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Canada Mortgage and Housing Corporation

VOLUME 7, EDITION 3
THIRD QUARTER 2004

Hot summer on Saguenay residential job sites

The summer holiday period for construction workers did not slow down the market in the Saguenay census metropolitan area (CMA). According to the latest surveys conducted by Canada Mortgage and Housing Corporation (CMHC), there were 127 housing starts in the third quarter of 2004, or 15 more than during the same period last year. The number of starts surpassed not only the results observed last year but also the performance recorded in the previous quarter. This was only the second time in eight years that this situation occurred as, usually, it is the springtime quarter that registers the most new constructions.

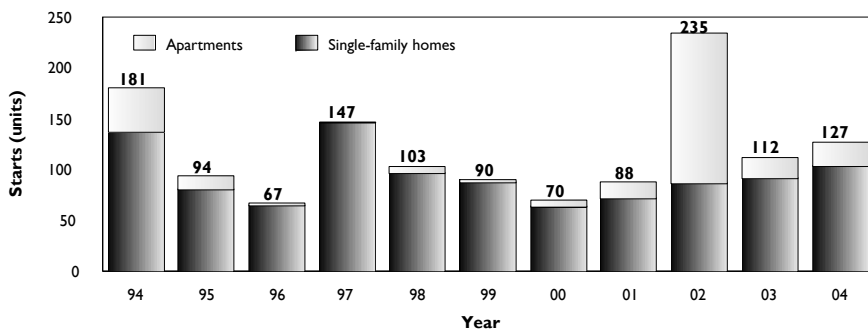
This increase in activity of 13 per cent put an end to a series of four straight quarterly decreases in the residential construction sector in the Saguenay CMA. This change of direction came mainly from single-detached home starts, which climbed by 20 per cent to 98 units. The consecutive closures at Abitibi-Consolidated and Alcan at the beginning of 2004 may have triggered a wind of pessimism among Saguenay consumers and consequently delayed certain home buying decisions. Once this cloud had dispersed, consumers regained confidence and, as a result, started heading out to sales offices again. This sequence of events accounted for the first increase in activity in a year.

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Total Housing Starts
Third Quarter
Saguenay Census Metropolitan Area



Source: CMHC



HOME TO CANADIANS
Canada

Rental housing construction also sustained the effects of delayed decision making. We enumerated 23 rental housing starts, for a gain of 15 per cent in relation to the third quarter of 2003. Investors are faced with a surplus of units on the rental market, which limits possibilities and increases risks. To deal with this reality, investors are therefore opting for smaller structures with fewer than 10 units.

The only negative point was that the construction of 6 semi-detached and row homes in the third quarter meant a decrease of 40 per cent compared to last year.

In the Lac-Saint-Jean area, the municipality of Alma recorded a drop of 15 per cent in the third quarter of

2004, with 46 starts. This situation resulted from the addition of 35 apartments to a retirement home last year, which explains the decrease of 49 per cent in apartment starts in 2004. In Roberval, the level of activity jumped up significantly, with the construction of 5 houses and 11 apartments during the third quarter. As for Saint-Félicien, the 8 single-detached home starts there represent a small gain of 2 units in the last three months. Lastly, on the territory of Dolbeau-Mistassini, 10 new single-detached houses and 2 more units in the semi-detached and row home segment were enumerated while, last year, 14 units had been started.

For the first nine months of 2004, red

ink dominates the results for the Saguenay CMA. In fact, all housing types show decreases in relation to 2003, with 196 single-detached houses (-6 per cent), 18 semi-detached and row homes (-10 per cent) and 44 apartments (-72 per cent).

In all urban centres with 10,000 or more inhabitants across the province, 33,865 starts were enumerated from January to September, for a gain of 18 per cent. The Trois-Rivières CMA posts the greatest increase (+34 per cent), followed by Sherbrooke (+24 per cent). Montréal (+23 per cent) stands ahead of Gatineau (+18 per cent) and Québec (+2 per cent), while the Saguenay area continues to show a decrease since the beginning of the year (-33 per cent).

Home Buyers' Plan in Canada and Quebec in 2002¹

According to the most recent data available, the federal government's Home Buyers' Plan (HBP) helped more than 123,000 Canadians to realize their homeownership dream in 2002. Under this program, participants withdrew over \$1.3 billion in RRSP funds to purchase homes. Since its inception in 1992, some 1.3 million individuals have participated in the program, channelling \$13.2 billion from their RRSPs to the housing market.

To put this in perspective, the 123,000 participants in the plan represented roughly 30 per cent of the existing home sales for the year. In fact, the ratio of HBP participants to MLS®/S.I.A.® sales ranged from 17 per cent in British Columbia to 58 per cent in Quebec. In this last province, it was the Québec census metropolitan area (CMA) that posted the highest proportion of participants, with 65 per cent. Conversely, in the Trois-Rivières CMA, this proportion stood at 37 per cent, which was still well above the Canadian average.

For Canada overall, the average withdrawal under HBP in 2002 was \$10,568, which was 6 per cent of the price of a typical

dwelling sold through the MLS®/S.I.A.® network. This percentage varied across Canada, between 4.5 per cent in British Columbia and 9 per cent in Quebec. Closer to home, the Trois-Rivières CMA came in first (15 per cent) in Quebec, well ahead of Montréal (8 per cent), which brought up the rear, but still largely exceeded the national average.

Another point that well reflects the diversity of housing markets, preferences of home buyers and financial habits in the provinces is the average withdrawal under HBP. Here again, Quebec came out on top in 2002, with an average withdrawal

of \$11,433, while Saskatchewan was in last place, with \$7,309. As for the CMAs in Quebec, Montréal led with an average withdrawal of \$12,073, an amount that also gave this CMA first place in Canada, just ahead of Toronto and Vancouver.

HBP offers a significant avenue to first-time home buyers

A recent survey shows that HBP was used by 48 per cent of first-time buyers who purchased a home in Canada since 2000². HBP was the primary source of down payment for about 35 per cent of first-time buyers.

Home Buyers' Plan - 2002				
	Number of Participants	Average Withdrawal (\$)	Participants/MLS Sales Ratio (%)	Average Withdrawal/Average Selling Price Ratio (%)
Gatineau	1,770	10,651	39.2	9.4
Montréal	20,900	12,073	44.5	8.4
Québec	5,670	11,133	64.6	10.8
Saguenay	860	9,762	59.9	11.6
Sherbrooke	1,000	10,734	45.9	10.1
Trois-Rivières	560	11,196	36.6	14.9
Québec	38,840	11,433	57.8	8.7
Canada	123,110	10,568	29.4	5.6

Sources: CMHC, CRA and MLS

¹ This article was inspired by the third quarter 2004 issue of CMHC Mortgage Market Trends.

² Financial Industry Research Monitor (FIRM) survey, March 2004.

Table I
Summary of Activity by Intended Market
Saguenay Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
Third quarter 2004	98	6	0	2	0	21	127
Third quarter 2003	82	10	0	4	0	16	112
Year-to-date 2004 (Jan.-Sept.)	196	18	0	4	7	33	258
Year-to-date 2003 (Jan.-Sept.)	208	20	0	8	0	147	383
Under construction**							
Third quarter 2004	68	0	0	0	0	13	81
Third quarter 2003	72	8	0	6	0	83	169
Completions							
Third quarter 2004	109	14	0	4	0	23	150
Third quarter 2003	84	8	0	2	0	43	137
Year-to-date 2004	165	20	0	8	0	27	220
Year-to-date 2003	173	18	0	10	0	329	530
Unoccupied**							
Third quarter 2004	0	0	0	0	0	0	0
Third quarter 2003	2	0	0	0	0	45	47
Absorption							
Third quarter 2004	111	14	0	4	0	31	160
Third quarter 2003	83	8	0	2	0	74	167
Year-to-date 2004	169	21	0	8	0	102	300
Year-to-date 2003	172	18	0	11	0	277	478
Short-term supply							
Trend 2004	68	0	0	0	0	13	81
Trend 2003	74	8	0	6	0	128	216

* 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							
Third quarter 2004	27	6	0	2	0	0	35
Third quarter 2003	22	2	0	0	0	0	24
Year-to-date 2004	58	12	0	4	0	12	86
Year-to-date 2003	57	4	0	0	0	34	95
Zone 2: Jonquière							
Third quarter 2004	28	0	0	0	0	17	45
Third quarter 2003	20	6	0	4	0	16	46
Year-to-date 2004	57	0	0	0	0	17	74
Year-to-date 2003	58	6	0	6	0	113	183
Zone 3: La Baie							
Third quarter 2004	10	0	0	0	0	4	14
Third quarter 2003	10	2	0	0	0	0	12
Year-to-date 2004	22	0	0	0	7	4	33
Year-to-date 2003	20	8	0	2	0	0	30
Centre (zones 1 to 3)							
Third quarter 2004	65	6	0	2	0	21	94
Third quarter 2003	52	10	0	4	0	16	82
Year-to-date 2004	137	12	0	4	7	33	193
Year-to-date 2003	135	18	0	8	0	147	308
Zone 4: Outlying area (Lac Kénogami, Larouche, Laterrière, Saint-Fulgence, etc.)							
Third quarter 2004	33	0	0	0	0	0	33
Third quarter 2003	30	0	0	0	0	0	30
Year-to-date 2004	59	6	0	0	0	0	65
Year-to-date 2003	73	2	0	0	0	0	75
TOTAL - SAGUENAY METROPOLITAN AREA							
Third quarter 2004	98	6	0	2	0	21	127
Third quarter 2003	82	10	0	4	0	16	112
Year-to-date 2004	196	18	0	4	7	33	258
Year-to-date 2003	208	20	0	8	0	147	383

Source: CMHC

Table 3										
Single-Detached and Semi-Detached Houses Absorbed by Price Range - Third 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Single	1	1	3	6	13	14	26	20	68	42
Semi	0	0	9	8	2	0	2	0	1	0
Total	1	1	12	14	15	14	28	20	69	42
Market share (single)	0.9%	1.2%	2.7%	7.2%	11.7%	16.9%	23.4%	24.1%	61.3%	50.6%

Source: CMHC

Table 4				
Housing Supply - Third quarter 2004				
Saguenay Metropolitan Area				
	Intended Market			
	Freehold	Condominium	Rental	Total
Under construction	68	0	13	81
Unoccupied	0	0	0	0
Short-term supply	68	0	13	81
Duration of short-term supply (months, trend)	2.9	0.0	0.9	2.2

Source: CMHC

**For more information about this publication,
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or by Email:

cam_qc@cmhc.ca

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>							
Third quarter 2004	20	8	0	2	0	16	46
Third quarter 2003	15	4	0	0	0	35	54
Year-to-date 2004	52	14	4	2	0	23	95
Year-to-date 2003	44	6	0	2	0	46	98
<i>Dolbeau-Mistassini</i>							
Third quarter 2004	12	0	0	0	0	0	12
Third quarter 2003	12	2	0	0	0	0	14
Year-to-date 2004	24	0	3	0	0	0	27
Year-to-date 2003	26	4	3	0	0	0	33
<i>Roberval</i>							
Third quarter 2004	5	0	0	0	0	11	16
Third quarter 2003	3	0	0	0	0	0	3
Year-to-date 2004	10	2	0	0	0	11	23
Year-to-date 2003	7	4	0	0	0	0	11
<i>Saint-Félicien</i>							
Third quarter 2004	8	0	0	0	0	0	8
Third quarter 2003	6	0	0	0	0	0	6
Year-to-date 2004	18	0	0	0	0	0	18
Year-to-date 2003	13	0	0	0	0	0	13

Source: CMHC

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Table 6
Economic Overview
Saguenay Metropolitan Area

	2003		2004		
	3rd Q	4th Q	1st Q	2nd Q	3rd Q
Mortgage rates (%) (Canada)					
- 1-year	4.6	4.7	4.3	4.6	4.6
- 5-year	6.3	6.5	5.9	6.5	6.4
Inflation (Province of Quebec)					
- Inflation rate (%)	1.7	1.3	0.8	2.1	2.1
- Consumer Price Index (1992=100)	118.3	118.5	119.6	120.7	120.8
Quebec consumer attitudes survey					
- Index of Consumer Attitudes (1991 = 100) (seasonally adjusted)	123.7	117.5	125.3	121.1	121.3
Labour market					
- Job creation (loss) compared to the last quarter	- total 3,900	-3,600 -5,400	1,200 -600	3,600 5,200	200 3,800
- Job creation (loss) compared to the same quarter last year	- total 1,100	-400 -100	3,700 1,900	5,300 3,100	1,400 3,000
- Unemployment rate (%)	9.6	11.5	13.6	10.9	9.3

Sources: Statistics Canada, Conference Board of Canada

**Interested by the Vacancy Rates and Average Rents of the rented apartments,
following the October 2004 Survey?**

You can find them and more in the:

RENTAL MARKET REPORTS

which provide a more in-depth and detailed study of the data collected

(available at the end of december 2004)

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	Péripheral Area

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