

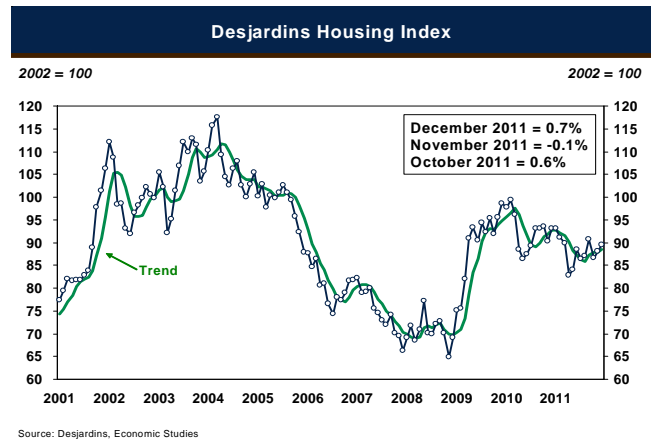
Desjardins Housing Index

January 27, 2012

The DHI dips 0.7% in December

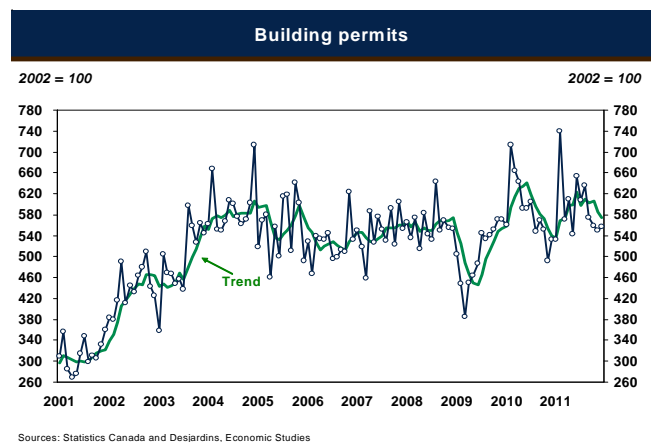
The Desjardins Housing Index (DHI) improved in December due to an upturn in housing starts and sales of existing homes. Despite the positive year-end for some indicators in the housing sector, the outcome for 2011 shows almost the entire province slowing. Starts on single-family homes, semi-detached homes and row houses fell 10% to 15% last year, with only apartments posting growth as a result of the surge in condominium construction. Signals point to a lull in this market segment in 2012, however.

Although the number of properties sold through a real estate broker ended 2011 on a high note, the year as a whole posted a drop of 3.5%. Some balance has returned to the resale market, whose current foundations seem relatively sound. The DHI's December jump should be temporary, with the recent deterioration by the labour market and low consumer confidence favouring a lull in the housing sector over the coming months.



NEW CONSTRUCTION

Housing starts reached 48,387 units in 2011 in the province, which is a drop of 5.8%. The most significant decrease affected single-family homes (-15.3%), since the relatively high price of this type of housing curbed demand. Three of the province's six CMAs posted substantial declines: Québec (-13.9%), Montréal (-19.6%) and Gatineau (-23.7%). However, construction of single-family homes rose 25.0% in Saguenay.



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In 2011, the pace also slowed for semi-detached homes and row houses. This market segment, which was a more affordable alternative to detached homes, did not escape the falling demand for new housing. With a bigger selection of existing homes, many buyers probably found the right fit, which limited construction.

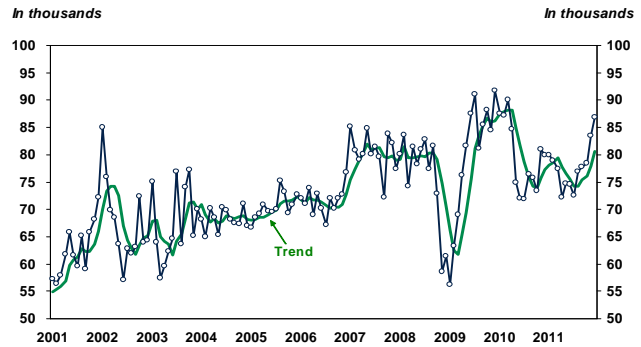
Only condominium starts have intensified over the last year in Québec. A jump of 20.7% was seen in centres with more than 10,000 inhabitants, bringing the number of new units to 15,827. In 2011, construction records were even broken in Québec, Montréal and Trois-Rivières. According to the CMHC, condominium construction took up 56% of the market in 2011, compared to 48% in 2010 for the Montréal CMA. Given this high figure, the condo market's growth more than offset the declines in other market segments. In all, housing starts increased by 3.3% in Greater Montréal last year. Condominiums stood out on the island and in Laval, with respective growth of 35% and 21%. Keep a close watch on these new units this year, to see how they sell. In some sectors, there is a very real risk of being stuck with an inventory that exceeds demand. It would thus be good for condo construction to moderate in 2012, which will lead to an even greater drop in housing starts in Québec. A total of 41,000 new units are expected this year, down about 15%. The economic context will also be less favourable for new construction due to the difficulties in the labour market and low consumer confidence.

The construction of conventional rental units fell by nearly 20% last year. Although the province's vacancy rate is near 2.6%, just below equilibrium (3%), the low profitability of new projects is not encouraging developers and builders to turn to this type of housing. Seniors' housing projects are also less numerous, with construction decreasing by 17.4% last year. Supply still exceeds demand in many places throughout Québec, which will limit starts on seniors' residences again this year.

RESALES

Existing home sales fell by 3.5% in 2011. This decreased demand, as well as the 13.4% increase in homes on the market, allowed the market to gradually return to equilibrium. Sellers have lost almost all of their position of power, and buyers are able to negotiate to get fair prices for properties. The rise in prices (average weighted to the weight of transactions in each region of Québec) will continue to lose momentum this year.

Existing Housing sales



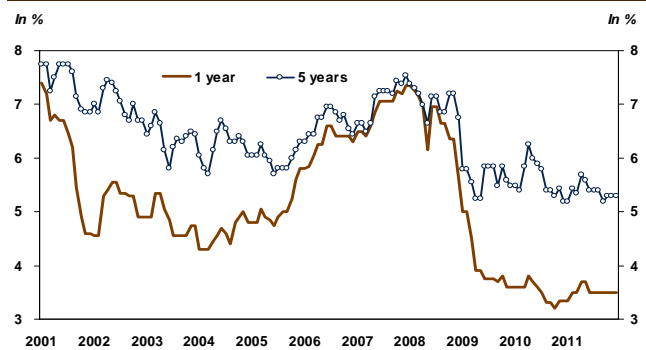
Sources: The Canadian Real Estate Association and Desjardins, Economic Studies

Growth will reach 3.5% this year, compared to nearly 5% last year. Even if the economic situation is deteriorating a bit, low mortgage rates will allow the residential real estate market to make a soft landing.

MORTGAGE RATES

Mortgage rates were subjected to the whims of the financial markets at the end of summer 2011, but they have remained stable since. The mortgage rate posted for a five-year term has thus remained at 5.29% since mid-October. Nothing points to a significant rise by retail rates for several quarters in Canada, as global economic and financial uncertainties could take time to die down.

Mortgage rates



Sources: Statistics Canada and Desjardins, Economic Studies

Hélène Bégin
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Québec - Housing Market Outlook 2012-2013

	2009	2010	2011	2012f	2013f
New Housing Market					
New construction (in billion \$)	8.4	9.8	10.2	9.3	10.2
Annual variation (%)	-5.7	17.1	3.6	-8.8	9.7
Housing starts	43,403	51,363	48,387	41,000	44,000
Annual variation (%)	-9.4	18.3	-5.8	-15.3	7.3
House	22,606	25,937	20,000	19,000	21,000
Annual variation (%)	-10.2	14.7	-22.9	-5.0	10.5
- Single-detached	17,535	19,549	16,554	-	-
Annual variation (%)	-11.3	11.5	-15.3	-	-
- Semi-detached	3,438	4,359	4,002	-	-
Annual variation (%)	-1.5	26.8	-8.2	-	-
- Row housing unit	1,633	2,029	1,855	-	-
Annual variation (%)	-14.9	24.2	-8.6	-	-
Apartment	20,797	25,426	25,976	22,000	23,000
Annual variation (%)	-8.4	22.3	2.2	-15.3	4.5
- Condo¹	9,985	13,111	15,827	13,500	14,500
Annual variation (%)	-3.3	31.3	20.7	-14.7	7.4
- Rental¹	9,506	11,032	9,055	7,700	7,800
Annual variation (%)	-16.7	16.1	-17.9	-15.0	1.3
- Conventional rental²	6,272	6,941	5,536	5,500	5,500
Annual variation (%)	10.7	10.7	-20.2	-0.7	0.0
- Retirement home²	2,203	2,869	2,370	2,200	2,300
Annual variation (%)	-53.3	30.2	-17.4	-7.2	4.5
Resale market					
Unit sales	79,108	80,029	77,258	70,000	73,000
Annual variation (%)	3.1	1.2	-3.5	-9.4	4.3
Weighted average price (in thousand \$)	230	249	261	271	277
Variation annuelle (%)	4.6	8.0	5.1	3.5	2.5
Sales volume (in billion \$)	17.8	19.3	19.5	18.9	20.2
Annual variation (%)	7.9	8.4	0.8	-2.7	6.9
Other indicators					
Vacancy rate for rental units³ (%)	2.4	2.7	2.6	2.8	2.8
Average rent³ (in \$)	623	648	665	685	705
Annual variation (%)	2.0	4.0	2.6	3.0	2.9
Renovation spending (in billion \$)	14.0	15.5	16.5	16.0	17.0
Annual variation (%)	4.3	10.1	6.7	-3.0	6.3

¹ Urban centres with populations of 10,000 and over. The total is slightly below the total for provincial apartments shown above.

² Included in rental units.

³ Three units or more. Biannual survey of the fall.

Sources: Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Québec Federation of Real Estate Boards, Statistics Canada and Desjardins, Economic Studies