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Canada Mortgage and Housing Corporation

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RESIDENTIAL CONSTRUCTION IN THE QUÉBEC AREA DECLINES IN THE THIRD QUARTER

Residential construction slowed down in the third quarter in the Québec census metropolitan area (CMA). According to the survey conducted by Canada Mortgage and Housing Corporation (CMHC), 1,243 dwellings were started from July to September 2004, for a decrease of 23 per cent from the same quarter last year.

It was the condominium segment that sustained the greatest decline in the third quarter, with a drop of 40 per cent in relation to 2003 (253 units in 2003, compared to 153 this year). Rental housing construction, for its part, fell by 29 per cent (433 units), while single-family home building registered a decrease of 13 per cent in starts, to 657 units.

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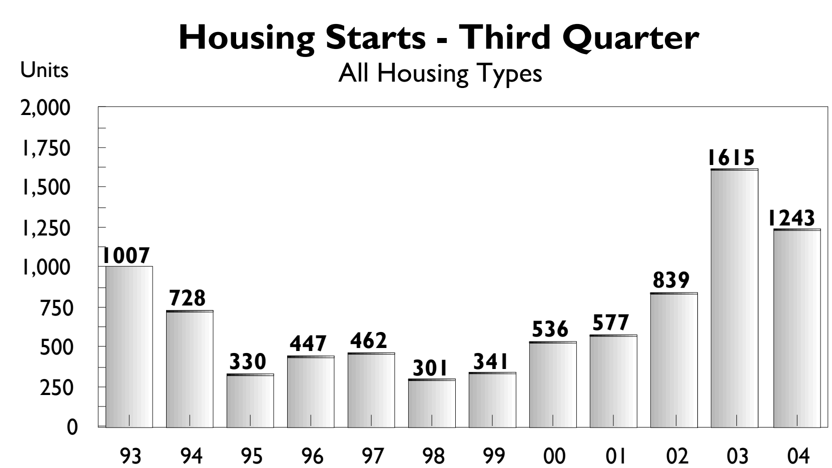

Source: CMHC

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HOME TO CANADIANS

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During the first nine months of 2004, 4,417 dwellings were started in the Québec CMA, compared to 4,350 in 2003, for a gain of 2 per cent. Since the beginning of the year, condominium starts have been fuelling market growth in the area, as 813 such new units have been enumerated, for an increase of 10 per cent over the same period in 2003. This type of property attracts both older people who seek security and a way of freeing themselves from home maintenance and younger people who see a more economical way of accessing homeownership. As for single-family home starts, they are up by 2 per cent, having reached 2,436 units. A favourable economic context and a resale market characterized by a lack of available properties and increasingly higher prices are stimulating demand for new homes. Only the rental housing segment is down, with 1,168 starts, compared to 1,202 in 2003. Given the aging of the population, nearly half of the new units are intended for senior clients.

Elsewhere across Quebec

For the province overall, housing starts recorded since the beginning of the year in urban centres with 10,000 or more inhabitants show a substantial gain of 18 per cent (33,865 units). Among the six CMAs across Quebec, the strongest increase was observed in Trois-Rivières (+34 per cent), followed by Sherbrooke (+24 per cent), Montréal (+23 per cent), Gatineau (+18 per cent) and Québec (+2 per cent). Only the Saguenay CMA sustained a decrease (-33 per cent).

Home Buyers' Plan in Canada and Quebec in 2002[1]

According to the most recent data available, the federal government's Home Buyers' Plan (HBP) helped more than 123,000 Canadians to realize their homeownership dream in 2002. Under this program, participants withdrew over $1.3 billion in RRSP funds to purchase homes. Since its inception in 1992, some 1.3 million individuals have participated in the program, channelling $13.2 billion from their RRSPs to the housing market.

To put this in perspective, the 123,000 participants in the plan represented roughly 30 per cent of the existing home sales for the year. In fact, the ratio of HBP participants to MLS®/S.I.A.® sales ranged from 17 per cent in British Columbia to 58 per cent in Quebec. In this last province, it was the Québec census metropolitan area (CMA) that posted the highest proportion of participants, with 65 per cent. Conversely, in the Trois-Rivières CMA, this proportion stood at 37 per cent, which was still well above the Canadian average.

For Canada overall, the average withdrawal under HBP in 2002 was $10,568, which was 6 per cent of the price of a typical dwelling sold through the MLS®/S.I.A.® network. This percentage varied across Canada, between 4.5 per cent in British Columbia and 9 per cent in Quebec. Closer to home, the Trois-Rivières CMA came in first (15 per cent) in Quebec, well ahead of Montréal (8 per cent), which brought up the rear, but still largely exceeded the national average.

Another point that well reflects the diversity of housing markets, preferences of home buyers and financial habits in the provinces is the average withdrawal under HBP. Here again, Quebec came out on top in 2002, with an average withdrawal of $11,433, while Saskatchewan was in last place, with $7,309. As for the CMAs in Quebec, Montréal led with an average withdrawal of $12,073, an amount that also gave this CMA first place in Canada, just ahead of Toronto and Vancouver.

HBP offers a significant avenue to first-time home buyers

A recent survey shows that HBP was used by 48 per cent of first-time buyers who purchased a home in Canada since 2000[2]. HBP was the primary source of down payment for about 35 per cent of first-time buyers.

Home Buyers' Plan - 2002

	Number of Participants	Average Withdrawal ($)	Participants/ MLS Sales Ratio (%)	Average Withdrawal/ Average Selling Price Ratio (%)
Gatineau	1,770	10,651	39.2	9.4
Montréal	20,900	12,073	44.5	8.4
Québec	5,670	11,133	64.6	10.8
Saguenay	860	9,762	59.9	11.6
Sherbrooke	1,000	10,734	45.9	10.1
Trois-Rivières	560	11,196	36.6	14.9
Québec	38,840	11,433	57.8	8.7
Canada	123,110	10,568	29.4	5.6

Sources: CMHC, CRA and MLS

[1] This article was inspired by the third quarter 2004 issue of CMHC Mortgage Market Trends.

[2] Financial Industry Research Monitor (FIRM) survey, March 2004.

Table 1
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / Period	*Ownership*					*Rental*	*Total*
	*Freehold**				*Condo-minium*		
	Single	*Semi*	*Row*	*Apt.*			
Starts							
Third Quarter 2004	543	42	22	50	153	433	1,243
Third Quarter 2003	642	56	14	42	253	608	1,615
Year-to-date 2004 (Jan.-Sept.)	1,968	238	74	156	813	1,168	4,417
Year-to-date 2003 (Jan.-Sept.)	2,012	180	33	175	736	1,214	4,350
Under construction*							
Third Quarter 2004	568	52	30	32	471	780	1,933
Third Quarter 2003	382	34	4	26	411	719	1,576
Completions							
Third Quarter 2004	666	92	32	76	433	233	1,532
Third Quarter 2003	832	72	19	74	362	356	1,715
Year-to-date 2004	1,852	230	56	152	984	958	4,232
Year-to-date 2003	2,085	192	32	196	721	1,191	4,417
Unoccupied*							
Third Quarter 2004	63	14	5	0	172	148	402
Third Quarter 2003	82	9	1	4	44	219	359
Absorption							
Third Quarter 2004	701	96	28	78	425	367	1,695
Third Quarter 2003	848	74	19	74	430	481	1,926
Year-to-date 2004	1,857	232	55	153	877	828	4,002
Year-to-date 2003	2,055	193	40	193	689	986	4,156
Duration of inventory (months)							
Trend 2004	0.3	0.6	1.0	0.0	2.0	1.9	1.0
Trend 2003	0.4	0.5	0.2	0.2	0.7	2.3	0.9

** 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 2a
Housing Starts by Zone and by Intended Market
Québec Metropolitan Area

Zone / Period	*Ownership*					*Rental*	*Total*
	Freehold				*Condo-minium*		
	Single	*Semi*	*Row*	*Apt.*			
Zone 1: Québec (Basse-Ville, Vanier)							
Third Quarter 2004	0	0	4	0	0	24	28
Third Quarter 2003	1	2	0	4	41	53	101
Year-to-date 2004	1	0	16	0	60	147	224
Year-to-date 2003	2	2	4	10	181	167	366
Zone 2: Québec (Haute-Ville)							
Third Quarter 2004	0	0	0	0	0	0	0
Third Quarter 2003	0	0	0	0	0	57	57
Year-to-date 2004	0	0	0	2	0	0	2
Year-to-date 2003	0	0	0	0	0	63	63
Zone 3: Québec (Des Rivières, Ancienne-Lorette)							
Third Quarter 2004	75	6	6	4	6	6	103
Third Quarter 2003	65	2	9	16	44	78	214
Year-to-date 2004	189	54	18	24	86	111	482
Year-to-date 2003	217	38	13	41	154	201	664
Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery							
Third Quarter 2004	35	0	0	2	25	4	66
Third Quarter 2003	58	4	0	0	70	162	294
Year-to-date 2004	159	12	0	2	281	323	777
Year-to-date 2003	165	24	6	6	200	300	701
North centre (zones 1 to 4)							
Third Quarter 2004	110	6	10	6	31	34	197
Third Quarter 2003	124	8	9	20	155	350	666
Year-to-date 2004	349	66	34	28	427	581	1,485
Year-to-date 2003	384	64	23	57	535	731	1,794
Zone 5: Val-Bélair, Saint-Émile, etc.							
Third Quarter 2004	110	6	0	2	0	85	203
Third Quarter 2003	126	14	4	4	0	3	151
Year-to-date 2004	429	12	0	12	24	140	617
Year-to-date 2003	439	28	4	26	0	7	504
Zone 6: Charlesbourg, Stoneham, etc.							
Third Quarter 2004	84	12	0	14	88	67	265
Third Quarter 2003	84	6	1	6	46	201	344
Year-to-date 2004	256	46	4	40	170	72	588
Year-to-date 2003	292	14	2	47	105	282	742

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Table 2a (continued) Housing Starts by Zone and by intended Market Québec Metropolitan Area							
Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 7: Beauport, Boischâtel, Île-d'Orléans, etc.							
Third Quarter 2004	95	4	0	26	6	73	204
Third Quarter 2003	110	4	0	10	3	11	138
Year-to-date 2004	323	16	0	62	45	143	589
Year-to-date 2003	347	16	0	31	17	95	506
North outlying area (zones 5 to 7)							
Third Quarter 2004	289	22	0	42	94	225	672
Third Quarter 2003	320	24	5	20	49	215	633
Year-to-date 2004	1,008	74	4	114	239	355	1,794
Year-to-date 2003	1,078	58	6	104	122	384	1,752
North shore (zones 1 to 7)							
Third Quarter 2004	399	28	10	48	125	259	869
Third Quarter 2003	444	32	14	40	204	565	1,299
Year-to-date 2004	1,357	140	38	142	666	936	3,279
Year-to-date 2003	1,462	122	29	161	657	1,115	3,546
Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.							
Third Quarter 2004	105	6	8	0	16	122	257
Third Quarter 2003	141	8	0	2	4	43	198
Year-to-date 2004	448	38	19	12	52	151	720
Year-to-date 2003	357	18	0	10	34	60	479
Zone 9: Lévis, Pintendre							
Third Quarter 2004	39	8	4	2	12	52	117
Third Quarter 2003	57	16	0	0	45	0	118
Year-to-date 2004	163	60	17	2	95	81	418
Year-to-date 2003	193	40	4	4	45	39	325
South shore (zones 8 and 9)							
Third Quarter 2004	144	14	12	2	28	174	374
Third Quarter 2003	198	24	0	2	49	43	316
Year-to-date 2004	611	98	36	14	147	232	1,138
Year-to-date 2003	550	58	4	14	79	99	804
TOTAL - QUÉBEC METROPOLITAN AREA							
Third Quarter 2004	543	42	22	50	153	433	1,243
Third Quarter 2003	642	56	14	42	253	608	1,615
Year-to-date 2004	1,968	238	74	156	813	1,168	4,417
Year-to-date 2003	2,012	180	33	175	736	1,214	4,350

Source: CMHC

Table 2b Housing Starts by intended Market for the new cities of Québec and Lévis Québec Metropolitan Area							
City / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Québec							
Third Quarter 2004	292	28	10	46	125	259	760
Third Quarter 2003	310	32	14	36	204	565	1,161
Year-to-date 2004	923	138	38	132	654	936	2,821
Year-to-date 2003	1,069	118	29	153	657	1,095	3,121
Lévis							
Third Quarter 2004	131	14	12	2	28	174	361
Third Quarter 2003	186	18	0	2	49	43	298
Year-to-date 2004	576	94	36	14	147	232	1,099
Year-to-date 2003	497	46	4	14	79	99	739

Source: CMHC

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range* - Third Quarter Québec Metropolitan Area										
Type	Under $125,000		$1250,000 to $149,999		$150,000 to $199,999		$200,000 to $249,999		$250,000 or over	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Single	25	48	137	180	333	421	119	117	87	82
Semi	32	53	58	5	6	16	0	0	0	0
Total	57	101	195	185	339	437	119	117	87	82
Market share (single)	3.6%	5.7%	19.5%	21.2%	47.5%	49.6%	17.0%	13.8%	12.4%	9.7%

Source: CMHC

*Please note that the price ranges have been revised in order to better reflect the market.

Interested by the Vacancy Rates and Average Rents of the rented apartments, following the October 2004 Survey?

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RENTAL MARKET REPORTS

which provide a more in-depth and detailed study of the data collected

(available at the end of december 2004)

Table 4 Housing Supply - Third Quarter 2004 Québec Metropolitan Area					
Intended Market	*Under Construction*	*Unoccupied*	*Short-Term Supply*	*Monthly Absorption**	*Duration of Short-Term Supply (months)*
	September 2004			*Trend 2004*	
Freehold	682	82	764	249	3.1
Condominium	471	172	643	84	7.7
Rental	780	148	928	80	11.6
Total	1,933	402	2,335	412	5.7
	September 2003			*Trend 2003*	
Freehold	446	96	542	249	2.2
Condominium	411	44	455	60	7.6
Rental	719	219	938	94	10.0
Total	1,576	359	1,935	404	4.8

Source: CMHC

** 12-month average*

Table 5 Economic Overview Québec Metropolitan Area						
	3rd Q 2004	*2nd Q 2004*	*3rd Q 2003*	*Trend 2004*	*Trend 2003*	*% Change Trend*
Labour market						
Employment level (000)	370.7	369.5	369.8	360.6	362.2	(0.4)
Unemployment rate (%)	4.4	5.5	5.8	5.8	6.9	n.a.
Mortgage rates (1)						
1-year (%)	4.6	4.6	4.6	4.5	4.9	n.a.
5-year (%)	6.4	6.5	6.3	6.2	6.4	n.a.
Annual inflation rate						
CPI, 1996=100	121.6	121.4	119.0	121.1	119.1	1.7
New Housing Price Index (1997=100)*						
House	132.3	131.6	125.6	131.2	123.4	6.3
Land	121.6	121.2	113.5	120.3	112.3	7.2
Total	129.8	129.1	122.7	128.6	120.7	6.5
Index of Consumer Confidence						
1991=100 (2)	121.3	121.1	123.7	122.5	122.8	(0.2)
MLS sales						
Total residential units	1,297	1,696	1,357	1,600	1,610	(0.6)
Median price (single-detached house)	132,672	130,515	118,825	130,029	115,662	12.4

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

Notes: (1) Canada (2) Province of Quebec

** The data for the current quarter is the average for the first two months*

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

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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