HOUSING NOW

YOUR LINK TO THE HOUSING MARKET

Sherbrooke

Construction Continues to Slow Down

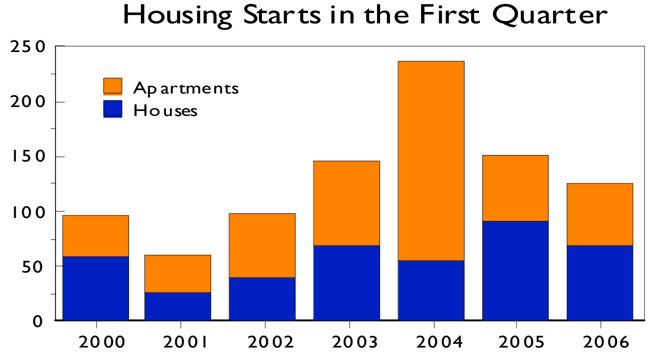
Canada Mortgage and Housing Corporation

A further decrease in housing starts was recorded at the beginning of the year in the Sherbrooke census metropolitan area (CMA). According to Canada Mortgage and Housing Corporation, 151 dwellings were started in the first quarter of last year, compared to 125 during the same period in 2006. The slowdown observed (-17 per cent) was less significant, however, than the decrease registered at the same time last year (-36 per cent).

It was the construction of houses that declined to start off this year. By the end of March, single-family home starts were down by 23 units (-25 per cent) from the same period last year. There are more existing homes for sale, such that people don't have to turn to the new home market as much to become homeowners or meet their housing needs. In addition, the employment outlook is deteriorating, which is undermining consumer confidence. Also, the difference between new and existing home prices has been steadily rising and now exceeds $25,000. Last year, demand for new homes had remained stable. The contraction phase is therefore getting under way for single-family home construction.

Apartment production practically didn't slow down. This year, between January and March, 56 apartments were started, compared to 59 during the same period last year. Conditions have remained favourable to the production of apartments, for both the rental and ownership markets. Last year, rental housing

Housing Starts in the First Quarter



Source: CMCH

SECOND QUARTER 2006

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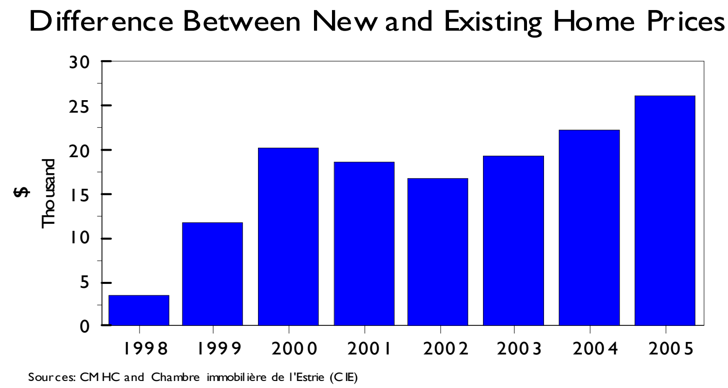
construction declined, in order to better match demand in the mid- and upper-range categories, the only types of housing that can be produced, given the high construction costs.



Sherbrooke Not the Only CMA to Show a Slowdown

Sherbrooke was not the only CMA in Quebec that sustained a decrease in activity to start off the year. In the Québec area, the decline in construction was similar (-19 per cent), while activity fell more markedly in Saguenay (-55 per cent). In the Montréal area, however, job sites were more numerous, and there were 9 per cent more starts than in the first quarter of 2005. In Gatineau and Trois-Rivières, the increases in activity were even greater, with gains of 39 per cent and 71 per cent, respectively.

Resale Market at a Turning Point

On the surface, the Sherbrooke resale market was still going full tilt at the beginning of the year. Sales registered a new increase, even though they were already at a high level in 2005. From January to March 2006, 412 homes changed owners, compared to 398 during the same period in 2005. Prices, for their part, continued to rise at an accelerated pace, as the average price went up by 9.3 per cent between the first quarters of 2005 and 2006.

However, certain factors are indicating that the resale market is moving closer to a turning point. First of all, the supply of properties for sale has just jumped up and now exceeds 600 units, a level not reached since 2002. As well, the increase in prices has started to slow down (13.3 per cent in the first quarter of 2005, compared to 9.3 per cent in the first quarter of this year). Lastly, the seller-to-buyer ratio is slowing easing. Not taking into account the rapid fluctuations[1], the ratio went from 4.5 to 1 to 5 to 1 between the last quarter of 2005 and the first quarter of 2006.

Over the coming months, we should see the growth in home prices slow down and market conditions ease rather rapidly. This situation will result from the steady rise in the supply of homes for sale. At the beginning of April, 200 more homes than at the same time last year were on the market, for an increase of 44 per cent in the supply.

In the first quarter of the year, it was the West/Ascot sector that had the tightest market (seller-to-buyer ratio of 3 to 1), followed by Fleurimont (ratio of 3.5 to 1). With ratios below 5 to 1, these markets are considered to be overheating. Conversely, the East sector has the least tight market conditions, with 6 sellers for every buyer, a ratio indicating a seller's market.

[1] Smoothed data is then used.

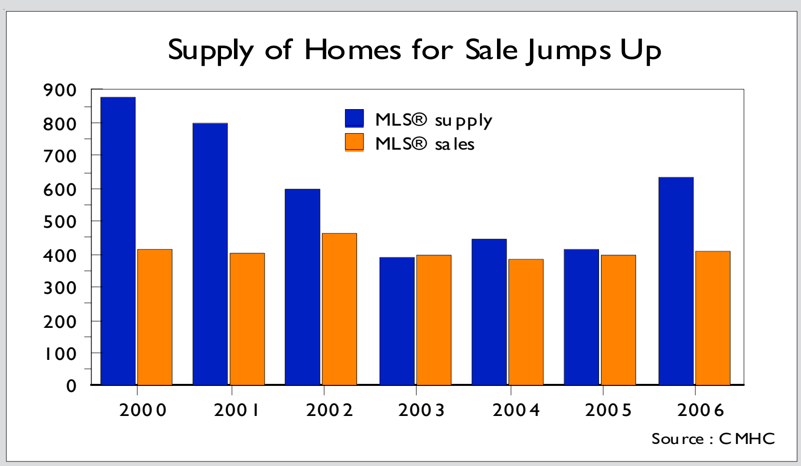


Table 1
Summary of Activity by Intended Market
Sherbrooke Metropolitan Area

Activity / Period	*Ownership*		*Rental*	*Total*
	*Freehold**	*Condominium*		
Starts				
First quarter 2006	75	0	50	125
First quarter 2005	96	20	35	151
Year-to-date 2006 (Jan.-March)	75	0	50	125
Year-to-date 2005 (Jan.-March)	96	20	35	151
Under construction				
March 2006	112	8	126	246
March 2005	105	72	187	364
Completions				
First quarter 2006	74	8	42	124
First quarter 2005	85	3	36	124
Year-to-date 2006	74	8	42	124
Year-to-date 2005	85	3	36	124
Unoccupied				
March 2006	0	28	48	76
March 2005	0	4	39	43
Absorption				
First quarter 2006	74	18	59	151
First quarter 2005	86	3	36	125
Year-to-date 2006	74	18	59	151
Year-to-date 2005	86	3	36	125
Duration of inventory				
March 2006	0.0	3.5	1.4	0.8
March 2005	0.0	0.6	1.0	0.5

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

Source: CMHC

Table 2

Housing Starts by Zone and by Intended Market
Sherbrooke Metropolitan Area

Zone / Period	*Ownership*					*Rental*	*Total*
	Freehold				*Condo-minium*		
	Single	*Semi*	*Row*	*Apt.*			
Zone 1: Sherbrooke							
First quarter 2006	7	0	0	0	0	26	33
First quarter 2005	11	2	0	0	20	23	56
Year-to-date 2006	7	0	0	0	0	26	33
Year-to-date 2005	11	2	0	0	20	23	56
Zone 2: Fleurimont							
First quarter 2006	13	0	0	4	0	6	23
First quarter 2005	8	0	0	0	0	0	8
Year-to-date 2006	13	0	0	4	0	6	23
Year-to-date 2005	8	0	0	0	0	0	8
Zone 3: Rock Forest							
First quarter 2006	14	4	0	2	0	15	35
First quarter 2005	24	2	0	2	0	0	28
Year-to-date 2006	14	4	0	2	0	15	35
Year-to-date 2005	24	2	0	2	0	0	28
Zone 4: Saint-Élie-d'Orford							
First quarter 2006	9	0	8	0	0	3	20
First quarter 2005	17	6	0	2	0	0	25
Year-to-date 2006	9	0	8	0	0	3	20
Year-to-date 2005	17	6	0	2	0	0	25
CENTRE (Zones 1 to 4)							
First quarter 2006	43	4	8	6	0	50	111
First quarter 2005	60	10	0	4	20	23	117
Year-to-date 2006	43	4	8	6	0	50	111
Year-to-date 2005	60	10	0	4	20	23	117
Zone 5: Outlying area							
First quarter 2006	14	0	0	0	0	0	14
First quarter 2005	22	0	0	0	0	12	34
Year-to-date 2006	14	0	0	0	0	0	14
Year-to-date 2005	22	0	0	0	0	12	34
TOTAL - SHERBROOKE METROPOLITAN AREA							
First quarter 2006	57	4	8	6	0	50	125
First quarter 2005	82	10	0	4	20	35	151
Year-to-date 2006	57	4	8	6	0	50	125
Year-to-date 2005	82	10	0	4	20	35	151

Source: CMHC

Table 3
Single-Detached and Semi-Detached Houses Absorbed by Price Range
Sherbrooke Metropolitan Area

Type	*Under $110,000*		*$110,000 to $139,999*		*$140,000 to $169,999*		*$170,000 to $199,999*		*$200,000 or over*		*Total*	
	2006	***2005***	***2006***	***2005***	***2006***	***2005***	***2006***	***2005***	***2006***	***2005***	***2006***	***2005***
First Quarter	1	13	14	19	13	21	10	12	31	21	69	86
Year-do-date (Jan.-March)	1	13	14	19	13	21	10	12	31	21	69	86

Source: CMHC

Table 4
Housing Supply
Sherbrooke Metropolitan Area

Type	***Under Construction***	***Unoccupied***	***Short-Term Supply***
	March 2006		
Single/semi	96	0	96
Multiple*	150	76	226
Total	246	76	322
	March 2005		
Single/semi	101	0	101
Multiple*	263	43	306
Total	364	43	407

Source: CMHC

** Row Houses and Apartments*

Table 5
Economic Overview
Sherbrooke Metropolitan Area

Period	**(thousands)**			**Unemployment Rate (%)**	**Mortgage Rates Canada (%)**	
	Population 15 years +	**Labour Force**	**Employment Total**		**1-Year**	**5-Year**
First quarter 2006	134.4	87.8	80.3	8.5%	5.9	6.4
First quarter 2005	132.4	87.3	80.7	7.7%	4.9	6.1
Average Jan.-March 2006	134.4	87.8	80.3	8.5%	5.9	6.4
Average Jan.-March 2005	132.4	87.3	80.7	7.7%	4.9	6.1

Source: Statistics Canada

Definitions and Concepts

NOTE TO READERS: Prior to July 2002, the CMHC Starts and Completions Survey consisted of a monthly enumeration of new housing activity in urban centres with a population of 10,000 persons and over. As of July 2002, the survey will be conducted monthly in urban centres with a population of 50,000 persons and over and quarterly in urban centres with a population of 10,000 to 49,999 persons. Statistical models will be used to estimate provincial and national housing starts in urban centres with a population of 10,000 persons and over, on a monthly basis. The methodology is unchanged for estimating housing starts in rural areas (areas other than urban centres with a population of 10,000 persons and over). In these areas, a sample survey is used on a quarterly basis. As was the case in the past, statistical models continue to be used to estimate national housing starts in all areas on a monthly basis. This quarterly Housing Market publication provides statistical data and analysis of the trends in the Intended Markets for the Sherbrooke Metropolitan Area.

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).

Sherbrooke Metropolitan Area Zones

Zones	*Municipalités / Sectors*	*Large zone*
1	Sherbrooke	Centre
2	Fleurimont	Centre
3	Rock Forest	Centre
4	St-Élie-d'Orford	Centre
5	Ascot, Ascot Corner, Bromptonville, Deauville, Compton, Hatley CT, Lennoxville, North Hathley, St-Denis-de-Brompton, Stoke, Waterville	Peripheral Area

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