

HOUSING MARKET OUTLOOK

Quebec Region Highlights



CANADA MORTGAGE AND HOUSING CORPORATION

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Housing starts forecast

Figure 1

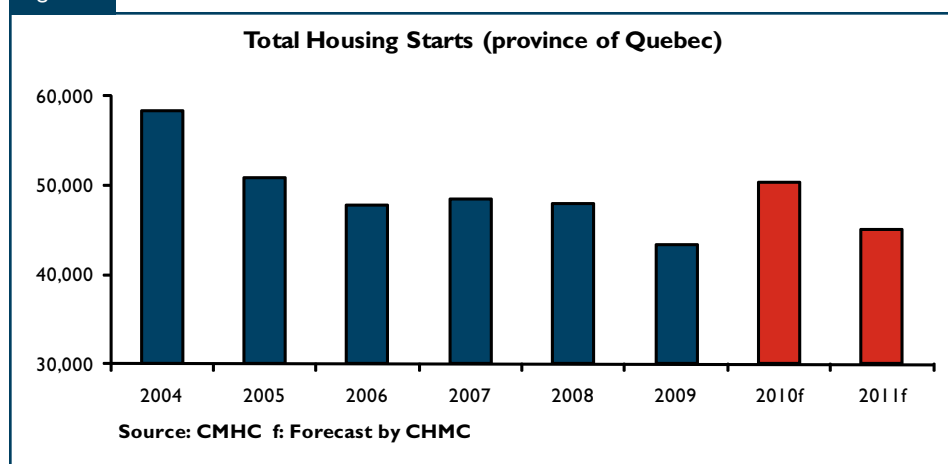
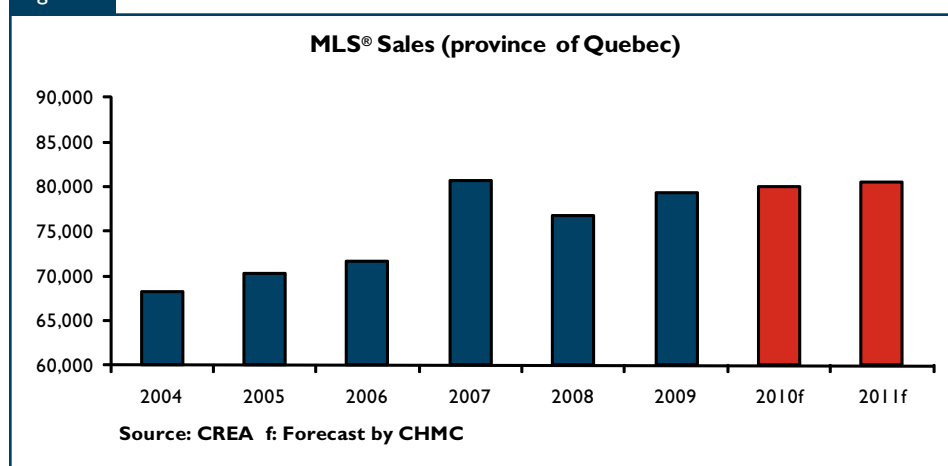


Figure 2



Overview¹

A strengthened economy, favourable borrowing conditions and sustained migratory flows will continue to support Quebec's housing markets into 2011.

In addition to public spending on infrastructure projects, both household spending and private investment have grown, while exports have reacted positively to recent improvements in global demand.

As a result, economic growth is expected to be 3.0 per cent in 2010, with a moderation to 2.4 per cent in 2011. A variety of demographic factors will sustain the province's housing markets in the coming year. Growing net migration to the province will continue to have a positive impact on the rental and resale markets.

In addition, population ageing and the recent increase in the birth rate will likely prompt households to adjust their housing needs.

¹ The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document are based on information available as of October 8, 2010.

In Detail

Housing starts,

Single Starts:

Recently, starts of single detached homes have benefited from the improved economic and financial environment as well as from the reduced supply of such homes on the resale market. However, the easing of the resale market will take pressure off of new construction going forward. Approximately 19,000 single detached homes will be started in 2011, but a trend toward more affordable housing and densification will further cool this market segment in the years to come.

Housing starts,

Multiple Starts:

Following a strong rebound in 2010, starts of multi-family dwellings will settle back to more sustainable levels next year. Given the current elevated supply of condominium apartments on the market and the lower growth rate of the population aged 75 and over, starts of multiple family homes in 2011 will decline. Nonetheless, the trend towards multi-family housing will help push multiple starts to around the 26,000 unit mark in 2011.

Resales:

Following a strong recovery in 2009, which was extended into the first quarter of this year, MLS® sales have moderated. For next year, resale

activity is expected to remain stable. Sales of existing condominiums (town houses or apartments) will be an important component of the segment. The Multiple Listing Service (MLS®) will record over 80,000 unit sales in 2011.

Prices:

Decreasing demand for resale homes, combined with rising supply, will take pressure off prices over the course of the next year. With a return to more balanced conditions, price growth in the resale market will be modest in the second half of 2010. The average MLS® price is forecast to increase by 2.5 per cent in 2011.

Mortgage Rates

On September 8th, the Bank of Canada increased the Target for the Overnight Rate from 0.75 per cent to 1.00 per cent.

This is the third 25 basis point increase since April 2010, when the rate was at a historical low of 0.25 per cent.

With the overnight rate expected to remain flat, mortgage rates, particularly short term mortgage rates and variable mortgage rates, are also expected to remain steady at current levels.

According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011.

For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range.

For 2011, the one-year posted mortgage rate is assumed to be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Mortgage rates		
1 Year	Q3 2010	3.37
	Change from Q3 2009	-0.37
	2010 (F)	3.47
	2011 (F)	3.20
5 Year	Q3 2010	5.52
	Change from Q3 2009	-0.21
	2010 (F)	5.59
	2011 (F)	5.20

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q3 2010 data

Quebec Region Economic and Housing Indicators

		Labour Market			Housing Market					
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings (\$)	Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price (\$)	
Gatineau	Q3 2010	-0.5	7.0	849.47	Q3 2010	810	275	535	985	220,949
	Q3 2009	-1.0	5.9	871.54	Q3 2009	936	308	628	1,166	207,592
	Change ¹	0.5	1.1	-2.5%	% Change	-13.5	-10.7	-14.8	-15.5	6.4
Montréal	Q3 2010	3.3	8.5	765.10	Q3 2010	5,179	1,248	3,931	7,538	303,447
	Q3 2009	-1.1	9.4	763.88	Q3 2009	4,867	1,461	3,406	9,281	283,667
	Change ¹	4.4	-0.9	0.2%	% Change	6.4	-14.6	15.4	-18.8	7.0
Québec	Q3 2010	8.5	4.7	778.38	Q3 2010	1,688	422	1,266	1,417	241,493
	Q3 2009	-3.0	5.5	767.43	Q3 2009	1,760	485	1,275	1,755	217,124
	Change ¹	11.5	-0.8	1.4%	% Change	-4.1	-13.0	-0.7	-19.3	11.2
Saguenay	Q3 2010	-2.0	8.5	731.87	Q3 2010	273	117	156	319	167,910
	Q3 2009	1.6	8.6	726.00	Q3 2009	214	123	91	334	155,702
	Change ¹	-3.6	-0.1	0.8%	% Change	27.6	-4.9	71.4	-4.5	7.8
Sherbrooke	Q3 2010	0.1	7.9	724.49	Q3 2010	408	151	257	350	208,621
	Q3 2009	2.0	6.6	707.70	Q3 2009	452	159	293	413	212,194
	Change ¹	-1.9	1.3	2.4%	% Change	-9.7	-5.0	-12.3	-15.3	-1.7
Trois Rivières	Q3 2010	-2.5	9.6	725.91	Q3 2010	409	81	328	184	157,385
	Q3 2009	-0.1	9.1	692.61	Q3 2009	268	110	158	196	145,856
	Change ¹	-2.3	0.5	4.8%	% Change	52.6	-26.4	107.6	-6.1	7.9
Quebec	September 10	3.2	7.7	748.29	Q3 2010	13,423	5,639	7,784	16,005	252,030
	September 09	-1.6	8.7	744.77	Q3 2009	12,046	5,030	7,016	18,368	236,430
	Change ¹	4.8	-1.0	0.5%	% Change	11.4	12.1	10.9	-12.9	6.6
Canada	September 10	2.1	8.0	824.89	Q3 2010	52,671	25,929	26,742	103,303	328,878
	September 09	-1.9	8.3	807.66	Q3 2009	42,934	23,173	19,761	135,098	327,769
	Change ¹	4.0	-0.3	2.1%	% Change	22.7	11.9	35.3	-23.5	0.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

¹Changes to the Unemployment Rate and Employment Growth represent the **absolute** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, QFREB by Centris®

"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the housing starts data for Q3 and the revised data for Q2, became available after the forecast cut-off date of October 8th 2010. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook											
(units and percentage change)											
	2005	2006	2007	2008	2009	2010(F)	2011(F)	2010Q3 (F)	2010Q4 (F)	2011Q1 (F)	2011Q2 (F)
Housing Starts:											
Single	23,930	21,917	22,177	19,778	17,535	19,375	18,750	20,000	17,500	18,000	18,500
%	-17.1	-8.4	1.2	-10.8	-11.3	10.5	-3.2	0.5	-12.5	2.9	2.8
Multiple	26,980	25,960	26,376	28,123	25,868	30,975	26,250	32,000	24,500	25,500	26,000
%	-8.8	-3.8	1.6	6.6	-8.0	19.7	-15.3	-8.6	-23.4	4.1	2.0
Total	50,910	47,877	48,553	47,901	43,403	50,350	45,000	52,000	42,000	43,500	44,500
%	-12.9	-6.0	1.4	-1.3	-9.4	16.0	-10.6	-5.3	-19.2	3.6	2.3
Existing Home Markets:											
MLS® Sales	70,385	71,622	80,649	76,762	79,290	80,000	80,500	72,000	77,000	79,000	80,000
%	3.1	1.8	12.6	-4.8	3.3	0.9	0.6	-8.6	6.9	2.6	1.3
MLS® Average Price	184,492	195,171	207,530	215,307	225,412	240,300	246,300	241,000	242,000	243,500	245,500
%	7.4	5.8	6.3	3.7	4.7	6.6	2.5	0.2	0.4	0.6	0.8

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Source: CMHC (Starts and Completions Survey), CREA

Quebec Region - Housing Forecast Ranges						
	2010			2011		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	50,350	52,600	47,800	45,000	52,000	37,500
Multiple	30,975	32,800	29,200	26,250	30,000	22,500
Single	19,375	19,800	18,600	18,750	22,000	15,000
MLS [®] Sales	80,000	82,500	77,500	80,500	89,000	71,500
MLS [®] Average Price (\$)	240,300	244,000	237,000	246,300	255,000	235,000
Canada						
Housing Starts	186,200	194,700	176,700	174,800	202,300	148,000
Multiple	93,800	99,300	88,000	90,700	103,000	77,900
Single	92,400	95,400	88,700	84,100	99,300	70,100
MLS [®] Sales	440,300	455,900	423,800	438,400	483,700	390,600
MLS [®] Average Price (\$)	336,800	340,700	331,400	339,800	352,000	324,200

Sources : CMHC

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Quebec Region Housing Forecast - New Construction

	Housing Starts	2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD 2010**	YTD 2009**	% chg (2009/2010)
Gatineau	Single-Detached	1,056	975	-7.7	850	-12.8	450	469	-4.1
	Multiple	2,060	1,925	-6.6	1,850	-3.9	869	972	-10.6
	Total	3,116	2,900	-6.9	2,700	-6.9	1,319	1,441	-8.5
Montréal	Single-Detached	5,446	5,700	4.7	5,500	-3.5	3,254	2,325	40.0
	Multiple	13,805	15,700	13.7	14,000	-10.8	7,938	6,296	26.1
	Total	19,251	21,400	11.2	19,500	-8.9	11,192	8,621	29.8
Québec	Single-Detached	1,746	1,800	3.1	1,700	-5.6	1,034	845	22.4
	Multiple	3,767	4,300	14.1	4,100	-4.7	2,141	1,308	63.7
	Total	5,513	6,100	10.6	5,800	-4.9	3,175	2,153	47.5
Saguenay	Single-Detached	337	390	15.7	350	-10.3	190	121	57.0
	Multiple	247	590	138.9	425	-28.0	168	68	147.1
	Total	584	980	67.8	775	-20.9	358	189	89.4
Sherbrooke	Single-Detached	668	600	-10.2	590	-1.7	306	367	-16.6
	Multiple	912	1,140	25.0	910	-20.2	669	382	75.1
	Total	1,580	1,740	10.1	1,500	-13.8	975	749	30.2
Trois Rivières	Single-Detached	375	375	0.0	360	-4.0	181	156	16.0
	Multiple	652	1,225	87.9	590	-51.8	698	241	189.6
	Total	1,027	1,600	55.8	950	-40.6	879	397	121.4

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.

** YTD = January - June

Quebec Region Housing Forecast - Resale Market

		2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD 2010*	YTD 2009*	% chg (/)
Gatineau	MLS [®] Sales ¹	4,335	4,275	-1.4	4,275	0.0	3,533	2,311	-34.6
	MLS [®] Avg. Price ¹	206,005	215,500	4.6	220,500	2.3	218,104	205,375	-5.8
Montreal	MLS [®] Sales ¹	41,802	42,000	0.5	42,600	1.4	33,888	22,778	-32.8
	MLS [®] Avg. Price ¹	274,842	296,000	7.7	303,000	2.4	295,365	271,560	-8.1
Québec	MLS [®] Sales ¹	7,969	7,200	-9.6	7,600	5.6	5,548	4,343	-21.7
	MLS [®] Avg. Price ¹	212,198	236,000	11.2	254,000	7.6	234,563	210,413	-10.3
Saguenay	MLS [®] Sales ¹	1,472	1,425	-3.2	1,450	1.8	1,173	865	-26.3
	MLS [®] Avg. Price ¹	151,911	163,000	7.3	169,000	3.7	167,285	152,585	-8.8
Sherbrooke	MLS [®] Sales ¹	1,803	1,760	-2.4	1,765	0.3	1,379	1,013	-26.5
	MLS [®] Avg. Price ¹	193,245	200,000	3.5	204,000	2.0	201,016	192,965	-4.0
Trois Rivières	MLS [®] Sales ¹	1,036	930	-10.2	900	-3.2	741	622	-16.1
	MLS [®] Avg. Price ¹	142,048	149,500	5.2	155,000	3.7	150,999	142,661	-5.5

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Sources: CMHC, CREA, QFREB by Centris®, CMHC Forecast 2010-2011

¹ Source for the CMA's : QFREB by Centris®, YTD: January to June

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - June

Quebec Region Housing Forecast - Rental Market				
	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2009	Oct 2010(F)	Oct 2009	Oct 2010(F)
Gatineau	2.2	2.6	690	705
Montréal	2.5	2.5	669	678
Québec	0.6	0.6	676	700
Saguenay	1.5	2.0	518	535
Sherbrooke	3.9	5.0	553	560
Trois Rivières	2.7	2.7	520	530
Canada	3.0	2.8	0	0

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

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