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Canada Mortgage and Housing Corporation

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FOURTH QUARTER 2005

### RESIDENTIAL CONSTRUCTION CONTINUES TO SLOW DOWN IN THE FOURTH QUARTER

The downward trend in housing starts has been confirmed in the Québec census metropolitan area (CMA). According to the latest surveys conducted by Canada Mortgage and Housing Corporation (CMHC), 1,425 housing units were started from October to December 2005, down by 19 per cent from the same period in 2004. This was a third consecutive quarterly decrease.

This slowdown in activity extended to all housing types. In fact, the decline in starts affected freehold homes\* (-16 per cent), condominiums (-31 per

cent) and rental housing units (-16 per cent). The wider choice of properties for sale and dwellings for rent on the existing home market is reducing the need for new housing.

From January to December 2005, the Québec CMA recorded 5,835 housing starts, for a decrease of 6 per cent in relation to 2004. Still, 2005 was a very active year for the residential construction sector in the Québec area, which posted its second best performance since 1992. As

*continued on next page*

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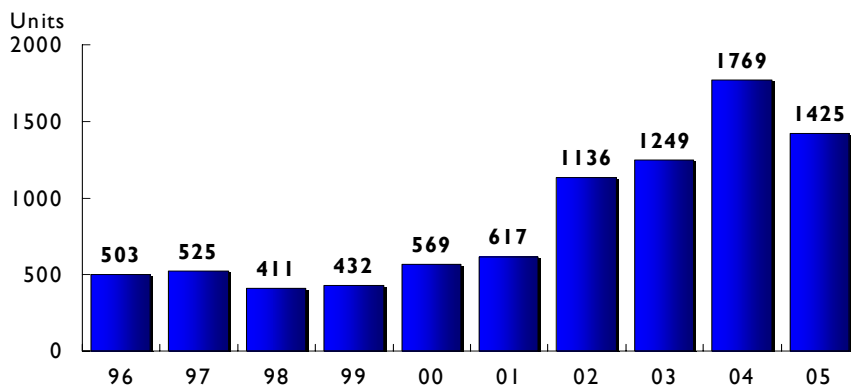
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### Housing Starts – Fourth Quarter

All Housing Types



Source : CMHC

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

well, this volume was well above the annual average of 4,000 starts for the last fifteen years. It was the rental market that sustained the greatest decrease, with a total of 1,420 new units (-15 per cent). The new rise in retirement home construction was not sufficient to offset the slowdown in social housing and traditional

privately initiated rental housing activity. The declines were more modest for condominiums (-6 per cent) and freehold homes (-1 per cent).

The results for 2005 show a greater decrease in the province overall than in the Québec CMA. Housing starts

in urban centres with 10,000 or more inhabitants fell by 12 per cent. Among the other CMAs across Québec, increases were noted in Saguenay (+34 per cent) and Trois-Rivières (+5 per cent), while decreases were observed in the CMAs of Gatineau (-34 per cent), Sherbrooke (-21 per cent) and Montréal (-12 per cent).

## Property sales still on the rise

While activity slowed in the residential construction sector in the fourth quarter of 2005, sales of existing properties continued to rise. According to Service inter-agences / Multiple Listing Service (S.I.A.<sup>®</sup> / MLS<sup>®</sup>) data, 1,568 properties were sold from October to December, or 9 per cent more than during the same period in 2004. This fourth consecutive quarterly increase ended one of the most active years in terms of sales. In fact, with a total of 7,030 transactions, the year 2005 came very near the record of 7,071 sales registered in 2002. Affordable mortgage rates, a vigorous job market and a wider choice of properties for sale accounted for this performance.

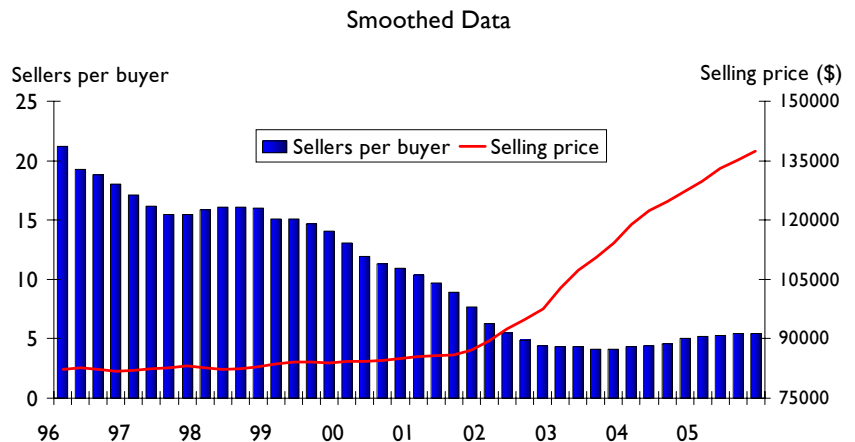
The supply of properties for sale continued to grow for a ninth straight quarter. The rise of 9 per cent in the number of properties for sale in the last quarter of 2005 was clearly smaller, however, than the gains recorded in previous quarters. The more modest growth in supply, combined with the increase in sales, curbed the rise in the seller-to-buyer ratio that began at the end of 2003. The ratio stabilized at 5.4 to 1, well below the balanced range<sup>1</sup>. Sellers therefore still had the edge, and they were able to negotiate the sale of their homes at a median price of \$137,647, or 8 per cent more than during the fourth quarter of 2004.

Even with results showing that the resale market is most active and most favourable to sellers, this market is still slowly but surely heading toward a better balance between buyers and sellers. In fact, the seller-to-buyer ratio is gradually creeping back up since reaching a low point of 4.1 to 1 at the end of 2003. As a result, the price hikes, which peaked at 17 per cent in the last quarter of 2003, have been below the 10-per-cent mark since the beginning of 2005, and the average listing period climbed from

41 days to 55 days. The condominium segment will soon be balanced, as there were 7.4 sellers per buyer in the fourth quarter of 2005. The new condominiums that massively arrived on the market in recent years are making for intense competition with the existing units. Conversely, it can be noted that the semi-detached and row home market is still overheating, with a seller-to-buyer ratio of just 3.3 to 1. Such homes remain very popular, particularly on account of their affordable prices.

<sup>1</sup>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.

### Selling Price and Seller-to-buyer Ratio



Source : Chambre immobilière de Québec (CMHC compilation)

**Table I**  
**Summary of Activity by Intended Market**  
**Québec Metropolitan Area**

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
<b>Starts</b>							
Fourth Quarter 2005	558	118	4	52	268	425	1,425
Fourth Quarter 2004	736	64	21	54	387	507	1,769
Year-to-date 2005 (Jan.-Dec.)	2,528	410	116	230	1,131	1,420	5,835
Year-to-date 2004 (Jan.-Dec.)	2,704	302	95	210	1,200	1,675	6,186
<b>Under construction**</b>							
Fourth Quarter 2005	585	144	31	56	703	842	2,361
Fourth Quarter 2004	648	86	21	48	789	1,083	2,675
<b>Completions</b>							
Fourth Quarter 2005	560	130	27	54	289	313	1,373
Fourth Quarter 2004	656	30	30	38	119	154	1,027
Year-to-date 2005	2,588	352	108	220	1,198	1,683	6,149
Year-to-date 2004	2,508	260	86	190	1,103	1,112	5,259
<b>Unoccupied**</b>							
Fourth Quarter 2005	61	30	18	0	235	201	545
Fourth Quarter 2004	47	8	14	0	160	127	356
<b>Absorption</b>							
Fourth Quarter 2005	544	120	26	52	322	317	1,381
Fourth Quarter 2004	672	36	21	38	119	175	1,061
Year-to-date 2005	2,574	330	104	218	1,117	1,077	5,420
Year-to-date 2004	2,529	268	76	191	996	1,003	5,063
<b>Duration of inventory (months)</b>							
Trend 2005	0.3	1.1	2.1	0.0	2.5	2.2	1.2
Trend 2004	0.2	0.4	2.2	0.0	1.9	1.5	0.8

\* 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.			
<b>Zone 1: Québec (Basse-Ville, Vanier)</b>							
Fourth Quarter 2005	0	0	0	0	37	90	127
Fourth Quarter 2004	1	0	0	0	72	70	143
Year-to-date 2005	3	2	8	2	117	151	283
Year-to-date 2004	2	0	16	0	132	217	367
<b>Zone 2: Québec (Haute-Ville)</b>							
Fourth Quarter 2005	0	0	0	0	0	0	0
Fourth 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
<b>Zone 3: Québec (Des Rivières, Ancienne-Lorette)</b>							
Fourth Quarter 2005	67	32	0	12	89	168	368
Fourth Quarter 2004	168	20	0	10	66	70	334
Year-to-date 2005	349	120	4	48	206	204	931
Year-to-date 2004	357	74	18	34	152	181	816
<b>Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery</b>							
Fourth Quarter 2005	38	14	0	0	23	16	91
Fourth Quarter 2004	74	4	0	0	69	3	150
Year-to-date 2005	184	48	25	2	194	399	852
Year-to-date 2004	233	16	0	2	350	326	927
<b>North centre (zones 1 to 4)</b>							
Fourth Quarter 2005	105	46	0	12	149	274	586
Fourth Quarter 2004	243	24	0	10	207	143	627
Year-to-date 2005	536	170	37	52	565	754	2,114
Year-to-date 2004	592	90	34	38	634	724	2,112
<b>Zone 5: Val-Bélair, Saint-Émile, etc.</b>							
Fourth Quarter 2005	121	6	0	4	0	0	131
Fourth Quarter 2004	134	2	4	2	0	28	170
Year-to-date 2005	500	26	19	38	8	8	599
Year-to-date 2004	563	14	4	14	24	168	787
<b>Zone 6: Charlesbourg, Stoneham, etc.</b>							
Fourth Quarter 2005	74	8	0	10	81	87	260
Fourth Quarter 2004	73	10	5	28	76	67	259
Year-to-date 2005	376	26	5	50	257	302	1,016
Year-to-date 2004	329	56	9	68	246	139	847

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.			
<b>Zone 7: Beauport, Boischatel, Île-d'Orléans, etc.</b>							
Fourth Quarter 2005	85	2	0	20	0	24	131
Fourth Quarter 2004	78	2	0	10	0	108	198
Year-to-date 2005	408	6	0	68	181	57	720
Year-to-date 2004	401	18	0	72	45	251	787
<b>North outlying area (zones 5 to 7)</b>							
Fourth Quarter 2005	280	16	0	34	81	111	522
Fourth Quarter 2004	285	14	9	40	76	203	627
Year-to-date 2005	1,284	58	24	156	446	367	2,335
Year-to-date 2004	1,293	88	13	154	315	558	2,421
<b>North shore (zones 1 to 7)</b>							
Fourth Quarter 2005	385	62	0	46	230	385	1,108
Fourth Quarter 2004	528	38	9	50	283	346	1,254
Year-to-date 2005	1,820	228	61	208	1,011	1,121	4,449
Year-to-date 2004	1,885	178	47	192	949	1,282	4,533
<b>Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.</b>							
Fourth Quarter 2005	130	20	0	4	26	34	214
Fourth Quarter 2004	168	10	8	2	54	142	384
Year-to-date 2005	537	76	22	18	84	143	880
Year-to-date 2004	616	48	27	14	106	293	1,104
<b>Zone 9: Lévis, Pintendre</b>							
Fourth Quarter 2005	43	36	4	2	12	6	103
Fourth Quarter 2004	40	16	4	2	50	19	131
Year-to-date 2005	171	106	33	4	36	156	506
Year-to-date 2004	203	76	21	4	145	100	549
<b>South shore (zones 8 and 9)</b>							
Fourth Quarter 2005	173	56	4	6	38	40	317
Fourth Quarter 2004	208	26	12	4	104	161	515
Year-to-date 2005	708	182	55	22	120	299	1,386
Year-to-date 2004	819	124	48	18	251	393	1,653
<b>TOTAL - QUÉBEC METROPOLITAN AREA</b>							
Fourth Quarter 2005	558	118	4	52	268	425	1,425
Fourth Quarter 2004	736	64	21	54	387	507	1,769
Year-to-date 2005	2,528	410	116	230	1,131	1,420	5,835
Year-to-date 2004	2,704	302	95	210	1,200	1,675	6,186

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.			
<b>Québec</b>							
Fourth Quarter 2005	266	58	0	46	230	385	985
Fourth Quarter 2004	374	38	9	48	268	346	1,083
Year-to-date 2005	1,170	222	61	196	987	1,121	3,757
Year-to-date 2004	1,297	176	47	180	922	1,282	3,904
<b>Lévis</b>							
Fourth Quarter 2005	166	56	4	6	38	40	310
Fourth Quarter 2004	200	26	12	4	104	161	507
Year-to-date 2005	661	174	55	22	120	299	1,331
Year-to-date 2004	776	120	48	18	251	393	1,606

Source: CMHC

**Table 3**  
**Single-Detached and Semi-Detached Houses Absorbed by Price Range\* - Fourth 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
	<b>Single</b>	10	20	18	129	233	295	96	114	187
<b>Semi</b>	6	16	94	17	16	3	4	0	0	0
<b>Total</b>	16	36	112	146	249	298	100	114	187	114
<b>Market share (single)</b>	1.8%	3.0%	3.3%	19.2%	42.8%	43.9%	17.6%	17.0%	34.4%	17.0%

Source: CMHC

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

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

**Table 4**  
**Housing Supply - Fourth 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>
	<b>December 2005</b>			<b>Trend 2005</b>	
<b>Freehold</b>	816	109	925	269	3.4
<b>Condominium</b>	703	235	938	93	10.1
<b>Rental</b>	842	201	1,043	90	11.6
<b>Total</b>	2,361	545	2,906	452	6.4
	<b>December 2004</b>			<b>Trend 2004</b>	
<b>Freehold</b>	803	69	872	255	3.4
<b>Condominium</b>	789	160	949	83	11.4
<b>Rental</b>	1,083	127	1,210	84	14.4
<b>Total</b>	2,675	356	3,031	422	7.2

Source: CMHC

\* 12-month average

**Table 5**  
**Economic Overview**  
**Québec Metropolitan Area**

	<b>4th Q 2005</b>	<b>3rd Q 2005</b>	<b>4th Q 2004</b>	<b>Trend</b>		<b>% Change Trend</b>
				<b>2005</b>	<b>2004</b>	
<b>Labour market</b>						
Employment level (000)	375.2	381.7	366.6	379.0	364.7	3.9
Unemployment rate (%)	4.0	6.0	5.1	5.6	5.7	s.o.
<b>Mortgage rates (1)</b>						
1-year (%)	5.6	5.0	4.9	5.1	4.6	s.o.
5-year (%)	6.2	5.8	6.3	6.0	6.2	s.o.
<b>Annual inflation rate</b>						
CPI, 1996=100	124.9	125.0	122.3	124.1	121.4	2.2
<b>New Housing Price Index (1997=100)*</b>						
House	139.4	137.4	133.8	136.9	132.0	3.8
Land	132.4	129.2	122.1	126.6	120.9	4.7
Total	138.0	135.7	131.1	134.6	129.3	4.1
<b>Index of Consumer Confidence</b>						
1991=100 (2)	108.9	99.3	116.5	113.4	121.0	-6.3
<b>MLS sales</b>						
Total residential units	1,568	1,450	1,434	7,030	6,257	12.4%
Median price (single-detached house)	146,549	143,612	134,850	146,549	134,850	8.7%

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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