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Québec

Canada Mortgage and Housing Corporation

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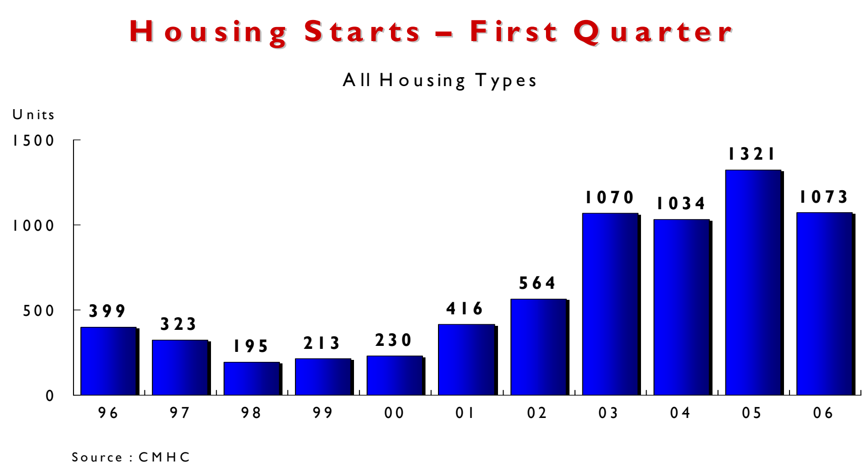
SECOND QUARTER 2006

Residential Construction Declines Further in the First Quarter of 2006

Residential construction continued to decline at the beginning of this year in the Québec census metropolitan area (CMA). In fact, according to the latest surveys conducted by Canada Mortgage and Housing Corporation (CMHC), 1,073 dwellings were started from January to March, or 19 per cent fewer than during the same period in 2005. As well, this was the fourth consecutive quarterly decrease for the Québec area.

All housing types were affected by the slowdown in activity during the first quarter of 2006. The condominium segment sustained the greatest decrease, with 203 starts, down by 28 per cent from the first three months of 2005. Rental housing construction was close behind, with a total of 314 units, for a decline of 25 per cent. Freehold homes*, for their part, registered a more moderate decrease, as 556 starts were enumerated, or 11 per cent fewer than last year. This foreseeable slowdown in residential construction resulted, in particular, from the new rise in existing properties for sale and also from the higher vacancy rates for both



* Freehold homes include detached, semi-detached and row houses, as well as duplexes.

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traditional and retirement rental housing.

In all urban centres with 10,000 or more inhabitants in the province, 7,698 starts were enumerated during the first quarter of 2006, for an increase of 8 per cent over the first three months of 2005. Among the six CMAs across Quebec, three posted gains, namely, Trois-Rivières (+71 per cent), Gatineau (+39 per cent) and Montréal (+9 per cent). Apart from the Québec area (-19 per cent), decreases were also noted in Sherbrooke (-17 per cent) and Saguenay (-55 per cent).

Market Still Dynamic Despite Signs of Slowdown

In the Québec census metropolitan area (CMA), the resale market was still dynamic, even if certain signs of easing could be observed. According to Service inter-agences / Multiple Listing Service (S.I.A.® / MLS®) data, sales of existing properties fell slightly (-3.4 per cent) in the first quarter of 2006, after having risen for four straight quarters. In fact, 2,014 properties were sold from January to March, or 71 fewer than during the same period last year. This level of activity was close to the average for a first quarter observed for the period from 2000 to 2005 (2,082 transactions) and largely exceeded the average recorded for the 1990s (1,385 transactions). Sales of existing properties therefore remained vigorous and continued to benefit from the positive spin-offs of one of the most dynamic job markets in the province. Since the rise in mortgage rates will be marginal, decreases in transactions are not expected in every quarter of this year.

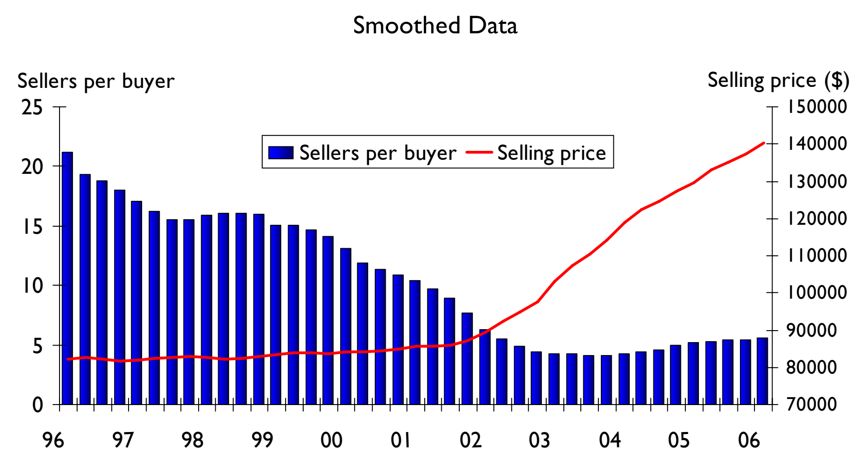
The supply of homes for sale continued on the upward course that began at the end of 2003. In the first quarter of the year, listings reached 3,488 properties, for an increase of 10.2 per cent over the first quarter of 2005. The growing choice available to potential buyers is one of the factors that have maintained the vitality of the market. More than 60 per cent of the rise in listings was attributable to the addition of condominiums for sale. For this housing type, market conditions have been easing more rapidly than for single-family homes or duplexes.

As a result of this increase in the number of properties for sale, the seller-to-buyer ratio, which has been on the rise for two years, has now reached 5.6 to 1. The market remained favourable to sellers, but it is heading toward a balanced situation[1]. The condominium market, where the seller-to-buyer ratio attained 7.6 to 1, will soon reach the balance point. This is already the case in zones 1, 2 and 7.

For all housing types combined, prices posted a sturdy gain (8.3 per cent) between the first quarter of 2005 and the first quarter of 2006. Increases of 9.0 per cent and 15.6 per cent had been observed in the first three months of 2005 and 2004, respectively. The market, which has been tending to ease overall, has therefore effectively been putting less pressure on prices.

[1]The balanced range for the seller-to-buyer ratio is between 8 and 10 to 1, indicating a market where neither buyers nor sellers are favoured.

Selling Price and Seller-to-buyer Ratio



Source : Chambre immobilière de Québec (CMHC compilation)

Table 1
Summary of Activity by Intended Market
Québec Metropolitan Area

Activity / Period	Ownership					Rental	Total
	Freehold*				Condo-minium		
	Single	Semi	Row	Apt.			
Starts							
First Quarter 2006	419	64	23	50	203	314	1,073
First Quarter 2005	477	74	39	32	281	418	1,321
Year-to-date 2006 (Jan.-Mar.)	419	64	23	50	203	314	1,073
Year-to-date 2005 (Jan.-Mar.)	477	74	39	32	281	418	1,321
Under construction*							
First Quarter 2006	473	124	31	46	732	1,092	2,498
First Quarter 2005	674	132	56	48	806	1,270	2,986
Completions							
First Quarter 2006	530	84	23	60	178	60	935
First Quarter 2005	451	28	4	32	225	270	1,010
Year-to-date 2006	530	84	23	60	178	60	935
Year-to-date 2005	451	28	4	32	225	270	1,010
Unoccupied*							
First Quarter 2006	49	39	22	0	224	157	491
First Quarter 2005	30	7	12	1	222	160	432
Absorption							
First Quarter 2006	542	75	19	60	189	92	977
First Quarter 2005	468	29	6	31	163	97	794
Year-to-date 2006	542	75	19	60	189	92	977
Year-to-date 2005	468	29	6	31	163	97	794
Duration of inventory (months)							
Trend 2005	0.2	1.2	2.2	0.0	2.4	1.8	1.1
Trend 2004	0.1	0.3	1.9	0.1	2.6	2.1	1.0

** 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 2a Housing Starts by Zone and by Intended Market Québec Metropolitan Area							
Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 1: Québec (Basse-Ville, Vanier)							
First Quarter 2006	1	0	0	0	11	46	58
First Quarter 2005	3	0	4	0	80	55	142
Year-to-date 2006	1	0	0	0	11	46	58
Year-to-date 2005	3	0	4	0	80	55	142
Zone 2: Québec (Haute-Ville)							
First Quarter 2006	1	0	0	0	0	0	1
First Quarter 2005	0	0	0	0	48	0	48
Year-to-date 2006	1	0	0	0	0	0	1
Year-to-date 2005	0	0	0	0	48	0	48
Zone 3: Québec (Des Rivières, Ancienne-Lorette)							
First Quarter 2006	71	50	12	22	39	132	326
First Quarter 2005	87	10	0	8	36	6	147
Year-to-date 2006	71	50	12	22	39	132	326
Year-to-date 2005	87	10	0	8	36	6	147
Zone 4: Sainte-Foy, Cap-Rouge, Saint-Augustin, Sillery							
First Quarter 2006	36	0	3	0	73	6	118
First Quarter 2005	44	10	15	0	29	133	231
Year-to-date 2006	36	0	3	0	73	6	118
Year-to-date 2005	44	10	15	0	29	133	231
North centre (zones 1 to 4)							
First Quarter 2006	109	50	15	22	123	184	503
First Quarter 2005	134	20	19	8	193	194	568
Year-to-date 2006	109	50	15	22	123	184	503
Year-to-date 2005	134	20	19	8	193	194	568
Zone 5: Val-Bélair, Saint-Émile, etc.							
First Quarter 2006	61	2	0	6	19	18	106
First Quarter 2005	73	2	0	6	0	4	85
Year-to-date 2006	61	2	0	6	19	18	106
Year-to-date 2005	73	2	0	6	0	4	85
Zone 6: Charlesbourg, Stoneham, etc.							
First Quarter 2006	69	0	0	6	44	4	123
First Quarter 2005	51	10	5	2	54	192	314
Year-to-date 2006	69	0	0	6	44	4	123
Year-to-date 2005	51	10	5	2	54	192	314

Continued on next page

Table 2a (continued) Housing Starts by Zone and by Intended Market Québec Metropolitan Area							
Zone / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Zone 7: Beauport, Boischâtel, Île-d'Orléans, etc.							
First Quarter 2006	64	2	0	16	5	63	150
First Quarter 2005	101	2	0	14	0	0	117
Year-to-date 2006	64	2	0	16	5	63	150
Year-to-date 2005	101	2	0	14	0	0	117
North outlying area (zones 5 to 7)							
First Quarter 2006	194	4	0	28	68	85	379
First Quarter 2005	225	14	5	22	54	196	516
Year-to-date 2006	194	4	0	28	68	85	379
Year-to-date 2005	225	14	5	22	54	196	516
North shore (zones 1 to 7)							
First Quarter 2006	303	54	15	50	191	269	882
First Quarter 2005	359	34	24	30	247	390	1,084
Year-to-date 2006	303	54	15	50	191	269	882
Year-to-date 2005	359	34	24	30	247	390	1,084
Zone 8: Saint-Jean-Chrysostôme, Saint-Nicolas, etc.							
First Quarter 2006	80	6	0	0	6	21	113
First Quarter 2005	96	22	4	0	34	16	172
Year-to-date 2006	80	6	0	0	6	21	113
Year-to-date 2005	96	22	4	0	34	16	172
Zone 9: Lévis, Pintendre							
First Quarter 2006	36	4	8	0	6	24	78
First Quarter 2005	22	18	11	2	0	12	65
Year-to-date 2006	36	4	8	0	6	24	78
Year-to-date 2005	22	18	11	2	0	12	65
South shore (zones 8 and 9)							
First Quarter 2006	116	10	8	0	12	45	191
First Quarter 2005	118	40	15	2	34	28	237
Year-to-date 2006	116	10	8	0	12	45	191
Year-to-date 2005	118	40	15	2	34	28	237
TOTAL - QUÉBEC METROPOLITAN AREA							
First Quarter 2006	419	64	23	50	203	314	1,073
First Quarter 2005	477	74	39	32	281	418	1,321
Year-to-date 2006	419	64	23	50	203	314	1,073
Year-to-date 2005	477	74	39	32	281	418	1,321

Source: CMHC

Table 2b Housing Starts by Intended Market for the New Cities of Québec and Lévis Québec Metropolitan Area							
City / Period	Ownership					Rental	Total
	Freehold				Condo-minium		
	Single	Semi	Row	Apt.			
Québec							
First Quarter 2006	177	52	15	50	167	263	724
First Quarter 2005	199	34	24	30	241	375	903
Year-to-date 2006	177	52	15	50	167	263	724
Year-to-date 2005	199	34	24	30	241	375	903
Lévis							
First Quarter 2006	111	10	8	0	12	45	186
First Quarter 2005	113	40	15	2	34	28	232
Year-to-date 2006	111	10	8	0	12	45	186
Year-to-date 2005	113	40	15	2	34	28	232

Source: CMHC

According to the territory of Québec City since Jenuary 2006 (excluding the municipalities of L'Ancienne-Lorette and Saint-Augustin).

Table 3 Single-Detached and Semi-Detached Houses Absorbed by Price Range* - First Quarter Québec Metropolitan Area										
Type	Under $125,000		$1250,000 to $149,999		$150,000 to $199,999		$200,000 to $249,999		$250,000 or over	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Single	6	3	43	48	261	250	117	97	115	70
Semi	0	3	63	25	12	1	0	0	0	0
Total	6	6	106	73	273	251	117	97	115	70
Market share (single)	1.1%	0.6%	7.9%	10.3%	48.2%	53.4%	21.6%	20.7%	21.2%	15.0%

Source: CMHC

**Please note that the price ranges have been revised in order to better reflect the market.*

Table 4
Housing Supply - First Quarter 2006
Québec Metropolitan Area

Intended Market	Under Construction	Unoccupied	Short-Term Supply	Monthly Absorption*	Duration of Short-Term Supply (months)
	March 2006			Trend 2006	
Freehold	674	110	784	282	2.8
Condominium	732	224	956	95	10.1
Rental	1,092	157	1,249	89	14.0
Total	2,498	491	2,989	467	6.4
	March 2005			Trend 2005	
Freehold	910	50	960	259	3.7
Condominium	806	222	1,028	87	11.8
Rental	1,270	160	1,430	76	18.8
Total	2,986	432	3,418	422	8.1

Source: CMHC — * 12-month average

Table 5
Economic Overview
Québec Metropolitan Area

	1st Q 2006	4th Q 2005	1st Q 2005	Trend 2006	Trend 2005	% Change Trend
Labour market						
Employment level (000)	369.4	373.7	371.4	369.4	371.4	(0.5)
Unemployment rate (%)	6.8	4.0	6.6	6.8	6.6	s.o.
Mortgage rates (1)						
1-year (%)	5.9	5.6	4.9	5.9	4.9	s.o.
5-year (%)	6.4	6.2	6.1	6.4	6.1	s.o.
Annual inflation rate						
CPI, 1996=100	125.7	124.9	122.8	125.7	122.8	2.3
New Housing Price Index (1997=100)*						
House	140.8	139.6	135.2	140.8	135.2	4.1
Land	137.6	132.6	122.9	137.6	122.9	11.9
Total	140.3	138.2	132.3	140.3	132.3	6.0
Index of Consumer Confidence						
1991=100 (2)	115.9	108.9	123.3	115.9	123.3	-6.0
MLS sales						
Total residential units	2,014	1,582	2,085	2,014	2,085	-3.4%
Median price (single-detached house)	150,093	146,557	137,861	150,093	137,861	8.9%

Sources: Statistics Canada, Conference Board of Canada, Chambre immobilière de Québec.

Notes: (1) Canada (2) Province of Quebec

** The data for the current quarter is the average for the first two months*

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

Québec Metropolitan Area Zones

Zones	Municipalities and Zones	Large Zones
1	Lower Town Quebec, Vanier	North Centre
2	Upper Town Quebec	North Centre
3	Québec Des Rivières (Neufchâtel, Duberger, Les Saules, Lebourgneuf), Ancienne-Lorette	North Centre
4	Ste-Foy, Sillery, Cap-Rouge, St-Augustin	North Centre
5	Val-Bélair, St-Émile, Loretteville, Lac St-Charles, Lac Delage, Valcartier, Shannon, Lac St-Joseph, Ste-Catherine-de-la-J.-C., Fossambault	Northern Suburbs
6	Greater Charlesbourg, Lac Beauport, Stoneham-Tewkesbury	Northern Suburbs
7	Greater Beauport, Ste-Brigitte-de-Laval, Boischâtel, L'Ange-Gardien, Château-Richer, Île-d'Orléans	Northern Suburbs
8	Charny, St-Romuald, St-Jean-Chrysostôme, St-Nicolas, St-Rédempteur, Breakeyville, St-Lambert, St-Étienne	South Shore
9	Lévis, Pintendre, St-Joseph-de-Lévy, St-Étienne-de-Beaumont	South Shore

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