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Tariffs Are Already Impacting Quebec's Economy: How Long Can the Real Estate Market Weather the Storm?

Uncertainty began to ripple through the economies of many countries, including Canada, as soon as U.S. President Donald Trump was elected in November 2024. Well before the first wave of tariffs took effect, a growing climate of apprehension among Quebec businesses led to a pause in growth-oriented decisions, including a freeze on investment projects and hiring.

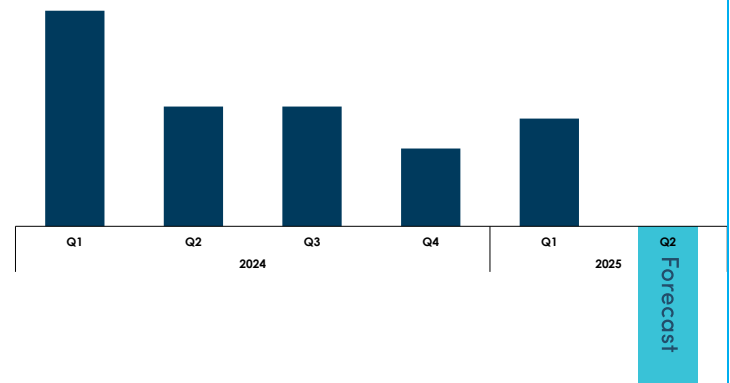
Even though household consumption and a strong demand in the residential real estate market continue to drive economic activity in the province, merchandise exports and manufacturers' investments have been severely affected.

Quebec's real GDP, which had been growing at a healthy pace until early 2025, weakened sharply in April with the introduction of the first tariffs. The most [recent figures](#) for May were not reassuring: economic activity fell by 0.5 per cent in May, following a 0.2 per cent decline in April. Consequently, according to our forecast, a decline in real GDP of annualized 2.5% or so is expected for the second quarter (official result at the end of September).

The economic downturn in Quebec forecast in the spring of 2025 by the QPAREB team of economists is being confirmed, with a certain lag, as new statistics are released. Tariffs are already inflicting significant damage.

The drop in aluminum exports, Quebec's top product shipped to the U.S., is the first direct, quantifiable effect on exports and, by extension, on economic activity. Quebec's total volume of goods shipped abroad plunged by 13.4 per cent in the second quarter of 2025, with an even steeper decline expected for the third quarter.

CHART 1: QUEBEC'S ECONOMY | REAL GDP



Source: Institut de la statistique du Qu  bec, Direction des statistiques   conomiques.
Annualized quarterly change.

EMPLOYMENT: A KEY DRIVER OF RESIDENTIAL REAL ESTATE

The job market was quickly impacted by the domino effect of tariffs as businesses adopted a cautious approach and slowed hiring. Employment levels have remained relatively stable since early 2025, as businesses are reluctant to lay off workers even though labour shortages have eased in several parts of Quebec.

Just before tariffs were first rolled out, the provincial first-quarter unemployment rate stood at 5.5 per cent, then climbed to an average of 6.0 per cent from April to June. While this increase has not been widespread across the province since the spring, several regions have seen a deterioration in their labour market, which has affected certain industries more sharply.

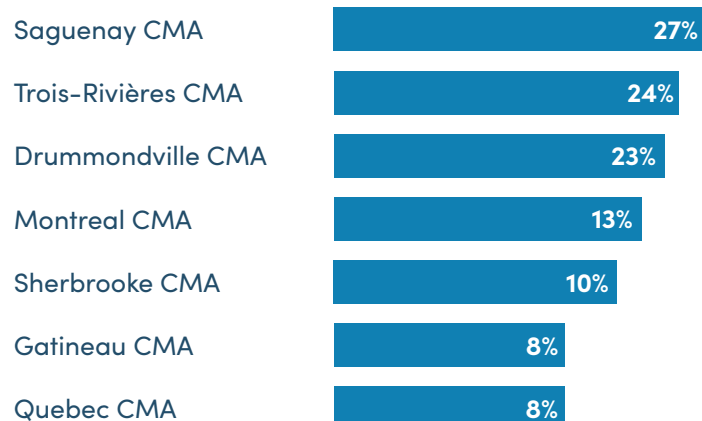
Regions with economies that rely more heavily on exports to the U.S., particularly in steel and aluminum manufacturing, initially appeared most at risk from the effects of the tariff shock. However, the reality has been somewhat different, at least so far. Unemployment has indeed risen in several parts of the province, but not necessarily in the regions that seemed most vulnerable to [tariffs](#) ([administrative regions chart](#) on the next page).

TARIFFS AND THEIR IMPACT AT A GLANCE

On the positive side, about 90 per cent of goods shipped to the U.S. are exempt from tariffs under the Canada–United States–Mexico Agreement (CUSMA), in effect until 2026. However, exporters of aluminum, steel, and copper products face a sharp drop in demand from the United States, their largest customer. U.S. border tariffs surged to 50 per cent, doubling the initial 25 per cent imposed in March (aluminum and steel). In this context, alternative markets are emerging, particularly in Europe, but it remains to be seen whether these can offset the decline in U.S. demand. Expanding shipments to the rest of Canada and overseas has become essential, and efforts in this direction must continue.

Canada's trade conflict has even extended to China, which in August imposed tariffs of 75.8 per cent on canola. This has driven prices so high in the Chinese market that Quebec producers are attempting to sell their crop elsewhere, though equivalent revenues are far from guaranteed. This represents yet another blow to Quebec's already struggling agricultural sector. Will the residential real estate market in rural areas be impacted? It is still too early to tell, as much will depend on the alternative measures adopted.

CHART 2: VALUE OF GOODS EXPORTED TO THE UNITED STATES AS A PERCENTAGE OF GDP

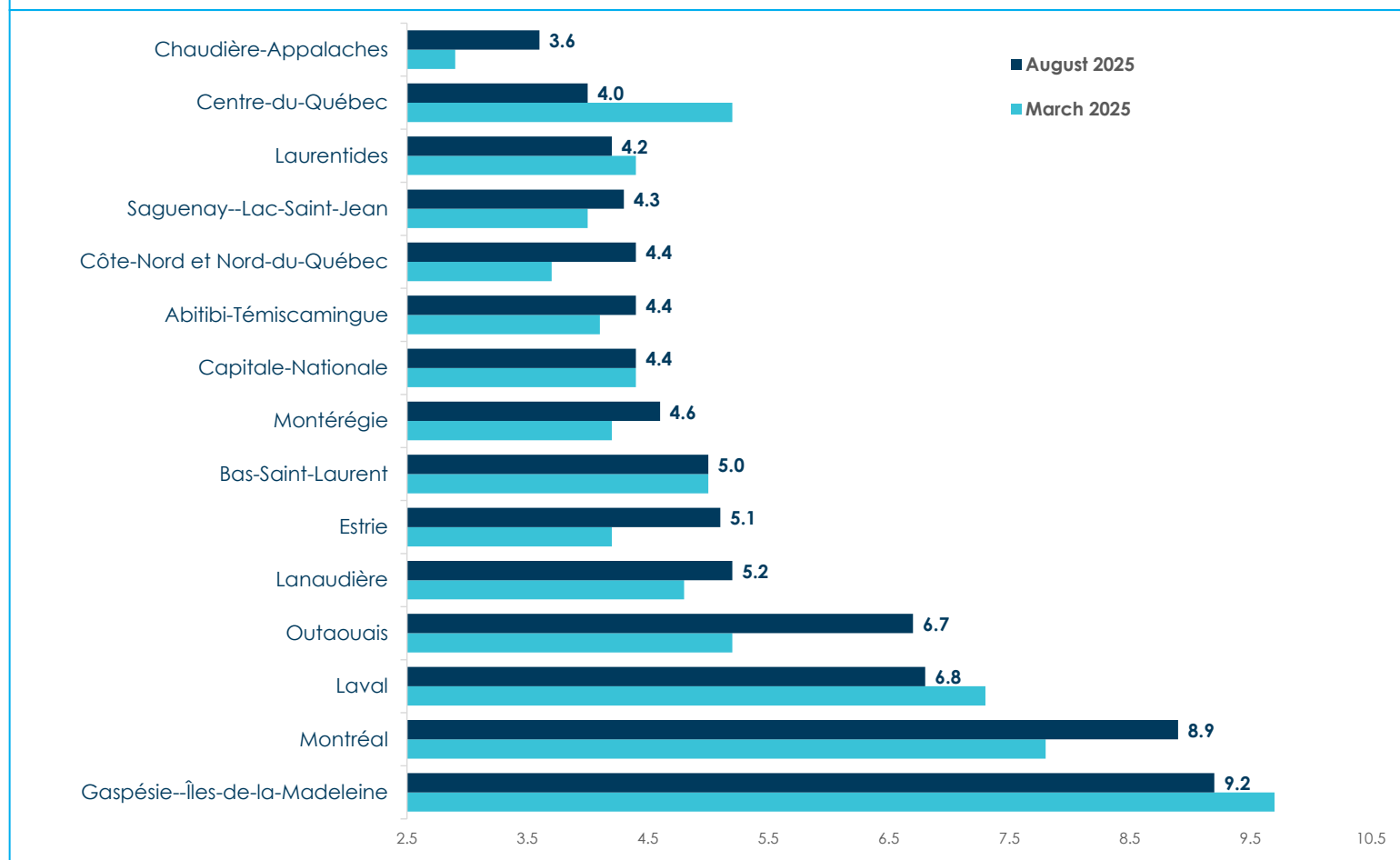


Source: Canadian Chamber of Commerce, February 2025

Customs duties on steel and aluminum, which climbed to 50 per cent since June 4, are expected to hit these industries hard in the regions most exposed to this decision. The entire supply chain for metal products will be disrupted, both in Quebec and elsewhere.

So far, however, the economy has been slow to weaken in Saguenay—Lac-Saint-Jean, where unemployment remains around 4 per cent, while Côte-Nord has been more impacted ([CMA graphs in the annex](#) at the end of the document).

CHART 3: UNEMPLOYMENT RATE BEFORE TARIFFS AND NOW



Sources: Statistics Canada, Labour Force Survey, and Institut de la statistique du Québec
Seasonally adjusted monthly data

The residential real estate market remains very active in most regions, with limited supply pushing prices to record highs. The cascading effect of U.S. tariffs could weaken certain manufacturing regions, particularly Chaudière-Appalaches and Centre-du-Québec as their unemployment rates, 3.6 per cent and 4.0 per cent respectively in August, still reflect lingering labour shortages. Despite fluctuations in unemployment rates since the tariff saga began fuelling uncertainty and slowing the economy, many manufacturers have scaled back hiring while retaining employees.

RESIDENTIAL REAL ESTATE: REMAINING STEADY, BUT STORM CLOUDS ARE GATHERING

Sales in the property existing market continue at a brisk pace, while prices continue their upward trend. The pool of available properties remains insufficient to meet demand. The full impact of U.S. tariffs, which increased from 25 per cent to 35 per cent on August 2 and which affect about 10 per cent of products

excluded from CUSMA, has yet to be felt in the economy and labour market. A slowdown in sales and prices is anticipated by the end of 2025. Many potential buyers, particularly young people and recent immigrants, already feel the effects of the weakening economy and labour market.

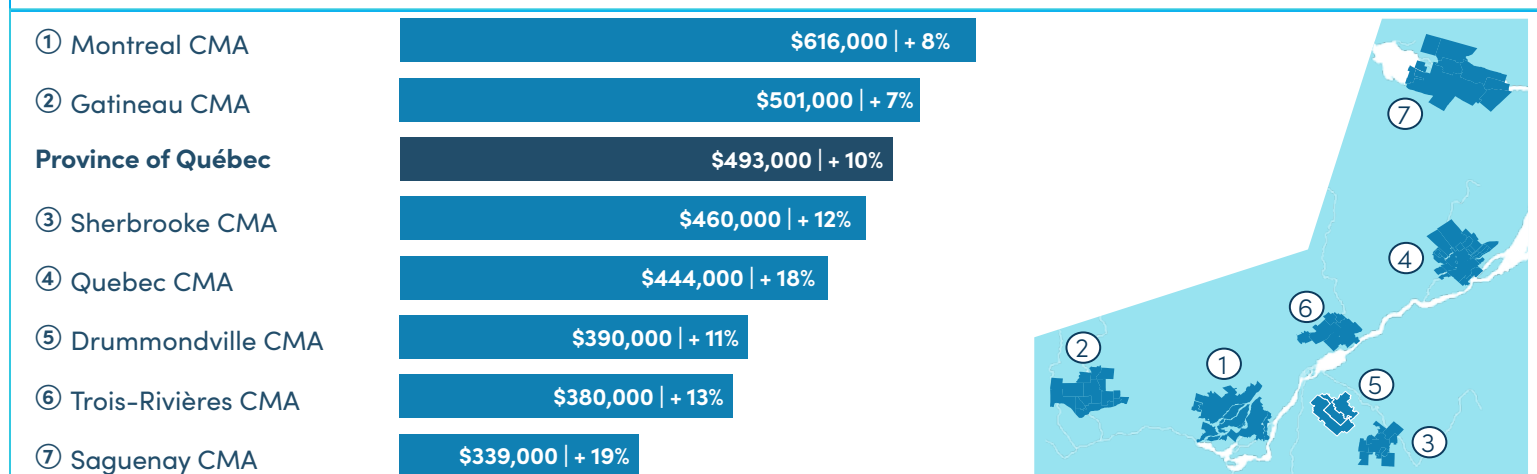
TABLE 1: SUMMARY OF CENTRIS RESIDENTIAL ACTIVITY | TOTAL FROM JANUARY TO JUNE 2025

Census Metropolitan Areas (CMA)	Sales			Active Listings		
	Number	Variation		Number	Variation	
Drummondville CMA	563	↑	24%	349	↓	-16%
Gatineau CMA	2,599	↑	12%	1,443	↓	-6%
Montreal CMA	26,212	↑	13%	17,739	↓	-2%
Quebec CMA	5,510	↑	6%	2,690	↓	-29%
Saguenay CMA	792	↑	6%	477	↓	-19%
Sherbrooke CMA	1,298	↑	15%	758	↔	0%
Trois-Rivières CMA	797	↑	4%	307	↔	0%
Province of Quebec	52,705	↑	12%	36,543	↓	-3%

Source: QPAREB by the Centris system

Variation compared to the same period last year

CHART 4: MEDIAN PRICES OF SINGLE-FAMILY HOMES | JANUARY TO JUNE AVERAGE



Source: QPAREB by the Centris system

Variation compared to the same period last year

So far, residential property sales have, surprisingly, remained strong. Prices continue climbing to new highs across Quebec. The inventory of properties available to potential buyers is so low that sellers continue to hold the advantage when it comes to selling conditions, including price. Given the weakening economy and labour market, is residential real estate truly immune to a market shift?

TURBULENCE IN TORONTO AND VANCOUVER: WILL MONTREAL, QUEBEC AND GATINEAU CMA'S BE NEXT?

In the past, the residential sector in the province of Quebec has been less sensitive to economic downturns than in Ontario and British Columbia. Why? The major metropolitan areas—Montreal, Toronto, and Vancouver—experience very different market fluctuations due to the role of real estate investors. For several years, these buyers have acquired numerous new or existing condominium units, either to rent to residents or travellers through various platforms, with Airbnb at the top of the list.

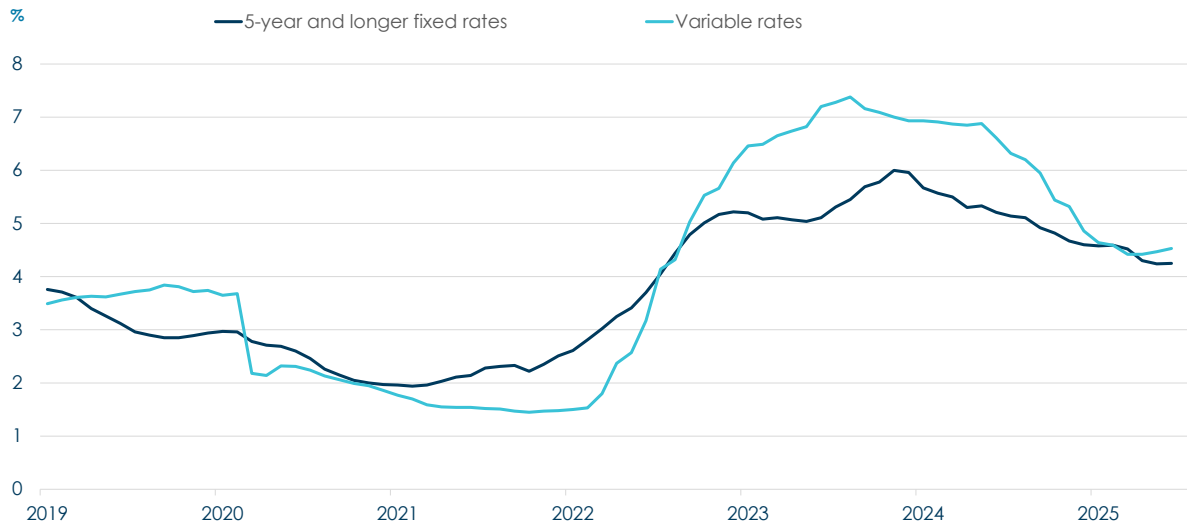
Three main factors have shaken up Canada's housing market

1. The federal government has banned non-residents from purchasing housing since 2023, a measure that has been extended until 2027. The demand for condominiums, which were previously a prime target for foreign investors, has since dropped significantly.
2. Regulations concerning “house flipping” were tightened two years ago. The federal government introduced restrictions to prevent prices from being artificially inflated when a residential property is bought and resold within a short period of time. If the time between purchase and resale is less than one year, financial penalties are imposed on owners (with exceptions for certain emergency situations).
3. The most recent cycle of interest rate hikes, which peaked in summer 2023 for 5-year fixed mortgage rates and in March 2024 for variable rate mortgages was the final blow for the pricier real estate markets. Borrowing conditions thus became restrictive in the eyes of Canadian investors. This led to an increase in inventory and a decline in prices. As a result, buying a property in Toronto and Vancouver is now more affordable than it was a few years ago. In contrast, demand remains strong in the CMAs of Montreal, Quebec, and Gatineau, where the number of homes for sale is still very low. Prices continue to rise, and these markets have never been so unaffordable.

As a result, there are now far fewer investors who engage in market speculation by buying single-family homes or condominiums and reselling them at a higher price after a few months.

In summary, the diminished role of investors in Quebec's major urban centres, along with significantly lower prices than in Vancouver and Toronto, has not led to any shifts in property market values.

CHART 5: INTEREST RATES CHARGED ON NEW LOANS MADE BY CHARTERED BANKS



Source: Bank of Canada
Rates granted on uninsured loans.

QUEBEC SPARED FROM PRICE DECLINES

Toronto and Vancouver :

- Drop in demand, high inventory
- Broad decline in prices until very recently
- Very active investors before 2023 – strong impact
- Very high property prices (expensive and therefore more vulnerable to significant fluctuations)

Montreal, Gatineau, Quebec City

- Sustained demand, limited inventory
- Property prices continue to rise
- Fewer investors in the market – moderate impact
- Home prices: growth slowing since early 2025 (prices high, but more affordable than Toronto and Vancouver)

CONCLUSION: THE PAST IS NO GUARANTEE OF THE FUTURE

The fragile economic environment impacting Quebec is likely to persist for some time, depending largely on the unpredictable decisions of Donald Trump regarding tariff levels and affected products. A prolonged downturn in economic activity would further drive up the provincial unemployment rate. The economic slowdown will primarily affect regions whose industrial sector is more exposed to tariffs, especially following the tariff hike on aluminum, steel, and copper.

What will be the impact on the residential real estate market? We can expect a weakening in the demand for properties and a larger inventory of houses and condominiums for sale. As a result, prices, which have already been rising more slowly in recent months, will continue to decelerate. Median prices could even stagnate or decrease in certain regions.

ANNEX

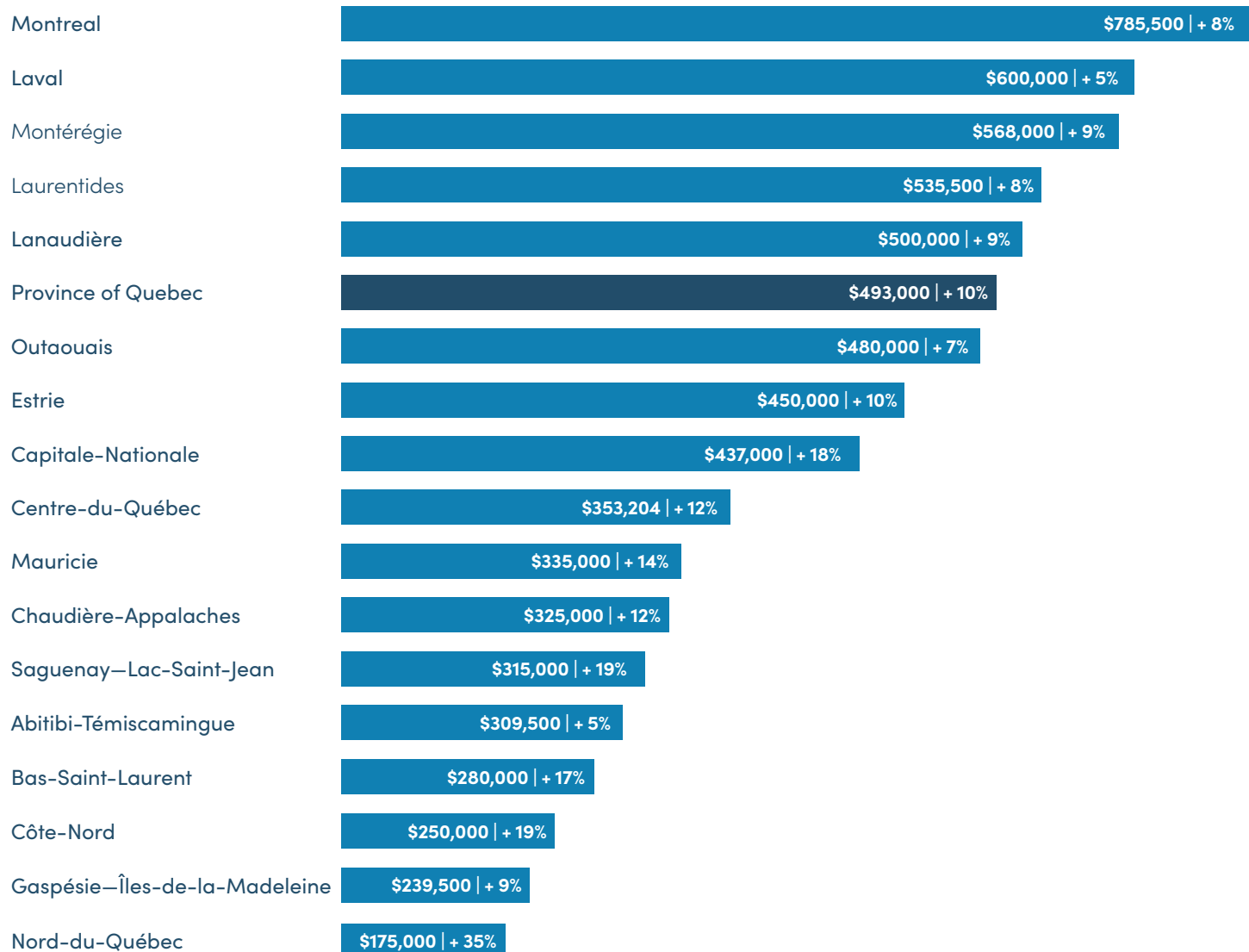
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	Sales			Active listings		
Administrative Regions	Number	Variation		Number	Variation	
Abitibi-Témiscamingue	692	↑	7%	588	↓	-17%
Bas-Saint-Laurent	974	↑	13%	780	↔	0%
Capitale-Nationale	5,087	↑	8%	2,825	↓	-22%
Centre-du-Québec	1,321	↑	25%	816	↓	-11%
Chaudière-Appalaches	2,457	↑	9%	1,488	↓	-12%
Côte-Nord	278	↓	-6%	161	↑	3%
Estrie	3,217	↑	17%	2,274	↑	1%
Gaspésie—Îles-de-la-Madeleine	278	↑	17%	374	↓	-2%
Lanaudière	4,310	↑	11%	2,538	↓	-1%
Laurentides	5,754	↑	14%	4,552	↓	-3%
Laval	2,466	↑	15%	1,444	↓	-3%
Mauricie	1,427	↑	4%	740	↑	2%
Montréal	10,632	↑	12%	6,270	↓	-4%
Montréal	9,544	↑	12%	8,717	↑	3%
Nord-du-Québec	66	↑	14%	91	↓	-14%
Outaouais	2,985	↑	13%	1,921	↓	-3%
Saguenay—Lac-Saint-Jean	1,214	↑	9%	833	↓	-16%
Province of Québec	5,2705	↑	12%	36,543	↓	-3%

Source: QPAREB by the Centris system

Variation compared to the same period last year

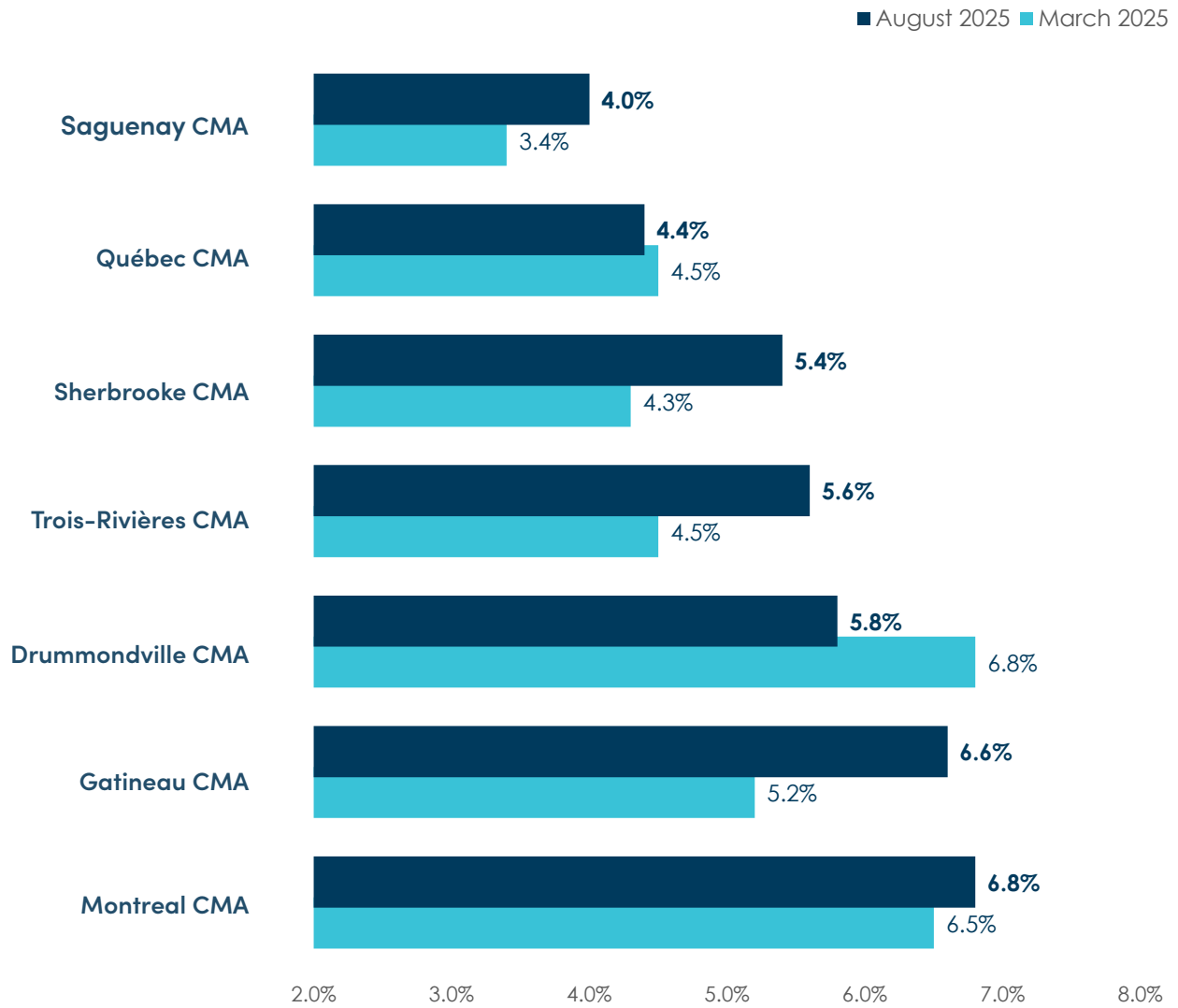
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