

2011 Real Estate Market Outlook: Slight Moderation Ahead

The number of MLS® sales in Québec is expected to decrease slightly in 2011, due primarily to a gradual increase in mortgage rates and a reduction in the maximum amortization period for mortgages from 35 to 30 years¹. In addition, price increases are expected to be more modest in 2011 and the market will continue to favour sellers.

After Canada enjoyed a strong rebound in economic activity in early 2010, recovery subsequently sputtered, due in part to a decrease in exports and in investments. This instability regarding the strength of economic recovery, coupled with uncertainty on international financial markets, has delayed the increase in long-term interest rates, which were expected to rise last year. In fact, five-year mortgage rates at the end of 2010 were at a low that had not been seen in more than 50 years. But this is only a postponement. As the global economic recovery solidifies and investors slowly resume their taste for riskier financial assets, bond rates should increase resulting in a gradual rise in five-year mortgage rates. Five-year mortgage rates may be 0.75 to 1 percentage point higher² at the end of 2011, depending on the strength of economic recovery.

Economic recovery in Québec, like in Canada, was less vigorous than expected in 2010. However, thanks to the creation of 101,800 jobs³ last year and an improvement in net migration, the province was able to maintain its demand for homes.

The residential real estate market in Québec started the year 2010 off strong with an unparalleled number of sales transactions from January to April. Then the market began to slow down in the following months and posted eight consecutive monthly sales decreases.

In addition, the trend that was set in terms of active listings was reversed in the fall. After many months of uninterrupted decreases, the inventory of properties for sale in the MLS® system began to increase. This trend should continue in 2011 as the number of active listings is expected to grow gently throughout the year. The increase in active listings coupled with a slight slowdown in sales should lead to a gradual easing of market conditions in 2011 which, in turn, should result in more moderate price increases. However, the market will continue to favour sellers for most property categories, in most of the province's urban centres.

Conditions affecting the demand for properties will remain favourable in 2011. Despite an expected increase in mortgage rates, they will continue to remain at historically low levels. Furthermore, consumer confidence among Québécois should remain stable or even increase and, finally, the low proportion of mortgages in arrears will in no way threaten to unbalance the real estate market in the coming months.

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¹ This measure will come into effect on March 18, 2011.

² Compared to the rate of 5.19% at the end of 2010 (rates administered by Canada's chartered banks).

³ Variation between December 2009 and December 2010. Source: Statistics Canada.

However, according to the new rules governing mortgage loan insurance that will come into effect on March 18, the maximum amortization period for new mortgages that have a loan-to-value ratio above 80 per cent will be reduced from 35 to 30 years. This measure is likely to result in a slight decrease in the number of transactions and a slowdown in price increases in 2011.

In conclusion, the QFREB predicts a 4 per cent decrease in residential MLS® sales in Québec in 2011. In terms of property prices, we anticipate a 4 per cent increase in the median price of single-family homes in Québec in 2011. Both of these figures (sales and median price) represent a decrease compared to 2010 results (+ 1 per cent for sales and + 7 per cent for prices). Condominiums will continue to be the best performing property category due to the demographic trends that favour condominium sales⁴.

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MLS® Residential Projections for 2011

Province of Québec

	Total Residential Sales		Median Price for Single-Family Homes	
		Change		Change
2006	71,619	2%	\$166,000	6%
2007	80,647	13%	\$178,500	8%
2008	76,754	-5%	\$186,500	4%
2009	79,111	3%	\$195,000	5%
2010	80,126	1%	\$209,500	7%
2011p	77,000	-4%	\$217,000	4%

Source: QFREB by Centris®

⁴ See "[Resale Housing Market and Population Trends in Québec](#)", QFREB, February 2010.