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Analysis of the Holding Period of a Property in Québec

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HIGHLIGHTS:

- Based on the behavior of single-family home sellers over the past three years, more than half of buyers sold their homes in the first 12 years following the purchase.
- For condominiums, depending on the behaviour of sellers between 2015 and 2017, the median holding period would be 9 years.
- The probability of reselling a single-family home increases each year until the fifth year of ownership, when it reaches 7%.
- The longest estimated holding period for the single-family sector, 16 years, was observed in Chaudière-Appalaches.

In the course of a lifetime, some people will own many residences while others will live in the same home for several decades. In all cases, at the time of purchase, purchasers must determine the number of years they wish to remain in the property in order to establish their selection criteria. However, plans change and it is sometimes difficult for a household to make a good estimate of the number of years it wishes to own the property.

To determine the median holding period of a residence, JLR used the equivalent of the “survival tables” used to estimate life expectancy. Therefore, purchases and sales here represent births and deaths. [A more detailed explanation of the methodology can be found at the end of the document.](#) In the current article, the probability that a purchaser resold his acquired property in 2018, if he behaved in terms of holding period like the sellers between 2015 and 2017, will be estimated.

MEDIAN HOLDING PERIOD

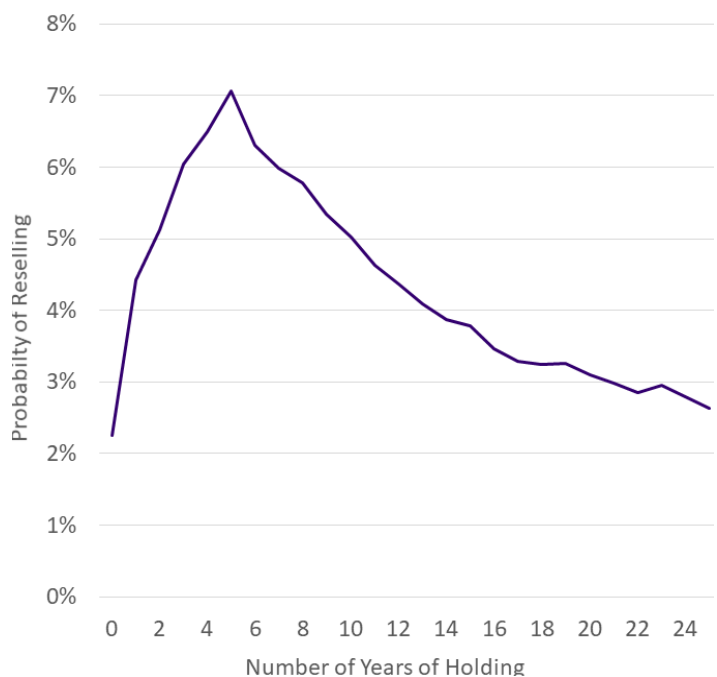
According to the data compiled by JLR from the Land Register, if the purchasers of single-family homes in 2018 behave like households that sold between 2015 and 2017, in 12 years, half of the owners will have left their current home. In other words, as of December 31, 2030, at least 50% of single-family homes purchased in 2018 will have changed hands.

In general, the more active the real estate market, the shorter the holding period, because people can dispose of their property more easily, at a good price. For example, the holding period was 12 years when only 2017 sellers were considered, but 13 years in 2015 when there were fewer real estate sales. On the other hand, the median holding period was shorter and was 11 years for 2011 to 2013, given the strong real estate market activity at that time. That being said, it would not be surprising for the holding period to decrease in 2018, since the number of transactions increased relative to 2017 for the first 8 months of the year.

EVOLUTION OF SALES PROBABILITIES IN THE SINGLE-FAMILY SECTOR

The probability of reselling a single-family home if the purchaser is still the owner at the beginning of the year increases over time until the fifth year to about 7% based on the behaviour of sellers over the last three years. After a five-year holding period, the probability of reselling begins to decrease and after 14 years is less than 4%.

Graph: Probability of Reselling Based on Years of Holding



The likelihood of reselling accumulates so that after only five years of ownership, no more than 72% of the purchasers are still owners. Half of the people have moved after 12 years. After 23 years, only one third of the buyers still live in the same residence.

WHAT ABOUT THE CONDO MARKET?

The type of property affects the median holding period. As a result, people tend to stay in the same place for less time if they purchase a condominium compared to a single-family home. If buyers in 2018 behave like sellers in the last 3 years, then after 9 years more than half of the purchasers will have sold their home. Already, after four years, 25% of people will have left their homes. The probability of reselling reaches its highest point after five years, at about 10%.

In 2018, there was a significant revival in the condo sector, but in recent years it had slowed down and stagnated, which increased the holding period for 2015-2017. The same study using seller behaviour from 2011 to 2013 showed a median holding period of seven years for Québec as a whole. During these years, the condo market was more dynamic, which explains the shortest holding period of two years.

DETAILS BY REGION

Among the administrative regions¹ where there were enough transactions to establish a statistic for single-family properties, the Chaudière-Appalaches region has the longest holding period at about 16 years. In contrast, if buyers in 2018 behave like sellers between 2015 and 2017, 50% of new owners will have resold their single family in the next 11 years in the Outaouais, Lanaudière, Laurentides and Montérégie regions. It is interesting to note that these four regions are all located in the suburbs of a large city, namely Montréal or Ottawa. People moving to these territories possibly want to remain owners of their residence for less time. It should also be noted that the real estate market has been more dynamic in these sectors over the past three years than in more remote regions.

For condominiums, an estimate was possible in only 8 regions, given the smaller number of transactions. The longest estimated holding period was recorded in the Capitale-Nationale, at 11 years. Condominium market difficulties during the analyzed period (sales from 2015 to 2017) in this region likely explain the longer holding period. Some co-owners may have wanted to resell before, but they face long resale delays or prices lower than the amount paid for the purchase. In the Lanaudière and Montérégie regions, the holding period was estimated at 8 years.

METHODOLOGY IN APPENDIX

To establish the estimated holding period of a residence, the process used is similar to the one used to measure life expectancy. The calculation is based on a “survival table” on the same basis as the mortality table created to determine life expectancy. In the survival table, for each building purchased in a year X, the probability of resale in a predetermined fixed year is calculated, if the owner were still the same as at the beginning of the year. For example, to determine the resale rate after five years of ownership based on the 2017 sellers, the number of sellers in 2017 who acquired their property in 2008 is divided by the number of buyers in 2008 who were still owners as of December 31, 2016. This calculation was done for all years since 1986 in order to obtain a resale rate for the different years of ownership. To increase the amount of data and decrease the impact of random effects, three reference sales years from 2015 to 2017 were used in this publication.

Since the JLR data has been available since 1986, the expectation of owning a residence cannot be established. Nevertheless, the median holding period, that is, after how many years about 50% of people will have sold their property if all “generations” behave as they did before, can be determined. Thus, if all buyers in 2018 behave like sellers from 2015 to 2017, the median buyer will own for 12 years.

Methodology similar to Emrath (2013)² and D'Alessadris and Carliner (1992)³ to establish the holding period of properties in the United States. However, some differences exist given the unique characteristics of each data source.

[1] All administrative regions of Québec, with the exception of Côte-Nord, Nord-du-Québec and Gaspésie-Îles-de-la-Madeleine

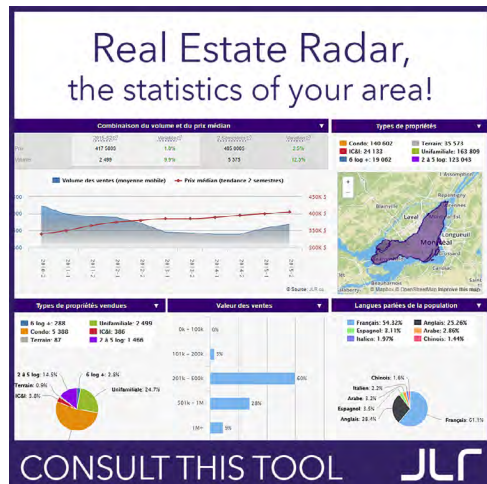
[2] Emrath, P. (2013). Latest Calculations Show Average Buyer Expected to Stay in a Home 13 Years, *National Association of Home Builders*

[3] D'Alessadris, D. and S. Carliner, M. (1992). Home Owner Mobility and Mortgage Prepayment, *Housing Economics*

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