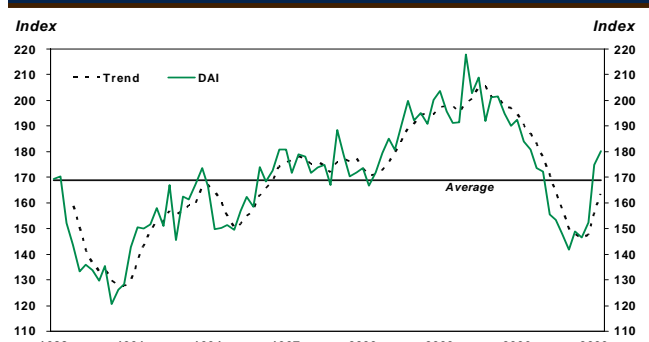
Source: Desjardins, Economic Studies

Thunder Bay



Source: Desjardins, Economic Studies

Greater Sudbury



Source: Desjardins, Economic Studies