



Housing and Mortgage Market Review: Quarterly Report – *October 2023*

Quebec's housing market remains buoyant despite high interest rates

Highlights on what is driving the housing and mortgage market:

- Summer rate hikes didn't deter homebuyers in Q3 as sales jumped 6%
- Prices continue to push higher and now within 2% of all-time highs
- Population growth in Quebec continues to break new records

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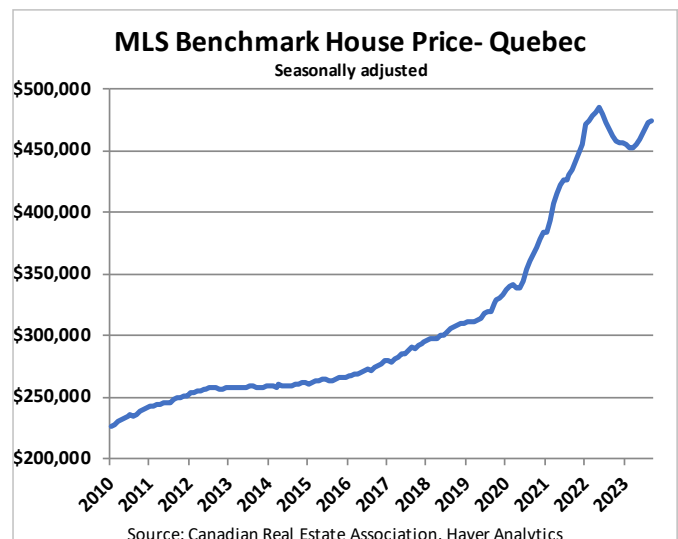
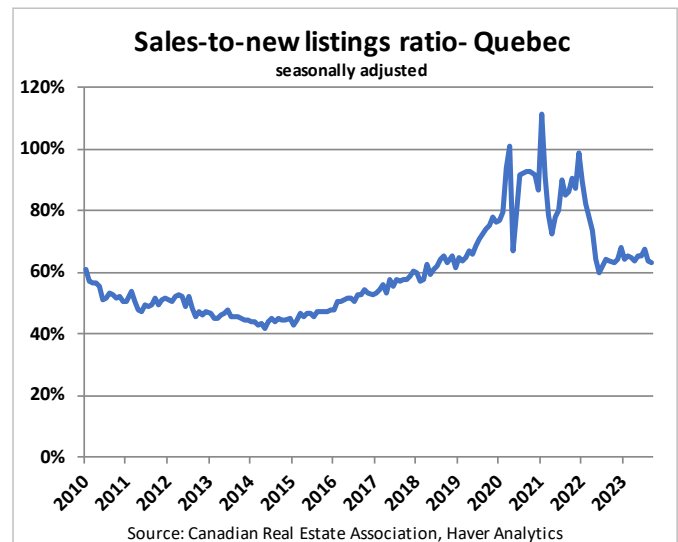
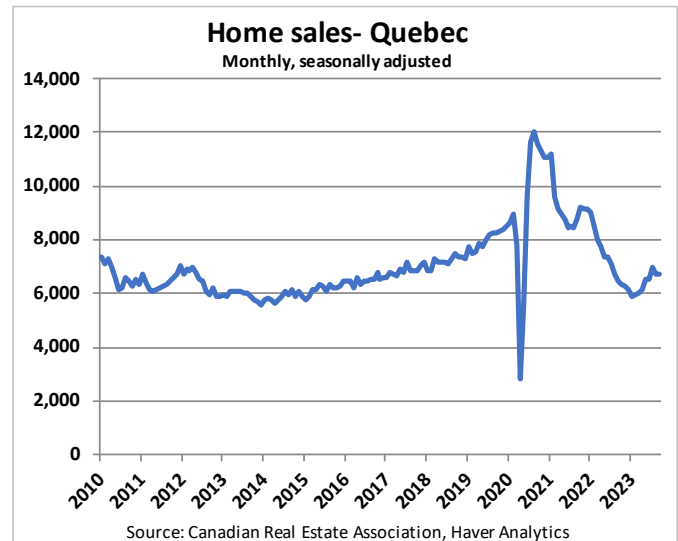
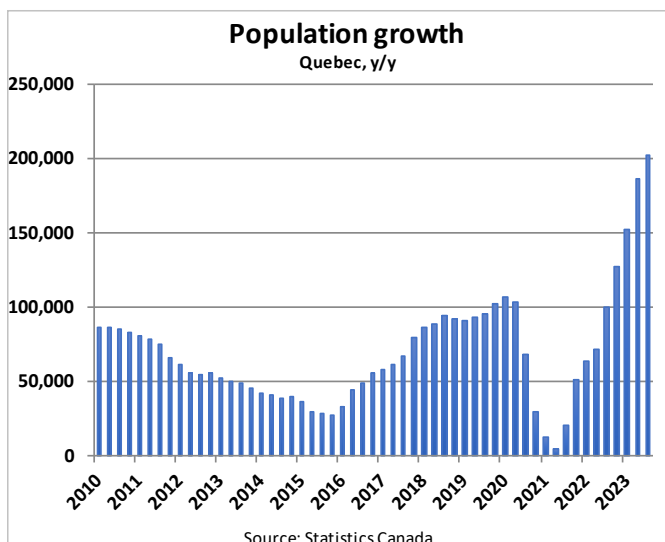
Quebec homebuyers were not deterred by back-to-back interest rate hikes over the summer. Seasonally adjusted home sales rose 6% in the third quarter, building on a 7.4% jump in Q2. The quarter did end on a weak note, however, with sales slipping 0.2% in September in perhaps an early sign demand may cool through the fall.

Listings had been very low through most of the year, but there are signs that sellers are finally returning to the market. Seasonally adjusted new listings jumped 6.2% in the third quarter. The market is still well balanced overall with a sales-to-new listings ratio hovering just above 60% in September.

In spite of challenging affordability dynamics, house prices continued to push higher in the third quarter. The seasonally adjusted House Price Index rose 2.8% and is now within 2% of the all-time highs from early 2022.

Population growth surges to a new record

It's perhaps no surprise that home sales remain on solid footing when we look at population dynamics. In the past year, Quebec has grown by a record 200,000 people...nearly triple the rate of growth we've seen over the past 20 years.



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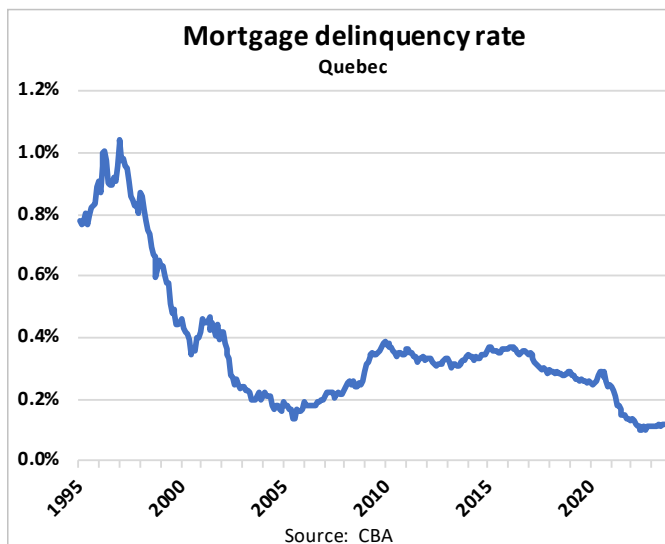
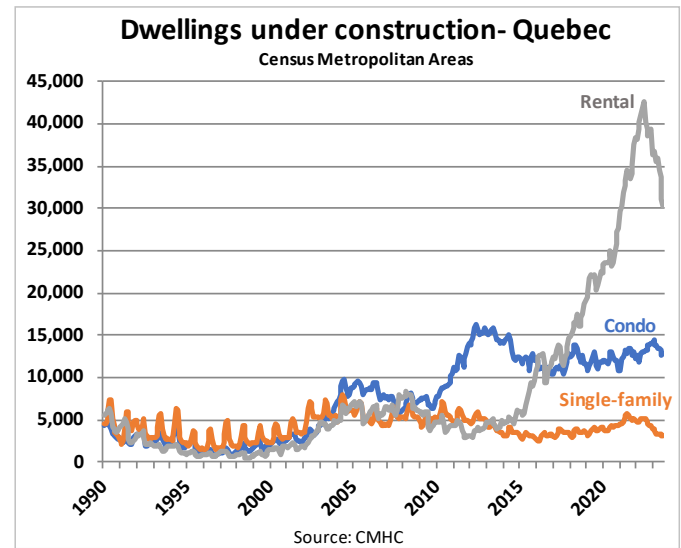
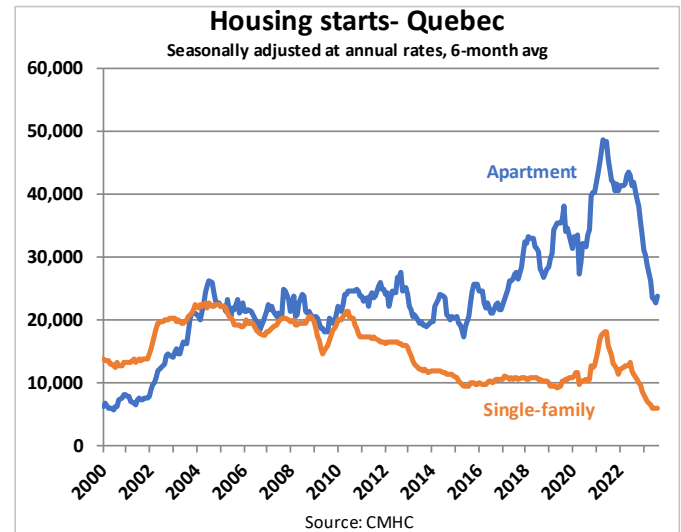
Even with record population growth and a solid resale market, developers are aggressively pulling back on construction activity. Housing starts continue to slow, notably in the single-family segment where they are at 20-year lows.

There's a solid pipeline of new construction across the province, but it is increasingly skewed towards purpose-built rentals, which now account for nearly two thirds of all new residential construction activity.

Labour market still on solid footing

Quebec's economy churned out 45,000 new jobs in the third quarter. The unemployment rate held steady near record lows of just 4.4%, well below the national average of 5.5%.

The mortgage delinquency rate across the province held steady at 0.12%, which is effectively at all-time lows. That's a bit unexpected given how much interest rates have risen, but the impact of rising rates tends to hit with a long lag. Coupled with a potential cooling in the economy, it means delinquencies will likely begin trending higher later this year.



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Summary:

The housing market in metro areas across Quebec remains on solid ground, driven by strong population growth and a robust labour market. The lagged impact of higher rates means we should expect some downward pressure on demand in the coming months.



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