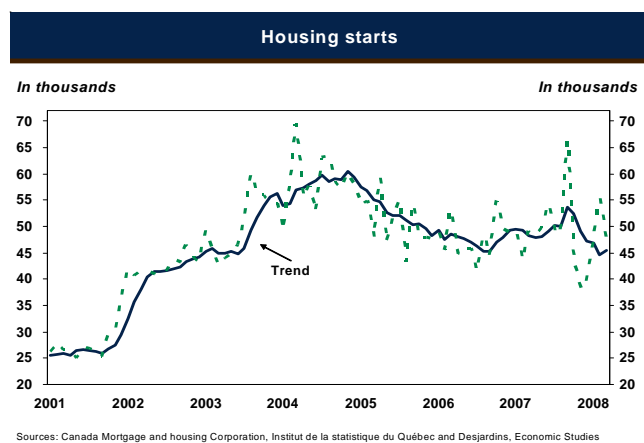
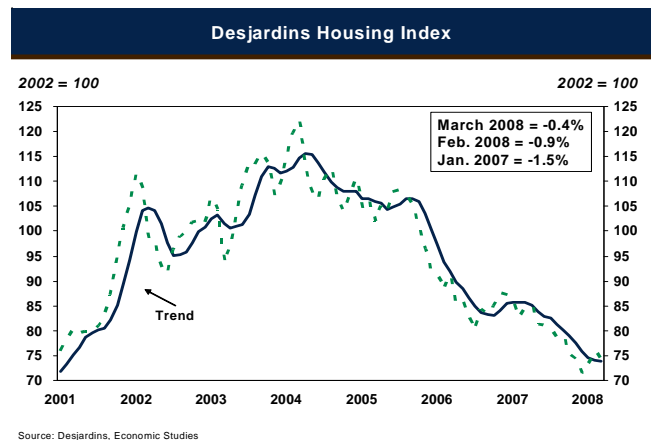


Desjardins Housing Index

April 30, 2008

The DHI pulls back 0.4% in March The housing market loses more strength

A twelfth monthly pullback by the Desjardins Housing Index (DHI) occurred in March, this time 0.4%. This means that signs of a slowdown by Québec's housing sector are mounting. Starts also fell for the period. Following the lively activity recorded the month before, the decline was fully expected. With an annualized 47,200 housing units launched in March, there were fewer new projects than in February (+55,400 units). Still, starts advanced by 3.4% in the first quarter of 2008 over the same period last year. New construction is thus still showing some steam, particularly due to the popularity of projects involving affordable housing. The same phenomenon can be seen in the resale market, where relatively high prices for single-family homes have in fact turned buyers toward less expensive types of residences. Semi-detached homes and row houses are still popular with buyers. Despite the drop in mortgage rates seen in the first quarter, the number of transactions involving existing properties fell.



NEW CONSTRUCTION

After a fairly lively early part of the year on the boom recorded in February 2008, housing construction slowed in March with an annualized decline of 8,200 units. The drop in demand in the single-family dwelling segment due to relatively high prices for this type of housing is largely responsible for the pullback. The huge popularity of the rental (especially seniors' residences) and condominium segments is helping to keep the market from dipping further. Despite last month's downturn, the number of starts in Q1 of 2008 advanced slightly in the province, going to 48,400 units from the 40,300 units recorded in the last quarter of 2007.

SENIORS' RESIDENCES

On April 24, the CMHC released its survey on vacancy rates in seniors' residences. According to its data, there are big disparities between the markets in Québec CMAs. While the vacancy rate remained almost steady in the Québec City

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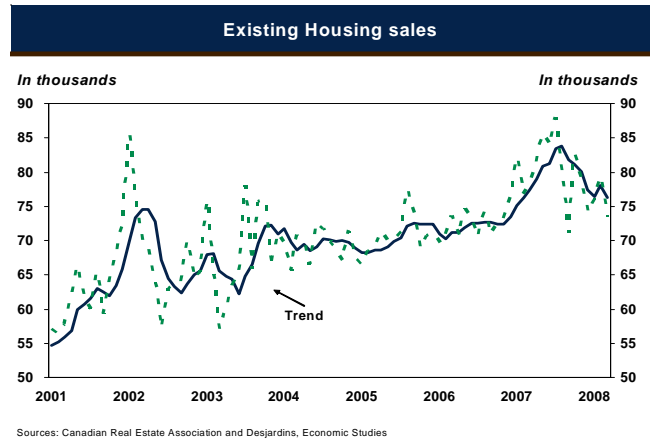
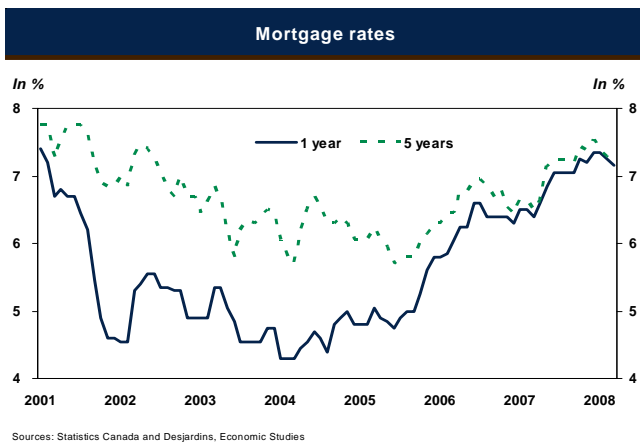
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metropolitan area (4.5%), it rose in the Gatineau (8.0%), Montréal (6.5%) and Sherbrooke (7.5%) CMAs, while contracting slightly in Trois-Rivières (2.0%) and Saguenay (2.6%). The disparities do not just exist between the various markets; they also exist within them. In Québec City and Montréal, for instance, the vacancy rates for high-end apartments show that we are past the saturation point and that the market has even tipped into a surplus for this niche. On the other hand, the low-end residence segment can still absorb some projects as the demand has not yet been met. Moreover, keep a close eye on both CMAs as not only is the penetration rate (ratio between the number of units in private residences and the population aged 75 and up) higher in some sectors, but also because many projects are currently under construction. Contractors will have to focus their projects and show some discipline to avoid seeing too many vacant units in some markets and segments. Also note that demographic growth in the 75 and up age group will slow over the next five years, reducing demand for seniors' residences.

MORTGAGE RATES

Mortgage rates pulled back again in April, taking the rate posted for a five-year term to 7.00% and the rate for one-year term to 6.75%. Despite some declines recorded since the year began, which total 30 and 15 basis points respectively, they are still higher than they were a year ago. Moreover, the darkening economic outlook in North America, associated with the recent deterioration by a number of economic indicators, suggests that further interest rate cuts will be on the way in the next few months. In this context, mortgage interest rates should stay on their downward trend, which will give a little break to buyers who will have to deal with another increase in the average home price this year.



RESALE

In Québec, the number of properties sold through a real estate agent fell by 3.4% in Q1 of 2008, compared with the first three months of 2007. The average home price reached \$209,795, up 6.9% for the same period. The Greater Montréal area, for its part, is staying very close to the provincial trend, recording an annual decline of 4.0% for the first quarter. The 7.0% increase in condominium sales was completely wiped out by the 7.0% drop in sales of single-family dwellings. They grabbed almost 60% of the market in Q1 of 2008. For its part, the Chambre immobilière de Québec recorded 1,014 transactions in March of 2008, in contrast with the 1,102 transactions seen at the same time last year. This represents an 8.0% drop in sales. At the end of the year's first three months of 2008, the number of transactions is down about 5.0% from the same quarter in 2007. However, the decline by existing home sales does not seem to be helping buyers. In fact, the drop in the number of new listings, which tightens market supply, is putting upward pressure on home prices. They have gone up 5.5% from March 2007, taking the average price to \$172,621 in Québec. For Q1 of 2008, the increase is 10.1% from the first three months of 2007. The price increase was smaller in the Greater Montréal area, i.e. 7.6%. The market is thus still a seller's market, which should bring on more price increases. The increases will be more moderate than those seen in the last few months, however.

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