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Canada Mortgage and Housing Corporation

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### RESIDENTIAL CONSTRUCTION RUNS OUT OF STEAM IN THE SECOND QUARTER IN THE QUEBEC REGION

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Residential construction, which has been marked by strong growth since the start of this decade, is beginning to show signs of running out of steam in the Quebec census metropolitan area (CMA). According to the most recent surveys by the Canada Mortgage and Housing Corporation (CMHC), 1,893 housing units were started between April and June 2005, a drop of 12% over the same period in 2004.

The decline has affected all types of housing, but was more pronounced for condominiums (-37%) than freehold housing\* (-3%) and rental properties (-5%). These results are in line with our expectations. The sharp rise in housing starts in recent years could not continue, as the inventory of houses for sale and for rent on the market is up and demographic growth has slowed.

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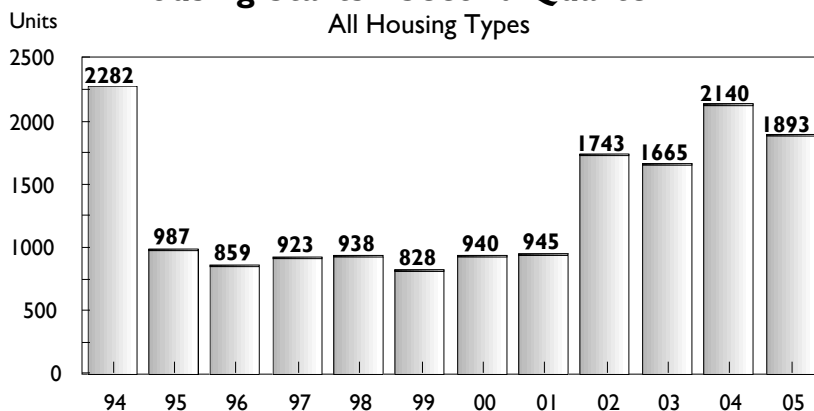
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### Housing Starts - Second Quarter

All Housing Types



Source : CMHC

\* Refers to single-family homes (detached, semi-detached and row housing) and owner-occupied duplexes.

During the first half of the year, there were 3,214 housing starts, i.e., 1% more than during the same period in 2004. The strongest increase was in rental housing (10%), followed by freehold housing units (1%). Meanwhile, condominium construction dipped by 9%. These results show that, in spite of the slowdown noted in the last quarter, the residential construction industry remains strong in the Quebec City area, due to low mortgage rates and a very vibrant employment market. Under such conditions, the anticipated scenario of a soft landing in the residential sector is the most likely.

In the entire Quebec CMA, the former city of Charlesbourg stood out with 507 housing starts since the start of the year, which is more than double the number recorded during the same period last year. Activity was particularly significant for rental housing project and condominium construction. Conversely, the Sainte-Foy sector posted the largest drop – 275 housing starts as compared with 599 last year. In general, the north and south shores of Quebec recorded 2,445 and 769 housing starts respectively. In both cases, these figures are up about 1% over last year.

During the first six months of 2005, there were 19,695 housing starts in all of the urban areas in Quebec with populations of 10,000 and over, which represents a decrease of 16% over the first six months of 2004. Since the start of the year, the Saguenay CMA experienced the greatest increase (+53). Quebec City (+1%) is the only other CMA whose number of housing starts increased over 2004. The other CMAs in the province all posted losses. Gatineau recorded the biggest decline (- 34 %), followed by Sherbrooke (- 25 %), Montreal (- 20 %) and Trois-Rivières (- 8 %).

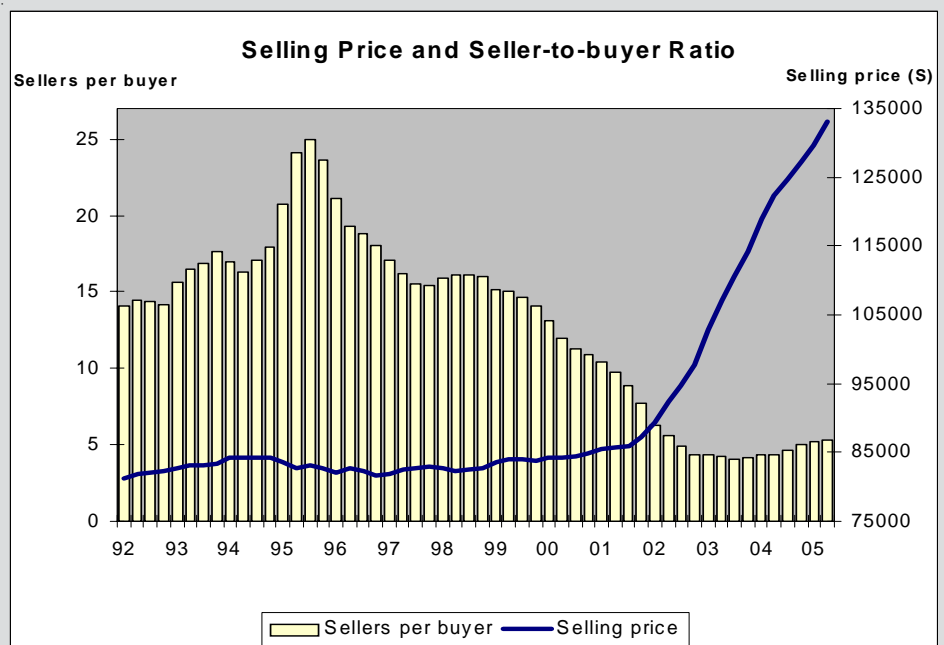
## The resale market is still very active

According to data from the Service-Inter-agences (S.I.A.®/ Multiple Listing Service (M.L.S.®), the number of existing properties rebounded for a second consecutive quarter in the Quebec City census metropolitan area (CMA). Figures showed that 1,914 properties were sold from April to June, 13% more than during the same period last year. This rise is explained by a broader choice of properties for sale and economic conditions very conducive to property purchases. While activity sputtered in both 2003 and 2004 due to the limited supply of properties for sale on the market, the rise in inventories over the past few quarters has enabled many buyers to realize their dream of acquiring a property. In addition, homebuyers still can take advantage of very attractive mortgage rates and a job market that is surprisingly robust.

In spite of the spike in properties for sale (close to 30% in the past

year), the huge sales numbers helped tighten the market to the benefit of sellers. The seller/purchaser ratio was 5.3 in the second quarter, barely over the first quarter number of 5.2. Under these conditions, the increases in property prices remained firm. For

all types of housing combined, prices rose 8.7% in the second quarter. However, it was noted that the rate at which prices are selling is slowing, as it was 14.1% a year ago, at which time the seller/purchaser ratio stood at only 4.4.



**Table I**  
**Summary of Activity by Intended Market**  
**Québec Metropolitan Area**

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
<b>Starts</b>							
Second Quarter 2005	914	118	52	98	320	391	1,893
Second Quarter 2004	956	138	39	84	511	412	2,140
Year-to-date 2005 (Jan.-June)	1,391	192	91	130	601	809	3,214
Year-to-date 2004 (Jan.-June)	1,425	196	52	106	660	735	3,174
<b>Under construction**</b>							
Second Quarter 2005	857	150	75	80	870	1,019	3,051
Second Quarter 2004	692	100	44	58	747	580	2,221
<b>Completions</b>							
Second Quarter 2005	731	98	33	66	256	642	1,826
Second Quarter 2004	718	102	12	62	385	327	1,606
Year-to-date 2005	1,182	126	37	98	481	912	2,836
Year-to-date 2004	1,186	138	24	76	551	725	2,700
<b>Unoccupied**</b>							
Second Quarter 2005	19	13	18	0	261	398	709
Second Quarter 2004	98	18	1	2	164	282	565
<b>Absorption</b>							
Second Quarter 2005	742	92	27	67	217	292	1,437
Second Quarter 2004	723	105	19	60	333	274	1,514
Year-to-date 2005	1,210	121	33	98	380	389	2,231
Year-to-date 2004	1,156	136	27	75	452	461	2,307
<b>Duration of inventory (months)</b>							
Trend 2005	0.1	0.6	2.6	0.0	3.4	5.1	1.7
Trend 2004	0.5	0.9	0.2	0.1	1.9	3.2	1.3

\* 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				Condo-minium	Rental	Total
	Freehold						
	Single	Semi	Row	Apt.			
<b>Zone 1: Québec (Basse-Ville, Vanier)</b>							
Second Quarter 2005	0	2	0	2	0	3	7
Second Quarter 2004	0	0	12	0	42	51	105
Year-to-date 2005	3	2	4	2	80	58	149
Year-to-date 2004	1	0	12	0	60	123	196
<b>Zone 2: Québec (Haute-Ville)</b>							
Second Quarter 2005	0	0	0	0	0	0	0
Second Quarter 2004	0	0	0	0	0	0	0
Year-to-date 2005	0	0	0	0	48	0	48
Year-to-date 2004	0	0	0	2	0	0	2
<b>Zone 3: Québec (Des Rivières, Ancienne-Lorette)</b>							
Second Quarter 2005	113	26	4	18	33	15	209
Second Quarter 2004	70	30	6	18	72	19	215
Year-to-date 2005	200	36	4	26	69	21	356
Year-to-date 2004	114	48	12	20	80	105	379
<b>Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery</b>							
Second Quarter 2005	66	20	10	2	48	170	316
Second Quarter 2004	84	8	0	0	245	211	548
Year-to-date 2005	110	30	25	2	77	303	547
Year-to-date 2004	124	12	0	0	256	319	711
<b>North centre (zones 1 to 4)</b>							
Second Quarter 2005	179	48	14	22	81	188	532
Second Quarter 2004	154	38	18	18	359	281	868
Year-to-date 2005	313	68	33	30	274	382	1,100
Year-to-date 2004	239	60	24	22	396	547	1,288
<b>Zone 5: Val-Bélair, Saint-Émile, etc.</b>							
Second Quarter 2005	203	14	10	16	4	0	247
Second Quarter 2004	202	6	0	10	24	43	285
Year-to-date 2005	276	16	10	22	4	4	332
Year-to-date 2004	319	6	0	10	24	55	414
<b>Zone 6: Charlesbourg, Stoneham, etc.</b>							
Second Quarter 2005	155	2	0	24	84	23	288
Second Quarter 2004	123	22	0	16	4	2	167
Year-to-date 2005	206	12	5	26	138	215	602
Year-to-date 2004	172	34	4	26	82	5	323

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

Zone / Period	Ownership				Condo- minium	Rental	Total
	Freehold						
	Single	Semi	Row	Apt.			
<b>Zone 7: Beauport, Boischatel, Île-d'Orléans, etc.</b>							
Second Quarter 2005	125	2	0	22	121	24	294
Second Quarter 2004	168	10	0	28	39	51	296
Year-to-date 2005	226	4	0	36	121	24	411
Year-to-date 2004	228	12	0	36	39	70	385
<b>North outlying area (zones 5 to 7)</b>							
Second Quarter 2005	483	18	10	62	209	47	829
Second Quarter 2004	493	38	0	54	67	96	748
Year-to-date 2005	708	32	15	84	263	243	1,345
Year-to-date 2004	719	52	4	72	145	130	1,122
<b>North shore (zones 1 to 7)</b>							
Second Quarter 2005	662	66	24	84	290	235	1,361
Second Quarter 2004	647	76	18	72	426	377	1,616
Year-to-date 2005	1,021	100	48	114	537	625	2,445
Year-to-date 2004	958	112	28	94	541	677	2,410
<b>Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.</b>							
Second Quarter 2005	183	22	14	14	18	45	296
Second Quarter 2004	230	30	8	12	20	17	317
Year-to-date 2005	279	44	18	14	52	61	468
Year-to-date 2004	343	32	11	12	36	29	463
<b>Zone 9: Lévis, Pintendre</b>							
Second Quarter 2005	69	30	14	0	12	111	236
Second Quarter 2004	79	32	13	0	65	18	207
Year-to-date 2005	91	48	25	2	12	123	301
Year-to-date 2004	124	52	13	0	83	29	301
<b>South shore (zones 8 and 9)</b>							
Second Quarter 2005	252	52	28	14	30	156	532
Second Quarter 2004	309	62	21	12	85	35	524
Year-to-date 2005	370	92	43	16	64	184	769
Year-to-date 2004	467	84	24	12	119	58	764
<b>TOTAL - QUÉBEC METROPOLITAN AREA</b>							
Second Quarter 2005	914	118	52	98	320	391	1,893
Second Quarter 2004	956	138	39	84	511	412	2,140
Year-to-date 2005	1,391	192	91	130	601	809	3,214
Year-to-date 2004	1,425	196	52	106	660	735	3,174

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.			
<b>Québec</b>							
Second Quarter 2005	427	64	24	78	274	235	1,102
Second Quarter 2004	419	74	18	64	414	377	1,366
Year-to-date 2005	652	98	48	108	521	625	2,052
Year-to-date 2004	631	110	28	86	529	677	2,061
<b>Lévis</b>							
Second Quarter 2005	230	48	28	14	30	156	506
Second Quarter 2004	293	58	21	12	85	35	504
Year-to-date 2005	343	88	43	16	64	184	738
Year-to-date 2004	445	80	24	12	119	58	738

Source: CMHC

**Table 3**  
**Single-Detached and Semi-Detached Houses Absorbed by Price Range\* - Second Quarter**  
**Québec Metropolitan Area**

Type	Under \$125,000		\$125,000 to \$149,999		\$150,000 to \$199,999		\$200,000 to \$249,999		\$250,000 or over	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	<b>Single</b>	14	27	47	173	389	359	155	92	137
<b>Semi</b>	2	28	63	69	25	7	2	1	0	0
<b>Total</b>	16	55	110	242	414	366	157	93	137	72
<b>Market share (single)</b>	1.9%	3.7%	6.3%	23.9%	52.4%	49.7%	20.9%	12.7%	18.5%	10.0%

Source: CMHC

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

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**Table 4**  
**Housing Supply - Second Quarter 2005**  
**Québec Metropolitan Area**

<i>Intended Market</i>	<i>Under Construction</i>	<i>Unoccupied</i>	<i>Short-Term Supply</i>	<i>Monthly Absorption*</i>	<i>Duration of Short-Term Supply (months)</i>
	<i>June 2005</i>			<i>Trend 2005</i>	
<b>Freehold</b>	1,162	50	1,212	261	4.6
<b>Condominium</b>	870	261	1,131	77	14.7
<b>Rental</b>	1,019	398	1,417	78	18.2
<b>Total</b>	3,051	709	3,760	416	9.0
	<i>June 2004</i>			<i>Trend 2004</i>	
<b>Freehold</b>	894	119	1,013	258	3.9
<b>Condominium</b>	747	164	911	84	10.8
<b>Rental</b>	580	282	862	89	9.7
<b>Total</b>	2,221	565	2,786	431	6.5

Source: CMHC

\* 12-month average

**Table 5**  
**Economic Overview**  
**Québec Metropolitan Area**

	<i>2nd Q 2005</i>	<i>1st Q 2005</i>	<i>2nd Q 2004</i>	<i>Trend</i>		<i>% Change Trend</i>
				<i>2005</i>	<i>2004</i>	
<b>Labour market</b>						
Employment level (000)	385.8	373.4	372.4	379.6	358.6	5.9
Unemployment rate (%)	5.7	6.5	5.7	6.1	6.6	n.a.
<b>Mortgage rates (1)</b>						
1-year (%)	4.8	4.9	4.6	4.9	4.4	n.a.
5-year (%)	5.9	6.1	6.5	6.0	6.2	n.a.
<b>Annual inflation rate</b>						
CPI, 1996=100	123.6	122.8	121.4	123.2	120.9	1.9
<b>New Housing Price Index (1997=100)*</b>						
House	136.2	135.2	131.6	135.6	130.8	3.7
Land	123.1	122.9	121.2	123.0	119.9	2.6
Total	133.2	132.3	129.1	132.7	128.2	3.5
<b>Index of Consumer Confidence</b>						
1991=100 (2)	122.2	123.3	121.1	122.8	123.2	-0.3
<b>MLS sales</b>						
Total residential units	1,914	2,085	1,696	3,999	3,505	14.1%
Median price (single-detached house)	141,481	137,861	130,515	141,481	130,515	8.4%

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-Garden, 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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