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Canada Mortgage and Housing Corporation

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## Residential construction in Quebec: pace holds up in beginning of year

VOLUME 7, NUMBER 1,  
FIRST QUARTER 2004

In Quebec, following a gain of 27 per cent in the last quarter of 2003, residential construction went up by 29 per cent in the first quarter of 2004, compared to the same period last year. In fact, after a year of vigorous growth in 2003, the residential construction sector continued to experience dynamic conditions, which led to 9,774 housing starts during the first three months of 2004. This vigour still shows the impact of the conditions that prevailed in previous years (favourable economic context, rising migration levels, low supply on the rental, resale and new home markets, changes in tenure choices).

### Regional overview

In Quebec's urban areas, starts rose by 33 per cent during the first quarter of 2004 (8,412 units). During this period, around 73 per cent of these centres (27 out of 37) registered increases in starts compared

to the first quarter of 2003. The census metropolitan areas posted a gain of 31 per cent, while construction was up by 54 per cent in the other urban agglomerations (with 10,000 to 99,999 inhabitants).

At the same time, construction in rural areas increased by nearly 11 per cent, with 1,362 starts during this period in 2004, the highest level since 1975. In the past quarter, rural areas accounted for 14 per cent of the residential construction in Quebec.

### Market segments

A breakdown of the figures by market segment and type revealed results similar to those from the previous quarter. The single-detached home segment maintained its pace, registering 4,188 starts compared to 3,925 in the first quarter of 2003, for

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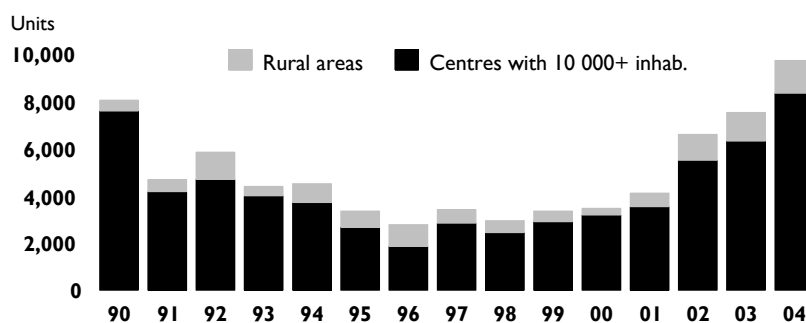
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## HOUSING STARTS

### Quebec Areas January to March



Source: CMHC

Raw data



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an increase of 7 per cent. But the greatest highlight remained in the multiple housing segment (semi-detached, row or apartment constructions), where the province registered 5,586 starts, in comparison with 3,655 during the same period last year.

This increase was largely attributable to condominium construction, which continued to rise significantly in urban centres (71 per cent), particularly in Montréal, and also in the Gatineau area, where growth was still very strong (271 starts in the first quarter, compared to none during the same period the year before), giving by far the highest quarterly results of all time for this market segment. The other major component of the multiple housing segment, namely, rental dwellings, registered a remarkable increase of 43 per cent compared

to the first quarter of 2003. These results included considerable shares of retirement and conventional rental housing units.

Freehold housing starts in urban areas posted a gain of about 12 per cent over the first quarter of 2003. A large part of this gain was attributable to the increase in the construction of freehold multiple housing (semi-detached and row homes). In fact, during the first quarter of 2004, 658 dwellings of this type were started, compared to 434 in 2003. The construction of single-detached houses, which accounts for most of this segment, was up by 6 per cent, for its part, in the first quarter. In this regard, there was a major rise in the Gatineau area, where 243 such starts were recorded, compared to 186 in the first quarter of last year.

## Definitions and Concepts

**Intended Markets** - There are three: the Freehold market refers to Single-Family Houses (Detached, Semi-Detached and Row) owned under freehold tenure; the condominium segment comprises houses and apartments held under divided co-ownership; and finally the rental market encompasses apartment dwellings.

**Housing Starts** - refer to the beginning of construction work on a building, usually when the concrete has been laid for the entire footing around the structure, or at an equivalent stage where a basement will not be a part of the structure.

**Under Construction** - units that have been started but that are not completed. The number of units under construction at the end of a period may take into account certain adjustments that took place, for various reasons, after the starts were reported.

**Completions** - 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** - new completed units that have remained unoccupied.

**Total Medium-Term Supply** - total supply of new units including units under construction, units that are completed but not occupied and permits issued but not started.

**Absorptions** - newly completed units that 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 month minus completed and unoccupied units for the current month.

**Duration of Inventory** - period necessary for the absorption of unoccupied units, i.e. the ratio between unoccupied units and absorbed units (average for the last twelve months). This figure is expressed in months.

**Seasonally Adjusted Annual Rates (SAAR)** - raw monthly figures, adjusted to remove normal seasonal variation and multiplied by 12.

## The Housing Construction Industry : Challenge and Opportunities for the 21<sup>st</sup> Century

Over the next century, new trends will emerge, obliging the Canadian construction industry to adapt. The findings of a research report<sup>1</sup> 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.

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

**Table 1**  
**Summary of Activity by Area and by Intended Market**  
**Province of Quebec**

Activity / Area	Ownership (Freehold* & Condominium)		Rental		Total	
	1st Q 2004	1st Q 2003	1st Q 2004	1st Q 2003	1st Q 2004	1st Q 2003
<b>Starts</b>						
Metropolitan areas (1)	5,817	4,516	1,765	1,292	7,582	5,808
Urban areas (2)	466	344	364	196	830	540
Rural areas (3)	n.a	n.a	n.a	n.a	1,362	1,232
<b>Total - Province of Quebec</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>9,774</b>	<b>7,580</b>
<b>Completions</b>						
Metropolitan areas (1)	4,299	3,563	1,637	726	5,936	4,289
Urban areas (2)	717	540	141	185	858	725
Rural areas (3)	n.a	n.a	n.a	n.a	2,787	2,069
<b>Total - Province of Quebec</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>9,581</b>	<b>7,083</b>
<b>Under construction**</b>						
Metropolitan areas (1)	13,742	10,540	5,204	4,714	18,946	15,254
Urban areas (2)	657	540	924	767	1,581	1,307
Rural areas (3)	n.a	n.a	n.a	n.a	1,729	953
<b>Total - Province of Quebec</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>22,256</b>	<b>17,514</b>

Source: CMHC

\* 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

(1) Population of 100,000 or more

(2) Population between 10,000 and 99,999

(3) Population of 9,999 or less

**Table 2**  
**Economic Overview**  
**Province of Quebec**

	2004	2003	2003	2003	2003
	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<b>Gross domestic product (%)</b>	1.2	0.6	1.1	1.8	3.3
<b>Employment level - total* (000)</b>	3,682.7	3,683.4	3,631.7	3,640.6	3,639.7
<b>Employment rate* (%)</b>	60.1	60.3	59.6	59.9	60.0
<b>Unemployment rate* (%)</b>	8.8	9.3	9.6	9.1	8.7
<b>Inflation rate (%)</b>	3.9	0.7	0.2	-1.7	6.3
<b>Net migration</b>	n.a	2,787	9,618	8,759	7,579
<b>Mortgage rates (%) - Canada</b>					
1-year	4.3	4.7	4.6	5.1	5.1
5-year	5.9	6.5	6.3	6.2	6.6
<b>Resale market (MLS sales)</b>					
<b>Total residential units</b>	n.a	16,665	15,565	19,948	20,169
<b>Index of Consumer Confidence* (1991=100)</b>	125.3	117.5	123.7	120.7	124.0

Sources: Statistics Canada, Conference Board of Canada, Canadian Real Estate Association

\* Seasonally adjusted annual rates

**Table 3**  
**Housing Starts by Metropolitan Area and by Intended Market**  
**Province of Quebec**

<i>Area / Period</i>	<i>Ownership</i>		<i>Rental</i>	<i>Total</i>
	<i>Freehold</i>	<i>Condominium</i>		
<b>Saguenay</b>				
First quarter 2004	16	7	0	23
First quarter 2003	15	0	12	27
Year-to-date 2004 (Jan.-Mar.)	16	7	0	23
Year-to-date 2003 (Jan.-Mar.)	15	0	12	27
<b>Gatineau</b>				
First quarter 2004	327	271	75	673
First quarter 2003	228	0	126	354
Year-to-date 2004 (Jan.-Mar.)	327	271	75	673
Year-to-date 2003 (Jan.-Mar.)	228	0	126	354
<b>Montréal</b>				
First quarter 2004	2,343	1,970	1,179	5,492
First quarter 2003	2,188	1,154	786	4,128
Year-to-date 2004 (Jan.-Mar.)	2,343	1,970	1,179	5,492
Year-to-date 2003 (Jan.-Mar.)	2,188	1,154	786	4,128
<b>Québec</b>				
First quarter 2004	562	149	323	1,034
First quarter 2003	517	264	289	1,070
Year-to-date 2004 (Jan.-Mar.)	562	149	323	1,034
Year-to-date 2003 (Jan.-Mar.)	517	264	289	1,070
<b>Sherbrooke</b>				
First quarter 2004	59	26	152	237
First quarter 2003	69	12	65	146
Year-to-date 2004 (Jan.-Mar.)	59	26	152	237
Year-to-date 2003 (Jan.-Mar.)	69	12	65	146
<b>Trois-Rivières</b>				
First quarter 2004	87	0	36	123
First quarter 2003	69	0	14	83
Year-to-date 2004 (Jan.-Mar.)	87	0	36	123
Year-to-date 2003 (Jan.-Mar.)	69	0	14	83
<b>TOTAL - METROPOLITAN AREAS</b>				
First quarter 2004	3,394	2,423	1,765	7,582
First quarter 2003	3,086	1,430	1,292	5,808
Year-to-date 2004 (Jan.-Mar.)	3,394	2,423	1,765	7,582
Year-to-date 2003 (Jan.-Mar.)	3,086	1,430	1,292	5,808

Source: CMHC

**Table 4**  
**Under Construction and Completions by Metropolitan Area and by Intended Market**  
**Province of Quebec**

Area / Period	Under Construction*				Completions				
	Ownership		Rental	Total	Ownership		Rental	Total	
	Freehold	Condo-minium			Freehold	Condo-minium			
<b>Saguenay</b>									
First quarter 2004	38	0	7	45	20	0	0	20	
First quarter 2003	20	0	232	252	46	0	45	91	
<b>Gatineau</b>									
First quarter 2004	304	456	204	964	576	24	143	743	
First quarter 2003	674	30	556	1,260	483	0	17	500	
<b>Montréal</b>									
First quarter 2004	4,654	6,900	4,245	15,799	1,878	940	968	3,786	
First quarter 2003	4,312	4,159	2,661	11,132	1,639	887	537	3,063	
<b>Québec</b>									
First quarter 2004	571	633	483	1,687	530	166	398	1,094	
First quarter 2003	672	539	933	2,144	377	15	91	483	
<b>Sherbrooke</b>									
First quarter 2004	83	26	202	311	75	8	89	172	
First quarter 2003	73	12	82	167	56	0	28	84	
<b>Trois-Rivières</b>									
First quarter 2004	71	6	63	140	82	0	39	121	
First quarter 2003	49	0	250	299	54	6	8	68	
<b>TOTAL - METROPOLITAN AREAS</b>									
First quarter 2004	5,721	8,021	5,204	18,946	3,161	1,138	1,637	5,936	
First quarter 2003	5,800	4,740	4,714	15,254	2,655	908	726	4,289	

\* At the end of the period shown

Source: CMHC

**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.

**Table 5**  
**Housing Starts for Centres with 50,000 to 99,999 Inhabitants**  
**Province of Quebec**

Centre / Period	Ownership		Rental	Total
	Freehold	Condominium		
<b>Drummondville</b>				
First quarter 2004	51	0	31	82
First quarter 2003	39	0	46	85
Year-to-date 2004 (Jan.-Mar.)	51	0	31	82
Year-to-date 2003 (Jan.-Mar.)	39	0	46	85
<b>Granby</b>				
First quarter 2004	87	3	47	137
First quarter 2003	25	0	12	37
Year-to-date 2004 (Jan.-Mar.)	87	3	47	137
Year-to-date 2003 (Jan.-Mar.)	25	0	12	37
<b>Saint-Jean-sur-Richelieu</b>				
First quarter 2004	89	4	86	179
First quarter 2003	84	0	43	127
Year-to-date 2004 (Jan.-Mar.)	89	4	86	179
Year-to-date 2003 (Jan.-Mar.)	84	0	43	127
<b>Shawinigan</b>				
First quarter 2004	9	0	0	9
First quarter 2003	4	0	0	4
Year-to-date 2004 (Jan.-Mar.)	9	0	0	9
Year-to-date 2003 (Jan.-Mar.)	4	0	0	4

Source: CMHC

**Table 6**  
**Housing Starts for Centres with 10,000 to 49,999 Inhabitants**  
**Province of Quebec**

Centre / Period	Ownership		Rental	Total
	Freehold	Condominium		
<b>Alma</b>				
First quarter 2004	5	0	0	5
First quarter 2003	4	0	0	4
Year-to-date 2004 (Jan.-Mar.)	5	0	0	5
Year-to-date 2003 (Jan.-Mar.)	4	0	0	4
<b>Baie-Comeau</b>				
First quarter 2004	0	0	0	0
First quarter 2003	0	0	0	0
Year-to-date 2004 (Jan.-Mar.)	0	0	0	0
Year-to-date 2003 (Jan.-Mar.)	0	0	0	0
<b>Cowansville</b>				
First quarter 2004	3	0	0	3
First quarter 2003	1	0	0	1
Year-to-date 2004 (Jan.-Mar.)	3	0	0	3
Year-to-date 2003 (Jan.-Mar.)	1	0	0	1
<b>Dolbeau</b>				
First quarter 2004	3	0	0	3
First quarter 2003	0	0	0	0
Year-to-date 2004 (Jan.-Mar.)	3	0	0	3
Year-to-date 2003 (Jan.-Mar.)	0	0	0	0

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**Table 6 (cont.)**  
**Housing Starts for Centres with 10,000 to 49,999 Inhabitants**  
**Province of Quebec**

<i>Centre / Period</i>	<i>Ownership</i>		<i>Rental</i>	<i>Total</i>
	<i>Freehold</i>	<i>Condominium</i>		
<b>Joliette</b>				
First quarter 2004	24	0	81	105
First quarter 2003	30	0	32	62
Year-to-date 2004 (Jan.-Mar.)	24	0	81	105
Year-to-date 2003 (Jan.-Mar.)	30	0	32	62
<b>Lachute</b>				
First quarter 2004	6	0	0	6
First quarter 2003	5	0	0	5
Year-to-date 2004 (Jan.-Mar.)	6	0	0	6
Year-to-date 2003 (Jan.-Mar.)	5	0	0	5
<b>La Tuque</b>				
First quarter 2004	2	0	0	2
First quarter 2003	0	0	0	0
Year-to-date 2004 (Jan.-Mar.)	2	0	0	2
Year-to-date 2003 (Jan.-Mar.)	0	0	0	0
<b>Magog</b>				
First quarter 2004	21	6	53	80
First quarter 2003	38	0	8	46
Year-to-date 2004 (Jan.-Mar.)	21	6	53	80
Year-to-date 2003 (Jan.-Mar.)	38	0	8	46
<b>Matane</b>				
First quarter 2004	1	0	0	1
First quarter 2003	0	0	0	0
Year-to-date 2004 (Jan.-Mar.)	1	0	0	1
Year-to-date 2003 (Jan.-Mar.)	0	0	0	0
<b>Rimouski</b>				
First quarter 2004	10	0	10	20
First quarter 2003	12	0	0	12
Year-to-date 2004 (Jan.-Mar.)	10	0	10	20
Year-to-date 2003 (Jan.-Mar.)	12	0	0	12
<b>Rivière-du-Loup</b>				
First quarter 2004	3	0	0	3
First quarter 2003	1	0	0	1
Year-to-date 2004 (Jan.-Mar.)	3	0	0	3
Year-to-date 2003 (Jan.-Mar.)	1	0	0	1
<b>Rouyn-Noranda</b>				
First quarter 2004	0	0	0	0
First quarter 2003	3	0	0	3
Year-to-date 2004 (Jan.-Mar.)	0	0	0	0
Year-to-date 2003 (Jan.-Mar.)	3	0	0	3
<b>Saint-Georges</b>				
First quarter 2004	10	0	0	10
First quarter 2003	17	0	0	17
Year-to-date 2004 (Jan.-Mar.)	10	0	0	10
Year-to-date 2003 (Jan.-Mar.)	17	0	0	17

*Continued on next page*

**Table 6 (cont.)**  
**Housing Starts for Centres with 10,000 to 49,999 Inhabitants**  
**Province of Quebec**

Centre / Period	Ownership		Rental	Total
	Freehold	Condominium		
<b>Saint-Hyacinthe</b>				
First quarter 2004	13	12	34	59
First quarter 2003	9	0	52	61
Year-to-date 2004 (Jan.-Mar.)	13	12	34	59
Year-to-date 2003 (Jan.-Mar.)	9	0	52	61
<b>Salaberry-de-Valleyfield</b>				
First quarter 2004	14	0	0	14
First quarter 2003	3	0	0	3
Year-to-date 2004 (Jan.-Mar.)	14	0	0	14
Year-to-date 2003 (Jan.-Mar.)	3	0	0	3
<b>Sept-Îles</b>				
First quarter 2004	4	0	0	4
First quarter 2003	0	0	0	0
Year-to-date 2004 (Jan.-Mar.)	4	0	0	4
Year-to-date 2003 (Jan.-Mar.)	0	0	0	0
<b>Sorel</b>				
First quarter 2004	9	12	4	25
First quarter 2003	8	0	3	11
Year-to-date 2004 (Jan.-Mar.)	9	12	4	25
Year-to-date 2003 (Jan.-Mar.)	8	0	3	11
<b>Thetford-Mines</b>				
First quarter 2004	3	0	0	3
First quarter 2003	1	0	0	1
Year-to-date 2004 (Jan.-Mar.)	3	0	0	3
Year-to-date 2003 (Jan.-Mar.)	1	0	0	1
<b>Val-d'Or</b>				
First quarter 2004	0	0	0	0
First quarter 2003	0	0	0	0
Year-to-date 2004 (Jan.-Mar.)	0	0	0	0
Year-to-date 2003 (Jan.-Mar.)	0	0	0	0
<b>Victoriaville</b>				
First quarter 2004	27	0	14	41
First quarter 2003	34	0	0	34
Year-to-date 2004 (Jan.-Mar.)	27	0	14	41
Year-to-date 2003 (Jan.-Mar.)	34	0	0	34
<b>Other urban centres*</b>				
First quarter 2004	35	0	4	39
First quarter 2003	14	12	0	26
Year-to-date 2004 (Jan.-Mar.)	35	0	4	39
Year-to-date 2003 (Jan.-Mar.)	14	12	0	26

Source: CMHC

\* Amos, Gaspé, Montmagny, Roberval, Sainte-Marie, Saint-Félicien, Saint-Lin (2003) and Hawkesbury (Quebec Part)

\* Saint-Lin has been included in the other urban centres since 2003. No data is available for 2002.

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