Real Estate in Québec

The Québec real estate market offers a stable, transparent and well-regulated framework conducive to investment and the establishment of commercial activities. However, due to Québec's civil law system and the shared provincial and municipal jurisdiction over real estate, that framework is governed by legal rules that differ from those elsewhere in Canada.

The following provides an overview of the key factors to consider when investing in or developing real estate activities in Québec.

Legal Framework

Unlike other Canadian provinces, Québec is governed by the *Civil Code of Québec* rather than by common law. Some of the practical implications include:

- The concepts of ownership, usufruct, servitudes (easements) and hypothecs (mortgages) are codified and interpreted differently.
- Real estate contracts (e.g., purchase and sale agreements, leases) are extensively governed by law.
- In Québec, notaries play a central role in real estate transactions. Unlike elsewhere in Canada, where lawyers typically play the leading role in real estate transactions, Québec notaries act as public officers, ensuring the validity and registration (publication) of deeds (acts).

This legal framework offers a high degree of predictability, but also requires a good understanding of local legal concepts and the ability to adapt contractual practices.

Language and Business Environment

Québec is the only Canadian province with French as its official language. This is reflected in the business environment, particularly in managing and operating commercial properties. Publicly visible signage must comply with the requirements of the *Charter* *of the French Language*, particularly with regard to the predominance of French. These rules apply to both exterior signage and certain information provided to customers.

Since June 1, 2025, Bill 96 has expanded and clarified the language-related obligations that apply to businesses. Businesses employing 25 or more employees over a six-month period must now register with Québec's French Language Office, the *Office québécois de la langue française* (OQLF), and undertake a francization process. Exterior commercial signage displaying a non-French trademark must include a markedly predominant French description within the same visual field.

These obligations also apply to standard form contracts, communications with consumers, internal documents and the technological tools used in the workplace. These requirements, which are clearly defined and supported by the OQLF, are integrated into the day-to-day practices of all businesses established in Québec. Tailored legal advice helps to ensure effective compliance from the planning stage of a project.

Under applicable Québec legislation, any document filed with the Land Register (*Registre foncier*) must be in French, as required by the Charter of the French Language. However, deeds may be drafted in English, subject to certain conditions. For example, a deed drafted in English may be registered in the Land Register only if it is accompanied by an official French translation. Moreover, under the applicable legal requirements, drafting a deed in English may require the consent of the parties.

Applicable Federal Framework for Foreign Investments

Any significant foreign investment in Canada is governed by the *Investment Canada Act*. Under this federal law, non-Canadians who acquire control of a Canadian business must file a notice of investment.

The law provides a structured and transparent process: a notice of investment for most transactions and a more in-depth review where the value exceeds certain thresholds ($1.452 billion in 2026 for investors from WTO-member countries). A national security review process may also apply. This framework, comparable to those in effect in most OECD countries, aims to ensure investment transparency while remaining open to foreign capital.

Important

These obligations are in addition to provincial requirements and must be integrated into the timeline of any major transaction.

Investment Structure and Registration

Any business from another Canadian province or from abroad that wishes to operate in Québec must register with the Québec Enterprise Registrar (*Registraire des entreprises du Québec*) within 60 days of commencing business in the province. By registering, businesses are assigned a Québec enterprise number (NEQ) for use in dealings with public authorities.

Depending on the nature and scope of its activities, the investor may choose to establish an entity in Québec (e.g., corporation, limited partnership) or operate through its existing structure. This choice has tax, contractual and regulatory implications that should be assessed early on with legal and tax advisors.

Accessing Real Estate Assets: A Largely Open Market

Québec allows businesses, whether Canadian or foreign, to acquire commercial or industrial property without general restrictions. Market access is therefore relatively straightforward.

In the residential sector, a temporary federal measure governs acquisitions by non-Canadian buyers. The *Prohibition on the Purchase of Residential Property by Non-Canadians Act*, in effect until January 1, 2027, limits the acquisition of certain residential properties (three units or less) by non-citizens and non-permanent residents in major metropolitan areas. The Act provides for exceptions, including those applicable to temporary residents and development projects. This measure does not apply to commercial or industrial properties or to residential with four units or more.

However, the use of a property is closely tied to its location and the applicable rules, particularly in designated areas such as protected agricultural zones. Prior to any acquisition, thorough due diligence is required to confirm not only the validity of the title to the property, but also all constraints that may affect the asset. This process generally includes a review of the following:

- existing encumbrances and mortgages (hypothecs)
- easements (servitudes), such as rights-of-way, restrictions on use
- compliance with municipal regulations
- the site’s environmental history

Given that the Québec Land Register is public and accessible online, these reviews can easily be conducted, but they must be interpreted from a civil law perspective.

The Key Role of Municipalities

One of the defining features of real estate in Québec is the importance of the municipal regulatory framework. Municipalities have broad powers that directly influence the feasibility of a project.

Zoning determines permitted uses (commercial, industrial, residential) and regulates aspects such as density, building height and parking requirements. In addition to zoning, any work involving a property generally requires specific permits. This includes construction and renovation, as well as, in many cases, a simple change of use.

These rules vary considerably from one municipality to another. An effective real estate strategy must therefore be based on both municipal and provincial regulatory requirements.

Financing and Construction: Special Considerations

Real estate financing in Québec is based on the hypothec system, which is unique to the civil law tradition, and on a system for the registration (publication) of rights that ensures they are enforceable against third parties.

A notable feature of Québec civil law relating to construction is the legal construction hypothec, a security right provided for in articles 2726-2728 of the *Civil Code of Québec*. This mechanism automatically grants architects, engineers, contractors, material suppliers and workers a security interest in the property to guarantee payment of their claims. The purpose of these hypothecs is to protect all stakeholders in a construction project. For investors, this means that common and recommended practices include rigorous contract management and monitoring payments to subcontractors. Well-established contractual mechanisms, such as holdbacks, releases and payment confirmations, help effectively manage this aspect.

Construction projects must also operate within a distinct regulatory environment. The sector is heavily regulated, particularly with regard to licensing and labour relations, which can affect costs, timelines and site organization. These aspects are particularly important for businesses undertaking development or asset repositioning projects.

Commercial Leases

The commercial lease regime in Québec is characterized by a high degree of contractual freedom. Unlike the residential sector, there are few mandatory rules governing landlord-tenant relationships. This flexibility allows parties to adapt leases to their operational needs in terms of duration, cost allocation and maintenance obligations.

A key distinction for investors accustomed to other jurisdictions is that commercial leases do not automatically renew in Québec. Unlike the regime in England and Wales, where many business tenants benefit from a statutory right to renew, Québec law favours contractual freedom. This offers considerable flexibility to both parties, provided that the renewal terms are established at the start of negotiations.

In practice, commercial leases often cover long periods and include complex mechanisms for rent adjustments, expense sharing and renewals. Particular attention should be paid to certain core clauses, including:

- rent indexing mechanisms
- obligations to restore the premises to their original condition
- restrictions on use
- termination or transfer conditions

A well-structured lease is a strategic means of securing the profitability and flexibility of a real estate project.

Divided Co-ownership

When an investment involves a multi-unit property (residential, commercial or mixed), the divided co-ownership regime may apply. This regime, governed by articles 1038 and following of the *Civil Code of Québec*, involves a distinct governance structure whereby a co-owners' association, or syndicate of co-owners, manages the common areas and each co-owner contributes to common expenses in proportion to the relative value of their unit (fraction).

Since August 2025, a new regulation has imposed enhanced obligations on such syndicates, including the establishment of a professional maintenance logbook, the completion of a 25-year contingency fund study and, upon the sale of a unit (fraction), the issuance of a certificate attesting to the condition of the co-ownership property. The purpose of these requirements is to ensure greater transparency and more rigorous financial management of co-ownership properties, thereby contributing to market stability and predictability for investors.

Taxation: A Dual-Level System

Real estate taxation in Québec operates within a system that combines provincial and federal levels, making it possible to tailor strategies to the structure of the investment. Specifically, a real estate project may be affected by several types of taxes and charges, including:

- land transfer taxes (transfer duties) on acquisition
- municipal property taxes
- consumption taxes (GST and QST) in certain circumstances, particularly for commercial property

These factors vary depending on the location, nature of the asset and the chosen legal structure, making tax planning a strategic consideration.

Environmental Liability

Québec has established a rigorous environmental framework that reflects its strong commitment to environmental protection. Contaminated land can give rise to characterization, remediation, disclosure and use-restriction obligations that may affect the operation, value and transferability of the property, underscoring the importance of thorough environmental due diligence.

This is well understood by market participants and is generally incorporated into acquisition processes through environmental site assessments (Phase I and Phase II) and tailored contractual provisions. Beyond the transaction itself, certain situations, such as a change of use, may trigger additional obligations, particularly with respect to characterization or decontamination. Specialized support helps manage these requirements effectively and turns them into part of the due diligence process rather than an obstacle.

Expropriation

As elsewhere in Canada, public authorities in Québec (provincial government, municipalities, public-sector bodies) have the power to expropriate property rights for public purposes, subject to payment of compensation.

The *Act respecting Expropriation*, which came into force on December 29, 2023, modernized this Québec regime and now provides a more structured framework for compensation, in which the fair market value of the expropriated property is a key component of the indemnity. While expropriation remains uncommon in commercial contexts, investors active in sectors affected by public infrastructure or public transit projects would benefit from understanding its key aspects.

Contact

Audrey-Julie
DALLAIRE
Partner | Real Estate Law

Montreal
T. +1 514 397 7523
adallaire@fasken.com