

Plex Resale Market: Retrospective Analysis of the Past Ten Years and Average Price “Per Dwelling” in the Main Neighbourhoods

The purchase of small rental properties containing two to five dwellings, commonly referred to as plexes, has been a popular choice among small-scale investors in Québec over the past few years. The recent real estate boom has caused their resale value to explode, almost doubling in most areas where plexes are well established. This analysis starts with a brief portrait of the evolution of the plex resale market in the past ten years, then examines the relative performance of these small rental properties in terms of price growth, as compared to the other property categories in different areas of Québec. Our analysis then provides a comparison between geographic areas while taking into account the different plex sizes, thereby enabling us to identify the price per dwelling for duplexes, triplexes, fourplexes and fiveplexes. Finally, we report on average selling times and current conditions on the plex resale market.

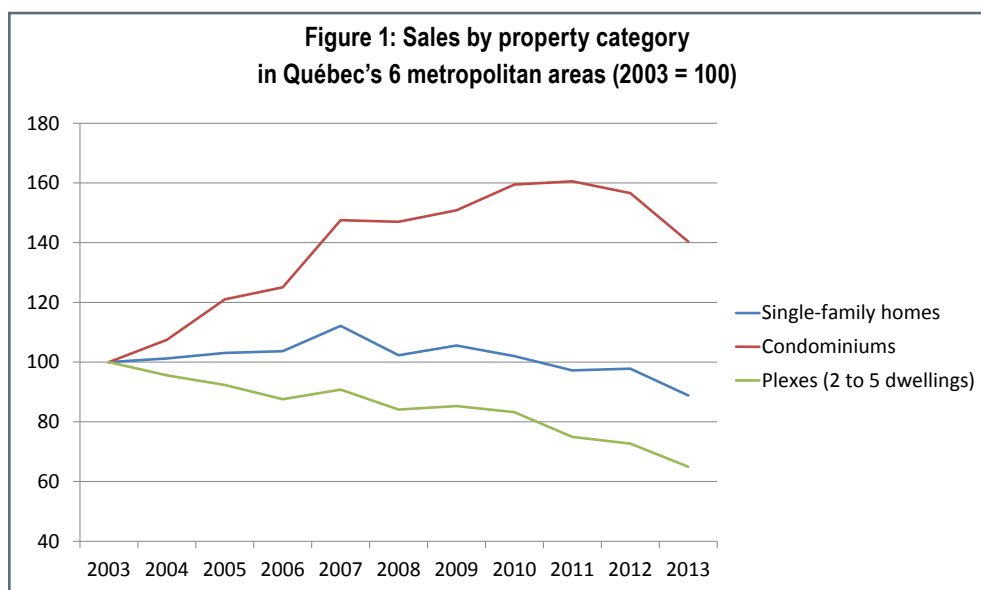
It goes without saying that because the plex market is mainly concentrated in the province's large urban centres, this analysis, to provide valid statistics, focuses on metropolitan areas, broken down by sector, that have a sufficient number of transactions. This is primarily the case in the areas of Montréal, Québec City and Gatineau.

Sales Have Dwindled in the Past 10 Years...

Figure 1 shows the evolution of sales by property category in the province's six Census Metropolitan Areas¹ (CMAs) combined. As we can see, there has been a downward trend in plex sales in the past ten years (this is also true for each individual CMA, without exception). However, this is not necessarily the case for the other property categories. Between 2003 and 2013, while the number of single-family home transactions fell by 11 per cent, the number of condominium transactions jumped by 40 per cent and the number of plex transactions decreased by 35 per cent. There were notably fewer plex sales in 2013 as compared to 2003, with respective decreases of 35, 38 and 37 per cent in the Montréal, Québec City and Gatineau Metropolitan Areas.

Between 2003 and 2013, while the number of single-family home transactions fell by 11 per cent, the number of condominium transactions jumped by 40 per cent and the number of plex transactions decreased by 35 per cent.

Figure 1: Sales by property category
in Québec's 6 metropolitan areas (2003 = 100)



Source: QFREC by the Centris® system

1 They are: Montréal, Québec City, Gatineau, Sherbrooke, Saguenay and Trois-Rivières.

Such a remarkable decrease in plex sales in recent years may seem rather surprising given that the real estate market has been in full swing and the vacancy rate for rental housing has been extremely low. However, we should not automatically conclude that plexes have become less and less popular among buyers. Other indicators provide us with another side to this story.

... But Plexes are Still Popular With Buyers

Figure 2 shows the evolution of average selling times by property category for all six CMAs combined. We see that while the average selling time increased slightly for condominiums, the average selling time of plexes remained fairly similar to that of single-family homes and never exceeded 90 days. In fact, in the past four years, plexes were the property category that registered the shortest average selling time.

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Figure 2: Average selling time by property category in Québec's 6 metropolitan areas (2003 = 100)

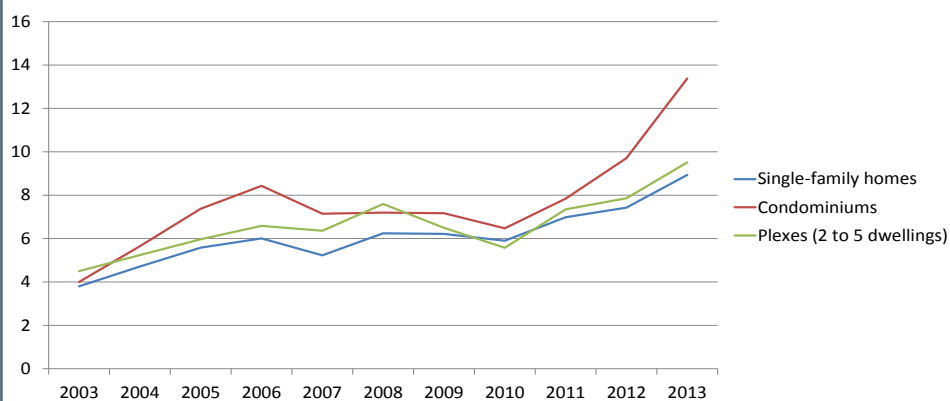


Source: QFREC by the Centris® system

In addition, figure 3 shows the number of months of inventory², which represents the supply/demand ratio, by property category for all six CMAs. Again, the evolution of this ratio was very similar for plexes and single-family homes, while that of condominiums increased significantly in the past two years. We will see in greater detail in another section of this report that the plex market remained a seller's market in the vast majority of areas until 2012, which reflects a certain scarcity of supply in relation to demand.

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Figure 3: Number of months of inventory by property category in Québec's 6 metropolitan areas (2003 = 100)



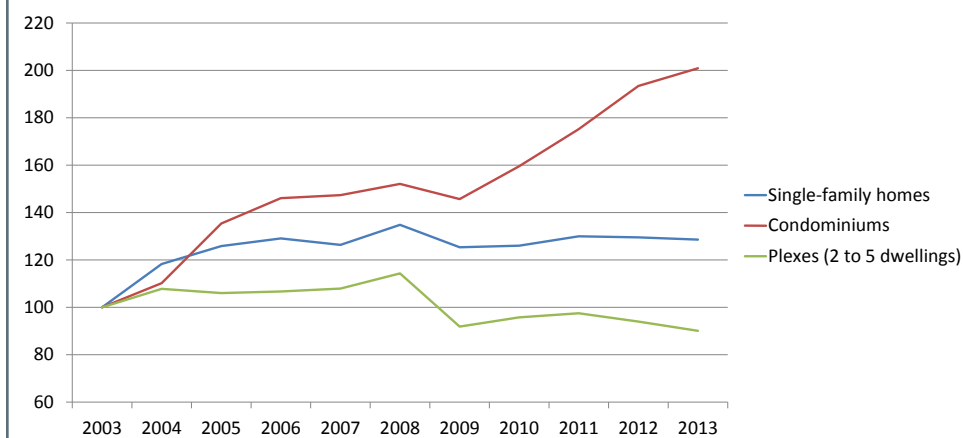
Source: QFREC by the Centris® system

² Or the ratio of active listings to sales.

These two indicators demonstrate that plexes have not fallen out of favour with buyers. If plex sales decreased this way in the past ten years, it is undoubtedly due to the shrinking size of the plex inventory over the years. On the one hand, construction of small rental properties has been virtually non-existent in Québec for several years, particularly in central neighbourhoods where they were once predominant. On the other hand, little by little, despite several restrictions in this area, a certain number of plexes have been converted into condominiums every year. Unfortunately, the data available on the conversion of rental properties into condominiums are imprecise. Management reports from the Régie du logement indicate that, for the years 2004-2005 to 2012-2013, the Régie handled slightly more than 2,000 requests for permission to convert into divided condominiums³. This represents the number of requests submitted, not the number of dwellings involved. We therefore do not know the size of these dwellings, but it seems that they are mostly small rental properties that are being converted. Finally, the data do not include the conversion to undivided condominiums, and we have not found any reliable data on this phenomenon. We therefore believe that the decrease in plex sales over the past ten years is not due to a general downturn in the real estate market, nor is it due to a lack of popularity for this property category. Rather, it can be attributed to the shrinking size of the plex inventory.

The data on new listings seem to support this idea. In general, the number of properties for sale has clearly trended upward in the past ten years, with the exception of plexes. Figure 4 shows the number of new listings on the market for all six CMAs combined, by property category. We can see that new listings of single-family homes increased by 29 per cent between 2003 and 2013, while that of condominiums doubled (+101 per cent). During the same period, new plex listings followed an opposite trend and fell by 10 per cent. The only plausible explanation in our opinion is a decrease in the size of the plex inventory.

Figure 4: New listings by property category in Québec's 6 metropolitan areas (2003 = 100)



Source: QFREC by the Centris® system

Little by little, despite several restrictions in this area, a certain number of plexes have been converted into condominiums every year.

Management reports from the Régie du logement indicate that, for the years 2004-2005 to 2012-2013, the Régie handled slightly more than 2,000 requests for permission to convert into divided condominiums.

³ The data do not distinguish between the number of requests for conversion that were accepted and the number that were rejected.

Price Increases: Plexes Outperform the Other Property Categories

Given the relative scarcity of plexes on the resale market for several years (figure 3), there has been strong pressure on prices. In the past ten years, not only have plex prices increased considerably, but the increase in average price, regardless of their size, has surpassed that of single-family homes and condominiums in the province's three main markets, meaning the Montréal, Québec City and Gatineau CMAs (see figures 5 to 10 in Annex 1). In the Gatineau CMA for example, from 2003 to 2013, the average price of duplexes and triplexes increased by 90 per cent and 105 per cent, respectively, compared to 77 per cent for single-family homes and 70 per cent for condominiums. In the Sherbrooke and Saguenay CMAs, the increase in the average price of plexes also outperformed that of condominiums in the past decade.

Québec City Area is Far Ahead

Geographically, the Québec City CMA came in far ahead in terms of price growth for plexes in the past ten years. While the average price of duplexes has practically doubled in the Saguenay (+98 per cent), Montréal (+95 per cent) and Trois-Rivières (+95 per cent) CMAs, the increase was 157 per cent in the Québec City CMA. The same also holds true for triplexes and fourplexes: the Québec City CMA led the way with an impressive increase in average price of 172 per cent and 154 per cent, respectively, between 2003 and 2013.

Average Price Per Dwelling, by Neighbourhood

Due to an insufficient number of transactions in many areas, we often group plexes of 2 to 5 dwellings together in our analyses. However, it is obvious that to adequately measure price, it is much more accurate to take into account the size of the properties. Thus, we have calculated average prices according to the number of dwellings, simply by dividing the price of each property by the number of dwellings it contains. This facilitates comparisons between the different building sizes and between the different geographic areas.

Table 1 (see Annex 2) shows the average price per dwelling for duplexes in all areas where the number of annual sales enables us to obtain relatively reliable statistics. For example, it is not surprising that it was in the Montréal CMA that duplexes sold for the highest price in 2013, at slightly more than \$204,000 per dwelling. On the Island of Montréal, the most expensive boroughs in 2013 were Le Plateau Mont-Royal, which registered an average price of \$290,656 per dwelling, followed by Côte-des-Neiges/Notre-Dame-de-Grâce/Côte-Saint-Luc, with an average price of \$280,344 per dwelling. In contrast, the area with the least expensive duplexes in 2013 was Rivière-des-Prairies/Pointe-aux-Trembles, at \$165,661 per dwelling. In the suburbs of Montréal, prices ranged from \$186,749 per dwelling in Chomedey to \$92,569 in Saint-Jérôme.

In the Québec City and Gatineau CMAs, duplexes sold on average for \$140,461 and \$112,707 per dwelling, respectively, in 2013. In the other CMAs, the average price per dwelling for duplexes was less than \$100,000 in 2013: \$95,908 in the Sherbrooke CMA, \$87,203 in the Saguenay CMA and slightly more than \$70,000 in the Trois-Rivières CMA.

We also included in Table 1 two smaller urban centres that had a sufficient number of transactions for duplexes: the agglomerations of Saint-Jean-sur-Richelieu and Salaberry-de-Valleyfield, with respective prices of \$107,954 and \$87,099 per dwelling in 2013.

Finally, tables 2, 3 and 4 (see annex 2) show the price per dwelling for triplexes, fourplexes and fiveplexes. Of course, the average price per dwelling generally decreases based on the number of dwellings in the building, as the cost of the land is spread over a larger number of apartments.

In the past ten years, the increase in average price of plexes, regardless of their size, has surpassed that of single-family homes and condominiums in the province's three main markets, meaning the Montréal, Québec City and Gatineau CMAs.

The Québec City CMA led the way with an impressive increase in average price of 172 per cent (triplexes) and 154 per cent (fourplexes), between 2003 and 2013.

Current Market Conditions

The most recent data show that, like the overall resale market in Québec, the plex market has been affected by a general decrease in sales in recent months. We should point out that the multiple rounds of mortgage insurance tightenings (see [The Fourth Round of Mortgage Tightening, One Year Later](#)) eventually resulted in a cooling of the market. Remember that one of the mortgage insurance rules introduced in April 2010, aimed specifically at limiting the presence of investors, increased the minimum down payment from 5 per cent to 20 per cent in the case of loans for properties with 1 to 4 dwellings in which none of the dwellings are occupied by the owner.

A second recent trend that plexes have been unable to escape is the general increase in active listings⁴. As a result of this increase, coupled with the decrease in sales, market conditions have become more relaxed, selling times have lengthened and the pace of price growth has slowed.

Table 5 below shows the evolution of sales, active listings and average price for plexes (all sizes combined) for the past twelve months (May 2013 to April 2014). It shows that sales have decreased in all areas, with one exception: the South Shore of Montréal. As for the number of plexes on the market, the upward trend is well established in most areas, with Laval (-7 per cent) and the Sherbrooke CMA (-11 per cent) being the only exceptions. In addition, there has not been any significant increase in the price of plexes in the Montréal CMA in the past twelve months. In the Québec City CMA, plex prices increased by 2 per cent, but decreased in the Gatineau, Sherbrooke and Saguenay CMAs.

One of the mortgage insurance rules introduced in April 2010, aimed specifically at limiting the presence of investors, increased the minimum down payment from 5 per cent to 20 per cent in the case of loans for properties with 1 to 4 dwellings in which none of the dwellings are occupied by the owner.

Table 5: Main plex market indicators for the past 12 months

Plexes (2 to 5 dwellings)	Variation in the past 12 months (ending April 2014)		
	Sales	Active listings	Average price
Montréal Metropolitan Area	-3%	4%	0%
Island of Montréal	-2%	7%	0%
Laval	-14%	-7%	0%
North Shore	-17%	1%	-4%
South Shore	5%	2%	1%
Québec City Metropolitan Area	-8%	21%	2%
Gatineau Metropolitan Area	-9%	21%	-3%
Sherbrooke Metropolitan Area	-19%	-11%	-4%
Saguenay Metropolitan Area	-18%	26%	-3%
Trois-Rivières Metropolitan Area	-19%	26%	5%

Source: QFREB by the Centris® system

⁴ While new listings represent properties that are newly put up for sale, active listings reflect the inventory of properties on the market at a given date.

In general, market conditions are now balanced in the Montréal, Québec City and Gatineau CMAs. It is a buyer's market in the Sherbrooke, Saguenay and Trois-Rivières CMAs, and a seller's market in the following central areas of the Island of Montréal: Rosemont, Le Sud-Ouest, Mercier/Hochelaga-Maisonneuve, Le Plateau and Villeray (see tables 6 to 9 in Annex 3). Elsewhere in the province, the only areas where sellers still have the upper hand are Basse-Ville/Limoilou and Beauport in the Québec City area, as well as Hull in the Gatineau area.

Conclusion

Without touching on some of the other factors that influence the profitability of a small rental property, but based solely on the added value on the resale market, plexes have been a good investment for small-scale investors in Québec in recent years. Those who bought a plex at the start of the new millennium have, for the most part, seen the resale value of their property double, or more than double. Also, in most cases, the increase in plex prices surpassed those of the other property categories, in a context where the size of the plex inventory appears to be gradually shrinking. Recently however, the resale market has slowed. Plex sellers no longer necessarily have the upper hand in negotiations and they must be a little more patient before their property finds a buyer, making the evolution of prices in the short-term more uncertain.

Based solely on the added value on the resale market, plexes have been a popular investment for small-scale investors in Québec in recent years.

If you have any questions or comments about the content of this article, please contact us by email at: stats@fcjq.ca.

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Annex 1

Average price growth by property category and Census Metropolitan Area (CMA) from 2003 to 2013

Figure 5: Montréal CMA

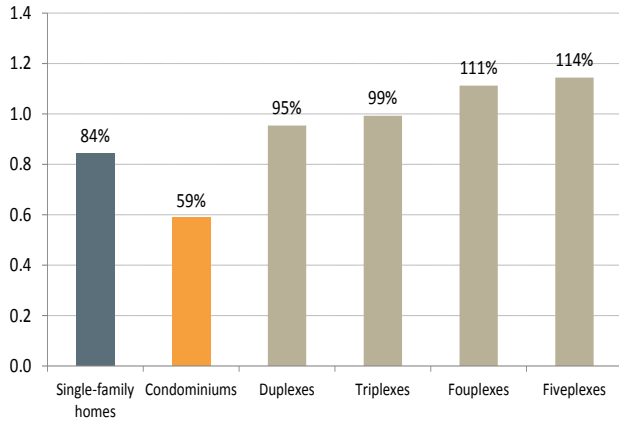


Figure 6: Québec City CMA

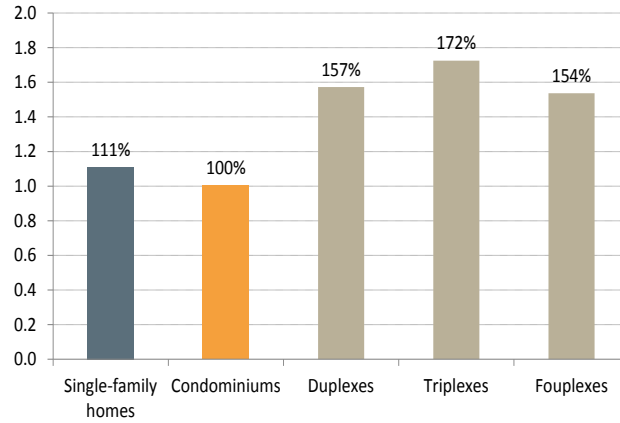


Figure 7: Gatineau CMA

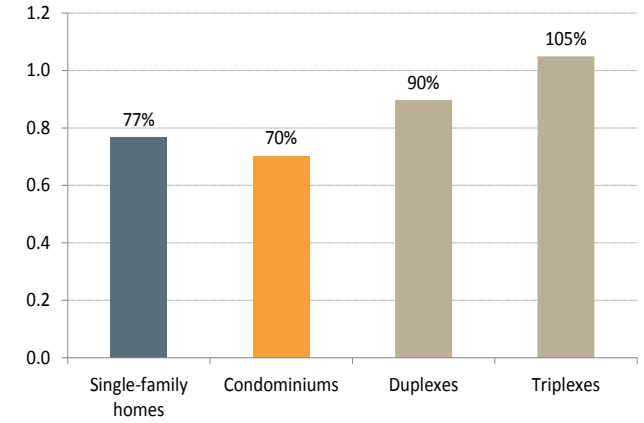


Figure 8: Sherbrooke CMA

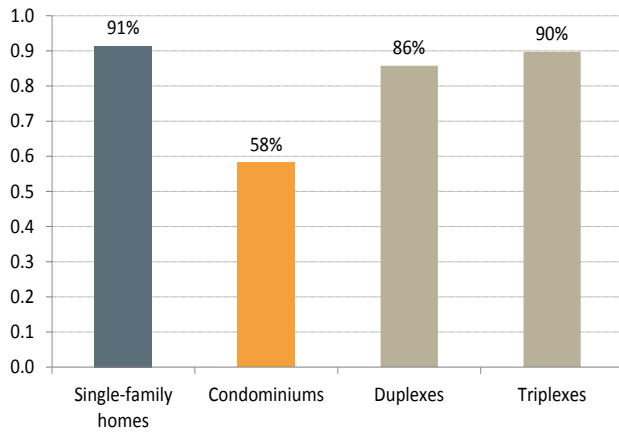


Figure 9: Saguenay CMA

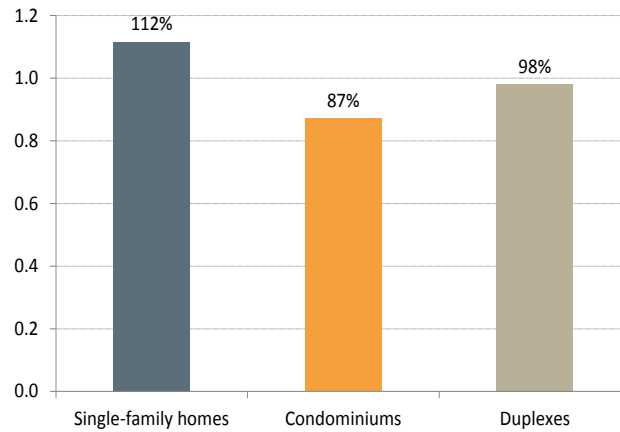
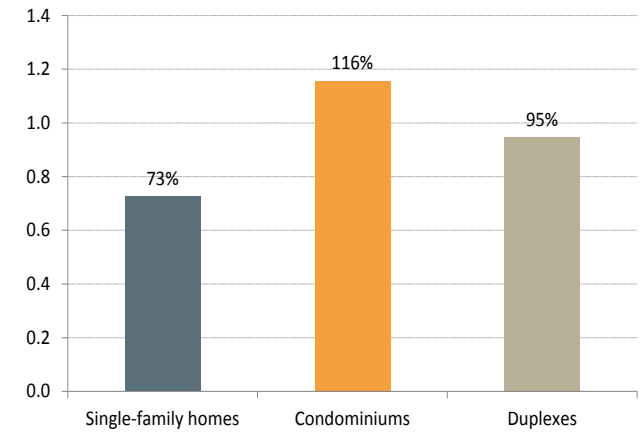


Figure 10: Trois-Rivières CMA



Annex 2

Table 1: Average price per dwelling for duplexes in 2013

Duplexes	Average price per dwelling in 2013	Variations				
		1 year	2 years	3 years	5 years	10 years
Montréal Metropolitan Area	\$204,065	1%	6%	12%	26%	95%
Island of Montréal	\$220,787	1%	7%	14%	28%	98%
Plateau Mont-Royal	\$290,656	5%	13%	20%	45%	131%
CDN/NDG/CSL	\$280,344	-2%	8%	16%	27%	82%
Saint-Laurent	\$252,094	8%	8%	17%	30%	92%
Anjou/Saint-Léonard	\$248,012	-1%	3%	11%	20%	78%
Rosemont	\$231,350	2%	9%	16%	38%	118%
Ahuntsic	\$230,359	-2%	4%	10%	26%	85%
Villeray	\$208,698	8%	11%	18%	32%	109%
LaSalle/Lachine	\$197,517	-2%	3%	7%	21%	95%
Le Sud-Ouest	\$187,756	3%	13%	22%	40%	135%
Mercier/Hochelaga-Maisonneuve	\$186,073	-1%	1%	8%	23%	92%
Montréal-Nord	\$178,103	-2%	2%	8%	11%	63%
Rivière-des-Prairies/Pointe-aux-Trembles	\$165,661	-11%	5%	7%	21%	77%
Laval	\$175,574	-1%	3%	5%	16%	81%
Chomedey	\$186,749	2%	4%	9%	22%	68%
South Shore	\$145,634	4%	7%	11%	22%	88%
Vieux-Longueuil	\$151,906	5%	7%	9%	21%	92%
North Shore	\$112,871	-7%	2%	10%	13%	82%
Saint-Jérôme	\$92,569	-7%	1%	0%	4%	86%
Québec City Metropolitan Area	\$140,461	8%	13%	19%	50%	157%
Agglomeration of Québec City	\$146,002	10%	16%	19%	53%	163%
Beauport	\$131,180	2%	14%	10%	38%	132%
La Cité - Basse-Ville et Limoilou	\$132,746	14%	16%	29%	57%	190%
Gatineau Metropolitan Area	\$112,707	-4%	6%	12%	30%	90%
Gatineau	\$115,420	5%	7%	13%	23%	98%
Hull	\$116,214	1%	6%	15%	37%	89%
Sherbrooke Metropolitan Area	\$95,908	-2%	5%	3%	14%	86%
Fleurimont/Brompton	\$93,375	-1%	-2%	7%	9%	100%
Mont-Bellevue/Lennoxville	\$89,110	-1%	12%	8%	18%	101%
Saguenay Metropolitan Area	\$87,203	-3%	6%	7%	40%	98%
Trois-Rivières Metropolitan Area	\$70,043	4%	6%	4%	23%	95%
Agglomeration of Salaberry-de-Valleyfield	\$87,099	2%	11%	25%	31%	111%
Agglomeration of Saint-Jean-sur-Richelieu	\$107,954	3%	8%	3%	16%	109%

Table 2: Average price per dwelling for triplexes in 2013

Triplexes	Average price per dwelling in 2013	Variations				
		1 year	2 years	3 years	5 years	10 years
Montréal Metropolitan Area	\$153,858	4%	6%	13%	27%	99%
Island of Montréal	\$165,192	3%	5%	14%	28%	100%
Plateau Mont-Royal	\$220,506	-12%	1%	6%	44%	119%
Ahuntsic	\$178,287	-1%	0%	16%	20%	68%
Rosemont	\$177,527	-1%	9%	13%	33%	111%
Ville-Marie	\$164,012	15%	9%	20%	52%	127%
Villeray	\$156,042	2%	7%	18%	31%	100%
Le Sud-Ouest	\$155,499	11%	12%	34%	43%	146%
Mercier/Hochelaga-Maisonneuve	\$143,638	8%	12%	15%	22%	104%
South Shore	\$132,237	5%	10%	14%	28%	101%
Vieux-Longueuil	\$129,657	4%	6%	15%	25%	98%
North Shore	\$124,994	3%	4%	7%	21%	96%
Saint-Jérôme	\$101,036	4%	-3%	-1%	15%	95%
Québec City Metropolitan Area	\$114,639	4%	13%	22%	54%	172%
Agglomeration of Québec City	\$118,176	7%	12%	24%	55%	175%
La Cité - Basse-Ville et Limoilou	\$102,561	-1%	9%	16%	53%	183%
Gatineau Metropolitan Area	\$117,452	2%	5%	18%	44%	105%
Gatineau	\$118,724	8%	10%	26%	51%	104%
Hull	\$118,351	5%	4%	16%	41%	98%
Sherbrooke Metropolitan Area	\$82,067	4%	6%	7%	11%	90%
Trois-Rivières Metropolitan Area	\$57,168	5%	-2%	4%	15%	96%

Table 3: Average price per dwelling for fourplexes in 2013

Fourplexes	Average price per dwelling in 2013	Variations				
		1 year	2 years	3 years	5 years	10 years
Montréal Metropolitan Area	\$129,796	4%	6%	15%	37%	111%
Island of Montréal	\$139,120	4%	8%	14%	38%	114%
Le Sud-Ouest	\$123,777	2%	10%	15%	44%	116%
Mercier/Hochelaga-Maisonneuve	\$130,059	6%	4%	18%	44%	133%
Rosemont	\$142,703	8%	15%	16%	50%	119%
Villeray	\$128,055	3%	9%	19%	29%	111%
South Shore	\$105,864	1%	0%	26%	28%	101%
North Shore	\$86,605	-10%	-11%	3%	5%	83%
Québec City Metropolitan Area	\$96,713	10%	12%	19%	44%	154%
Agglomeration of Québec City	\$99,260	11%	12%	18%	46%	155%

Table 4: Average price per dwelling for fiveplexes in 2013

Fiveplexes	Average price per dwelling in 2013	Variations				
		1 year	2 years	3 years	5 years	10 years
Montréal Metropolitan Area	\$125,616	-2%	8%	16%	31%	114%
Island of Montréal	\$132,776	-3%	8%	16%	33%	117%
Mercier/Hochelaga-Maisonneuve	\$109,792	0%	7%	17%	28%	112%
Québec City Metropolitan Area	\$100,165	31%	31%	34%	74%	220%

Annex 3

**Table 6: Market conditions and average selling times for duplexes
by area in April 2014**

Duplexes	Average selling time (in days)	Number of months of inventory	Market conditions
Montréal Metropolitan Area	85	8.3	Balanced
Island of Montréal	82	7.8	Seller
Rosemont	68	5.0	Seller
Le Sud-Ouest	71	6.0	Seller
Mercier/Hochelaga-Maisonneuve	75	7.1	Seller
Plateau Mont-Royal	82	7.4	Seller
Villeray	74	7.9	Seller
CDN/NDG/CSL	81	8.0	Balanced
Anjou/Saint-Léonard	95	8.0	Balanced
Ahuntsic	74	8.0	Balanced
Saint-Laurent	99	8.4	Balanced
LaSalle/Lachine	100	8.6	Balanced
Rivière-des-Prairies/Pointe-aux-Trembles	99	11.9	Buyer
Montréal-Nord	109	12.2	Buyer
Laval	91	10.7	Buyer
Chomedey	73	10.2	Buyer
South Shore	92	9.1	Balanced
Vieux-Longueuil	114	8.7	Balanced
North Shore	91	11.3	Buyer
Saint-Jérôme	110	13.9	Buyer
Québec City Metropolitan Area	98	8.9	Balanced
Agglomeration of Québec City	99	8.8	Balanced
La Cité - Basse-Ville et Limoilou	81	6.4	Seller
Beauport	93	7.7	Seller
Gatineau Metropolitan Area	68	9.6	Balanced
Hull	63	5.5	Seller
Gatineau	60	10.3	Buyer
Sherbrooke Metropolitan Area	98	10.3	Buyer
Fleurimont/Brompton	81	8.1	Balanced
Mont-Bellevue/Lennoxville	143	11.1	Buyer
Saguenay Metropolitan Area	92	15.0	Buyer
Trois-Rivières Metropolitan Area	97	11.8	Buyer
Agglomeration of Salaberry-de-Valleyfield	111	16.3	Buyer
Agglomeration of Saint-Jean-sur-Richelieu	109	16.4	Buyer

Table 7: Market conditions and average selling times for triplexes by area in April 2014

Triplexes	Average selling time (in days)	Number of months of inventory	Market conditions
Montréal Metropolitan Area	87	10.6	Buyer
Island of Montréal	82	9.9	Balanced
Rosemont	69	7.1	Seller
Ville-Marie	66	7.4	Seller
Le Sud-Ouest	85	8.1	Balanced
Plateau Mont-Royal	96	9.1	Balanced
Mercier/Hochelaga-Maisonneuve	74	10.0	Balanced
Villeray	78	10.1	Buyer
Ahuntsic	83	11.0	Buyer
Spuh Shore	103	11.4	Buyer
Vieux-Longueuil	119	14.9	Buyer
North Shore	86	11.7	Buyer
Saint-Jérôme	100	15.3	Buyer
Québec City Metropolitan Area	116	13.5	Buyer
Agglomeration of Québec City	110	13.8	Buyer
La Cité - Basse-Ville et Limoilou	90	12.9	Buyer
Gatineau Metropolitan Area	62	9.8	Balanced
Hull	59	5.9	Seller
Gatineau	64	11.4	Buyer
Sherbrooke Metropolitan Area	85	15.1	Buyer
Trois-Rivières Metropolitan Area	86	16.5	Buyer

Table 8: Market conditions and average selling times for fourplexes by area in April 2014

Fourplexes	Average selling time (in days)	Number of months of inventory	Market conditions
Montréal Metropolitan Area	97	11.4	Buyer
Island of Montréal	97	11.4	Buyer
Rosemont	77	6.4	Seller
Le Sud-Ouest	82	8.4	Balanced
Mercier/Hochelaga-Maisonneuve	93	12.3	Buyer
Villeray	104	15.3	Buyer
South Shore	95	12.2	Buyer
North Shore	98	12.0	Buyer
Québec City Metropolitan Area	71	10.9	Buyer
Agglomération de Québec	76	11.6	Buyer

Table 9: Market conditions and average selling times for fiveplexes by area in April 2014

Fiveplexes	Average selling time (in days)	Number of months of inventory	Market conditions
Montréal Metropolitan Area	89	12.3	Buyer
Island of Montréal	92	11.9	Buyer
Mercier/Hochelaga-Maisonneuve	76	9.9	Balanced
Québec City Metropolitan Area	83	13.0	Buyer