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ANALYSIS OF THE RESALE MARKET SECOND QUARTER 2006

Gatineau Metropolitan Area

An objective look at housing

Canada Mortgage and Housing Corporation

www.cmhc.ca

Date Released: Third Quarter 2006

Market at a glance

2nd Quarter 2006 vs.
2nd Quarter 2005

Sales volume	:	↑	10%
Average price	:	↑	6%
Sellers per buyer	:		6

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FOURTH CONSECUTIVE INCREASE FOR THE RESALE MARKET

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 av-

erage 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.

For the first half of 2006, the resale market registered a gain of 10 per cent. This result went against our forecasts but was in line with the renewed activity observed on the overall Gatineau real estate market. In the residential construction sector, it was the same story, with housing starts up by 21 per cent for the first six months of the year. Residential real estate therefore posted a rather good performance during the first half of 2006.

This renewed activity in the real estate sector followed some good news in the employment sector. In fact, the

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In collaboration with



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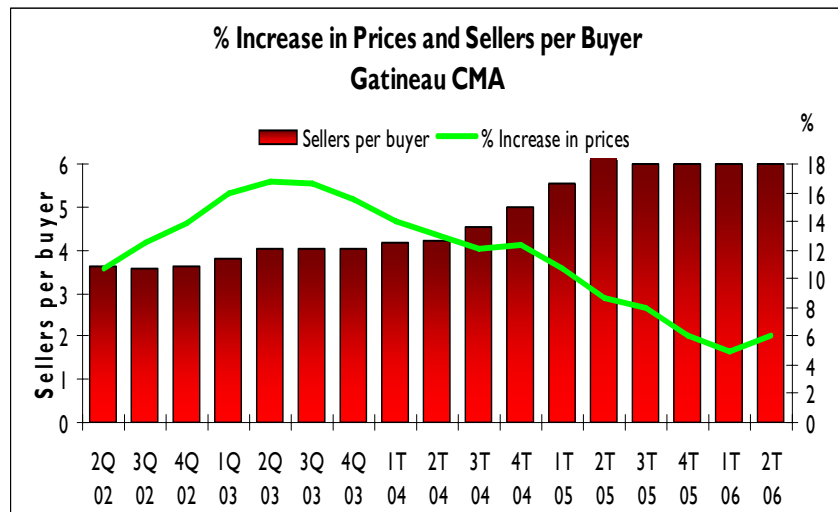


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job market is solid, and the medium- and long-term outlook is bright. Emploi Québec estimates that 28,000 jobs will be created over the next three years, with 12,000 of them coming from economic growth in the area. The rest, some 16,000 jobs, will result from retirements. The new pensioners will have to be replaced by new blood. The prospects are very favourable for several types of positions, including doctors, general practitioners, pharmacists and nurses, who are sorely lacking in the area. As well, still according to Emploi Québec, school boards are also seeking teachers. All these job prospects suggest not only new migration flows that will benefit the area but also attractive incomes given the professions that are in demand.

Gatineau sector bucks growth trend

The growth in sales registered in the second quarter extended to almost all sectors in the Gatineau area. In fact, only the Gatineau sector saw its sales volume decrease. The decline was relatively small, with just 3 per cent fewer transactions than during the same period in 2005. In terms of volume, this sector remained the most active, as 541 properties changed hands, which is more than the numbers for Hull and Aylmer combined. These sectors recorded 298 and 228 sales, respectively, for gains of 15 per cent in Hull and 26 per cent in Aylmer. The sectors located farther out also registered increases. To the east, Buckingham and Masson-Angers continued to attract buyers. In Buckingham, the second quarter ended with sales



Source: CIO, CMHC compilation

up by 10 per cent while, in Masson, the growth was 28 per cent. The results were also positive in the outlying area, where transactions rose by 34 per cent.

On the supply side, the story was different. In fact, non-negligible numbers of listings were still arriving on the market in certain sectors, including Aylmer (+12 per cent), Buckingham (+13 per cent) and, to a lesser extent, the outlying area (+8 per cent). During that time, listings rose only slightly in Gatineau (+1 per cent) and Masson-Angers (+4 per cent) and even fell in Hull (-10 per cent). It should be noted that new listings were limited by the renewed interest in condominiums. Even if this housing type is very much in demand, there is fierce competition from the new home market. Consequently, prices do not always meet sellers' expectations and, as such, do not serve as an incentive for new listings. Apart from the situation with condominiums, the weak growth in prices, even for single-detached houses, may have acted as

a deterrent for some potential sellers. In fact, given the less attractive profit margin and the high costs of buying a replacement home, some sellers who were anticipating gains are now less interested in trying their luck on the market.

In the end, these fluctuations are giving markets that are no longer tending towards a balanced state but that are rather remaining favourable to sellers, except in the outlying area. In this sector, the seller-to-buyer ratio certainly reflects a balanced market but also, with a decrease of one point in this ratio, a market that is further favouring sellers. After all, this is the sector that registered that strongest increase in sales (+34 per cent).

Condominium market tightens

After six months of stability, with the seller-to-buyer ratio staying at 7 to 1, the condominium mar-

ket tightened marginally in the second quarter, as this ratio fell to 6 to 1 (versus 8 to 1 during the same quarter in 2005). Sales increased by 15 per cent, more than for single-detached homes (+11 per cent), while listings fell by 12 per cent. A comparison with the new home market reveals that, on a year-to-date basis, the resale market saw 288 condominiums change hands from January to June, whereas construction got under way on a total of 224 units of this type during the same period. Prices, for their part, rose by 2 per cent this past quarter, after having remained relatively stable since last year. Condominiums definitely suit many households, although no profile can really be established. In fact, given their price, their size and, very often, their

geographic location close to services, condominiums accommodate single-person households, one-parent families, young couples or even people ending their careers. With an increasingly large supply of new condominiums, it could have been feared that the inventory of this housing type might get too high in the short term. However, new condominium inventories are on the decline, as are the absorption times for these units.

Plex segment on a roll

Without question, the flagship of the resale market at this time, the plex segment brings us one surprise after another. While it was thought that the results on the rental market (vacancy rate above 3 per cent) would discourage investment in this type of property, this is apparently not the case at all. In the second quarter, this was the housing

type that showed the greatest activity in terms of sales and prices. In fact, sales rose by 35 per cent (a rate more than twice as high as the rate for condominiums) and listings also ranked first, with a gain of 20 per cent. The same held true for prices, which also posted the highest rate of growth, at 14 per cent. It is not surprising, under these circumstances, to see the market ease slightly, with a seller-to-buyer ratio that went from 6 to 1 up to 7 to 1. This easing on the market has been due in part to the fact that many plex owners, seeing the renewed interest in this housing type, want to take advantage of this opportunity by listing their properties at a high price.

Economic Overview of the Gatineau Area

	2nd Quarter 2005	3rd Quarter 2005	4th Quarter 2005	1st Quarter 2006	2nd Quarter 2006
Mortgage rate – 1-year (1)	4.8	5.0	5.6	5.9	6.4
Mortgage rate – 5-year (1)	5.9	5.8	6.2	6.4	6.8
Change in Consumer Confidence Index (2)	-0.9%	-18.7%	9.6%	6.5%	4.1%
Good time to make a major outlay for items such as a home (% of positive replies) (2) (3)	56.2	49.8	46.4	53.3	53.8
Job creation (or loss) (3)	4,100	8,300	12,400	15,100	5,100
Unemployment rate (3)	5.9	6.9	5.6	6.3	5.3
Personal bankruptcies	405	378	377	421	n.a.
Annual inflation rate (2)	2.0%	2.9%	2.1%	2.3%	2.4%

Sources: Statistics Canada, Conference Board of Canada, Office of the Superintendent of Bankruptcy

Notes: (1) Canada (2) Quebec (3) Seasonally adjusted data

Resale Market Conditions in the Outaouais Area - 2nd Quarter 2006

Zones	Intended market	Raw Data								Smoothed Data (trend for the last 4 quarters) ¹									
		Sales				Active Listings (monthly average)				Selling Price			Price Sold/ Price Listed	Sellers per Buyer	Listing Period (days) ²	Market Classification			
		2nd Quarter 2006	% Chg. from 2nd Quarter 2005	Year-to-Date 2006	% Chg. from YTD 2005	2nd Quarter 2006	% Chg. from 2nd Quarter 2005	Year-to-Date 2006	% Chg. from YTD 2005	Average	% Chg. from 2005 Trend	Median	% Chg. from 2005 Trend	%	Number	Chg. from 2005 Trend	Number	Chg. from 2005 Trend	
Hull	Total	298	15	536	13	445	-10	440	-5	165,439	3	155,000	2	96	5	-1	77	2	SELLER'S
	Freehold detached	102	29	195	38	168	9	157	15	198,427	8	185,900	7	96	6	0	76	-1	SELLER'S
	Freehold semi-det. & row	41	-31	93	-11	31	-52	37	-34	169,586	2	170,000	4	97	3	0	59	5	SELLER'S
	Plex	47	15	72	-12	73	6	73	18	208,693	11	187,000	17	95	6	1	81	2	SELLER'S
	Condominium	108	33	176	20	172	-17	173	-17	119,157	1	112,250	-2	97	6	-3	86	-2	SELLER'S
Aylmer	Total	228	26	385	18	368	12	344	16	186,359	7	174,000	7	97	6	0	81	6	SELLER'S
	Freehold detached	138	24	227	15	252	14	236	19	210,447	4	202,000	5	96	6	0	86	5	SELLER'S
	Freehold semi-det. & row	69	25	109	7	75	29	65	18	155,892	10	152,000	7	97	3	0	62	4	SELLER'S
	Plex	10	233	14	56	9	-10	11	10	**	**	**	**	**	**	**	**	**	**
	Condominium	11	-8	35	84	32	-22	33	-6	109,023	-2	99,950	-13	98	8	-1	124	38	**
Gatineau	Total	541	-3	921	-2	880	1	833	0	167,462	7	155,700	4	97	6	0	75	-4	SELLER'S
	Freehold detached	309	-4	516	-3	563	-4	542	-4	187,980	7	175,000	6	97	7	0	83	-4	SELLER'S
	Freehold semi-det. & row	158	-1	270	-3	153	13	144	11	133,055	3	132,900	1	97	4	1	57	-3	SELLER'S
	Plex	35	21	54	6	86	41	75	23	195,658	21	192,050	20	96	7	0	86	9	SELLER'S
	Condominium	39	-13	81	5	78	-5	72	-4	124,745	7	120,000	4	97	5	-2	76	-21	SELLER'S
Buckingham	Total	66	10	114	9	110	13	103	20	128,644	11	125,000	9	96	6	1	78	8	SELLER'S
	Freehold detached	33	22	59	34	68	5	65	25	136,572	10	136,250	9	96	6	-1	87	12	SELLER'S
	Freehold semi-det. & row	24	-14	44	-14	25	19	22	0	115,963	7	116,500	5	97	4	1	68	10	SELLER'S
	Plex	9	80	11	10	17	55	16	33	**	**	**	**	**	**	**	**	**	**
	Condominium	0	--	0	--	0	--	0	--	**	**	**	**	**	**	**	**	**	**
Masson-Angers	Total	83	28	154	21	109	4	106	-3	136,159	4	129,900	2	97	5	0	74	6	SELLER'S
	Freehold detached	27	35	48	4	54	6	51	2	150,969	3	155,000	8	96	6	0	81	5	SELLER'S
	Freehold semi-det. & row	47	15	95	27	44	2	44	0	122,366	4	125,000	5	98	4	0	62	4	SELLER'S
	Plex	9	125	11	83	10	-9	10	-33	**	**	**	**	**	**	**	**	**	**
	Condominium	0	--	0	--	1	--	1	--	**	**	**	**	**	**	**	**	**	**
Outlying area	Total	174	34	290	35	415	8	380	12	197,815	4	187,500	3	95	8	-1	95	-3	BALANCED
	Freehold detached	171	34	284	35	395	5	365	10	199,061	4	190,000	3	95	8	-1	95	-3	BALANCED
	Freehold semi-det. & row	0	-100	1	0	4	--	3	200	**	**	**	**	**	**	**	**	**	**
	Plex	2	100	4	33	11	38	9	50	**	**	**	**	**	**	**	**	**	**
	Condominium	1	--	1	--	5	--	3	--	**	**	**	**	**	**	**	**	**	**
Gatineau CMA	Total	1,390	11	2,400	10	2,327	2	2,205	4	169,883	6	157,000	5	96	6	0	79	0	SELLER'S
	Freehold detached	780	13	1,329	14	1,501	3	1,414	6	191,675	6	179,500	6	96	7	0	85	-1	SELLER'S
	Freehold semi-det. & row	339	-1	612	0	332	3	316	3	141,210	4	137,000	2	97	3	0	60	2	SELLER'S
	Plex	112	35	166	3	206	20	193	17	193,196	14	180,000	16	95	7	1	83	-1	SELLER'S
	Condominium	159	15	293	21	288	-12	282	-12	119,995	2	115,000	0	97	6	-2	86	-5	SELLER'S
Outaouais rural part	Total	146	15	245	8	433	17	387	14	116,375	4	97,000	3	93	9	0	100	-12	BALANCED
	Freehold detached	138	10	235	6	405	14	364	11	117,925	5	100,000	6	93	9	0	99	-13	BALANCED
	Freehold semi-det. & row	3	50	3	-25	6	200	6	100	**	**	**	**	**	**	**	**	**	**
	Plex	5	--	6	200	21	75	16	78	**	**	**	**	**	**	**	**	**	**
	Condominium	0	--	1	--	1	--	2	100	**	**	**	**	**	**	**	**	**	**
Total Outaouais	Total	1,536	11	2,645	10	2,760	4	2,593	5	164,612	6	154,000	6	96	6	0	81	-1	SELLER'S
	Freehold detached	918	13	1,564	12	1,906	5	1,779	7	179,846	6	172,000	7	96	7	0	87	-3	BALANCED
	Freehold semi-det. & row	342	-1	615	0	338	4	322	4	140,977	4	137,000	2	97	4	1	60	2	SELLER'S
	Plex	117	41	172	6	227	24	209	20	188,006	12	175,000	16	95	7	1	86	1	SELLER'S
	Condominium	159	15	294	21	289	-12	283	-11	119,884	2	115,000	0	97	6	-2	87	-4	SELLER'S

Source: CIO (CMHC compilation and classification)

* Confidential data or lack of data (fewer than 40 sales in the last 4 quarters).

** There is no market classification when there have been fewer than 40 sales in the last 4 quarters.

Resale Market Conditions in the Gatineau CMA - 2nd Quarter 2006

Statistics by Price Range

Intended Market	Price Range	Raw Data				Smoothed Data (trend for last 4 quarters)			
		Sales				Sellers per Buyer		Listing Period	
		2nd Quarter 2006	% Chg. from 2nd Quarter 2005	Year-to-Date 2006	% Chg. from YTD 2005	Trend for 2006 (number)	Trend for 2005 (number)	Trend for 2006 (number)	Chg. from 2005 Trend
Freehold	Total	1,119	8	1,941	9	6	6	78	-1
	Under \$100,000	48	-32	93	-25	4	4	75	0
	\$100,000 to \$149,999	344	-1	637	3	4	3	67	2
	\$150,000 to \$199,999	390	3	677	4	5	5	73	-2
	\$200,000 or over	337	45	534	38	10	11	97	-5
Plex	Total	112	35	166	3	7	6	83	-1
	Under \$100,000	4	-60	6	-60	**	**	**	**
	\$100,000 to \$149,999	29	4	46	-16	4	5	91	14
	\$150,000 to \$199,999	28	33	49	26	7	7	68	-6
	\$200,000 or over	51	113	65	25	8	9	91	6
Condominium	Total	159	15	293	21	6	8	86	-5
	Under \$100,000	34	10	71	22	4	6	92	-5
	\$100,000 to \$149,999	94	3	176	9	6	8	84	0
	\$150,000 to \$199,999	23	109	34	79	10	**	95	-33
	\$200,000 or over	8	60	12	140	**	**	**	**

Source: CIO (CMHC compilation)

NOTES AND DEFINITIONS

Market zones

- Aylmer** : Gatineau sector corresponding to the former municipality of Aylmer.
Hull : Gatineau sector corresponding to the former municipality of Hull.
Gatineau : Gatineau sector corresponding to the former municipality of Gatineau.
Buckingham : Gatineau sector corresponding to the former municipality of Buckingham.
Masson-Angers : Gatineau sector corresponding to the former municipality of Masson-Angers.
Outlying area : Cantley, Chelsea, La Pêche, Pontiac, Val-des-Monts.
Gatineau CMA : Gatineau census metropolitan area, as defined by Statistics Canada.

Outaouais rural part : Alayn-et-Cawood, Aumont, Blue Sea, Boileau, Bois-Franc, Bouchette, Bowman, Bristol, Bryson, Campbell's Bay, Cayamant, Chénéville, Chichester, Clarendon, Déléage, Denholm, Duhamel, Egan-Sud, Fassett, Fort-Coulonge, Gracefield, Grand-Calumet, Grand-Remous, Kazabazua, Lac-des-Plages, Lac-Sainte-Marie, Lac-Simon, L'Ange Gardien, Leslie-Clapham-et-Huddersfield, L'Isle-aux-Allumettes, Lochaber, Lochaber-Partie-Ouest, Low, Maniwaki, Mansfield-et-Pontefract, Mayo, Messines, Montcerf-Lytton, Montebello, Montpellier, Mulgrave-et-Derry, Namur, Northfield, Notre-Dame-de-Bonsecours, Notre-Dame-de-la-Paix, Notre-Dame-de-la-Salette, Papineauville, Plaisance, Portage-du-Fort, Rapides-des-Joachims, Ripon, Saint-André-Avellin, Saint-Émile-de-Suffolk, Sainte-Thérèse-de-la-Gatineau, Saint-Sixte, Shawville, Thorne, Thurso, Val-des-Bois, Val-des-Monts, Waltham, Wright.

Market classification types

- BALANCED:** Market where neither sellers nor buyers are favoured; sales volume steadily progressing over a long period; prices increasing at or slightly above inflation.
BUYER'S: Market where buyers are favoured; surplus of listings; few sales; long listing periods; prices decreasing or increasing below inflation.
DECLINING: Extreme buyer's market; prices down significantly; further price decreases to be expected.
SELLER'S: Market where sellers are favoured; shortage of listings in relation to demand; short listing periods; prices increasing above inflation.
OVERHEATING: Extreme seller's market; sales and prices up considerably; further price increases to be expected

Indicator definitions

MEDIAN PRICE: The median is the middle value separating a group into two equal parts. For example, a median price of \$100,000 means that half of the properties sell for \$100,000 or less and the other half sell for \$100,000 or more.

RAW DATA: data observed for the current quarter.

SMOOTHED DATA: average for the last four quarters in order to reduce any major variations from one quarter to the next and provide a clearer trend.

Notes

¹ All data published in this publication is smoothed data, with the exception of sales and active listings.

² The listing period may be underestimated. In fact, when a property is again listed for sale after the mandate has expired or when the real estate agent changes, the calculation does not take into account the previous listing period.