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Montréal CMA



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Small proportion of foreign investors in the Montréal area real estate market

For certain aspects of the housing market, there are data or information gaps that CMHC aims to fill. The extent of the presence of foreign investors in the real estate market is one of those aspects.

In line with its commitment to sharing insightful information as it becomes available, CMHC is releasing this report on the topic of foreign investment in the Montréal CMA. In addition to the previously released results of CMHC's survey of foreign ownership in condominiums, two other methods¹ (land register and property assessment roll) were used to measure foreign investment in the greater Montréal area.

Based on the results of the methods that we used, the presence of foreign investors in the Montréal real estate market is relatively low. This presence is concentrated in the condominium segment, especially in the central sectors of the Montréal area. These results, presented at a round table on foreign investment organized by CMHC, were corroborated by several industry players.

¹ The biases related to these methods are also presented.

The data shows that there are not necessarily more foreign investors in newer or larger condominium buildings. According to our data, the majority of foreign investors own just one condominium unit in the Montréal area². The United States and France are also the top countries where foreign investors come from.

As a result, given the small number of foreign investors in the Montréal real estate market, the risks related to their presence seem rather limited overall³.

In addition, the data further revealed that speculation (quick resale of dwellings within one year) is relatively infrequent in the Montréal CMA, among both foreign and domestic buyers. In light of the data, it would appear that most foreign investments are made in a medium- to long-term perspective, rather than a short-term view.

As well, considering their limited numbers, foreign investors have very little impact on house prices in the greater Montréal area. Still, the data suggests that the units they are buying are generally in higher price ranges than those purchased by local buyers.

Lastly, according to an analysis of some 1,880 condominiums located in the central sectors of Montréal, only 4 per cent of them had been left vacant by their owners last year (or were still unsold), as shown by their very low electricity consumption. However, out of these 1,880 units, 61 were owned by foreign investors, and the data indicates that 11 per cent of them had been left vacant in 2015.

Table 1 : Proportions (%) of Foreign Owners on the Condominium Market in 2015

Geographic Sector*	% of Foreign Owners
Montréal CMA	1.3
Downtown Montréal	4.9

* Downtown Montréal also includes the Île-des-Sœurs sector.

Source : CMHC

This consequently does not represent a large number of condominiums, and the result should not be generalized to the entire CMA at this stage, but a more detailed and refined analysis will still be undertaken on this topic in order to provide a more complete picture of this situation by geographic area in the Montréal CMA.

What is a foreign investor?

Before getting to the heart of the matter, it would be appropriate to provide a definition of a foreign investor. In this report, we have defined a foreign investor as a person whose primary residence is outside of Canada⁴.

The report comprises four parts. The first three present the methods used to measure foreign investment as well as the results and biases related to each method, and the last part concerns the issue of whether the presence of foreign investors might represent a source of risk for the Montréal real estate market.

Method 1: CMHC's survey of foreign ownership in condominiums⁵

Every year, CMHC conducts a survey among condominium managers⁶ in the greater Montréal area in order to measure, among other things, the proportion of condominiums offered for rent on the market. As part of the same survey, respondents are also asked to indicate the number of condominiums in the building that are owned by foreigners.

Results

According to the 2015 survey results, around 15 per cent of condominiums were offered for rent in the Montréal CMA, and this proportion rose to about 25 per cent in the Downtown Montréal-Île-des-Sœurs sector.

The results also revealed that about 1 per cent of the condominiums in the greater Montréal area were owned by foreigners in 2015 and that this proportion was 5 per cent in the Downtown Montréal-Île-des-Sœurs sector (see table 1).

As well, the survey data shows that the proportions of foreign owners on the condominium market in the Montréal area did not vary significantly according to the year of construction of the building⁷.

² In this specific case, the Montréal area refers to the city of Montréal, not the CMA.

³ For example, foreign investment may be more mobile and more likely to lead to capital flight and increase housing market volatility.

⁴ In the next sections of the report, the biases related to the use of this definition are presented.

⁵ See the December 2015 issue of Housing Market Insight – Canada.

⁶ The survey data is obtained from the property management firm, the board of directors or the superintendent of the condominium project and may be collected on site if no telephone contact could be made.

⁷ See the April 2016 issue of Housing Market Insight – Canada.

Possible biases

While these overall results have provided us with more information on the phenomenon of foreign investors on the Montréal real estate market, two biases related to the method used should be mentioned:

- The data provided by the respondents could be approximate in some cases. The presence of foreign owners could therefore be overestimated or underestimated.
- Some respondents had a register with the addresses where condominium owners could be reached. Such registers could help determine the number of owners with an address outside of Canada, in other words, foreign owners.

However, there is nothing preventing foreign investors from using a local address for correspondence, in which case the number of foreign investors on the market could be underestimated.

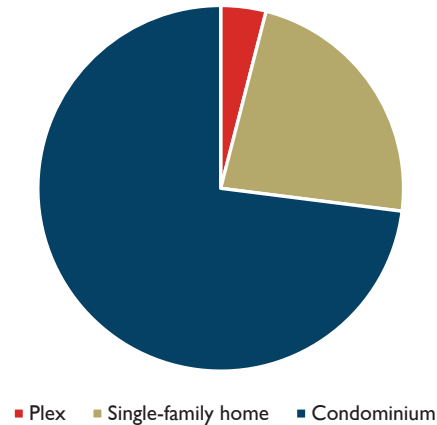
As well, the foreign address may also be that of a Canadian living abroad (or that of an immigrant who will soon be settling in Canada), which would result in the overestimation of the number of foreign investors in Montréal.

It is unfortunately impossible for us to quantify the significance of these biases accurately⁸. And, while this is not a bias, CMHC's survey covers only the condominium market; no information is collected on other market segments, such as single-family homes.

These segments will be discussed in the parts on the other methods.

Figure 1

Proportions (%) of Foreign Buyers by Intended Market in the Montréal CMA in 2015



Source: JLR, CMHC compilation and calculations

Table 2 : Proportions (%) of Condominiums Purchased by Foreigners by Geographic Sector in the Montréal CMA in 2015

Geographic Sector	Proportion (%)
City of Montréal	82.7
Borough of Ville-Marie	39.9
Borough of Le Plateau-Mont-Royal	11.9
Borough of Le Sud-Ouest	9.1
Borough of Verdun	4.9
Borough of CDN-NDG	4.3
Other boroughs	12.6
Laval	4.3
Brossard	2.7
Longueuil	1.5
Westmount	1.5
Mont-Royal	1.2
Other municipalities in the CMA	6.1
CMA total	100

Source : JLR, CMHC compilation and calculations

⁸ More details on the second bias and its significance are provided in the part on the property assessment roll method.

Method 2: Land register analysis

All property transactions in the province are notarized and published in the Government of Quebec land register. Notarial deeds contain many details, including the addresses of the buyer and seller of the home⁹. In cases where the address of the buyer indicated on the notarial deed was outside of Canada, we considered that the buyer was a foreign investor.

Notarial deeds also have information on certain characteristics of the dwellings purchased by these foreigners: housing type (single-family home, condominium, plex with two to five units), housing price and property location.

Results

In 2015, 0.9 per cent of residential property purchases (that is, 454 transactions) in the Montréal CMA were made by foreign investors. This proportion, albeit low, was slightly higher than the annual average of 0.4 per cent from 2005 to 2013¹⁰.

a) Breakdown of foreign investors by geographic location

By using the address of the buyer indicated on the notarial deed, we can determine the countries of origin of the foreigners investing in the Montréal CMA condominium market.

According to the land register data, just under half of the foreign investors came from the United States and France, followed by, in much smaller

proportions, investors from China (8 per cent) and Saudi Arabia (5 per cent)¹¹. The data revealed that, contrary to popular belief, foreign investors do not seem to come mainly from Asian countries, including China.

Lastly, the borough of Ville-Marie—the central sector of Montréal—was, not surprisingly, the one with the greatest geographic diversity in terms of where the foreign investors came from.

b) Breakdown of foreign investors by intended market

Not at all housing types generated the same level of interest among foreign buyers, though. In 2015, the dwellings acquired by foreigners were mostly condominiums, followed by single-family homes and plexes (see figure 1).

Given that the presence of foreign investors is concentrated in the condominium market, we will first discuss the results for this market and then review those obtained for the single-family home and plex segments.

c) Foreign investors on the condominium market by geographic sector in the CMA

Foreign investors on the condominium market in the Montréal CMA are mainly in one municipality: the city of Montréal. In fact, this municipality accounted for more than 80 per cent of all transactions made by foreign investors in the CMA (see table 2). The boroughs where foreign investors were most active were Ville-Marie, Le Plateau-Mont-

Royal, Le Sud-Ouest (especially the Griffintown sector) and, to a lesser extent, Verdun (especially the Île-des-Sœurs sector) and Côte-des-Neiges–Notre-Dame-de-Grâce (CDN–NDG).

The presence of foreign investors was also noted in a few other municipalities on the island and in the suburbs of Montréal, but it was not comparable to that observed in the city of Montréal.

Of all the data on foreign investors in the condominium market, the results for Ville-Marie are particularly interesting.

In fact, out of all the condominiums purchased in the Montréal CMA in 2015 (by all buyers combined, foreign or not), one in ten is located in Ville-Marie. But a look at just the condominiums purchased by foreign investors shows that four in ten are in this borough.

In other words, when buying a condominium, a considerable proportion of foreigners opted for Ville-Marie, contrary to local buyers. The same phenomenon was observed, but to a lesser extent, in the borough of Le Plateau-Mont-Royal.

d) Foreign investors on the single-family home and plex markets by geographic sector in the CMA

The geographic distribution across the Montréal CMA of dwellings purchased by foreigners in 2015 was much more heterogeneous for single-family homes than for condominiums. In the first segment, only 25 per cent

⁹ The firm JLR compiles all transactions sent to the Quebec land register, which allows for them to be analyzed according to several criteria: housing type, property price, property address, buyer and seller addresses, etc. The data used in this part comes from a special compilation that we obtained from the firm JLR. The information on the origin of the buyer was however unknown for a small number of transactions.

¹⁰ Source: Étude JLR, Acheteurs étrangers au Québec (partie I), Les acheteurs résidant hors du Canada de 2005 à 2013.

¹¹ Given the limited number of dwellings purchased by foreigners in the CMA, the data cover the period from 2013 to 2015. The figures were also different for certain geographic sectors. In Brossard, for example, about one third of the investors came from China. In the city of Montréal, most of the foreigners having purchased condominiums in the boroughs of Le Plateau-Mont-Royal and Rosemont–La Petite-Patrie were from France. The data would appear to reflect the composition of the immigration in these various sectors.

of the dwellings acquired by foreign investors are located in the city of Montréal, compared to more than 80 per cent in the second.

These proportions also reflect the fact that the single-family home stock is relatively smaller than the condominium stock in the city of Montréal. Table 3 shows some of the municipalities in the CMA with the largest proportions of foreign buyers.

There were several South Shore municipalities in this list, but Brossard and Longueuil stood out, with each accounting for nearly 9 per cent of the single-family home purchases made by foreigners in the CMA.

In the case of Brossard, this proportion was all the more significant, as only 2.5 per cent of all single-family home purchases made in the CMA in 2015 (by all buyers, foreign or not) took place in this municipality.

Several municipalities located to the west of the city of Montréal (as well as Westmount and Mont-Royal) also attracted quite a few foreign buyers in the single-family home segment in 2015. Single-family home prices in these sectors are generally among the highest in the CMA.

As for plexes (with two to five units), the least popular housing type among foreign investors, 80 per cent of the purchases made by foreigners are located in the city of Montréal¹². Within the city, Le Plateau-Mont-Royal was the borough with the most foreign buyers in the plex segment. The other two noteworthy municipalities in this regard were Laval and Longueuil, which, just like Montréal, have significant rental housing stocks¹³.

Table 3 : Proportions (%) of Single-Family Homes Purchased by Foreigners by Geographic Sector in the Montréal CMA in 2015

Geographic Sector	Proportion (%)
City of Montréal	24.5
Borough of Le Plateau-Mont-Royal	3.8
Borough of Outremont	3.8
Borough of Ville-Marie	2.8
Other boroughs	14.1
Brossard	8.5
Longueuil	8.5
Westmount	4.7
Laval	3.8
Boucherville	3.8
Hudson	3.8
Baie-d'Urfé, Beaconsfield, Dorval, Mont-Royal, Montréal-Ouest, Pointe-Claire	About 2% each
Other municipalities in the CMA	30.1
CMA total	100

Source : JLR, CMHC compilation and calculations

e) Summary of results

The use of the land register method therefore led to the following three findings:

- The number of foreign investors in the Montréal real estate market is limited.
- Foreign investors are concentrated in the condominium segment.
- Foreign investors are mainly active in the more central sectors of the Montréal area.

These results corroborate those of CMHC's survey of foreign ownership in condominiums. All that's left now is to see if the property assessment method will provide results similar to those obtained using the first two methods.

Possible bias

A bias also exists in the use of land registers as a method to identify foreign investors. As was mentioned for the previous method, a foreign buyer may use a local address¹⁴ and the foreign address may also be that of a Canadian living abroad (or that of an immigrant who will soon be settling in Canada).

Method 3: Property assessment roll analysis

All dwellings in the province's housing stock are subject to a property assessment and, consequently, all owners receive an assessment for their properties. Owners must in fact indicate to the issuing municipality the address where they want to receive their assessments. This information, for all municipalities in Quebec,

¹² Given the limited number of plexes purchased by foreigners in the CMA, the data on plexes cover the period from 2013 to 2015. The data analysis for condominiums and single-family homes, it should be recalled, concerned the year 2015 only.

¹³ These two municipalities accounted for 10 per cent of the plex purchases made by foreigners.

¹⁴ However, the address normally indicated in the notarial deed is that of the buyer's primary residence.

is also sent to Quebec's Ministère des Affaires municipales et de l'Occupation du territoire (MAMROT).

In the vast majority of cases (we will see this in greater detail in the results section), the property assessment is sent to the same address as the dwelling for which the assessment is issued. In that situation, it can be assumed that the dwelling serves as the owner's primary residence¹⁵.

In cases where the property assessment is sent to an address other than that of the dwelling, several situations could apply:

- the dwelling serves as the owner's secondary residence;
- the dwelling is offered for rent on the market by the owner;
- the dwelling is new and unsold, and the property assessment is sent to the developer; or
- the dwelling was purchased only to be resold (in the short or medium/long term).

This list, while not complete, likely accounts for a significant portion of the housing stock for which the property assessment is sent to an address other than that of the unit itself, indicating

that the dwelling generally does not serve as a primary residence¹⁶ and is owned by an investor.

Likewise, when the property assessment is sent to an address outside the country, we will consider that the dwelling is owned by a foreign investor¹⁷.

This method contrasts with that sometimes used by various stakeholders, where it is rather the name of owner on the property assessment that serves to determine whether or not the property is owned by an investor (for example, a name of Chinese origin). One of the major shortcomings of this method is that it does not take into account the great diversity of names found in an area like Montréal. As well, this method does not consider the possibility that the dwelling may be the owner's primary residence.

These supposed foreign investors may also be immigrants who bought a home. This is evidenced by data from Statistics Canada's 2011 National Household Survey indicating that 25 per cent of condominium buyers in the Montréal CMA were immigrants¹⁸. This proportion rose to about 33 per cent on the island of Montréal.

Given this major shortcoming, we used the addresses on the property assessments as the method to identify foreign investors in the Montréal real estate market¹⁹. The exercise was done for practically all condominiums and single-family homes in the Montréal CMA housing stock²⁰ for which a property assessment was issued in 2015²¹.

For plexes (with two to five units) and especially for large rental buildings, an analysis using the property assessment roll method was excluded for two reasons. First, the land registers seem to indicate a very low presence of foreign investors in the case of plexes with two to five units and, second, large rental buildings are generally owned by investors (Canadian or foreign companies), such that an analysis of the property assessment rolls would have provided little added value.

¹⁵ It is also possible that a property assessment sent directly to the dwelling is not for a primary residence. For example, a tenant of a condominium could give the mail to the owner of the unit when the rent is collected.

¹⁶ It also sometimes happens that the property assessment is sent to two different addresses. These two addresses may be different from that of the dwelling for which the assessment is issued, but it is also possible that the assessment is sent to the address of the dwelling and also to another address. One possible example of this last situation is the case of parents who buy a condominium in Montréal for a child going to school. The property assessment is then sent to the condominium where the child lives and to the parents' primary residence. In this particular case, the condominium appears to be more of a temporary home than a permanent one for the user. When the property assessment of a dwelling in the Montréal CMA is sent to one or two addresses different from that of the dwelling itself, we will establish that this dwelling is owned by an investor (as it is not the person's primary residence). It should also be mentioned that, although this rarely happens, some property assessments may be sent to three or four different addresses.

¹⁷ For methodological reasons, it is possible that some investor-owned units were not enumerated. For example, it was impossible for us to identify investors in the condominium market who would be in the following situation: a person living in a unit in a condominium building and owning another unit in the same building as an investor (for example, a person lives at 100 Restoria, in apartment 101, and also owns apartment 303 at the same address). After a summary analysis, we determined that these specific cases, although possible, seem relatively rare.

¹⁸ All immigrants, recently arrived or not.

¹⁹ This method also has biases, which we will discuss later on.

²⁰ To simplify the analysis of the significant volume of property assessments issued in the Montréal CMA, only condominium buildings of three or more units and single-family homes with an address having just one civic number were analyzed. These restrictions did however reduce the number of property assessments analyzed in relation to all available assessments.

²¹ It can sometimes take up to a year for a property assessment to be issued for a new construction. The most recent assessments that were analyzed in this report were generally for dwellings built in 2014.

Results

a) Breakdown of foreign investors by geographic location and by intended market

In the Montréal CMA in 2015, 75 per cent of the property assessments sent abroad were for condominiums and 25 per cent were for single-family homes²². The United States and France were again the top countries where foreign investors came from²³. In fact, these results were similar to those obtained using the land register method.

We will begin by analyzing the results obtained for condominiums, as this market segment accounts for the largest proportion of property assessments sent abroad.

b) Foreign investors on the condominium market by geographic sector in the CMA

While the vast majority of foreign investors in the Montréal CMA are concentrated in the condominium segment, the results varied from one geographic sector to another. Not surprisingly, among all municipalities in the CMA, the city of Montréal had the most foreign investors. This was also the sector with the greatest total number of investors (Canadian and foreign).

In fact, the city of Montréal accounted for 60 per cent of all investors and nearly 90 per cent of

foreign investors. Within the city of Montréal, the borough of Ville-Marie had just under half of the foreign investors (45 per cent), followed by the borough of Le Plateau-Mont-Royal and the Griffintown and Île-des-Sœurs sectors²⁴, with smaller proportions (approximately 10 per cent in each case).

While it is interesting to look at the geographic zones with the greatest absolute numbers of investors, it is also worthwhile to compare the proportion of investors with the size of the condominium stock in each of these zones.

In 2015, 17.4 per cent of the property assessments for condominiums in the Montréal CMA were sent to another address (see table 4). In other words, there were about 17 per cent of investors in the Montréal area condominium market. This proportion was in fact relatively similar to that obtained from CMHC's 2015 rental condominium survey (15 per cent).

The percentage of foreign investors identified using the property assessment rolls was, however, relatively low, at 0.4 per cent. This result seems to confirm the data from CMHC's survey of foreign ownership in condominiums, which also revealed a rather limited percentage of foreign investors (1.3 per cent).

Within the CMA, the central sectors (Ville-Marie, Le Plateau-Mont-Royal, Griffintown and Île-des-Sœurs²⁵) had the highest proportions of investors (foreign or not).

It should also be noted that, when we combined the Ville-Marie and Île-des-Sœurs sectors, we got a total percentage of investors (Canadian and foreign) of 27.6 per cent, a proportion similar to that obtained from CMHC's 2015 rental condominium survey (25 per cent).

Again using the property assessment roll method, the proportions of foreign investors in the borough of Ville-Marie and the Île-des-Sœurs sector were also limited (2 per cent and 1 per cent, respectively), below the percentage obtained from CMHC's survey of foreign ownership (5 per cent).

c) Foreign investors on the condominium market by year of construction of buildings

We also determined, for the most popular sectors and boroughs of the city of Montréal, if there was a greater percentage of investors (foreign or not) in newer condominium buildings.

Overall, there does not seem to be any relationship between the year of construction of the building and the proportion of investors²⁶. In fact, in the case of Ville-Marie, older buildings

²² Reminder: The rental market was excluded from the analysis using the property assessment roll method.

²³ In this report, the identification of foreign investors using mailing addresses was generally done by isolating postal codes that were not Canadian. Given the significant volume of property assessments and also because the name of the country of the foreign investor is not always clearly indicated in the mailing address (sometimes, only the city is given), the information on where foreign investors came from was drawn from the following article: Des comptes de taxes foncières envoyés dans des paradis fiscaux (<http://journalmetro.com/actualites/montreal/918319/des-comptes-de-taxes-foncières-envoyés-dans-des-paradis-fiscaux>). The authors, Naël Shiab and Matthieu Charest, indicate that, for the city of Montréal (not the CMA) in 2016, foreign investors came mainly from the United States and France. Knowing that Montréal is the municipality that receives the most foreign investors in the CMA, we deemed that these results also applied to the CMA.

²⁴ The Griffintown sector is part of the borough of Le Sud-Ouest, and the Île-des-Sœurs sector is part of the borough of Verdun. As well, these sectors and the boroughs of the city of Montréal were recreated using the first three characters of the postal codes (forward sortation area [FSA]). They therefore do not exactly match the actual limits of the city of Montréal boroughs. In addition, a computer program had to be used to generate the FSAs for each of the addresses of these condominiums, and a small percentage of condominiums could not be assigned to any FSA. It is also possible that some condominiums were assigned to the wrong FSA.

²⁵ The total percentage of investors (foreign or not) was also relatively significant in Laval, but this was one of the sectors with the lowest proportions of foreign investors.

²⁶ This finding appears to corroborate the conclusion drawn from CMHC's survey of foreign ownership on the condominium market in the Montréal CMA.

(some of which are located in Old Montréal) attracted slightly more investors than newer structures (see table 5).

Île-des-Sœurs, however, stood out from the other sectors of interest, as the total proportion of investors (all origins combined) was lower in structures built before 1980 (12 per cent) than in those constructed in 2010 or later (28 per cent).

Overall, this lack of a relationship between the condominium building year of construction and the proportion of investors appears to indicate that the decision to invest in a condominium does not depend on only one building characteristic, but rather on several (location, size, year of construction, rental performance, etc.).

d) Foreign investors on the condominium market by building size

In most of the central sectors of the CMA, with the exception of Île-des-Sœurs, there did not seem to be a greater proportion of foreign investors in higher-density buildings²⁷ either (see table 6). These larger buildings did seem to attract a greater percentage of investors overall (Canadian and foreign). Once again, the choice to invest in a condominium must depend on several characteristics, not just one, such as building size.

e) Foreign investors on the condominium market by building

While the presence of investors (all investors or only foreign investors) seems to be more significant

Table 4 : Percentages (%) of Total and Foreign Investors on the Condominium Market by Geographic Sector in the Montréal CMA in 2015		
Geographic Sector	Total Investors (%)	Foreign Investors (%)
City of Montréal	19.2	0.7
Borough of Ville-Marie	30.4	2.00
Borough of Le Plateau-Mont-Royal	19.9	1.19
Griffintown sector	34.0	1.28
Île-des-Sœurs sector	19.0	1.15
Other boroughs*	15.6	0.28
Island of Montréal (excl. the city of Montréal)	11.9	0.21
Laval	19.2	0.11
North Shore	13.4	0.03
South Shore	15.1	0.14
Vaudreuil-Soulanges	18.4	0.14
Montréal CMA	17.4	0.42

* The borough of Le Sud-Ouest excludes the Griffintown sector, and the borough of Verdun excludes the Île-des-Sœurs sector.

Source : MAMROT, CMHC compilation and calculations

Table 5 : Percentages (%) of Total and Foreign Investors by Condominium Building Year of Construction in the Borough of Ville-Marie in 2015		
Year of Construction	Total Investors (%)	Foreign Investors (%)
2010 and after	30.6	0.56
2000-2009	29.1	2.45
1980-1999	27.2	1.77
1950-1979	31.2	2.07
Before 1950	32.2	2.81
Total	30.4	2.00

Source : MAMROT, CMHC compilation and calculations

in certain sectors of the city of Montréal, the results can vary considerably from one building to another, which reinforces the idea that the choice to invest in a condominium depends on several factors, including the features specific to each of the buildings. As an indication, map 1 shows the

proportion of foreign investors by building in the central sectors of Montréal.

²⁷ It is possible that the size of certain buildings used in the analysis was incorrect. For example, two 60-unit buildings in the same housing project may have been considered as one 120-unit building. The results must therefore be used with caution. As well, the data on condominium buildings with fewer than 20 units was not presented, as a significant proportion of these buildings were semi-detached or row condominiums.

f) Foreign investors owning several condominiums

Another question that we wanted to answer was whether or not individuals (or companies) owned several condominiums for investment purposes in the Montréal market. To find out, we checked for cases where several condominium property assessments were sent to a single address. This exercise was done for the city of Montréal only, given the strong presence of investors on the condominium market in this sector and also for methodological reasons²⁸.

Among foreign investors, 86 per cent owned only one condominium in the city of Montréal, 10.5 per cent had two, 2.5 per cent held three and just 1 per cent had purchased four. The presence of foreign investors who owned several units (or institutional foreign investors) therefore appears to be very marginal.

In the case of all investors (Canadian and foreign), 64 per cent had only one condominium. When those owning up to five units were added, the proportion climbed to 86 per cent. There were still 6 per cent of investors who owned more than 50 condominiums in the city of Montréal. After analyzing these cases, we found that most of them were in fact developers operating in the Montréal condominium market. These units were probably either unsold or used for rental purposes by the developers. Property management firms were also among the investors with several units. Once again, the data would appear to indicate that there are few investors (foreign or not) who own a large number of condominiums for investment purposes on the Montréal

Geographic Sector	20 to 49 Units	50 to 99 Units	100 Units +
Ville-Marie – Total investors	33.2	30.5	35.5
Ville-Marie – Foreign investors	2.8	2.7	1.9
Griffintown – Total investors	24.2	31.7	36.5
Griffintown – Foreign investors	1.7	1.5	1.1
Île-des-Sœurs – Total investors	17.8	17.3	20.8
Île-des-Sœurs – Foreign investors	0.0	1.0	1.3

*Buildings of 20 or more units.

Source : MAMROT, CMHC compilation and calculations.

real estate market. Let's now take a look at the results obtained for the single-family home segment and see how they differ from those of the condominium market.

g) Foreign investors on the single-family home market

The geographic distribution of foreign investors across the Montréal CMA was much less uniform for single-family homes than for condominiums, as less than one third had a single-family home in the city of Montréal, 20 per cent on the South Shore, 16 per cent on the island of Montréal²⁹, 13 per cent in Vaudreuil-Soulanges, 12 per cent on the North Shore and 7 per cent in Laval. Map 2 shows the geographic distribution of foreign investors in single-family homes in the CMA.

As we previously did for condominiums, we will examine the proportion of investors in relation to the size of the single-family home stock in each of the sectors in the Montréal CMA (see table 7).

In the Montréal CMA, there were less than 5 per cent of investors (Canadian and foreign) in the single-family home segment in 2015, a much lower proportion than in the condominium market (17 per cent). The percentages of foreign investors were also very low in these two segments, at 0.05 per cent and 0.42 per cent, respectively.

As well, among the various municipalities making up the CMA, none had more than 1 per cent of foreign investors, in relation to their respective single-family home stocks. The municipalities of Hudson and Senneville were the closest, with 0.6 per cent.

h) Summary of results

The use of the property assessment roll method resulted in the following three findings, which were similar to those obtained using the CMHC survey and land register methods:

- The number of foreign investors in the Montréal real estate market is limited.

²⁸ In the property assessment roll database, the mailing addresses where the assessments were sent often had components that were written differently (for example, the municipality of Saint-Lazare could be written Saint-Lazare, St-Lazare, etc.). In addition, there were sometimes spelling mistakes in the names of municipalities or streets. Because of these differences and mistakes, we limited our analysis to the city of Montréal.

²⁹ Excluding the city of Montréal.

- Foreign investors are concentrated in the condominium segment.
- Foreign investors are mainly active in the more central sectors of the Montréal area.

The results obtained using these various methods were presented at a round table on foreign investment organized by CMHC in May 2016. Several industry players who attended that round table corroborated the results that we got (see the text box for more details).

Possible bias

Like for the previous two methods, there is a bias in using property assessment rolls as a source of information to measure foreign investment. It is once again the one concerning the use of a local address by a foreigner (or the use of a foreign address by a Canadian).

Still, for this method, it is possible to push the analysis slightly further considering this bias. To this end, let's continue to assume that all investors, foreign or not, systematically have the property

Table 7 : Percentages (%) of Total and Foreign Investors on the Single-Family Home Market by Geographic Sector in the Montréal CMA in 2015		
Geographic Sector	Total Investors (%)	Foreign Investors (%)
City of Montréal	9.9	0.10
Island of Montréal (excl. the city of Montréal)	7.0	0.09
Laval	2.3	0.02
North Shore	3.9	0.02
South Shore	3.2	0.03
Vaudreuil-Soulanges	4.5	0.10
Montréal CMA	4.7	0.05

Source : MAMROT, CMHC compilation and calculations

assessment for the unit in which they invested sent to another address.

That way, when a foreign investor uses a local address, we identify this investor in the category of total investors (Canadian and foreign), for which we previously provided the figures.

On the Montréal CMA condominium market, the percentage of foreign investors was 0.4 per cent, while the proportion of all investors (foreign or not) was 17.4 per cent.

If this bias really exists, the proportion of foreign investors in the CMA may be higher than 0.4 per cent but could not exceed 17 per cent. However, according to the results obtained using the previous two methods, the aspects learned at the round table and our experience with the market, quite a few investors are in fact from Quebec and Canada³⁰. As a result, the actual proportion of foreign investors in the Montréal CMA is probably much closer to 0.4 per cent than to 17 per cent.

Industry round table on foreign investment in the Montréal housing market held by CMHC on May 6, 2016

Key comments issued by the participants

The participants were in agreement with our analysis, according to which the presence of foreign investors is rather limited in the Montréal area. They also agreed on the fact that this presence was mainly concentrated in downtown Montréal but likely varied from one building to another. Again according to the participants, very few buyers are companies.

Some participants also mentioned that the relatively lower housing prices in Montréal than in other major Canadian cities could be making the Montréal market attractive to foreign investors. Moreover, a portion of the foreign investor demand for housing would appear to come from Asia.

The participants in the round table also felt that foreign investment does not represent a concern for the

Montréal real estate market. Still, they did mention that it would be preferable to continue efforts to collect more information on this topic.

³⁰ And, let's not forget the foreign investors who are in fact Canadians temporarily living abroad.

Furthermore, even assuming that all companies having invested in the Montréal condominium market were in fact just investment vehicles for foreigners, the proportion of foreign owners in the CMA would only climb to 4 per cent (instead of 0.4 per cent).

Also, given that many of these companies are in fact Canadian (builders, rental condominium management firms, etc.), we can once again affirm that the proportion of foreign investors in the Montréal condominium market is much closer to 0.4 per cent than to 17 per cent.

Potential risks of foreign investment on the real estate market

If foreign investors are attracting this much interest, it is also because of the risks³¹ that their presence could generate on the real estate market. For example, foreign investment may be more mobile and more likely to lead to capital flight, which could increase volatility on the housing market.

However, given the small number of foreign investors in the Montréal real estate market, these risks seem rather limited overall.

In addition, the data would also seem to indicate that speculation (quick resale of dwellings within one year)

is relatively infrequent in the Montréal CMA. In fact, based on the data from the land register, about 2 per cent of condominiums in the Montréal CMA were resold within the space of one year, and the proportion was also low for single-family homes³². The same findings apply when using only the land register transactions conducted by foreign buyers³³. In light of the data, it would appear that most foreign investments are made in a medium- to long-term perspective, rather than a short-term view.

As well, considering their limited numbers, foreign investors have very little impact on house prices in the greater Montréal area. Still, the data suggests that the units they are buying are generally in higher price ranges than those purchased by local buyers.

For example, in 2015, the average price of condominiums purchased by foreign investors in the borough of Ville-Marie was \$445,700, while the average price of condominiums bought by local residents was \$405,900, or 10 per cent less. The difference was also about 10 per cent in the borough of Le Plateau-Mont-Royal.

With respect to prices, we also wanted to know whether foreign investors might be buying at above-market prices, for example, to be sure to get the properties of their choice. We unfortunately do not have any factual data in that regard, but

some of the participants in the round table mentioned to us that, in their experience, foreign investors were not that different from local buyers and did not want to buy properties at above-market prices either.

Lastly, according to an analysis of some 1,880 condominiums located in the central sectors of Montréal³⁴, only 4 per cent of them had been left vacant by their owners last year (or were still unsold), as shown by their very low electricity consumption³⁵. However, out of these 1,880 units, 61 were owned by foreign investors³⁶, and the data indicates that 11 per cent of them had been left vacant last year.

This consequently does not represent a large number of condominiums, and the result should not be generalized to the entire CMA at this stage, but a more detailed and refined analysis will still be undertaken on this topic in order to provide a more complete picture of this situation by geographic area in the Montréal CMA.

Overall, in light of all of the foregoing, foreign investors therefore do not appear to be posing any relatively significant risk for the Montréal real estate market at this time.

³¹ In this section, we are focusing on the aspects of foreign investment that could have a negative impact on the real estate market (increased housing market volatility, capital flight). However, foreign investors could also have positive impacts on the market. For example, condominiums offered for rent by foreign investors in a market where the vacancy rate is relatively low would increase the supply of rental housing units.

³² Source: Étude JLR, Étude statistique des flips immobiliers au Québec, Combien rapporte en moyenne un flip?

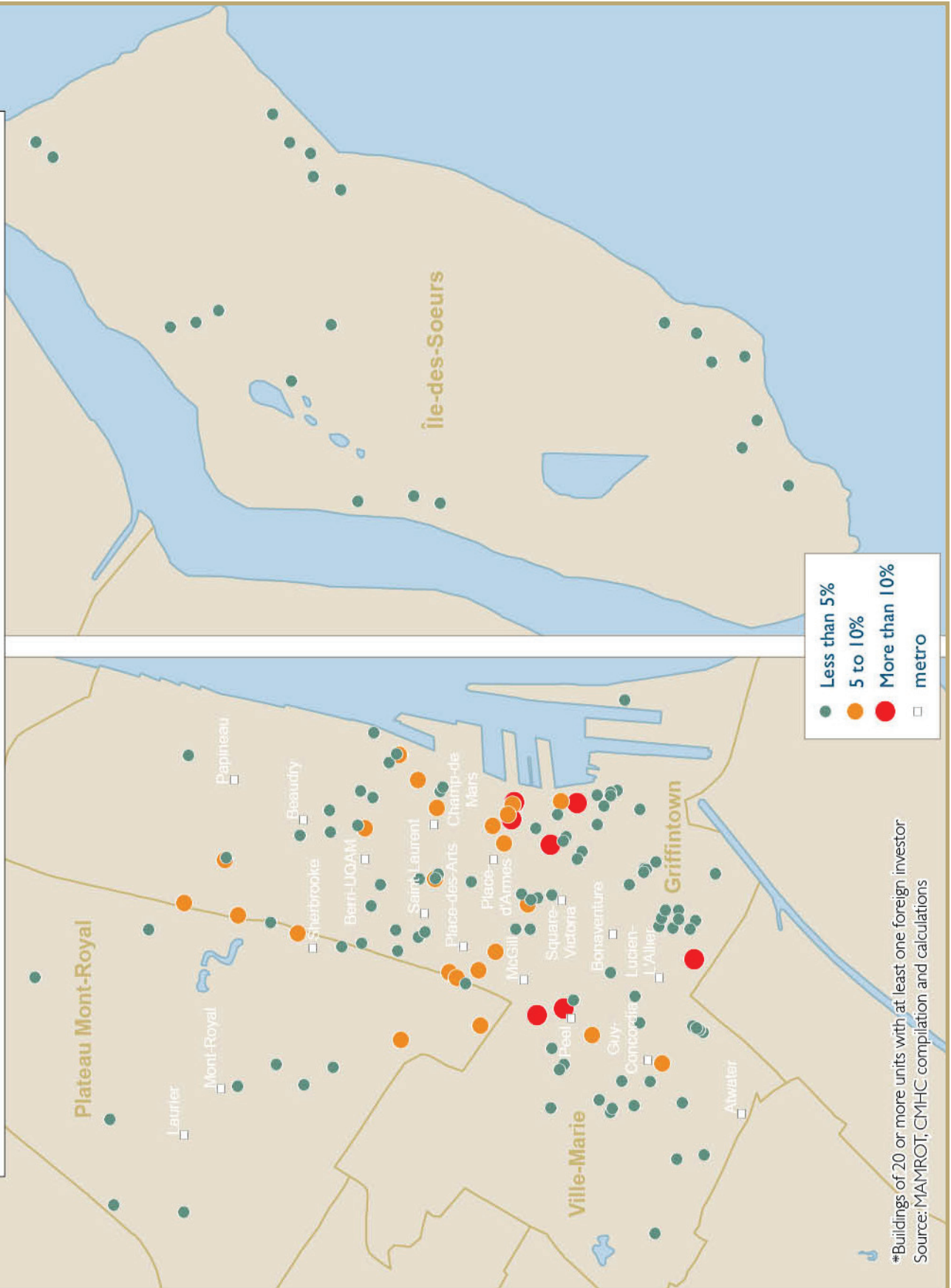
³³ For the years 2013 and 2014 and the months from January to March 2015.

³⁴ More specifically, the condominiums are located in 11 buildings in Ville-Marie, Île-des-Sœurs and Griffintown.

³⁵ In a study by Andrew Yan from BTAworks (Ownership, Occupancy, and Rentals: An indicative Sample Study of Condominiums in Downtown Vancouver), condominiums in downtown Vancouver were deemed unoccupied if they consumed less than 900 kWh a year or, in a second scenario, less than 1,200 kWh a year. Since it is generally colder in Montréal than in Vancouver in the winter (and hotter in Montréal in the summer) and also because the use of electricity as a source of energy for heating is more significant in Montréal than in Vancouver, we deemed that a condominium was unoccupied in Montréal if it consumed less than 2,000 kWh a year. To make sure that the units were effectively vacant, we also looked at the consumption levels of adjacent condominiums with similar floor areas in the same building.

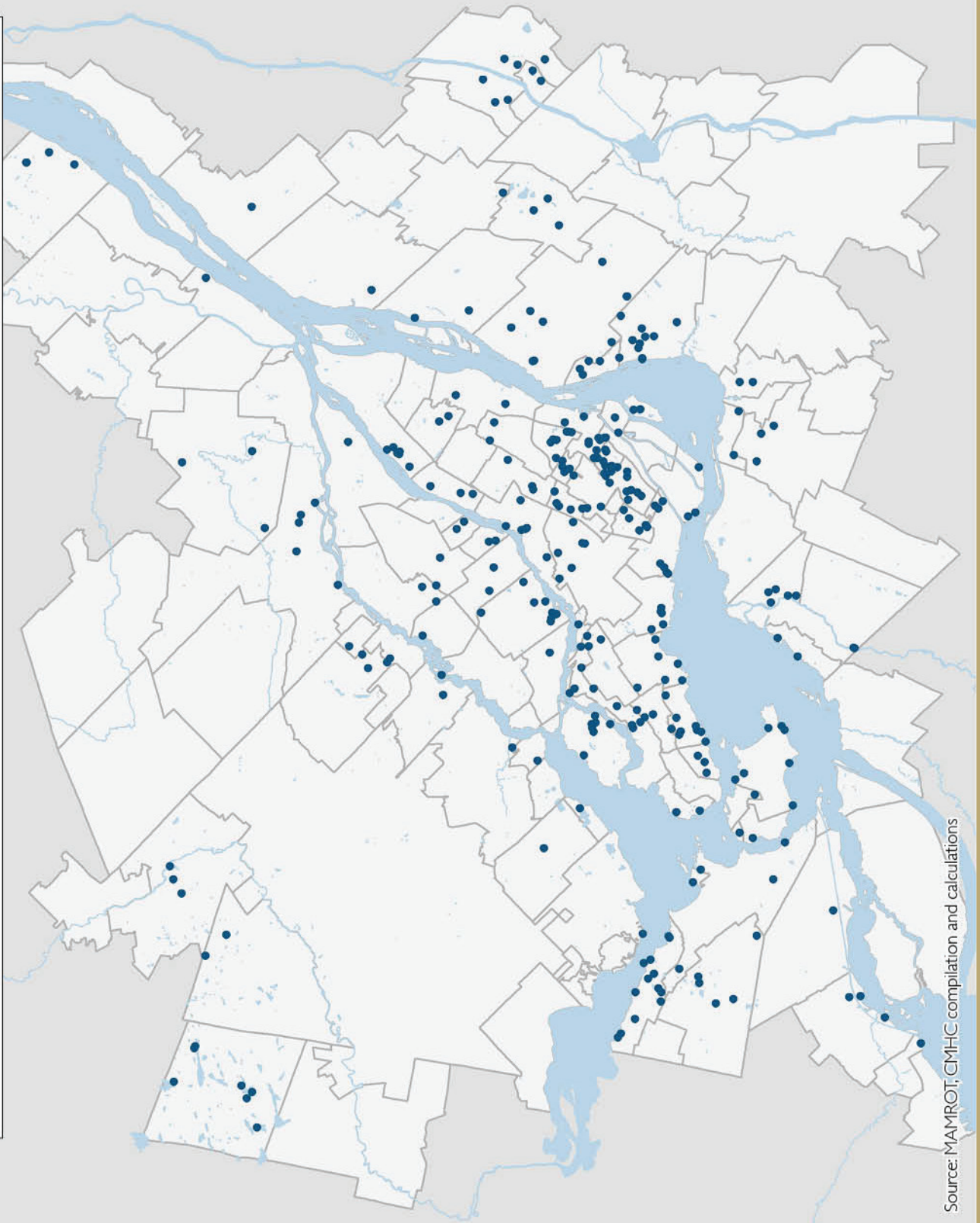
³⁶ In order to have the most current data on foreign investors in the city of Montréal, we used the data from the access to information request that served to prepare the article entitled *Des comptes de taxes foncières envoyés dans des paradis fiscaux* (<http://journalmetro.com/actualites/montreal/918319/des-comptes-de-taxes-foncieres-envoyes-dans-des-paradis-fiscaux>) by Naël Shiab and Matthieu Charest.

Map 1: Foreign investors by condominium buildings* in 2015 – central areas of Montréal



*Buildings of 20 or more units with at least one foreign investor
Source: MAMROT, CMHC compilation and calculations

Map 2: Foreign investors on the single-family homes market segment in 2015 – Montréal CMA



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