



THE VACATION PROPERTY SEGMENT CONTINUED TO GROW IN 2016

Introduction

According to the QFREB, 3,435 vacation properties were sold in 2016 in the rural areas of the Capitale-Nationale, Estrie, Lanaudière, Laurentides, Montérégie and Outaouais administrative regions. Similarly to 2015, last year was prolific for this market segment, as sales rose by 11 per cent in 2016. By property category, 3,024 single-family vacation properties were sold, an increase of 13 per cent. However, sales of condominium vacation properties experienced a more difficult year with 411 units being sold, a 3 per cent drop compared to 2015.

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In comparison, properties located in the same geographic areas but that do not meet the criteria of a vacation property, referred to in this document as “conventional” properties, experienced a more modest sales growth of 9 per cent, compared to 2015.

Definition of a vacation property

The QFREB defines a vacation property as a single-family property or condominium that can be lived in year-round and located outside of large urban centres. Its characteristics include being located close to nature, ski hills, a lake, a mountain, a golf course, etc. Properties that are only occupied seasonally are excluded. Our definition of a vacation property does not distinguish between properties that are occupied as a primary or a secondary residence.

Laurentides, undisputed leader of vacation properties

In 2016, the Laurentides once again dominated this market segment with the largest number of vacation properties sold (1,299). However, the Capitale-Nationale region was the best-performing region in 2016, with sales of vacation properties up by 25 per cent. The Lanaudière region also did well with a jump of 18 per cent.

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Geographic Areas	Total		Single-Family		Condominium	
	Number of Sales	Variation	Number of Sales	Variation	Number of Sales	Variation
Capitale-Nationale	241	25%	220	31%	21	**
Estrie	433	9%	385	12%	48	-8%
Lanaudière	597	18%	592	18%	5	**
Laurentides	1,299	6%	1,044	8%	255	-3%
Montérégie	463	13%	386	16%	77	1%
Outaouais	402	13%	397	12%	5	**
All 6 regions	3,435	11%	3,024	13%	411	-3%

Source: QFREB by the Centris® system

All indicators point in the right direction

In 2016, residential sales across the province increased by 5 per cent, in contrast to 11 per cent for vacation properties. What explains the strength of this market segment?

First, several macroeconomic indicators may provide possible explanations. 2016 was an excellent year for job creation: 36,200 jobs were created across the province. Of this total, 28,000 were created in Montréal, which is central to many areas recognized for their vacation attractions (Montérégie, Laurentides and Lanaudière). In addition, consumer confidence remained strong last year. While, on average, only 27 per cent of Quebecers felt that the time was right for a major purchase in 2014, consumer confidence rebounded to 36 per cent in 2015 and increased slightly to 37 per cent in 2016.

It must also be understood that vacation property buyers are not typical buyers. In fact, a vacation property is most likely not their first house. Experienced buyers are recognized as purchasing more expensive properties than first-time buyers. The high-end market had an outstanding year in 2016. The number of sales of properties over \$500,000 increased by 19 per cent across the province. For many homeowners who have accumulated significant net worth, buying a second home in a vacation area is a popular choice.

Another element that can partially explain the strong growth in the 2016 vacation property market is that the Canadian dollar remained weak throughout the year. In January, the loonie reached its lowest level in the last five years relative to the U.S. dollar, the euro and the Chinese yuan. The weaker Canadian dollar could have encouraged more foreign buyers, usually Americans and Europeans, to invest here.

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Contrasting evolution of prices between sectors

The region that recorded the highest price growth in 2016 was Montérégie, with the average price for a single-family vacation property increasing by 17 per cent compared to the previous year. The Capitale-Nationale and Lanaudière regions also experienced significant price increases. While the average price of single-family vacation properties remained unchanged in the Outaouais region, it declined moderately in the Laurentides and more strongly in Estrie.

As for condominiums, the three regions that were analyzed all experienced price increases. In the Laurentides, in contrast to single-family vacation properties, condominiums experienced a strong price increase in 2016.

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Caution: It is important to interpret these price statistics with a certain amount of caution, as the samples that make up vacation property sales are often very heterogeneous, meaning they are composed of properties that have very different characteristics.

Geographic Areas	Single-Family		Condominium	
	Average Price	Variation	Average Price	Variation
Capitale-Nationale	\$287,520	6%	\$144,610	**
Estrie	\$301,763	-14%*	\$183,941	1%
Lanaudière	\$200,353	9%	\$222,000	**
Laurentides	\$276,118	-1%	\$265,761	19%
Montérégie	\$363,290	17%	\$226,085	9%
Outaouais	\$223,540	0%	\$176,000	**

Source: QFREB by the Centris® system

**Note that the average price for 2015 was inflated by a transaction of \$13.25 million in the Magog area. If we exclude this transaction, the average price of vacation properties in Estrie decreased by 3 per cent in 2016 as compared to 2015.*

The luxury vacation property market has been the engine of growth in most of the regions studied. In fact, sales of single-family vacation properties over \$500,000 increased by 28 per cent compared to 12 per cent for those under \$500,000¹. Only the Capitale-Nationale and Outaouais regions saw the number of single-family sales over \$500,000 decrease in 2016 compared to the previous year. However, 2016 was not as good as 2015 with respect to properties of very high value. In 2015, two vacation properties were ranked among the five most expensive properties sold during the year, while only one property was included in [2016's "Top 10"](#).

Sales of single-family vacation properties over \$500,000 increased by 28 per cent.

¹ See Annex 1 for the breakdown of sales by price range.

Most of the province's high-end condominium vacation properties sold in 2016 were in the Laurentides region with 25 of the 26 condominiums selling for over \$500,000. This partly explains the sharp rise in the average price for this property category in the Laurentides. In addition, sales of condominiums under \$200,000 decreased by 12 per cent for all regions, which also contributed to the increase in average price.

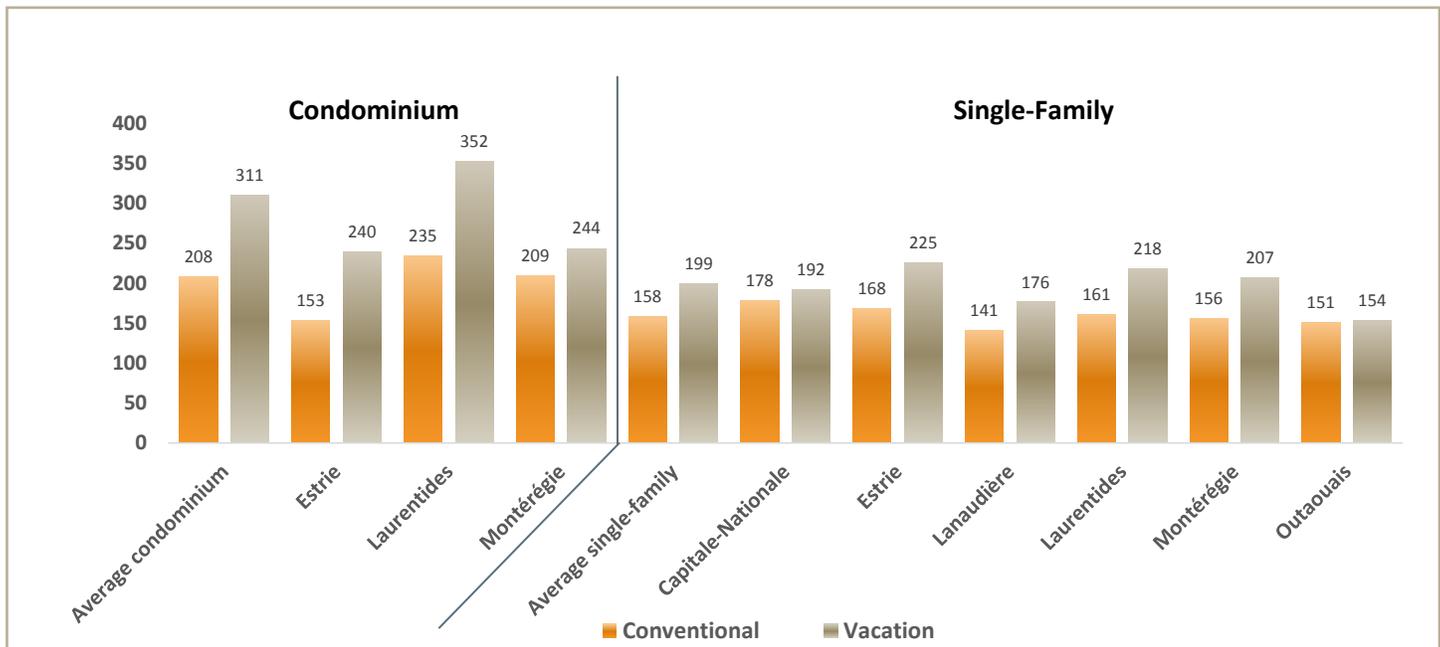
Sellers, be patient

Despite an excellent year in terms of sales, selling times for vacation properties remained longer than that of "conventional" properties for each of the administrative regions studied. Single-family vacation properties had to wait 199 days on average before finding a buyer, compared to 158 days for conventional properties. The same effect was also felt for condominium vacation properties: it took 311 days on average to sell a property versus 208 days for a conventional condominium in the same regions. However, when compared to 2015, single-family vacation properties sold slightly more quickly in 2016, 4 days less on average. The average selling time for condominium vacation properties remained about the same, rising by 1 day in 2016.

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AVERAGE SELLING TIME (DAYS) FOR PROPERTIES SOLD IN 2016



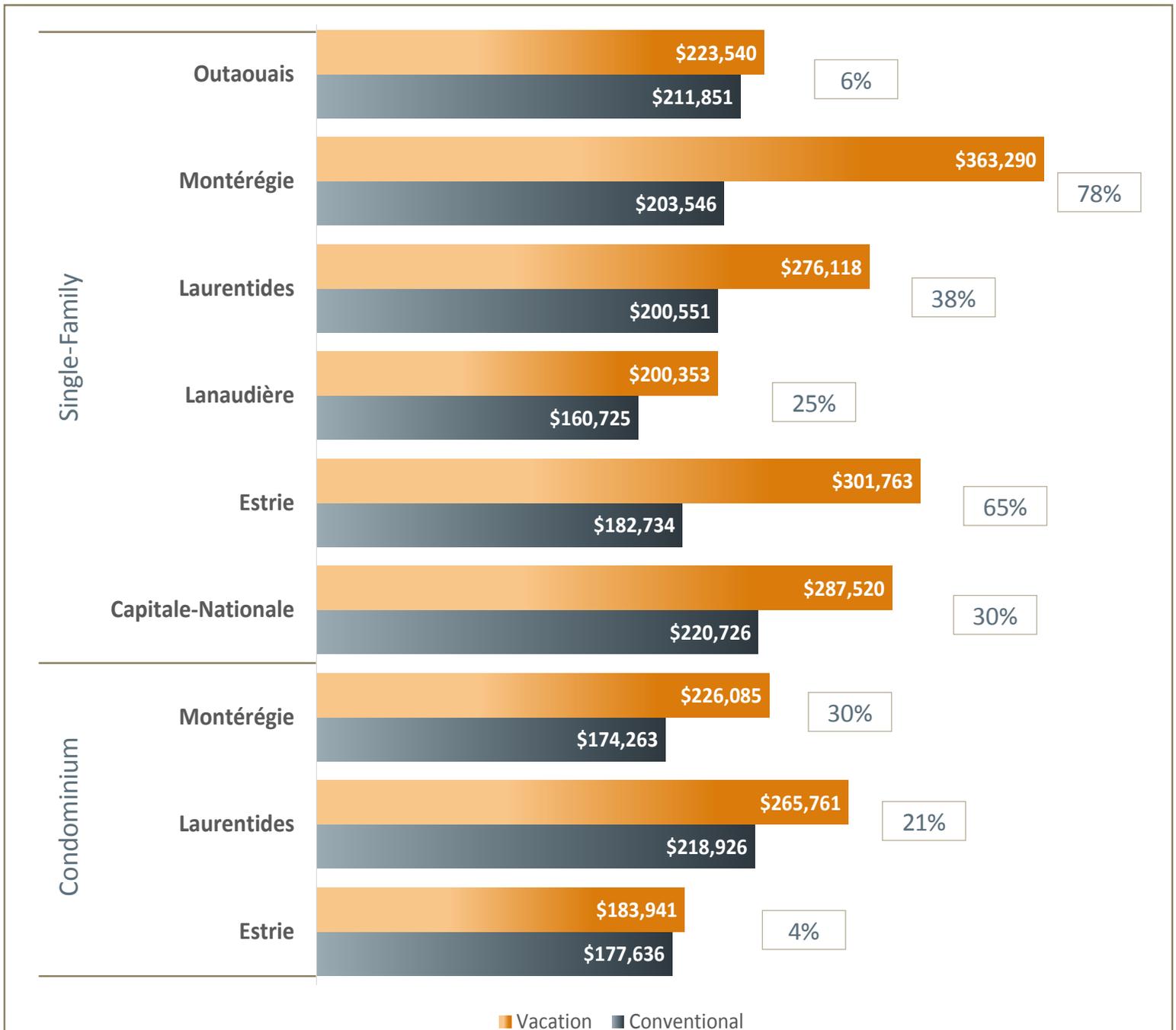
Source: QFREB by the Centris® system

Vacation properties come at a price

Vacation properties, whether single-family or condominiums, sold, on average, for more than conventional properties in each of the administrative regions studied. The biggest price difference in single-family properties was observed in Montérégie, where the average selling price of a vacation home was 78 per cent higher than a conventional home in 2016.

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AVERAGE SELLING PRICE OF VACATION AND CONVENTIONAL PROPERTIES SOLD IN 2016



The price differences observed between the two property types seem to be explained by nearby attractions, such as proximity to a lake or ski resort.

The number of bedrooms and bathrooms were similar between single-family vacation and conventional homes in the regions we examined. The only notable difference was: the average lot size of a vacation home was 155,467 square feet, while only 64,412 square feet for a conventional home²³.

For condominiums, there was no significant difference in the living area or the number of bedrooms and bathrooms, which suggests that the premium charged for these units is primarily due to the nearby vacation attractions.

Another good year in perspective

The vacation property market should continue to grow in 2017, but at a slower pace than the previous two years. We are forecasting a growth in sales for this type of residence of around 5 per cent. According to data for the first months of the year, the high-end market continues to perform better than the provincial average in terms of sales. This is a good indicator of the expected strength of the vacation property market.

While the Québec residential market as a whole could be hurt during the year by the recent mortgage-tightening measures, the vacation property market is less likely to be affected. In fact, buyers who want to acquire a vacation property as a secondary residence will not be directly affected by the new measures, since the CMHC stopped providing mortgage loan insurance for the purchase of a secondary residence in May 2014.

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² See Annex 2 for lot sizes by administrative region.

³ Single-family properties sold in 2016, all six administrative regions combined, selected cities only.

ANNEX 1

SALES OF VACATION PROPERTIES IN 2016 BY PRICE RANGE

	Capitale-Nationale	Estrie	Lanaudière	Laurentides	Montréal	Outaouais	All 6 regions
Single-Family							
Less than \$200,000	83	176	384	471	104	200	1,418
\$200,000 to \$300,000	64	90	120	284	118	107	783
\$300,000 to \$400,000	39	52	48	125	64	58	386
\$400,000 to \$500,000	18	19	8	51	42	17	155
\$500,000 to \$1,000,000	12	35	31	94	43	15	230
\$1,000,000 and over	4	13	1	19	15		52
Condominiums							
Less than \$200,000	15	38	4	125	32	3	217
\$200,000 to \$300,000	5	4		67	31	2	109
\$300,000 to \$400,000	1	2		26	10		39
\$400,000 to \$500,000		3	1	12	4		20
\$500,000 to \$1,000,000		1		15			16
\$1,000,000 and over				10			10

Source: QFREB by the Centris® system

ANNEX 2

AVERAGE LOT SIZE (SQUARE FEET) OF SINGLE-FAMILY PROPERTIES SOLD IN 2016

