

April 30, 2014

## Affordability in Canada edges up in the first quarter

### HIGHLIGHTS

- 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.
- In Quebec, the Desjardins Affordability Index (DAI) is also below the historic average, despite the improvement posted for Q1 2014. Unlike Canada, Quebec property prices and household income stagnated. The mortgage rate pullback had a positive impact on affordability.
- Only the Saguenay market is considered affordable in Quebec. Most other CMAs are under close watch, but kept out of the "not very affordable" territory by price stability and, in some cases, retreats. Sherbrooke 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.
- 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.
- In Ontario, a number of markets remained affordable in the first quarter. Toronto, where the average home price is \$547,340 and sharply above the other agglomerations in the province, is an exception.

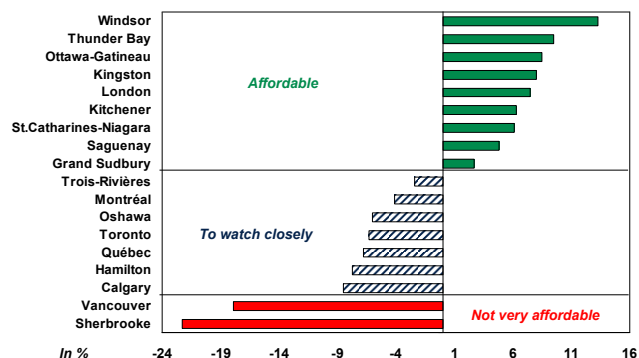
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property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

### Desjardins Affordability Index

2014 Q1	Level	Change
CANADA	119.6	↑
QUEBEC	141.5	↑
ONTARIO	116.6	↑
<b>Metropolitan Areas</b>		
Saguenay	208.5	↑
Quebec	157.1	↑
Sherbrooke	129.4	↑
Trois-Rivières	178.1	↑
Montreal	125.5	↑
Ottawa-Gatineau	161.3	↑
Kingston	146.6	↑
Oshawa	126.9	↓
Toronto	104.6	↑
Hamilton	119.3	↓
Kitchener	147.4	↓
Windsor	189.4	↑
London	149.4	↑
St.Catharines-Niagara	142.0	↑
Thunder Bay	189.9	↓
Greater Sudbury	164.7	↓
CALGARY	143.0	↓
VANCOUVER	67.5	↑

Source: Desjardins, Economic Studies

### Gap between the DAI and its historical average



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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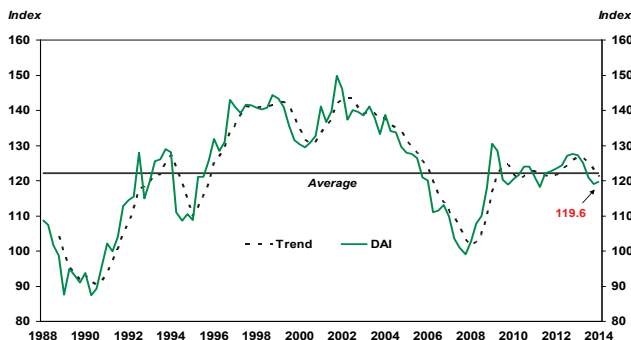
## Prices rise again in Canada, but stabilize in Quebec

Despite some improvement in affordability in Canada in the first quarter, the index once again closes in on the average that has been prevailing since the late 1980s. Regardless of Canadian property sales slowing somewhat, the housing market remains rather lively. The drop in mortgage rates held off any noticeable cooling of activity. Prices continue to rise across Canada, particularly thanks to advances in certain agglomerations. For a year now, price increases have exceeded 8% in Toronto and Vancouver, fuelling similar increases across the country, while stability reigns in Montreal and sets the tone for the provincial average. Average home prices continue to advance across the country's major regions, except in Quebec.

Slight depreciation in the average price of condos in Quebec, underway since last year, still accompanies the modest increase in house prices. Since condo prices will continue to adjust until the surplus is absorbed, the hike in single-family homes will hold off a widespread decline. Affordability should therefore hold steady around its current level until mortgage rates begin to rise. The stabilization period for property sales will therefore be extended this year, as will the pause observed in prices.

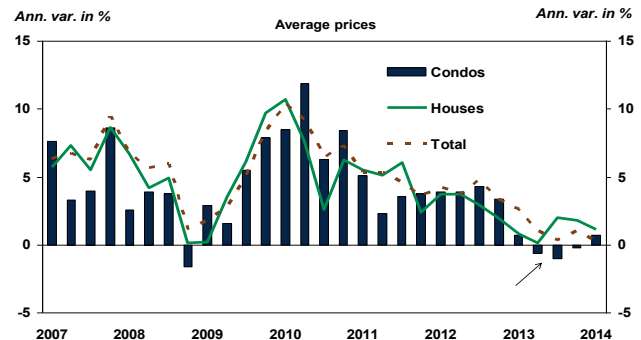
**Hélène Bégin**  
Senior Economist

**Canada – Affordability not weak enough to drive down the residential market**



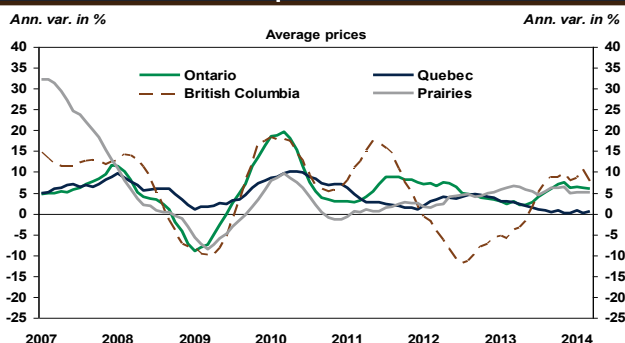
Sources: Desjardins, Economic Studies

**Quebec – Condo prices have started to slip while home prices continue to climb**



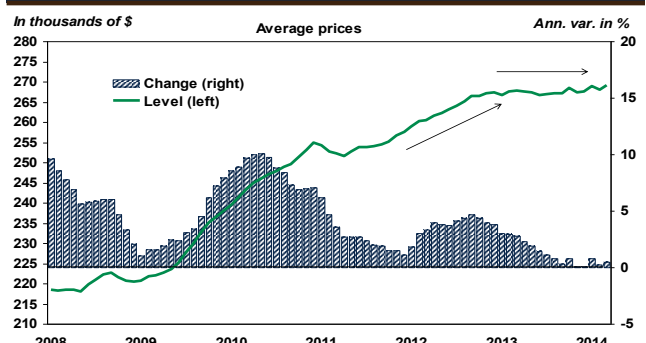
Sources: Fédération des chambres immobilières du Québec through Centris® system and Desjardins, Economic Studies

**Canada – Residential prices up everywhere, except in Quebec**



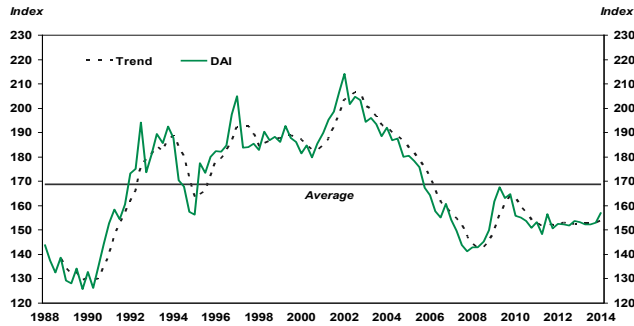
Sources: Canadian Real Estate Association and Desjardins, Economic Studies

**Quebec – Housing prices have been stable for a few months now**



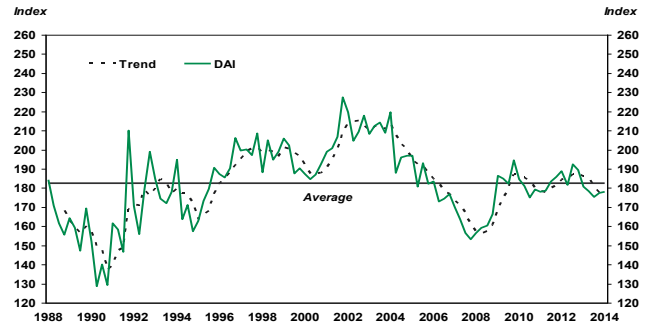
Sources: Canadian Real Estate Association and Desjardins, Economic Studies

## Quebec CMA



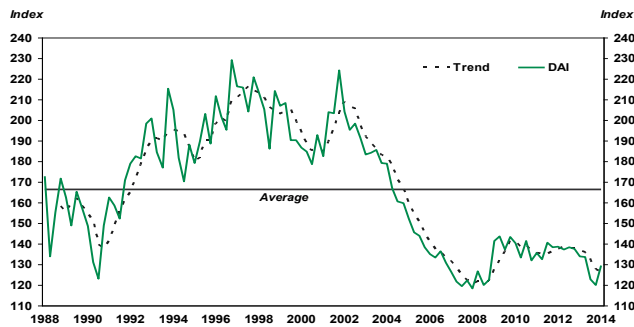
Source: Desjardins, Economic Studies

## Trois-Rivières CMA



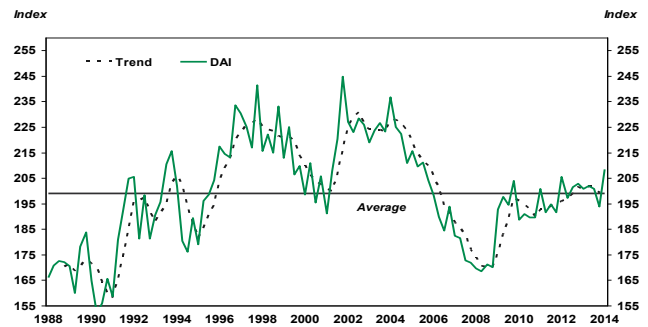
Source: Desjardins, Economic Studies

## Sherbrooke CMA



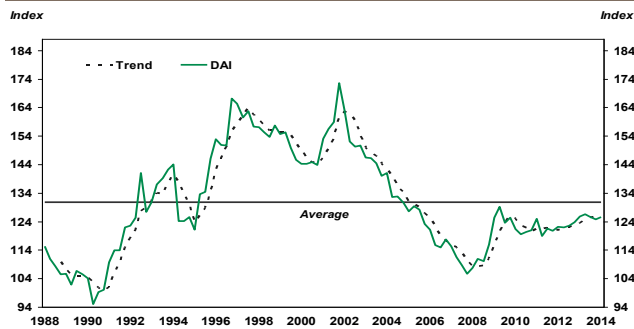
Source: Desjardins, Economic Studies

## Saguenay CMA



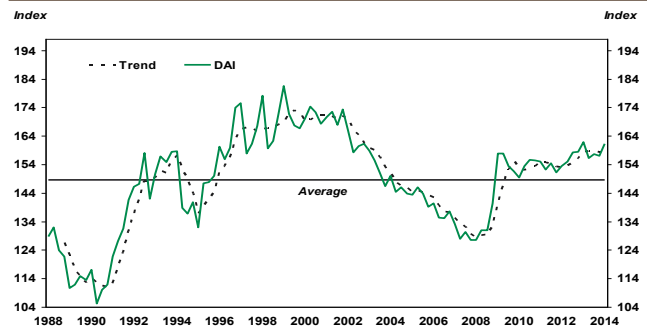
Source: Desjardins, Economic Studies

## Montreal CMA



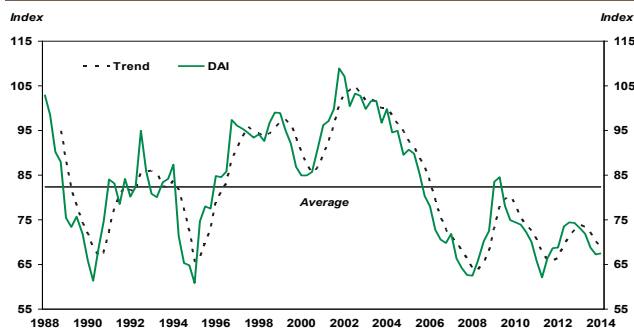
Source: Desjardins, Economic Studies

## Ottawa-Gatineau CMA



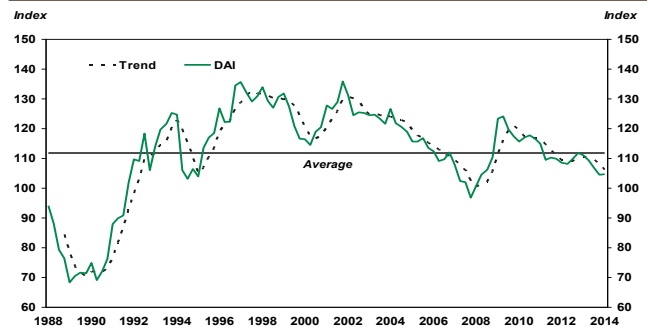
Source: Desjardins, Economic Studies

## Vancouver CMA



Source: Desjardins, Economic Studies

## Toronto CMA



Source: Desjardins, Economic Studies