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Canada Mortgage and Housing Corporation

Residential Construction Experiencing High Growth in the Saguenay Region

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The most recent results published by Canada Mortgage and Housing Corporation (CMHC) show that, in the Saguenay census metropolitan area (CMA), residential construction was on the increase in the second quarter of 2003. During April, May and June, 244 construction starts were recorded, a 105% jump compared to the same period in 2002.

With a total of 123 apartments underway, the rental construction sector is also posting strong growth in comparison to the 5 units started last year. Growth in this activity sector is partially attributable to the construction of a 75-apartment seniors' project. In this region, the market for seniors' residences is very tight, which encourages the construction of sizeable

housing projects that target this growing client group. The increase in activity is also attributable to the construction of 48 traditional apartment units in the past quarter, which exceeds total production for the year 2002.

In the second quarter, the single-family housing¹ market experienced high levels of activity; ground was broken for 121 units. The strength of the 2002 job market for individuals between 25 and 44 years of age, very affordable mortgage rates and the small number of existing properties for sale are factors which explain such good residential construction performance. The increase in housing starts is heavy on the side of semi-detached and row houses, which has doubled to a total of 8 units.

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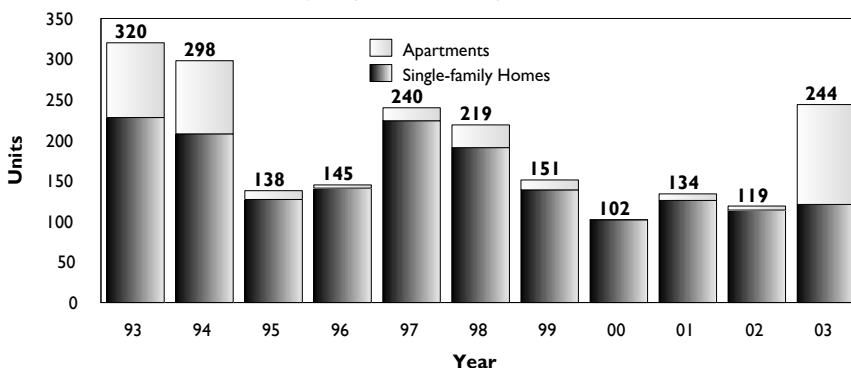
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Total Housing Starts
Second Quarter
Saguenay Census Metropolitan Area



Source: CMHC



HOME TO CANADIANS
Canada

¹ Single-family homes include detached, semi-detached and row houses

The mid-year report is equally favourable, since increases in volume have been recorded in every sector. First of all, ground was broken for 126 detached houses during the first quarter, which represents a 2% increase compared to last year. Semi-detached and row houses experienced even stronger growth: 10 units when compared to 4 last year. Finally, there were construction starts on 135 apartments, which is three times more than last year (40 units in 2002).

with 64% growth, for a total of 18 single-family homes in the first quarter. Alma's rate of growth was lower, at 26%. Construction starts on single-family homes increased by 6% (34 units) whereas the number of apartments went from 3 in 2002 to 10 in the first quarter of 2003. In Roberval, activity remained the same (8 housing starts). In Saint-Félicien, there was a strong decrease (-50%), and ground was broken for only 7 houses, compared to 14 during the same period in 2002.

Since the beginning of the year, 18,409 starts have been counted in urban centres with a population of 10,000 or more, which is an 8% increase compared to the first half of 2002. Among the six CMA's in Quebec, the highest increase was noted in the Saguenay region (62%), then in Québec (19%), Sherbrooke (16%), Gatineau (6%) and Montréal (4%). Trois-Rivières is the only region that experienced a decrease (-13%).

Elsewhere in the Lac-Saint-Jean area **Provincial overview**

In Lac-Saint-Jean, residential housing activity in the city of Dolbeau-Mistassini stands out

This phenomenon of growth in residential construction is occurring province-wide.

Why are condominiums gaining in popularity?

Condominium construction has reached new highs in Quebec. In 2002, there were more than 6,300 condominium housing starts province-wide, a 50% increase over the previous year. To date in 2003, growth is up 30% en route to another record year of activity.

With characteristics well suited to urban living, condominiums are perceived as a phenomenon of large cities, particularly Montreal. This is evidenced by Montreal's 90% share of all new sites. However, CMHC's latest housing start surveys revealed that condominium projects have grown considerably, particularly in the metropolitan Quebec City area (up 63% over last year) and that sites have sprung up in some smaller urban areas such as Saint-Georges and Sainte-Marie de Beauce, for example.

Of course, condominiums are a product of choice in densely populated areas with few new lots available, which means they are expensive. However, the new popularity of condominiums is also attributable to their intrinsically attractive characteristics. First of all, at a time when the population is aging and the size of households is shrinking, condominiums are perfectly suited to small households not wishing to devote much time to maintaining their units. For example, in recent years, condos have attracted a relatively new clientele, that of the boomers whose children have left home. Typically, they are second- or third-time purchasers, which has expanded the market for high-end condos. Although apartments generally come to mind when discussing condominiums, one must bear in mind that increasing numbers of row housing are being offered as condominiums, meaning that they are becoming increasingly better suited to smaller families. Secondly, condominium projects are generally well located near services or downtown areas. Finally, condos being generally more affordable than single-family houses attract a significant share of first-time buyers. Demand is even stronger these days due to the scarcity of available rental housing and historically low mortgage rates.

On the whole, several structural and economic factors have combined such that the construction of units in this segment of the market will produce trends that should be monitored closely in the next few years.

**Condominiums Housing Starts
Province of Quebec**

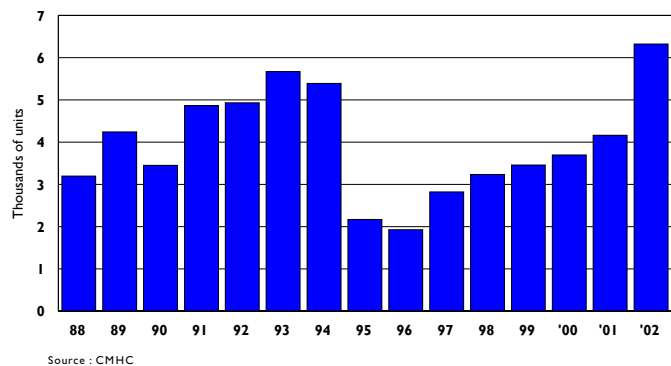


Table I
Summary of Activity by Intended Market
Saguenay Metropolitan Area

Activity / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi-det.	Row	Apart.			
Starts							
Second Quarter 2003	113	8	0	4	0	119	244
Second Quarter 2002	110	4	0	2	0	3	119
Year-to-Date 2003	126	10	0	4	0	131	271
Year-to-Date 2002	123	4	0	2	0	38	167
Under construction **							
Second Quarter 2003	74	8	0	2	0	110	194
Second Quarter 2002	105	4	0	4	0	9	122
Completions							
Second Quarter 2003	55	2	0	4	0	241	302
Second Quarter 2002	33	0	0	0	0	81	114
Year-to-Date 2003	89	10	0	8	0	286	393
Year-to-Date 2002	59	4	0	0	0	89	152
Unoccupied **							
Second Quarter 2003	1	0	0	0	0	86	87
Second Quarter 2002	1	2	0	0	0	27	30
Absorptions							
Second Quarter 2003	55	2	0	4	0	165	226
Second Quarter 2002	35	0	0	1	0	59	95
Year-to-Date 2003	89	10	0	8	0	204	311
Year-to-Date 2002	60	2	0	3	0	64	129
Short term Supply							
Second Quarter 2003	75	8	0	2	0	196	281
Second Quarter 2002	106	6	0	4	0	36	152

* Refers to single-family houses (detached, semi-detached and row) owned under freehold tenure and duplex occupied by the owner(s).

** As at the end of the period shown.

Source: CMHC

Table 2
Housing Starts by Zone and by Intended Market
Saguenay Metropolitan Area

<i>Zone / period</i>	<i>Ownership</i>					<i>Rental</i>	<i>Total</i>
	<i>Freehold</i>				<i>Condo- minium</i>		
	<i>Detached</i>	<i>Semi-det.</i>	<i>Row</i>	<i>Apart.</i>			
Zone 1: City of Chicoutimi							
Second Quarter 2003	32	0	0	0	0	30	62
Second Quarter 2002	23	0	0	2	0	0	25
Year-to-Date 2003	35	2	0	0	0	34	71
Year-to-Date 2002	27	0	0	2	0	4	33
Zone 2: Jonquière							
Second Quarter 2003	36	0	0	2	0	89	127
Second Quarter 2002	47	2	0	0	0	3	52
Year-to-Date 2003	38	0	0	2	0	97	137
Year-to-Date 2002	51	2	0	0	0	34	87
Zone 3: La Baie							
Second Quarter 2003	10	6	0	2	0	0	18
Second Quarter 2002	9	0	0	0	0	0	9
Year-to-Date 2003	10	6	0	2	0	0	18
Year-to-Date 2002	10	0	0	0	0	0	10
Centre (zones 1 to 3)							
Second Quarter 2003	78	6	0	4	0	119	207
Second Quarter 2002	79	2	0	2	0	3	86
Year-to-Date 2003	83	8	0	4	0	131	226
Year-to-Date 2002	88	2	0	2	0	38	130
Zone 4: Outlying Area (Lac Kénogami, Larouche, Laterrière, St-Fulgence, etc.)							
Second Quarter 2003	35	2	0	0	0	0	37
Second Quarter 2002	31	2	0	0	0	0	33
Year-to-Date 2003	43	2	0	0	0	0	45
Year-to-Date 2002	35	2	0	0	0	0	37
TOTAL SAGUENAY METROPOLITAN AREA							
Second Quarter 2003	113	8	0	4	0	119	244
Second Quarter 2002	110	4	0	2	0	3	119
Year-to-Date 2003	126	10	0	4	0	131	271
Year-to-Date 2002	123	4	0	2	0	38	167

Source: CMHC

Table 3
Detached and Semi-Detached Houses Absorbed by price Range - Second Quarter
Saguenay Metropolitan Area

Type	Under \$70,000		\$70,000 to \$89,999		\$90,000 to \$109,999		\$110,000 to \$129,999		\$130,000 or over	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Detached	1	3	3	6	10	7	9	6	32	13
Semi-Det.	0	0	0	0	0	0	0	0	2	0
Total	1	3	3	6	10	7	9	6	34	13
Market Share (Detach.)	1.8%	8.6%	5.5%	17.1%	18.2%	20.0%	16.4%	17.1%	58.2%	37.1%

Source: CMHC

Table 4
Housing Supply / Second Quarter 2003
Saguenay Metropolitan Area

	<i>Intended Market</i>			
	<i>Freehold</i>	<i>Condominium</i>	<i>Rental</i>	<i>Total</i>
Under construction	84	0	110	194
Vacant Inventory	1	0	86	87
Short-Term Supply	85	0	196	281
Short-Term Supply Duration (in months, trend)	4.9	ND	28.7	10.6

Source: CMHC

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Table 5
Housing Starts by Agglomeration and by Intended Market
Lac-St-Jean

Agglomeration / period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Detached	Semi-det.	Row	Apart.			
Alma							
Second Quarter 2003	25	2	0	2	0	11	40
Second Quarter 2002	30	0	0	0	0	3	33
Year-to-Date 2003	29	2	0	2	0	11	44
Year-to-Date 2002	32	0	0	0	0	3	35
Dolbeau-Mistassini							
Second Quarter 2003	14	2	3	0	0	0	19
Second Quarter 2002	9	2	0	0	0	0	11
Year-to-Date 2003	14	2	3	0	0	0	19
Year-to-Date 2002	9	2	0	0	0	0	11
Roberval							
Second Quarter 2003	3	4	0	0	0	0	7
Second Quarter 2002	4	0	0	0	0	4	8
Year-to-Date 2003	4	4	0	0	0	0	8
Year-to-Date 2002	4	0	0	0	0	4	8
Saint-Félicien							
Second Quarter 2003	5	0	0	0	0	0	5
Second Quarter 2002	13	0	0	0	0	0	13
Year-to-Date 2003	7	0	0	0	0	0	7
Year-to-Date 2002	14	0	0	0	0	0	14

Source: CMHC

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**Table 6
Economic Overview
Saguenay Metropolitan Area**

	2002			2003		
	2nd Quart.	3rd Quart.	4th Quart.	1st Quart.	2nd Quart.	
Mortgage Rate (%) (Canada)						
- 1-year	5.5	5.3	5.0	5.1	5.1	
- 5-year	7.4	6.9	6.8	6.6	6.2	
Inflation (Province of Quebec)						
- Inflation Rate (%)	0.9	2.3	3.4	4.2	2.9	
- Consumers Price Index (1992=100)	115.0	116.3	116.9	118.7	118.3	
Quebec's Consumer Attitudes: Survey						
- Index of Consumer Attitudes (1991 = 100, SA)	136.9	129.6	127.9	125.8	127.3	
Jobs Market						
- Jobs Creation (Loss) compare to the last quarter	- Total	-1,100	1,800	400	-2,900	2,000
	- Full Time	-800	4,700	-4,200	-2,600	4,000
- Jobs Creation (Loss) compare to the same quarter last year	- Total	-700	-2,300	-900	-1,800	1,300
	- Full Time	-4,600	-2,500	-3,100	-2,900	1,900
- Unemployment Rate (%)		12.3	9.7	10.1	12.1	11.9

Sources: Statistics Canada, Conference Board of Canada, CMHC

THE RETIREMENT HOME MARKET STUDY

The Canada Mortgage and Housing Corporation's Market Analysis Center publishes reports on the Retirement Homes for six Metropolitan Areas in Québec (Saguenay, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières).

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Definitions and Concepts

Intended Markets - There are three: the freehold market refers to Single-Family Houses (Detached, SemiDetached and Row) owned under freehold; the condominium segment comprises houses and apartments held under divided co-ownership; and finally the rental market encompasses apartments dwellings.

Housing Starts - Refer to the beginning of construction work on a building, usually when the concrete has been laid for the whole of the footing around the structure, or equivalent stage where a basement will not be a part of the structure.

Under Construction - Refers to units that have started but are not complete. The number of the units under construction at the end of a period may take into account certain adjustment that took place, for various reasons, after the starts have been reported.

Completions - Refer to units where all proposed construction work has been performed or in some cases where ninety percent of all construction work is completed and the structure is fit for occupancy.

Unoccupied Units - Refer to new completed units that have remained unoccupied.

Total Short Term Supply - Refers to the total supply of new units and includes units under construction and units that are completed but not occupied.

Total Medium Term Supply - Refers to the total supply of new units and includes units under construction, units that are completed but not occupied and the permits issued but not started.

Absorption - Refers to newly completed units which have been sold or rented. The number of absorptions is obtained from a survey initiated when the structure is completed. Units presold or pre-leased are not included until the completion stage. The number of absorbed units is the number of completed and unoccupied units from the previous quarter plus completions for the current quarter minus completed and unoccupied units for the current quarter.

Duration of inventory - Refers to the period necessary for the absorption of unoccupied units, i. e. the ratio between unoccupied units and absorbed units (average for the last twelve months).

Saguenay Metropolitan Area Zones

Zones	Municipalities	Large zone
1	Chicoutimi	Centre
2	Jonquièrè	Centre
3	La Baie	Centre
4	Lac Kénogami, Larouche, Laterrière, St-Fulgence, St-Honoré, Shipshaw, Canton Tremblay.	Peripheral Area

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