

PRESS RELEASE

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Low mortgage rates had a favourable effect on affordability in Canada

Lévis (Québec), April 30th 2014 – The financial capacity of Canadian households to purchase a property improved somewhat at the beginning of 2014, even though average home prices matched the pace of after-tax income growth. Lower mortgage rates therefore had a favourable effect on affordability. However, the Canadian housing market is still less affordable, on average, than it has been for the past 25 years.

It is what stands out from the Desjardins Affordability Index (DAI), an analysis of the Economic Studies of Desjardins Group. A copy of the analysis is available at the following address : <http://www.desjardins.com/ca/about-us/economic-studies/quebec-ontario-economic-conditions/desjardins-affordability-index/index.jsp>.

In Quebec, the DAI is also below the historic average, despite the improvement posted for Q1 2014. Unlike the rest of the country, Quebec property prices and household income stagnated. “The mortgage rate pullback had a positive impact on affordability,” according to Hélène Bégin, Desjardins Group Senior Economist.

“Only the Saguenay market is considered affordable in Québec,” Bégin says. Most other Census Metropolitan Areas (CMA) are under close watch, but kept out of the ‘not very affordable’ territory by price stability and, in some cases, retreats. Sherbrooke CMA is an exception, as household income is very low compared to property prices. The gap between the Affordability Index and the historic average is as wide as it was in the early 1990s in Sherbrooke CMA.

“In Ontario, a number of markets remained affordable in the first quarter,” according to Ms. Bégin. Toronto, where the average home price is \$547,340 and sharply above the other agglomerations in the province, is an exception.

Vancouver also turns out to be a very expensive market, historically speaking. The average home price of \$801,554 in the first quarter is around 10 times higher than average household income.

About Desjardins Group

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