

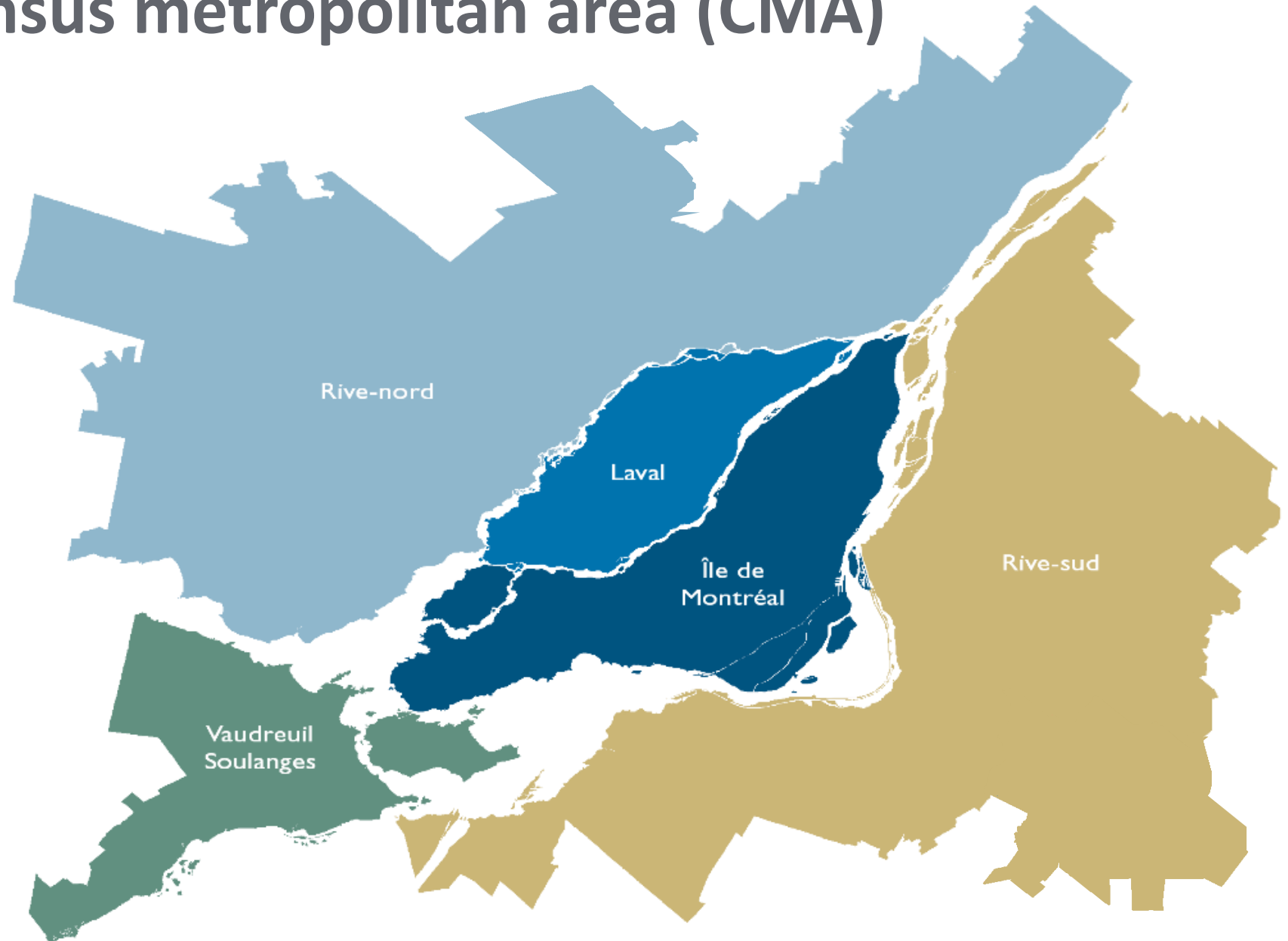
Housing Market Outlook Montréal CMA

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Economists

Canada 



Montréal census metropolitan area (CMA)





Fundamentals

Economy

Demographics

Finance



Housing Market Assessment



Different markets

Resale

New homes

Rental

Fundamentals

Job growth positive, but more limited than in the past

Net migration continues to increase





Economic fundamentals

Job growth less than 1% in 2019 and 2020



Economic fundamentals

Job growth less than 1% in 2019 and 2020

Slight increase in mortgage rates



Economic fundamentals

Job growth less than 1% in 2019 and 2020

Slight increase in mortgage rates

Index of consumer confidence relatively high



Demographic fundamentals

More and more senior households

Low growth in the number of younger households

Demographic fundamentals

More and more senior households

Low growth in the number of younger households

The Island of Montréal continues to lose many younger households to the suburbs



Demographic fundamentals

More and more senior households

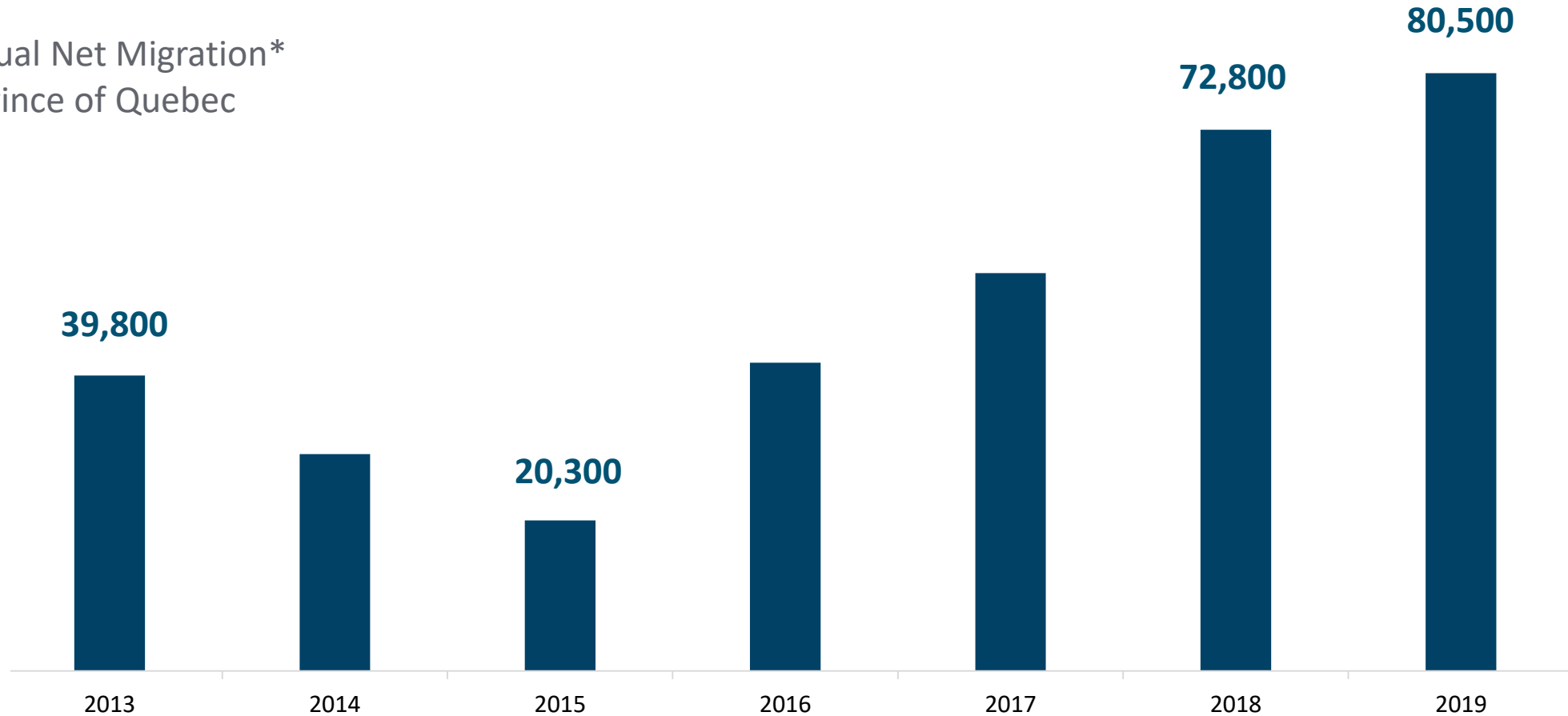
Low growth in the number of younger households

The Island of Montréal continues to lose many younger households to the suburbs

High net migration since 2016

Net migration: Breaking records

Annual Net Migration*
Province of Quebec



*Annual net migration from July to June
Source: Statistics Canada

Net migration: Importance of non-permanent residents (NPRs)

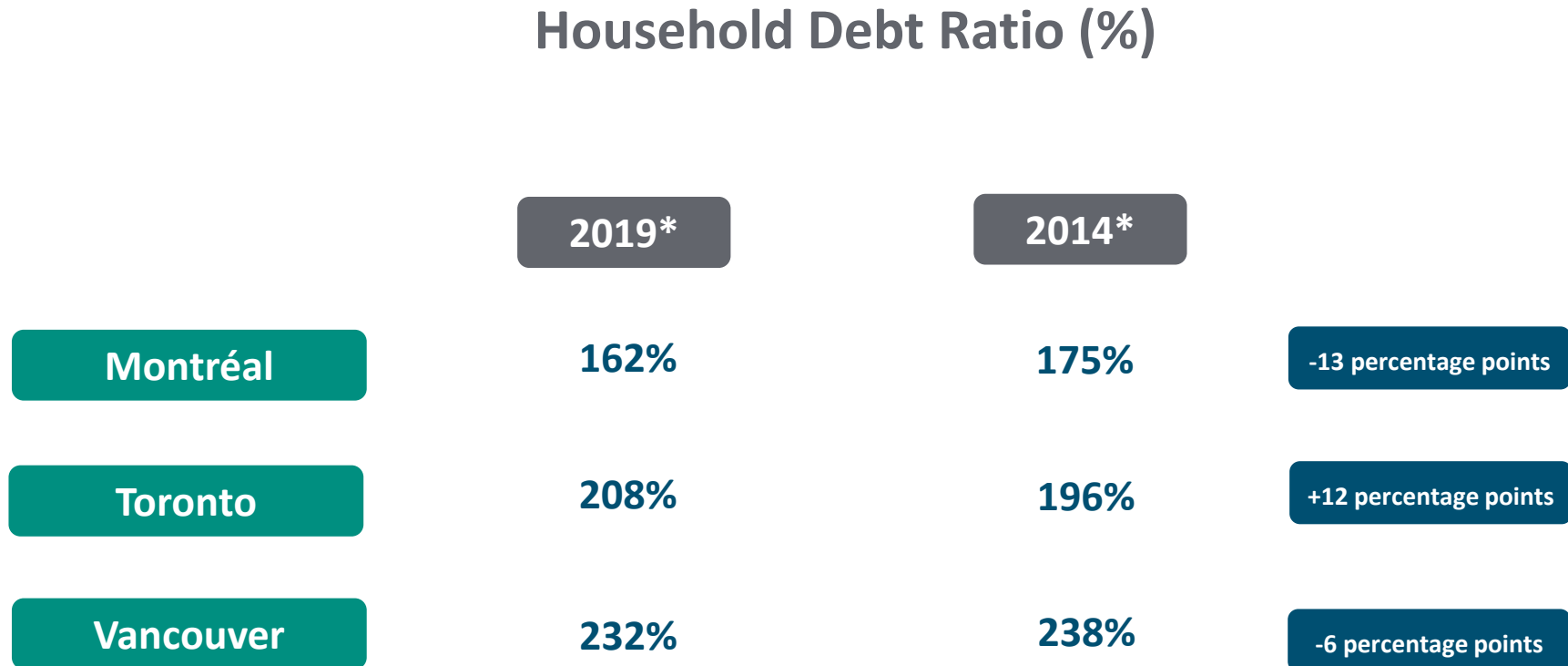
60%

Net migration in 2019 attributed to NPRs (*5% in 2013*)

90%

Proportion of NPRs who rent

Montréal: Debt ratio lower than in other major urban centres



*In the second quarter

Sources: Equifax, Conference Board and Statistics Canada
CMHC calculations

Montréal: Lower mortgage debt, but...

Some Financial Data—Q2 2019

	New mortgage loans:* average loan balance	Non-mortgage credit: average monthly obligations**
Montréal	\$225,000	\$268
Toronto	\$405,000	\$262
Vancouver	\$420,000	\$234

*and refinancing loans

**Consumers without a mortgage and with at least one credit product

Programs and regulations



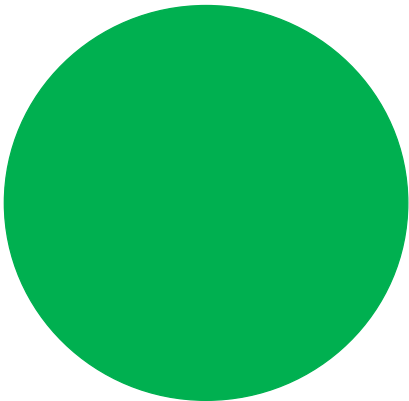
An aerial photograph of a residential neighborhood, showing a mix of single-family houses and multi-unit buildings, surrounded by trees and winding roads. The image is in grayscale and serves as a background for the text.

Housing Market Assessment

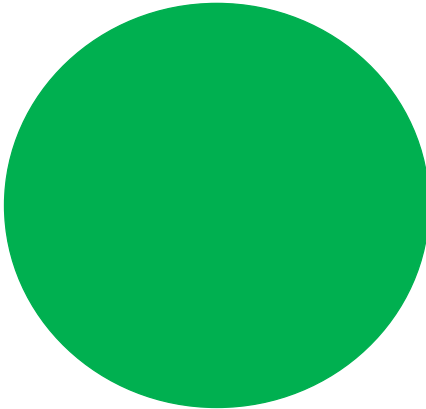
The degree of vulnerability
of the Montréal housing market remains low

Green light for the Montréal housing market*

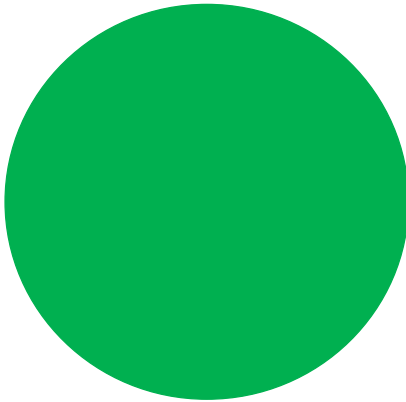
Price acceleration



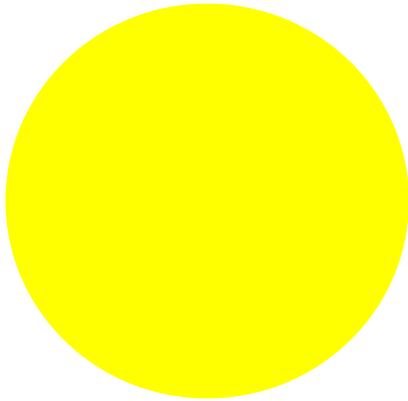
Overvaluation



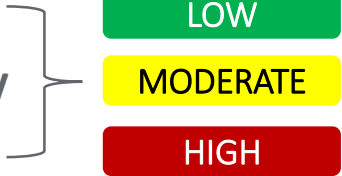
Overbuilding



Overheating



Degree of vulnerability



*Montréal CMA, data up to the second quarter of 2019
Source: CMHC

Different markets

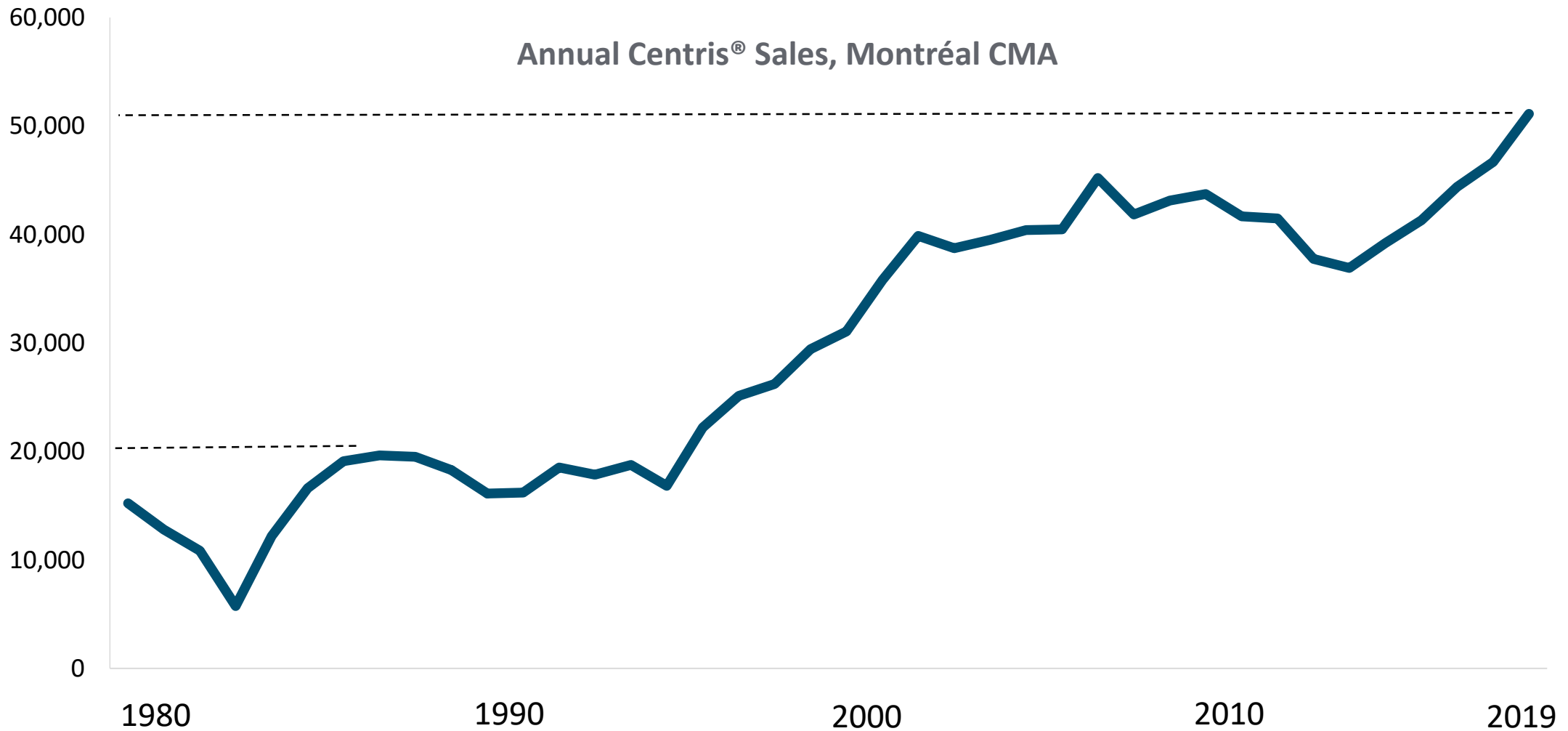


Resale market

A seller's market for
all housing types

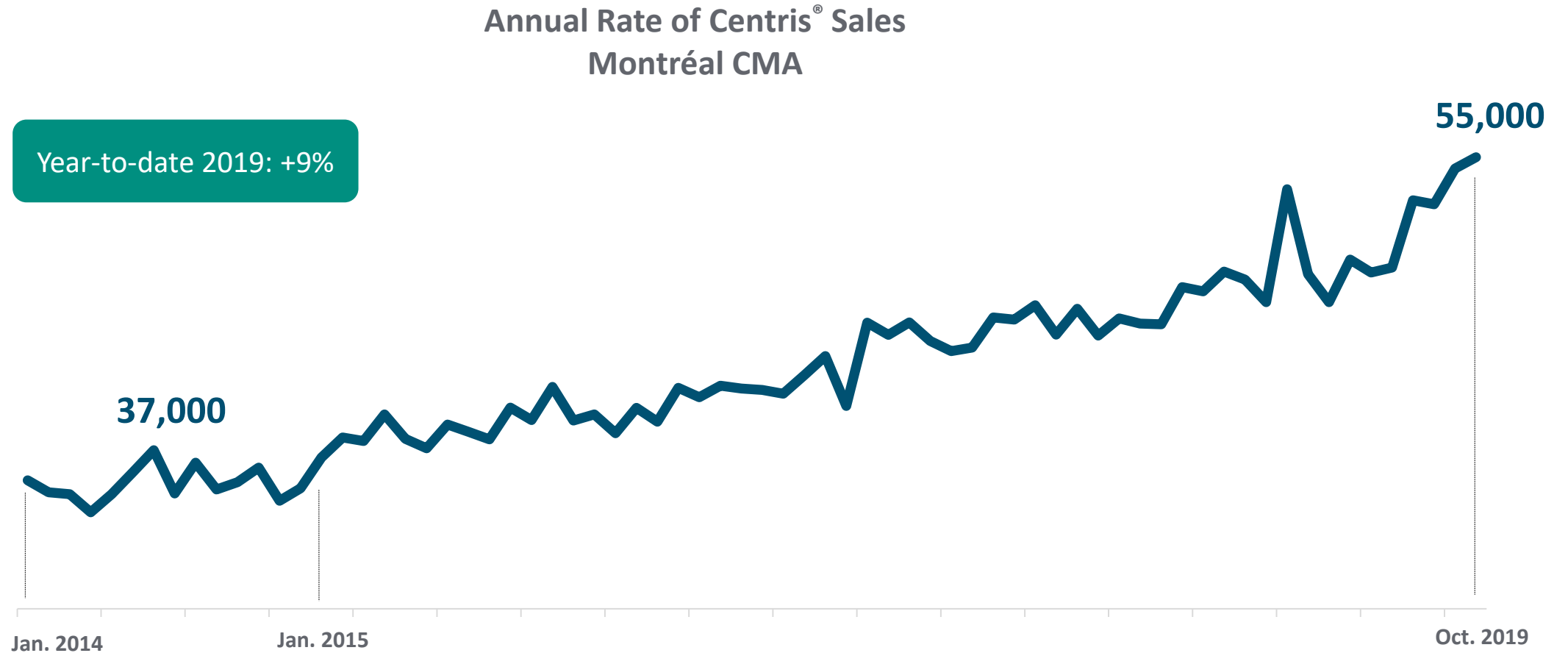


CMA resale market over nearly 40 years

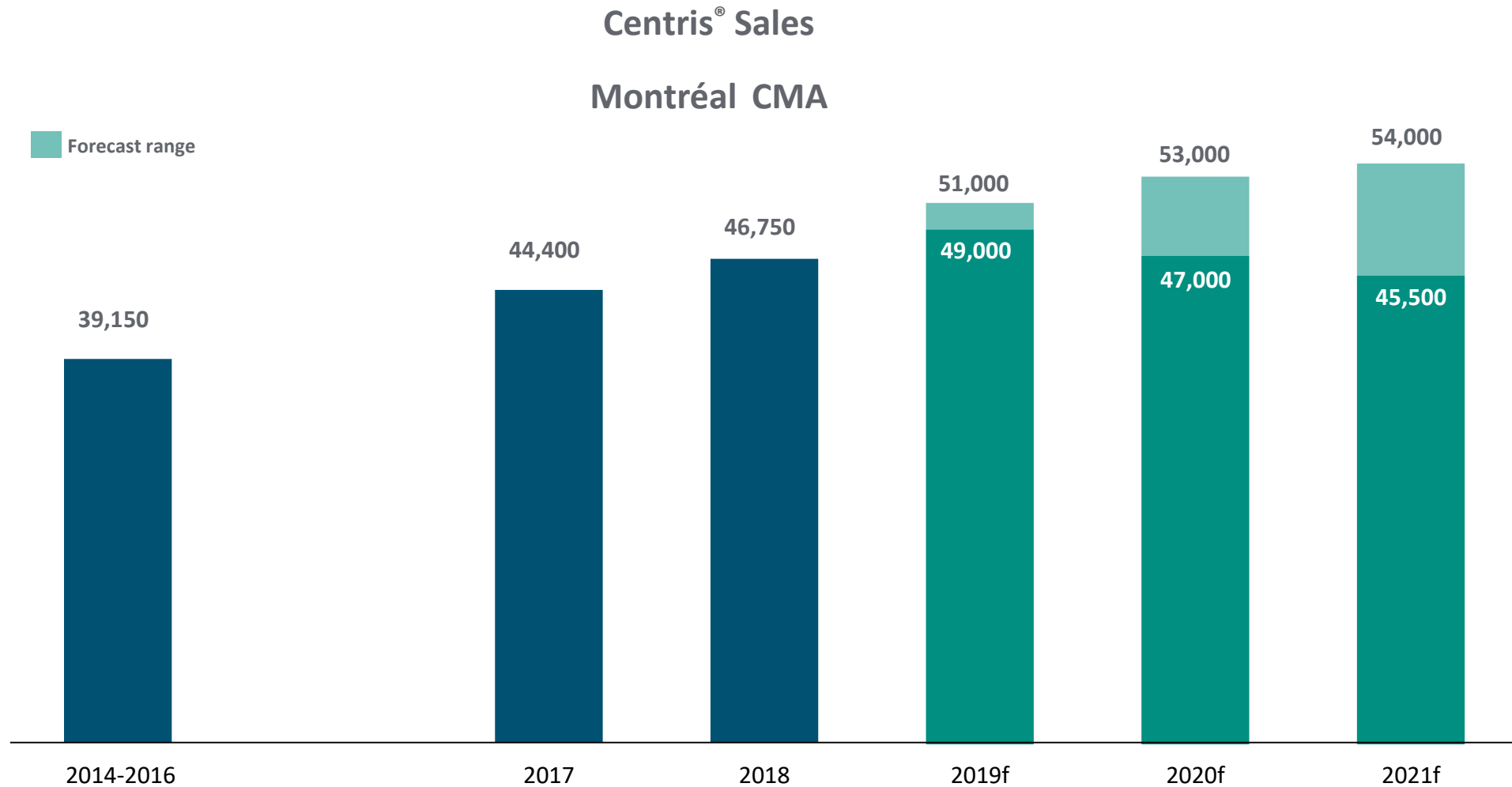


*Annual data (average annual rate from January to October for 2019)
Data from before 2000 have not been adjusted to account for the 2016 Montréal CMA territorial boundaries.
Sources: GMREB and QPAREB, through the Centris® system, CMHC compilation and calculations

Resale market trending upward over the last four years



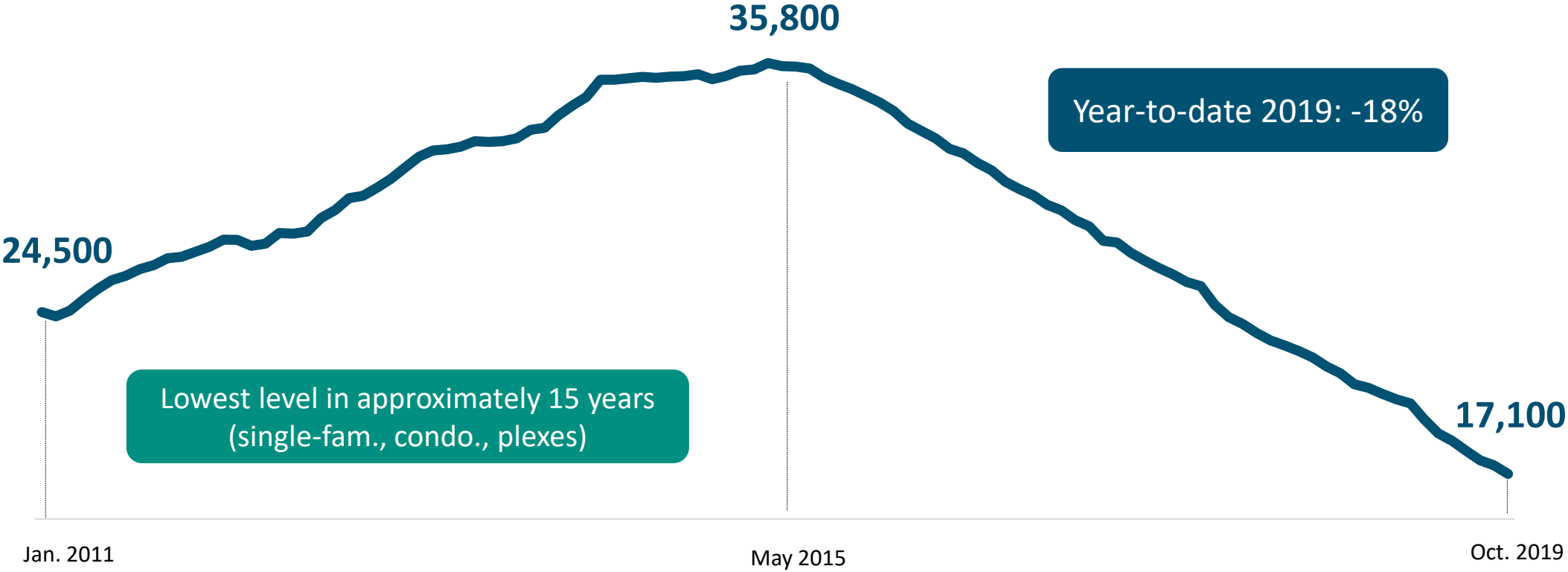
Record sales in 2019 that will remain high in 2020



Source: QPAREB, through the Centris® system
f: CMHC forecast. Annual average from 2014 to 2016

Supply of properties for sale continues to decrease

Active Centris® Listings
Montréal CMA



Source: QPAREB, through the Centris® system
Seasonally adjusted data by CMHC

Why is the supply of properties decreasing so much?

Strong demand: Inventories are absorbed more quickly
(no market build-up)

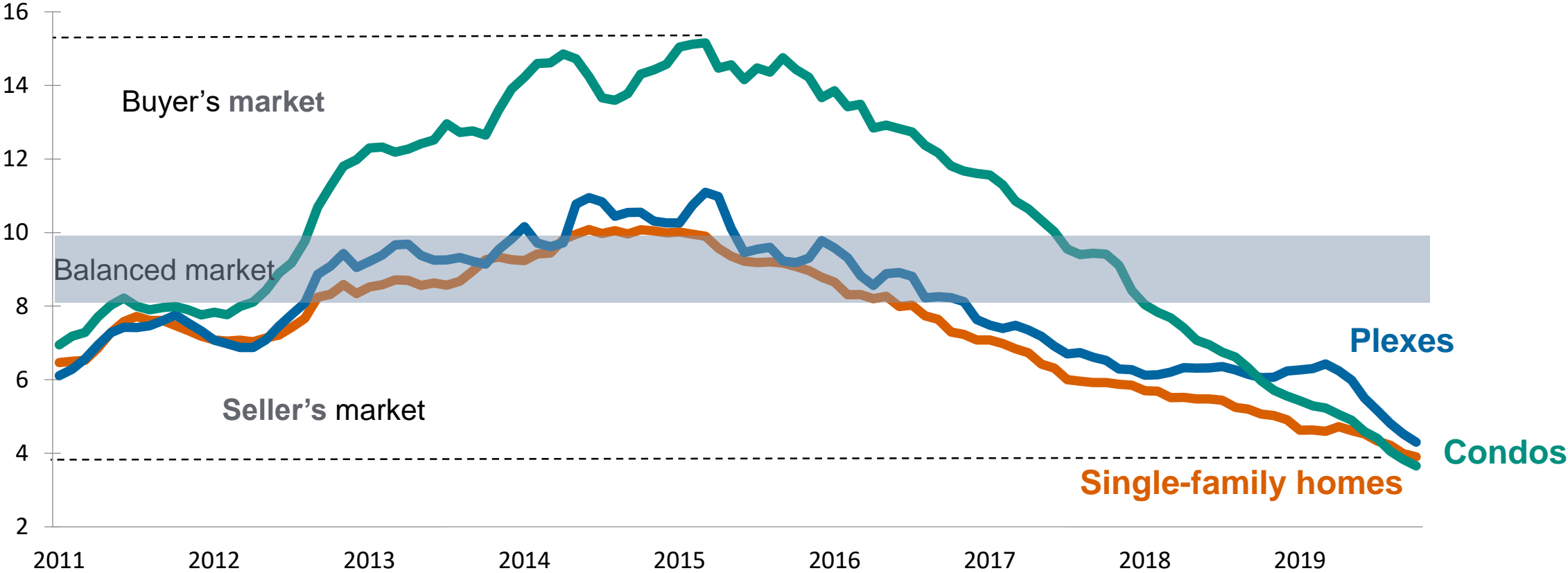
Residential construction has dropped sharply over the past 15 years
Condominium construction has been sluggish for 4-5 years

Sharp decrease in new Centris[®] condo listings

Decreasing household mobility?

Tightening market conditions across all segments

Active Centris® Listings to Sales
Montréal CMA

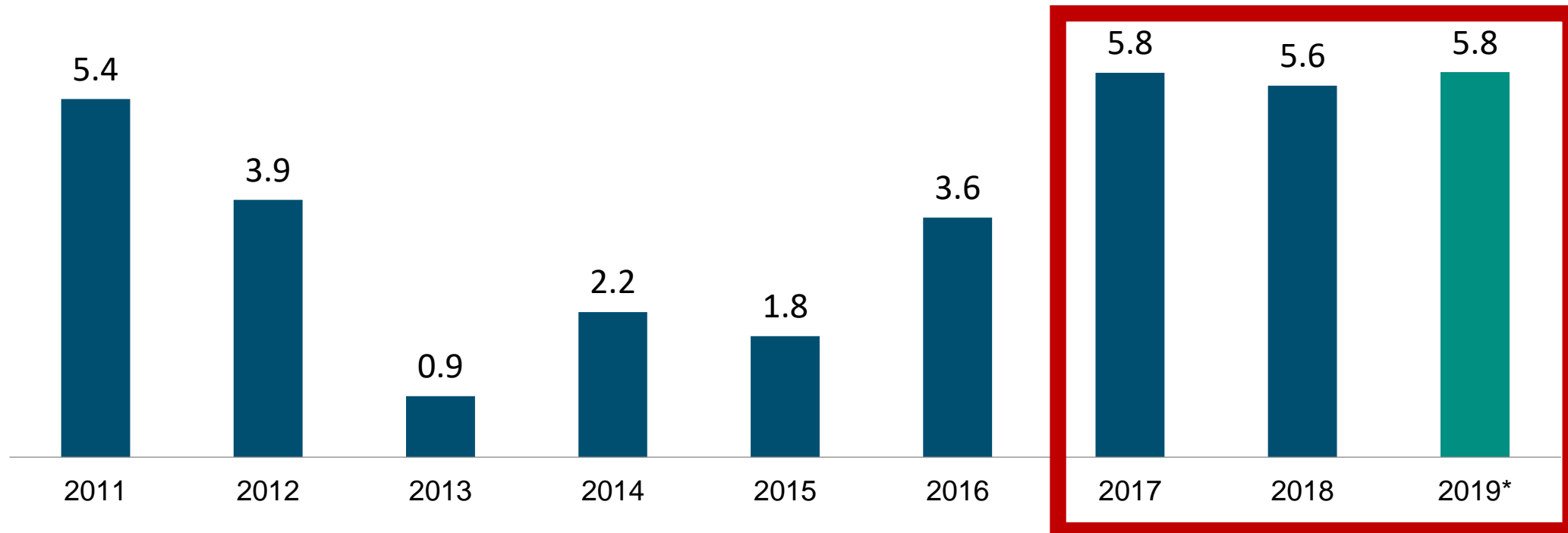


Source: QPAREB, through the Centris® system
Seasonally adjusted data by CMHC, three-month moving average

Resale market price growth will stay strong

Annual Growth (%) in the Average Centris[®] Price
Montréal CMA

Steady growth in
2020 and 2021



*January to October
Source: QPAREB, through the Centris[®] system
CMHC forecasts

Population aging: A solution to the lack of properties for sale and to market overheating?

Based on current demand, about **5,000** additional properties would have to be put up for sale each year to prevent overheating.

Population aging isn't expected to generate this additional supply before 2030

Proportion of senior private households who sell a property* each year

75-79 years old

2.5%

80-84 years old

3.9%

85 years and older

5.9%

*Property used as principal residence

Sources: Institut de la Statistique du Québec (2016-2066 demographic projections) and Statistics Canada (2016 Census and 2011 National Household Survey)

CMHC calculations

Single-family home sales rising almost everywhere in the CMA

Centris® Sales, Single-Family Homes—January to October 2019



Montréal CMA (+6%)

North Shore



South Shore



Island of Montréal



Laval



Vaudreuil-Soulanges



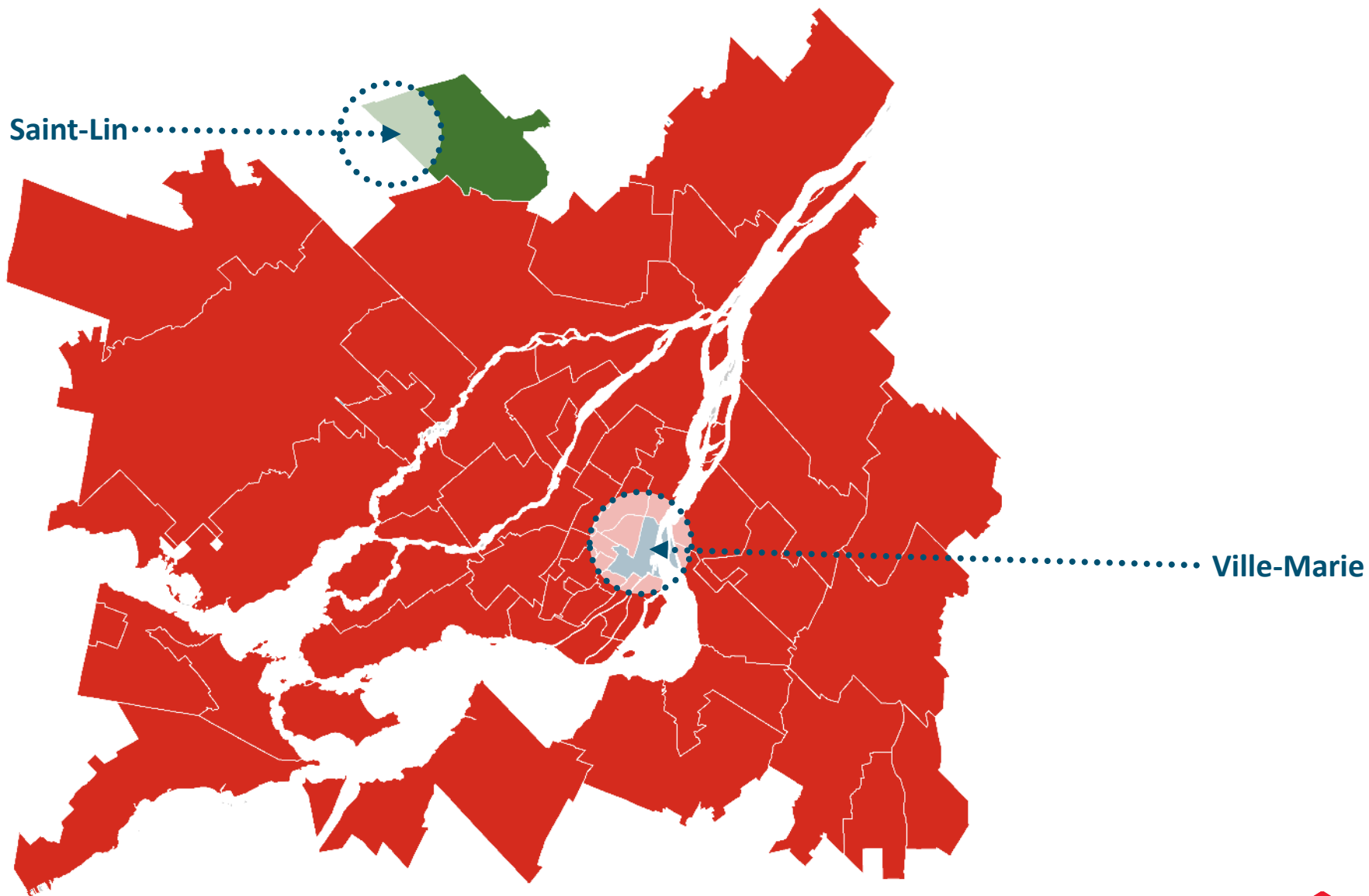
Saint-Jean-sur-Richelieu



Source: QPAREB, through the Centris® system

Seller's market conditions almost everywhere in Greater Montréal

Single-family homes—
Q3 2019*

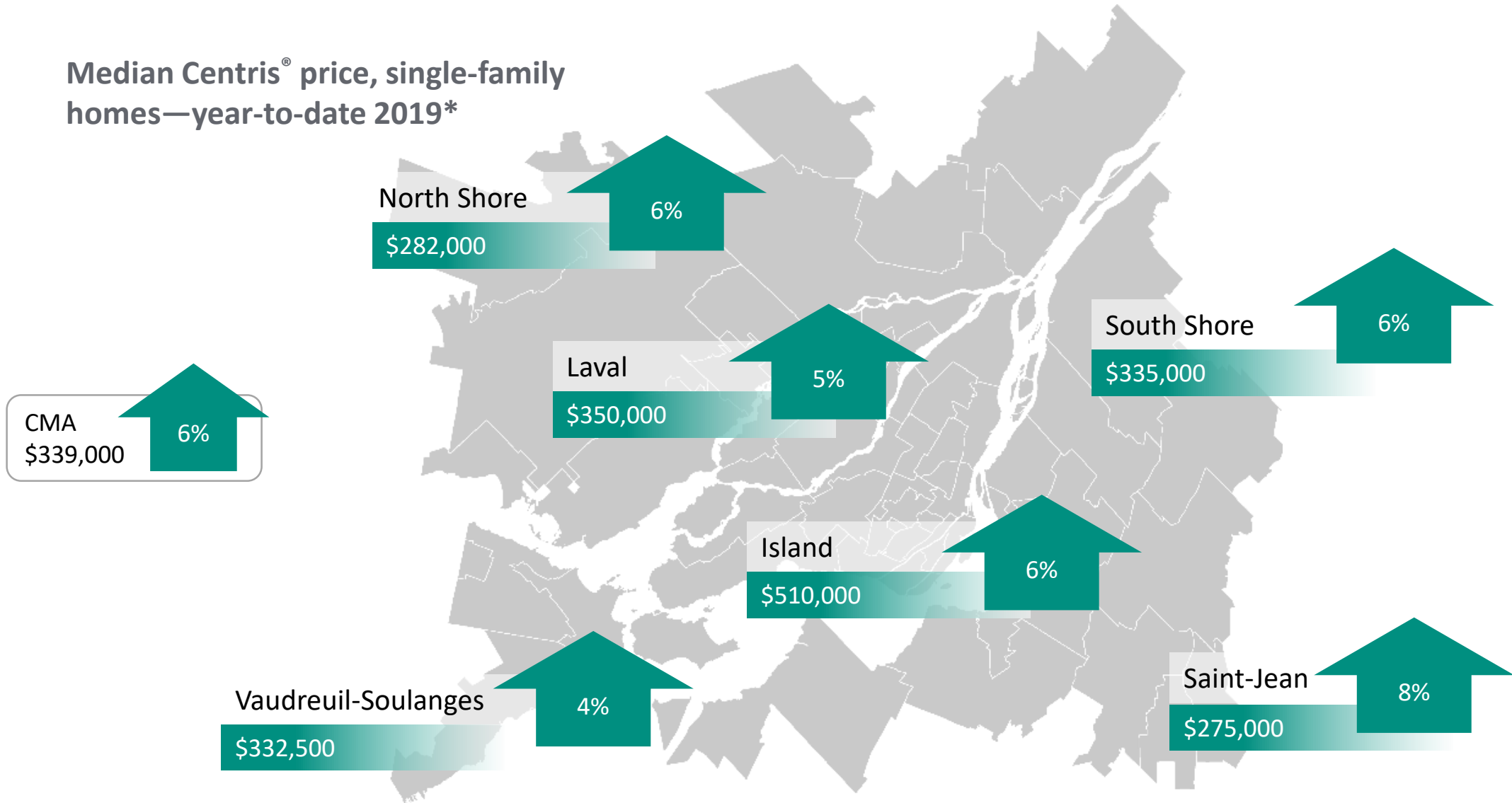


*Average over the past 12 months
Source: QPAREB, through the Centris® system
CMHC calculations



Price increases close to 5% in nearly all major sectors

Median Centris[®] price, single-family homes—year-to-date 2019*



*January to October
Source: QPAREB, through the Centris[®] system



Condominium sales up significantly everywhere

Centris[®] Sales, Condominiums—January to October 2019



Montréal CMA (+13%)

Island of Montréal

4%

South Shore

24%

North Shore

31%

Laval

26%

Vaudreuil-Soulanges

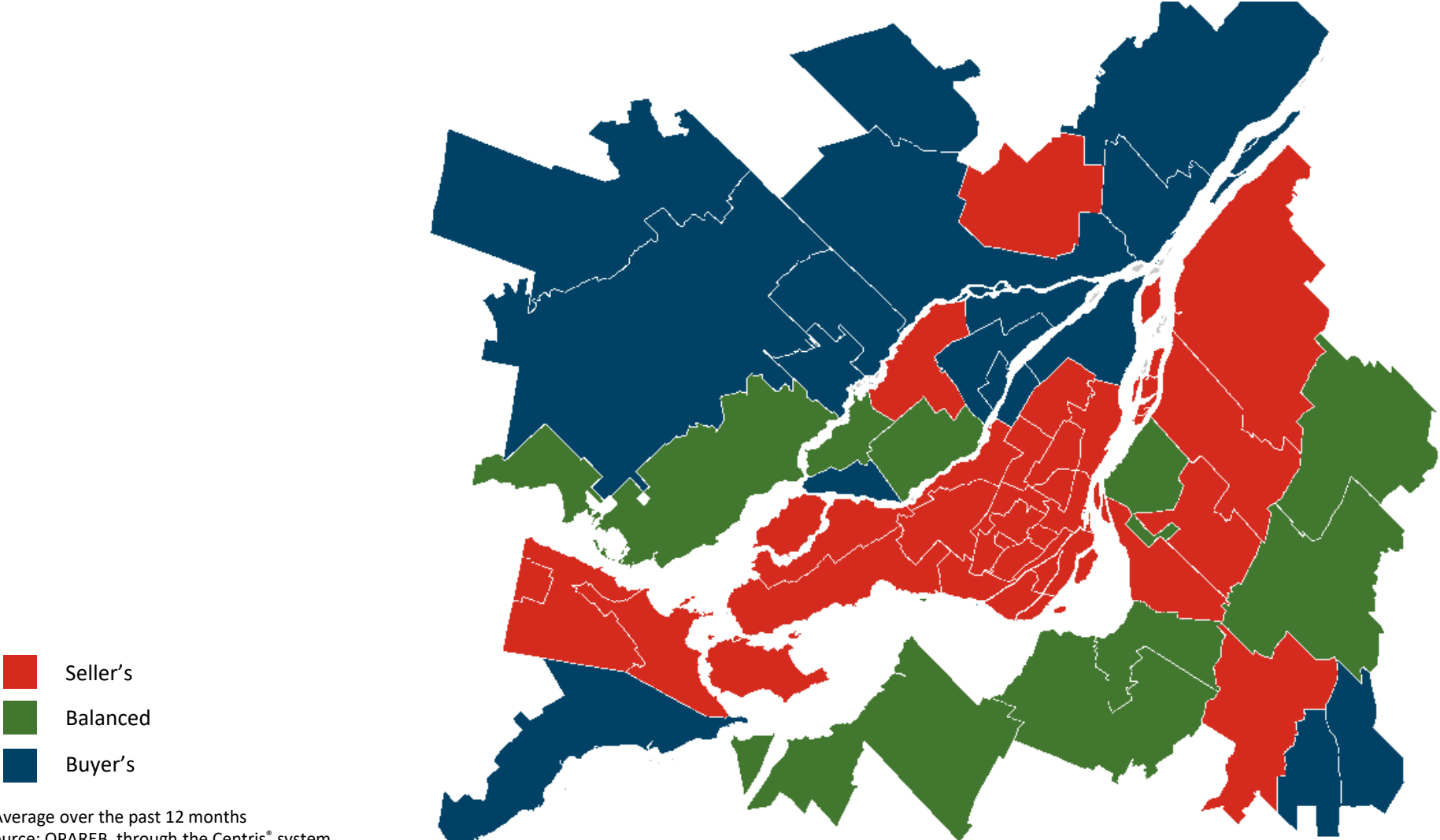
5%

Saint-Jean-sur-Richelieu

52%

Market conditions are tightening, especially on the Island of Montréal

Condominiums—Q3 2018*

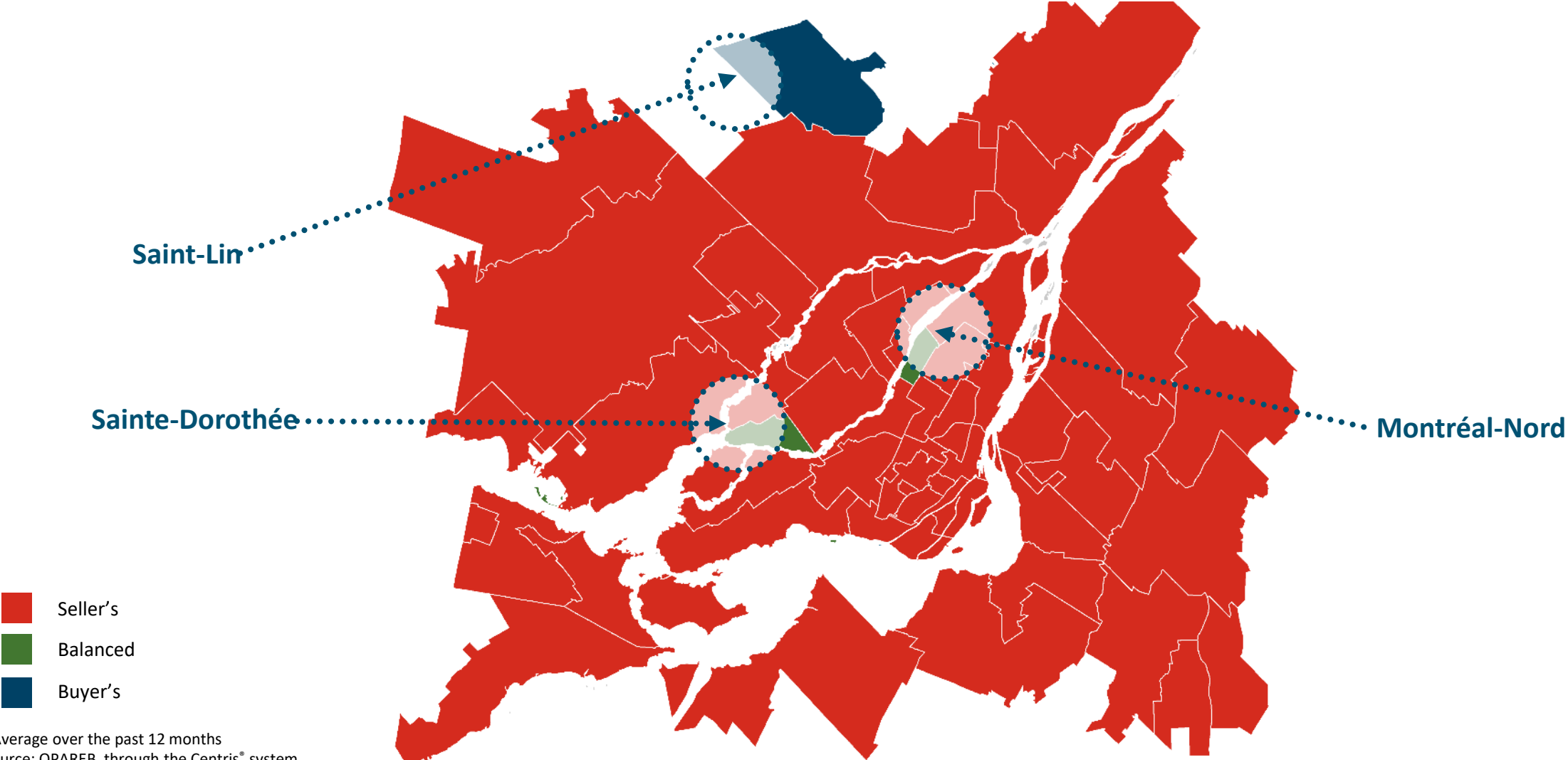


*Average over the past 12 months
Source: QPAREB, through the Centris® system
CMHC calculations



Seller's market conditions almost everywhere in Greater Montréal

Condominiums—Q3 2019*

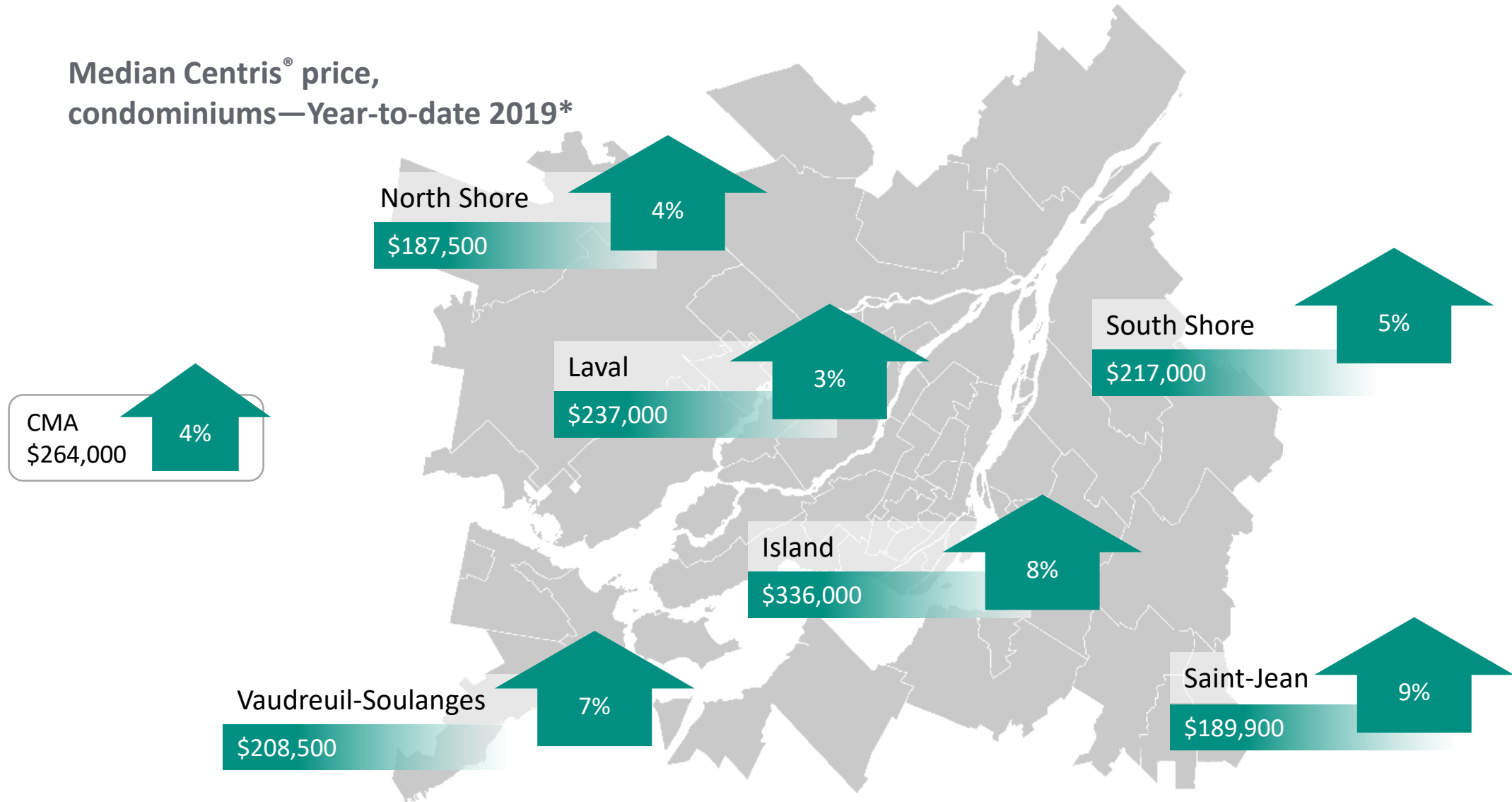


*Average over the past 12 months
Source: QPAREB, through the Centris® system
CMHC calculations



Condominium prices: Strong growth on the Island of Montréal since the start of the year

Median Centris[®] price,
condominiums—Year-to-date 2019*



*January to October
Source: QPAREB, through the Centris[®] system





Resale market: Forecast summary

Sales will remain strong

Supply will remain rather limited

Markets will favour sellers

Prices are expected to rise steadily

New homes

- Starts remain high
- Multi-residential construction at the forefront

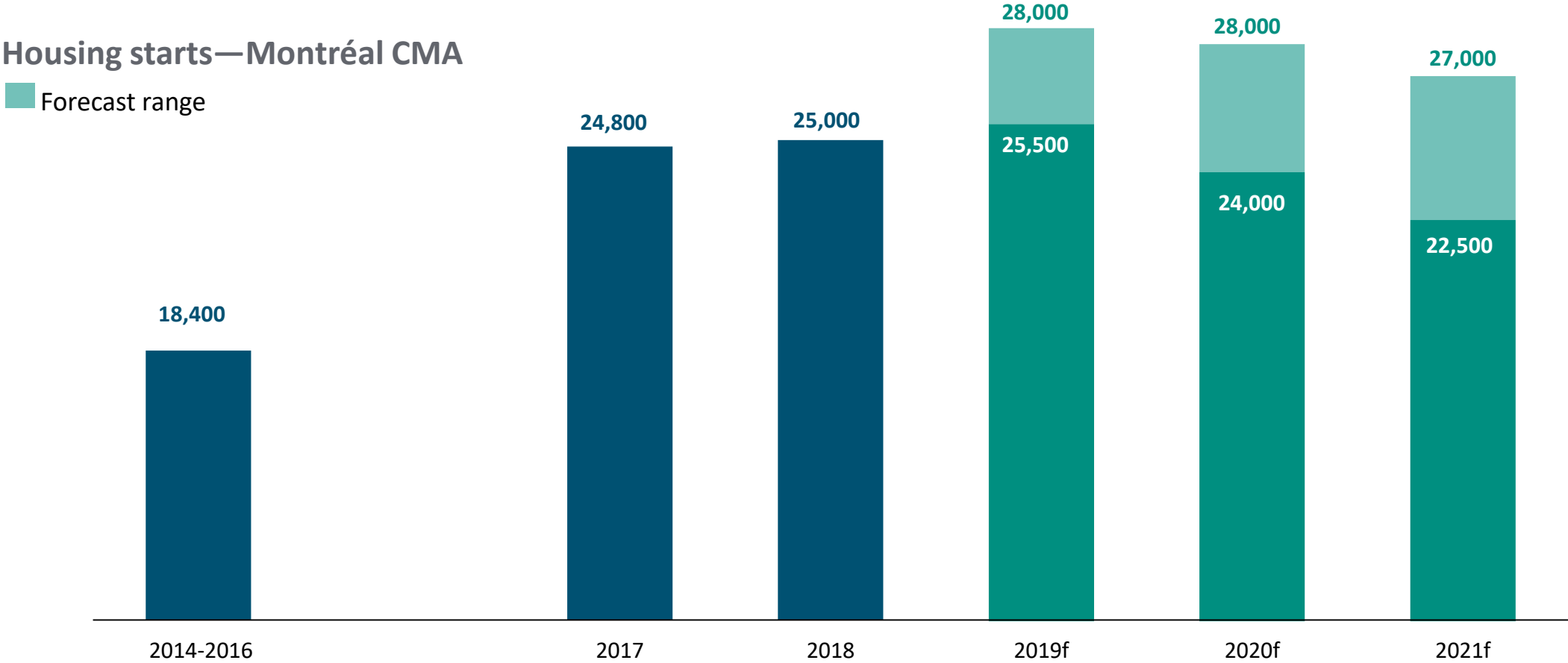


Housing starts: Strong since the beginning of the year



*Average for last six months
Source: CMHC

New home market activity will remain strong over the coming year



Source: CMHC
f: CMHC forecast. Annual average from 2014 to 2016



Single-family home construction continues to decline in Greater Montréal

Housing Starts
2019*

Freehold

3,570

8%

Condominium

Rental

*January to October
Source: CMHC

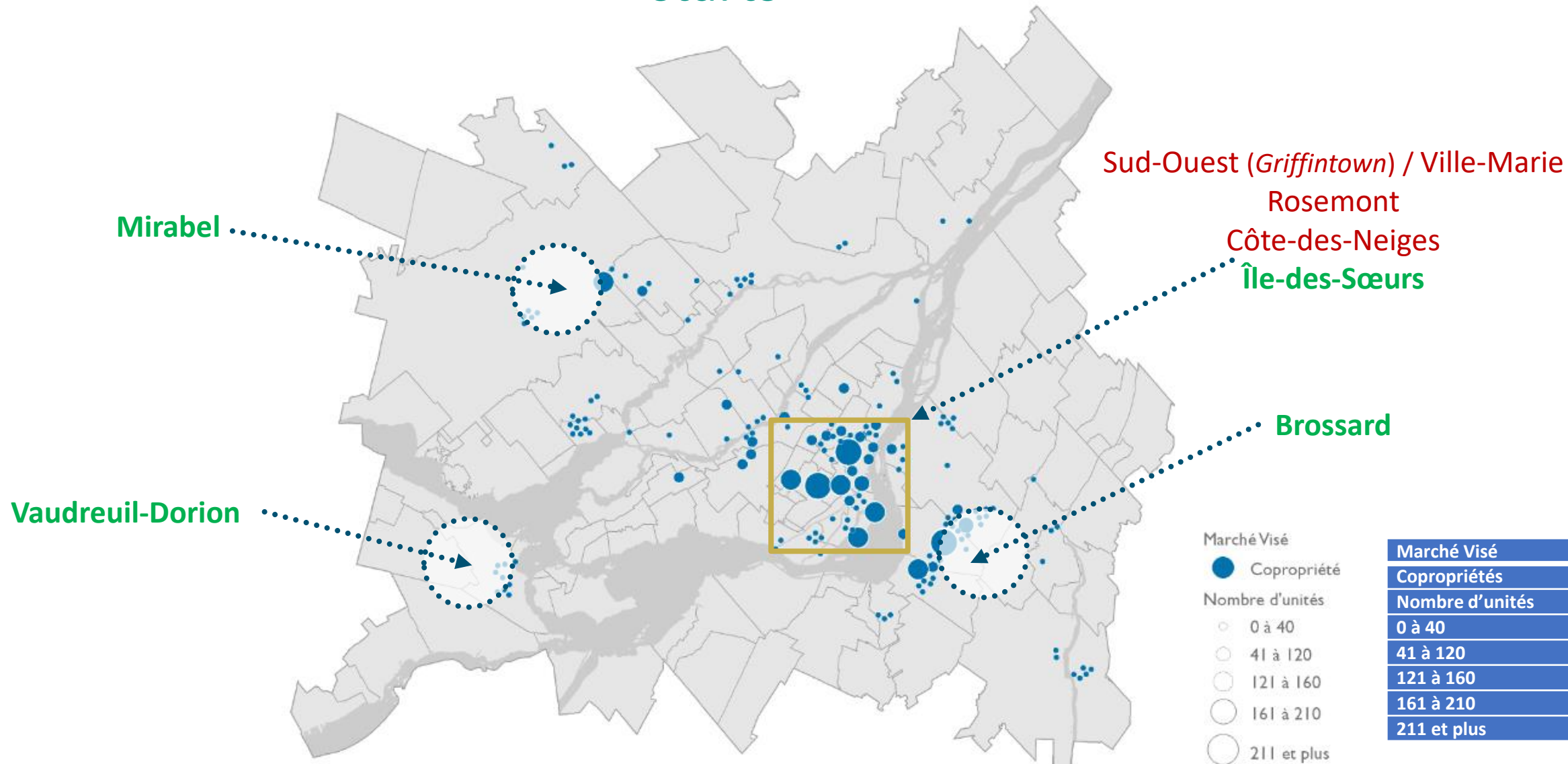


Condominium construction headed for a fourth drop in five years



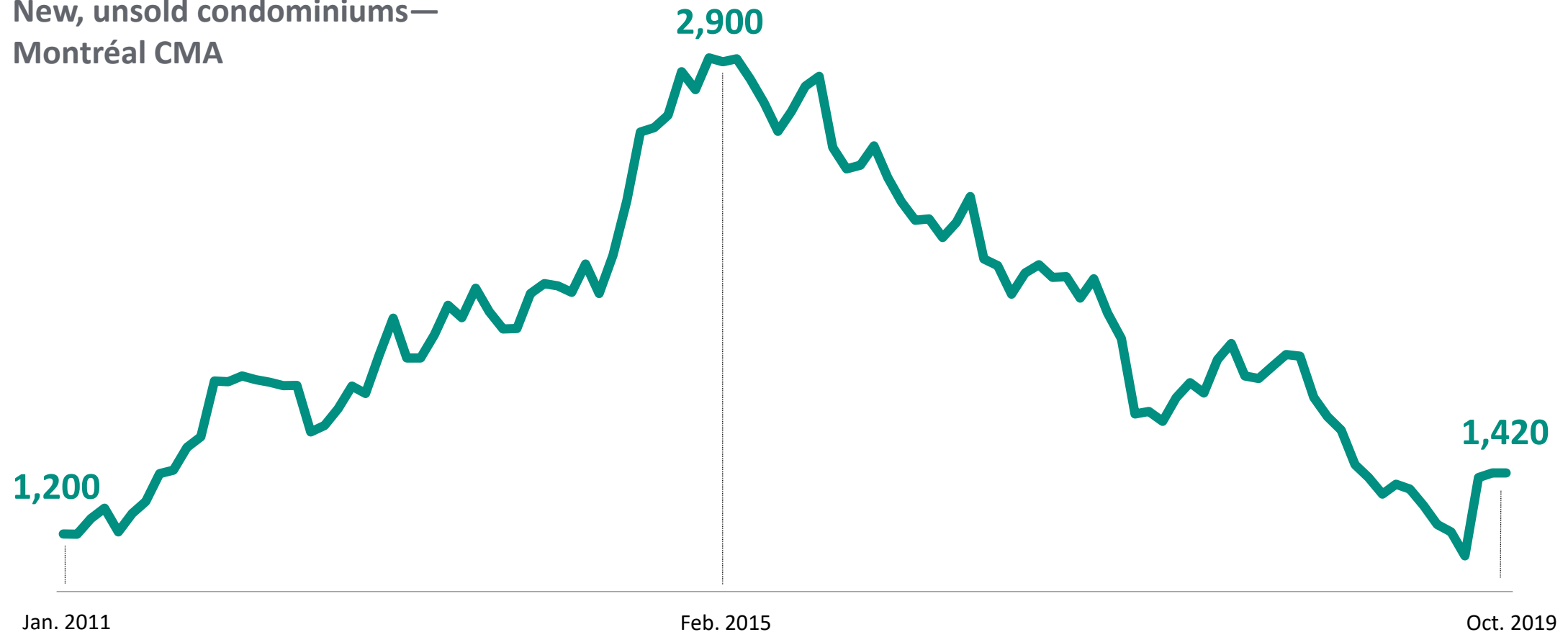
*January to October
Source: CMHC

Condominiums: Only a few sectors have escaped the downturn in starts



Inventory of completed and unsold condominiums has dropped significantly

New, unsold condominiums—
Montréal CMA





New condominium prices also increasing

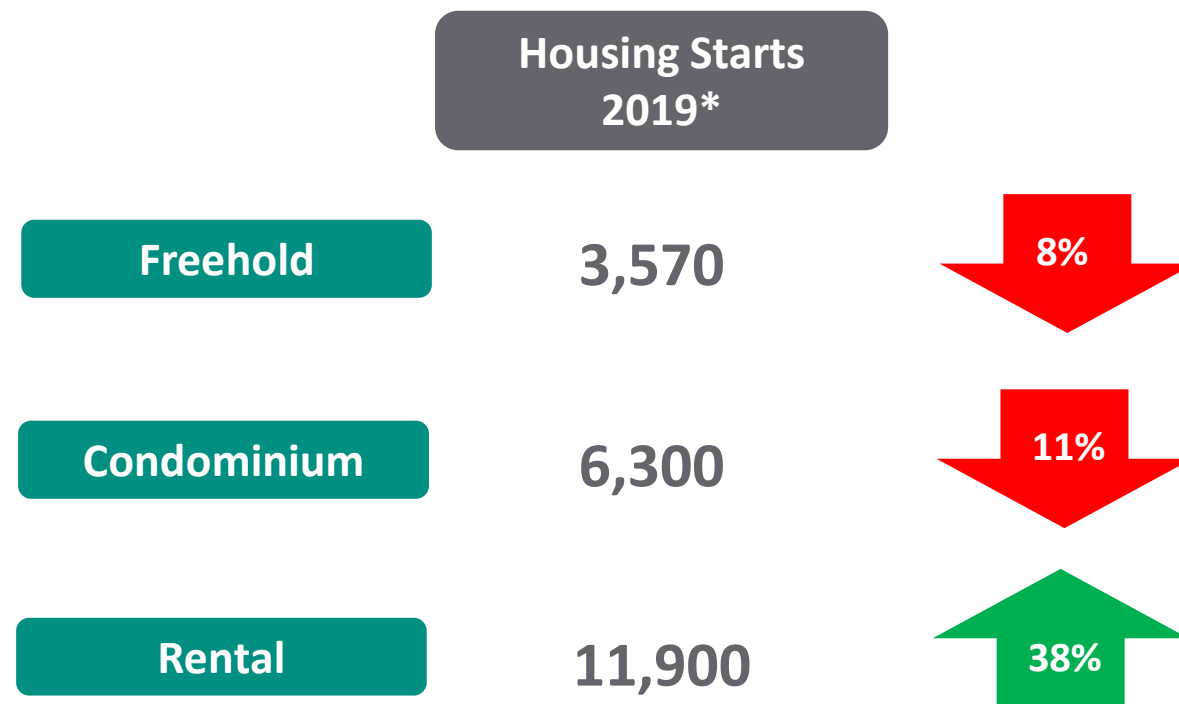
Growth in average price nearly 4% in the last year*

*Q3 2019 over Q3 2018

Source: Statistics Canada, Residential Property Price Index, quarterly



Rental apartment construction showing good momentum

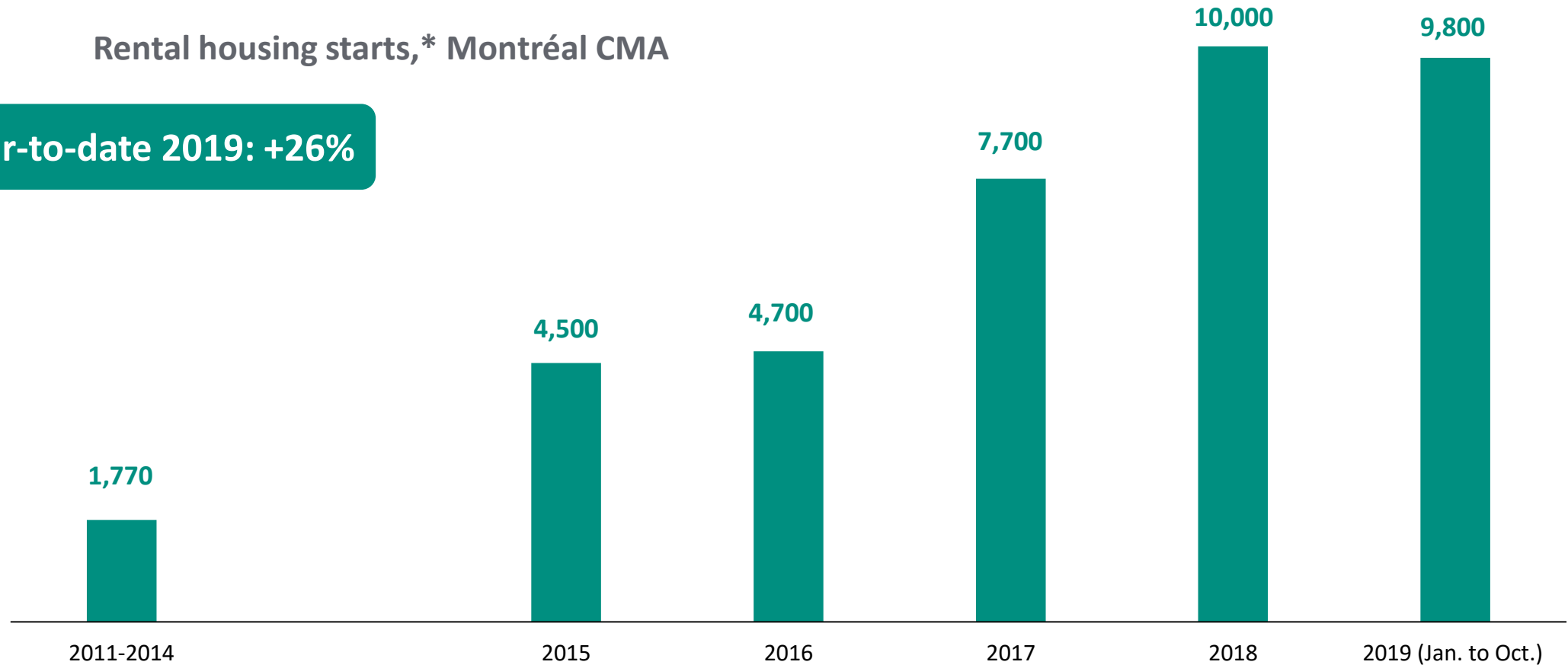


*January to October
Source: CMHC

Conventional rental housing construction holding steady

Rental housing starts,* Montréal CMA

Year-to-date 2019: +26%



*Excluding cooperatives and seniors' residences.

Annual average from 2011 to 2014

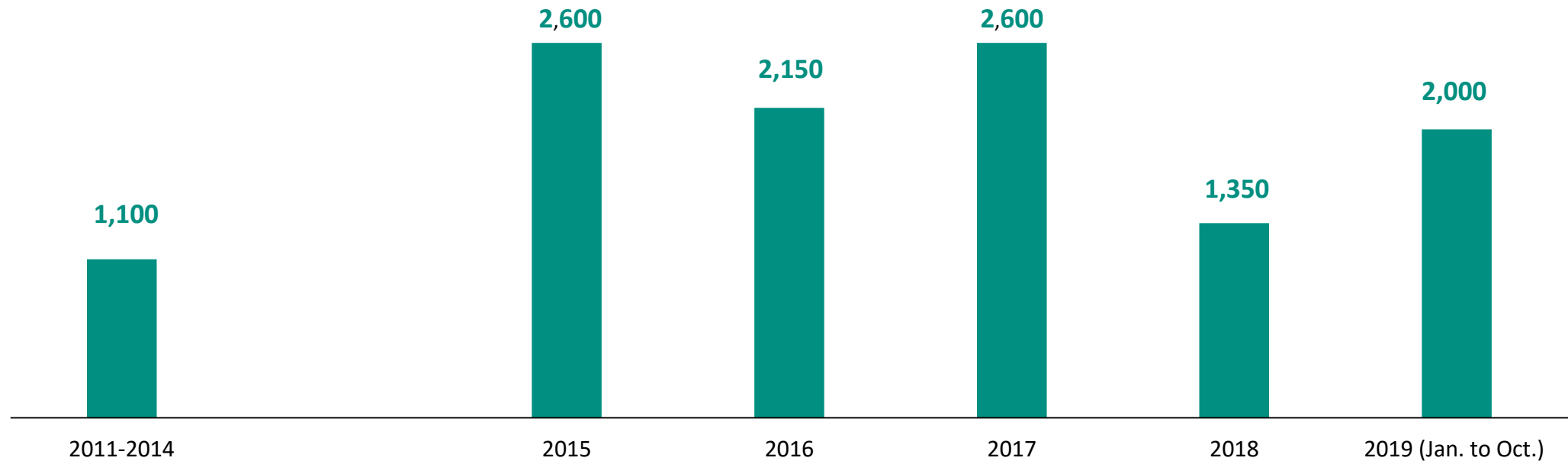
Source: CMHC

Increased activity in seniors' residences

Housing Starts of Apartments in Seniors' Residences*

Montréal CMA

Year-to-date 2019: +142%

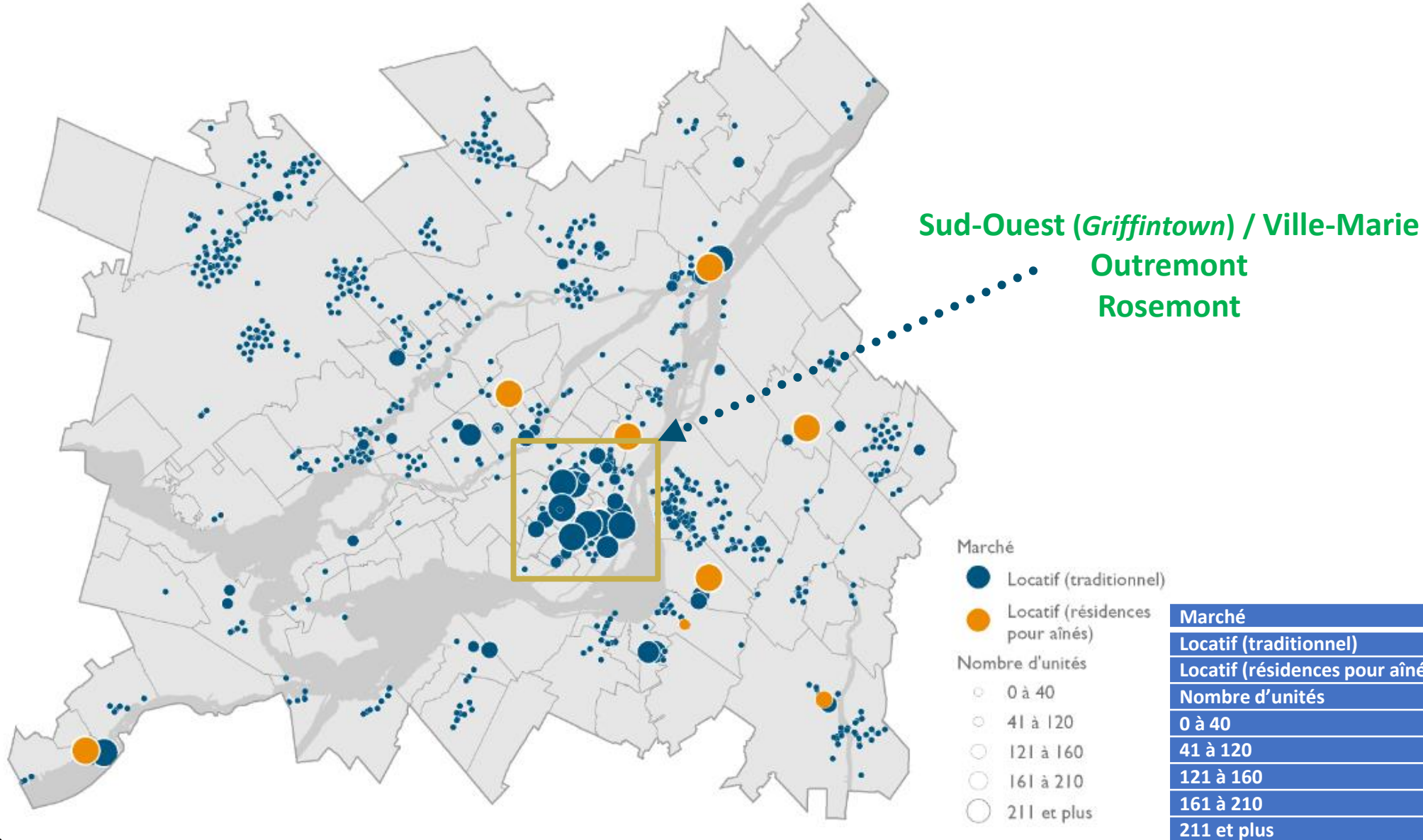


*Excluding cooperatives.

Annual average from 2011 to 2014

Source: CMHC

Rental apartment starts throughout the metropolitan area



Source: CMHC, January to September 2019

Montréal: Move to apartments increasing more quickly than elsewhere

Proportion (%) of Starts That are Apartments

	2008*	2018*	
Montréal	58%	79%	+21 percentage points
Toronto	44%	60%	+16 percentage points
Vancouver	60%	67%	+7 percentage points

*Three-year moving average
Source: CMHC

Types of apartment starts are also different in Montréal



Source: CMHC

More smaller buildings (fewer apartments) in Montréal than in Toronto and Vancouver


Buildings with fewer storeys in Montréal than in Toronto and Vancouver...

... also true for buildings with more than 100 units, 200 units...



Average building construction time is shorter in Montréal

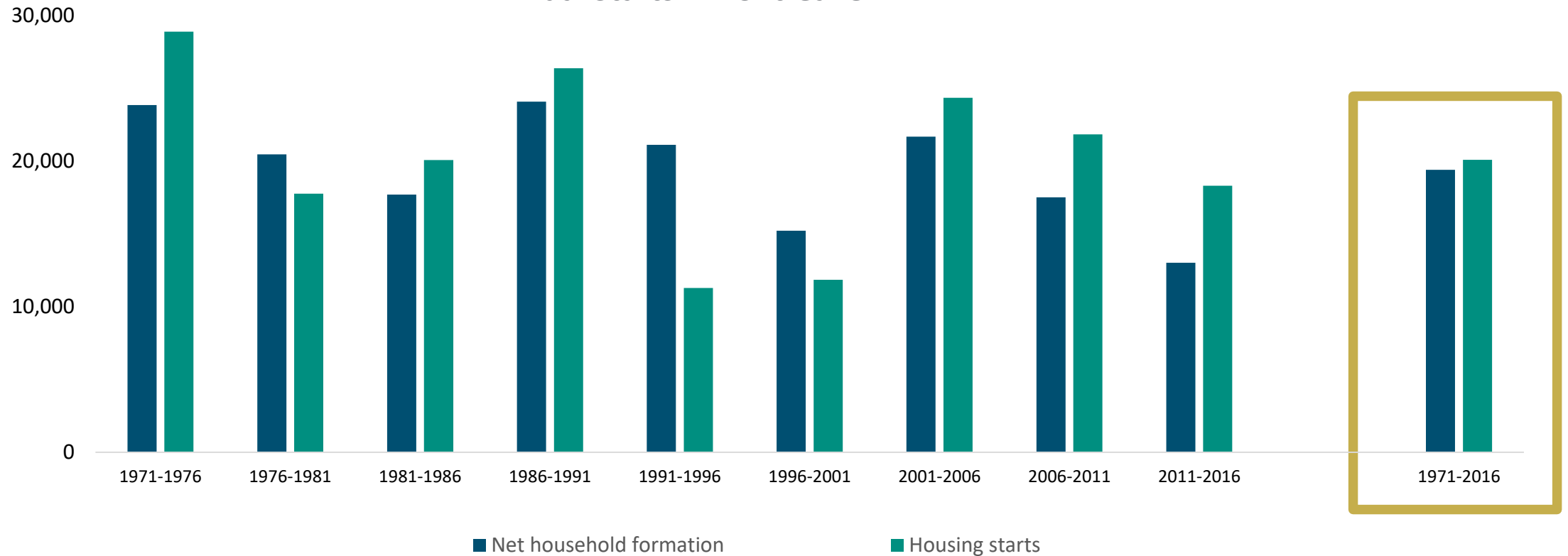




New home market
and long-term
outlook

Demographic changes and construction in Greater Montréal

Average Annual Net Private Household Formation and Average Annual Starts—Montréal CMA



*The data on net household formation and on housing starts do not include Saint-Jérôme before 1996, and none of the data include Saint-Jean-sur-Richelieu or Saint-Lin-Laurentides (added to the CMA in 2016).

Sources: Statistics Canada (censuses and 2011 National Household Survey) and CMHC. CMHC calculations.

Potential number of starts lower over the long term

	<u>Net</u> Private Household Formation Montréal CMA
2016f-2021f	22,300
2021f-2026f	16,500
2021f-2026f	13,800
2026f-2031f	12,600



New home market: Forecast summary

Freehold: The decline continues
Construction mainly in suburbs

Condominiums: Decreasing inventory
should start to spur construction

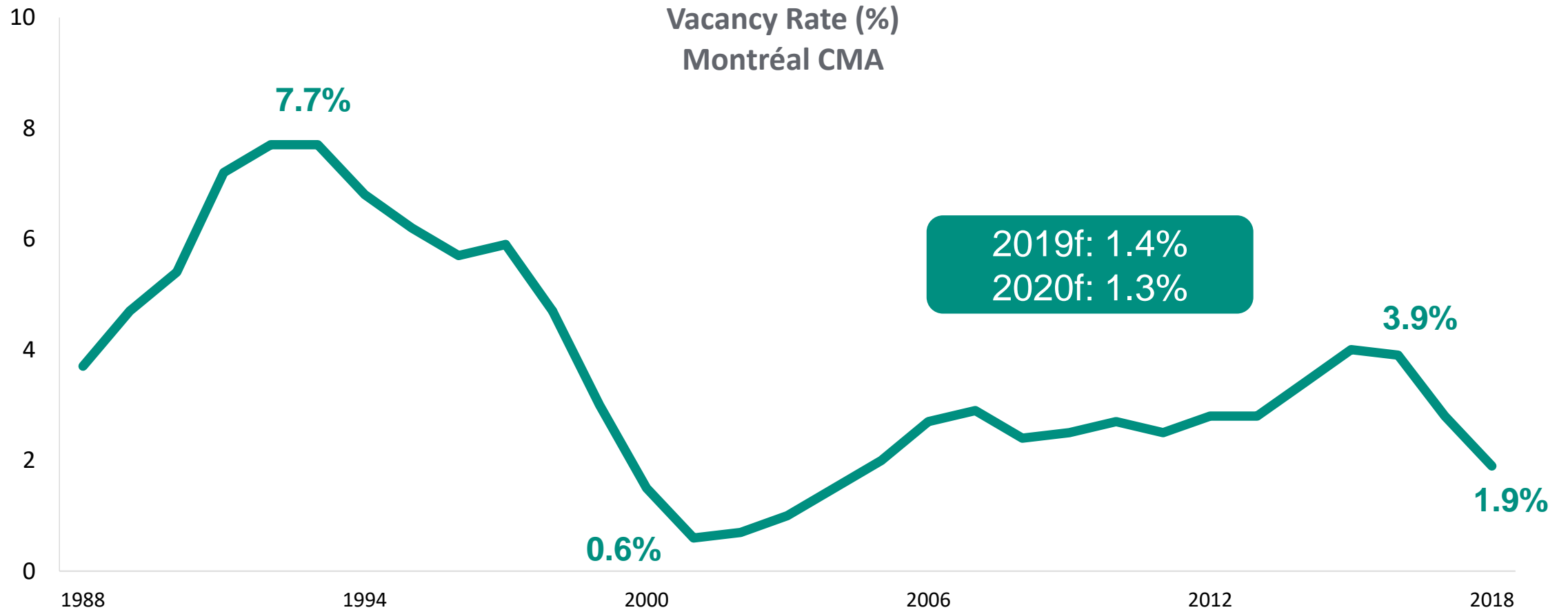
Rental: Starts are steady
Low vacancy rate driving construction

A person is standing in a room, looking out a large window. The room is filled with cardboard boxes, suggesting a moving or storage situation. The person is wearing a dark shirt and pants. The window is multi-paned and looks out onto a bright area. The overall scene is dimly lit, with a teal overlay.

Rental market

Vacancy rate will remain low

Montréal CMA vacancy rate over 30+ years





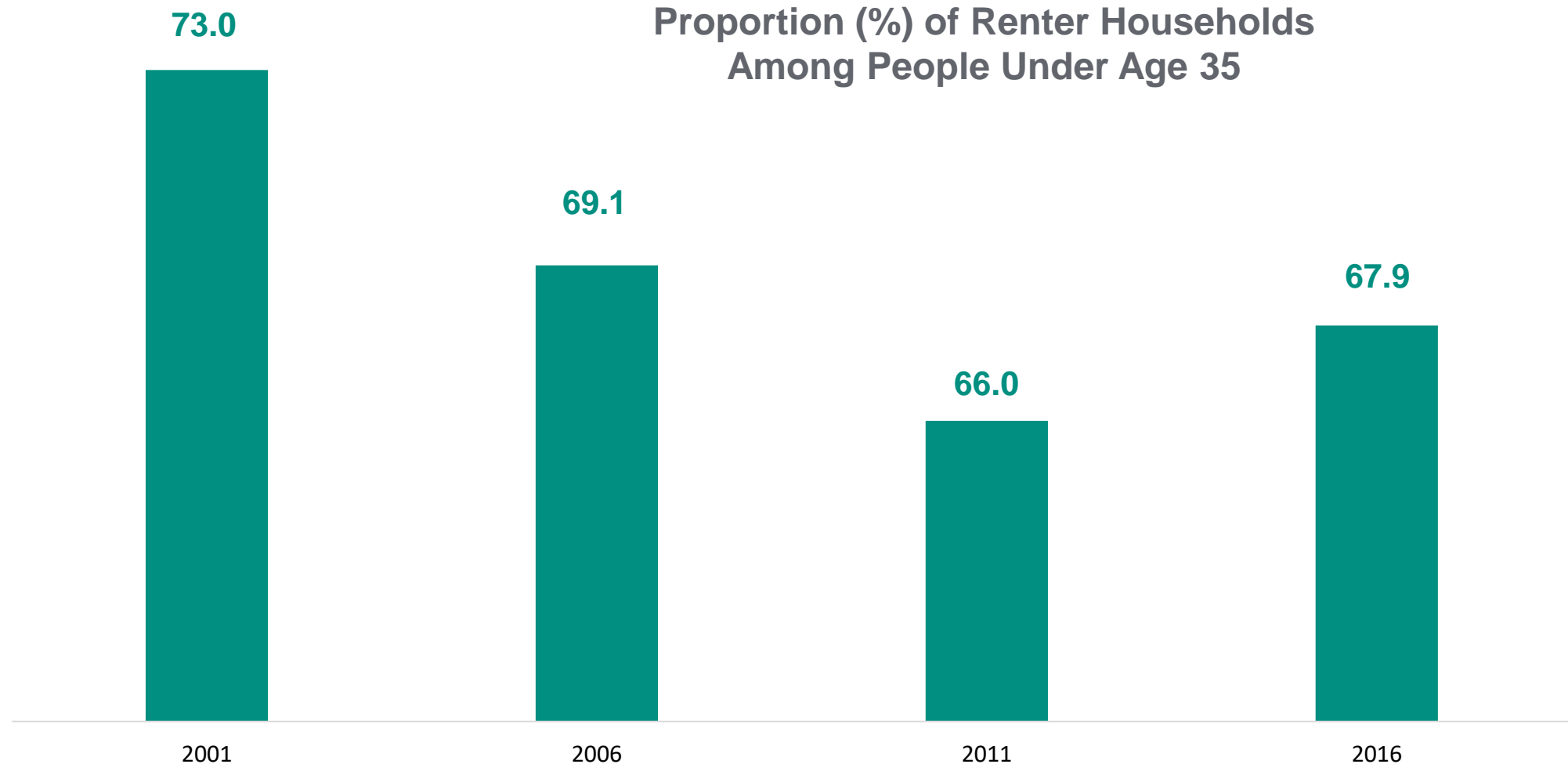
Rental demand up significantly

Net migration still high

Aging population

 in young people's tendency to rent

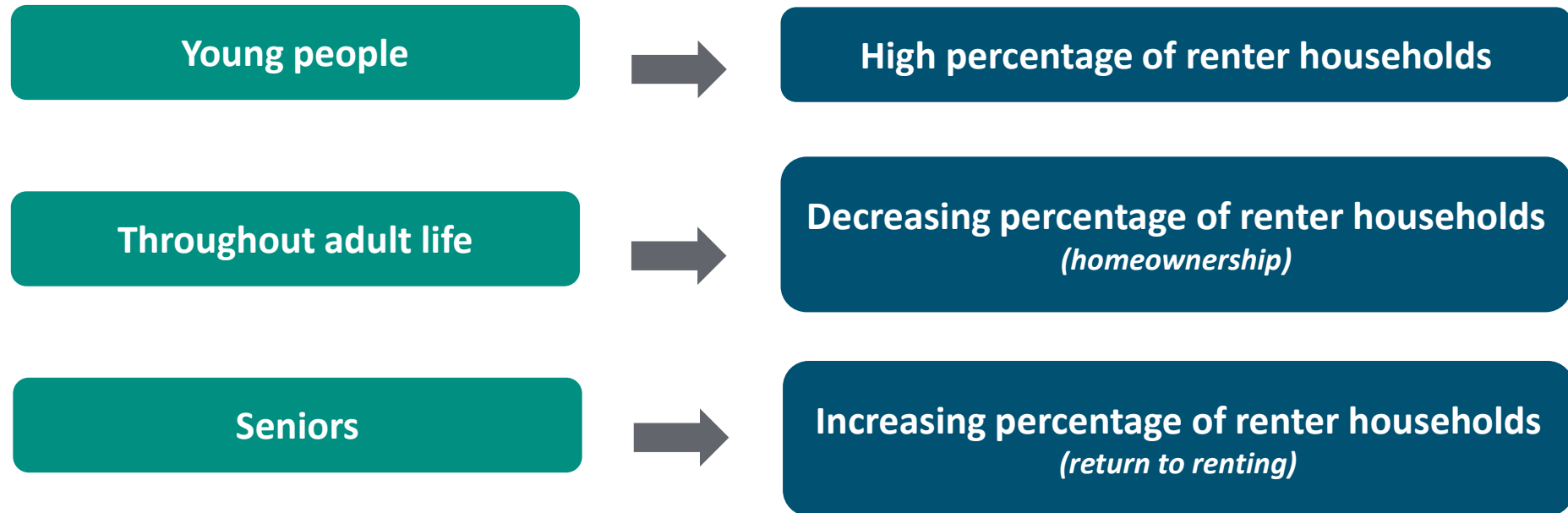
Slight uptick in renter rate among younger households



A woman with curly hair, wearing a polka-dot shirt and jeans, is leaning over a large cardboard box in a room. She appears to be packing or organizing items. The room features a white bookshelf filled with books and framed pictures on the left, and a window with a white frame on the right. The entire image is overlaid with a semi-transparent teal color.

Rental market and long-term outlook

Residential trend generally observed among households



Rental demand should remain steady over the coming years

Annual Increase in the Number of Private Renter Households (*forecast*)—Montréal CMA

2011-2016	4,600
2016f-2021f	10,400
2021f-2026f	8,000



Rental market: Forecast summary

The vacancy **rate** will remain **low**

Rental demand will be supported by **net migration**, the **aging population**, and **younger households' tendency to rent**

A **potentially sustained rental demand** over the **coming years**

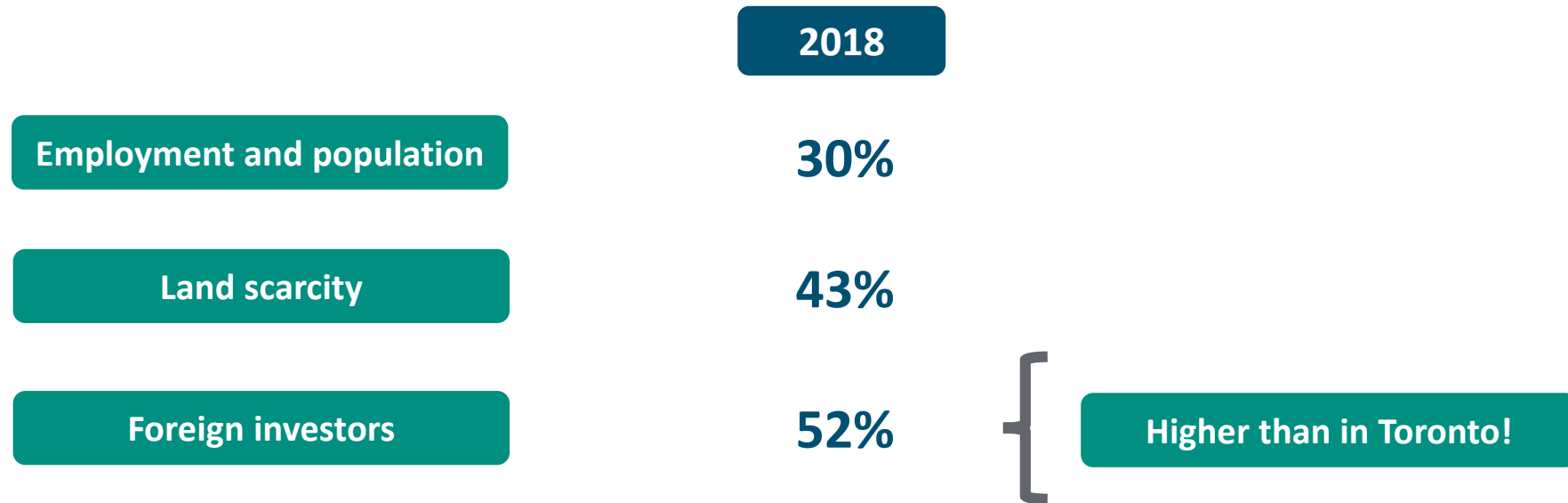
The influence of non-resident buyers: Perception does not align with reality



*The data is an estimate and probably underestimates the reality somewhat, given the difficulty of accurately identifying non-residents.
Sources: JLR, CMHC compilation and calculations

What factors strongly influence housing prices in the metropolitan area, according to Montréal households?*

Proportion (%) of Respondents, Factors That Strongly Influence Prices



*Households that bought a home in the survey year
Source: CMHC Homebuyers' Motivation Survey, 2018

20

20
19





For questions or more
information

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