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Canada Mortgage and Housing Corporation

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SLIGHT DECLINE IN SECOND QUARTER RESIDENTIAL CONSTRUCTION IN THE QUÉBEC AREA

Residential construction posted a slight decline in the second quarter in the Québec census metropolitan area (CMA). According to the most recent Canada Mortgage and Housing Corporation (CMHC) surveys, there were 1,665 housing starts between April and June 2003, a 4% drop in relation to the same period in 2002.

The latest findings bring to an end a series of fifteen consecutive quarters of rising housing starts. Despite this, however, it would be an error to conclude that residential construction is entering a period of decline. In actual fact, we must remember that housing starts in the second quarter last year were blown somewhat out of proportion by the beginning of construction on the "La Volière" complex in the Sainte-Foy sector, a project of 328 rental units. That is the reason that starts for this type of housing show a 36% drop compared to 2002.

Ownership housing starts continue to grow. The greatest increase (43% more than during the same period last year) was observed in condominiums where we counted 219 new units in the second quarter. In single family homes, 1,129 starts were recorded, a 3% increase compared to 2002.

The balance sheet for the first half of the year demonstrates the vitality of residential construction in the Québec area. In all, we counted 2,735 new units,19% more than during the same period last year.

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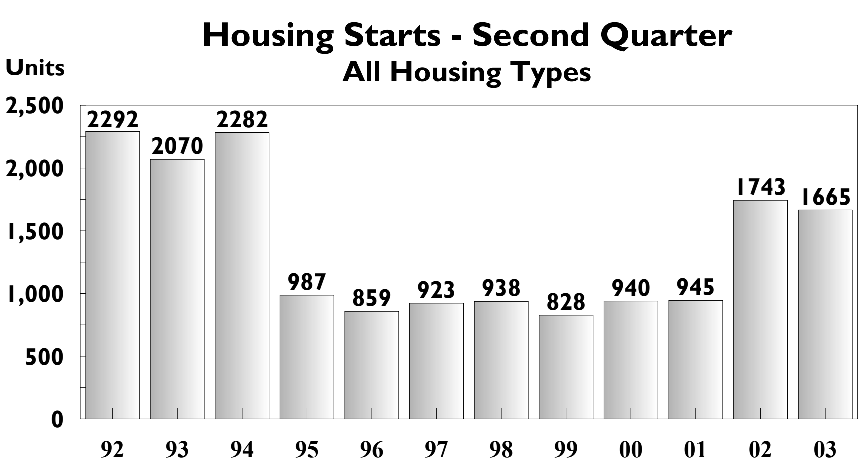

Source: CMHC

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Starts were up for all types of housing. Once again, it is condominium construction that is posting the largest increase: 483 units, more than double last year's starts. The construction of single-family homes rose 8%. The growth in housing starts for these two types of dwellings is attributable to the lack of existing properties for sale, low interest rates and good employment performance in the region in recent years. Since the lack of properties for sale is most noticeable in the more affordable price ranges, we are seeing more growth in starts of attached homes and duplexes. We also note a resurgence in the construction of condominium units sometimes offered at under $70,000.

Despite the drop observed in the second quarter, rental housing construction still posted a very small gain during the first six months of the year (606 versus 602 last year). The shortage of rental units is obviously prompting developers to begin the construction of new rental projects. Furthermore, the gradual arrival of new social housing units is helping to raise the volume of the rental housing starts.

Elsewhere across the province

The rise in residential construction extends across the entire province. Since the beginning of the year, there have been 18,049 housing starts in the urban centres with 10,000 inhabitants and more, an 8% rise compared to the first half of 2002. Among the six CMAs of Quebec, the strongest gain was seen in the Saguenay (62%), then in Québec (19%), Sherbrooke (16%), Gatineau (6%) and Montréal (4%). Trois-Rivières is the only area that showed a drop (-13%).

Why are condominiums gaining in popularity?

Condominium construction has reached new highs in Quebec. In 2002, there were more than 6,300 condominium housing starts province-wide, a 50% increase over the previous year. To date in 2003, growth is up 30% en route to another record year of activity.

With characteristics well suited to urban living, condominiums are perceived as a phenomenon of large cities, particularly Montreal. This is evidenced by Montreal's 90% share of all new sites. However, CMHC's latest housing start surveys revealed that condominium projects have grown considerably, particularly in the metropolitan Quebec City area (up 63% over last year) and that sites have sprung up in some smaller urban areas such as Saint-Georges and Sainte-Marie de Beauce, for example.

Of course, condominiums are a product of choice in densely populated areas with few new lots available, which means they are expensive. However, the new popularity of condominiums is also attributable to their intrinsically attractive characteristics. First of all, at a time when the population is aging and the size of households is shrinking, condominiums are perfectly suited to small households not wishing to devote much time to maintaining their units. For example, in recent years, condos have attracted a relatively new clientele, that of the boomers whose children have left home. Typically, they are second- or third-time purchasers, which has expanded the market for high-end condos. Although apartments generally come to mind when discussing condominiums, one must bear in mind that increasing numbers of row housing are being offered as condominiums, meaning that they are becoming increasingly better suited to smaller families. Secondly, condominium projects are generally well located near services or downtown areas. Finally, condos being generally more affordable than single-family houses attract a significant share of first-time buyers. Demand is even stronger these days due to the scarcity of available rental housing and historically low mortgage rates.

On the whole, several structural and economic factors have combined such that the construction of units in this segment of the market will produce trends that should be monitored closely in the next few years.

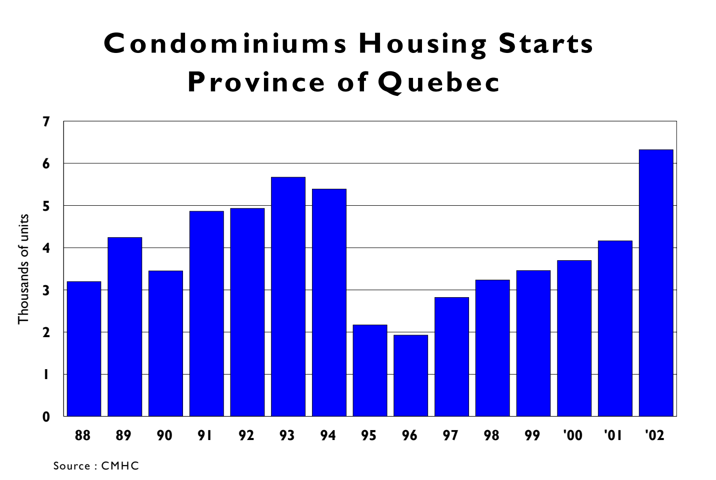

Table 1
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / period	Ownership: Freehold * Detached	Ownership: Freehold * Semi	Ownership: Freehold * Row	Ownership: Freehold * Apart.	Ownership: Condo-minium	Rental	Total
Starts							
Second Quarter 2003	937	92	5	95	219	317	1,665
Second Quarter 2002	979	66	16	34	153	495	1,743
Year-to-Date 2003 (Jan.-June)	1,370	124	19	133	483	606	2,735
Year-to-Date 2002 (Jan.-June)	1,342	94	20	58	185	608	2,307
Under construction **							
Second Quarter 2003	574	52	9	53	420	479	1,587
Second Quarter 2002	806	60	26	47	235	634	1,808
Completions							
Second Quarter 2003	924	88	9	110	344	744	2,219
Second Quarter 2002	632	49	4	22	68	188	963
Year-to-Date 2003	1,253	120	13	122	359	835	2,702
Year-to-Date 2002	923	75	9	48	203	259	1,517
Unoccupied **							
Second Quarter 2003	98	11	1	4	112	347	573
Second Quarter 2002	85	20	5	0	34	27	171
Absorptions							
Second Quarter 2003	888	88	10	108	234	395	1,723
Second Quarter 2002	638	44	3	22	55	126	888
Year-to-Date 2003	1,207	119	21	119	259	505	2,230
Year-to-Date 2002	914	62	9	50	188	195	1,418
Duration of inventory (in months)							
2003 Trend	0.5	0.6	0.2	0.2	2.4	4.6	1.5
2002 Trend	0.5	1.9	1.5	0.0	1.4	0.6	0.7

** Refers to single-family houses (detached, semi-detached and row) owned under freehold tenure and duplex occupied by the owner(s).*

*** As at the end of the period shown.*

Source: CMHC

Table 2
Housing Starts by Zone and by intended Market
Québec Metropolitan Area

Zone / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi	Row	Apart.			
Zone 1: Québec Basse-Ville, Vanier							
Second Quarter 2003	1	0	0	6	103	38	148
Second Quarter 2002	0	0	0	2	0	75	77
Year-to-Date 2003	1	0	4	6	140	114	265
Year-to-Date 2002	0	0	0	6	0	75	81
Zone 2: Québec Haute-Ville							
Second Quarter 2003	0	0	0	0	0	6	6
Second Quarter 2002	0	0	0	0	0	0	0
Year-to-Date 2003	0	0	0	0	0	6	6
Year-to-Date 2002	0	0	0	0	10	0	10
Zone 3: Québec Des Rivières, Ancienne-Lorette							
Second Quarter 2003	94	30	0	18	30	54	226
Second Quarter 2002	98	16	3	10	6	0	133
Year-to-Date 2003	152	36	4	25	110	123	450
Year-to-Date 2002	130	22	7	12	22	0	193
Zone 4: Ste-Foy, Cap-Rouge, St-Augustin, Sillery							
Second Quarter 2003	71	16	0	4	50	87	228
Second Quarter 2002	111	4	7	0	0	331	453
Year-to-Date 2003	107	20	6	6	130	138	407
Year-to-Date 2002	162	8	7	0	0	337	514
North Centre (zones 1 to 4)							
Second Quarter 2003	166	46	0	28	183	185	608
Second Quarter 2002	209	20	10	12	6	406	663
Year-to-Date 2003	260	56	14	37	380	381	1,128
Year-to-Date 2002	292	30	14	18	32	412	798
Zone 5: Val-Bélair, St-Émile, etc.							
Second Quarter 2003	243	8	0	18	0	0	269
Second Quarter 2002	195	12	0	2	0	3	212
Year-to-Date 2003	313	14	0	22	0	4	353
Year-to-Date 2002	269	16	0	10	0	3	298
Zone 6: Charlesbourg, Stoneham, etc.							
Second Quarter 2003	121	6	1	25	4	33	190
Second Quarter 2002	155	14	0	12	8	7	196
Year-to-Date 2003	208	8	1	41	59	81	398
Year-to-Date 2002	207	18	0	16	8	7	256

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

Zone / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi	Row	Apart.			
Zone 7: Beauport, Boischâtel, Île d'Orléans, etc.							
Second Quarter 2003	162	10	0	14	14	70	270
Second Quarter 2002	174	2	0	2	139	28	345
Year-to-Date 2003	237	12	0	21	14	84	368
Year-to-Date 2002	215	4	0	2	139	36	396
North Periphery (zones 5 to 7)							
Second Quarter 2003	526	24	1	57	18	103	729
Second Quarter 2002	524	28	0	16	147	38	753
Year-to-Date 2003	758	34	1	84	73	169	1,119
Year-to-Date 2002	691	38	0	28	147	46	950
North Shore (zones 1 to 7)							
Second Quarter 2003	692	70	1	85	201	288	1,337
Second Quarter 2002	733	48	10	28	153	444	1,416
Year-to-Date 2003	1,018	90	15	121	453	550	2,247
Year-to-Date 2002	983	68	14	46	179	458	1,748
Zone 8: St-Jean-Chrysostôme, St-Nicolas, etc.							
Second Quarter 2003	143	8	0	6	18	11	186
Second Quarter 2002	167	8	6	2	0	45	228
Year-to-Date 2003	216	10	0	8	30	17	281
Year-to-Date 2002	256	12	6	8	0	119	401
Zone 9: Lévis, Pintendre							
Second Quarter 2003	102	14	4	4	0	18	142
Second Quarter 2002	79	10	0	4	0	6	99
Year-to-Date 2003	136	24	4	4	0	39	207
Year-to-Date 2002	103	14	0	4	6	31	158
South Shore (zones 8 and 9)							
Second Quarter 2003	245	22	4	10	18	29	328
Second Quarter 2002	246	18	6	6	0	51	327
Year-to-Date 2003	352	34	4	12	30	56	488
Year-to-Date 2002	359	26	6	12	6	150	559
QUÉBEC METROPOLITAN AREA TOTAL							
Second Quarter 2003	937	92	5	95	219	317	1,665
Second Quarter 2002	979	66	16	34	153	495	1,743
Year-to-Date 2003	1,370	124	19	133	483	606	2,735
Year-to-Date 2002	1,342	94	20	58	185	608	2,307

Source: CMHC

Table 3
Detached and Semi-Detached Houses Absorbed by price Range - Second Quarter
Québec Metropolitan Area

Type	Under $80,000		$80,000 to $99,999		$100,000 to $119,999		$120,000 to $149,999		$150,000 and over	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Detached	4	6	6	51	60	113	255	208	563	260
Semi-detached	0	4	28	22	57	12	2	2	1	4
Total	4	10	34	73	117	125	257	210	564	264
Market Share (Detach.)	0.5%	0.9%	0.7%	8.0%	6.8%	17.7%	28.7%	32.6%	63.4%	40.8%

Source: CMHC

Table 4
Housing Supply / Second Quarter 2003
Québec Metropolitan Area

Intended Market	Under Construction	Vacant units	Short Term Supply	Monthly absorptions*	Duration of Short Term Supply (months)
	Second Quarter 2003			Trend 2003	
Freehold	688	114	802	254.7	3.1
Condominium	420	112	532	46.7	11.4
Rental	479	347	826	75.8	10.9
Total	1,587	573	2,160	377.2	5.7
	Second Quarter 2002			Trend 2002	
Freehold	939	110	1,049	180.8	5.8
Condominium	235	34	269	23.9	11.2
Rental	634	27	661	46.6	14.2
Total	1,808	171	1,979	251.3	7.9

** Average of the absorption of the last 12 months*

Source: CMHC

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Table 5 Economic Overview Québec Metropolitan Area						
	2nd quart.	*1st quart.*	*2nd quart.*	*Trend*		*Variation (%)*
	2003	*2003*	*2002*	*2003*	*2002*	*Trend*
Labour Market						
Number of jobs (000)	370.4	346.3	368.2	358.4	355.5	0.8
Unemployment Rate (%)	6.2	8.7	5.9	7.4	6.8	n.a
Mortgage rates (1)						
1 year (%)	5.1	5.1	5.5	5.1	5.2	n.a.
5 years (%)	6.2	6.6	7.4	6.4	7.2	n.a.
Annual inflation rate						
CPI, 1996=100	118.9	119.3	115.6	119.1	115.1	3.5
New homes price index (1997=100)*						
Housing Unit	123.5	121.0	111.5	122.3	110.5	10.6
Land	111.9	111.4	108.0	111.7	107.7	3.6
Total	120.7	118.6	110.5	119.7	109.7	9.1
Consumer Confidence						
1991=100 (2)	127.3	125.8	136.9	126.6	134.1	-5.6
MLS Sales						
Total Residential	1,617	1,933	1,822	3,550	4,492	-21.0
Median Price (Detached Houses)	113,954	109,969	98,856	113,954	98,856	15.3

Notes: (1) Canada (2) Province of Québec.

Sources: Statistics Canada, Conference Board of Canada, Chambre Immobilière de Québec.

**Data for actual quarter is the average of the first two months.*

THE RETIREMENT HOME MARKET STUDY

The Canada Mortgage and Housing Corporation's Market Analysis Center publishes reports on the Retirement Homes for six Metropolitan Areas in Québec (Saguenay, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières).

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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 Québec Metropolitan Area.

INTENDED MARKETS - There are three: the home owner market refers to single family dwellings (detached, semi-detached and town houses) held in free tenure; the joint ownership (condominium) includes houses and apartments owned jointly; and the rental market groups apartments.

HOUSING STARTS - This term designates the start of construction work, usually after the placement of concrete footing or a similar stage when the building has no basement.

HOUSING UNITS UNDER CONSTRUCTION - Housing units started, but not finished. The number of housing units under construction at the end of a time period may take into account some adjustments that are made for various reasons after the housing starts have been indicated.

COMPLETIONS - Habitable housing units where the work that had been foreseen is finished and in some cases, can be considered a completed housing unit if there is only ten percent of the work left to be carried out.

VACANT HOUSING UNITS - New completed housing units that remain vacant.

TOTAL SUPPLY - SHORT-TERM - Total reserve of new housing units that include housing units under construction and those that are completed, but vacant.

ABSORPTION - Recently completed housing units that have either been sold or rented. A count of the housing units absorbed is made when the house is completed. Housing units sold or rented in advance are not included before the work is completed. The number of housing units absorbed for the current month corresponds to the number of housing units completed and vacated for the preceding month, plus the completions for the current month, minus the housing units completed and vacant for the current month.

DURATION OF INVENTORY - Necessary period for absorbing vacant housing units, that is, the ratio between vacant and absorbed housing units (average of the last 12 months). This data is expressed in months.

DURATION OF TOTAL SHORT-TERM SUPPLY - Necessary period for absorbing vacant housing units and those under construction, that is, the ratio between vacant housing units and those under construction and absorbed housing units (average of the last 12 months). This data is expressed in months.

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-Gardien, 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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