HOUSING NOW

YOUR LINK TO THE HOUSING MARKET

Québec

Canada Mortgage and Housing Corporation

www.cmhc.ca

VOLUME 7, EDITION 4

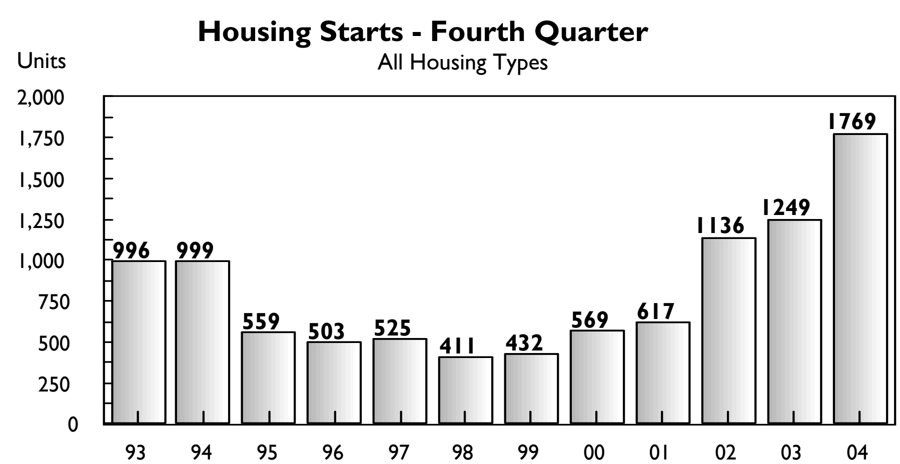
FOURTH QUARTER 2004

Housing starts up 42 per cent in the fourth quarter of 2004 in the Québec area

Following a slowdown in the third quarter, residential construction exploded in the fourth quarter in the Québec census metropolitan area (CMA). From October to December 2004, Canada Mortgage and Housing Corporation (CMHC) enumerated 1,769 housing starts, or 42 per cent more than during the same period in 2003. The year 2004, which will likely mark the peak of the actual real estate cycle for residential construction, ended with 6,186 housing starts. This performance represents an increase of 10 per cent over 2003, which had been qualified as remarkable, as it had posted the best result since 1992.

It was on the rental housing market that the strongest growth was observed in the fourth quarter, with three times more starts than during the same period in 2003 (507 units in 2004, compared to 148 in 2003). That said, it should be recalled that the 148 new units recorded in 2003 represented a decrease of 60 per cent from the results obtained in 2002. Activity remained strong in the other segments, including the freehold (single-detached,

continued on next page



Source : CMHC

IN THIS ISSUE

semi-detached and row houses, as well as duplexes) and condominium markets, which registered respective increases of 14 per cent (875 freehold homes) and 16 per cent (387 condominiums) over 2003.

From January to December 2004, the Québec CMA saw construction get under way on 6,186 dwellings. As in the fourth quarter, it was the rental housing segment that posted the strongest increase in 2004 (23 per cent), as there were 1,675 new units, compared to 1,359 in 2003. This gain resulted from the fact that the rental market has been particularly tight for the past few years in the area. Condominium construction also remained vigorous throughout 2004 and ended the year with 1,200 new units, or 12 per cent more than the year before. Lastly, freehold home builders do not seem to be running out of work, as 3,311 such houses were started in 2004, for a gain of 5 per cent. The low mortgage rates, a resale market characterized by a lack of available properties and increasingly higher prices, and tight rental market conditions are continuing to stimulate demand on the new home market.

For 2004 overall, contrary to what was noted in 2003, the increase in housing starts was concentrated on the south shore of Québec (53 per cent). The assumption of a recovery on the south shore all market types combined, is plausible. On the north shore, starts remained stable in relation to 2003.

Elsewhere across Quebec

The 2004 results for the province overall were remarkable. Housing starts registered in urban centres with 10,000 or more inhabitants were up by 17 per cent (46,721 units). Among the CMAs across Quebec, the strongest increase was observed in Trois-Rivières (38 per cent), followed by Sherbrooke (27 per cent), Montréal (18 per cent), Gatineau (15 per cent) and, lastly, Québec (10 per cent). Saguenay was the only CMA that sustained a decrease in 2004 (-20 per cent).

Resales down slightly in the fourth quarter of 2004

According to Service inter-agences® / Multiple Listing Service® (S.I.A.® / MLS®) data, sales of existing properties were down slightly in the fourth quarter of 2004 in the Québec census metropolitan area (CMA). In fact, 1,425 properties were sold in the fourth quarter, for a decrease of 2.6 per cent from the same period in 2003 (1,463 units). This slowdown resulted from the strong increase in existing home prices, the decline on the labour market and the decrease in migration in the Québec CMA. For 2004 overall, the CMA registered 6,248 resales, for all housing types combined, compared to 6,292 in 2003, a level that can be qualified as stable.

At the same time as the observed drop in sales, the number of properties for sale continued to rise in the fourth quarter (+34 per cent) over the same quarter in 2003. The decrease in the number of properties sold, combined with the increase in the inventory, allowed the seller-to-buyer ratio to reach 5 to 1, for a fourth consecutive quarterly increase. This caused the rise in prices to slow down as, for all housing types combined, prices went up by 11 per cent in 2004, compared to 17 per cent in 2003.

By housing type, sales in the fourth quarter remained stable in the detached home and semi-detached and row housing segments, but fell for condominiums (-9.5 per cent) and duplexes (-10.6 per cent). The observed decrease in sales in the condominium segment and the increase of 40.6 per cent in the number of properties of this type for sale led to the greatest seller-to-buyer ratio hike, as this proportion has now attained 5.9 to 1. The semi-detached and row home segment remained very popular, with a seller-to-buyer ratio of 2.8 to 1 and a price increase of nearly 18 per cent in the fourth quarter of 2004.

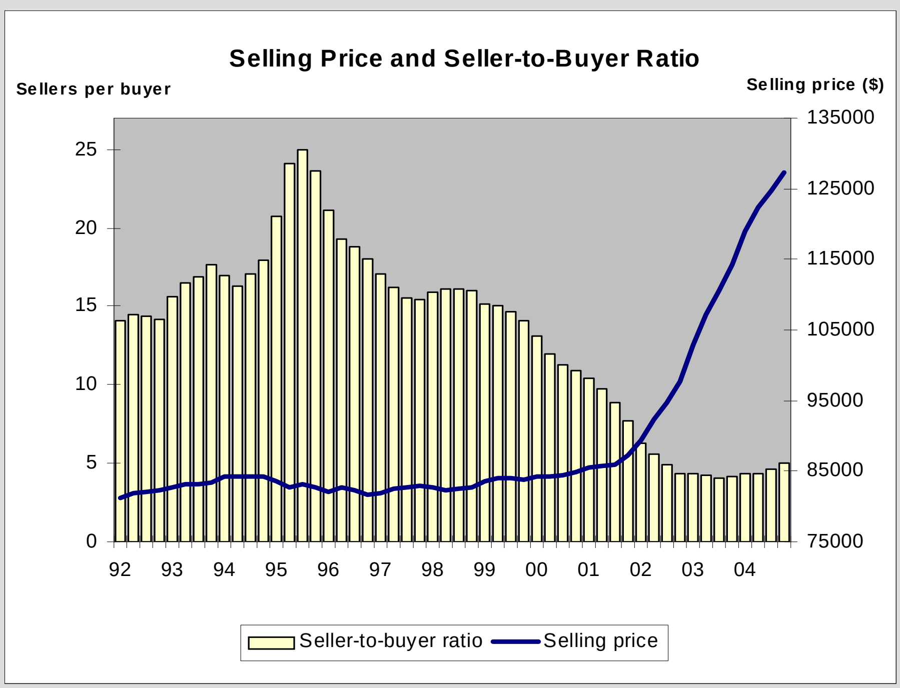


Table 1
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
Fourth Quarter 2004	736	64	21	54	387	507	1,769
Fourth Quarter 2003	662	48	17	40	334	148	1,249
Year-to-date 2004 (Jan.-Dec.)	2,704	302	95	210	1,200	1,675	6,186
Year-to-date 2003 (Jan.-Dec.)	2,674	228	50	215	1,070	1,362	5,599
Under construction*							
Fourth Quarter 2004	648	86	21	48	789	1,083	2,675
Fourth Quarter 2003	453	42	12	28	622	592	1,749
Completions							
Fourth Quarter 2004	656	30	30	38	119	154	1,027
Fourth Quarter 2003	591	40	9	38	147	275	1,100
Year-to-date 2004	2,508	260	86	190	1,103	1,112	5,259
Year-to-date 2003	2,676	232	41	234	868	1,466	5,517
Unoccupied*							
Fourth Quarter 2004	47	8	14	0	160	127	356
Fourth Quarter 2003	68	16	4	1	64	195	348
Absorption							
Fourth Quarter 2004	672	36	21	38	119	175	1,061
Fourth Quarter 2003	605	33	6	41	131	126	942
Year-to-date 2004	2,529	268	76	191	996	1,003	5,063
Year-to-date 2003	2,660	226	46	234	820	1,112	5,098
Duration of inventory (months)							
Trend 2004	0.2	0.4	2.2	0.0	1.9	1.5	0.8
Trend 2003	0.3	0.9	1.1	0.1	0.9	2.1	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					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 1: Québec (Basse-Ville, Vanier)							
Fourth Quarter 2004	1	0	0	0	72	70	143
Fourth Quarter 2003	0	0	0	0	0	4	4
Year-to-date 2004	2	0	16	0	132	217	367
Year-to-date 2003	2	2	4	10	181	171	370
Zone 2: Québec (Haute-Ville)							
Fourth Quarter 2004	0	0	0	0	0	0	0
Fourth Quarter 2003	0	0	0	0	119	0	119
Year-to-date 2004	0	0	0	2	0	0	2
Year-to-date 2003	0	0	0	0	119	63	182
Zone 3: Québec (Des Rivières, Ancienne-Lorette)							
Fourth Quarter 2004	168	20	0	10	66	70	334
Fourth Quarter 2003	81	2	0	4	63	0	150
Year-to-date 2004	357	74	18	34	152	181	816
Year-to-date 2003	298	40	13	45	217	201	814
Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery							
Fourth Quarter 2004	74	4	0	0	69	3	150
Fourth Quarter 2003	88	2	3	0	82	64	239
Year-to-date 2004	233	16	0	2	350	326	927
Year-to-date 2003	253	26	9	6	282	364	940
North centre (zones 1 to 4)							
Fourth Quarter 2004	243	24	0	10	207	143	627
Fourth Quarter 2003	169	4	3	4	264	68	512
Year-to-date 2004	592	90	34	38	634	724	2,112
Year-to-date 2003	553	68	26	61	799	799	2,306
Zone 5: Val-Bélair, Saint-Émile, etc.							
Fourth Quarter 2004	134	2	4	2	0	28	170
Fourth Quarter 2003	126	6	4	6	0	25	167
Year-to-date 2004	563	14	4	14	24	168	787
Year-to-date 2003	565	34	8	32	0	32	671
Zone 6: Charlesbourg, Stoneham, etc.							
Fourth Quarter 2004	73	10	5	28	76	67	259
Fourth Quarter 2003	80	2	5	8	36	7	138
Year-to-date 2004	329	56	9	68	246	139	847
Year-to-date 2003	372	16	7	55	141	289	880

Continued on next page

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.							
Fourth Quarter 2004	78	2	0	10	0	108	198
Fourth Quarter 2003	123	0	0	18	9	6	156
Year-to-date 2004	401	18	0	72	45	251	787
Year-to-date 2003	470	16	0	49	26	101	662
North outlying area (zones 5 to 7)							
Fourth Quarter 2004	285	14	9	40	76	203	627
Fourth Quarter 2003	329	8	9	32	45	38	461
Year-to-date 2004	1,293	88	13	154	315	558	2,421
Year-to-date 2003	1,407	66	15	136	167	422	2,213
North shore (zones 1 to 7)							
Fourth Quarter 2004	528	38	9	50	283	346	1,254
Fourth Quarter 2003	498	12	12	36	309	106	973
Year-to-date 2004	1,885	178	47	192	949	1,282	4,533
Year-to-date 2003	1,960	134	41	197	966	1,221	4,519
Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.							
Fourth Quarter 2004	168	10	8	2	54	142	384
Fourth Quarter 2003	110	2	0	4	4	18	138
Year-to-date 2004	616	48	27	14	106	293	1,104
Year-to-date 2003	467	20	0	14	38	78	617
Zone 9: Lévis, Pintendre							
Fourth Quarter 2004	40	16	4	2	50	19	131
Fourth Quarter 2003	54	34	5	0	21	24	138
Year-to-date 2004	203	76	21	4	145	100	549
Year-to-date 2003	247	74	9	4	66	63	463
South shore (zones 8 and 9)							
Fourth Quarter 2004	208	26	12	4	104	161	515
Fourth Quarter 2003	164	36	5	4	25	42	276
Year-to-date 2004	819	124	48	18	251	393	1,653
Year-to-date 2003	714	94	9	18	104	141	1,080
TOTAL - QUÉBEC METROPOLITAN AREA							
Fourth Quarter 2004	736	64	21	54	387	507	1,769
Fourth Quarter 2003	662	48	17	40	334	148	1,249
Year-to-date 2004	2,704	302	95	210	1,200	1,675	6,186
Year-to-date 2003	2,674	228	50	215	1,070	1,362	5,599

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							
Fourth Quarter 2004	374	38	9	48	268	346	1,083
Fourth Quarter 2003	372	12	12	28	309	106	839
Year-to-date 2004	1,297	176	47	180	922	1,282	3,904
Year-to-date 2003	1,441	130	41	181	966	1,201	3,960
Lévis							
Fourth Quarter 2004	200	26	12	4	104	161	507
Fourth Quarter 2003	150	36	5	4	25	42	262
Year-to-date 2004	776	120	48	18	251	393	1,606
Year-to-date 2003	647	82	9	18	104	141	1,001

Source: CMHC

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range* - Fourth 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Single	20	34	129	113	295	314	114	78	114	66
Semi	16	26	17	7	3	0	0	0	0	0
Total	36	60	146	120	298	314	114	78	114	66
Market share (single)	3.0%	5.6%	19.2%	18.7%	43.9%	51.9%	17.0%	12.9%	17.0%	10.9%

Source: CMHC

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

Interested by the Vacancy Rates and Average Rents of the rented apartments, following the October 2004 Survey?

You can find them and more in the:

RENTAL MARKET REPORTS

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

Table 4
Housing Supply - Fourth Quarter 2004
Québec Metropolitan Area

Intended Market	*Under Construction*	*Unoccupied*	*Short-Term Supply*	*Monthly Absorption**	*Duration of Short-Term Supply (months)*
	December 2004			*Trend 2004*	
Freehold	803	69	872	255	3.4
Condominium	789	160	949	83	11.4
Rental	1,083	127	1,210	84	14.4
Total	2,675	356	3,031	422	7.2
	December 2003			*Trend 2003*	
Freehold	535	89	624	264	2.4
Condominium	622	64	686	68	10.1
Rental	592	195	787	93	8.5
Total	1,749	348	2,097	425	4.9

Source: CMHC

** 12-month average*

Table 5
Economic Overview
Québec Metropolitan Area

	4th Q 2004	*3rd Q 2004*	*4th Q 2003*	*Trend 2004*	*Trend 2003*	*% Change Trend*
Labour market						
Employment level (000)	361.0	370.7	348.2	360.7	358.7	0.6
Unemployment rate (%)	5.0	4.4	6.8	5.6	6.9	n.a.
Mortgage rates (1)						
1-year (%)	4.9	4.6	4.7	4.6	4.8	n.a.
5-year (%)	6.3	6.4	6.5	6.2	6.4	n.a.
Annual inflation rate						
CPI, 1996=100	122.3	121.6	119.3	121.4	119.1	1.9
New Housing Price Index (1997=100)*						
House	133.7	132.4	128.5	131.8	124.7	5.7
Land	122.1	121.7	116.6	120.8	113.4	6.5
Total	131.0	129.9	125.7	129.1	121.9	5.9
Index of Consumer Confidence						
1991=100 (2)	116.5	121.3	117.5	121.0	121.5	-0.4
MLS sales						
Total residential units	1,425	1,318	1,463	6,248	6,292	-0.7
Median price (single-detached house)	127,277	124,733	114,271	127,277	114,271	11.4

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

Housing Now is published four times a year for the Québec Metropolitan Area. Annual Subscription to the Québec _Housing Now_ is $55,00 plus applicable taxes. For more information, or to subscribe, contact our Customer Service Center at 1-866-855-5711