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Canada Mortgage and Housing Corporation

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RESIDENTIAL CONSTRUCTION REMAINS VIGOROUS IN THE QUÉBEC AREA

VOLUME 5, NUMBER 3, THIRD QUARTER 2002

Housing starts continued to rise during the third quarter of 2002 in the Québec census metropolitan area (CMA). Between July and September 2002, 839 dwellings were started, for an increase of 45 per cent over the same period in 2001. This was the twelfth consecutive quarterly gain.

Growth Extends to All Housing Types

All housing types recorded stronger activity during the past quarter. The greatest gain was in the construction of dwellings intended for the rental market. Such starts reached 139 units in the third quarter, up by 81 per cent over last year. Nearly two thirds of these new rental units were targeted to seniors.

In the condominium segment, the trend was also on the rise, with 133 new units, compared to 98 last year. This result was partly attributable to the start-up of an 88-unit project in the Sainte-Foy sector.

Single-family home building also remained vigorous, with a total of 567 new units, for an increase of 41 per cent over last year.

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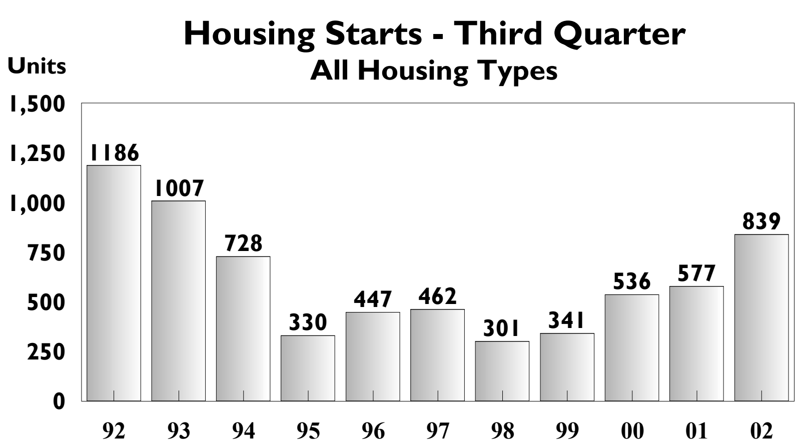

Source: CMHC

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Various Factors Account for this Growth

These latest results brought the total number of new dwellings since the beginning of the year to 3,146, or 62 per cent more than during the period from January to September 2001. The low interest rates and the dynamic job market, along with the shortage of rental housing and the lack of properties for sale on the existing home market, are the main reasons behind this vigorous activity. Since these factors are not bound to change significantly over the next few months, residential construction will remain strong.

Elsewhere in the Province

Significant growth in residential construction was also noted across the province. Since the beginning of the year, 24,682 housing starts have been enumerated in urban centres with 10,000 or more inhabitants, up by 56 per cent over the first nine months of 2001. The greatest increase was in the Trois-Rivières area (83 per cent), followed by Sherbrooke (74 per cent), Chicoutimi-Jonquière (68 per cent), Québec (62 per cent), Montréal (60 per cent) and Gatineau (51 per cent).

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SPOTLIGHT ON THE 2001 CENSUS

The latest 2001 Statistics Canada census results on households and tenure options reveal certain features particular to Quebec

Essential factors

Household characteristics and trends are essential factors in housing market analysis. A review of the latest results from the 2001 Statistics Canada census revealed some national trends and also certain features specific to Quebec.

Households

In Quebec, there are close to 3 million households, representing around 26 per cent of the 11.5 million households or so in Canada. As shown in the graph, household formation and housing starts are closely linked. They reached a peak at the end of the 1980s, when the baby boomers left their parents to form their own households. The decrease in the number of new households observed over the past decade is therefore the direct cause of the decline in housing starts registered during the same period.

Households are not only becoming less numerous, but they are also getting older. The proportion of households aged over 35 years has increased since 1996. The median age in Quebec is now 38.8 years, up by 2.6 years over the previous census. Over the long term, the aging of the population will represent a challenge for the housing market, which will have to adjust to this change, especially after 2020 when the first baby boomers will be reaching the age of 75 years.

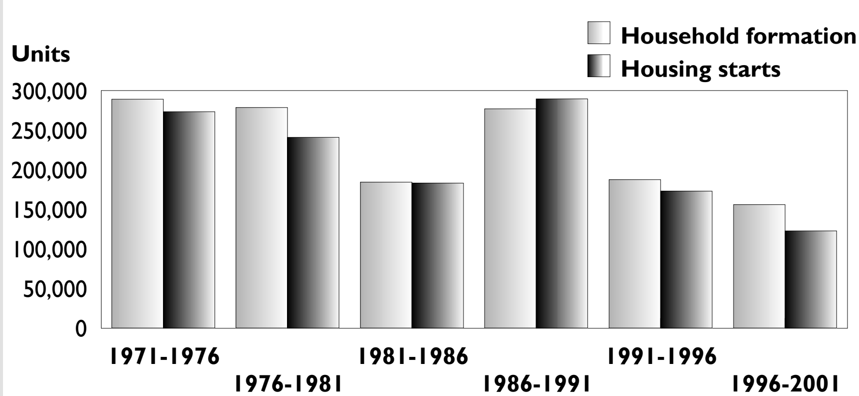
Among the census metropolitan areas (CMAs), household growth rates vary. The Gatineau and Sherbrooke areas post the highest rates, at 9.1 per cent and 7.6 per cent, respectively. Montréal and Québec follow, with rates of 5.7 per cent and 6.9 per cent, while Chicoutimi-Jonquière and Trois-Rivières showed the weakest growth in 2001, at 3.8 per cent and 3.3 per cent, respectively.

Housing tenure options

In 2001, Quebec had the lowest percentage of homeowners (56 per cent, down by 1 per cent from the previous census), in comparison with the national average of 66 per cent. Among the other Canadian provinces, Ontario has 67 per cent of homeowners, and Alberta, 70 per cent. The province with the largest proportion of homeowners is Newfoundland, where more than 78 per cent of households own their home.

Among the CMAs, Montréal has the lowest percentage of homeowners in the country, with just 50 per cent. Chicoutimi-Jonquière is the area where this percentage is the highest in Quebec (62 per cent).

Finally, Quebec has the smallest proportion of single-family homes (41.7 per cent versus 57.4 per cent for Canada). Montréal is in last place in this regard, with a meagre 31.8 per cent. The situation is considerably different when it comes to apartments: in Quebec, 43.2 per cent of households live in an apartment, compared to 27.1 per cent across the country.



Sources: CMHC and Statistics Canada

Table I
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi	Row	Apart.			
Starts							
Third Quarter 2002	481	20	22	44	133	139	839
Third Quarter 2001	349	22	5	26	98	77	577
Year-to-Date 2002 (Jan.-Sept.)	1,823	114	42	102	318	747	3,146
Year-to-Date 2001 (Jan.-Sept.)	1,220	78	35	54	264	287	1,938
Under construction **							
Third Quarter 2002	409	32	17	22	109	532	1,121
Third Quarter 2001	523	40	13	30	223	153	982
Completions							
Third Quarter 2002	877	50	31	69	259	241	1,527
Third Quarter 2001	464	26	25	26	36	293	870
Year-to-Date 2002	1,800	125	40	117	462	500	3,044
Year-to-Date 2001	1,031	66	38	40	78	626	1,879
Unoccupied **							
Third Quarter 2002	36	9	8	4	24	10	91
Third Quarter 2001	65	9	13	0	33	25	145
Absorptions***							
Third Quarter 2002	926	61	28	65	265	255	1,600
Third Quarter 2001	513	36	16	26	61	315	967
Year-to-Date 2002	1,840	123	40	107	458	493	3,061
Year-to-Date 2001	1,045	78	37	40	113	561	1,874
Duration of inventory (in months)							
2002 Trend	0.2	0.7	1.6	0.4	0.5	0.2	0.3
2001 Trend	0.6	1.2	4.9	0.0	1.7	0.5	0.8

** 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.*

**** Absorption in second quarter 2002 was incorrect*

Source: CMHC

Table 2 Housing Starts by Zone and by intended Market Québec Metropolitan Area							
Zone / period	*Ownership*					*Rental*	*Total*
	*Freehold **				*Condo-minium*		
	Detached	*Semi*	*Row*	*Apart.*			
Zone 1: Québec Basse-Ville, Vanier							
Third Quarter 2002	1	0	0	0	0	12	13
Third Quarter 2001	3	0	0	0	0	0	3
Year-to-Date 2002	1	0	0	6	0	87	94
Year-to-Date 2001	4	0	0	0	12	14	30
Zone 2: Québec Haute-Ville							
Third Quarter 2002	0	0	0	0	0	0	0
Third Quarter 2001	0	0	0	0	10	0	10
Year-to-Date 2002	0	0	0	0	10	0	10
Year-to-Date 2001	0	0	0	0	120	5	125
Zone 3: Québec Des Rivières, Ancienne-Lorette							
Third Quarter 2002	52	0	4	14	42	56	168
Third Quarter 2001	23	6	0	18	12	0	59
Year-to-Date 2002	182	22	11	26	64	56	361
Year-to-Date 2001	102	20	1	18	30	33	204
Zone 4: Ste-Foy, Cap-Rouge, St-Augustin, Sillery							
Third Quarter 2002	49	4	5	0	88	4	150
Third Quarter 2001	35	2	5	0	76	77	195
Year-to-Date 2002	211	12	12	0	88	341	664
Year-to-Date 2001	144	6	5	0	88	77	320
North Centre (zones 1 to 4)							
Third Quarter 2002	102	4	9	14	130	72	331
Third Quarter 2001	61	8	5	18	98	77	267
Year-to-Date 2002	394	34	23	32	162	484	1,129
Year-to-Date 2001	250	26	6	18	250	129	679
Zone 5: Val-Bélair, St-Émile, etc.							
Third Quarter 2002	95	0	0	6	0	0	101
Third Quarter 2001	75	2	0	2	0	0	79
Year-to-Date 2002	364	16	0	16	0	3	399
Year-to-Date 2001	243	10	0	6	0	0	259
Zone 6: Greater Charlesbourg, Stoneham, etc.							
Third Quarter 2002	89	4	0	12	0	0	105
Third Quarter 2001	49	4	0	2	0	0	55
Year-to-Date 2002	296	22	0	28	8	7	361
Year-to-Date 2001	177	14	0	8	14	18	231

Table 2 (continued)
Housing Starts by Zone and by intended Market
Québec Metropolitan Area

Zone / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi	Row	Apart.			
Zone 7: Greater Beauport, Boischâtel, Île d'Orléans, etc.							
Third Quarter 2002	80	8	0	8	0	31	127
Third Quarter 2001	54	6	0	0	0	0	59
Year-to-Date 2002	295	12	0	10	139	67	523
Year-to-Date 2001	185	6	0	8	0	24	222
North Periphery (zones 5 to 7)							
Third Quarter 2002	264	12	0	26	0	31	333
Third Quarter 2001	178	12	0	4	0	0	193
Year-to-Date 2002	955	50	0	54	147	77	1,283
Year-to-Date 2001	605	30	0	22	14	42	712
North Shore (zones 1 to 7)							
Third Quarter 2002	366	16	9	40	130	103	664
Third Quarter 2001	239	20	5	22	98	77	460
Year-to-Date 2002	1,349	84	23	86	309	561	2,412
Year-to-Date 2001	855	56	6	40	264	171	1,391
Zone 8: St-Jean-Chrysostôme, St-Nicolas, etc.							
Third Quarter 2002	65	0	13	4	3	12	97
Third Quarter 2001	87	0	0	2	0	0	89
Year-to-Date 2002	321	12	19	12	3	131	498
Year-to-Date 2001	276	16	0	8	0	44	344
Zone 9: Greater Lévis, Pintendre							
Third Quarter 2002	50	4	0	0	0	24	78
Third Quarter 2001	23	2	0	2	0	0	27
Year-to-Date 2002	153	18	0	4	6	55	236
Year-to-Date 2001	89	6	29	6	0	72	202
South Shore (zones 8 and 9)							
Third Quarter 2002	115	4	13	4	3	36	175
Third Quarter 2001	110	2	0	4	0	0	116
Year-to-Date 2002	474	30	19	16	9	186	734
Year-to-Date 2001	365	22	29	14	0	116	546
QUÉBEC MÉTROLITAN AREA TOTAL							
Third Quarter 2002	481	20	22	44	133	139	839
Third Quarter 2001	349	22	5	26	98	77	577
Year-to-Date 2002	1,823	114	42	102	318	747	3,146
Year-to-Date 2001	1,220	78	35	54	264	287	1,938

Source: CMHC

Table 3 Detached and Semi-Detached Houses Absorbed by price Range - ThirdQuarter Québec Metropolitan Area										
Type	***Under $80,000***		***$80,000 to $99,999***		***$100,000 to $119,999***		***$120,000 to $149,999***		***$150,000 and over***	
	2002	***2001***	***2002***	***2001***	***2002***	***2001***	***2002***	***2001***	***2002***	***2001***
Detached	10	12	58	92	144	93	399	185	315	131
Semi-detached	2	4	6	10	41	13	6	5	6	4
Total	12	16	64	102	185	106	405	190	321	135
Market Share (%)	1%	2%	6%	18%	16%	18%	43%	36%	34%	26%

Source: CMHC

Table 4 Housing Supply / Third Quarter 2002 Québec Metropolitan Area					
Intended Market	***Under Construction***	***Vacant units***	***Short Term Supply***	***Monthly absorptions****	***Duration of Short Term Supply (months)***
	September 2002			***Trend 2002***	
Freehold	480	57	537	222.0	2.4
Condominium	109	24	133	49.2	2.7
Rental	532	10	542	51.8	10.5
Total	1,121	91	1,212	322.9	3.8
	September 2001			***Trend 2001***	
Freehold	606	87	693	119.3	5.8
Condominium	223	33	256	19.8	12.9
Rental	153	25	178	54.1	3.3
Total	982	145	1,127	193.3	5.8

** Average of the absorption of the last 12 months*

Source: CMHC

Table 5
Economic Overview
Québec Metropolitan Area

	3rd quart. 2002	2nd quart. 2002	3rd quart. 2001	Trend 2002	Trend 2001	Variation (%) Trend
Labour Market						
Number of jobs (000)	366.5	368.2	342.8	355.8	336.8	-5.4
Unemployment Rate (%)	6.1	5.9	8.0	6.6	7.7	n / a
Mortgage rates (1)						
1 year (%)	5.3	5.5	6.0	5.2	6.6	n / a
5 years (%)	6.9	7.4	7.5	7.1	7.6	n / a
Annual inflation rate						
CPI, 1992=100	117.0	115.6	114.3	n / a	n / a	n / a
New homes price index (1992=100)						
Housing Unit						
Land	111.1	109.7	106.7	108.7	105.1	3.4
Total	107.3	107.0	105.6	106.7	105.0	1.7
	109.6	108.4	105.8	107.5	104.4	2.9
Consumer Confidence						
1991=100 (2)						
	129.6	136.9	112.5	132.6	115.8	14.5
MLS Sales						
Total Residential	1,172	1,245	1,814	5,652	5,381	5.0
Single housing medioan price	101,666	90,443	98,770	n / a	n / a	n / a

Notes: (1) Canada (2) Province of Québec.

Sources: Statistics Canada, Conference Board of Canada, Chambre Immobilière de Québec.

Interested by the Vacancy Rates and Average Rents of the rented apartments, following the October 2002 Survey?

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FASTFAXES

which provide the summary results of the survey
(available at the end of november 2002)

RENTAL MARKET REPORTS

which provide a more in-depth and detailed study of the data collected
(available in the beginning of 2003)

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Definitions and Concepts

INTENDED MARKETS - There are three: the home owner market refers to single family dwellings (detached, semi-detached and town houses) held in free tenure; the joint ownership (condominium) includes houses and apartments owned jointly; and the rental market groups apartments.

HOUSING STARTS - This term designates the start of construction work, usually after the placement of concrete footing or a similar stage when the building has no basement.

HOUSING UNITS UNDER CONSTRUCTION - Housing units started, but not finished. The number of housing units under construction at the end of a time period may take into account some adjustments that are made for various reasons after the housing starts have been indicated.

COMPLETIONS - Habitable housing units where the work that had been foreseen is finished and in some cases, can be considered a completed housing unit if there is only ten percent of the work left to be carried out.

VACANT HOUSING UNITS - New completed housing units that remain vacant.

TOTAL SUPPLY - SHORT-TERM - Total reserve of new housing units that include housing units under construction and those that are completed, but vacant.

ABSORPTION - Recently completed housing units that have either been sold or rented. A count of the housing units absorbed is made when the house is completed. Housing units sold or rented in advance are not included before the work is completed. The number of housing units absorbed for the current month corresponds to the number of housing units completed and vacated for the preceding month, plus the completions for the current month, minus the housing units completed and vacant for the current month.

DURATION OF INVENTORY - Necessary period for absorbing vacant housing units, that is, the ratio between vacant and absorbed housing units (average of the last 12 months). This data is expressed in months.

DURATION OF TOTAL SHORT-TERM SUPPLY - Necessary period for absorbing vacant housing units and those under construction, that is, the ratio between vacant housing units and those under construction and absorbed housing units (average of the last 12 months). This data is expressed in months.

Québec Metropolitan Area Zones

Zones	Municipalities and Zones	Large Zones
1	Lower Town Quebec, Vanier	North Centre
2	Upper Town Quebec	North Centre
3	Québec Des Rivières (Neufchâtel, Duberger, Les Saules, Lebourgneuf), Ancienne-Lorette	North Centre
4	Ste-Foy, Sillery, Cap-Rouge, St-Augustin	North Centre
5	Val-Bélair, St-Émile, Loretteville, Lac St-Charles, Lac Delage, Valcartier, Shannon, Lac St-Joseph, Ste-Catherine-de-la-J.-C., Fossambault	Northern Suburbs
6	Greater Charlesbourg, Lac Beauport, Stoneham-Tewkesbury	Northern Suburbs
7	Greater Beauport, Ste-Brigitte-de-Laval, Boischâtel, L'Ange-Gardien, Château-Richer, Île-d'Orléans	Northern Suburbs
8	Charny, St-Romuald, St-Jean-Chrysostôme, St-Nicolas, St-Rédempteur, Breakeyville, St-Lambert, St-Étienne	South Shore
9	Lévis, Pintendre, St-Joseph-de-Lévy, St-Étienne-de-Beaumont	South Shore

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FORECAST SUMMARY

Québec

Fall - Winter 2002

Canada Mortgage and Housing Corporation

Residential Construction Boom in 2002 and 2003

Residential Construction

✓ This year and next year, residential construction will be marked by a major increase in activity. This performance will be attributable to vigorous employment growth, the lack of properties for sale on the existing home market, the affordable mortgage rates and the shortage of rental housing.

✓ The lack of rental housing in the Québec area is encouraging developers to launch some new projects. It is expected that there will be 1,200 new units in 2002. This trend will continue next year, and the arrival of new dwellings resulting from the current government programs will inflate total rental housing starts to 1,700 units.

✓ Homeowner housing construction is largely benefiting from the overall conditions on the resale market. The scarcity on this market will stimulate the start-up of 2,700 single-family homes (49.6 per cent) this year. And, for 2003, 2,800 new units are expected.

✓ Activity is also very intense in the condominium segment. This type of housing saw its situation improve considerably in recent years. In all, some 600 units are anticipated this year and 500, next year.

Resale Market

✓ Sales through the Multiple Listing Service (MLS) will post another record year in 2002, with 7,350 transactions. However, even with the favourable economic conditions, it will not be possible to repeat this performance in 2003. The more limited choice on the existing home market, along with the significant increase in prices, will be responsible for the downturn.

✓ The seller-to-buyer ratio is free-falling and, as such, accounts for the major hike in prices in relation to 2001. As well, the affordable mortgage rates raised the capacity to pay of households, who turned to more expensive properties. The anticipated increase of 14.8 per cent for a single-detached house will be greatest hike observed in the Québec area since the late 1980s.

✓ The few available rental housing units will favour the sale of substitute products like duplexes.

Rental Market

✓ The rental market is facing a shortage, with less than 1 per cent of units available for rental.

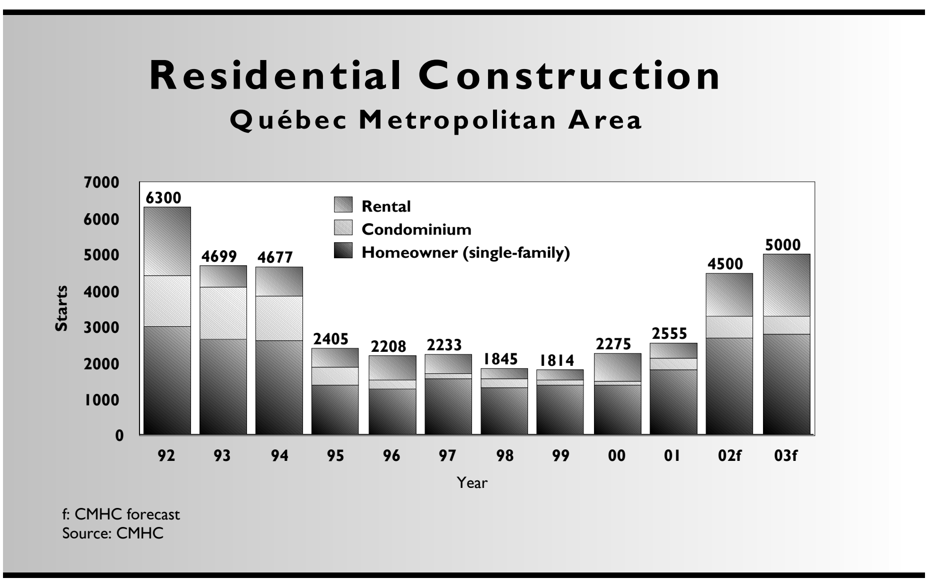
✓ The good youth employment situation and the aging of the population will drive up demand for rental housing.

✓ These factors will likely further push down the vacancy rate. From 0.8 per cent in 2001, this rate is expected to drop to 0.4 per cent this year before going back up slightly in 2003.

✓ Even with the small number of vacant units available, the rental increase will be moderate this year, at 3 per cent. For 2003, a hike of 3.5 per cent is anticipated.

Employment and Economy

✓ The labour market is doing very well in the Québec area, as nearly 20,000 new jobs are expected this year (5.6 per cent). The growth will be more moderate next year and will be concentrated in the service sector.



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FORECAST SUMMARY
Québec Metropolitan Area
Fall - Winter 2002

	2000	2001	2002f	% Chg.	2003f	% Chg.
RESALE MARKET						
Active MLS listings	5,625	4,519	2,600	-42.5%	2,400	-7.7%
MLS sales						
Total	6,257	7,072	7,350	3.9%	7,000	-4.8%
Detached	4,232	4,631	4,800	3.6%	4,550	-5.2%
Semi-detached and row	967	1,065	1,100	3.3%	1,025	-6.8%
Condominium	855	1,113	1,125	1.1%	1,075	-4.4%
Duplex	213	263	325	23.6%	350	7.7%
Median MLS price ($)						
Detached	88,993	92,367	106,000	14.8%	115,000	8.5%
Semi-detached and row	73,421	75,392	83,000	10.1%	91,000	9.6%
Condominium	72,265	72,972	81,000	11.0%	88,000	8.6%
NEW HOME MARKET						
Housing starts						
Total	2,275	2,555	4,500	76.1%	5,000	11.1%
Freehold (single-family)	1,391	1,805	2 700	49.6%	2,800	3.7%
Condominium	112	309	600	94.2%	500	-16.7%
Rental	772	441	1 200	172.1%	1,700	41.7%
Median price ($)						
Detached	101,700	104,250	108,400	4.0%	113,800	5.0%
RENTAL MARKET						
Vacancy rate (%) (Oct.)	1.6 %	0.8%	0.4%	--	0.8%	--
Change in rents (%)	1.4 %	3.8%	3.0%	--	3.5%	--
ECONOMIC OVERVIEW						
Mortgage rate - 1-year (%)	7.85 %	6.14%	5.13%	--	6.18%	--
Mortgage rate - 5-year (%)	8.35 %	7.41%	7.14%	--	7.91%	--
Number of jobs	326,650	338,950	358,000	5,6%	362,000	1.1%
Unemployment rate (%)	8.0 %	7.8%	6.4%	--	6.5%	--

f: CMHC forecast
Data sources: CMHC, Statistics Canada, Multiple Listing Service (Chambre immobilière de Québec)

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