

October 29, 2014

## Affordability declines slightly in Canada but improves in Quebec

### HIGHLIGHTS

- The financial capacity of Canadian households to purchase a property declined slightly in the third quarter of 2014. The average home price increased by 5.3% since last year, or faster than the pace of after-tax income growth. Mortgage rates, which remained stable in Q3, had no impact on the Affordability Index. The Canadian housing market is slightly less affordable, on average, than it has been for the past 25 years.
- In contrast to Canada overall, the average home price stagnated in Quebec. However, household income continued to grow, which had a positive effect on the Desjardins Affordability Index (DAI). Despite the increase in the third quarter of 2014, its level remains near the historical average.
- Affordability improved in three of Quebec's six CMAs: Montreal, Saguenay and Sherbrooke. Given that housing prices did not increase in Montreal and decreased in the two other metropolitan areas, purchasing a home was relatively less expensive in the third quarter. However, the DAI did decline in Ottawa-Gatineau, Trois-Rivières and Quebec CMA as prices grew faster than household income.
- In Ontario, several markets remained affordable in the third quarter. An exception was Toronto, where at \$568,384, the average home price was considerably higher than in the province's other metropolitan areas.
- Vancouver was another very expensive market with an average home price of \$820,753, making it the least affordable in the country, historically speaking.

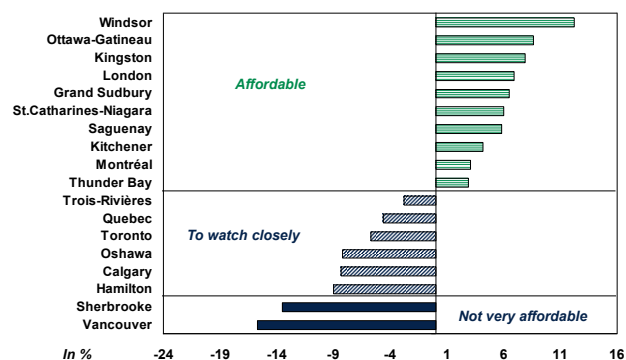
The Desjardins Affordability Index is calculated by determining the ratio between the average household disposable income and the income needed to obtain a mortgage on an average-priced home (qualifying income). Qualifying income is calculated based on the cost of owning a home (mortgage payments, property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

### Desjardins Affordability Index

2014 Q3	Level	Change
CANADA	120.5	↓
QUEBEC	142.6	↑
ONTARIO	117.6	↓
<b>Metropolitan Areas</b>		
Saguenay	209.0	↑
Quebec	159.6	↓
Sherbrooke	142.0	↑
Trois-Rivières	175.0	↓
Montreal	134.0	↑
Ottawa-Gatineau	162.7	↓
Kingston	146.9	↑
Oshawa	124.8	↓
Toronto	106.3	↓
Hamilton	118.1	↓
Kitchener	145.3	↑
Windsor	189.1	↓
London	150.2	↓
St.Catharines-Niagara	142.9	↓
Thunder Bay	179.2	↓
Greater Sudbury	172.3	↑
CALGARY	146.7	↓
VANCOUVER	68.4	↓

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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## Some less affordable markets remain buoyant

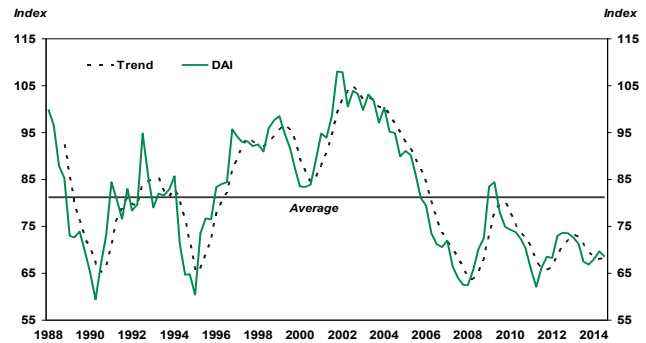
Despite lower affordability in Canada, property sales remain surprisingly strong, particularly in Vancouver, Calgary and Toronto, where sales have climbed 18.0%, 13.7% and 4.7% respectively since the beginning of the year. Persistently low mortgage rates have given these markets a second wind, resulting in sharp price increases. Thanks to the booming economies in these metropolitan areas, their respective housing markets remain surprisingly strong despite being less affordable.

This strength is far from broad based. The pace has slowed in several Quebec and Ontario CMA's since the beginning of the year. For example, sales have dipped slightly in Ottawa, Gatineau and Montreal. The housing cycle is currently in a slowdown phase in Quebec, resulting in stagnating prices and even slight decreases in some cases. The fact that the

Affordability Index is improving does not mean that housing activity will pick up in the coming months. Quebec's weak economic growth and struggling labour market will continue to hold back the housing market.

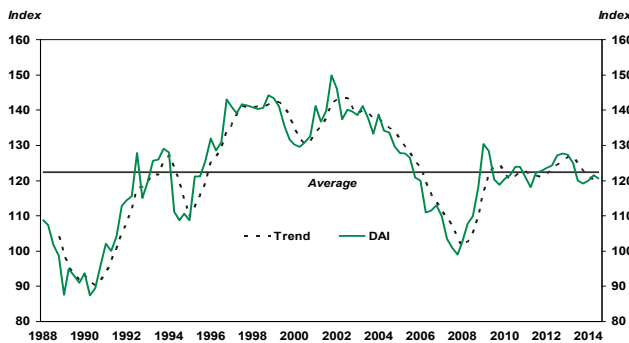
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**Vancouver CMA – Least affordable according to Desjardins Affordability Index**



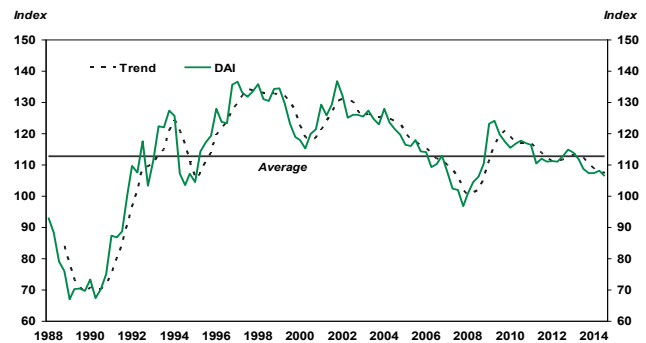
Source: Desjardins, Economic Studies

**Canada – Desjardins Affordability Index slightly below historical average**



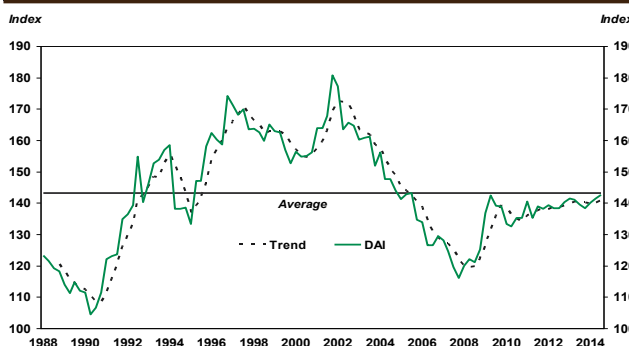
Source: Desjardins, Economic Studies

**Toronto CMA – Desjardins Affordability Index deviates from its historical average**



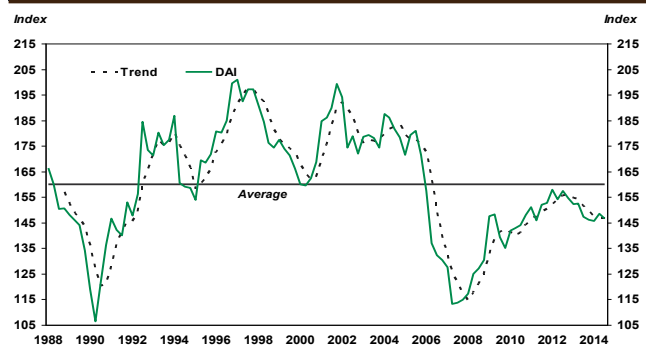
Source: Desjardins, Economic Studies

**Quebec – Desjardins Affordability Index returns to its 25-year average**



Source: Desjardins, Economic Studies

**Calgary CMA – Not very affordable according to Desjardins Affordability Index**



Source: Desjardins, Economic Studies