



## BUYING A HOME: HOW MUCH TIME DOES IT TAKE FOR A YOUNG COUPLE IN QUÉBEC TO SAVE FOR A DOWN PAYMENT?

*How easy is it for a young couple to buy a home in Québec: do they need to save for many years and make significant sacrifices? Are conditions very different from one region to another? Has the situation changed significantly over the past decade or has it remained relatively stable? To answer these questions, we cross-referenced data on the income of young couples with the median price of properties and the savings habits of Quebecers.*

Our analysis is based on a recently published study<sup>1</sup> that estimates the time it takes for millennials to save the down payment required to purchase a property in Canada. Not surprisingly, we learn that Montréal is one of the 10 most affordable cities in Canada. In addition, some Québec cities such as Trois-Rivières, Saguenay and Drummondville are also among the 40 most affordable cities in Canada.

In our analysis, we wanted to rank Québec's census metropolitan areas (CMAs) and census agglomerations in terms of the amount of time that a young couple needs in order to save for a down payment<sup>2</sup>. We have adopted slightly different assumptions from those of the study, particularly with respect to the savings rate (see box below).

We wanted to rank Québec's census metropolitan areas (CMAs) and census agglomerations in terms of the amount of time that a young couple needs in order to save a sufficient down payment to buy a property.

<sup>1</sup> [Millenials Study: Down Payments Delay Homeownership by Up To 35 Years](#), Point2Homes, August 2018.

<sup>2</sup> For the sake of simplification, only the down payment is considered here, but one can expect to have other expenses related to the purchase of a property, including transfer taxes, notary fees, a pre-purchase inspection and the tax on the mortgage loan insurance premium.

## Methodology and hypotheses

To calculate the amount of time needed to save for a down payment, we used the following data and hypotheses:

First, we took the median price (not the average price) of single-family homes from 2000 to 2017 in the different urban centres studied.

Then, we calculated the down payment as being the minimum requirement of 5 per cent<sup>3</sup> of this price, as this is the most common scenario among first-time buyers.

In addition, we used data on the total median income of families that consist of a couple between 25 and 34 years of age<sup>4</sup>. Because this data has not yet been published for 2017, we assumed a median disposable income growth rate of 2.7 per cent in 2017, in line with the Conference Board of Canada's forecast<sup>5</sup>.

Finally, we considered that households save 5.8 per cent of their annual disposable income, since this was the average savings rate in Québec in 2016 and in 2017<sup>6</sup>. However, because we used total income rather than disposable income, we have accounted for the value of this savings in relation to total household income, which corresponds to a savings rate of 3.7 per cent.

Table 1 shows the results for 2017.

**TABLE 1: Rank of Québec regions based on the amount of time that a young couple needs in order to save for a sufficient down payment to buy a property, in 2017**

	Region	Total median income, couple family, 25-34 years	Median price, single-family home	Minimum down payment amount (5% of median price)	Number of years needed (3.7% of income)	Number of months needed (3.7% of income)
1	Montréal CMA	\$78,268	\$310,000	\$15,500	5.4	64.2
2	Province of Québec	\$81,492	\$242,500	\$12,125	4.0	48.3
3	Saint-Hyacinthe agglomeration	\$76,388	\$225,000	\$11,250	4.0	47.8
4	Québec City agglomeration	\$89,462	\$250,000	\$12,500	3.8	45.3
5	Granby agglomeration	\$78,791	\$214,900	\$10,745	3.7	44.2
6	Gatineau CMA	\$89,257	\$242,000	\$12,100	3.7	44.0
7	Sherbrooke CMA	\$76,861	\$206,000	\$10,300	3.6	43.5
8	Joliette agglomeration	\$79,705	\$204,000	\$10,200	3.5	41.5
9	Salaberry-de-Valleyfield agglomeration	\$79,325	\$180,000	\$9,000	3.1	36.8
10	Val-d'Or agglomeration	\$101,519	\$219,500	\$10,975	2.9	35.1
11	Drummondville agglomeration	\$78,278	\$166,500	\$8,325	2.9	34.5
12	Rimouski agglomeration	\$84,306	\$178,750	\$8,938	2.9	34.4
13	Rivière-du-Loup agglomeration	\$84,728	\$175,750	\$8,788	2.8	33.6
14	Rouyn-Noranda agglomeration	\$102,145	\$205,000	\$10,250	2.7	32.5
15	Saguenay CMA	\$86,011	\$172,000	\$8,600	2.7	32.4
16	Trois-Rivières CMA	\$78,925	\$150,000	\$7,500	2.6	30.8
17	Sept-Îles agglomeration	\$100,256	\$190,000	\$9,500	2.6	30.7
18	Victoriaville agglomeration	\$82,612	\$152,500	\$7,625	2.5	29.9
19	Sorel-Tracy agglomeration	\$92,122	\$152,000	\$7,600	2.2	26.8
20	Shawinigan agglomeration	\$76,748	\$120,000	\$6,000	2.1	25.4
21	Dolbeau-Mistassini agglomeration	\$86,607	\$120,750	\$6,038	1.9	22.6
22	Baie-Comeau agglomeration	\$101,005	\$130,500	\$6,525	1.7	21.0
23	Thetford Mines agglomeration	\$79,593	\$100,000	\$5,000	1.7	20.4

Source: Statistics Canada CANSIM and QFREQ by the Centris system

<sup>3</sup> Between 2006 and 2008, it was possible to obtain a mortgage with a 0 per cent down payment. However, we did not take this scenario into account in our comparisons over time.

<sup>4</sup> [Statistics Canada](#). Table 11-10-0012-01: Distribution of total income by census family type and age of older partner, parent or individual.

<sup>5</sup> [Québec International](#) (based on data from the Conference Board of Canada), 2017.

<sup>6</sup> [Databank of Official Statistics on Québec](#). Household account, quarterly data seasonally adjusted at the annual rate.

## In what regions can you quickly save for a down payment?

The agglomerations that generally need the least amount of time to save for a down payment are Thetford Mines, Baie-Comeau, Dolbeau-Mistassini, Shawinigan and Sorel-Tracy. These regions are characterized by salaries that are as high as those in the rest of the province and property prices that are significantly lower than elsewhere. The combination of these two elements makes it possible to afford a down payment with just 21 to 27 months of savings.

In contrast, the agglomerations in which it took the longest amount of time to save for a down payment are those that are most urban. Thus, the Montréal Metropolitan Area tops the list, as it takes 5.4 years of savings to be able to buy a property there. This is because property prices are the highest in the province, while the median income is among the lowest. The Québec City, Gatineau and Sherbrooke CMAs are more affordable, as they require between 3.6 and 3.8 years of savings. However, it's important to note that even though these regions are at the top of our ranking, when we compare their results with the rest of Canada, we quickly see that the situation in Québec is actually much more advantageous than that found in most of the country.

In fact, if we use the data exactly as it was presented in the study<sup>7</sup>, it takes three times longer to save for a down payment in Toronto than it does in Montréal, and almost 13 times longer in Vancouver than in Montréal. However, it should be noted that in Toronto, where the average property price is between \$500,000 and \$999,999, the minimum down payment corresponds to 5 per cent of the first \$500,000 of the purchase price, plus 10 per cent of the remaining purchase price that exceeds the first \$500,000. In addition, the minimum down payment in Vancouver is 20 per cent, as the average property price is over \$1 million. We therefore find that the Montréal market remains very affordable compared to other major Canadian cities.

## An upward trend, but still measured

Table 2 shows the variation, between 2000 and 2017, in the time needed to save the minimum down payment in the province's CMAs. For the province of Québec, it took 4.0 years to save for a down payment to buy a single-family home in 2017, while in 2000, it took only 2.6 years. This data indicates that, proportionally, median income increased less rapidly than the median price of single-family homes in the province, resulting in a 54 per cent increase in the time needed to save for a down payment.

The Montréal (86 per cent), Gatineau (70 per cent) and Québec City (67 per cent) CMAs registered the largest increase in the time needed to save for a down payment between the years 2000 and 2017. At the other extreme, the Saguenay (28 per cent) and Trois-Rivières (20 per cent) CMAs came last in this ranking, in both 2000 and in 2017, as they registered a relatively limited change in the number of years needed to save the amount that is equivalent to a down payment. This is due to the fact that the increase in the median price of properties is comparable to the increase in salaries.

The agglomerations that generally need the least amount of time to save for a down payment are Thetford Mines, Baie-Comeau, Dolbeau-Mistassini, Shawinigan and Sorel-Tracy.

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<sup>7</sup> Point2Homes, *ibid.*

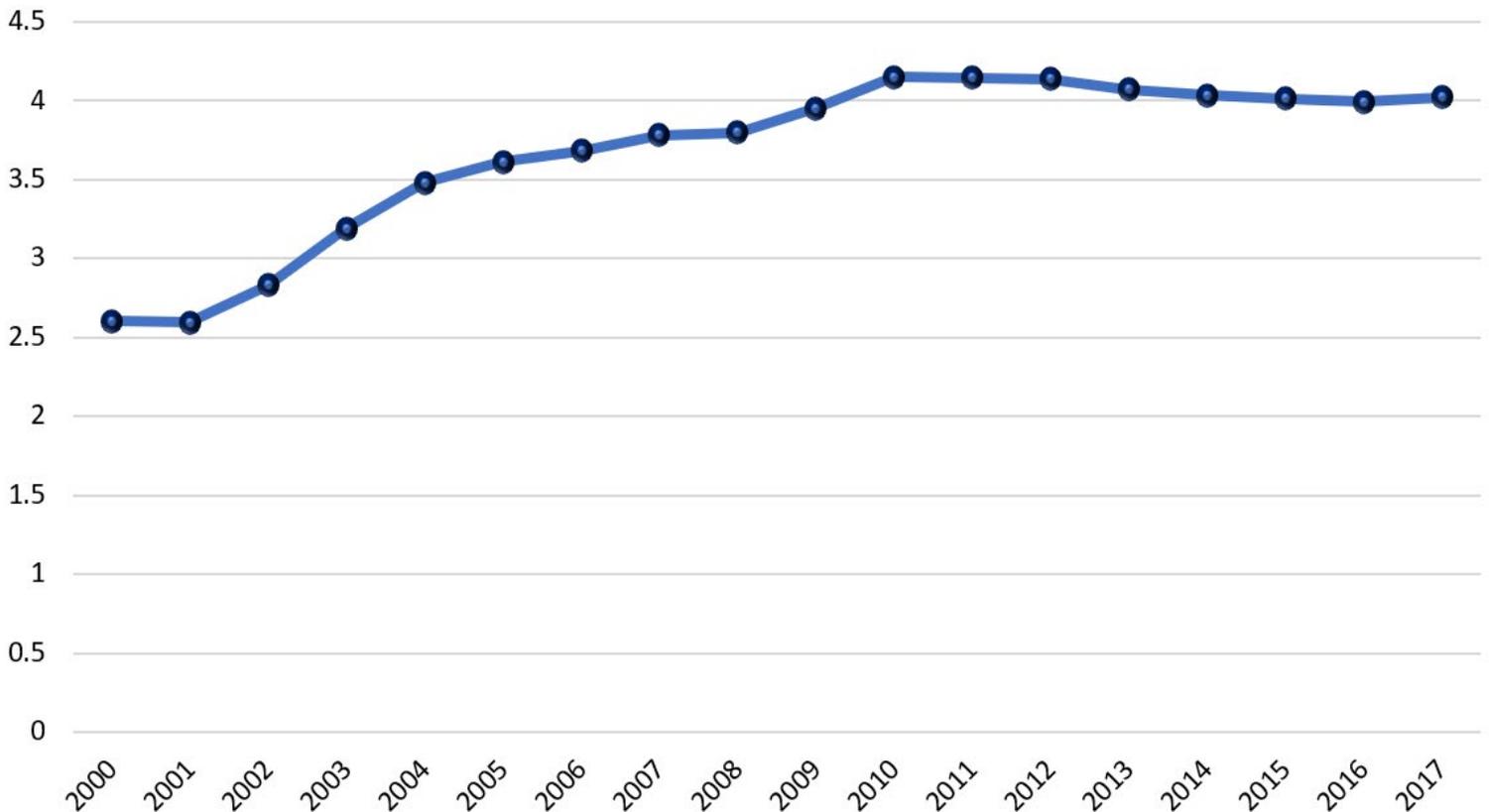
**TABLE 2: Change in the amount of time needed to save the minimum down payment in the province's CMAs, between 2000 and 2017**

Rank	Region	Number of years needed (3.7% of income)		Change in the number of years needed
		2000	2017	2000-2017
1	Montréal CMA	2.9	5.4	86%
2	Gatineau CMA	2.2	3.7	70%
3	Québec City CMA	2.3	3.8	67%
4	Sherbrooke CMA	2.3	3.6	56%
5	Province of Québec	2.6	4.0	54%
6	Saguenay CMA	2.1	2.7	28%
7	Trois-Rivières CMA	2.1	2.6	20%

Source: Statistics Canada CANSIM and QFREB by the Centris system

The following graph shows the increasing amount of time needed to save the equivalent of the minimum down payment since 2000. This increase is the result of a widening gap between property prices and the incomes of young families in the province.

**Graph: Change in the number of years need to save the minimum down payment to buy a single-family home in Québec**



Source: Statistics Canada CANSIM and QFREB by the Centris system

In addition, between 2008 and 2017<sup>8</sup>, the majority of agglomerations also show an increase in the number of years needed to save the equivalent of the minimum down payment. This suggests that the acceleration in property price increases in relation to that of median income is a fairly generalized trend across Québec.

### Finally, everything is relative

Beyond the trend in the increasing time needed to save for a down payment for the purchase of a property in Québec, it is important to put these results into perspective with the rest of Canada.

Despite an increase that is equivalent to approximately 1.5 years in the savings period needed to buy a home in Québec, the situation is still quite affordable compared to the situation elsewhere in Canada. We conclude that Quebecers are privileged to benefit from a market where it takes only two to six years to save for a down payment.

However, young Québec couples still need to save longer and longer to accumulate a down payment, which goes against the goal of improving access to homeownership. Let's not forget that Quebecers have always lagged behind the rest of Canada in terms of its [homeownership rate](#).

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<sup>8</sup> Data is not available for some agglomerations between 2000 and 2007.