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# HOUSING NOW *Sherbrooke*

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Canada Mortgage and Housing Corporation

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## Year ends on a fine note for residential construction in Sherbrooke

Following a slight slowdown during the third quarter of 2003, residential construction rebounded in the Sherbrooke census metropolitan area (CMA) in the last three months of the year. According to the latest surveys conducted by Canada Mortgage and Housing Corporation, 322 dwellings were started from October to December 2003, compared to 173 during the same period in 2002, for an increase of 86 per cent. For 2003 overall, residential construction rose by 25 per cent, as a total of 1,070 new units were added to the existing housing stock. This was the third straight annual increase in residential construction in Sherbrooke.

Rental housing starts greatly contributed to the excellent year-end performance. The 147 new units account for nearly half of all starts recorded in the last quarter of 2003

and represent more than double the number of such units started during this same period in 2002. With an annual total of 473 rental starts, the Sherbrooke CMA posted its best result since 1990. The ever-growing demand and the lack of dwellings available for rent (0.7 per cent in October 2003) convinced developers of the need to start up more rental housing units. Moreover, the relative profitability of investments in rental projects is inciting developers to build mainly mid- and upper-range dwellings, for which higher rents can be charged.

The freehold home building segment also did well, as it was favoured by the affordable mortgage rates and the lack of choice on the existing home market. The 165 units built in the fourth quarter of 2003 represent a gain of 56 per cent over

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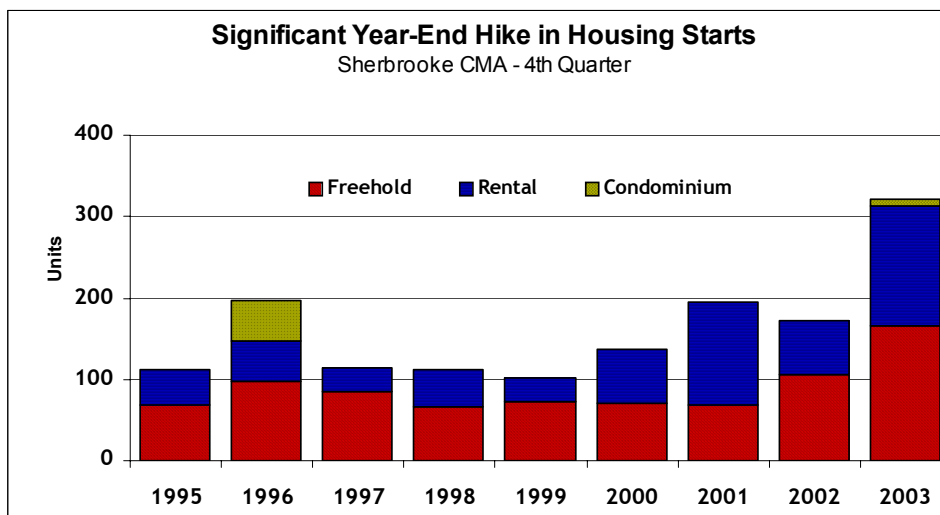
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### Significant Year-End Hike in Housing Starts

Sherbrooke CMA - 4th Quarter

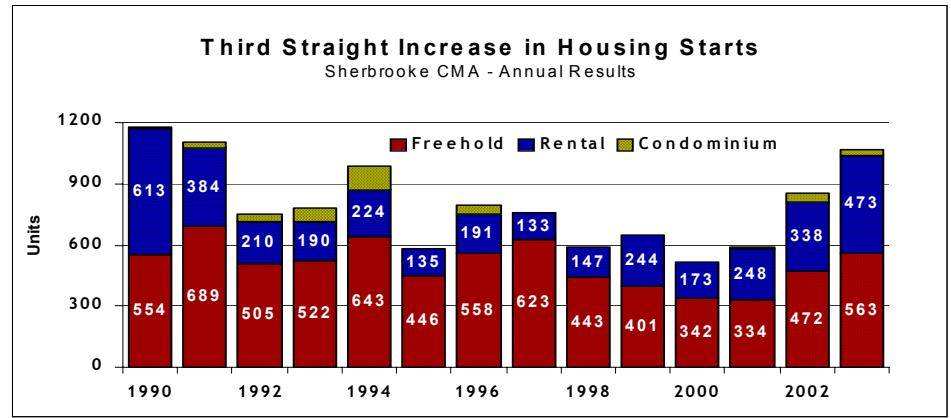


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the corresponding period the year before. The annual results show that construction got under way on 563 freehold dwellings, compared to 472 in 2002, for a hike of 20 per cent.

It was the former city of Sherbrooke that garnered the greatest number of housing starts. In all, foundations were laid for 326 dwellings, mostly rental units. Rock Forest followed with 267 starts. As for the municipalities of Saint-Élie-d'Orford and Fleurimont, they posted significant gains, as their housing stocks grew by 142 and 124 new units, respectively.

The Drummondville census agglomeration (CA), for its part, sustained a decrease in activity of 14 per cent in 2003. Overall, 569 starts were enumerated, or 89 fewer than in 2002. Freehold housing construction remained very vigorous, with an increase of 58 per cent (391 units). However, this production did not manage to offset the significant decline in rental housing



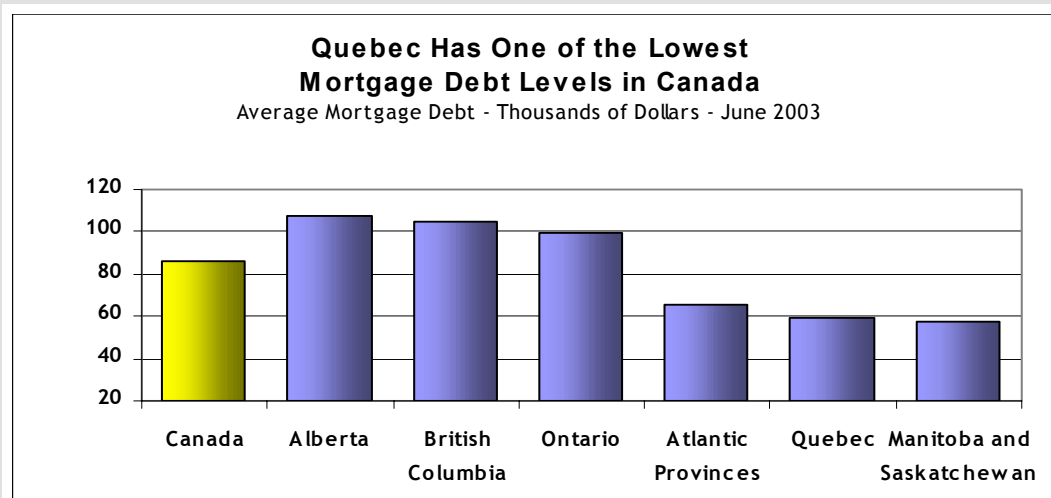
construction, as 168 such dwellings got under way in 2003, compared to 408 the previous year. Conversely, the marked gains in rental housing starts contributed to raising the annual results for the Granby CA, by 19 per cent (565 units), and the Saint-Hyacinthe CA, by 39 per cent (262 units). It should be noted that, in this last area, freehold housing starts fell by 23 per cent.

During 2003, housing starts continued to rise in most CMAs across Quebec, but at a slightly slower pace. The greatest increase was observed in the Québec CMA, where activity rose by 31 per cent. The Sherbrooke CMA came in second (25 per cent), followed by Montréal (18 per cent), Gatineau (10 per cent) and Trois-Rivières (3 per cent). Only the Saguenay CMA registered a decrease in residential construction (-27 per cent).

### Quebec Has One of the Lowest Mortgage Debt Levels in Canada<sup>1</sup>

According to the June 2003 Financial Industry Research Monitor (FIRM) Survey results, the average mortgage in Canada was \$86,000. For the province of Quebec, this average debt was \$59,000. Only Manitoba and Saskatchewan had lower average mortgage debt levels at that time (around \$57,000). Conversely, the highest level of \$107,000 was noted in Alberta. The younger population<sup>2</sup> and the recent significant jump in home prices in this province both contributed to this situation.

The increase in homeownership and the resulting gain in popularity of refinance products drove up the mortgage debt level of Canadians. One year earlier, in June 2002, this level was about \$82,000. During this time, however, their residential property values went up more considerably, such that the weight of this debt became lighter. In fact, while this debt represented 44 per cent of the average price of existing homes (\$186,808\*) in June 2002, this proportion fell to 41 per cent (\$208,186\*) one year later.



<sup>1</sup>Sources: CMHC, Clayton Research Associates Limited and Ipsos-Reid Corporation, The FIRM Residential Mortgage Survey, June 2003

<sup>2</sup>As newcomers on the labour market, young people have had less time to save, so they have less equity to buy a home

\* MLS® (Multiple Listing Service), seasonally adjusted rates

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

<b>Activity / Period</b>	<b>Ownership</b>		<b>Rental</b>	<b>Total</b>
	<b>Freehold*</b>	<b>Condominium</b>		
<b>Starts</b>				
Fourth quarter 2003	165	10	147	322
Fourth quarter 2002	106	0	67	173
Year-to-date 2003 (Jan.-Dec.)	563	34	473	1070
Year-to-date 2002 (Jan.-Dec.)	472	47	338	857
<b>Under construction</b>				
December 2003	99	8	139	246
December 2002	61	0	45	106
<b>Completions</b>				
Fourth quarter 2003	141	4	81	226
Fourth quarter 2002	125	47	61	233
Year-to-date 2003	520	53	354	927
Year-to-date 2002	448	47	418	913
<b>Unoccupied</b>				
December 2003	0	10	0	10
December 2002	4	15	28	47
<b>Absorption</b>				
Fourth quarter 2003	141	12	71	224
Fourth quarter 2002	124	32	70	226
Year-to-date 2003	539	13	378	930
Year-to-date 2002	466	32	343	841
<b>Duration of inventory</b>				
December 2003	0.0	10.0	0.0	0.5
December 2002	0.4	5.6	4.8	2.5

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

Source: CMHC

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

Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.*			
<b>Zone 1: Sherbrooke</b>							
Fourth quarter 2003	16	2	0	0	6	98	122
Fourth quarter 2002	11	4	0	0	0	46	61
Year-to-date 2003	50	8	0	0	24	244	326
Year-to-date 2002	49	10	0	0	47	174	280
<b>Zone 2: Fleurimont</b>							
Fourth quarter 2003	18	2	0	0	0	5	25
Fourth quarter 2002	10	0	0	0	0	0	10
Year-to-date 2003	65	2	0	0	0	57	124
Year-to-date 2002	41	0	0	2	0	32	75
<b>Zone 3: Rock Forest</b>							
Fourth quarter 2003	45	0	0	2	2	26	75
Fourth quarter 2002	22	10	0	0	0	21	53
Year-to-date 2003	134	22	0	2	6	103	267
Year-to-date 2002	114	34	0	2	0	106	256
<b>Zone 4: Saint-Élie-d'Orford</b>							
Fourth quarter 2003	33	0	0	0	0	10	43
Fourth quarter 2002	8	2	0	0	0	0	10
Year-to-date 2003	103	12	0	0	0	27	142
Year-to-date 2002	59	2	0	0	0	0	61
<b>CENTRE (Zones 1 to 4)</b>							
Fourth quarter 2003	112	4	0	2	8	139	265
Fourth quarter 2002	51	16	0	0	0	67	134
Year-to-date 2003	352	44	0	2	30	431	859
Year-to-date 2002	263	46	0	4	47	312	672
<b>Zone 5: Outlying area</b>							
Fourth quarter 2003	45	2	0	0	2	8	57
Fourth quarter 2002	39	0	0	0	0	0	39
Year-to-date 2003	159	6	0	0	4	42	211
Year-to-date 2002	153	6	0	0	0	26	185
<b>TOTAL - SHERBROOKE METROPOLITAN AREA</b>							
Fourth quarter 2003	157	6	0	2	10	147	322
Fourth quarter 2002	90	16	0	0	0	67	173
Year-to-date 2003	511	50	0	2	34	473	1070
Year-to-date 2002	416	52	0	4	47	338	857

Source: CMHC

\* Refers to owner-occupied duplexes

<b>Table 3</b>												
<b>Single-Detached and Semi-Detached Houses Absorbed by Price Range Sherbrooke Metropolitan Area</b>												
<b>Type</b>	<b>Under \$70,000</b>		<b>\$70,000 to \$89,999</b>		<b>\$90,000 to \$109,999</b>		<b>\$110,000 to \$129,999</b>		<b>\$130,000 or over</b>		<b>Total</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Fourth Quarter	4	4	19	16	32	41	17	14	73	47	145	122
Year-to-date (Jan.-Dec.)	24	16	73	92	136	117	103	83	196	141	532	449

Source: CMHC

<b>Table 4</b>			
<b>Housing Supply Sherbrooke Metropolitan Area</b>			
<b>Type</b>	<b>Under Construction</b>	<b>Unoccupied</b>	<b>Short- Term Supply</b>
	<b>December 2003</b>		
<b>Single/semi</b>	99	0	99
<b>Multiple*</b>	147	10	157
<b>Total</b>	246	10	256
	<b>December 2002</b>		
<b>Single/semi</b>	61	4	65
<b>Multiple*</b>	45	43	88
<b>Total</b>	106	47	153

Source: CMHC

\* Row homes and apartments

**Table 5  
Economic Overview  
Sherbrooke Metropolitan Area**

Period	(thousands)			Unemployment Rate (%)	Mortgage Rates Canada (%)	
	Population 15 years +	Labour Force	Employment Total		1-Year	5-Year
	Fourth quarter 2003	128.9	85.0	78.9	7.2%	4.7
Fourth quarter 2002	127.4	83.1	76.9	7.3%	5.0	6.8
Average Jan.-Dec. 2003	128.3	85.3	79.0	7.3%	4.8	6.4
Average Jan.-Dec. 2002	126.9	83.1	76.7	7.7%	5.2	7.0

Source: Statistics Canada

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## Sherbrooke Metropolitan Area Zones

Zones	<i>Municipalités / Sectors</i>	<i>Large zone</i>
1	Sherbrooke	Centre
2	Fleurimont	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

## 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 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"> <li>• National Housing Market Outlook</li> <li>• Mortgage Market Trends</li> <li>• Canadian Housing Markets</li> <li>• And many more</li> </ul>	<ul style="list-style-type: none"> <li>• Housing Now</li> <li>• FastFax</li> </ul>	<ul style="list-style-type: none"> <li>• Housing Market Outlook (Montréal only)</li> <li>• Rental Market Report (1)</li> <li>• FastFax - Rental Market Report (3)</li> <li>• Analysis of the Resale Market (2)</li> <li>• Retirement Home Market (1)</li> </ul> <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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