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Residential Construction Slows Down in Saguenay in the First Quarter

Canada Mortgage and Housing Corporation

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The latest results released by Canada Mortgage and Housing Corporation (CMHC) revealed that residential construction slowed down in the first quarter of 2006 in the Saguenay census metropolitan area (CMA). From January to March, 17 dwellings were started, for a decrease of 55 per cent from the same period in 2005 (38 units).

The decline observed on the Saguenay residential market was mainly due to the rental housing segment. In fact, 4 rental units were

started from January to March, compared to 22 during the same period in 2005, for a drop of just over 80 per cent. The strength observed in this market segment in 2005 was essentially attributable to the expansion of a housing cooperative, a situation that did not recur in 2006.

The freehold home segment¹ was true to itself, with 13 new units built from January to March 2006, or 3 fewer (-19 per cent) than during the same period in 2005. Out of these 13 new dwellings, 11 are detached houses and 2 are apartments

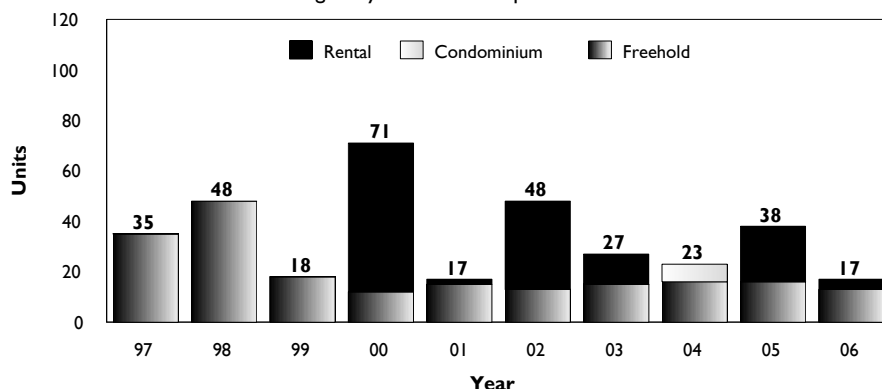
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SECOND QUARTER 2006

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Total Housing Starts
First Quarter
Saguenay Census Metropolitan Area



Source: CMHC

¹ The freehold housing market comprises detached, semi-detached and row homes, as well as duplexes.

(duplexes or homes with a basement unit). The decrease of 19 per cent may seem high but, in absolute terms, this figure represents a difference of only 3 units between the first quarters of 2005 and 2006.

During the first quarter of 2006, housing starts went up over the same period last year in just one of the four Lac-Saint-Jean urban centres. In Dolbeau, 15 new dwellings were started from January to March 2006, or five times more than during the corresponding period in

2005 (3 units). The vigorous housing activity in this urban centre extended to all housing types. Housing starts remained relatively stable in Alma while, in Roberval and Saint-Félicien, no new foundations were laid during the months of January, February and March 2006.

In all urban centres with 10,000 or more inhabitants across Quebec, 7,698 starts were enumerated during the first three months of 2006, for an increase of 8 per cent over the same period in 2005. The Trois-

Rivières CMA posted the strongest increase (+71 per cent), followed by Gatineau (+39 per cent) and Montréal (+9 per cent). The other CMAs in the province sustained decreases, with the most significant decline having been registered in Saguenay (-55 per cent). Lastly, starts fell by 19 per cent in Québec and by 17 per cent in Sherbrooke.

Resale Market Remains Vigorous in the First Quarter in the Saguenay Area

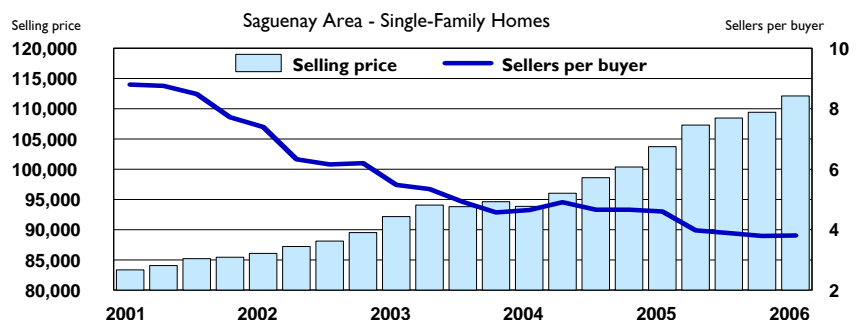
According to the latest Service inter-agences / Multiple Listing Service (S.I.A.® / MLS®) data, the resale market remained very active in the first quarter in the Saguenay area¹. In fact, 343 transactions were registered from January to March 2006, or 1 per cent more than during the same period in 2005. This was the second best first quarter performance recorded since CMHC began compiling this data (1997). La Baie was the sector that most contributed to the dynamic activity on the market, with 42 per cent more sales than during the same period in 2005 (61 units in 2006, compared to 42 in 2005). Sales also went up in the outlying sector (+6 per cent), while the boroughs of Chicoutimi and Jonquière registered decreases of 4 per cent and 11 per cent, respectively. The low mortgage rates, in spite of a small increase, continued to be the main factor fuelling the resale market.

Once again, the vitality of the resale market prevailed in a context

where the supply of homes for sale was relatively limited. In fact, despite a slight rise in active listings in the first quarter, the seller-to-buyer ratio, which indicates the power relationship between sellers and buyers, remained below 4 to 1². Consequently, the resale market was overheating and continued to favour sellers during negotiations. In this

context, the growth in prices remained firm throughout the territory. As a result, the average selling price of single-family homes³ reached \$112,177 in the first quarter of 2006, up by 8 per cent over the first three months of 2005 (\$103,720). The limited supply should continue to put pressure on prices over the coming months.

Resale Market



Source: MLS®, Compilation: CMHC

¹ For the resale market, the Saguenay area includes the Saguenay CMA, along with the municipalities of Saint-Ambroise, Saint-David-de-Falardeau, Valin, Sainte-Rose-du-Nord and Saint-Charles.

² The resale market is considered to be balanced when the seller-to-buyer ratio is between 8 and 10 to 1. A ratio below 8 to 1 signifies a seller's market, while a ratio above 10 to 1 indicates a buyer's market.

³ Single-family homes include detached, semi-detached and row houses.

Table I
Summary of Activity by Intended Market
Saguenay Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
First quarter 2006	11	0	0	2	0	4	17
First quarter 2005	12	0	0	4	0	22	38
Year-to-date 2006 (Jan.-Mar.)	11	0	0	2	0	4	17
Year-to-date 2005 (Jan.-Mar.)	12	0	0	4	0	22	38
Under construction**							
First quarter 2006	35	2	6	6	0	88	137
First quarter 2005	35	12	0	2	0	33	82
Completions							
First quarter 2006	32	0	0	0	5	4	41
First quarter 2005	21	2	0	4	0	23	50
Year-to-date 2006	32	0	0	0	5	4	41
Year-to-date 2005	21	2	0	4	0	23	50
Unoccupied**							
First quarter 2006	0	0	0	0	0	0	0
First quarter 2005	0	0	0	0	0	8	8
Absorption							
First quarter 2006	32	0	0	0	5	4	41
First quarter 2005	21	2	0	4	0	15	42
Year-to-date 2006	32	0	0	0	5	4	41
Year-to-date 2005	21	2	0	4	0	15	42
Short-term supply							
Trend 2006	35	2	6	6	0	88	137
Trend 2005	35	12	0	2	0	41	90

* Refers to single-family houses (single-detached, semi-detached and row homes) owned under freehold tenure and owner-occupied duplexes

** At the end of the period shown

Source: CMHC

Table 2
Housing Starts by Zone and by Intended Market
Saguenay Metropolitan Area

Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 1: Chicoutimi							
First quarter 2006	2	0	0	2	0	4	8
First quarter 2005	2	0	0	2	0	22	26
Year-to-date 2006	2	0	0	2	0	4	8
Year-to-date 2005	2	0	0	2	0	22	26
Zone 2: Jonquière							
First quarter 2006	2	0	0	0	0	0	2
First quarter 2005	5	0	0	0	0	0	5
Year-to-date 2006	2	0	0	0	0	0	2
Year-to-date 2005	5	0	0	0	0	0	5
Zone 3: La Baie							
First quarter 2006	1	0	0	0	0	0	1
First quarter 2005	1	0	0	0	0	0	1
Year-to-date 2006	1	0	0	0	0	0	1
Year-to-date 2005	1	0	0	0	0	0	1
Centre (zones 1 to 3)							
First quarter 2006	5	0	0	2	0	4	11
First quarter 2005	8	0	0	2	0	22	32
Year-to-date 2006	5	0	0	2	0	4	11
Year-to-date 2005	8	0	0	2	0	22	32
Zone 4: Outlying area (Lac Kénogami, Larouche, Laterrière, Saint-Fulgence, etc.)							
First quarter 2006	6	0	0	0	0	0	6
First quarter 2005	4	0	0	2	0	0	6
Year-to-date 2006	6	0	0	0	0	0	6
Year-to-date 2005	4	0	0	2	0	0	6
TOTAL - SAGUENAY METROPOLITAN AREA							
First quarter 2006	11	0	0	2	0	4	17
First quarter 2005	12	0	0	4	0	22	38
Year-to-date 2006	11	0	0	2	0	4	17
Year-to-date 2005	12	0	0	4	0	22	38

Source: CMHC

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range - First quarter Saguenay Metropolitan Area										
Type	Under \$100,000		\$100,000 to \$124,999		\$125,000 to \$149,999		\$150,000 to \$199,999		\$200,000 or over	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Single	1	3	4	6	11	4	13	6	3	2
Semi	0	0	0	0	0	2	0	0	0	0
Total	1	3	4	6	11	6	13	6	3	2
Market share (single)	3.1%	14.3%	12.5%	28.6%	34.4%	19.0%	40.6%	28.6%	9.4%	9.5%

Source: CMHC

Table 4 Housing Supply - First quarter 2006 Saguenay Metropolitan Area				
	Intended Market			
	Freehold	Condominium	Rental	Total
Under construction	49	0	88	137
Unoccupied	0	0	0	0
Short-term supply	49	0	88	137
Duration of short-term supply (months, trend)	1.9	0.0	19.9	4.3

Source: CMHC

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Table 5
Housing Starts by Agglomeration and by Intended Market
Lac-Saint-Jean

Agglomeration / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Alma							
First quarter 2006	5	0	0	0	0	0	5
First quarter 2005	0	0	0	0	0	6	6
Year-to-date 2006	5	0	0	0	0	0	5
Year-to-date 2005	0	0	0	0	0	6	6
Dolbeau-Mistassini							
First quarter 2006	7	0	4	0	0	4	15
First quarter 2005	3	0	0	0	0	0	3
Year-to-date 2006	7	0	4	0	0	4	15
Year-to-date 2005	3	0	0	0	0	0	3
Roberval							
First quarter 2006	0	0	0	0	0	0	0
First quarter 2005	6	0	0	0	0	0	6
Year-to-date 2006	0	0	0	0	0	0	0
Year-to-date 2005	6	0	0	0	0	0	6
Saint-Félicien							
First quarter 2006	0	0	0	0	0	0	0
First quarter 2005	2	0	0	0	0	0	2
Year-to-date 2006	0	0	0	0	0	0	0
Year-to-date 2005	2	0	0	0	0	0	2

Source: CMHC

Table 6
Economic Overview
Saguenay Metropolitan Area

	2005				2006
	1st Q	2nd Q	3rd Q	4th Q	1st Q
Mortgage rates (%) (Canada)					
- 1-year	4.9	4.8	5.0	5.6	5.9
- 5-year	6.1	5.9	5.8	6.2	6.4
Inflation (Province of Quebec)					
- Inflation rate (%)	2.1	2.0	2.9	2.1	2.3
- Consumer Price Index (1992=100)	122.2	123.1	124.3	124.3	125.0
Quebec consumer attitudes survey					
- Index of Consumer Attitudes (1991 = 100) (seasonally adjusted)	123.3	122.2	99.3	108.9	115.9
Labour market					
- Job creation (loss) compared to the last quarter	- total	-167	2,500	-1,267	1,733
- full-time	-2,633	-233	3,600	-3,500	133
- Job creation (loss) compared to the same quarter last year	- total	-1,767	-4,933	-2,567	2,800
- full-time	2,933	-867	-2,967	-2,767	0
- Unemployment rate (%)	10.7	9.3	9.7	10.5	8.7

Sources: Statistics Canada, Conference Board of Canada

Saguenay Metropolitan Area Zones

Zones	Municipalities	Large zone
1	Chicoutimi	Centre
2	Jonquière	Centre
3	La Baie	Centre
4	Lac Kénogami, Larouche, Laterrière, St-Fulgence, St-Honoré, Shipshaw, Canton Tremblay	Péripheral Area

Definitions and Concepts

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).

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