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Residential construction starts off the year in force in Sherbrooke

The year 2003 started off in force for the residential construction sector in the Sherbrooke census metropolitan area (CMA). In fact, the latest starts survey revealed that, within the Sherbrooke area overall, construction got under way on 146 new dwellings from January to March 2003, for an increase of 47 per cent over the performance recorded during the first quarter of last year. Builders are therefore busier now than they were at the same time last year, when 99 housing units had been started.

Single-family housing starts posted a gain of about 73 per cent. Single-family home building, which is less volatile than apartment construction, gives us a better indication of the housing starts trend. The news is therefore quite good for the area. A tight resale market and persistently

affordable mortgage rates have prompted many households to turn to new housing.

In the apartment segment, the increase was also significant. The 77 new apartment units represent a gain of close to one third over the level of activity registered last year. The low vacancy rate on the existing rental housing market (1.8 per cent in October 2002) is pointing to several opportunities for builders, who are now less hesitant to start up new projects.

In the first quarter, Sherbrooke therefore posted a very good performance in the residential construction sector, and was topped by Québec (+90 per cent) and Trois-Rivières (+89 per cent). Elsewhere, Montréal (+3 per cent) and Gatineau (+1 per cent) showed small gains, while

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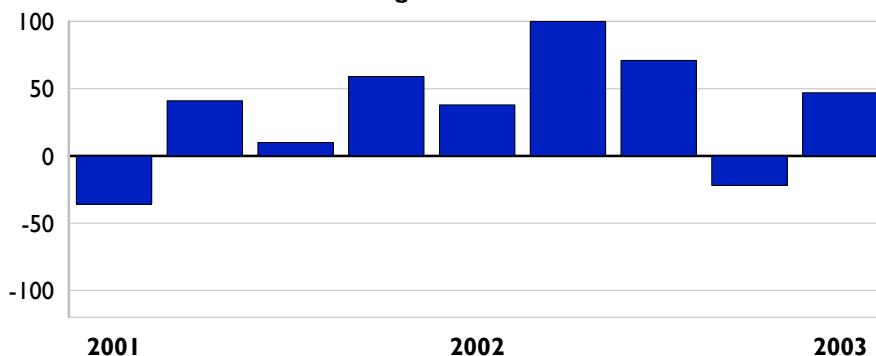
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Growth Resumes Following a Pause
Change in Relation to Last Year
Total Housing Starts - Sherbrooke CMA



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only the Saguenay area (-44 per cent) was down in relation to the first three months of 2002.

Saint-Hyacinthe, Granby and Drummondville

In the surrounding agglomerations, construction was going full tilt, with Saint-Hyacinthe having more than doubled its total number of dwellings started between January and March 2002.

Apartment construction was responsible for this major gain, as total starts reached 61 units in the first quarter, compared to 26 during the corresponding period last year.

In Granby, the performance was more eloquent, however, as the increase in total starts (+95 per cent) was mainly attributable to the single-family home building segment. The situation was similar in Drummondville, where single-family housing starts jumped from 17 to 39 units.

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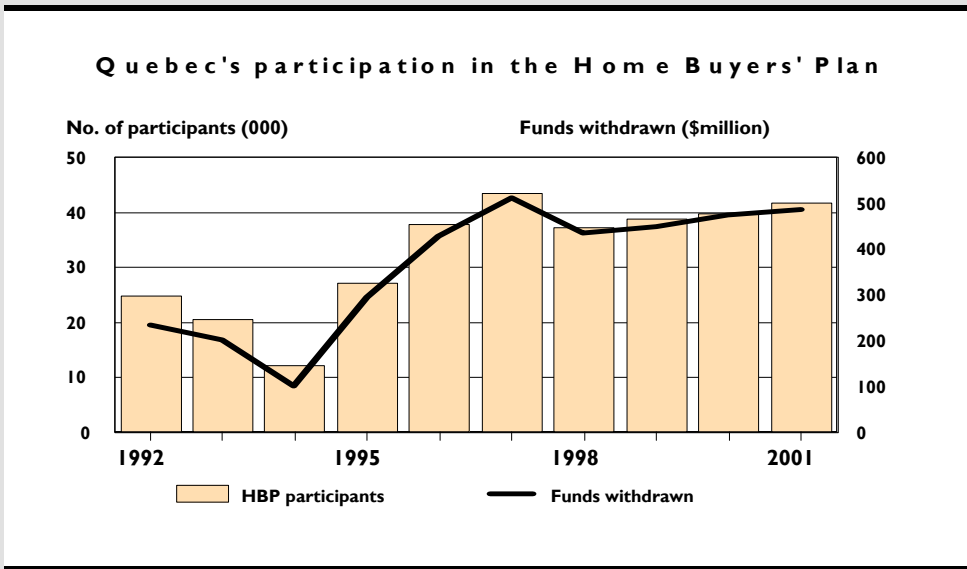
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A Series on RRSP Home Buyers' Plan: Québec

Over 323,000 Québec residents have taken advantage of the Home Buyers' Plan to purchase homes

- The Home Buyers' Plan (HBP) was introduced by the federal government in 1992 to help individuals purchase homes. It allows Canadians, who meet certain eligibility conditions, to withdraw up to \$20,000 tax-free from their Registered Retirement Saving Plans (RRSPs) for this purpose. The amounts withdrawn remain tax-exempt if they are repaid within 15 years.
- Nationally, the second largest number of individuals to ever participate in the Home Buyers' Plan was recorded in 2001. On average, \$12,000 or 7.0 per cent of the Canada MLS average price was withdrawn by home buyers from their RRSPs to acquire a dwelling.
- In Québec, the federal government's Home Buyers' Plan combined with low mortgage rates helped over 41,000 individuals realize their homeowner dreams in 2001 by enabling them to withdraw more than \$487 million in RRSP funds to purchase homes. The average amount withdrawn under the plan was \$11,670.
- Since its inception in 1992, some 323,000 individuals in Québec have participated in the plan channelling \$3.6 billion to the housing market. Nearly 20 per cent of the funds withdrawn have already been repaid.
- Québec has accounted for about 27 per cent of participants and 30 per cent of RRSP funds withdrawn under HBP.



Sources : CMHC, CCRA

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>		
Housing Starts				
First Quarter 2003	69	12	65	146
First Quarter 2002	40	0	59	99
Year-to-date 2003 (Jan.-Mar.)	69	12	65	146
Year-to-date 2002 (Jan.-Mar.)	40	0	59	99
Under Construction				
March 2003	73	12	82	167
March 2002	34	0	143	177
Completions				
First Quarter 2003	56	0	28	84
First Quarter 2002	45	0	35	80
Year-to-date 2003	56	0	28	84
Year-to-date 2002	45	0	35	80
Unoccupied				
March 2003	3	15	15	33
March 2002	9	0	4	13
Absorptions				
First Quarter 2003	57	0	41	98
First Quarter 2002	49	0	31	80
Year-to-date 2003	57	0	41	98
Year-to-date 2002	49	0	31	80
Duration of inventory				
March 2003	0.1	5.6	0.5	0.4
March 2002	0.3	0.0	0.3	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							
First Quarter 2003	9	0	0	0	12	29	50
First Quarter 2002	6	2	0	0	0	29	37
Year-to-date 2003	9	0	0	0	12	29	50
Year-to-date 2002	6	2	0	0	0	29	37
Zone 2: Fleurimont							
First Quarter 2003	5	0	0	0	0	14	19
First Quarter 2002	1	0	0	0	0	8	9
Year-to-date 2003	5	0	0	0	0	14	19
Year-to-date 2002	1	0	0	0	0	8	9
Zone 3: Rock Forest							
First Quarter 2003	27	6	0	0	0	16	49
First Quarter 2002	8	2	0	0	0	8	18
Year-to-date 2003	27	6	0	0	0	16	49
Year-to-date 2002	8	2	0	0	0	8	18
Zone 4: Saint-Élie-d'Orford							
First Quarter 2003	4	2	0	0	0	6	12
First Quarter 2002	7	0	0	0	0	0	7
Year-to-date 2003	4	2	0	0	0	6	12
Year-to-date 2002	7	0	0	0	0	0	7
CENTRE (Zones 1 to 4)							
First Quarter 2003	45	8	0	0	12	65	130
First Quarter 2002	22	4	0	0	0	45	71
Year-to-date 2003	45	8	0	0	12	65	130
Year-to-date 2002	22	4	0	0	0	45	71
Zone 5: Outlying Area							
First Quarter 2003	16	0	0	0	0	0	16
First Quarter 2002	12	2	0	0	0	14	28
Year-to-date 2003	16	0	0	0	0	0	16
Year-to-date 2002	12	2	0	0	0	14	28
TOTAL - SHERBROOKE METROPOLITAN AREA							
First Quarter 2003	61	8	0	0	12	65	146
First Quarter 2002	34	6	0	0	0	59	99
Year-to-date 2003	61	8	0	0	12	65	146
Year-to-date 2002	34	6	0	0	0	59	99

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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
First Quarter	2	1	10	11	12	10	16	12	17	11	57	45
Year-to-date (Jan.-Mar.)	2	1	10	11	12	10	16	12	17	11	57	45

Source: CMHC

Table 4				
Housing Supply Sherbrooke Metropolitan Area				
Type	Under Construction	Unoccupied Units	Permits Issued but not Started	Medium- Term Supply
	March 2003			
Detached/semi-det. houses	73	3	25	101
Multiples *	94	30	21	145
Total	167	33	46	246
	March 2002			
Detached/semi-det. houses	34	9	4	47
Multiples *	143	4	13	160
Total	177	13	17	207

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
	First Quarter 2003	127.7	83.7	77.2	7.8%	5.1
First Quarter 2002	126.3	80.9	73.3	9.4%	4.8	7.1
Average Jan.-Mar. 2003	127.7	83.7	77.2	7.8%	5.1	6.6
Average Jan.-Mar. 2002	126.3	80.9	73.3	9.4%	4.8	7.1

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	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"> 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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THE RETIREMENT HOME MARKET STUDY

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FORECAST

Sherbrooke

Spring - Summer 2003

SUMMARY

Canada Mortgage and Housing Corporation

Third year of growth in sight

Residential construction

✓ Following an excellent year in 2002, the year 2003 will post a further gain in housing starts. In fact, the 920 new constructions anticipated in 2003 will represent an increase of 7.4 per cent over the performance recorded last year. A downturn is expected in 2004, though, when 780 new dwellings should get under way.

✓ In response to a resale market where bargains are increasingly scarce and prices are rising rapidly, single-family home starts will grow by 28.2 per cent this year.

✓ The affordable mortgage rates will incite many households to move up their decision to buy in 2003. Conversely, the anticipated rate hike over the next few quarters will cool down the ardour of new home buyers for 2004.

✓ Despite a downturn, apartment starts will post a good volume with 320 units in 2003, compared to 389 in 2002. For next

year, fewer major projects have been announced, and 300 new apartments are expected to arrive on the market.

✓ In 2003, government programs will add some 75 subsidized housing units to the market. Next year, no new units resulting from these programs are anticipated in the Sherbrooke area.

Resale market

✓ The resale market reached a peak in 2001 in the Sherbrooke census metropolitan area (CMA). Even with economic fundamentals favourable to homeownership and home buying (affordable mortgage rates, shortage on the rental market, and solid employment performance), existing home sales started to fall in 2002, and this trend will continue again this year. The decline is mainly due to the scarcity of properties for sale on the market. There should be 1,100 transactions in 2003, in comparison with 1,229 last year.

✓ The few interesting properties for sale, the rising prices and the mortgage rate hike will limit the number of sales to 1,000 units next year. The decline will not be as significant, though, given the less and less pronounced decrease in the number of active listings.

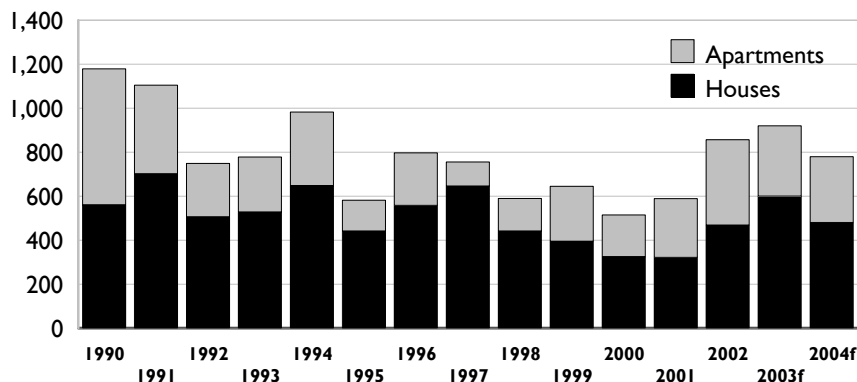
✓ As a result of the scarcity taking hold in the existing home resale market, the average price will rise by 9.6 per cent, from \$106,800 to \$117,000 this year. The affordable mortgage rates observed for the past few years and the tight conditions on the rental market encouraged many households to take the plunge into homeownership. With a dwindling supply and a steady demand, prices have consequently sustained increasingly strong pressure.

✓ As a sign of a persistently tight market, the average selling price will reach \$121,000 in 2004, up by 3.4 per cent.

Rental market

✓ The dynamic conditions on the job market and the low volume of traditional rental housing construction in recent years will prolong the fall of the vacancy rate.

Activity to Keep Rising in 2003
Sherbrooke CMA



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✓ In 2003 and 2004, the rental housing demand will remain steady, but will not be able to fully express itself on the market.

✓ The proportion of dwellings available for rent will continue to decline, going from 1.8 per cent in 2002 to 1.4 per cent in 2003 and then to 1.2 per cent in 2004.

✓ The persistent scarcity of rental units on the market will also put upward pressure on rental rates, as the amount charged for a two-bedroom unit is expected to reach \$470 this year and \$485 in 2004.

Mortgage rates

✓ The affordable mortgage rates observed in recent years will have

enabled many consumers to access homeownership.

✓ However, the significant contingent market of potential home buyers present on the inflated prices at an accelerated pace. This phenomenon, combined with favourable economic conditions, prompted many buyers to benefit from the positive context to access homeownership.

✓ The resilience of the Canadian economy, along with the appreciation of the loony against the U.S. dollar and the increase in inflation, will incite the central bank to raise its interest rates over the next few months in view of slowing down the rate of growth. As interest rates will rise in the United States, Canadian rates will follow the same curve in order to

maintain price stability and the value of our currency.

✓ The rate for a five-year mortgage will attain 7.01 per cent in 2003 before rising to 8.18 per cent next year.

Employment and economy

✓ The Sherbrooke area is continuing to post good news for job creation. The service sector should buoy up the labour market in 2003 and support a gain in employment comparable to that registered in 2002 (+2,300 jobs). There should then be a slight slowdown to 1,000 new jobs in 2004.

FORECAST SUMMARY

Sherbrooke Census Metropolitan Area Spring - Summer 2003

	2002	2003f	% Chg.	2004f	% Chg.
NEW HOME MARKET					
Total housing starts	857	920	7.4	780	- 15.2
Single-family houses	468	600	28.2	480	20.0
Apartments	389	320	-17.7	300	- 6.3
RESALE MARKET					
MLS sales	1,229	1,100	- 10.5	1,000	- 9.1
Average MLS price (\$)	106,800	117,000	9.6	121,000	3.4
RENTAL MARKET					
Vacancy rate (%)	1.8	1.4	n.a.	1.2	n.a.
Average rent for a two-bedroom unit (\$)	456	470	3.0	485	3.1
ECONOMIC OVERVIEW					
Mortgage rate - 3-year (%)	6.28	6.43	n.a.	7.64	n.a.
Mortgage rate - 5-year (%)	7.02	7.01	n.a.	8.18	n.a.
Employment level	76,700	79,000	3.0	80,000	1.3
Employment growth (number of jobs)	2,300	2,300	n.a.	1,000	n.a.

f: CMHC forecast

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