



Feel Like Investing? Think Real Estate!

Buying a house is like long-term savings. As an owner, you make mortgage payments every month that finance your assets and allow you to build capital that you can recover at a later date when you sell your property.

Across Canada, the value of real estate has increased significantly over the last decade. In Québec, the median price of a single-family home grew from \$110,000 to \$209,500 between 2002 and 2010. This translates into an average appreciation of 8% per year. This represents an average appreciation of close to 9% per year. And this growth is far from over if we look at the trends for the factors mentioned below.

What Drives the Residential Real Estate Market?

Whether you're already a homeowner or about to become one, owning property is one of the most important investments you'll make in your lifetime. Therefore, you should be aware of the four main factors that influence the shape of the real estate market, which are population growth, interest rates, income and socio-demographic trends.

It stands to reason that everyone needs somewhere to live and that's why the strength of the residential real estate market is directly linked to demographic growth. Whether it's as a result of immigration, migration or natural population growth, the higher the population increase, the higher the demand for housing and thus, the stronger the market.

Interest rates also play an important role in the real estate market. When rates are lower, generally the market is stronger as lower rates mean less cost to finance a property. This, in turn, encourages consumers to become owners, or to buy larger or more luxurious properties or renovate.

When property values are increasing, it's generally a true reflection of a household's ability to pay. Therefore, the market's strength is closely connected to job creation and a household's disposable income.

And finally, there are certain socio-demographic trends which have an impact on the real estate market. For example, when households get smaller, meaning more and more people have chosen to live alone as has been the case over the past decades, more properties find buyers.

In conclusion, remember the law of economics: price is always a reflection of supply and demand. So, all other things being equal, high demand means higher prices.