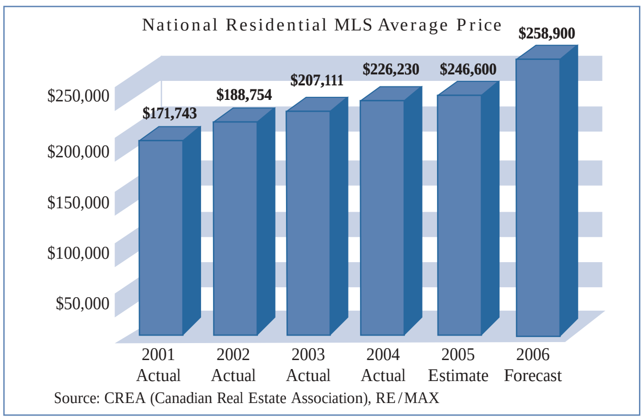
HOUSING MARKET OUTLOOK 2006

RE/MAX®

NATIONAL OVERVIEW

Virtually all major Canadian housing markets roared back to life this year after shattering existing sales records in 2004. Bolstered by strong economic growth, favourable interest rates, solid employment levels and soaring consumer confidence, residential real estate activity is set to post yet another year of unprecedented sales and average price appreciation in 2005.



Nationally, more than 472,000 home sales are forecast in 2005, up two per cent from 2004 levels. Canadian housing values should climb an estimated nine per cent to $246,600 by year-end, an increase of more than $20,000 over one year ago.

Despite eroding affordability levels in many major Canadian centres, the dream of homeownership was very much alive in 2005. First-time buyers entered the market en masse throughout the year, fueling demand for single-detached homes, as well as condominium apartments and townhouses. Significant equity gains and historically low interest rates were the catalyst for move-up buyers across the board. Luxury home sales were particularly heated throughout 2005, with many markets setting new benchmarks.

With Canada's economy firing on all cylinders, the Bank of Canada took a pre-emptive strike against inflation by raising interest rates one half of a percentage point during the latter half of the year. The move provoked a flurry of home-buying activity in major Canadian centres. Additional interest rate hikes planned for 2006 are not expected to deter purchasers from entering the housing market. Rising energy costs—exacerbated by Hurricanes Katrina, Rita, and Wilma—had a marginal impact on residential housing markets across the country this year. The advent of winter and higher fuel consumption, however, may prompt some potential homebuyers to postpone their purchases in 2006.

Strong economic fundamentals are expected to contribute to healthy residential real estate activity in 2006. Billions of dollars have been earmarked for non-residential construction in major centres across the country. Nowhere is this more true than in Vancouver, where a massive number of construction projects are underway in preparation for the 2010 Olympics. Oil and gas-related industries are forecast to continue to rattle and hum in 2006. Although manufacturing has held its own in recent years, a higher Canadian dollar is expected to impact home buying activity to some extent, particularly in Ontario and Quebec. On a more positive note, the tapering of new home construction in 2006 is expected to stimulate even greater resale activity from coast-to-coast.

Immigration is expected to play a greater role in residential real estate markets across the country. Canada is opening its door to as many as 255,000 new immigrants in 2006 and that figure may be ramped up in the future in an attempt to counteract a declining birthrate and aging population. Typically, household formation among new immigrants takes place within five years of arrival.

Pre-election jitters may have some civil servants putting their home-buying plans on the backburner in 2006, but this is expected to be a temporary blip in an otherwise healthy marketplace.

Affordability should hold steady next year as rising inventory levels keep price appreciation in check. First-time buyers will continue to play an integral role in housing markets from coast-to-coast in 2006. They, along with aging baby boomers and retirees, will fuel demand for the increasingly coveted condominium lifestyle. Move-up buyers, spurred on by equity gains, will also be a force to be reckoned with, sparking demand for bigger and better properties. Another year for the record books is also forecast for the upper-end in several major markets.

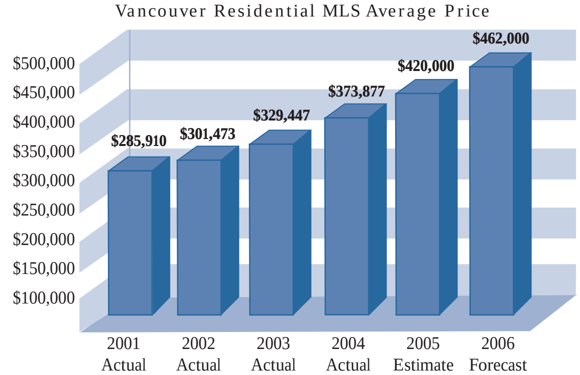
By year-end 2006, home sales are expected to approach 462,000, down two per cent from record levels posted in 2005, but on par with strong numbers reported in 2004. Average price will continue to climb, albeit at a more leisurely pace, with values appreciating five per cent to $258,900 in 2006.

BRITISH COLUMBIA

Greater Vancouver

Consumer confidence soared in Greater Vancouver's housing market in 2005, as British Columbia led Canada in economic growth, alongside Alberta, and posted the strongest employment picture in the country. Job gains were particularly evident in the natural resources and construction sectors, given solid housing starts and breakneck non-residential construction in the run-up to the 2010 Olympics. Low borrowing costs have also bolstered activity and, as a result, demand for housing hit an all-time high. Tight inventory levels characterized the market throughout the year, with a severe shortage of product across all neighbourhoods and price ranges. With resale housing running full steam ahead, the city is expected to break the 40,000 threshold in unit sales by year-end, an increase of eight per cent. Given the significant supply crunch, Greater Vancouver is forecast to post its second consecutive year of double-digit gains in 2005, as average price rises 12 per cent to $420,000.

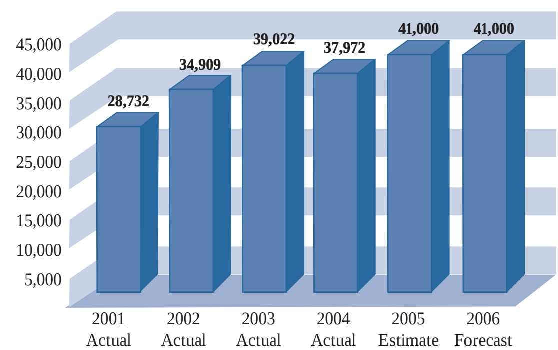
Vancouver Residential MLS Average Price



Source: CREA (Canadian Real Estate Association), RE/MAX

The limited availability of listings will remain one of the most influential factors affecting Greater Vancouver's housing market in 2006. Yet purchasers remain grounded, unwilling to pay more than fair market value. As such, overpriced listings will stagnate next year, much as they have in 2005. Multiple offers will continue to occur on well-priced properties in high-demand neighbourhoods. Exacerbating the supply issue is the ever-shrinking amount of building land in Vancouver. Competition for land is fierce among developers, especially in the suburban communities. Raw land values have increased considerably as a result and the costs are reflected in the rising price of new construction. This, coupled with fewer housing starts in 2006, may serve to place even greater pressure on the resale market next year.

Vancouver Residential MLS Unit Sales



Source: CREA (Canadian Real Estate Association), RE/MAX

With land at a premium, the city and developers have shifted gears, committing to a greater focus on multi-unit residential construction including high-rise condominium product and low-rise units above commercial/retail space. With entry-level prices reaching new heights even on a month over month basis, the demand for affordable housing in the form of condominiums has climbed in recent years. Most units that come on stream, whether new or resale, are snapped up quickly. In fact, in many cases, the new pre-sold units are commanding a premium on Greater Vancouver's resale market, as purchasers cash in on equity gains even before the shovel hits the ground. The impressive momentum is also evident in the upper-end of the condo segment. New luxury buildings, catering to the most elite purchasers and of a calibre never before seen in the city, are generating considerable waiting lists despite a $10,000 deposit being required for the privilege. One such project, "The Erickson", considered the flagship building of the Concord Pacific Development, had one unit recently selling at close to $1,600 per square foot.

The upper end of the market overall in Greater Vancouver is expected to remain strong into 2006. Sales of homes priced over $1.5 million should set a record once again. The move-up segment will continue to be the driving force in the market, with Vancouver West Side and East Side most active (multiple offers were more prevalent here in 2005, with a greater share of homes realizing close to or full list price).

The threat of higher interest rates is not expected to have an impact on heated market conditions in Greater Vancouver in 2006. Rising prices will present greater challenges and may serve to push home-ownership further out of reach for a growing number of first-time buyers. Given the price escalation, young purchasers are being more creative, looking to parents for assistance or taking advantage or low or no down payment options. Compromise is a very evident reality in Vancouver. A new bylaw change, legalizing one rental suite complying with city requirements in any home with single-family zoning, may present a new option for entry-level purchasers. Choosing a home with income-producing potential might allow some first-time buyers to make the leap. Those who can afford to ante up, however, are demonstrating no hesitation in making a greater investment in real estate, driving the trend toward new or newer product.

Little will change in Vancouver's booming real estate sector in 2006, as the market is set for a repeat of 2005 conditions. Strong fundamentals remain in place and the outlook is very positive. The province of B.C., and Greater Vancouver especially, is preparing for an influx of new residents over the next several years. New development and infrastructure underway for the 2010 Olympic games is already sparking revitalization and opening up new areas of possible development/infill activity. The employment picture remains robust, with solid performance being posted in several sectors including manufacturing, forest products, construction, wholesale trade, as well as transportation and warehousing--the latter two bolstered by trade between Canada and Asia. Greater Vancouver's port is busier than ever, and the area is now drawing serious attention from world trade leaders for the first time. The economic flurry of activity will bode well for housing in 2006, with sales set to match 2005's record pace. Average price is forecast to climb a further 10-12 per cent, reaching at least $460,000.

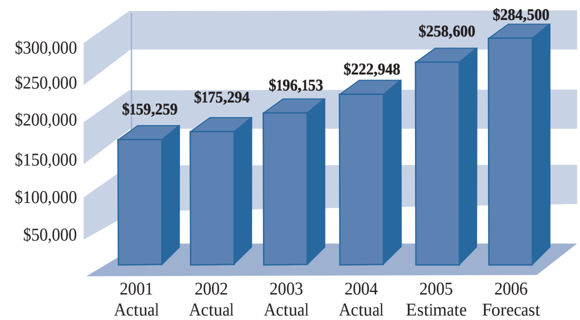
Kelowna

In-migration and affordability relative to B.C.'s other major centres continued to fuel resale activity in Kelowna's residential real estate market in 2005. The cause and effect of supply and demand served to push appreciation into the double-digit range for the fourth consecutive year, with the Central Okanagan poised to set a new record for average price at $258,600 by year-end--a 16 per cent increase over 2004 levels. Strong local and provincial economies, combined with solid employment numbers, helped to buoy market activity with an eager move-up buyer segment and an influx of purchasers from neighbouring Alberta. Demand has climbed steadily as Central Okanagan, and Kelowna in particular, has developed a reputation as a sought-after lifestyle destination. As the population continues to grow, the area is expected to round out 2005 with unit sales reaching the 9,500 mark yet again--on par with 2004's benchmark pace.

Although inventory is on the rise in the Central Okanagan, with more balanced conditions on the way for 2006, the housing sector will remain clearly in seller's market territory. A shortage of product will continue to exist in the lower price ranges, with entry-level, single-family homes experiencing the tightest supply crunch. Significant price appreciation in recent years has been a challenge for some, but home-buying intentions among young purchasers remains strong. Creative solutions have resulted, with a growing number seeking financial help from parents, while others have had to adjust their expectations. The condominium segment has seen tremendous growth as a result, capturing a greater percentage of market share in Kelowna. Demand for this type of product is forecast to surge ahead in 2006, and for the first time, appreciation of multi-unit residential product many outpace that of single-family homes. The market for condominiums will be further bolstered as UBC Okanagan becomes more established and the student/teacher population swells over the next several years.

With labour shortages expected to raise the cost of new construction next year, further pressure will be placed on the resale market. Despite this, multiple offers--common throughout the Central Okanagan in 2005--should taper off somewhat in 2006. Currently, some vendors are testing what the market will bear, but this has resulted in a considerable number of adjustments as buyers refuse to pay more than fair market value. The move-up segment is expected to lead the charge in 2006, and builders have already shifted their focus to product priced from $325,000 to $450,000. The upper-end of the market will remain a bright spot on the housing front in 2006, setting new benchmarks for sales volume once again. Lakefront, lakeview or valleyview properties will be in greatest demand with a growing trend toward custom building.

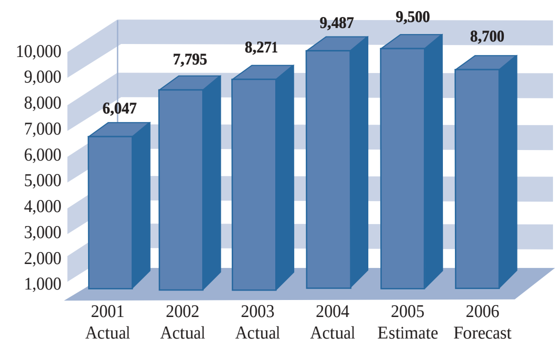
Central Okanagan Residential MLS Average Price



Source: OMREB (Okanagan-Mainline Real Estate Board), RE/MAX

The economic outlook for the Central Okanagan, including Kelowna, remains vibrant for 2006, with population growth and low interest rates key drivers. A new aircraft maintenance and aerospace facility to be built at Kelowna International Airport will create more jobs and generate greater economic activity locally, helping to bring continued prosperity to the area. This will bode well for the resale housing sector, as sales are forecast to post another strong performance in 2006 at 8,700 units--down eight per cent from last year's record pace. It's predicted that prices will continue to make double-digit gains, bringing the average close to $285,000 in the Central Okanagan, an increase of at least 10 per cent in 2006.

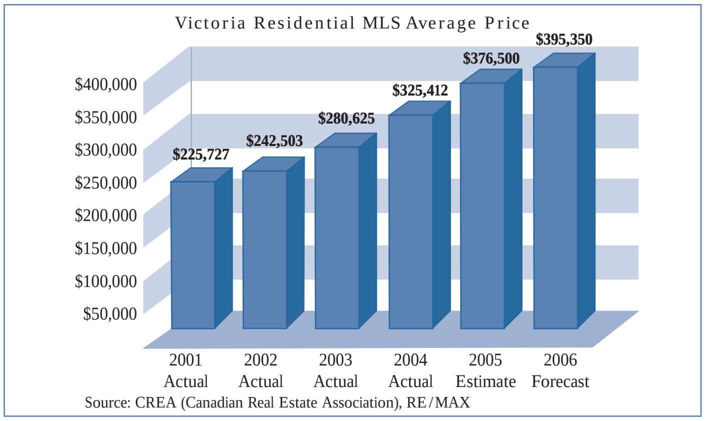
Central Okanagan Residential MLS Unit Sales



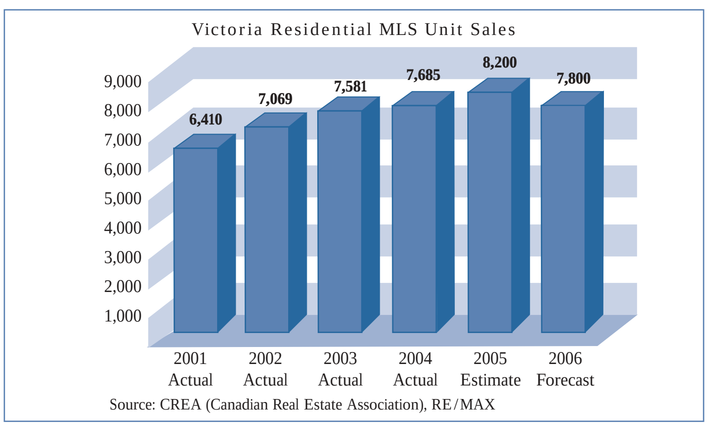
Source: OMREB (Okanagan-Mainline Real Estate Board), RE/MAX

Victoria

Although significant equity gains have fueled strong move-up activity in Victoria's heated real estate market to date, affordability is a growing concern in the picturesque city. Housing values have climbed over 50 per cent since 2003, rising from $242,503 to an estimated $376,500 by year-end 2005. Many first-time buyers are having a difficult time finding entry-level condominiums under $250,000 and single-family detached homes priced at less than $300,000. With a modest five per cent down payment on an average-priced home approaching $20,000 and interest rates on their way up, more and more young buyers are depending on their parents for assistance in realizing homeownership.



Existing homeowners, on the other hand, are taking advantage of the market by trading up to larger homes or better neighbourhoods. Demand has spilled over into Victoria's peripheral communities where new home construction is booming. By year-end 2005, sales are forecast to appreciate seven per cent to 8,200 units, the best performance in the past decade.



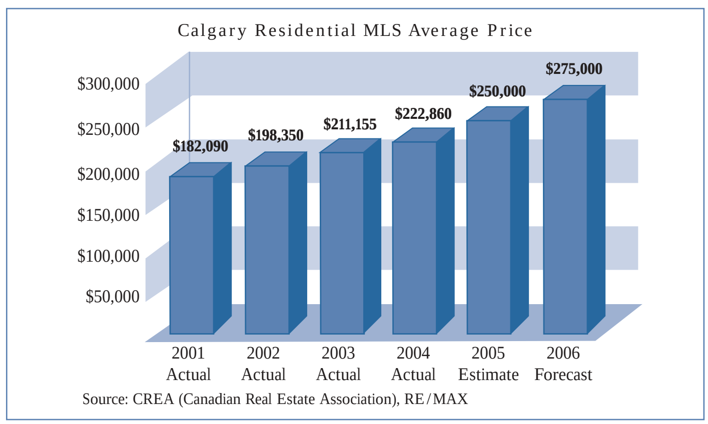
Despite relatively healthy economic fundamentals, current levels of activity are unlikely sustainable in 2006. Activity is expected to taper in the year ahead as more supply comes on stream. Inventory levels have already started to climb in Victoria and are likely to hover at 2,800 in 2006. It's anticipated that homes priced at fair market value will sell while those that are overpriced stagnate. Given the upswing in the number of new condominium projects in the marketplace, there may also be a slowdown in absorption levels in 2006 and beyond. Overall, more balanced market conditions should prevail next year, taking some of the steam out of rising prices. Unit sales are expected to soften somewhat, with the number of homes sold stable at 7,800 units next year. Average price is forecast to further escalate, rising five per cent to just under $400,000 by year-end 2006.

Luxury home sales in Victoria will be the exception to the rule in 2006. Strong demand in the upper-end is expected to continue well into the new year. Waterfront properties remain most coveted with purchasers, many of whom hail from Alberta. In 2004, Conde Naste readers ranked Victoria the second most liveable city in the world. Consumer confidence is high in this area. Unemployment levels are low. The strength of the Canadian dollar may hamper Victoria's billion-dollar tourism industry, but growth in sectors such as telecom wireless, life sciences, and energy technologies is expected to bolster economic performance next year..

ALBERTA

Calgary

Calgary's residential real estate market reaped the rewards of record high oil and gas prices throughout 2005, posting nation-leading percentage increases in both sales volume and price appreciation. Driven by intense demand and tight supply--brought on by Hurricanes Katrina, Rita, and Wilma--oil prices smashed through past performance levels. The thriving oil and gas sector, combined with a booming construction industry and continued in-migration, bolstered Calgary's economy to new heights.

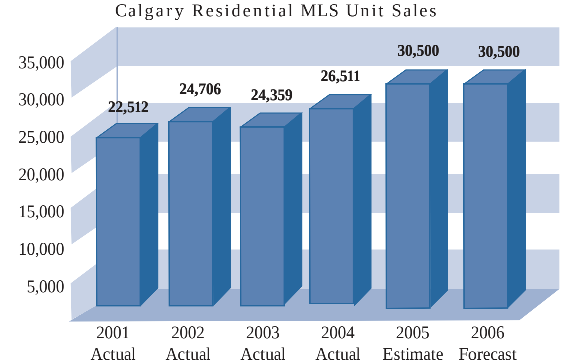


An estimated $9 billion in major capital projects are either planned or are underway in the city. The Calgary Airport Authority renovation project leads the way with an estimated investment of $800 million and is scheduled for completion in 2007. Deerfoot Meadows retail complex is currently under construction by Heritage Partners ($500 million) and has a 2006 completion date. These projects only represent the tip of the iceberg.

The stimulus in the marketplace is extraordinary. Consumer confidence levels are soaring. By year-end, the number of homes sold is forecast to climb an unprecedented 15 per cent to 30,500 units, while average price is expected to follow suit, rising 12 per cent to $250,000 in 2005.

Luxury home sales in Calgary have doubled and, in some areas, tripled from 2004 levels. Affluent purchasers have taken substantial equity gains in recent years and upgraded to larger homes and/or better neighbourhoods. Some have chosen to bulldoze existing properties to make way for new monolithic homes bearing their signature. Older, established areas, as well as newer subdivisions, have seen a significant upswing in activity as more and more Calgarians choose to park their money in their principal residence -- a safe, capital gains exempt investment.

Calgary Residential MLS Unit Sales



Source: CREA (Canadian Real Estate Association), RE/MAX

Move-up buyers across the board are faced with the same conundrum. Although many do not need a bigger or more expensive property, housing is the one asset class that has seen solid appreciation year-after-year, and gains are tax-free. With the exception of 1991 and 1995, average price in Calgary has escalated every year since 1985. There's no questions that a growing number of people are putting their money into their house and home and this trend will continue well into 2006.

First-time buyers have also rode the wave, fueling demand for entry-level properties across the board. Condominiums are especially popular with young buyers, empty nesters and retirees. Over the past decade, condominiums have been a major force in the residential housing market, representing 25 to 30 per cent of total sales activity. This year, condominium sales are predicted to jump close to 25 per cent, while values are forecast to rise about 10 per cent in 2005. Condominiums are expected to play a key role in the marketplace in 2006.

With housing starts expected to slow in 2006 due to severe labour shortages, additional pressure will be levied on the resale market. However, with no significant improvement in inventory levels expected in the new year, a new round of bidding wars are forecast to occur. Although it's believed that multiple offer situations will not reach epidemic proportions, virtually every area of the city is set to experience the phenomenon as soon as supply falls below traditional levels. Home sales in Calgary, as a result, are forecast to match peak levels recorded in 2005--30,500 units--while average price should appreciate yet another 10 to 12 per cent to $275,000 - $280,000.

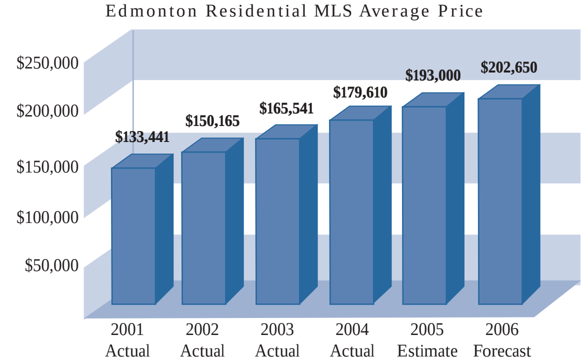
Edmonton

The spin-off effects of a booming oil industry served to further bolster Edmonton's buoyant residential real estate market in 2005. Competitive lending practices and interest rates at historically low levels encouraged both first and multi-time purchasers to buy, buy, buy. Inventory levels have vastly improved in recent years and now hover at approximately 4,000 listings per month--keeping price appreciation in check. Balanced market conditions exist, with supply and demand working in tandem. Unit sales are expected to rise to record levels in 2005, reaching 18,350 units by year-end--an increase of four per cent over 2004 levels. Average price is expected to climb seven per cent to $193,000 in 2005, up $14,000 over last year.

With an abundance of mega-projects underway, residential real estate shows no signs of abating in Edmonton. Valued at approximately $81.5 billion, 82 per cent of major projects in the province are located in Northern Alberta and most will have a significant impact on Edmonton's economic performance in the years ahead. Projects underway include the continued expansion of the $250 million South Edmonton Common retail complex; the $600 million Heritage Mall redevelopment to "Century Park"; $135 million for the Centre in the Park retail/commercial development in Strathcona County by various developers; $493 million for the Anthony Henday Drive extension in southeast Edmonton by Alberta Transportation; and the $91 million LRT extension to the Health Sciences Station.

First-time buyers continue to see value in homeownership in Edmonton, and as such, will be the engine driving housing activity in 2006. Single-detached homes are still most popular, but more and more young people are buying condominiums to get their foot in the door. In fact, single buyers are emerging as a force in today's residential real estate market, fueling demand for condominium product. Condominium values have risen substantially in recent years and the trend is expected to continue in the future. Developers have taken notice and are building economically priced units, starting at $150,000, that cater to first-time buyers in both the downtown core and peripheral areas.

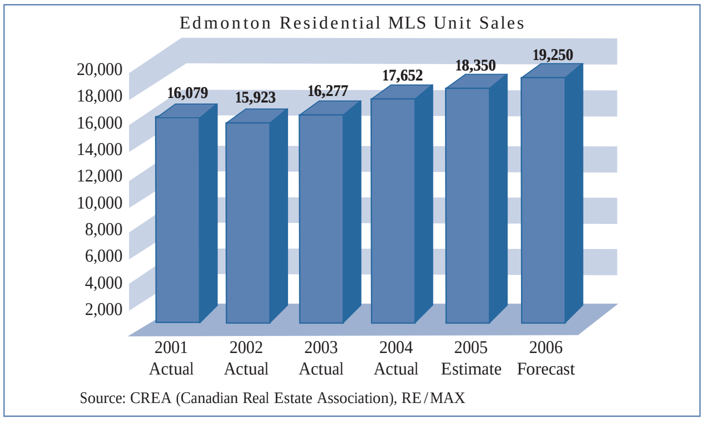
Edmonton Residential MLS Average Price



Source: CREA (Canadian Real Estate Association), RE/MAX

Move-up buyers are equally active in the marketplace, taking advantage of equity gains and low interest rates. Renovations are occurring at a breakneck pace throughout Edmonton and the surrounding areas, bringing up housing values across the board. The upper-end of the market has seen tremendous growth in recent years, with an increasing number of properties listed over $500,000 coming on stream. Luxury homes, priced in excess of $500,000, now represent a greater percentage of total sales in Edmonton. Demand is strong in this segment of the market, but supply is somewhat limited. To illustrate, the first unit sold in an upscale condominium project overlooking the

North Saskatchewan River was the penthouse with a price tag of $2.2 million

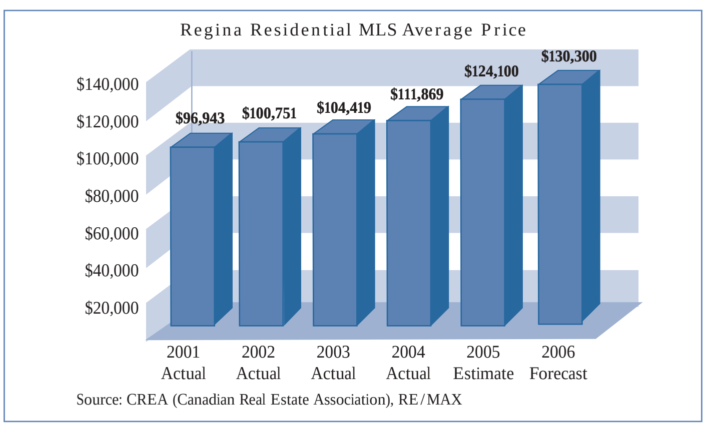


Given solid economic fundamentals, Edmonton's real estate market is expected to maintain its current, healthy pace throughout 2006. Unit sales are forecast to rise five per cent to 19,250 units by year-end while average price is expected to climb five per cent to $202,650.

SASKATCHEWAN

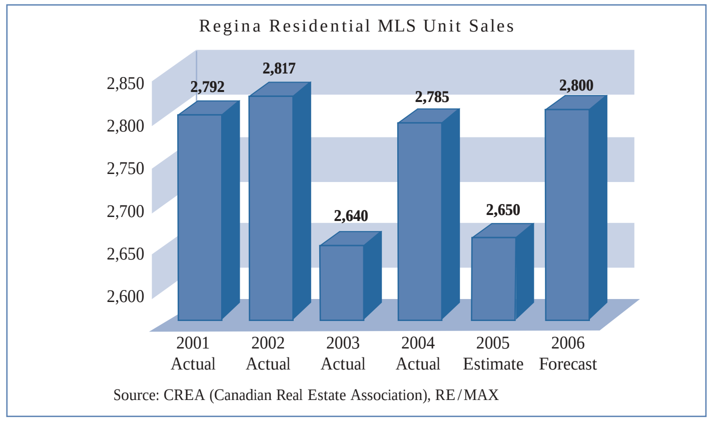
Regina

Regina's thriving real estate market reported unprecedented demand throughout the year, despite a serious shortage of homes listed for sale. A strong and diversified economy was, in large part, responsible for the upswing in activity. The city has experienced tremendous growth in recent years. Total employment, as well as total personal income, has increased as a result of an expanding employment base. Regina's unemployment rate ranked as one of the lowest of major Western Canadian cities, and was well below the national average. Regina is finally coming into its own.



Low interest rates encouraged first-time buyers to enter the housing market in 2005. However, limited inventory levels hampered sales for much of the year. As a result, a five per cent decline is anticipated in the number of homes sold, bringing residential sales to 2,650 units by year-end 2005. Average price, on the other hand, is forecast to climb a substantial 11 per cent to $124,100, marking one of the highest percentage increases ever reported in Regina.

Continued strength in the economy is predicted in 2006 as Regina's Research Park builds on its reputation as an innovative location for science and technology companies to locate and grow. Research Park supports approximately 1,600 jobs in the city and generates about $150 million into Regina's economy. A consolidation of offices in the former Galleria may result in a larger federal government presence in Regina. The city and the province has also benefited from the success of the "Hollywood North" phenomenon. The quality of its technology and facilities, combined with lower production costs, is attracting a greater number of film and television projects, including the acclaimed "Corner Gas" series.



Concerns over higher energy prices and rising interest rates are the only factors that may impede housing activity in 2006. For the most part, more balanced market conditions will emerge in the year ahead, offering all potential buyers a better selection of properties listed for sale and more time to make decisions regarding the most important investment of their lifetime.

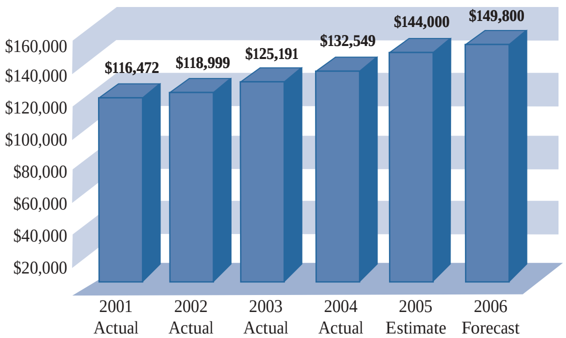
Move-up buyers will also play a pivotal role as solid equity gains over the past number of years faciliate the trade-up to larger homes. Double-digit increases in sales of luxury homes priced from $250,000 are expected to continue in the new year, reflecting the province's newfound confidence level. By year-end 2006, residential sales are forecast to climb five per cent to 2,800 units. Average price in Regina is predicted to experience yet another increase, rising five per cent to $130,000 in 2006.

Saskatoon

Heated momentum in Saskatoon's residential real estate market has the city poised to mark record unit sales in 2005, rounding out the year at 3,150 units--an increase of five per cent over last year's levels. Demand has been significantly higher than in years past due to continued low interest rates and a solid economic picture--Saskatoon led the country's medium-sized cities in real GDP growth this year. The upswing has placed greater pressure on the resale housing market, driving up price appreciation. Average price in Saskatoon should reach $144,000 by year-end, falling short of the double-digits at nine per cent.

Despite strong gains, affordability remains good in Saskatoon, with single-family homes starting from $100,000. This factor, along with a positive employment outlook, prompted first-time buyers to enter the market en masse in 2005. Because of favourable lending practices and growing incomes, many young buyers chose to skip entry-level housing and opt instead for homes priced in the $120,000 to $180,000 range. First-time buyers are expected to lead the charge again in 2006. Equally strong will be the luxury home segment, which has been growing steadily in Saskatoon over the past several years. Unwavering demand for homes priced over $400,000 should result in a new record for sales in 2006. Upper-end homes are moving well in sought-after neighbourhoods such as Briarwood, Arbour Creek, Lawson Heights and the University Area.

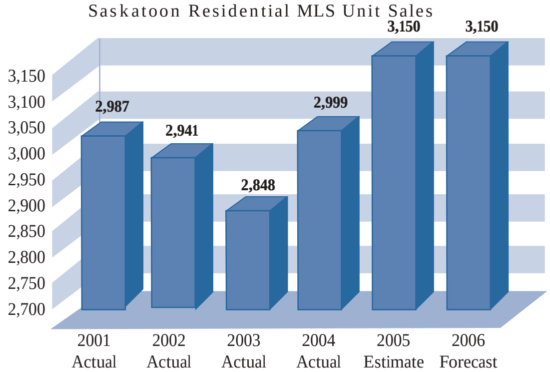
Saskatoon Residential MLS Average Price



Source: CREA (Canadian Real Estate Association), RE/MAX

While the resale housing sector is forecast to remain very active next year, signs of buyer resistance to higher pricing is starting to emerge as some vendors test the market. Overpriced properties are stagnating. Deals have failed to come together, with buyers and vendors separated by a few thousand dollars in some instances. Purchasers appear to be more than willing to take their money elsewhere, given increased inventory levels. More balanced market conditions are expected to prevail throughout 2006. The influx of new listings is forecast to bring price esclation more in line with traditional levels next year, as average price finally reaches the $150,000 threshold, an increase of five per cent. Sales will continue to be brisk, on par with 2005 levels, as a more diversified economy is helping to sustain and prompt growth in the local population.

Saskatoon Residential MLS Unit Sales



Source: CREA (Canadian Real Estate Association), RE/MAX

MANITOBA

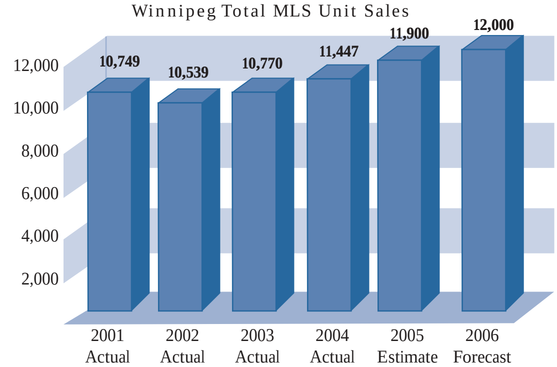
Winnipeg

Winnipeg's economic engine continued to rattle and hum throughout 2005, stimulating strong home buying activity in virtually every segment of the market. Tight conditions prevailed for much of the year, despite an increase in inventory levels. Multiple offers were commonplace across the board. Although demand has tapered somewhat from levels reported earlier in the year, 2005 is expected to mark the best year on record, with total MLS sales hovering at 11,900, a four per cent increase over 2004.

Serious upward pressure on housing values saw Winnipeg break through the $130,000 threshold in 2005. By year-end average price is forecast to climb 14 per cent to $134,000, yet another record performance and one of the highest percentage increases in the country in 2005, second only to Victoria and Kelowna.

Given current economic fundamentals, the future for residential real estate looks quite bright. A number of large-scale projects are underway in the city centre, including four waterfront condominiums that combine residential with retail/commercial space -- a $50-million investment by the private sector. With the purchase of Winnipeg Hydro, Manitoba Hydro has committed to building a new downtown headquarters. When completed in 2006, the structure will be home to nearly 2,000 employees. Last, but not least, Canwest Global is proposing a $40 million, 10-storey office building near the corner of Portage and Main.

Winnipeg Total MLS Unit Sales



Source: WREB (Winnipeg Real Estate Board), RE/MAX

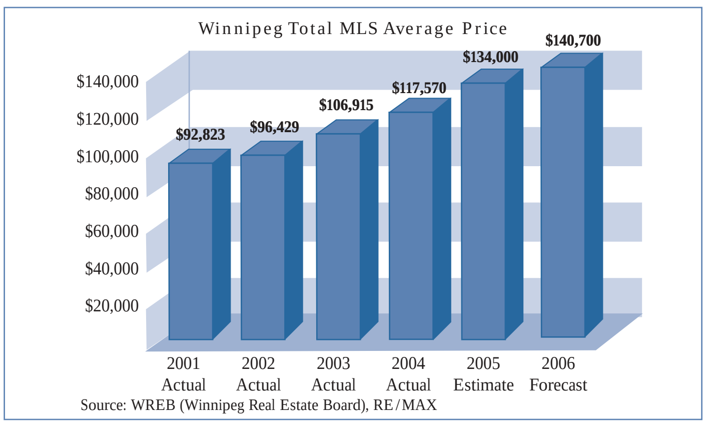
Consumer confidence levels are high, with job growth and personal disposable income expected to continue to rise in 2006. Multi-time buyers will lead the charge for residential housing as they continue to cash in on equity gains. First-time buyers will remain active as well, stimulating demand for entry-level product priced from $80,000.

An influx of new inventory may ease some of the strain on the marketplace, permitting purchasers the luxury of time in making their moves. A greater selection of homes listed for sale will also slow rapid price appreciation experienced throughout the new millennium. During the latter half of 2005, some vendors tested the market by overpricing their homes. The phenomenon is expected to continue in 2006 - alongside a growing number of price reductions. Interest rates are not expected to factor in heavily next year--any significant one-time increase may actually serve to spur people into the housing market.

A limited supply of high-end product in Winnipeg will have many purchasers waiting in the wings in 2006. Traditional established areas like Tuxedo, North River Heights and waterfront properties along the banks of the Red and Assiniboine Rivers remain popular with upscale purchasers, along with newer areas such as Lindenwoods, Whyte Ridge and Pritchard Farm Properties. Demand will be strongest for high-end properties priced from $350,000 to $500,000.

New housing starts are expected to feel the pinch next year. Lack of serviced land, growing construction costs, and the increasing difficulty in finding skilled trades have all contributed to slower sales activity forecast for 2006. The shortage of new homes is expected to place some pressure on existing housing stock.

Condominiums sales will remain strong. Both sales and prices are forecast to climb in the new year. Singles have been particularly active, driving demand for affordable condominium apartments and town homes.



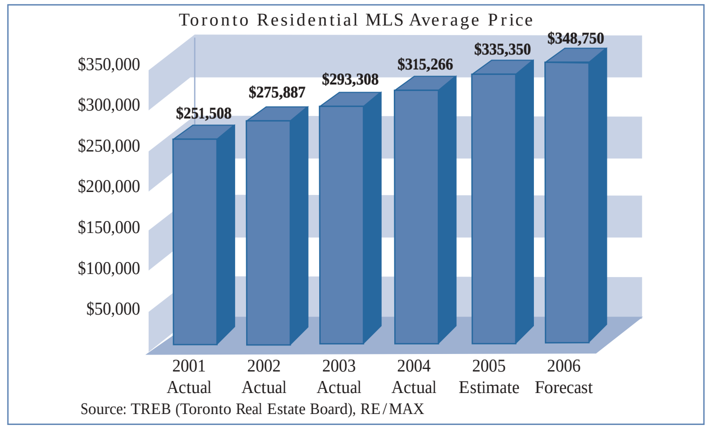
By year-end 2006, home appreciation in Winnipeg is expected to increase a further five percent, pushing the average price past the $140,000 mark. Unit sales, meanwhile, will remain on par with heated 2005 levels and may even break the 12,000 unit threshold--a benchmark for the city.

ONTARIO

Toronto

Residential real estate activity in the Greater Toronto Area continues to defy the odds, with both residential unit sales and average price expected to shatter existing records by year-end 2005. Low interest rates played a major role in stimulating home buying activity across the board throughout much of the year. A solid economic performance served to further fuel demand for housing in the GTA.

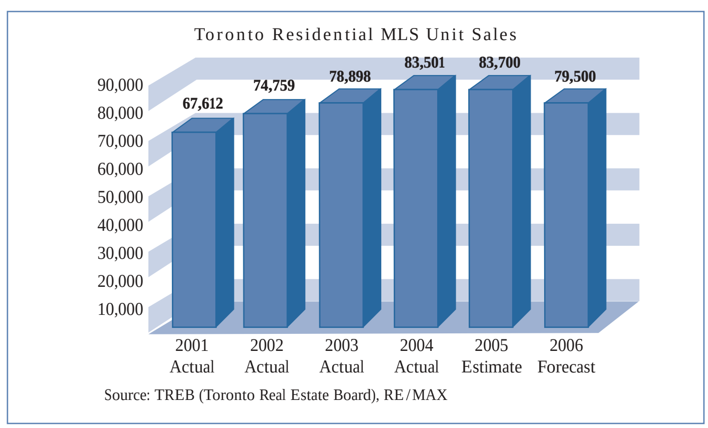
First-time buyers entered the market en masse in 2005, in spite of substantial price increases in recent years that have eroded affordability levels. Heated demand for single-detached homes prompted sales in up-and-coming areas such as the Film District, South Parkdale, and Roncesvalles. End users, many of whom were first-time buyers, fueled strong condominium apartment and town home sales in the downtown core and in the city's peripheral areas.



Purchasers who bought in popular urban pockets including the Beach, Moore Park, Riverdale, Annex, Leaside, Bloor West Village, and High Park saw a higher than average return on their investment. Although inventory levels overall improved year-over-year, supply was typically tighter in these high-demand areas.

With average price forecast to increase six per cent to $335,350 by year-end, Toronto will be the third most expensive city in the country. The city ranks first in unit sales, with approximately 83,700 home sales expected in 2005, up slightly over one year ago.

Demand for residential real estate is expected to be healthy once again in 2006, bolstered by solid economic performance in the Greater Toronto Area. On the books for the new year is the creation of Filmport - one of the biggest projects to come to Toronto's film industry. The $100 million studio development will be opening near the end of 2006 and create 150,000 jobs. The nearly 600,000 sq. ft. production facility will enhance the city's film industry and play host to commercial properties for entertainment offices, restaurants, hotels and possibly a film school. Filmport will keep Toronto's name solid in the film industry, creating spin off revenue throughout the city.



Cadillac Fairview's recent announcement that it will start construction on a $400 million, 48-storey office tower in the downtown core perhaps best illustrates the economic confidence in the city. The building represents the first new construction the downtown core has seen in the last decade. Increased demand for office space and low vacancy rates are in large part responsible for the decision to build.

Seventeen hundred construction jobs and 500 full and part time jobs will be created over the next three years; the building is scheduled to open in 2009. Cadillac Fairview is also teaming up with Ritz-Carlton to build a $325 million, 53-storey Ritz-Carlton hotel and residential condominium in the city.

After a decade of robust activity, however, demand has been satisfied to some extent. Fewer buyers in the market, combined with a marked increase in the number of homes listed for sale, should ensure more balanced conditions prevail. Average price appreciation is expected to slow as a result, with values posting more moderate gains in 2006.

The shift in the market conditions may take some vendors by surprise. Those who are slow to adapt to new realities will find their properties stagnating, while realistically priced product, be it freehold or condominium, will continue to move. Equity gains will continue to be the catalyst for trading-up in 2006.

The impact of MCAP assessments issued late in 2005 will be determined in May 2006 when the mill rate is announced. Although the assessments created headlines in the latter half of 2005, they are not expected to have a noticeable impact on housing sales in 2006.

It's anticipated that the market for luxury homes will continue to trend upward. Properties located in coveted downtown areas such as Rosedale, Forest Hill, and the Kingsway will climb in value as demand exceeds supply. Infill and renovation are creating more and more million-dollar neighbourhoods across the GTA and raising average price across the board.

By year-end, sales in the GTA are expected to fall five per cent from record levels posted in 2004 and 2005, but remain well ahead of 2003 figures. Sales are forecast to reach 79,500 units while average price climbs four per cent to $348,750.

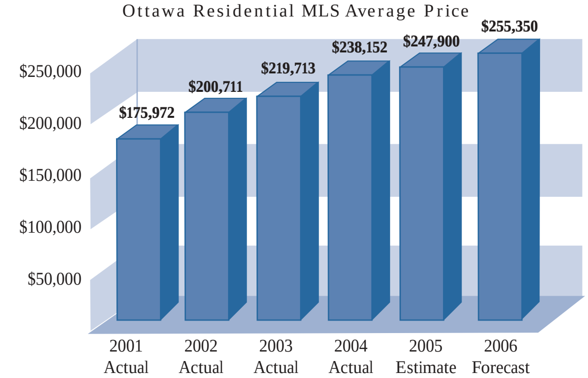
Ottawa

Despite a marked increase in inventory levels, residential real estate in Ottawa has continued to experience strong demand throughout 2005. An influx of new listings this year has served to hold prices in check - for the first time in a five-year period in which average price has climbed from $175,000 (2001) to close to $248,000 in 2005. Home sales remained constant, closing the year at an expected 13,350 units, down approximately 100 units from record 2004 levels.

First-time buyers were out in full force in 2005, driving demand for virtually all types of housing. Greater selection, thanks to improved inventory levels, enabled many to realize homeownership on their own terms. Vendors were quick to recognize the subtle change in market conditions and priced their homes at fair market value if they wanted to sell. Those sellers intent on testing the market found that, after a few weeks of limited activity, price reductions were in order. Multiple offers have subsided considerably.

The upswing in listings has had an impact on the market in Ottawa. With neither party at an advantage, truly balanced conditions have existed for much of 2005.

Ottawa Residential MLS Average Price

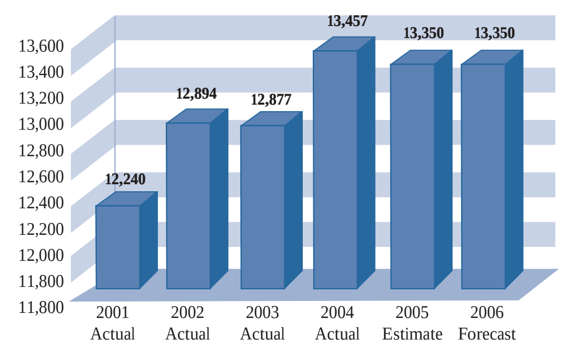


Source: CREA (Canadian Real Estate Association), RE/MAX

For the most part, 2006 is expected to mirror 2005 in terms of housing activity. A strong outlook for the private sector is expected to help offset concerns over a possible federal election in the new year. An abundance of non-residential construction is planned for 2006, including the expansion of the Ottawa International Airport scheduled for Spring 2006; a new 346,000 sq. ft. retail complex; upgrades to public transit (a $400 million commitment); and the refurbishing of the Royal Ottawa Hospital--a $100 million project.

First-time buyers will continue to play the catalyst, stimulating sales in every segment of the market. Condominium and freehold town homes will be most popular with entry-level purchasers in 2006. Affluent purchasers will further bolster sales of upper-end homes in Ottawa's tony neighbourhoods. Upscale condominiums in Centretown and the Market Area should experience strong demand from empty nesters and retirees.

Ottawa Residential MLS Unit Sales

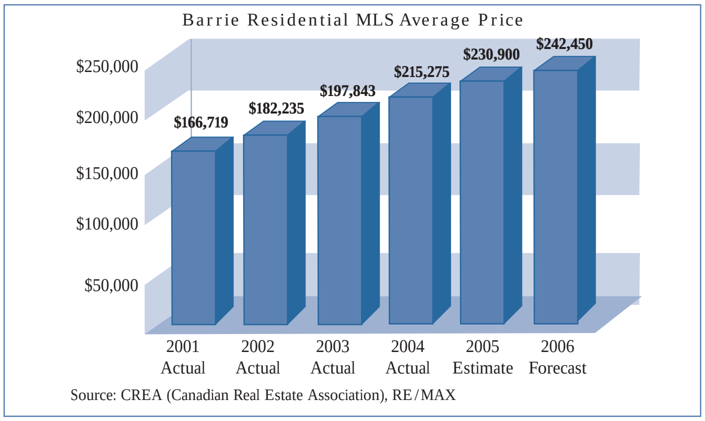


Source: CREA (Canadian Real Estate Association), RE/MAX

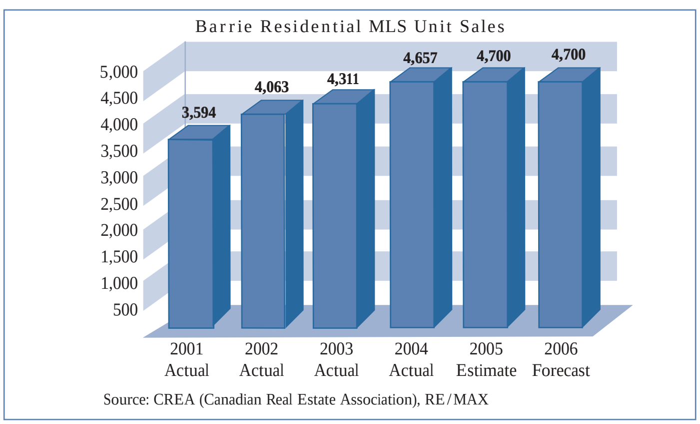
In 2006, the number of homes changing hands in Ottawa is forecast to match 2005 levels - hovering at 13,350 units. Housing values are expected to appreciate at a much slower pace in 2006, rising three per cent to just over $255,000.

Barrie

After several years of tremendous growth, strong activity in Barrie's residential housing market moderated in 2005. Sales, as a result, are expected to match last year's record performance of close 4,700 units. Average price, on the other hand, continues to trend upward, rising an anticipated seven per cent to approximately $231,000 by year-end.



More balanced market conditions have materialized in Barrie in recent months. An increase in the number of homes listed for sale during the latter half of the year has helped to hold price appreciation in check. Higher housing values in Barrie have discouraged some purchasers, prompting them to consider outlying townships such as Innisfil, Essa, Oro and Springwater where prices are traditionally more affordable.



Overall, well-priced properties continued to sell quickly throughout 2005, with some experiencing multiple offers. Average days on market were 46, up slightly from one year earlier. Entry-level properties were popular with first-time purchasers throughout the year, while the upper end of the market, priced from $500,000, experienced some softening.

A solid economic outlook for 2006 is expected to bolster housing activity in Barrie and the surrounding areas once again. The Bank of Montreal has begun construction on a 325,000 sq. ft. data center scheduled for completion in April. The center is expected to initially create 250-300 new jobs, most of which will be filled by bank employees relocating to Barrie. The Simcoe Muskoka Regional Cancer Centre will start construction in 2008. Phase I of the project includes improvements to Royal Victoria's emergency department, upgrades to diagnostic imaging units, and an overhaul of the special care nursery. Upper Canada Malts UCM Engineered Fuel is converting the former Molson Brewery into an ethanol plant, creating an estimated 100 jobs once complete.

The extension of GO Train service into Barrie will perhaps have the greatest impact on the commuter city. The $25 million project will begin construction in the Spring. The city is still deciding what it should do with the vacant land in Molson Park. If the proposed commercial and industrial park were approved, it would create 4,576 jobs within 300 businesses.

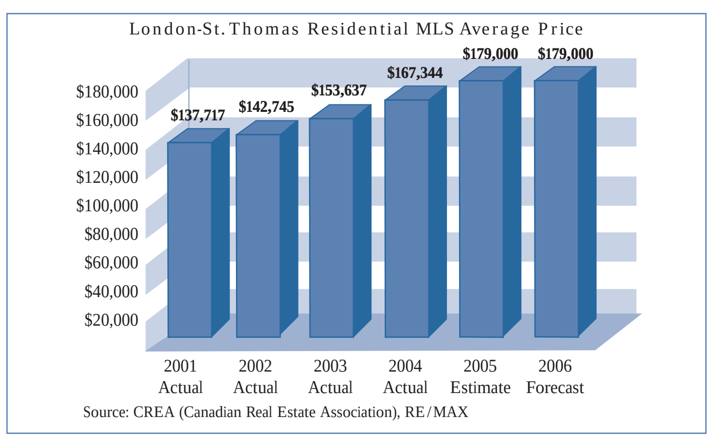
Consumer confidence is expected to climb in tandem with economic prosperity in 2006. New home construction, in particular, is forecast to experience strong demand from purchasers. Fewer housing starts are expected, in large part due to a lack of available land, which in turn may also have a positive impact on resale housing.

The number of homes changing hands in Barrie next year is forecast to remain stable at 4,700 units. Housing values are predicted to appreciate a further five per cent to $242,450, a $10,000 increase over the 2005 figure.

London-St. Thomas

Although activity continued at a steady pace in London-St. Thomas in 2005, the local real estate market was one in transition. Tight inventory levels that characterized the market just one year earlier eased considerably. More balanced conditions prevailed through much of the year. Multiple offers were the rare exception rather than a common phenomenon. With less urgency in the marketplace, purchasers took more time to make their housing decisions. As a result, sales are expected to soften from last year's levels, with the number of homes sold in London-St. Thomas hovering at 9,100 units—a modest decrease of 1.5 per cent compared to 2004. By year-end 2005, average price is forecast to set a new record—approaching the $180,000 threshold, an increase of seven per cent.

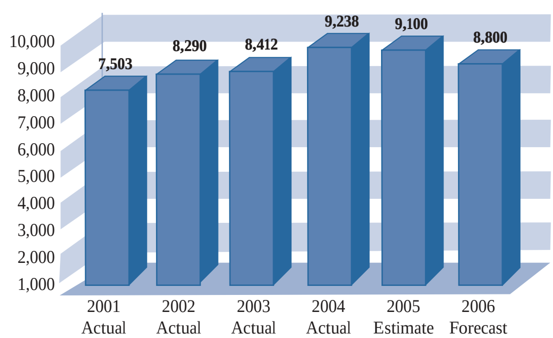
Overpriced listings have been a factor contributing to slower sales activity. While conditions have changed, the mindset of vendors has remained relatively static. As such, there are a fair number of listings that are stagnating. Product that is priced correctly is still moving well, with homes in sought-after locations snapped up quickly.



With activity greatest in the $120,000 to $140,000 price point, first-time buyers continued to account for the lion's share of sales in London-St. Thomas in 2005. A slight shortage of inventory in this price range had properties moving at a steady clip. While most prefer detached homes, demand—especially among singles—steadily increased for condo apartments and town homes. This type of product represents a growing percentage of the market each year and the upward trending seen in the past will continue in 2006 period. Demand from this segment of the market had eased by year-end 2005, as many with intentions to buy had already made their moves. Yet, despite a slight decline, activity among entry-level buyers will remain strong by traditional standards next year. With relatively good affordability, there are still many eager to jump on the homeownership bandwagon.

Higher energy costs dampened the enthusiasm of some purchasers mid-way through the year, while others looked to housing alternatives closer to the city core or their place of employment. The pause proved only to be a temporary blip, but with a softening automotive sector—the area's largest employer—there are concerns that consumer confidence may recede slightly next year. Although move-up purchasers are expected to remain a considerable force in the market, slower equity gains in 2006 will hamper activity to some extent.

London-St. Thomas Residential MLS Unit Sales



Source: CREA (Canadian Real Estate Association), RE/MAX

A decrease in new housing starts in the London-St. Thomas area next year is forecast to provide a significant boost to the resale market as a greater number of purchasers consider pre-owned housing. Relatively new homes in subdivisions that are only a few years old will be most sought-after. The upper-end of the market in London-St. Thomas will remain strong next year, with homes priced over $400,000 experiencing solid demand. Million-dollar home sales are on par with last year's levels, with 12 such transactions recorded year-to-date. This segment of the market continues to outpace expectations, setting new benchmarks each year over the past several years. As long as good overall fundamentals remain in place, this is expected to continue, as a more diversified economy attracts an increasing number of entrepreneurs and professionals, particularly in the high-tech, research, health and science or education fields.

The future of London-St. Thomas looks positive, with a great deal of investment taking place in the city and solid initiatives underway to attract new jobs and employers. The opening of the new Toyota plant in nearby Woodstock is expected to be a boon to the local economy and consumer confidence. With the city continuing to grow and attract new residents at a steady pace, demand for housing in the area will remain strong next year. Sales—forecast to decline a further three per cent to approximately 8,800 units—will still demonstrate a concrete trend toward homeownership. Average price should level out in 2006 at $179,000, on par with the 2005 figure.

Kitchener-Waterloo

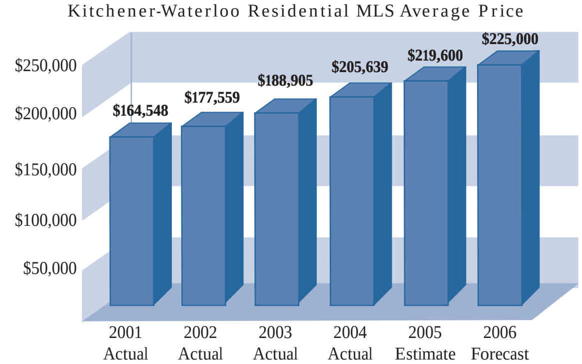
Kitchener-Waterloo's strong residential housing market shifted gears mid-year in response to growing inventory levels. Although record-breaking sales activity is forecast for year-end 2005 at 6,050 units, an increase of two per cent over 2004 levels, buyer resistance to higher prices was observed during the latter half of the year. As a result, the number of days on market increased from 46 to 51. Price adjustments became more commonplace and multiple offers were laid to rest.

More balanced market conditions have emerged in Kitchener-Waterloo. Move-up buyers have a significant presence in the market, stimulating activity for homes priced from $250,000. Baby boomers continue to spur upper-end sales between $400,000 and $600,000. Downsizing now occurs with more frequency as empty nesters and retirees sell their single-detached homes and move to popular condominium loft projects such as the converted Seagram building in Uptown Waterloo. The city's peripheral areas - Baden and New Hamburg - are experiencing an influx of mature buyers, thanks to an ample supply of two-bedroom bungalows listed for sale.

First-time buyers played a secondary role in the market in 2005. Demand has largely been satisfied in this segment of the market. Although the half a percentage point hike in interest rates in the Fall did little to deter purchasers, it's suspected that an increase of one per cent or more in 2006 will slow home buying activity in Kitchener-Waterloo. Those first-time buyers that remain in the market are already stretched to the limit in terms of debt.

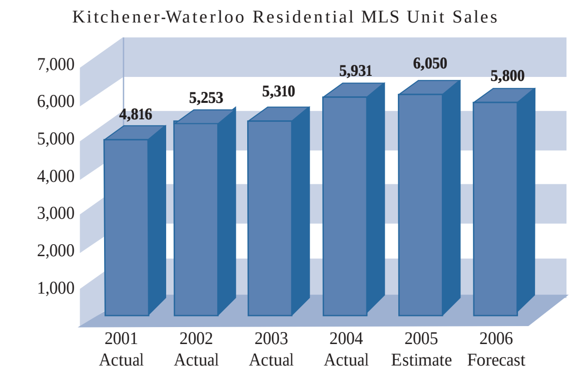
Condo conversions currently underway, including the redevelopment of the old Kaufman Footwear building in Kitchener and the Bauer industry building in Uptown Waterloo, are attracting younger purchasers as well. Starting from an affordable $150,000, developers are specifically targeting University of Waterloo graduates who are staying in Kitchener-Waterloo after completing school to work at some of the high-tech firms in the area.

Kitchener-Waterloo Residential MLS Average Price



Source: CREA (Canadian Real Estate Association), RE/MAX

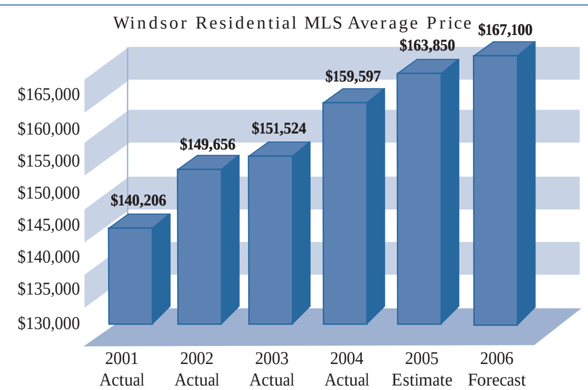
The redevelopment phenomenon is also helping Kitchener-Waterloo revitalize tired core areas. Future plans include a $6.5 million expansion to Wilfred Laurier School of Social Work; a $30 million commitment to University of Waterloo's School of Pharmacy; and over $7 million designated to improve parks and the downtown area, including a new community centre and $32.5 million public library. Non-residential construction, such as the Brick Brewery Co.'s 103,000 sq. ft. bottling facility, is expected further bolster economic performance in the Kitchener-Waterloo area.



Source: CREA (Canadian Real Estate Association), RE/MAX

Immigration and in-migration are forecast to have a more significant impact on the marketplace in 2006. The high-tech sector's reach is far and wide in terms of skilled help. Given a continuation of strong economic fundamentals, sales are expected to maintain a healthy, albeit more leisurely, pace throughout 2006. The number of homes changing hands is forecast to hover between 5,800 to 5,900 units in 2006. After several consecutive years of strong upward momentum, average prices are expected to settle into more normal patterns. By year-end 2006, average price is expected to climb a modest two per cent to just over $225,000, up from $219,000 one year earlier.

Windsor

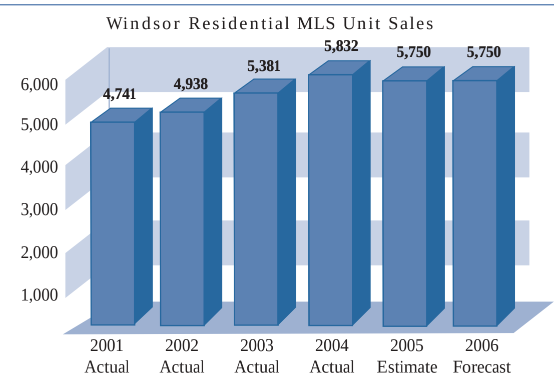


Source: CREA (Canadian Real Estate Association), RE/MAX

Purchasers continued to demonstrate their faith in residential real estate in Windsor in 2005. The market showed incredible resiliency, as did consumer confidence, despite several local economic setbacks. To date, these factors have done little to deter those entering the market, and there is still a good deal of momentum underway. Windsor is expected to finish out the year, with sales-at 5,750 units-near the record level set in 2004 (a two per cent decrease year over year). The 2005 average price will reach $163,850, posting a moderate three per cent gain.

Next year will bring a much-needed break for purchasers, as brisk market conditions ease further due to rising inventory levels. The greater selection will mean that buyers will have more choice and time to make housing decisions. Days on market have already increased, now at 78 days up from 67 one year ago. The influx of product has created more balanced market conditions across the board-in all price ranges and for all types of product. With continued strong demand evident in the city, the improved supply should serve to buoy sales in 2006, particularly as those who have been waiting for the right property to come along, finally make their moves.

Enthusiasm among first-time buyers remains unabated in the city of Windsor, increasing steadily and in tandem with rental vacancy rates every year since 2001. They will continue to lead the charge in 2006, driving demand for homes priced from $120,000 to $180,000. The trend towards new and newer homes has been very strong among young buyers, as the city continues its growth both inward and outward. With the pace of new construction expected to ease next year, the biggest winner in the residential resale market will be newer homes, aged 10 years and under, which should experience a notable increase in demand. As a result, these newer homes could realize appreciation that is slightly better than average next year.



Source: CREA (Canadian Real Estate Association), RE/MAX

Renovated and updated homes will continue to be the choice product among resale purchasers in 2006. Yet, as price appreciation posts more moderate gains, the return on investment may not be as high as expected for some vendors. Less significant equity gains may also temper move-up activity next year. Multiple offers have already tapered off, but continue to be a factor for homes priced between $180,000 and $250,000 in sought-after neighbourhoods. The upper end of the market will once again be a bright spot in Windsor's real estate market in 2006, although sales are expected to fall moderately from 2005 levels. The strength of the Canadian dollar has had an impact on the luxury market, resulting in fewer sales to American purchasers. Waterfront sales have been the first to recede.

On the upswing next year will be activity for town homes priced from $150,000 to $175,000. Driving the trend is baby boomers and seniors who are making the move to one-level living. Sales of this type of property remain strong even through the $250,000 price point.

High-rise condominiums, however, are becoming harder to sell as relatively good affordability has drawn the lion's share of buyers to single-family detached or semi-detached homes.

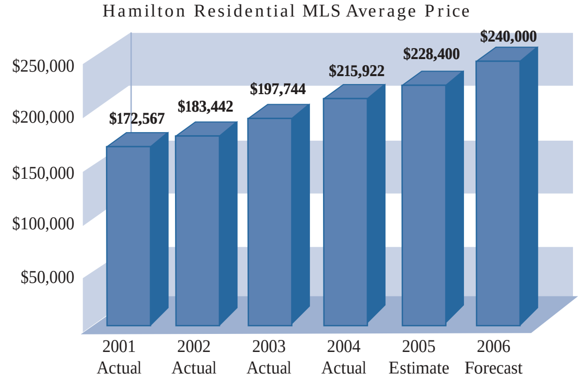
The momentum in the marketplace is expected to continue for at least one more year, before falling off in 2007. Windsor will maintain its reputation as a "slow and steady" market. Next year, unit sales are forecast to remain on par with figures reported in 2005, while average price rises two per cent to $167,100. Interest rates should have little impact on housing activity in 2006. Rather, Windsor's residential resale performance will hinge largely on the stability of automotive sector and other major local employers. Consumer confidence may be buoyed by government plans to build the country's largest ethanol producing plant, slated for opening in 2007, along with the initiatives by the city to encourage business development through a more competitive tax structure.

Hamilton

Exceptional demand for residential real estate has driven home sales to new peak levels in Hamilton/Burlington this year. Consumer confidence has been a major factor in the marketplace, bolstered by strong economic performance and historically low interest rates. The number of homes sold is expected to climb to 13,300 in 2005, topping the 2004 record. Average price is forecast to increase six per cent to $228,400 by year-end.

Tighter market conditions throughout 2005 created greater demand for residential product. Multiple offers, however, were few and far between as buyers refused to be drawn into bidding wars. Condominium apartments, town homes, and smaller, single-detached houses priced between $175,000 and $225,000 were extremely popular with both first-time and move-down buyers. The 2004 phenomenon that saw parents of McMaster students buying up homes in and around the university tapered in 2005. An ample supply of properties in the $250,000 to $350,000 price range accommodated the growing move-up segment of the market.

Hamilton Residential MLS Average Price

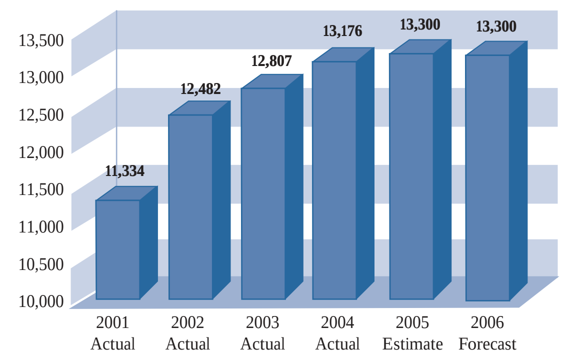


Source: CREA (Canadian Real Estate Association), RE/MAX

Vendors, who have realized significant equity gains in recent years, tested the strength of the market by overpricing their properties this year. Although some listings were sold, the vast majority underwent price reductions. The trend is expected to continue well into the new year.

Exciting new developments are underway in Hamilton for 2006. Plans to revitalize the downtown core should serve to prop up economic performance. Construction has commenced on a new $17 million, 139- room Marriott hotel. The hotel is scheduled for completion in April 2006. The McMaster Innovation Park recently received a $10 million grant from the government to speed up its development. The park will host over one million sq. feet of labs for the growth, research and development of the industrial areas. Once operational in late 2006, the park should create 1,500 jobs. CANMET Materials Technology Laboratory will be moving to the McMaster Innovation Park. The new facility should be ready within the next three years, becoming the first major federal lab located in Southern Ontario. The move will create jobs for 100 scientists and support workers and cost approximately $60 million. The Federal and Provincial governments have granted $105 million to assist Hamilton in the cleanup of the Hamilton Harbour and the development of the North Glanbrooke Business Park, which comprises 640 acres, and is expected to employ more than 11,450 people upon completion.

Hamilton Residential MLS Unit Sales



Source: CREA (Canadian Real Estate Association), RE/MAX

An influx of new listings is expected to take some of the pressure off rising prices in 2006. Sales are forecast to remain on par with current, healthy levels next year while prices are predicted to climb another five per cent to $240,000.

First-time buyers should lead the charge yet again in 2006. Interest rates will remain a critical component in the marketplace, but many of today's purchasers are payment driven. If they can afford monthly mortgage payments, the actual interest rate is insignificant.

All segments of the market will work in tandem, from entry-level buyers to the more sophisticated luxury home purchaser. The upper-end is expected to experience stable growth in the year ahead, unlike 2005 when sales appreciation far outpaced overall home sales increases in the marketplace. Certain areas and price ranges will see multiple offers, but they will be the exception, rather than the rule.

Modest demand for condominium apartments and town homes will exist in 2006. With prices as low as $80,000 for a single-detached home, purchasers still prefer freehold over condominiums in Hamilton.

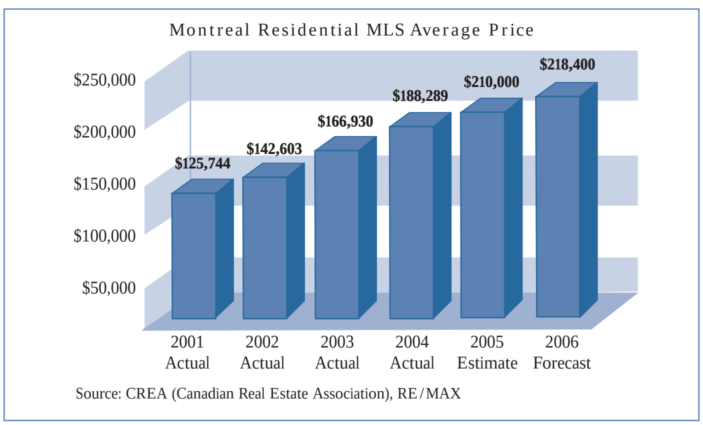
QUÉBEC

Montréal

Residential real estate activity in Greater Montreal is positioned to shatter all existing records in 2005. Solid economic performance and low interest rates prompted purchasers to enter the market en masse this year, driving up sales by two per cent over 2004 to an unprecedented 49,850 units, just 150 shy of the 50,000 benchmark. Equally significant pressure on average price has seen double-digit gains for four years running, with housing values expected to climb yet another 11.5 per cent in 2005 to $210,000.

First-time buyers have been the catalyst in the marketplace throughout the year, despite eroding affordability levels. Starting prices now hover at $175,000 for a single-detached home in Montreal, still a bargain when compared to other major centers in Canada. Suburban communities tend to offer entry-level purchasers the best bang for their buck. Many younger families are willing to commute an extra five to 10 kilometres north and east of the city to take advantage of housing values starting at $155,000. The true suburbs - 15 to 20 kilometres from the downtown core -- offer significant savings with single-detached homes priced as low as $135,000 to $145,000. Condominiums have also been extremely popular with this segment of the market, with demand exceptionally strong for product priced under $300,000.

With more inventory coming on stream in recent months, price appreciation has started to moderate. The influx of new listings has allowed first-time buyers to take more time in making their housing decisions. The sense of urgency that prevailed earlier in the year has eased. Days on market have increased. Multiple offers have also subsided, with very few homes commanding more than list price. Some vendors continue to push the envelope with regards to pricing with little success.

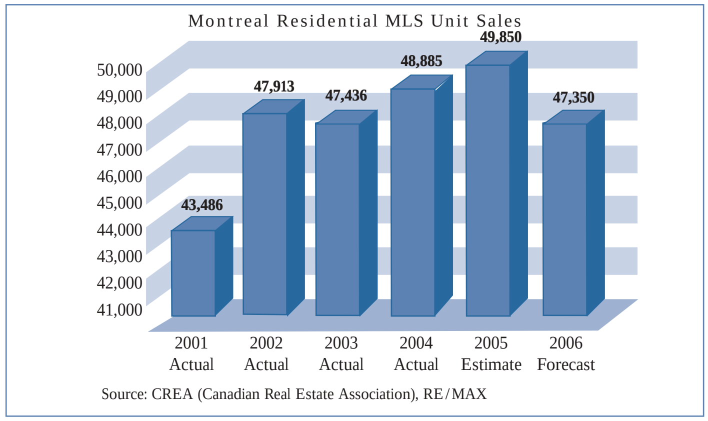


Source: CREA (Canadian Real Estate Association), RE/MAX

More balanced market conditions are expected to evolve in 2006 as an even greater number of homes are listed for sale. First-time buyers will continue to play a major role in the marketplace. Move-up buyers will remain active. Vendors will have to be more realistic in their pricing or risk stagnation. For every five or six listings on the market in 2006, there will be one sale - down considerably from the three and a half sales for every five listings posted in 2004.

The upper-end of the market is expected to experience some softening due to a significant upswing in listings. Some upscale areas that have seen solid, on-going activity in the past are forecast to slow considerably.

A $1 billion investment in improvement to train service from the suburbs to the city is creating a buzz in the market. The move would serve to further bolster housing activity in Montreal's suburban areas, as well as attract new businesses to outlying areas offering lower taxes, affordable land costs, and close proximity to a young workforce.



Source: CREA (Canadian Real Estate Association), RE/MAX

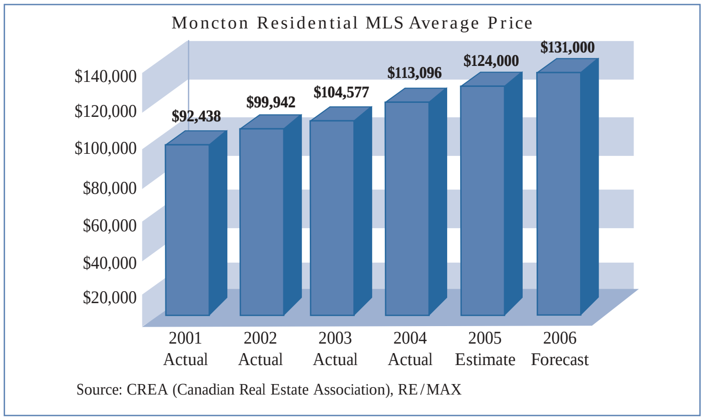
The economic outlook for the Greater Montreal Area remains vibrant for 2006. Real GDP growth is expected to hover at approximately three per cent annually, in large part due to growth in the service industry. Tourism has become a billion dollar business, supporting close to 70,000 jobs. Seven million tourists visit the province every year. Non-residential construction, in the form of airport expansion, new university buildings, and hospital renovations, will create more jobs in the Montreal area and refresh consumer confidence levels. The Hollywood North phenomenon sweeping the country has also had an impact on Montreal. Scheduled to begin shooting in January 2006 with a budget of $100 million US is director Stephen Sommers' Night at the Museum. Sales are forecast to post yet another strong performance in 2006 at 47,350 units by year-end, down marginally from 2005 levels. Average prices will continue to climb at a less frenzied pace in the new year, appreciating four per cent to $218,400.

NEW BRUNSWICK

Moncton

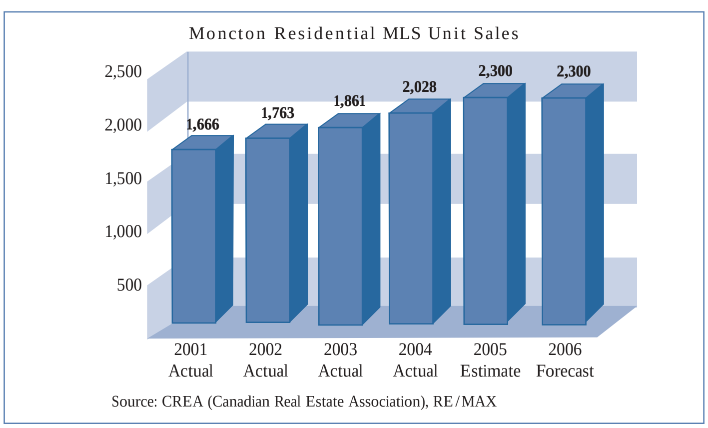
A solid local economy, coupled with low interest rates, resulted in another healthy year of real estate in Moncton. The area has experienced steady upward momentum for nearly a decade now, with sales and average price consistently setting new benchmarks. Soaring consumer confidence levels prompted purchasers to once again enter the housing market en masse in 2005, as the homeownership phenomenon picks up further steam. By the end of the year, sales in the Greater Moncton Area should reach 2,300 units, surpassing last year's record by an impressive 13.4 per cent. Average price will also post strong gains to reach $124,000- a 9.6 per cent increase and a new all-time high for the city.

There is nothing foreseeable on the horizon that might dampen the bright outlook for the housing sector locally. Inventory will remain on par with 2005 levels and balanced market conditions will persist. An adequate selection of product will help maintain the pace of sales throughout the city. Multiple offers, never a common occurrence in Moncton, will remain the rare exception. On the whole, vendors and purchasers appear to be on the same page, and as a result, deals are coming together fairly quickly, with average days on market holding steady at between 60 and 65 days.



Rising interest rates, particularly at quarter-point increments, will do little to deter enthusiastic purchasers. This is particularly true of baby boomers who remember interest rates at 20 per cent in the early 1980s. This segment would still consider rates--even at a full point or two higher-to be favourable by historical standards. In 2006, the boomers will give the first-time buyer segment a run for their money as the primary driver of real estate activity. Equity gains will once again be the most significant factor prompting moves to larger or more expensive dwellings. Baby boomers, particularly those in their 40s and 50s, will continue to fuel the trend toward new construction, as they finally pursue their "dream" homes.

Some first-time purchasers, on the other hand, may be slightly more influenced by the increasing cost of homeownership and rising interest rates. Yet with affordability levels still among the best in Canada, they are more likely to adjust their expectations than be edged out of the market. A modest, WWII-era starter home can be purchased in Moncton starting from $90,000, making the dream of homeownership a reasonable expectation for most. However, many are opting to take the next step, with the bulk of entry-level buyers spending at least $100,000 to $120,000.



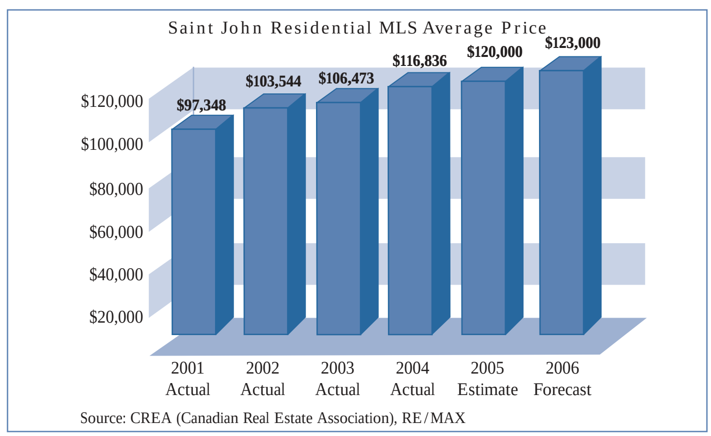
The city of Moncton continues to attract a growing number of new residents and out-of-town or out-of-province buyers. This affluent group has been in large part responsible for a significant rise in upper-end activity in recent years. In fact, for the first time, the area has recorded sales over $500,000-establishing a very exclusive class of luxury homeowners. Upscale home sales have been strong in the sought-after areas of North End Moncton, Riverview and Dieppe, to name a few.

The condominium phenomenon is still a relatively new concept in Moncton. Although the lifestyle shows promise, little new development is taking place as builders continue to focus on the perennial favourite-two-storey, detached homes. Activity for condo apartments is expected to remain on par with 2005 levels. Any newly-built units brought into the market could set a new benchmark for prices in this segment.

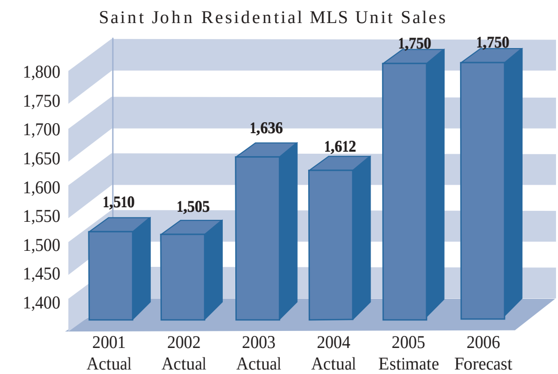
A very vibrant picture is emerging for Moncton in 2006, with the city opening it doors to new employers including Molson Brewery, Maple Leaf Foods, and Irving Tissue. Considerable revitalization is planned for the city's riverfront and significant non-residential construction is underway or on the horizon. Investment in the future of Moncton continues to be strong, and as such, the housing market will continue to fire on all cylinders in 2006. Sales are expected to hold steady at 2,300 units, while average price climbs six per cent to $131,400.

Saint John

Demand for residential real estate surged in Saint John in 2005 as local and provincial economies continued to rattle and hum. Soaring consumer confidence and interest rates that remained historically low prompted a growing number of purchasers to enter the market. By year-end, the number of homes that changed hands through MLS is expected to reach an unprecedented 1,750 units -an increase of 8.6 per cent over the previous year. Average price is also poised to set a new benchmark, closing out 2005 at $120,000, an increase of close to three per cent increase over 2004.



First-time buyers fueled housing sales throughout 2005 and this trend is expected to continue into 2006, as affordability in Saint John remains very good from a national perspective. Homes priced between $120,000 and $160,000 continue to experience the greatest demand. While inventory has improved somewhat in recent months, product is still moving quickly--particularly in the lower-end--and the increased supply does not fill the gap for long. A shortage of availlable homes listed for sale is expected to be a factor placing further pressure on prices next year. Exacerbating the supply challenge is the number of overpriced listings on the market. While some homes in sought-after pockets may be realizing those higher asking prices, in general, buyers have demonstrated a clear resistance to properties listed over fair market value. Purchasers are taking more time making their housing decisions, and the frenzy in the market place has eased. As such, overpriced listings will stagnate in 2006.



The move-up buyer segment, particularly boomers and some retirees, will continue to be a strong force in the local market in the year ahead, driving demand for new and newer garden homes and dwellings offering one-level living. Quispamsis and East Side Saint John will continue to be most active in 2006, as home equity continues to be a catalyst for trade-up activity. Boomers are expected to fuel another record year in upper-end home sales, along with international purchasers who have been quite active of late.

The condominium phenomenon has yet to take hold in Saint John, but development and sales are expected to inch up each year over the next several years, with the waterfront being one of the first points of construction. Single-family homes, meanwhile, continue to be in greatest demand, with a detached starter priced from $110,000.

The competition among builders will continue to keep prices for new product in check in 2006, although slight increases are still predicted.

Demand continues to be very strong for housing in the city of Saint John, with the city supported by very solid economic fundamentals. The LNG, Irving Oil and Point LePreau projects, along with good employment levels and strong government/private sector investment has consumer confidence at an all-time high. Given the positive outlook, unit sales in Saint John are expected to remain on par with record 2005 levels next year, while average price climbs a further three per cent to reach $123,600.

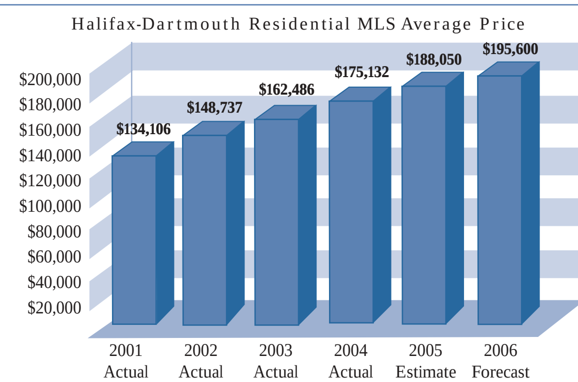
Residential real estate in Halifax has shown incredible resiliency in 2005, recording double-digit increases in sales in spite of adverse market conditions. By year-end, unit sales are expected to reach 6,150, a substantial 11 per cent increase over 2004 levels. Although inventory levels have rebounded in recent months, average price continued to climb upward. Values are forecast to increase seven per cent in 2005, rounding out just over the $188,000 mark.

NOVA SCOTIA

Halifax-Dartmouth

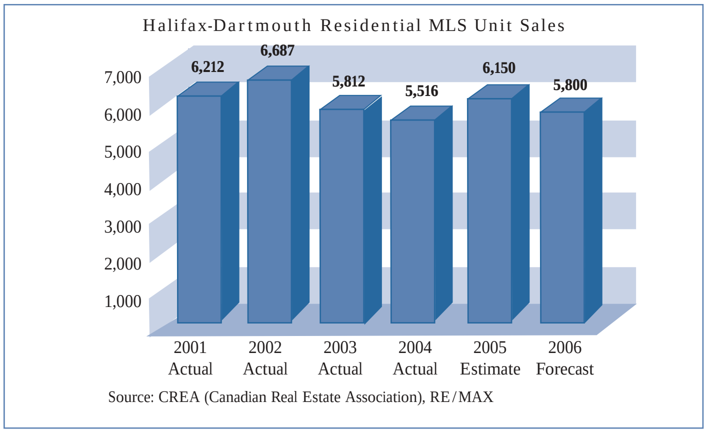
The near-record activity, driven primarily by the first-time buyer segment, is already showing signs of slowing. Two thousand and six is expected to be more in line with traditional levels. Demand has eased most notably in the city's condominium sector. While hundreds of units are forecast to come on stream next year, some buildings are already experiencing delays in construction because they have not met the minimum 50 per cent pre-sale requirement. Condominium values may soften in the months ahead as supply increases. Some neighbourhoods of Bedford, Dartmouth, and particularly Clayton Park West may be vulnerable, as inventory has risen more substantially in these pockets. Vacancy rates may also climb in 2006, as some investors take their product off the market and opt to rent, while others shy away from the condo sector altogether. In addition, older buildings are being refurbished and upgraded at a steady clip in Halifax, bringing more apartments in to the rental pool.

Offsetting the expected slowdown in condo activity will be continued strong demand for entry-level, single family homes, priced under $175,000. Currently, a slight shortage of this type of product exists--creating some pent-up demand and multiple offer activity (although still the exception). Affordability in the city of Halifax-Dartmouth remains very good, and as such, the threat of higher interest rates should have little impact in the year ahead. In fact, it may serve to push more buyers into the market.



The move-up segment of the market will continue to play an important role in Halifax-Dartmouth next year, helping to improve supply of entry-level and mid-priced homes as they cash in on equity. The upper-end of the market, priced in excess of $250,000, will post another strong performance in 2006, yet with fewer sales than 2005. More luxury product has hit the market in recent weeks and sales to listing ratios have fallen.

With more balanced conditions expected to characterize the Halifax-Dartmouth real estate market in the year ahead, the most significant change may have to come in the mindset of the city's home vendors. To date, some have been testing the market, even realizing their asking prices, though that will not be the case in 2006, as overpriced properties will stagnate. Days on market have already begun to increase in recent months to the more typical time frame of 90 to 100 days.



Overall, another year of continued strong activity is forecast for Halifax in 2006, with momentum moderating to a more sustainable pace. The local economic picture looks bright, with the city's unemployment levels currently the lowest in Atlantic Canada, at approximately 5.5 per cent. Major projects and events scheduled for Halifax-Dartmouth, such as such as the 2006 Junos, the $300-million dollar development of Dartmouth Crossing, continued revitalization of the downtown core, and significant non-residential construction-to name a few-will further bolster employment levels and contribute to the appeal of the area. This, combined with the implementation of the Immigration Action Plan, should draw more people to Halifax, buoy consumer confidence levels and keep the outlook bright for the local housing market. Average price will continue to climb, posting more moderate gains of four per cent by year-end 2006, bringing the city's average house price to $195,600. Home sales are expected to soften from near-record momentum in 2005 to 5,800 units, a decrease of nearly six per cent.

NEWFOUNDLAND

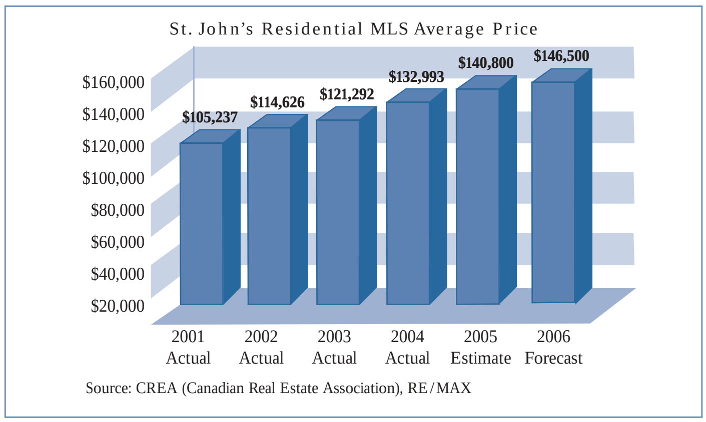
St. John’s

With 40 per cent of all major project activity in Atlantic Canada secured by Newfoundland in 2005, St. John's economic engine ran at full tilt for much of the year. Local spin off from Voisey's Bay and White Rose has been nothing short of remarkable to date and is expected gain further momentum as the two projects gear up for full production. Given such strong fundamentals, the housing market in St. John's, Mount Pearl and area has had realtors and purchasers struggling to catch their breath, while vendors have cashed in on solid equity gains over the past five years. The record pace set in 2004 is expected to be matched yet again in 2005, as year-end sales reach the 3,200 unit mark. Average price, meanwhile, is forecast to post a further six per cent gain, surpassing the $140,000 threshold to set a new benchmark.

The clearest example of the heated market conditions in St. John's has been the unprecedented activity in the city's luxury home market. Upper-end sales, priced over $250,000, continue to occur at levels never before observed in the local marketplace. Oil executives and professionals have driven demand in sought-after neighbourhoods. The shift from a have-not province to one whose future appears ever more vibrant has also prompted stronger migration to Newfoundland from other parts of the country. More and more locals are making the leap to more expensive housing as well. With no signs of slowing on the horizon, 2006 should be another year for the books in terms of upper-end market activity.

The move-up segment of the market will be a significant force in St. John's in 2006, as the trend toward larger, more expensive homes continues. Demand is expected to remain strongest for single-detached homes priced from $150,000 to $170,000-the only type of product for which inventory remains tight. Multiple offers, now a rarity in all price ranges, will be limited to hot pockets such as the Churchill Park area.

The market is growing for adult-living type accommodations-mainly one-level bungalows priced from $145,000 to $165,000 that appeal largely to empty nesters and retirees as well as some baby boomers. Purchasers snapping up these properties have often sold pricier homes and pocketed the nest egg or invested in second homes and/or recreational properties. Builders have become more focused on this type of product, and as such, more adult communities are planned for 2006.

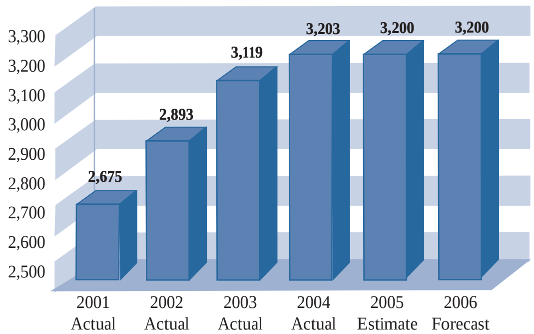


Greater affordability levels, coupled with increasing employment opportunities through a more diversified economy, will stimulate first-time buyer activity next year. While the market for duplexes has softened, demand for entry-level and mid-priced condominiums, semis and single-detached homes will reach peak levels in 2006. The most notable difference from 2005 will be the fact that purchasers will be taking more time to make housing decisions, given a considerable increase in inventory and the shift to more balanced market conditions. With an adequate supply expected in most neighbourhoods and price ranges, vendors of quality homes that are priced correctly can expect close to full asking price. Vendors who hold out for more in 2006 run the risk of being passed over as the sense of urgency in the marketplace has come to an end. Average days on market, now hovering at 45-50 days, will increase ever so slightly.

Stable demand for condominiums will exist throughout the year, with sales continuing at a steady clip-in line with momentum experienced in 2005. Average price appreciation is expected to mirror gains forecast for the overall market. The only exception may be upscale condominium units which remain a popular choice with the boomer segment, and as such, may realize slightly higher returns.

Overall, the St. John's market will continue to be underpinned by solid economic fundamentals next year. Newfoundland's GDP growth, at four to five per cent, is forecast to outpace the national average in 2006. With positive drivers in place, the city's housing market will once again see sales tow the line, maintaining the record pace of the two previous years. After several years of solid price gains, more moderate appreciation of four per cent is expected in 2006- bringing average price to $146,500.

St. John's Residential MLS Unit Sales



Source: CREA (Canadian Real Estate Association), RE/MAX

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