

## 2012 Outlook for the Residential Real Estate Market in Québec: Momentum Will Continue

*Despite a mixed economic outlook, the residential real estate market should experience another good year in 2012. This is due primarily to mortgage rates that will remain near their current level, which is their lowest level in 60 years. The number of MLS® sales will increase slightly compared to 2011 and price growth, although slowing, will be slightly above inflation.*

### Interest Rates at a 60-Year Low

As for the world's economy, 2011 was marked by the sovereign debt crisis in several countries in the euro zone and by concerns with the strength of the United States' economic recovery. Uncertainty on global financial markets led to an influx of international capital in Canada, a country that is considered well-positioned on several fronts, particularly that of public finances. The purchase of Canadian government bonds, deemed less risky by investors, resulted in a reduction in bond yields. Because mortgage rates primarily follow bond yields<sup>1</sup>, rather than increasing – as most observers had expected – five-year mortgage rates in Canada finished 2011 at virtually the same level as they started. The year 2012 will begin in the same manner, which should translate into very low mortgage rates. According to many experts, very modest rate increases (0.4 percentage points) may take place in the second half of the year if global economic growth solidifies. Home buyers will therefore continue to benefit from exceptionally low borrowing costs, which will help to stimulate the number of transactions. However, employment growth in Québec will remain modest this year and consumer confidence will continue to be tinged by the mixed outlook regarding the global economic recovery.

### Small Increase in Number of Sales

We anticipate a slight increase in the number of sales on the provincial MLS® system this year. Some 79,000 sales are expected to take place in 2012, a 2 per cent increase compared to 2011 and only a 2 per cent decrease compared to the record-setting 80,657 sales in 2007.

In addition to very low mortgage rates, the province's improved demographic situation in recent years will help stimulate the real estate market. According to data from the *Institut de la statistique du Québec*, in 2009 the province posted its largest increase in population since 1988 (79,779), and in 2010 it registered its best year for net migration in forty years, with close to 43,000 newcomers<sup>2</sup>.

### Increase in Number of Properties for Sale

The number of properties available for resale will increase in 2012, as it has for the past several years<sup>3</sup>. Note that at the end of 2011, the supply of new properties was also up, both for new dwellings that were completed and unoccupied, as well as for dwellings under construction<sup>4</sup>.

Home buyers will continue to benefit from exceptionally low borrowing costs, which will help to stimulate the number of transactions.

In addition to very low mortgage rates, the province's improved demographic situation in recent years will help stimulate the real estate market.

<sup>1</sup> See: [Factors That Determine Mortgage Rates in Canada](#), QFREB, February 2011.

<sup>2</sup> Source: ISQ ([http://www.stat.gouv.qc.ca/donstat/societe/demographie/migrat\\_popl\\_t\\_imigr/601.htm](http://www.stat.gouv.qc.ca/donstat/societe/demographie/migrat_popl_t_imigr/601.htm))

<sup>3</sup> The number of active listings on the MLS® system increased every year since 2003, with the exception of 2010 (-3%).

<sup>4</sup> For condominiums, according to CMHC data, there were 2,416 unoccupied dwellings and 14,467 dwellings under construction in Québec on December 31, 2011.

Due to the increase in the number of properties for sale, buyers will benefit from a wider choice. Market conditions will continue to gradually relax in most of the province's urban centres, although many of them will continue to favour sellers. This will notably be the case in the metropolitan areas of Québec City, Gatineau and Saguenay. In the Montréal area, the residential real estate market should become balanced in 2012<sup>5</sup>.

## Price Increases Slightly Above Inflation

The median price of single-family homes increased by 4 per cent in Québec in 2011. This was the smallest increase since 2001 (+4 per cent)<sup>6</sup>. The gradual relaxing of market conditions should moderate price growth. We expect a 3 per cent increase in single-family home prices in Québec in 2012, with a median price of \$223,000.

Condominiums will continue to be highly in demand among first-time buyers who are seeking an affordable property and among households whose children have left the home. However, condominiums are also the property category that will have the fastest-growing supply of new dwellings. Slightly more than half of the approximately 24,600 dwellings under construction in Québec at the end of 2011 were condominiums<sup>7</sup>. In many areas, future condominium buyers will not suffer from a lack of choice, and the competition resulting from the construction of these new units will moderate the price increase of existing condominiums.

Slightly more than half of the approximately 24,600 dwellings under construction in Québec at the end of 2011 were condominiums.

### MLS® Residential Statistics Province of Québec

	Sales	Variation	Median Price*	Variation
2007	80,647	13%	\$178,500	8%
2008	76,753	-5%	\$186,500	4%
2009	79,108	3%	\$195,000	5%
2010	80,029	1%	\$209,500	7%
2011	77,258	-3%	\$217,500	4%
2012p	79,000	2%	\$223,000	3%

\*For a single-family home

Source: QFREC by Centris®

<sup>5</sup> The market slightly advantaged sellers at the end of 2011.

<sup>6</sup> Taking decimals into account, the 3.8 per cent increase in median price of single-family homes was smaller than that of 4.4 per cent in 2008.

<sup>7</sup> Source: CHMC

This publication is produced by the Market Analysis Department of the QFREC

Paul Cardinal, Manager

Camille Laberge, Economist

Paola Rodriguez, Economic Research Assistant

Contact us at: [stats@fcicq.ca](mailto:stats@fcicq.ca)

© 2011 Québec Federation of Real Estate Boards. All rights reserved.