



SALES ABOVE THE ASKING PRICE: AN INCREASINGLY PRESENT PHENOMENON IN QUEBEC

In a previous Word From the Economist, we presented a study of sales concluded above the asking price in Quebec. Here is an update to this study, approximately one year later. This examination appears to be necessary, as the phenomenon has become even more present over the last year.

Quebec's residential real estate market is more dynamic than ever. Over the last twelve months (from April 2018 to March 2019), the number of resales has increased by 6 per cent, while the supply of properties (active listings of properties for sale) decreased by 9 per cent. As a result of the rise in demand and the drop in supply, market conditions have tightened. This trend was observed in all six of the province's census metropolitan areas (CMAs), as all CMAs registered a decrease in the number of months of inventory (see table 1).

These conditions create a situation of scarcity that puts upward pressure on prices, particularly in areas that are in a seller's market. It is often necessary for buyers in these areas to offer a price above the asking price, and buyers can sometimes even become involved in bidding wars.

Situations of multiple offers on the same property are not registered in our data, but we can see the transactions that were concluded at a higher price than the asking price.

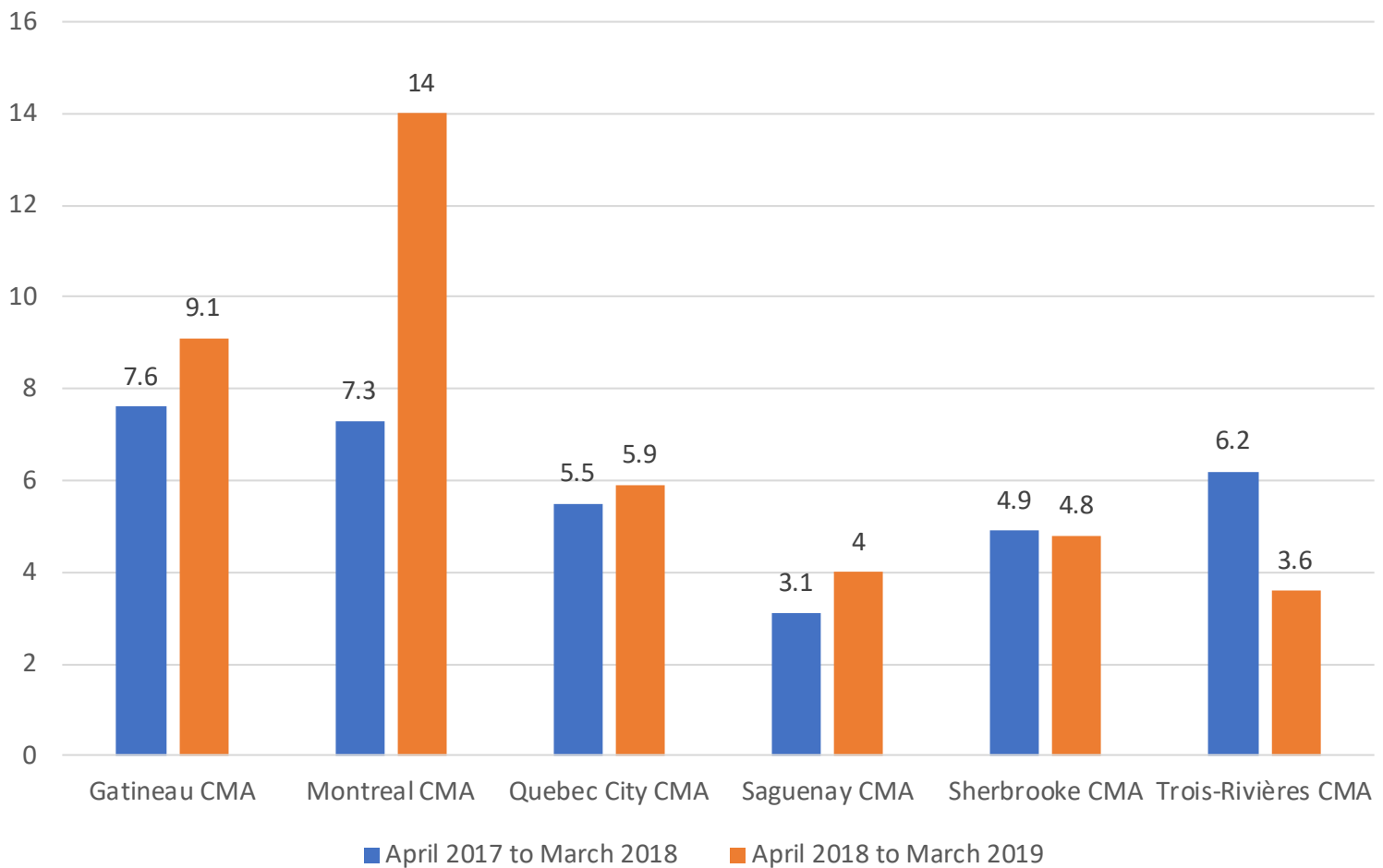
Table 1: Residential statistics by census metropolitan area, April 2018 to March 2019

	Sales		Active listings		Number of months of inventory		Market conditions
		Variation* (%)		Variation* (%)		Variation* (months)	
Province of Quebec	88,166	6	62,658	-9	8.5	-1.4	Balanced
Montreal CMA	47,451	5	21,882	-17	5.5	-1.4	Seller's
Quebec City CMA	7,320	6	7,775	2	12.7	-0.6	Buyer's
Gatineau CMA	4,648	13	2,666	-11	6.9	-1.8	Seller's
Sherbrooke CMA	1,892	8	1,493	-11	9.5	-2.0	Balanced
Saguenay CMA	1,213	14	1,563	3	15.5	-1.7	Buyer's
Trois-Rivières CMA	1,180	8	795	-5	8.1	-1.1	Balanced

Graph 1 below shows the proportion of sales that were concluded above the asking price, all property categories combined. We can immediately see that most CMAs registered an increase in sales above the asking price compared to last year. Like last year, it is in the areas where the number of months of inventory is lowest that the phenomenon is most prevalent, namely in Montreal and Gatineau. In fact, in the Montreal CMA, 14 per cent of properties sold for more than the asking price. This corresponds to about one in seven sales. In the Gatineau area, 9 per cent of properties sold for more than the asking price, which corresponds to about one in eleven sales.

Trois-Rivières was the only CMA that registered a decrease in sales above the asking price. However, given that there were fewer than ten transactions concluded above the asking price between April 2018 and March 2019 in both Trois-Rivières and Saguenay, it took a variation of only a few transactions to affect the overall proportion of sales above the asking price. So we should not consider there to be a robust trend underway in these two areas.

Graph 1: Proportion of sales concluded above the asking price, by CMA (%)

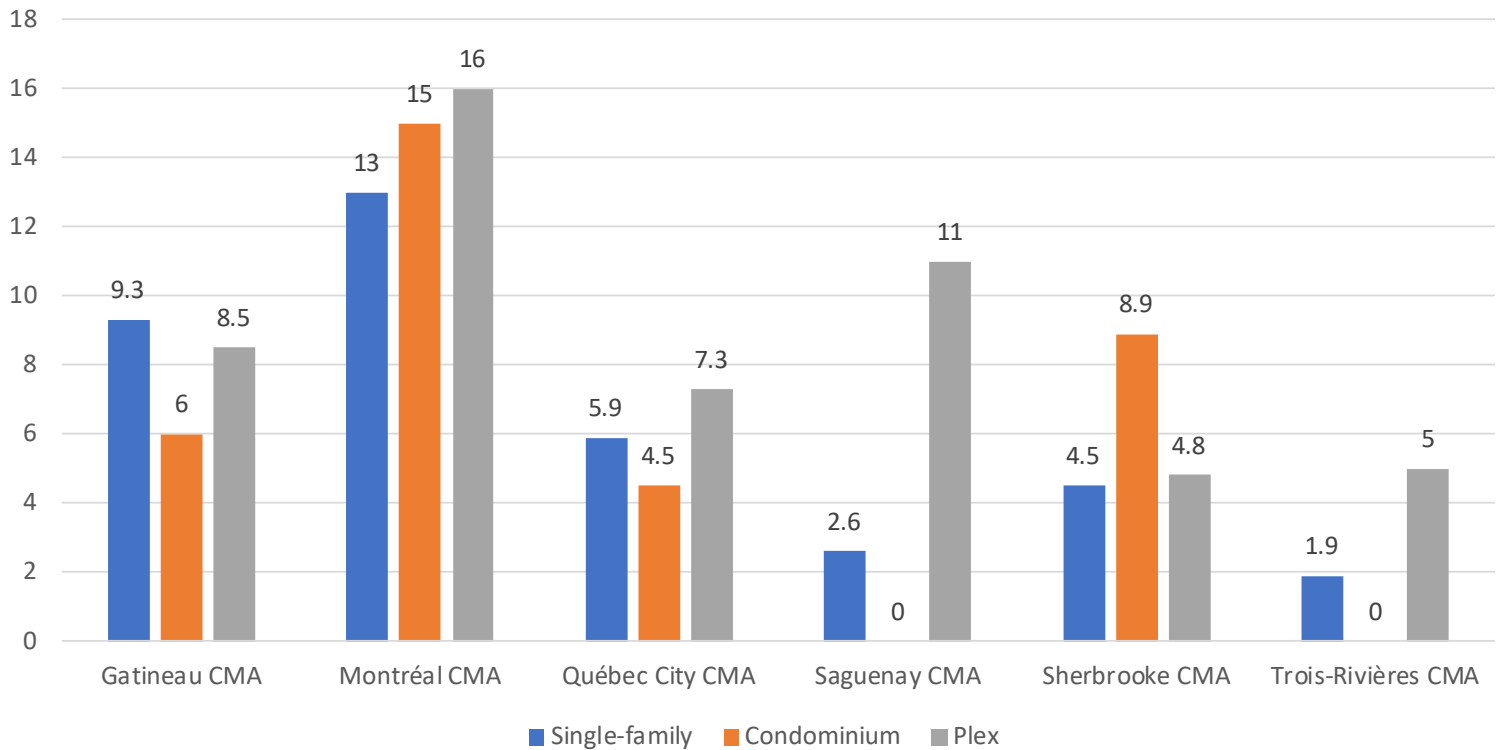


Source: QFREB by the Centris system

By property category, we can see in graph 2 that sales above the asking price were generally most prevalent among plexes (small rental properties with two to five dwellings). This was particularly the case in the Montreal, Quebec City, Saguenay and Trois-Rivières CMAs.

In the Sherbrooke CMA, condominiums took the lead in sales above the asking price, while a year ago it was plexes that held this position. In the Gatineau CMA, sales above the asking price were most prevalent among single-family homes, as was the case a year ago.

Graph 2 : Proportion of sales concluded above the asking price, by property category and CMA, from April 2018 to March 2019



Source: QFREB by the Centris system

The situation in Montreal

The Montreal CMA currently has the tightest market in Quebec and it is largely sellers who have the upper hand over buyers. It is therefore not surprising that sales above the asking price are most widespread in this CMA and that this phenomenon has gained even greater momentum in the past year.

Table 2 shows the number of months of inventory by property category in the different areas of the Montreal CMA. Remember that the lower the number of months of inventory, the more power sellers have during negotiations. The Island of Montreal has the tightest market conditions, followed by the South Shore.

Table 3 shows the proportion of sales concluded above the asking price, by property category and by area, municipality or borough of the Montreal CMA.

Table 2: Number of months of inventory by property category and geographic area in March 2019

	Single-family	Condominium	Plex
Island of Montreal	4.6	5.2	5.5
Laval	5.0	7.8	7.7
North Shore of Montreal	5.9	8.3	9.2
South Shore of Montreal	4.3	6.2	7.6
Vaudreuil-Soulanges	5.6	5.1	6.9
Saint-Jean-sur-Richelieu	5.7	8.4	10.2

Source: QFREB by the Centris system

For single-family homes, the areas that registered the highest proportion of sales above the asking price were Pointe-Claire (33 per cent), Rosemont–La-Petite-Patrie (26 per cent), Kirkland (25 per cent), Villeray–Saint-Michel–Parc-Extension (25 per cent) and Beaconsfield (24 per cent). These are significant proportions, as approximately one out of three properties was sold above the asking price in Pointe-Claire, and one out of four properties was sold above the asking price in the other areas mentioned.

The proportion of condominiums that sold above the asking price was lower than that of single-family homes last year, but increased significantly this year and even surpassed single-family homes in some areas. The area that registered the highest proportion of condo sales above the asking price was Rosemont–La-Petite-Patrie (29 per cent), which was also higher than the proportion of single-family homes. Several other areas are also worth mentioning, including Le Plateau-Mont-Royal (23 per cent), Mercier–Hochelaga-Maisonneuve (22 per cent) and Villeray–Saint-Michel–Parc-Extension (21 per cent).

Finally, in some neighbourhoods, plexes were so popular that the selling price of more than one quarter of transactions exceeded the asking price. This was the case in Verdun–Île-des-Sœurs (32 per cent), Pointe-Claire (29 per cent), Rosemont–La-Petite-Patrie (28 per cent) and the South West (27 per cent).

Table 3 : Proportion of sales concluded above the asking price by geographic area, from April 2018 to March 2019 (in %)

	Single-family	Condominium	Plex
Island of Montréal	17	16	18
Ahuntsic-Cartierville	14	14	15
Anjou	8.9	3.6	15
Baie-D'Urfé	11	0	0
Beaconsfield	24	20	0
Côte-Saint-Luc	7.7	5.6	0
Côte-des-Neiges–Notre-Dame-de-Grâce	22	12	17
Dollard-des-Ormeaux	20	11	0
Dorval	23	6.5	0
Hampstead	7.5	5.9	25
Kirkland	25	5	0
L'Île-Bizard–Sainte-Geneviève	8.9	0	10
LaSalle	7.9	11	11
Lachine	20	10	10
Le Plateau-Mont-Royal	22	23	26
Le Sud-Ouest	22	20	27
Mercier–Hochelaga-Maisonneuve	15	22	17
Mont-Royal	22	11	12
Montréal-Est	11	20	0
Montréal-Nord	5.3	4.8	3.8
Montréal-Ouest	18	0	7.7
Outremont	21	20	17
Pierrefonds-Roxboro	17	11	0
Pointe-Claire	33	10	29
Rivière-des-Prairies–Pointe-aux-Trembles	7.1	2.9	5.4
Rosemont–La-Petite-Patrie	26	29	28
Saint-Laurent	10	6.5	8.5
Saint-Léonard	9.8	4.9	12
Sainte-Anne-de-Bellevue	15	0	50
Senneville	17	0	0
Verdun–Île-des-Sœurs	22	15	32
Ville-Marie	11	11	26
Villeray–Saint-Michel–Parc-Extension	25	21	20
Westmount	15	11	6.7
Laval	11	5.8	6.7
North Shore of Montréal	7.7	12	7.1
South Shore of Montréal	13	10	8.9
Saint-Jean-sur-Richelieu	7.4	8.3	10
Vaudreuil-Soulanges	12	13	5.3

Source: QFREB by the Centris system

How much above the asking price?

After examining the proportion of sales above the asking price in the past year, it is interesting to see the difference between the price paid and the asking price. We calculated this amount in dollars and as a percentage of the asking price for each CMA (see table 4). In all CMAs, the average amount paid above the asking price is higher this year than it was last year.

The percentage differences vary considerably from one CMA to another. Because the Saguenay and Trois-Rivières statistics are based on a sample size of less than ten transactions above the asking price, it is likely that the significant price differences are due to a few non-representative transactions. Their presence at the top of the list must therefore be taken with a grain of salt.

In the Sherbrooke CMA, buyers had to pay 5 per cent more than the asking price, which is equivalent to an additional \$20,807. The next two regions in terms of the largest price differences are Quebec City and Montreal. Quebec City has a higher percentage price difference, while Montreal has a higher dollar price difference. In Quebec City, buyers needed to pay 4.3 per cent more than the asking price, or \$13,647, while in Montreal, buyers needed to pay 3.8 per cent more, or \$18,071. In last place, the Gatineau CMA posted a fairly stable percentage difference compared to last year. However, this represents a larger dollar amount, as property prices have increased over the past year.

Table 4 : Average difference between the sold price and asking price for properties that sold above the asking price

	In percentage	In dollars
Saguenay* CMA	11%	\$23,334
Trois-Rivières* CMA	6%	\$23,020
Sherbrooke CMA	5%	\$20,807
Quebec City CMA	4.3%	\$13,647
Montreal CMA	3.8%	\$18,071
Gatineau CMA	2.4%	\$8,155

* Less than 10 transactions above the asking price

Source: QFREB by the Centris system

What does the future hold?

We will be closely monitoring the situation of sales above the asking price in Quebec in the coming months. Thanks to an excellent start to the year and a relatively optimistic forecast for 2019, it is possible in our opinion that the magnitude of this phenomenon will continue in the short term.

Demand will remain robust thanks to the pause in interest rate hikes and the strength of the job market, which is going full throttle. In terms of supply, sellers in hot neighbourhoods will likely adapt to this reality by asking higher prices, but situations of multiple offers will probably continue. In the medium and long term, the supply of new properties may adjust if there's an increase in housing starts. Nevertheless, in central neighbourhoods, it is mostly condominium projects that will see the light of day. New single-family homes and plexes will remain a rare commodity, which will maintain upward pressure on prices.

This publication is produced by the Market Analysis Department of the QFREB.

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