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Canada Mortgage and Housing Corporation

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FIRST QUARTER 2005

Residential construction posts strong growth in the Québec area

In the Québec census metropolitan area (CMA), the beginning of the year was marked by strong activity in the residential construction sector. According to the latest statistics released by Canada Mortgage and Housing Corporation (CMHC), 1,321 housing units were started in the area during the first three months of 2005, for a gain of 28 per cent over the same period last year (1,034 units). In addition, this was the most active first quarter since 1978.

The vigorous activity on residential job sites was partly attributable to the

fact that several factors remained favourable. Interest rates stayed low and the choice of existing properties for sale and dwellings for rent was still limited, except in the more expensive market segments. It should also be mentioned that the first-quarter figures were inflated by the start-up of some large rental and condominium housing projects.

Condominium construction registered the greatest increase. In fact, 281 such units were started, or almost double the number recorded during the first three months of 2004 (149 units). In

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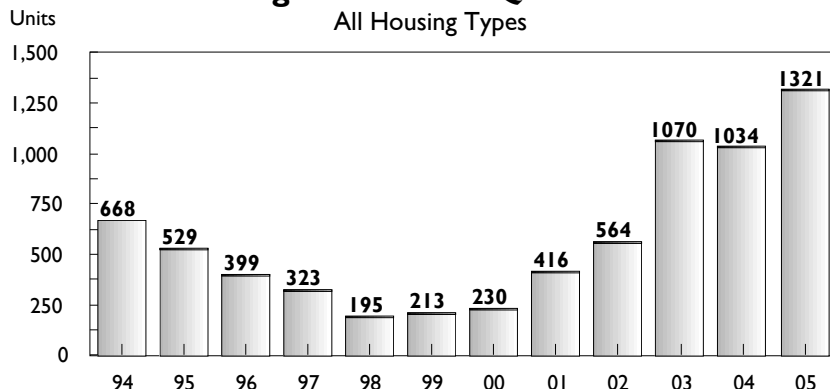
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Housing Start - First Quarter

All Housing Types



Source : CMHC

the case of rental housing, construction got under way on 418 apartment units, for an increase of 29 per cent. As an indication of the aging population, 8 in 10 of these apartments were intended for seniors. Lastly, the freehold housing segment (detached, semi-detached and row homes, as well as duplexes) posted a gain of 11 per cent, for a total of 622 units.

According to CMHC, these results are pointing to another excellent year for home builders in the Québec

area. However, the strong growth registered in the first quarter should not be expected to continue over the coming months. In effect, even though several factors are still favourable, the fact remains that the saturation of the market, particularly in the upscale rental and condominium housing segments, and the slower demographic growth will eventually curb residential construction. Also, it should not be forgotten that the strong property price increases observed in recent years and the potential new rise in

interest rates will make homeownership more and more difficult. In fact, signs of a slowdown are being noted in all urban centres with 10,000 or more inhabitants in the province, where housing starts reached 7,172 units in the first quarter, down by 15 per cent from the same period last year. In the other CMAs across Quebec, activity was also down in Gatineau (-52 per cent), Sherbrooke (-36 per cent) and Montréal (-20 per cent). However, increases were recorded in Saguenay (+65 per cent) and Trois-Rivières (+13 per cent).

S.I.A.[®] / MLS[®] sales volume rises in the first quarter

According to Service inter-agences / Multiple Listing Service (S.I.A.[®] / MLS[®]) data, the number of existing property sales jumped up by 13 per cent in the first quarter of 2005 in the Québec census metropolitan area (CMA). In fact, 2,047 properties were sold during the months from January to March. This result may be due to a latent demand that was realized thanks to the increase in the supply of properties for sale. In fact, there were 3,160 properties for sale in the first quarter of 2005, or 800 more than during the same period last year. The last time the number of listings rose above the 3,000-unit mark dates back to the first quarter of 2002. It should be recalled that, on account of the spectacular decline in the supply of properties for sale in recent years, some buyers had delayed their home purchase decision.

As a result of this increase in the number of properties seeking new occupants, the seller-to-buyer ratio has now reached 5.2 to 1¹, for a sixth consecutive quarterly rise. This market, which is tending to

ease gradually, is putting less pressure on prices. For all housing types combined, prices went up by 9 per cent between the first quarter of 2004 and the first quarter of 2005. A hike of 15.6 per cent had been observed in the first three months of last year, when the seller-to-buyer ratio was 4.3 to 1.

Condominiums posted an exceptional performance, as sales of this housing type went up by 25 per cent over last year. Then came single-detached houses (11 per cent), duplexes (9 per cent) and semi-detached and row homes (8 per cent).

¹ It should be noted that, on a balanced market, where neither buyers nor sellers are favoured, the seller-to-buyer ratio is between 8 and 10 to 1. Below 8 to 1, the market favours sellers while, above 10 to 1, buyers have the edge.

Selling Price and Seller-to-buyer Ratio

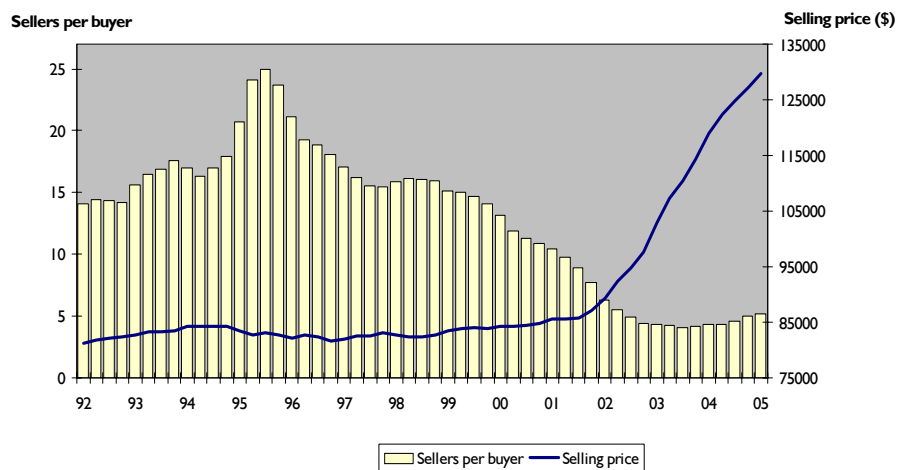


Table I
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
First Quarter 2005	477	74	39	32	281	418	1,321
First Quarter 2004	469	58	13	22	149	323	1,034
Year-to-date 2005 (Jan.-Mar.)	477	74	39	32	281	418	1,321
Year-to-date 2004 (Jan.-Mar.)	469	58	13	22	149	323	1,034
Under construction**							
First Quarter 2005	674	132	56	48	806	1,270	2,986
First Quarter 2004	454	64	17	36	633	483	1,687
Completions							
First Quarter 2005	451	28	4	32	225	270	1,010
First Quarter 2004	468	36	12	14	166	398	1,094
Year-to-date 2005	451	28	4	32	225	270	1,010
Year-to-date 2004	468	36	12	14	166	398	1,094
Unoccupied**							
First Quarter 2005	30	7	12	1	222	160	432
First Quarter 2004	103	21	8	0	112	253	497
Absorption							
First Quarter 2005	468	29	6	31	163	97	794
First Quarter 2004	433	31	8	15	119	187	793
Year-to-date 2005	468	29	6	31	163	97	794
Year-to-date 2004	433	31	8	15	119	187	793
Duration of inventory (months)							
Trend 2004	0.1	0.3	1.9	0.1	2.6	2.1	1.0
Trend 2003	0.4	1.1	2.2	0.0	1.5	2.6	1.1

* 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 2a
Housing Starts by Zone and by Intended Market
Québec Metropolitan Area

Zone / Period	Ownership				Condo-minium	Rental	Total
	Freehold						
	Single	Semi	Row	Apt.			
Zone 1: Québec (Basse-Ville, Vanier)							
First Quarter 2005	3	0	4	0	80	55	142
First Quarter 2004	1	0	0	0	18	72	91
Year-to-date 2005	3	0	4	0	80	55	142
Year-to-date 2004	1	0	0	0	18	72	91
Zone 2: Québec (Haute-Ville)							
First Quarter 2005	0	0	0	0	48	0	48
First Quarter 2004	0	0	0	2	0	0	2
Year-to-date 2005	0	0	0	0	48	0	48
Year-to-date 2004	0	0	0	2	0	0	2
Zone 3: Québec (Des Rivières, Ancienne-Lorette)							
First Quarter 2005	87	10	0	8	36	6	147
First Quarter 2004	44	18	6	2	8	86	164
Year-to-date 2005	87	10	0	8	36	6	147
Year-to-date 2004	44	18	6	2	8	86	164
Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery							
First Quarter 2005	44	10	15	0	29	133	231
First Quarter 2004	40	4	0	0	11	108	163
Year-to-date 2005	44	10	15	0	29	133	231
Year-to-date 2004	40	4	0	0	11	108	163
North centre (zones 1 to 4)							
First Quarter 2005	134	20	19	8	193	194	568
First Quarter 2004	85	22	6	4	37	266	420
Year-to-date 2005	134	20	19	8	193	194	568
Year-to-date 2004	85	22	6	4	37	266	420
Zone 5: Val-Bélair, Saint-Émile, etc.							
First Quarter 2005	73	2	0	6	0	4	85
First Quarter 2004	117	0	0	0	0	12	129
Year-to-date 2005	73	2	0	6	0	4	85
Year-to-date 2004	117	0	0	0	0	12	129
Zone 6: Charlesbourg, Stoneham, etc.							
First Quarter 2005	51	10	5	2	54	192	314
First Quarter 2004	49	12	4	10	78	3	156
Year-to-date 2005	51	10	5	2	54	192	314
Year-to-date 2004	49	12	4	10	78	3	156

Continued on next page

Table 2a (continued)
Housing Starts by Zone and by intended Market
Québec Metropolitan Area

Zone / Period	Ownership				Condo- minium	Rental	Total
	Freehold						
	Single	Semi	Row	Apt.			
Zone 7: Beauport, Boischatel, Île-d'Orléans, etc.							
First Quarter 2005	101	2	0	14	0	0	117
First Quarter 2004	60	2	0	8	0	19	89
Year-to-date 2005	101	2	0	14	0	0	117
Year-to-date 2004	60	2	0	8	0	19	89
North outlying area (zones 5 to 7)							
First Quarter 2005	225	14	5	22	54	196	516
First Quarter 2004	226	14	4	18	78	34	374
Year-to-date 2005	225	14	5	22	54	196	516
Year-to-date 2004	226	14	4	18	78	34	374
North shore (zones 1 to 7)							
First Quarter 2005	359	34	24	30	247	390	1,084
First Quarter 2004	311	36	10	22	115	300	794
Year-to-date 2005	359	34	24	30	247	390	1,084
Year-to-date 2004	311	36	10	22	115	300	794
Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.							
First Quarter 2005	96	22	4	0	34	16	172
First Quarter 2004	113	2	3	0	16	12	146
Year-to-date 2005	96	22	4	0	34	16	172
Year-to-date 2004	113	2	3	0	16	12	146
Zone 9: Lévis, Pintendre							
First Quarter 2005	22	18	11	2	0	12	65
First Quarter 2004	45	20	0	0	18	11	94
Year-to-date 2005	22	18	11	2	0	12	65
Year-to-date 2004	45	20	0	0	18	11	94
South shore (zones 8 and 9)							
First Quarter 2005	118	40	15	2	34	28	237
First Quarter 2004	158	22	3	0	34	23	240
Year-to-date 2005	118	40	15	2	34	28	237
Year-to-date 2004	158	22	3	0	34	23	240
TOTAL - QUÉBEC METROPOLITAN AREA							
First Quarter 2005	477	74	39	32	281	418	1,321
First Quarter 2004	469	58	13	22	149	323	1,034
Year-to-date 2005	477	74	39	32	281	418	1,321
Year-to-date 2004	469	58	13	22	149	323	1,034

Source: CMHC

Table 2b
Housing Starts by intended Market for the new cities of Québec and Lévis
Québec Metropolitan Area

City / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Québec							
First Quarter 2005	225	34	24	30	247	390	950
First Quarter 2004	212	36	10	22	115	300	695
Year-to-date 2005	225	34	24	30	247	390	950
Year-to-date 2004	212	36	10	22	115	300	695
Lévis							
First Quarter 2005	113	40	15	2	34	28	232
First Quarter 2004	152	22	3	0	34	23	234
Year-to-date 2005	113	40	15	2	34	28	232
Year-to-date 2004	152	22	3	0	34	23	234

Source: CMHC

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

Type	Under \$125,000		\$125,000 to \$149,999		\$150,000 to \$199,999		\$200,000 to \$249,999		\$250,000 or over	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	Single	3	22	48	77	250	195	97	64	70
Semi	3	29	25	2	1	0	0	0	0	0
Total	6	51	73	79	251	195	97	64	70	75
Market share (single)	0.6%	5.1%	10.3%	17.8%	53.4%	45.0%	20.7%	14.8%	15.0%	17.3%

Source: CMHC

*Please note that the price ranges have been revised in order to better reflect the market.

THE RETIREMENT HOME MARKET STUDY

CMHC's Quebec Market Analysis Center publishes annual surveys of all private retirement homes in the province's six census metropolitan areas:

Montreal, Québec, Gatineau, Sherbrooke, Trois-Rivières and Saguenay.

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Table 4
Housing Supply - First Quarter 2005
Québec Metropolitan Area

<i>Intended Market</i>	<i>Under Construction</i>	<i>Unoccupied</i>	<i>Short-Term Supply</i>	<i>Monthly Absorption*</i>	<i>Duration of Short-Term Supply (months)</i>
	<i>March 2005</i>			<i>Trend 2005</i>	
<i>Freehold</i>	910	50	960	259	3.7
<i>Condominium</i>	806	222	1,028	87	11.8
<i>Rental</i>	1,270	160	1,430	76	18.8
<i>Total</i>	2,986	432	3,418	422	8.1
	<i>March 2004</i>			<i>Trend 2004</i>	
<i>Freehold</i>	571	132	703	273	2.6
<i>Condominium</i>	633	112	745	76	9.8
<i>Rental</i>	483	253	736	99	7.4
<i>Total</i>	1,687	497	2,184	449	4.9

Source: CMHC

* 12-month average

Table 5
Economic Overview
Québec Metropolitan Area

	<i>1st Q 2005</i>	<i>4th Q 2004</i>	<i>1st Q 2004</i>	<i>Trend</i>		<i>% Change Trend</i>
				<i>2005</i>	<i>2004</i>	
Labour market						
Employment level (000)	373.4	366.6	344.8	373.4	344.8	8.3
Unemployment rate (%)	6.5	5.1	7.5	6.5	7.5	n.a.
Mortgage rates (1)						
1-year (%)	4.9	4.9	4.3	4.9	4.3	n.a.
5-year (%)	6.1	6.3	5.9	6.1	5.9	n.a.
Annual inflation rate						
CPI, 1996=100	122.5	122.3	120.4	122.5	120.4	1.7
New Housing Price Index (1997=100)*						
House	135.1	133.8	130.0	135.1	130.0	3.9
Land	122.8	122.1	118.6	122.8	118.6	3.5
Total	132.2	131.1	127.2	132.2	127.2	3.9
Index of Consumer Confidence						
1991=100 (2)	123.3	116.5	125.3	123.3	125.3	-1.6
MLS sales						
Total residential units	2,047	1,434	1,809	2,047	1,809	13.2%
Median price (single-detached house)	137,806	134,850	126,899	137,806	126,899	8.6%

Sources: Statistics Canada, Conference Board of Canada, Chambre immobilière de Québec.

Notes: (1) Canada (2) Province of Quebec

* The data for the current quarter is the average for the first two months

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

Québec Metropolitan Area Zones

Zones	Municipalities and Zones	Large Zones
1	Lower Town Quebec, Vanier	North Centre
2	Upper Town Quebec	North Centre
3	Québec Des Rivières (Neufchâtel, Duberger, Les Saules, Lebourgneuf), Ancienne-Lorette	North Centre
4	Ste-Foy, Sillery, Cap-Rouge, St-Augustin	North Centre
5	Val-Bélair, St-Émile, Loretteville, Lac St-Charles, Lac Delage, Valcartier, Shannon, Lac St-Joseph, Ste-Catherine-de-la-J.-C., Fossambault	Northern Suburbs
6	Greater Charlesbourg, Lac Beauport, Stoneham-Tewkesbury	Northern Suburbs
7	Greater Beauport, Ste-Brigitte-de-Laval, Boischâtel, L'Ange-Garden, Château-Richer, Île-d'Orléans	Northern Suburbs
8	Charny, St-Romuald, St-Jean-Chrysostôme, St-Nicolas, St-Rédempteur, Breakeyville, St-Lambert, St-Étienne	South Shore
9	Lévis, Pintendre, St-Joseph-de-Lévy, St-Étienne-de-Beaumont	South Shore

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