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Québec

Canada Mortgage and Housing Corporation
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RESIDENTIAL CONSTRUCTION DOWN SLIGHTLY IN THE THIRD QUARTER IN THE QUÉBEC AREA

For a second consecutive quarter, residential construction showed signs of slowing down in the Québec census metropolitan area (CMA). According to the latest surveys conducted by Canada Mortgage and Housing Corporation (CMHC), 1,196 housing units were started from July to September 2005, down by 4 per cent from the same period last year.

The decrease in activity did not affect all housing types, however. In fact, the decline occurred mainly in the rental housing construction segment (-57 per cent). The strong increase in construction costs in recent years has driven up the rents for new apartments, making such units less competitive in relation to existing rental apartments. In addition, given the low interest rates, many households are opting to buy a home. In fact, gains were observed in the construction of freehold homes* (14 per cent) and condominiums (71 per cent) in the third quarter.

For the first nine months of the year, the volume of starts has reached 4,410 units, a level of construction comparable to the number recorded in the same period last year. The intense activity in the first quarter

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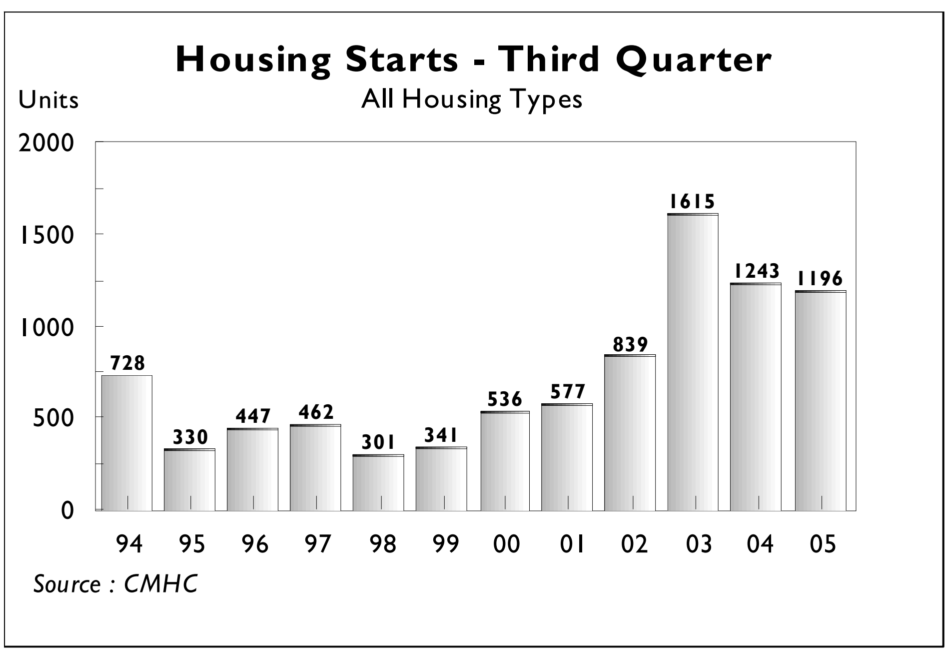

* Refers to single-family homes (detached, semi-detached and row housing) and owner-occupied duplexes.

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offset the declines registered in the following two quarters. It was once again the rental segment that sustained a decrease of 15 per cent, while increases of 5 per cent for freehold homes and 6 per cent for condominiums were noted. The gains in starts observed for these last two housing types have been attributable to the low mortgage rates and a job market that remains one of the most dynamic in the province of Quebec.

In all urban centres with 10,000 or more inhabitants across Quebec, 30,256 housing starts were enumerated during the first nine months of 2005, for a decrease of 11 per cent from the first nine months of 2004. Since the beginning of the year, Saguenay is the CMA that shows the strongest growth (+19 per cent). Trois-Rivières (+3 per cent) is the only other CMA where starts are up over 2004. The Québec CMA posts a stable construction volume, while decreases in activity were recorded in Gatineau (-37 per cent), Sherbrooke (-16 per cent) and Montréal (-12 per cent).

Resale market stays dynamic

In the Québec census metropolitan area (CMA), much like in the first two quarters of the year, the resale market remained dynamic in the third quarter of 2005. This past quarter differed from the first two, however, in that the fluctuations were somewhat more moderate. In fact, from July to September 2005, 1,433 transactions were recorded through the Service inter-agences / Multiple Listing Service (S.I.A.® / MLS®), for an increase of nearly 9 per cent, in relation to the same quarter in 2004. The low mortgage rates and vigorous job market conditions in the area continued to support resale market activity. This increase in sales was slightly smaller than the hikes registered in the first two quarters of the year (+13.2 per cent and +12.9 per cent, respectively).

Supply on the resale market also rose, as there were 3,004 properties for sale at the end of the quarter, up by 18 per cent over the same quarter in 2004. The upward trend in sales, noted since the beginning of the year, evidently indicates a continued strong demand, which has effectively been coming forth thanks to the growing choice of homes for sale on the market.

The increase in the number of properties for sale drove up the seller-to-buyer ratio, even though sales went up. In the third quarter, the number of buyers therefore progressed at a slightly slower pace than the number of sellers. For the Québec CMA overall, the seller-to-buyer ratio, which indicates a power relationship between sellers and buyers, reached 5.4 to 1 in the third quarter of 2005. Even after being on an upward course for several quarters now, this ratio still remained below the balanced range[1], which is between 8 and 10 sellers per buyers. At the same time, property prices posted an increase (+8.4 per cent) over the same period last year. In the third quarter of 2005, the median price, for all housing types combined, attained $135,258. The price hike is slowing down, however, and there is every indication that the resale market has started to ease. In fact, the market conditions observed in the last few quarters, namely, the rise in listings, the increase in the seller-to-buyer ratio and the slower growth in prices, combined with longer listing periods, are unequivocally pointing to a return toward a balanced situation.

In almost every zone in the CMA, single-detached houses were the most popular, in terms of sales, even though they represented the most expensive choice. In fact, in the third quarter of 2005, single-detached homes were selling for a median price of $143,609, far above the median prices for semi-detached and row homes and for condominiums, which reached $118,767 and $116,457, respectively.

[1] *The balanced range for the seller-to-buyer ratio is between 8 and 10 to 1, indicating a market where neither buyers nor sellers are favoured.*

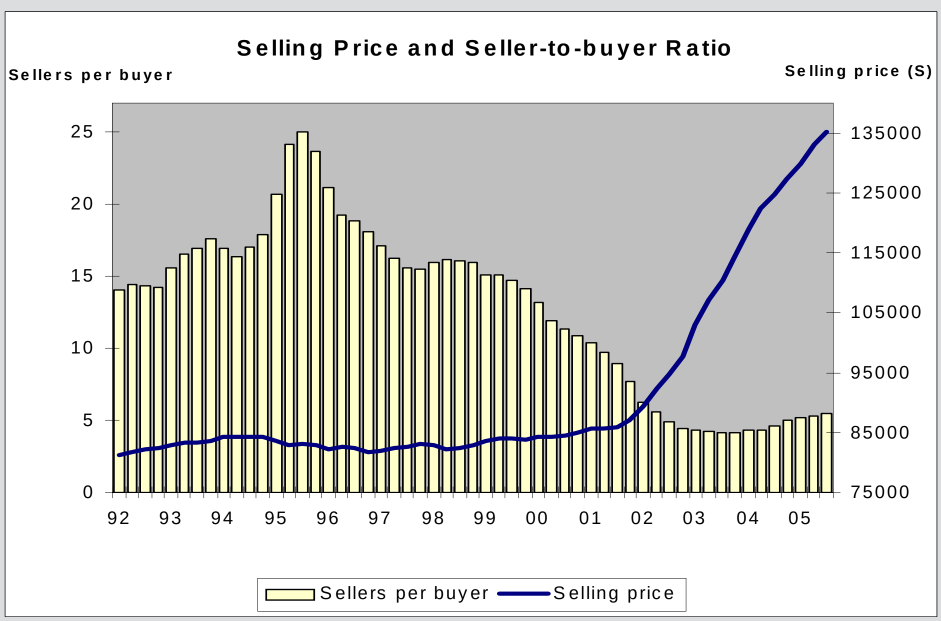

Table 1
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
Third Quarter 2005	579	100	21	48	262	186	1,196
Third Quarter 2004	543	42	22	50	153	433	1,243
Year-to-date 2005 (Jan.-Sept.)	1,970	292	112	178	863	995	4,410
Year-to-date 2004 (Jan.-Sept.)	1,968	238	74	156	813	1,168	4,417
Under construction*							
Third Quarter 2005	587	156	54	58	704	750	2,309
Third Quarter 2004	568	52	30	32	471	780	1,933
Completions							
Third Quarter 2005	846	96	44	68	428	458	1,940
Third Quarter 2004	666	92	32	76	433	233	1,532
Year-to-date 2005	2,028	222	81	166	909	1,370	4,776
Year-to-date 2004	1,852	230	56	152	984	958	4,232
Unoccupied*							
Third Quarter 2005	45	20	17	0	268	205	555
Third Quarter 2004	63	14	5	0	172	148	402
Absorption							
Third Quarter 2005	820	89	45	68	415	371	1,808
Third Quarter 2004	701	96	28	78	425	367	1,695
Year-to-date 2005	2,030	210	78	166	795	760	4,039
Year-to-date 2004	1,857	232	55	153	877	828	4,002
Duration of inventory (months)							
Trend 2005	0.2	1.0	2.0	0.0	3.5	2.6	1.3
Trend 2004	0.3	0.6	1.0	0.0	2.0	1.9	1.0

** 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*					*Rental*	*Total*
	Freehold				*Condo-minium*		
	Single	*Semi*	*Row*	*Apt.*			
Zone 1: Québec (Basse-Ville, Vanier)							
Third Quarter 2005	0	0	4	0	0	3	7
Third Quarter 2004	0	0	4	0	0	24	28
Year-to-date 2005	3	2	8	2	80	61	156
Year-to-date 2004	1	0	16	0	60	147	224
Zone 2: Québec (Haute-Ville)							
Third Quarter 2005	0	0	0	0	0	0	0
Third Quarter 2004	0	0	0	0	0	0	0
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)							
Third Quarter 2005	82	52	0	10	48	15	207
Third Quarter 2004	75	6	6	4	6	6	103
Year-to-date 2005	282	88	4	36	117	36	563
Year-to-date 2004	189	54	18	24	86	111	482
Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery							
Third Quarter 2005	36	4	0	0	94	80	214
Third Quarter 2004	35	0	0	2	25	4	66
Year-to-date 2005	146	34	25	2	171	383	761
Year-to-date 2004	159	12	0	2	281	323	777
North centre (zones 1 to 4)							
Third Quarter 2005	118	56	4	10	142	98	428
Third Quarter 2004	110	6	10	6	31	34	197
Year-to-date 2005	431	124	37	40	416	480	1,528
Year-to-date 2004	349	66	34	28	427	581	1,485
Zone 5: Val-Bélair, Saint-Émile, etc.							
Third Quarter 2005	103	4	9	12	4	4	136
Third Quarter 2004	110	6	0	2	0	85	203
Year-to-date 2005	379	20	19	34	8	8	468
Year-to-date 2004	429	12	0	12	24	140	617
Zone 6: Charlesbourg, Stoneham, etc.							
Third Quarter 2005	96	6	0	14	38	0	154
Third Quarter 2004	84	12	0	14	88	67	265
Year-to-date 2005	302	18	5	40	176	215	756
Year-to-date 2004	256	46	4	40	170	72	588

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

Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 7: Beauport, Boischâtel, Île-d'Orléans, etc.							
Third Quarter 2005	97	0	0	12	60	9	178
Third Quarter 2004	95	4	0	26	6	73	204
Year-to-date 2005	323	4	0	48	181	33	589
Year-to-date 2004	323	16	0	62	45	143	589
North outlying area (zones 5 to 7)							
Third Quarter 2005	296	10	9	38	102	13	468
Third Quarter 2004	289	22	0	42	94	225	672
Year-to-date 2005	1,004	42	24	122	365	256	1,813
Year-to-date 2004	1,008	74	4	114	239	355	1,794
North shore (zones 1 to 7)							
Third Quarter 2005	414	66	13	48	244	111	896
Third Quarter 2004	399	28	10	48	125	259	869
Year-to-date 2005	1,435	166	61	162	781	736	3,341
Year-to-date 2004	1,357	140	38	142	666	936	3,279
Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.							
Third Quarter 2005	128	12	4	0	6	48	198
Third Quarter 2004	105	6	8	0	16	122	257
Year-to-date 2005	407	56	22	14	58	109	666
Year-to-date 2004	448	38	19	12	52	151	720
Zone 9: Lévis, Pintendre							
Third Quarter 2005	37	22	4	0	12	27	102
Third Quarter 2004	39	8	4	2	12	52	117
Year-to-date 2005	128	70	29	2	24	150	403
Year-to-date 2004	163	60	17	2	95	81	418
South shore (zones 8 and 9)							
Third Quarter 2005	165	34	8	0	18	75	300
Third Quarter 2004	144	14	12	2	28	174	374
Year-to-date 2005	535	126	51	16	82	259	1,069
Year-to-date 2004	611	98	36	14	147	232	1,138
TOTAL - QUÉBEC METROPOLITAN AREA							
Third Quarter 2005	579	100	21	48	262	186	1,196
Third Quarter 2004	543	42	22	50	153	433	1,243
Year-to-date 2005	1,970	292	112	178	863	995	4,410
Year-to-date 2004	1,968	238	74	156	813	1,168	4,417

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							
Third Quarter 2005	252	66	13	42	236	111	720
Third Quarter 2004	292	28	10	46	125	259	760
Year-to-date 2005	904	164	61	150	757	736	2,772
Year-to-date 2004	923	138	38	132	654	936	2,821
Lévis							
Third Quarter 2005	152	30	8	0	18	75	283
Third Quarter 2004	131	14	12	2	28	174	361
Year-to-date 2005	495	118	51	16	82	259	1,021
Year-to-date 2004	576	94	36	14	147	232	1,099

Source: CMHC

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

Type	Under $125,000		$1250,000 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	9	25	29	137	416	333	204	119	162	87
Semi	0	32	82	58	6	6	1	0	0	0
Total	9	57	111	195	422	339	205	119	162	87
Market share (single)	1.1%	3.6%	3.5%	19.5%	50.7%	47.5%	24.9%	17.0%	19.8%	12.4%

Source: CMHC

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

Table 4
Housing Supply - Third Quarter 2005
Québec Metropolitan Area

Intended Market	*Under Construction*	*Unoccupied*	*Short-Term Supply*	*Monthly Absorption**	*Duration of Short-Term Supply (months)*
	September 2005			*Trend 2005*	
Freehold	855	82	937	271	3.5
Condominium	704	268	972	76	12.8
Rental	750	205	955	78	12.2
Total	2,309	555	2,864	425	6.7
	September 2004			*Trend 2004*	
Freehold	682	82	764	249	3.1
Condominium	471	172	643	84	7.7
Rental	780	148	928	80	11.6
Total	1,933	402	2,335	412	5.7

Source: CMHC ** 12-month average*

Table 5
Economic Overview
Québec Metropolitan Area

	3rd Q 2005	*2nd Q 2005*	*3rd Q 2004*	*Trend 2005*	*Trend 2004*	*% Change Trend*
Labour market						
Employment level (000)	381.7	385.8	374.8	380.3	364.0	4.5
Unemployment rate (%)	6.0	5.7	4.6	6.1	5.9	s.o.
Mortgage rates (1)						
1-year (%)	5.0	4.8	4.6	4.9	4.5	s.o.
5-year (%)	5.8	5.9	6.4	5.9	6.2	s.o.
Annual inflation rate						
CPI, 1996=100	124.6	123.8	121.6	123.7	121.1	2.1
New Housing Price Index (1997=100)*						
House	137.3	136.5	132.4	136.2	131.3	3.7
Land	128.0	123.8	121.7	124.5	120.5	3.3
Total	135.2	133.6	129.9	133.5	128.7	3.7
Index of Consumer Confidence						
1991=100 (2)	99.3	122.2	121.3	114.9	122.5	-6.2
MLS sales						
Total residential units	1,433	1,914	1,297	5,432	4,757	14.2%
Median price (single-detached house)	143,609	141,481	132,672	143,609	132,672	8.2%

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-Gardien, 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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