

Market Conditions in Québec Have Stabilized Since the Start of 2015

The number of months of inventory (NMI) refers to the number of months needed to sell the entire inventory of properties for sale if the pace of sales is the same as that of the previous 12 months. We use this indicator to calculate market conditions: if the NMI is less than 8 months, the market is considered a seller's market; if the NMI is between 8 and 10 months, the market is considered balanced; and if the NMI is more than 10 months, the market is considered a buyer's market.

Québec's residential real estate market experienced a significant easing of market conditions between mid-2012 and the end of 2014. In the summer of 2012 the vast majority of markets were seller's markets, but by the end of 2014 almost all of them had shifted to a balanced market or a buyer's market.

More specifically, in July 2012, before the widespread easing of market conditions began, sellers of single-family homes had the upper hand in negotiations in all of the province's census metropolitan areas (CMAs) except for the Sherbrooke CMA where the market was rather balanced with 9.7 months of inventory. However, the advantage that sellers had quickly dissipated and, less than a year later, market conditions for single-family homes were balanced in four CMAs, and tipped to a buyer's market in the Sherbrooke CMA (see chart 1). Market conditions continued to relax even more since then, and at the beginning of 2015 buyers of single-family homes had the upper hand in four of the province's six CMAs. Only the Montréal and Trois-Rivières CMAs remained in a balanced market.

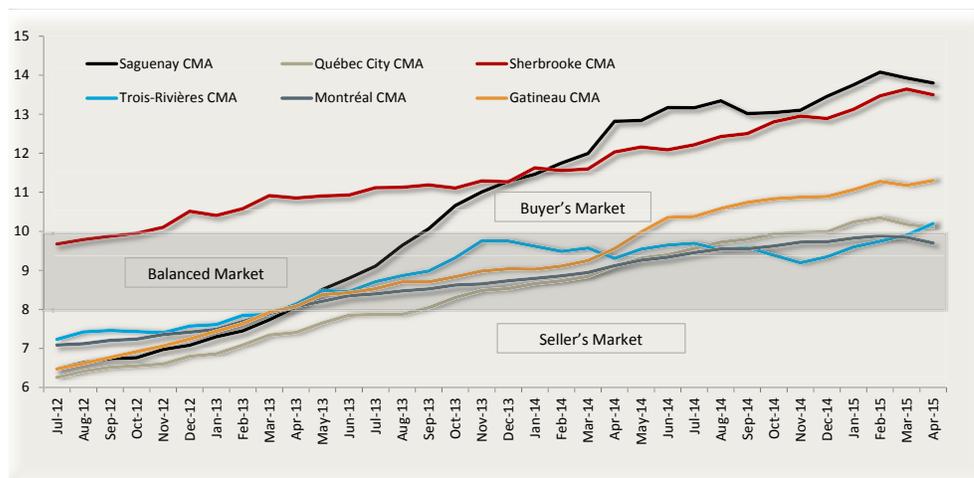
The evolution of market conditions in the province's agglomerations was similar to that of the CMAs. In mid-2012, the market for single-family homes in most agglomerations was either in a seller's market or balanced, while at the end of 2014 most agglomerations in Québec were in a buyer's market. Even in resource regions such as Val-d'Or, Baie-Comeau and Sept-Îles, where market conditions were particularly tight in 2012, the NMI rose sharply and in December 2014 the market favoured buyers in all three of these agglomerations.

The NMI for Single-Family Homes Reached a Plateau in Recent Months

Although the NMI has remained slightly above the balanced zone in almost all single-family home markets in Québec since the start of the year, the upward trend seems to have faded. In fact, there has been a rather widespread stabilization of market conditions in several of the province's CMAs and agglomerations in recent months due to an improvement in sales coupled with slower growth in the supply of properties.

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CHART 1 - NUMBER OF MONTHS OF INVENTORY IN THE PROVINCE'S CMAs – SINGLE-FAMILY HOMES



Source: QFREC by the Centris® system.

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In 2013 and 2014, single-family home sales decreased significantly and active listings increased by 10% or more in most CMAs. But the situation has changed significantly in recent months. Between January and April 2015, most CMAs registered an increase in sales and a smaller increase in the supply of single-family homes compared to the same period in 2014. The only exception was the Trois-Rivières CMA (see chart 1), where market conditions for single-family homes have relaxed since the start of the year. As a result, the Trois-Rivières market gives buyers the upper hand for the first time since December 2001.

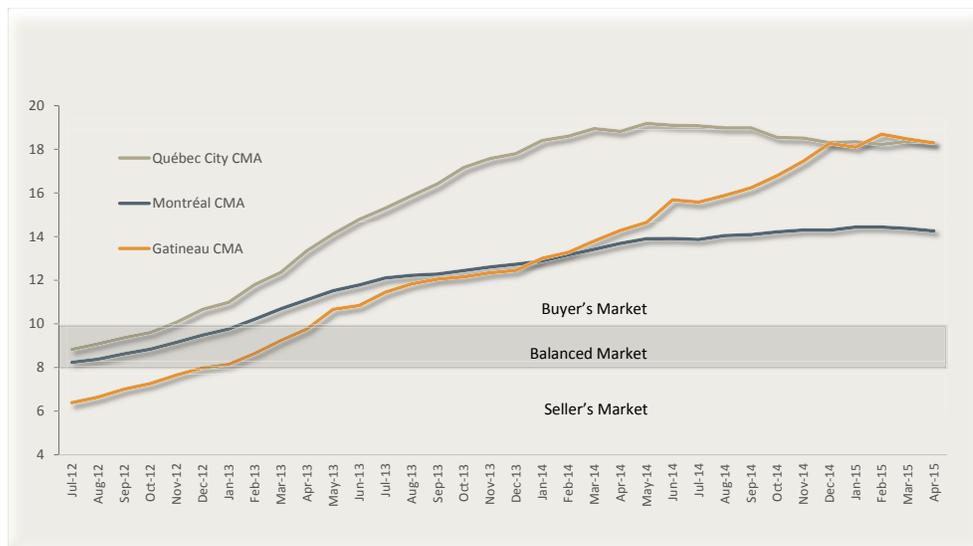
The stabilization of market conditions for single-family homes can also be observed in most of the province's agglomerations. Only Sainte-Adèle and Joliette broke rank, with market conditions that have continued to relax since the start of the year.

More Moderate Increase in the Supply of Condominiums Supports the Generalized Stability of Market Conditions

In the past two years in Québec, it is the condominium market that has experienced the largest increase in NMI, resulting in a rapid and significant easing of market conditions. In July 2012, the condominium market in the Gatineau CMA was in a seller's market, while the Montréal and Québec City CMAs were in a balanced market. Less than a year later, all three of these markets had become buyer's markets.

In April 2015, the condominium market was still in a buyer's market in these three CMAs, but the NMI has remained virtually unchanged in the Montréal CMA since May 2014 and since the start of 2015 in the Gatineau CMA. In the Québec City CMA, this indicator has even decreased slightly since September 2014 (see chart 2).

CHART 2 - Number of Months of Inventory in the Province's CMAs – Condominiums



Source: QFREC by the Centris® system.

Even though the supply of condominiums continues to rise in most areas, the increase is at a much slower pace than in the last two years.

The stabilization of conditions in the condominium market can be observed in each of the five main areas of the Montréal CMA: the Island of Montréal, Laval, the North Shore, the South Shore and Vaudreuil-Soulanges. The City of Gatineau and the agglomeration of Québec also experienced a stabilization in condominium market conditions, while the South Shore of Québec recently registered a tightening in condominium market conditions.

After sharp decreases in 2013 and 2014¹, condominium sales increased from January to April 2015 in the Gatineau, Montréal and Québec City CMAs. Moreover, even though the supply of condominiums continues to rise in most areas, the increase is at a much slower pace than in the last two years. It should be noted that, in recent years, the supply of condominiums on the market can be primarily attributed to the construction of new condominiums. However, in the first four months of 2015, the number of condominium housing starts decreased by 54% in the Gatineau CMA, by 53% in the Montréal CMA and by 11% in the Québec City CMA, which should help limit the increase in the supply of condominiums on the market in the coming months².

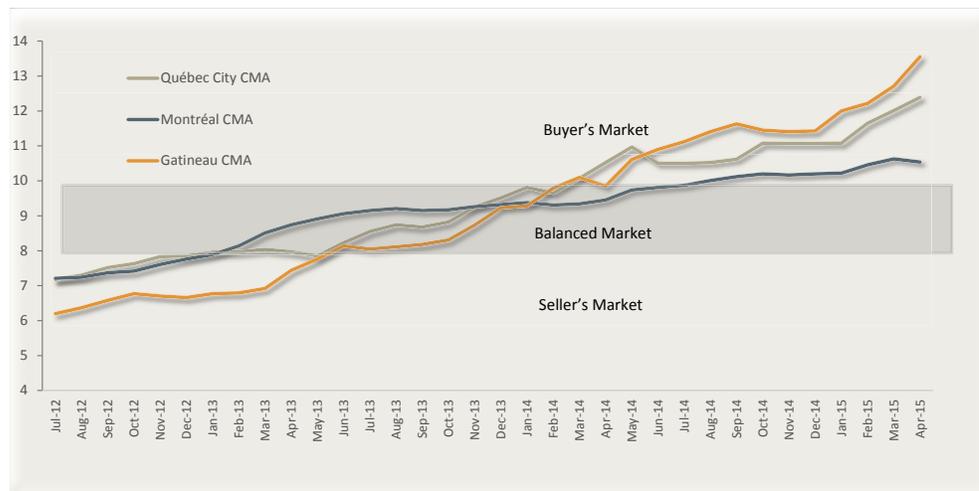
Market Conditions for Plexes Continued to Relax at the Start of 2015

As for the plex market, a relaxation of market conditions has also been observed since July 2012. While the plex market in the Gatineau, Montréal and Québec City CMAs were seller's markets in mid-2012, buyers have had the advantage in negotiations since early 2014 in the Gatineau and Québec City CMAs, and since mid-2014 in the Montréal CMA (see chart 3). In contrast, unlike our observation for single-family homes and condominiums, the NMI does not seem to have reached a plateau yet.

¹ Only the Québec City CMA escaped the downward trend in 2014 with a 3 per cent increase in the number of condominiums sold.

² Source: CMHC.

CHART 3 - Number of Months of Inventory in the Province's CMAs – Plexes



Source: QFREC by the Centris® system.

In the Gatineau and Québec City CMAs, market conditions for plexes have continued to move further away from the balanced zone since the beginning of 2015, while in the Montréal CMA there has not been a clearly established trend since January 2015.

The widespread increase in the vacancy rate in rental properties over the past two years has certainly contributed to the increase in the supply of plexes on the resale market in Québec.

Conclusion

Market conditions for the residential real estate market in Québec are finally showing signs of stabilization, after spending more than two years moving away from – almost without interruption – the balanced zone. This stabilization is good news, especially for the condominium market, where the divergence between changes in demand and supply created a surplus on the market. We will closely monitor the evolution of the NMI in the coming months to see if the current trend continues. It is even conceivable that market conditions could tighten if property sales continue to grow at the same pace as in this past March and April.

Unlike our observation for single-family homes and condominiums, the NMI for plexes does not seem to have reached a plateau yet.

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

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