

RE/MAX[®] HOUSING MARKET OUTLOOK 2012



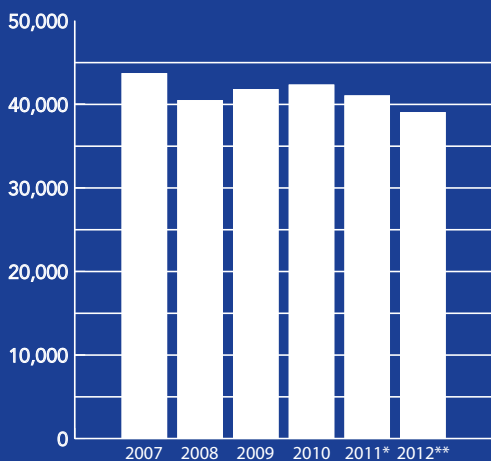
Québec

Greater Montréal

Residential sales activity in Montréal remained healthy in 2011, with conditions favouring the seller throughout much of the year. Momentum remained relatively steady until the early fall, when activity ramped up. Yet, overall sales are

expected to fall short of 2010 levels, reaching 41,000 units—a decrease of three per cent, while average price climbs five per cent to \$313,000. Despite this, bidding wars continue to occur in Montréal and its suburbs. The condominium market remains particularly active, with smaller apartment units experiencing the greatest demand. Affordability continues to be top of mind, with a well-located, entry-level condominium—offering 700 sq. ft. of living space and no garage—now commanding between \$310,000 to \$320,000. Parking can run an additional \$35,000 to \$40,000. There has been a resurgence in desire for core properties, as young purchasers strive to remain close to the action. Inventory has edged up in the condominium market, and the supply of single-family homes is also building. Investors have pulled back to some extent, given rising prices. However, well-priced plexes, especially in the \$485,000 to \$520,000 price range, will still move quickly. Upper-end demand has held steady in traditional blue-chip neighbourhoods such as Westmount, Mount Royal, Outremont, and Hampstead, but has slowed in the suburbs where inventory is on the upswing. The \$1 million to \$3 million price points are particularly strong.

GREATER MONTRÉAL***
Residential Unit Sales 2007 – 2012



*Estimate **Forecast
***Historical values, estimate and forecast based on local board statistics.
Source: RE/MAX, Local Real Estate Board

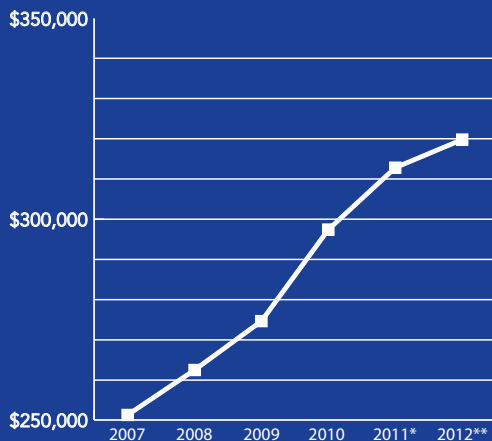
The employment picture will support demand for housing in Greater Montréal going forward. Job creation efforts have been solid in 2011, and that trend is expected to carry through 2012. While the unemployment rate hovered just over eight per cent in October, further employment growth should bring the rate down to 7.5 per cent next year. Non-residential investment continues at a steady pace, with public infrastructure, power generation, mining and metal refineries the biggest beneficiaries. Strong immigration and population growth continues to prop up resale activity and solid household formation. While the construction sector is expected to pull back next year, with a drop in housing starts anticipated, plenty of positive developments are on the horizon for Québec's diversified economy. The aerospace industry is forecast to see greater investment in terms of new production plants and parts manufacturing. The technology sector continues to make strides as well. The Québec government is actively working with companies to open new export markets, which would help to offset softer U.S. demand. Consumer spending remains stable,



with retail sales climbing on a year-over-year basis. Consumer confidence has been impacted by global economic concerns, but it may improve in 2012, as the European Union works to resolve current uncertainties.

The greatest issue ahead for Montréal will be the planned rebuilding of several bridges that provide access to the Island of Montréal. The reconstruction of the Champlain Bridge, in particular, is expected to impact the local economy, housing demand, as well as purchasing patterns. In anticipation of a serious disruption, buyers have already started re-evaluating. As a result, the North Shore and the Island of Montréal have already begun to garner more attention. The Island condominium market will continue to draw solid demand next year, with the \$250,000 to \$400,000 range most popular. High-end condos, priced over \$800,000 will also remain strong, as baby boomers continue to make their moves. First-time buyers will remain the driving force. In the upper-end, sales will contract slightly, due to softer demand in the suburbs. Building inventory in detached and semi-detached product should temper price growth to some extent and improve attainability. Conditions will be more balanced overall. By year-end 2012, unit sales are forecast to reach 39,000. Average price will push ahead by a further two per cent to \$320,000.

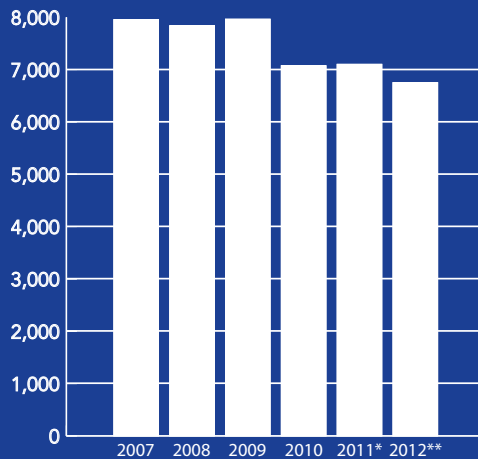
GREATER MONTRÉAL*** Residential Average Price 2007 – 2012



*Estimate **Forecast
***Historical values, estimate and forecast based on local board statistics.
Source: RE/MAX, Local Real Estate Board

QUÉBEC CITY***

Residential Unit Sales 2007 – 2012



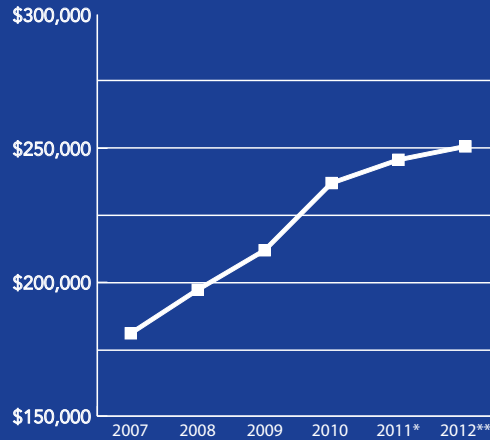
*Estimate **Forecast

***Historical values, estimate and forecast based on local board statistics.

Source: RE/MAX, Local Real Estate Board

QUÉBEC CITY***

Residential Average Price 2007 – 2012



*Estimate **Forecast

***Historical values, estimate and forecast based on local board statistics.

Source: RE/MAX, Local Real Estate Board

Québec City

After several years of tight market conditions, inventory is finally building in Québec City. The market remains healthy, and will finish the year consistent with year-ago activity. Residential sales are estimated to remain on par with 2011 at 7,100 units, while average price climbs four per cent to \$246,000. With solid year-over-year price growth in recent years, affordability is becoming more top of mind for real estate consumers. While single-detached homes remain the most popular choice, alternatives such as condominiums, semi-detached and town homes are gaining greater traction. The condominium market remains particularly strong. Demand is on the rise among first-time buyers, with units starting from \$250,000, while baby boomers seek out product in the mid-to-upper price points. The peripherals have experienced an upswing in demand, with newer product exceptionally popular. Land values, however, have surged in recent years and the cost of new construction continues to rise—highlighting the value of resale product. Areas such as Cap Rouge—15 minutes outside of the city—are up-and-coming hot pockets, with prices typically ranging from \$300,000 to \$400,000 for a single-family home. Upper-end activity, priced over

\$600,000, posted solid momentum in 2011, and will continue to remain buoyant in the months ahead. Confidence in the city and in homeownership remains strong—despite the effects of global economic uncertainty. The stability is largely due to Québec City's status as a government town, combined with a vibrant employment picture.

Plenty of positive fundamentals exist for Québec City. The employment rate is major driver, hovering at 4.6 per cent in October—among the lowest in the country. The city's population remains on the upswing. Québec is attracting plenty of new residents from within the province, as well as from other areas of Canada and through immigration. Over 5,000 new residents are expected in the year ahead—slightly more than in 2011. An increasingly diversified market, Québec City will experience strength in a number of sectors next year, with construction leading the charge, particularly with solid non-residential investment, including infrastructure, although this will be down from last year's levels. Job creation is also anticipated in the healthcare, finance and insurance sectors. Québec City Jean Lesage Airport's expansion project will continue to be a significant boon to the city. The project is now entering its second stage—expected to carry through 2015-2016—with the first phase of stage two worth an

estimated \$225 million. Ground is finally expected to break on Québec City's new \$400 million arena—which it hopes will set the stage for a return of the NHL. Overall, GDP growth in the province is expected to rise to 2.1 per cent in 2012, up from 1.7 per cent in 2011, with re-invigorated demand for Québec exports lifting the outlook.

A healthy economic picture moving forward, combined with continued low interest rates and improved supply, is expected to support housing demand in the year ahead, although unit sales will fall five per cent from year-ago levels to 6,750 units. The higher number of homes on the market should keep average price growth in check, posting a modest two per cent increase to \$251,000. While seller's conditions will prevail for at least the first half, the market should head more toward balanced territory later in 2012. All segments of the market are expected to work in tandem next year, although first-time purchasers will lead the charge. Investors are also expected to remain active, given a continuation of tight vacancy rates.