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Canada Mortgage and Housing Corporation

Residential construction off to a slow start in 2004

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The latest results released by Canada Mortgage and Housing Corporation (CMHC) revealed that residential construction was down in the first quarter of 2004 in the Saguenay census metropolitan area (CMA). In fact, during the winter months (January, February and March), 23 housing starts were recorded, for a decrease of 15 per cent from the same period in 2003.

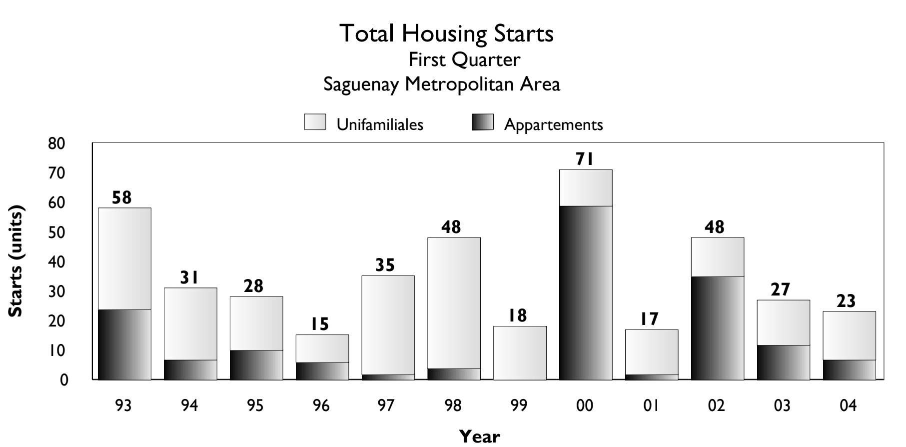
Rental housing construction losing speed

The hardest hit segment was rental housing. During the quarter, construction got under way on 7 such new units, which represents a drop of 42 per cent in comparison with the 12 units enumerated during the first three months of last year. The rise in the rental housing vacancy rate[1] to a level of 5.2 per cent probably dampened the spirits of certain developers. As well, with the current context in the Saguenay area, given the announced shutdowns at Abitibi-Consolidated and Alcan, some investors probably prefer to observe the evolution of the market.

Semi-detached and row homes in demand

The construction of single-family houses[2] began the year more vigorously on the territory of the Saguenay CMA. In fact, 16 houses were started during the first quarter, or 1 more than last year. This gain of 7 per cent was attributable to semi-detached and row home starts, which

Continued on next page



Source: CMHC

[1]Every year, CMHC releases the results of its Rental Market Survey, conducted in October in urban centres with 10,000 or more inhabitants across Canada.
[2]Single-family houses include detached, semi-detached and row homes.

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tripled this winter, reaching 6 units. The lack of properties for sale and the strong demand on the resale market are driving up prices. Some buyers are therefore turning to the new home market to buy a semi-detached or row home—a relatively affordable housing type. In the single-detached home segment, we enumerated 10 new constructions, or 3 fewer than during the first quarter of 2003.

Elsewhere in the Lac-Saint-Jean area

The first quarter is always calm for residential construction in the Lac-Saint-Jean urban centres. In Alma, construction got under way on 5 detached houses, a better result than the 2 starts enumerated last year. In Dolbeau-Mistassini, the year began on a good note, as 3 foundations were laid, compared to none during the first quarter of 2003. As for Saint-Félicien, only 1 dwelling was started there, like in the first months of last year. Lastly, Roberval registered no new starts during this first quarter of 2004, while work had begun on 1 detached house at the same time last year.

In the other urban centres across the province

In all urban centres with 10,000 or more inhabitants across Quebec, 8,412 starts were enumerated during the first quarter of 2004, for an increase of 33 per cent. The Gatineau CMA posted the greatest gain (90 per cent), followed by Sherbrooke (62 per cent). Still in terms of residential construction activity, Trois-Rivières (48 per cent) ranked ahead of Montréal, which showed the same increase as the province (33 per cent). Lastly, housing starts were down slightly in the Québec CMA (-3 per cent) and the Saguenay area (-15 per cent).

The Housing Construction Industry : Challenge and Opportunities for the 21st Century

Over the next century, new trends will emerge, obliging the Canadian construction industry to adapt. The findings of a research report[1] published by CMHC, identify the challenges and opportunities that these trends present for the housing construction industry.

Areas discussed relate to:

Demographic Factors: An aging population with an increasing propensity to remain as homeowners, younger generations facing less job security and looking for flexibility and diversity in housing, tenure and financing options, and an increasing trend to multi-generational households and related housing needs will present the industry with challenges to respond with diversity, flexibility and affordability in design, construction, renovation, financing and tenure options.

Regulatory Factors: Builders and other stakeholders in the housing industry are becoming increasingly concerned about the nature and extent of the liabilities they face as a result of building or renovating houses. The regulatory framework governing the Canadian housing industry is evolving rapidly. Some aspects are welcomed by the industry and some are viewed with extreme concern.

Mortgage Financing: Home financing arrangements are becoming more varied, flexible and innovative. Lenders are introducing products that respond to a variety of needs and are mutually beneficial to lender and client.

Trade and Labour Mobility: Labour shortages could impair the ability of firms to respond to demand and affect the cost of housing. The industry faces the challenge of attracting more young people into the profession as the existing baby-boom workforce ages. With labour shortages becoming more acute, increasing standardization and supporting trade mobility among provinces becomes important. There is also the challenge of mobility of skilled workers across the U.S./Canada border.

Development Cost Charges: With an increasing variety of levies, user fees and taxes pushing up the cost of new home construction there is pressure to examine alternative revenue generating mechanisms to provide for capital works infrastructure.

Technology: Innovative practices appear poised to emerge in the future; however, there continues to be a number of barriers both within and outside the industry to innovation.

[1] Extract from The Housing Construction Industry: Challenges and Opportunities for the 21st Century, Research Highlights, CMHC, Socio-economic Series, Issue 03-004, June 2003.
For more information, visit www.cmhc.ca or call 1 800 668-2642.

Table 1 Summary of Activity by Intended Market Saguenay Metropolitan Area							
Activity / Period	*Ownership*					*Rental*	*Total*
	*Freehold**				*Condo-minium*		
	Single	*Semi*	*Row*	*Apt.*			
Starts							
First quarter 2004	10	6	0	0	7	0	23
First quarter 2003	13	2	0	0	0	12	27
Year-to-date 2004 (Jan.-Mar.)	10	6	0	0	7	0	23
Year-to-date 2003 (Jan.-Mar.)	13	2	0	0	0	12	27
Under construction*							
First quarter 2004	32	6	0	0	0	7	45
First quarter 2003	16	2	0	2	0	232	252
Completions							
First quarter 2004	16	0	0	4	0	0	20
First quarter 2003	34	8	0	4	0	45	91
Year-to-date 2004	16	0	0	4	0	0	20
Year-to-date 2003	34	8	0	4	0	45	91
Unoccupied*							
First quarter 2004	3	0	0	0	0	41	44
First quarter 2003	1	0	0	0	0	10	11
Absorption							
First quarter 2004	17	1	0	4	0	34	56
First quarter 2003	34	8	0	4	0	39	85
Year-to-date 2004	17	1	0	4	0	34	56
Year-to-date 2003	34	8	0	4	0	39	85
Duration of inventory (months)							
Trend 2004	35	6	0	0	0	48	89
Trend 2003	17	2	0	2	0	242	263

** Refers to single-family houses (single-detached, semi-detached and row homes) owned under freehold tenure and owner-occupied duplexes*

*** 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		
	Single	Semi	Row	Apt.			
Zone 1: Chicoutimi							
First quarter 2004	2	6	0	0	0	0	8
First quarter 2003	3	2	0	0	0	4	9
Year-to-date 2004	2	6	0	0	0	0	8
Year-to-date 2003	3	2	0	0	0	4	9
Zone 2: Jonquière							
First quarter 2004	4	0	0	0	0	0	4
First quarter 2003	2	0	0	0	0	8	10
Year-to-date 2004	4	0	0	0	0	0	4
Year-to-date 2003	2	0	0	0	0	8	10
Zone 3: La Baie							
First quarter 2004	0	0	0	0	7	0	7
First quarter 2003	0	0	0	0	0	0	0
Year-to-date 2004	0	0	0	0	7	0	7
Year-to-date 2003	0	0	0	0	0	0	0
Centre (zones 1 to 3)							
First quarter 2004	6	6	0	0	7	0	19
First quarter 2003	5	2	0	0	0	12	19
Year-to-date 2004	6	6	0	0	7	0	19
Year-to-date 2003	5	2	0	0	0	12	19
Zone 4: Outlying area (Lac Kénogami, Larouche, Laterrière, Saint-Fulgence, etc.)							
First quarter 2004	4	0	0	0	0	0	4
First quarter 2003	8	0	0	0	0	0	8
Year-to-date 2004	4	0	0	0	0	0	4
Year-to-date 2003	8	0	0	0	0	0	8
TOTAL - SAGUENAY METROPOLITAN AREA							
First quarter 2004	10	6	0	0	7	0	23
First quarter 2003	13	2	0	0	0	12	27
Year-to-date 2004	10	6	0	0	7	0	23
Year-to-date 2003	13	2	0	0	0	12	27

Source: CMHC

Table 3
Single-Detached and Semi-Detached Houses Absorbed by Price Range - First 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Single	0	2	0	2	3	8	6	8	8	14
Semi	0	4	0	4	1	0	0	0	0	0
Total	0	6	0	6	4	8	6	8	8	14
Market share (single)	0.0%	5.9%	0.0%	5.9%	17.6%	23.5%	35.3%	23.5%	47.1%	41.2%

Source: CMHC

Table 4
Housing Supply - First quarter 2004
Saguenay Metropolitan Area

	Intended Market			
	Freehold	*Condominium*	*Rental*	*Total*
Under construction	38	0	7	45
Unoccupied	3	0	41	44
Short-term supply	41	0	48	89
Duration of short-term supply (months, trend)	1.8	n.a.	5.1	2.5

Source: CMHC

For more information about this publication, please contact our:

Customer Service

at

Tel.: 1 866 855-5711

or by Email:

cam_qc@cmhc.ca

Table 5 Housing Starts by Agglomeration and by Intended Market Lac-Saint-Jean							
Agglomeration / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Alma							
First quarter 2004	5	0	0	0	0	0	5
First quarter 2003	4	0	0	0	0	0	4
Year-to-date 2004	5	0	0	0	0	0	5
Year-to-date 2003	4	0	0	0	0	0	4
Dolbeau-Mistassini							
First quarter 2004	3	0	0	0	0	0	3
First quarter 2003	0	0	0	0	0	0	0
Year-to-date 2004	3	0	0	0	0	0	3
Year-to-date 2003	0	0	0	0	0	0	0
Roberval							
First quarter 2004	0	0	0	0	0	0	0
First quarter 2003	1	0	0	0	0	0	1
Year-to-date 2004	0	0	0	0	0	0	0
Year-to-date 2003	1	0	0	0	0	0	1
Saint-Félicien							
First quarter 2004	1	0	0	0	0	0	1
First quarter 2003	2	0	0	0	0	0	2
Year-to-date 2004	1	0	0	0	0	0	1
Year-to-date 2003	2	0	0	0	0	0	2

Source: CMHC

Table 6
Economic Overview
Saguenay Metropolitan Area

	2003 1st Q	2003 2nd Q	2003 3rd Q	2003 4th Q	2004 1st Q
Mortgage rates (%) (Canada)					
- 1-year	5.1	5.1	4.6	4.7	4.3
- 5-year	6.6	6.2	6.3	6.5	5.9
Inflation (Province of Quebec)					
- Inflation rate (%)	4.2	2.8	1.7	1.3	0.8
- Consumer Price Index (1992=100)	118.7	118.2	118.3	118.5	119.6
Quebec consumer attitudes survey					
- Index of Consumer Attitudes (1991 = 100) (seasonally adjusted)	124.0	120.7	123.7	117.5	125.3
Labour market					
- Job creation (loss) compared to the last quarter - total	-2,900	2,000	4,100	-3,600	1,200
- Job creation (loss) compared to the last quarter - full-time	-2,600	4,000	3,900	-5,400	-600
- Job creation (loss) compared to the same quarter last year - total	-1,800	1,300	3,600	-400	3,700
- Job creation (loss) compared to the same quarter last year - full-time	-2,900	1,900	1,100	-100	1,900
- Unemployment rate (%)	12.1	11.9	9.6	11.5	13.6

Sources: Statistics Canada, Conference Board of Canada

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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