ECONOMIC VIEWPOINT

Desjardins Affordability Index:

Finding Shelter from the Trade War Storm

By Kari Norman, Economist

Highlights

- Over the past quarter century, the average selling price of a home in Canada has ballooned by more than four times, while the average household disposable income has only slightly more than doubled. Benchmark home prices now consistently exceed what the average household can afford in several provinces.
- As a result of the widening gap between home prices and income gains, paired with high rent inflation between 2022 and 2024, it takes potential homebuyers significantly longer to save up for their down payment.
- Looking ahead, we expect interest rates and average home prices to remain favourable to buyers, though rising unemployment will likely weigh on average household disposable income. Putting it all together, homebuying affordability is unlikely to improve meaningfully over the next two years.

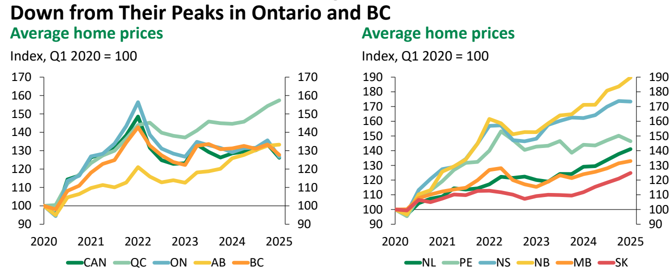
Rising Trade Tensions Threaten to Compound Canada's Housing Affordability Crisis

As global trade tensions escalate, Canadian households are bracing for a storm of economic uncertainty. Housing affordability, already strained by higher interest rates and insufficient construction to meet the needs of recent population growth, faces its own set of risks. We recently detailed how tariffs and retaliatory tariffs could put a damper on the residential construction sector. In this report we explore how they could affect housing affordability across the country. The Desjardins Affordability Index (DAI) remains near historically low levels of affordability despite recent easing in mortgage rates and, in some locations, falling home selling prices. (See box 1 on page 3 for details on how the DAI is constructed.)

Average Home Prices Remain Unaffordable for Many Prospective Buyers

Housing affordability has not yet meaningfully recovered from the disruptions of the past five years. Following the sharp run-up in home prices during the pandemic and the subsequent rise in interest rates, Canadian households entered 2025 still facing stretched budgets. Although average home prices have moderated in some provinces, notably Ontario and BC, most provinces' prices have reached all-time highs (graph 1).

Graph 1
Home Prices Have Reached New Highs in Most Provinces, but Are Well Down from Their Peaks in Ontario and BC



Canadian Real Estate Association and Desjardins Economic Studies

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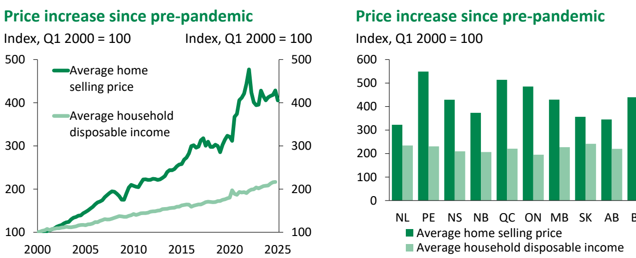
But this isn't merely a pandemic-era problem. Over the past quarter century, the average selling price of a home in Canada has ballooned by more than four times, while the average household disposable income has only slightly more than doubled (graph 2). Benchmark home prices now consistently exceed what the average household can afford in several provinces. Using the rule of thumb that households should spend no more than 30% of their disposable income on housing costs, we find that the benchmark price for all types of housing is highly unaffordable for residents of Ontario and BC, but also above the threshold in Quebec (graph 3).

Graph 2
Home Price Increases Have Far Outpaced Income Growth



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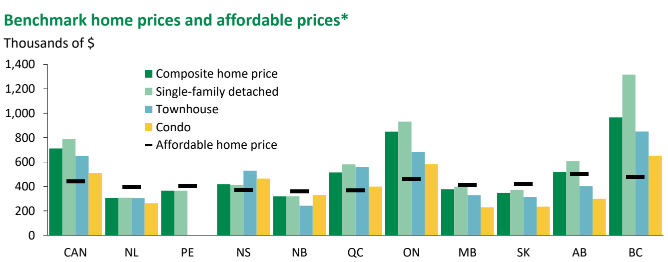
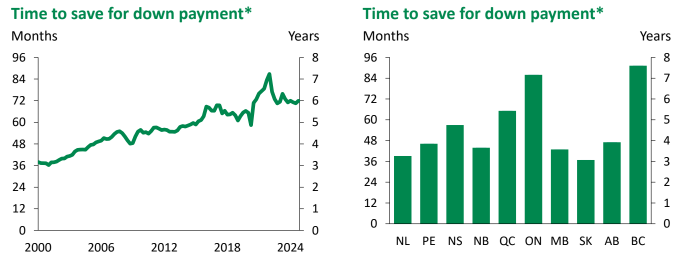
Graph 3
Home Prices Would Need to Fall Considerably to Be Affordable



* Affordability is based on a monthly mortgage payment equal to 30% of average household disposable income.
Canadian Real Estate Association, Bank of Canada and Desjardins Economic Studies

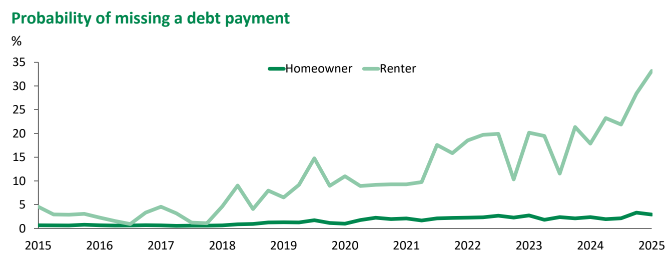
As a result of the widening gap between home prices and income gains, it takes potential homebuyers significantly longer to save up for their down payment. Assuming households earning the average income save 20% of their disposable income in an account earning 3%, it would take about 6 years to accumulate a 20% down payment for an average home in Canada (graph 4). It's no surprise that the timeline is longer for those facing higher home prices in Ontario and BC, and significantly less in the Prairie provinces and most of Atlantic Canada. High rent inflation between 2022 and 2024 likely further challenged would-be homebuyers' ability to save up a nest egg. Renters have increasingly struggled with their personal finances, with their likelihood of missing a debt payment now sitting at one in three (graph 5), presumably hobbling their ability to save up for a down payment.

Graph 4
Saving for a Down Payment Takes Many Years



* Assumes households save 20% of their monthly disposable income in an account earning 3% to amass a 20% down payment at average home sale prices.
Canadian Real Estate Association, Statistics Canada and Desjardins Economic Studies

Graph 5
Renters Are Already Struggling with Their Finances



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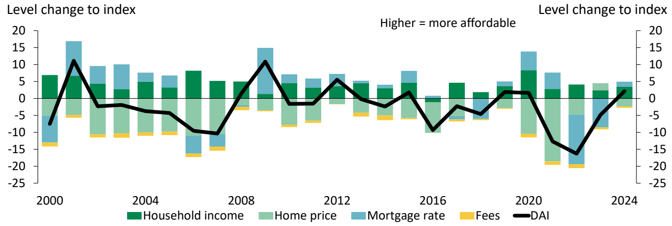
The federal government has responded to the affordability challenge by bringing in policy changes to help households get their foot in the door a little bit faster. The First Home Savings Account (FHSA) had nearly 740,000 new accounts with an average value of just under $4,000 by the end of 2023, its inaugural year. And the price cap for insured mortgages was raised in December 2024, allowing buyers to purchase homes of up to $1.5M with less than a 20% down payment. (See our previous DAI report for details.) That said, policies such as these—and the proposed GST exemption for first-time homebuyers on new homes up to $1M—may lead to increased demand, which could then drive up selling prices.

The DAI Outlook Points to Continued Challenges Ahead

Fast-rising home prices had the biggest impact on affordability in the early pandemic years. Even low mortgage rates and rising household disposable income weren't enough to offset the downward trend (graph 6 on page 3). Coming out of the pandemic, rapidly climbing interest rates led to soaring costs of servicing new mortgages, offsetting any gains due to continuing increases in household income and the 2023

Graph 6
Income Gains and Lower Mortgage Rates Led to Improved Affordability in 2024
Contribution to change in DAI

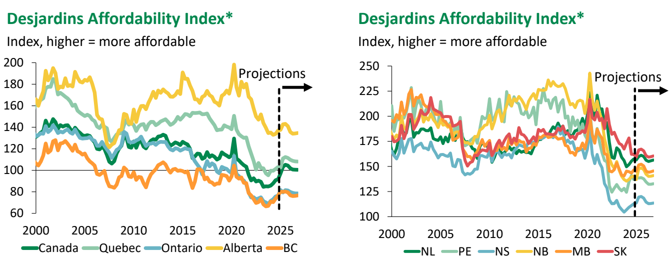


DAI: Desjardins Affordability Index; Fees: Property taxes, utilities (water, fuel and electricity) and condominium fees
Desjardins Economic Studies

home price correction. Affordability improved modestly in 2024 from the combined pull of easing mortgage rates and gains in household disposable income. (See table 1 on page 4 for local home price conditions.)

Affordability is unlikely to improve meaningfully over the next two years (graph 7). Due to the growth impacts of the global trade war instigated by the US, interest rates are expected to continue their downward path, helping to lower mortgage costs in our baseline outlook. However, rising unemployment will likely weigh on households' disposable incomes. And while home sale prices should remain soft in 2025, we expect to see a return to growth the following year, with variations by province. Altogether, while the DAI isn't likely to worsen in the near term, even the softening of prices in Ontario and BC won't make homes in those provinces affordable again.

Graph 7
Affordability Is Expected to Improve Slightly in 2025



* Assumes a 20% down payment.
Canadian Real Estate Association, Statistics Canada, Bank of Canada and Desjardins Economic Studies

The prolonged savings horizon poses additional risks to affordability. As down payments take longer to amass, the moving target created by rising home prices can keep homeownership always just out of reach. Those lucky enough to have family who can help are increasingly turning to them for financial assistance. Others are moving to less expensive cities, moving back into the family home or foregoing the dream of homeownership entirely.

Box 1: What Is the Desjardins Affordability Index?

The Desjardins Affordability Index (DAI) compares the average household after-tax disposable income with the income needed to qualify for a mortgage on an average-priced existing home. Our baseline scenario uses the 5-year fixed mortgage rate and a 20% down payment with no mortgage insurance.

An index value of more than 100 indicates greater affordability, as the average household income is more than enough to qualify for a mortgage on an average-priced home. A rising index means homeownership is getting more affordable.

Conversely, a value under 100 means that the average household doesn't earn enough after tax to qualify for a mortgage on an average-priced home. A falling index implies homeownership is getting less affordable.

The Ongoing Trade War Could Have Mixed Impacts on Housing Affordability

The resale housing market typically reacts faster than residential construction to economic shocks. Monthly home sales figures fell sharply in the first quarter of 2025. It is likely that many of those waiting on the sidelines in 2024 for mortgage rates to come down hesitated due to the economic uncertainty of a trade war. Homebuilding is expected to get hammered by tariffs and retaliatory tariffs over the next couple of years. Our baseline economic outlook continues to point to a downturn. While Canada came out better than expected on "Liberation Day," a deeper downturn south of the border and elsewhere could be a drag on our economy.

Conclusion

The Desjardins Affordability Index confirms that Canada's housing market remains deeply unaffordable in many regions. Trade uncertainty is compounding the existing challenges, with the potential to limit interest rate cuts and weaken household income growth. Policymakers should recognize that housing affordability can't be addressed in isolation, but rather is intertwined with broader macroeconomic conditions. Policies should be carefully crafted to provide significant improvements to housing affordability without generating high demand that could drive up home prices. We remain firm in our belief that increasing housing supply is the primary path to meaningful improvements in homeownership affordability.

TABLE 1
Canada: Benchmark Home Sale Prices

Thousands of $ (UNLESS OTHERWISE INDICATED)	2019	2020	2021	2022	2023	2024	2025 Q1*
Canada – Composite	**525.5**	**562.4**	**688.6**	**790.8**	**734.1**	**720.2**	**-1.2**
Single-family detached home	566.6	608.7	761.9	871.9	807.7	795.3	-0.7
Condo apartment	411.3	429.7	475.8	555.7	532.8	524.0	-3.2
Newfoundland and Labrador – Composite	**231.2**	**234.0**	**252.2**	**273.2**	**282.1**	**297.7**	**7.3**
Single-family detached home	232.1	235.2	253.8	275.1	284.1	299.6	7.2
Condo apartment	192.6	189.0	191.3	211.1	222.8	242.4	12.1
Prince Edward Island – Composite	**222.2**	**246.5**	**305.0**	**355.7**	**361.7**	**365.3**	**2.3**
Nova Scotia – Composite	**230.3**	**261.7**	**336.2**	**396.4**	**395.1**	**409.0**	**5.4**
Single-family detached home	227.6	258.9	332.9	391.0	388.6	402.0	5.7
Condo apartment	248.0	276.2	345.4	430.4	447.0	459.5	3.8
New Brunswick – Composite	**167.7**	**182.8**	**227.7**	**280.1**	**282.0**	**306.3**	**10.3**
Single-family detached home	168.5	183.8	228.9	281.0	282.8	307.1	10.1
Condo apartment	146.8	155.5	188.9	245.0	249.6	278.0	29.9
Quebec – Composite	**316.1**	**351.6**	**418.1**	**470.6**	**461.0**	**483.6**	**8.4**
Single-family detached home	338.7	379.1	465.6	528.7	517.8	542.6	9.2
Condo apartment	263.5	292.1	327.0	366.3	363.0	381.7	5.7
Montreal – Composite	**345.6**	**388.9**	**465.7**	**524.0**	**510.0**	**533.3**	**7.2**
Singe-family detached home	384.2	437.7	544.4	617.4	599.3	626.1	8.0
Condo apartment	275.2	307.4	346.7	390.8	387.3	406.3	4.7
Quebec City – Composite	**244.3**	**254.9**	**286.8**	**320.8**	**328.8**	**356.4**	**17.2**
Single-family detached home	266.0	279.5	323.0	368.7	379.9	409.4	16.7
Condo apartment	178.0	182.4	196.6	216.7	225.7	251.1	17.7
Ontario – Composite	**608.9**	**670.4**	**838.3**	**974.6**	**892.1**	**868.6**	**-2.1**
Single-family detached home	656.8	723.2	920.9	1,063.9	974.4	952.9	-2.0
Condo apartment	464.7	501.3	557.0	673.6	630.1	606.8	-4.3
Toronto – Composite	**763.7**	**843.1**	**1,018.6**	**1,205.7**	**1,120.3**	**1,090.8**	**-2.0**
Single-family detached home	906.4	999.2	1,224.4	1,438.4	1,339.8	1,317.7	-1.9
Condo apartment	505.1	548.5	603.9	738.7	696.0	669.7	-3.9
Winnipeg – Composite	**278.8**	**291.6**	**327.6**	**353.4**	**341.0**	**357.3**	**8.9**
Single-family detached home	288.3	302.6	342.6	370.7	358.7	376.9	9.6
Condo apartment	198.2	198.6	209.1	222.1	219.9	224.4	2.6
Saskatchewan – Composite	**275.7**	**285.9**	**309.2**	**323.9**	**323.4**	**339.2**	**6.0**
Single-family detached home	290.2	302.5	328.5	345.0	344.5	361.7	6.3
Condo apartment	180.5	179.8	190.9	200.3	207.4	227.4	8.2
Alberta – Composite	**383.4**	**381.9**	**415.6**	**461.4**	**472.0**	**508.5**	**4.9**
Single-family detached home	428.0	427.5	464.7	520.6	535.9	586.4	7.3
Condo apartment	222.2	214.3	218.9	235.0	260.4	296.6	5.2
Calgary – Composite	**411.5**	**409.3**	**451.4**	**509.4**	**536.5**	**578.9**	**2.5**
Single-family detached home	459.3	458.6	505.0	577.6	615.7	678.4	5.2
Condo apartment	244.6	237.2	247.9	269.6	302.3	342.2	3.6
Edmonton – Composite	**342.9**	**344.0**	**367.3**	**390.5**	**369.1**	**392.2**	**12.5**
Single-family detached home	384.6	386.4	412.6	441.5	419.9	452.1	14.3
Condo apartment	189.4	180.9	179.0	178.2	176.0	192.7	14.3
British Columbia – Composite	**683.6**	**723.6**	**875.0**	**1,020.1**	**967.2**	**970.9**	**-0.1**
Single-family detached home	875.5	942.2	1,182.2	1,388.9	1,308.0	1,325.9	0.0
Condo apartment	493.7	508.8	562.2	649.5	644.7	654.9	-0.4
Vancouver – Composite	**896.4**	**942.5**	**1,082.9**	**1,210.7**	**1,177.6**	**1,191.2**	**0.3**
Single-family detached home	1,439.1	1,529.8	1,792.2	2,008.4	1,943.2	2,011.8	2.2
Condo apartment	604.8	622.3	671.1	749.0	755.1	768.4	-0.8

* Percent change from the same quarter last year, non-seasonally adjusted.
Canadian Real Estate Association and Desjardins Economic Studies