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HOUSING MARKET INSIGHT

GATINEAU

The pandemic has changed
the dynamics of the Gatineau
metropolitan area real
estate market

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Lukas Jasmin-Tucci
Economist

“In the Gatineau area, the number of buyers of single-family homes from the Ottawa area was higher than before, possibly because they were attracted by a more affordable market in these uncertain times.”

The pandemic has changed the dynamics of the Gatineau metropolitan area real estate market

Highlights

- Despite the COVID-19 pandemic, single-family home purchases in the Gatineau metropolitan area increased in 2020. Land register data enable us to measure changes in the dynamics of the real estate market.
- Moves from the city of Gatineau to the outskirts of the CMA accelerated. There was an increase in the proportion of buyers of single-family homes who left the city of Gatineau to settle elsewhere in the CMA.
- Demand from Ottawa households was higher than before. In 2020, the purchase of single-family homes by Ottawa households doubled in the Gatineau metropolitan area, possibly as a result of the appeal of a more affordable market in these uncertain economic times.

Introduction

Despite the COVID-19 pandemic, there was an increase in single-family home purchases in the Gatineau metropolitan area¹ in 2020. Data from the Quebec Professional Association of Real Estate Brokers (QPAREB) show an 11% increase in single-family home sales, the strongest growth in five years (13% in 2016). The pandemic may have led to changes in homebuyers in the Gatineau metropolitan area and around that were significant enough to have an impact on the dynamics of the real estate market.

We are using land register data² on transactions to better understand this growth in a context where a drop in purchases was expected. These data allow us to determine the origin of single-family home buyers in the Gatineau metropolitan

area and around the census metropolitan area (CMA). We can therefore create a summary profile of buyers in order to understand the dynamics of demand in the area from 2015 to 2020. Where do Gatineau metropolitan area homebuyers come from? In which areas of the CMA are these homes being purchased? What is the movement of buyers within the CMA? The new data allowed us to answer these questions and highlighted several changes in 2020.

In 2020, increase in the proportion of households from the city that purchased single-family homes in the outlying areas

In the five years prior to the pandemic, the proportion of single-family home buyers from the city of Gatineau who moved elsewhere in the CMA (in the outlying areas³) was 9% to 10%. In 2020, this proportion increased to 12% (see table 1). The number of buyers from the city who purchased a home on the outskirts of the city (but still within the CMA) increased by about 40% in 2020 (see table 2). These households from the city of Gatineau who purchased homes in the outlying areas came mainly from the Gatineau sectors, followed by Aylmer. Outlying municipalities that recorded the largest increases in buyers from the city were Val-des-Monts (40%), Cantley (40%), Pontiac (144%) and Thurso (76%). The number of buyers from the city who moved even further away was low, but it too increased in 2020. Indeed, the percentage of single-family home buyers from the city who moved to a municipality outside the CMA, but still adjacent to it, rose from about 2% to 3%.

¹ Quebec portion of the Ottawa-Gatineau CMA.

² Source: JLR, an Equifax company.

³ Sectors of the city of Gatineau (within CMA): Aylmer, Hull, Gatineau, Masson-Angers, Buckingham. Outlying municipalities (outskirts within CMA): Val-des-Monts, Cantley, La Pêche, Chelsea, Pontiac, L'Ange-Gardien, Denholm, Bowman, Val-des-Bois, Notre-Dame-de-la-Salette, Mayo, Lochaber-Partie-Ouest, Thurso, Lochaber. Adjacent municipalities (outside the CMA): Bristol, Thorne, Otter Lake, Allevyn-et-Cawood, Low, Lac-Sainte-Marie, Notre-Dame-Du-Laus, Duhamel, Montpellier, Mulgrave-et-Derry, Saint-Sixte, Sainte-André-Avellin, Plaisance.

Table 1: Percentage of buyers of single-family homes from the city of Gatineau who moved

Destination	2015	2016	2017	2018	2019	2020	Increase in 2020 (percentage points)
Elsewhere in the city	88%	88%	89%	89%	89%	85%	-4
To the outskirts of the city (within the CMA)	10%	10%	10%	9%	9%	12%	3
Outside the CMA (adjacent municipalities)	2%	2%	2%	2%	2%	3%	1
Total	100%	100%	100%	100%	100%	100%	-

Source: JLR, an Equifax company

Table 2: Number of buyers of single-family homes from the city of Gatineau who moved

Destination	2015	2016	2017	2018	2019	2020	Increase in 2020
Elsewhere in the city	2,700	2,920	2,960	2,980	3,360	3,515	5%
To the outskirts of the city (within the CMA)	310	340	320	310	340	485	43%
Outside the CMA (adjacent municipalities)	60	60	60	60	65	115	77%
Total	3,070	3,320	3,340	3,350	3,765	4,115	9%

Note: Estimates. Figures have been rounded off.

Source: JLR, an Equifax company

This change in demand could also be seen in households already on the outskirts of the city. Whereas previously, an average of 3% of single-family home buyers from the outskirts moved to a municipality adjacent to the CMA, this proportion increased to 4.5% in 2020.

During the pandemic, the search for larger living spaces may have prompted some households to purchase homes further away from densely populated centres. Another potential factor, the opportunity to work from home for some households (and confidence that the new situation would persist after the pandemic), may have reduced the need to commute to work and enabled households to settle further away from employment hubs.

If this demand for single-family homes continues, the already-low inventory of new and unsold homes could decline further and encourage builders to start more units. However, the desire for densification in the city of Gatineau reduces the potential for new construction of this type of housing, which could lead to growth in supply being concentrated in the outlying areas. Although the number of single-family starts has been declining for several years, this is due to less

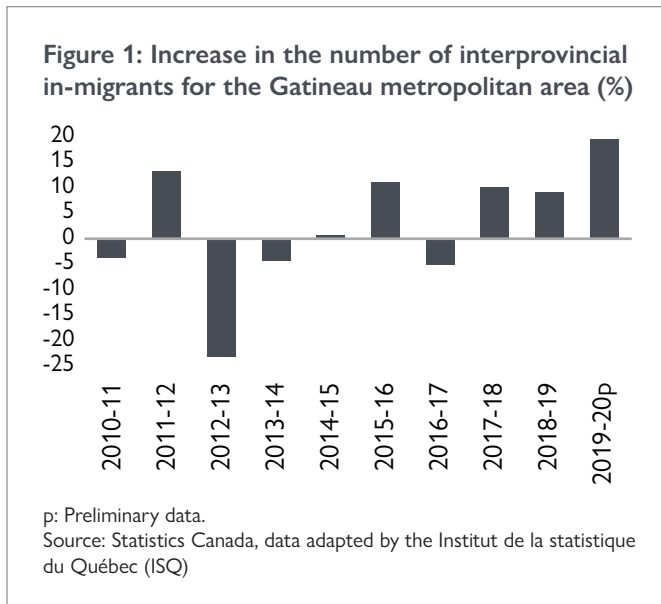
construction in the city of Gatineau, whereas single-family starts were maintained in the outlying areas. In fact, the fourth quarter of 2020 saw a peak in single-family starts for the outlying areas of the city of Gatineau, particularly in the municipality of Chelsea.

Higher number of buyers from the Ottawa metropolitan area

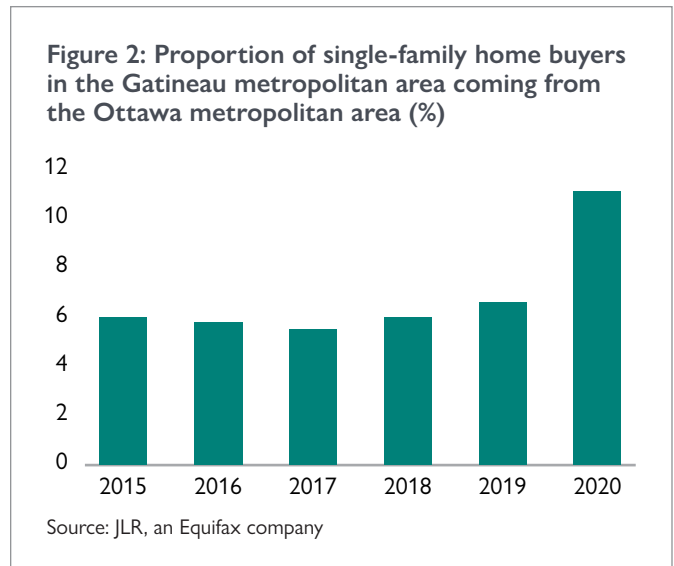
The acceleration in moves to the Outlying areas of the CMA was not the only change observed during the pandemic. Some of the dynamics regarding the origin of single-family buyers also became more pronounced in 2020. Households that come from outside the Gatineau metropolitan area to settle there are mainly from the Ottawa metropolitan area.⁴ Typically, three times as many of them purchase single-family homes in the area compared to households from the Montréal CMA, which corresponds to an average of close to 300 buyers from Ottawa versus fewer than 100 from Montréal. In 2020, this ratio increased to 5:1—close to 700 buyers from Ottawa compared to about 130 from Montréal.

⁴ Ontario portion of the Ottawa-Gatineau CMA.

This change suggests that Ottawa households are increasingly attracted to Gatineau, which is supported by migration data. For 2019–2020,⁵ the number of people who left another province in Canada to settle in the Gatineau metropolitan area increased by 19%⁶ (see figure 1). Typically, for the Gatineau metropolitan area, more than half of these interprovincial migrants come from the Ottawa metropolitan area.⁷ As a result, Ottawa households now account for a much larger share of Gatineau’s housing demand, and their numbers are sufficient to account for the strong growth in transactions.



In 2020, households from the Ottawa metropolitan area accounted for 11% of single-family home purchases in the Gatineau metropolitan area, compared to 6% on average in the previous five years (see figure 2). In absolute numbers, single-family home purchases by Ottawa households doubled in the area from 350 to close to 700. Conversely, the share of buyers from the Gatineau metropolitan area declined from 86% to 81% over the same period. Ottawa buyers settled mainly in the Aylmer sector, and transactions there doubled in 2020.



Ottawa households attracted by a more affordable market

It is likely that Ottawa households decided to move to the Gatineau area in greater numbers than usual because they were attracted by a more affordable market in the current uncertain economic climate. While it is not new that the average price of a single-family home is higher in Ottawa than in Gatineau, the growing gap between the two may have led to the decision to purchase a home in a less expensive market. For about 10 years, from 2005 to 2015, the price of a single-family home in Ottawa remained about 45% higher than in Gatineau. Since 2019, evidence of price acceleration in the Ottawa market led to more rapid growth than in Gatineau, pushing the difference to 66%. This price growth is due to very tight market conditions, with increased overheating adding to the pressure on prices. There is price acceleration in Gatineau, too, but it is more recent and not as significant.

Lower prices in the Gatineau area offer more housing choices to Ottawa households than what their income⁸ would allow them to purchase if they remained in their area of origin.

⁵ Year: July 1 to June 30.

⁶ Source: Statistics Canada.

⁷ For 2018–2019 (most recent data available), 54% of interprovincial migration to Gatineau came from Ottawa.

⁸ All other things being equal, excluding the impact of soft costs and the change in tax regime.

Buyers from Ottawa tend to purchase more expensive single-family homes than local buyers. Over the period under study, single-family homes purchased in the city of Gatineau by households from the Ottawa metropolitan area cost 8% more than those purchased by their Gatineau counterparts.

This additional demand for single-family homes in the higher price ranges could potentially add to the price pressure already evident in the Gatineau market. This applies not only to homeowners, but also to renters, as higher migration may have also contributed to increasing the number of potential renters in the area and maintaining upward pressure on rents.⁹ However, it is still uncertain whether the changes observed in 2020 will persist.

Conclusion

The COVID-19 pandemic has plunged Canada into a historic economic crisis, and this is the context in which a negative impact on the housing market was anticipated. However, the Gatineau metropolitan area recorded its strongest growth

in single-family home sales in five years. Various factors can account for the growth in sales in 2020, including changing migratory factors. For instance, the Gatineau metropolitan area attracted a significant number of households from the Ottawa metropolitan area that settled in Gatineau during this period of economic uncertainty, without doubt attracted by the lower prices of single-family homes.

At the same time, the migration of households away from the centre, a phenomenon that existed already, gained momentum. In 2020, a larger number of households from the city of Gatineau moved out of this more densely populated area to purchase single-family homes outside the city, either in the outskirts, but still within the CMA, or in municipalities adjacent to the CMA.

It is likely that the pandemic triggered changes that accentuated existing dynamics among buyers of single-family homes in the Gatineau metropolitan area. The coming months will confirm whether these changes reflect a new trend or are a temporary reaction to the disruptions that occurred in 2020.

⁹ About 75% of households choose to rent upon moving to the area. Source: Statistics Canada (2016 Census).

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Alternative text and data for figures

Figure 1: Increase in the number of interprovincial in-migrants for the Gatineau metropolitan area (%)

Year	Percent
2010-11	-4
2011-12	13
2012-13	-23
2013-14	-4
2014-15	1
2015-16	11
2016-17	-5
2017-18	10
2018-19	9
2019-20p	19

p: Preliminary data.

Source: Statistics Canada, data adapted by the Institut de la statistique du Québec (ISQ)

Figure 2: Proportion of single-family home buyers in the Gatineau metropolitan area coming from the Ottawa metropolitan area (%)

Year	Percent
2015	6
2016	6
2017	6
2018	6
2019	7
2020	11

Source: JLR, an Equifax company