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Canada Mortgage and Housing Corporation

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Housing starts up significantly in the second quarter

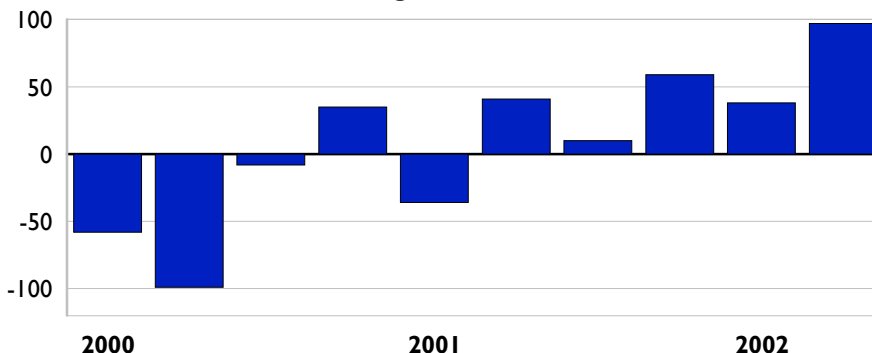
Housing starts posted a major increase in the second quarter of 2002 in the Sherbrooke metropolitan area. From April to June, 367 new dwellings under construction were enumerated, almost double (+97 per cent) the level recorded during the same period last year. The results for this past quarter revealed a fifth straight quarterly gain and, especially, the best performance in five years for residential construction.

These excellent results were attributable to both single-family home building (+77 per cent) and apartment construction (+129 per cent), as 202 single-family home starts and 165 new apartments were enumerated. Among

these, 159 are intended for the Sherbrooke rental housing segment where, it should be recalled, the vacancy rate stood at 2.3 per cent last fall. The new rental dwellings are found exclusively in plexes with 3 to 6 units.

If construction is doing this well, it is essentially thanks to the attractive mortgage rates that prevailed during the first few months of the year and to the decrease in the number of existing homes for sale. As well, with the interesting gains posted on the job market since the beginning of the year in the area, the second half of the year looks most promising.

Fifth Straight Quarterly Gain
Change in relation to previous year
Total Housing Starts - Sherbrooke CMA



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HOME TO CANADIANS
Canada

During the second quarter, residential construction also went up in the Drummondville and Saint-Hyacinthe areas, which recorded hikes of 28 per cent and 34 per cent, respectively, over the same period in 2001. In Drummondville, single-family home starts registered a greater increase than apartment starts (+51 per cent compared to +16 per cent). Out of the 149 apartments that were started, 48 are grouped in a retirement housing complex. In the Saint-Hyacinthe area, while single-family home building did well (+66 per cent), construction got under way on only 11 new apartments (-39 per cent).

Lastly, in the Granby area, the overall results for the second quarter were almost identical to those posted in 2001. Total starts reached 195 units, including 143 single-family houses (+68 per cent) and 52 apartments (-53 per cent).

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).

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.

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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.

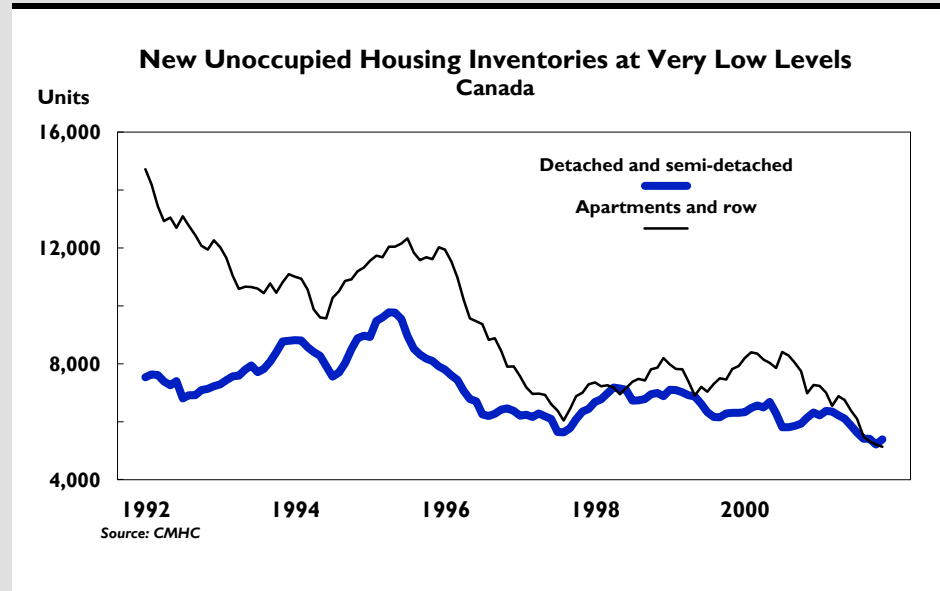


Table I
Summary of Activity by Intended Market
Sherbrooke Metropolitan Area

<i>Activity / Period</i>	<i>Ownership</i>		<i>Rental</i>	<i>Total</i>
	<i>Freehold</i>	<i>Condominium</i>		
Housing Starts				
Second Quarter 2002	202	0	165	367
Second Quarter 2001	116	7	63	186
Year-to-Date 2002 (Jan.-June)	242	0	224	466
Year-to-Date 2001 (Jan.-June)	144	7	96	247
Under Construction				
June 2002	152	0	214	366
June 2001	72	4	50	126
Completions				
Second Quarter 2002	82	0	100	182
Second Quarter 2001	70	3	54	127
Year-to-Date 2002	127	0	135	262
Year-to-Date 2001	113	3	85	201
Unoccupied				
June 2002	6	0	11	17
June 2001	9	0	4	13
Absorptions				
Second Quarter 2002	85	0	94	179
Second Quarter 2001	71	3	52	126
Year-to-Date 2002	134	0	124	258
Year-to-Date 2001	114	3	83	200
Duration of inventory (in Months)				
June 2002	0.2	0.0	0.7	0.4
June 2001	0.4	0.0	0.2	0.3

Source: CMHC

Table 2
Housing Starts by Zone and by Intended Market
Sherbrooke Metropolitan Area*

Zone / Period	Ownership					Rental	Total
	Freehold				Condo- minium		
	Detached	Semi-det.	Row	Apart.*			
Zone 1: Sherbrooke							
Second Quarter 2002	19	2	0	0	0	74	95
Second Quarter 2001	12	4	0	0	7	44	67
Year-to-date 2002	25	4	0	0	0	103	132
Year-to-date 2001	13	4	0	0	7	59	83
Zone 2: Fleurimont							
Second Quarter 2002	18	0	0	0	0	24	42
Second Quarter 2001	16	0	0	0	0	4	20
Year-to-date 2002	19	0	0	0	0	32	51
Year-to-date 2001	22	0	0	0	0	10	32
Zone 3: Rock Forest							
Second Quarter 2002	51	10	0	0	0	55	116
Second Quarter 2001	31	8	0	0	0	15	54
Year-to-date 2002	59	12	0	0	0	63	134
Year-to-date 2001	40	8	0	2	0	27	77
Zone 4: Saint-Élie-d'Orford							
Second Quarter 2002	34	0	0	0	0	0	34
Second Quarter 2001	8	0	0	2	0	0	10
Year-to-date 2002	41	0	0	0	0	0	41
Year-to-date 2001	11	2	0	2	0	0	15
CENTRE (Zones 1 to 4)							
Second Quarter 2002	122	12	0	0	0	153	287
Second Quarter 2001	67	12	0	2	7	63	151
Year-to-date 2002	144	16	0	0	0	198	358
Year-to-date 2001	86	14	0	4	7	96	207
Zone 5: Outlying Area							
Second Quarter 2002	66	2	0	0	0	12	80
Second Quarter 2001	35	0	0	0	0	0	35
Year-to-date 2002	78	4	0	0	0	26	108
Year-to-date 2001	40	0	0	0	0	0	40
TOTAL - SHERBROOKE METROPOLITAN AREA							
Second Quarter 2002	188	14	0	0	0	165	367
Second Quarter 2001	102	12	0	2	7	63	186
Year-to-date 2002	222	20	0	0	0	224	466
Year-to-date 2001	126	14	0	4	7	96	247

* As per the old delimitations

Source: CMHC

Table 3**New Detached and Semi-Detached Absorbed by Price Range
Sherbrooke Metropolitan Area**

Type	Under \$70,000		\$70,000 - \$89,999		\$90,000 - \$109,999		\$110,000 - \$129,999		\$130,000 or over		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Second Quarter	4	1	22	11	24	10	15	12	20	11	85	45
Year-to-date (Jan.-June)	5	18	33	30	34	25	27	11	31	24	130	108

Source: CMHC

Table 4**Housing Supply
Sherbrooke Metropolitan Area**

Type	Under Construction	Unoccupied Units	Permits Issued but not Started	Medium-Term Supply
June 2002				
Detached/semi-det. houses	152	6	15	158
Multiples *	214	11	15	225
Total	366	17	30	383
June 2001				
Detached/semi-det. houses	70	9	7	79
Multiples *	56	4	0	60
Total	126	13	7	139

* Row homes and apartments

Source: CMHC

Table 5
Economic Overview
Sherbrooke Metropolitan Area

Period	In thousands			Unemployment Rate	Mortgage Rates Canada	
	Population 15 yrs over	Labor Force	Employment Total		1-Year	5-Year
	Second Quarter 2002	126.7	83.0	76.7	7.6%	5.5
Second Quarter 2001	125.7	79.9	74.3	7.0%	6.7	7.7
Average Jan.-June 2002	126.5	82.0	75.0	8.5%	5.2	7.2
Average Jan.-June 2001	125.6	79.8	73.2	8.3%	6.9	7.6

Sources: Statistique Canada and CMHC

Please take note that the document

FORECAST SUMMARY

usually included each year with the 2nd and 4th Quarters of the **Housing Now** reports,
will be send in the future with the 1st and 3rd Quarters.

For any question, please contact our

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1-866-855-5711

or by Email: cam_qc@cmhc.ca

Definitions and Concepts

Canada Mortgage and Housing Corporation (CMHC) conducts a monthly survey called "Survey on Housing Starts, Completion and Absorption" for all the urban areas in Canada with a population of 10,000 residents or more. This quarterly Housing Market publication provides statistical data and analysis of the trends in the Intended Markets for the Sherbrooke 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 unrented. 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).

CMHC Market Analysis Centre Publications

National	Province of Quebec	Metropolitan Areas - Province of Quebec
<ul style="list-style-type: none"> • National Housing Market Outlook • Mortgage Market Trends • Canadian Housing Markets • And many more 	<ul style="list-style-type: none"> • Housing Now • FastFax - Rental Market Report 	<ul style="list-style-type: none"> • Housing Market Outlook (Montréal only) • Rental Market Report (1) • FastFax - Rental Market Report (3) • Analysis of the Resale Market (2) • Retirement Home Market (1) <p>(1) Available for all metropolitan areas: Chicoutimi, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières (2) Available for Montréal and Québec only (3) Available for the six metropolitan areas plus a Provincial FastFax for the urban areas of 10,000 inhabitants and more</p>

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Sherbrooke Metropolitan Area Zones

Zones	Municipalities / Sectors	Large zone
1	Sherbrooke	Centre
2	Feurimont	Centre
3	Rock Forest	Centre
4	St-Élie-d'Orford	Centre
5	Ascot, Ascot Corner, Bromptonville, Deauville, Compton, Hatley CT, Lennoxville, North Hathley, St-Denis-de-Brompton, Stoke, Waterville	Peripheral Area

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