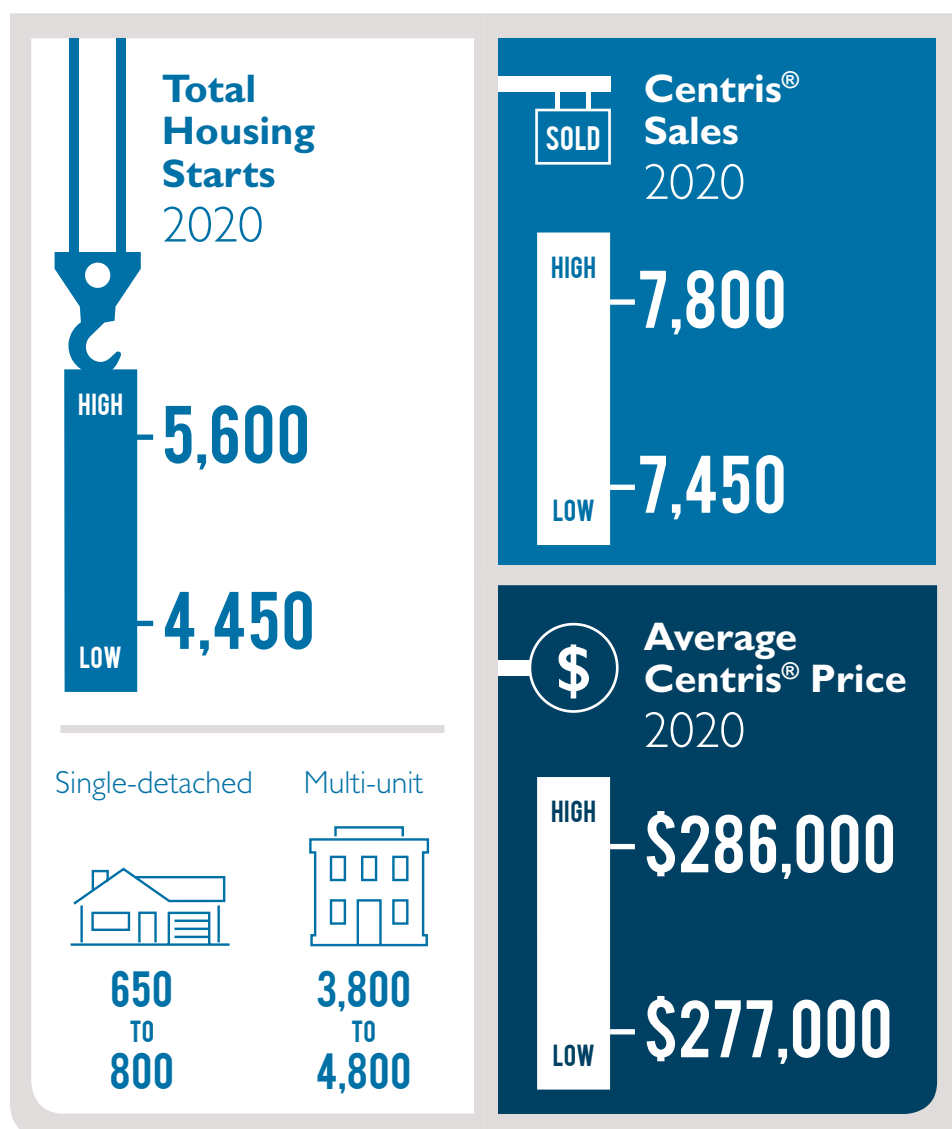


HOUSING MARKET OUTLOOK

Québec CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019¹

The strength of the job market and the aging of the population will continue to stimulate housing demand in the Québec area.

“Full-time employment growth and rising incomes in the Québec area should keep supporting residential sales next year. As well, despite a slowdown, rental housing starts will continue to drive residential construction.”

Nicolas Bernatchez
Senior Analyst, Economics

¹ The forecasts and historical data included in this document reflect information available as of September 12, 2019.

Highlights

- The robust economy in the area and income growth will continue to stimulate housing demand.
- The relatively low population growth will however limit market growth potential.
- Demographic aging will continue to support apartment demand and supply.

Resale market transactions heading for a new high

The robust economy and dynamic job market in the Québec census metropolitan area (CMA) will continue to support housing demand over the next two years.

Stimulated by the growth in full-time employment and the increase in average earnings, Centris® residential sales will reach a 10-year high in 2019. Transactions are then expected to stay relatively high in 2020 and 2021, although their pace will be slowed by the rather low population growth, particularly among young people aged 25 to 34.²

The strong demand will be supportive of a gradual decrease in inventories of properties for sale in the area. However, buyers will still have relatively abundant choice on the market overall. The average Centris® price of residential properties is therefore expected to keep growing moderately through to 2021.³

Residential construction slowdown in sight following a rebound in 2019

While the dynamic job market is also stimulating demand for new houses (single-detached, semi-detached and row homes), starts of such dwellings are anticipated to stay rather stable, or even decline slightly, over the forecast horizon. In fact, several factors, such as population aging and rising land costs, are mainly favouring new apartment demand and supply.

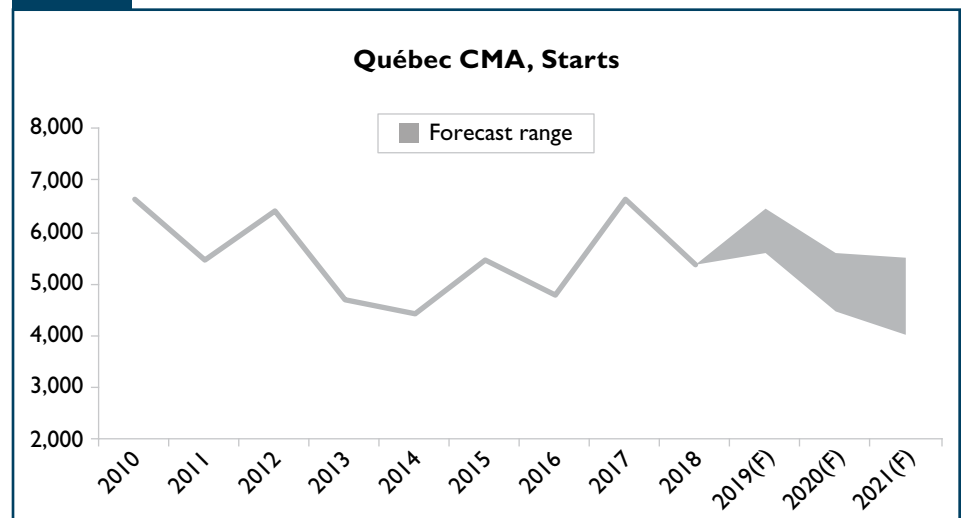
Indeed, it is thanks to the significant construction of multi-unit residential buildings that 2019 will end with an increase in total housing starts. In the Québec area, condominiums now account for only a small portion of new constructions, as most apartments started are rental housing units.⁴

Over the next two years, rental housing projects, including seniors' residences, will continue to represent the majority of the new housing units started in the area. However, activity is expected to moderate in 2020 and 2021, to help clear the large number of new rental units on the market. As a result, total starts should slow down somewhat over these two years.

Conventional rental market expected to tighten further before stabilizing

Even with the steady increase in the supply of housing units in the area, the vacancy rate for conventional rental apartments decreased over the last two years, which reflects a strong demand.

Figure 1



Source: CMHC
(F): Forecast

² According to data from Statistics Canada's 2016 Census (special compilation, CMHC calculations), about 35% of the households who bought a home between May 2015 and May 2016 were aged 25 to 34. This was the largest share of buyers among all age groups.

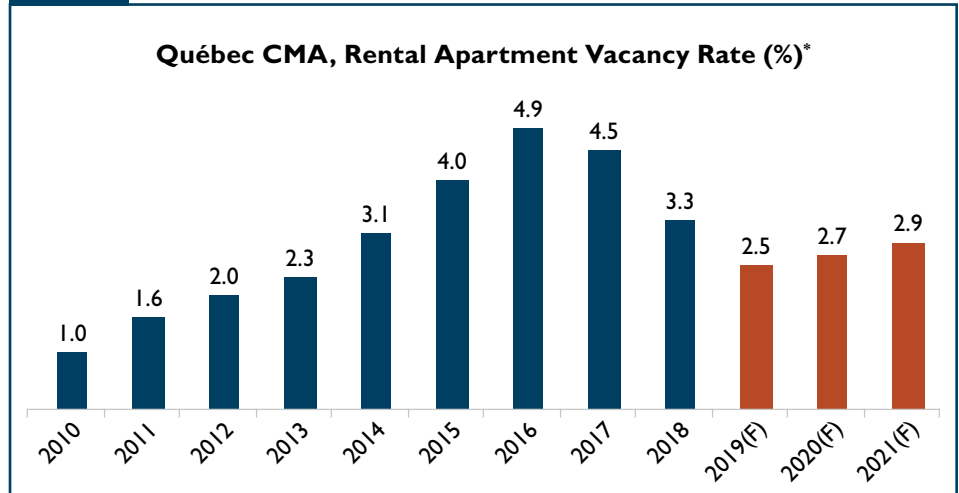
³ The average Centris® price of residential properties rose by 2.8% in 2018, for a first notable gain in five years (the growth rates were -1.1% in 2014, 0.4% in 2015, -0.2% in 2016 and 0.3% in 2017).

⁴ The term "rental condo" is now commonly used in the industry for marketing units in conventional rental structures; this can give the impression that these units are condominiums, but this is not necessarily the case.

The dynamic job market, accelerating population aging, greater presence of young people on the rental market⁵ and rising net migration in the area are among the factors that will continue to support rental housing demand over the coming years.

The decrease in the vacancy rate should therefore continue in 2019 but then take a pause next year, in 2020, given the large volume of units now under construction that will then arrive on the market. Demand and supply should subsequently keep pace with each other, and the vacancy rate will remain relatively stable. The average rent is expected to rise at a rate similar to that of recent years.⁶

Figure 2



Source: CMHC

(F): CMHC Forecast

*Private structures with three or more apartments

⁵ According to data from Statistics Canada's 2011 National Household Survey and 2016 Census, the proportion of renter households among people under age 35 increased from 60.1% in 2011 to 62.9% in 2016.

⁶ The estimated change in the average rent has averaged at 1.4% annually over the last five years.

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>

Forecast Summary Québec CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	873	810	747	690	750	650	800	600	800
Multiples	3,893	5,830	4,608	4,900	5,700	3,800	4,800	3,400	4,700
Starts - Total	4,766	6,640	5,355	5,590	6,450	4,450	5,600	4,000	5,500
Resale Market									
Centris® Sales	6,737	6,877	7,160	7,550	7,750	7,450	7,800	7,350	7,850
Centris® Average Price(\$)	264,963	265,749	273,158	276,000	280,000	277,000	286,000	277,000	292,000
Economic Overview									
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)
Rental Market						
October Vacancy Rate (%)	4.9	4.5	3.3	2.5	2.7	2.9
Two-bedroom Average Rent (October)(\$)	808	820	839	855	875	890
Economic Overview						
Population	804,916	810,723	817,408	824,000	829,500	834,900
Annual Employment Level	438,500	442,800	452,600	458,200	460,600	463,000

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).

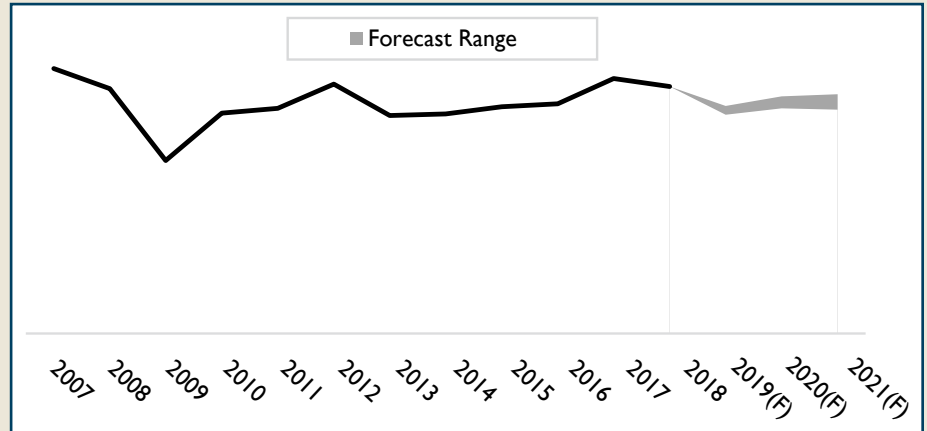
Methodology for forecast ranges

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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- Housing Market Outlook, Highlight Reports – Northern Housing
- Housing Market Outlook, Canada and Major Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Seniors' Housing Reports
- Mortgage and Consumer Credit Trends Report

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