

**Economic Impacts of MLS®
Home Sales and Purchases in
the Province of Québec**

Independent Real Estate Intelligence

FINAL REPORT

May 11, 2009



Economic Impacts of MLS[®] Home Sales and Purchases in the Province of Québec

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EXECUTIVE SUMMARY

Resale housing transactions generate significant economic activity. The purchase and sale of homes via the Multiple Listing Service® (MLS®)¹ generates fees to professionals such as lawyers, appraisers, real estate agents, surveyors, etc. as well as taxes and fees to government. And when families in the Province of Québec move house, they typically purchase new appliances or furnishing, as well as undertaking renovations that tailor the new home to specific household requirements.

During the period between 2006 and 2008, for example, it is estimated that a total of **\$34,525** in ancillary household expenditure was generated by the average housing transaction in the Province of Québec.

Considering the average of 81,299 home sales processed annually through MLS® during that period, ancillary spending attributable to moving house totalled over **\$2.8 billion per year** – a significant contribution to the total provincial economy.

Direct and indirect employment resulting from housing resales is also significant. Some **30,585 jobs** are estimated to have been generated on an average annual basis by MLS® resale housing activity in Québec over the period between 2006 and 2008.

This study updates an earlier study of a similar nature conducted in 2007 by Altus Group Economic Consulting on behalf of the Greater Montréal Real Estate Board. Comparing the results from the two studies, the economic impact from spending associated with MLS® in the province of Québec has increased by some **55%** between the 2007 study and the 2009 study. The employment impact from MLS® sales has increased by roughly **50%** between the two studies. The majority of the increase has come from direct employment, primarily due to the large increase in the construction sector. The increase of construction employment is attributed to the significant growth in spending on home renovations by recent homebuyers in Québec.

¹ Multiple Listing Service® and MLS® are registered certification marks owned by The Canadian Real Estate Association.

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INTRODUCTION

Resale housing transactions generate significant economic activity. The purchase and sale of homes generates fees to professionals such as lawyers, appraisers, real estate agents, surveyors, etc. as well as taxes and fees to government. And when homeowners move house, they typically purchase new appliances or furnishings as well as undertaking renovations that tailor the new home to specific household requirements.

To quantify these effects, The Quebec Federation of Real Estate Boards (QFREB) commissioned Altus Group Economic Consulting to estimate the economic impacts resulting from MLS® home sales and purchases in the Province of Québec. This report presents a review of these estimates, and follows up a similar study conducted by Altus Group in 2007. The methodology used in its preparation has been employed by Altus Group Economic Consulting to measure the economic impact of home sales in other jurisdictions, and is reviewed in the Appendix. In brief, it consists of, first estimating the expenditures typically associated with moving house and second, estimating the economic impacts of these expenditures in terms of jobs created in the economy.

SPENDING IMPACTS

Additional Spending Generated by Housing Transactions²

Purchases and sales of homes trigger additional expenditures that have broad economic impact.

It is estimated that a total of about \$34,525 in additional expenditure is generated by the average housing transaction in the Province of Québec. This value varies somewhat by location within the province, due, mainly to the variation in average house price (and therefore realty commissions). Within the Greater Montréal area, for example, typical spending associated with a home sale is about \$36,838 and elsewhere in the province is about \$31,981

Figure 1 indicates the distribution of these expenditures among the various services and goods typically associated with housing transactions. Although

² For purposes of this paper, a transaction is defined as the sale of a home by a vendor to a purchaser and all expenditures typically associated with the change of ownership.

the analysis was based on spending in 2007, the returns capture typical spending by household in the first, second and third year after purchase. A number of professional fees are involved, including legal and real estate fees, mortgage insurance premiums, fees for appraisals, surveys and other services involved in the purchase and sale of a home.

Figure 1

**Estimated Expenditures Generated by the
Average Housing Transaction in the
Province of Québec**

	<i>Dollars</i>
General Household Purchases	1,725
Furniture and Appliances	5,775
Moving Costs	1,475
Renovations	12,000
Services: financial, legal, real estate appraisal, survey, other professionals	11,700
Taxes (excluding GST)	<u>1,850</u>
Total	34,525

Source: Estimates by Altus Group Economic Consulting based on special tabulations from Statistics Canada 2007 Survey of Household Spending

The figure reflects the importance of renovation work associated with moving house – a figure that includes repairs and alterations to both the structure itself and other property improvements. The strong growth in renovation spending among recent homebuyers in Québec is reflective of buoyant recent trends in renovation investment across the country.

Homebuyers also consume a significant amount of services such as financial, legal, real estates and other professional services. In addition, there are significant expenditures for furniture and appliances and general household purchases such as bedding, towels, lighting fixtures, tools, blinds etc.

Total expenditure of \$34,525 relates only to the costs of moving from one home to another. It does not include any construction expenditures by the sellers of homes in order to prepare their properties for sale (or, in the case of new housing, the construction expenditures involved in building the home).

Spin-off Benefits of MLS® Activity Reached \$2.8 Billion Annually

There are a large number of resale housing transactions every year. Between 2006 and 2008, an average of 81,299 homes changed hands annually through

the Multiple Listing Service (MLS®) of real estate boards across the Province of Québec, according to data provided by QFREB.

Considering the average of \$34,525 additional expenditure per transaction, it is clear that home purchases and sales generate very significant volumes of spending and major spin-offs to other industries. For the average of 81,299 homes processed annually through MLS® during the period between 2006 and 2008, spending attributable to moving house totalled over \$2.8 billion per year – a significant contribution to the Québec economy.

EMPLOYMENT IMPACTS

About 30,585 Direct and Indirect Jobs per Year Are Generated by Annual Average Home Sales through MLS® in Québec

Expenditures on activities such as purchasing a home result in three distinct rounds of impacts on the economy:

- **Direct impacts** – economic activity in the industries supplying the products and services to the home buyers. Examples include the jobs generated in the appliance, construction and real estate sectors involved in producing and providing the specific goods and services require by the purchaser.
- **Indirect impacts** – economic activity in industries providing goods and services to the industries involved in the direct round. Examples include the raw materials and components used in producing appliances purchased by home buyers; the wood and other industries involved in providing inputs to the manufacture of building products used in home renovations; and the computers and other goods used by financial and real estate service firms involved in the sale of financing of the home. The chain reaction spreads across the economy and provides employment in a wide range of industries that supply those directly involved in providing goods and services to the home buyer.
- **Spin-off impacts** – the so-called Keynesian multiplier effect resulting from the expenditure of incomes generated in the first two rounds. The wages, salaries and other income which accrue to households as a result of the direct and indirect rounds will, in turn, generate economic activity as these households spend their incomes in the

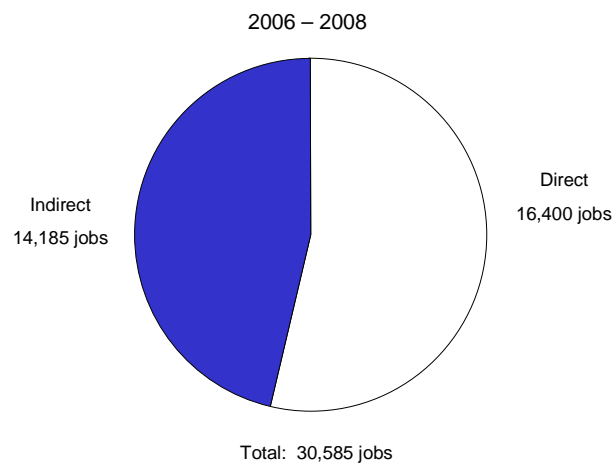
general economy. The relationship between these spin-off impacts and the initial expenditure resulting from the purchase of a home is less clear than for the direct and indirect rounds – much household spending would occur regardless of whether it is financed by wages and salaries or through unemployment insurance, other government transfers or savings if the direct and indirect employment did not occur.

Direct and indirect employment resulting from housing sales in the Province of Québec is significant. Some 30,585 jobs (on a full-time, full-year basis) are generated on an annual basis by MLS® homes sales and purchases in Québec in the period between 2006 and 2008.

Most of these jobs (16,400) are generated in the direct round – the jobs required to produce the goods and services purchased by homebuyers (Figure 2). The remaining 14,185 jobs are generated by industries that provide inputs to the goods and services purchased by homebuyers.

Figure 2

Average Annual Direct and Indirect Employment* Generated by MLS® Home Sales in Quebec



* Full-time equivalent
 Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

Main Impacts from Housing Transactions Are in Finance, Real Estate and Trade but Many Other Industries Also Benefit

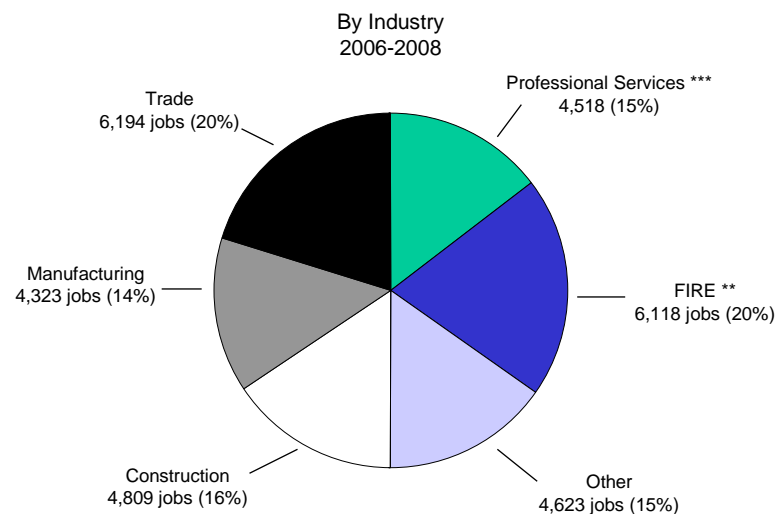
The finance, insurance and real estate industry accounts for some 20% of the total direct and indirect employment generated by home sales (Figure 3). Some 6,118 jobs are generated from MLS® home sales and purchases annually during the period between 2006 and 2008.

The trade industry (including both retail and wholesale trade) benefits the most from MLS® home sales and purchases – approximately 6,194 jobs are supported each year, largely due to significant spending on furniture and major appliances from recently relocated households.

A significant number of jobs are also created in a variety of other industries – manufacturing, construction, professional and other services all account for between 14% and 16% of the total direct and indirect jobs generated by home sales. In each of these industries, between 4,323 and 4,809 jobs are estimated to have been directly or indirectly generated annually as a result of the average number of MLS® home sales in the Province of Québec during the period between 2006 and 2008.

Figure 3

Average Annual Direct and Indirect Employment* Generated by MLS® Home Sales in Quebec



* Full-time equivalent ** Finance Insurance and Real Estate *** Includes public service jobs
Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

Figure 4

Average Annual Direct & Indirect Employment Generated by MLS® Home Sales in Quebec, 2006-2008

	Direct	Indirect <i>Jobs</i>	Total	Distribution %	Direct as % of Total
Manufacturing	923	3,400	4,323	14	21
Construction	4,680	129	4,809	16	97
Trade	3,819	2,375	6,194	20	62
FIRE*	4,833	1,285	6,118	20	79
Professional Services**	1,374	3,144	4,518	15	30
Other	771	3,852	4,623	15	17
Total	16,400	14,185	30,585	100	54

* Finance, Insurance and Real Estate; ** Includes Government

Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

Most of the jobs in the finance, insurance and real estate industry are generated in the direct round. Lawyers, real estate agents, appraisers, surveyors, etc. all play a significant role in the sale of a home. Approximately 79% of the jobs generated in this industry are direct (Figure 4).

In the construction industry, most of the impacts are also in the direct round – about 97%. This reflects large renovation expenditures, which typically occur when someone moves into an existing home.

For the other industries, (e.g. manufacturing, trade and services) most of the employment impacts are in the indirect round – supplying goods and services to industries involved in the direct round. In the manufacturing sector, for example, about 79% of the jobs created are in the indirect round.

COMPARISON WITH 2007 STUDY

Total Economic Impact Has Increased by 55% from 2007 Study

This report (the 2009 report) follows up a similar study conducted in 2007. This section offers a brief comparison of the results providing insight into the changes that have taken place in the economic impact of MLS® home sales and purchases in the province of Québec.

Average consumer expenditures per MLS® transaction increased by approximately 34%, with the largest increases coming in renovations, and furniture and appliances expenditures (Figure 5). The number of home sales processed through MLS® increased by about 16% between the two study

periods. All told, the total spin-off benefits from the sale and purchases of MLS® homes in the Province of Québec increased by some 55% between the two studies.

The employment impacts from the sale and purchases of MLS® homes rose by some 50% between the 2007 and 2009 studies. The majority of the increase has come from direct employment, primarily due to the large increase in the construction sector. The increase of construction employment, in term, is caused by the significant growth in spending on home renovations.

Figure 5

Economic Impact Results 2009 Study vs. 2007 Study			
	2007 Study	2009 Study	Percent Change ¹
Ancillary Consumer Expenditure Per Transaction (Province of Québec)	<i>Dollars</i>		%
General Household Purchases	1,250	1,725	38.0
Furniture and Appliances	3,900	5,775	48.1
Moving Costs	1,925	1,475	(23.4)
Renovations	6,150	12,000	95.1
Services	10,850	11,700	7.8
Taxes (excluding GST)	1,775	1,850	4.23
Total	25,850	34,525	33.6
Annual Number MLS® Transactions	<i>Units</i>		%
Province of Québec	69,973	81,299	16.2
Total Spin-Off Benefits from MLS® Sales	<i>Dollar (billion)</i>		%
Province of Québec	1.81	2.81	55.2
Annual Employment Impact	<i>Jobs</i>		%
Direct	10,725	16,400	52.9
Indirect	9,725	14,185	45.9
Total	20,450	30,585	49.6

¹ Based on un-rounded values.
Source: Altus Group Economic Consulting

APPENDIX

Estimates of the Economic Impacts of Housing Sales

This appendix reviews the methodology used to generate estimates of the economic impacts resulting from purchases of homes in Québec. The methodology can be broadly divided into two sections:

- Estimating the expenditures generated as a result of home purchases; and
- Estimating the economic impacts of these expenditures.

A summary of the methodology used by Altus Group Economic Consulting to generate each of these estimates is provided below.

Estimating the Expenditures Generated as a Result of Housing Transactions

To provide estimates of the amount spent by Québec families who moved house, special tabulations were obtained from Statistics Canada's 2007 *Survey of Household Spending* for the province of Québec. These tabulations provided estimates of the expenditures of families during the first, second and third years after purchase a house versus all other owners. The average expenditures of families who had moved in either, 2007, 2006, or 2005 versus those who had not moved, were then compared for a variety of expenditures categories which were considered likely to be affected by moving to a different home. From these data and additional analysis, estimates of the average expenditures generated by families who move to a different dwelling were prepared.

Actual estimated expenditures generated by movers are summarized in Figure 1 of the report. It should be noted here that these include only the expenditures incurred by the family which moved to a dwelling. This includes items such as moving costs, new appliances and equipment to be used in the home, renovation expenditures, fees paid to lawyers, surveyors, mortgage lenders and real estate agents³, etc. The analysis did not distinguish between those moving into a new home versus a resale home, and it did not include the additional economic impacts, which would have been generated through the construction of new homes.

³ Real estate commissions born by both vendors and purchasers are considered in the study.

Estimating the Economic Impacts

Estimates for the economic impact of additional expenditures generated by moving to a different home were derived through the use of Statistics Canada *Interprovincial Input-Output Model*. The current model relates to the year 2005. An input-output model is useful to estimate the impacts of various types of economic activities. It is an accounting framework of an economy's production system. It shows the interconnections that exist between the various sectors of the economy when goods and services are produced. Using an input-output model, it is possible to determine which goods and services are required to achieve a certain production level in a particular industry – or the economy as whole.

The model can take an estimate of expenditures on a given economic activity (in this case, moving to a different home) and translate it into the impacts on various industries – and ultimately, the amount of income and jobs created. A key component of an input-output model is the set of “input structures” for each economic activity covered by the model. An input structure literally splits the original expenditure among all the different inputs, which are used in that economy activity. For example, in purchasing a home, expenditures are incurred in a variety of industries – appliances, construction, various service industries, etc. Each of these industries has an input structure of its own which involves inputs from a variety of other industries plus labour and owners of firms in that industry.

An input-output model includes a full array of input structures, which have been estimated for all industries in the economy. Use of the model in this analysis involves estimating the impacts of spending incurred by those who move to a different dwelling. To generate these estimates, it was necessary first to provide an “input structure” for households that move to a different dwelling. To formulate this input structure, the estimates of average expenditures generated by families who move to a different dwelling derived from the analysis of the *Survey of Household Spending* were converted into the input categories used by the Statistics Canada National and Interprovincial Input-Output models. Specifically, estimated spending per mover in each of the affected expenditure categories is reflected in the table summarized in the report (Figure 1).

This input structure was used by Statistics Canada to simulate the impacts on spending by movers using the Interprovincial Input-Output model. In generating the estimates, Statistics Canada ran an input out put shock scenario on a sample of home sales. The results were re-estimated by Altus Group Economic Consulting based on the average annual MLS® sales over the 2006-2008 period and are presented in the main body of the report.

The findings are presented in terms of “jobs” generated. This is the term used by the Input-Output Division of Statistics Canada in its estimates of employment generated. The term “jobs” is close to but not the same as “person-years of employment”. The estimate of jobs provides the number of workers, which would be employed for a full-year; however, the estimate includes both full and permanent part-time jobs at the ratios appropriate for each of the industries involved.