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Canada Mortgage and Housing Corporation

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Residential construction slows down, even with the persistently strong range for new homes

In the Sherbrooke census metropolitan area (CMA), the end of the year did not mark the end of the rage for new homes. Despite a decrease in activity of 11 per cent on residential job sites in the fourth quarter, demand for the new homes remained steady. Out of the 173 dwellings started between the months of October and December 2002, 106 were detached or semi-detached houses, compared to 60 last year. These figures were drawn from the latest starts survey conducted by Canada Mortgage and Housing Corporation (CMHC).

Positive annual results

On a cumulative basis, residential construction made a spectacular leap of 46 per cent in 2002, for a total of 857 starts, compared 589 one year earlier. The popularity of new homes increased significantly in 2002 on account of the low mortgage rates and the marked decline in the number of existing homes for sale. Faced with a limited choice on the resale market, many buyers had to turn to new homes. Apartment construction also posted a notable gain, as

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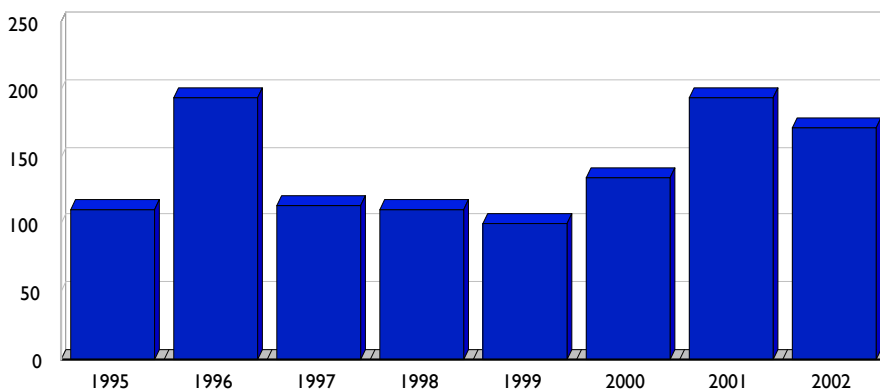
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Housing Starts Fall Slightly at Year-End

Sherbrooke CMA - 4th Quarter



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Canada

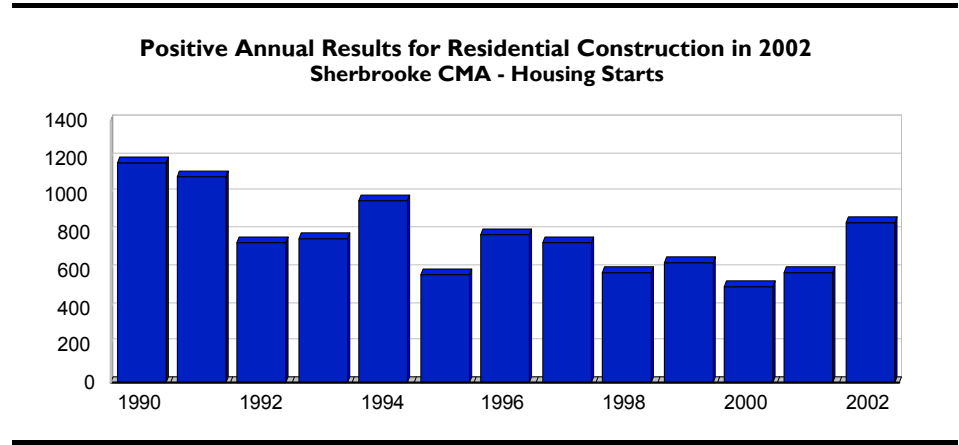
the scarcity of rental dwellings and the low interest rates prompted developers to start up new rental housing in the mid- and upper-range segments. These same factors also had a positive impact on condominium construction.

Former city of Sherbrooke gets the most starts

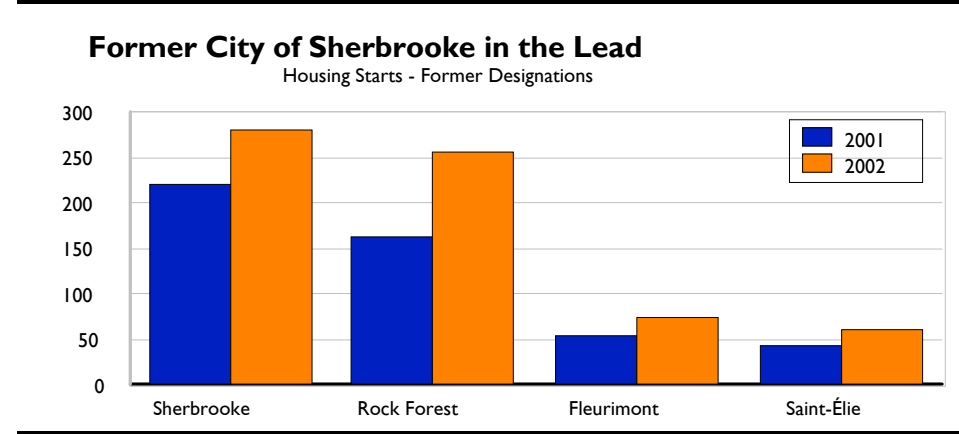
It was in the former city of Sherbrooke that the most starts were registered. In all, construction got under way on 280 housing units, mainly apartments. The former municipality of Rock Forest was right behind Sherbrooke with 256 starts, representing nearly 100 more units than last year. The municipalities of Fleurimont and Saint-Élie-d'Orford obtained 75 and 61 new housing units, respectively. Using the new designations adopted following the municipal mergers, it was the Vallons-du-Lac borough that recorded the most starts, with 349 units, followed by the Jacques-Cartier borough, where 265 starts were enumerated.

Residential construction on the rise: a common trend across Quebec

During 2002, housing starts were up in most census metropolitan areas across Quebec. The highest growth rate was observed in the Trois-Rivières area, where it reached 91 per cent. In the Chicoutimi-Jonquière and Québec areas,



Source: CMHC



Source: CMHC

starts increased by 77 per cent and 68 per cent, respectively. As for Montréal and Gatineau, they posted respective gains of 55 per cent and 54 per cent.

Closer to home, the Drummondville census agglomeration (CA) ended the year with an increase of 14 per cent in residential

construction, which brought the number of new dwellings to 658. Starts also rose in the Saint-Hyacinthe CA, where construction got under way on 189 housing units in 2002, compared to 147 one year earlier. Activity remained stable in the Granby CA, as 473 starts were recorded there.

Rental Markets in Canada in 2002: tighter conditions in Quebec

Toronto and Vancouver are no longer the tightest rental markets among Canada's census metropolitan areas (CMAs). Instead, Quebec's three largest CMAs are now the ones posting the lowest vacancy rates in the country: Québec (0.3 per cent), Gatineau (0.6 per cent) and Montréal (0.7 per cent). Among the other Canadian CMAs, only Kingston, with 0.9 per cent of its units unoccupied, had a vacancy rate below 1 per cent this past October. This situation results from a major increase in demand attributable to the excellent employment performance and the arrival on the housing market of young people aged from 19 to 24 years, who are more numerous than the group that preceded them. In addition, multiple housing construction is focused mainly on condominiums and retirement homes, while traditional rental housing construction is limited. In the other CMAs across Quebec, the vacancy rates reached 1.8 per cent in Sherbrooke, 3.0 per cent in Trois-Rivières and 4.9 per cent in Chicoutimi-Jonquière.

One striking fact from the last survey was that the vacancy rate rose significantly in Toronto, as it went up from 0.9 per cent in 2001 to 2.5 per cent in 2002. For the first time since the early 1990s, this rate stands above 2 per cent in this area. A considerable decline in the rental housing demand was observed as a result of the strong homeownership trend and the deterioration of the youth employment situation in this part of Ontario. There was also an increase in the supply of non-traditional rental housing, particularly condominiums for rent.

In the majority of the other CMAs across Canada, vacancy rates went up over the last twelve months. These increases, although they were less than one percentage point in most cases, helped many rental markets regain greater flexibility. For Canada overall, the vacancy rate now stands at 1.7 per cent, compared to 1.1 per cent one year earlier. In general, in Quebec, vacancy rates tend to be lower in large urban centres.

In fact, the vacancy rate in Quebec's CMAs (100,000 or more inhabitants) was 0.8 per cent in October 2002, while it was 2.6 per cent in centres with 50,000 to 99,999 inhabitants and 5.5 per cent in centres with 10,000 to 49,999 inhabitants.

Table I
Summary of Activity by Intended Market
Sherbrooke Metropolitan Area

<i>Activity / Period</i>	<i>Ownership</i>		<i>Rental</i>	<i>Total</i>
	<i>Freehold</i>	<i>Condominium</i>		
<i>Housing Starts</i>				
Fourth Quarter 2002	106	0	67	173
Fourth Quarter 2001	69	0	126	195
Year-to-date 2002 (Jan.-Dec.)	472	47	338	857
Year-to-date 2001 (Jan.-Dec.)	334	7	248	589
<i>Under Construction</i>				
December 2002	61	0	45	106
December 2001	39	0	119	158
<i>Completions</i>				
Fourth Quarter 2002	125	47	61	233
Fourth Quarter 2001	94	0	17	111
Year-to-date 2002	448	47	418	913
Year-to-date 2001	336	19	156	511
<i>Unoccupied</i>				
December 2002	4	15	28	47
December 2001	13	0	0	13
<i>Absorptions</i>				
Fourth Quarter 2002	124	32	70	226
Fourth Quarter 2001	89	0	17	106
Year-to-date 2002	457	32	390	879
Year-to-date 2001	333	19	157	509
<i>Duration of inventory</i>				
December 2002	0.1	5.6	0.9	0.6
December 2001	0.5	0.0	0.0	0.3

Source: CMHC

Table 2
Housing Starts by Zone and by Intended Market
Sherbrooke Metropolitan Area

Zone / Period	Ownership					Rental	Total
	Freehold				Condo- minium		
	Detached	Semi-det.	Row	Apart.*			
Zone 1: City of Sherbrooke							
Fourth Quarter 2002	11	4	0	0	0	46	61
Fourth Quarter 2001	8	2	0	3	0	103	116
Year-to-date 2002	49	10	0	0	47	174	280
Year-to-date 2001	32	6	0	3	7	172	220
Zone 2: Fleurimont							
Fourth Quarter 2002	10	0	0	0	0	0	10
Fourth Quarter 2001	2	0	0	0	0	5	7
Year-to-date 2002	41	0	0	2	0	32	75
Year-to-date 2001	33	6	0	0	0	15	54
Zone 3: Rock Forest							
Fourth Quarter 2002	22	10	0	0	0	21	53
Fourth Quarter 2001	16	0	0	6	0	18	40
Year-to-date 2002	114	34	0	2	0	106	256
Year-to-date 2001	78	22	0	8	0	55	163
Zone 4: Saint-Élie-d'Orford							
Fourth Quarter 2002	8	2	0	0	0	0	10
Fourth Quarter 2001	3	0	0	0	0	0	3
Year-to-date 2002	59	2	0	0	0	0	61
Year-to-date 2001	38	4	0	2	0	0	44
CENTRE (Zones 1 to 4)							
Fourth Quarter 2002	51	16	0	0	0	67	134
Fourth Quarter 2001	29	2	0	9	0	126	166
Year-to-date 2002	263	46	0	4	47	312	672
Year-to-date 2001	181	38	0	13	7	242	481
Zone 5: Outlying Area							
Fourth Quarter 2002	39	0	0	0	0	0	39
Fourth Quarter 2001	29	0	0	0	0	0	29
Year-to-date 2002	153	6	0	0	0	26	185
Year-to-date 2001	102	0	0	0	0	6	108
TOTAL - SHERBROOKE METROPOLITAN AREA							
Fourth Quarter 2002	90	16	0	0	0	67	173
Fourth Quarter 2001	58	2	0	9	0	126	195
Year-to-date 2002	416	52	0	4	47	338	857
Year-to-date 2001	283	38	0	13	7	248	589

Source: CMHC

** Freehold Duplex

Table 3												
New Detached and Semi-Detached Absorbed by Price Range Sherbrooke Metropolitan Area												
Type	Under \$70,000		\$70,000 - \$89,999		\$90,000 - \$109,999		\$110,000 - \$129,999		\$130,000 or over		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Fourth Quarter	4	17	16	18	41	18	14	8	47	23	122	84
Year-to-date (Jan.-Dec.)	16	44	92	72	117	87	83	42	141	75	449	320

Source: CMHC

Table 4				
Housing Supply Sherbrooke Metropolitan Area				
Type	Under Construction	Unoccupied Units	Permits Issued but not Started	Medium- Term Supply
	December 2002			
Detached/semi-det. houses	61	4	25	90
Multiples *	45	43	21	109
Total	106	47	46	199
	December 2001			
Detached/semi-det. houses	35	13	4	52
Multiples *	123	0	13	136
Total	158	13	17	188

Source: CMHC

* Row homes and apartments

**Table 5
Economic Overview
Sherbrooke Metropolitan Area**

Period	In thousands			Unemployment Rate (%)	Mortgage Rates Canada (%)	
	Population 15 yrs over	Labor Force	Employment Total		1-Year	5-Year
	Fourth Quarter 2002	127.4	83.1	76.9	7.3%	5.0
Fourth Quarter 2001	126.0	81.8	75.0	8.4%	4.7	6.9
Average Jan.-Dec. 2002	126.9	83.1	76.7	7.7%	5.2	7.0
Average Jan.-Dec. 2001	125.8	80.7	74.4	7.8%	6.1	7.4

Sources: Statistique Canada and CMHC

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Sherbrooke Metropolitan Area Zones

Zones	<i>Municipalités / Sectors</i>	<i>Large zone</i>
1	Sherbrooke	Centre
2	Feurimont	Centre
3	Rock Forest	Centre
4	St-Élie-d'Orford	Centre
5	Ascot, Ascot Corner, Bromptonville, Deauville, Compton, Hatley CT, Lennoxville, North Hathley, St-Denis-de-Brompton, Stoke, Waterville	Peripheral Area

Definitions and Concepts

NOTE TO READERS: Prior to July 2002, the CMHC Starts and Completions Survey consisted of a monthly enumeration of new housing activity in urban centres with a population of 10,000 persons and over. As of July 2002, the survey will be conducted monthly in urban centres with a population of 50,000 persons and over and quarterly in urban centres with a population of 10,000 to 49,999 persons. Statistical models will be used to estimate provincial and national housing starts in urban centres with a population of 10,000 persons and over, on a monthly basis. The methodology is unchanged for estimating housing starts in rural areas (areas other than urban centres with a population of 10,000 persons and over). In these areas, a sample survey is used on a quarterly basis. As was the case in the past, statistical models continue to be used to estimate national housing starts in all areas on a monthly basis. This quarterly Housing Market publication provides statistical data and analysis of the trends in the Intended Markets for the Sherbrooke Metropolitan Area.

Intended Markets - There are three: the freehold market refers to Single-Family Houses (Detached, Semi-Detached 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 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 unrented. 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).

CMHC Market Analysis Centre Publications

National	Province of Quebec	Metropolitan Areas - Province of Quebec
<ul style="list-style-type: none"> • National Housing Market Outlook • Mortgage Market Trends • Canadian Housing Markets • And many more 	<ul style="list-style-type: none"> • Housing Now • FastFax 	<ul style="list-style-type: none"> • Housing Market Outlook (Montréal only) • Rental Market Report (1) • FastFax - Rental Market Report (3) • Analysis of the Resale Market (2) • Retirement Home Market (1) <p>(1) Available for all metropolitan areas: Chicoutimi, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières (2) Available for Montréal and Québec only (3) Available for the six metropolitan areas plus a Provincial FastFax for the urban areas of 10,000 inhabitants and more</p>

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