



Housing and Mortgage Market Review: Quarterly Report – *January 2024*

Economic challenges weigh on Quebec home sales in Q4, but population growth offers a silver lining

Highlights on what is driving the housing and mortgage market:

- High mortgage rates and a soft job market put downward pressure on home sales in Q4
- House prices slipped last quarter, but remain just 2% off all-time highs
- Population growth smashed records again, pointing to strong long-term fundamentals

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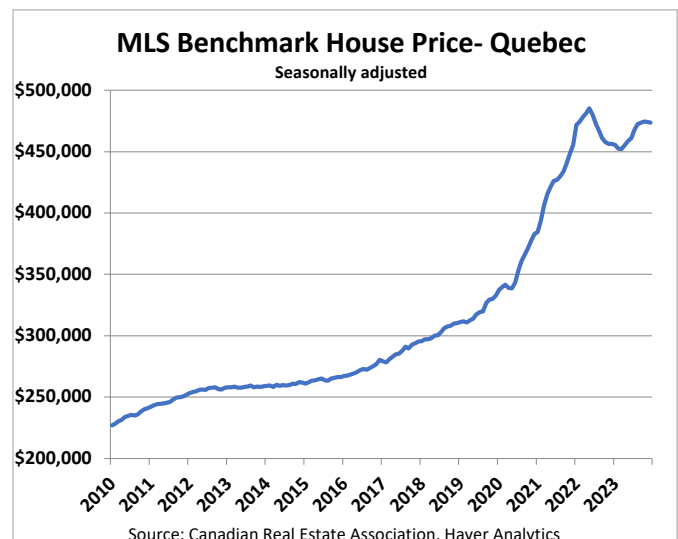
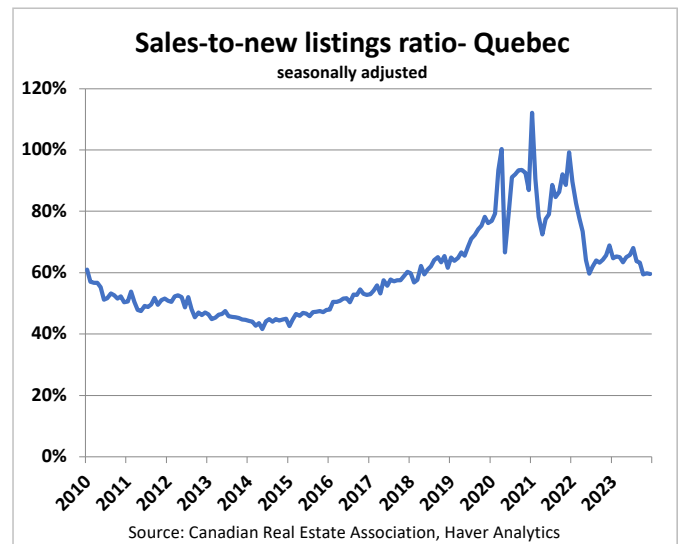
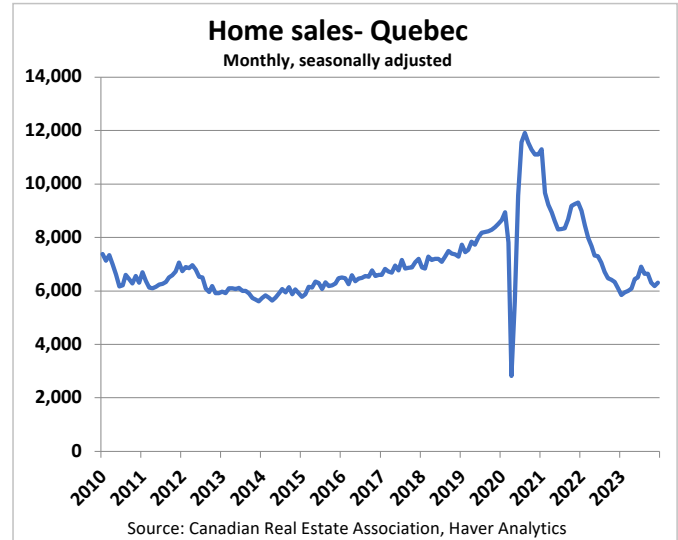
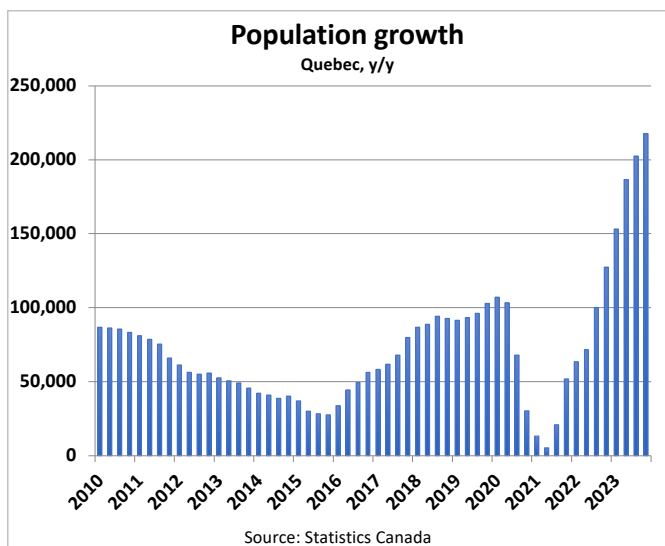
High interest rates weighed on Quebec housing demand in the fourth quarter. Seasonally adjusted home sales fell 6.9% relative to Q3 levels, but they did end the year on a positive note by posting a 2% monthly increase in December.

Seasonally adjusted new listings rose 1.5% in Q4, building on a 6.2% increase in the third quarter. The market remains well-balanced overall with the sales-to-new listings ratio ending the year right at 60%.

House prices across the province fell slightly in Q4, with the seasonally adjusted MLS House Price Index registering a 1% decline in the quarter. Prices remain just 2.4% off the all-time high, which compares favourably to the 13% price decline nationally.

Population growth sets another record

Long-term fundamentals like population growth continue to underpin Quebec's housing market. The province grew by a record 220,000 people annually in Q4, eclipsing the prior record of 200,000 set in the third quarter.



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Even as population growth continues to set records, new supply is falling. Seasonally adjusted housing starts across the province slumped 13% in the fourth quarter leading to a decline in the number of homes currently under construction. There has been a particularly notable decline in purpose-built rentals and single-family homes under construction in the back half of 2023, which portends a potential supply shortage down the road.

Labour market stalls

Quebec's job market hit a soft patch in the fourth quarter, shedding a total of 14,000 jobs across the province. The unemployment rate rose 0.3% to hit 4.7% at the end of the year. Given that high interest rates tend to hit with a 12-18 month lag, we should expect some economic weakness to persist through the first half of 2024 before things stabilize as rate cuts reinvigorate the economy later this year.

The mortgage delinquency rate across the province ticked up slightly to 0.13%, which is only barely off the all-time lows. Given the cooling in the economy and the impact of higher rates on consumers, we should expect delinquency rates to continue to tick up marginally throughout 2024.

What it all means

A soft economy and higher mortgage rates put some downward pressure on Quebec home sales in Q4. But strong population growth, insufficient new supply, and the prospect of lower interest rates in 2024 should help reinvigorate the market later this year.

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

