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HOUSING NOW *Gatineau*

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Canada Mortgage and Housing Corporation

VOLUME 6, NUMBER 3,
THIRD QUARTER 2003

Housing activity similar to 2002

In the third quarter of 2003, 711 new dwellings were started, or 68 fewer units than in 2002, for a decrease of almost 9 per cent on the new home market in the Outaouais.

On a year-to-date basis, the results achieved this fall are almost identical to the performance posted last year. In fact, 1,946 dwellings were started during the same period in 2002, or 1 more unit than this year. The new home market is therefore maintaining the high level of activity that we observed last year.

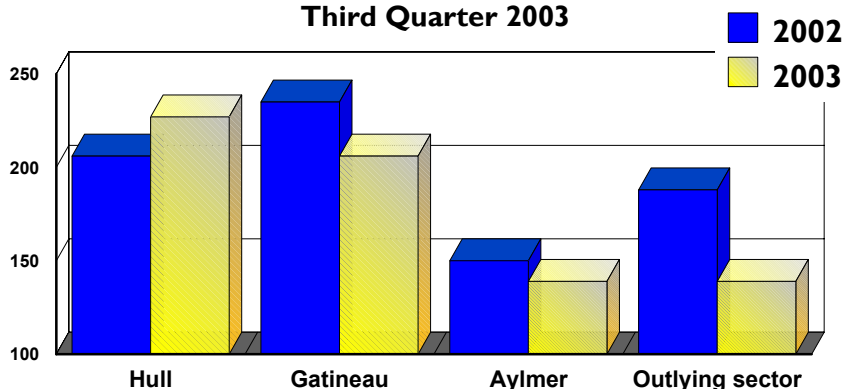
Around the sectors

The decrease this past quarter extended to all sectors except Hull. It was more

pronounced in the outlying sector, where foundations were laid for only 139 dwellings, down by 26 per cent from the third quarter of 2002. In the Gatineau and Aylmer sectors, housing starts declined for the first time this year, by 12 per cent and 7 per cent, respectively. In Gatineau, the slowdown was essentially due to weak performances in the single-family home and rental housing segments, while Aylmer lost ground in all housing categories. With 227 starts this past quarter (21 more than during the same period in 2002), Hull, for its part, posted a gain of 10 per cent.

continued on next page

**Housing Starts
by Sector
Third Quarter 2003**



Source CMHC

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HOME TO CANADIANS
Canada

Intense activity on resale market stimulating construction

Since mortgage rates remain low, real estate is still appealing to many households. Most of them start looking for the home of their dreams on the resale market. In all, 1,071 dwellings changed hands on this market during the past quarter, for an increase of 21 per cent over the same period in 2002. Demand is therefore very strong and, even through there is slightly more choice than last year (new listings are up by 8 per cent), supply remains scarce. As well, prices continue to rise: they were up by nearly 20 per cent in September. In such a context, many potential buyers are turning to the new home market, in the hope of getting a better deal. Despite the increase in the price of new homes, which has accelerated since last year (+18 per cent), the wide range of options offered represents a major asset.

New era for condominiums

Among all the housing types, condominiums registered the best performance in the third quarter. Practically non-existent on the new home market since 1995, condominium activity returned in force with 71 starts. More projects are under construction, and 2003 is on its way to reaching the peaks achieved in the 1990s in this segment. By the end of 2003, the Gatineau housing stock should grow by nearly 200 new condominiums. While it may have been unexpected, this return of the condominium is not surprising in itself. In fact, rental housing is still scarce, and the high prices on the resale market stimulated demand for multiple condominium housing. Semi-retired people who benefited from attractive prices when they sold their home represent a choice client group for this type of housing. Rather diversified, the condominium market is also trying to meet affordability criteria by offering a few units in the Gatineau sector, where land remains less expensive than in Hull, which allows projects to be built at a lower cost.

Single-detached houses lose ground

Even if, in terms of volume, single-family homes continue to dominate the Gatineau construction sector, it must be noted that they have lost a good deal of ground to multiple housing in 2003. The decrease was particularly notable for single-detached houses, as such starts fell by 23 per cent. Semi-detached homes, for their part, posted 22 more new units than during the same period in 2002, while there were 26 fewer apartments for the rental housing segment.

Still, the first nine months of the year remain marked by an increase of 28 per cent in multiple housing construction (rental and condominium), while single-family home starts are down by 10 per cent.

For the first three quarters of 2002, single-family homes held a market share of 74 per cent, but they account for only 67 per cent of the starts recorded since this past January. The high construction costs are certainly not extraneous to the appeal of multiple housing. It is effectively easier to make investments profitable by building high-rise structures. As well, the significant increase in the price of single-family homes no doubt curbed demand for this type of housing.

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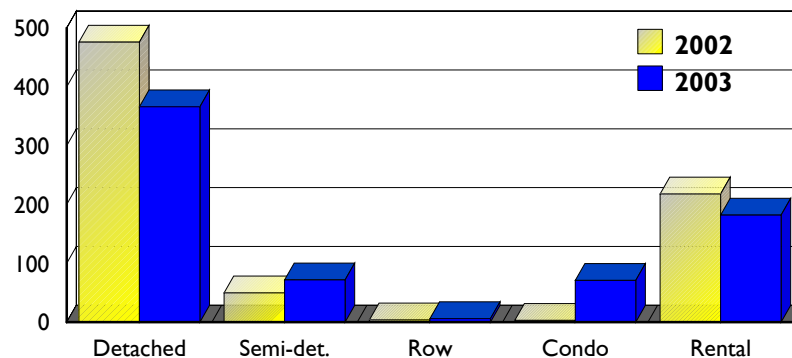
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Housing Starts by Dwelling Type Third Quarter



Source: CMHC

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

Activity / Period	Ownership		Rental	Total
	Freehold**	Condominiums		
Housing Starts				
Third Quarter 2003	458	71	182	711
Third Quarter 2002	558	3	218	779
Year-to-Date 2003	1,300	71	574	1,945
Year-to-Date 2002	1,441	3	502	1,946
Under Construction				
September 2003	547	71	381	999
September 2002	1,000	3	461	1,464
Completions				
Third Quarter 2003	731	27	379	1,137
Third Quarter 2002	427	0	83	510
Year-to-Date 2003	1,680	30	636	2,346
Year-to-Date 2002	1,065	0	333	1,398
Unoccupied				
September 2003	1	0	0	1
September 2002	73	0	0	73
Absorptions				
Third Quarter 2003	742	27	346	1,115
Third Quarter 2002	498	0	83	581
Year-to-Date 2003	1,805	30	547	2,382
Year-to-Date 2002	1,069	0	298	1,367
Duration of Inventory (in months)				
September 2003	0.0	0.0	0.0	0.0
September 2002	1.8	NA	0.0	1.5

*As per the old delimitations

** Freehold Duplex

Source: CMHC

Table 2
Housing Starts by Zone and Intended Market
Gatineau Metropolitan Area*

Zone / Period	Ownership					Rental	Total
	Freehold**				Condo-miniums		
	Single	Semi	Row	Apart.			
Zone 1: Hull							
Third Quarter 2003	58	30	3	10	0	126	227
Third Quarter 2002	67	0	0	8	3	128	206
Year-to-Date 2003	166	52	3	16	0	304	541
Year-to-Date 2002	226	38	7	14	3	380	668
Zone 2: Aylmer							
Third Quarter 2003	81	28	3	2	0	25	139
Third Quarter 2002	91	36	4	0	0	19	150
Year-to-Date 2003	196	88	6	8	0	47	345
Year-to-Date 2002	212	70	14	4	0	19	319
Zone 3: Gatineau							
Third Quarter 2003	98	4	0	2	71	31	206
Third Quarter 2002	173	2	0	10	0	50	235
Year-to-Date 2003	360	34	0	12	71	219	696
Year-to-Date 2002	441	28	0	12	0	66	547
Zone 4: Periphery							
Third Quarter 2003	129	10	0	0	0	0	139
Third Quarter 2002	145	12	0	10	0	21	188
Year-to-Date 2003	315	34	0	10	0	4	363
Year-to-Date 2002	303	56	0	16	0	37	412
TOTAL GATINEAU METRO							
Third Quarter 2003	366	72	6	14	71	182	711
Third Quarter 2002	476	50	4	28	3	218	779
Year-to-Date 2003	1,037	208	9	46	71	574	1,945
Year-to-Date 2002	1,182	192	21	46	3	502	1,946

*As per the old delimitations

** Freehold Duplex

Source: CMHC

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

Type	Less than \$90,000		\$90,000 to \$109,999		\$110,000 to \$129,999		\$130,000 to \$149,999		\$150,000 and more		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Zone 1: Hull												
Single	0	0	0	2	0	21	7	23	102	43	109	89
Semi	0	6	0	8	0	0	10	2	12	0	22	16
Zone 2: Aylmer												
Single	0	0	0	4	4	19	11	13	69	36	84	72
Semi	0	2	2	13	20	0	26	0	6	0	54	15
Zone 3: Gatineau												
Single	0	0	1	7	39	38	48	15	138	38	226	98
Semi	0	16	2	18	12	0	0	0	2	0	16	34
Zone 4: Periphery												
Single	0	2	2	13	16	33	20	5	119	51	157	104
Semi	0	20	2	2	12	0	0	0	0	0	14	22
TOTAL GATINEAU METRO												
Single	0	2	3	26	59	111	86	56	428	168	576	363
Semi	0	44	6	41	44	0	36	2	20	0	106	87

*As per the old delimitations

Source: CMHC

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FASTFAXES

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RENTAL MARKET REPORTS

which provide a more in-depth and detailed study of the data collected
(available in the beginning of 2004)

To obtain them, please contact our Customer Service at 1-866-855-5711

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Table 4
Housing Demand and Supply
Gatineau Metropolitan Area* - September 2003

Type	Under construction	Unoccupied	Short-Term Supply	Absorptions (Trend*)	Supply / Absorption Ratio
Freehold	547	1	548	187.4	2.9
Condominiums	71	0	71	2.8	25.8
Rental	381	0	381	55.5	6.9

*As per the old delimitations

** 12-Month Average

Sources: CMHC

Table 5
Economic Overview
Gatineau Metropolitan Area*

	Third Quarter		Trend (Jan.-September)		Variation (%)
	2002	2003	2002	2003	Trend
Labour Market					
Population 15 years and + (000)	211.6	216.6	210.2	215.3	2.4
Labor Force (000)	149.0	158.3	146.4	153.6	4.9
Employment Level - Total (000)	138.4	148.7	136.1	143.5	5.4
Employment Level - Full Time (000)	120.3	124.4	116.4	119.9	3.0
Unemployment Rate	7.1%	6.1%	7.0%	6.6%	n.a.
Mortgage Rates (1) (%)					
1-Year	5.3	4.6	5.2	4.9	n.a.
5-Year	6.9	6.3	7.1	6.4	n.a.
Annual Inflation Rate (2)					
	2.3	1.7	1.5	2.9	n.a.
Consumer Confidence Index (1991=100) (2) (Seasonally Adjusted)					
	129.6	124.5	132.6	125.9	n.a.

*As per the old delimitations

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

Sources: Statistics Canada, Conference Board of Canada

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).

CMHC Market Analysis Centre Publications

<i>National</i>	<i>Province of Quebec</i>	<i>Metropolitan Areas - Province of Quebec</i>
<ul style="list-style-type: none"> National Housing Market Outlook Mortgage Market Trends Canadian Housing Markets and many more 	<ul style="list-style-type: none"> Housing Now FastFax - Rental Market Report 	<ul style="list-style-type: none"> Housing Market Outlook (1) Rental Market Report (1) FastFax - Rental Market Report (3) Analysis of the Resale Market (2) Retirement Home Market (1) <p>(1) Available for all metropolitan areas: Chicoutimi, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières (2) Available for Montréal and Québec only (3) Available for all urban centres with population of more than 10,000 inhabitants</p>

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Gatineau Metropolitan Area Zones

<i>Zones</i>	<i>Municipalities or Sectors</i>	<i>Large zones</i>
1	Hull	Centre
2	Aylmer	Centre
3	Gatineau	Centre
4	Buckingham, Cantley, Chelsea, La Pêche, Masson-Angers, Pontiac, Val-des-Monts.	Peripheral Area

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ORECAST

Gatineau

Fall - Winter 2003

SUMMARY

Canada Mortgage and Housing Corporation

No shadows in sight for real estate in the Outaouais

Since 1999, the housing market has picked up again in the Outaouais. Following the lean years observed in the late 1980s, the wind changed with the arrival of the new millennium. In fact, 2003 is the fifth year of this era of prosperity, and it, too, will be characterized by a strong residential market. From now until 2004, we are therefore not foreseeing any major changes in the general market situation, unless current conditions radically alter their course.

Thanks to an even stronger labour market in 2003 than in the last two years, the Outaouais is a good place to live. The employment gains will therefore continue to stimulate the real estate market. It will take some time, however, before the jobs created in 2003 have a real impact on the market.

In the residential construction sector, the year 2003 will end with results similar to those obtained in 2002, with 2,650 housing starts, for an increase of nearly 4 per cent. The slowdown will continue in 2004 but, since 2,350 starts are forecast, the new home market will have no reason to complain.

The resale market, for its part, is not yet showing any real signs of running out of steam. Sales continue to rise, but listings, which had become scarce since the end of the 1990s, are slowly growing again.

In all, 4,000 properties will have changed hands on this market by the end of 2003, for a gain of 5 per cent over last year. As for listings, supply will grow by 10 per cent and reach 100 units. This upward trend in listings will be maintained in 2004, when sales should start declining. The market will then move closer to a balanced situation, with 3,500 sales to 2,000 listings.

The rental market will remain tight, as the vacancy rate has been below 1 per cent since the year 2000. There would have to be a significant supply of new units for this market to return to a certain level of comfort. As well, the high prices on the resale market will cause some renters to delay their decision to purchase a home. The construction of several rental housing projects will therefore not be sufficient to meet demand, at least not from now until the end of 2004.

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HOME TO CANADIANS
Canada

Economic and business conditions: U.S. economy progressively coming out of its torpor

For the moment, the Canadian and American economies are evolving in opposite directions. For the past few months, the Canadian economy has been showing definite signs of weakness. In fact, the gross domestic product (GDP) fell slightly (-0.1 per cent) in the second quarter, while, on a less than brilliant job market, the unemployment rate was brought back to 8 per cent. The soaring loonie largely accounted for the poor performance of our economy, particularly the manufacturing sector. This did not fail to have repercussions on the level of employment in Quebec, which has been on a downward trend since the beginning of the year.

While the news is not very encouraging here, a more vigorous recovery finally seems to be taking hold for our neighbours to the south. In fact, consumer spending, business investment and public expenditures considerably stimulated Uncle Sam's economy in the second quarter (annual GDP growth rate of 3.3 per cent). In the employment sector, the U.S. labour market, which had been prey to depressed conditions (770,000 jobs lost from January to August), posted its first gain in eight months in September. One issue that is starting to raise some concerns, however, is that the size of U.S. federal budget deficit under the Bush administration is generating significant borrowing requirements, putting upward pressure on long-term interest rates. Two other factors are working in favour of an increase in long-term rates: the elimination of the deflationary scenario and renewed enthusiasm on the stock markets.

Still, CMHC expects that interest rates will rise moderately. In Canada, these increases should reach 25 to 50 basis points this fall and another 25 to 50 basis points next year in the case of five-year mortgages. More specifically, this means that the five-year mortgage rate could slightly exceed the 7-per-cent mark by the end of 2004. Although these hikes could discourage some buyers, consumer confidence will still remain at a high level. According to the Conference Board

index, in September, 57 per cent of Quebec residents felt that it was a good time to make a major purchase such as a home. This index was down, however, by 10 percentage points in relation to September 2002. In our opinion, the impact of the mortgage rate increase will be felt mainly on the prices that consumers will be prepared to pay to buy a property. In recent months, the mortgage rate decrease had allowed for the financing of some spectacular price gains on the resale market. In 2004, the increase in prices in the residential real estate sector should be somewhat more modest.

Given that the job market will remain strong in the Outaouais, this area certainly has one more string to its bow than Quebec in general. Since the third quarter of 2002, employment has risen at an annual rate of 5,000 jobs in the area, and over half of the positions created are full-time. An eventual mortgage rate hike is therefore not a threat in itself for the area, as households are getting better jobs, so they will continue to keep the real estate market very busy overall.

No slowdown on the resale market

Considering the abundant activity in recent years and the vigour of the regional economy, the resale market can look forward the future with serenity.

Prices to stay high

Taking inflation into account, prices only started rising in the year 2000 on this

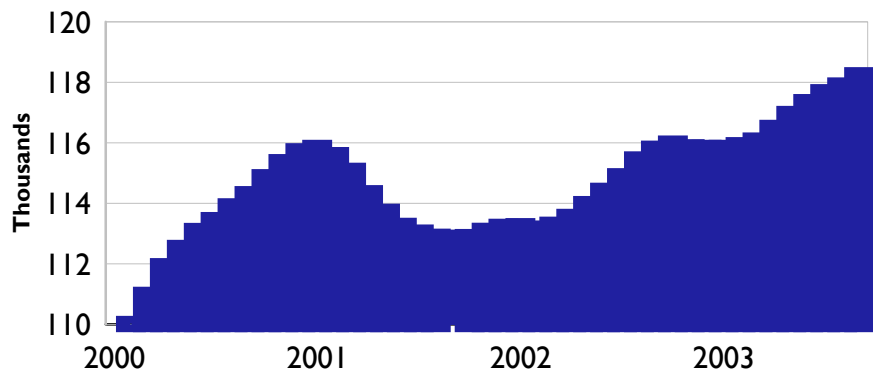
market. For a year and a half, prices were catching up to the level they were at in 1994, before the recession. In fact, actual growth began just last year. On account of the low inflation target set by the Bank of Canada and the renewed supply, real prices should now rise at a slower pace over the next two years.

Even if the market remains very vigorous, some imperceptible signs are pointing to a slight slowdown. In fact, listing periods, which were close to 150 days in 1999, tumbled and stabilized at around 70 days last year. Likewise, the gap between asking and selling prices narrowed considerably in the last five years, but has not moved much since 2002. However, while the sales volume seemed to be levelling off at the end of 2002, the small increase in listings, along with the low interest rates, buoyed up demand.

We are therefore expecting sales to rise slightly in 2003, and then fall in 2004. With demand for affordable housing no longer satisfied on the resale market, many clients are turning to the new home market, particularly to condominiums. In addition, the effects of the decline in full-time employment between 2001 and 2002 will only be felt in 2004, which will contribute to driving down demand for properties.

Listings, for their part, are picking up again and will reach 2,000 units by the end of 2004. Even with these changes, the price of homes will stay high, rising from \$113,000 in 2002 to nearly \$135,000 by the end of 2003, for a gain of 17 per cent.

Full-Time Jobs Gatineau CMA



In 2004, the effects of the increase in listings will start to be felt, and the price hike will be limited to around 5 per cent.

Outaouais: one big job site

Construction has been going full tilt for all of 2003, and this level of activity will be maintained in 2004. In 2003, the number of starts will be similar to that recorded in 2002, while a small decrease will be registered in 2004. Far from being a cause for alarm, this decline in starts next year would be a sign that the residential construction market has achieved its potential in relation to the level of demand.

The scarce supply on the resale market in 2002 was a determining factor in the current success of the new home market. With the gradual upturn in listings, it will be normal to observe a slight progressive slowdown in housing starts. The anticipated rise in mortgage rates and the increase in prices will cause certain housing types to take up more space in the real estate landscape. Like on the other side of the river, in Ottawa, the affordability factor will boost the construction of more condominiums and, to a lesser extent, semi-detached homes.

By surpassing the level of 2,500 housing starts in 2002, residential construction has just brought back its glory days of the early 1990s. Compared to that time, however, the building industry is in better shape now. The inventory of new homes fell by almost half between 1994 (220 units) and 2003 (111 units). The duration of the inventory of single-family houses also decreased, from 2 months in 1994 to 0.07 of a month in 2003.

Two sectors, two trends

More than one year after the mergers in January 2002, certain observations can be made for the Gatineau CMA. Contrary to the fears of many citizens, nearly 75 per cent of Gatineau residents saw their property taxes go down during the first year of the new city of Gatineau.

As well, the city is working to maintain, or improve, the services that existed before the mergers, and the Gatineau sector obtained a large share of the 2003

budget, with an allocation of 54 per cent of the expenses.

The results of the latest census effectively show that, since 1996, the Hull population continues to have a majority of renters, while that of the Gatineau sector posts a higher concentration of homeowners. The proportions have not really changed in the last five years, with 60 per cent of renters in Hull, and 65 per cent of homeowners in Gatineau.

These trends are identical when it comes to housing starts. Since the beginning of the year 2000, the Gatineau sector alone has registered a total of over 2,300 starts, less than one quarter of which were intended for the rental market. In Hull, the opposite holds true: 50 per cent of the 2,000 starts in this sector are rental dwellings.

Given the higher population density and land prices in Hull, it makes sense that this rental tradition continues to prevail there. The "suburban" aspect of Gatineau and its greater availability of lands will help stimulate single-family home building in this sector.

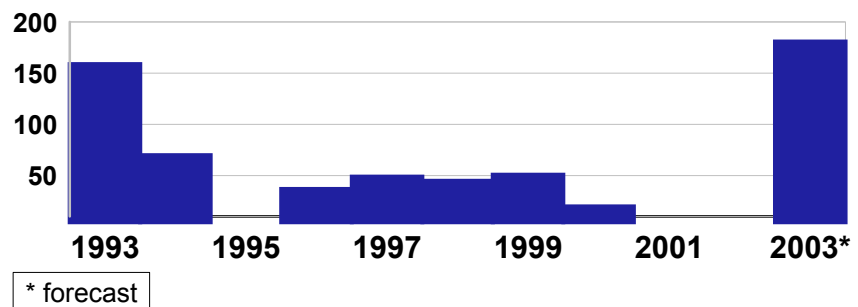
For the moment, however, multiple housing construction is not sufficient to meet demand. The high employment rate in the area and the relatively affordable rents compared to Ottawa are both factors suggesting that demand will remain strong over the next two years. The accelerated supply in recent months will provide a solution only for some clients, even if we are forecasting that 800 new rental units will arrive on this market by the end of 2003, and another 550 units

will be added in 2004. The vacancy rate will still reach 1.2 per cent in 2003 and move closer to 2 per cent by 2004. As for rents, the scarcity of apartments certainly put upward pressure on rental rates. The rental increase will attain 6 per cent in 2003, a hike accelerated by the arrival on the market of new, more luxurious dwellings.

Condominiums booming

The surging popularity of condominiums is no doubt the highlight of the year in the area. Following an absence of almost 10 years, condominium construction has returned. The last time that a substantial volume of such starts was recorded effectively dates back to 1993. Since then, a few odd constructions had appeared here and there, but nothing comparable to the activity currently prevailing on the market. In fact, condominiums arrived just at the right time to meet several needs, and they are not extraneous to the vigour of the new home market. For one thing, these dwellings are responding to a demand for mid-priced housing (the price of existing or new single-family homes is no longer within everyone's budget). As well, condominiums are also meeting the needs of young retirees or young professionals with no children who want to benefit from the advantages of homeownership without worrying about maintenance. In 2003, close to 200 condominiums will be started, and we expect a comparable level of activity in 2004, all the more so since single-family home prices will remain high.

**Condominium Starts
Gatineau CMA**



FORECAST SUMMARY

Gatineau Census Metropolitan Area

Fall - Summer 2003

	2001	2002	2003f	2004f	2002/2003	2003/2004
RESALE MARKET						
Active MLS listings	1,954	1,532	1,700	2,000	11 %	18 %
MLS sales						
Total	3,818	3,823	4,000	3,500	5 %	- 12 %
Average MLS price (\$)						
Condominiums	73,000	89,000	105,000	110,000	18 %	5 %
Overall market	99,500	113,000	135,000	140,000	19 %	4 %
NEW HOME MARKET						
Housing starts						
Total	1,659	2,553	2,600	2,350	2 %	- 9 %
Single-family houses	1,353	1,929	1,650	1,550	- 14 %	- 6 %
Condominiums	0	30	200	250	566 %	25 %
Rental housing units	306	594	650	550	10 %	- 15 %
Average price (\$)						
Detached houses	145,132	146,163	165,000	176,000	13 %	7 %
Semi-detached houses	93,270	93,157	100,000	104,000	7 %	4 %
RENTAL MARKET						
Vacancy rate (%)	0.6	0.5	1.2	1.7	---	---
Change in rents from previous year (%)	6.0	4.0	5.0	4.0	---	---
ECONOMIC OVERVIEW						
Mortgage rate - 3-year (%)	6.9	6.3	5.8	7.1	---	---
Mortgage rate - 5-year (%)	7.4	7	6.4	6.8	---	---
Change in employment from previous year	350	1,925	4,000	1,400	---	---
Unemployment rate (%)	7.1	6.9	6.8	7	---	---

f:CMHC forecast

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