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Sudbury Starts Strong, Thunder Bay's Weakening

Greater Sudbury is on track for another banner home construction year, with the final starts count to likely triple the recent annual low of 131 units in 1999. Strength in nickel prices, improved demographics and a broadening economic base are sustaining demand for new residential construction. In Greater Sudbury, the 140

single-detached starts that commenced in the second quarter were six units higher than last year and well above the average for the second quarter over the last five years.

Thunder Bay's run-up in home starts to 2004, weakened in 2005 and is faltering again in 2006 due primarily to the weak position of the area's

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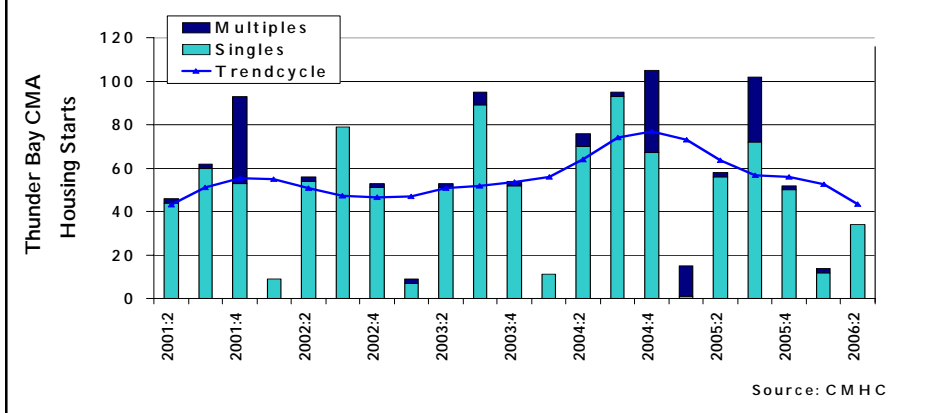
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struggling forest products industry. Second quarter housing starts fell dramatically due to poor consumer confidence, leaving single-detached starts to the end of the first half of 2006 19.3 per cent behind last year's first six months. The two multi-family starts in the first half of the year were down from 16 last year.

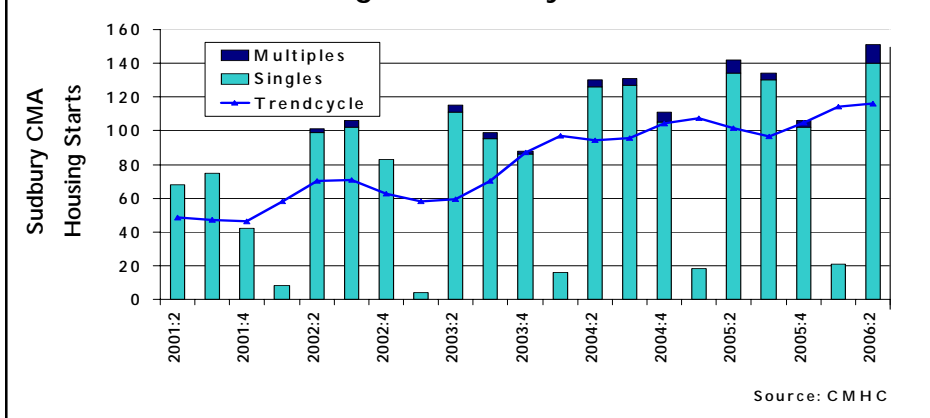
Starts in North Bay and Timmins are ahead of last year to June 30th. Timmins had a strong second quarter and is 53.3 per cent ahead of last year's six month total. North Bay's home starts are showing continued strength. The resale market is supporting new construction activity as demand is still strong with sales being up nearly 12 per cent for the first six months of 2006.

Sault Ste. Marie starts are off 6.9 per cent for the quarter and 18.4 cent to June 30th over last year but remain on par with the five year average. Multiple starts

Thunder Bay Starts Soften



Strong Sudbury Starts



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Rapport aussi disponible en francais

continue to be sparse in Northern Ontario.

In other parts of Northern Ontario, activity is mixed. Year-to-date numbers for these markets are found in Table 2B.

Average prices for absorbed new single-detached units in each of Thunder Bay, Sudbury, Sault Ste. Marie, and North Bay are over \$200,000 (see Table 3). Second quarter year-over-year price increases range from 3.4 per cent in North Bay to 29.0 in Sault Ste. Marie.

Rising construction costs and demand for larger units with more amenities are contributing to an upward shift in new home prices. Table 4 presents new construction absorption information by volume and by price range. The \$200,000 plus price range is the most popular in Sudbury, Thunder Bay and North Bay while the \$150,000 to \$199,999 range is most popular in Sault Ste Marie.

Resale Markets in Northern Ontario

Resale market information is provided in **Table 5** for all markets that have Real Estate Boards in Northern Ontario.

Sudbury Q2 Review

Employment gains have helped home sales in Greater Sudbury. Sudbury's resale market is currently in a seller's state. Strength in nickel prices, improved demographics and a broadening economic base are sustaining demand in both the resale market and new residential construction market.

Greater Sudbury sales are up in the second quarter compared to last year's. The 823 sales were up 2.4 per cent. In the year-to-date, Sudbury sales are 3.9 per cent ahead of last year.

The 1253 new listings in the second quarter are off slightly from the 1294 in the second quarter of 2005. Year-to-date new listings have edged down one per cent from 2005 levels.

Home prices continue strong which is not surprising given the strong demand and tight listings supply in the Sudbury market. Average prices are up 11.1 per cent in the first six months of 2006. The average price in the second quarter at \$147,970, was up 10.8 per cent from a year prior.

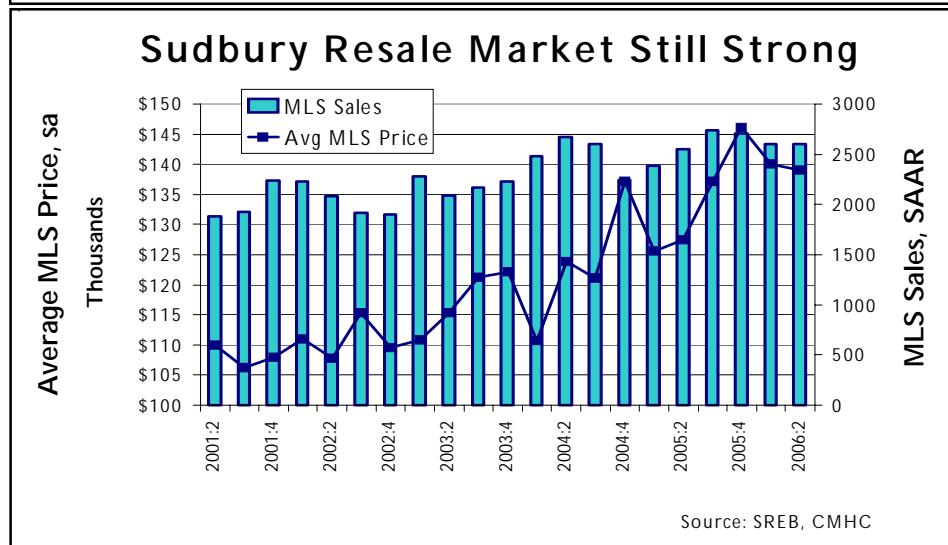
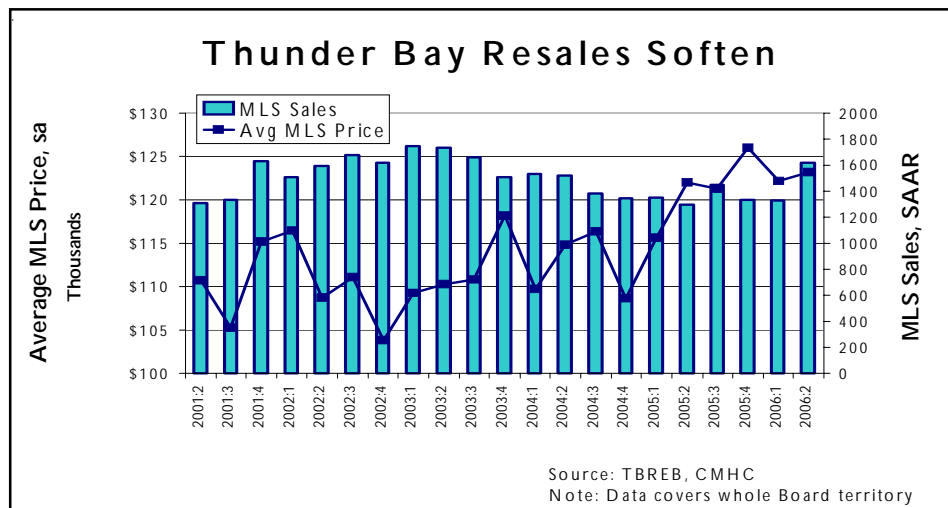
Thunder Bay Q2 Review

Thunder Bay is experiencing weakness in demand due to a hesitant consumer attitude stemming from many negative employment announcements especially in the forest products industry. Mortgage rates rose slightly which boosted monthly carrying costs and acts as a further deterrent to people looking to buy a resale home.

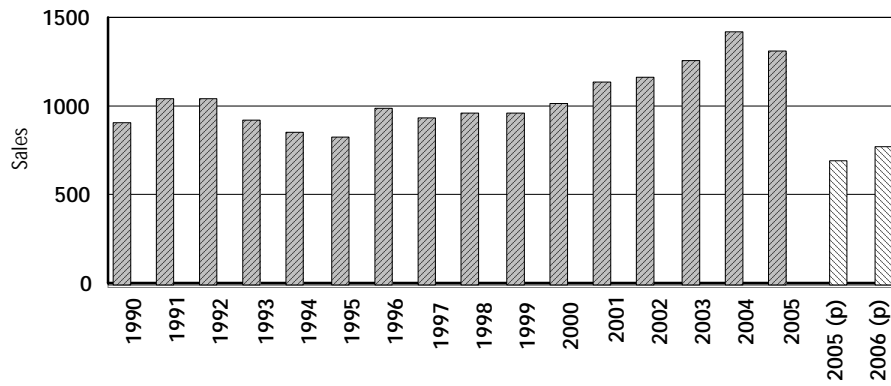
Sales continued falling from the recent peak in 2004. Residential MLS sales fell to 448 in second quarter, off 12.5 per cent from last year's second quarter.

New listings edged up in 2005 and continue to trend up in 2006. Listings increased strongly to 944 units, an all-time second quarter high, up from 890 in the second quarter of 2005.

Prices were flat in the second quarter finishing up 1.9 per cent to \$125,778 for the quarter compared to last year's second quarter. Relatively low interest rates, slightly improving employment levels and faltering housing demand still support a balanced market classification.



North Bay Sales Soaring



(p) to June 30th.
Source: NBREB.

North Bay Sales: Flying High

After a slightly weaker year of sales in 2005, home sales in North Bay are rebounding and are on a pace to challenge the modern-day record of 1,427 sales in 2004. Sales to the end of June are ahead 11.6 per cent from this time last year. Also, the 499 sales in the second quarter were the second highest recorded by the NBREB since 1990. While new listings have advanced 12.1 per cent year-to-date, they have failed to keep pace with demand. North Bay's average priced unit sold for \$161,773, in the first six months of 2006, the highest value of any Northern Ontario large centre.

Table 1A: Housing Activity Summary for Thunder Bay CMA

	OWNERSHIP					RENTAL		GRAND **TOTAL
	FREEHOLD			CONDOMINIUM				
	*SINGLE	*SEMI	ROW	ROW	APT	ROW	APT	
STARTS								
Q2 2006	34	0	0	0	0	0	0	34
Q2 2005	56	2	0	0	0	0	0	58
% Change	-39.3	-100.0	NA	NA	NA	NA	NA	-41.4
Year-to-date 2006	46	2	0	0	0	0	0	48
Year-to-date 2005	57	2	0	0	14	0	0	73
% Change	-19.3	0.0	NA	NA	-100.0	NA	NA	-34.2
UNDER CONSTRUCTION								
June 2006	58	6	5	0	30	0	0	99
June 2005	90	4	5	0	45	0	0	144
COMPLETIONS								
Q2 2006	30	0	0	0	0	0	0	30
Q2 2005	34	2	0	0	0	0	0	36
% Change	-11.8	-100.0	NA	NA	NA	NA	NA	-16.7
Year-to-date 2006	77	0	0	0	0	0	14	91
Year-to-date 2005	88	4	0	0	0	0	0	92
% Change	-12.5	-100.0	NA	NA	NA	NA	NA	-1.1
COMPLETE & NOT ABSORBED								
June 2006	1	0	0	0	0	0	0	1
June 2005	2	1	0	0	0	0	0	3
ABSORPTIONS								
Q2 2006	29	0	0	0	5	0	14	48
Q2 2005	37	1	0	0	0	0	0	38
% Change	-21.6	-100.0	NA	NA	NA	NA	NA	26.3
Year-to-date 2006	77	0	0	0	5	0	14	96
Year-to-date 2005	89	3	0	0	0	0	6	92
% Change	-13.5	-100.0	NA	NA	NA	NA	133.3	4.3

*Includes all market types

**Year-over-year change greater than 200 per cent

Source: CMHC

Table 1B: Housing Activity Summary for Sudbury CMA

	OWNERSHIP					RENTAL		GRAND TOTAL
	FREEHOLD			CONDOMINIUM		ROW	APT	
	SINGLE	SEMI	ROW	ROW	APT			
STARTS								
Q2 2006	140	4	0	0	0	7	0	151
Q2 2005	134	4	4	0	0	0	0	142
% Change	4.5	0.0	-100.0	NA	NA	NA	NA	6.3
Year-to-date 2006	161	4	0	0	0	7	0	172
Year-to-date 2005	152	4	4	0	0	0	0	160
% Change	5.9	0.0	-100.0	NA	NA	NA	NA	7.5
UNDER CONSTRUCTION								
June 2006	151	4	0	0	0	7	0	162
June 2005	148	2	4	0	0	4	0	158
COMPLETIONS								
Q2 2006	68	0	0	0	0	0	0	68
Q2 2005	64	2	0	0	0	0	0	66
% Change	6.3	-100.0	NA	NA	NA	NA	NA	3.0
Year-to-date 2006	145	8	0	0	0	4	0	157
Year-to-date 2005	133	4	0	0	0	0	0	137
% Change	9.0	100.0	NA	NA	NA	NA	NA	14.6
COMPLETE & NOT ABSORBED								
June 2006	15	0	0	0	0	0	0	15
June 2005	12	0	0	0	0	0	0	12
ABSORPTIONS								
Q2 2006	64	2	0	0	0	0	0	66
Q2 2005	66	2	0	0	0	0	0	68
% Change	-3.0	0.0	NA	NA	NA	NA	NA	-2.9
Year-to-date 2006	140	8	0	0	0	4	0	152
Year-to-date 2005	129	4	0	0	0	0	0	133
% Change	8.5	100.0	NA	NA	NA	NA	NA	14.3

*Includes all market types

**Year-over-year change greater than 200 per cent

Source: CMHC

Table 2A: Starts by Area and by Intended Market - Current Quarter

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	Q2 2005	Q2 2006	% change	Q2 2005	Q2 2006	% change	Q2 2005	Q2 2006	% change
North Bay	46	49	6.5	0	8	NA	46	57	23.9
Sault Ste. Marie	29	27	-6.9	10	3	-70.0	39	30	-23.1
Timmins	15	17	13.3	0	0	NA	15	17	13.3
Elliot Lake	0	3	NA	0	2	NA	0	5	NA
Haileybury	0	0	NA	0	0	NA	0	0	NA
Kenora	8	1	-87.5	0	0	NA	8	1	-87.5
Fort Frances	1	1	0.0	0	0	NA	1	1	0.0
Dryden	0	2	NA	0	0	NA	0	2	NA

Table 2B: Starts by Area and by Intended Market - Year-to-Date

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	YTD 2005	YTD 2006	% change	YTD 2005	YTD 2006	% change	YTD 2005	YTD 2006	% change
North Bay	54	59	9.3	0	8	NA	54	67	24.1
Sault Ste. Marie	38	31	-18.4	10	3	-70.0	48	34	-29.2
Timmins	15	23	53.3	0	0	NA	15	23	53.3
Elliot Lake	0	5	NA	0	2	NA	0	7	NA
Haileybury	0	0	NA	0	0	NA	0	0	NA
Kenora	8	7	-12.5	0	0	NA	8	7	-12.5
Fort Frances	1	1	0.0	0	0	NA	1	1	0.0
Dryden	0	5	NA	0	0	NA	0	5	NA

Table 3: Average Price of Completed and Absorbed Single-Detached Dwellings (\$)

Sub Market Area	Q2 2005	Q2 2006	% Change	YTD 2005	YTD 2006	% Change
Sudbury	243,583	271,320	11.4	232,975	265,832	14.1
Thunder Bay	220,324	231,655	5.1	218,573	226,273	3.5
North Bay	256,140	264,857	3.4	247,961	258,482	4.2
Sault Ste. Marie	199,783	257,727	29.0	193,636	200,870	3.7

Table 4: Completed and Absorbed Single-Detached Units by Price Range

AREA	PRICE RANGES						
	<\$149,999		\$150-\$199,999		\$200,000 +		TOTAL
	Units	Share (%)	Units	Share (%)	Units	Share (%)	
Sudbury CMA							
Q2 2006	2	3.1	9	14.1	53	82.8	64
Q2 2005	2	3.0	21	31.8	43	65.2	66
YTD 2006	3	2.1	21	15.0	116	82.9	140
YTD 2005	8	6.2	47	36.4	74	57.4	129
Thunder Bay CMA							
Q2 2006	1	3.4	7	24.1	21	72.4	29
Q2 2005	1	2.7	15	40.5	21	56.8	37
YTD 2006	5	6.5	24	31.2	48	62.3	77
YTD 2005	7	7.9	26	29.2	56	62.9	89
Sault Ste. Marie CA							
Q2 2006	2	18.2	3	27.3	6	54.5	11
Q2 2005	3	13.0	11	47.8	9	39.1	23
YTD 2006	7	15.2	24	52.2	15	32.6	46
YTD 2005	8	13.8	23	39.7	27	46.6	58
North Bay CA							
Q2 2006	0	0.0	6	21.4	22	78.6	28
Q2 2005	0	0.0	1	10.0	9	90.0	10
YTD 2006	3	3.8	22	27.8	54	68.4	79
YTD 2005	1	2.3	11	25.0	32	72.7	44

Source: CMHC

Note: N/A may appear where CMHC data suppression rules apply

Table 5: Resale Housing Activity for Northern Ontario

	Number of Sales	Yr/Yr %	Number of New Listings	Sales-to-New Listings	Average Price (\$)	Yr/Yr %
Thunder Bay CMA						
Q2 2005	512	n/a	890	57.5	128,183	n/a
Q2 2006	448	-12.5	944	47.5	130,658	1.9
YTD 2005	801	n/a	1,453		122,581	n/a
YTD 2006	706	-11.9	1,624		125,778	2.6
Sudbury CMA						
Q2 2005	804	-2.9	1294	62.1	133,553	-6.9
Q2 2006	823	2.4	1253	65.7	147,970	10.8
YTD 2005	1,298	-3.4	2,198		130,870	6.0
YTD 2006	1,348	3.9	2,177		145,458	11.1
Sault Ste Marie CA						
Q2 2005	393	11.3	659	59.6	96,477	-2.3
Q2 2006	431	9.7	748	57.6	103,597	7.4
YTD 2005	610	14.0	1,118		95,716	-0.1
YTD 2006	694	13.8	1,209		99,723	4.2
North Bay CA						
Q2 2005	463	-12.0	724	64.0	153,669	7.2
Q2 2006	499	7.8	752	66.4	164,216	6.9
YTD 2005	698	-12.8	1,098		146,931	7.1
YTD 2006	779	11.6	1,231		161,773	10.1
Timmins CA						
Q2 2005	308	-6.4	568	54.2	88,575	-3.4
Q2 2006	330	7.1	527	62.6	97,833	10.5
YTD 2005	486	-9.5	968		86,724	-1.4
YTD 2006	541	11.3	855		93,890	8.3

* Thunder Bay sales are taken from districts 1 and 2 of the Thunder Bay Real Estate Board except for new listings which are for whole Board territory.

Source: Canadian Real Estate Association

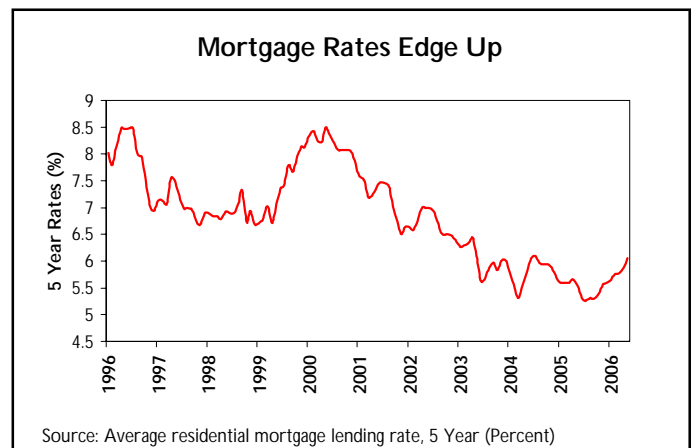
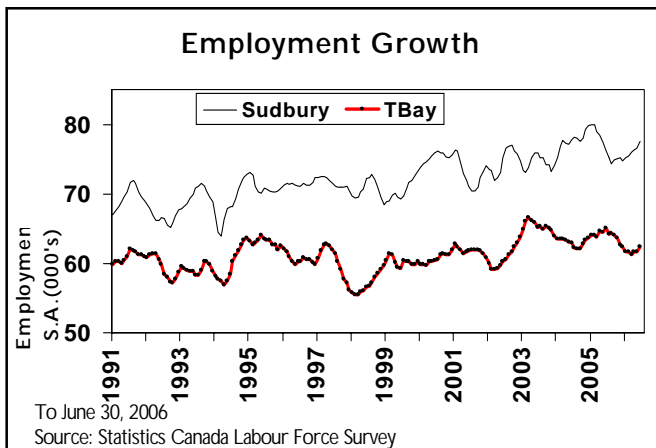
Table 6: Economic Indicators

	Interest and Exchange Rates				Inflation Rate (%)	Thunder Bay Labour Market		Sudbury Labour Market	
	P & I* Per \$100,000	Mortgage Rate (%)		Exch. Rate (\$US/\$Cdn)		Ontario 1996=100	Employment SA** (,000)	Unemployment Rate (%) SA	Employment SA** (,000)
		1 Yr. Term	5 Yr. Term						
2005 January	642.78	4.8	6.1%	0.806	1.6	64.0	8.2	80.0	7.9
February	642.78	4.8	6.1%	0.811	2.2	64.1	7.9	79.9	7.9
March	654.74	5.1	6.3%	0.827	2.3	63.8	7.7	79.0	8.0
April	642.78	4.9	6.1	0.795	2.3	64.6	7.6	78.4	7.4
May	636.84	4.9	6.0	0.797	1.5	64.5	7.3	77.4	7.4
June	622.08	4.8	5.7	0.816	1.9	65.0	7.7	76.2	7.5
July	627.97	4.9	5.8	0.817	1.9	64.2	7.5	75.1	8.2
August	627.97	5.0	5.8	0.842	2.7	64.3	7.2	74.3	8.4
September	627.97	5.0	5.8	0.860	3.3	64.0	6.6	74.9	8.3
October	639.81	5.3	6.0	0.847	2.5	63.7	6.5	75.0	7.6
November	648.75	5.6	6.2	0.857	2.0	62.7	6.4	75.2	7.5
December	657.75	5.8	6.3	0.860	2.1	62.3	6.3	74.8	7.3
2006 January	657.75	5.8	6.3	0.878	3.0	61.6	6.4	75.1	7.5
February	666.80	5.9	6.5	0.880	2.0	61.6	6.9	75.5	7.7
March	666.80	6.1	6.5	0.856	2.3	61.2	7.4	76.0	8.2
April	685.05	6.3	6.8	0.894	2.3	61.6	8.1	76.3	8.0
May	685.05	6.3	6.8	0.908	2.8	61.7	7.9	76.6	7.4
June	697.33	6.6	7.0	0.896	2.4	62.3	7.8	77.5	6.9
July	697.33	6.6	7.0						
August									
September									
October									
November									
December									

* Principal and Interest Payment assumes a five year mortgage rate and 25 year amortization period.

** Seasonally Adjusted

Source: CMHC, Statistics Canada Labour Force Survey



Definitions

1. **Starts:** refers to units where construction has advanced to a stage where full (100%) footings are in place. For multiple dwellings (semi-detached, row housing and apartments) the definition of a start applies to the structure or block of row units rather than to the project as a whole.
2. **Under Construction:** those units which have been started but which are not complete.
3. **Completions - Single-detached/semi-detached units:** this generally is the stage at which all proposed construction work is complete. A unit may be completed at the 90% stage where the remaining work is largely cosmetic. **Row housing/ Apartment:** completions means that 90% or more of the dwelling units within a block of row units or an apartment structure are completed and ready for occupancy
4. **Completed and Not Absorbed:** all completed units of new construction (excluding model homes not available for sale) which have never been sold or leased.
5. **Absorptions:** the number of completed units (excluding model homes) that have been sold or leased.
6. **Seasonally Adjusted (SA):** Actual monthly (or quarterly) figures adjusted to remove normal seasonal variation.
7. **Seasonally Adjust Annual Rates (SAAR):** Seasonally adjusted monthly figures multiplied by 12 (or quarterly figures multiplied by 4) to reflect annualized levels of activity.
8. Definitions for **CMA**, and **Inflation Rate** can be found in the Statistics Canada website - <http://www.statcan.ca>

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