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Sherbrooke

Canada Mortgage and Housing Corporation

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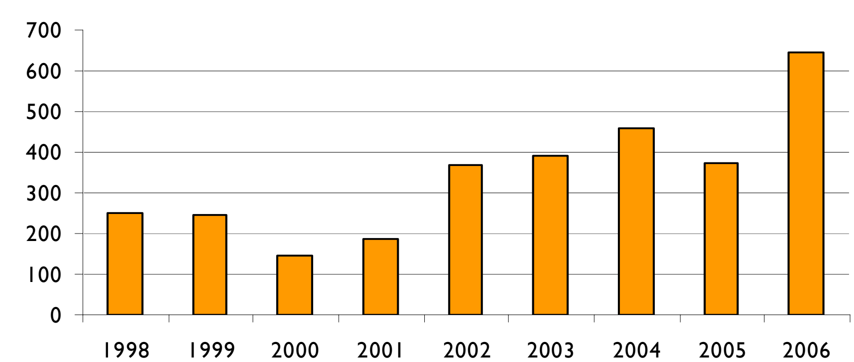
VERY DYNAMIC SECOND QUARTER ON JOB SITES

Housing starts rebounded in the second quarter in the Sherbrooke census metropolitan area (CMA). According to Canada Mortgage and Housing Corporation (CMHC), 371 dwellings were started from April to June of last year, compared to 644 during the same period in 2006. This new increase in activity of 74 per cent registered in the spring followed several quarterly decreases in residential construction.

The turnaround was attributable to a major project comprising 279 apartments for retirees and pre-retirees, for which the foundations were laid in the last three months. Sherbrooke is not escaping the trend toward the construction of large complexes for seniors as a result of the aging of the population and the lack of unoccupied units on the retirement home market. In addition to this project, 135 apartments were started.

Single-family home building was also vigorous in the second quarter. Construction got under way on 10 more houses from April to June of this year than in the same period last year, for a total production of 230 dwellings and an increase of about 5 per cent. The rise in mortgage rates, the greater availability of existing homes for sale and the relatively stagnant job creation suggest that the production of houses will decline in the third quarter, as was the case at the beginning of the year.

Housing Starts Jump Up in the Second Quarter



Source: CMCH

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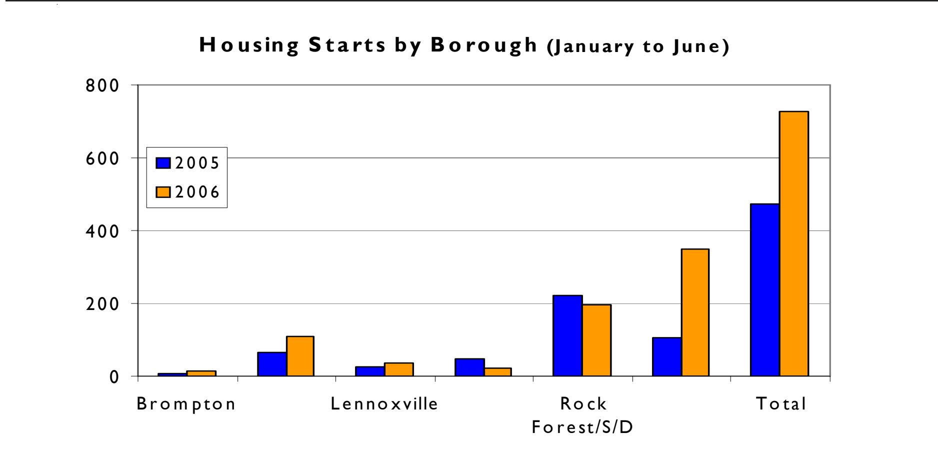
Trend: Several Markets Still on the Rise

Sherbrooke is not the only CMA in Quebec where housing starts are up over last year, on a cumulative basis (+47 per cent). The same holds true for Gatineau (+21 per cent), Trois-Rivières (+20 per cent) and Saguenay (+3 per cent). And, like in Sherbrooke, it is the production of apartments that has risen significantly, with the construction of houses having slowed down almost everywhere. In Montréal (-13 per cent) and Québec (-13 per cent), total starts decreased in the first six months of the year. For Montréal, the slowdown represents a shortfall of more than 1,500 units.



Housing Starts Fall in Two Boroughs

Since the beginning of the year, housing starts have declined in two boroughs of the city of Sherbrooke: Rock Forest–Saint-Élie–Deauville and Mont-Bellevue. In both cases, however, the decreases in activity represent only about 20 fewer units.

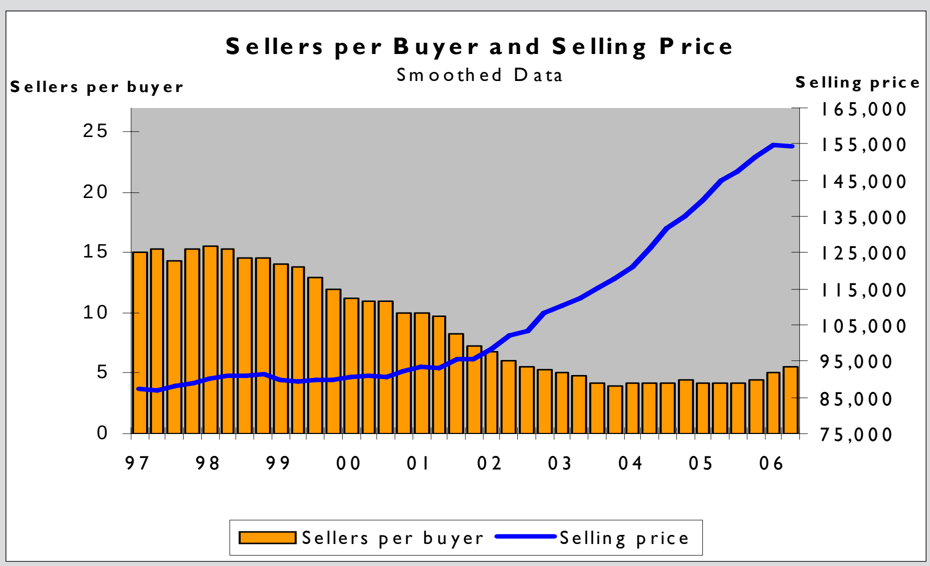
Existing Home Sales Down Slightly in the Second Quarter

A marginal decrease in existing home sales was registered during the second quarter in the city of Sherbrooke[1]. From April to June 2006, 338 homes changed owners, compared to 349 during the same period last year. All boroughs were affected by this phenomenon, with the exception of Fleurimont and Brompton.

The increase in the number of homes for sale at the beginning of the year has already had an impact on the average price of transactions, which fell from $158,700 in the second quarter of 2005 to $157,700 in the second quarter of this year. In the borough of Jacques-Cartier, which has the most expensive homes, the difference reached $3,400. A similar difference was noted in the borough of Rock Forest–Saint-Élie–Deauville, which was the site of 36 per cent of the existing home sales registered in the city of Sherbrooke from April to June 2006. Lennoxville was the only other borough where the average price went down.

In a context where sales have been relatively stable, the greater choice of homes for sale will have helped to ease the upward pressure on prices. But this wider choice will also have enabled some buyers to find less expensive homes, thereby bringing down the average price of transactions.

With a seller-to-buyer ratio of 6 to 1, the market is now considered as a seller's market. However, should the average price continue to follow the trend observed in the second quarter, the market could rapidly become balanced.



[1] As the Chambre immobilière de l'Estrie system was recently modified, we are temporarily presenting the data for the city of Sherbrooke by borough. We hope to be able to provide the statistics for the Sherbrooke census metropolitan area by the end of the year.

Table 1
Summary of Activity by Intended Market
Sherbrooke Metropolitan Area

Activity / Period	Ownership: Freehold*	Ownership: Condominium	Rental	Total
Starts				
Second quarter 2006	240	12	392	644
Second quarter 2005	226	9	136	371
Year-to-date 2006 (Jan.-June)	315	12	442	769
Year-to-date 2005 (Jan.-June)	322	29	171	522
Under construction				
June 2006	159	8	388	555
June 2005	214	74	233	521
Completions				
Second quarter 2006	196	31	108	335
Second quarter 2005	117	7	90	214
Year-to-date 2006	270	39	150	459
Year-to-date 2005	202	10	126	338
Unoccupied				
June 2006	0	28	58	86
June 2005	0	3	10	13
Absorption				
Second quarter 2006	196	31	98	325
Second quarter 2005	117	8	119	244
Year-to-date 2006	270	49	157	476
Year-to-date 2005	203	11	155	369
Duration of inventory				
June 2006	0.0	2.8	1.8	0.8
June 2005	0.0	3.3	0.8	0.4

** 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.			
Zone 1: Sherbrooke							
Second quarter 2006	20	2	0	2	12	326	362
Second quarter 2005	18	6	0	0	6	80	110
Year-to-date 2006	27	2	0	2	12	352	395
Year-to-date 2005	29	8	0	0	26	103	166
Zone 2: Fleurimont							
Second quarter 2006	31	0	0	2	0	20	53
Second quarter 2005	25	0	0	0	0	10	35
Year-to-date 2006	44	0	0	6	0	26	76
Year-to-date 2005	33	0	0	0	0	10	43
Zone 3: Rock Forest							
Second quarter 2006	45	18	0	6	0	16	85
Second quarter 2005	57	6	0	6	0	28	97
Year-to-date 2006	59	22	0	8	0	31	120
Year-to-date 2005	81	8	0	8	0	28	125
Zone 4: Saint-Élie-d'Orford							
Second quarter 2006	21	0	17	0	0	0	38
Second quarter 2005	36	4	12	0	3	0	55
Year-to-date 2006	30	0	25	0	0	3	58
Year-to-date 2005	53	10	12	2	3	0	80
CENTRE (Zones 1 to 4)							
Second quarter 2006	117	20	17	10	12	362	538
Second quarter 2005	136	16	12	6	9	118	297
Year-to-date 2006	160	24	25	16	12	412	649
Year-to-date 2005	196	26	12	10	29	141	414
Zone 5: Outlying area							
Second quarter 2006	76	0	0	0	0	30	106
Second quarter 2005	56	0	0	0	0	18	74
Year-to-date 2006	90	0	0	0	0	30	120
Year-to-date 2005	78	0	0	0	0	30	108
TOTAL - SHERBROOKE METROPOLITAN AREA							
Second quarter 2006	193	20	17	10	12	392	644
Second quarter 2005	192	16	12	6	9	136	371
Year-to-date 2006	250	24	25	16	12	442	769
Year-to-date 2005	274	26	12	10	29	171	522

Source: CMHC

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range Sherbrooke Metropolitan Area												
Type	*Under $110,000*		*$110,000 to $139,999*		*$140,000 to $169,999*		*$170,000 to $199,999*		*$200,000 or over*		*Total*	
	2006	***2005***	***2006***	***2005***	***2006***	***2005***	***2006***	***2005***	***2006***	***2005***	***2006***	***2005***
Second Quarter	1	19	37	23	42	26	19	17	59	26	158	111
Year-do-date (Jan.-June)	2	32	51	42	55	47	29	29	90	47	227	197

Source: CMHC

Table 4 Housing Supply Sherbrooke Metropolitan Area			
Type	***Under Construction***	***Unoccupied***	***Short-Term Supply***
	June 2006		
Single/semi	151	0	151
Multiple*	404	86	490
Total	555	86	641
	June 2005		
Single/semi	198	0	198
Multiple*	323	13	336
Total	521	13	534

Source: CMHC

*Row Houses 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**
Second quarter 2006	135.0	89.3	82.7	7.3%	6.4	6.8
Second quarter 2005	133.1	88.7	82.1	7.6%	4.8	5.9
Average Jan.-June 2006	134.8	89.1	81.6	8.3%	6.1	6.6
Average Jan.-June 2005	132.9	87.7	80.9	7.8%	4.9	6.0

Source: Statistics Canada

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, 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).

Sherbrooke Metropolitan Area Zones

Zones	*Municipalités / Sectors*	*Large zone*
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

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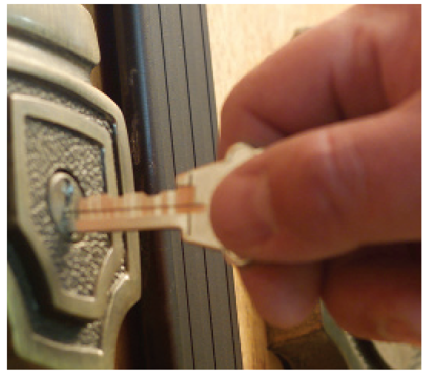


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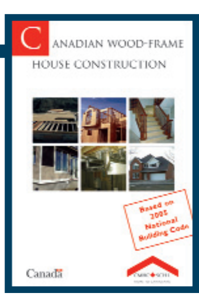

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