RENTAL MARKET REPORT

SAINT JOHN

Canada Mortgage and Housing Corporation

VOLUME 4 EDITION 1
OCTOBER 2002

Vacancy Rate on the Rise

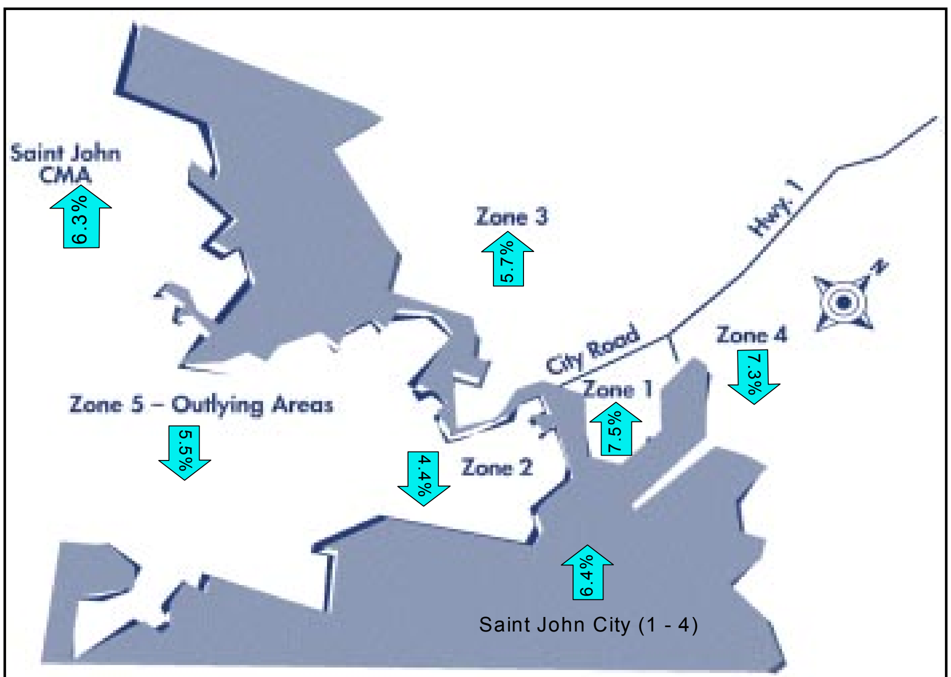
Supply of New Apartment Units Remains Weak

Despite solid economic growth in Saint John, the vacancy rate increased for the third consecutive year. Results of the Fall 2002 Rental Market Survey in the Greater Saint John area indicate that there were 615 vacancies in apartment structures compared to 551 vacant units a year ago. As a result, the vacancy rate increased to 6.3 per cent in October compared to a 5.6 per cent in 2001. This represents the highest vacancy rate of all larger Canadian urban centres.

The average rental apartment vacancy rate in Canada's 28 metropolitan areas rose to 1.7 per cent in October this year from 1.1 per cent in October 2001.

Following Saint John, the highest vacancy rates recorded are in Chicoutimi-Jonquière and Thunder Bay.

The vacancy rate increased for all bedroom types, except for the more common two-bedroom units. Vacancies rose in the Saint John North (Zone 3) and in Saint John South (Zone 1), the two largest rental areas. With 235 vacant units, near 40 per cent of all vacancies were in Saint John South. The two areas where vacancies dropped when compared to last year were Saint John West (Zone 2) and Saint John East (Zone 4) with a 4.4 and 7.3 per cent vacancy rate, respectively.



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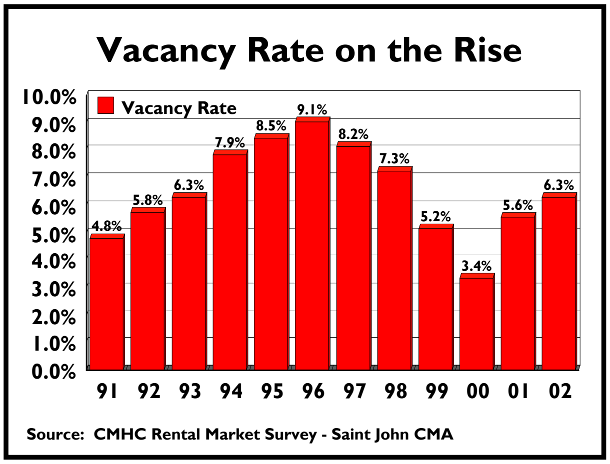


Average Rents Up

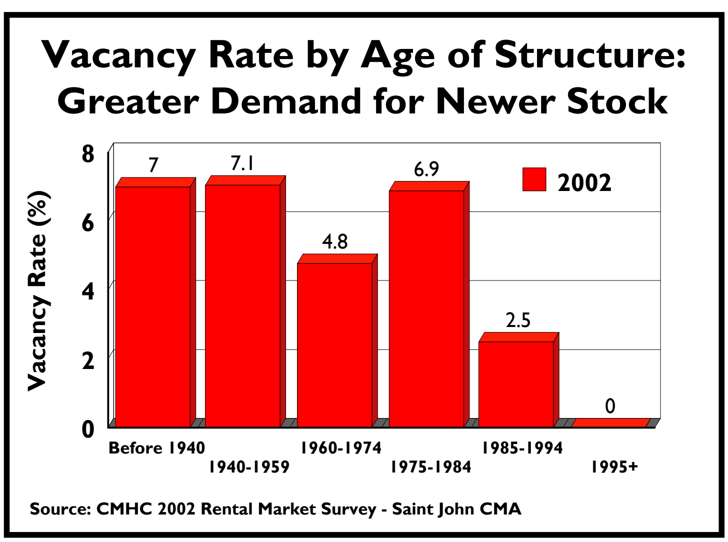
Higher vacancy rates typically mean a broader selection of rental units for tenants. Therefore, landlords are usually not in a position to increase rents substantially. However, despite a higher vacancy rate in the Saint John CMA, the average rent rose by 3.5 per cent to $475 in October 2002. The rise in average rent is mainly due to two factors: the lack of competition in the rental market as no new major rental project has been started the last few years and the fact that monthly cost of owning a home remains substantially higher than the average rent.

In Saint John, the average price for an existing home is one of the highest in the province. Despite currently low mortgage rates, the monthly cost of financing the average house sold through the local real estate board remains substantially higher than the average monthly rent. In comparison, the monthly cost to own a home in Moncton and Fredericton is slightly higher than for a two bedroom apartment.

Construction of New Units Remains Weak

Saint John's vacancy rate and average rent are significantly influenced by the lack of new rental units coming onto the market over the last several years. Only 79 rental units were built in Saint John over the last 10 years. In Moncton and Fredericton, 2,135 and 1,018 new units were built over the same period, respectively. Over the last few years, some developers have focused on converting old vacant warehouses into high-end rental units. Nevertheless, the number of new rental units available to potential tenants since 1993 has been substantially less in Saint John than in Moncton and Fredericton.

A higher ratio of older rental stock explains why Saint John has the highest vacancy rate and also the fourth lowest average rent of all 28 larger Canadian urban centres. According to our last Rental Market Survey, 44 per cent of all rental units in Saint John were built prior to 1940. In comparison, rental units built prior to 1940 represent 16 per cent of the rental universe in Moncton and 13 per cent in Fredericton. While some of these older buildings in Saint John have been renovated and well maintained over the years, the monthly rent for the majority of these units is substantially lower than newer rental units.

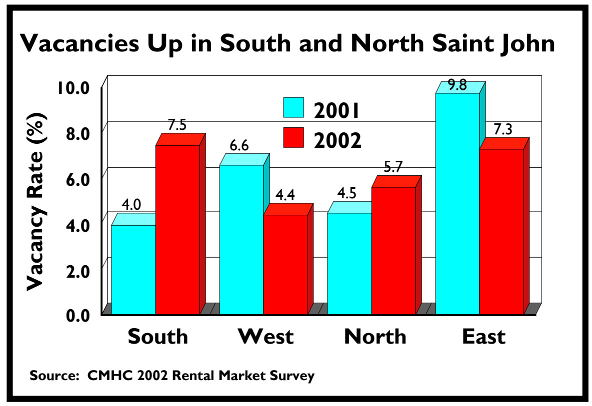


Historical data has shown that tenants have always been attracted to the newer rental units despite higher rents. Saint John is not an exception to that trend. Very few rental units have been built since 1995, yet there were no vacancy in all of them, despite an average rent that is significantly higher than the overall average rent of $475.

The vacancy rate for units built between 1985 and 1994 was 2.5 per cent, while the majority of units built prior to 1985 had a vacancy rate of around 7 per cent. However, only 1.5 per cent of all 9,678 units surveyed were built after 1985. In Moncton and Fredericton, units surveyed which were built after 1985 represented respectively 34 per cent and 27 per cent of the total rental universe.

What Are Renters Looking For?

Some of the renter's preferences for 2002 were consistent but there were some differences compared to 2001.



Based on our latest survey, the following section highlights similarities and differences:

√ In 2002, more renters showed a preference toward the most common two-bedroom units as the vacancy rate dropped from 5.1 to 4.8 per cent over the last year.

√ The vacancy rate for rental units with heat included was higher this year than for those in which heat is not included. Note that, at $505, the average rent for heated units was $67 higher than unheated units.

√ Higher-end units with rents between $550-599 were in greater demand again this year with a 3.8 per cent vacancy rate, while units with rents between $350-399 had the highest vacancy rate again this year at 10.7 per cent.

Apartment Vacancy Rates in regions across Canada

CMA Areas	2001	2002
Abbotsford	2.4	2.0
Calgary	1.2	2.9
Chicoutimi-Jonquière	4.4	4.9
Edmonton	0.9	1.7
Halifax	2.8	2.7
Hamilton	1.3	1.6
Gatineau	0.6	0.5
Kingston	1.5	0.9
Kitchener	0.9	2.3
London	1.6	2.0
Montreal	0.6	0.7
St. Catharines-Niagara	1.9	2.4
Oshawa	1.3	2.3
Ottawa	0.8	1.9
Quebec	0.8	0.3
Regina	2.1	1.9
Saint John	5.6	6.3
St. John's	2.5	2.7
Saskatoon	2.9	3.7
Sherbrooke	2.3	1.8
Sudbury	5.7	5.1
Thunder Bay	5.8	4.7
Toronto	0.9	2.5
Trois-Rivières	4.7	3.0
Vancouver	1.0	1.4
Victoria	0.5	1.5
Windsor	2.9	3.9
Winnipeg	1.4	1.2
Charlottetown	1.8	1.8
CANADA	**1.1**	**1.7**

By Province

	2001	2002
Newfoundland	3.2	3.0
Prince Edward Island	2.7	2.8
Nova Scotia	3.3	3.0
New Brunswick	4.1	4.2
Quebec	1.3	1.2
Ontario	1.7	2.7
Manitoba	1.4	1.4
Saskatchewan	3.5	3.9
Alberta	1.1	2.3
British Colombia	2.6	3.1
Yellowknife	1.0	0.3

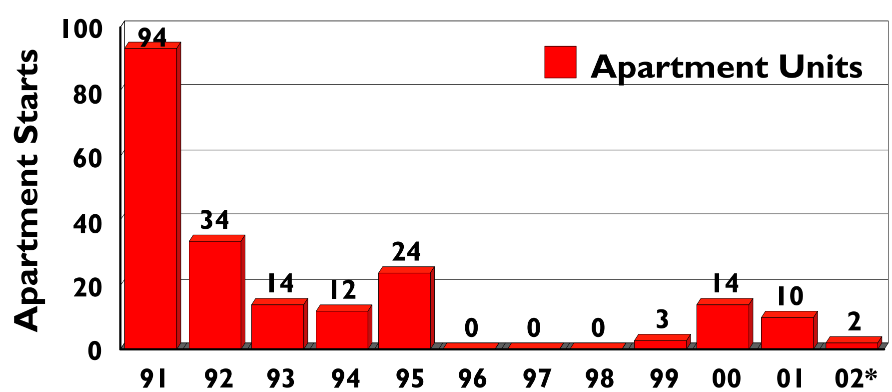
Vacancy Rate to Remain Above 6 Per Cent in 2003

In 2003, labour market conditions will remain strong in the high technology sector and telecommunications industry. Overall employment was already trending up in the second half of 2002 because of to the service sector. This is attracting a fair number of young professionnals looking for higher end units that are currently unavailable in Saint John. As a result, landlords and property managers are seeing a rise in rental demand. Furthermore, the Irving LNG plant, the next major capital project expected to begin in 2003, will also boost in-migration and stimulate demand for rental units in Saint John. This project may have a similar impact on the rental market than the Irving oil refinery refurbishment had in 2000. The several thousand workers coming from outside the region to work on the refinary had brought the vacancy rate down to a record low in October 2000. However, the Irving LNG plant project may not outweigh the out-migration in the younger age groups. According to the 2001 Census, the population between 15-19 and 20-24 dropped by 6.3 and 10 per cent respectively, when compared to 1996. Our prediction is that this trend will not be as significant in 2003 due to improved labour conditions in New Brunswick. As a result, the vacancy rate will not increase significantly, but should remain above 6 per cent again by the end of 2003.

Rents Up in 2003

Population between 55-64 rose by 14.2 per cent between 1996 and 2001. Expect the average rent to increase over the next few years as developers start building higher-end units targeted to this particular age group. Multiple starts are expected to rise in 2003 as more builders recognize the need for new rental units targeted to older age groups.

Construction of Apartment Units Remains Weak in Greater Saint John



02*: January thru November

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Contact Ben Champoux, your local analyst, at (506) 851-2742

Your Link to the Housing Market

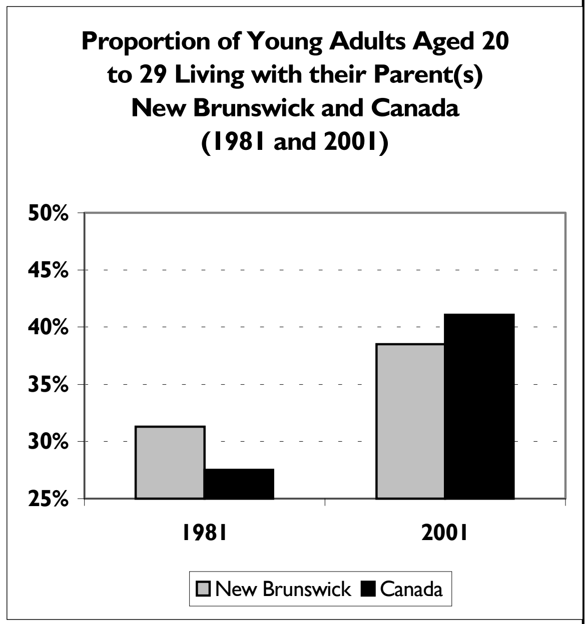
Census Highlight: When will they move out?

More young adults living at home with their parent(s)

According to Statistics Canada, the proportion of young adults living at home with their parent(s) is on the rise. Over the last two decades, young adults aged 20 to 29 have exhibited a growing tendency to remain in (or return to) the parental home. New Brunswick has not been immune from this phenomenon. Over the past 20 years, the number of young adult New Brunswickers living at home increased by over 7 percentage points from 31.3 per cent in 1981 to 38.5 per cent in 2001.

There are a number of explanations for this growing trend of "staying in the nest" including declining marriage rates, rising age at first marriage, the pursuit of post secondary education and difficulties in finding a job. While the province's figures are lower than the national average of 41 per cent, the fact that more young adults are living at or returning to live with their parents is having an impact on the rental market as this age group typically exhibits the highest incidence of renting.

At 38.6 per cent, Saint John has almost the same proportion of young adults living at home as the provincial average, but the rate is a few percentage points lower than the national average. This decreasing propensity of young adult Saint Johners to venture out on their own may be one of the factors contributing to the region's weak rental market. Finally, for those parent(s) who feel they have finally gained the freedom to roam their home, Statistics Canada reports that about 33 per cent of men and 28 per cent of women aged 20 to 29 returned home at least once after an initial departure.



METHODOLOGY

Canada Mortgage and Housing Corporation conducts the Rental Market Survey every year in October to determine the number of vacancies and the rents charged in rental structures. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. Only Structures which have been on the market for at least three months are included. While this publication is mainly about privately initiated apartments with three units and more, the CMHC survey also examines row houses and publicly initiated rental and co-op housing.

The survey is conducted by telephone or site visit, and rent information is obtained from the owner, manager or building superintendent. The survey is conducted in the first two weeks of October and these results reflect market conditions at that time.

Definitions

Vacancy: A unit is considered vacant if, at any time of the survey, it is physically unoccupied and available for immediate rental.

Rent: The rent data refers to the actual amount tenants pay for their unit. Amenities and services such as heat, light, parking, hot water and laundry facilities may or may not be included in the monthly rent reported in individual cases. The average rent figures reported in this publication represent the average of different units in the market area, some of which may have some or all of these services.

Rental apartment structure: Any building containing three or more rental dwellings which are not ground oriented.

Rental row house structure: Any building with three or more ground oriented rental dwellings.

Acknowledgement

The Rental Market Survey could not have been conducted without the co-operation of the many property owners and managers throughout Canada. We greatly acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope that the results of this work wil provide a benefit to these clients and to the entire housing industry.

Statistical Tables

Table 1: Apartment vacancy rates (%) - By zone and bedroom type

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 - South	4.0	7.5	3.6	**	5.0	7.5	2.9	6.1	4.1	5.3
Zone 2 - West	6.6	4.4	**	**	11.4	9.3	6.5	3.2	0.7	1.7
Zone 3 - North	4.5	5.7	**	**	6.6	8.7	4.3	3.7	3.4	6.6
Zone 4 - East	9.8	7.3	**	**	14.8	9.1	7.1	6.4	**	**
Saint John City (1 - 4)	**5.5**	**6.4**	**5.5**	**16.3**	**7.6**	**8.2**	**4.8**	**4.8**	**3.7**	**5.3**
Zone 5 - Outlying Areas	6.1	5.5	**	**	5.3	10.4	6.6	5.0	0.0	2.9
Saint John CMA	**5.6**	**6.3**	**5.2**	**15.9**	**7.5**	**8.3**	**5.1**	**4.8**	**3.6**	**5.2**

**** Not published**

Table 2: Number of apartment units - vacant and total (universe)

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - South	235	3,125	47	274	97	1,291	74	1,230	17	330
Zone 2 - West	58	1,294	**	**	31	331	23	716	4	234
Zone 3 - North	163	2,837	15	86	49	562	59	1,577	40	612
Zone 4 - East	104	1,416	6	44	36	394	49	764	13	214
Saint John City (1 - 4)	560	8,672	68	417	212	2,578	206	4,287	74	1,390
Zone 5 - Outlying Areas	55	1,006	0	10	12	111	43	851	1	34
Saint John CMA	**615**	**9,678**	**68**	**427**	**224**	**2,689**	**248**	**5,138**	**75**	**1,424**

**** Not published**

Zone Descriptions

Zone 1 - Saint John South: West of Saint John Harbour and East of Courtenay Bay

Zone 2 - Saint John West: All areas both north and south of Route 1 and west of the Saint John Harbour

Zone 3 - Saint John North: City of Saint John bounded by Route 1 on the south and Saint John River on the west

Zone 4 - Saint John East: Areas bounded by Route 1 on the north and Courtenay Bay on the west

Zone 5 - Outlying areas: Includes the towns of Rothesay, Quispamsis, Grand Bay-Westfield, Saint Martins Village and the Parishes of Greenwich, Kingston, Musquash, St. Martins, Simonds, Lepreau, Rothesay, Hampton and Simonds

Table 3: Average apartment rents ($) - By zone and bedroom type

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 - South	459	479	358	**	411	433	530	523	500	597
Zone 2 - West	446	451	**	**	377	386	459	457	509	517
Zone 3 - North	470	486	**	**	403	423	482	495	521	533
Zone 4 - East	470	476	**	**	425	426	486	494	**	**
Saint John City (1 - 4)	463	477	346	359	407	424	493	497	515	544
Zone 5 - Outlying Areas	432	465	**	**	390	416	440	470	491	519
Saint John CMA	**459**	**475**	**344**	**359**	**406**	**424**	**483**	**492**	**514**	**543**

**** Not published**

Table 4: Apartment vacancy rates (%) - By structure size and bedroom type

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
3 - 5 Units	1.6	3.5	**	**	0.9	3.3	1.9	4	0	3.1
6 - 19 Units	1.9	2.6	**	**	0.9	2.9	2.3	2.5	**	**
20 - 49 Units	1.5	1.2	3.6	1.2	1	1.1	1.5	1.2	**	0
50 - 99 Units	0.3	**	**	**	0.5	**	0.2	**	**	0
100+ Units	1.6	2.3	4.1	2.2	0.9	2.4	1.8	2.3	0	2.4
Total	**5.6**	**6.3**	**5.2**	**15.9**	**7.5**	**8.3**	**5.1**	**4.8**	**3.6**	**5.2**

**** Not published**

Table 5: Average apartment rents ($) - By structure size and bedroom type

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
3 - 5 Units	431	462	**	**	380	412	455	462	482	543
6 - 19 Units	458	474	341	**	399	414	476	492	544	530
20 - 49 Units	450	452	308	348	412	424	481	472	**	**
50 - 99 Units	533	508	416	358	510	500	583	558	545	547
100+ Units	**	**	**	**	**	**	**	**	**	**
Total	**459**	**475**	**344**	**359**	**406**	**424**	**483**	**492**	**514**	**543**

**** Not published**

Table 6: Apartment vacancy rates (%) - By structure height and bedroom type

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
No Storey Data	5.7	6.6	**	**	5.3	8.5	6.4	4.1	**	8.3
1-4 Storeys	5.1	6.1	2.4	19.4	7.5	8	4.7	4.8	2.4	4.2
5-9 Storeys	**	**	**	**	**	**	**	**	11.3	8.5
Total	**5.6**	**6.3**	**5.2**	**15.9**	**7.5**	**8.3**	**5.1**	**4.8**	**3.6**	**5.2**

** Not published

Table 7: Average apartment rents ($) - By structure height and bedroom type

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
No Storey Data	434	471	**	**	401	422	475	495	**	528
1-4 Storeys	449	467	322	336	391	413	471	481	512	541
5-9 Storeys	**	**	**	**	**	**	**	**	545	548
Total	**459**	**475**	**344**	**359**	**406**	**424**	**483**	**492**	**514**	**543**

** Not published

Table 8: Apartment vacancy rates (%) and average rents - By age of structure

Vacancy Rates (%)	All Units	
	2001	2002
No Date	**	5.4
Pre 1940	5.4	7.0
1940 - 1959	5.8	7.1
1960 - 1974	3.9	4.8
1975 - 1984	7.5	6.9
1985 - 1994	6.9	2.5
1995 and after	0.0	0.0
Total	**5.6**	**6.3**

Average Rents ($)	All Units	
	2001	2002
No Date	**	444
Pre 1940	437	466
1940 - 1959	514	522
1960 - 1974	497	498
1975 - 1984	457	466
1985 - 1994	474	441
1995 and after	580	**
Total	**444**	**475**

Vacant VS Total Units	All Units	
	Vacant	Total
No Date	27	505
Pre 1940	295	4,208
1940 - 1959	36	506
1960 - 1974	103	2,154
1975 - 1984	150	2,170
1985 - 1994	3	116
1995 and after	0	19
Total	**615**	**9,678**

** Not published

Table 9: Apartment vacancy rates (%) - By rent range

Rent Range ($)	All Units 2001	All Units 2002
< $300	11.6	3.9
$300 - 349	8.1	11.1
$350 - 399	8.7	10.7
$400 - 449	6.2	8.0
$450 - 499	4.9	4.3
$500 +	4.1	4.9
Total	**5.6**	**6.4**

Rent Range ($)	All Units 2001	All Units 2002
< $350	9.4	9.4
$350 - 399	8.7	10.7
$400 - 449	6.2	8.0
$450 - 499	4.9	4.3
$500 - 549	4.4	4.8
$550 +	3.7	5.1
Total	**5.6**	**6.3**

Rent Range ($)	All Units 2001	All Units 2002
< $500	6.8	7.2
$500 - 549	4.4	4.8
$550 - 599	3.0	3.8
$600 - 649	**	8.6
$650 - 699	**	**
$700 +	5.7	4.5
Total	**5.6**	**6.3**

** Not published

Table 10: Apartment vacancy rates and average rents - Heated vs Unheated

	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Vacancy Rates (%)										
Saint John CMA	5.6	6.3	5.2	15.9	7.5	8.3	5.1	4.8	3.7	5.0
Heat Not Included	6.6	5.9	10.9	6.3	9.1	9.6	5.5	4.0	5.3	6.8
Heat Included	4.8	6.7	3.4	18.5	6.4	7.5	4.8	5.6	2.4	4.0
Average Rents ($)										
Saint John CMA	461	475	344	359	406	424	483	492	522	543
Heat Not Included	420	438	321	355	367	382	431	453	478	476
Heat Included	491	505	350	360	431	450	528	528	559	595

** Not published

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