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Québec

Canada Mortgage and Housing Corporation

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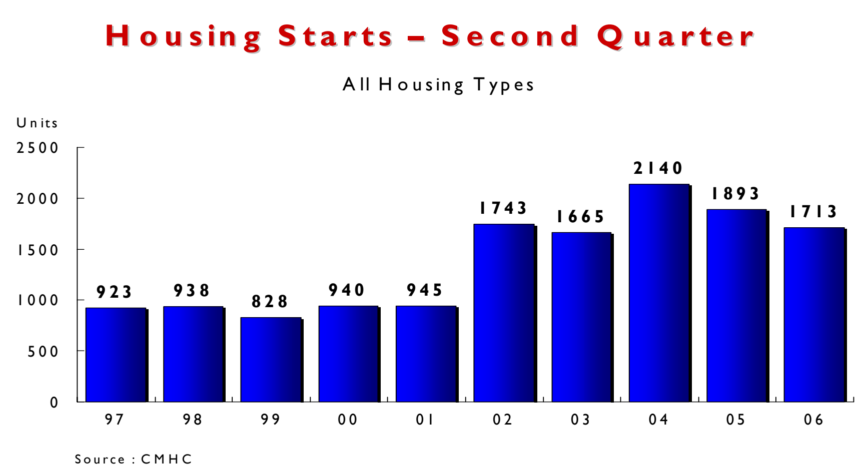
HOUSING STARTS DECLINE IN THE QUÉBEC AREA IN THE SECOND QUARTER OF 2006

The slowdown in residential construction continued in the second quarter of 2006 in the Québec census metropolitan area (CMA). According to the latest surveys conducted by Canada Mortgage and Housing Corporation (CMHC), 1,713 dwellings were started from April to June, or 10 per cent fewer than during the same period in 2005. This was the fifth consecutive quarterly decrease for the Québec area.

All housing types were affected by the slowdown in activity during the second quarter of 2006. The condominium segment sustained the greatest decrease (-26 per cent), with 237 starts, followed by the freehold home market*, with a total of 1,103 new units (-7 per cent). Rental housing, for its part, registered a drop of 5 per cent, as 373 starts were enumerated.

For the first half of the year, total starts reached 2,786 units, down by 13 per cent from the first six months of 2005. Once again, the condominium segment was the hardest hit, with a decrease of 27 per cent (to 440 units), followed by rental housing, with a decline of 15 per cent (to 687 units). These two housing types were more affected by the drop in starts, on



* Freehold homes include detached, semi-detached and row houses, as well as duplexes.

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account of the new rise in the number of condominiums for sale and dwellings for rent on the existing home market. Freehold home construction, for its part, was less impacted by the downward trend, as 1,659 new units were enumerated, for a decrease of 8 per cent. During the first half of the year, the sector comprising Québec Des Rivières (Duberger, Les Saules, Neufchâtel, Lebourgneuf) and L'Ancienne-Lorette stood out with a strong increase in starts: 824 units versus 356 last year. The vigorous activity in this sector was attributable to the presence of the largest residential developments in the area.

In all urban centres with 10,000 or more inhabitants across Quebec, 18,669 starts were enumerated during the first six months of 2006, for a decrease of 5 per cent in relation to the same period in 2005. Among the six CMAs in Quebec, four registered increases, namely, Sherbrooke (+47 per cent), Gatineau (+21 per cent), Trois-Rivières (+20 per cent) and Saguenay (+3 per cent). In addition to the Québec area (-13 per cent), the Montréal area also recorded a decrease in activity (-13 per cent).

Resale market remains vigorous

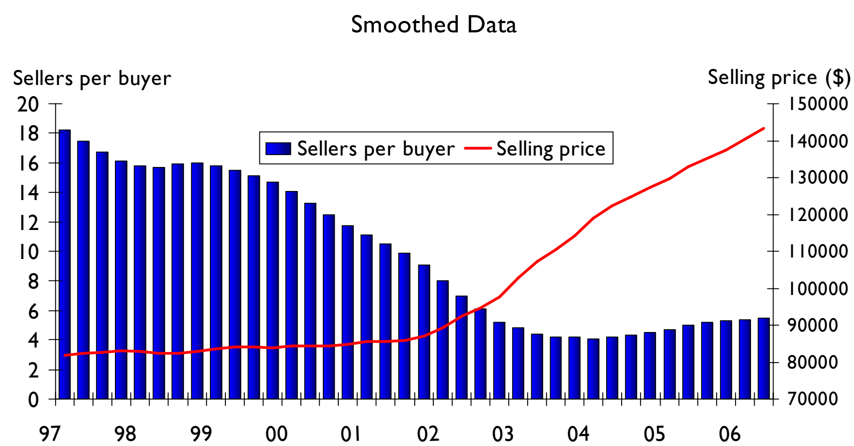
In the Québec census metropolitan area (CMA), the resale market was very active in the second quarter of 2006. According to Service inter-agences / Multiple Listing Service (S.I.A.® / MLS®) data, sales of existing properties reached 1,948 units, or 1 per cent more than during the same quarter last year. As well, this volume was close to the record for a second quarter set in 2001. Sales of existing homes therefore remained vigorous thanks to a most enviable job market and mortgage rates that stayed very affordable despite the hikes in recent quarters.

The number of properties for sale continued to rise. This growing supply was making things easier for buyers, helping them to find a home in line with their tastes. In fact, there were 3,671 dwellings for sale at the end of the second quarter, or 300 more than at the same time one year earlier. Once again, it was the condominium market that posted the greatest increase in units for sale. Supply jumped up by 21 per cent in this market segment during the second quarter, while the rise was only 5 per cent for houses. The significant construction of condominiums in recent years has been the main reason for this increase in supply on the existing home market. As a result of this steadier increase in condominiums for sale, the seller-to-buyer ratio has now reached 7.5 to 1 and therefore moved closer to the balanced range[1] (between 8 and 10 to 1). For the other types of properties, the context continued to give more of an edge to sellers, even though the seller-to-buyer ratios have been gradually rising again since 2004. In fact, these ratios attained 3.2 to 1 for semi-detached and row homes, 5.2 to 1 for duplexes and 5.4 to 1 for single-detached houses.

For all housing types combined, the median price went up by 7.6 per cent between the second quarter of 2005 and the second quarter of 2006. While the increase remained steady, it can still be noted that the pressure on prices has been tending to ease. It should be recalled that, during the corresponding periods in 2005, 2004 and 2003, prices had risen by 8.7 per cent, 14.1 per cent and 16.1 per cent, respectively. It should also be mentioned that the average listing period also showed signs that the market was becoming less tight. This period reached 55 days in the second quarter of 2006, up from just 41 days during the same quarter in 2003.

[1] It should be noted that, on a balanced market, which equally favours buyers and sellers, the seller-to-buyer ratio stands between 8 to 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.

Selling Price and Seller-to-buyer Ratio



Source : Chambre immobilière de Québec (CMHC compilation)

Table 1
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / Period	*Ownership*					*Rental*	*Total*
	*Freehold**				*Condo-minium*		
	Single	*Semi*	*Row*	*Apt.*			
Starts							
Second Quarter 2006	804	182	29	88	237	373	1,713
Second Quarter 2005	914	118	52	98	320	391	1,893
Year-to-date 2006 (Jan.-June)	1,223	246	52	138	440	687	2,786
Year-to-date 2005 (Jan.-June)	1,391	192	91	130	601	809	3,214
Under construction*							
Second Quarter 2006	740	212	21	106	780	805	2,664
Second Quarter 2005	857	150	75	80	870	1,019	3,051
Completions							
Second Quarter 2006	536	94	39	28	195	654	1,546
Second Quarter 2005	731	98	33	66	256	642	1,826
Year-to-date 2006	1,066	178	62	88	373	714	2,481
Year-to-date 2005	1,182	126	37	98	481	912	2,836
Unoccupied*							
Second Quarter 2006	44	17	15	2	190	231	499
Second Quarter 2005	19	13	18	0	261	398	709
Absorption							
Second Quarter 2006	541	116	46	26	229	432	1,390
Second Quarter 2005	742	92	27	67	217	292	1,437
Year-to-date 2006	1,083	191	65	86	418	524	2,367
Year-to-date 2005	1,210	121	33	98	380	389	2,231
Duration of inventory (months)							
Trend 2005	0.2	0.5	1.3	0.1	2.0	2.3	1.1
Trend 2004	0.2	1.3	6.7	0.0	8.2	12.3	3.8

** 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 2a Housing Starts by Zone and by Intended Market Québec Metropolitan Area							
Zone / Period	***Ownership***					***Rental***	***Total***
	Freehold				***Condo-minium***		
	Single	***Semi***	***Row***	***Apt.***			
Zone 1: Québec (Basse-Ville, Vanier)							
Second Quarter 2006	1	0	0	0	4	42	47
Second Quarter 2005	29	20	0	4	0	3	56
Year-to-date 2006	2	0	0	0	15	88	105
Year-to-date 2005	58	20	4	4	86	73	245
Zone 2: Québec (Haute-Ville)							
Second Quarter 2006	0	0	0	0	96	0	96
Second Quarter 2005	0	0	0	0	0	0	0
Year-to-date 2006	1	0	0	0	96	0	97
Year-to-date 2005	0	0	0	0	48	0	48
Zone 3: Québec (Des Rivières, Ancienne-Lorette)							
Second Quarter 2006	139	102	5	22	33	197	498
Second Quarter 2005	113	26	4	18	33	15	209
Year-to-date 2006	210	152	17	44	72	329	824
Year-to-date 2005	200	36	4	26	69	21	356
Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery							
Second Quarter 2006	44	8	3	2	0	0	57
Second Quarter 2005	66	20	10	2	48	170	316
Year-to-date 2006	80	8	6	2	73	6	175
Year-to-date 2005	110	30	25	2	77	303	547
North centre (zones 1 to 4)							
Second Quarter 2006	184	110	8	24	133	239	698
Second Quarter 2005	179	48	14	22	81	188	532
Year-to-date 2006	293	160	23	46	256	423	1,201
Year-to-date 2005	313	68	33	30	274	382	1,100
Zone 5: Val-Bélair, Saint-Émile, etc.							
Second Quarter 2006	172	6	0	10	3	31	222
Second Quarter 2005	203	14	10	16	4	0	247
Year-to-date 2006	233	8	0	16	22	49	328
Year-to-date 2005	276	16	10	22	4	4	332
Zone 6: Charlesbourg, Stoneham, etc.							
Second Quarter 2006	87	6	0	18	37	52	200
Second Quarter 2005	155	2	0	24	84	23	288
Year-to-date 2006	156	6	0	24	81	56	323
Year-to-date 2005	206	12	5	26	138	215	602

Continued on next page

Table 2a (continued) Housing Starts by Zone and by Intended Market Québec Metropolitan Area							
Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 7: Beauport, Boischâtel, Île-d'Orléans, etc.							
Second Quarter 2006	152	22	0	32	24	27	257
Second Quarter 2005	125	2	0	22	121	24	294
Year-to-date 2006	216	24	0	48	29	90	407
Year-to-date 2005	226	4	0	36	121	24	411
North outlying area (zones 5 to 7)							
Second Quarter 2006	411	34	0	60	64	110	679
Second Quarter 2005	483	18	10	62	209	47	829
Year-to-date 2006	605	38	0	88	132	195	1,058
Year-to-date 2005	708	32	15	84	263	243	1,345
North shore (zones 1 to 7)							
Second Quarter 2006	595	144	8	84	197	349	1,377
Second Quarter 2005	662	66	24	84	290	235	1,361
Year-to-date 2006	898	198	23	134	388	618	2,259
Year-to-date 2005	1,021	100	48	114	537	625	2,445
Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.							
Second Quarter 2006	141	20	21	4	28	4	218
Second Quarter 2005	183	22	14	14	18	45	296
Year-to-date 2006	221	26	21	4	34	25	331
Year-to-date 2005	279	44	18	14	52	61	468
Zone 9: Lévis, Pintendre							
Second Quarter 2006	68	18	0	0	12	20	118
Second Quarter 2005	69	30	14	0	12	111	236
Year-to-date 2006	104	22	8	0	18	44	196
Year-to-date 2005	91	48	25	2	12	123	301
South shore (zones 8 and 9)							
Second Quarter 2006	209	38	21	4	40	24	336
Second Quarter 2005	252	52	28	14	30	156	532
Year-to-date 2006	325	48	29	4	52	69	527
Year-to-date 2005	370	92	43	16	64	184	769
TOTAL - QUÉBEC METROPOLITAN AREA							
Second Quarter 2006	804	182	29	88	237	373	1,713
Second Quarter 2005	914	118	52	98	320	391	1,893
Year-to-date 2006	1,223	246	52	138	440	687	2,786
Year-to-date 2005	1,391	192	91	130	601	809	3,214

Source: CMHC

Table 2b Housing Starts by Intended Market for the New Cities of Québec and Lévis Québec Metropolitan Area							
City / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Québec							
Second Quarter 2006	337	140	8	82	169	263	999
Second Quarter 2005	398	46	24	76	274	235	1,053
Year-to-date 2006	514	192	23	132	336	526	1,723
Year-to-date 2005	597	80	48	106	515	610	1,956
Lévis							
Second Quarter 2006	185	38	21	4	40	24	312
Second Quarter 2005	230	48	28	14	30	156	506
Year-to-date 2006	296	48	29	4	52	69	498
Year-to-date 2005	343	88	43	16	64	184	738

Source: CMHC

According to the territory of Québec City since Jenuary 2006 (excluding the municipalities of L'Ancienne-Lorette and Saint-Augustin).

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range* - Second Quarter Québec Metropolitan Area										
Type	Under $125,000		$1250,000 to $149,999		$150,000 to $199,999		$200,000 to $249,999		$250,000 or over	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Single	9	14	60	47	276	389	92	155	104	137
Semi	4	2	103	63	9	25	0	2	0	0
Total	13	16	163	110	285	414	92	157	104	137
Market share (single)	1.7%	1.9%	11.1%	6.3%	51.0%	52.4%	17.0%	20.9%	19.2%	18.5%

Source: CMHC

**Please note that the price ranges have been revised in order to better reflect the market.*

Table 4 **Housing Supply - Second Quarter 2006** **Québec Metropolitan Area**					
Intended Market	***Under Construction***	***Unoccupied***	***Short-Term Supply***	***Monthly Absorption****	***Duration of Short-Term Supply (months)***
	June 2006			***Trend 2006***	
Freehold	1,079	78	1,157	266	4.3
Condominium	780	190	970	96	10.1
Rental	805	231	1,036	101	10.3
Total	2,664	499	3,163	463	6.8
	June 2005			***Trend 2005***	
Freehold	1,162	50	1,212	122	9.9
Condominium	870	261	1,131	32	35.3
Rental	1,019	398	1,417	32	44.3
Total	3,051	709	3,760	186	20.2

Source: CMHC ** 12-month average*

Table 5 **Economic Overview** **Québec Metropolitan Area**						
	2nd Q 2006	***1st Q 2006***	***2nd Q 2005***	***Trend 2006***	***Trend 2005***	***% Change Trend***
Labour market						
Employment level (000)	389.2	369.4	383.9	379.3	377.7	0.4
Unemployment rate (%)	3.9	6.8	5.8	5.4	6.2	s.o.
Mortgage rates (1)						
1-year (%)	6.4	5.9	4.8	6.1	4.9	s.o.
5-year (%)	6.8	6.4	5.9	6.6	6.0	s.o.
Annual inflation rate						
CPI, 1996=100	126.8	125.7	123.8	126.2	123.3	2.4
New Housing Price Index (1997=100)*						
House	141.5	140.9	136.5	141.1	135.9	3.9
Land	141.0	138.5	123.8	139.5	123.4	13.1
Total	141.7	140.6	133.6	141.0	133.0	6.1
Index of Consumer Confidence						
1991=100 (2)	120.7	115.9	122.2	118.3	122.8	-3.6
MLS sales						
Total residential units	1,948	2,037	1,927	3,985	4,013	-0.7
Median price (single-detached house)	153,100	150,100	141,500	153,100	141,500	8.2

Sources: Statistics Canada, Conference Board of Canada, Chambre immobilière de Québec. *Notes: (1) Canada (2) Province of Quebec*

** The data for the current quarter is the average for the first two months*

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

Québec Metropolitan Area Zones

Zones	Municipalities and Zones	Large Zones
1	Lower Town Quebec, Vanier	North Centre
2	Upper Town Quebec	North Centre
3	Québec Des Rivières (Neufchâtel, Duberger, Les Saules, Lebourgneuf), Ancienne-Lorette	North Centre
4	Ste-Foy, Sillery, Cap-Rouge, St-Augustin	North Centre
5	Val-Bélair, St-Émile, Loretteville, Lac St-Charles, Lac Delage, Valcartier, Shannon, Lac St-Joseph, Ste-Catherine-de-la-J.-C., Fossambault	Northern Suburbs
6	Greater Charlesbourg, Lac Beauport, Stoneham-Tewkesbury	Northern Suburbs
7	Greater Beauport, Ste-Brigitte-de-Laval, Boischâtel, L'Ange-Gardien, Château-Richer, Île-d'Orléans	Northern Suburbs
8	Charny, St-Romuald, St-Jean-Chrysostôme, St-Nicolas, St-Rédempteur, Breakeyville, St-Lambert, St-Étienne	South Shore
9	Lévis, Pintendre, St-Joseph-de-Lévy, St-Étienne-de-Beaumont	South Shore

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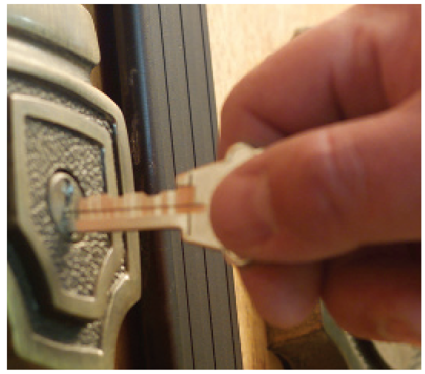

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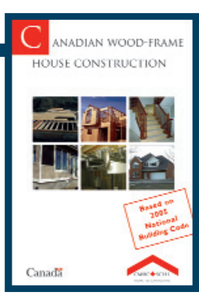

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