

HOUSING MARKET INSIGHT

Sherbrooke CMA



CANADA MORTGAGE AND HOUSING CORPORATION

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"In 2016, homebuyers in the Sherbrooke area continued to present the typical profile that is generally observed in other urban centres across Quebec. Most young families opted for single-family houses, while retirees were drawn to condominiums. This split was even more apparent in 2016 than in 2011."



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Economist

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How did the homebuyer profile in the Sherbrooke area change between 2011 and 2016?

- In 2016, buyers of condominiums and plexes preferred the central borough of Des Nations. Buyers of single-family houses were strongly attracted to the former suburbs of the city of Sherbrooke, particularly the borough of Brompton–Rock Forest–Saint-Élie–Deauville.
- The homebuyer profile in 2016 shows that most young families continued to opt for single-family houses, while individuals and retirees remained drawn to condominiums.
- Between 2011 and 2016, relatively more young households bought single-family homes. This change was due, in part, to the increasingly larger supply in the area of semi-detached and row homes, which are more affordable than single-detached houses.
- Over the same period, relatively more retired households bought condominiums. This was a direct consequence of the aging of the population in the area.

Methodological note

We estimated the number of households who bought a home in 2016 (more specifically, from June 2015 to May 2016) in the Sherbrooke CMA, based on special request data from Statistics Canada's 2016 Census. A buyer is identified as a household who was a homeowner in May 2016 and who did not live at the same address a year earlier (May 2015).

According to the census data collected using the above methodology, 3,055 home purchases were made in the Sherbrooke CMA in 2016. To verify the accuracy of this figure, we checked the volume of sales in the Quebec land register through JLR's Real Estate Radar. From the third quarter of 2015 to the second quarter of 2016, 3,020 residential property purchases were registered in the Sherbrooke CMA. Our special request data from the Census are therefore very close to the land register data.

Introduction

In 2016,¹ some 3,000 households (just over 3% of all households) bought a home in the Sherbrooke census metropolitan area (CMA).² The resale market in the area was, however, marked by a slowdown in residential transactions³ and an easing of market conditions between 2011 and 2016. This decrease in activity was due, in part, to the tightening of mortgage financing rules.⁴ With these softer conditions, which housing types and which geographic sectors in the area did buyers opt for in 2016? How did the buyer profile change between 2011 and 2016? Based on the special compilations of data from Statistics Canada's 2011 and 2016 censuses, this *Housing Market Insight* issue will feature an analysis of the preferences identified among homebuyers in the Sherbrooke CMA with regard to the housing types (single-detached houses, semi-detached and row homes, condominiums and plexes) and geographic sectors selected. This analysis will help determine the factors that distinguish buyers,

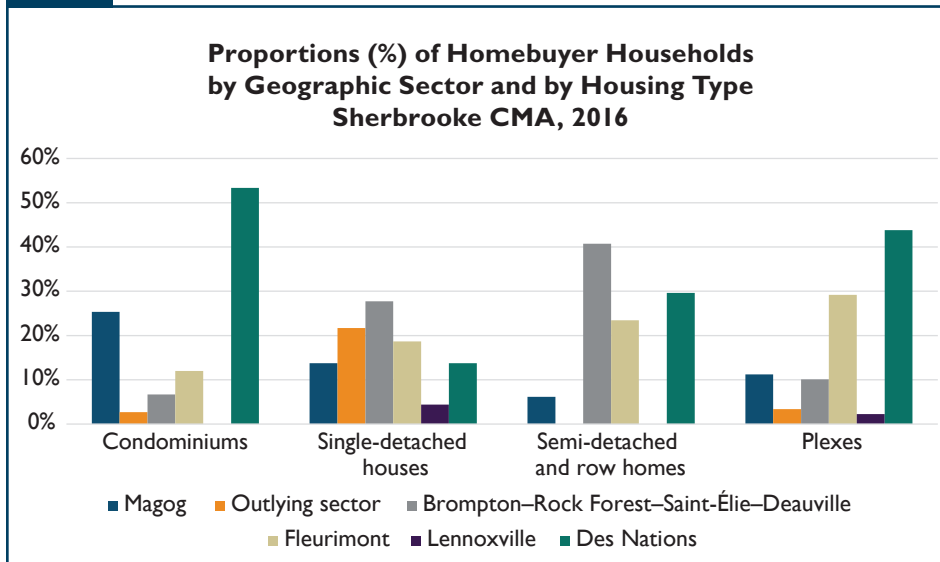
including age, income and household type. This study will also present the presumed effects of these preferences on the resale market between 2016 and 2018.

Geographic sectors chosen by buyers in 2016: most buyers of condominiums and plexes opted for the borough of Des Nations

In the Sherbrooke area, it was in the central borough of Des Nations that most purchases of apartments (condominiums and plexes) were recorded in 2016 (see figure 1). While home to only one third of Sherbrooke CMA households in 2016, this sector attracted more than half of the condominium buyers (55.3%) and 43.8% of the plex buyers. This was attributable to the relatively significant supply of apartments in this sector that covers most of the former city of Sherbrooke,⁵ including downtown.

The former suburbs of the city of Sherbrooke, on the other hand, attracted a rather significant share of buyers of single-family homes (single-detached, semi-detached and row houses). The borough of Brompton–Rock Forest–Saint-Élie–Deauville drew the largest shares of buyers of such properties, with 27.7% of the buyers of single-detached houses and 40.7% of the buyers of semi-detached and row homes. The appeal of this geographic sector among buyers of single-family homes can be explained, in part, by its relatively newer housing stock. In fact, more than 65% of the homes purchased in Brompton–Rock Forest–Saint-Élie–Deauville were built after 1995. The outlying municipalities⁶ of the CMA also stood out with a relatively large share of buyers of single-family homes, particularly single-detached houses. While they accounted for only 10% of the households in the area in 2016, the outlying municipalities welcomed more than 21% of the buyers of single-detached houses.

Figure 1



Sources: Statistics Canada, Census, 2016, special compilation; CMHC, calculations

Changes related to the geographic sectors between 2011 and 2016: increases in purchases of condominiums in the former city of Sherbrooke and freehold homes in the outlying sector

The former city of Sherbrooke (essentially the borough of Des Nations) saw an increase in its share of condominium purchases (from 49.4% in 2011 to 62.3% in 2016). This rise was attributable, in part, to a greater presence of seniors among all buyers.⁷ In fact, retired households tend to buy condominiums in sectors with many services, as is the case in the borough of Des Nations.

In the case of buyers of freehold homes (single-family homes and plexes), an increase in the share of purchases was noted in the outlying sector (from 4.5% in 2011 to 15.5% in 2016). This could be due to some urban sprawl in the area.

Origins of buyers: vast majority of homebuyers already lived in the area in 2016

In 2016, the vast majority (76.1%) of homebuyers in the Sherbrooke CMA already lived there. Buyers from outside the area essentially came from other cities across Quebec. Buyers from the Montréal CMA accounted for 8.5% of the transactions made in the Sherbrooke area. Only 2.3% of buyers came from outside the country. Buyers from outside the Sherbrooke CMA had a greater tendency to opt for condominiums and largely chose the borough of Des Nations. Like in several cities across Quebec, buyers from outside the Sherbrooke area are attracted to the central sector where many businesses and institutions are located.

Between the last two censuses, there was an increase in the percentage of buyers from outside the area. This proportion went up from 17.2% in 2011 to 23.9% in 2016. The migration of seniors from neighbouring municipalities to the Sherbrooke CMA largely accounted for this result.

Household age and composition in 2016: young families mainly chose single-family houses, while individuals and retirees were drawn to condominiums

A previous *Housing Market Insight* issue for the Sherbrooke CMA⁸ using data from the 2011 Census already showed that homebuyers in the area presented a typical profile. Indeed, most young families opted for single-family houses, while individuals and retirees were drawn to condominiums. These general trends have since strengthened even more, according to data from the 2016 Census.

Couples with children remained the major buyers of single-family homes. In 2016, these young families⁹ accounted for 37.2% of buyers of single-detached houses and 29.3% of buyers of semi-detached and row homes in the area (see figure 2). The need for larger homes with several bedrooms and the relatively high incomes¹⁰ explain the preference of young families for single-family homes.

Nearly half of plex buyers in 2016 were individuals. Most of these buyers were aged under 35. It should be recalled that one-person households have relatively lower incomes than all households, which explains their interest in plexes since these properties can give them a supplementary rental income.

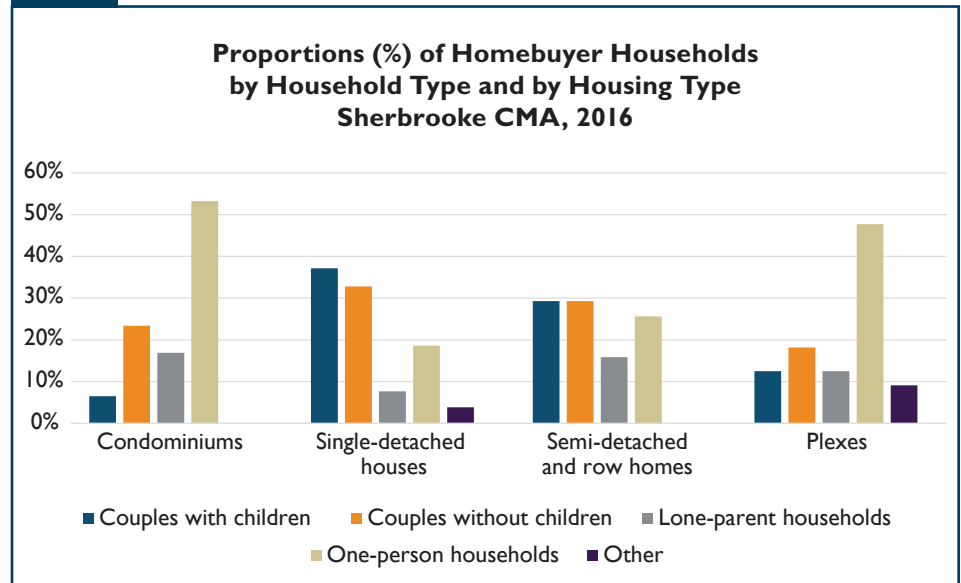
More than half of condominium buyers in 2016 were also individuals, while these people accounted for only 36.1% of all buyers in the area. Lone-parent households were also overrepresented among condominium buyers relative to their demographic weight in the area.¹¹

Many retired buyers (mostly individuals) continued to be attracted to condominiums. In 2016, households aged 65 and over accounted for 10.8% of all buyers but represented 22.4% of condominium buyers. It should be recalled that retirees have a greater tendency to buy properties that require less maintenance and are located near services, as is quite often the case of condominiums.

Changes related to household age and composition between 2011 and 2016: relative increases in purchases of single-family houses among young people and condominiums among retirees

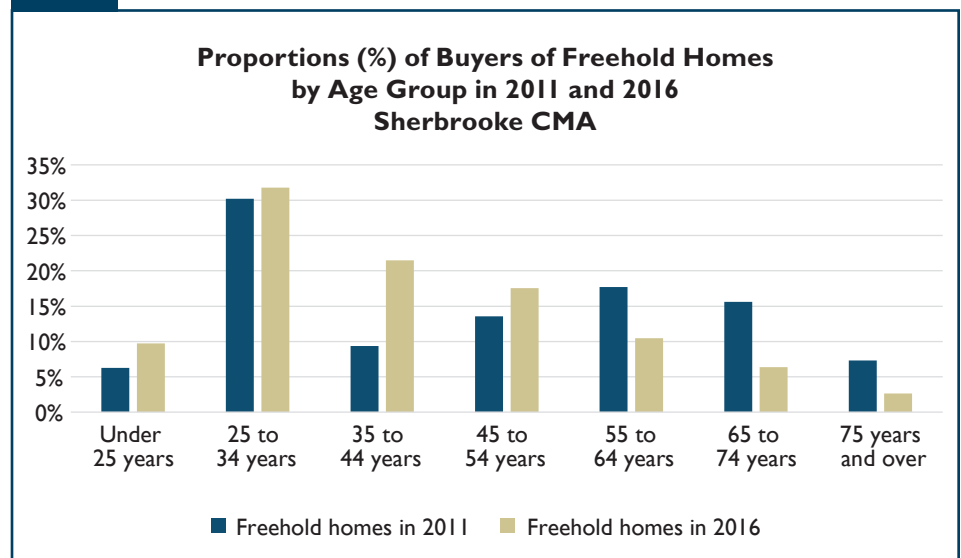
While little change was noted in the homebuyer profile based on household type between 2011 and 2016, the main change observed between the last two censuses was in the demographic profile of buyers by housing type. Relatively more young households bought freehold homes (see figure 3). In fact, the

Figure 2



Sources: Statistics Canada, Census, 2016, special compilation; CMHC, calculations

Figure 3



Sources: Statistics Canada, Census, 2011 and 2016, special compilations; CMHC, calculations

relative share of buyers of such properties among households aged under 45 rose from 45.8% in 2011 to 63.0% in 2016. This change was due, in part, to the growing supply of semi-detached and row homes in the area.¹² Such freehold homes are more affordable than single-detached houses and much more spacious for young families than condominiums.

Conversely, relatively more retired households bought condominiums (see figure 4). In fact, the relative share of buyers of such properties among households aged 65 and over rose from 8.5% in 2011 to 22.4% in 2016. This was a direct consequence of the aging of the population in the area.¹³

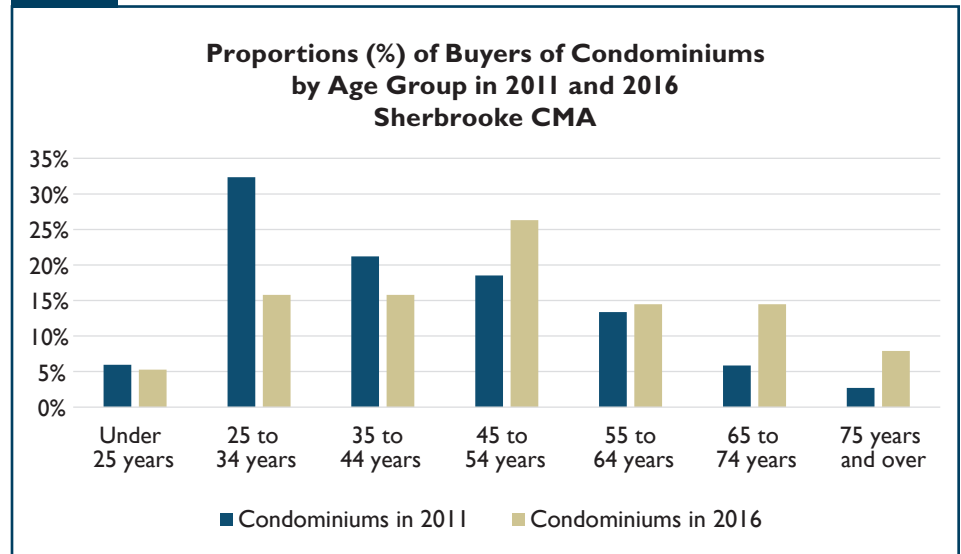
Household income: the most affluent households chose single-detached houses and the least affluent opted for plexes

Homebuyers in the Sherbrooke area also showed differences based on their income. Single-family homes are generally the most expensive among the housing types.¹⁴ As could be expected, in 2016, the median income of buyers of single-detached houses (\$87,091) was well above the median incomes of buyers of other housing types. More than 37% of households having acquired a single-detached house had incomes of \$100,000 and over (see figure 5). The median income of new owners of semi-detached and row homes (\$70,511) came in second, followed by that of condominium buyers (\$57,072). Lastly, the median income of plex buyers (\$39,786) was well below the median incomes of buyers of other housing types. More than one third of plex buyers had incomes under \$30,000 in 2016. This was due to the overrepresentation of one-person households and households aged under 25 among plex buyers.

As such, in terms of affordability, low-income households stood out with a strong tendency to buy plexes in 2016. For example, among households aged 25 to 44 (the main homebuyer demographic¹⁵), plexes accounted for more than half of the purchases made by households with incomes under \$30,000 but only 11.6% of those made by all households in this age group.

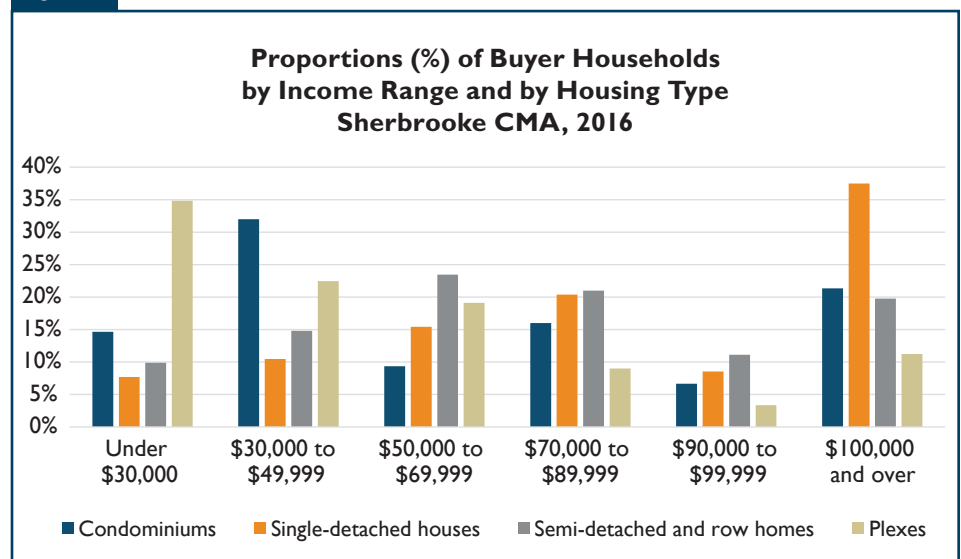
In terms of change between 2011 and 2016, the increase in median income was greater among new owners of freehold homes (+12.8%) than among buyers of condominiums (+7.5%). This was due, in part, to the higher proportion of retired households among all condominium buyers.

Figure 4



Sources: Statistics Canada, Census, 2011 and 2016, special compilations; CMHC, calculations

Figure 5



Sources: Statistics Canada, Census, 2016, special compilation; CMHC, calculations

In fact, in 2016, the median income of retired households was well below the average for all households.¹⁶

In 2016, the vast majority of buyers (82.7%) had to get a mortgage. This proportion was up by about 3 percentage points over 2011. New owners of condominiums in 2016 remained those who least

used mortgage financing, particularly because they included a greater share of households aged 65 and over. In fact, some retired households can buy without a mortgage thanks to the savings they managed to accumulate over their careers or to the proceeds from the sale of their previous home.

Changes in the market since 2016: homebuyer preferences contributed to the tightening of resale market conditions for single-family homes

Supported by employment growth, the volume of home sales in the Sherbrooke area rebounded between 2016 and 2018. According to data from the Quebec Federation of Real Estate Boards obtained through the Centris® system, 1,868 residential properties were sold in 2018, for an increase of 5% over 2016. This gain was essentially attributable to rises in sales of single-family homes (+4%) and plexes (+10%). As a consequence of this relatively strong demand, resale market conditions tightened, particularly on the single-family home market, which became balanced¹⁷ in 2018. Data from the 2016 Census revealed that the borough of Brompton–Rock Forest–Saint-Élie–Deauville accounted for the largest proportion of single-family home purchases. With the employment growth among

people aged 25 to 44, this family sector¹⁸ remained very popular with homebuyers between 2016 and 2018. As a result, Brompton–Rock Forest–Saint-Élie–Deauville was the sector with the tightest resale market conditions for single-family homes and the only one where sellers had the edge in 2018.

From 2016 to 2018, condominium sales remained relatively stable. This could be due to the decrease in condominium purchases among households aged 25 to 44. Some of these younger households preferred semi-detached or row homes (which are becoming more and more numerous in the area) to condominiums.

Conclusion

This *Housing Market Insight* issue enabled us to determine the profile of homebuyers in the Sherbrooke area in 2016. As was already the case in 2011, buyers in the area followed the typical residential paths in 2016. Most young families with children opted for single-family homes, while

individuals and retirees were drawn to condominiums. Geographically, it was in the central borough of Des Nations that most purchases of condominiums and plexes were made in 2016. As for the former suburbs of the city of Sherbrooke, they attracted a relatively large share of buyers of single-family homes. The borough of Brompton–Rock Forest–Saint-Élie–Deauville remained the most popular with buyers of such homes.

Between 2011 and 2016, the main change observed was in the demographic profile of buyers by housing type. Relatively more young households bought single-family homes, while relatively more retired households bought condominiums. These preference changes were attributable, in part, to the increasingly large supply in the area of semi-detached and row homes, which are more affordable for young families. Data from the next census to be conducted by Statistics Canada in 2021 will allow us to confirm these preference changes among homebuyers in the area.

ENDNOTES

- ¹ From June 2015 to May 2016.
- ² See the methodological note.
- ³ Home sales in the Sherbrooke CMA registered by the Quebec Federation of Real Estate Boards through the Centris® system reached 1,790 units from June 2010 to May 2011, compared to 1,709 from June 2015 to May 2016, for a decrease of 4.5% between the two periods.
- ⁴ The major restriction was the reduction of the maximum amortization period from 35 to 25 years.
- ⁵ Before the merger in 2002.
- ⁶ The outlying sector of the Sherbrooke CMA comprises the municipalities of Orford, Saint-Denis-de-Brompton, Compton, Ascot Corner, Stoke, Waterville, Hatley, Val-Joly and North Hatley.
- ⁷ See the section on household age and composition.
- ⁸ *Housing Market Insight—Sherbrooke CMA* (December 2016): Who are the single-family house and condominium buyers in the Sherbrooke area?
- ⁹ Among couples with children having bought a home, 72.1% were aged 25 to 44.
- ¹⁰ In 2016, households composed of a couple with one or more children had a median income of \$102,152, which was well above the median income of all households in the area (\$53,823).
- ¹¹ In 2016, lone-parent households accounted for 17% of condominium buyers, while they represented only 9% of all households in the area.
- ¹² In 2016, semi-detached and row homes accounted for only 3.5% of all dwellings built in the area before 1996. The shares of such homes rose to 11.1% of dwellings built from 1996 to 2010 and to 19.0% of those built from 2011 to 2016.
- ¹³ The share of households aged 65 and over out of all households went up from 22.7% in 2011 to 25.8% in 2016.
- ¹⁴ Based on price per housing unit.
- ¹⁵ More than half of homebuyer households in the Sherbrooke CMA in 2016 were aged 25 to 44.
- ¹⁶ In 2016, the median incomes of buyers aged 65 to 74 (\$46,508) and those aged 75 and over (\$40,067) were well below the median income of all buyers in the Sherbrooke CMA (\$75,490).
- ¹⁷ The market is balanced when there are 8 to 10 active Centris® listings per sale. The market favours sellers when there are fewer than 8.
- ¹⁸ More than 30% of buyers aged 25 to 44 in the Sherbrooke CMA chose to live in Brompton–Rock Forest–Saint-Élie–Deauville in 2016, while this sector accounted for less than 25% of purchases made by the overall population.

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