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Gatineau

Canada Mortgage and Housing Corporation

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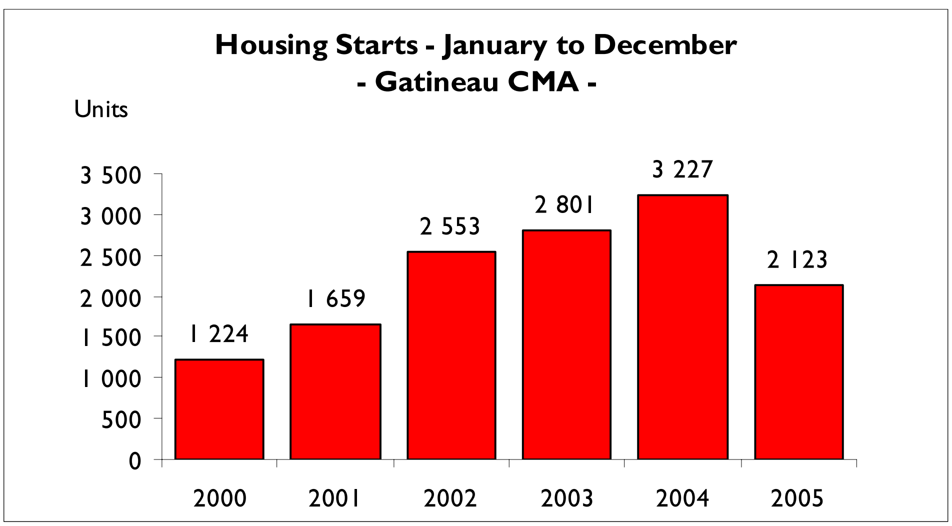
New home market: upward trend comes to an end in 2005

In the Gatineau area, housing starts fell by 27 per cent from October to December, in relation to the same quarter in 2004. In all, 689 dwellings were started in the last quarter of 2005, compared to 938 during the same period the year before. The slowdown in construction observed since the beginning of the year therefore continued, and it can now be stated that 2005 has sounded the knell for the upward trend on the real estate market in the Outaouais. In fact, in the Gatineau area, residential construction sustained its first annual decline, following five consecutive years of growth. These fourth results brought the total to 2,123 starts enumerated in the area in 2005, for a decrease of 34 per cent.

With the year that just ended, it therefore has to be noted that the tide has turned for the Gatineau residential construction sector. The intense activity has declined, and the rate of construction, without being sluggish, will now probably be closer to the pace that prevailed before the boom years. In fact, even if the mortgage rates still seem quite attractive, demand for new homes would appear to be somewhat saturated, or more in line with household formation.



Source: CMHC

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Demand slows down

The performance of the new home market observed in the fourth quarter was attributable to a housing demand that came back down to lower levels.

Certain determining factors in the demand for new homes effectively did not perform very well in 2005. The first such factor was personal disposable income. While the labour market in the area posted a good performance overall in 2005, incomes rose less rapidly. The growth in personal disposable income was then just 1.3 per cent (3.4 per cent for the province of Quebec). The more rapid increase in the population—the strongest across Quebec after the Laurentians—would appear to be the cause of this situation.

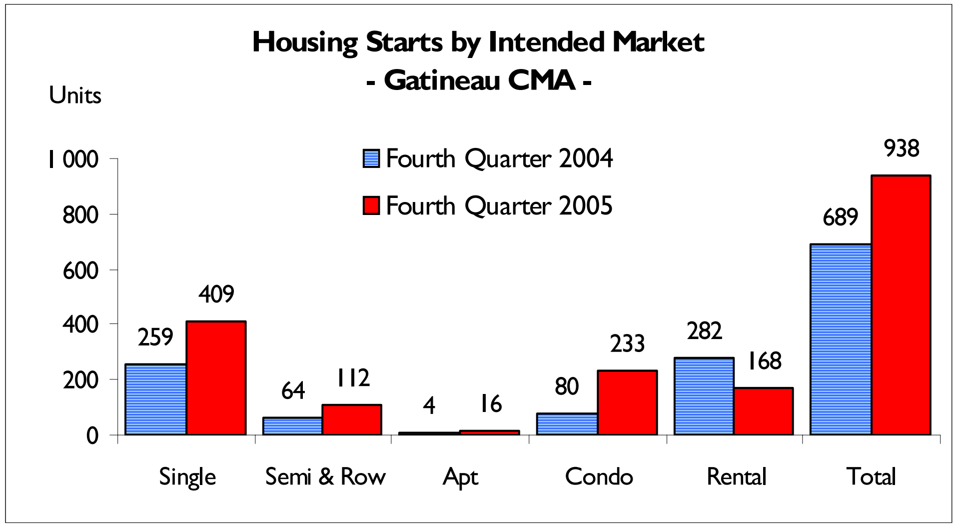
Another important factor, especially in a context where property prices are very high, is that the central bank continued its monetary tightening policy. The effects of this on mortgage rates, and consequently on monthly payments, also curbed the demand for real estate.

Lastly, it should be pointed out that, with a total of around 2,000 starts, residential construction is close to the level dictated by household formation. In fact, according to the projections issued by the Institut de la statistique du Québec, approximately 2,200 households will be formed in the Outaouais between 2006 and 2011. On the new home market, results close to this estimate would therefore indicate that the market is still balanced.

Multiple housing segment saved by retirement home market

In the fourth quarter, rental housing once again managed to post better results than the other housing types. With an increase of 68 per cent in such starts, this market segment registered the best performance in the last quarter.

Condominiums, on the other hand, did not do very well, with only 80 starts, for a decrease of 66 per cent. This situation was not very surprising, as the absorption of condominium units had recently slowed down significantly.



Source: CMHC

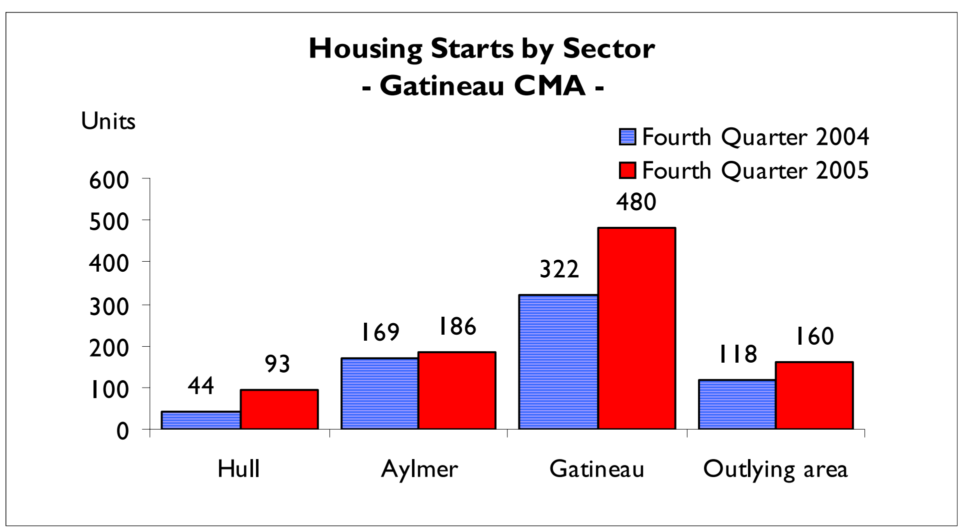
On an annual basis, condominiums accounted for one quarter of the starts enumerated in 2004, compared to just 14 per cent in 2005. The appeal of this type of housing therefore seems to be waning as the market is cooling. In the case of rental housing, the situation was similar, as starts fell by 7 per cent. In terms of market share, however, this segment improved slightly, from 13 per cent in 2004 to 18 per cent in 2005.

For this housing type, however, it should be specified that multiple housing developers continued the trend that began in 2004 and invested more in specialized housing. In fact, 62 per cent of the rental dwellings that were started in 2005 were retirement housing units (50 per cent in 2004).

Single starts, for their part, declined by 24 per cent in 2005. Construction got under way on a total of 1,192 homes of this type in 2005. This figure still represents 56 per cent of the market and 8 percentage points more than the share garnered the year before.

Hull sector most affected by decline in starts

The last quarter was particularly difficult for the Hull sector, which saw only 44 dwellings get under way, or less than half the number registered during the same period in 2004. Hull therefore ended the year with 153 new constructions, down by 73 per cent from the total recorded one year earlier (564 starts).



Source: CMHC

It can unequivocally be affirmed that the Hull sector alone was responsible for a large part of the decline on the new home market in 2005.

It should be specified, however, that this situation has recurred since 2004 and has probably been aggravated by the scarcity of lands in this sector.

The last three months of the year were very favourable to construction in Masson-Angers, which stood out as the only sector that posted a gain, with 28 starts, or 56 per cent more than during the same period in 2004. Even with this exceptional performance, the sector still ended the year on a sour note. In fact, construction got under way on 71 new dwellings, or less than half the number registered in 2004.

Conversely, the Gatineau sector came in well ahead of the others, with a quarterly total of 322 starts, down by 33 per cent. The annual total, for its part, reached 883 starts, for a decrease of just 26 per cent in relation to 2004. Although Gatineau has always been the stronghold of single-detached home building, the starts enumerated in 2005 were almost equally divided between single-detached homes and multiple housing units.

Certain developers took advantage of the relative affordability of lands in this sector to continue building more mid-range condominium housing projects. As well, new retirement homes were also built in the Gatineau sector.

Aylmer and the outlying area ranked second and third, respectively, in terms of the annual and quarterly results. However, a larger preponderance of new single-detached houses was observed in Aylmer. Also, this sector continued to see quite a few semi-detached homes enrich the landscape. Aylmer is still the sector with the most construction of this type, and the prices there certainly have something to do with that. With more than 60 per cent of the homes selling for over $200,000, the only way to pay less than $175,000 for a new home is to opt for a semi-detached house.

Resale market attracts buyers and posts better results

According to data from the Chambre immobilière de l'Outaouais (CIO), transactions went up by 10 per cent on the resale market in the fourth quarter, compared to the same period the year before. This increase brought total annual sales to 3,992 units, or 62 more than in 2004.

The new rise in listings, and consequently the more varied supply, was certainly one of the key factors in the renewed success of existing homes in 2005. In fact, while sales seemed to be running out of steam during the first two quarters, an increase of 40 per cent in active listings breathed new life into the market, and transactions started climbing again.

As well, the growth in prices went from a double-digit quarterly progression in 2004 to a more modest increase of 8 per cent in the first quarter of 2005. Since then, the trend has shown that prices appear to be stabilizing to a certain extent, as they went up by just 5 per cent in the fourth quarter. In addition, with the average price of existing homes at $165,000, the resale market is competing strongly with the new home market, where prices are 32 per cent higher. As a result of the new rise in listings, and therefore the broader choice, some buyers are easily turning away from the new home market.

As for the different housing types, only single-detached homes were at a standstill. In fact, transactions reached 2,169 units in 2004, but fell slightly to 2,143 units in 2005. In all, 1,044 semi-detached and row homes were sold, or 11 more than in 2004. Condominiums were the only housing type to have seen their sales rise substantially. In fact, 495 transactions were registered in 2005, which was effectively 15 per cent more than in 2004.

Apart from Masson-Angers (-4 per cent) and the outlying area (-10 per cent), all sectors posted increases in transactions. Hull registered the greatest gain (+10 per cent), which confirms the hypothesis that buyers are turning away from the new home market. It was the growth in condominium sales that was largely responsible for this vigorous activity on the market in Hull. In the Aylmer and Gatineau sectors, transactions went up by 5 per cent and 2 per cent, respectively. With prices no longer rising, buyers are less inclined to move farther away to get a better price.

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Table 1 Summary of Activity by Intended Market Gatineau Metropolitan Area*				
	Ownership			
Activity / Period	***Freehold*****	***Condominium***	***Rental***	***Total***
Starts				
Fourth quarter 2005	327	80	282	689
Fourth quarter 2004	537	233	168	938
Year-to-date 2005	1,450	295	378	2,123
Year-to-date 2004	2,015	806	406	3,227
Under construction				
December 2005	442	310	327	1,079
December 2004	661	412	127	1,200
Completions				
Fourth quarter 2005	390	48	33	471
Fourth quarter 2004	538	137	181	856
Year-to-date 2005	1,669	397	178	2,244
Year-to-date 2004	1,894	653	515	3,062
Unoccupied				
December 2005	123	96	36	255
December 2004	16	116	29	161
Absorption				
Fourth quarter 2005	381	51	41	473
Fourth quarter 2004	537	118	175	830
Year-to-date 2005	1,562	417	171	2,150
Year-to-date 2004	1,885	537	442	2,864
Duration of inventory (months)				
December 2005	0.9	2.8	2.5	1.4
December 2004	0.1	2.6	0.8	0.7

Source: CMHC

** As per former delimitation*

*** Refers to single-family houses (single-detached, semi-detached and row homes) owned under freehold tenure and owner-occupied duplexes*

Table 2 Housing Starts by Zone and by Intended Market Gatineau Metropolitan Area*							
Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.**			
Zone 1: Hull							
Fourth quarter 2005	3	2	0	0	14	25	44
Fourth quarter 2004	3	2	0	0	88	0	93
Year-to-date 2005	13	2	0	2	101	35	153
Year-to-date 2004	65	2	34	2	350	111	564
Zone 2: Aylmer							
Fourth quarter 2005	83	50	0	0	18	18	169
Fourth quarter 2004	94	66	0	2	18	6	186
Year-to-date 2005	363	156	0	0	39	21	579
Year-to-date 2004	452	182	3	6	72	51	766
Zone 3: Gatineau							
Fourth quarter 2005	90	6	0	0	12	214	322
Fourth quarter 2004	179	42	0	6	91	162	480
Year-to-date 2005	447	44	0	0	107	285	883
Year-to-date 2004	538	66	5	20	348	212	1,189
Zone 4: Buckingham							
Fourth quarter 2005	4	4	0	0	0	0	8
Fourth quarter 2004	1	0	0	0	0	0	1
Year-to-date 2005	12	8	0	0	0	8	28
Year-to-date 2004	18	18	0	2	0	8	46
Zone 5: Masson-Angers							
Fourth quarter 2005	9	0	0	0	0	19	28
Fourth quarter 2004	14	2	0	2	0	0	18
Year-to-date 2005	26	22	0	0	0	23	71
Year-to-date 2004	36	90	0	2	0	24	152
Zone 6: Outlying area							
Fourth quarter 2005	70	2	0	4	36	6	118
Fourth quarter 2004	118	0	0	6	36	0	160
Year-to-date 2005	331	4	0	20	48	6	409
Year-to-date 2004	452	0	0	22	36	0	510
TOTAL - GATINEAU METROPOLITAN AREA							
Fourth quarter 2005	259	64	0	4	80	282	689
Fourth quarter 2004	409	112	0	16	233	168	938
Year-to-date 2005	1,192	236	0	22	295	378	2,123
Year-to-date 2004	1,561	358	42	54	806	406	3,227

Source: CMHC

** As per former delimitation*

*** Owner-occupied duplexes*

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range and by Zone Gatineau Metropolitan Area* - Fourth Quarter												
Type	Under $150,000		$150,000 to $174,999		$175,000 to $199,999		$200,000 to $249,999		$250,000 or over		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Zone 1: Hull												
Single	0	0	0	0	0	1	1	1	2	5	3	7
Semi	0	0	0	0	0	0	0	0	0	0	0	0
Zone 2: Aylmer												
Single	3	0	17	18	16	30	35	64	25	16	96	128
Semi	31	19	19	3	5	0	1	0	0	0	56	22
Zone 3: Gatineau												
Single	5	17	14	36	20	42	30	38	8	18	77	151
Semi	22	43	0	0	0	0	0	0	0	0	22	43
Zone 4: Buckingham												
Single	0	2	1	0	2	2	1	1	0	1	4	6
Semi	4	16	0	0	0	0	0	0	0	0	4	16
Zone 5: Masson-Angers												
Single	0	0	6	9	0	0	1	1	0	0	7	10
Semi	2	10	0	0	0	0	0	0	0	0	2	10
Zone 4: Outlying area												
Single	17	23	11	14	17	20	21	40	28	36	94	133
Semi	2	0	0	0	0	0	0	0	0	0	2	0
TOTAL - GATINEAU METROPOLITAN AREA												
Single	25	42	49	77	55	95	89	145	63	76	281	435
Semi	61	88	19	3	5	0	1	0	0	0	86	91

Source: CMHC

Interested by the Vacancy Rates and Average Rents of the rented apartments, following the October 2005 Survey?

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RENTAL MARKET REPORTS

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

Table 4
Housing Demand and Supply
Gatineau Metropolitan Area* - December 2005

Type	Under Construction	Unoccupied	Short-Term Supply	Absorption (Trend**)	Supply / Absorption Ratio
Freehold	442	123	565	130	4.3
Condominium	310	96	406	35	11.7
Rental	327	36	363	14	25.5

Source: CMHC

** As per former delimitation*

*** 12-month average*

Table 5
Economic Overview
Gatineau Metropolitan Area*

	Fourth Quarter		Trend (Jan.-dec.)		% Change
	2004	**2005**	**2004**	**2005**	**Trend**
Labour market					
Population 15 years + (000)	226.8	233.5	224.5	231.0	2.9
Labour force (000)	160.8	171.4	158.7	165.6	4.4
Employment level - total (000)	150.0	161.9	148.3	154.5	4.2
Employment level - full-time (000)	126.3	132.7	125.2	128.6	2.8
Unemployment rate	6.7%	5.5%	6.5%	6.7%	n.a.
Mortgage rates (1) (%)					
1-year	4.9	5.6	4.6	5.1	n.a.
5-year	6.3	6.2	6.2	6.0	n.a.
Annual inflation rate (2)	2.7	2.1	1.9	2.3	n.a.
Index of Consumer Confidence (1991=100) (2)	116.5	108.9	121.0	113.4	n.a.

Sources: Statistics Canada, Conference Board of Canada

** As per former delimitation*

Notes: (1) Canada (2) Province of Quebec

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 Gatineau Metropolitan Area.

Intended Markets - There are three: the Freehold market refers to Single-Family Houses (Detached, Semi-Detached 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 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).

Gatineau Metropolitan Area Zones

Zones	Municipalities of Sectors	Large zones
1	Hull	Center
2	Aylmer	Center
3	Gatineau	Center
4	Buckingham	Peripheral Area
5	Masson-Angers	Peripheral Area
6	Cantley, Chelsea, La Pêche, Masson-Angers, Pontiac and Val-des-Monts.	Peripheral Area

CMHC Market Analysis Centre Publications

National	Province of Quebec	Metropolitan Areas - Province of Quebec
• Housing Now • Housing Market Outlook • Monthly Housing Statistics • Housing Information Monthly • And many more	• Housing Now • Rental Market Report - Highlights	• Housing Market Outlook (1) • Rental Market Report (1) • Housing Now(1) • Analysis of the Resale Market (2) • Retirement Home Market (1) (1) Available for all metropolitan areas: Saguenay, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières (2) Available for Montréal, Québec, Saguenay, Gatineau and Trois-Rivières

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