
**ECONOMIC OUTLOOK
FOR THE QUEBEC HOUSING MARKET
BY THE LAURENTIAN BANK SECURITIES
ECONOMIC RESEARCH TEAM**

Montreal, November 9, 2010 – The Laurentian Bank Securities Economic Research team unveils its economic outlook for Quebec’s housing market. Specifically, it has highlighted the main factors that will influence activity in this sector over the short and long term. After having seen one of the most impressive periods of growth in its history, this market is expected to stabilize.

To start, there will be a review of the extremely favourable conditions that led a larger number of households to purchase property from the earliest signs of economic recovery: release of pent up demand, alluring interest rates and strong job creation. In the short term, this group of factors will no longer be synchronous, despite the still favourable economic conditions. As low as the interest rates are, the majority of households will not have as much manoeuvrability, their balance sheets being more encumbered. On the other hand, the adjustment of supply to a more moderate demand will likely prevent prices from plummeting. Housing prices should rather be expected to progress at a rate below that of income growth—the very opposite of what has been observed in these past years.

Similarly for Montreal, following a very active 2010 in the new construction market, 2011 and 2012 are shaping up to be quite different. As for the resale market, its slowing will be less pronounced, but already in 2010, increasingly fewer properties for sale and a significant jump in prices has limited activity on this market. Due to a more restricted inventory in Quebec City, this region will see a drop in home resales this year. In a context of a very strong economy, coupled with the lowest vacancy rate in the country, new constructions will remain stable in this region, while it decreases in other regions over the course of 2011 and 2012. In Gatineau, the numerous residential projects were able to meet demand these past few years, which explains why this region is the only one to see a decrease in the number of housing starts this year. In 2010, The Trois-Rivières and Saguenay regions have both been characterized by vigorous housing construction for seniors. As such, activity should drop off sharply starting in 2011. Finally, in Sherbrooke, construction should this year reach its highest level since 1987, due to a rise in construction of semi-detached houses, townhouses and condominiums.

In conclusion, an analysis of the housing market cannot be made without taking into consideration the aging of the Quebec population. This will cause major changes to housing sector activity over the long term. Notably, the number of sellers will rise more rapidly than that of buyers. As such, the resale market and renovation spending will break new records for the next 15 to 20 years, much to the detriment of the new construction market. Furthermore, this latter market will be severely affected by a smaller pool of households. And a more muted growth in the number of households will have the effect of curbing the rise in number of people who hold a mortgage to a lower rate than in the past.

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Laurentian Bank is well established in the Province of Quebec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than \$23 billion in balance sheet assets and



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Information:

Mary-Claude Tardif

Public Relations Advisor

514 284-4500, extension 4695

mary-claude.tardif@banquelaurentienne.ca

Marie-Claude Guillotte

Economist

Laurentian Bank Securities

514 350-2925

guillottemc@vmbi.ca