



Housing and Mortgage Market Review: Quarterly Report - *July 2023*

Housing demand improves in Quebec, but inventory remains tight

Highlights on what is driving the housing and mortgage market:

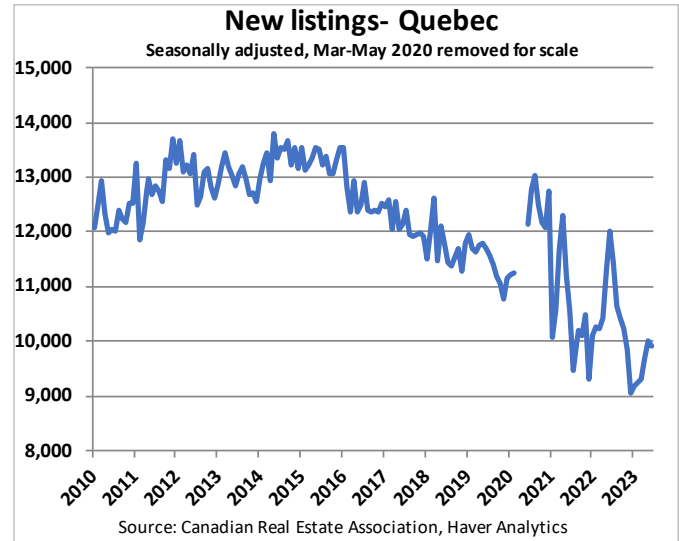
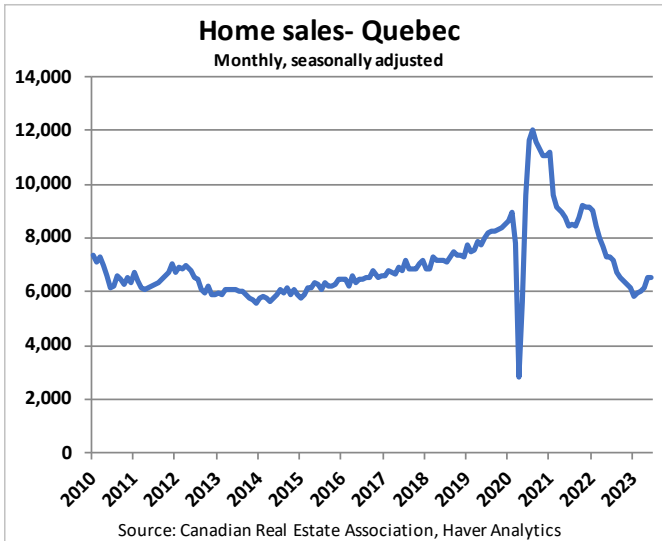
- Home sales rose strongly across Quebec in the second quarter, but recent rate hikes will likely weigh on demand in coming months
- New listings remain very low relative to long-term norms, which is helping keep the market tight
- Record population growth and slowing single-family housing starts point to a potential supply crunch down the road

Housing and Mortgage Market Review

Quebec

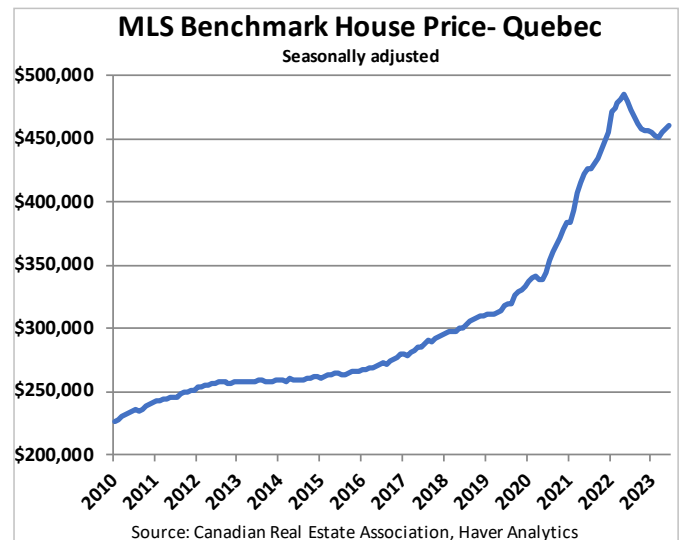
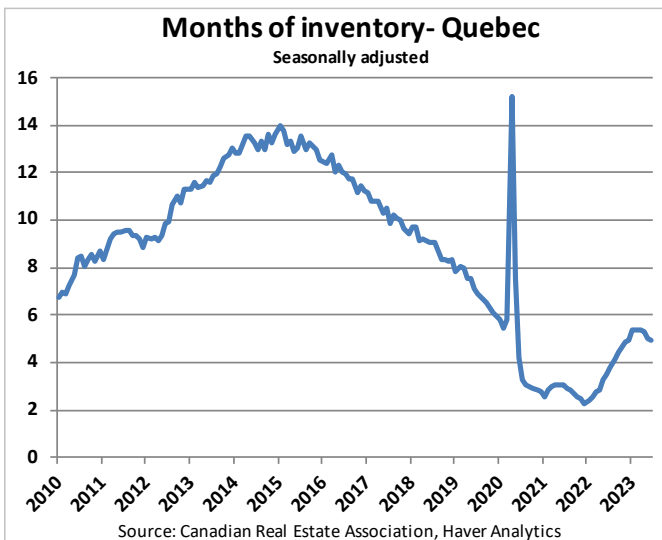
Seasonally adjusted home sales across the province of Quebec jumped 7.7% in Q2, but ended the quarter on a soft note with sales effectively flat in June.

The bigger story is on the supply front, where new listings remain over 20% below normal levels.



With sales firming and new supply still challenged, the market tightened throughout the second quarter. There are now just five months of inventory for sale across the province, well below the long-term average of over eight.

The seasonally adjusted MLS House Price Index for Quebec showed prices up 0.6% in June, but still 4.9% below peak levels.



Housing and Mortgage Market Review

Quebec

Population growth surges to new record

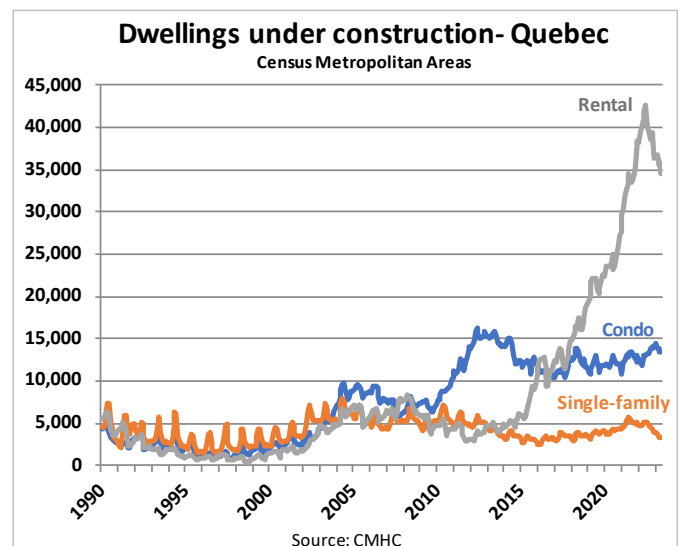
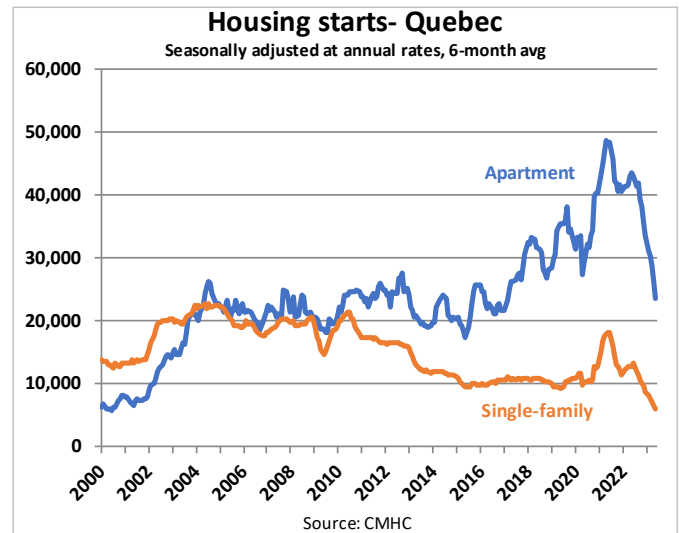
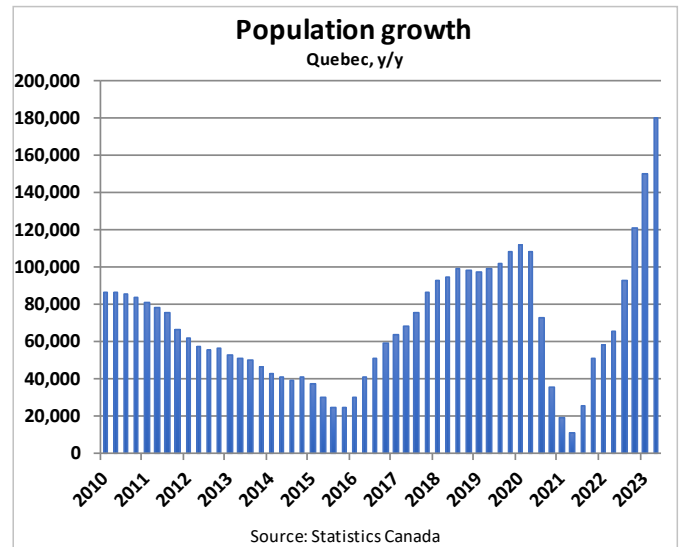
Quebec's annual population growth surged to 180,000 in the second quarter, a record by a wide margin.

Even with record population growth and a very tight resale market, developers are aggressively pulling back on construction activity. Housing starts fell throughout the quarter, notably in the single-family segment where starts are down to 20-year lows. This is a rather concerning development that raises the risk of a supply crunch over the longer term.

The number of dwellings under construction across the province has fallen 2.7% from the end of the first quarter, led by steep declines in rental and single-family construction activity.

Labour market stalls

After churning out 30,000 new jobs in the first quarter, Quebec's labour market shifted to a lower gear in Q2 with just 4,000 new jobs created in the quarter. The unemployment rate ticked up by 0.2% but remains near the lowest level on record.



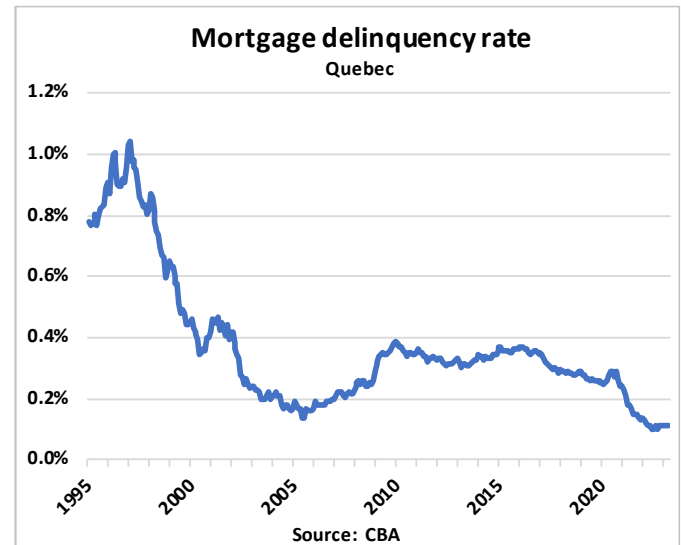
Housing and Mortgage Market Review

Quebec

Mortgage delinquencies are hovering at record lows, but the recent uptick in interest rates and a potential slowdown in economic activity later this year will likely cause this trend to begin to normalize. Expect rising delinquencies later this year and through 2024.

Summary:

Housing demand across Quebec improved in the second quarter, but may come under pressure as potential homebuyers deal with the reality of higher mortgage rates. Still, the long-term fundamentals look extremely solid, and there's a growing risk of a future supply crisis given the divergent trends in population growth and new housing supply.



**Any forecasts contained in this report are accurate as of the date indicated.*

Ben Rabidoux is the founder of Edge Realty Analytics (www.edgeanalytics.ca), which equips top real estate and mortgage professionals with timely research and insightful marketing infographics to help them stand apart from the competition and stay engaged with their clients and prospects.

He is also the founder and president of North Cove Advisors, a market research firm serving institutional and high net worth clients since 2013 that is consistently ranked top 5 for Canadian economic coverage by Brendan Wood International.

He is a frequent guest and contributor in major media outlets, including Bloomberg, The Wall Street Journal, Reuters, The Globe and Mail, The Toronto Star, Macleans, and many others.

