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Canada Mortgage and Housing Corporation

## Residential construction continues to grow

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Residential construction has just registered an eleventh consecutive quarterly gain in the Québec census metropolitan area (CMA). In fact, there were 1,743 housing starts in the second quarter, for an increase of 84 per cent over the same quarter in 2001. This was the highest volume of activity recorded since 1994.

All housing types were on the rise during this past quarter. The greatest increase was observed in rental housing construction, as 495 such units were built in the second quarter, or three times as many as last year (157 units). The surge

in this segment was mainly attributable to the construction of a 328-unit residential complex in the Sainte-Foy sector. The current shortage of rental housing in the Québec area will continue to stimulate this type of construction over the next few quarters.

Condominium starts also tripled this past quarter thanks, in particular, to the start-up of the Square St-David site in the Beauport sector. With this project, which comprises about 100 dwellings, condominium construction reached a level of 153 units.

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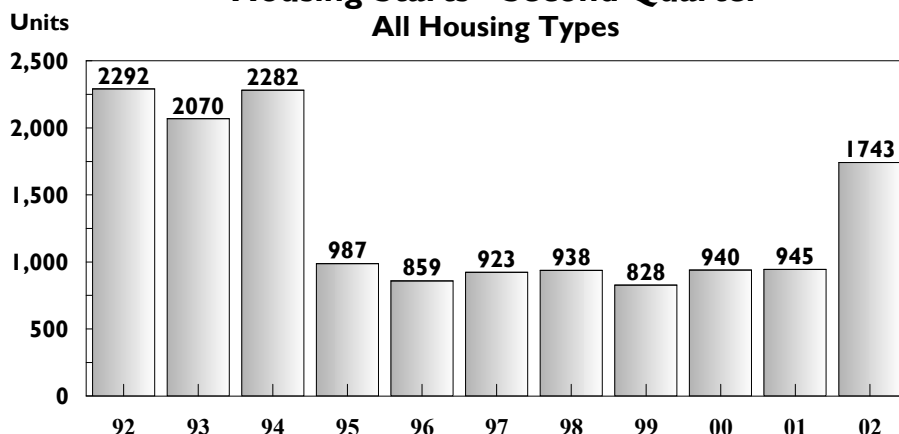
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**Housing Starts - Second Quarter**  
All Housing Types



Source: CMHC



HOME TO CANADIANS  
Canada

While the growth in single-family home building was not as great, this segment still did quite well. The 1,095 starts enumerated this past quarter represent an increase of 48 per cent over last year. The good performance of the job market in the area and the affordable mortgage rates are boosting the housing demand. In addition, the low inventories of properties for sale on the resale market are prompting many households to turn to the new home market.

This year has posted the best start, by far, for construction in the area since 1994. The results for the first half of the year have now reached 2,307 starts, for an increase of 70 per cent over the same

period in 2001. In fact, the beginning of 2002 is so far ahead of the results for recent years that the year-to-date volume for the first six months already exceeds the annual levels recorded between 1995 and 2000.

### Provincial results

The growth in residential construction extends across the province. Since the beginning of the year, 16,747 starts have been enumerated in urban centres with 10,000 or more inhabitants, up by 51 per cent over the first half of 2001. The greatest gain was recorded in the Trois-Rivières area (120 per cent),

followed by Sherbrooke (89 per cent), Québec (70 per cent), Montréal (51 per cent), Gatineau (39 per cent) and Chicoutimi-Jonquière (11 per cent).

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## SPOTLIGHT ON HOUSING INVENTORIES

Newly completed and unoccupied housing inventory levels partly account for the renewed activity in the residential construction sector

Inventories of all types of newly completed and unoccupied housing are now at their lowest levels ever recorded by CMHC. This means that, to meet current demand, it has become necessary to build more housing rather than continue to draw on existing inventories.

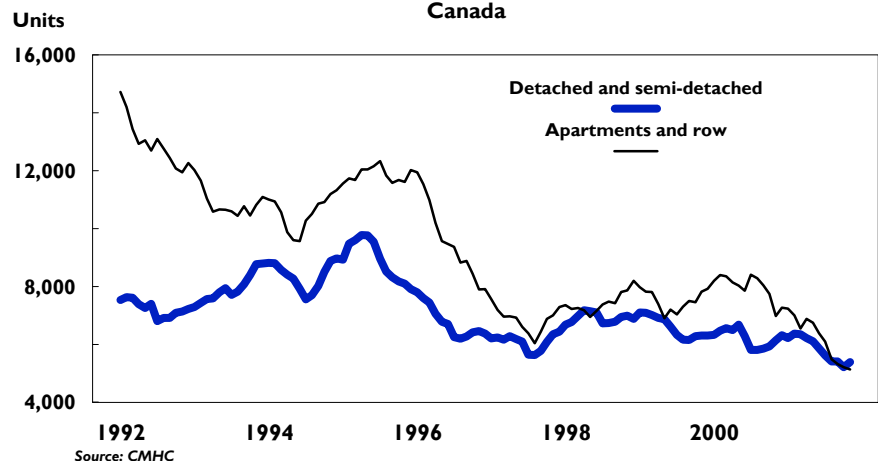
In recent years, some builders and real estate developers experienced difficulties in selling off their inventories of properties. Today, even with the strong housing demand, they have remained cautious in the face of the risks associated with maintaining large inventories of properties.

This situation is very similar to that prevailing on the rental market. This last segment is in fact very tight, as the national average vacancy rate for a dwelling with three or more bedrooms is around 1 per cent. In all metropolitan areas across Quebec, rental housing units are scarce. The results of the 2001 rental market survey revealed that vacancy rates went down in all census metropolitan areas throughout Quebec. On the rental markets in Montréal (0.6 per cent), Hull (0.6 per cent) and Québec (0.8 per cent), these rates are

now below the 1-per-cent mark. In Sherbrooke, the rate fell from 4.7 per cent to 2.3 per cent in October 2001. However, the markets in Trois-Rivières (4.7 per cent) and Chicoutimi-Jonquière (4.4 per cent) are not as tight. This means that new housing will have to be built to meet part of the demand, as there are not enough unoccupied rental units.

Consequently, given that demand remains robust, residential construction should progress well over the next few years, considering that both new housing inventories and the rental housing vacancy rate are at very low levels. The vigorous construction activity observed during the first half of this year in all metropolitan areas effectively confirms this trend.

**New Unoccupied Housing Inventories at Very Low Levels**  
Canada



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

Activity / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi	Row	Apart.			
<b>Starts</b>							
Second Quarter 2002	979	66	16	34	153	495	1,743
Second Quarter 2001	664	44	14	16	50	157	945
Year-to-Date 2002 (Jan.-June)	1,342	94	20	58	185	608	2,307
Year-to-Date 2001 (Jan.-June)	871	56	30	28	166	210	1,361
<b>Under construction **</b>							
Second Quarter 2002	806	60	26	47	235	634	1,808
Second Quarter 2001	638	48	33	26	169	369	1,283
<b>Completions</b>							
Second Quarter 2002	632	49	4	22	68	188	963
Second Quarter 2001	343	24	1	8	36	298	710
Year-to-Date 2002	923	75	9	48	203	259	1,517
Year-to-Date 2001	567	40	13	14	42	333	1,009
<b>Unoccupied **</b>							
Second Quarter 2002	85	20	5	0	34	27	171
Second Quarter 2001	114	19	4	0	58	55	250
<b>Absorptions</b>							
Second Quarter 2002	638	44	0	22	140	53	897
Second Quarter 2001	321	27	7	8	105	195	663
Year-to-Date 2002	914	62	26	50	281	112	1,445
Year-to-Date 2001	504	42	16	14	105	302	983
<b>Duration of inventory (in months)</b>							
2002 Trend	0.5	1.9	1.2	0.0	0.8	0.7	0.7
2001 Trend	1.1	2.4	1.0	0.0	3.4	1.1	1.4

\* Refers to single-family houses (detached, semi-detached and row) owned under freehold tenure and duplex occupied by the owner(s).

\*\* As at the end of the period shown.

Source: CMHC

**Table 2**  
**Housing Starts by Zone and by intended Market**  
**Québec Metropolitan Area**

Zone / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi	Row	Apart.			
<b>Zone 1: Québec Basse-Ville, Vanier</b>							
Second Quarter 2002	0	0	0	2	0	75	77
Second Quarter 2001	1	0	0	0	12	6	19
Year-to-Date 2002	0	0	0	6	0	75	81
Year-to-Date 2001	1	0	0	0	12	14	27
<b>Zone 2: Québec Haute-Ville</b>							
Second Quarter 2002	0	0	0	0	0	0	0
Second Quarter 2001	0	0	0	0	0	5	5
Year-to-Date 2002	0	0	0	0	10	0	10
Year-to-Date 2001	0	0	0	0	110	5	115
<b>Zone 3: Québec Des Rivières, Ancienne-Lorette</b>							
Second Quarter 2002	98	16	3	10	6	0	133
Second Quarter 2001	57	8	0	0	18	0	83
Year-to-Date 2002	130	22	7	12	22	0	193
Year-to-Date 2001	79	14	1	0	18	33	145
<b>Zone 4: Ste-Foy, Cap-Rouge, St-Augustin, Sillery</b>							
Second Quarter 2002	111	4	7	0	0	331	453
Second Quarter 2001	83	4	0	0	12	0	99
Year-to-Date 2002	162	8	7	0	0	337	514
Year-to-Date 2001	109	4	0	0	12	0	125
<b>North Centre (zones 1 to 4)</b>							
Second Quarter 2002	209	20	10	12	6	406	663
Second Quarter 2001	141	12	0	0	42	11	206
Year-to-Date 2002	292	30	14	18	32	412	798
Year-to-Date 2001	189	18	1	0	152	52	412
<b>Zone 5: Val-Bélair, St-Émile, etc.</b>							
Second Quarter 2002	195	12	0	2	0	3	212
Second Quarter 2001	125	8	0	4	0	0	137
Year-to-Date 2002	269	16	0	10	0	3	298
Year-to-Date 2001	168	8	0	4	0	0	180
<b>Zone 6: Greater Charlesbourg, Stoneham, etc.</b>							
Second Quarter 2002	155	14	0	12	8	7	196
Second Quarter 2001	108	8	0	4	8	18	146
Year-to-Date 2002	207	18	0	16	8	7	256
Year-to-Date 2001	128	10	0	6	14	18	176

**Table 2 (continued)**  
**Housing Starts by Zone and by intended Market**  
**Québec Metropolitan Area**

Zone / period	Ownership					Rental	Total
	Freehold *				Condo-minium		
	Detached	Semi	Row	Apart.			
<b>Zone 7: Greater Beauport, Boischatel, Île d'Orléans, etc.</b>							
Second Quarter 2002	174	2	0	2	139	28	345
Second Quarter 2001	99	0	0	2	0	24	125
Year-to-Date 2002	215	4	0	2	139	36	396
Year-to-Date 2001	131	0	0	8	0	24	163
<b>North Periphery (zones 5 to 7)</b>							
Second Quarter 2002	524	28	0	16	147	38	753
Second Quarter 2001	332	16	0	10	8	42	408
Year-to-Date 2002	691	38	0	28	147	46	950
Year-to-Date 2001	427	18	0	18	14	42	519
<b>North Shore (zones 1 to 7)</b>							
Second Quarter 2002	733	48	10	28	153	444	1,416
Second Quarter 2001	473	28	0	10	50	53	614
Year-to-Date 2002	983	68	14	46	179	458	1,748
Year-to-Date 2001	616	36	1	18	166	94	931
<b>Zone 8: St-Jean-Chrysostôme, St-Nicolas, etc.</b>							
Second Quarter 2002	167	8	6	2	0	45	228
Second Quarter 2001	143	12	0	6	0	32	193
Year-to-Date 2002	256	12	6	8	0	119	401
Year-to-Date 2001	189	16	0	6	0	44	255
<b>Zone 9: Greater Lévis, Pintendre</b>							
Second Quarter 2002	79	10	0	4	0	6	99
Second Quarter 2001	48	4	14	0	0	72	138
Year-to-Date 2002	103	14	0	4	6	31	158
Year-to-Date 2001	66	4	29	4	0	72	175
<b>South Shore (zones 8 and 9)</b>							
Second Quarter 2002	246	18	6	6	0	51	327
Second Quarter 2001	191	16	14	6	0	104	331
Year-to-Date 2002	359	26	6	12	6	150	559
Year-to-Date 2001	255	20	29	10	0	116	430
<b>QUÉBEC MÉTROPOLITAN AREA TOTAL</b>							
Second Quarter 2002	979	66	16	34	153	495	1,743
Second Quarter 2001	664	44	14	16	50	157	945
Year-to-Date 2002	1,342	94	20	58	185	608	2,307
Year-to-Date 2001	871	56	30	28	166	210	1,361

Source: CMHC

**Table 3****Detached and Semi-Detached Houses Absorbed by price Range - Second Quarter  
Québec Metropolitan Area**

Type	Under \$80,000		\$80,000 to \$99,999		\$100,000 to \$119,999		\$120,000 to \$149,999		\$150,000 and over	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
<b>Detached</b>	6	10	51	32	113	74	208	130	260	75
<b>Semi-detached</b>	4	11	22	7	12	7	2	1	4	2
<b>Total</b>	10	21	73	39	125	81	210	131	264	77
<b>Market Share</b>	1%	3%	8%	10%	18%	23%	33%	40%	41%	23%

Source: CMHC

**Table 4****Housing Supply / Second Quarter 2002  
Québec Metropolitan Area**

Intended Market	Under Construction	Vacant units	Short Term Supply	Monthly absorptions*	Duration of Short Term Supply (months)
	<b>Second Quarter 2002</b>			<b>Trend 2002</b>	
<b>Freehold</b>	939	110	1,049	181.4	5.8
<b>Condominium</b>	235	34	269	41.1	6.5
<b>Rental</b>	634	27	661	40.2	16.5
<b>Total</b>	1,808	171	1,979	262.7	7.5
	<b>Second Quarter 2001</b>			<b>Trend 2001</b>	
<b>Freehold</b>	745	137	882	114.3	7.7
<b>Condominium</b>	169	58	227	17.1	13.3
<b>Rental</b>	369	55	424	49.8	8.5
<b>Total</b>	1,283	250	1,533	181.3	8.5

\* Average of the absorption of the last 12 months

Source: CMHC

**Table 5  
Economic Overview  
Québec Metropolitan Area**

	2nd Qrt. 2002	1st Qrt. 2002	2nd Qrt. 2001	Trend		Variation (%)
				2002	2001	Trend
<b>Labour Market</b>						
Number of jobs (000)	368.2	342.7	334.6	349.9	333.4	-4.7
Unemployment Rate (%)	5.9	7.7	8.8	7.1	8	s/o
<b>Mortgage rates (1)</b>						
1 year (%)	5.5	4.8	6.7	5.3	7	s/o
5 years (%)	7.4	7.1	7.7	7.2	8	s/o
<b>Annual inflation rate</b>						
1996 Classification, 1992=100 (%)	115.6	114.6	114.5	s/o	s/o	s/o
<b>New homes price index (1992=100)</b>						
Housing Unit	109.5	107.8	105.6	107.5	104.2	-3.3
Land	107.0	106.4	105.4	106.3	104.4	-1.9
Total	108.2	106.8	104.9	106.6	103.6	-3.0
<b>Consumer Confidence</b>						
1991=100 (2)	136.9	131.2	120.0	122.8	117.2	-5.6
<b>MLS Sales</b>						
Total Residential	1,792	2,666	1,997	4,458	4,136	-7.2

Notes: (1) Canada (2) Province of Québec.

Sources: Statistics Canada, Conference Board of Canada, Chambre Immobilière de Québec.

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## Definitions and Concepts

**INTENDED MARKETS** - There are three: the home owner market refers to single family dwellings (detached, semi-detached and town houses) held in free tenure; the joint ownership (condominium) includes houses and apartments owned jointly; and the rental market groups apartments.

**HOUSING STARTS** - This term designates the start of construction work, usually after the placement of concrete footing or a similar stage when the building has no basement.

**HOUSING UNITS UNDER CONSTRUCTION** - Housing units started, but not finished. The number of housing units under construction at the end of a time period may take into account some adjustments that are made for various reasons after the housing starts have been indicated.

**COMPLETIONS** - Habitable housing units where the work that had been foreseen is finished and in some cases, can be considered a completed housing unit if there is only ten percent of the work left to be carried out.

**VACANT HOUSING UNITS** - New completed housing units that remain vacant.

**TOTAL SUPPLY - SHORT-TERM** - Total reserve of new housing units that include housing units under construction and those that are completed, but vacant.

**ABSORPTION** - Recently completed housing units that have either been sold or rented. A count of the housing units absorbed is made when the house is completed. Housing units sold or rented in advance are not included before the work is completed. The number of housing units absorbed for the current month corresponds to the number of housing units completed and vacated for the preceding month, plus the completions for the current month, minus the housing units completed and vacant for the current month.

**DURATION OF INVENTORY** - Necessary period for absorbing vacant housing units, that is, the ratio between vacant and absorbed housing units (average of the last 12 months). This data is expressed in months.

**DURATION OF TOTAL SHORT-TERM SUPPLY** - Necessary period for absorbing vacant housing units and those under construction, that is, the ratio between vacant housing units and those under construction and absorbed housing units (average of the last 12 months). This data is expressed in months.

## Québec Metropolitan Area Zones

Zones	Municipalities and Zones	Large Zones
1	Lower Town Quebec, Vanier	North Centre
2	Upper Town Quebec	North Centre
3	Québec Des Rivières (Neufchâtel, Duberger, Les Saules, Lebourgneuf), Ancienne-Lorette	North Centre
4	Ste-Foy, Sillery, Cap-Rouge, St-Augustin	North Centre
5	Val-Bélair, St-Émile, Loretteville, Lac St-Charles, Lac Delage, Valcartier, Shannon, Lac St-Joseph, Ste-Catherine-de-la-J.-C., Fossambault	Northern Suburbs
6	Greater Charlesbourg, Lac Beauport, Stoneham-Tewkesbury	Northern Suburbs
7	Greater Beauport, Ste-Brigitte-de-Laval, Boischâtel, L'Ange-Gardien, Château-Richer, Île-d'Orléans	Northern Suburbs
8	Charny, St-Romuald, St-Jean-Chrysostôme, St-Nicolas, St-Rédempteur, Breakeyville, St-Lambert, St-Étienne	South Shore
9	Lévis, Pintendre, St-Joseph-de-Lévy, St-Étienne-de-Beaumont	South Shore

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