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Gatineau

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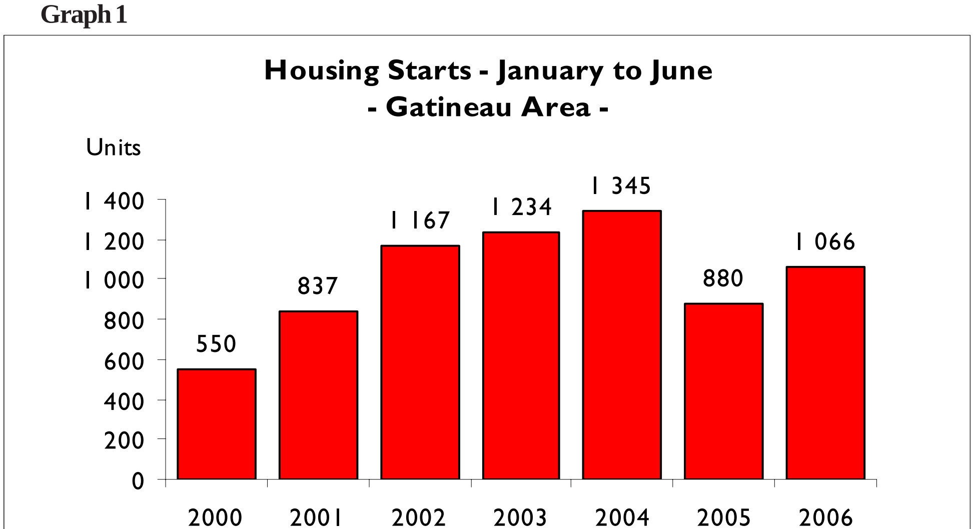
HOUSING STARTS RISE IN GATINEAU FOR A SECOND STRAIGHT QUARTER

The recovery in the residential construction sector, which began in the first quarter, continued in the second. In fact, construction got under way 620 new dwellings, compared to 558 in the second quarter of 2005, for an increase of 11 per cent. However, this gain was less significant than the hike posted in the first quarter (+38 per cent). While a slowdown occurred on the freehold housing market (especially in the single-detached home segment), where there were fewer new units than in the second quarter of 2005 (423 starts, versus 525), the condominium segment once again had a period of intense activity (153 starts, compared to 12), as did rental housing construction (44 starts, compared to 21). The results for the first six months of the year show an increase of 21 per cent over 2005. For this first half of the year, total freehold housing starts are still ahead of last year, by 4 per cent. As for the other markets, the differences in relation to last year are more significant. In fact, condominium starts doubled (204 units, versus 109) while, for rental housing, the increase in activity exceeds 150 per cent (99 starts, versus 39).

After four years of growth in the number of housing starts, a break was observed in 2005. During the first half of 2005, construction got under way on only 880 dwellings, compared to 1,345 from January to June 2004 (see graph). This decrease seemed to be in line not only with the economic indicators, including the strong increase in prices and the rise in

Graph 1



Source: CMHC

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mortgage rates that were reducing demand, but also with the demographic indicators. This renewed growth in 2006 is therefore somewhat surprising, even thought should be specified—the level of 1,066 starts is still far from the peak reached in 2004 (1,345 units).

Spotlight on the job market: reflection of the vigorous regional economy

In the Gatineau area, the job market registered slower growth in 2005, and the gain was essentially in part-time jobs. In 2006, things are looking up. In the second quarter, employment grew in the Outaouais, on an annual basis, for a ninth consecutive quarter. In all, 3,500 more people became employed, for a total gain of 21,200 since the beginning of the year. Even if part-time jobs continue to rise faster (+18.5 per cent) than full-time positions (+8.5 per cent), the latter are still gaining some ground. In fact, with the second quarter results, over 80 per cent of all workers are on the job more than 30 hours per week. The situation on the job market therefore reflects the vigorous regional economy and should continue to improve.

In fact, the Emploi Québec action plan for the area anticipates continued employment growth until 2009. As a result, 28,000 jobs will have to be filled from 2005 to 2009.

To this end, emphasis will be placed on labour qualification, job integration and retention, and business support. With the drawing power of the West, several cities and areas are seeing their skilled labour migrate to Calgary, which is creating local shortages. Efforts will there be required for both training the existing labour force and developing strategies to recruit outside the area.

More specifically, the Emploi Québec forecasts reveal that, in the Outaouais, the number of employed persons will continue to grow until 2009, at an average rate of around 2,500 persons per year. The employment sectors that will show growth rates above the regional average will be professional, scientific and technical services, health care and social assistance, trade, and finance and insurance.

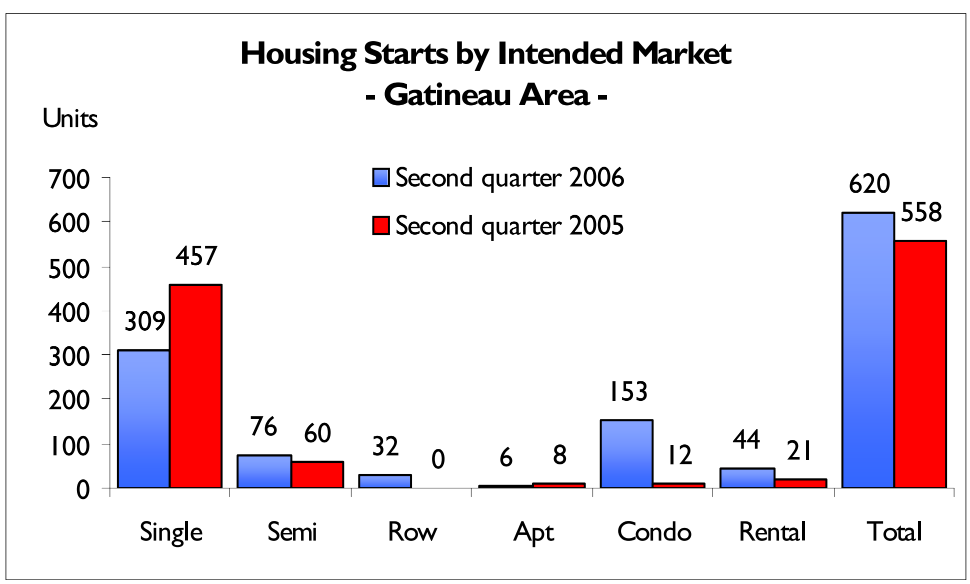
As well, the Gatineau area will continue to benefit from the renewed activity in the high-technology sector in Ottawa to take up a greater share of this market and other emerging markets such as language technology. The outlook is therefore very good for the Outaouais, making for conditions that will stimulate the housing market over the coming years.

Condominium and rental housing starts up significantly

For a second straight quarter, the greatest increase was registered in the condominium and rental housing segments. Condominium starts reached 153 units (versus 12 in the second quarter of 2005), and the inventory remains high. However, on the resale market, this is the only housing type for which supply is decreasing. Even though the duration of inventory has increased from 1.0 month to 1.7 months since June 2005, it will still take less time in the future to absorb the units currently under construction, as the unmet demand should shift to the new home market. In fact, there has been a significant rise in the number of absorbed units, with over 50 per cent more than at the same time last year. It should be mentioned that, to the extent where the price of single-detached homes has not stopped rising, condominiums remain attractive to several categories of households. There is consequently less cause for concern than in the past, but the situation should still be watched.

The homeownership trend in recent years has freed up many rental dwellings and continues to do so. As a result, the vacancy rate surpassed the 3-per-cent mark in 2005, yet this does not seem to be discouraging investments in this segment. In fact, there were 44 rental apartment starts in the second quarter, or 23 more than during the same period last year. These new dwellings are all contained in mid-size constructions, as no rental buildings with over 20 units have been started in the area since the beginning of the year. A glance at the resale market also suggests that the craze for small rental buildings is not over. In fact,

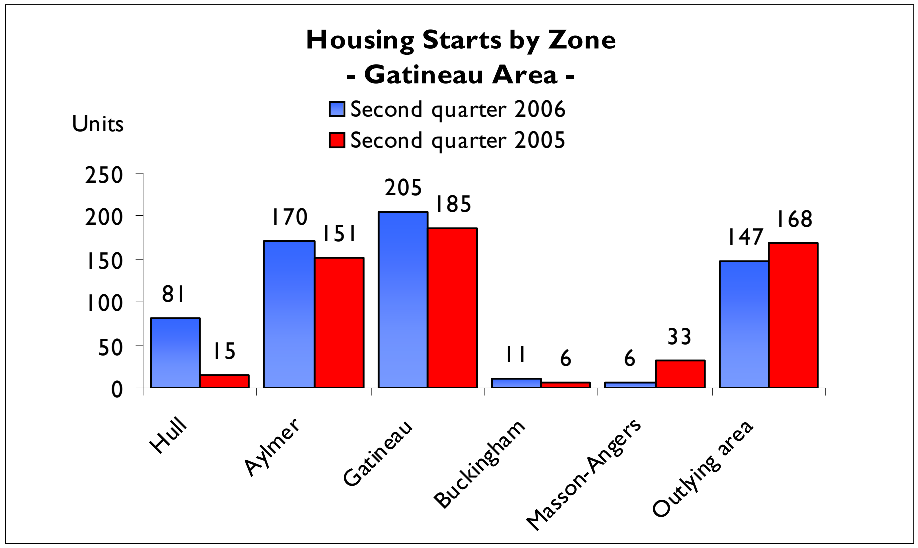
Graph 2



Source: CMHC

plex sales rose by 35 per cent in the second quarter and prices, by 14 per cent. The question, of course, is whether or nor the rents will manage to offset this increase in value. Given the improvement of the job market and the tighter conditions on the real estate market, owners could see a new demand for rental apartments. With attractive incomes (especially for part-time jobs) and a drawing power on workers from outside the area (who are renters at first), the job market could be the element that will save the rental market. In addition, some renter households will not be able to act on their dreams of homeownership (on account of high prices and mortgage rates), and fewer apartments should therefore be vacated. This potential demand will consequently quell the concerns that could have arisen from the recent strong rental housing construction.

Graph 3



Source: CMHC

Interest in eastern sectors waning

The significant number of semi-detached houses, row homes and condominiums started in Gatineau and Aylmer largely offset the decreases in new single-detached houses. The results for these zones were therefore positive (+11 per cent in Gatineau and +13 per cent in Aylmer), while their star housing type, namely, single-detached homes, sustained non-negligible losses (-56 per cent in Gatineau and -36 per cent in Aylmer). The trend that is emerging in these two sectors is a real sign that the times are changing, with the single-detached home market shares becoming less and less significant. In fact, this housing type, which garnered over 80 per cent of the new home market in the second quarter of 2005, now accounts for only 49 per cent. The growth in prices (more than $10,000 in one year) certainly contributed to this shift in demand toward other housing types like semi-detached homes, row houses and condominiums. Even if the prices for these dwelling types are also on the rise, they are still less than those charged for single-detached homes. The Hull sector also posted an increase in activity, essentially in the condominium segment. The sectors on the decline are definitely the zones outside the urban centre.

In Masson, construction got under way on only 6 new units while, in Buckingham, even with an increase in starts, activity was no more intense (just 11 new dwellings). It would appear that the trend observed in the past, which saw a shift in demand toward the east, is waning, as potential buyers are rather opting for the central districts, close to the services and to Ottawa.

In the outlying area, the 147 starts enumerated in the past quarter represent a decrease of 12 per cent from the 168 new units recorded in the corresponding quarter last year.

Resale market still growing

According to data from the Chambre immobilière de l'Outaouais (CIO), transactions registered on the Service inter-agences / Multiple Listing Service (S.I.A.® / MLS®) rose by 11 per cent in the second quarter of 2006 over the same period last year, in the Gatineau metropolitan area. The resale market therefore continued on the upward trend that began during the second half of 2005.

In the second quarter, sales increased for all housing types, with the exception of semi-detached and row homes (under freehold tenure). As for active listings, they remained practically stable. In fact, while the supply of existing properties had gone up by nearly 30 per cent at the same time last year, the growth has now slowed to just 2 per cent. As well, new listings recorded their first decrease (-3 per cent) since the first quarter of 2002. Supply would therefore appear to have reached a plateau, while demand seems to be showing renewed strength. This situation has not had a major impact on prices for the moment. The average price effectively rose by about 6 per cent to $169,883, thereby confirming the trend observed in the last three quarters. With a seller-to-buyer ratio that has remained stable at 6 to 1 since the beginning of 2005, it can no longer be said that the market is easing. It would in fact seem that conditions did ease slightly, on account of the strong increase in listings last year, but that the upsurge in sales has kept the market favourable to sellers since then.

Table 1
Summary of Activity by Intended Market
Gatineau Metropolitan Area*

Activity / Period	*Ownership*		*Rental*	*Total*
	*Freehold***	*Condominium*		
Starts				
Second quarter 2006	423	153	44	620
Second quarter 2005	525	12	21	558
Year-to-date 2006	763	204	99	1,066
Year-to-date 2005	732	109	39	880
Under construction				
June 2006	445	180	77	702
June 2005	661	377	46	1,084
Completions				
Second quarter 2006	305	171	219	695
Second quarter 2005	340	55	54	449
Year-to-date 2006	757	348	337	1,442
Year-to-date 2005	732	144	120	996
Unoccupied				
June 2006	123	82	15	220
June 2005	36	49	41	126
Absorption				
Second quarter 2006	315	195	221	731
Second quarter 2005	331	128	53	512
Year-to-date 2006	757	357	288	1,402
Year-to-date 2005	712	211	108	1,031
Duration of inventory (months)				
June 2006	0.9	1.7	0.5	1.0
June 2005	0.2	1.0	1.5	0.6

Source: CMHC

** As per former delimitation*

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

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

Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.**			
Zone 1: Hull							
Second quarter 2006	6	0	0	0	75	0	81
Second quarter 2005	4	0	0	0	4	7	15
Year-to-date 2006	6	0	0	0	75	0	81
Year-to-date 2005	6	0	0	0	31	7	44
Zone 2: Aylmer							
Second quarter 2006	74	32	32	2	12	18	170
Second quarter 2005	115	36	0	0	0	0	151
Year-to-date 2006	110	78	32	2	63	22	307
Year-to-date 2005	157	56	0	0	9	3	225
Zone 3: Gatineau							
Second quarter 2006	77	36	0	4	66	22	205
Second quarter 2005	175	0	0	0	0	10	185
Year-to-date 2006	227	102	0	4	66	73	472
Year-to-date 2005	275	14	0	0	57	17	363
Zone 4: Buckingham							
Second quarter 2006	3	4	0	0	0	4	11
Second quarter 2005	2	0	0	0	0	4	6
Year-to-date 2006	3	4	0	0	0	4	11
Year-to-date 2005	3	2	0	0	0	8	13
Zone 5: Masson-Angers							
Second quarter 2006	6	0	0	0	0	0	6
Second quarter 2005	11	22	0	0	0	0	33
Year-to-date 2006	20	0	0	0	0	0	20
Year-to-date 2005	13	22	0	0	0	4	39
Zone 6: Outlying area							
Second quarter 2006	143	4	0	0	0	0	147
Second quarter 2005	150	2	0	8	8	0	168
Year-to-date 2006	167	4	0	4	0	0	175
Year-to-date 2005	172	2	0	10	12	0	196
TOTAL - GATINEAU METROPOLITAN AREA							
Second quarter 2006	309	76	32	6	153	44	620
Second quarter 2005	457	60	0	8	12	21	558
Year-to-date 2006	533	188	32	10	204	99	1 066
Year-to-date 2005	626	96	0	10	109	39	880

Source: CMHC

** As per former delimitation*

*** Owner-occupied duplexes*

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range and by Zone Gatineau Metropolitan Area* - Second Quarter												
Type	Under 150 000 $		$150,000 to 174 999 $		$175,000 to 199 999 $		$200,000 to 249 999 $		250 000 $ or over		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Zone 1: Hull												
Single	0	0	0	0	0	1	0	2	2	3	2	6
Semi	1	0	0	0	0	0	0	0	0	0	1	0
Zone 2: Aylmer												
Single	0	1	11	14	15	14	33	30	16	12	75	71
Semi	24	8	18	11	3	2	0	2	0	0	45	23
Zone 3: Gatineau												
Single	2	29	26	24	32	28	24	29	10	18	94	128
Semi	23	10	0	0	0	0	0	0	0	0	23	10
Zone 4: Buckingham												
Single	0	1	0	2	1	0	0	0	0	0	1	3
Semi	2	3	0	0	0	0	0	0	0	0	2	3
Zone 5: Masson-Angers												
Single	0	0	3	1	1	0	0	1	0	0	4	2
Semi	0	0	0	0	0	0	0	0	0	0	0	0
Zone 4: Outlying area												
Single	17	13	6	8	11	13	14	21	14	22	62	77
Semi	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL - GATINEAU METROPOLITAN AREA												
Single	19	44	46	49	60	56	71	83	42	55	238	287
Semi	50	21	18	11	3	2	0	2	0	0	71	36

Source: CMHC

Table 4
Housing Demand and Supply
Gatineau Metropolitan Area* - June 2006

Type	*Under Construction*	*Unoccupied*	*Short-Term Supply*	*Absorption (Trend**)*	*Supply / Absorption Ratio*
Freehold	445	123	568	134	4,2
Condominium	180	82	262	47	5,6
Rental	77	15	92	29	3,1

Source: CMHC

** As per former delimitation*

*** 12-month average*

Table 5
Economic Overview
Gatineau Metropolitan Area*

	Second Quarter		*Trend (Jan.-June)*		*% Change*
	2005	***2006***	***2005***	***2006***	***Trend***
Labour market					
Population 15 years + (000)	229.7	235.3	228.8	234.7	2.6
Labour force (000)	162.4	166.8	159.5	167.8	5.2
Employment level - total (000)	152.8	157.9	148.0	158.1	6.8
Employment level - full-time (000)	128.7	131.8	122.9	130.6	6.2
Unemployment rate	5.9%	5.3%	7.2%	5.8%	n.a.
Mortgage rates (1) (%)					
1-year	4.8	6.4	4.9	6.1	n.a.
5-year	5.9	6.8	6.0	6.6	n.a.
Annual inflation rate (2)	2.0	2.4	2.1	2.4	n.a.
Index of Consumer Confidence (1991=100) (2)	122.2	120.7	122.8	118.3	n.a.

Sources: Statistics Canada, Conference Board of Canada

** As per former delimitation*

Notes: (1) Canada (2) Province of Quebec

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 Gatineau 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 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).

Gatineau Metropolitan Area Zones

Zones	Municipalities of Sectors	Large zones
1	Hull	Center
2	Aylmer	Center
3	Gatineau	Center
4	Buckingham	Peripheral Area
5	Masson-Angers	Peripheral Area
6	Cantley, Chelsea, La Pêche, Masson-Angers, Pontiac and Val-des-Monts.	Peripheral Area

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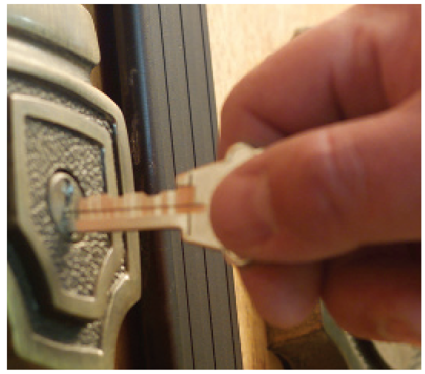


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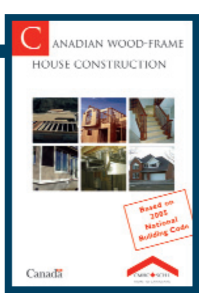

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