MARKET REPORT 2017

2017 REPORT
TRANSACTIONS IN 2016

PATRICE MENARD
MULTI-LOGEMENTS

TABLE OF CONTENTS

VERSION FRANÇAISE SUR DEMANDE

APPELEZ-NOUS AU 514 603-2010

DISCLAIMER

This report should not be the sole basis for assessing or making a decision to buy or to sell a multi-residential property. It presents sales indicators only. *Patrice Ménard Multi-Logements* is not liable for the use of these data in the decision-making process to buy or sell a multi-residential property.

AGENCY PROFILE

PATRICE MÉNARD
Certified Real Estate Broker

SANAA BENZAKOUR
Real Estate Broker

Patrice Ménard Multi-Logements only sells and finances multi-residential buildings. The agency has been #1 since 2008 for the number of multi-residential property transactions. The real estate agency has gained a significant place in this market segment thanks to effective techniques maximizing the sale and financing of multi-residential buildings. The agency is led by Patrice Ménard and Sanaa Benzakour, real estate and mortgage brokers, whose professionalism has been acknowledged by all. They have distinguished themselves by their extensive knowledge of the market most, notably through their multi-residential market report which has come to be considered a reference within the industry.

INTRODUCTION

In this 7th edition of the report on the multi-residential market, in addition to the content on our sales ratio expertise, we have added a section dedicated to financing. As the proverb says: Financing is at the heart of real estate investing. We will give you an overview of the mortgage market and its impact on the properties' value.

Also, for the 2017 edition of the market report, we are proud to be continuing our collaboration with Hans Brouillette, Director of Public Affairs at CORPIQ and with John Mastrandea, new Principal, CHMC Multi-Unit Client Relations. We also have the great pleasure of presenting new collaborators. They are three economists with an in-depth knowledge of the market: Joanie Fontaine from JLR Land Title Solutions will present an exclusive study about the magnitude of rental real estate in Québec; Paul Cardinal from FCIQ will provide us with the latest data on the plex market (2 to 5 units); Georges Lambert from the APCHQ will give us the latest figures regarding the market trend for the construction of multi-unit buildings.

DATA SOURCES

- Transactions made by Patrice Ménard Multi-Logements Inc.
- Sellers and buyers who transmitted information about their transaction upon the request of Patrice Ménard Multi-Logements
- Québec Federation of Real Estate Boards (FCIQ.CA)
- JLR Land Title Solutions (JLR.CA)
- Québec Land Registry
- CMHC.ca (http://www.cmhc-schl.gc.ca/observer/)
- Québec Association of Construction and Homebuilding Professionals (APCHQ)

HARMONIZATION OF CALCULATIONS

To develop the capitalization rate sales ratios, we have harmonized the costs by using the same method as CMHC, the financial institutions and the chartered appraisers, who for the most part use the same parameters for all transactions for which revenue and expenses are available.

THE YEAR 2016 IN FIGURES

1,260 +16%
NUMBER OF TRANSACTIONS

$1,915,000,000 +34%
VOLUME OF TRANSACTIONS ($)

$750,000
MEDIAN TRANSACTION ($)

7% OF TRANSACTIONS WITH **BALANCE OF SALE**

24% OF SALES **WITHOUT LEGAL WARRANTY**

66% OF SALES WITH **HEATING PAID BY TENANTS**

10% OF SALES WITH **HOT WATER PAID BY OWNER**

24% OF SALES WITH **HEATING PAID BY OWNER**

-4% VARIATION OF **LISTINGS IN THE QFREB**

+5% VARIATION OF **SALES IN THE QFREB**

AREAS THAT STOOD OUT

		GREATER MONTRÉAL	QUÉBEC CITY AREA
	HIGHEST NUMBER OF TRANSACTIONS	Rosemont **65**	Limoilou **57**
CPU	**HIGHEST** CPU	Plateau Mont-Royal **$140,000**	Ste-Foy-Sillery-Cap-R. **$100,000**
CPU	**LOWEST** CPU	Saint-Hubert **$79,000**	La Haute-Saint-Charles **$71,000**
GRM	**HIGHEST** GRM	Verdun **14.7**	Beauport **11.3**
GRM	**LOWEST** GRM	Laval-des-Rapides **11.2**	Ste-Foy-Sillery-Cap-R. **9.6**
CAP	**HIGHEST** CAP	Sainte-Thérèse **4.3%**	Beauport **5.2%**
CAP	**LOWEST** CAP	Montréal-Nord **5.6%**	Les Rivières **6.0%**
TAXATION	**HIGHEST** % OF TAXATION ON GR	Sainte-Thérèse **18.0%**	Basse-Ville **16.5%**
TAXATION	**LOWEST** % OF TAXATION ON GR	Côte-des-Neiges **8.0%**	Charlesbourg **13.3%**

WHERE BUYERS COME FROM (IN FIGURES)

TRANSACTIONS · 6 TO 49 UNITS

99%
INVESTORS **FROM QUÉBEC**

TRANSACTIONS · 50+ UNITS

69%
INVESTORS FROM **QUÉBEC**

30%
INVESTORS FROM **CANADA**

1%
INVESTORS FROM **OUTSIDE CANADA**

GLOSSARY

CPU = Cost per unit = Sale price/Number of units
GRM = Gross revenue multiplicator = Sale price/Gross income
GR = Gross revenue
CAP = Capitalization rate
CAP (%) = Net income/Sale price x 100

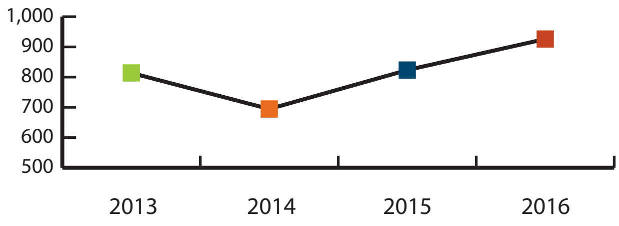
THE PROVINCE AT A GLANCE

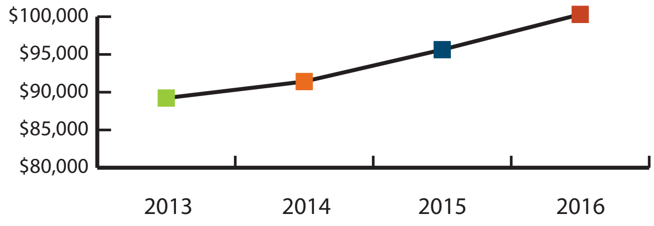
	6 to 11 units			12+ units		
	2015	2016	VARIATION 2015-2016	2015	2016	VARIATION 2015-2016
PROVINCE OF QUÉBEC						
Transactions	692	854	+	349	408	+
CPU ($)	95,000	96,000	+	84,000	88,000	+
GRM	12.7	12.6	–	11.3	11.1	–
CAP (%)	5.0	5.0	+	5.1	5.1	O
GREATER MONTRÉAL AREA						
Transactions	561	634	+	246	297	+
CPU ($)	97,000	103,000	+	90,000	92,000	+
GRM	13.1	13.2	+	11.4	11.5	+
CAP (%)	5.0	4.9	–	5.0	5.0	O
QUÉBEC CITY AREA						
Transactions	75	114	+	64	71	+
CPU ($)	87,000	83,000	–	81,000	83,000	+
GRM	11.1	10.7	–	10.4	9.6	–
CAP (%)	5.3	5.2	–	5.1	5.3	+
SHERBROOKE						
Transactions	69	48	–	25	23	–
CPU ($)	65,000	84,000	+	62,000	64,000	+
GRM	9.6	11.2	+	9.3	8.5	–
CAP (%)	5.7	5.1	–	4.9	5.5	+
TROIS-RIVIÈRES						
Transactions	23	36	+	7	13	+
CPU ($)	63,000	51,000	–	56,000	57,000	+
GRM	7.7	8.9	+	8.0	8.4	+
CAP (%)	6.3	6.0	–	6.4	5.6	–
GATINEAU						
Transactions	37	13	–	7	4	–
CPU ($)	100,000	78,000	–	93,000	81,000	–
GRM	11.1	10.1	–	11.2	10.2	–
CAP (%)	6.2	5.8	–	5.4	5.1	–

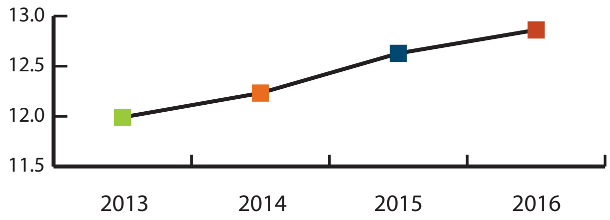
GLOSSARY

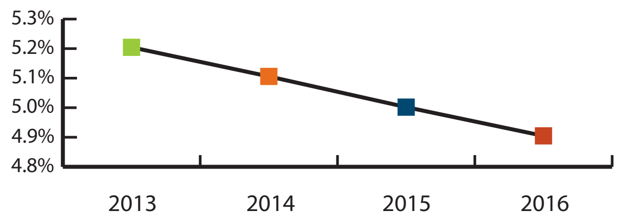
CPU = Cost per unit = Sale price/Number of units
GRM = Gross revenue multiplicator = Sale price/Gross income
CAP = Capitalization rate
CAP (%) = Net income/Sale price x 100

SALES RATIOS OF THE GREATER MONTRÉAL AREA









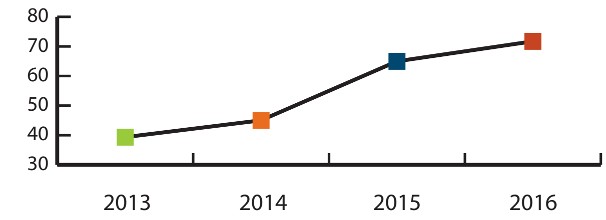
	6 to 11 units			12+ units		
	2015	**2016**	VARIATION 2015-2016	**2015**	**2016**	VARIATION 2015-2016
MONTRÉAL REGION WEST OF ST-LAURENT BLVD						
Transactions	163	190	+	93	109	+
CPU ($)	103,000	113,000	+	91,000	98,000	+
GRM	13.9	14.2	+	11.3	11.8	+
CAP (%)	4.8	4.7	–	5.1	5.0	–
MONTRÉAL REGION EAST OF ST-LAURENT BLVD						
Transactions	200	228	+	69	86	+
CPU ($)	96,000	97,000	+	80,000	85,000	+
GRM	13.0	13.1	+	10.9	11.0	+
CAP (%)	5.0	5.1	+	5.2	5.2	O
LAVAL/NORTH SHORE						
Transactions	87	93	+	37	45	+
CPU ($)	94,000	103,000	+	91,000	100,000	+
GRM	12.4	13.1	+	11.8	11.9	+
CAP (%)	4.8	4.6	–	4.5	4.7	+
LONGUEUIL/SOUTH SHORE						
Transactions	111	123	+	47	56	+
CPU ($)	97,000	97,000	+	94,000	88,000	–
GRM	12.4	12.6	+	11.5	11.4	–
CAP (%)	5.2	5.1	–	5.1	4.9	–

GLOSSARY

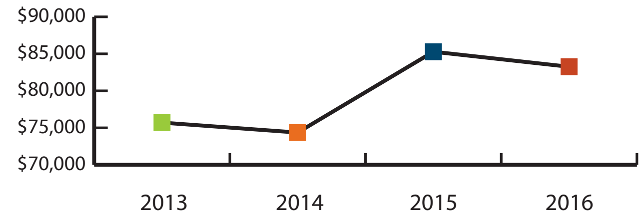
CPU = Cost per unit = Sale price/Number of units
GRM = Gross revenue multiplicator = Sale price/Gross income
CAP = Capitalization rate
CAP (%) = Net income/Sale price x 100

SALES RATIOS OF THE QUÉBEC CITY AREA

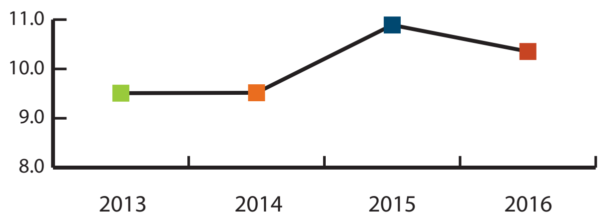
QUÉBEC CITY AREA TRANSACTIONS (12+ UNITS)



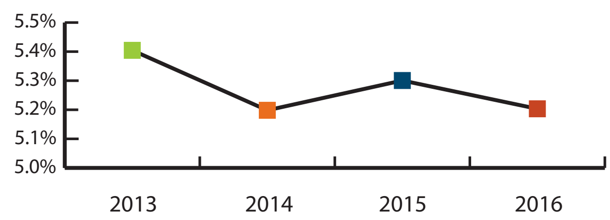
QUÉBEC CITY AREA CPU (12+ UNITS)



QUÉBEC CITY AREA GRM (12+ UNITS)



QUÉBEC CITY AREA CAP (12+ UNITS)



	6 to 11 units			12+ units		
	2015	**2016**	VARIATION 2015-2016	**2015**	**2016**	VARIATION 2015-2016
QUÉBEC CITY AREA CENTRAL REGION						
Transactions	38	67	+	21	27	+
CPU ($)	87,000	78,000	–	60,000	76,000	+
GRM	11.0	10.5	–	8.5	9.2	+
CAP (%)	5.3	5.3	O	5.2	5.5	+
QUÉBEC CITY AREA WEST REGION						
Transactions	6	10	+	14	13	–
CPU ($)	104,000	111,000	+	102,000	98,000	–
GRM	-	-	O	-	9.6	O
CAP (%)	-	-	O	-	4.9	O
QUÉBEC CITY AREA NORTH SHORE REGION						
Transactions	22	28	+	24	24	O
CPU ($)	82,000	84,000	+	79,000	83,000	+
GRM	11.3	10.8	–	11.0	9.9	–
CAP (%)	5.3	5.2	–	5.1	5.2	+
QUÉBEC CITY AREA SOUTH SHORE REGION						
Transactions	9	9	O	6	7	+
CPU ($)	92,000	100,000	+	81,000	78,000	–
GRM	-	-	O	-	-	O
CAP (%)	-	-	O	-	-	O

GLOSSARY

CPU = Cost per unit = Sale price/Number of units
GRM = Gross revenue multiplicator = Sale price/Gross income
CAP = Capitalization rate
CAP (%) = Net income/Sale price x 100

EXPENSE TRENDS

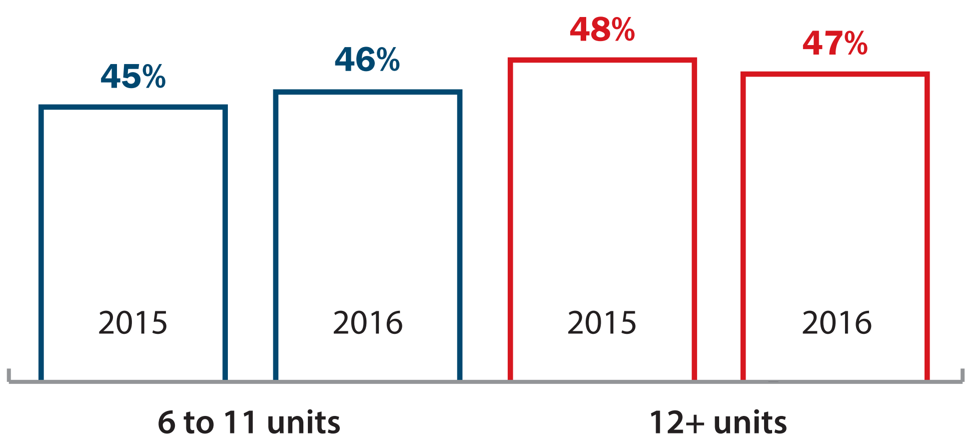
ANNUAL EXPENSES PER UNIT

	6 to 11 units			12+ units		
TYPE OF EXPENSE	2015	2016	VARIATION 2015-2016	2015	2016	VARIATION 2015-2016
Vacancy and bad debt (1)	263	255	–	388	386	–
Management (1)	253	247	–	369	365	–
Property taxes	993	1055	+	835	885	+
Insurance	323	333	+	300	308	+
Electricity	56	58	+	91	95	+
Heating	840	752	–	732	596	–
Maintenance (1)	500	500	O	500	500	O
Janitor (1)	125	125	O	300	300	O

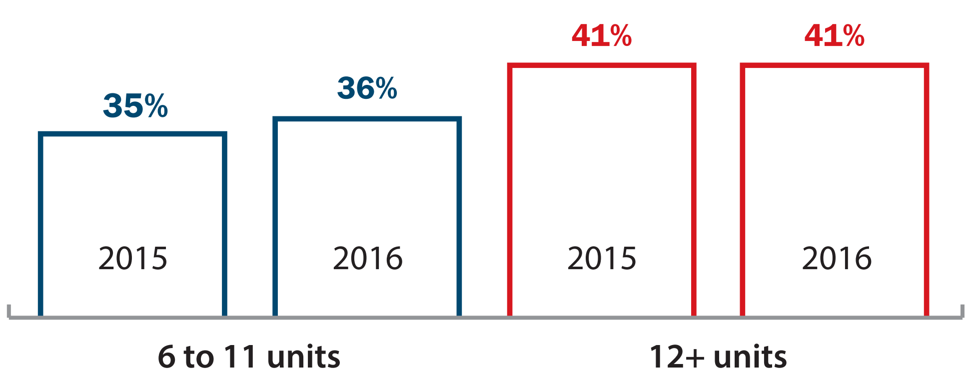
(1) N.B. These expenses were harmonized according to the parameters of CHMC.

PERCENTAGE OF EXPENSES ON GROSS REVENUES

HEATING
PAID BY OWNER

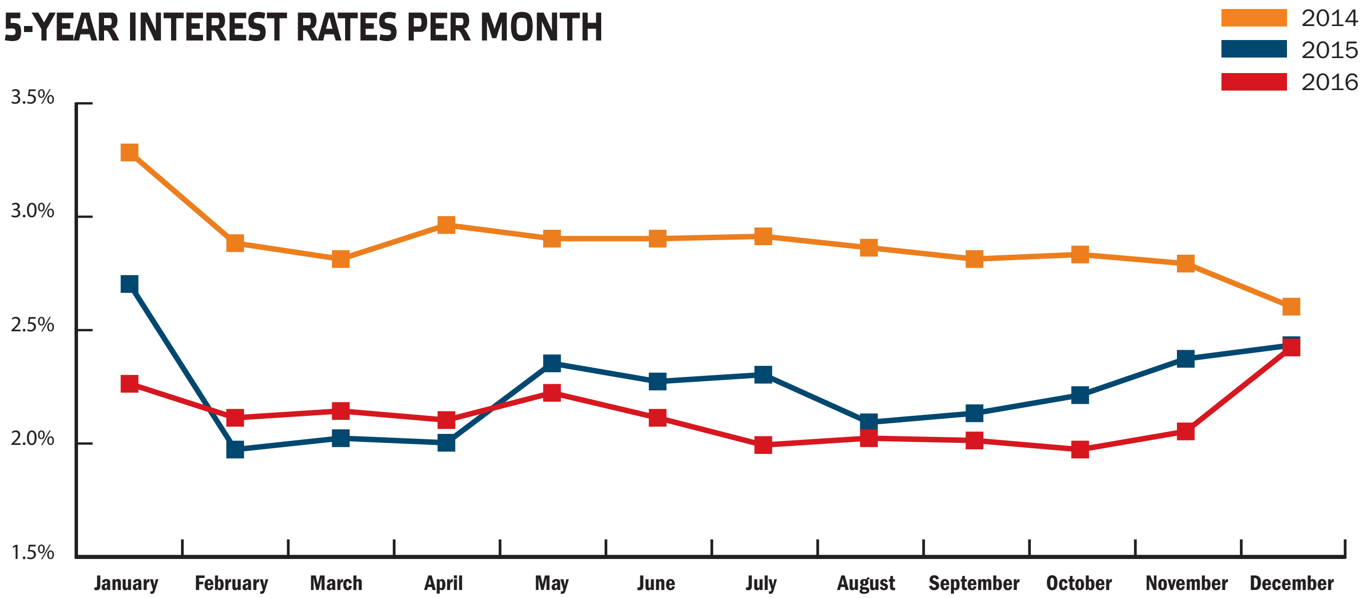


HEATING
PAID BY TENANTS



MORTGAGE TRENDS

5-YEAR INTEREST RATES PER MONTH



The interest rates were established according to the Canada Mortgage Bonds (CMB) + cost of funds at 0.90/5 years.

ANNUAL AVERAGE (%)

YEAR	2013	2014	2015	2016
Policy rate	1	1	1.0 | 0.75 | 0.05	0.5
5-year CMB	1.98	1.98	1.34	1.22
10-year CMB	2.74	2.72	2.06	1.88
5-year interest rate	2.88	2.88	2.24	2.12
10-year interest rate	3.54	3.52	2.86	2.68

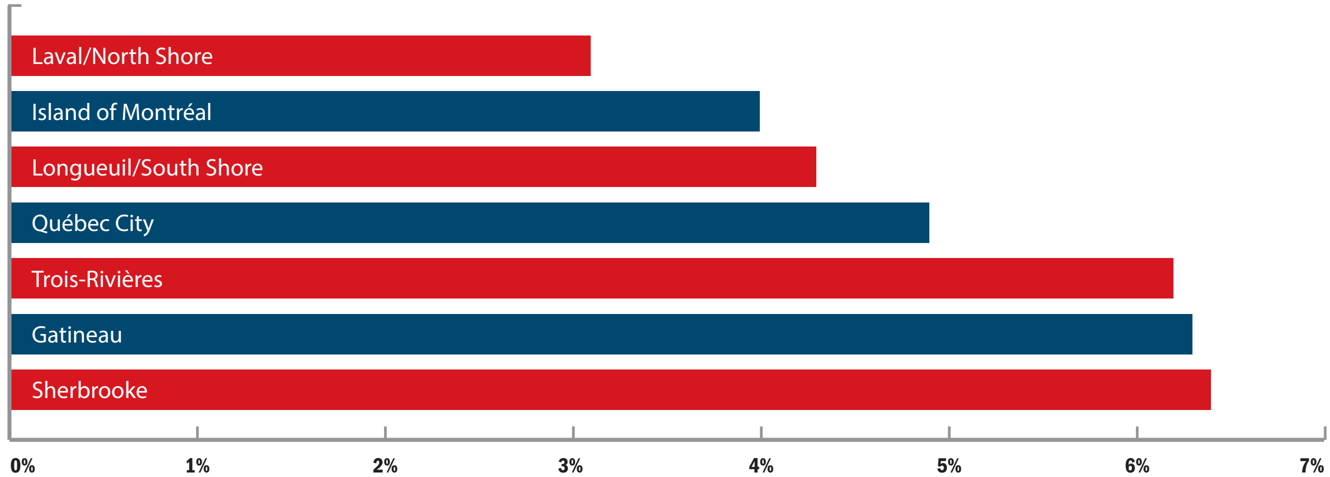
Economic value established with a net revenue of $110,000 and a debt coverage ratio (DCR) of 1.30.

FLUCTUATION OF THE ECONOMIC VALUE ACCORDING TO THE 5-YEAR FIXED-INTEREST RATES

	Average 2014	Average 2015	Average 2016	January 2017
Net revenue	$110,000	$110,000	$110,000	$110,000
5-year interest rate per month	**2.88**	**2.24**	**2.12**	**2.54**
Debt coverage ratio	1.3	1.3	1.3	1.3
Amortization	30 years	30 years	30 years	30 years
CAP funding	5.49%	5.05%	4.97%	5.26%
Financing at 85%	$1,702,000	$1,850,000	$1,879,000	$1,778,000
Economic value	$2,003,000	$2,176,000	$2,211,000	$2,092,000
Fluctuation	-	+9%	+2%	-5%

VACANCY AND ROTATION RATES (%) BY REGION

VACANCY RATES BY REGION IN 2016



VACANCY RATES BY REGION AND NUMBER OF ROOMS

AREA	STUDIOS		1 ROOM		2 ROOMS		3 ROOMS +		ALL UNITS		VAR.
	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	
Laval/North Shore	4.3	5.8	3.1	3.3	2.5	3.2	2.9	2.0	2.7	3.1	+
Island of Montréal	6.3	6.0	4.6	4.5	3.7	3.3	3.0	3.4	4.1	4.0	–
Longueuil/South Shore	3.6	5.4	4.2	4.8	4.0	4.3	3.6	3.6	3.9	4.3	+
Québec City	2.9	4.4	3.9	5.0	4.2	5.2	4.0	4.1	4.0	4.9	+
Trois-Rivières	10.0	12.4	7.3	6.7	4.7	5.1	6.5	7.0	6.0	6.2	+
Gatineau	5.1	1.7	5.7	5.9	6.7	6.5	3.2	-	5.9	6.3	+
Sherbrooke	6.3	7.9	4.9	6.4	6.0	6.3	5.9	6.3	5.8	6.4	+

ROTATION RATES BY REGION AND NUMBER OF ROOMS

AREA	STUDIOS		1 ROOM		2 ROOMS		3 ROOMS +		ALL UNITS		VAR.
	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	
Montréal	-	23.0	-	18.6	-	15.4	-	17.2	-	17.3	O
Trois-Rivières	-	21.0	-	22.9	-	18.5	-	17.6	-	19.5	O
Saguenay	-	-	-	27.0	-	16.9	-	21.1	-	20.6	O
Gatineau	-	-	-	21.2	-	22.0	-	-	-	21.3	O
Québec City	-	27.1	-	24.0	-	20.4	-	18.9	-	21.6	O
Sherbrooke	-	24.6	-	21.3	-	20.6	-	24.2	-	21.7	O

Source: SCHL.CA. For more information, refer to http://www.cmhc-schl.gc.ca/observer/index.cfm/.

AVERAGE RENT ($) BY REGION

AVERAGE RENT BY REGION AND NUMBER OF ROOMS

AREA	STUDIOS		1 ROOM		2 ROOMS		3 ROOMS +		ALL UNITS		VAR.
	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	Oct. 15	Oct. 16	
Québec City	546	555	666	684	788	808	930	955	760	781	+
Island of Montréal	577	591	675	685	775	812	995	980	752	767	+
Longueuil/South Shore	512	534	641	655	718	748	819	-	712	762	+
Gatineau	574	577	656	653	751	762	850	859	734	740	+
Laval/North Shore	509	508	616	631	716	726	820	834	709	721	+
Sherbrooke	413	436	486	502	608	622	735	764	592	612	+
Trois-Rivières	378	394	459	469	581	587	620	631	552	561	+

NUMBERS OF APARTMENTS BY REGION AND NUMBER OF ROOMS

AREA	STUDIOS	1 ROOM	2 ROOMS	3 ROOMS +	ALL UNITS		VAR.
	Oct. 16	Oct. 16	Oct. 16	Oct. 16	Oct. 15	Oct. 16	
Island of Montréal	42,722	120,504	232,573	46,034	440,045	441,833	+
Québec City	5,019	22,332	46,104	11,224	82,448	84,679	+
Laval/North Shore	1,576	11,711	45,949	9,437	62,025	68,673	+
Longueuil/South Shore	1,566	11,032	26,850	8,675	46,371	48,123	+
Sherbrooke	2,311	7,622	18,261	6,457	33,780	34,651	+
Gatineau	876	5,323	12,100	2,866	20,379	21,165	+
Trois-Rivières	654	4,687	8,883	4,063	18,053	18,287	+
Saguenay	380	2,920	10,151	2,052	14,901	15,503	+

UNIT RATES BY REGION AND NUMBER OF ROOMS

AREA	STUDIOS	1 ROOM	2 ROOMS	3 ROOMS +	ALL UNITS
	Oct. 16	Oct. 16	Oct. 16	Oct. 16	Oct. 16
Island of Montréal	10%	27%	53%	10%	441,000
Québec City	6%	26%	55%	13%	84,679
Laval/North Shore	2%	17%	68%	13%	68,673
Longueuil/South Shore	3%	23%	56%	18%	48,123
Sherbrooke	6%	22%	53%	19%	34,651
Gatineau	3%	26%	49%	22%	21,165
Trois-Rivières	4%	26%	48%	22%	18,287

Source: SCHL.CA. For more information, refer to **http://www.cmhc-schl.gc.ca/observer/index.cfm/**.

HOW TO MAXIMIZE YOUR FINANCING WITH CMHC

By

JOHN MASTANDREA

Principal, CMHC Multi-Unit Client Relations

MORTGAGE LOAN INSURANCE FOR MULTI-UNIT PROPERTIES

Canada Mortgage and Housing Corporation (CMHC) mortgage loan insurance enables Approved Lenders to help borrowers purchase, build or refinance multi-unit properties (with five or more units), including apartment buildings, student housing projects, retirement residences and long-term care facilities. CMHC is Canada's only provider of mortgage loan insurance for multi-unit residential properties, making it available for the construction, purchase and refinancing of multi-unit investment properties. Mortgage loan insurance for multi-unit buildings allows investors to purchase a property with a lower down payment - as little as 15% for buildings with five or more units. Mixed-use properties, such as apartment buildings that include commercial space, also qualify where the commercial component is limited.

Potential owners seeking a loan for a multi-unit property should match their financing requirements with the most competitive financing terms available from their lender, by considering several factors, including the loan amount and term, amortization, interest rate, repayment options, recourses and other factors, which can vary considerably.

ADVANTAGES OF MORTGAGE INSURANCE

Borrowers can benefit from different advantages provided by the mortgage insurance product. These advantages and flexibilities include the following:

- **Competitive interest rates:** The interest rates that lenders can offer are lower than those for conventional loans. Borrowers will benefit from interest rate savings for the life of the loan and are likely to save significant sums of money in the long run.
- **Easier loan renewals:** When it comes time for renewal, the insurance is transferable between CMHC Approved Lenders and follows the mortgage for the remaining amortized period, making it easier to renew the mortgage at maturity.
- **Flexible amortization:** The amortization can be set from 25 years up to 40 years, which can help increase cash flow and give investors more flexibility.
- **Maximized return:** The return on investment, or on the down payment, is greater than with conventional loans, while the required down payment is lower than for conventional loans.
- **Potential leverage:** Borrowers can benefit from the higher leverage provided by 85% loan-to-value (LTV) financing to invest capital in other possible purchases or other investments, considering the limited down payment on insured loans.

ADDED SECURITY AND REDUCED RISK

CMHC's trusted loan insurance products reduce risk for Approved Lenders; borrowers can obtain mortgage funding at much lower interest rates than would otherwise be required for conventional mortgage financing and get increased lending limits of up to 85% of the value of the multi-unit property. In addition to increased security, CMHC offers flexible options to help lenders tailor financing to a borrower's particular needs. There is also an option for rolling application fees and insurance premiums into the mortgage loan. The fees and premiums pay for themselves—they are, in general, substantially offset by the savings from the lower interest rates. The mortgage insurance premium is based on a sliding scale, dependent upon the LTV ratio of the application. The higher the LTV ratio, the higher the insurance premium will be. There are even enhanced underwriting flexibilities available in support of affordable housing and energy efficiency initiatives.

MORTGAGE INSURANCE ADVANTAGES FOR INVESTORS AND LENDERS

Acquiring CMHC mortgage loan insurance for a multi-unit property is a straightforward and transparent process, as long as borrowers provide adequate documentation and bring realistic turnaround expectations to the table when applying for a loan. In most cases, CMHC will provide the lender with a preliminary review of the application in a few days and a final decision within a few weeks.

Example of an actual case to show the higher return-purchase of a 12-unit property:

Lending value	$1,500,000
Rental income	$167,000
Vacancy and operating expenses	$74,000
Net income	$93,000

Conventional financing (75% LTV)

Down payment (25%)	**$375,000**
Total loan amount	$1,125,000
Interest rate	**4.0%**
Payment (principal and interest)	$71,000
Cash flow	$22,000
Return on down payment	**5.9%**

CMHC-insured financing (75% LTV and 85% LTV)

	Option 75	Option 85
Down payment	**$375,000**	**$225,000**
Loan amount before CMHC insurance	$1,125,000	$1,275,000
Premium (2.25%/4.75%) and fee ($1,800)	$27,113	$62,363
Total loan amount	$1,152,113	$1,337,363
Interest rate	**3.0%**	**3.0%**
Payment (principal and interest)	$65,430	$67,500
Cash flow	$27,570	$25,500
Return on down payment	7.4%	11.0%

Option A: 75% LTV and 25-year amortization
Option B: 85% LTV and 30-year amortization

We can see that the return on the down payment is higher with a 75% and 85% LTV insured loan compared to the 75% LTV conventional loan. Even if we add the premium and fees to the total loan amount, given the more favourable interest rate, the annual payment is lower than for a conventional loan. The return on the down payment is higher with an insured loan.

LEVERAGE EFFECT

In addition to the higher return, one of the other advantages of insured loans is the leverage effect. The following example shows how investors can benefit from this effect with an insured loan.

Let's take the same scenario of the purchase of a 12-unit property for $1,500,000.

Down payment for a 75% LTV conventional loan: $375,000 (25% of the purchase amount)

Down payment for an 85% LTV insured loan: $225,000 (15% of the purchase amount)

Difference: $150,000

This additional $150,000 could serve to make a down payment on the purchase of another property at a $1,000,000 purchase price with an 85% LTV insured loan. The investors will be able to grow their housing portfolio faster or keep the additional amount for potential renovations to the subject property.

The CMHC fees are added to the insured loan amount, but they can be recovered in the short term. The CMHC fee recovery times for the same insured loan are as follows:

	CMHC Fee Recovery Time	
	Without Tax Recovery	With Tax Recovery
Option 75	32 months	19 months
Option 85*	45 months	27 months

* The insured loan is amortized over 30 years.

In this example, we can see that the insured loan provides an advantage to investors, with a higher return on the down payment than with a conventional loan. Investors can also use the leverage effect provided by the insured loan to grow their housing portfolio at a faster rate. In addition, the CMHC fees can be quickly recovered within less than a few years, while the advantages continue over the duration of the loan.

To take advantage of CMHC's mortgage loan insurance or get more information, please call our Multi GO line at 1-877-685-8446 or go to **www.cmhc.ca** under Mortgage Loan Insurance.

THE MAJOR ISSUES

By

HANS BROUILLETTE
Director of Public Affairs
CORPIQ

The Corporation des propriétaires immobiliers du Québec (CORPIQ), a non-profit association working to defend the interests of rental property owners and provide them with a range of services, has intervened on their behalf with public authorities throughout the year. Here is an update on some of the important issues.

TWO STEPS FORWARD, ONE STEP BACK

CORPIQ was successful in two cases where the court had at first refused to order the tenants to reimburse the court costs for a rent-fixing hearing. The rental board's review department overturned the first decision, confirming that a landlord should be reimbursed court fees under two conditions: first, when the owner attempted to negotiate with the tenant by providing the relevant data for consultation, and second, when the rent increase granted by the court is equal to or higher than the amount indicated on the lease renewal notice.

Also, after a long battle to convince the Régie du logement to stop publishing simulations of rent increases, CORPIQ finally received the outcome it had for. On January 20, the board decided to stop the near 25-year-old practice of releasing fictitious rent adjustment rates that do not include property taxes or expenses for major renovations/repairs intended to be used by landlords and tenants as a "basis for negotiation." However, the Minister of Municipal Affairs, giving in to pressure from social activists and from opposition parties, ordered the Régie du logement on February 9 to move in the opposite direction and to release the fictitious rent adjustment rates for 2017. This has nevertheless been a win for landlords, as the rates henceforth include an example with property tax increases.

To justify his decision, the Minister has declared that the matter of releasing the rates is part of the reflexion of his government regarding the future reform of the Régie du logement. Therefore, the change made by the board was inappropriate.

In 2006–2007, CORPIQ went before the Superior Court of Québec, and then the Court of Appeal, to prohibit the Régie from publishing fictitious rates that didn't even carry value in legal rent-fixing situations. This practice arouses conflicts between landlords and tenants when they negotiate the renewing of the lease. Although its legal approach did not work at the time, CORPIQ did not stop meeting with the ministers responsible for the rental board and with the board itself.

REFORM AT THE RÉGIE DU LOGEMENT

While we are still awaiting the government's promised reform to the Régie that would cut waiting times for legal hearings, there was some progress in 2016. The Auditor General of Québec tabled a scathing report on the deteriorating performance of this particular court, which handles 70,000 requests per year and is being crushed under nearly 40,000 cases that are waiting to be heard. In a parliamentary commission, the Régie du logement acknowledged the problems and proposed administrative and legal changes to the elected officials. Of course, legislative changes require laws. The minor measures implemented in recent years have not made any significant improvements. It seems inevitable that the government will have to quickly present a bill to restore the credibility of the legal system and to demonstrate a more efficient use of the budget at this public institution.

SECURITY DEPOSIT A PRIORITY

CORPIQ continued its political meetings and media interventions in 2016 to convince the government to adopt a measure that exists around the world: the right to demand a security deposit when the lease is signed. Unprecedented figures from surveys have pushed the argument further. It appears that only one out of four landlords is able to recover unpaid rent through the Régie du logement and only 6% get back the entire amount due. This shows that in the current state of the law, this court is costing taxpayers a pretty penny for lackluster results. CORPIQ was also able to establish that unpaid rent costs property owners $200 million every year, plus $100 million in damage to rental units. CORPIQ will continue leading the charge on this issue in 2017, so that security deposits will be included in the reform of the Régie du logement.

A STEP BACK FOR PROPERTY RIGHTS

The June 2016 adoption of law 492 has opened a significant breach in property rights, as the new article 1959.1 of the Civil Code now allows a lifelong right to remain in a rental unit to low-income tenants aged 70 and over who have lived there for 10 years. CORPIQ stood against the bill at the parliamentary commission in Fall 2015. It felt that rather than helping elderly tenants find housing, this law would keep landlords from renting to them. In light of recent survey results, half of plex owners would be hesitant to rent or would not rent to a 70-year-old tenant, even if the pre-rental screening was acceptable. Also, 50% of owners of buildings with two to five units feel that having a tenant from whom the unit could not be repossessed would likely decrease the building's resale value. These new facts concur with the view of CORPIQ, which is calling for the reinstatement of the right to repossess a unit to house the owner's family.

Minister Martin Coiteux, who, representing the government, allowed bill 492 to be adopted (photo: National Assembly)

TOURISM LODGING OUT OF CONTROL

Despite law 67 coming into effect in Spring 2016, the illegal sub-letting of units to tourists is still hugely prevalent. Offenders are not particularly concerned about Tourisme Québec cracking down on them since there aren't enough inspectors and there haven't been many truly dissuasive fines handed out. Also, some tenants quickly understood that by advertising that their unit is offered in sub-let for more than 31 days (even if they actually rent for shorter periods), the law would not require them to obtain an attestation. In addition, some administrative judges at the Régie du logement have proven lax on the issue, closing their eyes to the owners' management issues caused by this situation. They have refused to terminate leases, seeing instead this type of sub-letting as a means for the tenant to "share" costs. Fortunately, other judges seem more aware of the phenomena and its consequences, but the waiting time for a hearing is now over five months.

CORPIQ, as a leader in this case, convinced the Québec government that they needed to be more consistent when intervening with the Tourism department and the Municipal Affairs department, which runs the Régie. That conversation seemed to be fruitful. Signs indicate that other changes may soon tighten the screw on illegal sub-letting. It's an issue to watch.

SHIFT AID TO THE UNIT

CORPIQ has always maintained that providing financial aid directly to low-income households is preferable to building social housing, which costs $185,000 on average, in addition to competing against the private market. This approach is even more relevant now, when the vacancy rate has reached the highest level in 20 years and the proper management of public funds is regularly questioned. In 2016, CORPIQ represented its members and submitted substantive reports to the federal and provincial governments that examined the current best ways to invest in housing aid. The effort brought results: in the past two years, the government of Québec has cut its social housing budget in half, sending that money instead to the Rent Supplement Program. This program provides aid to tenants by accounting for the difference of the rent and 25% of their income. CORPIQ will be closely following the release of the government's budget in March, which will either confirm or redefine its thinking on housing aid.

PROVINCE OF QUEBEC MULTI-RESIDENTIAL PORTFOLIO

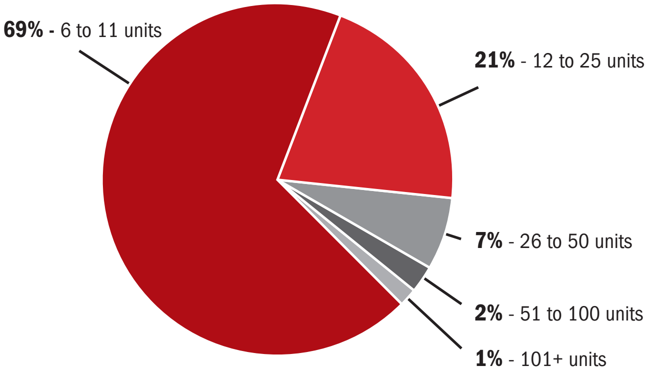
By

JOANIE FONTAINE

Economist with JLR Land Title Solutions

Multi-residential properties are very present in Québec. In fact, citizens of Québec choose to rent more frequently than their Canadian counterparts. Thus, according to the National Household Survey (''NHS") carried out by Statistics Canada in 2011, 61.2% of households in Québec are tenants. The status of tenant often involves residing in a multiplex building. In the province, there are close to 47,000 residential buildings of more than 6 units, according to JLR data. Of these, approximately 60% are located in the Census Metropolitan Area (''CMA") of Montréal, 12% in the CMA of Québec, 4% in the CMA of Sherbrooke, and 3% in Trois-Rivières. Below is an overview of this market.

DIVISION OF PROPERTY ACCORDING TO THE NUMBER OF APARTMENTS IN QUÉBEC*



* Rounded to the nearest 10.

A great number of multi-residential buildings are located in the CMA of Montréal and this proportion tends to grow with the number of units. In the case of 101 units and more, 73% of buildings are situated in the CMA of Montréal. This rate drops to 59% for properties with 6 to 11 units.

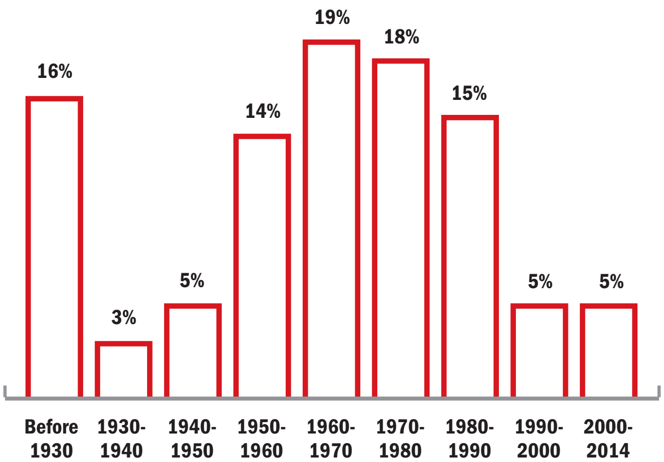
AGE OF THE BUILDINGS

The median year of construction for buildings with 6 apartments or more is 1967, which means that 50% or more multiplexes today are at least 50 years old[1]. Buildings with 12 or more units are slightly more recent, with 1970 the median year of construction. For properties with 6 to 11 units, the median year of construction is 1965.

The portrait differs depending on the region.

The construction of multiplexes seems to have started earlier in most populated CMAs. Montréal is the area where buildings, according to the median, are older while in the CMA of Trois-Rivières, the median year of construction exceeds the provincial median by 13 years.

DISTRIBUTION IN PERCENTAGE OF REAL ESTATE BY YEAR OF CONSTRUCTION (6 UNITS AND MORE)



[1] Buildings built in 2015 or after are not included in the calculation. The years of construction used to determine the median are those indicated in the role of municipal evaluation.

By allocating buildings by the year of construction, it is possible to state that 66% of existing multiplexes in Québec were built between 1950 and 1990. Since 1990, construction of this type of building tumbled, as promoters turned to co-ownership markets. Nonetheless, construction of multiplexes have increase over the past year or two. Following an excess of condominium offers, certain actors within the market decided to return to the building of rental units, resulting in the rise of building projects. According to CMHC data, the number of rental units under construction in 2016 was 6% greater than what it had been in 2015. It should be noted that this amount had already increased by 62% as compared to 2014.

OVERVIEW OF THE CMA OF MONTRÉAL

The urban agglomeration of Montréal alone contains 69% of the buildings with 6 units and more in the CMA of Montréal, In contrast, only 1% of multiplexes are situated in Vaudreuil-Dorion.

As expected, multiplexes in Montréal are older than in suburban areas with a median age of 60 years. For example, the Vaudreuil-Soulanges sector is not only the area with the fewest multi-residential properties, but also the area where they are the most recent.

OVERVIEW OF THE CMA OF QUÉBEC

In Québec, the majority of multiplexes are found in the urban agglomeration of the City of Québec. Some have been built on the South Shore, especially in Lévis. As for the outer sector to the north, very few multiplexes can be found, since the towns and villages it comprises are far less densely populated.

The urban agglomeration of Québec is the part of the CMA where buildings are the oldest. These buildings are newer than the ones in the agglomeration of Montréal, even though the city was built before. It should be noted that the multiplexes still in existence were generally built well after the founding of either Québec or Montréal.

DISTRIBUTION OF MULTI-RESIDENTIAL APARTMENT BUILDINGS BY NUMBER OF UNITS, AREA AND MEDIAN YEAR OF CONSTRUCTION (6 UNITS AND MORE)*

	6 to 11 units	12 units and +	Total number of buildings 6 units and +	Median year of construction**
Province	31,840	14,690	46,530	1967
Greater Montréal	18,750	8,980	27,730	1964
Québec Area	3,460	2,130	5,590	1967
Île de Montréal	12,490	6,600	19,090	1957
Montréal South Shore	2,690	1,260	3,950	1973
Montréal North Shore	2,030	500	2,530	1981
Laval	1,300	520	1,820	1976
Vaudreuil-Soulanges	250	60	310	1984
Agglomeration of Québec	2,940	500	3,440	1965
Québec North Shore	20	0	20	1984
Québec South Shore	1,860	260	2,120	1975

* Rounded to the nearest 10.
** For buildings built in 2014 or before.

CONSTRUCTION OF RENTAL APARTMENT BUILDINGS IN QUÉBEC

By

GEORGES LAMBERT

Principal Economist
APCHQ

DIFFICULTY IN PROPERTY ACCESS

With a 61.2% home ownership rate and more than 1.3 million households living in, rental buildings fill a significant portion of Québec's housing needs. Since 2012, mortgage lenders and mortgage insurers have been subjected to more stringent conditions. Facing more difficult conditions, households have turned to the rental market to fulfill their housing needs.

RENTAL PRODUCTION: RESURGENCE SINCE 2013

The strength of production of rental units has drawn attention for several years now. While the overall number of housing starts declined by 22% in 2013, the production of rental units increased by 11%. Since 2013, rental production has grown at a faster rate than that of the overall number of housing starts. It should also be noted that since 2010, the proportion of production intended for the rental market was twice greater than the total number of housing starts.

More recently, between 2015 and 2016, building projects declined from 33,029 to 32,528, a decrease of 1.4%. Production of rental units rose from 13,020 to 13,745, an increase of approximately 6%.

HOUSING STARTS

Total housing units and rental units, Québec 2010 to 2016

	Housing starts*		Annual growth		Portion of total
	Housing units	Rental Market	Housing units	Rental Market	Rental Market
2010	43,527	8,979	NA	NA	21%
2011	41,799	7,161	-4%	-20%	17%
2012	40,526	7,017	-3%	-2%	17%
2013	31,777	7,759	-22%	+11%	24%
2014	33,254	8,047	+5%	+4%	24%
2015	33,029	13,020	-1%	+62%	39%
2016	32,582	13,745	-1%	+6%	42%

* Building projects in urban areas with at least 10,000 inhabitants.

The production of rental units reflects decisions about building projects based on market demand and potential return on investment for investors. The activity, relating to targeted rental market segment, is explained by the trends of vacancy rates and rents for recently built apartment buildings, examining these factors contributes better understanding this recent activity.

THE IMPORTANCE OF THE "TRADITIONAL" RENTAL MARKET

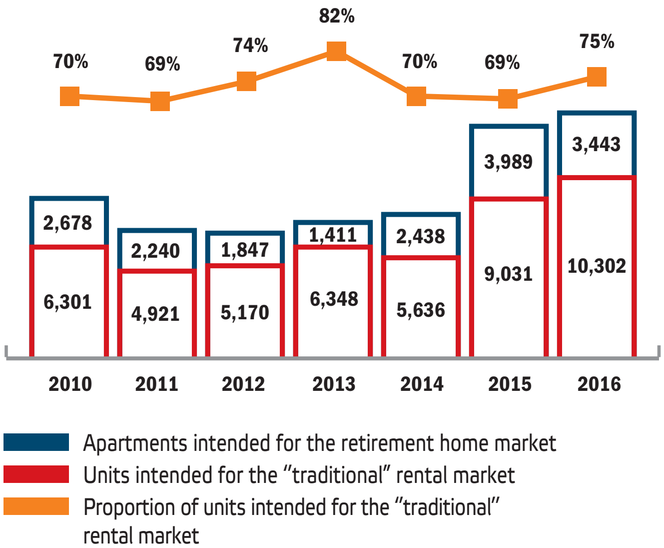
Since 2010, accounting for an average of 27% of the rental production, retirement home housing starts have gained momentum. Despite this popularity, it remains a fact that apartments destined for the "traditional" rental market represented on average 73% of rental apartment production between 2010 and 2016. This proportion was higher in 2012, 2013 and 2016, with 74%, 82% and 75%, respectively, of the total rental production.

The evolution of vacancy rates and of rents for the more recently-built rental units contributes to better understand the dynamism of this rental production.

Sources: Statistics Canada, APCHQ, CMHC and INSTITUT DE LA STATISTIQUE DU QUÉBEC.

RENTAL UNIT HOUSING STARTS

Traditional rental market and retirement homes, Québec 2010-2016



* Construction starts in urban areas with at least 10,000 people.

NEW RENTAL APARTMENTS: LOWER VACANCY RATES

The vacancy rates of rental units in urbans centers in Québec on the whole once again increased from 2014 to 2015, going from 3.7% to 4.3%, and stabilized at 4.4% in 2016. CMHC explained the evolution of the vacancy rates from 2014 to 2015 by a decrease in rental apartment demand, a trend explained by a decreased employment in young adults aged between 15 and 24 as well as a reduction in migration and the number of rental units completed.

The relative stability of vacancy rates from 2015 to 2016 and occupation of new apartments completed could probably be explained by a demand associated to migration and the increase in of the number of households whose support is 75 years of age and older. As observed in 2015, growth of the young household sector did not occur.

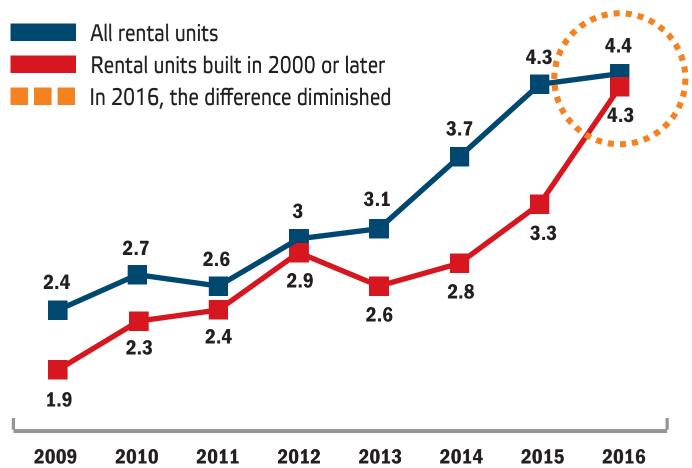
Examining these factors allows to understand the overall market situation (irrespective of area, housing size and year of construction). However, by examining occupancy rates according to year of construction, it becomes clear that more recently build buildings have a lower vacancy rate.

In 2015, the vacancy rate of rental housing built since 2000 was 3.3%, noticeably lower than the overall vacancy rates of rental units of 4,3%. On average, between 2009 and 2015, the vacancy rates of these more recent rental units was 0.5%, below the overall average vacancy rates. Nevertheless, in 2016, although the overall vacancy rates of rental apartments only slightly progressed (from 4.3% to 4.4%), the situation is different for apartments built more recently, where the vacancy rates rose from 3.3% to 4.3%. These trends are illustrated in the chart below.

The vacancy rate of apartments built in 2000 or later were 0.5% lower than that of overall rental units, on average, from 2009 to 2015. However, this favourable difference nearly disappeared in 2016.

VACANCY RATE OF RENTAL UNITS (%)

All units and units built in 2000 or later, Québec 2009-2016



NEW UNITS, HIGHER RENTS

The differences observed between the rent levels of the more recently-built rental buildings (in 2000 or later) and all the rental buildings provide an additional explanation for the dynamism of rental production. In 2016, a rental unit built in 2000 or later could be rented, on average, for $879, $152 (or 21%) above the average of the overall rental market. Between 2000 and 2016, average rent for rental units built after 2000 was on average $146 (or 24%) above the average in the overall rental market.

The positive difference for the recently-built rental units was still observed in 2016.

THE PLEX MARKET

(2 -5 UNITS)

By

PAUL CARDINAL

Director, Market Analysis at the Québec Federation of Real Estate Boards

ECONOMIC OUTLOOK

The year 2017 in Québec and Canada has begun with a feeling of uncertainty. Despite the economic recovery of our southern neighbors, the political situation in the United States leaves a number of questions unanswered for economists attempting to make predictions. Despite the fact that a stronger economy in the United States is synonymous with a growth in exports and in Canada's GDP, political promises from President Trump, the renegotiation of NAFTA and the softwood lumber dispute run the risk of slowing down this growth. Furthermore, resulting from the rise in bond rates from the other side of the border, the Canadian dollar is expected to continue its depreciation against the American dollar.

According to the data currently available, 2016 was a positive period of economic growth in Québec. Despite a decrease of 0.3% in October, Québec's GDP is expected to have increased by about 1.6% in 2016, in contrast to Canada's 1.3%. Major Canadian banks are forecasting 2017 to be just as promising, as GDP growth is projected to vary between 1.4% and 1.8% for Québec.

The year just ended was also excellent in terms of employment. While the average annual unemployment rate went from 6.9% o 7.0% in Canada in 2016, the rate in Québec decreased by 0.5% instead, at 7.1% over the same period. In November, Québec also reached its lowest unemployment rate since 1976 (6.2%), the year when comparable data became available. The excellent level of job creation in the province should also be highlighted, as 36,100 new positions were created. The year 2017 should also be prolific in Québec, as economic forecasts anticipate an approximate 1% increase in employment and a decrease in unemployment to about 6.7%.

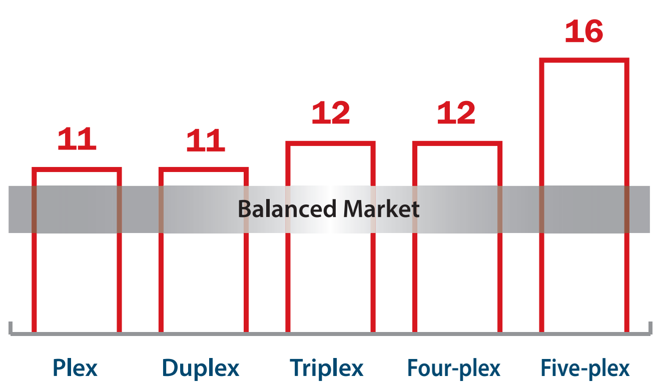
THE PLEX MARKET

The resale market for apartment buildings with two to five units (plexes) in Québec had a very good year in 2016. Indeed, 6,704 plexes were sold throughout the year, an increase of 7% over 2015. The year 2016 started out like a lion, with plex sales increasing by 15% in the first quarter, to then drop by 2% in the second quarter. The year then continued with two strong increases of 6% and 10% in the third and fourth quarters.

By CMA, Trois-Rivières was the area that experienced the strongest growth (+25%), followed by Gatineau (+13%), Québec (+7%) and Montréal (+7%). The year was a bit more difficult for the areas of Sherbrooke and Saguenay, where plex sales decreased by 6% and 3%, respectively.

With regard to plex supply on the market, an average of 6,614 properties per month were registered on the Centris® system for real estate agents for the province on the whole. This was a small drop of 2%. Of this total number, a slightly more than half (3,284) were duplexes. It should also be noted that this was the first decrease in registrations since 2010.

In 2016, the price per unit varied widely, depending on the number of units in the property. Indeed, the highest price per unit on the provincial level was $157,500 for a duplex, while the lowest price was $108,250 for a fourplex. The 2016 unit prices for a triplex and five-plex were $135,667 and $110,000 respectively.



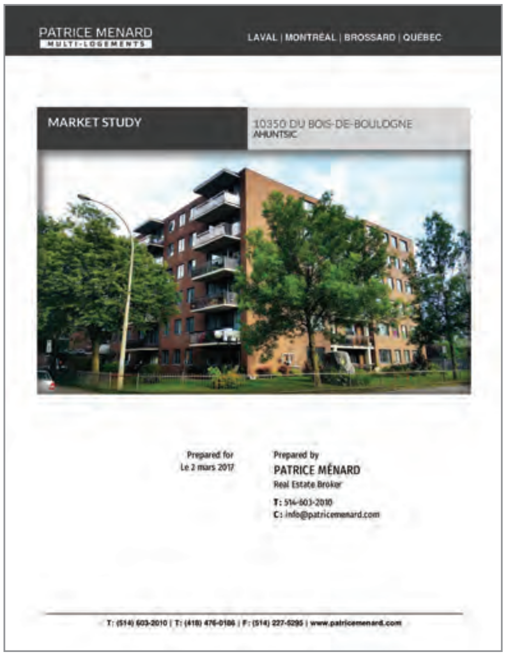
With regard to market conditions, buyers generally had the upper hand in negotiations. Interestingly, the greater the number of units, the more the market favours the buyers. For the market to be balanced, the number of months of inventory must lie between 8 and 10 months. With regard to plexes, this figure was at 11 months in 2016, one month less than in 2015. By number of units, the number of months of inventory varies from 11 months for duplexes to 16 months for five-plexes. In general, buyers benefited from the plex market in all the CMAs of the province in 2016. The only exception was Montréal, where the market was balanced.

STATISTICS ON PLEX BY CMA		Plex	Duplex	Triplex	Four-plex	Five-plex
PROVINCE OF QUÉBEC						
Sales	Cum.	6,704	3,660	1,926	886	232
	Chg. (%)	7	7	4	14	3
Price	Chg. (%)	3	0	3	6	8
Average sale delay (days)	Cum.	107	103	114	106	122
	Chg.	3	3	2	0	18
Number of months of inventory	Cum.	11	11	12	12	16
	Chg.	-1	-1	-1	-2	1
CMA OF MONTRÉAL						
Sales	Cum.	4,045	2,148	1,264	480	153
	Chg. (%)	7	5	6	23	10
Price	Chg. (%)	3	2	3	5	7
Average sale delay (days)	Cum.	91	85	97	99	106
	Chg.	-2	-1	-7	2	15
Number of months of inventory	Cum.	8	7	9	9	11
	Chg.	-1	-1	-2	-2	-1
CMA OF QUÉBEC						
Sales	Cum.	521	283	145	74	19
	Chg. (%)	7	10	1	21	**
Price	Chg. (%)	7	7	10	5	**
Average sale delay (days)	Cum.	107	107	106	99	**
	Chg.	-1	6	-5	-7	**
Number of months of inventory	Cum.	12	12	13	13	**
	Chg.	0	0	0	-3	**
CMA OF SHERBROOKE						
Sales	Cum.	167	94	34	29	10
	Chg. (%)	-6	11	-15	**	**
Price	Chg. (%)	-11	-11	1	**	**
Average sale delay (days)	Cum.	138	145	168	**	**
	Chg.	7	33	33	**	**
Number of months of inventory	Cum.	17	17	19	**	**
	Chg.	2	1	3	**	**
CMA OF TROIS-RIVIÈRES						
Sales	Cum.	173	92	49	26	6
	Chg. (%)	25	31	44	**	**
Price	Chg. (%)	-7	-9	-2	**	**
Average sale delay (days)	Cum.	124	108	142	**	**
	Chg.	32	18	59	**	**
Number of months of inventory	Cum.	11	11	10	**	**
	Chg.	-4	-5	-5	**	**
CMA OF GATINEAU						
Sales	Cum.	247	123	96	25	3
	Chg. (%)	13	8	23	**	**
Price	Chg. (%)	6	-2	-5	**	**
Average sale delay (days)	Cum.	100	87	107	**	**
	Chg.	25	21	18	**	**
Number of months of inventory	Cum.	14	12	14	**	**
	Chg.	-1	-1	-2	**	**

**Insufficient number of transactions to produce reliable statistics.
Source: QFREB by the Centris® System

Cum.: Cumulative
Chg.: Change

OUR MULTI-RESIDENTIAL REAL ESTATE BROKERAGE SERVICES



SELLING YOUR MULTI-RESIDENTIAL PROPERTY

“À LA CARTE” COMMISSION
“À la carte” commission of 1%, 2%, 3% or 4% : Take advantage of our expertise, regardless of the rate.

QUALIFIED BUYERS GUARANTEED
360-degree buyer evaluation guaranteed.

RESPECT AND DISCRETION
No sign | No visits without an accepted offer | The sales process is carried out with discretion and respect with regard to your clients: the tenants.

MAXIMIZATION OF THE VALUE OF YOUR PROPERTY
We are well-known for maximizing the value of multi-residential properties with our marketing plan: PRIVATE or PUBLIC (MLS/Centris).

MULTI-RESIDENTIAL FINANCING

NO COMMISSION TO BE PAID
Commission paid by the lender

LARGE NETWORK OF LENDERS
Banks, insurers, trusts specialized in multi-residential properties, private lenders

CMHC-APPROVED CORRESPONDENT
Negotiation of insured loans directly with CMHC

MAJOR RENOVATIONS AND NEW CONSTRUCTION
Mortgage equity withdrawal for major renovation projects and new constructions

EXPERIENCE **IS EVERYTHING**

WWW.PATRICEMENARD.COM

#1	60	750	5,000
FOR THE NUMBER OF MULTIRESIDENTIAL TRANSACTIONS IN QUÉBEC IN 2016	BUILDINGS FOR SALE	SATISFIED CLIENTS	ACTIVE BUYERS

ONLINE REGISTRATION
Register at **WWW.PATRICEMENARD.COM**.

NEW REGISTRATIONS
Be among the first to receive our new listings.

MARKET REPORTS
Be among the first to receive the latest market reports.

COMPLETE LISTINGS
Receive complete listings with physical descriptions, financial analysis, geomapping and satellite images, pictures.

QUALIFIED TEAM
Receive advice and negotiate directly with Patrice Ménard, Sanaa Benzakour and qualified members of their team.

TO MEET WITH US BY APPOINTMENT ONLY

BUSINESS CENTERS

MONTRÉAL
1111-600 Dr.-Frederik-Philips Blvd, Saint-Laurent (Québec) H4M 2X6
Tel.: 514 603-2010

LAVAL/NORTH SHORE
3055 Saint-Martin O. Blvd, suite T500, Laval (Québec) H7T 0J3
Tel.: 514 603-2010

LONGUEUIL/SOUTH SHORE
9160 Leduc Blvd, suite 410, Brossard (Québec) J4Y 0E3
Tel.: 514 603-2010

QUÉBEC
2828 Laurier Blvd, suite 700, Québec (Québec) G1V 0B9
Tel.: 418 476-0186

PATRICE MENARD
MULTI-LOGEMENTS

LAVAL | MONTRÉAL | BROSSARD | QUÉBEC

514 603-2010 | 418 476-0186
Fax: 514 227-5295
info@patricemenard.com

www.patricemenard.com