

F

ORECAST

Saguenay

SUMMARY

Fall - Winter 2004

Canada Mortgage and Housing Corporation

Real estate market picking up

Economic context

Hit by the announcement of two plant closures in December and February, the area started off the year 2004 on a sour note from an economic standpoint. The closing of the Port-Alfred newsprint mill in La Baie and the shutdown of the Soderberg aluminium potlines in Jonquière resulted in much more than 450 layoffs and 700 retirements. The end of operations at these two regional economic engines, respectively owned by Abitibi-Consolidated and Alcan, triggered a wind of pessimism during the first weeks of 2004. This grey cloud has now dispersed, and it can be seen that the two hard blows sustained at the beginning of the year did not shake the regional economy as much as expected.

In fact, job creation has been strong so far in 2004 (+5 per cent). The scenario that materialized in the last few quarters was therefore contrary to our expectations. However, it will be difficult to maintain this rate of growth next year. In fact, for 2005, the latest forecasts are now increasingly banking on a stable employment level.

Mortgage rates

Since the Canadian economy is nearing its full potential and inflation is moving slowly, monetary policy will continue to tighten in 2005. According to our forecasts, the five-year mortgage rate will reach about 7.2 per cent at the end of 2005, which is slightly above the current rate¹ of 6.3 per cent. For

shorter terms (one-year), the mortgage rate will reach 5.8 per cent by the end of 2005, compared to 4.8 per cent currently. However, a new rise in the Canadian dollar or a surge in oil prices could once again delay the expected increase in interest rates.

Residential construction

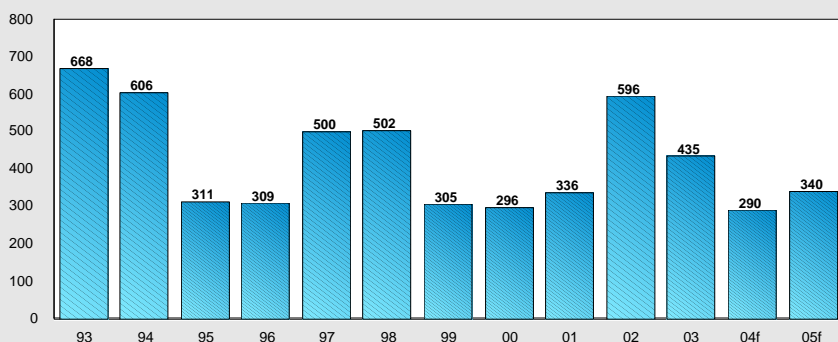
Like in 2003, starts will decline for all housing types in the Saguenay CMA, which will bring the decrease to 33 per cent in 2004 and total new dwellings to 290 units. The trend will turn around in 2005, when starts will rise by 17 per cent to 340 units.

Single-family homes

Although single-family homes are the leading housing type in the Saguenay area, they will sustain a downturn of about 10 per cent in 2004, as 240 houses will be started.

Residential Construction to Increase in 2005

Total housing starts



Source: CMHC
f: CMHC forecast



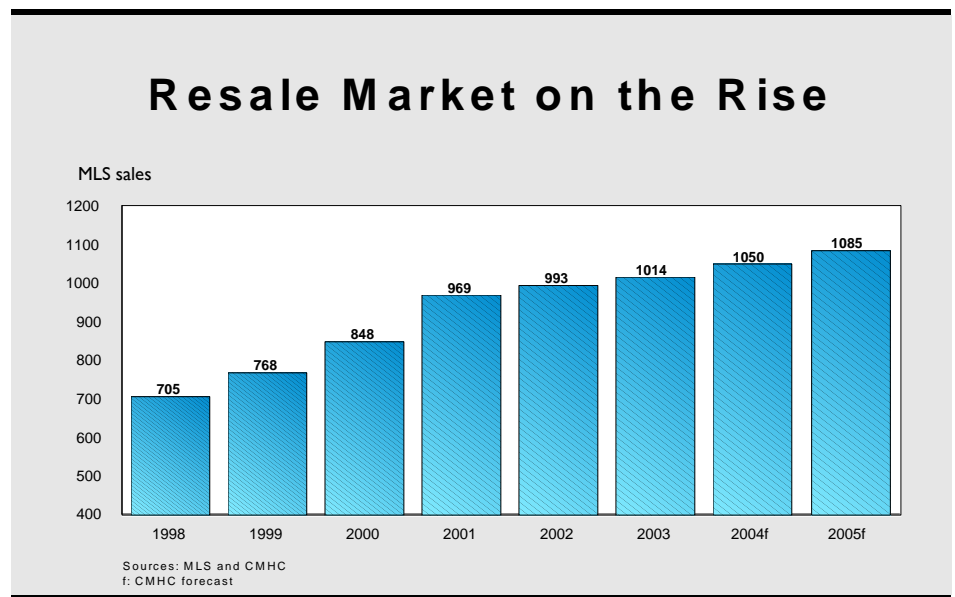
HOME TO CANADIANS
Canada

¹ Average mortgage rate in effect in September 2004

Two main factors will account for this decline. First, the new rise in listings on the resale market will limit the increase in prices and widen the choice for buyers. This will contribute to diverting part of the new housing demand to the existing home market. Second, people aged from 25 to 44 years, who are very active buyers, suffered job losses between April 2003 and March 2004. Since the labour market acts on the housing market with a lag of 12 to 18 months, it is in 2004 that the bulk of this impact will be felt.

Rental housing construction

Contrary to single-family home building, rental housing construction is subject to major fluctuations from one year to the next. After sustaining a downturn of 48 per cent in 2003, apartment starts should attain 50 units in 2004, for a decrease of 70 per cent. In 2005, however, as a result of the strong demand on the retirement home market, rental housing starts will rise by 80 per cent to 90 units.



Resale market

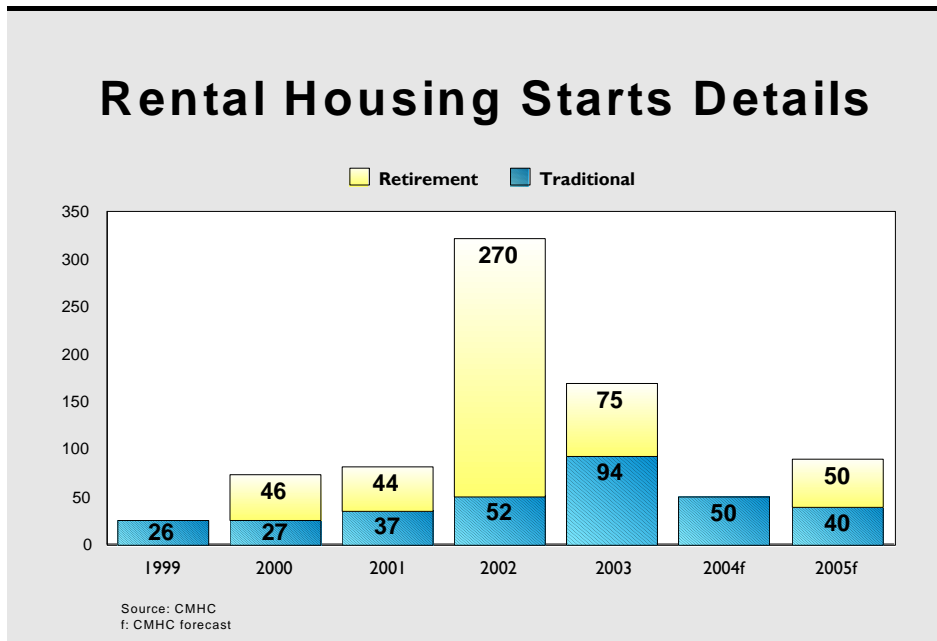
On the resale market, the year 2004 was marked by a new rise in active listings, which curbed the major increase in prices. With supply on the rise, buyers can take advantage of a wider choice and more affordable prices, which is stimulating this market. In 2004, we are therefore anticipating an increase of 4 per cent in transactions, for a total of 1,050 resales. As for prices, their rate of growth will slow down considerably,

and the average price for single-family homes will reach \$97,500, up by 3 per cent.

The strong job creation recorded in 2004 should continue to stimulate the resale market in 2005. As a result, the increase in transactions will be 3 per cent, for a total of 1,085 resales, and prices will go up by 3 per cent to attain the \$100,000 mark.

Rental market

At the time of the October 2003 survey, the vacancy rate had risen, as 5.2 per cent of units were unoccupied. This increase was mainly attributable to the recently built, but not yet absorbed, seniors' apartments on the market. For 2004, we expect that the surplus of retirement housing units will be brought down and that the vacancy rate will reach 4.7 per cent. In 2005, the proportion of vacant units will attain 4.2 per cent as a result of the low volume of rental housing construction and the increase in youth employment in 2004. In fact, a greater proportion of employed young people should further stimulate the formation of renter households.



FORECAST SUMMARY

Saguenay Metropolitan Area

Fall - Winter 2004

	2002	2003	2004 _p	2005 _p
RESALE MARKET				
MLS sales*	993	1,014	1,050	1,085
Average price (\$)	89,531	94,625	97,500	100,000
NEW HOME MARKET				
Starts				
Total	596	435	290	340
Single-family homes	274	266	240	250
Condominiums	0	0	0	0
Rental housing units	322	169	50	90
Average Price				
Single-family homes (\$)	121,339	141,379	148,500	156,000
Semi-detached homes (\$)	80,625	83,913	91,000	96,500
RENTAL MARKET				
Vacancy rate (%)	4.9	5.2	4.7	4.2
Rent for a 2-bedroom unit (\$)	440	457	462	467
ECONOMIC OVERVIEW				
Mortgage rate - 1-year (%)	5.17	4.84	4.56	5.48
Mortgage rate - 5-year (%)	7.02	6.39	6.28	6.95
Job creation (number)	70,175	70,850	73,500	72,800
Unemployment rate (%)	11.4	11.3	10.1	10.8

f: CMHC forecast

Data sources: CMHC, Statistics Canada, Multiple Listing Service (Chambre immobilière du Saguenay-Lac-Saint-Jean)

(*) Resale market data is now based on MLS sales. Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association (CREA).

For more information about this publication,
please contact our:

Customer Service
at 1 866 855 5711
or by Email : cam_qc@cmhc.ca

© 2004 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing

Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are based on various sources

believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.