

# HOUSING MARKET OUTLOOK

## Quebec Region Highlights



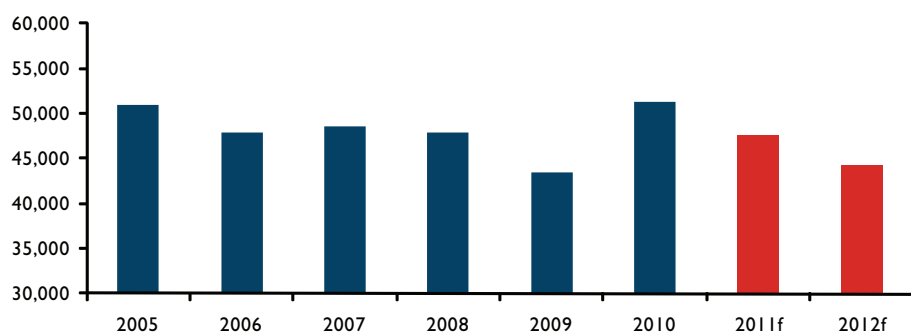
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Third Quarter 2011

## Housing Market Forecast

Figure 1

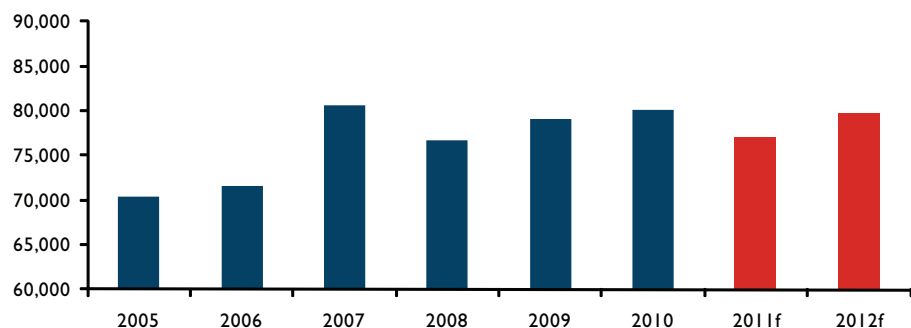
Total Housing Starts (province of Quebec)



Source: CMHC f: Forecast by CHMC

Figure 2

MLS® Sales (province of Quebec)



Source: CREA f: Forecast by CHMC

## Overview<sup>1</sup>

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, 47,500 housing starts are expected in 2011 followed by 44,300 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 approximately 2.5 per cent in 2011 and by 2.4 per cent 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 changing housing needs.

<sup>1</sup> 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 reflect information available as of August 12, 2011.

## Mortgage Rates

On July 19th, 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 interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. 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 starting to increase moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 2.7 to 4.0 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. For 2012, the one-year posted mortgage rate is assumed to be in the 2.6 to 4.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.3 to 5.6 per cent range. These ranges reflect the current heightened level of uncertainty in financial markets.

## In Detail

### Single Starts:

For most of last year, new construction of single detached homes has 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 the more affordable multi-family housing and

densification will further cool this market segment in the years to come.

Mortgage rates		
1 Year	Q2 2011	3.95
	Change from Q1 2010	0.25
	2011 (F)	4.02
	2012 (F)	5.24
5 Year	Q2 2011	5.56
	Change from Q1 2010	-0.48
	2011 (F)	5.60
	2012 (F)	5.99

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q2 2011 data

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 30,300 unit mark in 2011 and 26,500 units in 2012.

### Resales:

Given a weaker start during the first half of this year, the MLS® will record a lower level of sales activity than the previous year. Again this year, sales of existing condominiums (town houses or apartments) will be an important component of the total. As a result, 77,000 MLS® sales are forecast in 2011 and 79,700 in 2012.

### Prices:

Relatively 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 to \$251,500 and \$256,400, respectively.

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	Q2 2011	3.1	6.5	868.73	Q2 2011	818	281	537	1,222	236,167
	Q2 2010	1.6	6.5	863.01	Q2 2010	948	337	611	1,420	221,892
	Change <sup>1</sup>	1.5	0.0	0.7%	% Change	-13.7	-16.6	-12.1	-13.9	6.4
Montréal	Q2 2011	0.6	8.0	763.73	Q2 2011	5,892	1,497	4,395	12,149	317,871
	Q2 2010	3.7	8.5	755.00	Q2 2010	6,285	1,934	4,351	13,192	299,255
	Change <sup>1</sup>	-3.1	-0.5	1.2%	% Change	-6.3	-22.6	1.0	-7.9	6.2
Québec	Q2 2011	0.5	5.8	763.16	Q2 2011	1,777	515	1,262	2,064	250,987
	Q2 2010	1.2	5.6	776.05	Q2 2010	2,050	708	1,342	1,963	235,513
	Change <sup>1</sup>	-0.6	0.2	-1.7%	% Change	-13.3	-27.3	-6.0	5.1	6.6
Saguenay	Q2 2011	-3.3	7.6	734.32	Q2 2011	304	180	124	463	180,875
	Q2 2010	1.6	8.1	723.52	Q2 2010	302	167	135	404	168,823
	Change <sup>1</sup>	-4.8	-0.5	1.5%	% Change	0.7	7.8	-8.1	14.6	7.1
Sherbrooke	Q2 2011	9.6	6.2	705.19	Q2 2011	506	189	317	523	222,633
	Q2 2010	-2.9	7.4	710.68	Q2 2010	641	218	423	469	214,027
	Change <sup>1</sup>	12.4	-1.2	-0.8%	% Change	-21.1	-13.3	-25.1	11.5	4.0
Trois Rivières	Q2 2011	3.0	8.5	712.31	Q2 2011	303	113	190	282	156,078
	Q2 2010	-0.2	8.3	721.71	Q2 2010	416	140	276	269	149,646
	Change <sup>1</sup>	3.2	0.2	-1.3%	% Change	-27.2	-19.3	-31.2	4.8	4.3
Quebec	June 11	0.9	7.9	752.07	Q2 2011	14,150	5,540	8,610	23,064	263,862
	June 10	2.0	7.9	741.97	Q2 2010	15,922	6,765	9,157	24,206	250,062
	Change <sup>1</sup>	-1.1	0.0	1.4%	% Change	-11.1	-18.1	-6.0	-4.7	5.5
Canada	June 11	1.4	7.4	836.55	Q2 2011	52,625	23,677	28,948	141,366	374,159
	June 10	2.0	7.9	814.91	Q2 2010	55,287	28,958	26,329	143,042	345,015
	Change <sup>1</sup>	-0.6	-0.5	2.7%	% Change	-4.8	-18.2	9.9	-1.2	8.4

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

<sup>1</sup>Changes 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 MLS(R) sales and average price for Q2 and the revised data for Q1, became available after the cut-off date of July 14th 2011. 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	2011Q3 (F)	2011Q4 (F)
<b>Housing Starts:</b>											
Single	21,917	22,177	19,778	17,535	19,549	17,200	17,800	16,900	16,800	17,750	17,500
%	-8.4	1.2	-10.8	-11.3	11.5	-12.0	3.5	-5.1	-0.6	5.7	-1.4
Multiple	25,960	26,376	28,123	25,868	31,814	30,300	26,500	30,100	32,200	30,000	29,000
%	-3.8	1.6	6.6	-8.0	23.0	-4.8	-12.5	0.0	7.0	-6.8	-3.3
Total	47,877	48,553	47,901	43,403	51,363	47,500	44,300	47,000	49,000	47,750	46,500
%	-6.0	1.4	-1.3	-9.4	18.3	-7.5	-6.7	-1.9	4.3	-2.6	-2.6
<b>Existing Home Markets:</b>											
MLS® Sales	71,619	80,647	76,753	79,109	80,034	77,000	79,700	78,816	76,000	76,000	77,000
%	1.8	12.6	-4.8	3.1	1.2	-3.8	3.5	-0.7	-3.6	0.0	1.3
MLS® Average Price	195,208	207,531	215,320	225,368	241,455	251,500	256,400	250,430	251,000	252,000	253,000
%	5.8	6.3	3.8	4.7	7.1	4.2	1.9	1.2	0.2	0.4	0.4

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Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the MLS(R) sales and average price for Q2 and the revised data for Q1, became available after the cut-off date of July 14th 2011. As a result, this data was not considered for the forecast.

All data in this table, except the MLS (R) average price, is seasonally adjusted at annual rates. The MLS (R) average price data is actual.

Quebec Region - Housing Forecast Ranges						
	2011			2012		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
<b>Quebec</b>						
Housing Starts	47,500	51,100	43,150	44,300	49,600	38,900
Multiple	30,300	32,400	27,350	26,500	28,700	23,300
Single	17,200	18,700	15,800	17,800	20,900	15,600
MLS <sup>®</sup> Sales	77,000	81,400	73,400	79,700	89,200	70,800
MLS <sup>®</sup> Average Price (\$)	251,500	258,800	243,000	256,400	268,500	244,000
<b>Canada</b>						
Housing Starts	183,200	197,200	166,300	183,900	207,200	161,700
Multiple	101,600	108,500	91,500	99,000	107,700	87,200
Single	81,600	88,700	74,800	84,900	99,500	74,500
MLS <sup>®</sup> Sales	446,700	472,500	425,000	458,000	510,000	407,500
MLS <sup>®</sup> Average Price (\$)	367,500	378,300	355,200	372,400	389,700	354,500

Sources : CMHC

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

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	750	-17.6	700	-6.7	391	450	-13.1
	Multiple	1,777	1,600	-10.0	1,550	-3.1	855	869	-1.6
	Total	2,687	2,350	-12.5	2,250	-4.3	1,246	1,319	-5.5
Montréal	Single-Detached	5,789	4,800	-17.1	4,700	-2.1	2,411	3,254	-25.9
	Multiple	16,212	15,900	-1.9	14,200	-10.7	7,859	7,938	-1.0
	Total	22,001	20,700	-5.9	18,900	-8.7	10,270	11,192	-8.2
Québec	Single-Detached	1,768	1,400	-20.8	1,200	-14.3	730	1,034	-29.4
	Multiple	4,884	4,300	-12.0	4,100	-4.7	2,157	2,141	0.7
	Total	6,652	5,700	-14.3	5,300	-7.0	2,887	3,175	-9.1
Saguenay	Single-Detached	380	440	15.8	360	-18.2	264	190	38.9
	Multiple	403	460	14.1	440	-4.3	193	168	14.9
	Total	783	900	14.9	800	-11.1	457	358	27.7
Sherbrooke	Single-Detached	570	500	-12.3	475	-5.0	256	306	-16.3
	Multiple	1,086	950	-12.5	925	-2.6	583	669	-12.9
	Total	1,656	1,450	-12.4	1,400	-3.4	839	975	-13.9
Trois Rivières	Single-Detached	345	300	-13.0	275	-8.3	138	181	-23.8
	Multiple	1,346	500	-62.9	425	-15.0	275	698	-60.6
	Total	1,691	800	-52.7	700	-12.5	413	879	-53.0

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

		2010	2011(F)*	% chg (2010/2011)	2012(F)*	% chg (2011/2012)	YTD 2010*	YTD 2011*	% chg (/)
<b>Gatineau</b>	MLS® Sales <sup>1</sup>	4,238	3,850	-9.2	3,825	-0.6	2,547	2,121	-16.7
	MLS® Avg. Price <sup>1</sup>	218,646	229,000	4.7	234,000	2.2	216,973	233,956	7.8
<b>Montreal</b>	MLS® Sales <sup>1</sup>	42,302	40,400	-4.5	41,800	3.5	26,341	23,830	-9.5
	MLS® Avg. Price <sup>1</sup>	297,587	313,500	5.3	322,500	2.9	293,057	310,125	5.8
<b>Québec</b>	MLS® Sales <sup>1</sup>	7,083	7,500	5.9	7,600	1.3	4,131	4,061	-1.7
	MLS® Avg. Price <sup>1</sup>	237,240	254,000	7.1	267,000	5.1	232,190	246,350	6.1
<b>Saguenay</b>	MLS® Sales <sup>1</sup>	1,461	1,400	-4.2	1,425	1.8	854	772	-9.6
	MLS® Avg. Price <sup>1</sup>	168,224	180,000	7.0	190,000	5.6	167,051	177,202	6.1
<b>Sherbrooke</b>	MLS® Sales <sup>1</sup>	1,733	1,750	1.0	1,725	-1.4	1,029	1,027	-0.2
	MLS® Avg. Price <sup>1</sup>	204,423	220,000	7.6	228,000	3.6	198,429	215,591	8.6
<b>Trois Rivières</b>	MLS® Sales <sup>1</sup>	935	900	-3.7	875	-2.8	556	549	-1.3
	MLS® Avg. Price <sup>1</sup>	151,937	158,000	4.0	162,000	2.5	148,910	158,879	6.7

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

<sup>1</sup> 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 2010	Oct 2011 (F)	Oct 2010	Oct 2011 (F)
<b>Gatineau</b>	2.5	2.4	711	725
<b>Montréal</b>	2.7	2.4	700	705
<b>Québec</b>	1.0	1.4	692	705
<b>Saguenay</b>	1.8	2.0	535	545
<b>Sherbrooke</b>	4.6	4.9	566	580
<b>Trois Rivières</b>	3.9	4.0	533	550
<b>Canada</b>	2.9	2.5	0	0

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

<sup>1</sup> All centres 100,000+



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