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Canada Mortgage and Housing Corporation

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RESIDENTIAL CONSTRUCTION IN THE QUÉBEC AREA DOWN SLIGHTLY FROM ITS PERFORMANCE IN 2003

In the Québec census metropolitan area (CMA), residential construction was down in the first quarter of 2004. According to the latest statistics published by Canada Mortgage and Housing Corporation (CMHC), 1,034 new dwellings were started in the area, or 3 per cent fewer than during the same period last year (1,070 units).

However, the decrease is no cause for alarm, as all the ingredients are in place to prepare a very good year for the construction sector in the Québec area. Employment, which posted good results in recent years, the low inventories of properties for sale and dwellings for rent and, especially, the very affordable mortgage rates will stimulate construction again this year. The decrease observed in the first quarter of 2004 was attributable to the condominium construction segment, which got off to a slower start this year. In fact, the 149 condominiums started between January and March represent a downturn from the 264 units registered at the same time last year, but this result does not reflect a trend, as numerous condominium projects are anticipated over the coming months.

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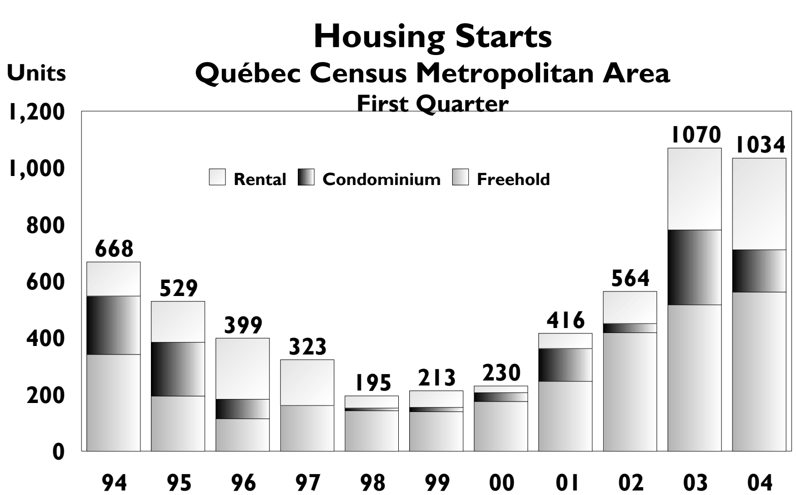

Source: CMHC

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In the single-family home building segment, a gain of 9 per cent was noted, as such starts reached 562 units. A tight resale market, with significant price hikes, has been inciting households to turn to the new home market.

Rental housing construction also went up in relation to last year. The first three months of the year saw the arrival of 323 new rental apartments, for a gain of 12 per cent over 2003. With the minimal proportion of dwellings available for rent across the area and rents that have posted increases above inflation for three years, developers have been encouraged to venture out into new projects. It should also be noted that one quarter of the new rental dwellings are part of government-subsidized housing projects.

Elsewhere across Quebec

In all urban centres with 10,000 or more inhabitants across Quebec, 8,412 starts were enumerated during the first quarter of 2004, for an increase of 33 per cent. The Gatineau CMA posted the greatest gain (90 per cent), followed by Sherbrooke (62 per cent). Still in terms of residential construction activity, Trois-Rivières (48 per cent) ranked ahead of Montréal, which showed the same increase as the province (33 per cent). Lastly, housing starts were down slightly in the Québec CMA (-3 per cent) and the Saguenay area (-15 per cent).

The Housing Construction Industry : Challenge and Opportunities for the 21st Century

Over the next century, new trends will emerge, obliging the Canadian construction industry to adapt. The findings of a research report[1] published by CMHC, identify the challenges and opportunities that these trends present for the housing construction industry.

Areas discussed relate to:

Demographic Factors: An aging population with an increasing propensity to remain as homeowners, younger generations facing less job security and looking for flexibility and diversity in housing, tenure and financing options, and an increasing trend to multi-generational households and related housing needs will present the industry with challenges to respond with diversity, flexibility and affordability in design, construction, renovation, financing and tenure options.

Regulatory Factors: Builders and other stakeholders in the housing industry are becoming increasingly concerned about the nature and extent of the liabilities they face as a result of building or renovating houses. The regulatory framework governing the Canadian housing industry is evolving rapidly. Some aspects are welcomed by the industry and some are viewed with extreme concern.

Mortgage Financing: Home financing arrangements are becoming more varied, flexible and innovative. Lenders are introducing products that respond to a variety of needs and are mutually beneficial to lender and client.

Trade and Labour Mobility: Labour shortages could impair the ability of firms to respond to demand and affect the cost of housing. The industry faces the challenge of attracting more young people into the profession as the existing baby-boom workforce ages. With labour shortages becoming more acute, increasing standardization and supporting trade mobility among provinces becomes important. There is also the challenge of mobility of skilled workers across the U.S./Canada border.

Development Cost Charges: With an increasing variety of levies, user fees and taxes pushing up the cost of new home construction there is pressure to examine alternative revenue generating mechanisms to provide for capital works infrastructure.

Technology: Innovative practices appear poised to emerge in the future; however, there continues to be a number of barriers both within and outside the industry to innovation.

[1] Extract from The Housing Construction Industry: Challenges and Opportunities for the 21st Century, Research Highlights, CMHC, Socio-economic Series, Issue 03-004, June 2003.
For more information, visit www.cmhc.ca or call 1 800 668-2642.

Table 1
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
First Quarter 2004	469	58	13	22	149	323	1,034
First Quarter 2003	433	32	14	38	264	289	1,070
Year-to-date 2004 (Jan.-Mar.)	469	58	13	22	149	323	1,034
Year-to-date 2003 (Jan.-Mar.)	433	32	14	38	264	289	1,070
Under construction*							
First Quarter 2004	454	64	17	36	633	483	1,687
First Quarter 2003	561	48	13	50	539	933	2,144
Completions							
First Quarter 2004	468	36	12	14	166	398	1,094
First Quarter 2003	329	32	4	12	15	91	483
Year-to-date 2004	468	36	12	14	166	398	1,094
Year-to-date 2003	329	32	4	12	15	91	483
Unoccupied*							
First Quarter 2004	103	21	8	0	112	253	497
First Quarter 2003	62	11	2	2	2	3	82
Absorption							
First Quarter 2004	433	31	8	15	118	188	793
First Quarter 2003	319	31	11	11	25	110	507
Year-to-date 2004	433	31	8	15	118	188	793
Year-to-date 2003	319	31	11	11	25	110	507
Duration of inventory (months)							
Trend 2003	0.5	1.1	1.6	0.0	1.8	8.2	1.6
Trend 2002	0.3	0.8	0.4	0.2	0.1	0.1	0.3

** 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)							
First Quarter 2004	1	0	0	0	18	72	91
First Quarter 2003	0	0	4	0	37	76	117
Year-to-date 2004	1	0	0	0	18	72	91
Year-to-date 2003	0	0	4	0	37	76	117
Zone 2: Québec (Haute-Ville)							
First Quarter 2004	0	0	0	2	0	0	2
First Quarter 2003	0	0	0	0	0	0	0
Year-to-date 2004	0	0	0	2	0	0	2
Year-to-date 2003	0	0	0	0	0	0	0
Zone 3: Québec (Des Rivières, Ancienne-Lorette)							
First Quarter 2004	44	18	6	2	8	86	164
First Quarter 2003	58	6	4	7	80	69	224
Year-to-date 2004	44	18	6	2	8	86	164
Year-to-date 2003	58	6	4	7	80	69	224
Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery							
First Quarter 2004	40	4	0	0	11	108	163
First Quarter 2003	36	4	6	2	80	51	179
Year-to-date 2004	40	4	0	0	11	108	163
Year-to-date 2003	36	4	6	2	80	51	179
North centre (zones 1 to 4)							
First Quarter 2004	85	22	6	4	37	266	420
First Quarter 2003	94	10	14	9	197	196	520
Year-to-date 2004	85	22	6	4	37	266	420
Year-to-date 2003	94	10	14	9	197	196	520
Zone 5: Val-Bélair, Saint-Émile, etc.							
First Quarter 2004	117	0	0	0	0	12	129
First Quarter 2003	70	6	0	4	0	4	84
Year-to-date 2004	117	0	0	0	0	12	129
Year-to-date 2003	70	6	0	4	0	4	84
Zone 6: Charlesbourg, Stoneham, etc.							
First Quarter 2004	49	12	4	10	78	3	156
First Quarter 2003	87	2	0	16	55	48	208
Year-to-date 2004	49	12	4	10	78	3	156
Year-to-date 2003	87	2	0	16	55	48	208

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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.							
First Quarter 2004	60	2	0	8	0	19	89
First Quarter 2003	75	2	0	7	0	14	98
Year-to-date 2004	60	2	0	8	0	19	89
Year-to-date 2003	75	2	0	7	0	14	98
North outlying area (zones 5 to 7)							
First Quarter 2004	226	14	4	18	78	34	374
First Quarter 2003	232	10	0	27	55	66	390
Year-to-date 2004	226	14	4	18	78	34	374
Year-to-date 2003	232	10	0	27	55	66	390
North shore (zones 1 to 7)							
First Quarter 2004	311	36	10	22	115	300	794
First Quarter 2003	326	20	14	36	252	262	910
Year-to-date 2004	311	36	10	22	115	300	794
Year-to-date 2003	326	20	14	36	252	262	910
Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.							
First Quarter 2004	113	2	3	0	16	12	146
First Quarter 2003	73	2	0	2	12	6	95
Year-to-date 2004	113	2	3	0	16	12	146
Year-to-date 2003	73	2	0	2	12	6	95
Zone 9: Lévis, Pintendre							
First Quarter 2004	45	20	0	0	18	11	94
First Quarter 2003	34	10	0	0	0	21	65
Year-to-date 2004	45	20	0	0	18	11	94
Year-to-date 2003	34	10	0	0	0	21	65
South shore (zones 8 and 9)							
First Quarter 2004	158	22	3	0	34	23	240
First Quarter 2003	107	12	0	2	12	27	160
Year-to-date 2004	158	22	3	0	34	23	240
Year-to-date 2003	107	12	0	2	12	27	160
TOTAL - QUÉBEC METROPOLITAN AREA							
First Quarter 2004	469	58	13	22	149	323	1,034
First Quarter 2003	433	32	14	38	264	289	1,070
Year-to-date 2004	469	58	13	22	149	323	1,034
Year-to-date 2003	433	32	14	38	264	289	1,070

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							
First Quarter 2004	212	36	10	22	115	300	695
First Quarter 2003	269	18	14	36	252	262	851
Year-to-date 2004	212	36	10	22	115	300	695
Year-to-date 2003	269	18	14	36	252	262	851
Lévis							
First Quarter 2004	152	22	3	0	34	23	234
First Quarter 2003	96	10	0	2	12	27	147
Year-to-date 2004	152	22	3	0	34	23	234
Year-to-date 2003	96	10	0	2	12	27	147

Source: CMHC

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

Type	Under $80,000		$80,000 to $99,999		$100,000 to $119,999		$120,000 to $149,999		$150,000 or over	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Single	3	8	7	8	9	46	80	109	334	148
Semi	0	0	0	10	29	18	2	3	0	0
Total	3	8	7	18	38	64	82	112	334	148
Market share (single)	0.7%	2.5%	1.6%	2.5%	2.1%	14.4%	18.5%	34.2%	77.1%	46.4%

Source: CMHC

For more information about this publication,

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Table 4
Housing Supply - First Quarter 2004
Québec Metropolitan Area

Intended Market	Under Construction	Unoccupied	Short-Term Supply	Monthly Absorption*	Duration of Short-Term Supply (months)
	March 2004			Trend 2004	
Freehold	571	132	703	268.4	2.6
Condominium	633	112	745	63.3	11.8
Rental	483	253	736	41.3	17.8
Total	1,687	497	2,184	372.9	5.9
	March 2003			Trend 2003	
Freehold	672	77	749	228.7	3.3
Condominium	539	2	541	35.1	15.4
Rental	933	3	936	55.7	16.8
Total	2,144	82	2,226	319.4	7.0

Source: CMHC ** 12-month average*

Table 5
Economic Overview
Québec Metropolitan Area

	1st Q 2004	4th Q 2003	1st Q 2003	Trend 2004	Trend 2003	% Change Trend
Labour market						
Employment level (000)	341.7	348.2	346.3	341.7	346.3	-1.3
Unemployment rate (%)	7.4	6.8	8.7	7.4	8.7	n.a.
Mortgage rates (1)						
1-year (%)	4.3	4.7	5.1	4.3	5.1	n.a.
5-year (%)	5.9	6.5	6.6	5.9	6.6	n.a.
Annual inflation rate						
CPI, 1996=100	120.4	119.3	119.3	120.4	119.3	0.9
New Housing Price Index (1997=100)*						
House	129.9	128.5	121.0	129.9	121.0	7.4
Land	118.1	116.6	111.4	118.1	111.4	6.0
Total	127.1	125.7	118.6	127.1	118.6	7.1
Index of Consumer Confidence						
1991=100 (2)	125.3	117.5	124.0	125.3	124.0	1.1
MLS sales						
Total residential units	1,774	1,463	1,933	1,774	1,933	-8.2
Median price (single-detached house)	126,026	121,090	109,969	126,026	109,969	14.6

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

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 Québec Metropolitan Area.

INTENDED MARKETS - There are three: the home owner market refers to single family dwellings (detached, semi-detached and town houses) held in free tenure; the joint ownership (condominium) includes houses and apartments owned jointly; and the rental market groups apartments.

HOUSING STARTS - This term designates the start of construction work, usually after the placement of concrete footing or a similar stage when the building has no basement.

HOUSING UNITS UNDER CONSTRUCTION - Housing units started, but not finished. The number of housing units under construction at the end of a time period may take into account some adjustments that are made for various reasons after the housing starts have been indicated.

COMPLETIONS - Habitable housing units where the work that had been foreseen is finished and in some cases, can be considered a completed housing unit if there is only ten percent of the work left to be carried out.

VACANT HOUSING UNITS - New completed housing units that remain vacant.

TOTAL SUPPLY - SHORT-TERM - Total reserve of new housing units that include housing units under construction and those that are completed, but vacant.

ABSORPTION - Recently completed housing units that have either been sold or rented. A count of the housing units absorbed is made when the house is completed. Housing units sold or rented in advance are not included before the work is completed. The number of housing units absorbed for the current month corresponds to the number of housing units completed and vacated for the preceding month, plus the completions for the current month, minus the housing units completed and vacant for the current month.

DURATION OF INVENTORY - Necessary period for absorbing vacant housing units, that is, the ratio between vacant and absorbed housing units (average of the last 12 months). This data is expressed in months.

DURATION OF TOTAL SHORT-TERM SUPPLY - Necessary period for absorbing vacant housing units and those under construction, that is, the ratio between vacant housing units and those under construction and absorbed housing units (average of the last 12 months). This data is expressed in months.

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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