

# HOUSING MARKET INSIGHT

## Gatineau<sup>1</sup>



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: August 2016

*"In 2015, year in which the gap between supply and demand was one of the widest observed over the past few years, the increase in the average price continued in the Gatineau area, reaching 2 per cent for single-family homes and 1 per cent for condominiums. It therefore appears that certain elements, other than market conditions, can also have an impact on the evolution of average prices."*



Rosemarie Begin,  
Market Analyst

### SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation). View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

## Growth in the average housing price in Gatineau despite a market favourable to buyers: what are the sales mix effects revealing?

*The existing home market has eased over the past few years in the greater Gatineau area, which resulted in a more abundant housing supply for buyers. In theory, this should lead to a slowdown in the growth of average prices. However, this link is not always clear. In fact, in 2015, the existing home market became favourable to buyers in the single-family home segment, yet average prices rose by 2 per cent. For the condominium segment, the market eased significantly, but the growth in the average price continued—albeit at a weaker pace than at the beginning of the 2000s.*

*Consequently, other factors can be the source of the growth in the average price, such as an increase in sales in the higher price ranges. This report examines price range effects on sales of single-family homes and condominiums in the Gatineau area to determine if the rise in sales of more expensive properties could have contributed to the growth in average prices.*

*The results of this study showed that the rise in sales of homes in the higher price ranges, in fact, did push up the average price. However, this was not observed in the condominium segment.*

<sup>1</sup> Quebec part of Ottawa-Gatineau CMA

## Introduction

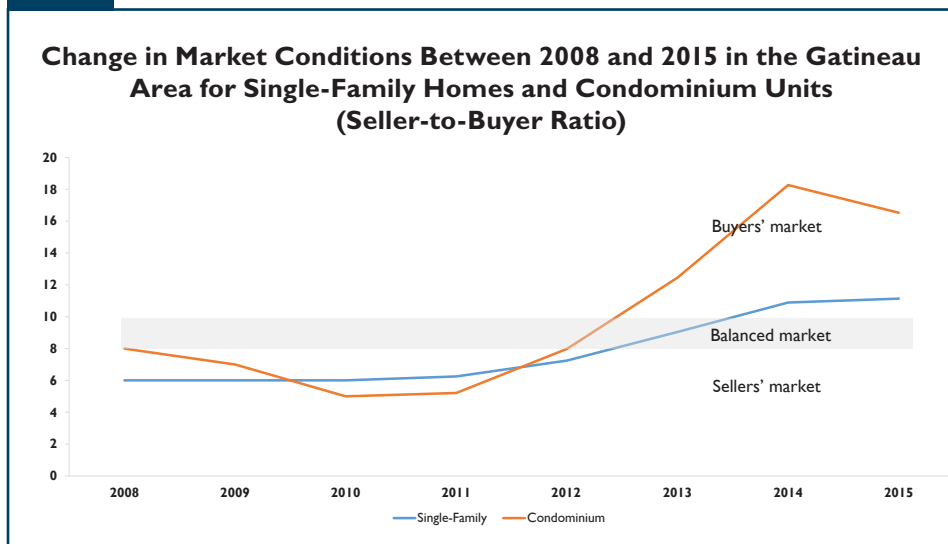
Over the past few years, the gap between supply and demand has widened on Gatineau's existing home market. Consequently, we observed a reversal in market conditions: the market favoured sellers until 2011, but is now favouring buyers, in both the single-family home and condominium segments (see figure 1)<sup>1</sup>. Therefore, buyers had a wider choice of existing homes for sale, especially in the condominium segment.

According to microeconomic theory, as the market eases, the growth of prices should slow down. This is what we see in figure 2; from 2012 to 2013, the market softened markedly, and the growth of prices went from 6 per cent to 1 per cent in the condominium segment and from 3 per cent to 2 per cent in the single-family home segment. However, the link between the softening market and the slowing growth is no longer as clear in the years after that.

For example, in 2015, year in which the gap between supply and demand was one of the widest observed over the past few years, the increase in the average price continued in the Gatineau area, reaching 2 per cent for single-family homes and 1 per cent for condominiums. It therefore appears that certain elements, other than market conditions, can also have an impact on the evolution of average prices.

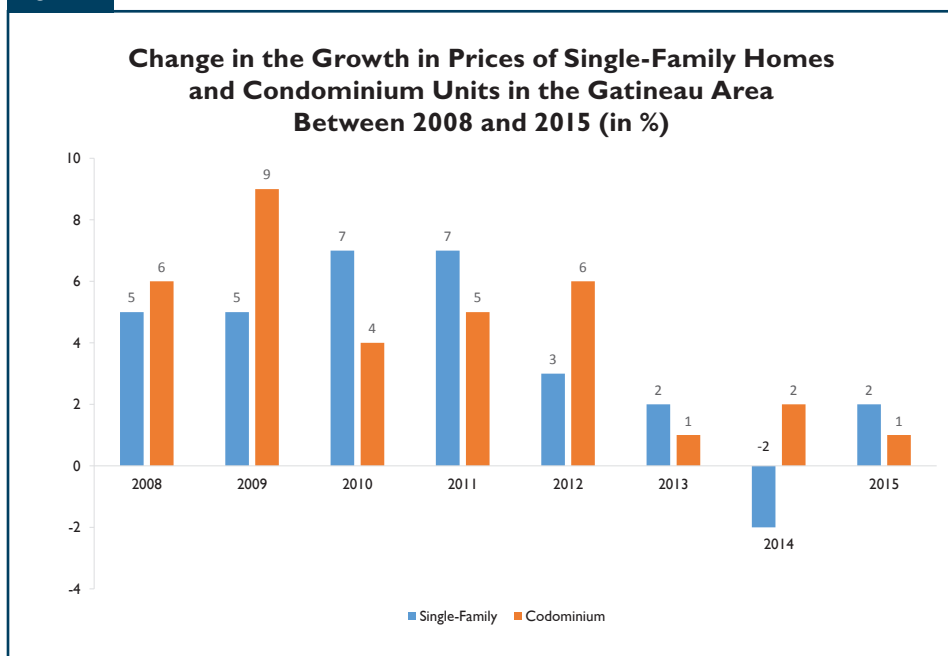
The goal of this study is to verify if a change in the sales mix, in terms of price ranges, could have impacted the growth in average prices in 2015 in the Gatineau area. If there had been more sales of homes in the higher price ranges in 2015, this would have caused the average price to rise. Although not the only factor, a price range effect on the sales mix can contribute to the increase in the average price even if the market is soft.

Figure 1



Source: QFREB by the Centris® system, CMHC calculations

Figure 2



Source: QFREB by the Centris® system, CMHC calculations

## I. Price range<sup>2</sup> effect on sales in the Gatineau area

### I.1 Price ranges: market mix in 2015

In 2015, 2,834 single-family homes and 472 condominium units changed hands in the Gatineau area, an increase of 4 per cent and 28 per cent

respectively compared to 2014. It should be noted that 2015 signalled renewed growth in sales registered through the Centris® system after five years of decrease in sales of single-family homes and four years of decline in sales of condominiums. However, sales levels and growth rates were uneven in the different price ranges in 2015.

Figure 3 shows sales levels and growth rates in each price range for both housing types discussed here.

In 2015, the average price reached \$250,400 for a single-family home and \$181,400 for a condominium unit. In figure 3, we can see that the rise in sales of single-family homes was supported by sales in the medium and higher price ranges. In the condominium segment, an increase in sales in all price ranges was observed, but especially in the higher price range. But while sales in the higher price ranges recorded the greatest increases, they only represent a small percentage of single-family home and condominium transactions made in the Gatineau area.

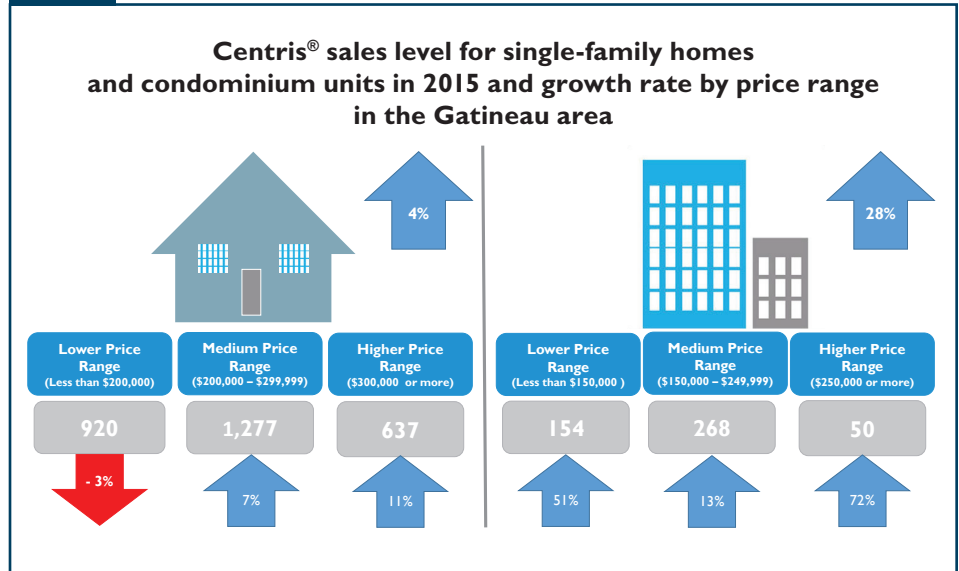
Consequently, the growth of the average price will be influenced not only by the increase in sales in the higher price range, but also by their relative significance compared to the number of transactions in each market segment (single-family and condominium). We will look at this in the next section.

## 1.2 Market shares and contribution to growth by price range

Figures 4 and 5 show the market share trend for single-family home and condominium sales in 2014 and 2015. Market shares changed slightly in the single-family housing segment, with an increase of only 1 percentage point in the medium price range, a rise of 2 percentage points in the higher price range and a decrease of 3 percentage points in the lower price range.

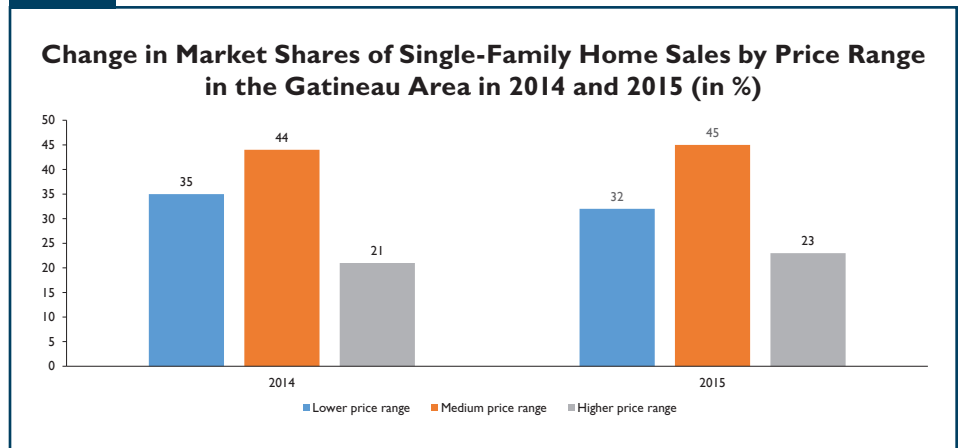
In the condominium segment, transactions in the lower and higher price range gained ground at the expense of those in the medium price range.

Figure 3



Source: QFREB by the Centris® system, CMHC calculations

Figure 4



Source: QFREB by the Centris® system, CMHC calculations

In light of this data, we can conclude that it is essentially the increase in sales of single-family homes in the medium and higher price ranges that has contributed to the rise in the average price in the Gatineau area<sup>3</sup>. In other words, despite an even softer market, the growth in sales in the higher price range caused the average price of single-family homes to continue to rise.

In the condominium segment, the growth in sales was particularly strong in 2015 (28 per cent), especially in the higher price range,

where sales climbed by 72 per cent. However, given the relatively small share of sales in this price range, this increase had little impact on the average price<sup>4</sup>. The 1-per-cent rise<sup>5</sup> in the average price can be attributed to the increase in the sale of condominiums in the medium price range.

## 2. Geographic areas that stood out

Now that we have established that a price range effect was indeed present in the single-family home segment, let us see if this phenomenon extends to all sectors of the Gatineau area.

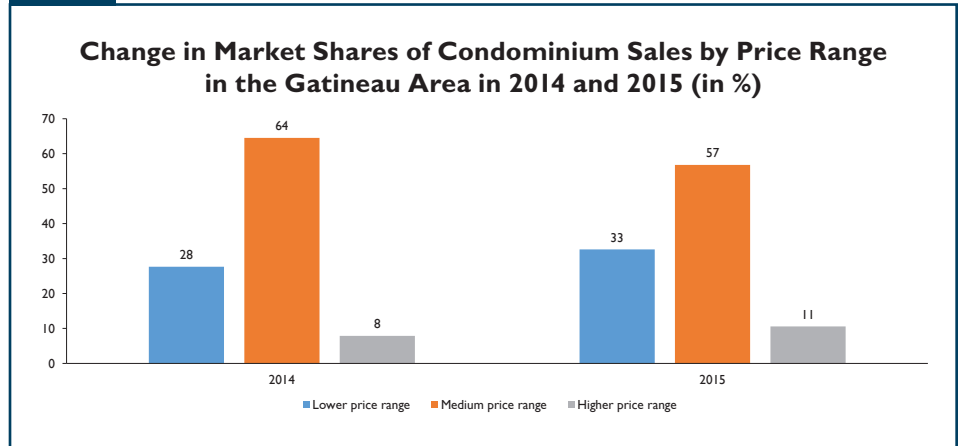
Sales of single-family homes in the higher price range are not consistent from one sector to the next, as shown in 6<sup>7</sup>. They were registered mainly in the Aylmer sector and the outlying area<sup>8</sup> (36 per cent and 29 per cent, respectively). However, it was in the Hull sector that this transaction type rose the most in 2015.

Considering the growth of sales in the higher price range and the share of these sales, some sectors further contributed to the increase in the average price of single-family homes in the Gatineau area. Aylmer is the sector who fueled the most the growth of sales in the higher price range. The outlying area and Hull also contributed to the increase in transactions in the higher price range. The Gatineau sector, for its part, rather contributed to slowing down the growth in sales in this price range<sup>9</sup>. Some sectors, Aylmer, the outlying area and Hull contributed to the growth in the average price in the Gatineau area.

### Conclusion

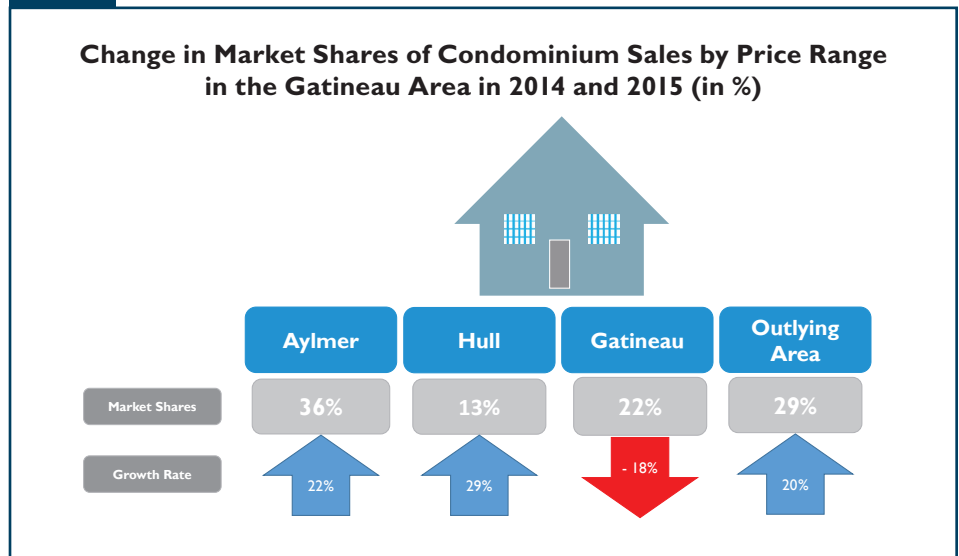
This study showed that an indicator, such as the average price, conceals a reality that requires a closer look in order to have a good understanding of the market dynamic. While the growth in the average price of single-family homes remained modest in 2015 (2 per cent), the rise in sales in the higher price range had an impact on the former. In the condominium segment, there is no indication that the increase in sales in the higher price range had an impact on the

Figure 5



Source: QFREB by the Centris<sup>®</sup> system, CMHC calculations

Figure 6



Source: QFREB by the Centris<sup>®</sup> system, CMHC calculations

average price. In fact, the rise in the average price, which is below the inflation rate, was attributable more to the growth in sales in the medium price range.

However, other avenues remain to be explored in order to better understand the market. For example, how can we explain the more significant increase in sales in the higher price range? First, the supply of single-family homes in the higher price range meets a demand from experienced buyers or buyers who simply have the means to buy a home in this price range. Second, buyers

with greater purchasing power will be more inclined to pay more for a larger property located in a prime area or which has very specific building characteristics.

At the same time, the growth in condominium prices, while the market is clearly favourable to buyers, also deserves more attention. This can be explained, in part, by a certain price rigidity. In other words, prices are adjusting slowly to changes in demand. In fact, condominium owners will prefer to leave their property on the market longer rather than to sell it at a loss.

## ENDNOTES

- <sup>1</sup> Figure 1 illustrates through the change in the seller-to-buyer ratio an easing of the existing home market. The number of sellers is measured by the number of active listings, while the number of buyers is estimated based on the number of sales. A higher seller-to-buyer ratio indicates that the gap between supply and demand is widening.
- <sup>2</sup> For the sake of simplicity, price ranges were defined as follows. The lower price range includes transactions of less than \$200,000 for a single-family home and of less than \$150,000 for a condominium. The medium price range includes transactions between \$200,000 and \$299,999 for a single-family home and between \$150,000 and \$249,999 for a condominium. Finally, the higher price range includes transactions of \$300,000 or more for a single-family home and \$250,000 or more for a condominium.
- <sup>3</sup> In fact, some 60 per cent of the growth in sales of single-family homes in Gatineau in 2015 can be attributed to the increases recorded in the higher price range, even though, this range only accounted for 20 per cent of transaction on the market. The medium price range also contributed to the growth in sales (73 per cent), while accounting for 44 per cent of sales. However, the lower price range contributed negatively to the growth in sales of single-family homes.
- <sup>4</sup> When considering growth weighted by market shares, 50 per cent of the overall growth in condominium sales can be attributed to the increase in sales in the lower price range. As for sales in the higher price range, they account for only 20 per cent of the growth. Since these categories represent 33 per cent and 11 per cent of sales respectively, this indicates that the effect of the growth in sales in the lower price range had a bigger impact on the increase in the average price of condominium units.
- <sup>5</sup> It should be noted that a 1-per-cent increase remains relatively marginal, given that the inflation rate reached 1.1 per cent in Quebec in 2015.
- <sup>6</sup> Since a price range effect in the higher price range, which would have pushed the average price up, did not have an impact in the condominium segment, an analysis by geographic sector was not made in this report for this market segment.
- <sup>7</sup> The Buckingham and Masson-Angers sectors were omitted from the graph since only three transactions in the higher price range were made in 2015.
- <sup>8</sup> The outlying area includes the municipalities of Bowman, Cantley, Chelsea, Denholm, La Pêche, l'Ange-Gardien, Mayo, Notre-Dame-de-la Salette, Pontiac, Val-des-Bois and Val-des-Monts.
- <sup>9</sup> Sales of single-family homes in the Aylmer sector alone accounted for 68 per cent of the growth in the higher price range in the Gatineau area. The outlying area and Hull contributed to this growth in a proportion of 52 per cent and 32 per cent, respectively. However, the Gatineau sector decreased the growth by 52 per cent.

## CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for almost 70 years.

CMHC helps Canadians meet their housing needs. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer objective housing research and information to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at [www.cmhc.ca](http://www.cmhc.ca) or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to [www.cmhc.ca/en/hoficlincl/homain](http://www.cmhc.ca/en/hoficlincl/homain)

For more information on MAC and the wealth of housing market information available to you, visit us today at [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation)

To subscribe to printed editions of MAC publications, call 1-800-668-2642.

©2016 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please complete the [CMHC Copyright request form](#) and email it to CMHC's Canadian Housing Information Centre at [chic@cmhc.ca](mailto:chic@cmhc.ca). For permission, please provide CHIC with the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.



# Housing market intelligence you can count on

## FREE REPORTS AVAILABLE ON-LINE

Local, regional and national analysis and data pertaining to current market conditions and future-oriented trends.

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Regional and Northern
- Housing Market Outlook, Canada and Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

## FREE DATA TABLES AVAILABLE ON-LINE

- Housing Construction Activity by Municipality
- Comprehensive Rental Market Survey Tables
- Comprehensive New Home Construction Tables

**Get the market intelligence you need today!**

**Click [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation) to view, download or subscribe.**

CMHC's Market Analysis Centre provides a wealth of local, regional, and national data, information, and analysis through its suite of reports, data tables, and interactive tools.

- **Forecasts and Analysis** – Future-oriented information about local, regional and national housing trends.
- **Statistics and Data** – Information on current housing market activities – starts, rents, vacancy rates and much more.

## HOUSING MARKET INFORMATION PORTAL!

*The housing data you want, the way you want it.*

- Information in one central location
- Quick and easy access
- Neighbourhood level data

[cmhc.ca/hmiportal](http://cmhc.ca/hmiportal)

## Housing Observer Online

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions and trends & *much more!*

All links can be shared in social media friendly formats!

**Subscribe today to stay in the know!**  
[www.cmhc.ca/observer](http://www.cmhc.ca/observer)

The screenshot shows a grid of news items with dates and headlines. Visible headlines include: 'The HMI Portal provides reliable and impartial housing market reports, data and analysis.', 'An alternative water ready home — what's the plan?', 'We have to learn to be flexible... and so does our housing', and 'What is a condo? a) An apartment b) A single family home c) A townhome d) All of the above.' At the bottom, there is a red banner with the subscription information and a social media sharing icon.