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Residential construction slows down in the first quarter of 2005 in Gatineau

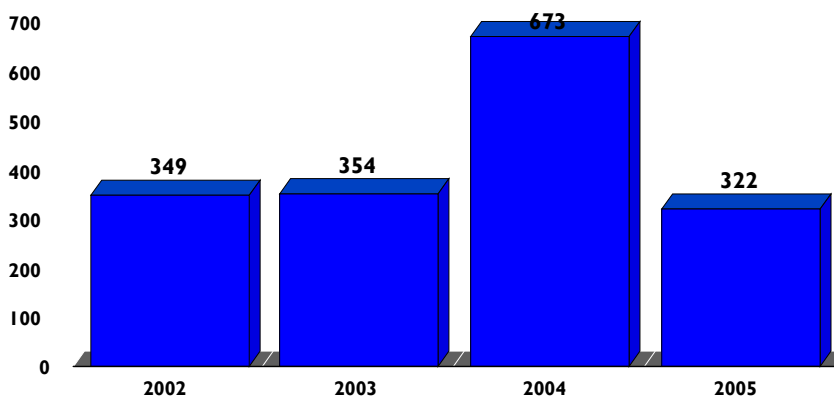
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FIRST QUARTER 2005

According to the latest data, residential construction sustained a significant decrease in the first quarter in the Gatineau census metropolitan area. In fact, 322 housing starts were enumerated during the period from January to March, compared to 673 in the same period last year, for a drop of 52 per cent. The first quarter of 2004 had been exceptional for home builders, as the number of starts had reached a 15-year high. The level recorded in 2004 had been attributable to a combination of circumstances.

Despite the extent of the decrease, the number of new constructions was still comparable to the levels attained in the first quarter of 2002 (349 units) and the first quarter of 2003 (354 units), two years when housing starts were high for the Gatineau area. Following the peak reached in 2004, the slowdown on the market had been anticipated and, so far, the results have been in line with our forecasts.

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Housing Starts - First Quarter



Source: CMHC

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Favourable economic conditions

The slowdown in residential construction is taking place in a context of moderate, but sustained, economic growth. The economic indicators reveal a favourable picture of the area, as the unemployment rate, although up slightly, remains below the rate observed across Quebec. Overall, there is no indication of a major economic slowdown. The economy should continue to grow at a rate similar to the pace of the Canadian economy, that is, between 2.5 per cent and 2.7 per cent.

Activity declines on all markets

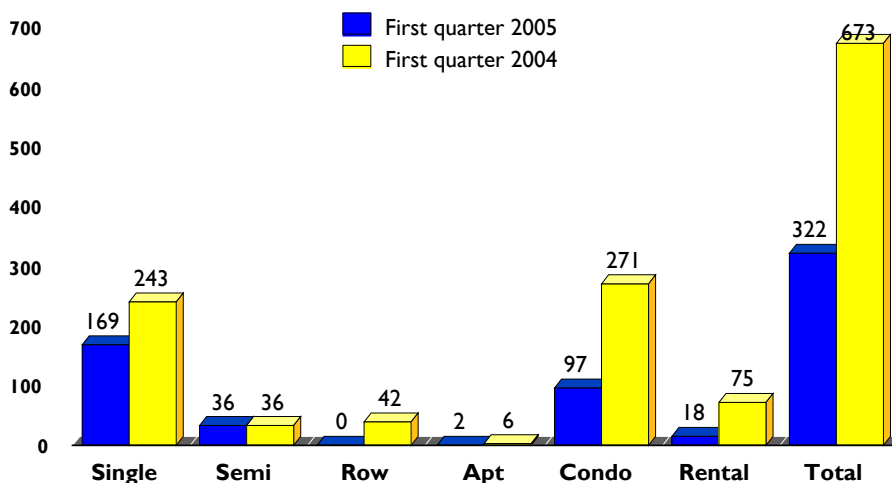
The decline observed in the first quarter affected all market segments. The greatest decreases were noted in the condominium segment (-64 per cent) and the rental housing market (-76 per cent). Freehold home building registered a less significant drop (-37 per cent). As for condominiums, 97 new constructions were enumerated, compared to 271 during the first quarter of 2004. Despite this significant decrease in starts, demand for this housing type has remained relatively strong. The first-quarter total represents the second highest result for a first quarter in the last 15 years. The annual existing freehold home price increases, which have been greater than 10 per cent in recent years, are making condominiums attractive to young households who want to access homeownership.

In addition to the economic context, the slowdown was due to an increase in unoccupied units, especially in the case of condominiums. The exceptional number of starts registered in 2004 has still not been totally absorbed by the market. Also, the phenomenal growth that had been recorded in recent years was no longer sustainable. The market seems to be heading towards a level that will better match demand.

As well, the increase in the rental housing vacancy rate slowed down the construction of new units. The rental housing segment registered its weakest result for a first quarter since 2001, with just 18 new units, compared to 75 last year.

Finally, for freehold housing (mainly detached, semi-detached and row homes), construction got under way on 207 units, in comparison with 327 during the same period last year. Single-detached houses, which account for four fifths of the starts in this segment, sustained a decrease (-30 per cent). Despite this decline in relation to last year, detached houses posted their second best first quarter in the last 15 years.

Starts by Housing Type



Source : CMHC

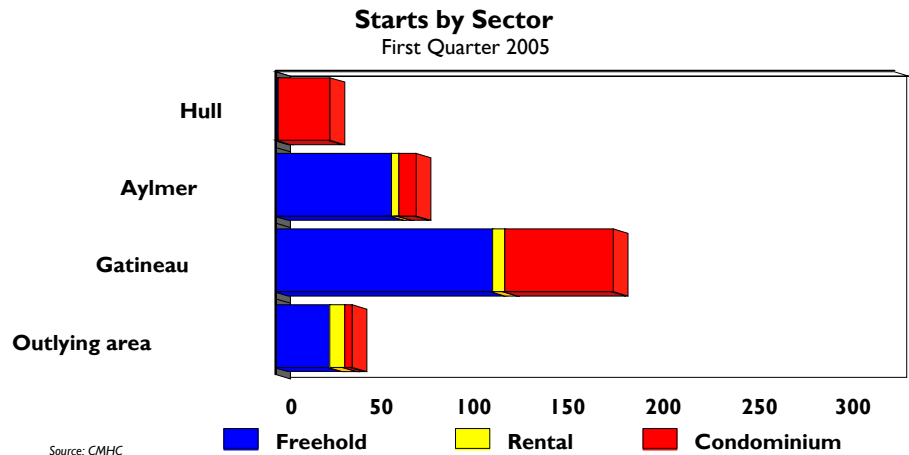
Outlying area bucks the trend

The results by sector show certain contrasts. While significant decreases were noted in Hull (-84 per cent), Aylmer (-49 per cent) and Gatineau (-44 per cent), the outlying area posted renewed activity (+58 per cent) in relation to 2004.

In Hull, where the decline was the greatest, no segment was spared. Condominium construction fell by 72 per cent, and no new rental housing units got under way, while 41 such starts had been enumerated last year. As for freehold housing, detached houses (with 2 starts in 2005, compared to 13 in 2004) and row homes (with no new units in 2005, versus 34 in 2004) also had a calm first quarter in Hull.

In the Aylmer zone, condominium construction was also down significantly (-72 per cent), as was single-detached home building (-42 per cent). The decrease was less considerable in Gatineau, where detached home building did better (-25 per cent), but condominium starts sustained a major drop (-60 per cent).

Although a large increase was noted in the outlying area, it is still too early to speak of strong growth for this sector. The gain of 58 per cent represents only 11 more starts than during the first quarter of 2004. The few new condominiums (4 units in 2005, compared to none in 2004) and rental dwellings (8 units in 2005, as opposed to none in 2004) that were enumerated there contributed to the increase in activity in this zone. Single-detached home building, which represents 60 per cent of all new construction in this sector, remained stable.



Resales decrease in the first quarter of 2005

According to the data from the Chambre immobilière de l'Outaouais (CIO), sales of existing properties were down in the first quarter of 2005 in the Gatineau CMA. The slowdown that began during the second half of 2004 continued in the first quarter of 2005, as the number of transactions recorded by the S.I.A./MLS network fell by 9 per cent. The average price of a property continued to rise (+11 per cent), reaching \$158,128. There were 941 existing property sales in the first quarter, compared to 1,035 during the corresponding period last year.

Active listings, for their part, stood at 2,035 units, up by 34 per cent. The new home market is being affected by the rise in listings, which is giving more choice to consumers. The increase in inventories has a negative impact on the new home market, as buyers can then more easily turn to the resale market to purchase a property. For example, with an increase in active listings of 61 per cent in the condominium segment, the repercussions are already being felt on the new home market, which saw the number of unoccupied dwellings of this type rise from 0 to 122 units.

The rise in listings has allowed market conditions to ease somewhat since last year, but a seller-to-buyer of 6 to 1 means that the market is still favouring sellers. However the condominium segment is more balanced, with a ratio of 7 to 1.

Market conditions are favouring sellers in the Aylmer, Gatineau and Hull sectors. In the outlying area, market conditions are favourable to sellers in Buckingham (ratio of 4 to 1) and Masson-Angers (ratio of 5 to 1), but are more balanced in the rest of this zone (ratio of 7 to 1).

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

Activity / Period	Ownership		Rental	Total
	Freehold**	Condominium		
Starts				
First quarter 2005	207	97	18	322
First quarter 2004	327	271	75	673
Year-to-date 2005	207	97	18	322
Year-to-date 2004	327	271	75	673
Under construction				
March 2005	476	420	79	975
March 2004	304	456	204	964
Completions				
First quarter 2005	392	89	66	547
First quarter 2004	576	24	143	743
Year-to-date 2005	392	89	66	547
Year-to-date 2004	576	24	143	743
Unoccupied				
March 2005	27	122	40	189
March 2004	8	0	7	15
Absorption				
First quarter 2005	381	83	55	519
First quarter 2004	575	24	136	735
Year-to-date 2005	381	83	55	519
Year-to-date 2004	575	24	136	735
Duration of inventory (months)				
March 2005	0.2	2.5	1.3	0.9
March 2004	0.0	0.0	0.1	0.1

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							
First quarter 2005	2	0	0	0	27	0	29
First quarter 2004	13	0	34	2	96	41	186
Year-to-date 2005	2	0	0	0	27	0	29
Year-to-date 2004	13	0	34	2	96	41	186
Zone 2: Aylmer							
First quarter 2005	42	20	0	0	9	3	74
First quarter 2004	72	32	3	2	32	3	144
Year-to-date 2005	42	20	0	0	9	3	74
Year-to-date 2004	72	32	3	2	32	3	144
Zone 3: Gatineau							
First quarter 2005	100	14	0	0	57	7	178
First quarter 2004	134	4	5	0	143	31	317
Year-to-date 2005	100	14	0	0	57	7	178
Year-to-date 2004	134	4	5	0	143	31	317
Zone 4: Buckingham							
First quarter 2005	1	2	0	0	0	4	7
First quarter 2004	2	0	0	0	0	0	2
Year-to-date 2005	1	2	0	0	0	4	7
Year-to-date 2004	2	0	0	0	0	0	2
Zone 5: Masson-Angers							
First quarter 2005	2	0	0	0	0	4	6
First quarter 2004	1	0	0	0	0	0	1
Year-to-date 2005	2	0	0	0	0	4	6
Year-to-date 2004	1	0	0	0	0	0	1
Zone 6: Outlying area							
First quarter 2005	22	0	0	2	4	0	28
First quarter 2004	21	0	0	2	0	0	23
Year-to-date 2005	22	0	0	2	4	0	28
Year-to-date 2004	21	0	0	2	0	0	23
TOTAL - GATINEAU METROPOLITAN AREA							
First quarter 2005	169	36	0	2	97	18	322
First quarter 2004	243	36	42	6	271	75	673
Year-to-date 2005	169	36	0	2	97	18	322
Year-to-date 2004	243	36	42	6	271	75	673

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* - First 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	4	2	12	1	10	1	2	4	28
Semi	0	0	0	0	0	0	0	0	0	0	0	0
Zone 2: Aylmer												
Single	3	14	17	39	16	30	29	41	15	10	80	134
Semi	43	37	9	16	1	0	0	0	0	0	53	53
Zone 3: Gatineau												
Single	25	70	23	42	31	42	19	38	7	4	105	196
Semi	12	6	2	0	0	0	0	0	0	0	14	6
Zone 4: Buckingham												
Single	1	3	0	5	1	0	0	0	1	0	3	8
Semi	1	0	0	0	0	0	0	0	0	0	1	0
Zone 5: Masson-Angers												
Single	2	10	3	2	1	4	0	1	0	0	6	17
Semi	2	6	0	0	0	0	0	0	0	0	2	6
Zone 4: Outlying area												
Single	20	19	14	14	10	30	25	17	26	27	95	107
Semi	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL - GATINEAU METROPOLITAN AREA												
Single	51	116	57	106	61	118	74	107	50	43	293	490
Semi	58	49	11	16	1	0	0	0	0	0	70	65

Source: CMHC

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

<i>Type</i>	<i>Under Construction</i>	<i>Unoccupied</i>	<i>Short-Term Supply</i>	<i>Absorption (Trend**)</i>	<i>Supply / Absorption Ratio</i>
Freehold	476	27	503	141	3.6
Condominium	420	122	542	50	10.9
Rental	79	40	119	30	4.0

Source: CMHC

* As per former delimitation

** 12-month average

Table 5
Economic Overview
Gatineau Metropolitan Area*

	<i>First Quarter</i>		<i>Trend (Jan.-March)</i>		<i>% Change Trend</i>
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	
Labour market					
Population 15 years + (000)	222.4	228.5	222.4	228.5	2.7
Labour force (000)	152.6	157.2	152.6	157.2	3.0
Employment level - total (000)	142.3	143.8	142.3	143.8	1.1
Employment level - full-time (000)	119.3	117.6	119.3	117.6	-1.4
Unemployment rate	6.7%	8.5%	6.7%	8.5%	n.a.
Mortgage rates (1) (%)					
1-year	4.3	4.9	4.3	4.9	n.a.
5-year	5.9	6.1	5.9	6.1	n.a.
Annual inflation rate (2)					
	0.8	1.8	0.8	1.8	n.a.
Index of Consumer Confidence (1991=100) (2)					
	125.3	123.3	125.3	123.3	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

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