

Real Estate Market: Sellers No Longer in Dominant Position

For several years, home sellers have become accustomed to having the upper hand in negotiations. However, in recent months, sales have slowed in most areas of Québec and the number of properties for sale has increased. As a result, sellers have been gradually losing their dominant position. In this document, we will examine market conditions – meaning the balance of power between buyers and sellers – in different geographic areas and according to property category.

Market conditions are determined using the **number of months of inventory**¹, which is defined as the ratio of the number of properties for sale (listings) to the number of transactions concluded in the last 12 months. The Annex at the end of this document provides more information about the calculation and interpretation of this measure, as well as the criteria we use to determine whether market conditions show a seller's market, a balanced market or a buyer's market.

Single-Family Homes: Sellers Maintain the Upper Hand in Only a Few Markets

Table 1 provides a snapshot of market conditions for single-family homes in the first quarter of 2013 in the main areas of the province².

Table 1: Market Conditions for 1st Quarter of 2013 – SINGLE-FAMILY HOMES

The number of months of inventory is indicated in brackets.

Seller	Balanced	Buyer
Rouyn-Noranda (5)	Saguenay (8)	Saint-Lin-Laurentides (11)
Baie-Comeau (6)	South Shore of Montréal (8)	Sherbrooke (11)
Sept-Îles (6)	Trois-Rivières (8)	Rimouski (12)
Laval (6)	Gatineau (8)	Granby (12)
North Shore of Québec City (7)	Valleyfield (8)	Sorel-Tracy (13)
Island of Montréal (7)	North Shore of Montréal (8)	Drummondville (14)
Val-d'Or (7)	Thetford Mines (9)	Rivière-du-Loup (15)
	Victoriaville (9)	Saint-Sauveur (22)
	Saint-Hyacinthe (9)	Sainte-Adèle (23)
	South Shore of Québec City (9)	Sainte-Agathe (25)
	Joliette (10)	Mont-Tremblant (29)
	Saint-Jean-sur-Richelieu (10)	
	Vaudreuil-Soulanges (10)	
	Shawinigan (10)	

The areas in red are those whose market conditions shifted from Seller to Balanced in the past year.

The areas in blue are those whose market conditions shifted from Balanced to Buyer in the past year.

In recent months, sales have slowed in most areas of Québec and the number of properties for sale has increased.

Only a few of the province's real estate markets were seller's markets in the first quarter of 2013, those being the North Shore of Québec, the Island of Montréal, Laval and the agglomerations of Rouyn-Noranda, Baie-Comeau, Sept-Îles and Val-d'Or. The agglomerations of Val-d'Or (+5 per cent), Rouyn-Noranda (+3 per cent) and Baie-Comeau (+1 per cent) are among the few urban centres in the province to register an increase in single-family home sales in the last twelve months. The market for single-family homes has become either a balanced market or a buyer's market everywhere else.

The areas in which market conditions have changed from *Seller* to *Balanced* in the past year are identified in red in Table 1. This was the case in Trois-Rivières, Saguenay, Gatineau and the South Shore of Montréal, as market conditions for single-family homes deteriorated under the combined effect of an increase in the number of listings and a decrease in sales.

The areas in which market conditions have changed from *Balanced* to *Buyer* in the past year are identified in blue in Table 1. This was the case in Sherbrooke and Rimouski, as both these areas registered an 11 per cent decrease in sales in the past twelve months. More specifically in the Sherbrooke area, the Magog and periphery regions caused the number of months of inventory to increase. In the City of Sherbrooke, the market for single-family homes is a balanced market.

Finally, the main agglomerations in the Laurentides area – meaning Saint-Sauveur, Sainte-Adèle, Sainte-Agathe-des-Monts and Mont-Tremblant – are those with the highest number of months of inventory in the province and, as a result, buyers clearly have the upper hand in negotiations. In Mont-Tremblant, the number of months of inventory actually ran counter to the rest of the province, as it dropped to 29 in the first quarter of 2013 compared to 31 in the first quarter of 2012.

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Condominiums: Now a Buyer's Market Almost Everywhere

Table 2 provides a snapshot of market conditions for condominiums in the first quarter of 2013 in the main areas of the province².

Table 2: Market Conditions for 1st Quarter of 2013 – CONDOMINIUMS

The number of months of inventory is indicated in brackets.

Seller	Balanced	Buyer
	Gatineau (9)	Laval (11)
		Island of Montréal (11)
		South Shore of Montréal (11)
		North Shore of Montréal (11)
		North Shore of Québec City (12)
		Saint-Jean-sur-Richelieu (12)
		Saint-Hyacinthe (12)
		Vaudreuil-Soulanges (13)
		Saguenay (14)
		South Shore of Québec City (15)
		Trois-Rivières (17)
		Sherbrooke (17)
		Granby (21)
		Saint-Adèle (23)
		Saint-Sauveur (24)
		Mont-Tremblant (43)

The areas in red are those whose market conditions shifted from *Seller* to *Balanced* in the past year.

The areas in blue are those whose market conditions shifted from *Balanced* to *Buyer* in the past year.

The areas in green are those whose market conditions shifted from *Seller* to *Buyer* in the past year.

Source: QFREB by the Centris® system

There are no longer any urban centres in the province that have a seller's market for condominiums. Only the Gatineau market presented balanced conditions in the first quarter of 2013. Everywhere else, condominium buyers had the upper hand in negotiations.

In the Gatineau area, where condominium listings increased by 48 per cent in the last 12 months, market conditions shifted from *Seller* to *Balanced*.

The areas in which market conditions have changed from *Balanced* to *Buyer* in the past year are identified in blue in Table 2. These include all regions in the Montréal Metropolitan Area, as well as the North Shore and South Shore of Québec City. Market conditions for condominiums on the South Shore of Québec City deteriorated significantly in the past 12 months, due to a 46 per cent increase in active listings and an 11 per cent decrease in sales.

Finally, conditions on the Island of Montréal – the province's main condominium market – changed rapidly over the past year. In the first quarter of last year, sellers still had a slight advantage (7 months of inventory), but one year later, it is buyers who have the slight advantage (11 months of inventory). This is the first time in 15 years that the condominium market on the Island of Montréal finds itself in *Buyer* territory.

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Plexes: Balanced Conditions in the Province's Main Real Estate Markets

Table 3 provides a snapshot of market conditions for plexes (2 to 5 dwellings) in the first quarter of 2013 in the main areas of the province².

Table 3 : Market Conditions for 1st Quarter of 2013 – PLEXES

The number of months of inventory is indicated in brackets.

Seller	Balanced	Buyer
Gatineau (7)	Saguenay (8)	Sherbrooke (12)
	North Shore of Québec City (8)	Salaberry-de-Valleyfield (13)
	Island of Montréal (8)	Drummondville (13)
	Trois-Rivières (9)	Saint-Jean-sur-Richelieu (13)
	South Shore of Québec City (10)	Saint-Hyacinthe (14)
	Laval (10)	Granby (15)
	North Shore of Montréal (10)	Shawinigan (16)
	South Shore of Montréal (10)	Sorel (19)

The areas in red are those whose market conditions shifted from *Seller to Balanced* in the past year.

The areas in blue are those whose market conditions shifted from *Balanced to Buyer* in the past year.

The plex market is now *Balanced* in all main areas of the Montréal and Québec City CMAs.

Source: QFREB by the Centris® system

Market conditions for plexes also relaxed in the past year in many areas of the province. In the first quarter of 2013, Gatineau was the only area where the balance of power was still slightly in favour of sellers. The Island of Montréal and the North Shore of Québec saw their market conditions shift from *Seller to Balanced*, and the plex market is now *Balanced* in all main areas of the Montréal and Québec City CMAs.

Finally in the past year, conditions for plexes shifted from a balanced market to a buyer's market in the areas of Salaberry-de-Valleyfield, Drummondville and Saint-Hyacinthe.

Market Conditions by Price Range

Readers interested in obtaining more detailed statistics can consult our [QFREB Barometers](#). For each of the province's areas, Table 3 presents market conditions by price range for the property category that is dominant in that area. All price ranges were revised in the Barometer for the first quarter of 2013.

Annex

1. Number of Months of Inventory

a. Definition

In general, market conditions establish the relationship between supply and demand. In real estate, these conditions are expressed by the ratio of the number of properties for sale to the number of transactions concluded in a given period. The result corresponds to the number of months of inventory. To eliminate the effect of fluctuation due to the seasonal nature of listings and sales in Québec, it is important to calculate this ratio over a period of 12 months.

$$\text{Number of months of inventory} = \frac{\text{average number of listings in the past 12 months}}{\text{average number of sales in the past 12 months}}$$

In the past, we used the expression “Absorption Rate” in our reports to describe this ratio. Only the terminology has changed in order to more closely reflect the terminology used elsewhere in Canada and in the United States. The method of calculation has remained exactly the same. Other organizations use or have used terms such as “Listing/Sales Ratio” or “Buyers/Sellers Ratio” to refer to the same measure.

b. Interpretation

The number of months of inventory is interpreted as being the number of months needed to sell the entire inventory of properties for sale, at the pace of sales of the past 12 months. For example, if the number of months of inventory is six, this means that it would have taken six months to sell the entire inventory of properties for sale. We can also say that the inventory corresponded to six months of sales³.

If the number of months of inventory is low, this means there is little supply and high demand in the market and, conversely, if the number of months of inventory is high, this means there is abundant supply and weak demand.

2. Market Conditions

a. Description

A *Balanced market* does not favour buyers or sellers in negotiations. In this context, the growth in property prices is generally moderate.

A *Seller's market* means that sellers have the upper hand in negotiations. In this context, the growth in property prices is generally high and selling times are short. In this context, it is common to see multiple purchase offers on the same property. It is also common to see properties sell above the asking price.

A *Buyer's market* means that buyers have the upper hand in negotiations. In this context, the growth in property prices is generally low and may even be negative. Average selling times are often long and it is more common to see sellers lower their asking price.

b. Scales

The scales we are using to determine market conditions are based on the number of months of inventory. It is a seller's market if the number of months of inventory is lower than 8. If the number of months of inventory is between 8 and 10, the market is balanced. It is a buyer's market if the number of months of inventory is greater than 10.

If you have any questions or comments about the content of this article, please contact us by email at:
stats@fcic.ca

¹ We previously used the expression "Absorption rate" but changed our terminology to more closely reflect the terminology used elsewhere in Canada and in the United States.

² Only areas that had a minimum of 50 transactions in the past 12 months appear in the table.

³ It is important to note that this measure is completely different than the average selling time.

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

Paul Cardinal, Manager

Camille Laberge, Economist

Paola Rodriguez, Analyst

Contact us at: stats@fcic.ca

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