

HOUSING MARKET OUTLOOK

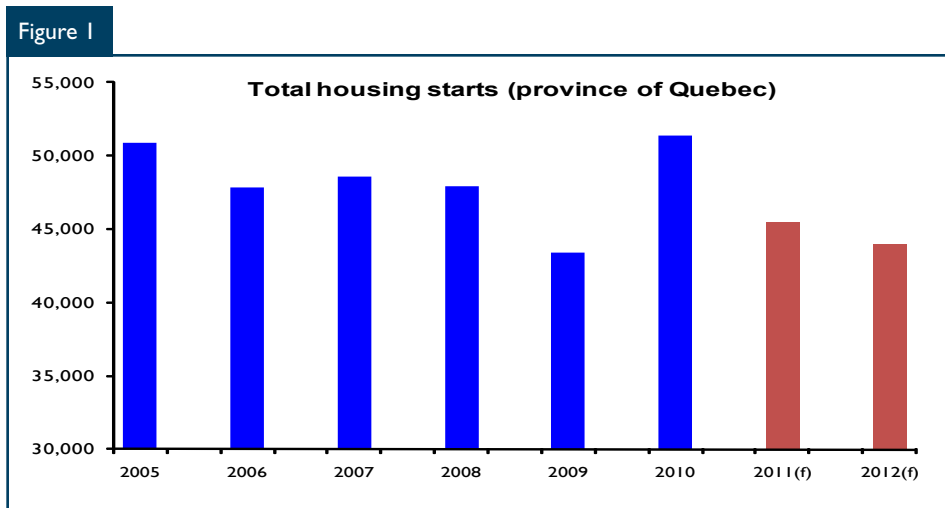
Quebec Region Highlights



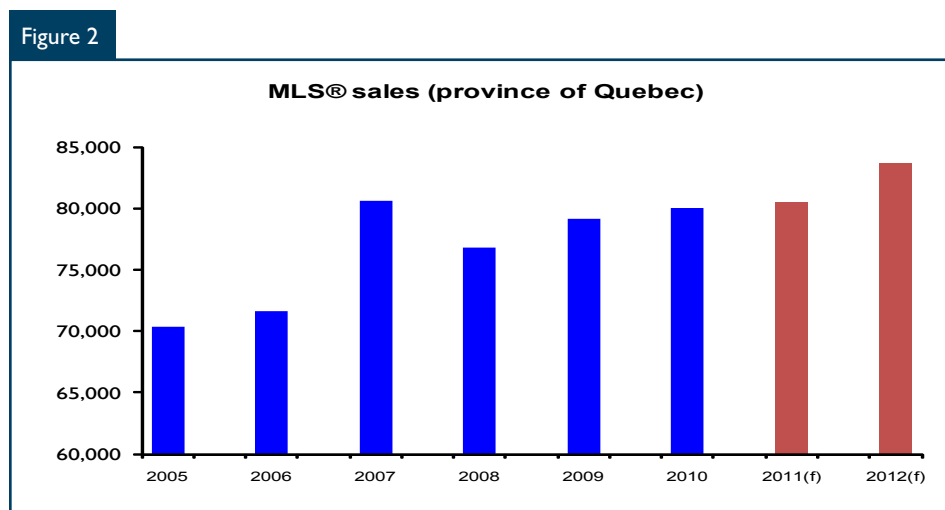
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Third Quarter 2011

Housing Market Forecast



Source and Forecasts: CMHC



Source: Canadian Real Estate Association, Forecasts: CMHC

Overview

A growing economy, still favourable borrowing conditions and sustained net migration will continue to support Quebec's housing markets in the next two years.

As a result, 45,500 housing starts are expected in 2011 followed by 44,000 starts in 2012.

The improved global and national economic environments, which have positively impacted Quebec's economy since the second half of 2009, will continue to do so this year and next.

Solid household spending and private investment will support job creation and in turn, housing demand. GDP is expected to grow by 2.5 per cent in 2011 and 2.5 in 2012.

As was the case in recent years, a variety of demographic factors will also fuel the province's housing markets in the coming years.

Strong net immigration to the province will continue to have a positive impact on the rental and resale markets. In addition, population

ageing will likely prompt older households to enter the market in response to their housing needs.

Mortgage Rates

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent.

The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points.

The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011.

Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012.

For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range.

For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

Mortgage rates		
1 Year	Q1 2011	3.45
	Change from Q1 2010	-0.15
	2011 (F)	3.23
	2012 (F)	3.76
5 Year	Q1 2011	5.32
	Change from Q1 2010	-0.25
	2011 (F)	5.45
	2012 (F)	5.94

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2011 data

In Detail

Single Starts:

For most of last year, 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, slower job growth and the recent easing of the resale market have taken pressure off of new construction.

Approximately 17,500 single detached homes will be started in both 2011 and 2012. It must be added that a trend toward more affordable housing and densification will further cool this market segment in the years to come.

The share of single detached housing starts has consistently declined from over 60 per cent of the total in 2001 to 40 per cent last year.

Multiple Starts:

Following a strong rebound in 2010, starts of multi-family dwellings will settle back to more sustainable levels in the next two years.

Given the current supply of condominium tenure apartments on the market and given the lower growth rate of the population aged 75 and over, which will continue to limit demand for retirement (rental apartment) homes, starts of multiple family homes in 2011 will inevitably decline.

Nonetheless, given the trend toward multi-family housing, multiple starts will reach the 28,000 unit mark in 2011 and 26,400 in 2012.

Resales:

In 2011, the MLS® will record a similar level of sales activity than the previous year. Resale activity will pick up next year as the housing stock continues to grow. Again this year, sales of existing condominiums (town houses or apartments) will be an important component of the total. As a result, 80,500 MLS® sales are forecast in 2011 and 83,600 in 2012.

Prices:

Stable demand for resale homes, combined with rising supply, will take some pressure off prices over the course of the next year. With a return to more balanced conditions, price growth in the resale market will moderate over the course of 2011 and in 2012. Expect the average resale price to rise to \$251,700 in 2011 and \$256,300 in 2012.

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	Q1 2011	-1.2	6.8	873.64	Q1 2011	428	110	318	901	231,286
	Q1 2010	4.5	6.2	873.94	Q1 2010	371	113	258	1,127	210,775
	Change ¹	-5.7	0.6	0.0%	% Change	15.4	-2.7	23.3	-20.1	9.7
Montréal	Q1 2011	0.5	8.1	776.53	Q1 2011	4,378	914	3,464	11,732	302,182
	Q1 2010	3.2	9.1	755.24	Q1 2010	4,907	1,320	3,587	13,149	286,838
	Change ¹	-2.7	-1.0	2.8%	% Change	-10.8	-30.8	-3.4	-10.8	5.3
Québec	Q1 2011	3.8	6.3	762.51	Q1 2011	1,110	215	895	2,004	241,381
	Q1 2010	-1.4	4.5	751.20	Q1 2010	1,125	326	799	2,168	229,182
	Change ¹	5.2	1.8	1.5%	% Change	-1.3	-34.0	12.0	-7.6	5.3
Saguenay	Q1 2011	-0.8	7.8	707.34	Q1 2011	153	84	69	310	171,814
	Q1 2010	1.4	7.8	709.32	Q1 2010	56	23	33	450	165,460
	Change ¹	-2.3	0.0	-0.3%	% Change	173.2	265.2	109.1	-31.1	3.8
Sherbrooke	Q1 2011	10.7	7.3	700.91	Q1 2011	333	67	266	506	208,337
	Q1 2010	-7.4	7.7	692.53	Q1 2010	334	88	246	560	185,366
	Change ¹	18.1	-0.4	1.2%	% Change	-0.3	-23.9	8.1	-9.6	12.4
Trois Rivières	Q1 2011	8.8	8.5	728.34	Q1 2011	110	25	85	267	161,893
	Q1 2010	-5.2	10.0	712.72	Q1 2010	463	41	422	287	148,219
	Change ¹	14.0	-1.5	2.2%	% Change	-76.2	-39.0	-79.9	-7.0	9.2
Quebec	Mar 11	1.6	7.7	755.76	Q1 2011	8,081	2,364	5,717	21,227	253,142
	Mar 10	1.3	7.9	738.10	Q1 2010	9,045	2,863	6,182	23,827	239,885
	Change ¹	0.3	-0.2	2.4%	% Change	-10.7	-17.4	-7.5	-10.9	5.5
Canada	Mar 11	1.8	7.7	834.88	Q1 2011	33,553	12,265	21,288	103,906	362,997
	Mar 10	0.7	8.2	813.66	Q1 2010	35,014	16,889	18,125	111,013	336,498
	Change ¹	1.1	-0.5	2.6%	% Change	-4.2	-27.4	17.5	-6.4	7.9

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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)											
	2006	2007	2008	2009	2010	2011(F)	2012(F)	2011Q1	2011Q2 (F)	2011Q3 (F)	2011Q4 (F)
Housing Starts:											
Single	21,917	22,177	19,778	17,535	19,549	17,500	17,600	16,800	18,000	17,750	17,500
%	-8.4	1.2	-10.8	-11.3	11.5	-10.5	0.6	-5.6	7.1	-1.4	-1.4
Multiple	25,960	26,376	28,123	25,868	31,814	28,000	26,400	30,000	28,000	27,000	27,000
%	-3.8	1.6	6.6	-8.0	23.0	-12.0	-5.7	-0.3	-6.7	-3.6	0.0
Total	47,877	48,553	47,901	43,403	51,363	45,500	44,000	46,800	46,000	44,750	44,500
%	-6.0	1.4	-1.3	-9.4	18.3	-11.4	-3.3	-2.3	-1.7	-2.7	-0.6
Existing Home Markets:											
MLS [®] Sales	71,619	80,647	76,754	79,109	80,052	80,500	83,600	79,116	80,000	81,000	82,000
%	1.8	12.6	-4.8	3.1	1.2	0.6	3.9	-0.4	1.1	1.3	1.2
MLS [®] Average Price	195,208	207,531	215,323	225,368	241,463	251,700	256,300	250,344	251,000	252,000	253,000
%	5.8	6.3	3.8	4.7	7.1	4.2	1.8	1.2	0.3	0.4	0.4

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Source: CMHC (Starts and Completions Survey), CREA

Quebec Region - Housing Forecast Ranges						
	2011			2012		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	45,500	48,520	42,520	44,000	49,300	38,700
Multiple	28,000	29,820	26,320	26,400	28,600	23,200
Single	17,500	18,700	16,200	17,600	20,700	15,500
MLS® Sales	80,500	85,500	76,500	83,600	94,100	74,500
MLS® Average Price (\$)	251,700	258,800	241,000	256,300	267,700	244,900
Canada						
Housing Starts	179,500	192,200	166,600	185,300	207,500	163,200
Multiple	96,800	103,300	91,000	98,500	107,200	86,700
Single	82,700	88,900	75,600	86,800	100,300	76,500
MLS® Sales	452,100	480,000	429,500	461,300	511,900	410,000
MLS® Average Price (\$)	361,100	374,300	347,700	364,200	385,000	349,500

Sources : CMHC

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Quebec Region Housing Forecast - New Construction									
	Housing Starts	2010	2011(F)*	% chg (2010/2011)	2012(F)*	% chg (2011/2012)	YTD 2011**	YTD 2010**	% chg (2010/2011)
Gatineau	Single-Detached	910	800	-12.1	750	-6.3	110	113	-2.7
	Multiple	1,777	1,700	-4.3	1,650	-2.9	318	258	23.3
	Total	2,687	2,500	-7.0	2,400	-4.0	428	371	15.4
Montréal	Single-Detached	5,789	5,250	-9.3	5,200	-1.0	914	1,320	-30.8
	Multiple	16,212	14,900	-8.1	13,700	-8.1	3,464	3,587	-3.4
	Total	22,001	20,150	-8.4	18,900	-6.2	4,378	4,907	-10.8
Québec	Single-Detached	1,768	1,500	-15.2	1,400	-6.7	215	326	-34.0
	Multiple	4,884	4,500	-7.9	4,200	-6.7	895	799	12.0
	Total	6,652	6,000	-9.8	5,600	-6.7	1,110	1,125	-1.3
Saguenay	Single-Detached	380	440	15.8	380	-13.6	84	23	265.2
	Multiple	403	520	29.0	410	-21.2	69	33	109.1
	Total	783	960	22.6	790	-17.7	153	56	173.2
Sherbrooke	Single-Detached	570	515	-9.6	500	-2.9	67	88	-23.9
	Multiple	1,086	985	-9.3	900	-8.6	266	246	8.1
	Total	1,656	1,500	-9.4	1,400	-6.7	333	334	-0.3
Trois Rivières	Single-Detached	345	300	-13.0	275	-8.3	25	41	-39.0
	Multiple	1,346	450	-66.6	400	-11.1	85	422	-79.9
	Total	1,691	750	-55.6	675	-10.0	110	463	-76.2

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 - March

Quebec Region Housing Forecast - Resale Market									
		2010	2011(F)*	% chg (2010/2011)	2012(F)*	% chg (2011/2012)	YTD 2010*	YTD 2011*	% chg (/)
Gatineau	MLS [®] Sales ¹	4,241	4,000	-5.7	4,000	0.0	1,127	901	-20.1
	MLS [®] Avg. Price ¹	218,646	229,000	4.7	234,000	2.2	210,775	231,286	9.7
Montreal	MLS [®] Sales ¹	42,347	42,600	0.6	43,500	2.1	13,149	11,732	-10.8
	MLS [®] Avg. Price ¹	297,621	312,500	5.0	322,000	3.0	286,838	302,182	5.3
Québec	MLS [®] Sales ¹	7,083	7,500	5.9	7,600	1.3	2,168	2,004	-7.6
	MLS [®] Avg. Price ¹	237,240	254,000	7.1	267,000	5.1	229,182	241,381	5.3
Saguenay	MLS [®] Sales ¹	1,461	1,400	-4.2	1,425	1.8	450	310	-31.1
	MLS [®] Avg. Price ¹	168,224	179,000	6.4	186,000	3.9	165,460	171,814	3.8
Sherbrooke	MLS [®] Sales ¹	1,733	1,770	2.1	1,775	0.3	560	506	-9.6
	MLS [®] Avg. Price ¹	204,423	212,500	4.0	218,000	2.6	185,366	208,337	12.4
Trois Rivières	MLS [®] Sales ¹	935	875	-6.4	860	-1.7	287	267	-7.0
	MLS [®] Avg. Price ¹	151,937	158,000	4.0	162,000	2.5	148,219	161,893	9.2

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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 - March

Quebec Region Housing Forecast - Rental Market				
	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2010	Oct 2011 (F)	Oct 2010	Oct 2011 (F)
Gatineau	2.5	2.5	711	725
Montréal	2.7	2.4	700	705
Québec	1.0	1.4	692	705
Saguenay	1.8	2.0	535	545
Sherbrooke	4.6	4.9	566	580
Trois Rivières	3.9	4.0	533	550
Canada	2.9	2.5	0	0

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

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