

F

ORECAST

Québec

Fall - Winter 2004

SUMMARY

Canada Mortgage and Housing Corporation

Housing market: slow shift for 2005

Residential construction

✓ As expected, construction will reach a peak in 2004 (6,000 units), before slowing down next year (5,300 units). There is no cause for alarm, however, since 2005 will be the third best year since 1992.

✓ The low mortgage rates and strong employment growth in recent years allowed for the expression of the demand that had been held back during the second half of the 1990s, on account of the unfavourable economic conditions. The pace should therefore slow down in 2005. The increase in prices and mortgage rates will make it more difficult to buy a property. As well, the job market has declined slightly since the fall of 2003, and inventories have risen.

✓ In this context, freehold (single-family) housing construction is expected to rise by 4 per cent in 2004 and then fall by 6 per cent in 2005. The condominium market, for its part, will register a gain of 3 per cent this year, followed by a more pronounced downturn of 23 per cent in 2005, on account of a marked increase in new and existing unit inventories.

✓ It is the rental housing construction segment that will post the most spectacular jump in 2004, with an increase of 17 per

cent (1,600 apartments). In 2005, the less tense situation on both the traditional rental and retirement home market segments will cause the volume of starts to come back down to 1,350 units. During these two years, many units will come from the government programs.

Resale market

✓ In 2004, Multiple Listing Service (MLS) sales will remain at the same level as in 2003, despite the arrival of new units for sale on the market. The observed price increases have made properties less affordable, and 6,300 transactions are anticipated on the market this year. In 2005, the recent decline in employment, the rise in prices and the gradual increase in interest rates will limit activity to 6,150 sales. Once again, there is no cause for alarm, as this volume is higher than the average of 5,500 MLS sales for the last ten years.

✓ Given the prevailing seller's market (around 5 sellers per buyer), the median price of single-detached homes and condominiums will rise by 10 per cent in 2004. With tighter market conditions (fewer than 3 sellers per buyer), the price of semi-detached and row homes will go up by 13 per cent. In 2005, the increase in the number of properties for sale and a

decrease in sales will result in more moderate price hikes, ranging from 5 per cent to 8 per cent, depending on the type of property.

Rental market

✓ The Québec area had the tightest rental market in Canada in 2003, with a vacancy rate of 0.5 per cent.

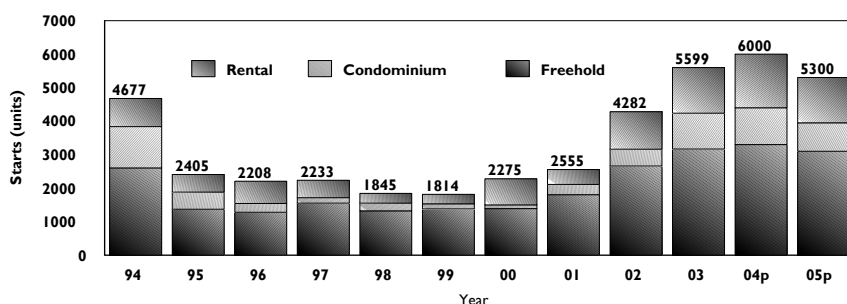
✓ The favourable youth employment situation and the aging of the population are generating a vigorous demand for rental housing. However, the arrival of many units in recent years will raise the proportion of vacant units to 1.0 per cent in 2004 and then to 1.8 per cent in 2005.

✓ As for the rents, the increase anticipated for 2004 is 3.0 per cent. This rise will be partly attributable to the successive hikes in energy prices and the scarcity of available dwellings. A comparable increase is expected in 2005, as well.

Employment and economy

After strong employment gains in 2001 and 2002, the Québec area labour market has posted a more timid performance lately. The number of jobs stabilized in 2003, and a decrease of 700 jobs is forecast for this year (-0.2 per cent). The labour market should pick up again in 2005, however, with an expected hike of 4,500 jobs (+1.3 per cent).

Residential Construction Québec Metropolitan Area



f : CMHC forecast
Source : CMHC



HOME TO CANADIANS
Canada

FORECAST SUMMARY

Québec Metropolitan Area

Fall - Winter 2004

	2002	2003	2004f	% Chg.	2005f	% Chg.
RESALE MARKET						
Active MLS listings (in december)	2,149	2,180	2,500	14.7%	3,000	20.0%
MLS sales						
Total	7,071	6,292	6,300	0.1%	6,150	-2.4%
Detached	4,527	3,977	3,980	0.1%	3,875	-2.6%
Semi-detached and row	1,088	943	930	-1.4%	925	-0.5%
Condominium	1,131	1,056	1,115	5.6%	1,100	-1.3%
Duplex	325	316	275	-13.0%	250	-9.1%
Median MLS price (\$)						
Detached	106,691	122,499	134,750	10.0%	143,500	6.5%
Semi-detached and row	83,013	95,814	108,500	13.2%	117,500	8.3%
Condominium	80,248	98,522	108,000	9.6%	113,000	4.6%
NEW HOME MARKET						
Housing starts						
Total	4,282	5,599	6,000	7.2%	5,300	-11.7%
Freehold (single-family)	2,662	3,167	3,300	4.2%	3,100	-6.1%
Condominium	503	1,070	1,100	2.8%	850	-22.7%
Rental	1,117	1,362	1,600	17.5%	1,350	-15.6%
New homes price index						
1997=100	111.7	121.9	130.4	7.0%	137	5.0%
RENTAL MARKET						
Vacancy rate (%) (Oct.)	0.3%	0.5%	1.0%	--	1.8%	--
Change in rents (%)	2.7%	3.5%	3.0%	--	3.0%	--
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%	--
Number of jobs	358.6	358.7	358.0	-0.2%	362.5	1.3%
Unemployment rate (%)	6.3%	6.9%	7.0 %	--	7.0 %	--

f: CMHC forecast

Data sources: CMHC, Statistics Canada, Multiple Listing Service (Chambre immobilière de Québec)

**For more information about this publication,
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