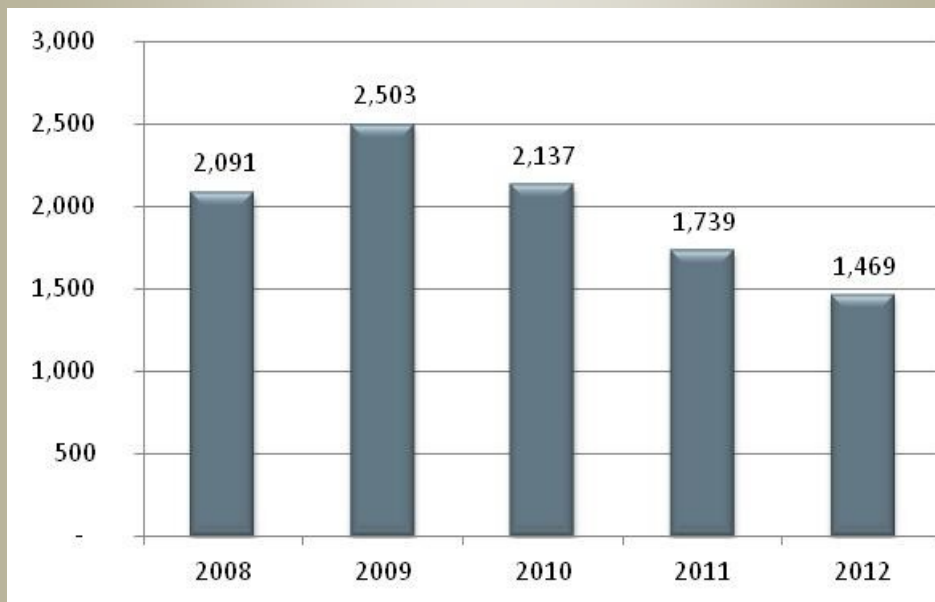


Foreclosures in Québec Decrease for a Third Consecutive Year in 2012

In 2012, 1,469 residential properties in Québec were foreclosed by their mortgage lender, a 16 per cent decrease compared to 2011. This was the third consecutive annual decrease in foreclosures, after reaching a peak in 2009 (2,503 foreclosures). Based on these results, we estimate that the proportion of foreclosures across Québec represents one property out of 1,387, compared to one property out of 1,164 in 2011.

We estimate that the proportion of foreclosures across Québec represented one property out of 1,387 in 2012.

Chart 1: Number of Residential Foreclosures in Québec



Sources: JLR, QFREB compilation

The lender of the mortgage that is in default normally issues a two-month notice of exercise¹, warning the holder of the defaulted mortgage that his property will be seized if the outstanding payment is not made. The borrower normally tries to find a way to repay the amount owed; selling the property, in this case, may be a good option as it allows the borrower to repay the mortgage loan. The property is seized if the borrower is not able to repay the amount owed or any other amount due.

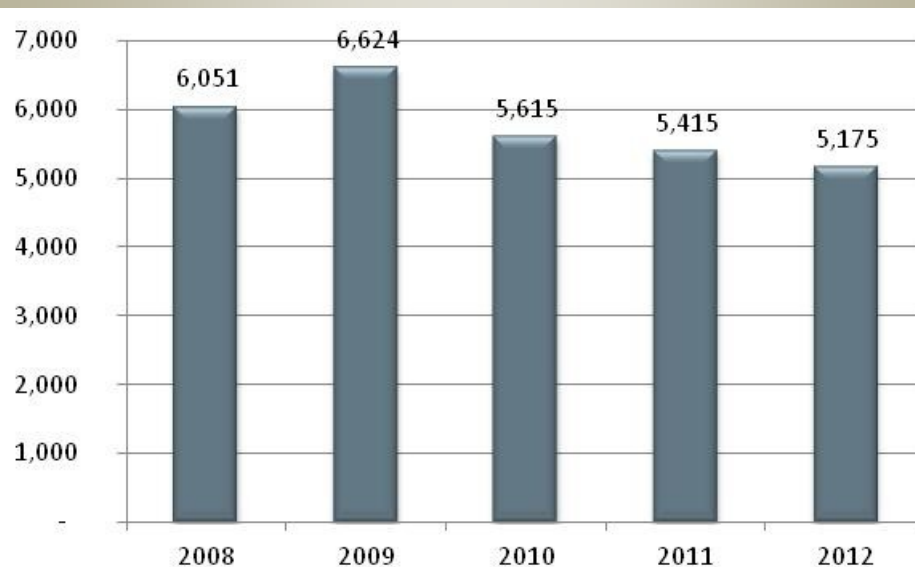
In addition, there are a few cases of voluntary relinquishments every year in Québec. This is a situation in which the owners give the keys to their property back to the mortgage lender even before receiving a notice of exercise. In 2012, there were 216 homeowners who chose to hand over the keys to their property, the same number as in 2011.

Fewer Borrowers in Default

The number of homeowners who received a first notice of exercise decreased by 4 per cent in 2012 – the third consecutive annual drop – with 5,175 cases reported. The decrease in the number of first notices of exercise is coherent with the decrease in the number of foreclosures in Québec in 2012 and is also consistent with Canadian Bankers Association data on outstanding mortgages showing that, on average, 0.32 per cent of mortgages in Québec were in arrears of 90 days or more in 2012, compared to 0.34 per cent in 2011 and 0.36 per cent in 2010.

On average, 0.32 per cent of mortgages in Québec were in arrears of 90 days or more in 2012.

Chart 2: Number of First Notices of Exercise Received in Québec



Sources: JLR, QFREB compilation

Foreclosures Across the Province

Although the number of foreclosures and first notices of exercise decreased across the province, some differences were observed across Québec's administrative regions. The number of foreclosures increased in five of the 17 administrative regions, those being Abitibi-Témiscamingue, Bas-Saint-Laurent, Capitale-Nationale, Gaspésie-Îles-de-la-Madeleine and Montérégie. Table 1 shows the number of foreclosures, first notices of exercise and voluntary relinquishments across the different regions.

The number of foreclosures increased in five of the 17 administrative regions, those being Abitibi-Témiscamingue, Bas-Saint-Laurent, Capitale-Nationale, Gaspésie-Îles-de-la-Madeleine and Montérégie.

Table 1

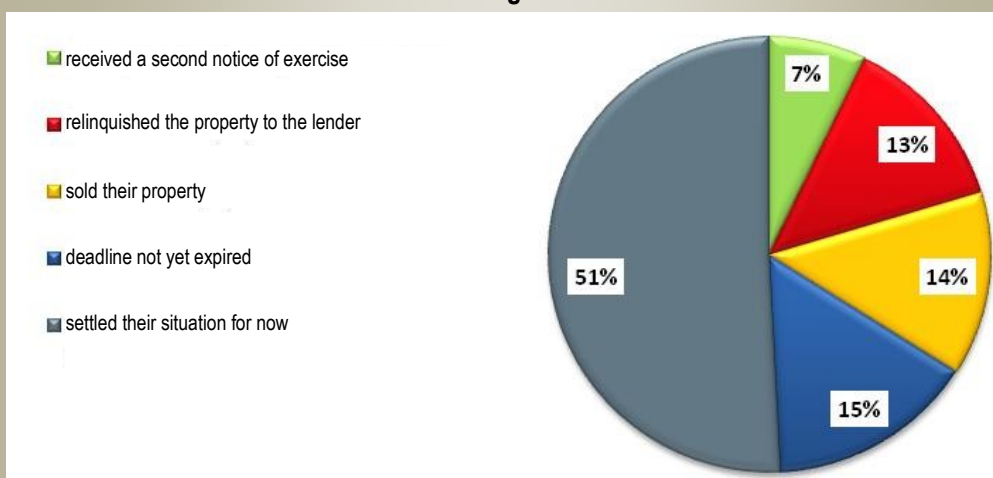
Administrative Regions	First Notice of Exercise			Residential Foreclosures			Voluntary Relinquishments
	2011	2012	Variation	2011	2012	Variation	2012
Abitibi-Témiscamingue	40	59	48%	19	22	16%	4
Bas-Saint-Laurent	90	79	-12%	45	48	7%	6
Capitale-Nationale	232	244	5%	63	68	8%	15
Centre-du-Québec	159	147	-8%	77	43	-44%	10
Chaudière-Appalaches	178	187	5%	67	62	-7%	7
Côte-Nord	34	33	-3%	12	10	-17%	3
Estrie	210	199	-5%	112	70	-38%	17
Gaspésie—Îles-de-la-Madeleine	40	41	2%	11	15	36%	5
Lanaudière	704	670	-5%	246	198	-20%	24
Laurentides	907	751	-17%	274	226	-18%	26
Laval	306	283	-8%	85	46	-46%	4
Mauricie	145	162	12%	68	55	-19%	15
Montréal	1,207	1,117	-7%	332	348	5%	39
Montréal	719	690	-4%	127	105	-17%	11
Nord-du-Québec	6	8	33%	2	1	-50%	0
Outaouais	331	362	9%	155	113	-27%	18
Saguenay—Lac-Saint-Jean	107	143	34%	45	40	-11%	12
Province	5,415	5,175	4%	1,740	1,470	-16%	216

Sources: JLR, QFREB compilation

What Did Homeowners do After Receiving a Notice of Exercise?

In 2012, 14 per cent of borrowers who received a notice of exercise for the first time sold their property before it was seized, compared to 11 per cent in 2011, while 13 per cent of borrowers relinquished their property to the lender, compared to 14 per cent in 2011. Of this 13 per cent, half owned their property for less than five years. Chart 3 shows more specifically what borrowers did after receiving their first notice of exercise in 2012.

Chart 3: After receiving a first notice in 2012



Sources: JLR, QFREB compilation

In 2012, more borrowers in default were able to sell their property or remedy their situation than in 2011; as a result, they avoided having their property seized or finding themselves in a default situation for a second time.

In 2012, more borrowers in default were able to sell their property or remedy their situation than in 2011.

Comparing Québec to the Situation in the United States

Although foreclosures in the United States reached unprecedented levels, many feared that this situation could happen in Québec, particularly in 2008 and 2009 during the recession. By comparing foreclosure statistics in Québec and the United States, the possibility that foreclosures unbalance the Québec real estate market seems remote for now. Unlike the situation in the United States, the number of foreclosures in Québec is clearly insufficient to have a significant upward impact on the supply of properties for sale and, by extension, a downward impact on property prices.

Table 2

	Québec	United-States
Proportion of seized or foreclosed properties	1/1.387	1/72
Proportion of foreclosure sales in relation to all residential sales	Between 1.4 and 1.7% (1,823 properties)	26%
Increase in property prices in 2012 ²	4%	6.3%
Percentage of mortgages in arrears (90 days or more)	0.32%	3.02%

Sources for Québec data: Statistics Canada, CMHC, JLR, CBA and QFREB by Centris®.

Sources for American data: Mortgage Bankers Association, National Association of Realtors and RealtyTrac.

The decrease in foreclosures and in notices of exercise that have been observed for the third consecutive year reflect households' improved control of their financial situation. Of course, low interest rates and an increase in property prices are factors that facilitate the refinancing or sale of a property whose mortgage is in default, which corroborates the fact that fewer and fewer homeowners are finding themselves in a situation of loan default.

¹ The 60-day timeframe is set by law. The timeframe may be negotiated by agreement and may be extended following an agreement between the borrower and the lender. The borrower usually tries to "buy time".

² For Québec, this is the increase in the weighted average price of properties sold through the Centris® system.

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

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

Paul Cardinal, Manager

Camille Laberge, Economist

Paola Rodriguez, Analyst

Contact us at: stats@fcig.ca

© 2013 Québec Federation of Real Estate Boards. All rights reserved.