

# Desjardins Affordability Index

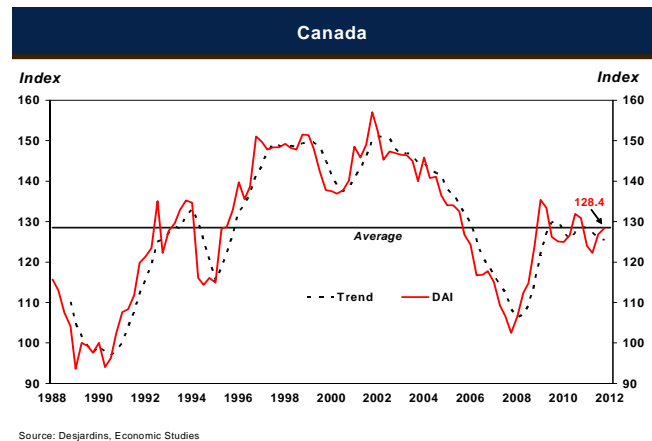
**Desjardins**  
Economic Studies  
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January 31, 2012

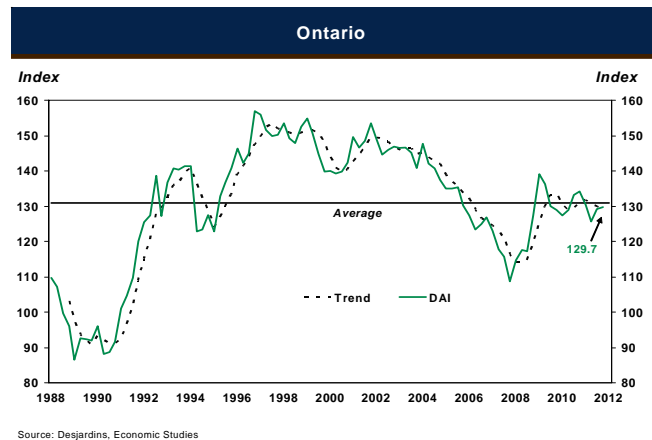
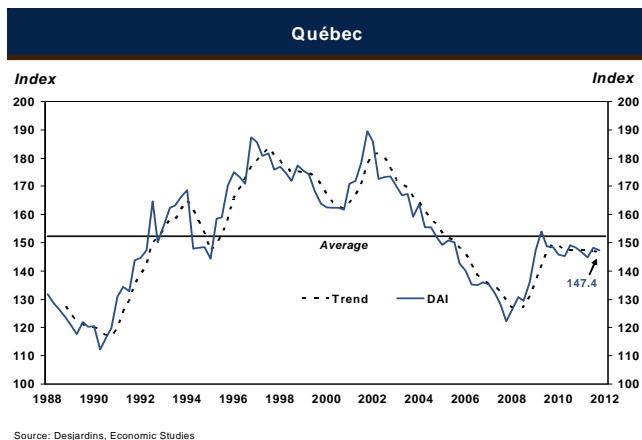
## Canadian affordability improves in Q4

The Desjardins Affordability Index (DAI) rose in the fourth quarter in **Canada**. Stable home prices and mortgage rates had a neutral impact on the DAI; slight growth by household incomes was what made the difference. The index is still close to its historic average, indicating that, overall, Canadian market conditions are sound, even though some CMAs are under a close watch. Stagnant prices in Toronto and Calgary and the ongoing correction in Vancouver confirm that, in some places, the housing market has started to adjust. The average price for a home in Canada (\$360,840) could even retreat somewhat due to the downturn in western Canada. The persisting climate of uncertainty in the financial markets will keep borrowing costs very low, preventing deterioration by the DAI in the coming quarters.

In **Québec**, home prices continued to advance, rising 2.2% from the previous quarter. It now takes an average of \$256,707 to buy a property. Affordability therefore deteriorated in the last quarter, despite stable mortgage rates. The DAI is still below its historical average, however. Its current 147.4 indicates that the average level of disposable income for Québécois is 47.4% higher than the income mortgage lenders require to finance the purchase of an average-priced residence.



In **Ontario**, prices were stable compared with the third quarter. Average household incomes went up, having a positive impact on affordability in the last quarter. However, prices increased in nearly half of the CMAs, with the other CMAs showing stagnation or declines. For the province as a whole, the average price of properties reached \$369,842.



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## Affordability in census metropolitan areas (CMA)

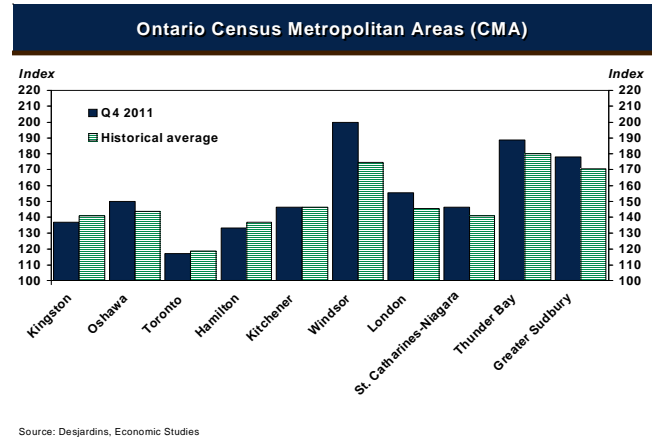
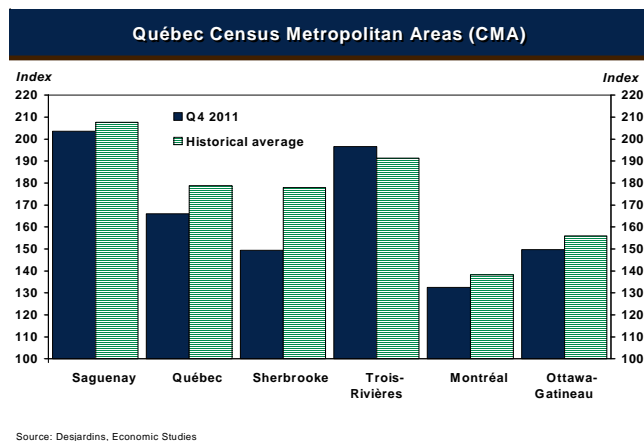
In the final quarter of 2011, the Desjardins Affordability Index (DAI) rose in half of the country's CMAs. Stagnation by prices and, in some cases, even declines explain this situation. Prices were flat in **Calgary** at around \$405,000, translating into an average mortgage payment of about \$2,000<sup>1</sup> a month. In **Vancouver**, the average home price dropped \$30,000 to around \$750,000 in the final quarter of 2011. With an average monthly mortgage payment of more than \$3,500, the West Coast market is by far the country's least affordable market, even though average household income is in excess of \$80,000. Prices continued to ascend in five of Québec's six CMAs; in Ontario, half of the CMAs were stable or pulling back. Affordability was thus headed in different directions in the two provinces.

### QUÉBEC

The biggest quarterly price increases occurred in **Trois-Rivières** (+4.8%) and **Québec** (+4.7%). Growth was 2.0% in **Sherbrooke** and 1.4% in **Montréal** from the third to fourth quarters of 2011. In **Saguenay**, however, prices dipped (-1.2%).

The average home price crossed the \$255,000 mark in **Québec** in the final quarter of 2011. Households' after-tax income also went up slightly, hitting nearly \$71,500. The **Québec** market thus stayed in to watch closely territory, as the DAI is still slightly below its historical average.

In **Montréal**, the rise in the average home price was similar to the rise by income, with the DAI almost unchanged. Prices are now above \$310,000, with households' after-tax income around \$70,000. The market, which is not showing any signs of overvaluation, is still in to watch closely territory.



In Québec, only **Sherbrooke** is considered to be a not very affordable market. Even though the average price (\$210,374) is well below the provincial average (\$256,707), incomes are much lower, making it harder to buy a home.

Prices in **Ottawa-Gatineau** rose a little more quickly than incomes in the final quarter of 2011, so that affordability eroded slightly. This market remains in to watch closely territory.

### ONTARIO

Prices increased 6.1% in **Kingston**, 3.9% in **Greater Sudbury**, 3.8% in **Thunder Bay**, 2.8% in **London** and 1.7% in **Windsor** from Q3 to Q4 of 2011. Despite the rise, which eroded affordability in these CMAs, they remain in affordable territory, except for **Kingston**, which is a market to watch closely.

Home prices stabilized in **St. Catharines-Niagara**, **Toronto** and **Kitchener** in the final quarter of 2011. The DAI's movement was thus dictated by income growth. Affordability thus improved in **Toronto** and **Kitchener**.

**Hélène Bégin**  
Senior Economist

<sup>1</sup> Assumptions: Amortization period of 25 years and a downpayment equivalent to 10 % of the property value.

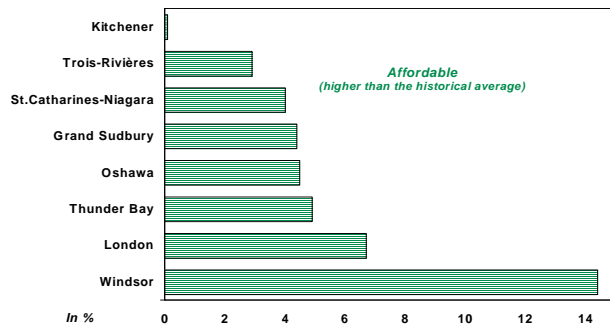
## Desjardins Affordability Index

	Change	Level gap	2011Q4	2011Q3	High	Low	Average
CANADA	+	1.6	128.4	126.8	157.0	93.6	128.5
QUÉBEC	-	-0.9	147.4	148.2	189.6	112.2	152.4
ONTARIO	+	0.5	129.7	129.2	156.9	86.5	130.9
<b>Metropolitan Areas</b>							
Saguenay	+	4.8	203.7	198.9	257.2	159.5	207.8
Québec	-	-4.9	165.9	170.9	227.7	131.6	179.0
Sherbrooke	-	-0.8	149.4	150.2	239.2	126.3	178.1
Trois-Rivières	-	-4.2	196.7	200.9	250.7	134.5	191.3
Montréal	+	0.2	132.5	132.3	180.6	99.5	138.2
Ottawa-Gatineau	-	-3.0	149.7	152.6	192.7	112.0	156.0
Kingston	-	-4.9	137.0	141.9	170.0	96.8	140.9
Oshawa	+	2.9	149.9	147.0	176.8	83.6	143.4
Toronto	+	0.9	117.0	116.1	144.5	72.3	118.6
Hamilton	+	2.3	133.1	130.8	165.7	87.2	136.9
Kitchener	+	1.7	146.5	144.8	179.2	92.4	146.4
Windsor	+	1.6	199.7	198.1	201.5	118.4	174.5
London	-	-1.3	155.3	156.6	176.0	97.3	145.6
St.Catharines-Niagara	-	-1.2	146.4	147.6	168.8	94.6	140.7
Thunder Bay	-	-2.1	188.9	191.1	215.1	127.9	180.1
Greater Sudbury	-	-2.8	177.9	180.7	215.1	122.6	170.4
CALGARY	+	5.2	165.5	160.3	210.0	110.7	168.1
VANCOUVER	+	2.7	69.2	66.5	111.0	62.3	85.3

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

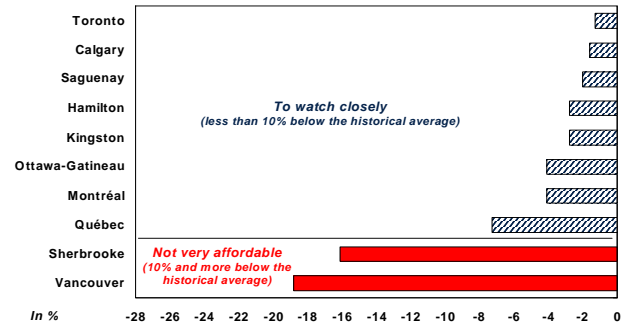
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property taxes and utility costs). An information document on the DAI is available on our Web site: [http://www.desjardins.com/en/a\\_propos/etudes\\_economiques/conjoncture\\_quebec/indice\\_abordabilite/docinfoa.pdf](http://www.desjardins.com/en/a_propos/etudes_economiques/conjoncture_quebec/indice_abordabilite/docinfoa.pdf)

### Gap between the DAI and its historical average



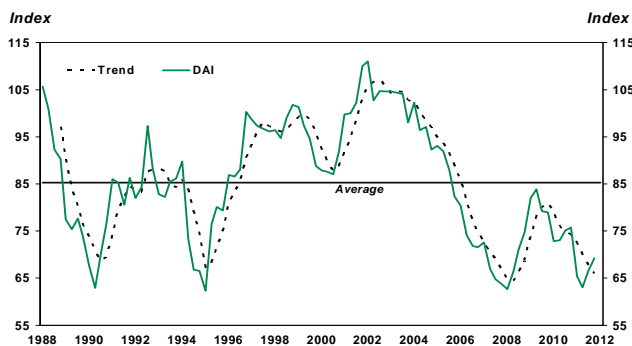
Source: Desjardins, Economic Studies

### Gap between the DAI and its historical average



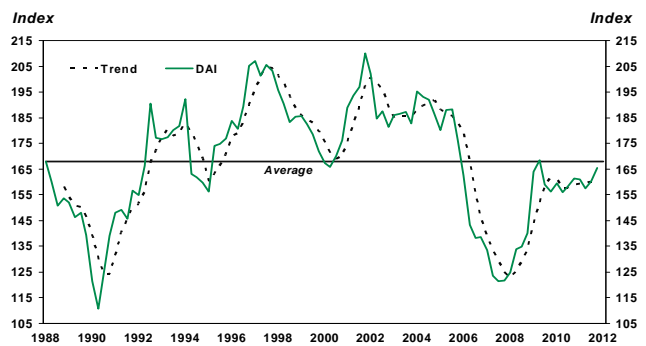
Source: Desjardins, Economic Studies

### Vancouver



Source: Desjardins, Economic Studies

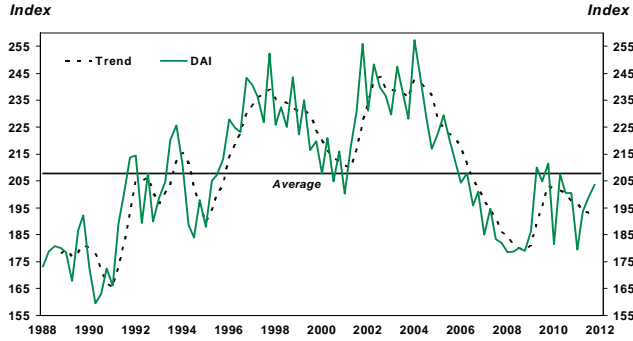
### Calgary



Source: Desjardins, Economic Studies

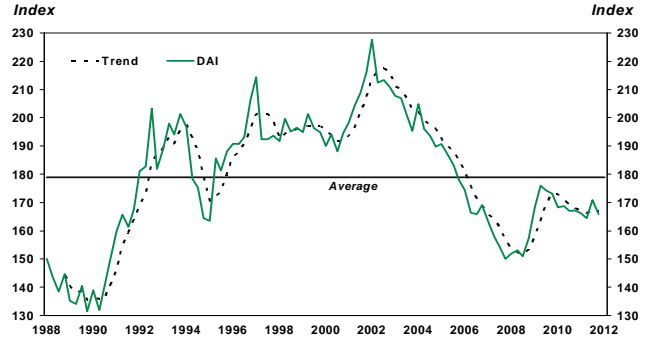


**Saguenay**



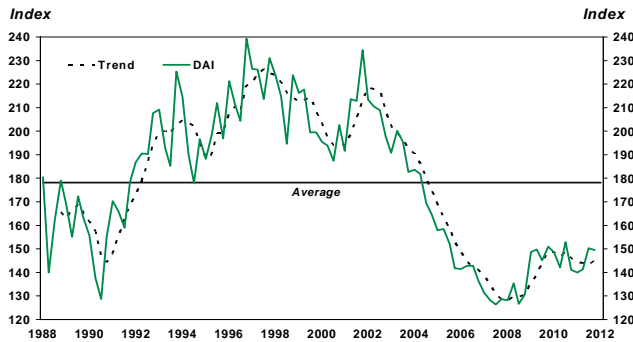
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**Québec**



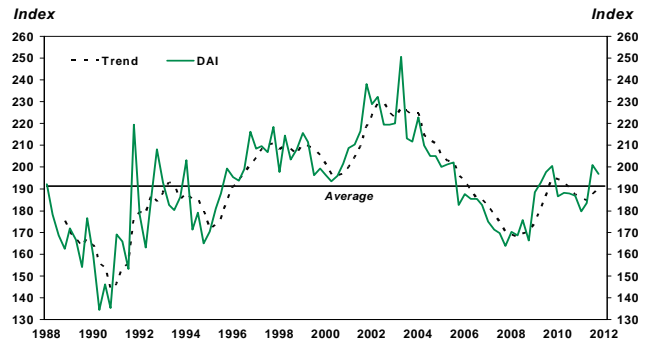
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**Sherbrooke**



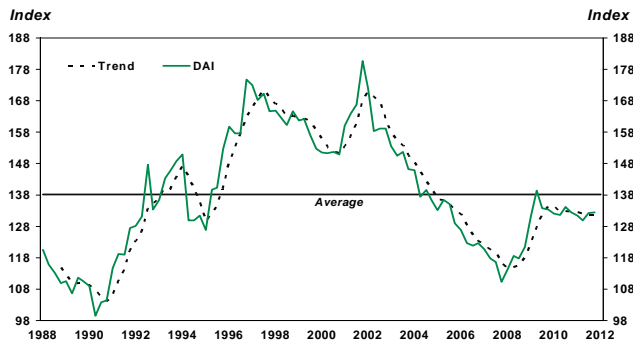
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**Trois-Rivières**



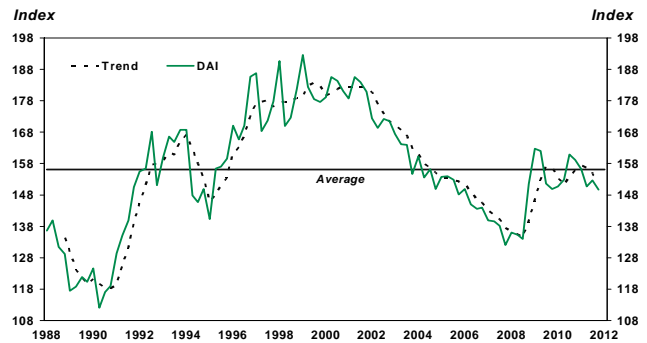
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**Montréal**



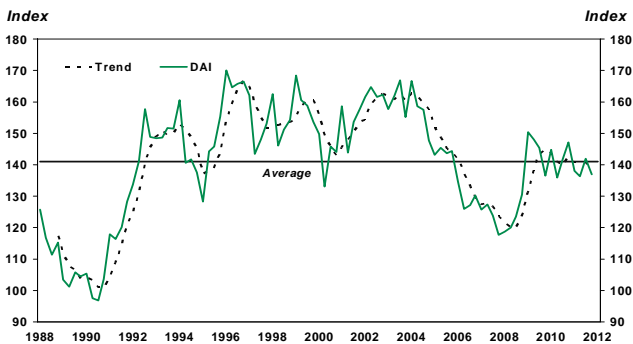
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**Ottawa-Gatineau**



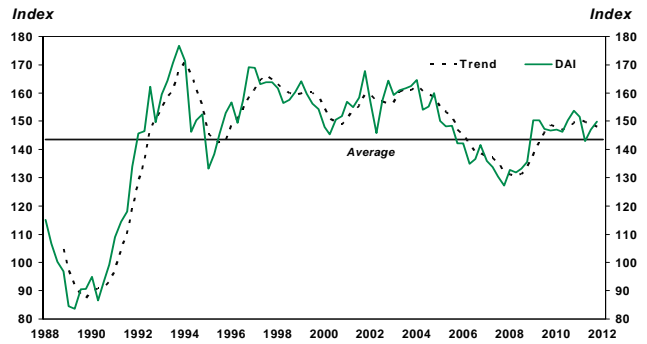
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**Kingston**

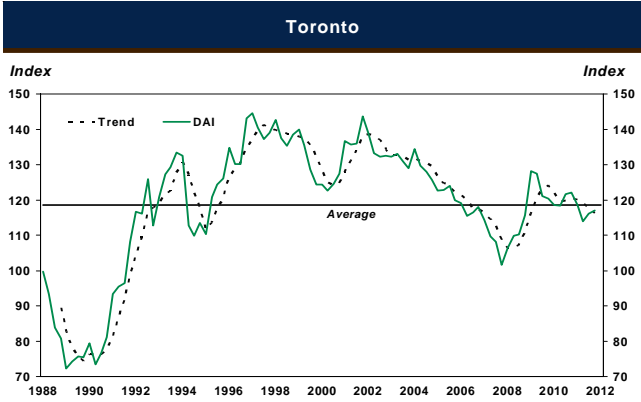


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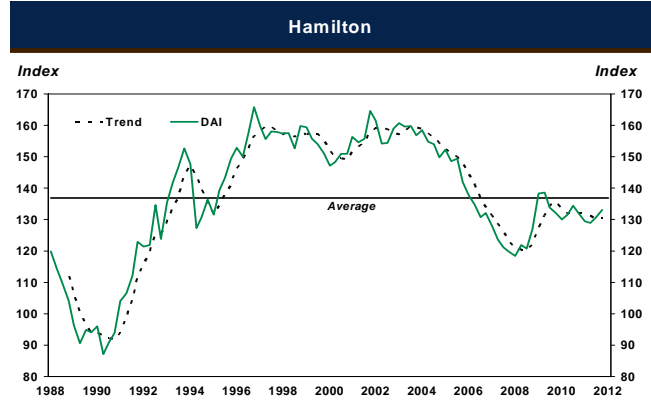
**Oshawa**



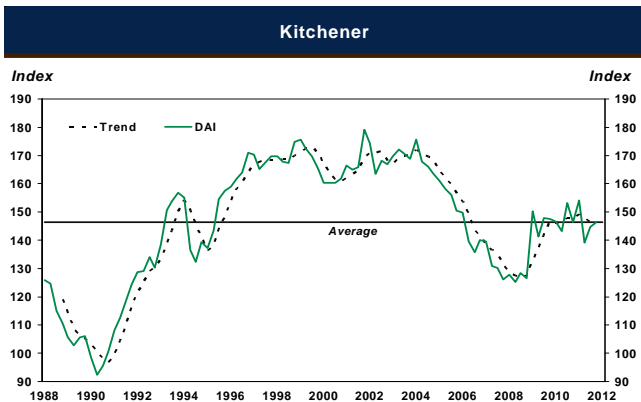
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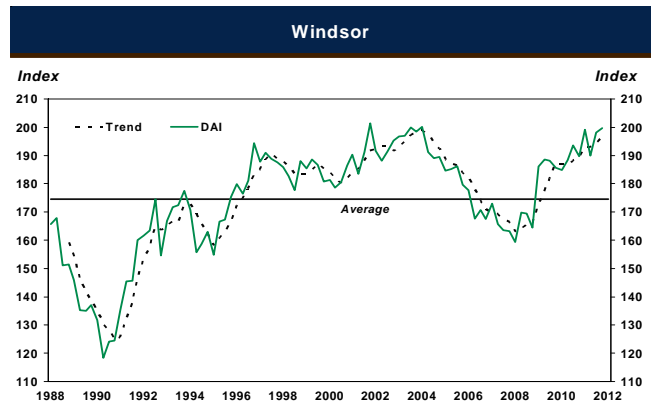
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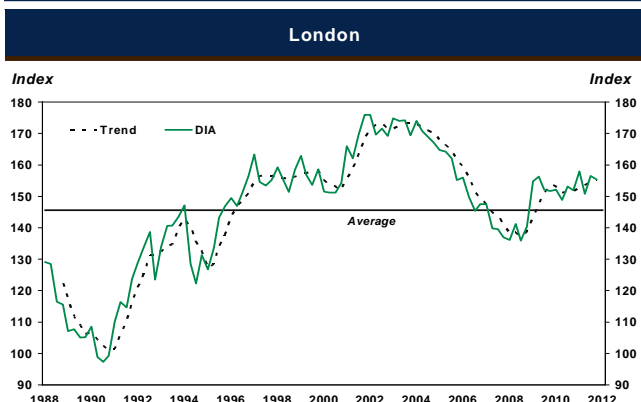
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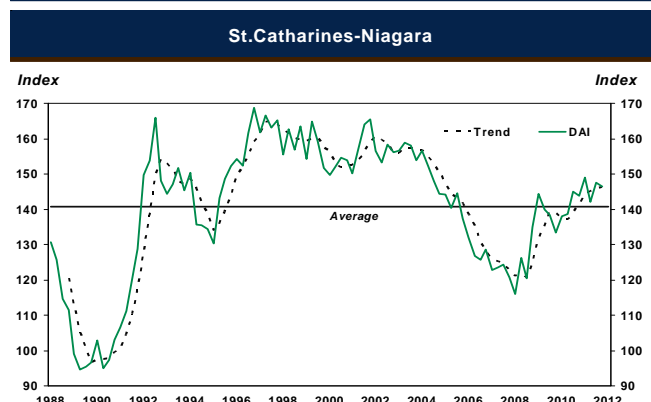
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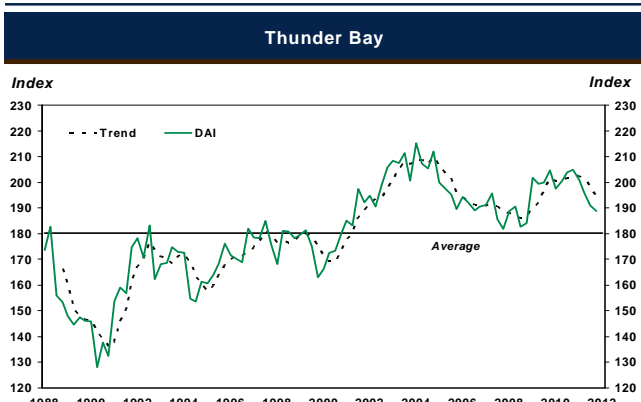
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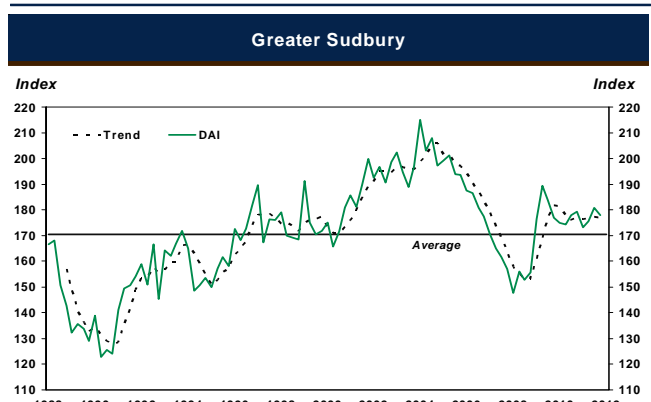
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