HOUSING NOW Saguenay

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Canada Mortgage and Housing Corporation

www.cmhc.ca

Housing starts sustain a major decrease in the third quarter of 2003

VOLUME 6, NUMBER 3,
THIRD QUARTER 2003

The Saguenay census metropolitan area (CMA) posted 112 housing starts during the third quarter of 2003. These results, which marked a decrease of 52 per cent from the same period in 2002, come from Canada Mortgage and Housing Corporation (CMHC).

Rental housing accounts for the decline

The rental housing segment registered a significant decrease of 86 per cent in the past three months, as construction got under way on only 20 new units, in comparison with 148 last year. This sector is divided into two sub-markets: retirement homes and traditional rental housing. It was the retirement home segment that accounted for the decline observed this past quarter. In recent years, the retirement home market was very tight in the area, which stimulated the construction of some major housing projects intended for this growing client group (120 units in the third quarter of 2002). Therefore, the decrease observed this year was not caused by economic difficulties, but rather by the fact that activity returned to normal following an exceptional year in 2002.

On the traditional rental market, 20 starts were enumerated. This decrease of 8 units in relation to last year marked the first downturn in this segment since the beginning of 2003. Given that the first half of the year ended with 60 new units, compared to 9 the year before, there is every indication that investors simply moved up the launch of their projects so that the new units would be available by the big moving day on July 1. As a result, a major increase was observed for the first six months and a slowdown was then noted in the third quarter.

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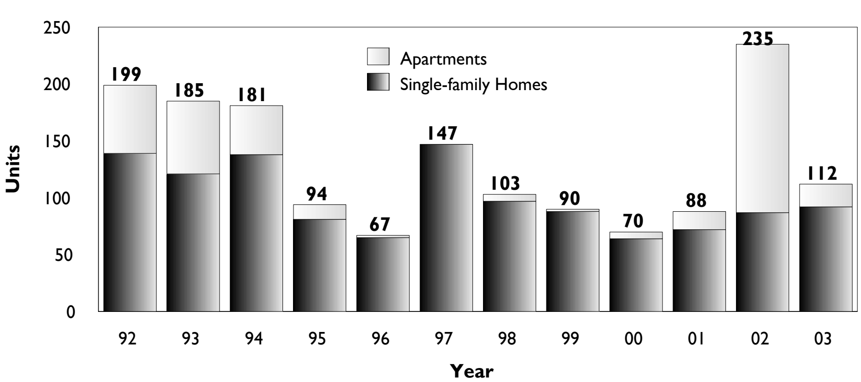
Total Housing Starts
Third Quarter
Saguenay Census Metropolitan Area



Source: CMHC

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CMHC SCHL

HOME TO CANADIANS

Canada

Single-family home building rises

In the single-family home segment[1], activity continued to rise, with a gain of 6 per cent in starts. While 87 houses had been started in the third quarter of 2002, 92 new units were enumerated this year. Detached homes got the lion's share, with 82 starts, followed by semi-detached and row houses, with a total of 10 units.

Results after three quarters of activity

Since the beginning of the year, residential construction is down by 5 per cent in the Saguenay area, with a total of 383 starts. Rental housing construction sustained a significant decline of 18 per cent, for a total of 155 apartments, or 33 fewer new units than last year. Conversely, with 228 units, single-family home building is up by 7 per cent. More particularly, the 20 new semi-detached and row homes enumerated this year surpassed the results recorded in 2002 by 67 per cent.

In Lac-Saint-Jean

With 54 starts, the municipality of Alma more than doubled its level of activity recorded between July and September 2002. It was thanks to the addition of 35 apartments to a retirement home that this result was achieved. In Roberval, the level of activity remained low with the construction of 3 houses in the third quarter. As for Saint-Félicien, the 6 detached home starts marked a small decrease of 1 unit in the past three months. Lastly, 14 new single-family homes were enumerated on the territory of Dolbeau-Mistassini, compared to 15 starts last year.

Across the province

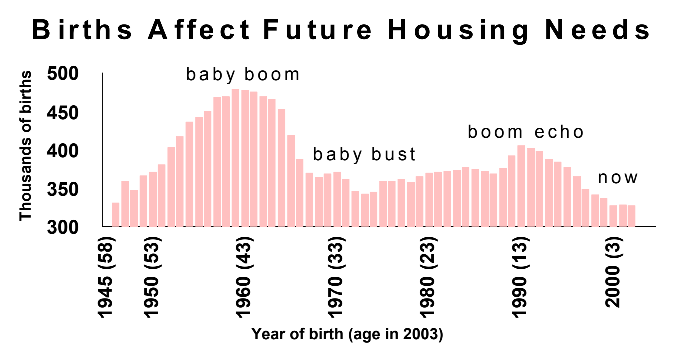
The increase in residential construction has extended to all urban centres across the province. Since January, 28,682 starts have been enumerated in centres with 10,000 or more inhabitants, for a hike of 16 per cent over 2002. The greatest gain was registered in the Québec area (38 per cent), followed by Montréal (14 per cent) and Sherbrooke (9 per cent). In Gatineau, construction remained stable, while Trois-Rivières and Saguenay sustained small decreases in activity (-1 per cent and -5 per cent, respectively).

The impact of births on future housing demand

Canada's births pattern largely explains the population's age structure and hence housing demand. Unless high immigration numbers are sustained, the decline in the number of births in the late 1990s implies softer ownership demand two and a half decades from now.

The changing age structure of Canada's population will have a major influence on how many and what types of homes will be in demand in the future. Households usually move into rental in their earlier life-cycle stages and purchase homes after financial assets are built up, and some move back into rental in their retirement years. The average age of a first-time home buyer is the thirties, while second-round home buying usually occurs in a person's early forties.

Canada's birth pattern is very informative since it explains a substantial part of the population's age structure and thus age-related housing demand. (The other major factor is immigration). Chances are that a person born about twenty years ago is moving into a rental today, while someone born in the late 1960s is purchasing a first home. Let's take a look at the implications of Canada's birth pattern for different periods.



Source: CMHC, adapted from Statistics Canada, CANSIM II

• The baby boom cohort

Post WWII births surged to a peak in 1959, so peak baby boom individuals are now in their early forties and their incomes are already high, but continuing to rise. They are at the age when many people upgrade from their first purchase.

• The baby bust cohort

Canada's annual number of births dropped by 28 per cent between 1959 and 1973. The high rental vacancy rates of the 1990s coincided with the passing of the baby-bust cohort through their renter years. Ten years from now, persons born in the post-war lowest birth year of 1973 will be in their forties. The lower number of people this age may contribute to a reduction in upscale home purchases from the current level.

• The baby boom echo cohort

A spike in the number of births, with the peak in 1990, followed the bust. As shown in the chart, the increase in births during the echo was smaller and of shorter duration than in the boom. This cohort will add to demand for rental housing in about five years and will be in full first-time home buyer mode in about ten to fifteen years from now, if present trends continue.

• Post echo births

The number of births in Canada fell steadily through the 1990s, reaching its lowest level in over half a century in 1999. Although there was a small increase in 2001, it is still too early to conclude that the trend has reversed. If not offset by immigration over the next decade, the potential birth trough will reduce rental demand in the 2020s and home buying in the 2030s and 2040s

[1] *The single-family home segment includes detached, semi-detached and row houses.*

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							
Third Quarter 2003	82	10	0	4	0	16	112
Third Quarter 2002	79	8	0	12	0	136	235
Year-to-Date 2003	208	20	0	8	0	147	383
Year-to-Date 2002	202	12	0	14	0	174	402
Under construction **							
Third Quarter 2003	72	8	0	6	0	83	169
Third Quarter 2002	70	8	0	10	0	143	231
Completions							
Third Quarter 2003	84	8	0	2	0	43	137
Third Quarter 2002	114	4	0	6	0	2	126
Year-to-Date 2003	173	18	0	10	0	329	530
Year-to-Date 2002	173	8	0	6	0	91	278
Unoccupied **							
Third Quarter 2003	2	0	0	0	0	45	47
Third Quarter 2002	1	2	0	0	0	6	9
Absorptions							
Third Quarter 2003	83	8	0	2	0	74	167
Third Quarter 2002	114	4	0	6	0	23	147
Year-to-Date 2003	172	22	0	10	0	215	419
Year-to-Date 2002	176	2	0	8	0	65	251
Short term Supply							
Third Quarter 2003	74	8	0	6	0	128	216
Third Quarter 2002	71	10	0	10	0	149	240

** 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

Zone / period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Detached	Semi-det.	Row	Apart.			
Zone 1: City of Chicoutimi							
Third Quarter 2003	22	2	0	0	0	0	24
Third Quarter 2002	27	2	0	4	0	8	41
Year-to-Date 2003	57	4	0	0	0	34	95
Year-to-Date 2002	54	2	0	6	0	12	74
Zone 2: Jonquière							
Third Quarter 2003	20	6	0	4	0	16	46
Third Quarter 2002	19	6	0	2	0	106	133
Year-to-Date 2003	58	6	0	6	0	113	183
Year-to-Date 2002	70	8	0	2	0	140	220
Zone 3: La Baie							
Third Quarter 2003	10	2	0	0	0	0	12
Third Quarter 2002	4	0	0	0	0	0	4
Year-to-Date 2003	20	8	0	2	0	0	30
Year-to-Date 2002	14	0	0	0	0	0	14
Centre (zones 1 to 3)							
Third Quarter 2003	52	10	0	4	0	16	82
Third Quarter 2002	50	8	0	6	0	114	178
Year-to-Date 2003	135	18	0	8	0	147	308
Year-to-Date 2002	138	10	0	8	0	152	308
Zone 4: Outlying Area (Lac Kénogami, Larouche, Laterrière, St-Fulgence, etc.)							
Third Quarter 2003	30	0	0	0	0	0	30
Third Quarter 2002	29	0	0	6	0	22	57
Year-to-Date 2003	73	2	0	0	0	0	75
Year-to-Date 2002	64	2	0	6	0	22	94
TOTAL SAGUENAY METROPOLITAN AREA							
Third Quarter 2003	82	10	0	4	0	16	112
Third Quarter 2002	79	8	0	12	0	136	235
Year-to-Date 2003	208	20	0	8	0	147	383
Year-to-Date 2002	202	12	0	14	0	174	402

Source: CMHC

Table 3
Detached and Semi-Detached Houses Absorbed by price Range - Third 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	6	16	14	29	20	32	42	34
Semi-Det.	0	0	8	2	0	2	0	0	0	0
Total	1	3	14	18	14	31	20	32	42	34
Market Share (Detach.)	1.2%	2.6%	7.2%	14.0%	16.9%	25.4%	24.1%	28.1%	50.6%	29.8%

Source: CMHC

Table 4
Housing Supply / Third Quarter 2003
Saguenay Metropolitan Area

	Intended Market			
	Freehold	*Condominium*	*Rental*	*Total*
Under construction	86	0	83	169
Vacant Inventory	2	0	45	47
Short-Term Supply	88	0	128	216
Short-Term Supply Duration (in months, trend)	4.4	NA	20.8	7.9

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							
Third Quarter 2003	15	4	0	0	0	35	54
Third Quarter 2002	11	0	0	2	0	13	26
Year-to-Date 2003	44	6	0	2	0	46	98
Year-to-Date 2002	43	0	0	2	0	16	61
Dolbeau-Mistassini							
Third Quarter 2003	12	2	0	0	0	0	14
Third Quarter 2002	15	0	0	0	0	0	15
Year-to-Date 2003	26	4	3	0	0	0	33
Year-to-Date 2002	24	2	0	0	0	0	26
Roberval							
Third Quarter 2003	3	0	0	0	0	0	3
Third Quarter 2002	2	0	0	0	0	0	2
Year-to-Date 2003	7	4	0	0	0	0	11
Year-to-Date 2002	6	0	0	0	0	4	10
Saint-Félicien							
Third Quarter 2003	6	0	0	0	0	0	6
Third Quarter 2002	7	0	0	0	0	0	7
Year-to-Date 2003	13	0	0	0	0	0	13
Year-to-Date 2002	21	0	0	0	0	0	21

Source: CMHC

Table 6
Economic Overview
Saguenay Metropolitan Area

		2002	2003			
		3rd Quart.	4th Quart	1st Quart	2nd Quart	3rd Quart
Mortgage Rate (%) (Canada)						
- 1-year		5.3	5.0	5.1	5.1	4.6
- 5-year		6.9	6.8	6.6	6.2	6.3
Inflation (Province of Quebec)						
- Inflation Rate (%)		2.3	3.4	4.2	2.8	1.7
- Consumers Price Index (1992=100)		116.3	116.9	118.7	118.2	118.3
Quebec's Consumer Attitudes: Survey						
- Index of Consumer Attitudes (1991 = 100, SA)		129.6	127.9	125.8	127.3	124.5
Jobs Market						
- Jobs Creation (Loss) compare to	- Total	1,800	400	-2,900	2,000	4,100
the last quarter	- Full Time	4,700	-4,200	-2,600	4,000	3,900
- Jobs Creation (Loss) compare to	- Total	-2,300	-900	-1,800	1,300	3,600
the same quarter last year	- Full Time	-2,500	-3,100	-2,900	1,900	1,100
- Unemployement Rate (%)		9.7	10.1	12.1	11.9	9.6

Sources: Statistics Canada, Conference Board of Canada, CMHC

Interested by the Vacancy Rates and Average Rents of the rented apartments, following the October 2003 Survey?

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FASTFAXES

which provide the summary results of the survey
(available at the end of november 2003)

RENTAL MARKET REPORTS

which provide a more in-depth and detailed study of the data collected
(available in the beginning of 2004)

To obtain them, please contact our Customer Service at 1-866-855-5711

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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	Jonquière	Centre
3	La Baie	Centre
4	Lac Kénogami, Larouche, Laterrière, St-Fulgence, St-Honoré, Shipshaw, Canton Tremblay.	Peripheral Area

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FORECAST SUMMARY

Saguenay

Fall - Winter 2003

Canada Mortgage and Housing Corporation

Real estate market to post downward trends

Residential construction

✓In the Saguenay census metropolitan area (CMA), total housing starts will sustain a decrease of about 21 per cent in 2003 and reach 470 units. The downturn results from a highly exceptional year in 2002 for rental housing construction. In 2004, there will be 400 housing starts, for a decrease of around 15 per cent.

Rental housing

✓Rental housing construction targets two segments: traditional rental housing and retirement homes. The traditional rental housing segment will jump up by 78 per cent in 2003, as 105 new apartments will be built. This good performance will partially offset the decline in rental housing construction resulting from the retirement home segment. In 2002, 263 units intended for this market, divided among five job sites, had driven up the numbers. In 2003, only one major project (75 units) has gotten under way, and rental housing starts will decrease by 44 per cent to 180 units. Next year, the market should post only traditional rental housing starts, for a total of 90 new units, which will represent a decline of 50 per cent in such starts.

Single-family houses[1]

✓In 2003, there will be a moderate increase of 6 per cent in single-family home starts, for a total 290 new houses. The low mortgage rates, favourable job market conditions in recent years, rising incomes, consumer confidence and lack of properties for sale on the resale market account for the good performance in this market segment. Next year, the situation will be comparable, which will result in foundations being laid for 310 houses, for a gain of 6 per cent.

Resale market

✓Over the next 15 months, the level of activity will be relatively stable on the resale market. In 2003, the number of transactions recorded by Multiple Listing Service (MLS) members will rise by 4 per cent. A total of 1,035 existing single-family homes will be sold—a record for the Saguenay CMA. The decrease in the supply on the market and the ensuing increase in prices, combined with the rise in mortgage rates, will make things increasingly difficult for potential buyers. In 2004, resales should therefore fall slightly by 3 per cent and reach 1,000 units.

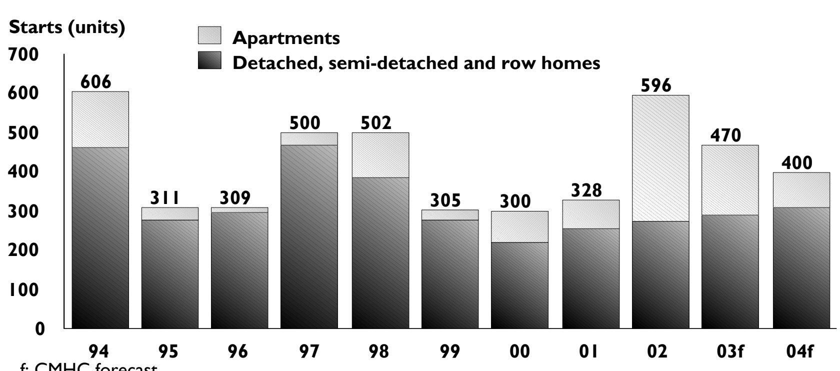
✓In the Saguenay area, the average price of single-family homes will attain $95,350 this year, for a significant hike of 6.5 per cent over the level observed in 2002. With demand exceeding supply, the market is favouring sellers, which is putting pressure on prices and listing periods. In 2004, the average price will surpass the psychological threshold of $100,000, as a gain of 6 per cent will lift this figure up to $101,000 in the Saguenay CMA.

Rental market

✓For the first time in seven years, the vacancy rate for privately initiated rental housing should be above 5 per cent. The many rental housing units started in the last 24 months will exceed the number of new households formed during this period, which will drive up the vacancy rate to 5.5 per cent at the time of the 2003 survey. The gradual absorption of these new housing units should bring the rate back down below the 5-per-cent mark in 2004.

Residential Construction

Saguenay Metropolitan Area



f: CMHC forecast
Source: CMHC

HOME TO CANADIANS

Canada

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

FORECAST SUMMARY
Saguenay Metropolitan Area
Fall - Winter 2003

	2001	2002	2003f	2004f
RESALE MARKET				
MLS sales*	969	993	1,035	1,000
Acive MLS listings *	624	513	400	375
Average price ($)	85,480	89,530	95,350	101,000
Ratio sellers per buyer	7.72	6.20	4.59	4.45
NEW HOME MARKET				
Starts				
Total	320	596	470	400
Single-family homes	255	274	290	310
Condominiums	0	0	0	0
Rental housing units	65	322	180	90
RENTAL MARKET				
Vacancy rate (%)	4.4	4.9	5.5	4.6
Rent for a 2-bedroom unit ($)	439	440	450	462
ECONOMIC OVERVIEW				
Mortgage rate - 1-year (%)	6.14	5.17	4.85	4.89
Mortgage rate - 5-year (%)	7.40	7.02	6.42	6.83
Job creation (number)	-100	0	1,300	700
Unemployment rate (%)	11.2	11.4	10	9.8

f: CMHC forecast

Data sources: CMHC, Statistics Canada, Multiple Listing Service (Chambre immobilière du Saguenay-Lac-Saint-Jean)

(*) Resale market data is now based on MLS sales. Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association (CREA).

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