



## A GROWING NUMBER OF PROPERTIES ARE SELLING ABOVE THE ASKING PRICE

The number of properties that are being sold above the asking price has been increasing in all of the province's metropolitan areas over the past year. Not surprisingly, the areas with the lowest number of months of inventory are those in which this phenomenon is most prevalent.

Québec's residential real estate market has had a good start to the year. In the last twelve months (from May 2017 to April 2018), the number of resale transactions increased by 7 per cent, while the supply of properties for sale (active listings) fell by 9 per cent.

The number of months of inventory<sup>1</sup> decreased in all of the province's census metropolitan areas (CMAs) without exception, reflecting market conditions that have become tighter over the past year<sup>2</sup> (see Table 1).

In this context, there is normally increased (upward) pressure on selling prices, especially when sellers have the upper hand in negotiations. This is often accompanied by more frequent situations of bidding wars. However, multiple offers on the same property are not registered in our database. But we can easily identify transactions that were concluded at a higher price than the asking price.

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<sup>1</sup> The number of months of inventory is the number of months needed to sell the entire inventory of properties for sale, based on the pace of sales for the past 12 months. It is obtained by dividing the inventory by the average number of sales over the past 12 months. When the number of months of inventory is between 8 and 10, the market is balanced, meaning it does not favour sellers or buyers. When the number of months of inventory is less than 8, market conditions favour sellers, and when it is greater than 10, buyers are the ones who have the upper hand.

<sup>2</sup> For example, it is clearly a seller's market in the Montréal area, while the Gatineau and Trois-Rivières markets are balanced meaning that neither buyers nor sellers have an advantage in negotiations.

**Table 1: Residential statistics by census metropolitan area**

**May 2017 to April 2018**

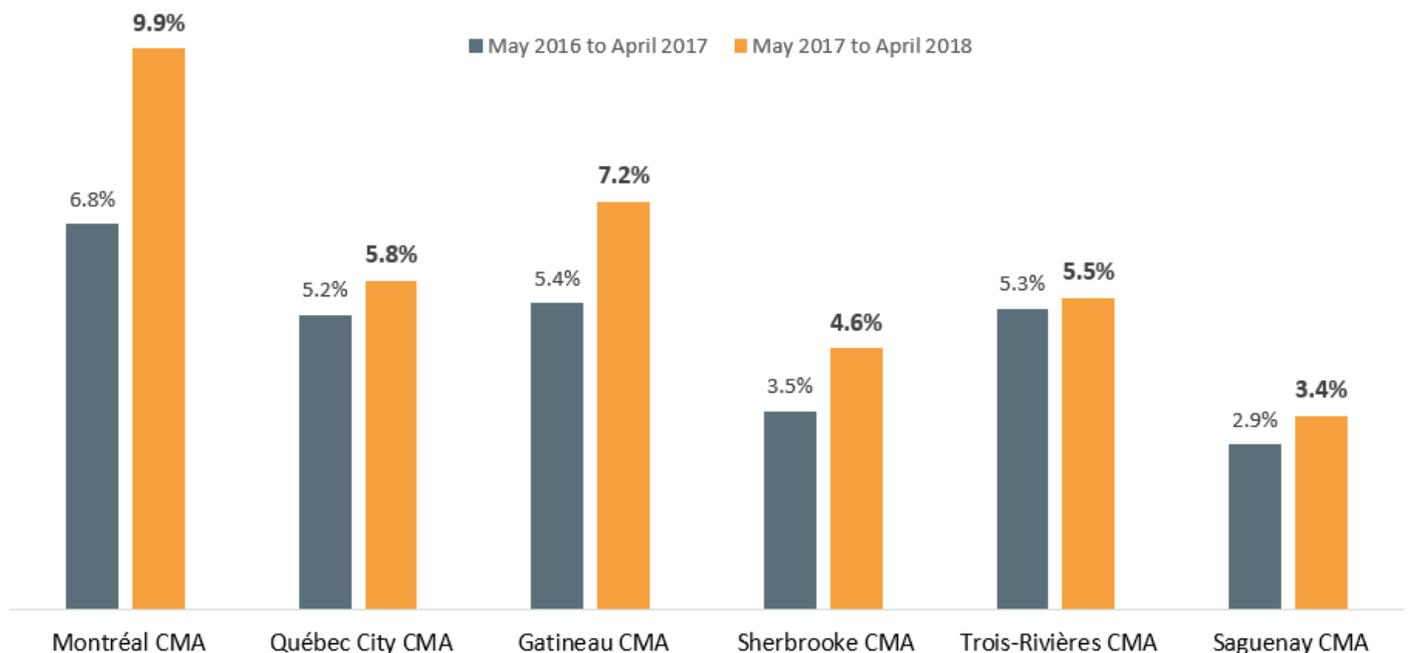
	Sales		Active listings		Number of months of inventory		Market conditions
		Variation*		Variation*		Variation*	
<b>Province of Québec</b>	<b>84,317</b>	<b>7%</b>	<b>68,502</b>	<b>-9%</b>	<b>9.7</b>	<b>-1.7</b>	<b>Balanced</b>
Montréal CMA	45,677	9%	25,853	-15%	6.8	-1.9	Seller's
Québec City CMA	7,045	5%	7,625	-1%	13.0	-0.8	Buyer's
Gatineau CMA	4,196	2%	2,960	-12%	8.5	-1.3	Balanced
Sherbrooke CMA	1,758	-2%	1,673	-12%	11.4	-1.4	Buyer's
Trois-Rivières CMA	1,125	4%	825	-7%	8.8	-1.0	Balanced
Saguenay CMA	1,111	4%	1,519	2%	16.4	-0.4	Buyer's

\* Variations are calculated in relation to the period of May 2016 to April 2017.

Source: QFREB by the Centris® system

Graph 1 shows the proportion of sales that were concluded above the asking price (all property categories combined), by metropolitan area.

**Graph 1: Proportion of sales concluded above the asking price, by census metropolitan area**



Source: QFREB by the Centris® system

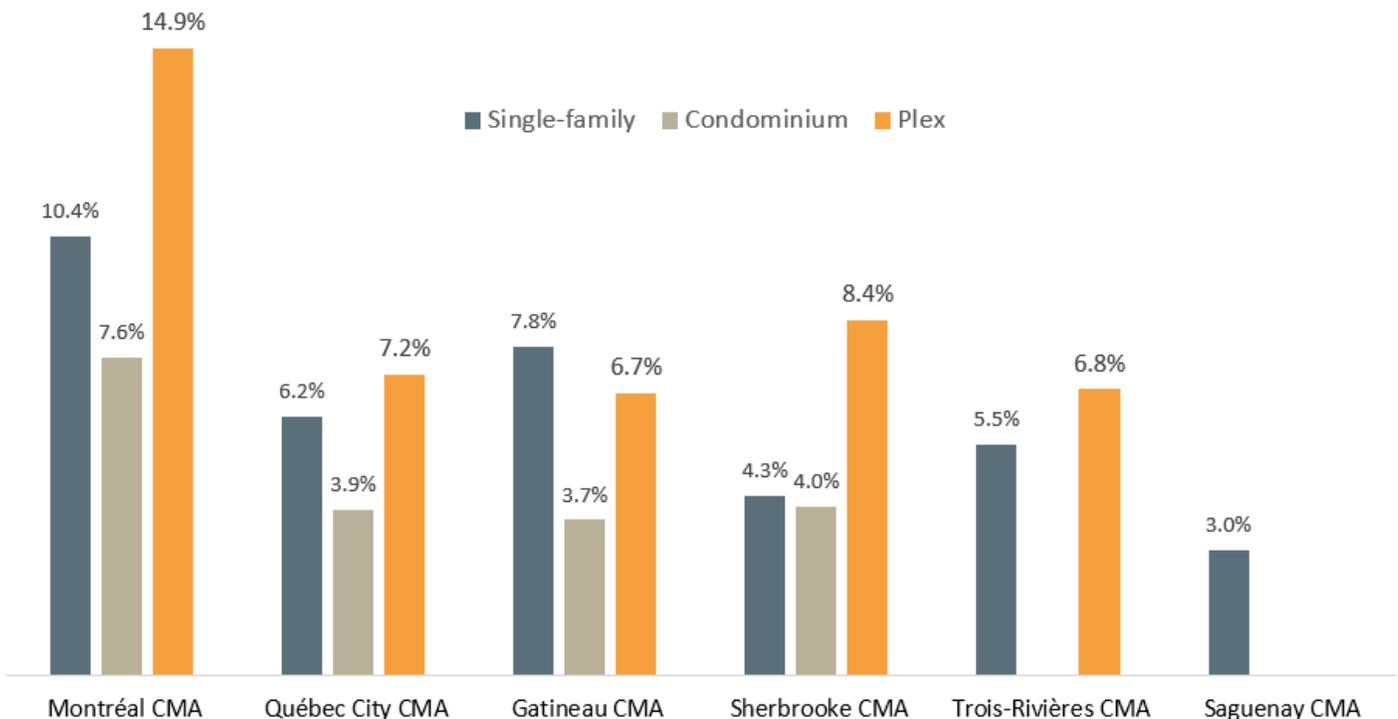
We can immediately see that sales concluded above the asking price have increased in all of the province's CMAs over the past year. Not surprisingly, the areas with the lowest number of months of inventory are those in which this phenomenon was most widespread, namely in Montréal and Gatineau. In the Montréal CMA, which is currently in a seller's market, one in ten properties sold for more than the asking price. In the Gatineau area, this proportion was 7.2 per cent, which corresponds to about one in 14 sales.

By property category (see Graph 2), sales above the asking price were generally most prevalent among plexes (small rental buildings with two to five dwellings). This was the case in the Montréal, Québec City, Sherbrooke and Trois-Rivières CMAs. For single-family homes, sales above the asking price were most prevalent in the Gatineau CMA. As for condominiums, fewer sales were concluded above the asking price as market conditions are generally more relaxed.

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**Graph 2: Proportion of sales concluded above the asking price, by property category and census metropolitan area from May 2017 to April 2018**



Source: QFREB by the Centris® system

## A Spotlight on Montréal

The situation in Montréal deserves our attention. Montréal is the only CMA in the province that is firmly in a seller's market (as we saw in Table 1). As a result, sales above the asking price were most prevalent in this CMA. It was also the CMA where sales above the asking price increased the most over the past year.

Table 2 shows the number of months of inventory by property category and geographic area within the CMA. Remember that the lower the number of months of inventory, the more power sellers have during negotiations. The Island of Montréal has the tightest market conditions, followed by the South Shore.

**Table 2: Number of months of inventory by property category and geographic area, April 2018**

	Single-family	Condominium	Plex
Island of Montréal	4.5	7.3	5.5
Laval	5.8	11.0	9.0
North Shore	7.1	12.3	9.1
South Shore	5.1	9.3	8.5
Vaudreuil-Soulanges	6.6	8.4	9.4
Saint-Jean-sur-Richelieu	6.0	9.6	9.3

Source: QFREB by the Centris® system

Table 3 shows the proportion of sales concluded above the asking price, by property category and geographic area, municipality or borough of the CMA.

For single-family homes, several municipalities in the West Island stood out, such as Pointe-Claire (31 per cent), Kirkland (26 per cent), Beaconsfield (25 per cent), Dollard-des-Ormeaux (21 per cent) and Dorval (20 per cent), which registered the highest proportions of sales above the asking price. However, first prize goes to the area of Rosemont/La Petite-Patrie, where nearly one in three single-family homes sold above the asking price in the past 12 months.

As for condominiums, the proportion of properties that sold above the asking price was lower, because scarcity is lower on the condominium market as compared to single-family homes. But despite this, areas such as Le Plateau-Mont-Royal, Rosemont/La Petite-Patrie, Villeray/Saint-Michel/Parc Extension, Outremont and South West are worth pointing out, with proportions ranging from 12 to 16 per cent.

Finally, in some central neighbourhoods, plexes are so popular that the selling price of more than one quarter of transactions exceeds the asking price. This was particularly the case in Verdun/Île-des-Sœurs, Rosemont/La Petite-Patrie, South West and Le Plateau-Mont-Royal.

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**Table 3: Proportion of sales concluded above the asking price, by property category and geographic area**

	May 2017 to April 2018		
	Single-family	Condominium	Plex
<b>Island of Montréal</b>	<b>16%</b>	<b>10%</b>	<b>18%</b>
Ahuntsic-Cartierville	14%	--	17%
Beaconsfield	25%	--	--
Côte-des-Neiges/Notre-Dame-de-Grâce	21%	8%	16%
Dollard-Des Ormeaux	21%	--	--
Dorval	20%	--	--
Kirkland	26%	--	--
Lachine	16%	--	--
LaSalle	--	--	11%
Le Plateau-Mont-Royal	--	16%	26%
Le Sud-Ouest	21%	12%	27%
Mercier/Hochelaga-Maisonneuve	13%	10%	18%
Mont-Royal	24%	--	--
Outremont	--	14%	--
Pierrefonds-Roxboro	16%	--	--
Pointe-Claire	31%	--	--
Rivière-des-Prairies/Pointe-aux-Trembles	6%	--	--
Rosemont/La Petite-Patrie	32%	16%	28%
Saint-Laurent	11%	5%	--
Verdun/Île-des-Sœurs	27%	8%	28%
Ville-Marie	--	10%	--
Villeray/Saint-Michel/Parc-Extension	26%	14%	22%
<b>Laval</b>	<b>9%</b>	<b>3%</b>	<b>--</b>
<b>Noth Shore of Montréal</b>	<b>7%</b>	<b>5%</b>	<b>8%</b>
<b>South Shore of Montréal</b>	<b>11%</b>	<b>5%</b>	<b>7%</b>
<b>Saint-Jean-sur-Richelieu</b>	<b>7%</b>	<b>--</b>	<b>--</b>
<b>Vaudreuil-Soulanges</b>	<b>11%</b>	<b>5%</b>	

## How much above the asking price did people pay?

It is interesting to get an idea of prices paid compared to asking prices. We calculated this amount in dollars and as a percentage of the asking price for each CMA (see Table 4). As we can see, the percentage differences do not seem particularly significant from one region to another: they vary from 2.5 per cent in Gatineau to 3.7 per cent in Québec City. But of course, when measured in dollars, the Montréal CMA registered the largest difference, as buyers who were engaged in bidding wars paid an average of \$15,072 more than the asking price. This was followed by the Québec City and Sherbrooke CMAs, where buyers paid an average of \$10,030 and \$7,958, respectively, above the asking price.

**Table 4: Average difference between the sold price and asking price for properties that sold above the asking price**

	May 2017 to April 2018	
	In percentage	In dollars
Montréal CMA	3.5%	\$15,072
Québec City CMA	3.7%	\$10,030
Gatineau CMA	2.5%	\$6,466
Sherbrooke CMA	3.3%	\$7,958
Trois-Rivières CMA	3.0%	\$5,398
Saguenay CMA	2.7%	\$5,379

Source: QFREB by the Centris® system

## Will this situation continue?

We will be closely monitoring the situation of sales above the asking price in Québec over the next few months. Despite an excellent start to the year and optimistic [forecasts](#) for 2018, it is unlikely in our view that this phenomenon will increase significantly in the short term. In terms of demand, the rise in interest rates will gradually cool buyers' enthusiasm, albeit only slightly. As for supply, new sellers in hot neighbourhoods may adapt to this reality by asking for higher prices. Also, in the medium and long term, the supply of new properties may adjust with an increase in housing starts. Nevertheless, in the central neighbourhoods, it is mostly condominium projects that will see the light of day. New single-family homes and plexes will remain a rare commodity, which will maintain a certain upward pressure on prices.