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Canada Mortgage and Housing Corporation

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THIRD QUARTER 2004

Residential construction growth slows down but remains positive

An increase in housing starts of 11 per cent was observed during the third quarter in the Sherbrooke census metropolitan area (CMA). From July to September 2003, 209 dwellings were started, compared to 233 during the same period this year. The gain in starts was much more significant in the second quarter, with 17 per cent, and even more so in the first, with 62 per cent.

In the third quarter, it was the decline in apartment starts (86 units last year, compared to 77 during the same period this year) that slowed down the growth

in residential construction. The decrease observed, at fewer than 10 units, remains minimal and should not make us lose sight of the fact that apartment production is very vigorous this year. After just nine months, this year's production has already surpassed the level recorded for all of 2003, which was a very successful period for the expansion of the apartment stock.

In the single-family home segment, there was a small increase in activity (23 units), which made up for the slight lag registered at the beginning of the year.

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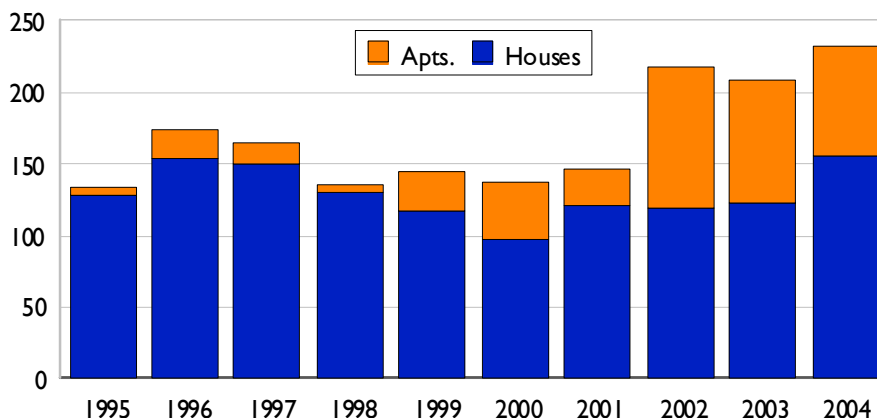
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Residential Construction Growth Takes a Break

Housing Starts - 3rd Quarter - Sherbrooke CMA



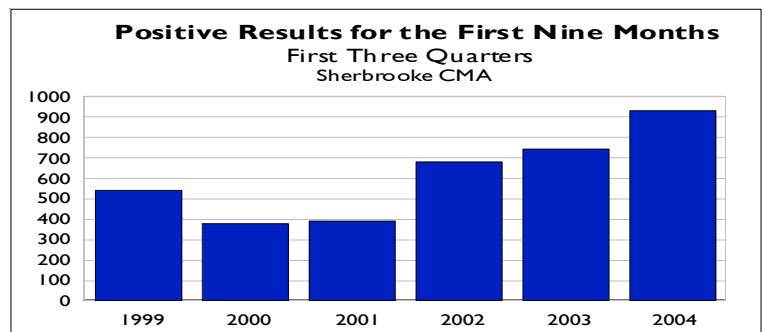
HOME TO CANADIANS
Canada

Since the beginning of the year, 408 houses and 523 apartments have been built in Sherbrooke CMA. In relation to last year, this level of production represents a gain of 183 units or 24 per cent. Housing starts also went up in all CMAs across Quebec: Montréal (23 per cent), Gatineau (18 per cent), Trois-Rivières (34 per cent) and Québec (2 per cent). The only exception to this trend was the Saguenay CMA, where starts fell by one third.

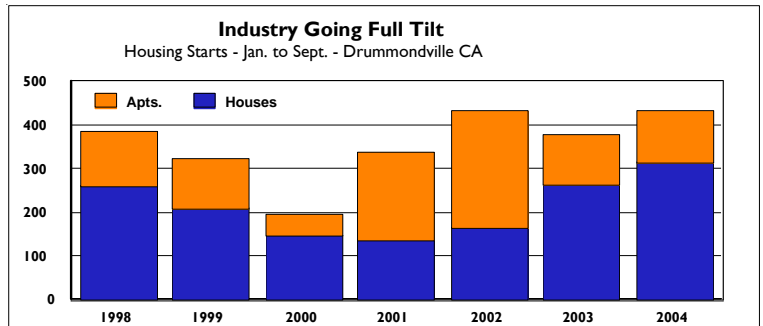
A very robust third quarter in Drummondville

In the Drummondville census agglomeration (CA), starts jumped up by 55 per cent in the third quarter, after having been at a standstill for the first six months of the year. From July to September 2004, 174 dwellings were started, compared to 112 one year earlier.

The construction sector has been going full tilt since 2001, and this trend is continuing in 2004. Apartment production has come back down to a more normal level, while single-family home building will probably set a new record in 2004.



Source : CMHC



Source : CMHC

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
Sherbrooke Metropolitan Area

Activity / Period	Ownership		Rental	Total
	Freehold*	Condominium		
Starts				
Third quarter 2004	160	0	73	233
Third quarter 2003	115	4	90	209
Year-to-date 2004 (Jan.-Sept.)	422	68	441	931
Year-to-date 2003 (Jan.-Sept.)	398	24	326	748
Under construction				
September 2004	98	4	133	235
September 2003	79	0	73	152
Completions				
Third quarter 2004	194	34	126	354
Third quarter 2003	159	35	150	344
Year-to-date 2004	429	70	443	942
Year-to-date 2003	379	49	273	701
Unoccupied				
September 2004	3	10	0	13
September 2003	0	18	0	18
Absorption				
Third quarter 2004	192	35	122	349
Third quarter 2003	159	29	127	315
Year-to-date 2004	425	70	405	900
Year-to-date 2003	383	46	270	699
Duration of inventory				
September 2004	0.1	1.5	0.0	0.1
September 2003	0.0	2.8	0.0	0.2

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

Source: CMHC

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

Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 1: Sherbrooke							
Third quarter 2004	13	2	0	0	0	10	25
Third quarter 2003	9	2	0	0	0	60	71
Year-to-date 2004	34	2	0	0	66	228	330
Year-to-date 2003	34	6	0	0	18	146	204
Zone 2: Fleurimont							
Third quarter 2004	18	0	0	2	0	5	25
Third quarter 2003	13	0	0	0	0	4	17
Year-to-date 2004	60	8	0	4	0	33	105
Year-to-date 2003	47	0	0	0	0	52	99
Zone 3: Rock Forest							
Third quarter 2004	43	4	0	0	0	46	93
Third quarter 2003	23	2	0	0	4	12	41
Year-to-date 2004	97	10	0	4	2	140	253
Year-to-date 2003	89	22	0	0	4	77	192
Zone 4: Saint-Élie-d'Orford							
Third quarter 2004	30	2	0	0	0	0	32
Third quarter 2003	15	2	0	0	0	0	17
Year-to-date 2004	69	4	0	0	0	10	83
Year-to-date 2003	70	12	0	0	0	17	99
CENTRE (Zones 1 to 4)							
Third quarter 2004	104	8	0	2	0	61	175
Third quarter 2003	60	6	0	0	4	76	146
Year-to-date 2004	260	24	0	8	68	411	771
Year-to-date 2003	240	40	0	0	22	292	594
Zone 5: Outlying area							
Third quarter 2004	44	0	0	2	0	12	58
Third quarter 2003	47	2	0	0	0	14	63
Year-to-date 2004	122	2	0	6	0	30	160
Year-to-date 2003	114	4	0	0	2	34	154
TOTAL - SHERBROOKE METROPOLITAN AREA							
Third quarter 2004	148	8	0	4	0	73	233
Third quarter 2003	107	8	0	0	4	90	209
Year-to-date 2004	382	26	0	14	68	441	931
Year-to-date 2003	354	44	0	0	24	326	748

Source: CMHC

Table 3
Single-Detached and Semi-Detached Houses Absorbed by Price Range
Sherbrooke 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		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Third Quarter	2	9	3	22	38	44	40	32	98	56	181	163
Year-do-date (Jan.-Sept.)	10	20	21	54	87	104	84	86	205	123	407	387

Source: CMHC

Table 4
Housing Supply
Sherbrooke Metropolitan Area

Type	Under Construction	Unoccupied	Short-Term Supply
	September 2004		
Single/semi	96	3	99
Multiple*	139	10	149
Total	235	13	248
	September 2003		
Single/semi	79	0	79
Multiple*	73	18	91
Total	152	18	170

Source: CMHC

* Row Houses and Apartments

Table 5
Economic Overview
Sherbrooke Metropolitan Area

Period	(thousands)			Unemployment Rate (%)	Mortgage Rates Canada (%)	
	Population 15 years +	Labour Force	Employment Total		1-Year	5-Year
	Third quarter 2004	130.3	89.2	83.5	6.4%	4.6
Third quarter 2003	128.5	88.1	81.2	7.8%	4.6	6.3
Average Jan.-Sept. 2004	129.9	86.1	80.4	6.6%	4.5	6.2
Average Jan.-Sept. 2003	128.1	85.3	79.1	7.3%	4.9	6.4

Source: Statistics Canada

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Definitions and Concepts

NOTE TO READERS: Prior to July 2002, the CMHC Starts and Completions Survey consisted of a monthly enumeration of new housing activity in urban centres with a population of 10,000 persons and over. As of July 2002, the survey will be conducted monthly in urban centres with a population of 50,000 persons and over and quarterly in urban centres with a population of 10,000 to 49,999 persons. Statistical models will be used to estimate provincial and national housing starts in urban centres with a population of 10,000 persons and over, on a monthly basis. The methodology is unchanged for estimating housing starts in rural areas (areas other than urban centres with a population of 10,000 persons and over). In these areas, a sample survey is used on a quarterly basis. As was the case in the past, statistical models continue to be used to estimate national housing starts in all areas on a monthly basis. This quarterly Housing Market publication provides statistical data and analysis of the trends in the Intended Markets for the Sherbrooke Metropolitan Area.

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).

CMHC Market Analysis Centre Publications

National	Province of Quebec	Metropolitan Areas - Province of Quebec
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Sherbrooke Metropolitan Area Zones

Zones	<i>Municipalités / Sectors</i>	<i>Large zone</i>
1	Sherbrooke	Centre
2	Fleurimont	Centre
3	Rock Forest	Centre
4	St-Élie-d'Orford	Centre
5	Ascot, Ascot Corner, Bromptonville, Deauville, Compton, Hatley CT, Lennoxville, North Hathley, St-Denis-de-Brompton, Stoke, Waterville	Peripheral Area

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RENTAL MARKET REPORTS

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

(available at the end of december 2004)

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