November 2008

The Housing Market Outlook for Quebec and Canada

- A pullback, not a collapse, looks to be in the cards for Quebec's housing market.
- Both housing demand and construction are expected to decline at a faster pace in 2009.
- Unless there is a severe recession in Quebec, housing prices are unlikely to fall considerably.
- Affordability's erosion affects Montrealers' buying decisions.
- Condos are becoming increasingly popular in Quebec.
- Over the long-term, construction and housing demand in Quebec are facing neither boom nor catastrophe, but both should weaken slightly.
- The Toronto market is cooling off.
- Calgary and Edmonton faces a hard "morning after": the overbidding is over.
- Many soft spots in Vancouver: downtrend in home prices is likely to intensify in 2009.

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Pullback in housing demand and construction will intensify in Quebec

The long-expected slowdown in the Quebec housing market is at hand. Both the resale market and builders' enthusiasm are waning, due to a significant slide in affordability and modest job creation. Furthermore, the US real estate market slump and cooling conditions in several regions of Western Canada are causing many Quebec households, (six out of ten of which own property) to wonder how events will unfold here.

Based to a wide variety of trends and indicators, *LBS Economic Research* thinks the housing slowdown in Quebec will somewhat intensify in 2009. Housing demand will continue to weaken. Acquiring a property has become increasingly challenging financially. Furthermore, the end of 40-year amortization mortgages coupled with a minimum 5% down payment will keep many potential buyers out of the market. As a result, builders will need to adjust by reducing housing starts in order to avoid excessive inventory build-ups. In our view, the pullback in residential construction will intensify in 2009.

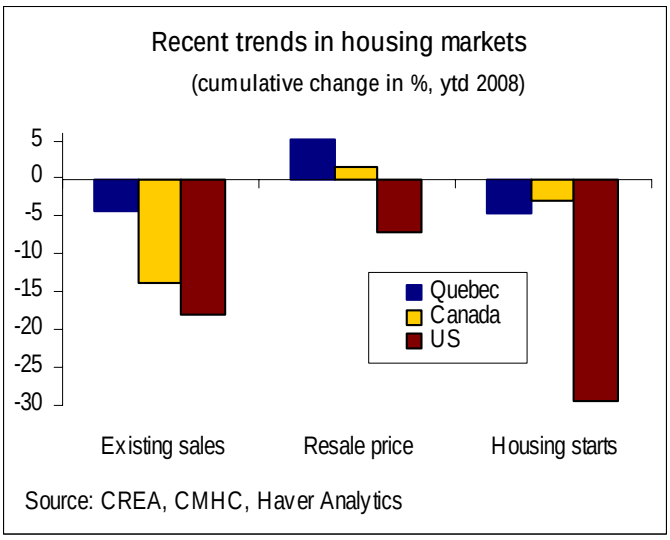
While housing prices are beginning to fall in some cities in the western provinces, price appreciation in Quebec has slowed but remains slightly in positive territory. We believe that as long as Quebec's economy avoids a severe recession and the unemployment rate does not rise significantly, home prices are unlikely to fall considerably. Selling a home will take more time than before.

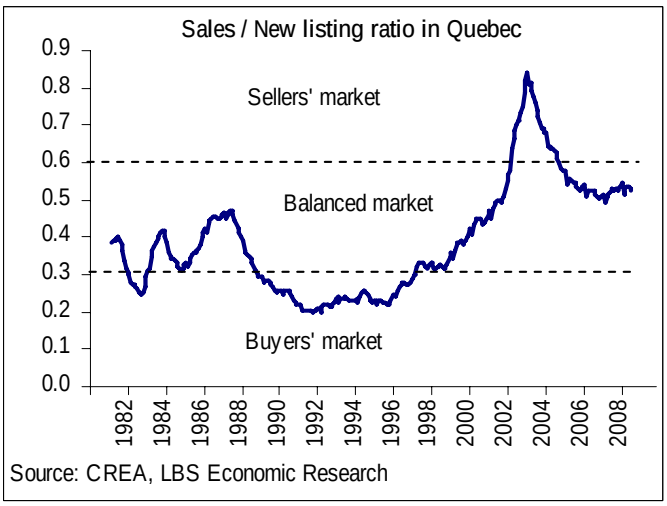
Although we are currently forecasting an orderly return to equilibrium rather than a sharp downturn as occurred in the United States, the Quebec housing market is far from invulnerable. A severe U.S. economy, which is not our base-case scenario, would inevitably hit Quebec's export-oriented economy. Job losses would accumulate quickly and housing prices would decline.

Over the longer term, *LBS Economic Research* forecasts a soft downtrend in residential housing demand and construction due to slowing growth in household formation and the aging of the baby-boom generation.

We discuss in greater detail of our analysis and forecasts related to the Quebec housing sector in the following pages. The latest sections are devoted to recent developments in major housing markets in the rest of Canada. Notably, we forecast home prices to fall further in Calgary, Edmonton and Vancouver next year. Detailed tables regarding housing starts, existing home sales and prices forecasts are available at the end of this report.

Sébastien Lavoie, Economist



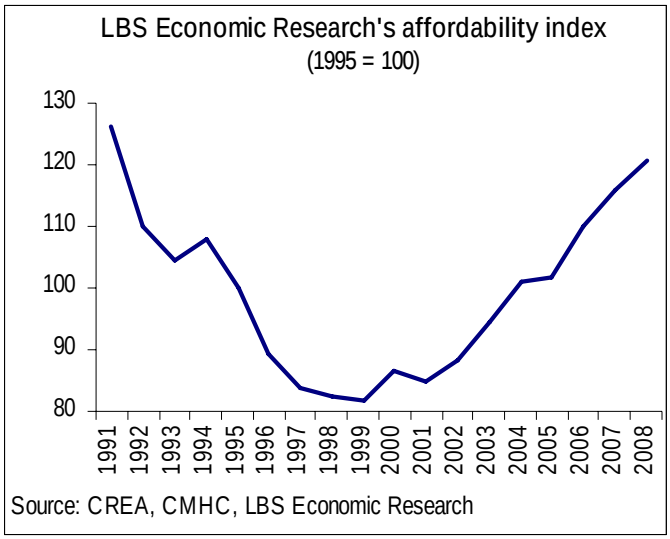


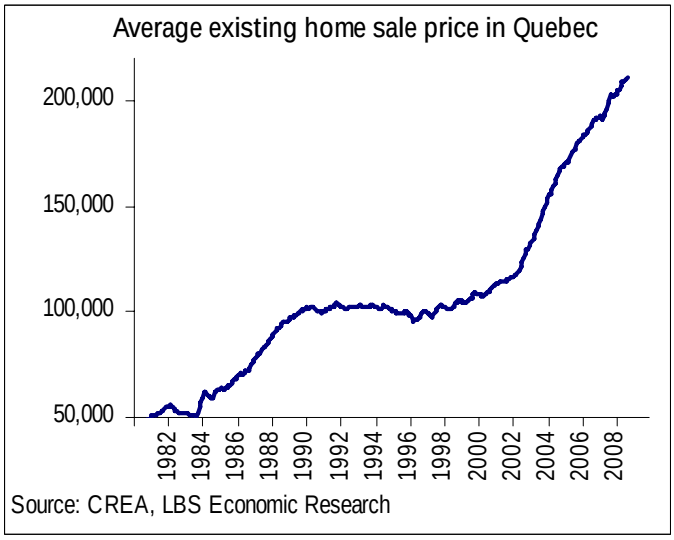
Quebec Housing Market Forecast	2007	2008	2009	2010
Housing starts (units)	48,533	46,000	41,000	38,000
% change	1.1	-5.2	-10.9	-7.3
Existing home sales	80,338	76,000	71,500	69,000
% change	10.8	-5.4	-5.9	-3.5
Average resale price	208,240	218,000	225,000	230,000
% change	7.3	4.7	2.5	2.0

Source: CREA, CMHC, LBS Economic Research

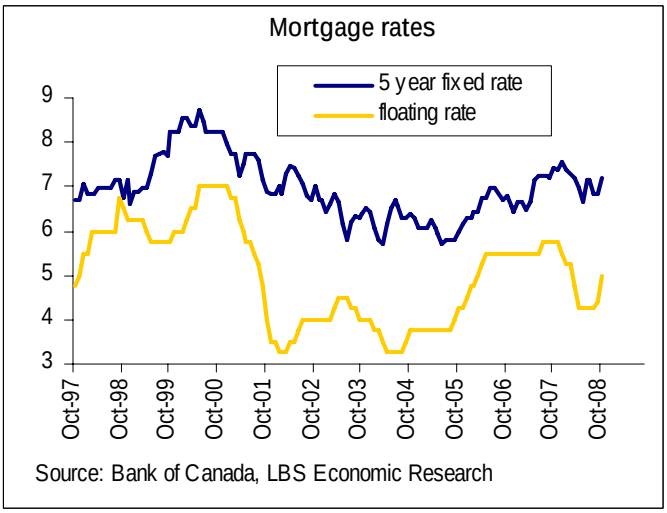
Affordability will dampen housing demand further

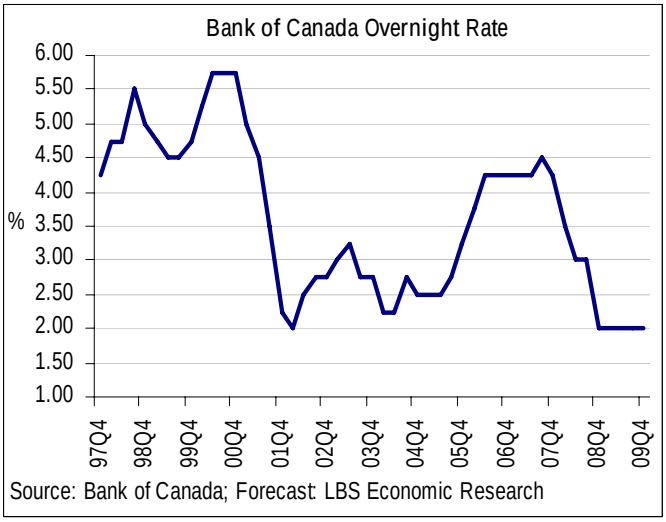
Let us start with the erosion in home ownership affordability triggered mostly by an increase in home prices. According to our index of housing affordability – which tracks the percentage of revenue households use for monthly mortgage payments and the cost of public services – buying a home has not been this expensive since the early 1990s. The main driver is undeniably the $100,000 increase in home prices that has occurred since 2001. Surging property taxes, insurance, electricity and fuel costs haven't helped either.





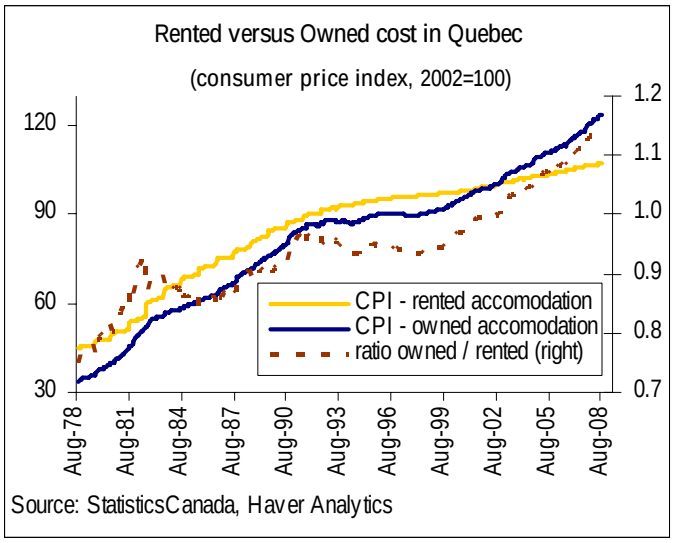
Until recently, significant easing by the Bank of Canada has contributed to restrain the rise in mortgage costs. Even if the Bank of Canada plans to reduce the overnight rate again in the near future amid the economic downturn and cooling inflation pressures, it is not the only driver of mortgage rates to consider. More specifically, the global market turmoil exerts upward pressures on the cost of financing for banks across the world, including Canada. As such, floating rates moved up significantly in October in tandem with credit spreads. That said, in the short term, much uncertainty remains regarding the impact of several rescue packages on the economy, including Paulson's troubled asset relief program (TARP). Fixed rate mortgages should thus be preferable to variable ones for households with a lower risk tolerance.





The decline in home ownership affordability we just highlighted has pushed buyers to stretch out amortization periods. Ottawa, anxious to forestall a U.S.-style housing sector debacle, put a brake on ending 40-year mortgages and zero cash down last summer. According to the new guidelines, mortgage loan maturity cannot extend longer than 35 years and purchasers must make a down payment of at least 5.0%. The reduction in the maximum amortization period from 40 years to 35 years will not change monthly payments much (on a $200,000 mortgage these will increase approximately by just $30). Not all households will be able to come up with the necessary down payment. As such, this recent rule tightening will dampen housing demand.

With home ownership costs so high, renters will think twice before giving up their apartments. Although living in a house or living in an apartment are not perfect substitutes, renting is now far more advantageous on a relative basis than it has been in the past. In Montreal for example, the average monthly rent on apartments with three bedrooms or more has practically not changed in two years. The consumer price index also reveals that the gap between the cost of a rental and the cost of purchasing has not been this large before.



Labour market conditions are less favorable to housing demand

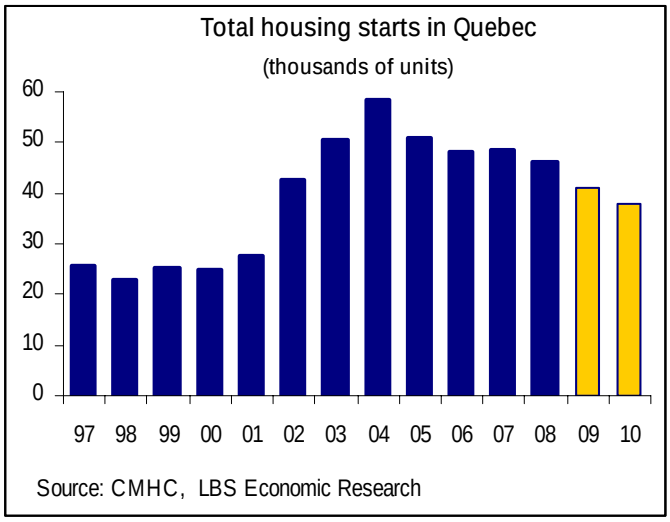
On top of deteriorating affordability, economic conditions will also put an additional damper on demand. Job creation slowed. And, judging from the modest rise in the unemployment rate this year, Quebecers are having a harder time finding a job. Although the Quebec economy should be able to avoid a severe recession, growth over the next two years is likely to be very modest, well below the 2% trend. Between now and 2010, we forecast employment growth to slow to half the pace of recent years. Look for the unemployment rate to also rise modestly next year and approach 8%.

Economic forecasts - Quebec	2007	2008	2009	2010
Real GDP growth	2.4	0.5	0.5	2.3
Employment growth	2.3	0.9	0.5	1.0
Unemployment rate	7.2	7.6	7.9	7.7
Retail sales growth	4.6	4.8	4.0	4.5

Source: Statistics Canada, LBS Economic Research

The pullback in housing starts will be more pronounced in 2009 and 2010 than in 2008

So how the real estate market will react from this on-going decline in demand? We believe the adjustment will come more from the supply side than a reduction in prices. In recent months, builders have already begun to slow their pace of activity: The number of building permits issued and starts of detached homes have both fallen.

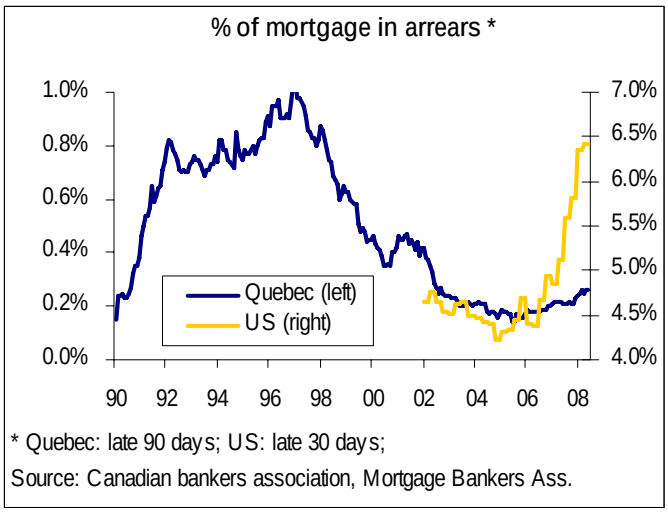


LBS Economic Research forecasts that the pullback in housing starts in Quebec will accelerate to about 11% next year from 5% this year. In 2010, residential construction is projected to fall below 40,000 units for the first time since 2001. While starts in 2009 and 2010 will be lower than during the 2002-2008 period, it will nonetheless be higher than it was at the end on the 1990s. This adjustment in new home construction is clearly needed. Without it, supply will build up and create downward pressures to prices.

Price increases is over

After watching events unfold in the United States, where new and existing home prices have been in a freefall since 2006, many homeowners in Quebec are wondering what will happen here. Quebec home prices do not have to follow US home prices. We believe that the two markets are fundamentally different. In the US, what was particularly shocking was the rather lax underwriting standards behind many residential mortgages that were then heavily securitized and widely distributed globally. In Quebec, the subprime loan market is very small. As a result, only one mortgage loan out of every 400 is in arrear in Quebec (payments more than 90 days late), far less than the ratio that prevailed at the end of the 1990s. South of the border, one residential mortgage borrower out of 16 (prime or subprime) is more than 30 days late in their payments.

The other big difference is the job market picture. The U.S. economy has shed more than 1.2 million jobs since the start of the year, and more in on the way, unfortunately. The jobless rate jumped in the last year and a half to reach 6.5%, and is expected to peak around 7.5% in 2010. In Quebec, employment is not falling off the cliff.

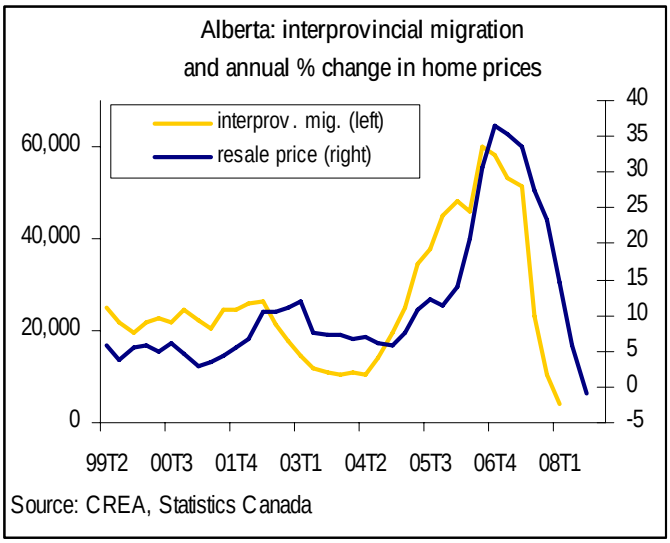


* Quebec: late 90 days; US: late 30 days;

Source: Canadian bankers association, Mortgage Bankers Ass.

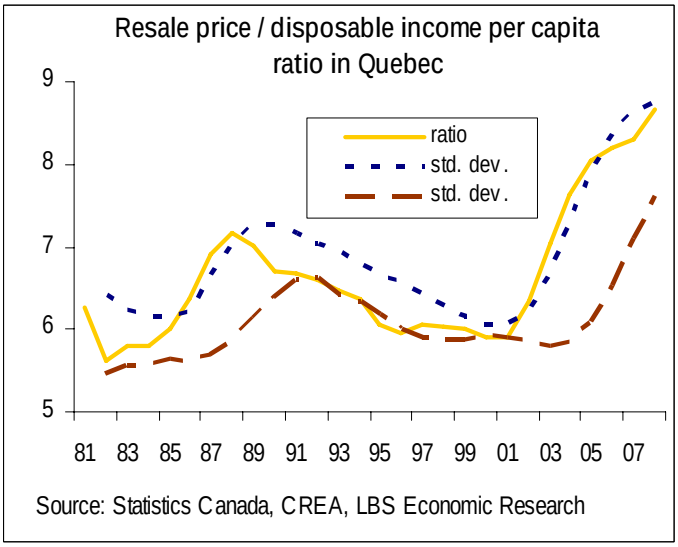
Another worry for property owners in Quebec is the fact that home prices have begun to pull back in some cities of Western Canada. There again though, we cannot compare apples with oranges. In Calgary and Edmonton for example experienced exorbitant price increases in recent years as Canadians poured into the province, attracted by the energy boom. The annual percentage change in home prices in the province particularly tracks very well the net interprovincial inflow. In our view, the recent drop in prices represents in large part a return to more stable market conditions following a period of overbidding. (Our full analysis of Western Canadian housing market can be found in the concluding sections of this report).

In short, Quebec did not experienced the same excess demand that Alberta did, nor is it struggling to work off excess supply as many U.S. markets are. We believe that this reduces the risk that housing prices here will fall significantly.



Source: CREA, Statistics Canada

Further, the fact that housing prices in Quebec have increased considerably since 2001 does not guarantee the market is automatically overvalued nor those prices will fall. One good way to assess the state of current market conditions is to compare the price with underlying economic fundamentals. One particular indicator in that regards is the ratio of average home prices to personal disposable income. This ratio progressed significantly during the years 2000, a trend that in part represented some "catch-up" from the 1990s. Although the ratio of average home prices to personal disposable income per capita is presently higher than it has been in the past, there is no reason to sound the alarm bells since it remains within one standard deviation of its mean level. We believe that this ratio reverting to its mean will result in slow/stable housing prices growth, as it was the case during the second half of the 1990s.

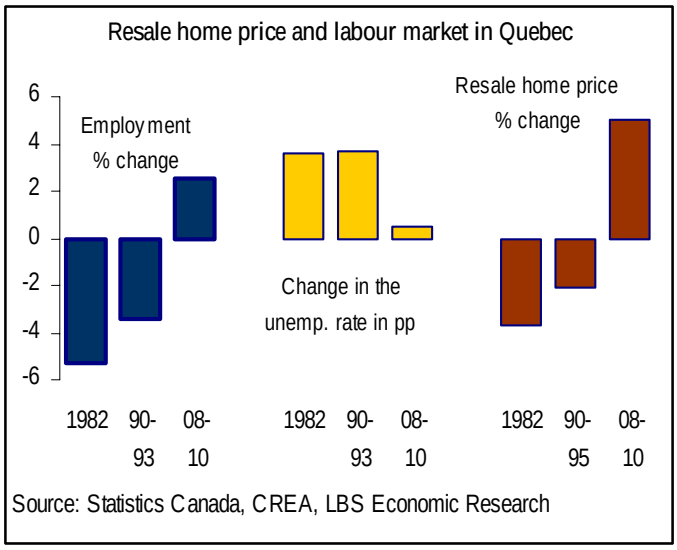


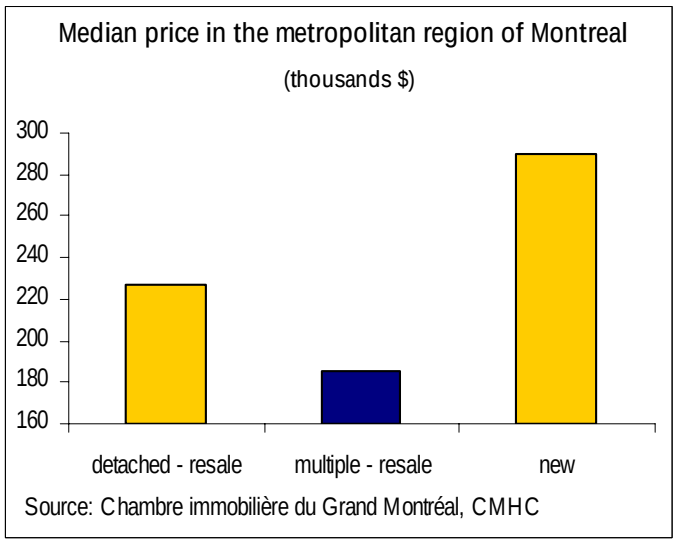
Source: Statistics Canada, CREA, LBS Economic Research

Quebecers are not totally immune from a drop in housing prices

We believe that in the absence of a severe recession, housing prices in Quebec are highly unlikely to fall over the short-term. Historically, housing prices in Quebec have only fallen during times when the unemployment rate skyrocketed and job losses were widespread. This happened on two occasions: employment fell by 5% during the 1982 recession and existing home prices by a modest 4% during the same year; the same phenomenon occurred during the recession at the start of the 1990s. If Quebec falls in a severe recession, which is not our base-case scenario, then employment would decline and housing prices would follow in the same direction.

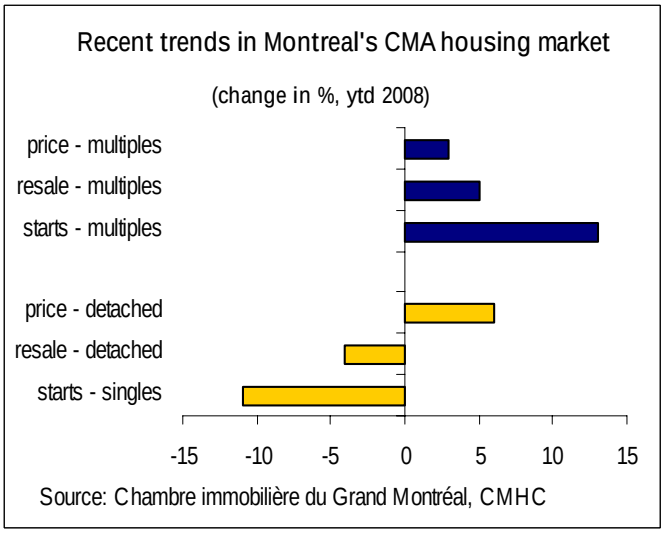
The other risk is that the fall in housing prices in Western Canada spreads to the rest of the country. If households see that prices are falling in other markets, they may delay their purchases, which in turn could spread to prices. If our forecast plays out, housing prices will stay relatively the same in 2009 and 2010, perhaps edging up at the rate of inflation.





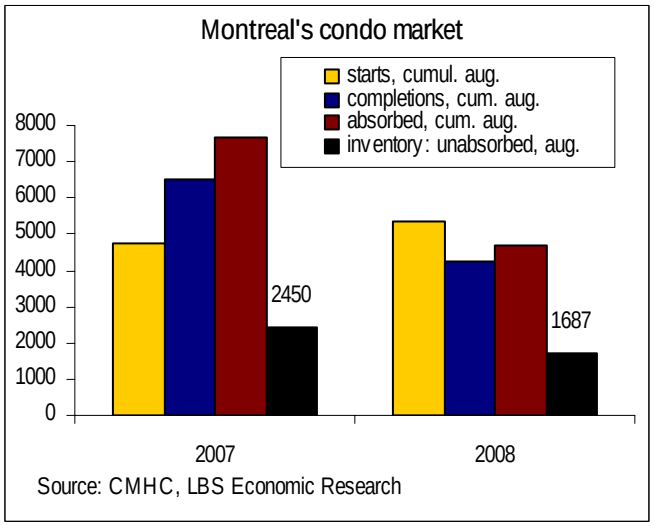
Affordability challenges in Montreal

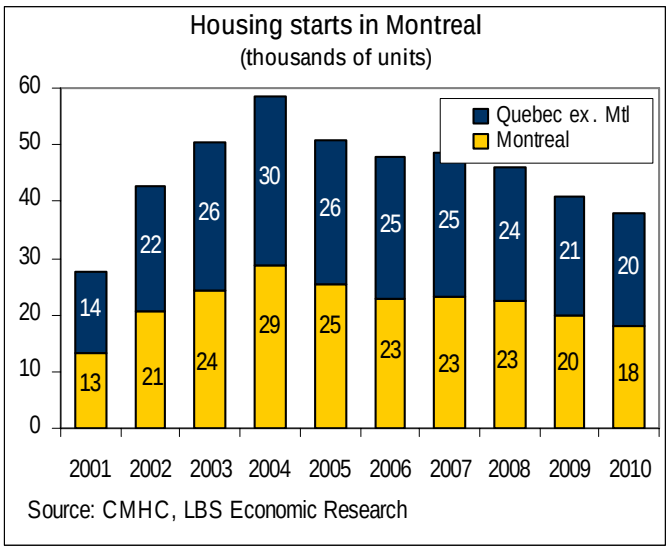
So far, the cooling conditions of Quebec's housing market has been driven in large part by the Montreal CMA, where the employment picture is less rosy than in other parts of the province. Notably, the unemployment rate in Montreal increased by half a percentage point to 7.4% during 2008. Further, the erosion in affordability led to a 7% decline in sales of detached homes since the beginning of the year, notably in Montreal's more expensive neighborhoods. Many home buyers have being forced to turn to either Montreal's more affordable areas or to look to the suburbs. Affordable condominiums are also very much in demand: resale in this category have increased by 5% since the start of the year. In other words, cheaper housing prices are, greater the market is to the sellers' advantage.



Housing starts to pullback in Montreal

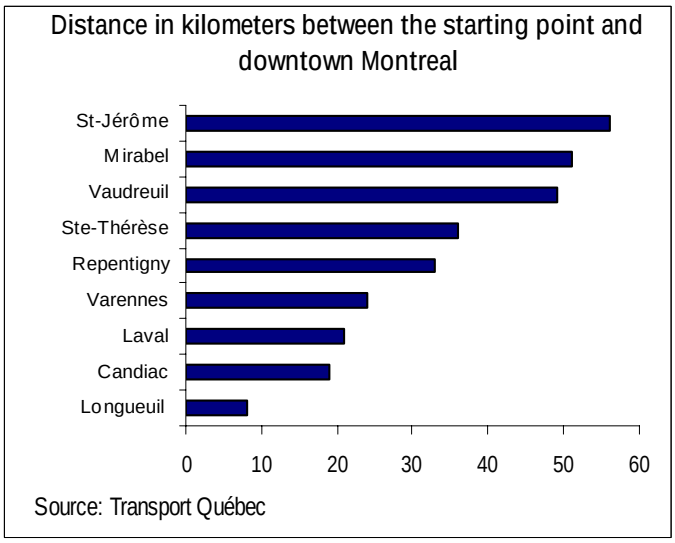
If affordability challenges affects demand, it also affects construction trends. The number of single home starts is decreasing while condo starts are rising in Montreal's CMA. The probability that the Montreal market finds itself with a glut of unsold condominiums on its hands is minimal. So far this year, more condominiums have been sold than have been built. Inventories have plunged by 30% from a year ago, when they were relatively high. For condominium inventories to remain at respectable levels during coming years, builders will need to slow their pace of construction. Look for total starts in Montreal to eventually fall below the 20,000 units level for the first time since 2001.





The rise in gas prices will not led to a drop in home prices in the suburbs

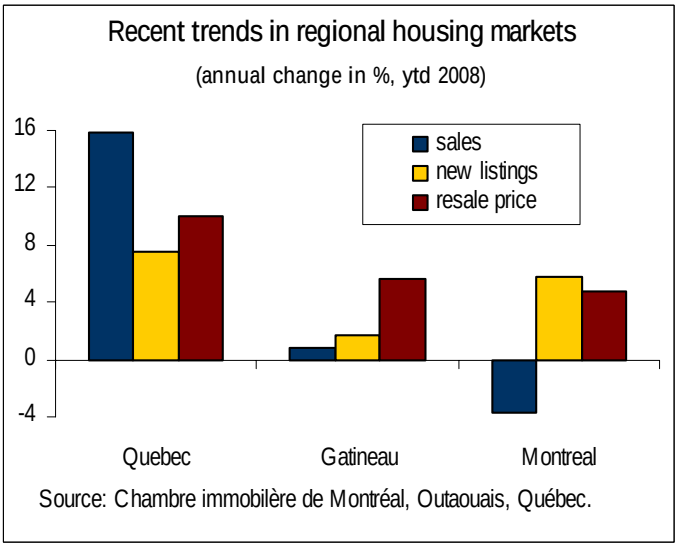
Some suburban property owners wonder whether the rise in gas prices in recent years will push down the value of their homes. *LBS Economic Research* do not think so. According to our calculations, the $0.50 per litre rise in gasoline prices that occurred between 2004 and 2008 increased the average annual fuel bill of someone driving his vehicle 50 kilometres from his suburban home to his downtown workplace by $1,000. We do not believe that an extra $1,000 per year will spark an inflow of new residents into the downtown core and outflow from the suburbs. Families that set up residence far from the city do so because of lower housing prices (on a per square foot basis) coupled with the benefits of suburban living: larger lot, larger rooms, proximity to school, neighbourhood life and so on. In a similar vein: if one day governments were to install toll booths on bridges, off-island home prices would be largely unaffected.



Other regions of the province will not escape the housing slowdown

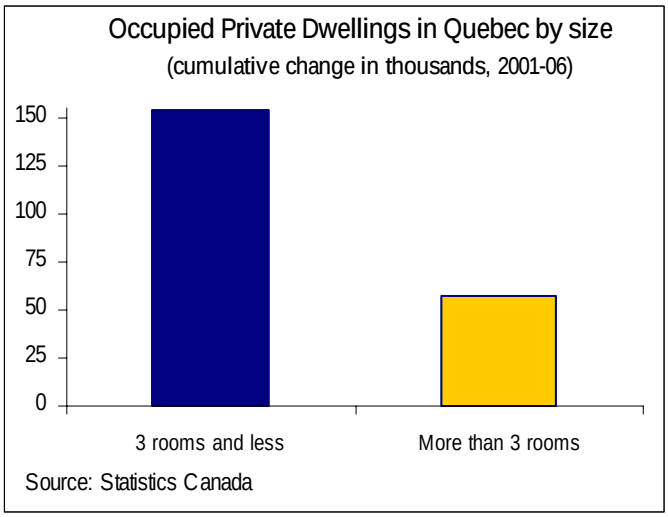
In Quebec City, it's not just its 400th anniversary that is making waves this year. The old capital's housing market has been getting its share of attention too. Quebec City's resale market is more active than Montreal's one. With an unemployment rate running around 5%, not many Quebec City homeowners are motivated to sell while demand remains vigorous. This in part explains why the average price of exiting homes sold in the city is up by 10% during the past year, twice the pace observed in Montreal. Building activity also remains strong, as can be seen in the numerous residential projects that are under construction in the region. A sustained pullback in sales and starts is expected to begin next year.

Similar to Quebec City, Saguenay's resale market has also been quite active this year. In Gatineau, existing home sales are roughly at the same level as they were last year and housing starts continue the decline they began last year. Over the medium term, the evolution of home prices in the Outaouais region will depend the trend in federal public service employment, which is appears stable amid the highly possible return into deficit territory for the federal government. Sherbrooke's residential real estate market weakens faster than that of other cities in 2008. The buyers' interest is fading, the number of new listings is on the rise and prices aren't budging.

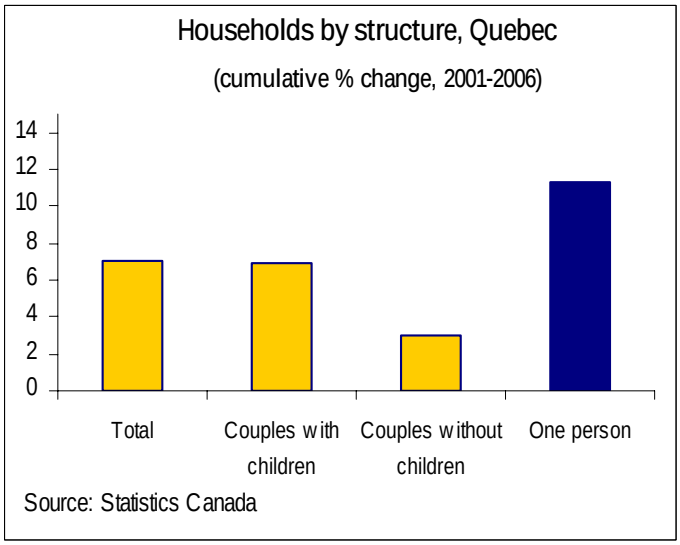


The popularity of condominiums: it's far more than just a question of money

The increasing popularity of condominiums in Quebec is undeniable. The statistics speak for themselves: condominiums are accounting for a steadily increasing share of housing starts over time, not just in Montreal but in the province's other major markets as well; the number of Quebec households living in a residence of three rooms or less shot up by 50% between 2001 and 2006; 11% of all homeowners lived in either condos or townhouses compared to just 9% in 2001. The increasing popularity of condominiums is not only a question of money, nor a passing fad. Demographic and social trends also play a major role.



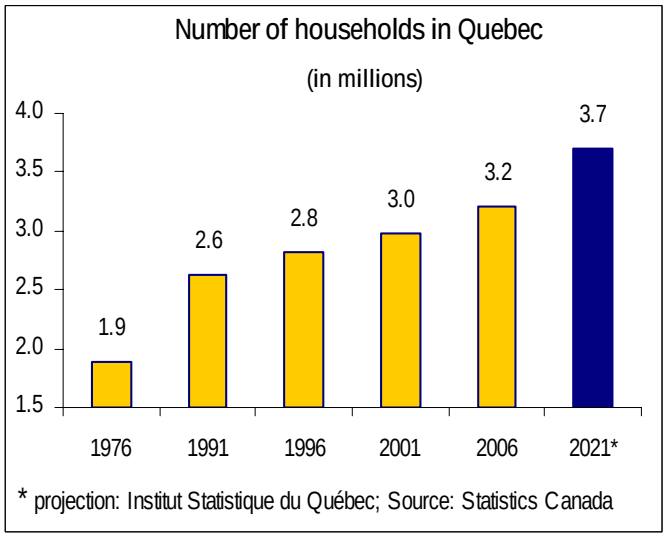
One key driver underlying the popularity of condos is the declining size of Quebec households. Falling fertility rates, the rise in single-parent families and the growing popularity of single living are all contributing. For example, the province experienced a significant increase (11%) in the number of single-person households between 2001 and 2006. Many people no longer wait to be in a relationship before becoming property owners as the proportion of homeowners that live alone jumped from 44% to 48% during the same period. Homeowners that live alone do choose condos for their convenient square footage, their smaller maintenance tasks, or their central location downtown.



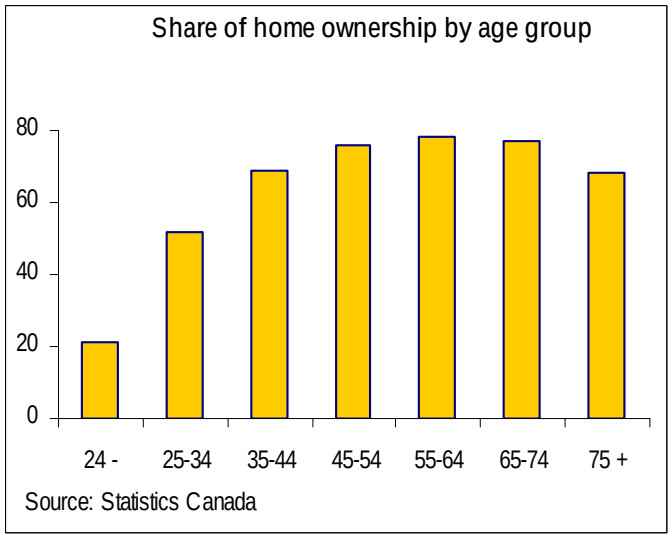
Long term projection: a modest downtrend in demand and construction

A boom in the housing market only occurs with the presence of a spark. The trigger underlying the last boom was historically low interest rates, which enabled a good chunk of the echo baby-boom generation to jump to the property market. As discussed earlier, *LBS Economic Research* expects a more significant decline in demand and construction in 2009 and 2010 than in 2008. Beyond 2010, we see no triggers that would propel another boom. We are of the view that slowing household formation coupled with the aging of the baby boom generation will shape a downtrend in housing demand and construction.

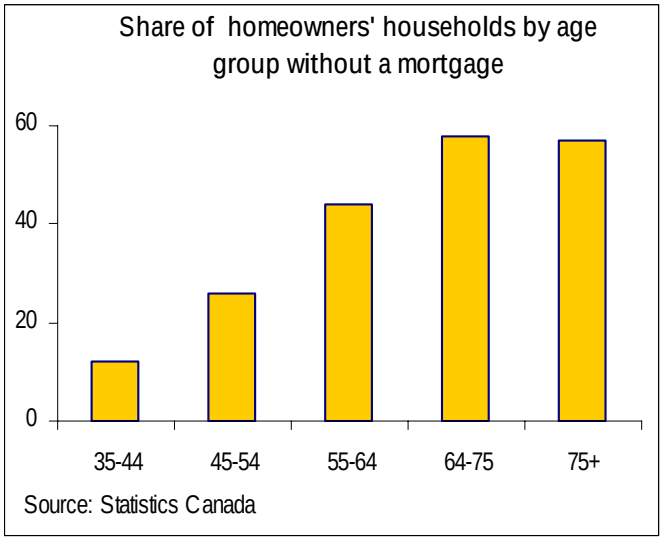
Over the long term, the primary influence on Quebec's residential real estate market will be household formation. In 2006 there were 3.2 million households in the province. L'Institut de la Statistique du Québec projects that half a million more will be added by 2021. This imply household formation will slow by about 20% to 35,000 per year, down from an annual average of 44,000 experienced during the past three decades.



The other factor to consider is the aging of the baby-boom generation during the upcoming 15 to 20 years. It would be an error to believe that retirement will lead all baby-boomers to dump their houses on the resale market and flow into rental properties. This often-made argument is easy to refute. Home ownership rates broken down by age reveal that as people get older, a larger percentage of them tend own their own homes. That proportion increases all the way up to 75 years of age. For example, approximately four out of five households headed by someone between 55 and 74 years old own their homes. As a result, promoters planning to jump headfirst into the construction of rental units for seniors had better be patient.

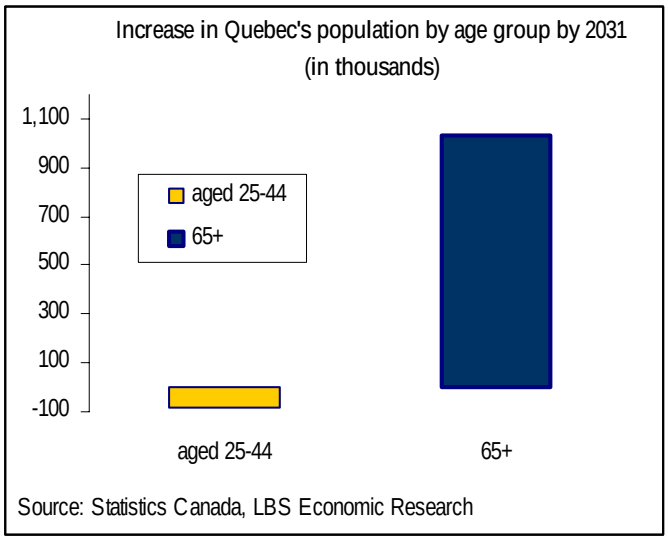


Although baby boomers may well remain homeowners for quite some time, they will not necessarily continue to live in the same dwelling. As such, the aging of the baby boom will be particularly beneficial for the condo market. Many baby-boomers will find that their primary residences seem a little big, after their children reach adulthood and leave the nest. For others, condominiums will be synonymous with security or freedom from household maintenance tasks. Others will sell their single family homes and buy condos in order to free up cash in order to make their retirements a little more comfortable. Of course a large percentage of the coming wave of retirees is unlikely to settle for small 700 square-feet condominiums. Seniors will opt instead for larger and luxurious models. While the aging baby boom population may stimulate increased demand for condominiums, mortgage demand is unlikely to be affected to the same extent because more than half of baby boomers are mortgage-free homeowners.



The unloading of single family homes by some boomers will occur at the perfect time for first-time buyers or move-up buyers looking for a single home. Nevertheless, demand by younger households will not compensate for the supply that will be made available by the much larger baby-boom generation. Statistics Canada projects that the number of Quebecers aged 65 and older will increase by about one million during the coming two decades, while the number aged between 25 and 44 (who are susceptible of buying this type of property) will remain virtually unchanged. The single-family home market could thus find itself in a position in which there are far more sellers than buyers. The impact on prices should be minimal as long as fewer single-detached homes are build.

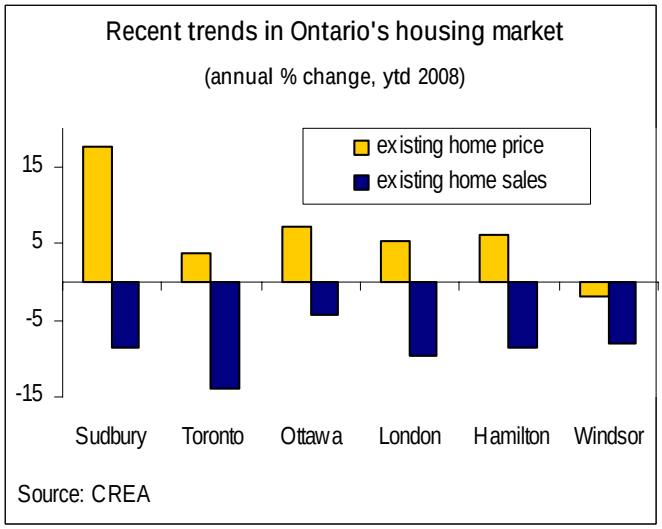
In short, our long-term forecast is that once starts slip below the 40,000 unit level, they will likely remain below that mark for a long period unless a triggering event occurs. For now, this appears to be highly unlikely. For Quebec to experience another housing boom, the province would need to benefit from either an unprecedented wave of international migration, or a large discovery of natural resources which would engender colossal investments.



The Toronto market is cooling off

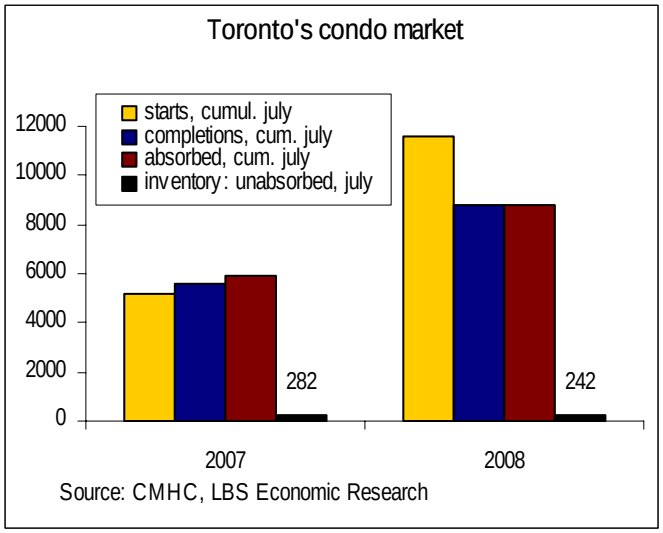
The following sections deal with the major housing markets in the rest of Canada. Relative to Quebec, the slowdowns in most of these markets began much earlier and have been more pronounced.

Let's start with Ontario, whose economy has been hit hard by economic woes south of the border. It should thus come as no surprise that residential housing sales are falling in all major markets there. That said, the situation varies widely across the province. In Windsor for example, housing prices are falling due to job losses stemming from the troubled auto industry. On the other hand, Sudbury's mining industry is doing relatively well and housing prices are still experiencing double-digit growth.



Toronto's well diversified economy has helped the city's housing sector resist the province-wide slowdown better than most of the single industry towns of Southern Ontario. Unfortunately, Toronto's unemployment rate has crept up somewhat recently. That, along with the city's recently introduced property transfer tax, has worsened the affordability.

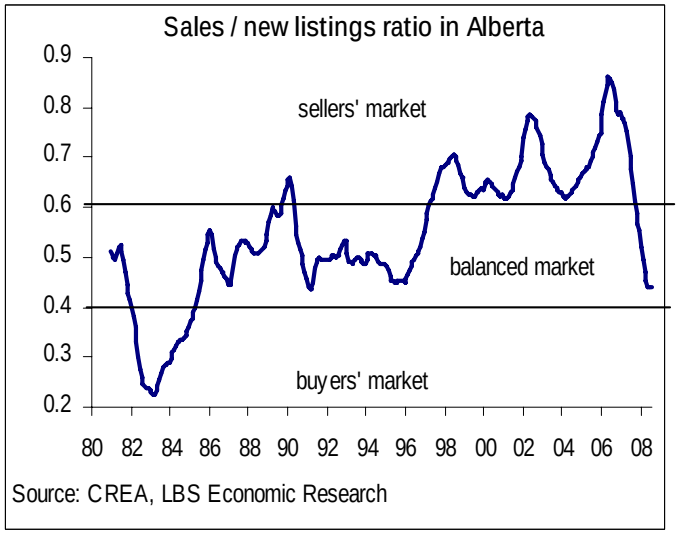
As a result, existing home sales have fallen by 15% since the start of the year. With one sale for every two new listings, Toronto's resale market now appears to be in equilibrium. As for the construction segment, the slowdown appears concentrated in single family home construction. In contrast, many high-rise condo towers are being built in the core downtown area. Toronto's condo market is split in two distinct segments: small units for first time buyers and luxury units such as the "condo-hotel" type for the more well off. Newly-built condo units continue to be absorbed briskly and inventories (condos built but not sold) are low. Still, there are a few risks to keep in mind. First is the behaviour of investors. Since prices virtually stop to increase in recent months, investors could well begin to dump units into the market. Another risk is the weakening job market. Compensation growth and bonuses are unlikely to be as brisk amid on-going challenges of financial institutions (hedge funds, banks, pension plans, etc.). Just east of Toronto, in Oshawa, the job losses in the auto industry could also leave its footprints on the housing market.

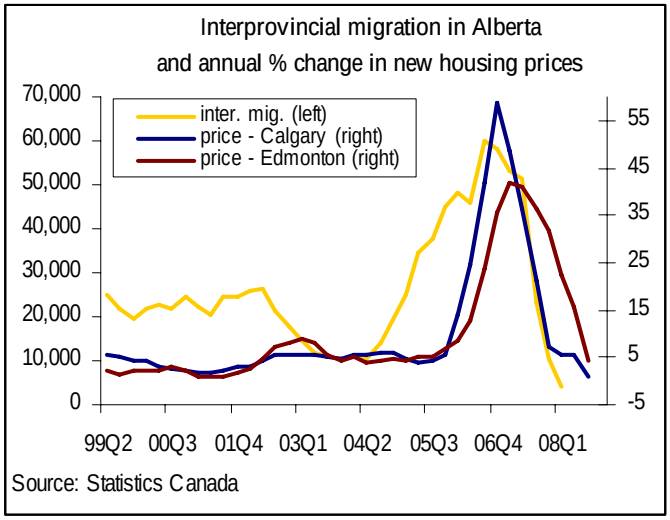


The hard morning after in Alberta

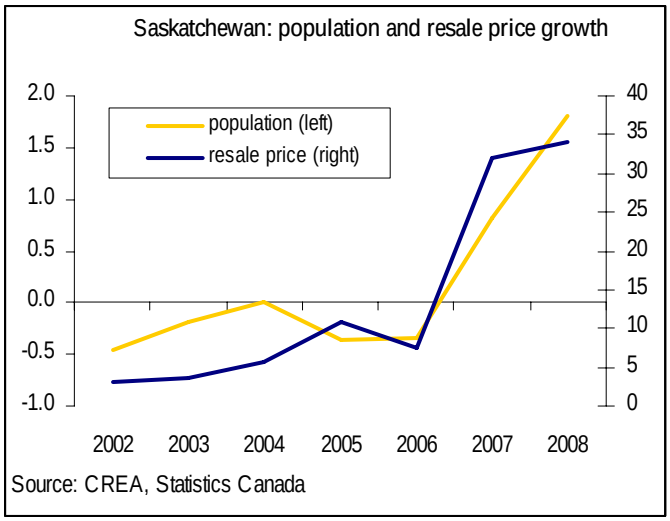
The energy boom attracted a lot people to Alberta in recent years, where skyrocketing job and wage growth have been the norm. During that time, the housing market has also been hit with inordinate price rises. While personal disposable income per capita rose by 34% between 2004 and 2007, housing prices jumped a stunning 83%. Much of the excess increase was due to plain and simple overbidding, sparked by the strong interprovincial migration of people there. Despite all of builders' efforts to rapidly put up new housing to supply the population influx, the only factor that could quickly adjust to the excess demand was prices.

2008 marks the end of overbidding, the hangover after the party. Economic growth is cooling off in Alberta, amid the quick pullback in crude oil from $US 140 to less than $US 60 a barrel. The resale market appears to quickly turn in buyers' favor. Listings are increasing fast (7% ytd), sales are plunging (20% ytd) and prices just began to fall. The recent drop in net inter-provincial migration into Alberta (to near zero levels), means that sellers can no longer simply demand any price they want. Sellers just began to lower their prices in order to reflect the lower level of demand. That said, current conditions are unlikely to lead to a 1980s-style scenario, when the energy bust and the unpopular National Energy Program led to a massive worker exodus and a subsequent 20% peak-to-trough plunge in home prices.



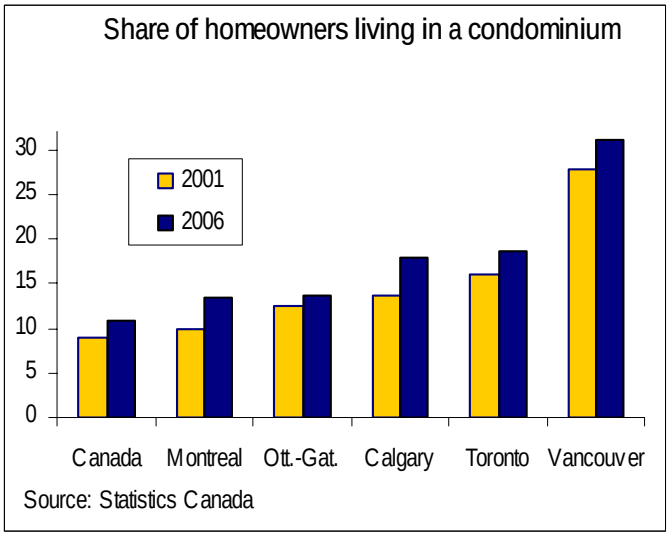


Recent trends in the Saskatchewan housing market are a carbon copy of Alberta's experience several years ago. The population is rising at a pace unseen since the 1970s, leading to a housing shortage and gargantuan price rises. Resale activity have begun to pull back during recent months (-13% ytd) and we believe that prices will head modestly in negative territory within the next two years.



Vancouver: many signs of weakness abound and further price correction is in the cards

British Columbia also experienced a red hot real estate market in the last decade. In Vancouver, where condominiums are king, the average price of a housing unit is more than one half a million dollars. The troubling issue is the speed at which the market has veered from one extreme to the other. In less than six months, the market has moved from buyers' market to a sellers' market. The decline in resale unit is huge (about 30% year-to-date) and prices fell significantly already (-7.9% y/y in September).



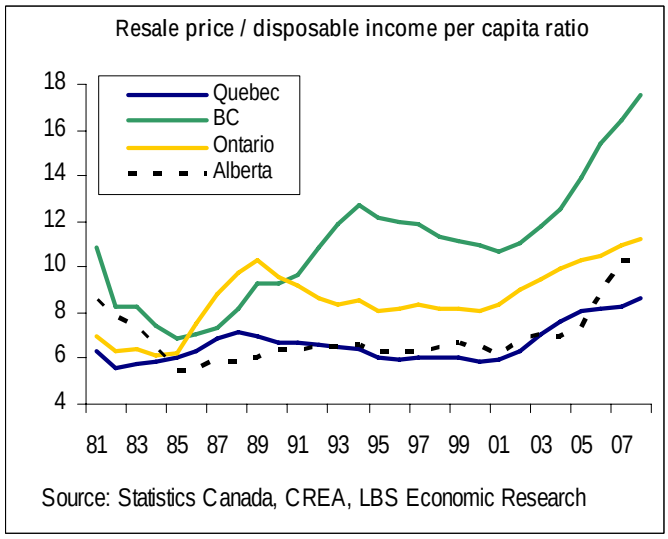
So, what accounts for this unfortunate turnaround? We cannot blame the economy. Despite a weakening world economy, job creation remains respectable in Vancouver, the unemployment rate is low (about 4%) and the population continues to grow at a healthy pace.

For things change so quickly in the Vancouver real estate market, it is because there is something fishy. Buyers and sellers' sentiments have rapidly changed. One issue was the weaker levels of household formation relative to the levels of housing construction in recent years. This large discrepancy suggests that there may have been a good number of speculators on the market. Some of the recent unwinding (listings are up about 17% year-to-date) may have been in part due to investors unloading some of their properties. In addition, some British Columbians seems to have long believed the myth that the mild climate of the Fraser valley, the excellent quality of life on the Pacific coast and the 2010 Winter Olympics were good reasons to justify *ad vitam aeternam* 10% to 15% annual price increases. So, when expectations change, these sorts of parties often end quickly.

Another potential issue for the Vancouver market is that while demand is weakening considerably and homes for sale are flooding the resale market, housing starts (particularly multiples) are up 5% year-to-date. For the moment, new condo inventories remain low but it is a risk to keep in mind.

In short, it is not the best time to acquire a property in Vancouver. *LBS Economic Research* believes the pullback in prices has just begun. In our view, Vancouver will experience the largest price pullback among all major Canadian markets in the next two years, in the double-digit range. Resale homes are expected to drop significantly for a second consecutive year in 2009. Housing starts is projected to decline mostly in 2009.

Weakness in the Vancouver residential real estate market has made waves to other BC's markets. In Victoria, the frenetic price appreciation have come to an end (-0.6% y/y in September) while sales plummeted (-26% year-to-date). The good news in Victoria is that builders appears to adjust more quickly to lower demand conditions than in Vancouver.



Population growth in Canada and the provinces										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9
T.-N-L.	-1.1	-0.5	-0.2	-0.2	-0.6	-0.8	-0.7	-0.5	-0.4	-0.3
I.P.E	0.1	0.2	0.3	0.4	0.2	-0.1	0.4	0.3	0.3	0.3
N.E.	-0.2	0.2	0.2	0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
N.B.	-0.1	0.1	0.1	0.1	-0.1	-0.3	0.1	-0.1	-0.1	-0.1
Québec	0.5	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6
Ontario	1.8	1.7	1.3	1.3	1.2	1.1	0.8	0.8	0.8	0.7
Manitoba	0.3	0.4	0.5	0.7	0.3	0.4	0.7	0.4	0.4	0.4
Sask.	-0.8	-0.4	-0.1	0.0	-0.5	-0.3	0.9	1.8	2.0	1.5
Alberta	1.7	1.9	1.4	1.5	2.3	2.7	3.1	2.0	1.5	1.4
C.B.	1.0	0.9	1.0	1.2	1.3	1.4	1.4	1.4	1.4	1.3

Source: Statistics Canada, LBS Economic Research

Real GDP growth in Canada and the provinces										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	1.8	2.9	1.9	3.1	3.1	2.8	2.7	0.5	0.5	2.4
N&L	1.6	15.6	5.8	-1.7	0.2	3.3	9.1	0.5	1.0	2.4
PEI	-1.1	4.8	2.1	3.0	1.3	2.6	2.0	0.6	0.8	1.5
NS	3.2	4.0	1.4	1.4	1.8	0.9	1.6	1.1	0.9	2.2
NB	1.7	4.5	2.8	1.4	0.5	3.0	1.6	1.0	0.8	2.1
Quebec	1.5	2.4	1.2	2.6	2.0	1.7	2.4	0.5	0.5	2.3
Ontario	1.8	3.1	1.4	2.5	2.9	2.1	2.1	-0.3	0.0	2.4
Manitoba	0.8	1.6	1.4	2.6	2.7	3.2	3.3	2.0	1.7	2.2
Sask.	-1.0	-0.4	4.6	3.8	3.5	-0.4	2.8	2.6	2.0	2.5
Alberta	1.7	2.2	3.2	5.2	5.3	6.6	3.3	1.3	1.3	2.0
BC	0.6	3.6	2.3	3.7	4.5	3.3	3.1	1.5	1.2	2.9

Source: Statistics Canada, LBS Economic Research

Unemployment rate in Canada and the provinces										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	7.2	7.6	7.6	7.2	6.8	6.3	6.0	6.1	6.5	6.3
N&L	16.1	16.6	16.5	15.7	15.2	14.8	13.6	12.4	12.0	11.8
PEI	12.0	11.9	10.9	11.2	10.9	11.1	10.3	9.7	10.0	10.0
NS	9.8	9.6	9.1	8.8	8.5	7.9	8.0	8.2	8.4	8.3
NB	11.1	10.2	10.3	9.8	9.7	8.7	7.6	8.5	8.6	8.4
Quebec	8.8	8.6	9.1	8.6	8.3	8.0	7.2	7.6	7.9	7.7
Ontario	6.3	7.1	6.9	6.8	6.6	6.3	6.4	6.5	7.4	7.1
Manitoba	5.1	5.1	5.0	5.3	4.8	4.3	4.4	4.2	4.5	4.4
Sask.	5.8	5.7	5.6	5.3	5.1	4.7	4.2	4.1	3.9	4.0
Alberta	4.7	5.3	5.1	4.6	3.9	3.4	3.5	3.7	4.1	4.4
BC	7.8	8.5	8.1	7.2	5.9	4.8	4.2	4.6	4.9	4.5

Source: Statistics Canada, LBS Economic Research

Employment growth in Canada and the provinces										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	1.2	2.4	2.4	1.8	1.4	1.9	2.3	1.8	0.5	1.3
N&L	2.9	1.8	2.2	1.0	-0.1	0.7	0.7	2.1	0.3	1.6
PEI	1.4	1.8	2.0	1.3	2.0	0.5	1.2	1.3	0.2	1.3
NS	0.9	1.8	2.0	2.6	0.2	-0.3	1.3	1.1	0.5	1.3
NB	-0.3	3.9	0.0	2.1	0.1	1.4	2.1	1.1	0.4	1.4
Quebec	1.1	3.8	1.6	1.5	1.0	1.3	2.3	1.2	0.5	1.0
Ontario	1.9	1.8	3.0	1.7	1.3	1.5	1.5	1.6	0.2	0.9
Manitoba	0.3	2.3	0.6	1.1	0.6	1.2	1.6	1.7	1.2	1.4
Sask.	-2.8	1.7	1.7	0.8	0.8	1.7	2.1	1.7	1.3	1.5
Alberta	2.9	2.5	2.7	2.4	1.5	4.8	4.7	2.8	1.4	1.5
BC	-0.5	2.3	2.5	2.4	3.3	3.0	3.2	2.5	1.6	2.0

Source: Statistics Canada, LBS Economic Research

Housing starts in Canada and the provinces										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	163,092	205,325	219,500	232,700	223,975	229,117	227,625	215,000	186,000	180,000
N&L	1,592	2,475	2,475	2,908	2,567	2,292	2,633	2,800	2,800	2,850
PEI	650	683	825	892	925	783	675	700	650	600
NS	4,075	4,867	5,375	4,792	4,692	5,225	4,725	4,500	4,400	4,000
NB	3,608	3,675	4,408	3,792	3,892	4,033	4,125	4,300	4,000	3,800
Quebec	27,767	42,633	50,417	58,567	50,942	47,983	48,533	46,000	41,000	38,000
Ontario	73,883	83,883	85,850	84,508	77,800	74,350	68,017	76,000	63,100	61,450
Manitoba	2,975	3,592	4,183	4,433	4,708	5,025	5,783	5,400	5,100	5,100
Sask.	2,375	2,883	3,325	3,742	3,308	3,733	5,908	7,000	6,150	5,700
Alberta	29,000	38,892	36,425	36,217	40,617	49,108	48,075	31,100	27,000	26,700
B.C.	17,167	21,742	26,217	32,850	34,525	36,583	39,150	37,200	31,800	31,800

Source: CMHC, LBS Economic Research

Housing starts in major markets in Quebec						
	2005	2006	2007	2008	2009	2010
Le Québec	50,942	47,983	48,533	46,000	41,000	38,000
Montréal	25,317	22,813	23233	22,800	20,000	18,000
Québec	5,835	5,176	5,284	5,100	4,700	4,500
Gatineau	2,123	2,933	2,788	2,650	2,300	2,200
Sherbrooke	1076	1305	1318	1,300	1,150	1,050
Trois-Rivières	919	1017	1197	1,150	1,050	1,000
Saguenay	464	485	685	650	600	550

Source: Real Estate Boards,CMHC, LBS Economic Research

Sales of existing homes in major markets in Quebec						
	2005	2006	2007	2008	2009	2010
Le Québec	70,649	72,520	80,338	76,000	71,500	69,000
Montréal	37,951	37,900	43,543	41,500	38,500	37,000
Québec	7,045	7,000	7,287	7,500	7,100	6,600
Gatineau	3,992	4,100	4,537	4,500	4,300	4,100
Sherbrooke	1,287	1,450	1,888	1,750	1,650	1,600
Trois-Rivières	773	850	863	850	800	780
Saguenay	1,244	1,150	1,260	1,200	1,100	1,050

Source: Real Estate Boards,CMHC, LBS Economic Research

Sales of existing homes in Canada and the provinces										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	380,885	418,691	434,589	460,395	483,482	483,480	520,192	440,500	409,000	399,500
% change		9.9	3.8	5.9	5.0	0.0	7.6	-15.3	-7.2	-2.3
N&L	2,808	3,014	3,238	3,265	3,211	3,537	4,471	4,900	4,700	4,650
% change		7.3	7.4	0.8	-1.7	10.2	26.4	9.6	-4.1	-1.1
PEI	1,234	1,306	1,404	1,500	1,449	1,492	1,769	1,350	1,300	1,250
% change		5.8	7.5	6.8	-3.4	3.0	18.6	-23.7	-3.7	-3.8
NS	9,441	10,243	9,221	8,887	10,948	10,697	11,857	11,000	10,500	10,200
% change		8.5	-10.0	-3.6	23.2	-2.3	10.8	-7.2	-4.5	-2.9
NB	4,779	5,089	5,489	5,979	6,836	7,125	8,161	7,500	6,700	6,200
% change		6.5	7.9	8.9	14.3	4.2	14.5	-8.1	-10.7	-7.5
Quebec	62,351	68,161	67,130	69,296	70,649	72,520	80,338	76,000	71,500	69,000
% change		9.3	-1.5	3.2	2.0	2.6	10.8	-5.4	-5.9	-3.5
Ontario	162,318	178,058	184,457	197,353	197,140	194,930	213,379	184,150	174,700	171,900
% change		9.7	3.6	7.0	-0.1	-1.1	9.5	-13.7	-5.1	-1.6
Manitoba	11,440	11,108	11,523	12,098	12,761	13,018	13,928	13,600	12,600	11,800
% change		-2.9	3.7	5.0	5.5	2.0	7.0	-2.4	-7.4	-6.3
Sask.	7,971	7,933	7,698	8,172	8,312	9,140	12,054	9,800	8,500	8,000
% change		-0.5	-3.0	6.2	1.7	10.0	31.9	-18.7	-13.3	-5.9
Alberta	48,989	51,042	51,334	57,460	65,866	74,350	71,430	56,200	47,500	46,500
% change		4.2	0.6	11.9	14.6	12.9	-3.9	-21.3	-15.5	-2.1
BC	69,554	82,737	93,095	96,385	106,310	96,671	102,805	76,000	71,000	70,000
% change		19.0	12.5	3.5	10.3	-9.1	6.3	-26.1	-6.6	-1.4

Source: CREA, LBS Economic Research

Resale home prices in Canada and the provinces										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Canada	171,801	188,785	207,162	226,387	249,219	276,943	307,306	313,000	312,000	313,000
% change		9.9	9.7	9.3	10.1	11.1	11.0	1.9	-0.3	0.3
N&L	104,376	113081.0	119822.0	131,499	141,167	139,542	149,258	172,000	182,000	190,000
% change		8.3	6.0	9.7	7.4	-1.2	7.0	15.2	5.8	4.4
PEI	87,696	94,964	101,745	110,815	117,238	125,430	133,457	140,000	144,000	147,000
% change		8.3	7.1	8.9	5.8	7.0	6.4	4.9	2.9	2.1
NS	115,485	126,669	136,292	146,033	159,221	168,614	180,989	190,000	194,500	198,000
% change		9.7	7.6	7.1	9.0	5.9	7.3	5.0	2.4	1.8
NB	95,947	100,129	105,858	112,933	120,641	126,864	136,603	147,000	150,000	153,000
% change		4.4	5.7	6.7	6.8	5.2	7.7	7.6	2.0	2.0
Quebec	115,820	130,403	151,881	171,099	184,583	194,024	208,240	218,000	225,000	230,000
% change		12.6	16.5	12.7	7.9	5.1	7.3	4.7	2.5	2.0
Ontario	193,357	210,901	226,824	245,230	262,949	278,364	299,544	309,000	319,000	323,000
% change		9.1	7.5	8.1	7.2	5.9	7.6	3.2	3.2	1.3
Manitoba	93,192	96,531	106,788	119,245	133,854	150,229	169,189	195,000	200,000	205,000
% change		3.6	10.6	11.7	12.3	12.2	12.6	15.3	2.6	2.5
Sask.	98,310	101,297	104,995	110,824	122,765	132,078	174,405	234,000	234,000	227,000
% change		3.0	3.7	5.6	10.8	7.6	32.0	34.2	0.0	-3.0
Alberta	153,737	170,253	182,845	194,769	218,266	285,383	356,235	355,000	344,000	341,000
% change		10.7	7.4	6.5	12.1	30.8	24.8	-0.3	-3.1	-0.9
BC	222,822	238,877	259,698	289,107	332,224	390,963	439,119	462,000	433,000	425,000
% change		7.2	8.7	11.3	14.9	17.7	12.3	5.2	-6.3	-1.8

Source: CREA, LBS Economic Research