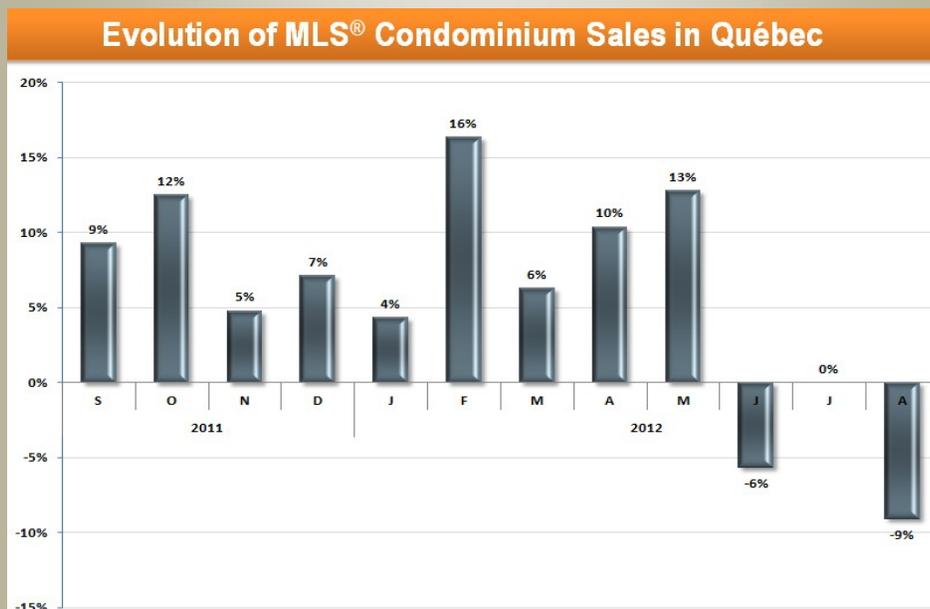


Condominium Sales Lose Momentum

For some time now, we have been accustomed to seeing relatively steady increases in MLS® condominium sales in Québec. But in the past three months the number of condominiums sold by a real estate broker in Québec has decreased, as shown in Chart 1. While condominium sales across the province grew by 10 per cent from September 2011 to May 2012, they fell by 5 per cent from June to August 2012. Moreover, this decrease was fairly widespread across Québec, as shown in Table 1.

While condominium sales across the province grew by 10 per cent from September 2011 to May 2012, they fell by 5 per cent from June to August 2012.

Chart 1



Source: QFREB by Centris®

Table 1

MLS® Condominium Sales in Québec in the Past 12 Months

	September 2011 to May 2012		June to August 2012	
	Sales	Variation (%)*	Sales	Variation (%)*
Province of Québec	13,851	10%	3,463	-5%
Montréal CMA	10,548	8%	2,651	-4%
Island of Montréal	6,418	6%	1,615	-8%
Laval	910	10%	237	0%
North Shore of Montréal	1,086	15%	279	4%
South Shore of Montréal	1,830	8%	449	2%
Vaudreuil-Soulanges	304	55%	71	-7%
Québec City CMA	1,522	8%	332	-10%
Sherbrooke CMA	199	14%	44	-19%
Gatineau CMA	420	11%	127	-6%

*Compared to the same period one year earlier.

Source: QFREB by Centris®

In addition to the decrease in condominium sales in the Sherbrooke, Québec City and Gatineau Metropolitan Areas in the past three months, on the Island of Montréal, which accounts for nearly half of all condominium transactions in Québec, the decrease was 8 per cent. The North Shore and South Shore of Montréal were the only exceptions, posting respective increases of 4 and 2 per cent in the past three months, although these increases were well below those registered in the nine previous months.

Market Conditions Relax

At the same time, there was a clear message in the number of active listings over the past twelve months: the number of condominiums for sale increased in all major urban centres across the province (see Table 2).

The number of condominiums for sale increased in all major urban centres across the province.

Table 2

Listings, Market Conditions and Selling Times for Condominiums in Québec

	August 2012						
	Listings	Var.* (%)	Absorption Rate	Var.*	Market Conditions	Average selling time** (days)	Var.* (days)
Province of Québec	13,484	18%	NA	--	NA	103	15
Montréal CMA	9,230	17%	8.4	0.9	Balanced	98	14
Island of Montréal	5,423	18%	8.1	1.1	Balanced	97	20
Laval	782	3%	8.2	-0.4	Balanced	94	2
North Shore of Montréal	1,082	19%	9.5	0.6	Balanced	93	-24
South Shore of Montréal	1,672	22%	8.8	1.1	Balanced	97	19
Vaudreuil-Soulanges	271	10%	8.7	-2.2	Balanced	140	32
Québec City CMA	1,401	31%	9.1	0.3	Balanced	109	24
Sherbrooke CMA	242	4%	12.0	-0.3	Buyer	163	32
Gatineau CMA	303	33%	6.7	1.3	Seller	62	10

*Compared to the same period one year earlier.

** Average of past three months.

Source: QFREB by Centris®

In the Montréal area, generally speaking, sellers are no longer in a dominant position in price negotiations, as the market has become balanced in all of the area's main regions.

This increase in supply does not mean much if it is not compared to the pace of sales. The absorption rate provides us with this information by measuring the number of months needed to sell the entire inventory of condominium listings at the sales pace of the past twelve months. The absorption rate of condominiums has increased in the past year in most areas (see Table 2). In the Montréal area, generally speaking, sellers are no longer in a dominant position in price negotiations, as the market has become balanced in all of the area's main regions. On the Island of Montréal and the South Shore, market conditions for condominiums shifted from a seller's market to a balanced market in recent months. The condominium market is balanced in the Québec City area, and in the Sherbrooke area buyers even have a slight advantage. Only the Gatineau area condominium market remains firmly in favour of sellers.

As a result of the relaxed market conditions, condominiums remain on the market for slightly longer before finding a buyer. Again, the trend is widespread across Québec, with the North Shore being the only exception to the rule (see Table 2). For example, in the Québec City area, the average selling time in the past three months increased by 24 days compared to the same period one year earlier. On the Island of Montréal, the average selling time increased by 20 days and by almost as much on the South Shore (19 days).

Price Growth Holds Strong, Except on the Island of Montréal

In theory, another consequence of the recent slowdown in sales, combined with the increase in the number of active listings, is reduced pressure on prices. But in reality, the situation can

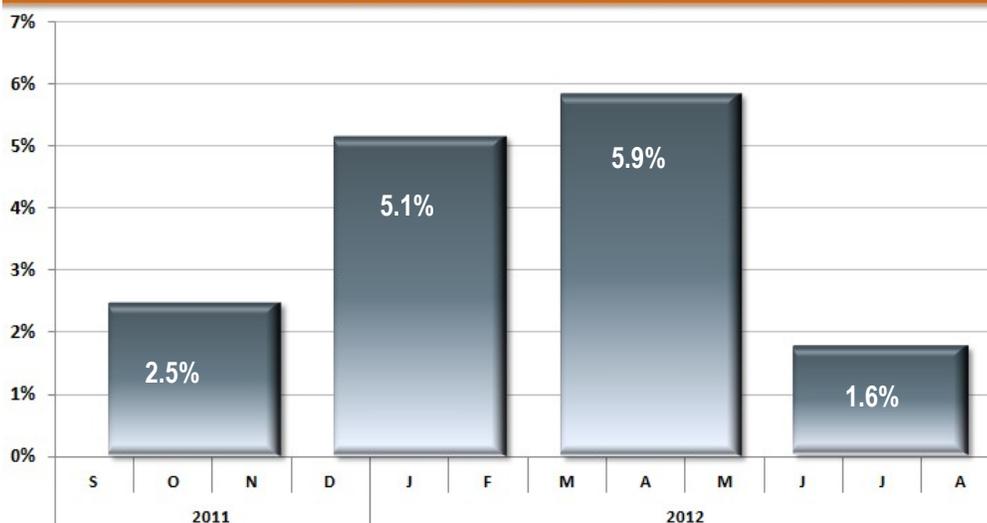
Only the Gatineau area condominium market remains firmly in favour of sellers.

sometimes be very different. Contrary to what we should have expected, price growth did not stumble in most geographic areas. It even accelerated in recent months in the Québec City and Gatineau areas, as well as on the South Shore and North Shore of Montréal. For now, only the Island of Montréal registered a deceleration in price growth for condominiums (see Chart 2). The median price of condominiums grew by 1.6 per cent on the Island of Montréal in the past three months (June to August 2012) compared to the same period last year, while it grew by 5.9 per cent between March and May 2012 compared to the same months in 2011. Price increases are therefore slowing sharply on the Island of Montréal. In fact, price growth in the past three months was the lowest since the end of 2008 when the Canadian economy was entering a recession.

Price increases are slowing sharply on the Island of Montréal.

Chart 2

Condominium Median Price Growth on the Island of Montréal (annual rate – 3-month average)



Source: QFREB by Centris®

The situation on the Island of Montréal merits special attention as condominium construction continues to grow at a steady pace, which could amplify the situation if a weakening demand for condominiums is confirmed. A surplus in supply could potentially endanger the maintenance of condo prices.

Conclusion

After a very active start to the year for condominiums, sales decreased suddenly in the past three months. Note that the decrease began in June and therefore does not coincide with the entry into force of the new mortgage insurance rules that reduced the maximum amortization period from 30 to 25 years. But because the new financing conditions that came into force in July are most likely to affect first-time buyers, who represent an important segment of condominium buyers, the decrease in sales may continue into the coming months, and thereby confirm the trend. The situation on the Island of Montréal merits special attention as condominium construction continues to grow at a steady pace¹, which could amplify the situation if a weakening demand for condominiums is confirmed. A surplus in supply could potentially endanger the maintenance of condo prices.

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

¹ According to the CMHC, there was a peak of 8,411 condominium dwellings under construction on the Island of Montréal in July 2012.

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

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