

# HOUSING MARKET INSIGHT

## Montreal CMA



CANADA MORTGAGE AND HOUSING CORPORATION

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*“The number of properties for sale on the resale market has been steadily declining for three years in Greater Montréal. The current strong market, where newly listed properties sell the first time rather than being relisted for sale more than once a year, is one cause. The low level of single-family home and condominium construction in recent years is another. Lastly, significantly fewer developers are engaging real estate brokers to sell their new condominiums.”*

Francis Cortellino, Economist  
Market Insights, CMHC

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## Fewer properties for sale in Greater Montréal: housing types, geographic sectors and possible explanations

*New listings (properties newly listed for sale) on the resale market have been steadily declining since 2016 (falling by 4% to 7% per year). This scarce supply is in fact one of the factors explaining why the Montréal resale recently moved into overheated territory.*

*In 2016 and 2017, the decreases were mainly due to declines in single-family homes listed for sale on the market in Greater Montréal. In 2018, however, the decrease was caused mainly by the drop in new condominium listings, particularly on the Island of Montréal.*

*One of the reasons for this decline is the current strong demand on the real estate market. In fact, while in the past, existing properties could be relisted for sale on the market more than once a year because they had not found takers, this has been much less the case recently.*

*As well, with single-family home and condominium construction having been relatively weaker in recent years, there are fewer units that can potentially be resold by the households<sup>1</sup> who bought them in the first place.*

*Furthermore, the proportion of newly built dwellings that are listed for sale on the existing home market subsequently (after they were bought on the new home market) also appears lower than in the past.*

*Lastly, the number of new condominiums that real estate brokers were engaged to list for sale on the market decreased considerably in 2018, especially on the Island of Montréal. The current strong market probably prompted developers to sell their units themselves, instead of engaging brokers to sell some of them, as may be case when the market is sluggish. These new condominiums, which are no longer handled by brokers, are therefore no longer counted as new listings.*

*In light of these various factors, it is difficult to anticipate an upturn in new listings on the market, at least in the short term. If demand stays strong, pressure on housing prices should remain steady, and affordability will continue to be an important issue.*

The latest *Housing Market Assessment* issue for the Montréal census metropolitan area (CMA) revealed that this market is now overheating. This happens when the gap between demand (represented by sales) and supply (represented by new listings) is relatively narrow on the resale market.<sup>2</sup>

In recent years, sales effectively increased while new listings decreased in Greater Montréal. This rise in demand was attributable to several factors, including the improved economic environment (employment, income, etc.) and demographic conditions in Greater Montréal and low mortgage rates.

However, the reasons for the decline in new listings on the resale market in the metropolitan area are much more difficult to understand. Indeed, why has the number of properties listed for sale decreased so much recently?

This report looks at the possible causes of this decrease in supply on the Montréal resale market. Our findings could help us determine if this situation is temporary or if it could last longer. Is this decline more cyclical, or structural?

The first part of this *Housing Market Insight* examines the overall trend in new listings in the Montréal CMA since 2004, and more particularly in recent years, when they began to decrease rapidly. The trends by geographic sector of Greater Montréal and by housing type (single-family homes, condominiums, and plexes with two to five units) are also presented.

The second part of the report looks at the various reasons that could explain this decrease in the supply of dwellings listed for sale on the Montréal market. To that end, we obtained from the Quebec Federation of Real Estate Boards (QFREB) a special compilation covering each of the properties newly listed for sale in the Montréal area from 2004 to 2018.<sup>3</sup> The data included the year of construction of the dwelling, its location within Greater Montréal, the final status of the new listing (contract expired or property sold), etc.

It is important to note at this stage that these data unfortunately do not cover the resale market in its entirety, since households can also decide to sell their dwelling themselves (for sale by owner), without going through a real estate broker. In other words, the data cover only those drawn

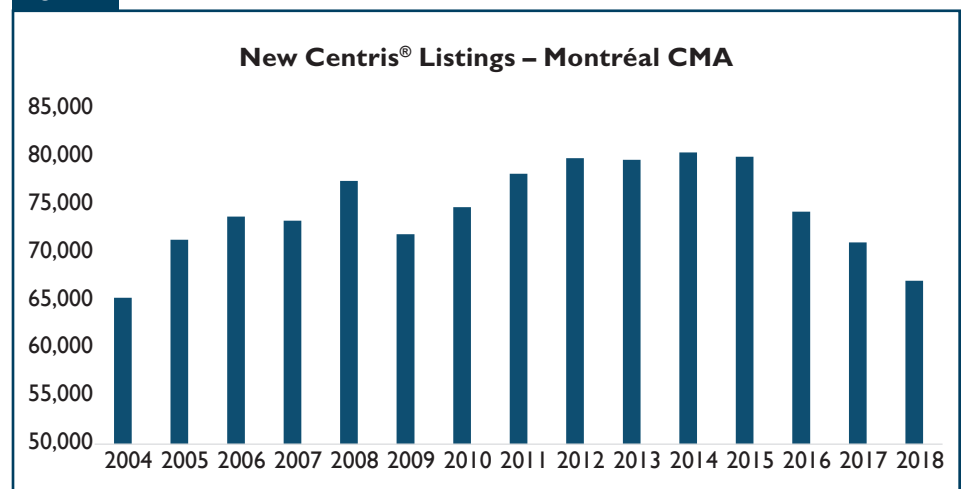
from the Centris® system. The potential impacts of this situation on the findings are in fact addressed later on in this report.

## Decrease of 13,000 properties listed for sale since 2016 in Greater Montréal

The number of properties listed for sale (new listings) on the resale market in the Montréal area followed an upward trend until 2015 and then declined rapidly (figure 1). There were 67,000 new listings in the metropolitan area in 2018—13,000 fewer than in 2015 and almost as few as in 2004.

More specifically, since 2015, the decreases in new listings have varied between 3,200 and 5,750 properties per year, for annual declines of 4% to 7% (table 1).

Figure 1



Source: QFREB through the Centris® system

Table 1: New Centris® Listings from 2015 to 2018 – Montréal CMA

| Period | New Centris® Listings | Annual Change (units) | Annual Change (%) |
|--------|-----------------------|-----------------------|-------------------|
| 2015   | 80,037                | n/a                   | n/a               |
| 2016   | 74,291                | -5,746                | -7.2              |
| 2017   | 71,083                | -3,208                | -4.3              |
| 2018   | 67,065                | -4,018                | -5.7              |

n/a: Not applicable.

Sources: QFREB through the Centris® system; CMHC, calculations

However, the geographic sectors and housing types did not all equally contribute to this drop in properties listed for sale. The data in table 2 show that single-family homes offered on the resale market accounted for about 75% of the decreases in new listings in 2016 and 2017. In fact, all geographic sectors played a part in these declines, with the Island of Montréal and the North Shore contributing the most.

The situation was a bit different in 2018, as that year, condominiums contributed the most to the decline in total new listings, particularly on the Island of Montréal. In fact, 50% of the decrease in total new listings in the metropolitan area in 2018 was due to the drop in the number of condominiums offered on the market on the Island of Montréal.

In the case of plexes with two to five units, only the results for Greater Montréal are indicated, given that the vast majority of these dwellings are located on the Island of Montréal. Moreover, the contributions of this housing type to the overall declines in new listings were rather limited and even negative in 2018 because new listings of plexes with two to five units increased between 2017 and 2018.

The results in this section revealed that single-family homes played a large role in the declines in new listings in the Montréal CMA in 2016 and 2017 and, to a lesser extent, in 2018. During this last year, condominiums were the major factor. In the next sections, we look at the various possible reasons for this drop in the number of dwellings listed for sale on the Montréal market.

## From 2016 to 2018, more properties sold the first time rather than being relisted on the market more than once

For the past few years, demand on the resale market in Montréal has posted strong growth. In fact, sales registered through the Centris® system in the Montréal CMA reached a record high in 2018.

In a dynamic real estate market, as is currently the case in Montréal, newly offered properties generally have a greater likelihood of finding takers quickly or on their first appearance (listing) on the market. In other words, it is rarer that a property offered on the market remains unsold over the entire duration of the contract entered into between the unit owner and the real estate broker.<sup>4</sup>

**Table 2: Relative Significance of Each Geographic Sector and Housing Type\* (%) Having Contributed to the Decline in Total New Centris® Listings in the Montréal CMA in 2016, 2017 and 2018**

| Geographic sector and housing type / Period   | 2016 | 2017 | 2018 |
|---|------|------|------|
| Montréal CMA, all housing types               | 100  | 100  | 100  |
| Island of Montréal, all housing types         | 42   | 51   | 49   |
| Laval, all housing types                      | 10   | 15   | 6    |
| North Shore, all housing types                | 24   | 18   | 23   |
| South Shore, all housing types                | 17   | 8    | 13   |
| Vaudreuil-Soulanges, all housing types        | 6    | 7    | 6    |
| Saint-Jean-sur-Richelieu, all housing types   | 2    | 1    | 2    |
| Montréal CMA, single-family homes             | 74   | 75   | 38   |
| Island of Montréal, single-family homes       | 21   | 24   | 4    |
| Laval, single-family homes                    | 8    | 14   | 2    |
| North Shore, single-family homes              | 22   | 22   | 18   |
| South Shore, single-family homes              | 16   | 6    | 6    |
| Vaudreuil-Soulanges, single-family homes      | 5    | 9    | 5    |
| Saint-Jean-sur-Richelieu, single-family homes | 1    | 1    | 2    |
| Montréal CMA, condominiums                    | 17   | 17   | 69   |
| Island of Montréal, condominiums              | 12   | 18   | 50   |
| Laval, condominiums                           | 2    | 0    | 5    |
| North Shore, condominiums                     | 2    | -3   | 5    |
| South Shore, condominiums                     | 1    | 2    | 9    |
| Vaudreuil-Soulanges, condominiums             | 1    | -3   | 1    |
| Saint-Jean-sur-Richelieu, condominiums        | 0    | 1    | 0    |
| Montréal CMA, plexes with 2 to 5 units        | 8    | 9    | -7   |

Percentages may not add to 100% because of rounding.

\* Single-family homes, condominiums, and plexes with 2 to 5 units.

Sources: QFREB through the Centris® system; CMHC, calculations

Conversely, in a less vigorous resale market, as was the case in the metropolitan area from about 2012 to 2015,<sup>5</sup> newly offered properties might not find takers on their first listing on the market. Upon expiry of that first listing period (that is, the contract between the owner and the real estate broker), owners can request to have their dwellings relisted on the market in another attempt to sell them.

A less dynamic real estate market can therefore inflate new listings over a certain period, with some properties having to be listed several times before finally being sold.

This is in fact what seems to have happened in the Montréal CMA over the last few years. Tables 3 and 4 indicate for existing single-family homes and condominiums, respectively, the proportions of new listings where the final status was the sale of the dwelling and, conversely, the percentages of units that had not found takers by the end of the contract between the real estate broker and the homeowner.<sup>6</sup>

In the case of the single-family homes newly listed on the market from 2012 to 2015 (table 3), just over 50% found takers by the end of the contract between the homeowner and the real estate broker. By 2018, this proportion had risen to 75%.<sup>7</sup> In other words, in 2018, only 25% of the single-family homes that became available for sale on the market remained unsold at the end of the contract between the real estate broker and the homeowner, compared to about 50% a few years earlier.

The large geographic sectors of the metropolitan area showed results that were quite similar to those obtained for the overall Montréal CMA. The data on condominiums (table 4) were also relatively the same as those obtained for single-family homes.

**Table 3: Proportions (%) of New Centris® Listings of Existing Single-Family Homes by Final Status – Montréal CMA**

| Period | Sold | Unsold (contract expired or property withdrawn from market*) |
|--------|------|--|
| 2012   | 55   | 45   |
| 2013   | 53   | 47   |
| 2014   | 52   | 48   |
| 2015   | 56   | 44   |
| 2016   | 62   | 38   |
| 2017   | 68   | 32   |
| 2018   | 74   | 26   |

\* Property withdrawn by owner or real estate broker.  
Sources: QFREB through the Centris® system; CMHC, calculations

**Table 4: Proportions (%) of New Centris® Listings of Existing Condominiums by Final Status – Montréal CMA**

| Period | Sold | Unsold (contract expired or property withdrawn from market*) |
|--------|------|--|
| 2012   | 50   | 50   |
| 2013   | 45   | 55   |
| 2014   | 43   | 57   |
| 2015   | 44   | 56   |
| 2016   | 49   | 51   |
| 2017   | 58   | 42   |
| 2018   | 71   | 29   |

\* Property withdrawn by owner or real estate broker.  
Sources: QFREB through the Centris® system; CMHC, calculations

The data from the special compilation also indicated the locations of the dwellings that were newly listed on the market. After determining the final status of the new listings (sold or unsold), we then looked at the number of times the same properties were listed for sale on the market in the same year.

This method does have a few shortcomings though. For example, any properties that were listed for sale, then sold and then offered again on the market, all during the same year, would not be identified. This is, however, much less likely in a sluggish market.

Also, this method would not take into account properties that were listed for sale at the end of one year (for instance, late 2015), never found takers during the contract with the broker and were subsequently relisted the following year (for instance, early 2016).<sup>8</sup>

Despite these flaws, an analysis of the data over a period of a few years still gives an idea of the market trend. Thus, from 2012 to 2015, for both single-family homes and condominiums, about 12% or 13% of properties were listed for sale more than once in the same year (table 5). In 2016, this proportion began to decrease, reaching 8% in 2018 (the lowest level since the data became available in 2004).

In this section, it was therefore established that resale market conditions play a role in the total number of new listings on the market. When the market is sluggish, this number rises, while during periods of stronger activity, new listings are limited. In short, prevailing economic conditions are an important factor to consider in this analysis.

### Less single-family home and condominium construction, fewer new listings

The previous section showed that prevailing economic conditions are an important factor in the new listings trend. Structural changes in the Montréal housing market over the last 15 to 20 years could also have played a crucial role.

In fact, for many years now, the number of single-family homes<sup>9</sup> built in Greater Montréal has been on a significant downward trend (figure 2). This can be explained by various types of factors: economic (for example, affordability, land costs, etc.), demographic (for example, the aging of the population) and regulatory (for example, urban densification).

While some 11,500 single-family homes were built on average each year in the mid-2000s,<sup>10</sup> the annual average was only 4,300 units from 2016 to 2018. All geographic sectors registered declines, especially the suburban sectors.<sup>11</sup>

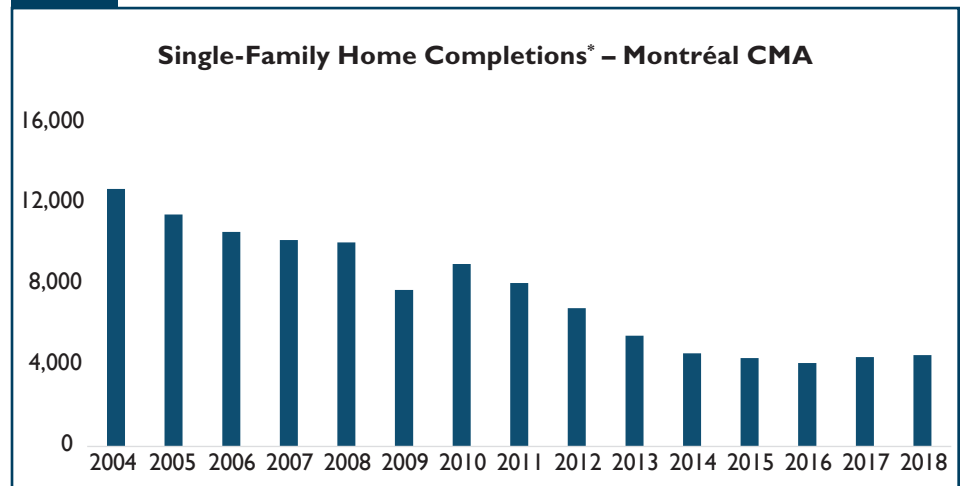
When fewer new homes are built every year, there are generally fewer that can potentially be relisted for sale on the market by their owners afterwards (resulting in fewer new listings). This decline, therefore, puts downward pressure on new listings on the market over the long term.

In the condominium segment, construction also decreased significantly in recent years (figure 3).

| Period | Single-Family Homes | Condominiums |
|--------|---------------------|--------------|
| 2012   | 12                  | 13           |
| 2013   | 12                  | 14           |
| 2014   | 12                  | 13           |
| 2015   | 11                  | 13           |
| 2016   | 10                  | 11           |
| 2017   | 8                   | 10           |
| 2018   | 8                   | 8            |

Sources: QFREB through the Centris® system; CMHC, calculations

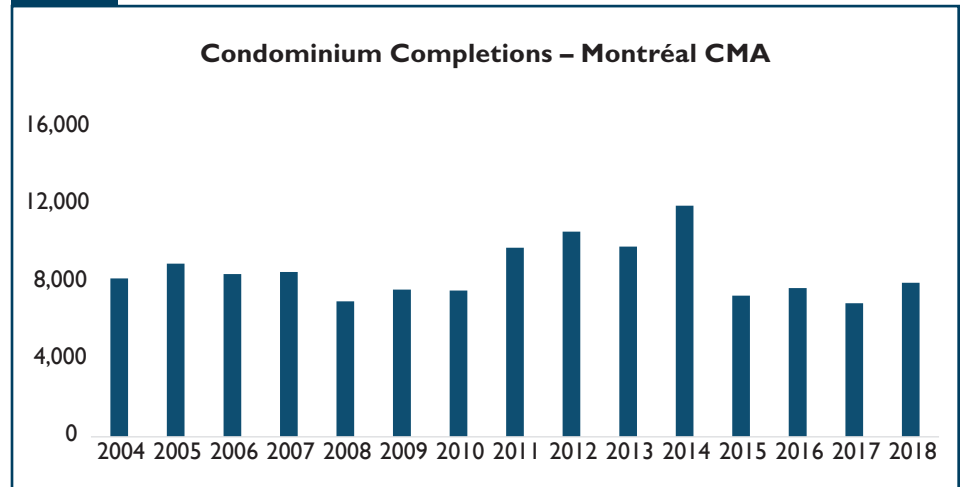
Figure 2



\* Freehold home starts.

Source: CMHC

Figure 3



Source: CMHC

From 2016 to 2018, about 7,500 new condominiums were built on average each year (the level of construction was also low in 2015). From 2012 to 2014, however, the annual average was around 10,800 units. Rental dwellings are now the most built housing type in Greater Montréal.

It should be mentioned though that, in this specific case, unlike for single-family homes, the recent decline in condominium construction is likely cyclical rather than structural. Different conditions could cause multi-unit housing developers to shift their activity from rental dwellings to condominiums, as has been the case in the past.

However, lower levels of condominium construction should also result in fewer new listings on the resale market in subsequent years.

To verify this last hypothesis, we started by examining the numbers of dwellings (single-family homes and condominiums) that were listed for sale on the existing home market in the year following their construction, after they were previously bought by households.<sup>12</sup> In other words, when these dwellings are listed for sale on Centris®, they are no longer new.

For example, we looked at how many single-family homes built in 2016 were listed for sale on the existing home market in 2017, after having been previously sold by the builder at some point.

As indicated by the data in table 6, new listings of homes listed for sale on Centris® one year after they were built have been on a significant downward

| Year of construction of single-family home | Existing Single-Family Homes Listed for Sale on Centris® |
|--|--|
| 2004                                       | 1,897  |
| 2005                                       | 1,699  |
| 2006                                       | 1,224  |
| 2007                                       | 1,200  |
| 2008                                       | 1,053  |
| 2009                                       | 650  |
| 2010                                       | 729  |
| 2011                                       | 607  |
| 2012                                       | 489  |
| 2013                                       | 345  |
| 2014                                       | 303  |
| 2015                                       | 198  |
| 2016                                       | 190  |
| 2017                                       | 228  |

\* Before being listed for sale on Centris®, the single-family homes were bought on the new home market (during the year of construction or the following year). They are then existing homes, not new homes.

A home may have been listed for sale more than once in the same year.

Sources: QFREB through the Centris® system; CMHC, calculations

trend for many years. The lower levels of home construction in the last 15 years, therefore, appear to have limited the numbers of new listings on the resale market.<sup>13</sup> It is plausible to think that this continues to be the case in subsequent years, that is, that the numbers of properties listed for sale in the two (or three or more) years after construction are also on a downward trend.

However, it should be recalled here that this last factor was not the only one to have impacted the total number of new listings of homes on the market. Indeed, even if the data

in table 6 show that from 2012 to 2015 new listings of recently built homes declined as a result of lower construction levels, the total number of homes for sale in the CMA still continued to increase over that period (figure 1).

As was shown in the previous section, the sluggish market was such that many units that had not found takers could be relisted on the market several times in a year. That factor, therefore, probably outweighed the one presented in this section, which drove up new listings during that period.<sup>14</sup>

But now that the market is stronger and that newly listed homes find takers more easily, thereby reducing the number of new listings, the lower levels of construction in recent years only serve to increase this downward pressure on the quantity of homes for sale on the market. In other words, since 2016, it would appear that both structural and cyclical factors have been limiting new listings of homes on the market.

In the case of condominiums (table 7), the slowdown in construction in recent years also limited new listings. For example, only 350 condominiums built in 2017 were relisted for sale on the existing home market in 2018. Of those built in 2011 and 2012, more than 950 units on average were relisted for sale one year after construction. The lower levels of construction, therefore, once again limited the supply of condominiums on the market.<sup>15</sup>

As well, while there may be fewer single-family homes and condominiums built, and so, potentially fewer new listings on the market, it could also be that the households<sup>16</sup> who became the owners of these newly built homes were also less inclined to sell them than others did in the past.

In other words, were the households who more recently became homeowners less inclined to quickly relist their properties for sale (resulting in fewer new listings) than those from a few years ago? If so, this would have further limited the number of new listings.

We then continued our analysis by estimating the **proportions** (not the numbers) of dwellings (single-family homes and

| Year of construction of condominium | Existing Condominiums Listed for Sale on Centris® |
|-------------------------------------|---|
| 2004                                | 1,356   |
| 2005                                | 1,642   |
| 2006                                | 1,145   |
| 2007                                | 912   |
| 2008                                | 797   |
| 2009                                | 827   |
| 2010                                | 788   |
| 2011                                | 950   |
| 2012                                | 982   |
| 2013                                | 769   |
| 2014                                | 622   |
| 2015                                | 419   |
| 2016                                | 500   |
| 2017                                | 348   |

\* Before being listed for sale on Centris®, the condominiums were bought on the new home market (during the year of construction or the following year). They are then existing condominiums, not new condominiums.

A condominium may have been listed for sale more than once in the same year.

Sources: QFREB through the Centris® system; CMHC, calculations

condominiums) that were listed for sale on the existing home market in the year following their construction (once they were already bought and thus no longer considered new).

The numbers of new dwellings built each year were estimated using CMHC data on housing completions.<sup>17</sup> However, these data do not take into account the dwellings resulting from building conversions, causing the number of dwellings built each year to be underestimated.<sup>18</sup>

The data on completions do not take into account, either, that some new dwellings may remain unsold for a lengthy period (that is, still in

the builder's possession) and can therefore not be listed for sale on the existing home market in the year following their construction.<sup>19</sup>

Lastly, it should be recalled that the same home or condominium may also have been listed for sale more than once in the same year.<sup>20</sup> The proportions indicated in tables 8 and 9 are therefore to be interpreted with caution.

For both single-family homes and condominiums (tables 8 and 9), the proportions in recent years have generally decreased and reached record lows. The results also largely applied to the various geographic sectors of the CMA.

**Table 8: Proportion (%) of Existing Single-Family Homes\* Listed for Sale on Centris® (new listings) in the Year Following Their Construction**

| Year of construction of single-family home | Proportion (%) of Existing Single-Family Homes Listed for Sale on Centris® |
|--|--|
| 2004                                       | 15   |
| 2005                                       | 15   |
| 2006                                       | 12   |
| 2007                                       | 12   |
| 2008                                       | 10   |
| 2009                                       | 8  |
| 2010                                       | 8  |
| 2011                                       | 8  |
| 2012                                       | 7  |
| 2013                                       | 6  |
| 2014                                       | 7  |
| 2015                                       | 5  |
| 2016                                       | 5  |
| 2017                                       | 5  |

\* Before being listed for sale on Centris®, the single-family homes were bought on the new home market (during the year of construction or the following year). They are then existing homes, not new homes.

A home may have been listed for sale more than once in the same year.

The proportions remain estimates, given the data used; they are to be interpreted with caution.

Sources: QFREB through the Centris® system; CMHC, calculations

**Table 9: Proportion (%) of Existing Condominiums\* Listed for Sale on Centris® (new listings) in the Year Following Their Construction**

| Year of construction of condominium | Proportion (%) of Existing Condominiums Listed for Sale on Centris® |
|-------------------------------------|---|
| 2004                                | 17  |
| 2005                                | 18  |
| 2006                                | 14  |
| 2007                                | 11  |
| 2008                                | 11  |
| 2009                                | 11  |
| 2010                                | 10  |
| 2011                                | 10  |
| 2012                                | 9   |
| 2013                                | 8   |
| 2014                                | 5   |
| 2015                                | 6   |
| 2016                                | 7   |
| 2017                                | 5   |

\* Before being listed for sale on Centris®, the condominiums were bought on the new home market (during the year of construction or the following year). They are then existing condominiums, not new condominiums.

A condominium may have been listed for sale more than once in the same year.

The proportions remain estimates, given the data used; they are to be interpreted with caution.

Sources: QFREB through the Centris® system; CMHC, calculations



The results raise a significant question: why do proportionally fewer of today’s households<sup>21</sup> who buy a (new) property decide to relist their dwellings for sale on the market?

Data from the 2006 and 2016 censuses also indicate that the mobility of homeowner households<sup>22</sup> in the Montréal CMA decreased slightly over that 10-year period, which may have contributed to the smaller number of new listings. Data from the *Institut de la statistique du Québec* (ISQ) also show that the migration of individuals within Québec<sup>23</sup> in recent years has been slightly lower than the levels observed from 2002 to 2012.<sup>24</sup>

Certain work-related technological changes (for example, working from home) probably contributed to this decrease in mobility. Some also say that the sharp rise in housing prices in recent years has limited moves, as homeowners who want to sell are unsure that they will be able to find a dwelling that meets their needs and their budget, in addition to having to pay various transaction costs. As a result, they choose to keep their property rather than put it up for sale. Further research will certainly be necessary to shed more light on this finding.

Apart from the reasons that could explain this decrease in mobility, the fact remains that lower levels of single-family home and condominium construction put downward pressure on total new listings on the Montréal market. The smaller percentage of households<sup>25</sup> who decided to relist their new units for sale in subsequent years probably added more downward pressure.

## Significant drop in new condominiums sold through the Centris® system in 2018

Newly built condominiums are generally sold by the project developers themselves. However, developers can sometimes engage real estate brokers to sell any unsold units, likely when the market is sluggish. These new condominiums, now listed on the resale market (on Centris®) alongside existing condominiums, are then also counted as new listings.

From 2012 to 2015, a period when the condominium market was much less active, between 4,000 and 5,000 new condominiums ended up as new listings on the resale market (table 10).<sup>26</sup> Since that period, however, the number has been steadily declining, reaching only 2,150 units in 2018, for a drop of more than 1,050 units from 2017 (-33%), and the Island of Montréal accounted for most of that decrease (-720 units).

The significant decrease in the number of new condominiums that real estate brokers were engaged to sell, particularly in 2018, was therefore

one of the major factors explaining the overall decline in total listings in the Montréal CMA last year.

In fact, new condominiums alone accounted for 1,050 (26%) of the 4,000 fewer dwellings listed for sale in the metropolitan area in 2018 (table 1). The fewer “new” dwellings on the resale market were, therefore, a significant factor last year.

## Market shares of dwellings put up for sale by real estate brokers and by homeowners themselves

This report is based on data concerning new listings on the residential market obtained through the Centris® system, the network used by real estate brokers. However, homeowners can also decide to sell their property themselves, and their numbers can vary from year to year.

This raises the following question: could the decrease in new Centris® listings analyzed in this report have been caused, to some extent, by the fact that more homeowners have now been deciding to sell their property themselves rather than go through a real estate broker?

| Period | New Centris® Listings | Annual Change (units) | Annual Change (%) |
|--------|-----------------------|-----------------------|-------------------|
| 2012   | 5,071                 | n/a                   | n/a               |
| 2013   | 5,108                 | 37                    | 0.7               |
| 2014   | 4,477                 | -631                  | -12.4             |
| 2015   | 3,791                 | -686                  | -15.3             |
| 2016   | 3,446                 | -345                  | -9.1              |
| 2017   | 3,211                 | -235                  | -6.8              |
| 2018   | 2,159                 | -1,052                | -32.8             |

n/a: Not applicable.

A condominium may have been listed for sale more than once in the same year.

Sources: QFREB through the Centris® system; CMHC, calculations

There are, unfortunately, no reliable public data on this question. However, a recent survey conducted by Léger and released by the Quebec Professional Association of Real Estate Brokers (QPAREB) revealed that 82% of Quebec residents intended to use the services of a real estate broker to sell (that is, for a new listing) or buy a home in 2019. In 2013, this proportion was only 60%, according to the same organization. As such, with the assumption that the market shares of real estate brokers increased between 2013 and 2019, the decrease in the number of new listings in recent years could therefore not have been attributable to the fact that more households had decided to sell their home themselves.

We have also already established in the previous sections some factors that could account for the decrease in new listings on the resale market, regardless of the market share of homeowners deciding to sell their property themselves.

As well, for the past few quarters now, more and more properties on the Centris® resale market have been selling above the asking price.<sup>27</sup> This phenomenon, resulting from multiple offers on the same dwelling, is a sign that homes for sale are relatively scarce on the Montréal market, possibly because of a significant decrease in new listings.

As such, even if the market shares of dwellings sold through real estate brokers and those sold by their owners may have varied in recent years, the new Centris® listings that we used here probably give a good idea of the supply on the Montréal resale market.

## Implications and conclusions

The Montréal resale market is currently overheating, as the gap between demand and supply is relatively narrow. In the last few years, sales have increased, thanks in part to improved economic and demographic conditions. New listings, for their part, have significantly decreased, which has limited supply on the market.

The results presented in this report show that there are several possible explanations for this decline in the number of properties for sale in the metropolitan area. Unlike a few years ago, existing properties remaining unsold and being relisted for sale on the market more than once have become much less prevalent recently.

Single-family home and condominium construction has also been relatively weaker in the last few years, which has consequently reduced the number of units that can potentially be resold on the existing home market afterwards. Additionally, it would seem that households<sup>28</sup> who bought new homes in recent years have been less inclined to relist their units for sale on the market than others did in the past.

Lastly, the number of new condominiums that real estate brokers were engaged to list for sale on the market decreased considerably in 2018. The current strong market probably prompted developers to sell their units themselves, instead of engaging brokers to sell some of them, as may be case when the market is sluggish.

In light of these various factors,<sup>29</sup> it is difficult to anticipate an upturn in new listings on the market, at least in the short term. Pressure on housing prices should therefore remain steady, and affordability will continue to be an important issue.

In fact, if demand holds up, listed properties will continue to sell quickly and will therefore not be relisted on the market several times. Developers of new condominiums should also continue to sell the vast majority of their units themselves.

Just like in recent years, housing starts since the beginning of 2019 show that single-family home and condominium construction remains rather weak, with rental dwellings currently the most popular housing type. In other words, the number of new listings on the resale market should not be inflated by a large quantity of recently built units relisted for sale by their owners.

Over the longer term, economic conditions should continue to play a significant role in the new listings trend. It will still be quite interesting to see how new listings will be affected by the aging of the population occurring throughout Quebec, including Greater Montréal. With about 50% of all single-family homes in the metropolitan area owned by households aged 55 or older,<sup>30</sup> it will be very important to find out if these households will want to sell or age in place over the coming years.

## ENDNOTES

- <sup>1</sup> Or other entities.
- <sup>2</sup> In this report, as in the *Housing Market Assessment* report, the resale market takes into account only the properties listed on the Centris® system. Properties for sale directly by the owners are not included.
- <sup>3</sup> The data from the special compilation covered about 99.8% of all new listings published by the QFREB.
- <sup>4</sup> Contract durations can vary.
- <sup>5</sup> During this period, annual Centris® sales averaged at about 38,000 units, the lowest level observed since 2002.
- <sup>6</sup> In the vast majority of cases, the new listings of properties that had not found takers expired at the end of the contract between the real estate broker and the owner. However, for a small proportion of the new listings, the properties were withdrawn from the market before the end of the contract, by either the real estate broker or the homeowner.
- <sup>7</sup> It should be recalled that these statistics on the proportions of sold and unsold units at the end of contracts between homeowners and real estate brokers do not indicate the number of times that properties were listed for sale on the market before being sold. For example, while 75% of the newly listed homes in the Montréal CMA in 2018 were sold, it is possible that some of these properties were previously listed in the same year but did not find takers.
- <sup>8</sup> There could also be spelling or typographical errors in addresses, which would prevent identifying cases where the same property was relisted for sale on the market.
- <sup>9</sup> More specifically, freehold homes.
- <sup>10</sup> From 2004 to 2006.
- <sup>11</sup> Single-family home construction on the Island of Montréal has been relatively weak for many years.
- <sup>12</sup> Or other entities.
- <sup>13</sup> It should be recalled that the same home may have been listed for sale more than once in the same year and that the significance of this phenomenon can vary over time. In fact, a higher proportion of properties listed for sale more than once in the same year can also contribute to a higher number of new listings. The number of starts is therefore not the only factor to consider in the changes in the number of new listings over time presented in table 6.
- <sup>14</sup> Other factors, such as household mobility, which we will discuss later in this section, may have played a role.
- <sup>15</sup> It should be recalled that the same condominium may have been listed for sale more than once in the same year and that the significance of this phenomenon can vary over time. In fact, some years, a higher proportion of properties listed for sale more than once in the same year can also contribute to a higher number of new listings. The number of starts is therefore not the only factor to consider in the changes in the number of new listings over time presented in table 7.
- <sup>16</sup> Or other entities.
- <sup>17</sup> In short, the completion of a dwelling is the stage at which all the construction work has been performed.
- <sup>18</sup> The omission of building conversions results in the underestimation of the number of dwellings built each year. Consequently, all else being equal, this creates an upward bias on the proportion of dwellings listed for sale on the existing home market in the year following their construction.
- <sup>19</sup> The omission of these new dwellings that remain unsold results in the overestimation of the number of dwellings built in a year that can be listed for sale on the existing home market. Consequently, all else being equal, this creates a downward bias on the proportion of dwellings listed for sale on the existing home market in the year following their construction.
- <sup>20</sup> All else being equal, a greater percentage of the same dwellings being relisted for sale in the same year creates an upward bias on the proportion of dwellings listed for sale on the existing home market in the year following their construction.
- <sup>21</sup> Or other entities.
- <sup>22</sup> More specifically, the proportion of homeowner households who lived at a different address one year earlier (all properties, not only newly built dwellings).

<sup>23</sup> Interregional migration.

<sup>24</sup> ISQ, *Coup d'œil sociodémographique*, February 2019, Number 68, “La migration interrégionale au Québec en 2017-2018 : les gains continuent d’augmenter dans les Laurentides et en Montérégie,” <http://www.stat.gouv.qc.ca/statistiques/population-demographie//bulletins/coupdoeil-no68.pdf> (retrieved May 24, 2019).

<sup>25</sup> Or other entities.

<sup>26</sup> Some condominiums may have been listed for sale more than once in the same year.

<sup>27</sup> QFREB, *A Word from the Economist*, May 2018, [https://www.fciq.ca/pdf/mot\\_economiste/852\\_me\\_052018-en.pdf](https://www.fciq.ca/pdf/mot_economiste/852_me_052018-en.pdf) (retrieved May 10, 2019).

<sup>28</sup> Or other entities.

<sup>29</sup> Another factor, which likely played a rather small role in the trend in the number of new listings, is the number of properties that are, for example, abandoned or sold by the mortgage lender when the loan is in default.

<sup>30</sup> Sources: Statistics Canada, Census 2016; CMHC, calculations.

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