

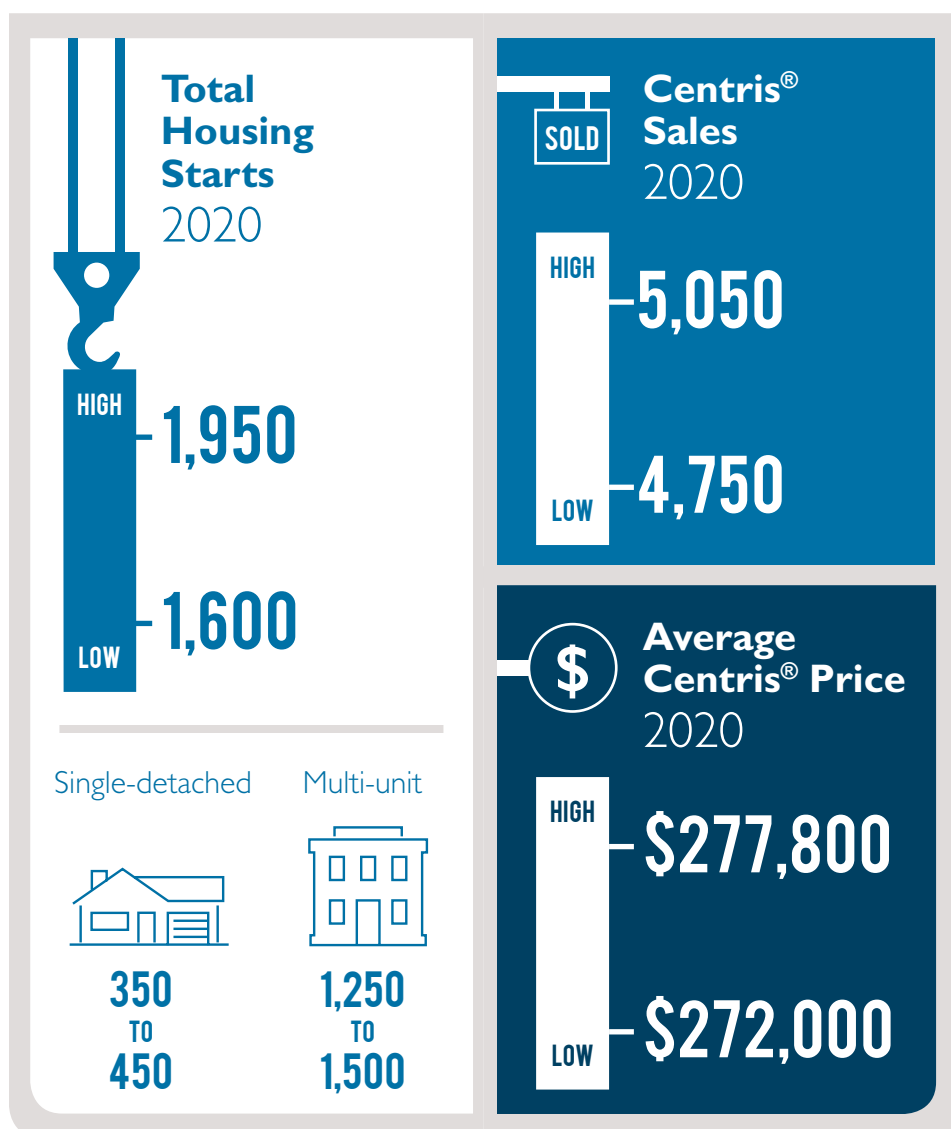
# HOUSING MARKET OUTLOOK

Gatineau<sup>1</sup>



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019<sup>2</sup>



**After growing in 2019, housing market activity in Gatineau is expected to moderate as of 2020.**

“The growth in residential construction in the Gatineau area will pick up the pace in 2019, supported by rental housing starts. Starting in 2020, activity is expected to slow down. On the resale market, the growth should also continue in 2019 before subsequently moderating, in line with the fundamentals.”

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Market Analyst

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

<sup>2</sup> The forecasts and historical data included in this document reflect information available as of September 12, 2019.

## Highlights

- Housing starts are forecast to increase significantly in 2019, supported by the growth in new rental units. Starting in 2020, activity is expected to slow down.
- Existing home sales should keep rising in 2019 but then start falling slightly in 2020.
- The rental market is expected to tighten further in 2019. The construction of new rental units should push up the vacancy rate as of 2020.

## New home market activity to keep growing in 2019 before subsequently slowing down

The residential construction recovery in the Gatineau area that began in 2016 will pick up the pace in 2019. Then, slower population growth, softer resale market conditions (greater choice of existing homes for buyers) and gradually rising interest rates should lead to a decline in starts in 2020. In 2021, the growth potential will remain limited.

In 2019, apartment starts are expected to reach their highest level in nearly 50 years. This significant increase is attributable almost exclusively to rental housing starts, which have in fact remained strong for the past few years in the area, stimulated by a historically low vacancy rate.

Condominium starts should decrease over the forecast horizon, as builders are turning to rental housing construction and continuing to clear their inventories of completed and unsold condominiums. From now until 2021, single-detached home construction is expected to decline, partly as a result of the intensification requirements applicable on the territory.

## Resale market activity expected to slow down after a particularly active 2019

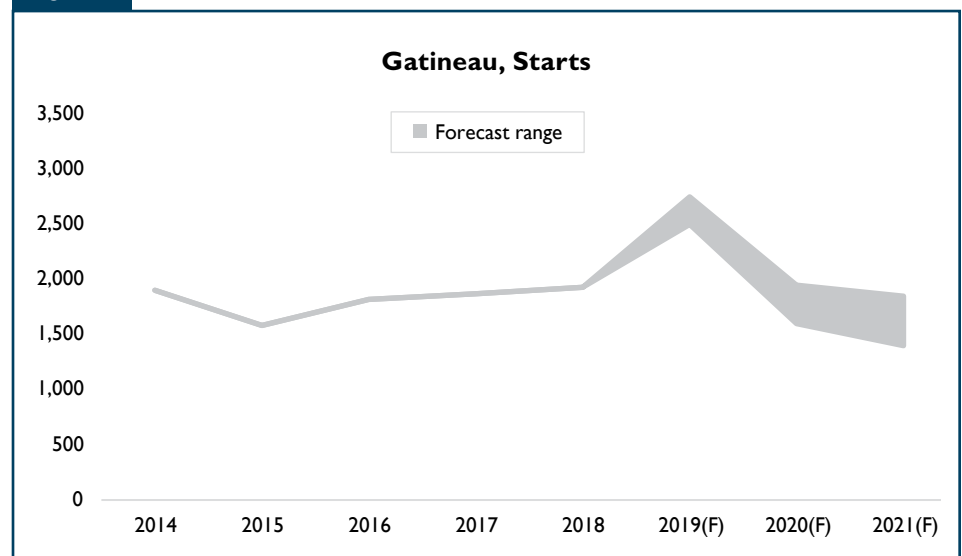
Sustained by a strong job market, transactions on the resale market will keep rising in 2019, for a fifth straight year. However, starting in 2020, we should see a slight decrease in transactions that could continue in 2021, given the low likelihood of growth. Residential sales will be limited by gradually rising interest rates and weak employment growth over the next two years.

Over the forecast horizon, this decrease in activity will cause market conditions to ease overall, as supply will grow slightly. This will curb the rise in the average Centris® price, with the growth remaining positive but a little lower than in 2018 (3.1%). The single-family home market should however stay favourable to sellers, given the limited supply.

## Vacancy rate to hit a low in 2019 before climbing back up in the following years

Rental housing supply is growing considerably in the Gatineau area. In 2019, rental housing completions will exceed the levels reached in 2017 and 2018, which were already above the average of the previous 10 years. Still, the proportion of vacant rental units will fall again in 2019, on account of the particularly strong growth in demand.

Figure 1

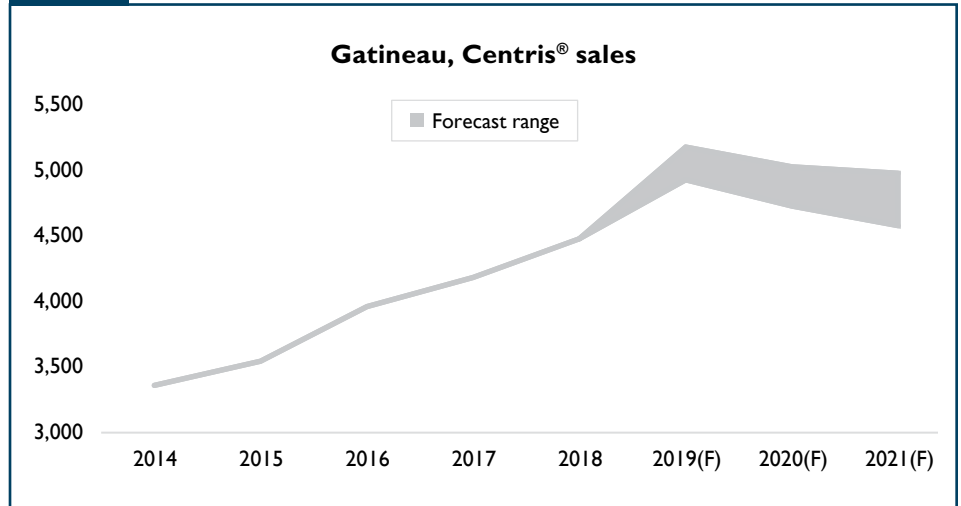


Source: CMHC  
(F): Forecast CMHC

The significant rental housing demand in 2019 will result from two factors. First, some baby boomers are progressively leaving their properties to move into rental housing, which will boost demand, given their numbers and demographic weight.<sup>3</sup> Second, as in the last two years, the pool of potential renters will increase thanks to continued high net migration.

In 2020 and 2021, the conventional rental market will ease as a result of slower job market growth, which will lessen the appeal of the area for those who were thinking of settling there. As well, the arrival on the market of many rental housing units will put increasingly greater upward pressure on the vacancy rate as of 2020. Lastly, the average rent will increase, supported by a tight rental market and the addition of new-build units.

Figure 2



Source: Quebec Professional Association of Real Estate Brokers (QPAREB) through the Centris® system  
(F): CMHC Forecast

To access regional and CMA housing market outlook reports, click on the following link: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-outlook-highlights>

<sup>3</sup> CMHC, *Housing Market Insight—Gatineau*, “Residential choices of Gatineau area households and impact of baby boomers on rental housing demand,” September 2018.

Forecast Summary Gatineau CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
<b>New Home Market</b>									
<b>Starts:</b>									
Single-Detached	375	420	413	550	600	350	450	300	400
Multiples	1,444	1,450	1,516	1,950	2,150	1,250	1,500	1,100	1,450
Starts - Total	1,819	1,870	1,929	2,500	2,750	1,600	1,950	1,400	1,850
<b>Resale Market</b>									
Centris® Sales	3,983	4,204	4,499	4,950	5,200	4,750	5,050	4,600	5,000
Centris® Average Price(\$)	244,646	254,894	262,919	268,000	271,000	272,000	277,800	275,500	284,000
<b>Economic Overview</b>									
Mortgage Rate(5 year)(%)	4.66	4.78	5.27	5.00	5.60	5.40	6.20	5.50	6.50

	2016	2017	2018	2019(F)	2020(F)	2021(F)
<b>Rental Market</b>						
October Vacancy Rate (%)	6.3	3.8	1.2	0.5	1.5	3.0
Two-bedroom Average Rent (October)(\$)	762	782	794	835	860	870
<b>Economic Overview</b>						
Population	334,359	336,965	339,875	343,500	346,500	349,500
Annual Employment Level	175,300	179,800	182,900	184,000	184,900	185,600

QPAREB by Centris®. The Centris® system contains all the listings of Quebec Real Estate Board.

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 12th September 2019. (L)= Low end of range. (H)= High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey - Market Absorption Survey - Rental Market Survey). Statistics Canada. Centris®. CMHC Forecast (2019-2021).

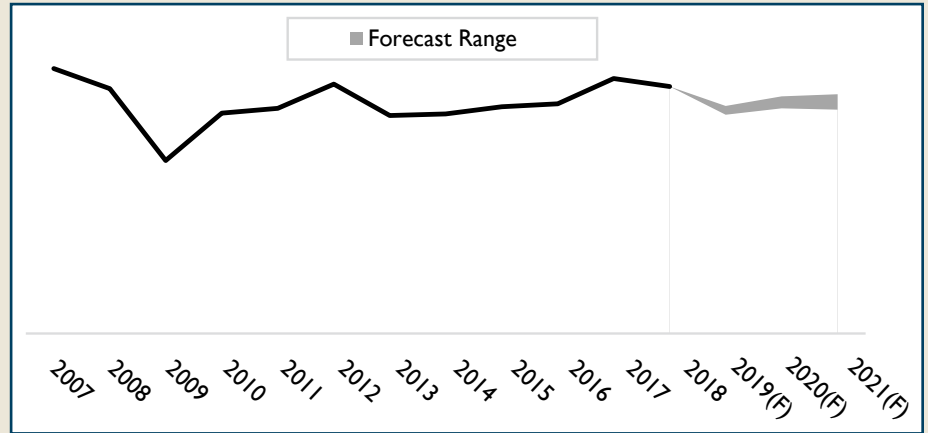
## Methodology for forecast ranges

This edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. However, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available.

The range provides a relatively precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. The range is based on the coefficient of variation\* of historical data and on past

forecast accuracy. It provides precision and direction for forecasts of housing variables,

given a specific set of assumptions for the market conditions and underlying economic fundamentals.



\* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

## DEFINITIONS AND METHODOLOGY

### **New Home Market**

Historical home starts numbers are collected through CMHC's monthly [Starts and Completions Survey](#). Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

### **Dwelling Types**

#### **Single-Detached Start:**

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

#### **Semi-Detached Start:**

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

#### **Row (or Townhouse) Start:**

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

#### **Apartment and other Starts:**

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

### **Intended Market**

#### **Freehold Start:**

Refers to the commencement of construction of a residence where the owner owns the dwelling and lot outright.

#### **Condominium (including Strata-Titled) Start:**

Refers to the commencement of construction of an individual dwelling which is privately owned, but where the building and/or the land are collectively owned by all dwelling unit owners. A condominium is a form of ownership rather than a type of house.

#### **Rental Start:**

Refers to the commencement of construction of a dwelling constructed for rental purposes regardless of who finances the structure.

#### **Average and Median Single Detached Home Prices:**

Are estimated using CMHC's [Market Absorption Survey](#), which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

#### **New Home Price Indexes:**

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

## Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Professional Association of Real Estate Brokers.

### MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

### MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

## Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

### Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

### Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

## Economic Overview

**Labour Force** variables include the Annual Employment Level, Employment Growth, Unemployment Rate.

Source: Statistics Canada's Labour Force Survey.

### Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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