

GREATER MONTRÉAL AREA RESALE MARKET SURFING NEAR THE PEAK

Montréal, March 2, 2005 – In the Greater Montréal area, the final months of 2004, in comparison with the last months of 2003, ended with a decrease of 7 per cent in the number of properties (7,871) sold through the S.I.A.[®]/MLS[®] network. This result followed a decline observed in the third quarter, as well.

After having declined slightly (-3 per cent) in 2003, sales went up by 2 per cent in 2004, for a total of 36,022 transactions. “In sum, from a small decrease to a small increase, the market seems to have reached a certain plateau. Steady job creation since the mid-1990s and continued very low mortgage rates are allowing the resale market to surf the wave near the peak,” explained Paul Cardinal, Senior Market Analyst for Canada Mortgage and Housing Corporation (CMHC).

Since there were slightly fewer transactions recorded in 2004 than in 2002, this result cannot be considered as a record level of activity for the Montréal metropolitan area. The same does not hold true, however, for the entire Greater Montréal Real Estate Board (GMREB) territory, which includes rural sectors where activity has just kept rising. “In the last four years, the overall increase in sales reached 22 per cent in Montréal and its suburbs, while the gain attained 81 per cent in the outlying area. It seems that some households are therefore more inclined to move further away, since housing is more affordable in the outlying areas,” commented Michel Beauséjour, FCA, Chief Executive Officer of the GMREB.

The small rise in active listings in 2003 significantly picked up the pace last year and reached 30 per cent. The Island of Montréal, mainly the central sectors (zones 4 and 5), largely contributed to this increase, but the suburbs also came into play during the second half of the year. The rise in the number of condominiums for sale in the North Shore sector was particularly notable.

While the market continues to favour sellers, their negotiating power is slowly waning, as an inevitable result of the decrease in sales and the increase in the number of units for sale. Condominiums are once again the property type that is posting the greatest activity, currently

with six sellers per buyer, a trend that could bring back a balanced market for this housing type by the end of 2005.

The spectacular increase in home prices in Greater Montréal continued last year. Despite the fact that sales slowed down and listings rose, the average selling price, for all housing types combined, jumped up by another 13 per cent in 2004. In particular, the average price of an existing home has exceeded the \$300,000 mark on the Island of Montréal and will move very close to \$200,000 in the suburbs as of this year.

If there is one property type that is enjoying a level of popularity that few had predicted, it is condominium housing. Since the market bottomed out in 1995, its appeal, in terms of sales, has grown twice as fast as that of other housing types. This housing formula is experiencing some jolts, however, with supply increasing at an accelerated pace and sellers gradually losing their edge on the market. This particularly holds true in the suburbs, which are less conducive to this housing type, and which had in fact been harder hit during the difficult period of the early 1990s.

It can also be seen that condominium construction is intensifying in several sectors, notably in the outlying area, such as in the MRC des Moulins (Terrebonne, Mascouche, La Plaine, Lachenaie). More and more, new units are providing competition for existing units. In this context, it will be important to keep a close watch on condominium prices in 2005.

The ***Analysis of the Resale Market: Montreal Metropolitan Area*** is available online at <http://www.cigm.qc.ca/download.aspx?doc=ANALYSEPUBLIC\ang\632453548094882500.pdf>.

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