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Saguenay

Canada Mortgage and Housing Corporation

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RESIDENTIAL CONSTRUCTION PICKS UP AGAIN IN SAGUENAY IN THE SECOND QUARTER

The latest results released by Canada Mortgage and Housing Corporation (CMHC) revealed that residential construction regained strength in the second quarter of 2006 in the Saguenay census metropolitan area (CMA). From April to June, 190 dwellings were started, for an increase of 17 per cent over the same period in 2005 (162 units).

Even though activity remained strong in the freehold home segment[1], with the construction of 142 new houses of this type (+5 per cent), it was mainly the rental housing segment that drove up the number of starts recorded in the second quarter of 2006. In all, 42 rental housing units got under way during the months from April to June, compared to 27 during the same period in 2005, for an increase of 56 per cent. The boroughs of Jonquière and Chicoutimi accounted for most of the rental housing starts enumerated in the second quarter.

Since the beginning of the year, 207 new dwellings have been started, or

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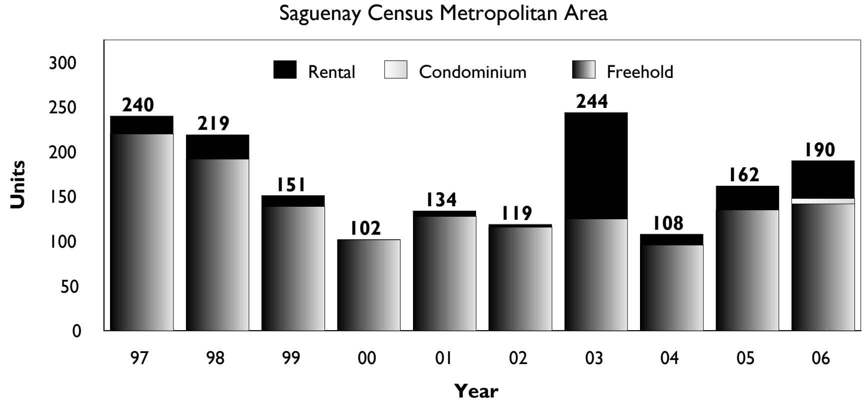
Total Housing Starts
Second Quarter
Saguenay Census Metropolitan Area



Source: CMHC

[1] The freehold housing market comprises detached, semi-detached and row homes, as well as duplexes.

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3 per cent more than during the same period in 2005 (200 units). This small increase over 2005 came from the condominium segment, as 6 units of this type were started from January to June 2006, compared to none in 2005. The same held true for row homes, with foundations having been laid for 3 such dwellings in 2006, versus none in 2005.

During the first six months of 2006, housing starts went up over the same period last year in just one of the four Lac-Saint-Jean urban centres. In Dolbeau, 26 new dwellings were started from January to June 2006, for an increase of 86 per cent over the corresponding period in 2005 (14 units). The vigorous housing activity in this urban centre was mainly attributable to the freehold home segment. Housing starts fell slightly in Alma (from 46 to 42 units) while, in Roberval and Saint-Félicien, the number of new dwellings declined more significantly to 4 units (-81 per cent) and 8 units (-47 per cent), respectively.

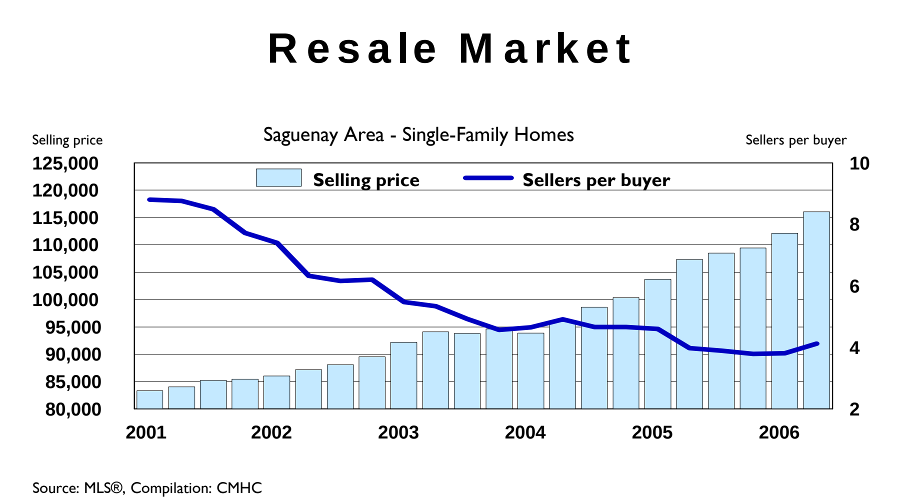
In all urban centres with 10,000 or more inhabitants across Quebec, 18,669 starts were enumerated from January to June 2006, for a decrease of 5 per cent in relation to the same period in 2005. The Sherbrooke CMA posted the strongest increase (+47 per cent), followed by Gatineau (+21 per cent), Trois-Rivières (+20 per cent) and Saguenay (+3 per cent). The Québec and Montréal CMAs, for their part, registered identical decreases of 13 per cent from the corresponding period in 2005.

Resale market loses strength in the second quarter in the Saguenay area

According to the latest Service inter-agences / Multiple Listing Service (S.I.A.® / MLS®) data, activity slowed down on the resale market in the second quarter in the Saguenay area[1]. In fact, 371 transactions were recorded from April to June 2006, for a decrease of 12 per cent in relation to the same period in 2005.

Following a record year for sales in 2005, it seems that the limited supply of homes for sale and the rise in mortgage rates in recent quarters are finally having a dampening effect on demand. The decrease in activity was in fact observed in all sectors, but especially in La Baie and in the areas surrounding the urban centres, where sales fell by 30 per cent and 19 per cent, respectively, in comparison with the second quarter of 2005. In the boroughs of Chicoutimi and Jonquière, the slowdown was less drastic, with respective decreases of 5 per cent and 3 per cent.

Despite the increase in properties for sale in the second quarter, supply remains limited in the area, and this gives the edge to sellers during negotiations. This reality is not new, as the seller-to-buyer ratio, which indicates the power relationship between sellers and buyers, has been below the balanced range[2] since the fourth quarter of 2001. In the second quarter, notwithstanding a small increase in supply and a decrease in transactions, the seller-to-buyer ratio stood at 4 to 1, and the market was overheating (seller-to-buyer ratio below 5 to 1) for a twelfth consecutive quarter. As a result, the average MLS® price of single-family homes[3] reached $116,043, up by 8 per cent over the same period in 2005. This limited supply situation should continue to drive up the average price at a rate above inflation over the coming quarters.



[1] For the resale market, the Saguenay area includes the Saguenay CMA, along with the municipalities of Saint-Ambroise, Saint-David-de-Falardeau, Valin, Sainte-Rose-du-Nord and Saint-Charles.
[2] The resale market is considered to be balanced when the seller-to-buyer ratio is between 8 and 10 to 1. A ratio below 8 to 1 signifies a seller's market, while a ratio above 10 to 1 indicates a buyer's market.
[3] Single-family homes include detached, semi-detached and row houses.

Table 1
Summary of Activity by Intended Market
Saguenay Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
Second quarter 2006	119	8	3	12	6	42	190
Second quarter 2005	119	8	0	8	0	27	162
Year-to-date 2006 (Jan.-June)	130	8	3	14	6	46	207
Year-to-date 2005 (Jan.-June)	131	8	0	12	0	49	200
Under construction*							
Second quarter 2006	88	2	3	12	6	87	198
Second quarter 2005	103	8	0	8	0	48	167
Completions							
Second quarter 2006	66	8	6	6	0	43	129
Second quarter 2005	51	12	0	2	0	12	77
Year-to-date 2006	98	8	6	6	5	47	170
Year-to-date 2005	72	14	0	6	0	35	127
Unoccupied*							
Second quarter 2006	0	3	0	0	0	8	11
Second quarter 2005	0	0	0	0	0	6	6
Absorption							
Second quarter 2006	66	5	6	6	0	35	118
Second quarter 2005	51	12	0	2	0	14	79
Year-to-date 2006	98	5	6	6	5	39	159
Year-to-date 2005	72	14	0	6	0	29	121
Short-term supply							
Trend 2006	88	5	3	12	6	95	209
Trend 2005	103	8	0	8	0	54	173

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

*** At the end of the period shown*

Source: CMHC

Table 2
Housing Starts by Zone and by Intended Market
Saguenay Metropolitan Area

Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 1: Chicoutimi							
Second quarter 2006	32	4	0	6	6	20	68
Second quarter 2005	28	6	0	0	0	12	46
Year-to-date 2006	34	4	0	8	6	24	76
Year-to-date 2005	30	6	0	2	0	34	72
Zone 2: Jonquière							
Second quarter 2006	28	0	3	2	0	19	52
Second quarter 2005	42	2	0	4	0	8	56
Year-to-date 2006	30	0	3	2	0	19	54
Year-to-date 2005	47	2	0	4	0	8	61
Zone 3: La Baie							
Second quarter 2006	20	2	0	2	0	3	27
Second quarter 2005	10	0	0	4	0	7	21
Year-to-date 2006	21	2	0	2	0	3	28
Year-to-date 2005	11	0	0	4	0	7	22
Centre (zones 1 to 3)							
First quarter 2006	5	0	0	2	0	4	11
First quarter 2005	8	0	0	2	0	22	32
Year-to-date 2006	5	0	0	2	0	4	11
Year-to-date 2005	8	0	0	2	0	22	32
Zone 4: Outlying area (Lac Kénogami, Larouche, Laterrière, Saint-Fulgence, etc.)							
First quarter 2006	6	0	0	0	0	0	6
First quarter 2005	4	0	0	2	0	0	6
Year-to-date 2006	6	0	0	0	0	0	6
Year-to-date 2005	4	0	0	2	0	0	6
TOTAL - SAGUENAY METROPOLITAN AREA							
First quarter 2006	11	0	0	2	0	4	17
First quarter 2005	12	0	0	4	0	22	38
Year-to-date 2006	11	0	0	2	0	4	17
Year-to-date 2005	12	0	0	4	0	22	38

Source: CMHC

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range - Second quarter Saguenay Metropolitan Area										
Type	*Under $100,000*		*$100,000 to $124,999*		*$125,000 to $149,999*		*$150,000 to $199,999*		*$200,000 or over*	
	2006	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2005*
Single	1	2	11	14	27	22	19	10	8	3
Semi	2	8	1	4	1	0	1	0	0	0
Total	3	10	12	18	28	22	20	10	8	3
Market share (single)	1.5%	3.9%	16.7%	27.5%	40.9%	43.1%	28.8%	19.6%	12.1%	5.9%

Source: CMHC

Table 4 Housing Supply - Second quarter 2006 Saguenay Metropolitan Area				
	Intended Market			
	Freehold	*Condominium*	*Rental*	*Total*
Under construction	105	6	87	198
Unoccupied	3	0	8	11
Short-term supply	108	6	95	209
Duration of short-term supply (months, trend)	3.9	4.2	15.4	6.0

Source: CMHC

Table 5
Housing Starts by Agglomeration and by Intended Market
Lac-Saint-Jean

Agglomeration / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Alma							
Second quarter 2006	27	6	0	0	0	4	37
Second quarter 2005	29	4	7	0	0	0	40
Year-to-date 2006	32	6	0	0	0	4	42
Year-to-date 2005	29	4	7	0	0	6	46
Dolbeau-Mistassini							
Second quarter 2006	11	0	0	0	0	0	11
Second quarter 2005	9	2	0	0	0	0	11
Year-to-date 2006	18	0	4	0	0	4	26
Year-to-date 2005	12	2	0	0	0	0	14
Roberval							
Second quarter 2006	2	2	0	0	0	0	4
Second quarter 2005	7	0	0	0	0	8	15
Year-to-date 2006	2	2	0	0	0	0	4
Year-to-date 2005	13	0	0	0	0	8	21
Saint-Félicien							
Second quarter 2006	8	0	0	0	0	0	8
Second quarter 2005	13	0	0	0	0	0	13
Year-to-date 2006	8	0	0	0	0	0	8
Year-to-date 2005	15	0	0	0	0	0	15

Source: CMHC

Table 6
Economic Overview
Saguenay Metropolitan Area

		2005			2006	
		2nd Q	3rd Q	4th Q	1st Q	2nd Q
Mortgage rates (%) (Canada)						
- 1-year		4.8	5.0	5.6	5.9	6.4
- 5-year		5.9	5.8	6.2	6.4	6.8
Inflation (Province of Quebec)						
- Inflation rate (%)		2.0	2.9	2.1	2.3	2.4
- Consumer Price Index (1992=100)		123.1	124.3	124.3	125.0	126.1
Quebec consumer attitudes survey						
- Index of Consumer Attitudes (1991 = 100) (seasonally adjusted)		122.2	99.3	108.9	115.9	120.7
Labour market						
- Job creation (loss) compared to	- total	1,800	1,600	-1,200	2,200	2,200
the last quarter	- full-time	1,500	3,100	-4,700	1,600	4,000
- Job creation (loss) compared to	- total	-5,400	-3,600	-1,900	4,400	4,800
the same quarter last year	- full-time	-2,100	-2,500	-3,100	1,500	4,000
- Unemployment rate (%)		9.2	9.8	10.1	8.6	8.6

Sources: Statistics Canada, Conference Board of Canada

Saguenay Metropolitan Area Zones

Zones	Municipalities	Large zone
1	Chicoutimi	Centre
2	Jonquière	Centre
3	La Baie	Centre
4	Lac Kénogami, Larouche, Laterrière, St-Fulgence, St-Honoré, Shipshaw, Canton Tremblay	Péripheral Area

Definitions and Concepts

Intended Markets - There are three: the freehold market refers to Single-Family Houses (Detached, SemiDetached 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 a 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).

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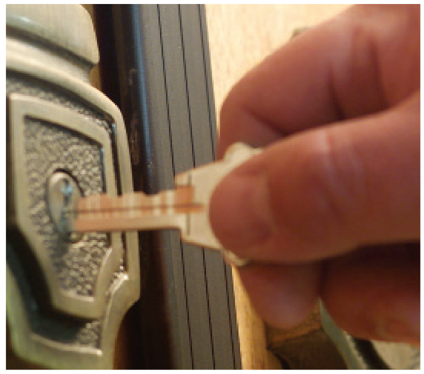


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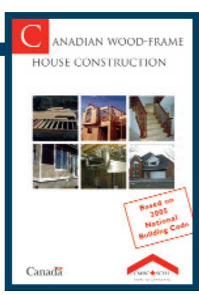

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