



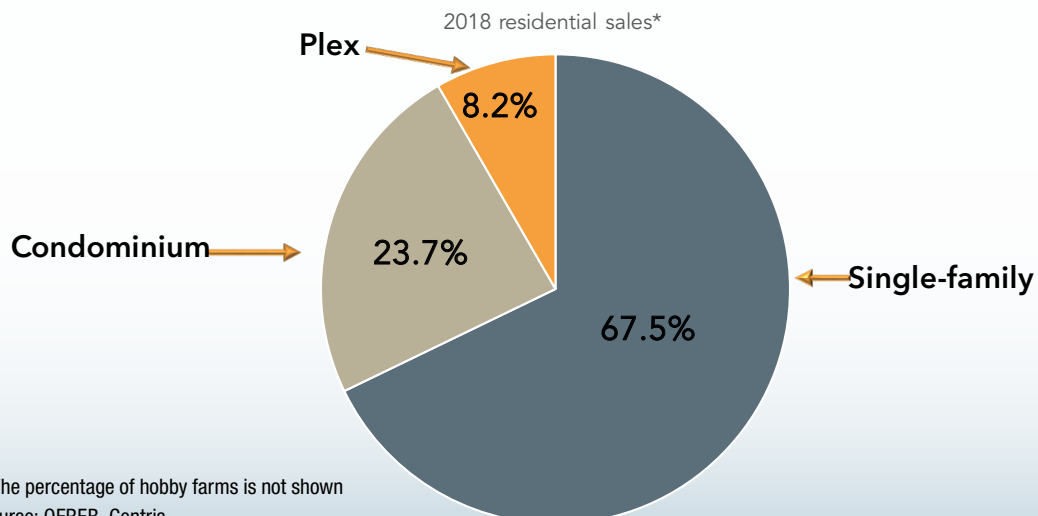
## CONDOS NOW ACCOUNT FOR MORE THAN HALF OF ALL SALES ON THE ISLAND OF MONTREAL

*Property sales in the single-family home, condominium and plex categories vary over time and their relative proportion of sales varies substantially by region. For the province as a whole, the proportion of condominium sales is approximately 24 per cent. But the story is quite different on the Island of Montreal, where condominium sales account for well above 50 per cent of transactions. Moreover, given the price differential that has widened between single-family homes and condominiums on the Island of Montreal, these gains in market share are not a fleeting phenomenon; they represent a shift in demand towards this more affordable market segment.*

### A provincial portrait

At the end of 2018, the proportion of single-family home sales among all residential sales in the province stood at approximately 68 per cent. That of condominiums was close to 24 per cent, while that of plexes was more modest and made up the balance.

Graph 1: Composition of property market share in Quebec



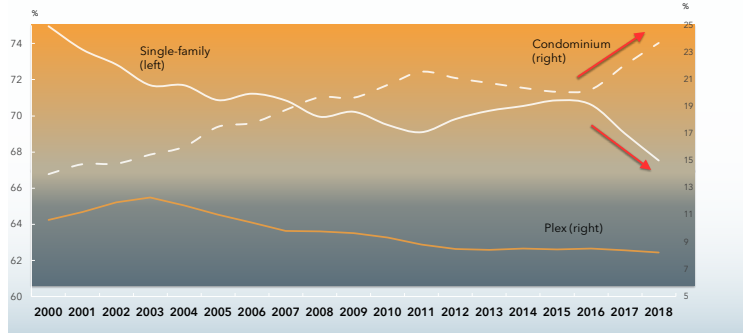
This province-wide portrait of the residential real estate market is a snapshot at a specific point in time. As graph 2 shows, market shares can change significantly and quickly from one year to the next. Thus, from 2016 to 2018, significant changes were observed between the proportion of condominium sales and that of single-family home sales.

In fact, the condominium's market share is at an all-time high in Quebec. Graph 3 shows that in 2000, condos accounted for 14 per cent of all Centris residential sales. With the exception of the years 2014-2016, when there was a slight dip, there has been a clear uptrend for this property category.

Market shares can change significantly and quickly from one year to the next.

**Graph 2: A property's market share can vary significantly**

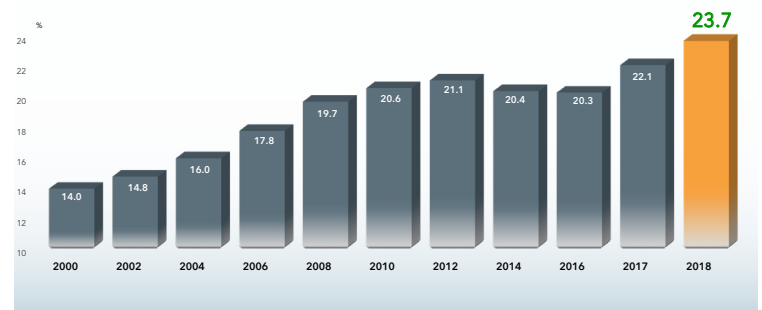
Evolution of market share for the province, by property category



Source: QFREB, Centris

**Graph 3: The proportion of condo sales across Quebec sets a new record**

Proportion of condominium sales among total residential sales



Source: QFREB, Centris

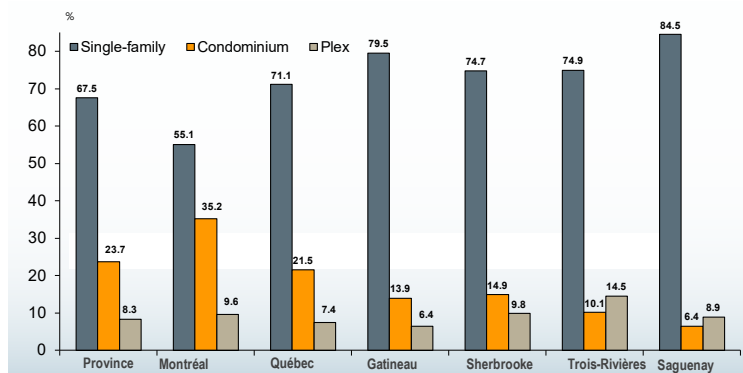
## Large discrepancies between census metropolitan areas

The proportion of sales by property category differs largely among the province's Census Metropolitan Areas (CMAs). As we can see in graph 4, some CMAs have a very high proportion of single-family home sales and a very low proportion of condo sales. This is particularly true of the Saguenay-Lac-Saint-Jean CMA. However, this gap is not as wide in other CMAs. For example, the Montreal CMA has the smallest gap in market share between single-family homes and condominiums.

If we zoom in even further, we see that market share percentages vary significantly even within the Montreal CMA. In the large area of Saint-Jean-sur-Richelieu, the proportion of single-family home sales sits at 78 per cent, but on the Island of Montréal this proportion is only 30 per cent. Market share is therefore anything but homogeneous across the province.

**Graph 4: Market shares vary considerably from one CMA to another**

Market shares by CMA and by property category\*

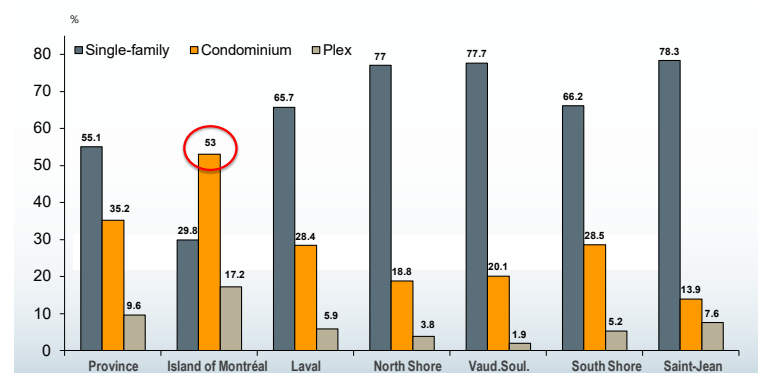


\* The total may not equal 100% as hobby farms are not included.

Source: QFREB, Centris

**Graph 5: Market shares in the Montreal CMA and its main areas**

Market shares in the Montreal CMA and its main areas, by property category\*



\* The total may not equal 100% as hobby farms are not included.

Source: QFREB, Centris

At the end of the first quarter of this year, the proportion of condo sales reached an all-time high as a staggering 56 per cent of all residential sales were condo transactions.

## More than half of all sales in Montreal are condo sales

On the Island of Montreal, the condominium's market share reached an important milestone last year by surpassing the 50 per cent mark of all transactions, as we can see in graph 6. In addition, at the end of the first quarter of this year, the proportion of condo sales reached an all-time high as a staggering 56 per cent of all residential sales were condo transactions (hobby farms were excluded from the total).

In contrast, the market share of single-family homes experienced a significant drop. At the end of the first quarter of 2019, single-family homes accounted for less than 30 per cent of sales on the Island of Montreal. The chart also highlights the fact that the gains that condominiums made at the expense of single-family homes began in 2016, a pivotal date for our analysis.

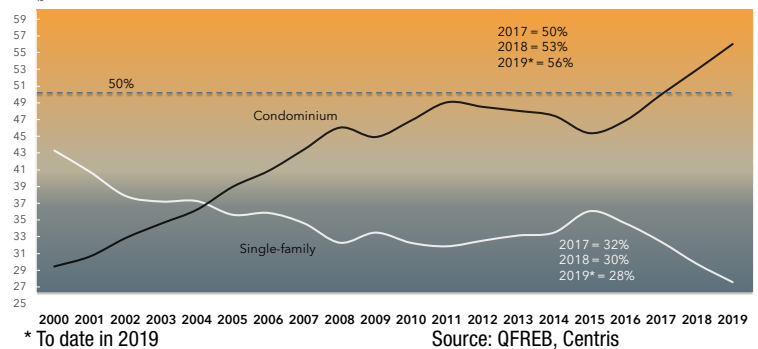
By digging further into the data and separating them into the 18 areas that make up the Island of Montreal, we see even more clearly how widely dispersed the condominium's market share is. At the bottom of the pack is the Montreal-North area, where only 18 per cent or so of all transactions are condominium sales. At the top of the list is the Ville-Marie neighbourhood, where more than 90 per cent of all residential properties sold are condominiums. The L'Île-des-Sœurs (Nuns' Island) area holds second place on the list, while the Plateau-Mont-Royal area comes in third (see graph 7).

This rapid rise in the proportion of condominium sales on the Island of Montreal has drastically reduced their selling times, calculated in number of days. This slide began in 2016, when it took an average of 115 for a condominium to sell. At the end of the first quarter of 2019, the average selling time for a condo was less than 75 days (see graph 8).

Again, there are significant variations across the different areas of the Island of Montreal. On average, a condominium sells in less than 50 days in the South-West area, while it takes more than 125 days in Montreal-North. In the area with the highest proportion of condominium transactions – Ville-Marie – the average selling time is 87 days, a little less than three months.

**Graph 6: A widening gap**

Evolution of single-family home and condo market shares on the Island of Montreal



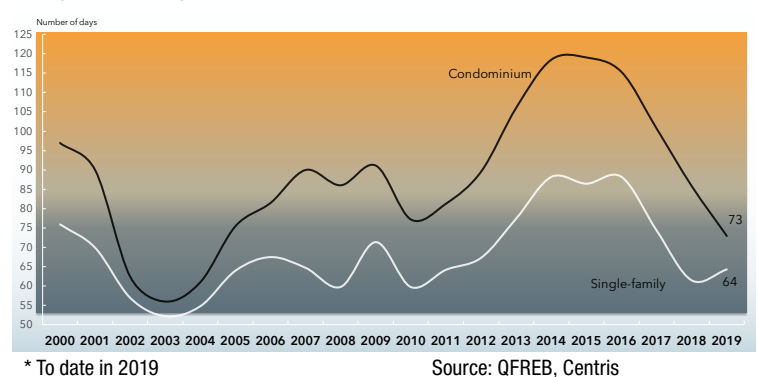
**Graph 7: Island of Montreal: Condo market share varies significantly from one area to another**

Condominium market share on the Island of Montreal



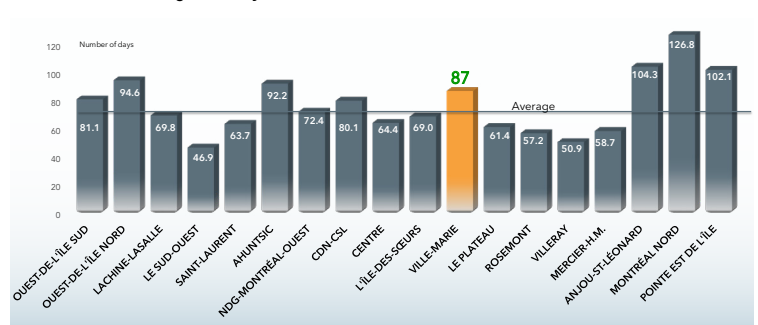
**Graph 8: Noticeable drop in condo selling times**

Selling times for single-family homes and condominiums



**Graph 9: Selling times vary on the Island of Montreal**

Condominium selling times by area on the Island of Montreal



And what about market conditions? Graph 10 shows the evolution of market conditions, meaning the number of months of inventory based on current sales of single-family homes and condominiums, since 2000. These two markets were very strong seller's markets in the early 2000s. Fifteen years later, the condominium segment had shifted completely into a buyer's market. Since then, however, market conditions for condominiums have turned around spectacularly on the Island of Montreal to the point where, currently, both condominiums and single-family homes are clearly in a seller's market. Conditions have not favoured sellers to this extent in more than 15 years, and are a sign that the residential real estate market as a whole has tightened considerably on the Island of Montreal.

Once again, if we segment the market by area, we see that sellers have the upper hand in all areas – meaning there is less than 8 months of inventory – except in Montreal-North, where the market has 12 months of inventory, and therefore favours buyers. In the Ville-Marie area, where the proportion of condo transactions is highest, market conditions give sellers the upper hand, with an inventory of approximately 7 months (see graph 11).

## What's happening?

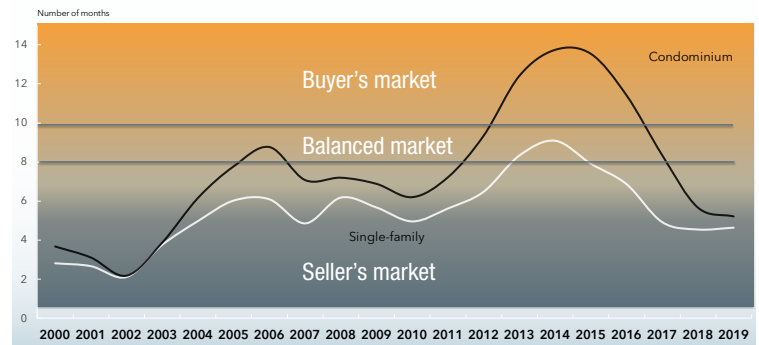
The increase in the condominium's market share can be explained in part by various demographic phenomena, including the aging of the population, as some older cohorts prefer to sell their single-family home to buy a condominium. However, these phenomena are rather slow and do not cause major shifts from one year to the next. Furthermore, the population is not aging more in Montreal than it is elsewhere in the province.

Another market phenomenon that probably helps explain the rapid increase in the condominium's market share on the Island of Montreal is the relative price effect. Graph 12 clearly shows that the gap between the median price of a single-family home and that of a condominium has been steadily increasing since 2000.

Moreover, a substantial widening of this gap started in 2016, exactly when the condominium's market share began to increase again (see graph 6). The price difference between single-family homes and condominiums on the Island of Montreal is such that the affordability of single-family homes has largely distanced itself from that of condominiums, at a time when interest rates have increased by approximately 100 basis points over 18 months. For this reason, some buyers had no choice but to purchase a condominium if their choice was to live on the Island of Montreal, given the larger price increases of single-family homes compared to that of condominiums.

### Graph 10: Spectacular turnaround of condominium market conditions

Number of months of inventory of single-family homes and condominiums on the Island of Montreal

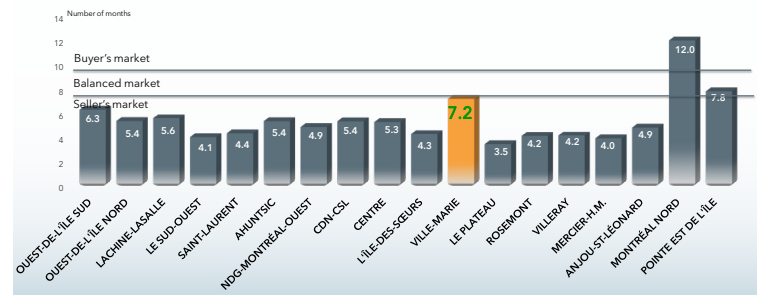


\* To date in 2019

Source: QFREB, Centris

### Graph 11: Condominium market conditions on the Island of Montreal

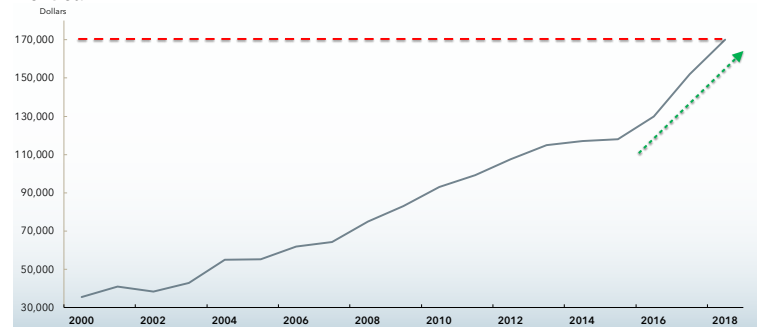
Market conditions: number of months of inventory (ratio of active listings to sales)



Source: QFREB, Centris

### Graph 12: The price gap has jumped

Median price of single-family homes minus median price of condominiums – Island of Montreal



Source: QFREB, Centris



As graph 13 shows, all condo price ranges can be found on the Island of Montreal. The Eastern Tip of the Island has the lowest median price at \$181,000. At the other extreme, the Centre area, which includes sub-sectors such as Westmount and Outremont – where condominium prices are often higher than single-family home prices in several other areas of the Island – has the highest median price at approximately \$575,000.

To understand our analysis, however, we must complete this graph with graph 14, which shows the median price differences between single-family homes and condominiums for each of the 18 areas of the Island of Montreal. On average, the price differences are quite significant, which explains the rotation in demand towards a property category that is more affordable. Thus, the proportion of condominium sales has been gaining ground while that of the single-family home has been losing ground.

As we can see, single-family / condominium median price differentials on the South Shore and North Shore of Montreal were \$111,000 and \$87,000 respectively at the end of 2018, which is significantly less than on the Island of Montreal (see graph 15). In other words, the single-family home segment is less penalized from the point of view of affordability. In the other CMAs, these differences are substantially lower: \$17,750 in the Saguenay CMA, \$63,500 in the Quebec City CMA, \$48,100 in the Sherbrooke CMA and \$19,000 in the Trois-Rivières CMA.

Excluding condo fees, the median price differential between single-family homes and condominiums on the Island of Montreal still represents a difference of \$850 per month, or just over \$10,000 a year on after-tax income, which is a significant amount. For this reason, we believe that the larger increase in the condominium's market share on the Island of Montreal compared to elsewhere in Quebec is the result of a larger relative price effect and, consequently, affordability.

### Graph 13: All price ranges are available

Median price of condominiums, by area on the Island of Montreal



Source: QFREB, Centris

### Graph 14: Considerable price differences

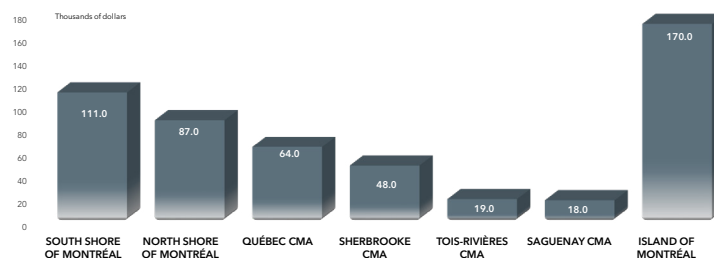
Difference in median price between single-family homes and condominiums by area on the Island of Montreal



Source: QFREB, Centris

### Graph 15: Gap is much larger on the Island of Montreal

Difference in median price between single-family homes and condominiums in various regions



Source: QFREB, Centris