

Press release

QPAREB 2022 Review and 2023 Forecast

2022: a Turning Point Towards a More Balanced Market in 2023

L'Île-des-Sœurs, December 13, 2022 — At its Fenêtre sur le Marché Immobilier conference, the Quebec Professional Association of Real Estate Brokers (QPAREB) presented its 2022 review and 2023 forecast for the residential real estate market for the province of Quebec and different regions.

1. 2022 REVIEW | PROVINCE OF QUEBEC

2022 registered a record median price for all property categories, led by the single-family category, which saw a 13 per cent increase in price over 2021. However, sales dropped by 20 per cent in 2022, a historic decline after reaching exceptional levels of activity for most of the pandemic period. With an estimated 88,000 sales according to the real estate brokers' Centris provincial database, the year nevertheless ranked well above the averages of the past ten years, in term of activity.

"It turns out that the magnitude of interest rate increases defied all predictions. The key interest rate rose by 4 percentage points in less than 10 months, primarily due to runaway inflation and the outbreak of the Ukraine conflict. The resulting resale market turbulence over the first six months of the year was fuelled by the number of variable rate mortgages," explains Charles Brant, Director of the QPAREB's Market Analysis Department.

This sharp decline in activity is not reflected, over the year as a whole, by a drop in the median price for single-family homes in Quebec. According to QPAREB estimates, it will reach a record level of \$413,000 in 2022, an average increase of 13 per cent compared to 2021. Since this variation is calculated based on the average annual median price, it is important to note that the median price of a single-family home in Quebec peaked in May 2022. Since then, monthly median prices have been consecutively trending downward.

The sharp rise in interest rates led to a price correction in the second part of 2022 after recording strong gains at the start of the year

The price correction, in response to the rapid rise in interest rates, is attributable in particular to the growing inability of buyers to qualify for a mortgage. As a result, the decrease in the number of buyers competing for a property quickly led to an easing of overheated conditions and a drop in the number of sales following an overbidding process.

“The overbidding phenomenon reached its peak at the start of 2022 due to the combination of two factors: the anticipation of interest rate hikes by the Bank of Canada as well as by floor-level variable mortgage rates at the same time as rising fixed mortgage rates at the end of 2021. This combination created a sense of urgency to acquire a property, all categories combined, in many regions of Quebec.”

As a consequence of the several consecutive aggressive increases in the key interest rate, overbidding lost its intensity. Prices immediately moved closer to their true values in line with the long-term trend, erasing the excessive early-year gains that were leading to further overvaluation.

Some regions, more inclined to the overbidding phenomenon, quickly experienced price corrections following the sharp increases, an unprecedented phenomenon in the current real estate cycle. This applies especially to the Gatineau and Montreal CMAs which were experiencing overheated conditions prior to the pandemic, and which reached, at the start of 2022, a surge in the number of sales following an overbidding process.

Several other markets were even more reactive in their price correction, in particular, resort markets such as Mont-Tremblant, Rawdon, Saint-Adèle or even markets adjacent to the Montreal region such as Saint-Hyacinthe and Granby. Other regions less vulnerable to this phenomenon did not really experience any corrections, as is the case for the Quebec City and Saguenay CMAs.

It should be noted that the regions surrounding the Island of Montreal were very prone to overbidding in 2021 and the start of 2022. Prices quickly approached those on the Island, thus creating prime conditions for a price correction.

Despite the marked slowdown in sales, market conditions continue to favour sellers

Considering the sharp decline in sales and quick price correction due to an evaporation of overbidding, it is interesting to note that market conditions remained largely in favour of sellers.

“The drop in sales has resulted in an increase in active listings, i.e., the number of properties on the market that have not found a buyer. This is a reversal in the trend which has been taking place since the second half of 2022 and indicates a turning point in an upwardly trending real estate market cycle. In fact, active listings have not seen such increases since 2016,” states Mr. Brant. “The market is therefore entering a more significant slowdown phase. However, the return to more balanced conditions between buyers and sellers is very gradual.”

In fact, although active listings are up significantly in many Quebec markets, they remain at historically low levels and the number of months required to sell the inventory of properties is significantly below the balanced market threshold, with sellers continuing to benefit from a very favourable bargaining power. A sizeable margin can still be observed before the property inventory becomes too large and the market swings in favour of buyers.

In most Quebec CMAs, single-family homes are tending to experience a slightly quicker easing of market conditions. The markets best positioned to maintain a lower number of months of inventory are the Quebec City, Trois-Rivières, Sherbrooke and Gatineau CMAs.

Other regions are more likely to experience a significant volume of properties coming onto the market in 2023, specifically, resort markets where properties have recently been acquired for rental purposes. This is particularly the case in the Laurentians where there is a drop in rental demand due to a context in which full-time remote work is migrating to a more hybrid formula due to the end of the health crisis. Households are also more cautious in their spending.

2. FORECAST | PROVINCE OF QUEBEC

Contrasting market trends in 2023 according to the region and household purchasing power

Rapidly rising interest rates combined with record prices are exacerbating homeownership challenges in many markets. The Quebec City, Saguenay and Trois-Rivières CMAs are potentially more resilient to the increase in the cost of financing. This is also the case, to a certain extent, for the northern and eastern regions of Quebec. That being said, a normalization of their transactional activity is expected after reaching above historical averages in 2022.

For other regions, the problem of homeownership is more acute, exceeding a critical threshold. These markets are especially vulnerable to overheating and overbidding. The Island of Montreal, Laval and outlying regions are at the top of the list of markets with difficultly sustainable prices in the face of household purchasing power. Significantly more subdued transaction activity and a potentially stronger return of properties to markets in these regions are to be expected.

Ongoing decline in sales for 2023 with more balanced market conditions but still favouring sellers

Despite the marked slowdown in the economy in 2023 and in an inflationary context eroding household confidence and purchasing power, a massive number of properties coming to market is not expected. Households should be well positioned following several years of excess savings and increased mortgage prepayments during the pandemic. This should make it easier to meet the increase in monthly mortgage payments for owners who have taken out a variable-rate mortgage. Moreover, prudential rules introduced by financial authorities since 2016, such as the stress test, should continue to play an important role in market resilience. Finally, about a third or more of homeowners do not have a mortgage to repay in Canada. For the rest, in Quebec, the outstanding variable-rate mortgages, which are potentially more problematic, represent only one third of all mortgages. These factors should limit the rapid rise in active listings in 2023.

"Overall, the residential real estate market in the province of Quebec should continue to slow in 2023, although at a rate half that of 2022, i.e., with a 9 per cent drop in sales. At this rate, market conditions should remain either favourable to sellers or close to a balanced market, depending on the market. Consequently, median prices for single-family homes in Quebec should fall by only 5 per cent compared to 2022."

The clear contrast in market evolution between the Montreal and Quebec City CMAs well illustrates the difference in positioning in their respective market cycles. Consequently, the Quebec City CMA should return to a sales rate more in line with its historical average, while the Montreal CMA should stabilize around 41,000 transactions, a level comparable to that of 2016. As for prices, Quebec City should continue to register, year after year, a stabilization of the median price especially for single-family homes, while Montreal should experience a significant price drop of 12 per cent for single-family homes, erasing only the gains of 2022, and a more moderate 5 per cent for condominiums, following a 9 per cent increase in 2022. While the Montreal market may have to face short-term legislative, regulatory, or fiscal headwinds, it will benefit from real recovery opportunities as early as 2024. The CMA does indeed have multiple advantages on a national and global scale, particularly due to immigration and its position as an economic capital.

Generally speaking, the Quebec market is taking the shock of rising interest rates relatively well. The housing deficit, attributable to a delay in construction activity, does not make it possible to cope with demographic changes (such as the pre-pandemic wave of immigration). With the expected slowdown in housing starts in 2022 and 2023, there will be little chance of eliminating this deficit. This context should lead to some stabilization of the market and resulting in a more balanced market while avoiding a swing in favour of buyers.

Province of Quebec

	Residential Sales		Median Price (single-family homes)	
	Number	Variation	Price	Variation
2019	96,349	+11%	\$261,000	+4%
2020	112,159	+16%	\$296,000	+14%
2021	109,469	-2%	\$366,000	+24%
2022e	88,061	-20%	\$413,000	+13%
2023p	79,702	-9%	\$392,000	-5%

Montreal CMA

	Residential Sales		Median Price (single-family homes)		Median Price (condominium)	
	Number	Variation	Price	Variation	Price	Variation
2019	51,237	+10%	\$342,000	+5%	\$269,000	+5%
2020	55,440	+8%	\$398,000	+16%	\$301,000	+12%
2021	54,375	-2%	\$496,000	+24%	\$361,000	+20%
2022e	42,853	-21%	\$544,000	+10%	\$393,000	+9%
2023p	40,912	-5%	\$477,000	-12%	\$373,000	-5%

Quebec City CMA

	Residential Sales		Median Price (single-family homes)		Median Price (condominium)	
	Number	Variation	Price	Variation	Price	Variation
2019	8,291	+16%	\$260,000	+3%	\$194,000	+1%
2020	10,620	+28%	\$271,000	+4%	\$193,000	-
2021	10,190	-4%	\$310,000	+14%	\$212,000	+10%
2022e	8,882	-13%	\$343,000	+11%	\$233,000	+10%
2023p	7,562	-15%	\$358,000	+4 %	\$229,000	-2%

About the Quebec Professional Association of Real Estate Brokers

The Quebec Professional Association of Real Estate Brokers (QPAREB) is a non-profit association that brings together more than 14,000 real estate brokers and agencies. It is responsible for promoting and defending their interests while taking into account the issues facing the profession and the various professional and regional realities of its members. The QPAREB is also an important player in many real estate dossiers, including the implementation of measures that promote homeownership. The Association reports on Quebec's residential real estate market statistics, provides training, tools and services relating to real estate, and facilitates the collection, dissemination, and exchange of information. The QPAREB has its head office in Quebec City, administrative offices in Montreal and a regional office in Saguenay. It has two subsidiaries: Société Centris inc. and the Collège de l'immobilier du Québec. Follow its activities at qpareb.ca or via its social media pages: [Facebook](#), [LinkedIn](#), [Twitter](#) and [Instagram](#).

About Centris

Centris is a dynamic and innovative technology company in the real estate sector. It collects data and offers solutions that are highly adapted to the needs of professionals. Among these solutions is Centris.ca, the most visited real estate website in Quebec.

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