



Plateau phase for the resale market

Montréal, August 17, 2005 – The Greater Montréal resale market had a fine spring. No fewer than 10,909 homes changed hands on the S.I.A.[®]/MLS[®] network from April to June 2005, for an increase of 4 per cent over the same period in 2004. This rise in transactions offset the decrease registered during the winter. Activity on the resale market has therefore neither decreased nor increased, as evidenced by a comparison between the overall results for the first half of 2005 (21,340 sales) and those for the first half of 2004 (21,379 sales).

With the mortgage rates still very low, buyers were still present on the market and, as a result, sales of existing properties stayed at peak levels. “It is clear, however, that the market is facing a new deal: after a frantic rise in recent years, the increase in prices is definitely slowing down,” explained Bertrand Recher, Market Analyst at Canada Mortgage and Housing Corporation (CMHC). “While the overall market remains favourable to sellers, conditions are easing as listings are increasing in the different segments. The price hike is now all the weaker as supply on the market, that is, the listings, is considerable,” he added.

As in previous quarters, condominiums continued to stand out and once again made the headlines this past quarter. Now very close to a balanced market, condominiums are the first housing type to have sustained a slight decrease in their average price in Greater Montréal since 1997. It cost on average 1 per cent less to buy a condominium in the Montréal area during the second quarter of 2005 than it did one year earlier.

“This does not mean there is a generalized decrease in condominium prices, but it’s rather the influence of a specific area, the Montréal Island, which is the only large area that recorded a decrease in the average price during the second quarter,” explains Michel Beauséjour, FCA, Chief Executive Officer of the Greater Montréal Real Estate Board (GMREB). “Since the beginning of the year, condominium prices have increased by 3% compared to 2004.”

While temperance may have become the key word for the Montréal resale market, single-family homes managed to do quite well in the second quarter, with an increase in sales of 3 per cent and a rise in prices of 5 per cent. Still, demand continues to be strong for this type of housing, while listings remain limited. In fact, since reaching a low in the third quarter of 2002, listings have almost doubled, but they still remain very far from their historical high. This gradual rise in supply has made single-family homes the tightest segment on the resale market.

In the plex segment, the delayed rise in listings and their continued scarcity are causing plex prices to increase more significantly, compared to the other housing types (+7 per cent from April to June 2005). However, it can be noted that a downward trend in sales (-5 per cent in the second quarter) began at the same time as for single-family homes.

The Analysis of the Resale Market of the Montreal Metropolitan Area is available at:
<http://www.cigm.qc.ca/download.aspx?doc=ANALYSEPUBLIC\ang\632597998500625000.pdf>

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