



# HOUSING NOW

Newfoundland and Labrador

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 5, EDITION 1  
FIRST QUARTER 2002

## Housing Markets Maintain Strength in First Quarter

Following on the heels of a busy year in 2001, provincial housing markets maintained their strength during the first quarter as both housing starts and existing MLS\* home sales posted healthy gains over the same period a year ago. MLS\* residential sales continued to set new records while residential construction activity was also higher. It should be noted that, while housing starts experienced substantial growth over last year, given the extreme weather experienced in early 2001, this is not surprising. Discounting last year's extraordinary circumstances provides a clearer picture. At 156 starts, first quarter activity was very similar to 1999 levels but was above the average of 137 starts experienced over the past five years.

Within the province, gains were widespread with both urban and rural areas recording increased activity. Furthermore, the overall increase was entirely due to single-detached activity which jumped 87.7 per cent over 2001 levels. In contrast, multiple unit starts, at 14 units, were unchanged from the first quarter of last year.

### St. John's Region Dominates Starts Activity

Without a doubt, the increase in residential construction activity during the early part of this year came as a result of ongoing strength

#### IN THIS ISSUE

- 1 Housing Markets Maintain Strength in First Quarter
- 1 St. John's Region Dominates Starts Activity
- 2 MLS\* Sales on Record Pace in First Quarter

#### Diagrams

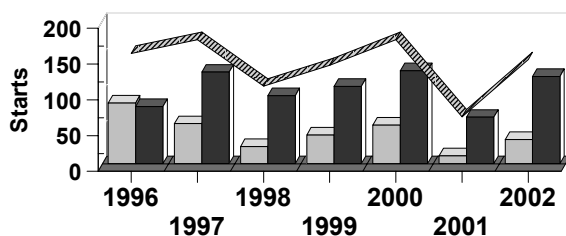
- 1 Provincial Housing Starts First Quarter
- 2 Housing Starts - St. John's CMA First Quarter
- 2 Provincial MLS\* Sales First Quarter

#### Tables

- 3 Activity Summary by Area Newfoundland & Labrador
- 4 Starts by Area and Dwelling Type St. John's, CMA

MLS\* is a registered certification mark of the Canadian Real Estate Association

Housing Starts Newfoundland & Labrador First Quarter



	1996	1997	1998	1999	2000	2001	2002
■ Rural	85	56	24	40	54	11	34
■ Urban	80	128	95	108	130	65	122
▨ Total	165	184	119	148	184	76	156

Source: CMHC

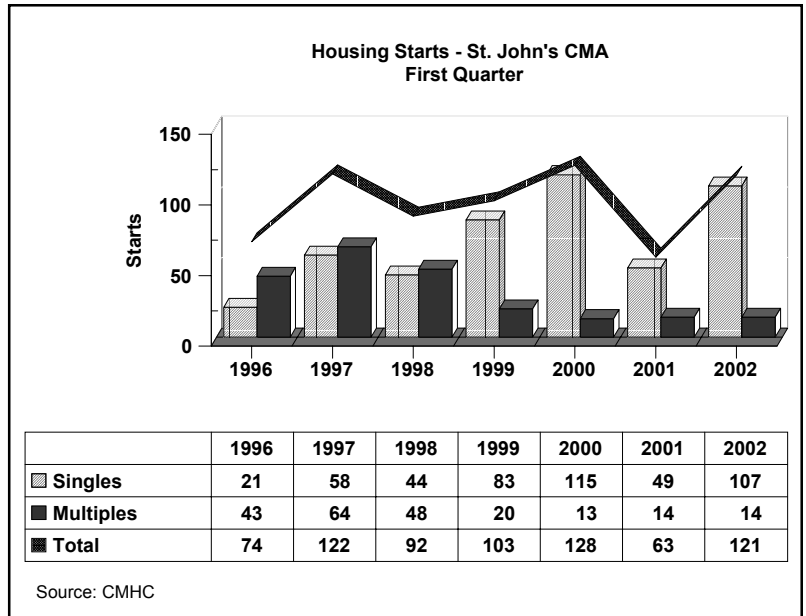


HOME TO CANADIANS  
Canada

in the St. John's CMA. In fact, the St. John's region dominated the province's residential construction industry during the first quarter accounting for almost 80 per cent of total starts and fully 99 per cent of urban activity. With the exception of the Corner Brook CA, which saw only one new home started, no other activity was recorded in urban centres outside St. John's.

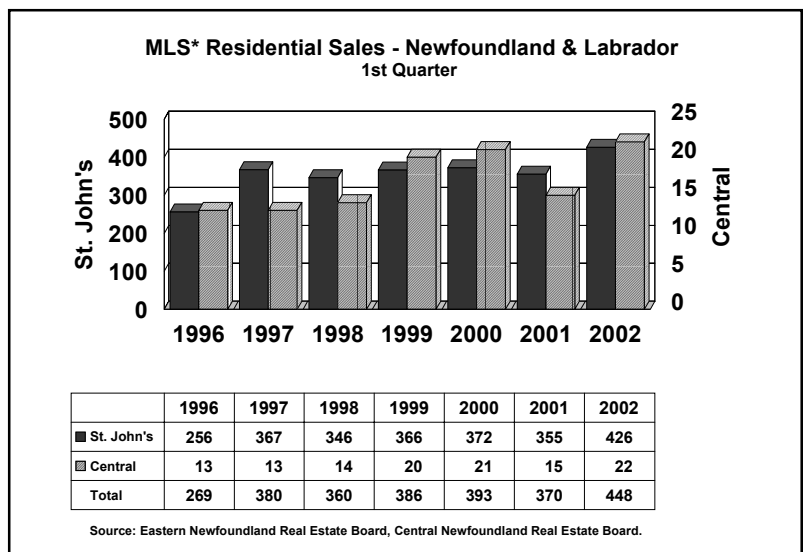
Within the CMA, the City of St. John's accounted for the bulk of activity followed by the Towns of Paradise/St. Thomas, Conception Bay South and the City of Mount Pearl.

Despite the slow start to the year in centres outside the St. John's region, the outlook calls for activity to pick up in coming months.



## MLS\* Sales on Record Pace in First Quarter

MLS\* residential sales within the province also experienced strong growth during the first quarter reaching another all time high. Demand for existing homes continues to benefit from the low interest rate environment as well as sustained income and employment growth in recent years. During the first three months, MLS\* sales advanced 20.1 per cent from a year earlier to 448 units. This marked the fourth consecutive quarter of record sales activity. Within the province, MLS\* sales in the St. John's region increased 20 per cent to 426 units, while sales in Central Newfoundland rose 22.2 per cent to 22 units. Strong demand combined with sales of higher priced homes also served to push average prices higher. The average MLS\* house price within the province advanced 5.8 per during the first quarter to a record high of \$106,004.



Your Link to the Housing Market

## Need More Detailed Information?

**Market Analysis Products and Services are designed to suit your needs.**

CMHC is the source for expert analysis and comprehensive data on housing. If you are in the housing industry, it is critical that you understand the trends and factors behind Newfoundland and Labrador's housing markets. There is no substitute for the thorough, concise analysis of housing market developments that you get with CMHC's market data and analysis.

**Contact Brian Martin today at (709) 772-4034 or e-mail:  
bmartin@cmhc-schl.gc.ca**

**TABLE I**  
**ACTIVITY SUMMARY BY AREA**  
**Newfoundland & Labrador**

Area	Starts						Completions						Under Construction		
	1st Quarter			Year-to-Date			1st Quarter			Year-to-Date			As at 02-31-03		
	2002	2001	% chg	2002	2001	%chg	2002	2001	% chg	2002	2001	%chg	2002	2001	% chg
St. John's CMA	121	63	92.1	121	63	92.1	233	219	6.4	233	219	6.4	468	373	25.5
Corner Brook CA	1	1	0.0	1	1	0.0	8	9	-11.1	8	9	-11.1	15	10	50.0
Gander CA	0	0	0.0	0	0	0.0	11	1	N/A	11	1	N/A	9	5	80.0
Grand Falls Windsor CA	0	1	-100.0	0	1	-100.0	6	7	-14.3	6	7	-14.3	6	3	100.0
Labrador CA	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	1	0	N/A
<b>TOTAL URBAN AREAS</b>	<b>122</b>	<b>65</b>	<b>87.7</b>	<b>122</b>	<b>65</b>	<b>87.7</b>	<b>258</b>	<b>236</b>	<b>9.3</b>	<b>258</b>	<b>236</b>	<b>9.3</b>	<b>499</b>	<b>391</b>	<b>27.6</b>
<b>TOTAL OTHER AREAS</b>	<b>34</b>	<b>12</b>	<b>N/A</b>	<b>34</b>	<b>12</b>	<b>N/A</b>	<b>252</b>	<b>62</b>	<b>N/A</b>	<b>252</b>	<b>62</b>	<b>N/A</b>	<b>113</b>	<b>139</b>	<b>-18.7</b>
<b>TOTAL NEWFOUNDLAND</b>	<b>156</b>	<b>77</b>	<b>N/A</b>	<b>156</b>	<b>77</b>	<b>N/A</b>	<b>510</b>	<b>298</b>	<b>71.1</b>	<b>510</b>	<b>298</b>	<b>71.1</b>	<b>612</b>	<b>530</b>	<b>15.5</b>

Source: C M H C

**TABLE 2  
STARTS BY AREA AND DWELLING TYPE  
ST. JOHN'S CMA**

Area/ Period	Single	Semi	Row	Apartment & Other	Total
<b>St. John's City:</b>					
First Quarter 2002	39	0	0	10	49
First Quarter 2001	18	2	0	8	28
Year-to-Date 2002	39	0	0	10	49
Year-to-Date 2001	18	2	0	8	28
<b>Conception Bay South:</b>					
First Quarter 2002	18	0	0	0	18
First Quarter 2001	10	0	0	0	10
Year-to-Date 2002	18	0	0	0	18
Year-to-Date 2001	10	0	0	0	10
<b>Mount Pearl:</b>					
First Quarter 2002	8	2	0	2	12
First Quarter 2001	3	0	0	4	7
Year-to-Date 2002	8	2	0	2	12
Year-to-Date 2001	3	0	0	4	7
<b>Paradise/St. Thomas:</b>					
First Quarter 2002	22	0	0	0	22
First Quarter 2001	15	0	0	0	15
Year-to-Date 2002	22	0	0	0	22
Year-to-Date 2001	15	0	0	0	15
<b>Torbay:</b>					
First Quarter 2002	7	0	0	0	7
First Quarter 2001	1	0	0	0	1
Year-to-Date 2002	7	0	0	0	7
Year-to-Date 2001	1	0	0	0	1
<b>Other Centres:</b>					
First Quarter 2002	13	0	0	0	13
First Quarter 2001	2	0	0	0	2
Year-to-Date 2002	13	0	0	0	13
Year-to-Date 2001	2	0	0	0	2
<b>Total St. John's CMA:</b>					
First Quarter 2002	107	2	0	12	121
First Quarter 2001	49	2	0	12	63
Year-to-Date 2002	107	2	0	12	121
Year-to-Date 2001	49	2	0	12	63

Source: CMHC

**Housing Now** is published 4 times a year for the Newfoundland & Labrador market. **Forecast Summary** is included in the first and third quarter editions. Annual subscriptions to the **Housing Now** for Newfoundland & Labrador are \$55.00 plus applicable taxes. This publication is also available in French. For more information, or to subscribe, contact Johannes O'Callaghan at the Atlantic Business Centre at (902) 426-4708. *Order no. 2084*

Ce document est disponible en français. Veuillez communiquer avec Johannes O'Callaghan au Centre d'affaires de l'Atlantique au (902) 426-4708.





# FORECAST

St. John's

# SUMMARY

Canada Mortgage and Housing Corporation

VOLUME 5, EDITION 1  
FIRST QUARTER 2002

## Positive Outlook for Local Housing Markets

With employment expected to increase and incomes on the rise, the outlook for local housing markets is also positive for this year and next. When combined with the favourable interest rate environment and ongoing migration to the region, demand for both new and existing homes will remain strong.

### MLS\* Sales To Remain Active

MLS\* residential sales through the Eastern Newfoundland Real Estate Board are forecast at 2,625 units in 2002, representing their second best year ever. Start-up of the White Rose project and ongoing demand from aging boomers looking to convert equity in their current properties will also support

homebuying activity with MLS\* sales edging up to 2,650 units in 2003. The combination of tight rental markets and increased migration of workers involved in the White Rose development should also stimulate sales activity as these migrants generate demand for both the purchase and lease of homes. White Rose migrants will generate demand for both the purchase and lease of homes.

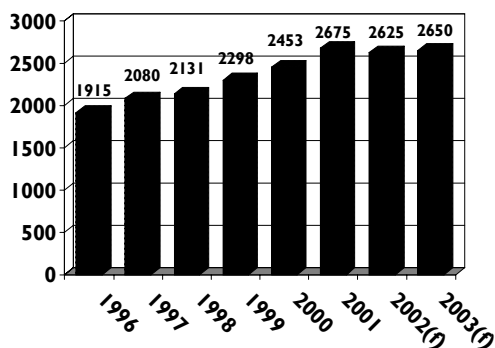
While the market will remain active in historical terms, the outlook calls for a modest decline from last year's record breaking performance. The slight reduction will be due to shortages of homes being placed on the market for sale. This lack of supply will hold back sales activity.

### IN THIS ISSUE

- 1 **Resale Market:** MLS\* Sales To Remain Active
- 2 Supply of Existing Homes Tighten Further
- 2 Price Growth Continues
- 2 **New Homes Market:** More Multi-ples Push Starts Higher
- 3 Single Starts to Remain Strong
- 3 Mortgage Rates Heading Up
- 3 The 45-64 Age Group Dominates Population Growth
- 4 **Forecast Summary**

*MLS\* is a registered certification mark of the Canadian Real Estate Association*

MLS\* Sales - St. John's and Area



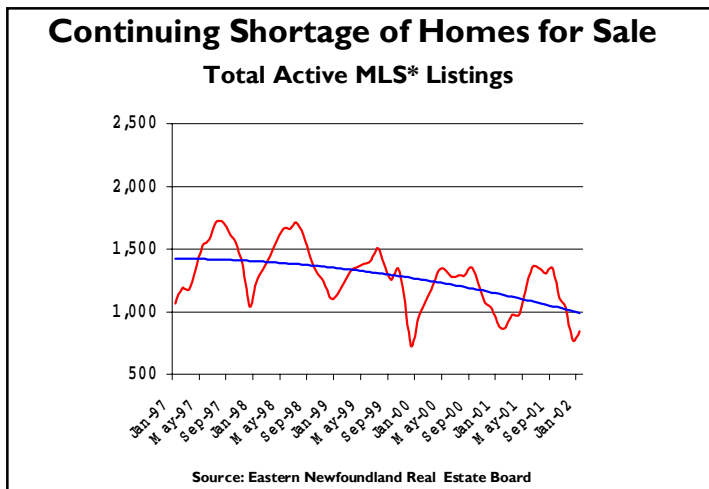
Source: Eastern Newfoundland Real Estate Board, CMHC.



HOME TO CANADIANS  
Canada

## Supply of Existing Homes Tighten Further

Strong sales activity in recent years has continued to chip away at the supply of homes placed on the market for sale. Total active listings peaked at a monthly average of around 1,450 homes in 1998 and have trended down ever since. Last year, total active listings averaged just under 1,100 units per month, a decline of almost 25 per cent from their 1998 peak. Over the same period, MLS\* sales have increased 26 per cent. During the first three months of this year, total active listings averaged 863 units, a drop of 5.4 per cent from last year's already low levels. These factors have combined to create shortages and drive prices higher.



Another result of the existing home shortage will be a continuing shift towards the residential construction market as homebuyers unable to find suitable accommodation choose to build new dwellings.

## Price Growth Continues

Despite the outlook for a modest reduction, MLS\* residential sales are still expected to post their second highest level on record this year. With demand remaining high, as previously discussed, the slight dip in sales will be due to lack of supply. While sales will moderate, these supply constraints

Forecast Summary, First Quarter 2002

## House Prices to Rise Again

### Bungalow

	Jan. 2001	Jan. 2002	Jan. 2003(f)
St. John's East	\$140,000	\$145,000	\$150,000
St. John's West	\$132,500	\$138,000	\$143,000
Mount Pearl	\$130,500	\$135,500	\$140,000

### Two Storey

	Jan. 2001	Jan. 2002	Jan. 2003(f)
St. John's East	\$182,000	\$189,000	\$195,000
St. John's West	\$178,000	\$184,500	\$189,000
Mount Pearl	\$179,000	\$185,000	\$190,000

Source: CMHC Benchmark House Price Survey

will continue to boost home values. Similar to last year, price gains will range from three to four per cent for bungalows. Two storey homes

are expected to increase in price by three to five per cent reflecting even tighter supplies relative to demand. This segment of the market will get an added boost from the White Rose project. With many of these incoming workers

expected to seek leased units, sales activity will pick up as more investors attempt to capitalize on this growing market niche.

CMHC's **Benchmark House Price Survey** indicates that house prices maintained their upward trend last year. Price growth was fairly consistent for both two-storey and bungalow units. Within the twin cities of St. John's and Mount Pearl, two-storey units registered increases ranging from 3.4 and 3.8 per cent while prices for bungalows advanced between 3.6 and 4.2 per cent.

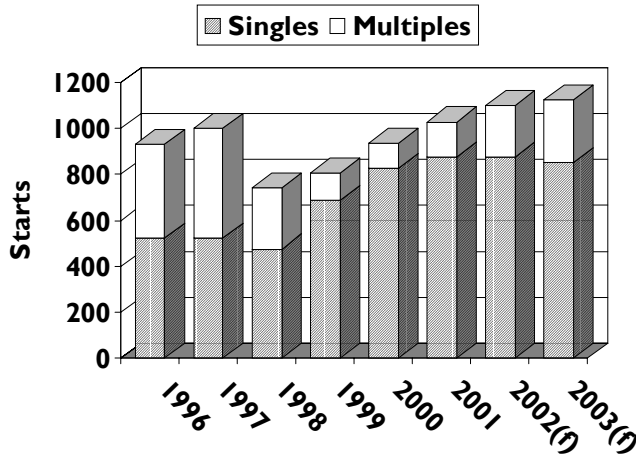
## New Homes Market More Multiples Push Starts Higher

The recovery in multiple starts which began last year is expected to gather momentum in 2002 and 2003. In fact, the outlook for a modest increase in residential construction will be entirely due to gains in the multiples segment of the market. Look for 225 multiple starts this year and another 275 units in 2003.

Investment in apartment style housing for seniors and increased condominium activity will lead the way. Demand for affordable housing should also underpin a rise in row/townhouse units as well. Two-apartment starts should also inch higher. The potential also exists for a rebound in affordably priced semi-detached starts should current development proposals from investors follow through.

Following three years of decline, multiple unit construction turned the corner and made a slight recovery last year. While last year's activity is encouraging, multiple unit activity still remains depressed. Since 1990, multiple construction has averaged almost 400 units per year. Last year there were 154 multiple starts.

## Housing Starts - St. John's CMA



Source: CMHC

## Single Starts to Remain Strong

At 875 units, single-detached starts will match last year's numbers in 2002. While the outlook calls for similar activity, it is worth noting that, this will still represent the highest number of single starts since 1990. The trend towards the purchase of affordably priced townhouse units and condominiums will result in a slight decrease in 2003 with single starts expected to decline to 850 units.

Sustained demand from move-up buyers, continued employment and income growth and low interest rates will remain key factors to the ongoing strength in activity. Limited supplies of quality existing homes will also stimulate single starts as eager buyers, unable to find what they want in the existing market, choose to build. Another contributor to the expected strength in single starts this year is the fact that the number of newly completed but unsold units is also at very low levels. At the end of 2001, the supply of these new homes on the market was 60 per cent below 1999 levels. Low inventories and ongoing demand will also support single-detached activity in 2002.

## Mortgage Rates Heading Up

While open and variable mortgages generally track lenders' prime rate, fixed rate mortgages move in tandem with the bond market. As the prime rate is expected to edge up in 2002, so will short-term mortgage rates. As the economy strengthens and financial markets foresee some monetary tightening, long-term rates will also increase.

The outlook for short-term rates in 2002 remains favourable with the one-year rate in the 5.00-6.00 per cent range. The three- and five-year mortgage rates will remain in the 6.0-7.00 and 7.00-8.00 per cent ranges, respectively.

## The 45-64 Age Group Dominates Population Growth

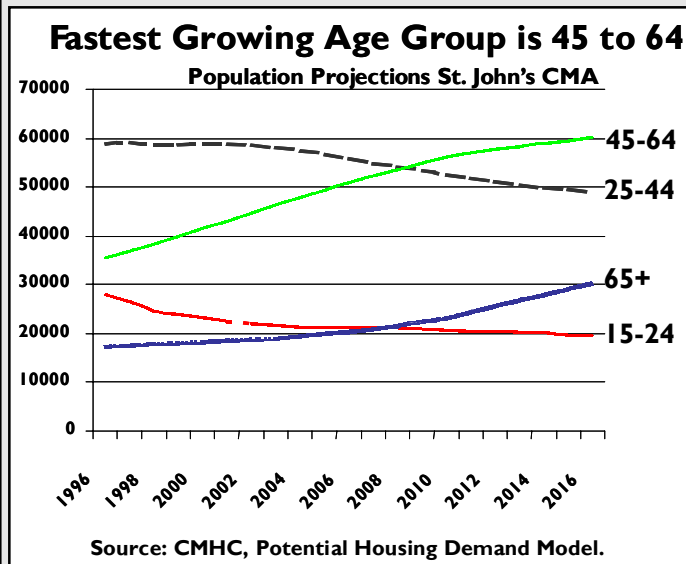
The fastest growing portion of the population between now and 2010 will be the 45 to 64 year olds. The majority of this group will be made up of baby boomers as they enter

This group is not made up of first-time homebuyers. They have ownership experience and know what they are looking for in a home. Their preference leans in favour of new construction to fulfill their housing wants and needs. However, to make such a move, they must rely on a strong resale market to sell their current homes. The past few years

have been an ideal time for those in the upper end of this age category to make that step.

Other characteristics of this group include: high household incomes; less likely to have a mortgage; more open to moving to a different home type (i.e., condominium) or loca-

tion as they approach retirement. The last point is being confirmed in Atlantic Canadian locations as some cottage communities and small towns are seeing an increase of home building by this age group. Without a doubt, this group presents significant opportunities in coming years.



Source: CMHC, Potential Housing Demand Model.

the pre-retirement stage of their lives. After 2010, this same group will dominate population growth, but they will have moved into the 65 and over category. They will continue to have a significant influence on housing.



# St. John's Metropolitan Area

## April 2002

RESALE MARKET	2001	2002(f)	% Chg	2003(f)	% Chg
<b>MLS Average Monthly Active Listings</b>	1,096	1,050	-4.2%	1,100	4.8%
<b>MLS Sales</b>	2,675	2,625	-1.9%	2,650	1.0%
<b>Benchmark House Price (3 Bed. Bungalow, January)</b>					
<b>East</b>	\$140,000	\$145,000	3.6%	\$150,000	3.4%
<b>West</b>	\$132,500	\$138,000	4.2%	\$143,000	3.6%
<b>Mount Pearl</b>	\$130,500	\$135,500	3.8%	\$140,000	3.3%
<b>NEW HOMES MARKET</b>					
<b>Absorption Rates (Monthly Average)</b>					
<b>Single and Semi-detached</b>	65	70	7.7%	75	7.1%
<b>Starts</b>					
<b>Single</b>	1,029	1,100	6.9%	1,125	2.3%
<b>Multiple</b>	875	875	0.0%	850	-2.9%
<b>Ownership</b>	154	225	46.1%	275	22.2%
<b>Rental</b>	154	150	-2.6%	200	33.3%
<b>Rental</b>	0	75	N/A	75	0.0%
<b>Average Absorbed New House Price</b>	\$149,000	\$153,500	3.0%	\$156,000	1.6%
<b>RENTAL MARKET</b>					
<b>Vacancy Rate (October)</b>	2.5%	2.0%		2.0%	
<b>Rental Rate (annual % chg) 2 bdr</b>	4.2%	6.1%		5.0%	
<b>ECONOMIC OVERVIEW</b>					
<b>Mortgage rate (3 yr. term)</b>	6.88%	6.81%		8.10%	
<b>Mortgage rate (5 yr. term)</b>	7.41%	7.63%		8.44%	
<b>Employment growth</b>	3,900	2,000		2,500	
<b>Net Migration</b>	500	750		1,000	

**Housing Now** is published 4 times a year for the Newfoundland & Labrador market. **Forecast Summary** is included in the first and third quarter editions. Annual subscriptions to the **Housing Now** for Newfoundland & Labrador are \$55.00 plus applicable taxes. This publication is also available in French. For more information, or to subscribe, contact Johannes O'Callaghan at the Atlantic Business Centre at (902) 426-4708. *Order no. 2084*

Ce document est disponible en français. Veuillez communiquer avec Johannes O'Callaghan au Centre d'affaires de l'Atlantique au (902) 426-4708.

© 2002 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada

Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this

publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.

