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Canada Mortgage and Housing Corporation

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### Saguenay : residential construction declines in the third quarter

The latest results released by Canada Mortgage and Housing Corporation (CMHC) revealed that residential construction fell in the third quarter of 2005 in the Saguenay census metropolitan area (CMA). During the months of July to September, 108 dwellings were started, for a decrease of 15 per cent in relation to the same period in 2004 (127 units).

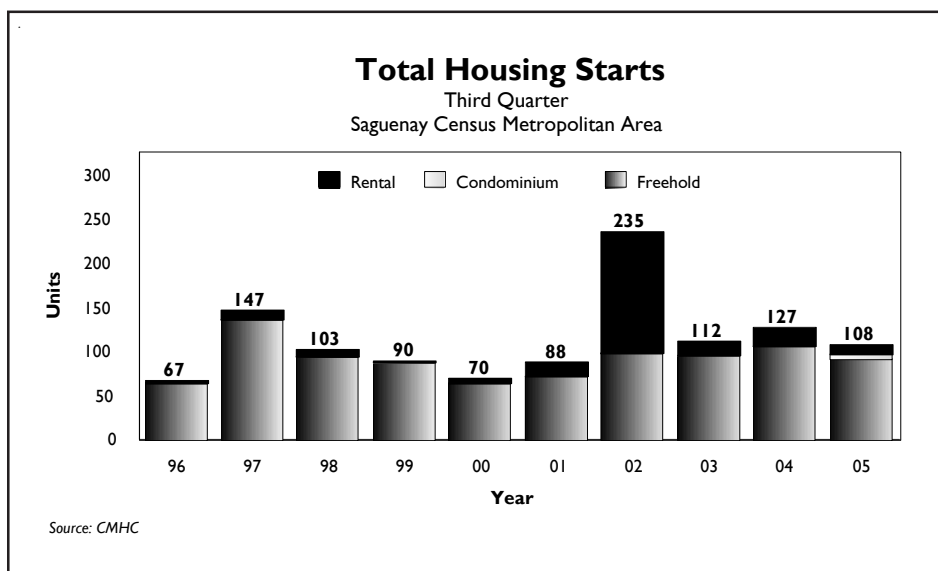
The decline observed on the Saguenay housing market in the third quarter was due to two housing types. Rental housing sustained the greatest decrease. In fact, construction got

under way on 11 new rental dwellings from July to September, compared to 21 units during the same months in 2004, for a decrease of nearly 50 per cent. Construction also slowed down in the freehold home segment<sup>1</sup>, as foundations were laid for 92 such units in July, August and September, representing a drop of 13 per cent in relation to the same period in 2004. Out of these 92 new dwellings, 76 are detached houses, 12 are semi-detached homes and 4 are apartments (duplexes or homes with a basement unit).

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<sup>1</sup>The freehold housing market comprises detached, semi-detached and row homes, as well as duplexes.

Residential construction in Saguenay is quite volatile on a monthly basis. However, when we look at the figures at the end of the year, we can see that the number of new freehold homes remains relatively stable from one year to the next, while rental housing starts fluctuate with the size of the projects.

Despite the slowdown observed in the third quarter, the number of starts enumerated since the beginning of the year is greater than the level recorded for the first nine months of 2004. In fact, 308 new dwellings have been started this year, up by 19 per cent over 2004. It is thanks to all housing types, except condominiums, that

total starts so far this year exceed the number registered at the same time in 2004. The current mortgage rate levels, the limited supply on the resale market and the good performance of the job market in 2004 have been fuelling residential construction since the beginning of the year.

In the third quarter of 2005, only one of the four Lac-Saint-Jean urban centres saw its number of housing starts rise over 2004, as 21 new dwellings got under way in Saint-Félicien, compared to 8 during the same period in 2004. Starts remained stable in Dolbeau-Mistassini, while Alma and Roberval registered decreases of 46 per cent

and 88 per cent, respectively, in relation to the third quarter of 2004.

In all urban centres with 10,000 or more inhabitants across Quebec, 30,256 housing starts were enumerated during the first nine months of 2005, for a decrease of 11 per cent from the first nine months of 2004. Since the beginning of the year, Saguenay is the CMA that shows the strongest growth (+19 per cent). Trois-Rivières (+3 per cent) is the only other CMA where starts are up over 2004. The Québec CMA posts a stable construction volume, while decreases in activity were recorded in Gatineau (-37 per cent), Sherbrooke (-16 per cent) and Montréal (-12 per cent).

## Resale market sailing toward a new record

According to the latest Service inter-agences® / Multiple Listing Service® (S.I.A.® / MLS®) data, the resale market remained very active in the third quarter of 2005 in the Saguenay area<sup>1</sup>. In fact, 265 sales were recorded during July, August and September 2005, for an increase of 20 per cent over the same period in 2004. This is the largest number of transactions ever observed in a third quarter, at least since such data started being compiled in 1997. It is interesting to note that the level of resales had also set an absolute record in the second quarter. Since the beginning of 2005, 1,026 sales have been enumerated, which corresponds to an increase of 12 per cent over the first nine months of 2004. If this trend continues, the Saguenay area will be on its way to establishing a new annual record.

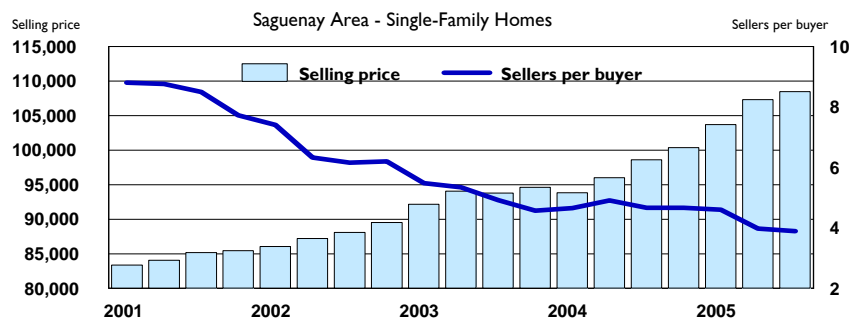
The increase in sales, fuelled by the low mortgage rates and the good performance of the job market in 2004, occurred in a context where the supply of existing homes has been rather limited, for several quarters now. In fact, the seller-to-buyer ratio, which indicates the number of sellers

for every buyer on the market, reached 3.9 to 1 while, on a balanced market, this ratio varies between 8 and 10 to 1. The resale market was therefore overheating for a ninth consecutive quarter, which means that sellers had the edge during negotiations. This situation was directly reflected in the price hike. In the third quarter, the average selling price of single-family homes<sup>2</sup> reached \$108,483,

compared to \$98,611 in 2004, for an increase of 10 per cent.

Finally, even with the small rise in active listings in the third quarter (392), the level is still far from the average observed since 1997 (506). As a result, the limited supply situation will continue to put pressure on prices over the coming quarters.

## Resale Market



Source: MLS®, Compilation: CMHC

<sup>1</sup> For the resale market, the Saguenay area includes the Saguenay CMA, along with the municipalities of Saint-Ambroise, Saint-David-de-Falardeau, Valin, Sainte-Rose-du-Nord and Saint-Charles.

<sup>2</sup> Single-family homes include detached, semi-detached and row houses.

**Table I**  
**Summary of Activity by Intended Market**  
**Saguenay Metropolitan Area**

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
<b>Starts</b>							
Third quarter 2005	76	12	0	4	5	11	108
Third quarter 2004	98	6	0	2	0	21	127
Year-to-date 2005 (Jan.-Sept.)	207	20	0	16	5	60	308
Year-to-date 2004 (Jan.-Sept.)	196	18	0	4	7	33	258
<b>Under construction**</b>							
Third quarter 2005	82	10	0	2	5	15	114
Third quarter 2004	68	0	0	0	0	13	81
<b>Completions</b>							
Third quarter 2005	97	10	0	10	12	32	161
Third quarter 2004	109	14	0	4	0	23	150
Year-to-date 2005	169	24	0	16	12	67	288
Year-to-date 2004	165	20	0	8	0	27	220
<b>Unoccupied**</b>							
Third quarter 2005	1	0	0	0	0	1	2
Third quarter 2004	0	0	0	0	0	0	0
<b>Absorption</b>							
Third quarter 2005	96	10	0	10	12	23	151
Third quarter 2004	111	14	0	4	0	31	160
Year-to-date 2005	168	24	0	16	12	52	272
Year-to-date 2004	169	21	0	8	0	102	300
<b>Short-term supply</b>							
Trend 2005	83	10	0	2	5	16	116
Trend 2004	68	0	0	0	0	13	81

\* 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 2**  
**Housing Starts by Zone and by Intended Market**  
**Saguenay Metropolitan Area**

<i>Zone / Period</i>	<i>Ownership</i>					<i>Rental</i>	<i>Total</i>
	<i>Freehold</i>				<i>Condo- minium</i>		
	<i>Single</i>	<i>Semi</i>	<i>Row</i>	<i>Apt.</i>			
<b>Zone 1: Chicoutimi</b>							
Third quarter 2005	19	8	0	4	5	7	43
Third quarter 2004	27	6	0	2	0	0	35
Year-to-date 2005	49	14	0	6	5	41	115
Year-to-date 2004	58	12	0	4	0	12	86
<b>Zone 2: Jonquière</b>							
Third quarter 2005	18	4	0	0	0	4	26
Third quarter 2004	28	0	0	0	0	17	45
Year-to-date 2005	65	6	0	4	0	12	87
Year-to-date 2004	57	0	0	0	0	17	74
<b>Zone 3: La Baie</b>							
Third quarter 2005	8	0	0	0	0	0	8
Third quarter 2004	10	0	0	0	0	4	14
Year-to-date 2005	19	0	0	4	0	7	30
Year-to-date 2004	22	0	0	0	7	4	33
<b>Centre (zones 1 to 3)</b>							
Third quarter 2005	45	12	0	4	5	11	77
Third quarter 2004	65	6	0	2	0	21	94
Year-to-date 2005	133	20	0	14	5	60	232
Year-to-date 2004	137	12	0	4	7	33	193
<b>Zone 4: Outlying area (Lac Kénogami, Larouche, Laterrière, Saint-Fulgence, etc.)</b>							
Third quarter 2005	31	0	0	0	0	0	31
Third quarter 2004	33	0	0	0	0	0	33
Year-to-date 2005	74	0	0	2	0	0	76
Year-to-date 2004	59	6	0	0	0	0	65
<b>TOTAL - SAGUENAY METROPOLITAN AREA</b>							
Third quarter 2005	76	12	0	4	5	11	108
Third quarter 2004	98	6	0	2	0	21	127
Year-to-date 2005	207	20	0	16	5	60	308
Year-to-date 2004	196	18	0	4	7	33	258

Source: CMHC

<b>Table 3</b>										
<b>Single-Detached and Semi-Detached Houses Absorbed by Price Range - Third quarter Saguenay Metropolitan Area</b>										
<b>Type</b>	<b>Under \$100,000</b>		<b>\$100,000 to \$124,999</b>		<b>\$125,000 to \$149,999</b>		<b>\$150,000 to \$199,999</b>		<b>\$200,000 or over</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Single</b>	5	11	17	28	25	19	36	37	13	16
<b>Semi</b>	2	11	4	2	4	1	0	0	0	0
<b>Total</b>	7	22	21	30	29	20	36	37	13	16
<b>Market share (single)</b>	5.2%	9.9%	17.7%	25.2%	26.0%	17.1%	37.5%	33.3%	13.5%	14.4%

Source: CMHC

<b>Table 4</b>				
<b>Housing Supply - Third quarter 2005</b>				
<b>Saguenay Metropolitan Area</b>				
	<b>Intended Market</b>			
	<b>Freehold</b>	<b>Condominium</b>	<b>Rental</b>	<b>Total</b>
<b>Under construction</b>	94	5	15	114
<b>Unoccupied</b>	1	0	1	2
<b>Short-term supply</b>	95	5	16	116
<b>Duration of short-term supply (months, trend)</b>	4.1	5.0	3.4	4.0

Source: CMHC

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**Table 5**  
**Housing Starts by Agglomeration and by Intended Market**  
**Lac-Saint-Jean**

<i>Agglomeration / Period</i>	<i>Ownership</i>					<i>Rental</i>	<i>Total</i>
	<i>Freehold</i>				<i>Condo- minium</i>		
	<i>Single</i>	<i>Semi</i>	<i>Row</i>	<i>Apt.</i>			
<b><i>Alma</i></b>							
Third quarter 2005	13	0	0	4	0	8	25
Third quarter 2004	20	8	0	2	0	16	46
Year-to-date 2005	42	4	7	4	0	14	71
Year-to-date 2004	52	14	4	2	0	23	95
<b><i>Dolbeau-Mistassini</i></b>							
Third quarter 2005	12	0	0	0	0	0	12
Third quarter 2004	12	0	0	0	0	0	12
Year-to-date 2005	24	2	0	0	0	0	26
Year-to-date 2004	24	0	3	0	0	0	27
<b><i>Roberval</i></b>							
Third quarter 2005	2	0	0	0	0	0	2
Third quarter 2004	5	0	0	0	0	11	16
Year-to-date 2005	15	0	0	0	0	8	23
Year-to-date 2004	10	2	0	0	0	11	23
<b><i>Saint-Félicien</i></b>							
Third quarter 2005	19	0	0	2	0	0	21
Third quarter 2004	8	0	0	0	0	0	8
Year-to-date 2005	34	0	0	2	0	0	36
Year-to-date 2004	18	0	0	0	0	0	18

Source: CMHC

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**Table 6**  
**Economic Overview**  
**Saguenay Metropolitan Area**

	2004		2005		
	3rd Q	4th Q	1st Q	2nd Q	3rd Q
<b>Mortgage rates (%) (Canada)</b>					
- 1-year	4.6	4.9	4.9	4.8	5.0
- 5-year	6.4	6.3	6.1	5.9	5.8
<b>Inflation (Province of Quebec)</b>					
- Inflation rate (%)	2.2	2.7	2.1	2.0	2.5
- Consumer Price Index (1992=100)	120.9	121.7	122.2	123.1	123.9
<b>Quebec consumer attitudes survey</b>					
- Index of Consumer Attitudes (1991 = 100) (seasonally adjusted)	121.3	116.5	123.3	122.2	99.3
<b>Labour market</b>					
- Job creation (loss) compared to the last quarter	- total 3,600	-2,800 -4,100	-4,200 -3,000	1,800 1,500	1,300 2,900
- Job creation (loss) compared to the same quarter last year	- total 3,200	1,800 4,200	-3,100 1,900	-5,300 -2,000	-3,900 -2,700
- Unemployment rate (%)	9.1	10.6	10.5	9.0	9.8

Sources: Statistics Canada, Conference Board of Canada

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## 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 units and absorbed units (average for the last twelve months).

### Saguenay Metropolitan Area Zones

Zones	Municipalities	Large zone
1	Chicoutimi	Centre
2	Jonquière	Centre
3	La Baie	Centre
4	Lac Kénogami, Larouche, Laterrière, St-Fulgence, St-Honoré, Shipshaw, Canton Tremblay	Péripheral Area

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