

R

ENTAL MARKET

Gatineau

REPORT

Canada Mortgage and Housing Corporation

www.cmhc.ca

October 2001 survey

Rental market very tight in the Outaouais

While, in October 2000, there were still 272 unoccupied apartments in privately initiated buildings with three or more housing units located in the Gatineau census metropolitan area, only 105 remained available in October 2001. In fact, almost two thirds of the dwellings that were vacant in 2000 were rented out, which brought about a further decrease in the vacancy rate. From 1.4 per cent in 2000, this rate has now fallen to 0.6 per cent, its lowest level in the past decade.

The downward trend in the vacancy rate that began in 1999 is taking hold, and it has become increasingly difficult for tenants to find a dwelling.

The area is therefore somewhat of a victim of its own economic success, which is providing quality jobs to young people and attracting households from other areas. But the supply remains slow to adjust to this growing demand, which is also contributing to the conditions observed on this rental market.

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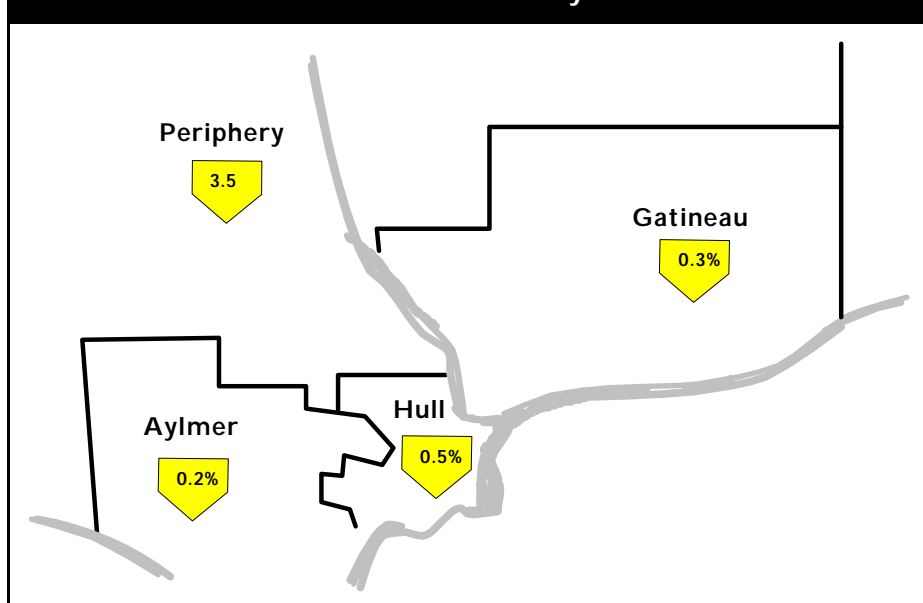
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October 2001 Vacancy Rates



HOME TO CANADIANS
Canada

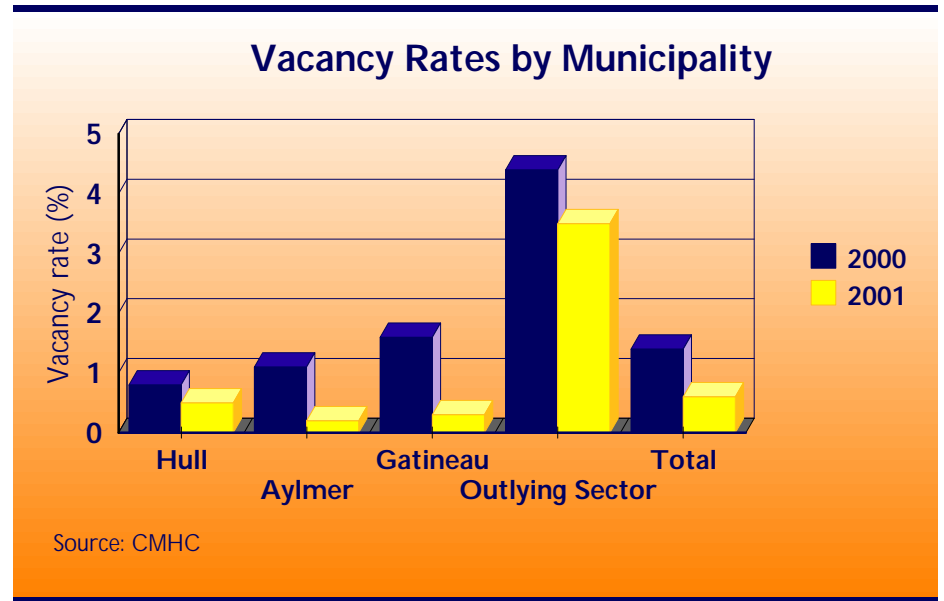
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Regional rental market overview

In 2001, vacant apartments were scarce in the Gatineau area. In fact, it became even harder to find a rental dwelling in the Outaouais, particularly a large apartment in an urban sector.

In fact, while there was less than five available units out of 1,000 in Hull, Aylmer and Gatineau, the situation was less sensitive in the outlying sector.

Renters continue to prefer urban life, a certain proximity to Ottawa and easy access to services and other commodities. As in past years, it can be seen that Hull and Aylmer are also still posting very low vacancy rates. As well, in Gatineau, the strong downward trend in the vacancy rate that began in 2000 continued in 2001, as vacancies reached 0.3 per cent, a level almost as low as in Aylmer, but less than that recorded in Hull.



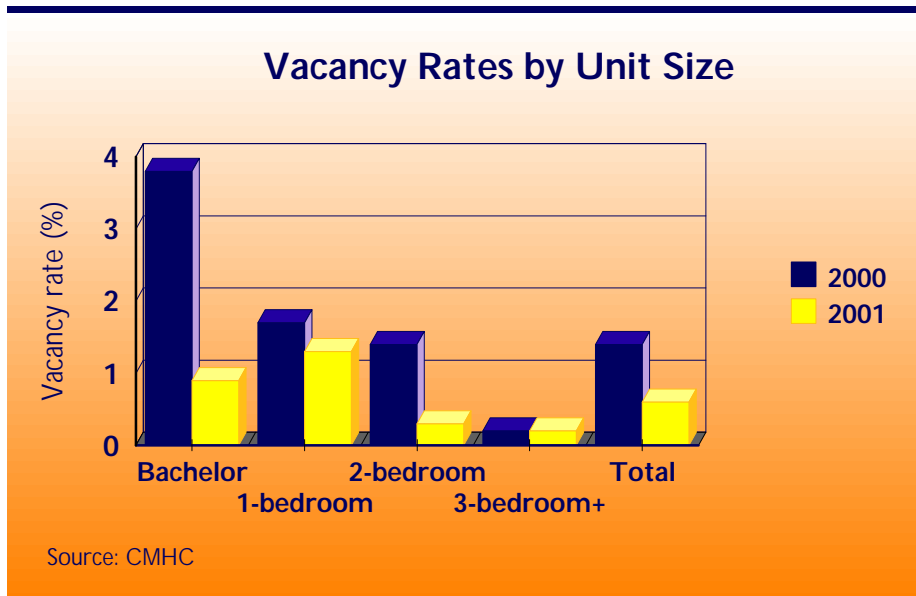
The Outaouais rental market consequently seems to be showing two trends. On the one hand, the clients appear to be students (from both Quebec and Ontario), new immigrants and even English speakers seeking lower rents. These tenants, who want to live close to downtown Hull and Ottawa, seem to be partial to Hull and Aylmer, where the rents have remained relatively low despite the hikes. On the other hand, in Gatineau, there appear to be more young people taking advantage of the favourable job market to leave their parents' residence, without moving away from their home municipality.

This could explain how the municipality of Gatineau saw its market tighten more rapidly than all the others. However, it should be noted that, with a relatively smaller rental housing stock (less than two thirds the size of Hull's), the municipality of Gatineau was also more likely to see its supply rapidly overtaken by an excessive demand. As well, since unoccupied apartments were already scarce in 2000, potential tenants turned to sectors where, like Gatineau, there were more available units, which brought about marked decreases in the vacancy rates in these zones.

As for sizes, the only category of dwellings posting a vacancy rate above 1 per cent is that of one-bedroom apartments. Units of all other sizes are scarce, especially those with two or more bedrooms. In Hull, where there are more large apartments (two out of three apartments have two or more bedrooms), the margin is extremely small. It would appear that there is less than one unoccupied apartment out of 1,000 in this category.

Demand still growing

After a rather marked decrease in its vacancy rate, the Outaouais market is

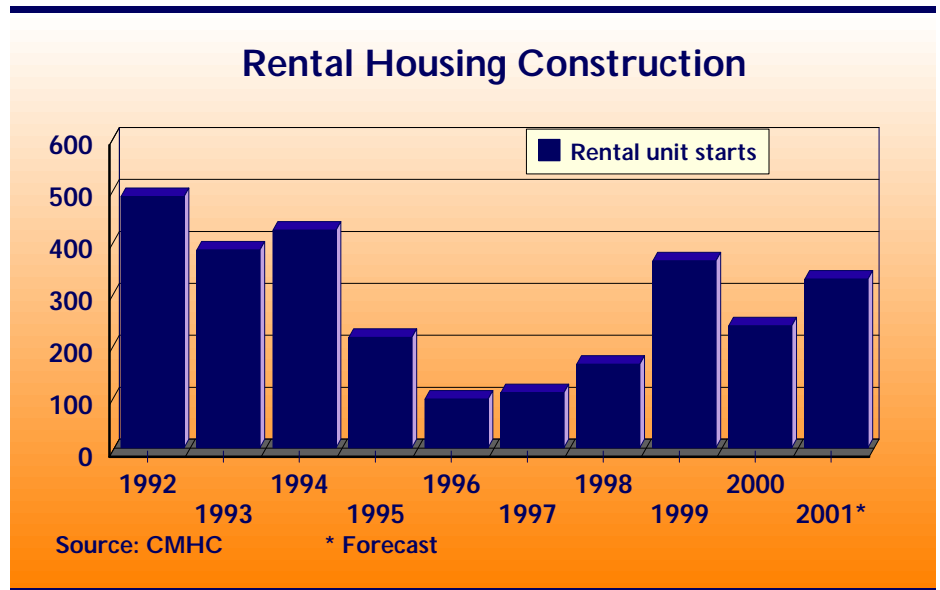


facing tighter conditions this year. This situation is attributable both to demand and supply.

On the demand side, several factors are to be observed. For one thing, the good job market conditions that have been prevailing for three years now continue to favour the creation of new households. Despite the fears brought on by the recent job losses in the high technology sector, the Outaouais economy and the job market are still doing well. In fact, in the Gatineau census metropolitan area, where the bulk of the work force is concentrated in the service sector, the cuts announced in 2001 did not have a negative impact on the labour market.

For young people, the main clients for rental dwellings, the news on the labour market is still very encouraging. In one year (from September to September), the number of jobs intended for this age group went up by 4 per cent (with the average for Quebec being 1.8 per cent). The construction sector, the public service and the Canadian armed forces particularly seek this work force. In fact, in view of re-energizing or rejuvenating themselves, institutions offer these young people steady, well-paying jobs.

More and more young people are now able to pay a rent and are thereby contributing to the constant rise in the demand for rental housing.



In the current context where the homeownership trend is strong, one would have expected the situation to ease. In fact, the results recorded on the job market since 1998 also favour the demand for houses, on the both new and existing home markets. Many dwellings should therefore become available. The conditions observed in November 2001 suggest, however, that the supply so vacated was not significant enough to meet demand. Given the low mortgage rates in recent months, there should be an even greater number of first-time home buyers on the real estate market, which will likely free up some more apartments. The question is whether or not this new supply will be sufficient to

fulfill the ardent wishes of all the active young people who want to go it alone.

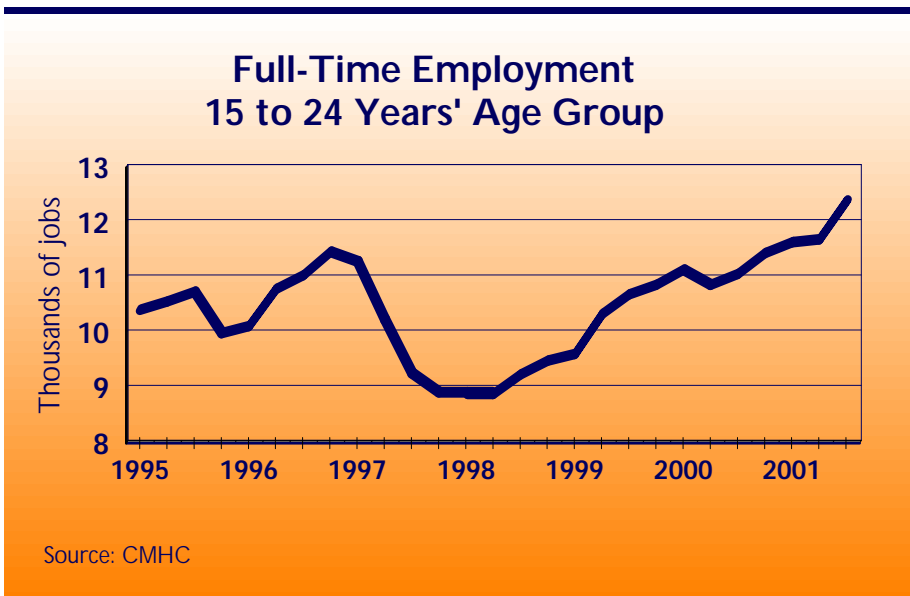
Prudent construction limiting supply

Demand is reaching peaks on the rental market, but supply is not growing as rapidly as apartment seekers would like.

Following the overflowing optimism that brought about the strong increase in rental housing construction in the late 1980s, builders worked on reducing their inventories of vacant apartments by starting fewer units. Even if the high vacancy rates still observed at the beginning of the last decade are now a thing of the past, the supply of units does not seem to be rapidly adjusting.

Considering the major decrease in the vacancy rate since 1998, one would have expected renewed activity on rental housing job sites. But this is not the case at all. Since the mid-1990s, the annual level of rental housing starts has remained under 200 units.

The scarcity of apartments did not change anything to this situation, as builders are focusing their efforts on single-family houses.

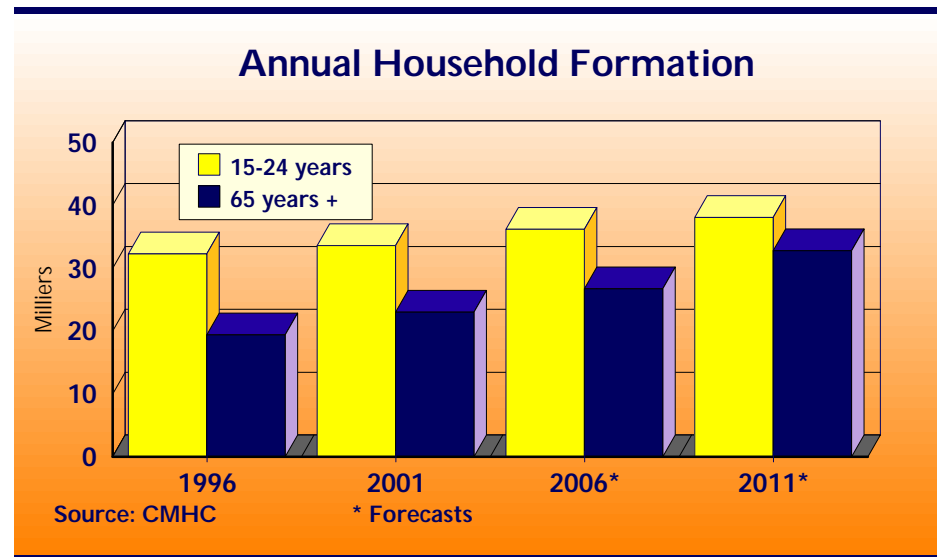


In 2001, only 134 new units were added to the traditional housing stock. Hull is the heart of the Outaouais rental market, and 104 new apartments were built there, representing more than half of this new supply.

In addition to the difficulties experienced by rental housing builders during the 1980s, the major increase in construction costs is another factor that is limiting the supply of new apartments. With rising costs, and the fact that incomes only started to grow in 1999, it is not surprising to see a certain reluctance on the part of builders to undertake new projects.

Supply increasingly dictated by demographics

Even if young people are currently on a roll, the caution exercised by builders could turn out to be a good thing. In fact, the acceleration in the formation of young households in the mid-1990s was one of the determining factors in the vacancy rate decrease. In the medium term, however, it is expected that today's key clients on the rental housing market will become less and less numerous. With an aging population, the need for dwellings for independent seniors is becoming evident. The bulk of the demand will progressively come from older households, a situation that will



intrinsically require an adjustment in the supply.

While there will be fewer young people, an increase in the number of older households is now being noted. It is therefore not surprising to see a rise in the supply of dwellings for this segment of the demand. In 2001, more than half of all rental housing units started were intended for seniors.

Greater rental increase

While rents rose by barely 2 per cent in 2000, the market conditions have given landlords a greater margin in 2001. The

price of a rental dwelling therefore climbed more rapidly (6 per cent this year).

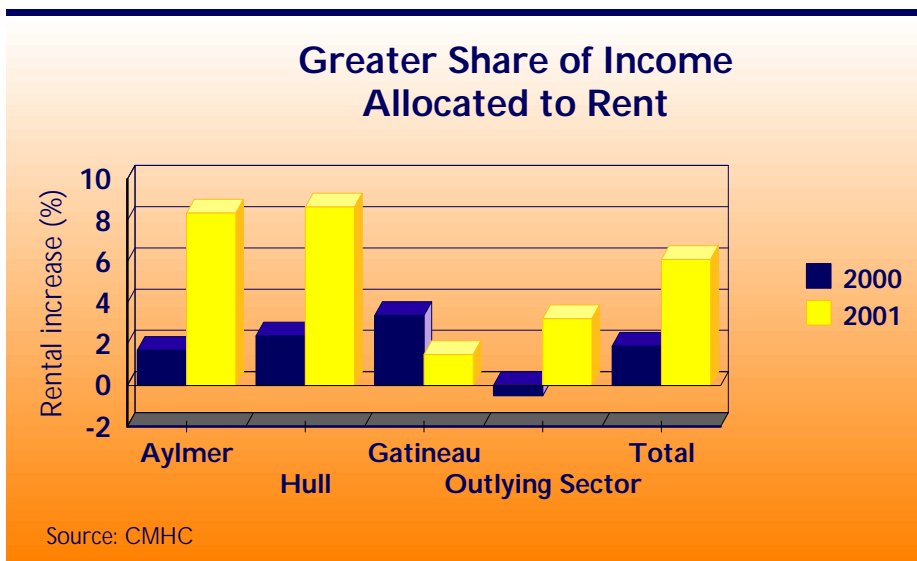
Rents especially rose in Hull and Aylmer, which posted increases of 8.7 per cent and 8.4 per cent, respectively.

In Gatineau, where the vacancy rate is even lower than in Hull, it can be noted that landlords are taking their time to adjust to this new reality, as this municipality has had a less enviable rental market than the others in the past. Rents went up by just 1.5 per cent over one year.

In comparison with the prices of dwellings in Hull and Aylmer, rents have therefore remained relatively low in Gatineau. As such, a two-bedroom apartment rents for an average of \$553 per month there, for a savings of \$56 in relation to Hull.

As mentioned earlier, demand for larger dwellings was strong in 2001. With three vacant units out of 1,000 for two-bedroom apartments, and only two for dwellings with three or more bedrooms, it would not be surprising to see higher rental increases for units in these categories.

In fact, since consumers prefer larger apartments, the market adjusted to this reality, and the rent for units with three or more bedrooms rose by 7 per cent. On the other hand, the rent for bachelor apartments went up by only 2 per cent in 2001.



Apartment Vacancy Rates

Canada	2000	2001
Metropolitan Areas		
Calgary	1.3	1.2
Charlottetown	2.6	1.8
Chicoutimi-Jonquière	4.4	4.4
Edmonton	1.4	0.9
Halifax	3.6	2.8
Hamilton	1.7	1.3
Hull	1.4	0.6
Kitchener	0.7	0.9
London	2.2	1.6
Montréal	1.5	0.6
Oshawa	1.7	1.3
Ottawa	0.2	0.8
Québec	1.6	0.8
Regina	1.4	2.1
Saint John	3.4	5.6
Saskatoon	1.7	2.9
Sherbrooke	4.7	2.3
St. Catharines-Niagara	2.6	1.9
St. John's	3.8	2.5
Sudbury	7.7	5.7
Thunder Bay	5.8	5.8
Toronto	0.6	0.9
Trois-Rivières	6.8	4.7
Vancouver	1.4	1.0
Victoria	1.8	0.5
Windsor	1.9	2.9
Winnipeg	2.0	1.4
Total Canada	1.6	1.1
Québec Province		
Urban Areas from 50,000 to 99,999		
Drummondville	1.8	1.8
Granby	2.0	2.5
Shawinigan	8.4	7.7
St-Hyacinthe	1.8	1.3
Sub-Total 50,000-99,999	3.1	2.6
Urban Areas from 10,000 to 49,999		
Alma	1.8	4.4
Amos	10.5	14.2
Baie-Comeau	16.7	16.2
Cowansville	6.6	6.0
Dolbeau-Mistassini	7.1	3.9
Gaspé	15.0	9.2
Joliette	4.2	2.2
La Tuque	10.6	13.0
Lachute	6.6	5.5
Magog	3.1	1.1
Matane	14.4	11.4
Montmagny	1.5	1.3
Rimouski	6.5	3.9
Rivière-du-Loup	4.5	3.4
Roberval	5.3	4.1
Rouyn-Noranda	12.2	15.5
Salaberry-de-Valleyfield	3.7	3.7
Sept-Îles	12.3	7.7
Sorel-Tracy	11.9	8.4
St-Georges	2.1	2.7
St-Jean-sur-Richelieu	2.8	1.2
Ste-Marie	1.7	2.8
Thetford-Mines	7.8	11.5
Val d'Or	11.4	11.4
Victoriaville	2.3	2.0
Sub-Total 10,000-49,999	5.9	6.2
Total Province of Québec	2.2	1.3

Market to remain tight in 2002

In the near future, there should not be any determining turnaround on the Outaouais rental market. In fact, on both the supply and demand sides, the variables should maintain their current trends. As such, according to the worst-case scenario, the youth employment level could decline slightly, but not sufficiently to reduce the number of young households.

On the supply side, the year 2001 ended with a total of 306 rental housing starts, and 2002 should post marginally better results. We are therefore maintaining our forecast at 350 new units for next year. The number of vacant units in the area will consequently still be low in 2002, and the vacancy rate will be under 1 per cent (around 0.8 per cent). It should be specified, however, that these forecasts do not take into account the recently announced government programs, as the details of the distribution among the different areas across Quebec have not yet been specified.

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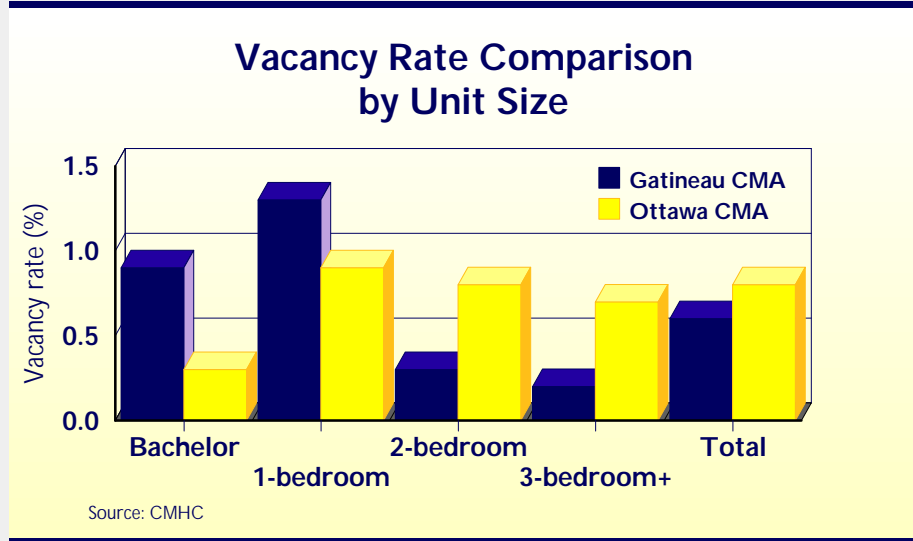
Gatineau and Ottawa: communicating vessels or coincidence?

While, in 2000, the Ottawa rental market had a vacancy rate of 0.2 per cent, well below that recorded in Gatineau (1.4 per cent), the situation took a very different turn in 2001. The new city of Gatineau now has only six units available out of 1,000, two fewer than on the other side of the Ottawa River.

While some easing has been observed on the Ontario side of the national capital, the reverse is occurring in the Quebec part. Could there be any link between these opposing performances on the national capital's two rental markets?

In Ottawa, the small increase in the vacancy rate was essentially attributable to two factors: first, the economic slowdown and, second, the rental increase that drove away some tenants.

In 2000, when Ottawa had a vacancy rate of 0.2 per cent, this city posted a rental increase of about 12.6 per cent. Faced with such a hike, many households crossed the river, in search of more affordable dwellings.



This migration would therefore seem to be partly responsible for the vacancy rate decrease in the Gatineau CMA. By leaving Ottawa in 2000, these households saved, on average, \$162 for a bachelor apartment and \$453 for a unit with three or more bedrooms.

This year, the price gap widened for smaller units, whereas it narrowed for larger apartments. As a result, it now costs \$203 less to rent a bachelor apartment in Gatineau, while the price

for a dwelling with three or more bedrooms is currently \$415 higher in Ottawa.

In spite of a relatively significant rental increase this year (6 per cent) on the Quebec side of the Ottawa River, considerable rent gaps subsist between the two shores. It is highly probable, however, that the minimal availability in Gatineau will now curb in-migration from Ontario.

Rent Comparison Between the Gatineau and Ottawa CMAs

	Gatineau CMA	Ottawa CMA	Difference (\$)	Difference (%)
Bachelor	\$419	\$622	\$203	48%
1- bedroom	\$485	\$762	\$277	57%
2 - bedroom	\$573	\$916	\$343	60%
3 - bedroom +	\$648	\$1,063	\$415	64%

METHODOLOGY

Canada Mortgage and Housing Corporation conducts the Rental Market Survey every year in October to determine the number of vacancies and the rents charged in rental structures. The survey is conducted on a sample basis in all urban areas with populations of 10,000 or more. Only structures that have been on the market for at least three months are included. While this publication is mainly about privately initiated apartment buildings with three or more units, the CMHC survey also examines row houses and publicly initiated rental and cooperative housing.

The survey is conducted by telephone or site visit, and information is obtained from the owner, manager or building superintendent. The survey is usually conducted in the first two weeks of October and these results reflect market conditions at that time.

Definitions

Vacancy: A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Rent: The rent data refers to the actual amount tenants pay for their unit. Amenities and services such as heat, light, parking, hot water and laundry facilities may or may not be included in the monthly rent reported in individual cases. The average rent figures reported in this publication represent the average of different units in the market area, some of which may have some or all of these services.

Rental apartment structure: Any building containing three or more rental dwellings that are not ground-oriented.

Acknowledgement

The Rental Market Survey could not have been conducted without the cooperation of the many property owners and managers throughout Canada. We greatly acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope that the results of this work will provide a benefit to these clients and to the entire housing industry.

Market Zones:

Zone 1: City of Hull

Zone 2: Aylmer

Zone 3: Gatineau

Zone 4: Peripheral zone (Buckingham, Masson-Angers, Chelsea, Cantley, La Pêche, Pontiac and Val-des-Monts).

Apartment Vacancy Rates (%) By Zone and Bedroom Type Gatineau Metropolitan Area

Area	Bachelor		1-bedroom		2-bedroom		3-bedroom +		Total	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	3.7	1.4	1.4	1.2	0.8	0.1	0.5	0.0	1.1	0.5
Zone 2	***	***	0.9	0.4	1.0	0.2	0.0	***	0.8	0.2
Zone 3	2.4	0.0	2.1	0.4	1.8	0.3	0.0	0.0	1.6	0.3
Zone 4	***	***	***	***	4.1	1.8	***	***	4.4	3.5
Total	3.8	0.9	1.7	1.3	1.4	0.3	0.2	0.2	1.4	0.6

Apartment Average Rents (\$) By Zone and Bedroom Type Gatineau Metropolitan Area

Area	Bachelor		1-bedroom		2-bedroom		3-bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	415	423	466	499	564	609	619	692
Zone 2	***	***	492	520	544	592	589	***
Zone 3	410	425	442	464	548	553	598	603
Zone 4	***	***	***	***	406	422	***	***
Total	410	419	457	485	544	573	606	648

**Number of Apartment Units - Vacant and Universe in October 2001
By Zone and Bedroom Type
Gatineau Metropolitan Area**

Area	Bachelor		1-bedroom		2-bedroom		3-bedroom +		Total	
	Vacant	Universe	Vacant	Universe	Vacant	Universe	Vacant	Universe	Vacant	Universe
Zone 1	7	484	37	3,095	3	5,104	0	1,449	47	10,131
Zone 2	***	***	1	321	1	721	***	***	3	1,209
Zone 3	0	213	5	1,240	12	3,679	0	1,153	17	6,285
Zone 4	***	***	***	***	14	794	***	***	39	1,112
Total	7	798	63	4,846	31	10,298	5	2,794	105	18,837

**Apartment Vacancy Rates (%)
By Structure Size and Bedroom Type
Gatineau Metropolitan Area**

Size	Bachelor		1-bedroom		2-bedroom		3-bedroom +		Total	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
3 - 5 Units	***	***	4.0	3.2	2.0	0.1	0.0	0.4	2.5	1.0
6 - 19 Units	***	***	2.1	1.8	1.9	0.4	0.5	0.1	1.8	0.6
20 - 49 Units	***	***	1.1	0.3	1.4	0.4	0.0	0.0	1.1	0.3
50 - 99 Units	0.0	0.6	0.2	0.1	0.0	0.1	0.0	0.0	0.1	0.1
100 + Units	0.4	0.4	0.0	0.3	0.1	0.1	0.0	0.0	0.1	0.2
Total	3.8	0.9	1.7	1.3	1.4	0.3	0.2	0.2	1.4	0.6

**Apartment Vacancy Rates (%)
By Structure Year of Completion and Bedroom Type
Gatineau Metropolitan Area**

Year	Bachelor		1-bedroom		2-bedroom		3-bedroom +		Total	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
No Date Available	***	***	2.8	0.0	1.5	0.6	***	***	1.9	0.3
Pre 1940	***	***	***	***	***	***	***	***	***	***
1940 - 1959	***	***	3.7	***	2.0	***	***	***	2.6	1.2
1960 - 1974	4.3	1.5	1.3	1.6	1.0	0.2	0.0	0.0	1.2	0.7
1975 - 1984	***	***	0.5	0.2	1.5	0.3	0.0	0.0	1.0	0.2
After 1985	***	***	1.7	1.9	1.9	0.3	0.5	0.3	1.6	0.5
Total	3.8	0.9	1.7	1.3	1.4	0.3	0.2	0.2	1.4	0.6

*** Sample too small to disclose results