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Gatineau

Canada Mortgage and Housing Corporation

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VOLUME 8, EDITION 3
THIRD QUARTER 2005

Third quarterly decline in housing starts

In the Gatineau census metropolitan area (CMA), housing starts fell by 41 per cent in the third quarter. In all, 554 dwellings were started, compared to 944 in the third quarter of last year. The slowdown in construction, observed since the beginning of the year, therefore continued in all market segments and all sectors of the CMA. Freehold home starts declined by 31 per cent, while condominium construction (-60 per cent) and rental housing activity (-47 per cent) sustained more pronounced decreases.

The third quarter results brought the decline to 37 per cent since the beginning of the year. Significant slowdowns can be noted in the construction of condominiums (-62 per cent) and rental housing units (-60 per cent), while the freehold home segment shows a decrease of 24 per cent, on account of the relative vigour of single-detached home building (-19 per cent).

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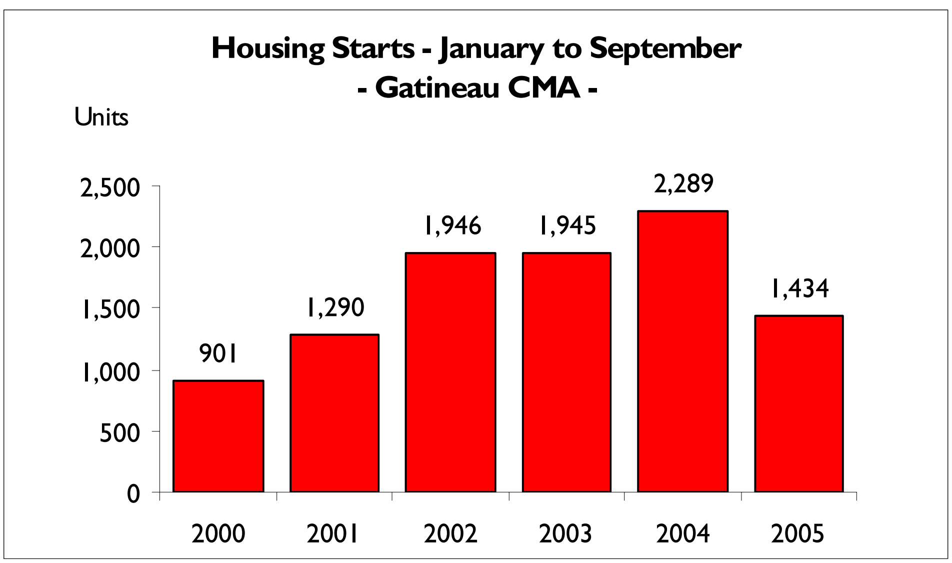

Source: CMHC

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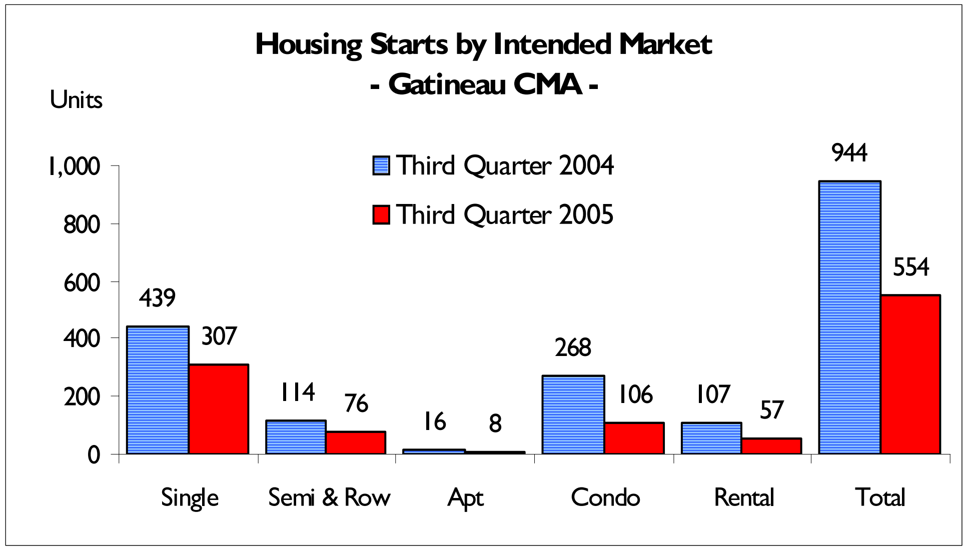
More moderate economic growth

The results observed in the third quarter and since the beginning of the year are in line with the main determining factors in the demand for new housing. First, employment growth has not been as strong in the last 18 months, and the number of jobs in the public administration sector (the main employer in the area) has not increased in 2005. Also, according to the projections of the Institut de la statistique du Québec (ISQ), household formation is slower this year. As well, potential buyers can much more easily turn to the resale market, which has posted a significant rise in listings.

Monetary tightening is well under way and should continue over the coming months. In its latest statement, the Bank of Canada announced that it was raising its target for the overnight rate. The Bank also took a tougher stance and affirmed that the Canadian economy was now operating at its full production capacity. With the increase in energy prices, further rate hikes are to be expected so that the Bank may maintain inflation at the target rate of 2 per cent. CMHC therefore expects that mortgage rates will rise by 25 to 50 basis points from now until the end of 2006. In addition, the rapid increase in energy prices undermined the confidence of Quebec consumers, as the Conference Board index fell from 116.6 in August to 99.3 in September.

Decreases by intended market

In the third quarter, condominium construction once again sustained a significant decrease (see table). The high inventories of units of this type currently on the market continued to curb the enthusiasm of builders. In fact, there are many existing condominiums for sale, and the number of completed and unoccupied units (99) has remained considerable for several months.



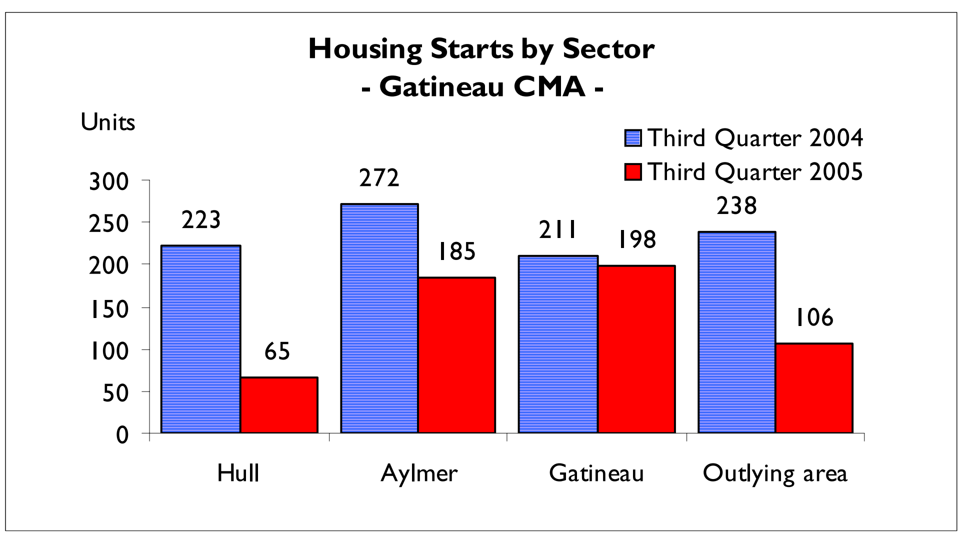
Source: CMHC

As for rental dwellings, 57 starts were enumerated in the third quarter, but 54 of them are cooperative housing units. With many households accessing homeownership lately, the market is easing, and builders are being cautious, such that this easing is taking place gradually.

Freehold homes registered a less marked decrease (-31 per cent). Within this segment, single-detached housing starts, which had shown more vigour since the beginning of the year, fell by 30 per cent. This segment slowed down somewhat in the third quarter (especially in the outlying area), which was not unrelated to the significant rise in listings on the resale market.

Decline extends to all sectors of the CMA

The Hull sector sustained a significant decrease (-71 per cent) in the third quarter. The low level of activity registered in this sector since the beginning of the year has been largely due to the shortage of land. In the other central sectors of the CMA, Aylmer recorded a significant drop (-32 per cent), as a result of a decrease in single-detached home construction, which accounts for an average of nearly 70 per cent of all starts. The decline



Source: CMHC

was less considerable in Gatineau (-6 per cent), as the volume of starts was supported by the construction of 54 cooperative housing units and by relatively stable single-detached home building activity.

In the third quarter, the slowdown in detached housing starts brought about a decrease in activity of 36 per cent in the outlying area. This was the most significant decline for this sector, which had shown more vigorous activity than the central sectors during the first half of the year. Elsewhere in the CMA, decreases were also registered in Buckingham (7 starts, compared to 27 in the third quarter of 2004) and Masson-Angers (4 new units, versus 63).

Transactions rise on the resale market in the third quarter, but market eases

According to the data from the Chambre immobilière de l'Outaouais (CIO), transactions jumped up by 20 per cent on the resale market in the third quarter, in relation to the same period last year. This increase brought the total for the first three quarters to the same level as at the same time last year. A broader choice and a slower increase in prices likely satisfied a greater number of buyers, who were also able to benefit from still very low mortgage rates. However, with listings rising at a faster pace (+26 per cent) than sales, the resale market continued to ease, although more moderately. The number of sellers per buyer rose from 5 to 6 since the third quarter of 2004, and the average price went up by 8 per cent. While the resale market continued to favour sellers, the gradual easing since the second half of 2004 has been cooling the overheated conditions that had been prevailing on this market for the past few years. The considerable increase in supply on the market has provided buyers with more negotiating power and has limited the rise in prices.

For single-detached homes, resales jumped up by 21 per cent in the third quarter, the average price rose by 7 per cent, and the seller-to-buyer ratio reached 7 to 1. The condominium market remained balanced (seller-to-buyer ratio of 8 to 1), as the number of transactions went up by 54 per cent and prices increased by 6 per cent. The semi-detached and row home market stayed the tightest with 3 sellers for every buyer, while the plex market once again posted the greatest price hike (+13 per cent).

Transactions went up in all the central sectors of the CMA. It was Aylmer that posted the greatest gain (+32 per cent), as a result of an increase in single-detached home sales (+62 per cent). The rise in condominium transactions brought about an increase in Hull (+27 per cent) while, in Gatineau (+20 per cent), all housing types showed gains. Lastly, in the outlying area, apart from Buckingham (+23 per cent), market conditions were less vigorous in Masson-Angers (-7 per cent) and in the other municipalities of this sector (+8 per cent).

The rise in resales in the third quarter therefore did not prevent the market from continuing to ease. The increased supply has provided buyers with more choice, which has led to a slower rise in prices. The market has become more balanced, and conditions will keep easing.

For more information about this publication, please contact our:

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Table 1
Summary of Activity by Intended Market
Gatineau Metropolitan Area*

Activity / Period	Ownership		Rental	Total
	Freehold**	Condominium		
Starts				
Third quarter 2005	391	106	57	554
Third quarter 2004	569	268	107	944
Year-to-date 2005	1,123	215	96	1,434
Year-to-date 2004	1,478	573	238	2,289
Under construction				
September 2005	505	278	78	861
September 2004	662	316	138	1,116
Completions				
Third quarter 2005	547	205	25	777
Third quarter 2004	513	346	114	973
Year-to-date 2005	1,279	349	145	1,773
Year-to-date 2004	1,356	516	334	2,206
Unoccupied				
September 2005	114	99	44	257
September 2004	15	97	23	135
Absorption				
Third quarter 2005	469	155	22	646
Third quarter 2004	502	249	47	798
Year-to-date 2005	1,181	366	130	1,677
Year-to-date 2004	1,348	419	267	2,034
Duration of inventory (months)				
September 2005	0.8	2.5	1.7	1.2
September 2004	0.1	2.8	1.0	0.8

Source: CMHC

** As per former delimitation*

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

Table 2 Housing Starts by Zone and by Intended Market Gatineau Metropolitan Area*							
Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.**			
Zone 1: Hull							
Third quarter 2005	4	0	0	2	56	3	65
Third quarter 2004	12	0	0	0	153	58	223
Year-to-date 2005	10	0	0	2	87	10	109
Year-to-date 2004	62	0	34	2	262	111	471
Zone 2: Aylmer							
Third quarter 2005	123	50	0	0	12	0	185
Third quarter 2004	180	34	0	0	22	36	272
Year-to-date 2005	280	106	0	0	21	3	410
Year-to-date 2004	358	116	3	4	54	45	580
Zone 3: Gatineau							
Third quarter 2005	82	24	0	0	38	54	198
Third quarter 2004	87	14	0	4	93	13	211
Year-to-date 2005	357	38	0	0	95	71	561
Year-to-date 2004	359	24	5	14	257	50	709
Zone 4: Buckingham							
Third quarter 2005	5	2	0	0	0	0	7
Third quarter 2004	11	14	0	2	0	0	27
Year-to-date 2005	8	4	0	0	0	8	20
Year-to-date 2004	17	18	0	2	0	8	45
Zone 5: Masson-Angers							
Third quarter 2005	4	0	0	0	0	0	4
Third quarter 2004	11	52	0	0	0	0	63
Year-to-date 2005	17	22	0	0	0	4	43
Year-to-date 2004	22	88	0	0	0	24	134
Zone 6: Outlying area							
Third quarter 2005	89	0	0	6	0	0	95
Third quarter 2004	138	0	0	10	0	0	148
Year-to-date 2005	261	2	0	16	12	0	291
Year-to-date 2004	334	0	0	16	0	0	350
TOTAL - GATINEAU METROPOLITAN AREA							
Third quarter 2005	307	76	0	8	106	57	554
Third quarter 2004	439	114	0	16	268	107	944
Year-to-date 2005	933	172	0	18	215	96	1,434
Year-to-date 2004	1,152	246	42	38	573	238	2,289

Source: CMHC

** As per former delimitation*

*** Owner-occupied duplexes*

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range and by Zone Gatineau Metropolitan Area* - Third Quarter												
Type	***Under $150,000***		***$150,000 to $174,999***		***$175,000 to $199,999***		***$200,000 to $249,999***		***$250,000 or over***		***Total***	
	2005	***2004***	***2005***	***2004***	***2005***	***2004***	***2005***	***2004***	***2005***	***2004***	***2005***	***2004***
Zone 1: Hull												
Single	1	0	0	1	0	0	0	2	4	7	5	10
Semi	0	0	0	0	0	0	0	0	0	0	0	0
Zone 2: Aylmer												
Single	1	1	16	15	27	41	55	46	24	21	123	124
Semi	7	40	21	35	4	1	0	0	0	0	32	76
Zone 3: Gatineau												
Single	19	15	25	17	37	21	46	21	14	9	141	83
Semi	4	10	1	0	0	0	0	0	0	0	5	10
Zone 4: Buckingham												
Single	0	0	0	4	1	0	0	1	0	0	1	5
Semi	0	0	0	0	0	0	0	0	0	0	0	0
Zone 5: Masson-Angers												
Single	0	1	8	6	2	2	1	3	0	0	11	12
Semi	20	58	0	0	0	0	0	0	0	0	20	58
Zone 4: Outlying area												
Single	22	11	17	10	21	15	36	31	30	29	126	96
Semi	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL - GATINEAU METROPOLITAN AREA												
Single	43	28	66	53	88	79	138	104	72	66	407	330
Semi	31	108	22	35	4	1	0	0	0	0	57	144

Source: CMHC

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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 2005)

Table 4 Housing Demand and Supply Gatineau Metropolitan Area* - September 2005					
Type	*Under Construction*	*Unoccupied*	*Short-Term Supply*	*Absorption (Trend**)*	*Supply / Absorption Ratio*
Freehold	505	114	619	143	4.3
Condominium	278	99	377	40	9.3
Rental	78	44	122	25	4.8

Source: CMHC

** As per former delimitation*

*** 12-month average*

Table 5 Economic Overview Gatineau Metropolitan Area*					
	Third Quarter		*Trend (Jan.-Sept.)*		*% Change*
	2004	*2005*	*2004*	*2005*	*Trend*
Labour market					
Population 15 years + (000)	225.2	231.8	223.8	230.2	2.9
Labour force (000)	161.5	171.1	158.0	163.7	3.6
Employment level - total (000)	151.7	159.1	147.8	152.0	2.9
Employment level - full-time (000)	129.4	135.0	124.8	127.2	2.0
Unemployment rate	6.1%	7.0%	6.5%	7.1%	n.a.
Mortgage rates (1) (%)					
1-year	4.6	5.0	4.5	4.9	n.a.
5-year	6.4	5.8	6.2	5.9	n.a.
Annual inflation rate (2)	2.2	2.5	1.7	2.2	n.a.
Index of Consumer Confidence (1991=100) (2)	121.3	99.3	122.5	114.9	n.a.

Sources: Statistics Canada, Conference Board of Canada

** As per former delimitation*

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

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 Gatineau Metropolitan Area.

Intended Markets - There are three: the Freehold market refers to Single-Family Houses (Detached, Semi-Detached 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 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).

Gatineau Metropolitan Area Zones

Zones	Municipalities of Sectors	Large zones
1	Hull	Center
2	Aylmer	Center
3	Gatineau	Center
4	Buckingham	Peripheral Area
5	Masson-Angers	Peripheral Area
6	Cantley, Chelsea, La Pêche, Masson-Angers, Pontiac and Val-des-Monts.	Peripheral Area

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