

F

ORECAST

Québec

Spring - Summer 2004

SUMMARY

Canada Mortgage and Housing Corporation

Activity expected to peak in 2004 in the Québec area

Residential construction

✓ Residential construction will reach a peak in 2004 (6,000 units) before slowing down next year (5,000 units).

✓ The all-time low mortgage rates, the strong employment growth in 2002 and the lack of available units on the existing home market will continue to be the driving force behind the increase in activity. Freehold housing starts are expected to attain 3,300 units in 2004. For next year, the recent pause observed in employment and the rise in prices will slow down the pace to 3,100 units.

✓ The rental housing segment will post the most spectacular increase in 2004, with a gain of 1,700 apartments. Many units will result from the government assistance programs. In 2005, the less tight conditions on the rental market will bring the volume of apartment starts back down to 1,100 units.

✓ One segment where demand is strong, the condominium market, will show a

solid performance of 1,000 new units in 2004. However, the rapid rise in inventory levels, on both the new and existing home markets, will bring about a decrease in this type of construction to 800 units in 2005.

Resale market

✓ Sales recorded through the Multiple Listing Service (MLS) will post a small rebound in 2004 with the arrival of new units for sale on the market. In the last few quarters, the good employment performance, favourable mortgage rates and income growth had supported demand, but this demand could not be fully expressed, on account of the short supply.

✓ Despite the price hikes that were observed, properties remain affordable, and 6,800 transactions are anticipated on the market this year. In 2005, the recent downturn in employment, the increase in prices and the rise in interest rates will limit the level of activity to 6,500 sales.

✓ Given that the market is still favourable to sellers, the median price for single-detached houses will rise by 8.4 per cent in 2004 and 3.8 per cent in 2005.

Rental market

✓ The Québec area has the tightest rental market in Canada, with a vacancy rate of 0.5 per cent.

✓ The favourable youth employment conditions and the aging of the population are generating a very strong demand for rental housing.

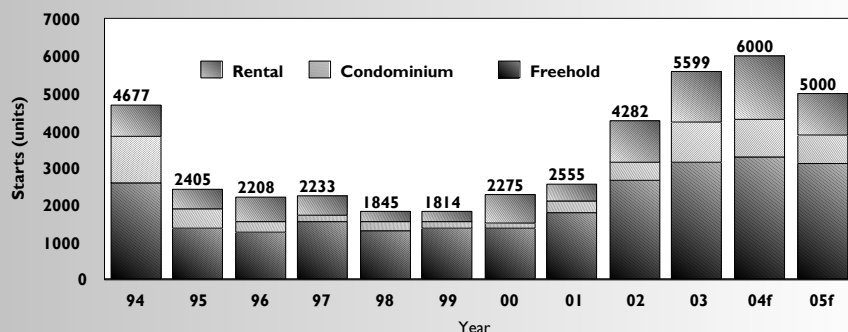
✓ However, the arrival of many units in recent years will drive up the proportion of vacant units to 1.0 per cent in 2004 and 1.8 per cent in 2005.

✓ As for rent levels, the increase expected for 2004 is 3.0 per cent. This hike will be partly due to the scarcity of available dwellings. A comparable increase is anticipated in 2005, as well.

Employment and economy

✓ The labour market, which has been progressing more modestly since 2003, will regain some vigour, as 2,800 jobs will be created in 2004. For 2005, the increase will attain 1.0 per cent (+3,700 jobs).

Residential Construction Québec Metropolitan Area



f: CMHC forecast
Source: CMHC



HOME TO CANADIANS
Canada

FORECAST SUMMARY

Québec Metropolitan Area

Spring - Summer 2004

	2002	2003	2004f	% Chg.	2005f	% Chg.
RESALE MARKET						
Active MLS listings	2,609	2,195	2,400	9.3 %	2,700	12.5 %
MLS sales						
Total	7,241	6,420	6,800	5.9%	6,500	-4.4 %
Detached	4,698	4,105	4,300	4.8%	4,100	-4.7 %
Semi-detached and row	1,088	943	1,000	6.0%	950	-5.0 %
Condominium	1,130	1,056	1,200	13.6%	1,150	-4.2 %
Duplex	325	316	300	-5.1%	300	0.0 %
Median MLS price (\$)						
Detached	104,721	120,885	131,000	8.4 %	136,000	3.8 %
Semi-detached and row	83,013	95,675	106,000	10.8 %	111,000	4.7 %
Condominium	80,244	98,502	106,000	7.6 %	109,000	2.8 %
NEW HOME MARKET						
Housing starts						
Total	4,282	5,599	6,000	7.2 %	5,000	-16.7 %
Freehold (single-family)	2,662	3,167	3,300	4.2 %	3,100	-6.1 %
Condominium	503	1,070	1,000	-6.5 %	800	-20.0 %
Rental	1,117	1,362	1,700	24.8 %	1,100	-35.3 %
New homes price index						
1997=100	111.7	121.9	129.2	6.0%	134.4	4.0%
RENTAL MARKET						
Vacancy rate (%) (Oct.)	0.3%	0.5 %	1.0 %	--	1.8%	--
Change in rents (%)	2.7 %	3.5 %	3.0 %	--	3.0%	--
ECONOMIC OVERVIEW						
Mortgage rate - 1-year (%)	5.17 %	4.84 %	4.18 %	--	4.59 %	--
Mortgage rate - 5-year (%)	7.02 %	6.39 %	6.13 %	--	6.73 %	--
Number of jobs	358.6	358.7	361.5	0.8 %	365.2	1.0 %
Unemployment rate (%)	6.3 %	6.9 %	7.0 %	--	7.0 %	--

f. CMHC forecast

Data sources: CMHC, Statistics Canada, Multiple Listing Service (Chambre immobilière de Québec)

**For more information about this publication,
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