

HOUSING MARKET OUTLOOK

Quebec Region Highlights

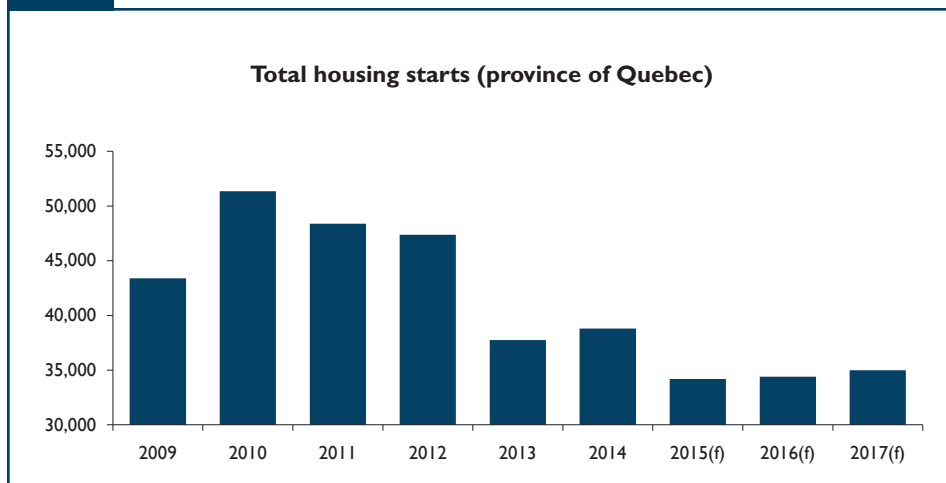


CANADA MORTGAGE AND HOUSING CORPORATION

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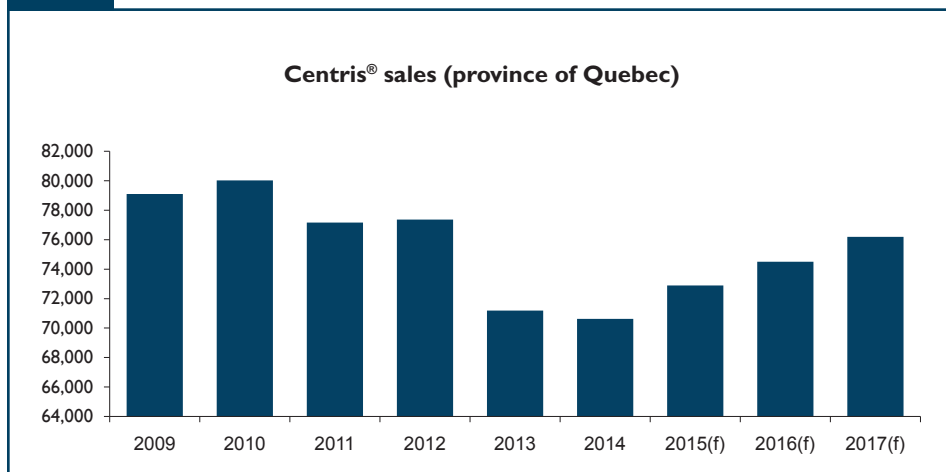
Housing Market Forecast

Figure 1



Source: f : CMHC forecasts

Figure 2



Source : QFREB by Centris® f : CMHC forecasts

Overview

A gradual acceleration of Quebec's economic growth will provide some stimulus to housing demand in 2016 and 2017. As a result, the province's resale markets will tighten somewhat and prices will remain sustained. Meanwhile, the effects of population aging will provide impetus to residential construction, in particular to the multi-family market segment.

In the next two years, economic growth will stem from consumer spending and net exports. Meanwhile, private investment and public expenditure growth will be limited by the higher value of the US dollar and by balanced budget objectives respectively. Thus, Quebec GDP will increase within the 1.1 and 1.5 per cent range in 2016 and within the 1.3 and 1.9 per cent range in 2017. The impact on labour markets will be felt more substantially in 2017. As a result, employment will grow at a rate of between 0.9 per cent and 1.4 per cent in 2016 and between 1.2 per cent and 1.6 per cent in 2017.

The moderate job market recovery and the relative weakening of labour markets in parts of western Canada will help retain some workers in the province and attract other back. Moreover, with the help of rising immigration, total net migration in 2016 will likely climb within the range of 39,000 to 43,000 persons and within the range of 41,000 to 45,000 persons in 2017. Such levels will have a stimulative impact on demand in Quebec's rental markets.

In Detail

Single Starts: It is unlikely that the moderate employment growth and the tightening of the resale market will have a significant impact on demand for new single-detached in the forecast horizon. Demand in this market segment will continue to be held back by rising apartment demand. Starts will be situated within the 8,200 and 10,900 levels in 2016 and within the 7,800 and 11,700 levels in the following year.

Multiple Unit Starts: While condominium starts continue to be held back by relatively high levels of supply, renewed activity in the retirement home segment and in purpose built rental market in some areas of the province will push up multi-family starts in both 2016 and

2017. Starts in this segment will lie within a range of 21,300 to 28,200 units next year. As a result of greater uncertainty going out in the horizon and the inherent market volatility of multi-unit construction, the range for 2017 broadens to include lower bound of 20,200 starts and upper bound of 30,300 units.

Resales: Sales of existing houses recorded by Centris® should increase slightly during the next two years, in line with employment growth. In 2016, sales should lie within a range of between 67,600 and 81,300 units. Currently, the range for 2017 lies between 63,100 and 89,400 sales.

Prices: Despite relatively high supply levels in certain market segments, gradual tightening will sustain price growth during the forecast horizon. In this context, prices of resale homes will range between \$264,500 and \$293,500 next year and between \$256,200 and \$311,300 in 2017.

Mortgage rates are expected to begin to rise moderately from current levels late in 2016

Mortgage rates are expected to continue trending close to current levels, supporting housing demand.

However, consistent with the view of Canadian economic forecasters, CMHC expects interest rates to begin to rise moderately from current levels late in 2016, contributing to a modest slowdown in housing markets.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.60 to 3.30 per cent range, while the five-year rate is forecast to be within the 4.10 to 5.20 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.00 to 3.80 per cent range, while the five-year rate is forecast to be within the 4.70 to 6.00 per cent range. For 2017, the one-year mortgage rate is expected to be in the 3.90 to 4.80 per cent range, while the five-year rate is forecast to be within the 5.10 to 6.50 per cent range.

Mortgage rates		
1 Year	Q3 2015	2.90
	Change from Q3 2014	-0.24
	2014	3.14
	2015 (F)	2.60 to 3.30
	2016 (F)	3.00 to 3.80
	2017 (F)	3.90 to 4.80
5 Year	Q3 2015	4.65
	Change from Q3 2014	-0.14
	2014	4.88
	2015 (F)	4.10 to 5.20
	2016 (F)	4.70 to 6.00
	2017 (F)	5.10 to 6.50

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q3 2015 data



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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	Centris® Sales ²	Centris® Average Price ² (\$)
Gatineau	Q2 2015	2.1	7.7	931.25	Q2 2015	543	107	436	1,155	249,490
	Q2 2014	2.1	6.8	989.40	Q2 2014	577	139	438	1,034	245,662
	Change ¹	0.1	0.9	-5.9%	% Change	-5.9	-23.0	-0.5	11.7	1.6
Montréal	Q2 2015	1.4	8.7	840.74	Q2 2015	4,526	786	3,740	12,605	337,537
	Q2 2014	-1.2	8.3	837.08	Q2 2014	5,187	891	4,296	11,421	331,136
	Change ¹	2.6	0.4	0.4%	% Change	-12.7	-11.8	-12.9	10.4	1.9
Québec	Q2 2015	3.3	4.0	830.78	Q2 2015	1,578	299	1,279	1,981	270,506
	Q2 2014	1.6	5.7	834.19	Q2 2014	1,412	360	1,052	1,878	265,927
	Change ¹	1.7	-1.7	-0.4%	% Change	11.8	-16.9	21.6	5.5	1.7
Saguenay	Q2 2015	-0.1	7.4	803.46	Q2 2015	189	85	104	390	188,223
	Q2 2014	-2.0	9.7	808.17	Q2 2014	262	84	178	375	199,929
	Change ¹	1.8	-2.3	-0.6%	% Change	-27.9	1.2	-41.6	4.0	-5.9
Sherbrooke	Q2 2015	3.7	6.9	796.96	Q2 2015	560	113	447	526	232,266
	Q2 2014	5.5	7.4	779.34	Q2 2014	360	152	208	474	228,058
	Change ¹	-1.8	-0.5	2.3%	% Change	55.6	-25.7	114.9	11.0	1.8
Trois Rivières	Q2 2015	3.0	5.9	775.68	Q2 2015	144	72	72	335	162,313
	Q2 2014	4.5	8.5	763.16	Q2 2014	282	97	185	315	166,530
	Change ¹	-1.5	-2.6	1.6%	% Change	-48.9	-25.8	-61.1	6.3	-2.5
Province of Quebec	June 15	0.6	8.0	823.78	Q2 2015	10,569	3,169	7,400	23,753	275,907
	June 14	-0.1	8.1	815.57	Q2 2014	11,380	3,716	7,664	21,815	272,631
	Change ¹	0.7	-0.1	1.0%	% Change	-7.1	-14.7	-3.4	8.9	1.2
Canada ²	June 15	1.0	6.8	918.98	Q2 2015	52,248	19,284	32,964	164,550	451,499
	June 14	0.5	7.0	893.84	Q2 2014	53,281	21,494	31,787	152,884	413,790
	Change ¹	0.5	-0.2	2.8%	% Change	-1.9	-10.3	3.7	7.6	9.1

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, Centris® Statistics

² Source for Canada resale housing data is the Canadian Real Estate Association (CREA).

The Centris® system contains all the listings of Québec real estate brokers.

"SA" means Seasonally Adjusted

Quebec Housing Market Outlook (units and percentage change)								
	2010	2011	2012	2013	2014	2015(F)	2016(F)	2017(F)
Housing Starts:								
Single	19,549	16,554	16,059	13,144	11,227	9,400	9,600	9,700
%	11.5	-15.3	-3.0	-18.2	-14.6	-16.3	2.1	1.0
Multiple	31,814	31,833	31,308	24,614	27,583	24,800	24,800	25,300
%	23.0	0.1	-1.6	-21.4	12.1	-10.1	0.0	2.0
Total	51,363	48,387	47,367	37,758	38,810	34,200	34,400	35,000
%	18.3	-5.8	-2.1	-20.3	2.8	-11.9	0.6	1.7
Existing Home Markets:								
Centris® Sales	80,027	77,164	77,373	71,196	70,632	72,900	74,500	76,200
%	1.2	-3.6	0.3	-8.0	-0.8	3.2	2.2	2.3
Centris® Average Price	241,455	252,144	260,501	262,448	265,770	273,900	279,000	283,700
%	7.1	4.4	3.3	0.7	1.3	3.1	1.9	1.7

Quebec Housing Market Outlook (units and percentage change)												
	2015Q1	2015Q2	2015Q3(F)	2015Q4(F)	2016Q1(F)	2016Q2(F)	2016Q3(F)	2016Q4(F)	2017Q1(F)	2017Q2(F)	2017Q3(F)	2017Q4(F)
Housing Starts:												
Single	8,186	9,441	9,900	9,900	9,500	9,500	9,600	9,600	9,700	9,700	9,800	9,800
%	-23.0	15.3	4.9	0.0	-4.0	0.0	1.1	0.0	1.0	0.0	1.0	0.0
Multiple	20,036	26,360	26,500	26,500	25,000	25,000	24,500	24,500	24,500	25,000	25,500	26,000
%	-29.7	31.6	0.5	0.0	-5.7	0.0	-2.0	0.0	0.0	2.0	2.0	2.0
Total	28,222	35,801	36,400	36,400	34,500	34,500	34,100	34,100	34,200	34,700	35,300	35,800
%	-27.9	26.9	1.7	0.0	-5.2	0.0	-1.2	0.0	0.3	1.5	1.7	1.4
Existing Home Markets:												
Centris® Sales	71,468	75,388	72,000	72,700	73,400	74,100	74,800	75,500	76,100	76,500	76,250	76,000
%	-1.0	5.5	-4.5	1.0	1.0	1.0	0.9	0.9	0.8	0.5	-0.3	-0.3
Centris® Average Price	272,735	274,202	274,200	274,500	276,000	278,000	280,000	282,000	283,000	284,000	284,000	284,000
%	-0.8	0.5	0.0	0.1	0.5	0.7	0.7	0.7	0.4	0.4	0.0	0.0

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22nd 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

As is the case for the other provinces, the historical average price for the province of Quebec is calculated by dividing the total dollar sales volume by the number of transactions.

Quebec Region - Housing Forecast Ranges									
	2015			2016			2017		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Province of Quebec									
Housing Starts	34,200	36,000	32,500	34,400	39,100	29,500	35,000	42,000	28,000
Multiple	24,800	26,100	23,600	24,800	28,200	21,300	25,300	30,300	20,200
Single	9,400	9,900	8,800	9,600	10,900	8,200	9,700	11,700	7,800
Centris® Sales	72,900	74,000	71,800	74,500	81,300	67,600	76,200	89,400	63,100
Centris® Average Price (\$)	273,900	276,400	271,400	279,000	293,500	264,500	283,700	311,300	256,200
Canada									
Housing Starts	186,900	212,000	162,000	178,150	203,000	153,000	173,650	199,000	149,000
Multiple	119,200	140,000	98,000	108,850	129,000	89,000	108,725	130,000	88,000
Single	67,700	75,000	60,000	69,300	78,000	61,000	64,925	74,000	56,000
MLS® Sales	494,700	546,000	444,000	479,500	534,000	425,000	476,000	536,000	416,000
MLS® Average Price (\$)	437,700	459,000	417,000	443,300	466,000	420,000	449,600	475,000	424,000

Source : CMHC

The Centris® system contains all the listings of Québec real estate brokers.

Quebec Region Housing Forecast - New Construction											
	Housing Starts	2014	2015(F)*	% chg (2014/ 2015)	2016(F)*	% chg (2015/ 2016)	2017(F)*	% chg (2016/ 2017)	YTD 2015*	YTD 2014*	% chg (2014/ 2015)
Gatineau	Single-Detached	479	450	-6.1	425	-5.6	400	-5.9	148	196	-24.5
	Multiple	1,424	1,350	-5.2	1,275	-5.6	1,250	-2.0	566	811	-30.2
	Total	1,903	1,800	-5.4	1,700	-5.6	1,650	-2.9	714	1,007	-29.1
Montréal	Single-Detached	2,677	2,400	-10.3	2,500	4.2	2,500	0.0	1,103	1,284	-14.1
	Multiple	15,995	14,400	-10.0	14,500	0.7	14,900	2.8	5,571	7,488	-25.6
	Total	18,672	16,800	-10.0	17,000	1.2	17,400	2.4	6,674	8,772	-23.9
Québec	Single-Detached	887	825	-7.0	750	-9.1	725	-3.3	420	482	-12.9
	Multiple	3,562	3,800	6.7	2,800	-26.3	2,400	-14.3	2,016	1,456	38.5
	Total	4,449	4,625	4.0	3,550	-23.2	3,125	-12.0	2,436	1,938	25.7
Saguenay	Single-Detached	268	225	-16.0	215	-4.4	200	-7.0	107	103	3.9
	Multiple	404	325	-19.6	285	-12.3	250	-12.3	124	249	-50.2
	Total	672	550	-18.2	500	-9.1	450	-10.0	231	352	-34.4
Sherbrooke	Single-Detached	369	300	-18.7	275	-8.3	250	-9.1	142	189	-24.9
	Multiple	759	950	25.2	825	-13.2	900	9.1	651	386	68.7
	Total	1,128	1,250	10.8	1,100	-12.0	1,150	4.5	793	575	37.9
Trois-Rivières	Single-Detached	239	175	-26.8	150	-14.3	125	-16.7	82	110	-25.5
	Multiple	704	325	-53.8	350	7.7	425	21.4	110	309	-64.4
	Total	943	500	-47.0	500	0.0	550	10.0	192	419	-54.2

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 - June

Quebec Region Housing Forecast - Resale Market											
		2014	2015(F)*	% chg (2014/2015)	2016(F)*	% chg (2015/2016)	2017(F)*	% variation (2016/2017)	YTD 2014**	YTD 2015**	% chg (/)
Gatineau	Centris® Sales ¹	3,338	3,500	4.9	3,600	2.9	3,700	2.8	1,767	2,800	58.5
	Centris® Avg. Price ¹	240,758	243,500	1.1	246,000	1.0	248,000	0.8	247,941	248,535	0.2
Montréal	Centris® Sales ¹	35,736	37,500	4.9	38,800	3.5	39,500	1.8	21,001	29,907	42.4
	Centris® Avg. Price ¹	331,081	338,500	2.2	345,500	2.1	353,000	2.2	332,616	343,678	3.3
Québec	Centris® Sales ¹	6,472	6,750	4.3	7,000	3.7	7,200	2.9	3,724	5,222	40.2
	Centris® Avg. Price ¹	264,536	267,000	0.9	270,000	1.1	274,000	1.5	271,633	274,692	1.1
Saguenay	Centris® Sales ¹	1,144	1,100	-3.8	1,200	9.1	1,300	8.3	668	931	39.4
	Centris® Avg. Price ¹	189,724	183,000	-3.5	180,000	-1.6	177,000	-1.7	193,488	185,165	-4.3
Sherbrooke	Centris® Sales ¹	1,650	1,725	4.5	1,800	4.3	1,850	2.8	944	1,312	39.0
	Centris® Avg. Price ¹	222,204	228,000	2.6	230,000	0.9	233,000	1.3	232,279	231,878	-0.2
Trois-Rivières	Centris® Sales ¹	1,119	1,100	-1.7	1,050	-4.5	1,000	-4.8	646	860	33.1
	Centris® Avg. Price ¹	163,550	165,000	0.9	167,000	1.2	168,000	0.6	163,825	161,303	-1.5

The Centris® system contains all the listings of Québec real estate brokers.

Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2015-2017

¹ Source for the CMA's : Centris® Statistics

(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 - Rental Market								
	Vacancy Rate				Average Rent 2-Bedroom Units			
	Oct. 2014	Oct. 2015(P)	Oct. 2016(P)	Oct. 2017(P)	Oct. 2014	Oct. 2015(P)	Oct. 2016(P)	Oct. 2017(P)
Gatineau	6.5	6.3	6.1	5.7	750	755	760	765
Montréal	3.4	3.9	4.2	4.4	739	750	760	765
Québec	3.1	3.8	4.5	5.0	775	790	800	805
Saguenay	4.2	4.4	4.7	5.0	595	605	615	625
Sherbrooke	5.4	5.6	5.8	5.8	604	620	630	635
Trois-Rivières	5.3	5.1	4.8	4.6	568	575	580	585
Canada	2.8	3.1	3.3	3.4	955	970	984	995

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

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