



HOUSING NOW

Newfoundland and Labrador

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 5, EDITION 3
THIRD QUARTER 2002

Housing Gains Continue Throughout 3rd Quarter

With mortgage rates in check and labour markets remaining relatively strong, gains in housing demand continued throughout the third quarter. Provincial housing starts increased for the sixth consecutive quarter while existing MLS* home sales climbed to another all time high.

Housing Starts Higher but Pace of Growth Slows

As expected, the torrid pace of expansion in housing starts during the first half of this year could not be maintained. Following a 53 per cent jump in activity between January and June, the pace of growth slowed to a more sustainable level of 12 per cent

in the third quarter. Single-detached starts within the province increased by slightly more than 8 per cent over the third quarter of last year, while multiple unit construction advanced approximately 50 per cent. Given the lack of adequate returns in the rental market, multiple starts remain heavily concentrated in the ownership segment. At 1,726 units, year-to-date housing starts within the province are up just over 30 per cent to their highest level since 1993.

Urban Centres Remain Key

While starts in rural areas experienced modest growth during the

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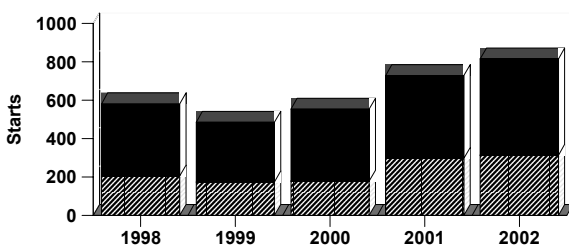
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Housing Starts Newfoundland and Labrador
3rd Quarter



▨ Rural	205	174	178	296	313
■ Urban	376	311	376	432	502
Total	581	485	554	728	815

Source: CMHC.



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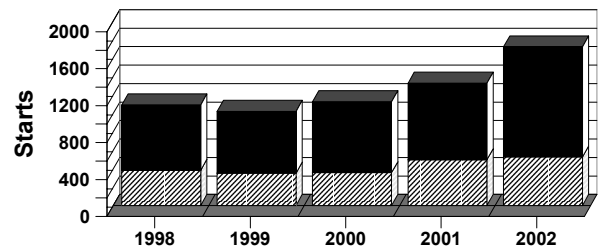
third quarter, activity gains in urban centres of the province remained the key contributor to the overall increase. Highlighted by an impressive 92 per cent increase in the Corner Brook region, starts in urban centres climbed 16 per cent during the quarter. The Gander region posted a 35 per cent rise in activity followed by the St. John's region where housing starts moved up approximately 15 per cent. While starts in the Grand Falls-Windsor region were flat during the quarter, at 69 units, year-to-date activity is still 23 per cent above 2001 levels. To the end of September, urban starts are up 44 per cent to 1,191 units.

Starts in rural areas turned positive during the quarter following a flat performance between April and June. Year-to-date starts in rural areas have increased 8 per cent and are at their highest level since 1996.

MLS* Sales Also Higher in 3rd Quarter

Similar to the residential construction market, MLS* residential sales across the province also increased during the summer months. At 1,042 units, third quarter sales advanced 8.4 per cent over last year, marking the sixth consecutive quarter in which they hit record levels. Sustained strength was entirely due to a 12 per cent gain in sales through the Eastern Newfoundland Real Estate Board. In contrast, residential sales through the Central Newfoundland Real Estate Board were weaker during the third quarter as they fell 47 per cent to only 28 units. This was the first quarterly decline in over a year in central Newfoundland. Despite the dip in central, MLS* sales remain on pace for another record breaking year. Highlighted by an exceptional performance in July, the average MLS* house price increased 5.6 per cent during the third quarter to an all time high of \$113,232.

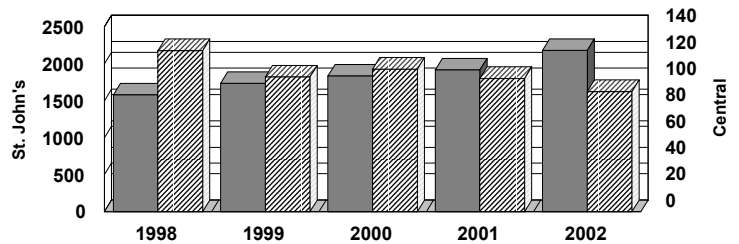
**Housing Starts Newfoundland and Labrador
January to September**



	1998	1999	2000	2001	2002
▨ Rural	381	350	354	496	525
■ Urban	707	668	768	827	1,191
Total	1,088	1,018	1,122	1,323	1,716

Source: CMHC.

**MLS Residential Sales - Newfoundland and Labrador
January to September**



	1998	1999	2000	2001	2002
■ St. John's	1,579	1,736	1,836	1,917	2,182
▨ Central	122	102	108	101	91
Total	1,701	1,838	1,944	2,018	2,273

Source: St. John's Real Estate Board, Central Newfoundland Real Estate Board.



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		
	3rd Quarter			Year-to-Date			3rd Quarter			Year-to-Date			As at 02-30-09		
	2002	2001	% chg	2002	2001	%chg	2002	2001	% chg	2002	2001	%chg	2002	2001	% chg
St. John's CMA	423	369	14.6	1030	717	43.7	318	201	58.2	816	607	34.4	799	636	25.6
Corner Brook CA	23	12	91.7	54	25	116.0	23	11	109.1	41	25	64.0	35	18	94.4
Gander CA	23	17	35.3	38	26	46.2	9	12	-25.0	23	13	76.9	35	19	84.2
Grand Falls Windsor CA	33	33	0.0	69	56	23.2	28	26	7.7	37	34	8.8	44	31	NA
Labrador CA	0	1	100.0	0	3	100.0	0	0	0.0	1	1	0.0	0	2	100.0
TOTAL URBAN AREAS	502	432	16.2	1191	827	44.0	378	250	51.2	918	680	35.0	913	706	29.3
TOTAL OTHER AREAS	313	296	5.7	535	496	7.9	40	69	-42.0	312	261	19.5	553	424	30.4
TOTAL NEWFOUNDLAND	815	728	12.0	1726	1323	30.5	418	319	31.0	1230	941	30.7	1466	1130	29.7

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
St. John's City:					
Third Quarter 2002	98	4	8	44	154
Third Quarter 2001	97	2	14	30	143
Year-to-Date 2002	264	8	12	148	432
Year-to-Date 2001	192	12	14	50	268
Conception Bay South:					
Third Quarter 2002	72	0	0	0	72
Third Quarter 2001	62	0	0	0	62
Year-to-Date 2002	172	0	0	0	172
Year-to-Date 2001	130	0	0	0	130
Mount Pearl:					
Third Quarter 2002	23	0	0	0	23
Third Quarter 2001	27	0	0	0	27
Year-to-Date 2002	64	2	0	2	68
Year-to-Date 2001	53	6	0	0	59
Paradise/St. Thomas:					
Third Quarter 2002	84	0	0	8	92
Third Quarter 2001	65	0	0	5	70
Year-to-Date 2002	178	4	0	15	197
Year-to-Date 2001	147	0	0	10	157
Torbay:					
Third Quarter 2002	31	0	0	0	31
Third Quarter 2001	22	0	0	0	22
Year-to-Date 2002	57	0	0	0	57
Year-to-Date 2001	34	0	0	0	34
Other Centres:					
Third Quarter 2002	49	0	0	2	51
Third Quarter 2001	43	0	0	2	45
Year-to-Date 2002	102	0	0	2	104
Year-to-Date 2001	67	0	0	2	69
Total St. John's CMA:					
Third Quarter 2002	357	4	8	54	423
Third Quarter 2001	316	2	14	37	369
Year-to-Date 2002	837	14	12	167	1030
Year-to-Date 2001	623	18	14	62	717

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 Sandra Slaunwhite at the Atlantic Business Centre at (902) 426-4708. Order no. 2084

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F O R E C A S T

St. John's

S U M M A R Y

Canada Mortgage and Housing Corporation

VOLUME 5 EDITION 2
THIRD QUARTER 2002

Local Housing Markets To Remain Buoyant

Sustained income and employment growth will continue to support housing demand in the St. John's region next year. However, with interest rates on the rise and a portion of future demand already satisfied, modest declines are forecast for 2003.

MLS* Sales to Fall from This Year's Peak

After setting new records in each of the past four years, MLS* residential sales through the Eastern Newfoundland Real Estate Board are forecast to fall slightly to 2,800 units in 2003. While the general

outlook calls for some reductions, the local resale market can be best described as levelling-off rather than experiencing a steep decline. Despite the outlook, 2003 will still shape up to be the second best year ever.

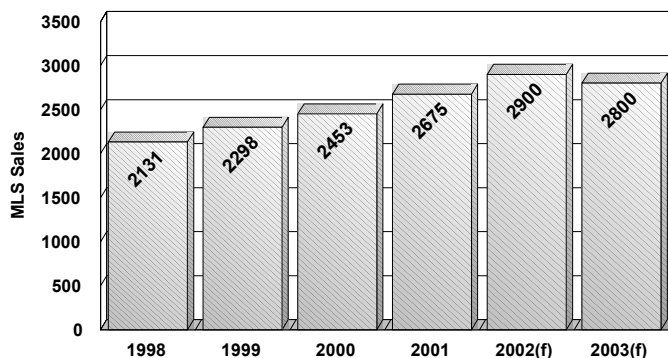
Reduced affordability stemming from rising interest rates and strong price growth in recent years will have a slight dampening effect on existing home sales in 2003. The historically low mortgage rate climate experienced throughout 2002 also served to accelerate many purchase decisions. This has borrowed from future demand and is also anticipated to moderate sales activity somewhat throughout 2003.

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MLS Residential Sales - St. John's and Area
1998-2003



Source: Eastern Newfoundland Real Estate Board, CMHC Forecast 2002 & 2003.



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2002 - A Great Year for Sellers

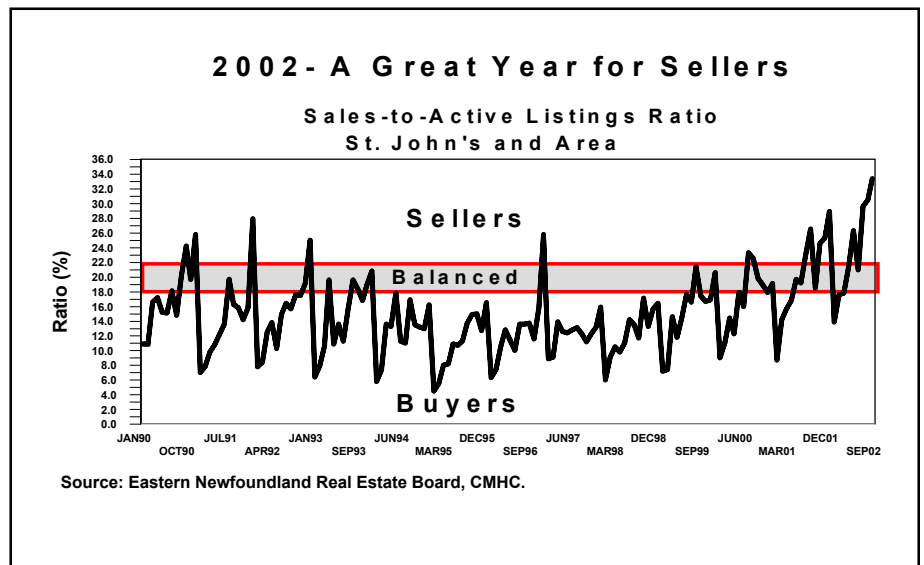
With sales continuing at a torrid pace and supplies falling for the 4th consecutive year, the local resale market quickly moved to favour sellers during 2002. Sales-to-listings have consistently been above 22 per cent, peaking at over 33 per cent in September. Shortages of many house types have prevailed resulting in more and more bidding wars on quality properties. Listing periods have also gotten shorter as the year progressed.

During the first three quarters of 2002, MLS* residential sales through the Eastern Newfoundland Real Estate Board advanced 11.4 per cent over the previous year. With activity remaining brisk during the final three months, total sales are expected to peak at a record level of 2,900 units.

This year's record breaking performance has been due to a number of factors. While the rate of employment growth has slowed throughout 2002, housing demand is still reaping the benefits from past job creation. Other factors include a declining stock market making real estate an attractive investment option and historically low interest rates. Finally, MLS* activity has also been bolstered by sales of new units as builders partner with local realtors to help them market their homes.

House Prices Ratchet Higher

House prices are expected to ratchet higher this year, albeit at a slightly slower rate than in recent years. Limited supplies coupled with the continuation of strong demand will remain the major forces behind the



sustained growth in house prices. Despite the lower rate of growth, price gains will still outpace the rate of inflation. The outlook calls for

New Homes Market

Housing Starts to Moderate From 12 Year High

After jumping to a 12 year high in 2002, housing starts are expected to moderate somewhat next year as anticipated declines in single-detached construction more than offset further gains in multiples. The decline will be modest with total starts forecast at 1,400 units, down from 1,425 units this year. This will still be the second highest level of activity in over a decade.

At 300 units, multiple starts are forecast to increase for the third consecutive year. While lack of returns will continue to hold back rental starts, demand from seniors and wealthy professionals for condo units will bolster construction of row and apartment style housing. With affordability deteriorating, expect starts of two-apartment homes and more modest semi-detached housing to remain strong.

House Prices Ratchet Higher

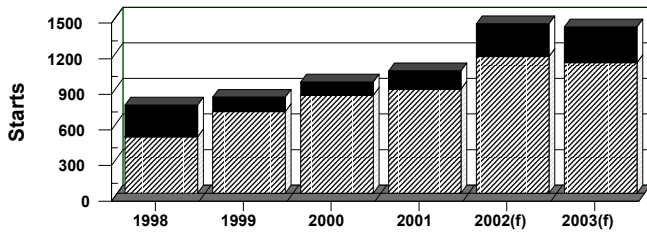
		Bungalow			
		July 2000	July 2001	July 2002	July 2003(f)
St. John's East		\$138,500	\$142,000	\$150,000	\$156,000
St. John's West		\$131,500	\$135,000	\$143,000	\$148,000
Mount Pearl		\$128,000	\$133,000	\$140,000	\$145,000
		Two Storey			
		July 2000	July 2001	July 2002	July 2003(f)
St. John's East		\$176,000	\$186,500	\$196,000	\$204,000
St. John's West		\$175,000	\$182,500	\$192,000	\$199,000
Mount Pearl		\$174,000	\$183,000	\$192,000	\$198,000

Source: CMHC Benchmark House Price Survey.

increases of three to four per cent for bungalows with moderately higher gains of four to five per cent for two-storey homes.

Since its inception in January of 1999, CMHC's **Benchmark House Price Survey** indicates that prices have steadily climbed. Between January 1999 and July 2002 price gains for bungalows within the cities of St. John's and Mount Pearl have ranged from 15 to 17 per cent. Increased demand from move-up buyers has pushed prices for two-storey units even higher since 1999, ranging between 19 and 22 per cent.

Housing Starts - St. John's CMA



Single-det.	475	688	825	875	1,150	1,100
Multiples	266	119	110	154	275	300
Total	741	807	935	1,029	1,425	1,400

Source: CMHC. Forecast 2002-2003.

Mortgage Rates to Rise

The outlook for mortgage rates in 2003 reflects anticipated continuation of economic growth in Canada and related concern about inflation. An expected recovery in the United States by mid year 2003 is anticipated to place upward pressure on mortgage rates. Consequently, the one-year mortgage rate is forecast to be in the 4.50 to 7.00 per cent range. The three-year mortgage rate is forecast to be in the 5.50 to 8.00 per cent range and the five-year mortgage rate is forecast to be in the 6.50 to 8.50 per cent range in 2003.

Single starts slightly lower

At 1,100 units in 2003, single-detached starts will be only slightly lower than the 1,150 units expected this year.

With interest rates on the rise and construction costs, particularly labour, expected to push prices higher, the dream of owning a home will become prohibitive for more and more potential buyers. Nevertheless, sustained demand from move-up buyers, continued employment and income growth and shortages of good quality existing homes will keep single starts strong in historical terms. In fact, at 1,100 units, single-detached starts will be almost 70 per cent above the average level recorded since 1990.

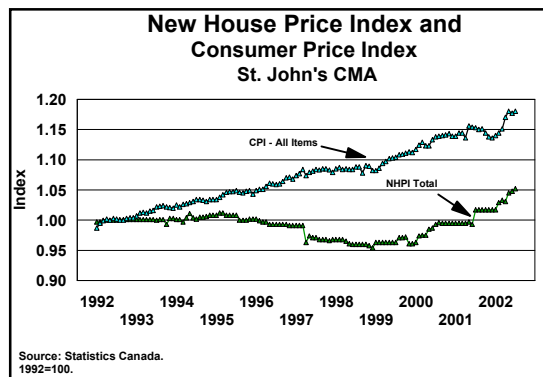
US Economy: the Key Risk to the Forecast

In both Canada and the U.S. consumers have been the major driver of economic activity this year, predominantly through housing and auto sales. However, sales of big ticket items have been on a prolonged run of exceptional performance begging the question: when the trade sector cools off, what sector(s) will support continued economic growth?

Corporate profits have been less than stellar and dismal stock market performance has encouraged a flight of equity from capital markets. A concern looms over the production side of the North American economy which may not be strong enough to carry a downturn in consumption. This could lead to a period of continued weakness in the U.S. economy and a stagnation in Canada. Such a scenario is considered to be the key risk to the economic and housing market forecast.

New Home Construction Prices Lag Inflation...

Over the past decade, the price of building a new home including the purchase of a lot as measured by the New Housing Price Index (NHPI) has lagged the Consumer Price Index (CPI) in St. John's. The NHPI measures changes over time in the contractors' selling prices of new residential houses and provides results individually for the structure (house), land and a combined total cost. From 1992



Source: Statistics Canada. 1992=100.

to present, the total NHPI for both house and land in St. John's increased only 7.1 per cent while the local CPI climbed 19.4 per cent. When the NHPI is examined for land and house separately, the increases were 7.0 per cent and 7.5 per cent respectively (both also well below the rate of inflation). In other words, when compared to the costs of other goods and services, the cost of purchasing a new home in St. John's is relatively less expensive today than 10 years ago. This trend is not likely to continue over the next year as an escalation in construction costs, highlighted by rising labour rates, will likely push construction prices higher than the rate of inflation in 2003.

St. John's Census Metropolitan Area October 2002

RESALE MARKET	2001	2002*	% Chg	2003*	% Chg
MLS Average Monthly Active Listings	1,096	975	-11.0%	1,000	2.6%
MLS Sales	2,675	2,900	8.4%	2,800	-3.4%
Benchmark House Price (3 Bed. Bungalow, July)					
East	\$142,000	\$150,000	5.6%	\$156,000	4.0%
West	\$135,000	\$143,000	5.9%	\$148,000	3.5%
Mount Pearl	\$133,000	\$140,000	5.3%	\$145,000	3.6%
NEW HOMES MARKET					
Absorption Rates (Monthly Average)					
Single and Semi-detached	72	85	18.1%	80	-5.9%
Starts	1,029	1,425	38.5%	1,400	-1.8%
Single	875	1,150	31.4%	1,100	-4.3%
Multiple	154	275	78.6%	300	9.1%
Ownership	154	235	52.6%	250	6.4%
Rental	0	40	100.0%	50	25.0%
Average Absorbed New House Price	\$148,900	\$151,500	1.7%	\$154,500	2.0%
RENTAL MARKET					
Vacancy Rate (October)	2.5%	2.5%		2.0%	
Rental Rate (annual % chg) 2 bdr	5.0%	3.0%		5.0%	
ECONOMIC OVERVIEW					
Mortgage rate (3 yr. term)	6.88%	6.36%		7.22%	
Mortgage rate (5 yr. term)	7.41%	7.07%		7.75%	
Employment growth	2,100	500		750	
Net Migration	200	250		300	

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