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Residential construction declines in the Saguenay area

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In the fourth quarter of 2003, housing starts sustained a significant drop of 73 per cent in the Saguenay census metropolitan area (CMA). The results of the latest survey conducted by Canada Mortgage and Housing Corporation (CMHC) revealed that construction got under way on 52 dwellings from October to December 2003, compared to 194 during the corresponding period in 2002.

All housing types posted major decreases in starts during the last quarter. The hardest hit housing category was unquestionably the apartment segment, in which 14 new units were enumerated, for a decrease of 90 per cent in relation to the 134 apartments built during the last three months of 2002. After five consecutive quarters of growth, the construction of

single-family homes¹ sustained a first decline of about 36 per cent, reaching 38 units. This downturn in home building resulted in part from the job losses registered during the second half of 2002.

The annual results for 2003 also show a slowdown in residential construction in the Saguenay CMA. While 2002 had posted the highest level of activity since 1994 (596 new dwellings), 2003 sustained a decrease of 27 per cent in housing starts (as construction got under way on 435 units). The single-family home segment was not greatly affected, though, as the number of foundations laid fell by just 3 per cent, which brought the annual total to 266 units, compared to 274 in 2002.

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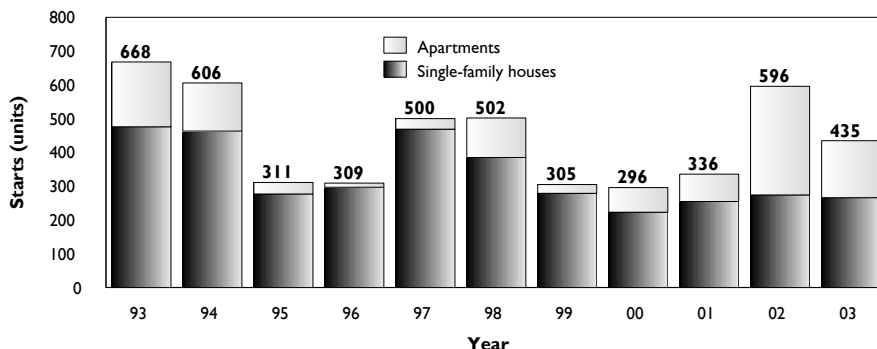
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Total Housing Starts
Annual Results
Saguenay Metropolitan Area



Source: CMHC



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¹ Single-family homes include single-detached, semi-detached and row houses.

In fact, the decrease in the volume of activity resulted mainly from the construction of apartments intended for seniors. The small proportion of vacant apartments for seniors (0.2 per cent)² in 2001 and the aging of the population incited certain developers to invest in this market in 2002, which led to the start-up of 270 apartments of this type. In 2003, on the other hand, given the considerable increase in supply the year before, construction got under way on a single 75-unit project. However, the decline in activity in this segment was offset by the construction of traditional apartments. In fact, between January and December 2003, such starts exploded to 94 units, up by 81 per cent over the result recorded in 2002. In all, 169 apartments were started in 2003, for a decrease of 48 per cent from the 322 units built from January to December 2002.

In Lac-Saint-Jean

Elsewhere in the Lac-Saint-Jean centres, the municipality of Alma stood out with a gain of 49 per cent in housing starts (167 units). Among these, 67 single-family homes were started between January and December 2003, compared to 51 in 2002. The expansion of two retirement homes resulted in the addition of 100 new apartments and brought about an increase of 64 per cent over the results obtained the previous year. Dolbeau-Mistassini also stood out in 2003 with a hike of 46 per cent in starts. The 51 new constructions were all single-family homes while, in 2002, there had been 32 houses and 3 apartments. In Roberval, for a second straight year, 14 units were built. However, in 2003, the 14 new dwellings were all single-family homes, compared to 10 houses and 4 apartments the year before. In Saint-Félicien, 43 new housing units were

enumerated, for a decrease in activity of 4 per cent. Single-family homes sustained a significant decline (from 29 starts in 2002 to 18 in 2003). In the apartment segment, the opposite occurred, as the start-up of a 25-unit apartment retirement home made it possible to surpass the 16 apartments registered in 2002.

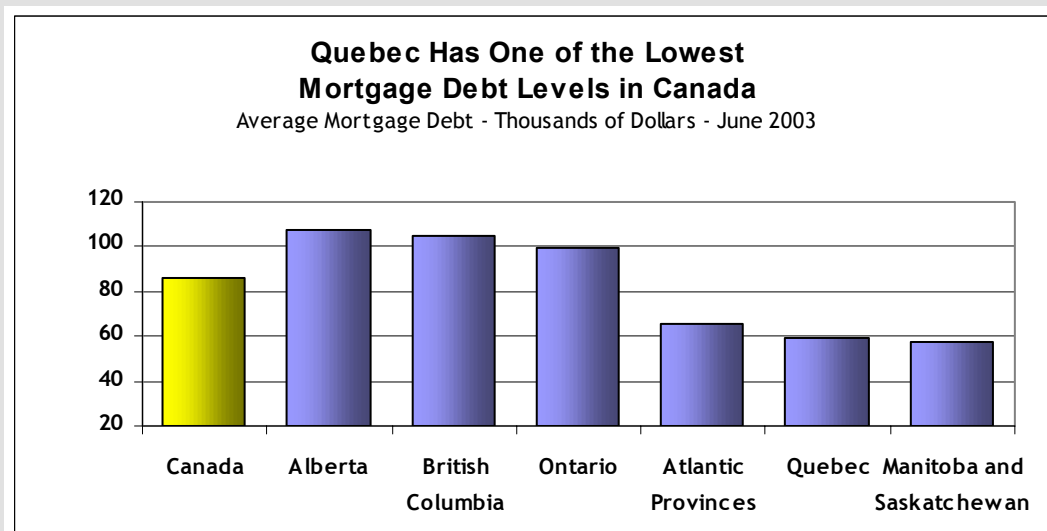
Across the province

In the province overall, residential construction was on the rise. In 2003, 39,857 housing starts were enumerated in centres with 10,000 or more inhabitants, for a gain of 19 per cent over 2002. The greatest increase was observed in the Québec area (31 per cent), followed by Sherbrooke (25 per cent), Montréal (18 per cent), Gatineau (10 per cent) and Trois-Rivières (3 per cent). Only the Saguenay area registered a decrease in 2003 (-27 per cent).

Quebec Has One of the Lowest Mortgage Debt Levels in Canada¹

According to the June 2003 Financial Industry Research Monitor (FIRM) Survey results, the average mortgage in Canada was \$86,000. For the province of Quebec, this average debt was \$59,000. Only Manitoba and Saskatchewan had lower average mortgage debt levels at that time (around \$57,000). Conversely, the highest level of \$107,000 was noted in Alberta. The younger population² and the recent significant jump in home prices in this province both contributed to this situation.

The increase in homeownership and the resulting gain in popularity of refinance products drove up the mortgage debt level of Canadians. One year earlier, in June 2002, this level was about \$82,000. During this time, however, their residential property values went up more considerably, such that the weight of this debt became lighter. In fact, while this debt represented 44 per cent of the average price of existing homes (\$186,808*) in June 2002, this proportion fell to 41 per cent (\$208,186*) one year later.



¹Sources: CMHC, Clayton Research Associates Limited and Ipsos-Reid Corporation, The FIRM Residential Mortgage Survey, June 2003

²As newcomers on the labour market, young people have had less time to save, so they have less equity to buy a home

* MLS® (Multiple Listing Service), seasonally adjusted rates

Table I
Summary of Activity by Intended Market
Saguenay Metropolitan Area

| <i>Activity / Period</i> | <i>Ownership</i> | | | | | <i>Rental</i> | <i>Total</i> |
|-----------------------------|------------------|-------------|------------|-------------|---------------------|---------------|--------------|
| | <i>Freehold*</i> | | | | <i>Condo-minium</i> | | |
| | <i>Single</i> | <i>Semi</i> | <i>Row</i> | <i>Apt.</i> | | | |
| Starts | | | | | | | |
| Fourth quarter 2003 | 36 | 2 | 0 | 0 | 0 | 14 | 52 |
| Fourth quarter 2002 | 52 | 8 | 0 | 0 | 0 | 134 | 194 |
| Year-to-date 2003 | 244 | 22 | 0 | 8 | 0 | 161 | 435 |
| Year-to-date 2002 | 254 | 20 | 0 | 14 | 0 | 308 | 596 |
| Under construction** | | | | | | | |
| Fourth quarter 2003 | 38 | 2 | 0 | 2 | 0 | 0 | 42 |
| Fourth quarter 2002 | 37 | 8 | 0 | 6 | 0 | 265 | 316 |
| Completions | | | | | | | |
| Fourth quarter 2003 | 70 | 6 | 0 | 6 | 0 | 97 | 179 |
| Fourth quarter 2002 | 85 | 8 | 0 | 4 | 0 | 16 | 113 |
| Year-to-date 2003 | 243 | 24 | 0 | 16 | 0 | 426 | 709 |
| Year-to-date 2002 | 258 | 16 | 0 | 10 | 0 | 107 | 391 |
| Unoccupied** | | | | | | | |
| Fourth quarter 2003 | 4 | 1 | 0 | 0 | 0 | 75 | 80 |
| Fourth quarter 2002 | 1 | 0 | 0 | 0 | 0 | 4 | 5 |
| Absorption | | | | | | | |
| Fourth quarter 2003 | 68 | 5 | 0 | 6 | 0 | 67 | 146 |
| Fourth quarter 2002 | 85 | 10 | 0 | 4 | 0 | 18 | 117 |
| Year-to-date 2003 | 241 | 29 | 0 | 17 | 0 | 242 | 529 |
| Year-to-date 2002 | 263 | 10 | 0 | 12 | 0 | 82 | 367 |
| Short-term supply | | | | | | | |
| Fourth quarter 2003 | 42 | 3 | 0 | 2 | 0 | 75 | 122 |
| Fourth quarter 2002 | 38 | 8 | 0 | 6 | 0 | 269 | 321 |

* Refers to single-family houses (single-detached, semi-detached and row homes) owned under freehold tenure and owner-occupied duplexes

** At the end of the period shown

Source: CMHC

Table 2
Housing Starts by Zone and by Intended Market
Saguenay Metropolitan Area

| Zone / Period | Ownership | | | | | Rental | Total |
|---|-----------|------|-----|------|--------------|--------|-------|
| | Freehold | | | | Condo-minium | | |
| | Single | Semi | Row | Apt. | | | |
| Zone 1: Chicoutimi | | | | | | | |
| Fourth quarter 2003 | 1 | 0 | 0 | 0 | 0 | 4 | 5 |
| Fourth quarter 2002 | 19 | 0 | 0 | 0 | 0 | 119 | 138 |
| Year-to-date 2003 | 58 | 4 | 0 | 0 | 0 | 38 | 100 |
| Year-to-date 2002 | 73 | 2 | 0 | 6 | 0 | 131 | 212 |
| Zone 2: Jonquière | | | | | | | |
| Fourth quarter 2003 | 6 | 2 | 0 | 0 | 0 | 10 | 18 |
| Fourth quarter 2002 | 9 | 6 | 0 | 0 | 0 | 15 | 30 |
| Year-to-date 2003 | 64 | 8 | 0 | 6 | 0 | 123 | 201 |
| Year-to-date 2002 | 79 | 14 | 0 | 2 | 0 | 155 | 250 |
| Zone 3: La Baie | | | | | | | |
| Fourth quarter 2003 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Fourth quarter 2002 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Year-to-date 2003 | 28 | 8 | 0 | 2 | 0 | 0 | 38 |
| Year-to-date 2002 | 15 | 0 | 0 | 0 | 0 | 0 | 15 |
| Centre (zones 1 to 3) | | | | | | | |
| Fourth quarter 2003 | 15 | 2 | 0 | 0 | 0 | 14 | 31 |
| Fourth quarter 2002 | 29 | 6 | 0 | 0 | 0 | 134 | 169 |
| Year-to-date 2003 | 150 | 20 | 0 | 8 | 0 | 161 | 339 |
| Year-to-date 2002 | 167 | 16 | 0 | 8 | 0 | 286 | 477 |
| Zone 4: Outlying area (Lac Kénogami, Larouche, Laterrière, Saint-Fulgence, etc.) | | | | | | | |
| Fourth quarter 2003 | 21 | 0 | 0 | 0 | 0 | 0 | 21 |
| Fourth quarter 2002 | 23 | 2 | 0 | 0 | 0 | 0 | 25 |
| Year-to-date 2003 | 94 | 2 | 0 | 0 | 0 | 0 | 96 |
| Year-to-date 2002 | 87 | 4 | 0 | 6 | 0 | 22 | 119 |
| TOTAL - SAGUENAY METROPOLITAN AREA | | | | | | | |
| Fourth quarter 2003 | 36 | 2 | 0 | 0 | 0 | 14 | 52 |
| Fourth quarter 2002 | 52 | 8 | 0 | 0 | 0 | 134 | 194 |
| Year-to-date 2003 | 244 | 22 | 0 | 8 | 0 | 161 | 435 |
| Year-to-date 2002 | 254 | 20 | 0 | 14 | 0 | 308 | 596 |

Source: CMHC

Table 3**Single-Detached and Semi-Detached Houses Absorbed by Price Range - Fourth Quarter
Saguenay Metropolitan Area**

| Type | Under \$70,000 | | \$70,000 to \$89,999 | | \$90,000 to \$109,999 | | \$110,000 to \$129,999 | | \$130,000 or over | |
|------------------------------|----------------|------|----------------------|------|-----------------------|-------|------------------------|-------|-------------------|-------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Single | 3 | 3 | 6 | 4 | 8 | 22 | 11 | 21 | 40 | 35 |
| Semi | 0 | 2 | 2 | 4 | 1 | 4 | 2 | 0 | 0 | 0 |
| Total | 3 | 5 | 8 | 8 | 9 | 26 | 13 | 21 | 40 | 35 |
| Market share (single) | 4.4% | 3.5% | 8.8% | 4.7% | 11.8% | 25.9% | 16.2% | 24.7% | 58.8% | 41.2% |

Source: CMHC

Table 4**Housing Supply - Fourth Quarter 2003
Saguenay Metropolitan Area**

| | <i>Intended Market</i> | | | |
|--|------------------------|--------------------|---------------|--------------|
| | <i>Freehold</i> | <i>Condominium</i> | <i>Rental</i> | <i>Total</i> |
| Under construction | 42 | 0 | 0 | 42 |
| Unoccupied | 5 | 0 | 75 | 80 |
| Short-term supply | 47 | 0 | 75 | 122 |
| Duration of short-term supply (months, trend) | 2.1 | n.a. | 11.0 | 4.0 |

Source: CMHC

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Table 5
Housing Starts by Agglomeration and by Intended Market
Lac-Saint-Jean

| <i>Agglomeration / Period</i> | <i>Ownership</i> | | | | | <i>Rental</i> | <i>Total</i> |
|----------------------------------|------------------|-------------|------------|-------------|--------------------------|---------------|--------------|
| | <i>Freehold</i> | | | | <i>Condo- minium</i> | | |
| | <i>Single</i> | <i>Semi</i> | <i>Row</i> | <i>Apt.</i> | | | |
| <i>Alma</i> | | | | | | | |
| Fourth quarter 2003 | 6 | 4 | 4 | 0 | 0 | 55 | 69 |
| Fourth quarter 2002 | 6 | 2 | 0 | 2 | 0 | 41 | 51 |
| Year-to-date 2003 | 50 | 10 | 4 | 2 | 0 | 101 | 167 |
| Year-to-date 2002 | 49 | 2 | 0 | 4 | 0 | 57 | 112 |
| <i>Dolbeau-Mistassini</i> | | | | | | | |
| Fourth quarter 2003 | 19 | 0 | 0 | 0 | 0 | 0 | 19 |
| Fourth quarter 2002 | 6 | 0 | 0 | 0 | 0 | 3 | 9 |
| Year-to-date 2003 | 45 | 4 | 3 | 0 | 0 | 0 | 52 |
| Year-to-date 2002 | 30 | 2 | 0 | 0 | 0 | 3 | 35 |
| <i>Roberval</i> | | | | | | | |
| Fourth quarter 2003 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Fourth quarter 2002 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |
| Year-to-date 2003 | 10 | 4 | 0 | 0 | 0 | 0 | 14 |
| Year-to-date 2002 | 8 | 2 | 0 | 0 | 0 | 4 | 14 |
| <i>Saint-Félicien</i> | | | | | | | |
| Fourth quarter 2003 | 5 | 0 | 0 | 0 | 0 | 25 | 30 |
| Fourth quarter 2002 | 4 | 0 | 0 | 0 | 4 | 16 | 24 |
| Year-to-date 2003 | 18 | 0 | 0 | 0 | 0 | 25 | 43 |
| Year-to-date 2002 | 25 | 0 | 0 | 0 | 4 | 16 | 45 |

Source: CMHC

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Table 6
Economic Overview
Saguenay Metropolitan Area

| | 2002 | 2003 | | | |
|---|---------------------------|------------------|----------------|----------------|------------------|
| | 4th Q | 1st Q | 2nd Q | 3rd Q | 4th Q |
| Mortgage rates (%) (Canada) | | | | | |
| - 1-year | 5.0 | 5.1 | 5.1 | 4.6 | 4.7 |
| - 5-year | 6.8 | 6.6 | 6.2 | 6.3 | 6.5 |
| Inflation (Province of Quebec) | | | | | |
| - Inflation rate (%) | 3.4 | 4.2 | 2.8 | 1.7 | 1.3 |
| - Consumer Price Index (1992=100) | 116.9 | 118.7 | 118.2 | 118.3 | 118.5 |
| Quebec consumer attitudes survey | | | | | |
| - Index of Consumer Attitudes (1991 = 100) (seasonally adjusted) | 129.4 | 124.0 | 120.7 | 123.7 | 117.5 |
| Labour market | | | | | |
| - Job creation (loss) compared to the last quarter | - total -4,200 | -2,900 -2,600 | 2,000 4,000 | 4,100 3,900 | -3,600 -5,400 |
| - Job creation (loss) compared to the same quarter last year | - total -900 -3,100 | -1,800 -2,900 | 1,300 1,900 | 3,600 1,100 | -400 -100 |
| - Unemployment rate (%) | 10.1 | 12.1 | 11.9 | 9.6 | 11.5 |

Sources: Statistics Canada, Conference Board of Canada

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Definitions and Concepts

Intended Markets - There are three: the freehold market refers to Single-Family Houses (Detached, SemiDetached 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 a 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 rented. 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).

Saguenay Metropolitan Area Zones

| Zones | Municipalities | Large zone |
|--------------|--|-------------------|
| 1 | Chicoutimi | Centre |
| 2 | Jonquière | Centre |
| 3 | La Baie | Centre |
| 4 | Lac Kénogami, Larouche, Laterrière, St-Fulgence, St-Honoré, Shipshaw, Canton Tremblay. | Peripheral Area |

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