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# HOUSING NOW Sherbrooke

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Canada Mortgage and Housing Corporation

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## Residential construction up significantly to start off the year

An appreciable gain in housing starts was observed in the Sherbrooke census metropolitan area (CMA) during the first quarter of the year. From January to March 2003, 146 housing units had been started, compared to 237 during the same period this year. The increase in starts was therefore significant, at 62 per cent. The last time a year started off with such intense activity on residential job sites dates back to the late 1980s.

It was apartment production that led the residential construction sector in the first three months of the year, with 77 per cent of all starts, or 182 units. The scarcity of rental apartments intensified last year.

The market therefore continued to adjust by offering more and more rental housing projects. A steady demand for condominium apartments was also noted. Since the beginning of the year, 26 condominium apartments have been started. These units are contained in small structures (less than 10 units).

Single-family home building, for its part, started off this year less vigorously than last year. In fact, while 69 such foundations had been laid between January and March 2003, only 55 were enumerated during the first quarter of this year. Yet, the economic environment remains favourable to the purchase of new homes, whether

*continued on next page*

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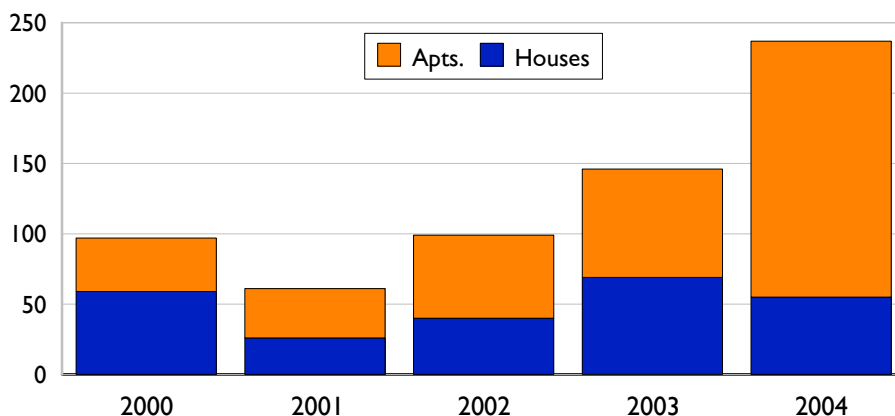
#### Analysis

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**Housing Starts in the First Quarter**  
Sherbrooke CMA



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we consider employment, interest rates or the steadily rising price of existing homes. By the next quarter, we will see whether the early purchases observed in 2003 are starting to catch up to the Sherbrooke market, or whether this was a false signal sent by the market.

### Construction doing well across Quebec

During the first quarter of 2004, housing starts continued on their upward course in several other census metropolitan areas across Quebec, namely, Montréal (33 per cent), Gatineau (90 per cent) and Trois-Rivières (48 per cent). In the Saguenay CMA, residential construction slowed by 15 per cent during the same period while, in Québec, the decrease in activity was limited to 3 per cent. In the province overall, there were 8,412 housing starts between January and March of this year, for a gain of 33 per cent over the same period last year.

### Price difference between new and existing homes recovers slightly

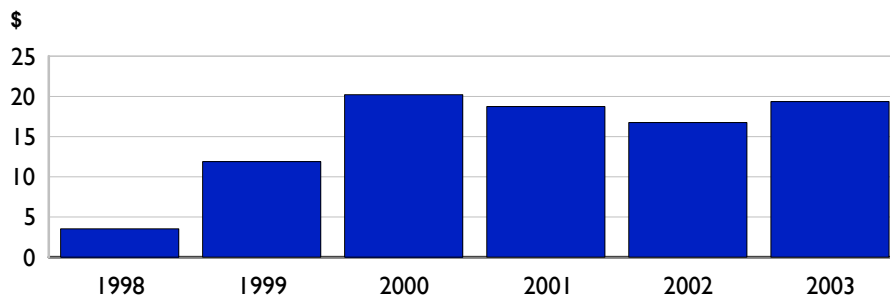
The marked increase in the average price of existing home transactions in 2002 (13 per cent) had reduced the price difference between new and existing homes to \$16,700. In 2003, this difference

went back up to \$19,400, a level close to where it stood in 2000 and 2001.

In 2003, the average price of a new single-detached home in the Sherbrooke CMA reached \$136,400, compared to \$117,000 for an existing home (Multiple Listing Service data).

### Price Difference Between New and Existing Homes

Sherbrooke CMA



New: single-detached houses. Existing: single-family homes

Sources: CMHC and Chambre immobilière de l'Estrie

## The Housing Construction Industry : Challenge and Opportunities for the 21<sup>st</sup> Century

Over the next century, new trends will emerge, obliging the Canadian construction industry to adapt. The findings of a research report<sup>1</sup> 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.

<sup>1</sup> 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](http://www.cmhc.ca) or call 1 800 668-2642.

**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> |               |              |
| <b>Starts</b>                 |                  |                    |               |              |
| First quarter 2004            | 59               | 26                 | 152           | 237          |
| First quarter 2003            | 69               | 12                 | 65            | 146          |
| Year-to-date 2004 (Jan.-Mar.) | 59               | 26                 | 152           | 237          |
| Year-to-date 2003 (Jan.-Mar.) | 69               | 12                 | 65            | 146          |
| <b>Under construction</b>     |                  |                    |               |              |
| March 2004                    | 83               | 26                 | 202           | 311          |
| March 2003                    | 73               | 12                 | 82            | 167          |
| <b>Completions</b>            |                  |                    |               |              |
| First quarter 2004            | 75               | 8                  | 89            | 172          |
| First quarter 2003            | 56               | 0                  | 28            | 84           |
| Year-to-date 2004             | 75               | 8                  | 89            | 172          |
| Year-to-date 2003             | 56               | 0                  | 28            | 84           |
| <b>Unoccupied</b>             |                  |                    |               |              |
| March 2004                    | 0                | 10                 | 0             | 10           |
| March 2003                    | 3                | 15                 | 15            | 33           |
| <b>Absorption</b>             |                  |                    |               |              |
| First quarter 2004            | 75               | 8                  | 89            | 172          |
| First quarter 2003            | 57               | 0                  | 41            | 98           |
| Year-to-date 2004             | 75               | 8                  | 89            | 172          |
| Year-to-date 2003             | 57               | 0                  | 41            | 98           |
| <b>Duration of inventory</b>  |                  |                    |               |              |
| March 2004                    | 0.0              | 15.0               | 0.0           | 0.7          |
| March 2003                    | 0.6              | n.a                | 4.4           | 4.0          |

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

Source: CMHC

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

| Zone / Period                               | Ownership |      |     |      |                  | Rental | Total |
|---|-----------|------|-----|------|------------------|--------|-------|
|   | Freehold  |      |     |      | Condo-<br>minium |        |       |
|   | Single    | Semi | Row | Apt. |                  |        |       |
| <b>Zone 1: Sherbrooke</b>                   |           |      |     |      |                  |        |       |
| First quarter 2004                          | 5         | 0    | 0   | 0    | 24               | 62     | 91    |
| First quarter 2003                          | 9         | 0    | 0   | 0    | 12               | 29     | 50    |
| Year-to-date 2004                           | 5         | 0    | 0   | 0    | 24               | 62     | 91    |
| Year-to-date 2003                           | 9         | 0    | 0   | 0    | 12               | 29     | 50    |
| <b>Zone 2: Fleurimont</b>                   |           |      |     |      |                  |        |       |
| First quarter 2004                          | 6         | 4    | 0   | 0    | 0                | 20     | 30    |
| First quarter 2003                          | 5         | 0    | 0   | 0    | 0                | 14     | 19    |
| Year-to-date 2004                           | 6         | 4    | 0   | 0    | 0                | 20     | 30    |
| Year-to-date 2003                           | 5         | 0    | 0   | 0    | 0                | 14     | 19    |
| <b>Zone 3: Rock Forest</b>                  |           |      |     |      |                  |        |       |
| First quarter 2004                          | 13        | 2    | 0   | 4    | 2                | 54     | 75    |
| First quarter 2003                          | 27        | 6    | 0   | 0    | 0                | 16     | 49    |
| Year-to-date 2004                           | 13        | 2    | 0   | 4    | 2                | 54     | 75    |
| Year-to-date 2003                           | 27        | 6    | 0   | 0    | 0                | 16     | 49    |
| <b>Zone 4: Saint-Élie-d'Orford</b>          |           |      |     |      |                  |        |       |
| First quarter 2004                          | 11        | 0    | 0   | 0    | 0                | 6      | 17    |
| First quarter 2003                          | 4         | 2    | 0   | 0    | 0                | 6      | 12    |
| Year-to-date 2004                           | 11        | 0    | 0   | 0    | 0                | 6      | 17    |
| Year-to-date 2003                           | 4         | 2    | 0   | 0    | 0                | 6      | 12    |
| <b>CENTRE (Zones 1 to 4)</b>                |           |      |     |      |                  |        |       |
| First quarter 2004                          | 35        | 6    | 0   | 4    | 26               | 142    | 213   |
| First quarter 2003                          | 45        | 8    | 0   | 0    | 12               | 65     | 130   |
| Year-to-date 2004                           | 35        | 6    | 0   | 4    | 26               | 142    | 213   |
| Year-to-date 2003                           | 45        | 8    | 0   | 0    | 12               | 65     | 130   |
| <b>Zone 5: Outlying area</b>                |           |      |     |      |                  |        |       |
| First quarter 2004                          | 14        | 0    | 0   | 0    | 0                | 10     | 24    |
| First quarter 2003                          | 16        | 0    | 0   | 0    | 0                | 0      | 16    |
| Year-to-date 2004                           | 14        | 0    | 0   | 0    | 0                | 10     | 24    |
| Year-to-date 2003                           | 16        | 0    | 0   | 0    | 0                | 0      | 16    |
| <b>TOTAL - SHERBROOKE METROPOLITAN AREA</b> |           |      |     |      |                  |        |       |
| First quarter 2004                          | 49        | 6    | 0   | 4    | 26               | 152    | 237   |
| First quarter 2003                          | 61        | 8    | 0   | 0    | 12               | 65     | 146   |
| Year-to-date 2004                           | 49        | 6    | 0   | 4    | 26               | 152    | 237   |
| Year-to-date 2003                           | 61        | 8    | 0   | 0    | 12               | 65     | 146   |

Source: CMHC

**Table 3****Single-Detached and Semi-Detached Houses Absorbed by Price Range  
Sherbrooke Metropolitan Area**

| Type                     | Under<br>\$70,000 |      | \$70,000 to<br>\$89,999 |      | \$90,000 to<br>\$109,999 |      | \$110,000 to<br>\$129,999 |      | \$130,000<br>or over |      | Total |      |
|--------------------------|-------------------|------|-------------------------|------|--------------------------|------|---------------------------|------|----------------------|------|-------|------|
|                          | 2004              | 2003 | 2004                    | 2003 | 2004                     | 2003 | 2004                      | 2003 | 2004                 | 2003 | 2004  | 2003 |
|                          | First Quarter     | 3    | 2                       | 7    | 10                       | 15   | 12                        | 14   | 16                   | 34   | 17    | 73   |
| Year-to-date (Jan.-Mar.) | 3                 | 2    | 7                       | 10   | 15                       | 12   | 14                        | 16   | 34                   | 17   | 73    | 57   |

Source: CMHC

**Table 4****Housing Supply  
Sherbrooke Metropolitan Area**

| Type               | Under<br>Construction | Unoccupied | Short-<br>Term<br>Supply |
|--------------------|-----------------------|------------|--------------------------|
|                    | March 2004            |            |                          |
| <b>Single/semi</b> | 81                    | 0          | 81                       |
| <b>Multiple*</b>   | 230                   | 10         | 240                      |
| <b>Total</b>       | 311                   | 10         | 321                      |
|                    | March 2003            |            |                          |
| <b>Single/semi</b> | 73                    | 3          | 76                       |
| <b>Multiple*</b>   | 94                    | 30         | 124                      |
| <b>Total</b>       | 167                   | 33         | 200                      |

Source: CMHC

\* Row homes and apartments

**Table 5  
Economic Overview  
Sherbrooke Metropolitan Area**

| Period                 | (thousands)              |                 |                     | Unemployment<br>Rate (%) | Mortgage Rates<br>Canada (%) |        |
|------------------------|--------------------------|-----------------|---------------------|--------------------------|------------------------------|--------|
|                        | Population<br>15 years + | Labour<br>Force | Employment<br>Total |                          | 1-Year                       | 5-Year |
|                        | First quarter 2004       | 129.4           | 82.6                | 76.2                     | 7.6%                         | 4.3    |
| First quarter 2003     | 127.7                    | 83.7            | 77.2                | 7.8%                     | 5.1                          | 6.6    |
| Average Jan.-Mar. 2004 | 129.4                    | 82.6            | 76.2                | 7.6%                     | 4.3                          | 5.9    |
| Average Jan.-Mar. 2003 | 127.7                    | 83.7            | 77.2                | 7.8%                     | 5.1                          | 6.6    |

Source: Statistics Canada

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## Sherbrooke Metropolitan Area Zones

| Zones | <i>Municipalités / Sectors</i>   | <i>Large zone</i> |
|-------|--|-------------------|
| 1     | Sherbrooke   | Centre            |
| 2     | Fleurimont   | 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"> <li>• National Housing Market Outlook</li> <li>• Mortgage Market Trends</li> <li>• Canadian Housing Markets</li> <li>• And many more</li> </ul> | <ul style="list-style-type: none"> <li>• Housing Now</li> <li>• FastFax</li> </ul> | <ul style="list-style-type: none"> <li>• Housing Market Outlook (Montréal only)</li> <li>• Rental Market Report (1)</li> <li>• FastFax - Rental Market Report (3)</li> <li>• Analysis of the Resale Market (2)</li> <li>• Retirement Home Market (1)</li> </ul> <p>(1) Available for all metropolitan areas: Chicoutimi, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières<br/>           (2) Available for Montréal and Québec only<br/>           (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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