

Desjardins Affordability Index



Desjardins
Economic Studies

www.desjardins.com/economics

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Housing affordability edges back Canada-wide, but rises in Quebec

HIGHLIGHTS

- The affordability of owning a home in Canada eroded slightly in the first quarter of 2015, for a third straight quarter, due among other things to the advance in average home sale price, with after-tax income only ticking up. Mortgage rates dipped during this period, allowing the Desjardins Affordability Index (DAI) to avoid greater deterioration.
- In Quebec, the DAI improved sharply, even posting its highest level since the first quarter of 2011. In contrast to the nation as a whole, household income growth came in ahead of growth by the average sale price. However, the index remains below its average for the last 25 years.
- In Saguenay, Quebec City, Montreal and Ottawa-Gatineau, stable average home prices combined with household income growth allowed the DAI to rise. In Sherbrooke, the drop in income and sustained rise in average sale price slashed home affordability. The Sherbrooke market even became the least affordable market in the country, historically speaking.
- Although Toronto was stable, the DAI rose in several Ontario agglomerations in the first quarter of 2015. This market is still considered to be not very affordable, historically speaking.
- Affordability continued to slide in Vancouver in Q1 2015: the average property sale price was nearly \$850,000, twice as high as the average across Canada. Conversely, in Calgary, affordability shot up in the first quarter of this year, as the average sale price plunged. This market is now affordable.

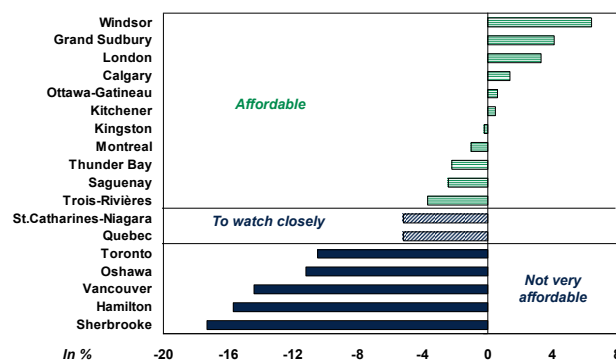
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property taxes and utility costs). An information document on the DAI is available on our Web site: www.desjardins.com/ressources/pdf/docinfoa.pdf

Desjardins Affordability Index

2015 Q1	Level	Change
CANADA	116.9	↓
QUEBEC	138.2	↑
ONTARIO	114.0	↓
Metropolitan Areas		
Saguenay	186.3	↑
Quebec	156.5	↑
Sherbrooke	134.7	↓
Trois-Rivières	170.1	↓
Montreal	128.0	↑
Ottawa-Gatineau	148.3	↑
Kingston	135.1	↓
Oshawa	121.3	↓
Toronto	100.3	↔
Hamilton	108.8	↓
Kitchener	140.0	↑
Windsor	180.0	↑
London	145.2	↑
St. Catharines-Niagara	127.4	↓
Thunder Bay	169.2	↑
Greater Sudbury	167.9	↑
CALGARY	164.7	↑
VANCOUVER	69.6	↓

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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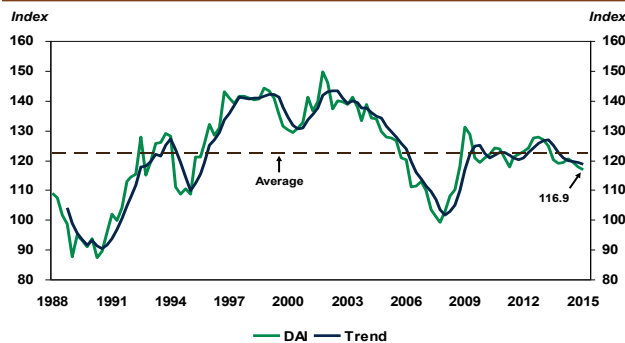
Average sale prices stabilize in Quebec but rise in Ontario

Households' financial capacity to buy a home stayed close to the historical average in Canada, although affordability has declined since the start of the year. Despite the fact that transactions have declined over the last two quarters, the Canadian resale market is still oscillating fairly close to equilibrium. Resales have flagged in many agglomerations across the country, but not in Vancouver and Toronto, where transactions rose 12.9% and 10.8% respectively from the previous quarter. These two markets remain lively; Toronto still has a slight shortage, while Vancouver's is growing. Because of this, average sale prices are up 1.7% and 2.0% respectively since the start of the year. For Canada, the quarterly increase is 1.9%, despite the stabilization and even pullbacks seen in several agglomerations.

Property sales fell in both Quebec and Ontario over the last two quarters, but average sale price movements in the two provinces diverged. While Quebec saw some stabilization, the pace was fairly sustained in Ontario. Home affordability has therefore improved sharply in Quebec, but was flat in Ontario. Mortgage rates remain low and the Quebec job market is improving, which should inject some strength into sales. As the number of homes on the market is greater than the demand, sale price movement will be subdued in the coming quarters. Ontario's market has a slight shortage, but it is primarily Toronto's strength that will keep upside pressure on average sale price.

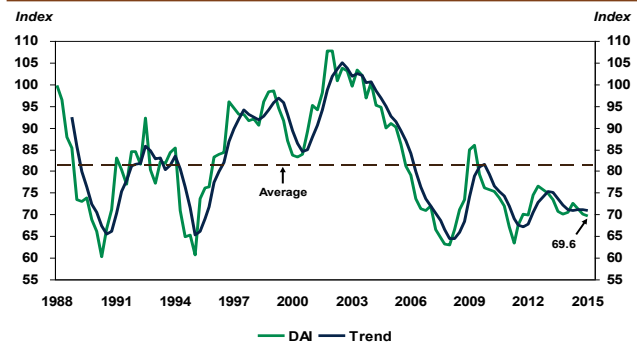
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Canada – The Desjardins Affordability Index drops again



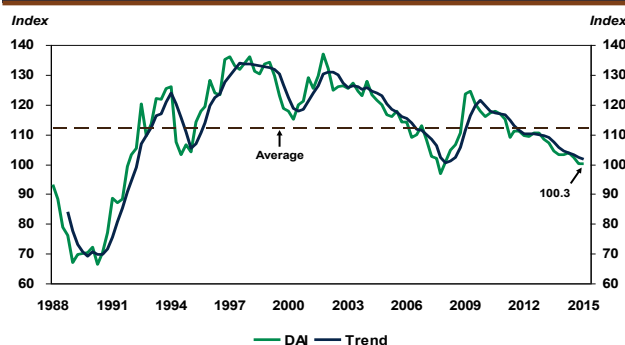
Source: Desjardins, Economic Studies

Vancouver CMA – The Desjardins Affordability Index is once again moving away from its historical average



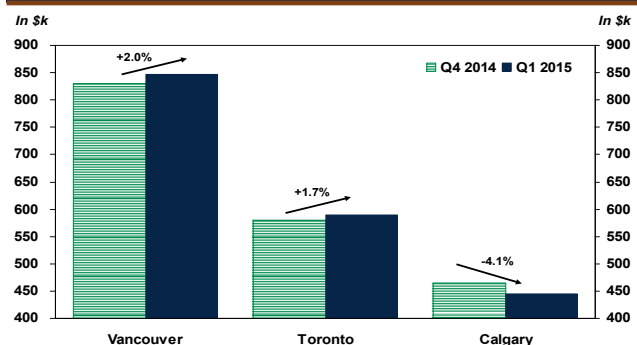
Source: Desjardins, Economic Studies

Toronto CMA – The DAI is trending down



Source: Desjardins, Economic Studies

Canada – Alberta's economy is slowing due to the plunge in oil prices, putting downside pressure on sale prices



Sources: Canadian Real Estate Association and Desjardins, Economic Studies