

# THE STATE OF MONTREAL'S CONDO MARKET

MEGAN MARTIN

While the strong market for single-family homes has dominated headlines in recent months, Montreal's condo market has been quietly surging, with sales up 39 per cent in the Ville-Marie borough for the second quarter of 2017. This growth has persisted over the summer, but some experts predict the market will stabilize by the end of the year. That said, the amount of new constructions expected on the market, combined with interest from investors and foreign buyers, may keep Montreal's condo market simmering for years.

"I've sold over 25 condos in the last 60 days," said Saguy Elbaz, real-estate broker with Sotheby's International Realty Québec. "New constructions are on fire, selling at prices Montreal has never seen before; the resale market is also doing well on low-priced units up to \$350,000."

Based on current plans, it's safe to say that for the next four to five years buyers can expect a steady flow of new condo constructions

being delivered in Montreal. With most of the new highrise buildings in the downtown core selling out, the appetite for high-end projects is somewhat unprecedented in this city.

"There's an abundance of options and new projects being introduced regularly, but good locations are selling out in record time and at record prices," Elbaz said. "The demand is huge among foreign investors, first-time buyers, and empty nesters downsizing, and it's driving prices up."

The current market is definitely a sellers' market, said Beatrice Baudinet, real-estate broker with Royal LePage Heritage.

"Even though there is a saturation of condos, people are still buying," she said. "The market is going up, there is a constant flow of construction and sale of condos; it's a steady rise every year, and we forecast that it will continue like this."

The current trend is due, at least in part, to out-of-town buyers.

"The prices in Montreal are reasonable compared to other

Canadian cities, but outside investors, foreign buyers and those from other Canadian cities value Montreal properties differently than we do, and that increases the price," she said.

"It was an unexpectedly strong summer, and we predict this trend will continue and we will have a very busy fall."



Béatrice Baudinet, real-estate broker with Royal LePage Heritage. VADIM DANIEL

While the short term is expected to bring more of the same, some experts do forecast the condo market will stabilize over the next few years.

"I foresee an adjustment in condo prices for higher-end constructions between now and 2019," Elbaz said.

"I sometimes have a hard time selling for \$400 per square foot in the resale market, but one block away new constructions are selling for \$700 per square foot. I don't think it can last; Montrealers can't afford it."

"Can foreign investors keep these buildings filled forever? That's to be determined."

Over time, unique projects in great locations will continue to blossom, while overpriced condos in condensed areas with plenty of supply will take a hit, he added.

While the high-end market may be abuzz, there are still opportunities for buyers looking to invest in condos, no matter their budget.

"Long term, condos are still considered a good investment property," Baudinet said.



Saguy Elbaz, real-estate broker with Sotheby's International Realty Québec. RALPH THOMPSON, PHOTOIMAGERIE

There are three basic ways to make a profit when investing in a condo, Elbaz said.

"Buy a new construction, not a luxury unit, in a good location and either hold it for a while or rent it out; buy unusual, rare, or unique properties that someone will one day pay top dollar for; or, buy an existing unit in a good building, in a solid location, and add value to it by doing some renovations."

If you're considering entering the condo market, as a first-time buyer or otherwise, getting some professional advice can go a long way. Consulting with a broker is free for buyers, and can lead to valuable revelations, and helpful guidance.

## Buying a new home or condo? Here are some tips to consider

URSULA LEONOWICZ

One of the first things people ask themselves when considering the purchase of a new home or condo is whether or not they can afford it. Mortgage broker Guy Bélanger of North East Mortgages has a few tips to help people decide how much they can spend, and how to budget accordingly.

### Is there a calculation to determine how much someone can realistically afford to spend on a new home or condo?

Typically, mortgage brokers use two different calculations to verify whether someone can afford property; the first is called GDS, or gross debt service, and the second is called TDS, or total debt service.

The way we calculate GDS is we take the mortgage payments, which are comprised of the principal and the interest, we add the property taxes, heating costs — and, if the person is purchasing a condo, 50 per cent of the condo fees. After adding that up, we divide it by the gross household income. When we multiply that number by 100 per cent, you have your GDS ratio.

Generally speaking, your GDS ratio should be 39 per cent (or less) of the gross household income. It's important to keep in mind that a



Mortgage broker Guy Bélanger offers some tips to keep in mind if you're thinking of buying a new home. FANNIE LAURENCE

person's credit score must be 680 or more in order to go to that 39 per cent; if the person's credit score is less than that, the limit will be 35 per cent.

TDS is a similar calculation, except in addition to the mortgage, property taxes, heating and 50 per cent of condo fees, we'll add all of the person's other debts, including car payments, credit card payments, student loans and anything else that is a debt, and then we'll divide that by the gross household income and multiply that number

by 100 per cent. Forty-four per cent of the gross household income can go toward paying that number, if the credit score is 680 or more.

This calculation is used in banks across Canada in order to qualify consumers for mortgages.

### Other than the mortgage, what are some of the other costs and fees that people need to be aware of when buying a new home or condo?

The mortgage needs to be insured, either by the Canadian Mortgage and Housing Corp. (CMHC) or Genworth Canada, and purchasers should realize that they will need to pay a mortgage default insurance premium, which is a premium that's added on to the mortgage when one makes a down payment of less than 20 per cent. The amount of the premium is added to the mortgage amount. Provincial sales tax is also payable on the premium, and it's payable at the notary right away. If a person purchases with a down payment of more than 20 per cent, then that mortgage default insurance premium isn't required.

Other costs include legal fees, the welcome tax or land transfer duty, property taxes and other adjustments, as well as the home inspection.

What most lenders recommend

is that you have 1.5 per cent of the purchase price of the home or condo that you're buying set aside, so that when you do purchase the property and the transaction goes through, you have enough money in order to pay for all of those closing costs.

### So that's one way to save money then, by putting more than 20 per cent down right away?

If you want to avoid the mortgage default insurance premium and the provincial sales tax that's payable on it, then, yes, you would need put 20 per cent or more down.

### Can you tell me about some mortgage savings strategies?

First of all, you should shop around to find the mortgage that suits you best, whether you're using a mortgage broker or not. Most people will shop around for a car; they won't just go to one dealership, and they might even look at different car manufacturers. Likewise, it's important to shop around for a mortgage, and one really great way of doing that is by speaking to a mortgage broker who has access to multiple lenders.

The other thing to consider is whether you want a fixed or variable rate mortgage.

Historically speaking, variable rate mortgages have saved con-

sumers money, but there is always the possibility that interest rates will rise — and if they do, and you have a variable rate mortgage, your mortgage payment will go up as well.

### What are some things to avoid, when buying a new home or condo?

I think the first thing folks should do is be aware of their credit rating. Not knowing your credit score before applying for a mortgage isn't a good idea because your credit score has an impact on the rate that you'll get offered.

Another pitfall is not obtaining a mortgage preapproval prior to shopping for a home, because your credit rating, income and down payment are critical to knowing how much you can afford. Having the preapproval done by a mortgage broker will help you budget accordingly, to purchase a home at a price that you can afford.

It's also key to remember that interest rates are important, but they're not the only important thing. The reason why is that some banks have higher than normal penalties, so if you break your mortgage early, whatever savings you may have made from your interest rate will be eliminated when you decide to sell your home earlier than expected.

### MORTGAGE RATES\*

Financial Institution	Type	Variable	6 months	1 year	2 years	3 years	4 years	5 years
Alterna Bank	Closed	4.2	4	2.99	2.84	3.05	2.95	2.99
Alterna Savings	Closed	4.2	4	2.99	2.84	3.05	3.1	3.14
Bank of Montreal	Closed	4.4	4.2	3.09	3.19	3.59	4.09	4.84
Bank of Nova Scotia	Closed	-	4.75	3.49	3.09	3.39	3.89	4.84
CIBC Mortgages	Closed	4.5	3.14	2.99	2.94	3.54	4.19	4.89
Desjardins - Caisses	Closed	-	4.4	3.24	3.24	3.39	3.89	4.84
HSBC Bank Canada	Closed	4.39	3.39	2.69	2.84	2.74	2.84	2.94
Home Trust Company-Agent	Closed	-	-	3.14	3.04	3.65	4.39	4.64
ICICI Bank Canada	Closed	-	-	2.64	2.64	2.64	3.19	3.29
Investors Group Trust	Closed	-	4.2	3.04	2.89	3.39	3.89	4.84
Laurentian Bank Canada	Closed	-	4.4	3.14	3.04	3.39	3.89	4.84
London Life	Closed	-	4.2	3.04	2.89	3.39	3.89	4.84
Manulife Bank	Closed	3.7	4.45	3.1	3.14	3.24	3.34	3.39
National Bank	Closed	-	4.4	3.14	3.04	3.39	3.89	4.84
President's Choice Fin'l	Closed	-	6.19	3.29	2.94	3.49	4.09	4.54
Royal Bank of Canada	Closed	4.75	3.14	3.14	3.19	3.8	4.54	4.79
T-D Mortgage	Closed	4.35	3.14	3.04	2.84	3.44	3.89	4.94
Tangerine	Closed	-	-	3.29	2.79	2.89	2.99	3.09

\*Rates as of Sept. 18, 2017

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