

More and More Properties Sold Through the MLS® System are New Constructions

For many years, the expression “resale market” was used to refer to transactions concluded through the MLS® system. However, this is becoming increasingly inaccurate, as the proportion of total MLS® sales in Québec that are new constructions has been steadily increasing in recent years. For example, the proportion of total MLS® sales that were new condominium units increased to 12.5 per cent in 2011 compared to 7.7 per cent in 2008.

The number of new residential properties sold through the MLS® system in Québec has increased every year for the past three years, growing from 2,107 in 2008 to 3,196 in 2011. When we compare these numbers to total MLS® sales, we see that the proportion of new constructions, for all residential property categories combined, increased from 2.7 per cent to 4.1 per cent in this same period. However, we also noted that more than half of these new constructions were condominiums; in fact, condominiums registered the largest increase in terms of the proportion of total MLS® sales that were new constructions. While 7.7 per cent of condominiums sold in Québec through the MLS® network were new units in 2008, this proportion gradually increased to 12.5 per cent in 2011. The proportion of new single-family home sales also increased but at a more moderate pace, reaching 1.6 per cent in 2008 and 2 per cent last year. As for plexes, the proportion of total MLS® sales that were new constructions remained stable, at approximately 0.7 per cent during the same period.

These results reflect two main trends: the construction of condominiums has increased significantly in the past decade and a growing number of builders and promoters are using a real estate broker to sell some or all of the units in their projects.

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Number of new properties sold and their proportion of total MLS® sales in Québec								
Property category	2008		2009		2010		2011	
	New properties sold	% of total sales	New properties sold	% of total sales	New properties sold	% of total sales	New properties sold	% of total sales
Single-Family	873	1.6 %	847	1.5 %	945	1.7 %	1,054	2.0 %
Condominium	1,168	7.7 %	1,398	9.0 %	1,624	9.8 %	2,088	12.5 %
Plex	57	0.8 %	52	0.7 %	49	0.7 %	51	0.7 %
Total*	2,107	2.7 %	2,300	2.9 %	2,623	3.3 %	3,196	4.1 %

* The total also includes hobby farms.

A growing number of builders and promoters are using a real estate broker to sell some or all of the units in their projects.

More Than Three Out of Ten New Constructions Were Condominiums in 2011

Since the early 2000s, condominiums have carved out an important place in the Québec real estate market. Several trends and structural changes have contributed to the construction of condominiums. First, its affordable price and a reduction in household size have boosted demand for this property category. In addition, in terms of supply, given the high cost of land in urban areas, there has been greater densification in order to improve the profitability of projects. The inventory of condominiums has therefore grown substantially and has increased faster than the inventory of single-family homes and plexes. The share of all completed constructions in Québec that were condominiums has increased almost continuously since the early 2000s, growing from 17 per cent in 2000 to 32 per cent in 2011¹.

¹ Source: Canada Mortgage and Housing Corporation (CMHC).

Proportion of New Condominiums Sold on the MLS® System Increasing Significantly

In Québec, in 2008, for every hundred new condominiums completed², there were 13 new condominiums sold on the MLS® system. In 2011, this proportion grew to 17 out of 100. In comparison, for every hundred new single-family homes completed in 2008, 4 were sold on the MLS® system. In 2011, this ratio increased to 6 per 100. These proportions are much lower than those of condominiums, as the vast majority of new single-family homes are sold even before being built, which is not the case for condominium projects³. In addition, the time needed to sell the entire inventory of new condominiums has increased in recent years. In 2011, it took an average of 10 months (duration of supply⁴) to sell the entire inventory of new condominiums in Québec, while in 2010 the duration was 8.2 months and in 2009 it was 7.5 months. The large increase in the number of new condominium projects observed in recent years gives potential buyers more choice and leads to greater competition between the different promoters. Faced with this increased competition and the longer duration of supply for new condominiums, builders and promoters seem to increasingly prefer selling their properties through a real estate broker.

Portrait by Administrative Region in 2011

The proportion of total residential sales that are new constructions varies greatly in the different regions. In 2011, for all property categories combined, the Montréal Administrative Region (AR) registered the highest proportion (7.1 per cent). In the Montérégie⁵ and Chaudière-Appalaches⁶ ARs, the share of total sales that were new constructions was among the highest in the province, as new constructions represented 5.7 and 3.7 per cent, respectively, of total MLS® sales in 2011. The proportion of MLS® sales that were new condominium units is much higher than those of single-family homes and plexes. For example, in the Saguenay-Lac-Saint-Jean AR, in 2011, 29.7 per cent of condominiums sold on the MLS® system were new units. This proportion was 18.3 per cent in the Chaudière-Appalaches AR, 15.3 per cent in Montérégie and 13.6 per cent in the Montréal AR.

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² Data on the number of completed condominiums comes from the CMHC.

³ In most cases, before starting construction of a condominium building, close to half the units have already been sold by the promoter, as this is usually a requirement for financial institutions to grant funding.

⁴ In this document, we define the duration of supply of new completed condominiums as the time needed to absorb all of the unoccupied units, plus 50% of units under construction, if the pace of sales was the same as that of the past 12 months.

⁵ Includes the South Shore of Montréal, as well as the agglomerations of Granby, Saint-Hyacinthe, Saint-Jean-sur-Richelieu, Salaberry-de-Valleyfield and Sorel-Tracy, among others.

⁶ Includes the South Shore of Québec.

Proportion of total MLS® sales in 2011 that are new constructions in certain Administrative Regions

Administrative Region	Total		Condominium	
	New properties sold	% of total sales	New properties sold	% of total sales
Montréal	1,145	7.1 %	1,082	13.6 %
Montérégie	955	5.7 %	454	15.3 %
Province of Québec	3,196	4.1 %	2,088	12.5 %
Chaudière-Appalaches	105	3.7 %	39	18.3 %
Saguenay-Lac-Saint-Jean	67	3.4 %	30	29.7 %
Capitale-Nationale	227	3.3 %	158	9.3 %
Lanaudière	191	3.1 %	84	12.3 %
Laurentides	211	2.7 %	101	10.5 %
Bas-Saint-Laurent	39	2.6 %	3	5.2 %
Laval	111	2.4 %	97	8.8 %
Estrie	59	2.1 %	28	10.6 %
Mauricie	14	0.8 %	7	12.3 %
Outaouais	33	0.7 %	3	0.6 %

Conclusion

More new constructions, particularly condominiums, are being sold through real estate brokers in Québec. This trend can be explained by the fact that builders are increasingly using real estate brokers to sell their projects and by the growing number of new condominiums that came on the market in the last decade. As a result, future changes in the proportion of total MLS® sales that are new constructions is expected to remain closely tied to the completion of new condominiums.

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

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