

# Desjardins Affordability Index



**Desjardins**  
Economic Studies

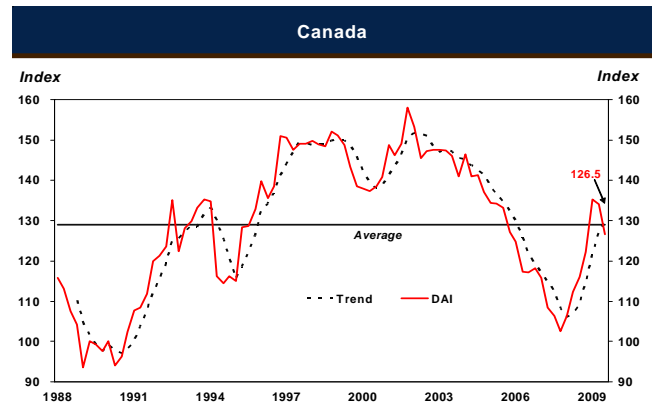
www.desjardins.com/economics

October 28, 2009

## Affordability declines in Canada in Q3 Price increases are to blame

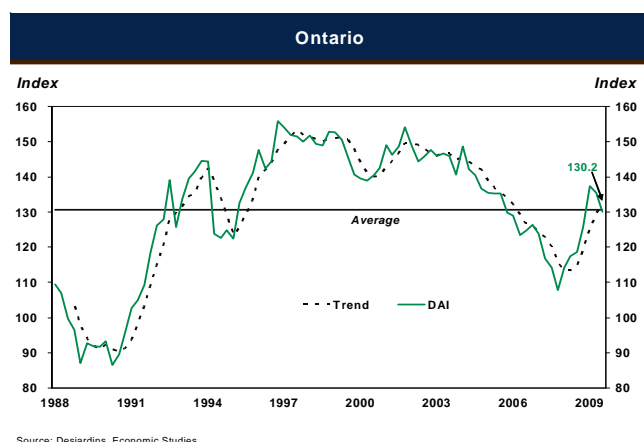
The Desjardins Affordability Index (DAI) deteriorated sharply Canada-wide in the third quarter of 2009. After making a short incursion into affordable territory, the DAI has dipped below its historic average, returning to where it was when the recession began. The improved economic outlook and low mortgage rates have fuelled a strong comeback by buyers. The number of sales has taken back all of the ground lost during the recession, driving prices higher in Q3. Average property prices even hit a new peak of \$328,762, up 7.1% from the previous quarter. The drawback of this surge is that it makes the housing market less affordable, which could cool buyers' enthusiasm.

The nascent economic recovery in Ontario has driven up demand for homes. The average home price hit an unmatched peak in the third quarter (\$324,873) thanks to sharp growth in Toronto. Affordability thus deteriorated in the province, going to its historic average (130.6 points). The crisis has still left its mark; Ontarians' average disposable income has fallen substantially, going from \$79,299 a year ago to \$77,601 in the third quarter of 2009.

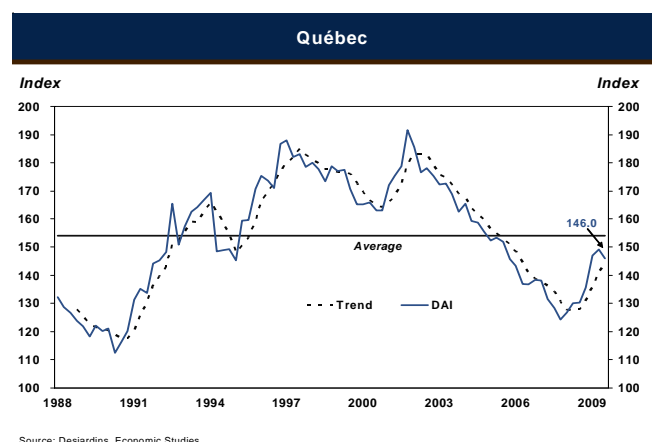


Source: Desjardins, Economic Studies

After seeing affordability improve in Québec over the six previous quarters, the province recorded a decline in the third quarter. The DAI is now at 146.0 points, indicating that Québec households' average disposable income is about 46.0% higher than the income mortgage lenders require to finance the purchase of an average priced residence. The resale market had been in balance during the recession, but is now undergoing a shortage again. This situation, which puts upside pressure on prices, contributed to the DAI's deterioration.



Source: Desjardins, Economic Studies



Source: Desjardins, Economic Studies

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**NOTE TO READERS:** The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

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# AFFORDABILITY IN CENSUS METROPOLITAN AREAS (CMA)

**Vancouver** is by the far the country's most expensive market, with an average home price of \$603,165 in the third quarter. From the second to third quarters, the market saw prices explode, rising an average of \$92,499. In the Olympic year, with British Columbia's jobless rate down from 8.1% in June to 7.4% in September, we cannot expect affordability to improve over the medium term. While the average home price was rising almost throughout the country in the third quarter, the **Calgary** CMA saw prices decline by a quarterly 2.0%. The Desjardins Affordability Index (DAI) thus improved in Q3 in Calgary, which joins the affordable market group for the first time since 2005.

## QUÉBEC

In the third quarter, price growth caused affordability to deteriorate in all Québec CMAs, except for **Saguenay**. This was the only market to see the average home price go down (-6.8%) compared with increases ranging from 0.6% to 3.7% in the five other CMAs.

The biggest decline in affordability occurred in **Québec** (6.3 points), where average disposable income fell by 1.0% in the third quarter (\$64,042). **Sherbrooke** and **Trois-Rivières** also saw the DAI plunge, with respective changes of 4.2 points and 5.3 points.

In **Montréal** and **Ottawa-Gatineau**, affordability declined more moderately (2.8 points and 2.3 points). Montréal's more modest change is due to a quarterly increase in prices (3.3%) that was somewhat offset by a 1.0% increase in average disposable income (\$63,459).

## ONTARIO

Although the DAI fell substantially in most of the CMAs, they were all affordable in the third quarter of 2009. Like Québec, just one CMA—**Kitchener**—saw affordability improve, once more becoming an affordable market after spending a little time in the «to watch closely» zone during the second quarter.

Affordability deteriorated the most in **Greater Sudbury**, with the DAI down by a quarterly 10.5 points due to a 5.1% increase in the average home price. Then come **Hamilton** and **Windsor**, with respective DAI declines of 6.9 points and 4.7 points. Windsor's drop in affordability is due to a quarterly 2.1% decline by average disposable income (\$63,938). In Windsor, average disposable income is down by 4.7% in the last year, showing that the auto sector crisis has dealt a severe blow.

In **Kingston, Oshawa, Toronto** and **London**, affordability is down from 2.2 points to 3.4 points in the third quarter. Toronto's 3.4-point pullback by the DAI results from two opposing forces: a quarterly 5.2% increase in the average home price (\$402,762) and 2.0% rise by average disposable income (\$89,561).

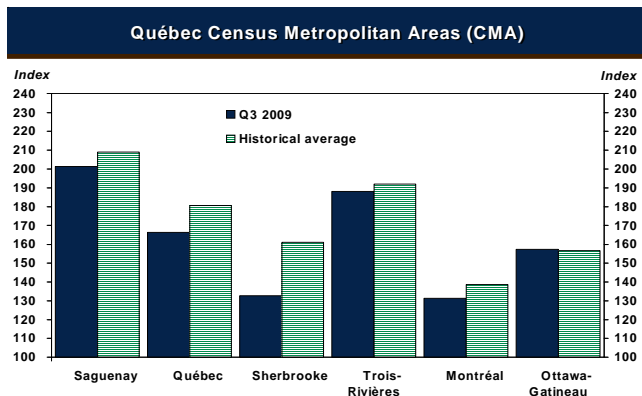
The **St. Catharines-Niagara** and **Thunder Bay** markets saw the smallest declines by the DAI, with respective decreases of 1.3 and 0.7 points. The quarterly deterioration of 1.9% (\$140,229) in the average home price in Thunder Bay allowed this index to remain steady despite a 1.6% decline in average disposable income (\$61,327).

**Hélène Bégin**

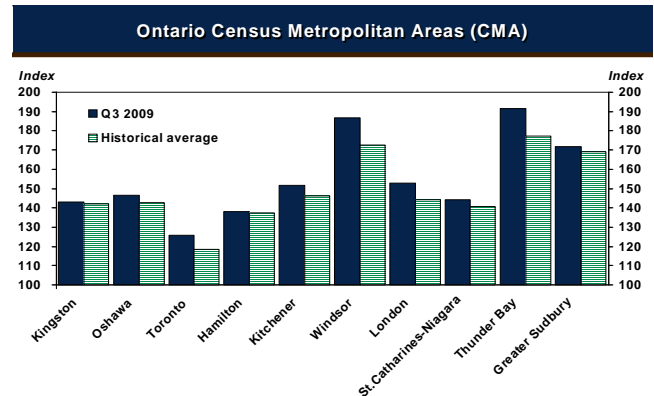
Senior Economist

**Jean-Michel Goulet**

Economist



Source: Desjardins, Economic Studies



Source: Desjardins, Economic Studies

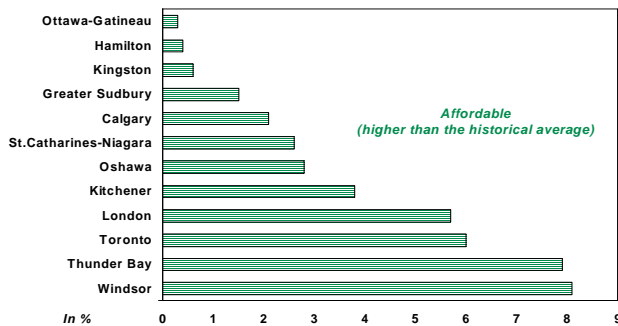
## Desjardins Affordability Index

	Change	Level gap	2009Q3	2009Q2	High	Low	Average
CANADA	↓	-7.6	126.5	134.1	158.1	93.6	129.0
QUÉBEC	↓	-3.2	146.0	149.2	191.6	112.4	154.1
ONTARIO	↓	-5.2	130.2	135.5	155.9	86.5	130.6
<b>Metropolitan Areas</b>							
Saguenay	↑	12.3	201.4	189.1	255.9	159.3	209.0
Québec	↓	-6.3	166.5	172.8	223.0	131.2	180.6
Sherbrooke	↓	-4.2	132.7	136.9	208.8	112.1	161.1
Trois-Rivières	↓	-5.3	188.1	193.4	238.1	134.3	191.9
Montréal	↓	-2.8	131.3	134.1	180.6	99.4	138.8
Ottawa-Gatineau	↓	-2.3	157.2	159.5	185.2	110.1	156.7
Kingston	↓	-2.9	143.0	145.8	174.3	94.4	142.1
Oshawa	↓	-2.2	146.7	148.9	179.0	83.0	142.6
Toronto	↓	-3.4	125.8	129.1	142.4	72.3	118.6
Hamilton	↓	-6.9	138.0	144.9	164.8	85.7	137.5
Kitchener	↑	8.0	151.7	143.7	180.9	90.9	146.2
Windsor	↓	-4.7	186.5	191.2	200.0	116.5	172.6
London	↓	-2.2	152.7	154.9	177.2	97.3	144.4
St.Catharines-Niagara	↓	-1.3	144.3	145.5	167.9	93.4	140.6
Thunder Bay	↓	-0.7	191.4	192.1	217.1	125.7	177.3
Greater Sudbury	↓	-10.5	171.6	182.2	218.1	120.5	169.0
CALGARY	↑	3.9	172.6	168.6	210.3	113.1	168.9
VANCOUVER	↓	-14.8	80.0	94.8	111.5	62.5	87.0

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

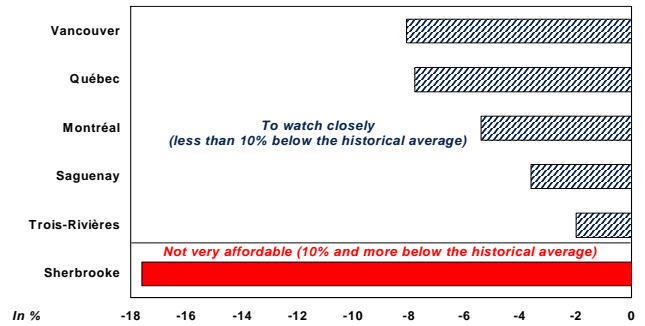
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property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



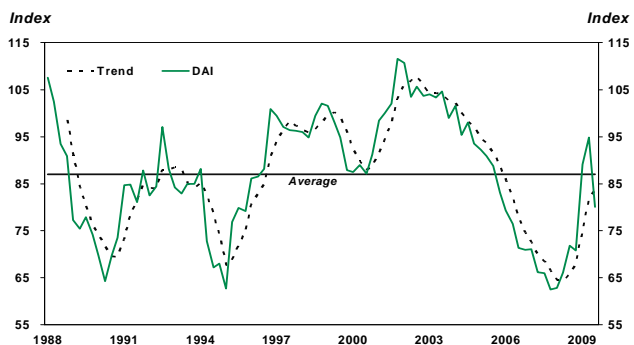
Source: Desjardins, Economic Studies

Gap between the DAI and its historical average



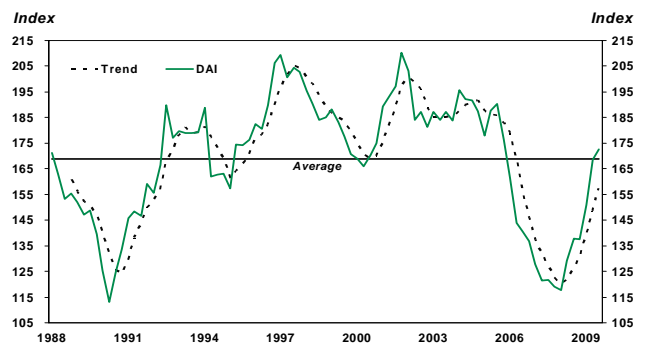
Source: Desjardins, Economic Studies

Vancouver



Source: Desjardins, Economic Studies

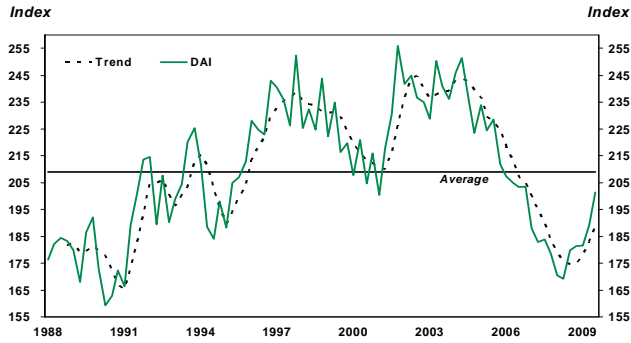
Calgary



Source: Desjardins, Economic Studies

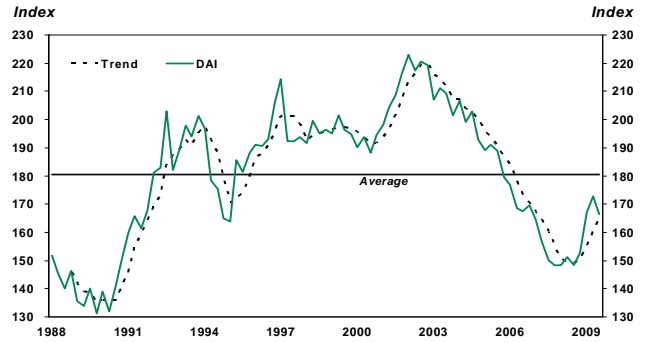


**Saguenay**



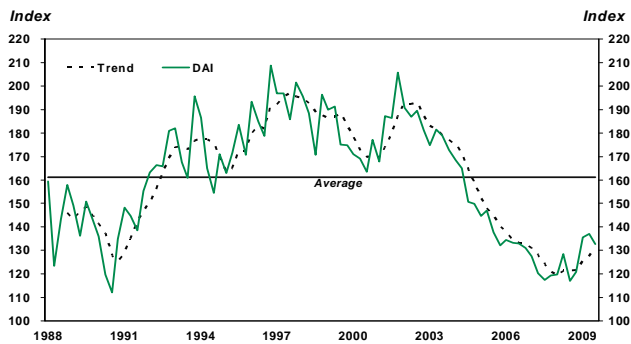
Source: Desjardins, Economic Studies

**Québec**



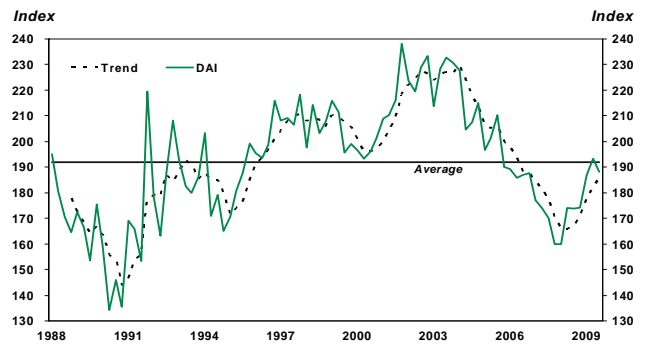
Source: Desjardins, Economic Studies

**Sherbrooke**



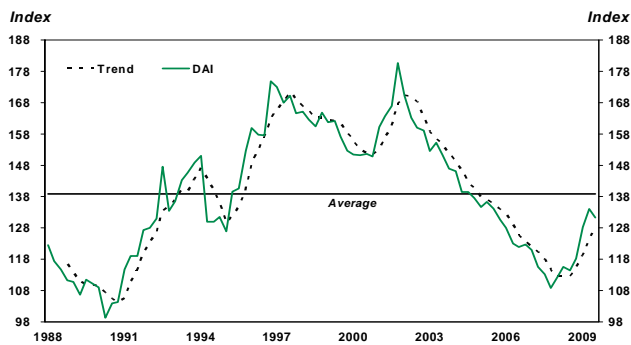
Source: Desjardins, Economic Studies

**Trois-Rivières**



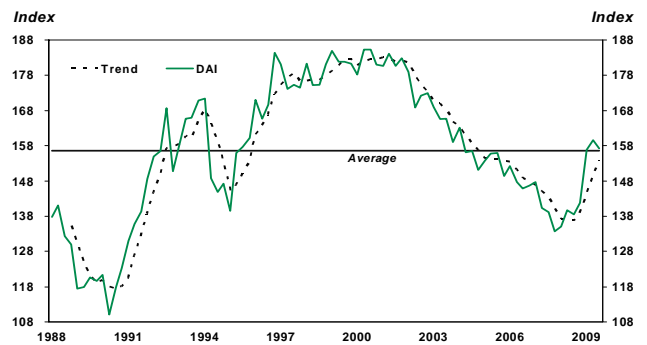
Source: Desjardins, Economic Studies

**Montréal**



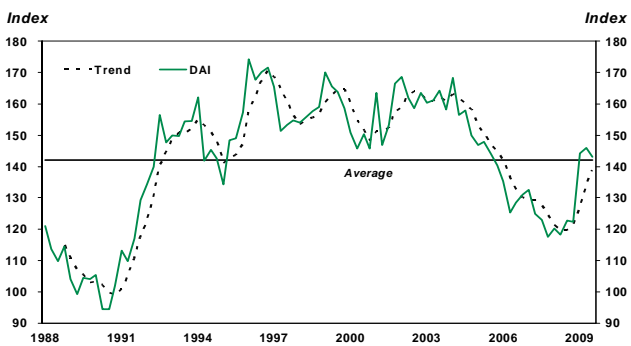
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**Ottawa-Gatineau**



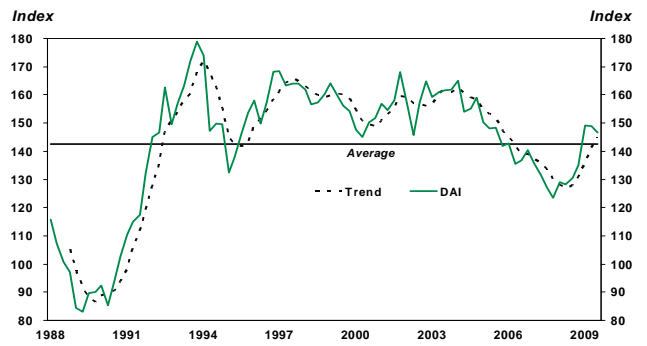
Source: Desjardins, Economic Studies

**Kingston**



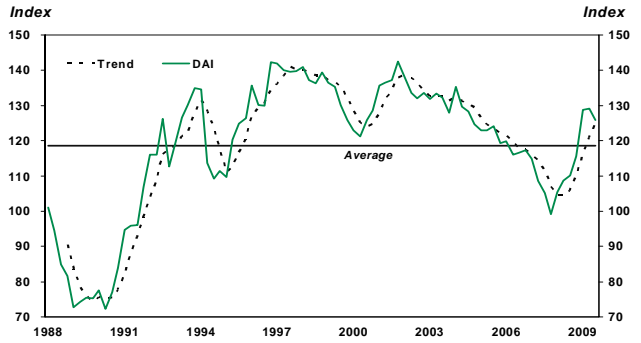
Source: Desjardins, Economic Studies

**Oshawa**



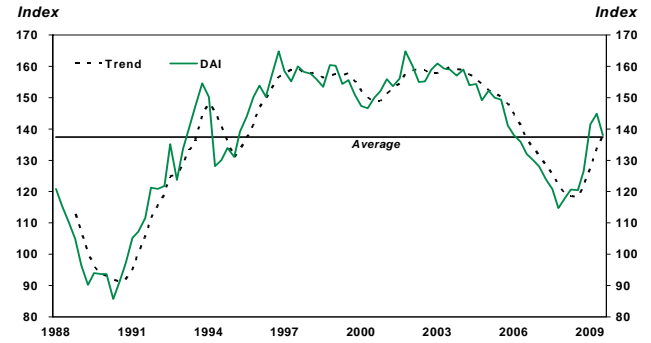
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### Toronto



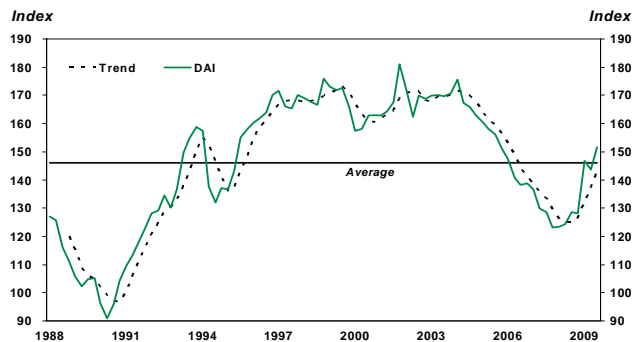
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### Hamilton



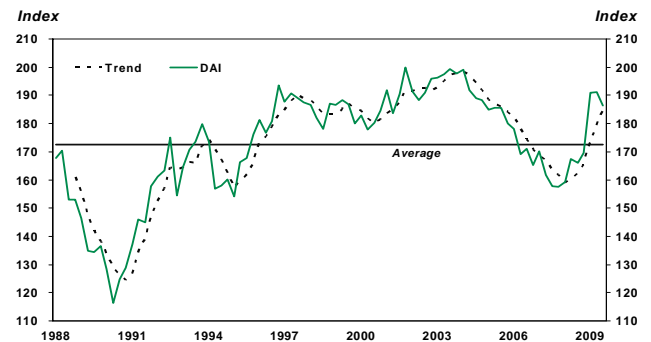
Source: Desjardins, Economic Studies

### Kitchener



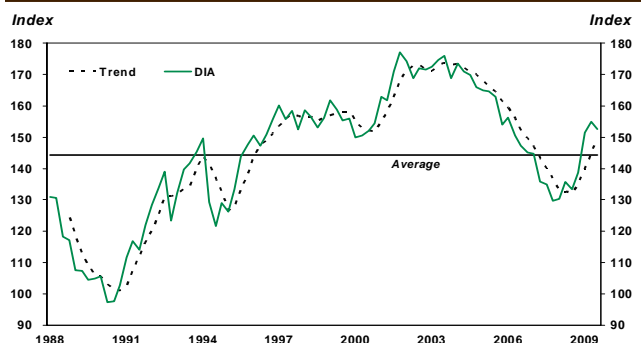
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### Windsor



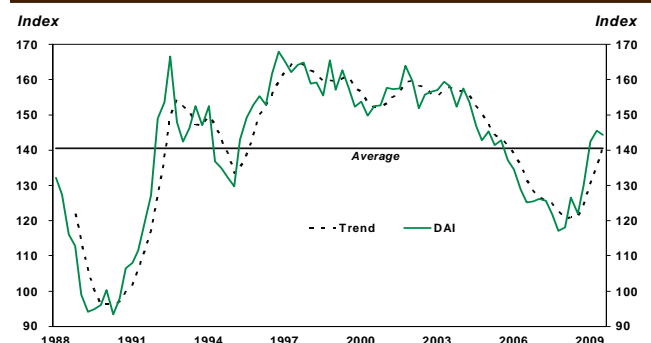
Source: Desjardins, Economic Studies

### London



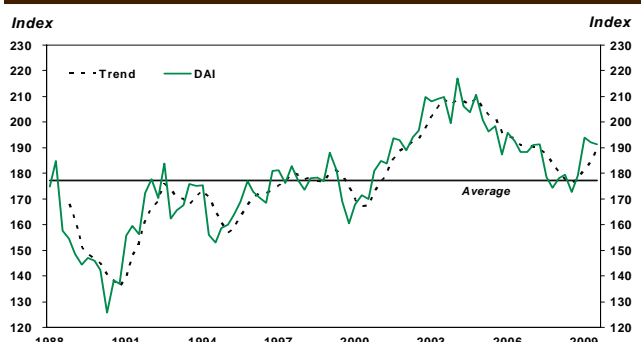
Source: Desjardins, Economic Studies

### St.Catharines-Niagara



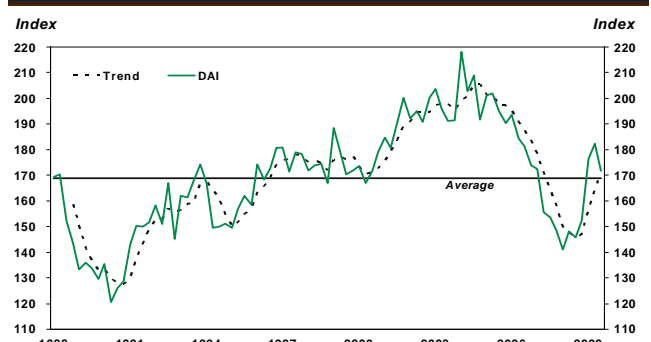
Source: Desjardins, Economic Studies

### Thunder Bay



Source: Desjardins, Economic Studies

### Greater Sudbury



Source: Desjardins, Economic Studies