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Gatineau

Canada Mortgage and Housing Corporation

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SECOND QUARTER 2005

Housing starts decrease for a second straight quarter in Gatineau

The slowdown in the residential construction sector that began in the first quarter continued in the second. In fact, 558 new dwellings were started, compared to 672 in the second quarter of 2004, for a decrease of 17 per cent. However, activity declined less markedly than in the first quarter (-52 per cent), given the greater vigour on the freehold housing market and, more specifically, in the detached home segment, where the number of starts was comparable to the level recorded in 2004 (457 units, versus 470 in 2004). Condominiums (12 units, compared to 34) and rental dwellings (21 units, as opposed to 56), for their part, once again registered little activity.

For the first half of the year, the decrease in relation to 2004 stands at 35 per cent and, just like the second quarter figures, the results vary considerably depending on the intended market. In fact, the significant decreases in starts in the condominium (-64 per cent) and rental housing (-70 per cent) segments were much more pronounced than the decline observed on the freehold housing market (-19 per cent).

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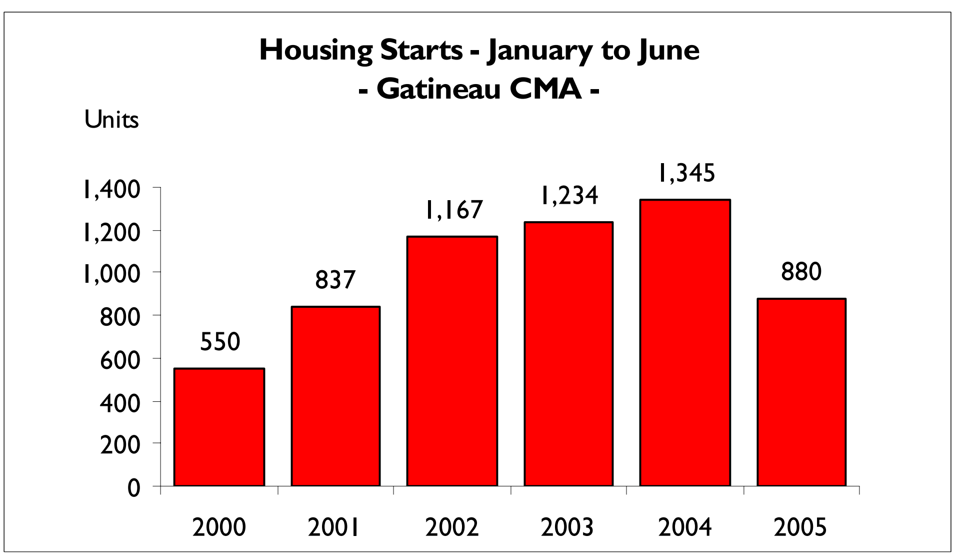

Source: CMHC

IN THIS ISSUE

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CMHC SCHL HOME TO CANADIANS

After four years of growth in the number of housing starts, construction got under way on 880 dwellings, compared to 1,345 last year, for the period from January to June (see graph). The gain posted in recent years reflected, among other things, economic conditions marked by rapid employment growth, low mortgage rates and limited listings on the resale market. The downward trend in starts since the beginning of the year is in line with the key economic and demographic indicators and on related markets in the CMA over the past year, and suggests that a peak was reached at the end of 2004.

Moderate economic growth

In the Gatineau area, employment growth has been slower since the beginning of last year. More specifically, the main employment sector in the area, the public service, which posted rapid growth in 2003, has been stagnating since the second half of 2004 and has even recorded a small decrease in the number of jobs since the end of 2004. Given the slower employment growth, the average weekly income has declined slightly since the end of last year. Still, the regional economy remains vigorous and should continue to grow at a moderate pace, similar to the rate observed for the province overall. In the first quarter, the provincial growth rate attained 2.3 per cent, while a growth rate of 2.5 per cent is expected for 2005. As well, the consumer confidence index is stable in relation to last year and, since the rise in mortgage rates is slow in coming, the number of starts, although on the decline, will remain high in 2005 compared to previous years. However, the Bank of Canada clearly indicated recently that some reduction in the amount of monetary stimulus will be required and that it therefore intends to raise the target for the overnight rate in the near future. CMHC consequently still forecasts a rise in mortgage rates by the end of 2005.

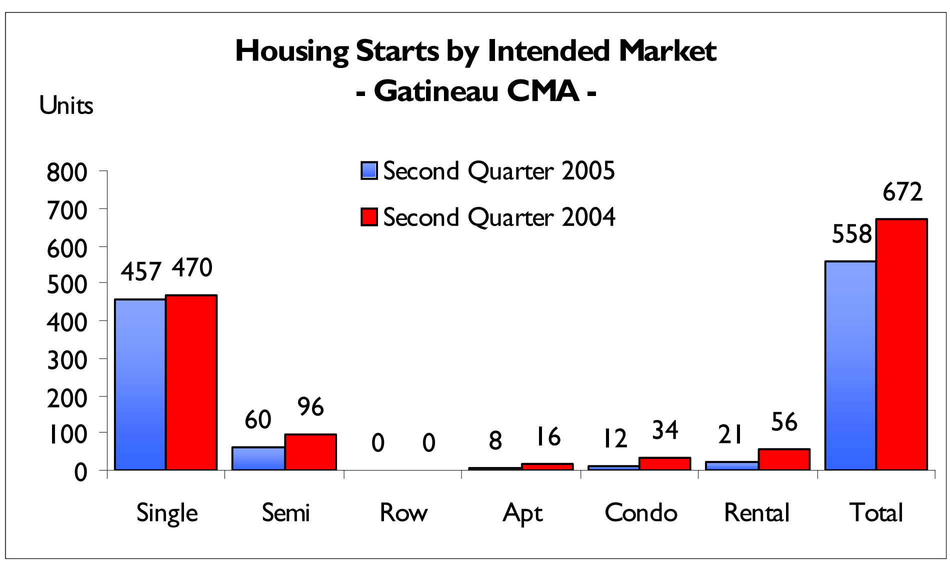
Condominium and rental housing starts decline significantly

For a second consecutive quarter, the greatest decreases were registered on the condominium and rental housing markets. New and existing condominium inventories remain high, and it will take some time for all the units started last year and those currently under construction to be absorbed. Only 12 condominiums were started, compared to 34 in 2004. The shift to homeownership of many households in recent years led to an increase in the rental housing vacancy rate (2.1 per cent in the fall of 2004, versus 1.2 per cent in 2003) and also slowed down construction of this type of housing. In the second quarter, just 21 such new units were enumerated, compared to 56 in 2004. However, given the significant increase in the price of single-detached homes in the last few years, condominiums remain appealing to young households wishing to become homeowners and also to seniors selling their homes.

Lastly, the freehold housing segment posted a smaller decrease (-10 per cent), given the relative strength of the single-detached home segment (down slightly by 3 per cent) in the second quarter. Although condominiums have obviously been popular for the last two years, detached houses remain the first choice of Gatineau residents. For example, such homes have accounted for nearly three quarters of all starts in 2005. As for semi-detached houses, 60 such starts were enumerated, compared to 96 in 2004, for a decrease of 38 per cent. In addition to the slower employment growth, the marked rise in listings in the last few quarters has given buyers more choice, which has resulted in a weaker demand for new homes.

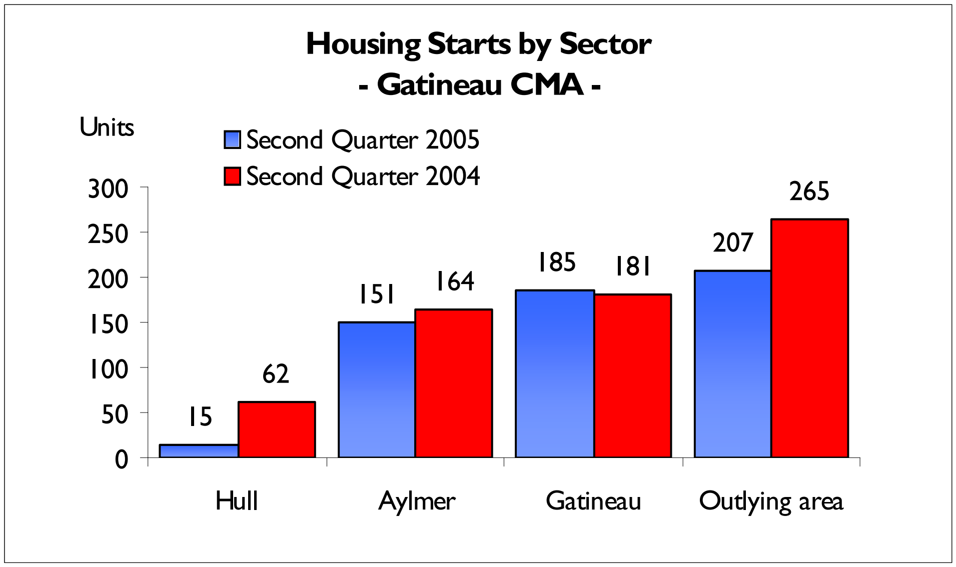
Single-detached home building remains strong in Gatineau and Aylmer

The large numbers of single-detached housing starts in Gatineau and Aylmer made for results (+2 per cent in Gatineau and -8 per cent in Aylmer) similar to the levels recorded in the



Source: CMHC

second quarter of 2004. These fluctuations contrast with the significant decreases of 44 per cent and 49 per cent, respectively, sustained by these sectors in the first quarter. In the second quarter, 175 single-detached home starts were enumerated in Gatineau, compared to 138 in 2004, while, in Aylmer, 115 detached houses got under way, as opposed to 106 in 2004. For a second straight quarter, the Hull sector sustained the greatest slowdown (15 starts, versus 62), as all housing types, including single-detached homes (4 new units, compared to 37) registered decreases. In the outlying area, the 207 starts corresponded to a drop of 22 per cent from the 265 new units recorded last year, but the decline was less considerable for detached homes, which were down by 14 per cent (163 units, compared to 189).



Source: CMHC

Resale market continues to ease in the second quarter

According to the data from the Chambre immobilière de l'Outaouais (CIO), sales of existing properties fell for a fourth consecutive quarter, as 1,254 transactions were recorded through the Service inter-agences® / Multiple Listing Service® (S.I.A.® / MLS®), for a decrease of 6 per cent in relation to the same period last year. The resale market therefore continued the easing trend that began during the second half of 2004. In fact, there was a significant rise in active listings, which, combined with a decrease in sales, resulted in a slower increase in prices. In the second quarter, active listings climbed by 38 per cent, to 2,329 units, and the average price of properties rose by less than 10 per cent (+9 per cent) for the first time since the first quarter of 2002. After twelve quarters of growth above 10 per cent, existing properties were selling for an average of $160,699. In constant dollars (taking inflation into account), this corresponds to an increase of 36 per cent over three years.

The seller-to-buyer ratio shows that the market remains favourable to sellers but has eased, as this indicator went from 4 to 6 sellers per buyer in one year. The condominium market eased the most rapidly and is now balanced (seller-to-buyer ratio of 8 to 1). However, the single-detached freehold housing and plex markets continue to favour sellers, as does the semi-detached and row home market. Also, it can be noted that the average listing period got longer, reaching 82 days, compared to 74 last year.

Finally, by sector, the markets in Hull, Aylmer and Gatineau are favourable to sellers (seller-to-buyer ratios of 6 to 1). In the outlying area, the Buckingham and Masson-Angers markets are also favourable to sellers, with 5 sellers for every buyer, while the other outlying area markets are balanced (seller-to-buyer ratios of 9 to 1).

The resale market should keep easing over the coming quarters. With the significant rise in listings and the small decrease in sales, the increase in prices should therefore continue to slow down.

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

Activity / Period	Ownership		Rental	Total
	Freehold**	Condominium		
Starts				
Second quarter 2005	525	12	21	558
Second quarter 2004	582	34	56	672
Year-to-date 2005	732	109	39	880
Year-to-date 2004	909	305	131	1,345
Under construction				
June 2005	661	377	46	1,084
June 2004	606	394	145	1,145
Completions				
Second quarter 2005	340	55	54	449
Second quarter 2004	267	146	77	490
Year-to-date 2005	732	144	120	996
Year-to-date 2004	843	170	220	1,233
Unoccupied				
June 2005	36	49	41	126
June 2004	4	0	0	4
Absorption				
Second quarter 2005	331	128	53	512
Second quarter 2004	271	146	84	501
Year-to-date 2005	712	211	108	1,031
Year-to-date 2004	846	170	220	1,236
Duration of inventory (months)				
June 2005	0.2	1.0	1.5	0.6
June 2004	0.1	0.0	0.0	0.0

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							
Second quarter 2005	4	0	0	0	4	7	15
Second quarter 2004	37	0	0	0	13	12	62
Year-to-date 2005	6	0	0	0	31	7	44
Year-to-date 2004	50	0	34	2	109	53	248
Zone 2: Aylmer							
Second quarter 2005	115	36	0	0	0	0	151
Second quarter 2004	106	50	0	2	0	6	164
Year-to-date 2005	157	56	0	0	9	3	225
Year-to-date 2004	178	82	3	4	32	9	308
Zone 3: Gatineau							
Second quarter 2005	175	0	0	0	0	10	185
Second quarter 2004	138	6	0	10	21	6	181
Year-to-date 2005	275	14	0	0	57	17	363
Year-to-date 2004	272	10	5	10	164	37	498
Zone 4: Buckingham							
Second quarter 2005	2	0	0	0	0	4	6
Second quarter 2004	4	4	0	0	0	8	16
Year-to-date 2005	3	2	0	0	0	8	13
Year-to-date 2004	6	4	0	0	0	8	18
Zone 5: Masson-Angers							
Second quarter 2005	11	22	0	0	0	0	33
Second quarter 2004	10	36	0	0	0	24	70
Year-to-date 2005	13	22	0	0	0	4	39
Year-to-date 2004	11	36	0	0	0	24	71
Zone 6: Outlying area							
Second quarter 2005	150	2	0	8	8	0	168
Second quarter 2004	175	0	0	4	0	0	179
Year-to-date 2005	172	2	0	10	12	0	196
Year-to-date 2004	196	0	0	6	0	0	202
TOTAL - GATINEAU METROPOLITAN AREA							
Second quarter 2005	457	60	0	8	12	21	558
Second quarter 2004	470	96	0	16	34	56	672
Year-to-date 2005	626	96	0	10	109	39	880
Year-to-date 2004	713	132	42	22	305	131	1,345

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* - Second 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	0	0	0	3	1	2	2	4	3	3	6	12
Semi	0	0	0	0	0	0	0	0	0	0	0	0
Zone 2: Aylmer												
Single	1	0	14	17	14	23	30	20	12	3	71	63
Semi	8	15	11	12	2	1	2	0	0	0	23	28
Zone 3: Gatineau												
Single	29	27	24	27	28	33	29	16	18	4	128	107
Semi	10	2	0	0	0	0	0	0	0	0	10	2
Zone 4: Buckingham												
Single	1	1	2	2	0	0	0	0	0	0	3	3
Semi	3	0	0	0	0	0	0	0	0	0	3	0
Zone 5: Masson-Angers												
Single	0	2	1	5	0	1	1	0	0	0	2	8
Semi	0	20	0	0	0	0	0	0	0	0	0	20
Zone 4: Outlying area												
Single	13	2	8	1	13	2	21	4	22	3	77	12
Semi	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL - GATINEAU METROPOLITAN AREA												
Single	44	32	49	55	56	61	83	44	55	13	287	205
Semi	21	37	11	12	2	1	2	0	0	0	36	50

Source: CMHC

Table 4
Housing Demand and Supply
Gatineau Metropolitan Area* - June 2005

Type	*Under Construction*	*Unoccupied*	*Short-Term Supply*	*Absorption (Trend**)*	*Supply / Absorption Ratio*
Freehold	661	36	697	146	4.8
Condominium	377	49	426	48	8.8
Rental	46	41	87	28	3.2

Source: CMHC

** As per former delimitation*

*** 12-month average*

Table 5
Economic Overview
Gatineau Metropolitan Area*

	Second Quarter		*Trend (Jan.-June)*		*% Change*
	2004	*2005*	*2004*	*2005*	*Trend*
Labour market					
Population 15 years + (000)	223.2	229.6	222.5	228.8	2.8
Labour force (000)	157.9	161.2	155.0	159.3	2.7
Employment level - total (000)	147.3	149.5	144.8	147.4	1.8
Employment level - full-time (000)	123.4	124.4	121.5	122.0	0.4
Unemployment rate	6.8%	7.2%	6.6%	7.5%	n.a.
Mortgage rates (1) (%)					
1-year	4.6	4.8	4.4	4.9	n.a.
5-year	6.5	5.9	6.2	6.0	n.a.
Annual inflation rate (2)	2.1	1.9	1.4	2.0	n.a.
Index of Consumer Confidence (1991=100) (2)	121.1	122.2	123.2	122.8	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

CMHC Market Analysis Centre Publications

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- Housing Now(1)
- Analysis of the Resale Market (2)
- Retirement Home Market (1)

(1) Available for all metropolitan areas: Saguenay, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières

(2) Available for Montréal, Québec, Saguenay, Gatineau and Trois-Rivières

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