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Canada Mortgage and Housing Corporation

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2003 mid-year review: residential construction is up in Quebec

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Residential construction went up by 7 per cent in Quebec during the first half of the year, with just over 22,500 housing starts across the province. Just like in the first quarter, this was the highest volume of activity since 1990 for this period of the year. These positive results came from the strong activity in the first quarter (+14 per cent) and sustained vigour in the second quarter (+3 per cent). In the last three months, close to 15,000 new dwellings were started throughout Quebec.

The small urban agglomerations posted the greatest gain (+14 per cent) this past quarter, while the metropolitan areas registered an increase of 3 per cent. Conversely, the rural areas showed slightly less vigour (-1 per cent).

The growth in the urban areas was largely attributable to condominium starts (+46 per cent), most of which were recorded in Montréal and Québec. Condominium demand is a particularly interesting phenomenon: first, because of its continued strong growth and, also, because of the interest that this formula is generating outside Montréal. Historically more pronounced in Montréal, condominium construction is gaining popularity, not only in the Québec area but also in smaller municipalities such as Magog and even in Saint-Georges and Sainte-Marie. Affordable new condominiums, with monthly payments that are close to rental rates, sell easily in the Québec area, especially in a context where the rental housing vacancy rate is very low (see box). In Magog, condominiums

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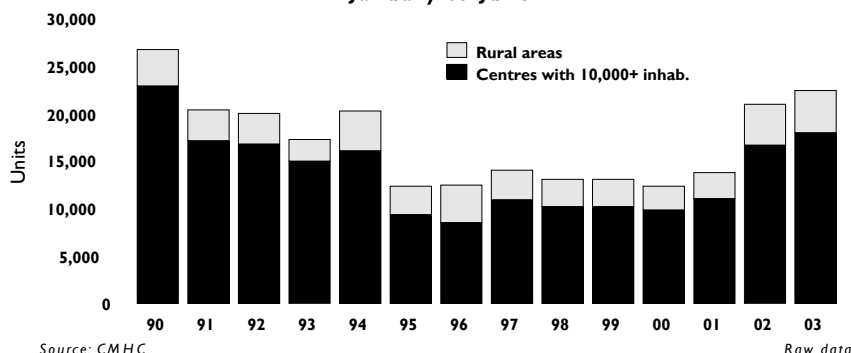
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HOUSING STARTS
Quebec Areas
January to June



Source: CMHC

Raw data



HOME TO CANADIANS
Canada

are a way to maximize the development of choice sectors, like the waterfront properties surrounding Memphrémagog Lake.

In the homeowner segment, the results this past quarter were also positive (+6

per cent). However, this performance conceals different regional results. While such starts were down slightly in Montréal and Gatineau, they were up in the other metropolitan areas and in around half of the other urban centres.

Why are condominiums gaining in popularity?

Condominium construction has reached new highs in Quebec. In 2002, there were more than 6,300 condominium housing starts province-wide, a 50% increase over the previous year. To date in 2003, growth is up 30% en route to another record year of activity.

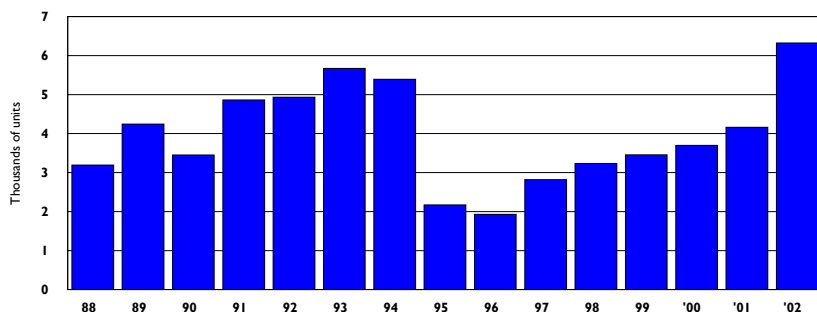
With characteristics well suited to urban living, condominiums are perceived as a phenomenon of large cities, particularly Montreal. This is evidenced by Montreal's 90% share of all new sites. However, CMHC's latest housing start surveys revealed that condominium projects have grown considerably, particularly in the metropolitan Quebec City area (up 63% over last year) and that sites have sprung up in some smaller urban areas such as Saint-Georges and Sainte-Marie de Beauce, for example.

Of course, condominiums are a product of choice in densely populated areas with few new lots available, which means they are expensive. However, the new popularity of condominiums is also attributable to their intrinsically attractive characteristics. First of all, at a time when the population is aging and the size of households is shrinking, condominiums are perfectly suited to

small households not wishing to devote much time to maintaining their units. For example, in recent years, condos have attracted a relatively new clientele, that of the boomers whose children have left home. Typically, they are second- or third-time purchasers, which has expanded the market for high-end condos. Although apartments generally come to mind when discussing condominiums, one must bear in mind that increasing numbers of row housing are being offered as condominiums, meaning that they are becoming increasingly better suited to smaller families. Secondly, condominium projects are generally well located near services or downtown areas. Finally, condos being generally more affordable than single-family houses attract a significant share of first-time buyers. Demand is even stronger these days due to the scarcity of available rental housing and historically low mortgage rates.

On the whole, several structural and economic factors have combined such that the construction of units in this segment of the market will produce trends that should be monitored closely in the next few years.

Condominiums Housing Starts Province of Quebec



Source : CMHC

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.

Table 1
Summary of Activity by Intended Market
Province of Quebec

Activity / Area	Ownership (Freehold* & Condominium)		Rental		Total	
	2nd Qrt 2003	2nd Qrt 2002	2nd Qrt 2003	2nd Qrt 2002	2nd Qrt 2003	2nd Qrt 2002
Housing Starts						
Metropolitan Areas (1)	8,456	8,032	1,604	1,695	10,060	9,727
Urban Areas (2)	1,171	1,056	468	384	1,639	1,440
Rural Areas (3)	NA	NA	NA	NA	3,254	3,293
Total Province of Québec	NA	NA	NA	NA	14,953	14,460
Completions						
Metropolitan Areas (1)	6,793	4,866	2,263	771	9,056	5,637
Urban Areas (2)	656	633	501	494	1,157	1,127
Rural Areas (3)	NA	NA	NA	NA	956	998
Total Province of Québec	NA	NA	NA	NA	11,169	7,762
Under construction (4)						
Metropolitan Areas (1)	12,221	10,703	4,027	3,032	16,248	13,735
Urban Areas (2)	1,052	905	639	729	1,691	1,634
Rural Areas (3)	NA	NA	NA	NA	3,350	4,358
Total Province of Québec	NA	NA	NA	NA	21,289	19,727

Source : CMHC

(*) Refers to Single-Family Houses (Single-Detached and Row Houses) owned under freehold tenure.

(1) Population of 100,000 or more.

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

(3) Population of 9,999 and less.

(4) At the end of the period.

Table 2
Economic Overview
Province of Quebec

	2003	2003	2002	2002	2002
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter
Gross Domestic Product (%)	2.3	3.2	4.8	4.5	3.9
Employment Level Total* (000)	3,644.0	3,645.5	3,633.7	3,600.4	3,600.0
Employment Rate* (%)	60.0	60.1	60.0	59.6	59.7
Unemployment Rate* (%)	9.1	8.6	8.4	8.5	8.4
Inflation Rate (%)	-1.7	6.3	2.3	4.6	3.7
Net Migration	NA	5,624	1 11	3,520	5,277
Mortgage Rates (%) - Canada					
1-year	5.1	5.1	5.0	5.3	5.5
5-year	6.2	6.6	6.8	6.9	7.4
Resale Market (MLS Sales)					
Total Residential Units	19,660	20,034	15,413	12,917	19,731
Consumer Confidence Index* (1991=100)	127.3	125.8	127.9	129.6	136.9

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>Condominiums</i>		
Saguenay				
Second Quarter 2003	125	0	119	244
Second Quarter 2002	116	0	3	119
Year-to-date 2003 (Jan.-June)	140	0	131	271
Year-to-date 2002 (Jan.-June)	129	0	38	167
Gatineau				
Second Quarter 2003	614	0	266	880
Second Quarter 2002	653	0	165	818
Year-to-date 2003 (Jan.-June)	842	0	392	1,234
Year-to-date 2002 (Jan.-June)	883	0	284	1,167
Montréal				
Second Quarter 2003	3,841	2,157	690	6,688
Second Quarter 2002	3,968	1,723	720	6,411
Year-to-date 2003 (Jan.-June)	6,029	3,311	1,476	10,816
Year-to-date 2002 (Jan.-June)	6,389	2,779	1,264	10,432
Québec				
Second Quarter 2003	1,129	219	317	1,665
Second Quarter 2002	1,095	153	495	1,743
Year-to-date 2003 (Jan.-June)	1,646	483	606	2,735
Year-to-date 2002 (Jan.-June)	1,514	185	608	2,307
Sherbrooke				
Second Quarter 2003	214	8	171	393
Second Quarter 2002	202	0	165	367
Year-to-date 2003 (Jan.-June)	283	20	236	539
Year-to-date 2002 (Jan.-June)	242	0	224	466
Trois-Rivières				
Second Quarter 2003	149	0	41	190
Second Quarter 2002	122	0	147	269
Year-to-date 2003 (Jan.-June)	218	0	55	273
Year-to-date 2002 (Jan.-June)	151	0	162	313
TOTAL METROPOLITAN AREAS				
Second Quarter 2003	6,072	2,384	1,604	10,060
Second Quarter 2002	6,156	1,876	1,695	9,727
Year-to-date 2003 (Jan.-June)	9,158	3,814	2,896	15,868
Year-to-date 2002 (Jan.-June)	9,308	2,964	2,580	14,852

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	Condominiums			Freehold	Condominiums		
Saguenay								
Second Quarter 2003	84	0	110	194	61	0	241	302
Second Quarter 2002	113	0	9	122	33	0	81	114
Gatineau								
Second Quarter 2003	824	27	583	1,434	466	3	240	709
Second Quarter 2002	869	0	326	1,195	332	0	75	407
Montréal								
Second Quarter 2003	5,183	4,819	2,639	12,641	2,965	1,494	712	5,171
Second Quarter 2002	4,874	3,490	1,691	10,055	2,603	919	310	3,832
Québec								
Second Quarter 2003	688	420	479	1,587	1,131	344	744	2,219
Second Quarter 2002	939	235	634	1,808	707	68	188	963
Sherbrooke								
Second Quarter 2003	123	6	158	287	164	14	95	273
Second Quarter 2002	152	0	214	366	82	0	100	182
Trois-Rivières								
Second Quarter 2003	47	0	58	105	151	0	231	382
Second Quarter 2002	31	0	158	189	122	0	17	139
TOTAL METROPOLITAN AREAS								
Second Quarter 2003	6,949	5,272	4,027	16,248	4,938	1,855	2,263	9,056
Second Quarter 2002	6,978	3,725	3,032	13,735	3,879	987	771	5,637

* Note: As 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.

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Table 5
Housing Starts for centres of population 50,000 to 99,999 Inhabitants
Province of Quebec

Centre / Period	Ownership		Rental	Total
	Freehold	Condominiums		
Drummondville				
Second Quarter 2003	139	0	43	182
Second Quarter 2002	104	3	146	253
Year-to-date 2003 (Jan.-June)	178	0	89	267
Year-to-date 2002 (Jan.-June)	121	3	190	314
Granby				
Second Quarter 2003	117	6	41	164
Second Quarter 2002	147	3	45	195
Year-to-date 2003 (Jan.-June)	142	6	53	201
Year-to-date 2002 (Jan.-June)	158	3	53	214
Saint-Jean-sur-Richelieu				
Second Quarter 2003	237	0	101	338
Second Quarter 2002	218	0	52	270
Year-to-date 2003 (Jan.-June)	321	0	144	465
Year-to-date 2002 (Jan.-June)	312	4	80	396
Shawinigan				
Second Quarter 2003	45	0	4	49
Second Quarter 2002	38	0	0	38
Year-to-date 2003 (Jan.-June)	49	0	4	53
Year-to-date 2002 (Jan.-June)	40	0	0	40

Source: CMHC

Table 6
Housing Starts for centres of population 10,000 to 49,999 Inhabitants
Province of Quebec

Centre / Period	Ownership		Rental	Total
	Freehold	Condominiums		
Alma				
Second Quarter 2003	29	0	11	40
Second Quarter 2002	30	0	3	33
Year-to-date 2003 (Jan.-June)	33	0	11	44
Year-to-date 2002 (Jan.-June)	32	0	3	35
Baie-Comeau				
Second Quarter 2003	0	0	0	0
Second Quarter 2002	2	0	0	2
Year-to-date 2003 (Jan.-June)	0	0	0	0
Year-to-date 2002 (Jan.-June)	2	0	0	2
Cowansville				
Second Quarter 2003	5	0	4	9
Second Quarter 2002	10	0	0	10
Year-to-date 2003 (Jan.-June)	6	0	4	10
Year-to-date 2002 (Jan.-June)	10	0	0	10
Dolbeau				
Second Quarter 2003	19	0	0	19
Second Quarter 2002	11	0	0	11
Year-to-date 2003 (Jan.-June)	19	0	0	19
Year-to-date 2002 (Jan.-June)	11	0	0	11

Table 6 (cont.)
Housing Starts for centres of population 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>Condominiums</i>		
Joliette				
Second Quarter 2003	63	5	45	113
Second Quarter 2002	58	5	48	111
Year-to-date 2003 (Jan.-June)	93	5	77	175
Year-to-date 2002 (Jan.-June)	92	5	61	158
Lachute				
Second Quarter 2003	7	0	0	7
Second Quarter 2002	7	0	0	7
Year-to-date 2003 (Jan.-June)	12	0	0	12
Year-to-date 2002 (Jan.-June)	8	0	0	8
La Tuque				
Second Quarter 2003	3	0	0	3
Second Quarter 2002	4	0	0	4
Year-to-date 2003 (Jan.-June)	3	0	0	3
Year-to-date 2002 (Jan.-June)	5	0	0	5
Magog				
Second Quarter 2003	24	33	9	66
Second Quarter 2002	47	0	38	85
Year-to-date 2003 (Jan.-June)	62	33	17	112
Year-to-date 2002 (Jan.-June)	61	0	54	115
Matane				
Second Quarter 2003	6	0	0	6
Second Quarter 2002	5	0	0	5
Year-to-date 2003 (Jan.-June)	6	0	0	6
Year-to-date 2002 (Jan.-June)	6	0	0	6
Rimouski				
Second Quarter 2003	33	0	16	49
Second Quarter 2002	32	0	0	32
Year-to-date 2003 (Jan.-June)	45	0	16	61
Year-to-date 2002 (Jan.-June)	45	0	2	47
Rivière-du-Loup				
Second Quarter 2003	31	0	24	55
Second Quarter 2002	18	0	0	18
Year-to-date 2003 (Jan.-June)	32	0	24	56
Year-to-date 2002 (Jan.-June)	21	0	0	21
Rouyn-Noranda				
Second Quarter 2003	5	0	0	5
Second Quarter 2002	13	0	0	13
Year-to-date 2003 (Jan.-June)	8	0	0	8
Year-to-date 2002 (Jan.-June)	16	0	0	16
Saint-Georges				
Second Quarter 2003	78	6	43	127
Second Quarter 2002	88	0	19	107
Year-to-date 2003 (Jan.-June)	95	6	43	144
Year-to-date 2002 (Jan.-June)	106	0	35	141

Continued on next page

Table 6 (cont.)
Housing Starts for centres of population 10,000 to 49,999 Inhabitants
Province of Quebec

Centre / Period	Ownership		Rental	Total
	Freehold	Condominiums		
Saint-Hyacinthe				
Second Quarter 2003	39	12	44	95
Second Quarter 2002	68	0	11	79
Year-to-date 2003 (Jan.-June)	48	12	96	156
Year-to-date 2002 (Jan.-June)	74	0	31	105
Salaberry-de-Valleyfield				
Second Quarter 2003	23	8	0	31
Second Quarter 2002	17	0	1	18
Year-to-date 2003 (Jan.-June)	26	8	0	34
Year-to-date 2002 (Jan.-June)	21	8	1	30
Sept-Îles				
Second Quarter 2003	3	0	40	43
Second Quarter 2002	2	0	0	2
Year-to-date 2003 (Jan.-June)	3	0	40	43
Year-to-date 2002 (Jan.-June)	3	0	0	3
Sorel				
Second Quarter 2003	28	0	0	28
Second Quarter 2002	21	0	0	21
Year-to-date 2003 (Jan.-June)	36	0	3	39
Year-to-date 2002 (Jan.-June)	38	0	0	38
Thetford-Mines				
Second Quarter 2003	1	0	0	1
Second Quarter 2002	1	0	0	1
Year-to-date 2003 (Jan.-June)	2	0	0	2
Year-to-date 2002 (Jan.-June)	4	0	0	4
Val d'Or				
Second Quarter 2003	7	0	0	7
Second Quarter 2002	3	0	0	3
Year-to-date 2003 (Jan.-June)	7	0	0	7
Year-to-date 2002 (Jan.-June)	3	0	0	3
Victoriaville				
Second Quarter 2003	95	0	43	138
Second Quarter 2002	51	0	4	55
Year-to-date 2003 (Jan.-June)	129	0	43	172
Year-to-date 2002 (Jan.-June)	82	0	11	93
Other Urban Centers *				
Second Quarter 2003	46	18	0	64
Second Quarter 2002	50	0	17	67
Year-to-date 2003 (Jan.-June)	60	30	0	90
Year-to-date 2002 (Jan.-June)	58	0	23	81

Source: CMHC

*Amos, Gaspé, Montmagny, Roberval, Sainte-Marie, Saint-Félicien, Saint-Lin (2003) and Hawkesbury (Quebec Part)
 *Saint-Lin is now included in the urban center since 2003. No data are available for 2002.

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