



RENTAL MARKET

SAINT JOHN

REPORT

Canada Mortgage and Housing Corporation

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OCTOBER 2003

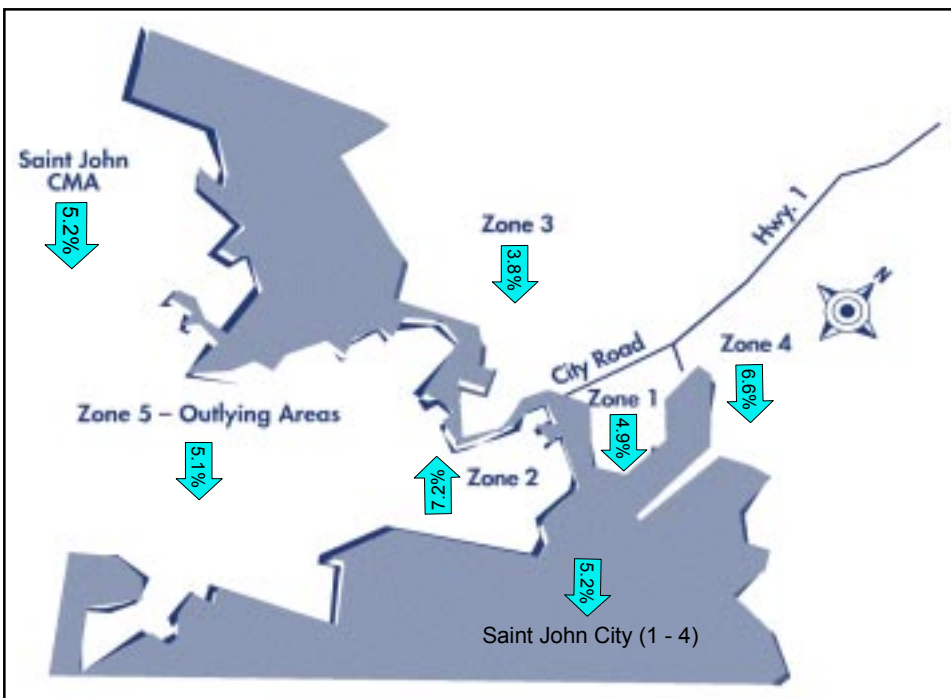
Vacancy Rate Declines Rental Demand on the Rise

Following three consecutive years of increases, the vacancy rate in Greater Saint John declined this year. Results of the Fall 2003 Rental Market Survey in the Greater Saint John area show that there were 449 vacancies in privately owned apartment structures of three units or more, compared to 615 vacant units a year ago. As a result, the vacancy rate declined to 5.2 per cent in October compared to 6.3 per cent in 2002. Despite the 1.1 percentage point drop in October 2003, the Saint John CMA still has the highest vacancy rate of all larger Canadian urban centres, along with the Saguenay region in Quebec.

The average rental apartment vacancy rate in Canada's 28 metropolitan areas

rose to 2.2 per cent in October this year from 1.7 per cent in October 2002, with increases in 21 of the 28 urban centres. After Saint John and the Saguenay, the highest vacancy rates were recorded in Saskatoon and Calgary.

In Saint John, the vacancy rate declined in all bedroom types, except for the larger, three+ bedroom units. Vacancies dropped in all zones, with the exception of Saint John West (Zone 2), the smallest rental zone. In Saint John West, the vacancy rate jumped to a high of 7.3 per cent in October compared to 4.4 per cent last year. With 151 vacant units, more than 30 per cent of all vacancies were in Saint John South, the largest rental zone.



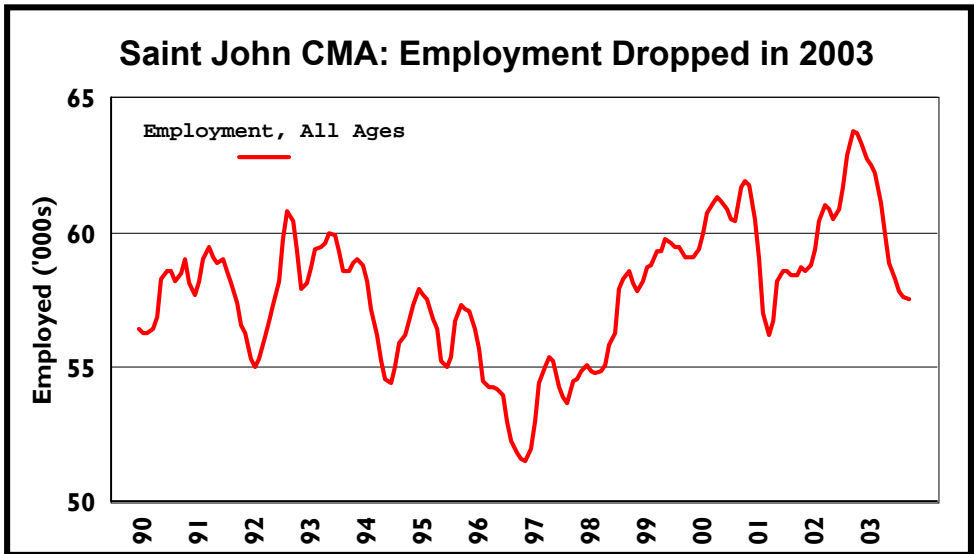
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HOME TO CANADIANS
Canada



Fewer Vacancies Despite Major Drop in Employment

In the late 1990s, major capital projects, such as the refurbishment of the Irving Oil refinery and the natural gas pipeline, fuelled employment growth. As most workers involved on these major projects were non-permanent residents coming from outside the region, relatively high in-migration levels stimulated rental demand. As a result, the vacancy rate had dropped from a high of 9.1 per cent in October 1996 to a low of 3.4 per cent in October 2000. Vacancies started to rise again however, as these projects came to an end, and workers left the region. In short, historical data has clearly shown a positive correlation between migration trends and rental vacancies. However, in 2003, there were fewer rental units available in the Greater Saint John area, despite a significant drop in employment. In fact, according to Statistics Canada, there were 57,500 people employed at the end of October 2003 compared to 63,800 last year. Employment at the time of our survey was at its lowest level since 1997. Consequently, the drop in vacancies in Greater Saint John this past October was unlikely due to the labour market conditions.

Homeownership Costs on the Rise

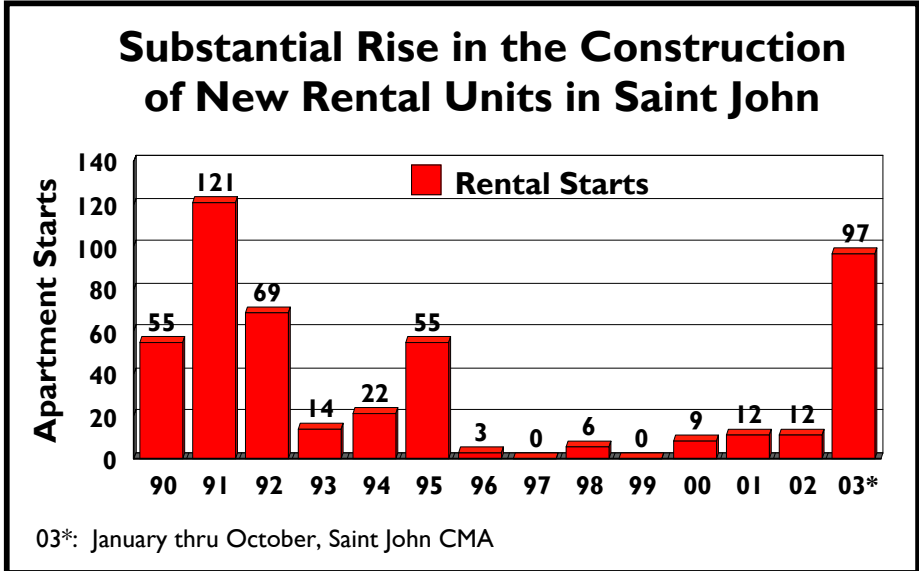
Unlike previous years, a significant increase in homeownership costs is most Rental Market Report, Fall 2003

likely considered as one of the main reasons for the decline in vacancies. Prior to 2003, the rise in home prices had been offset by dropping mortgage rates. Some renters took advantage of attractive mortgage rates and an ample supply of lower-priced homes to make a jump into the homeownership market. However, in 2003, the inventory of existing homes available for sale has declined significantly in the Saint John area. In fact, active listings at the end of November 2003 were 12.1 per cent below last year's level. Furthermore, skilled labour shortages in many trades has caused a significant increase in labour costs. When combined with a substantial rise in land and material costs, new home prices have also increased significantly in 2003. Statistics Canada's new home price index showed a 2.7 per cent increase over the 2003 January–October period when compared to 2002—the strongest growth since 1996.

As a comparison, the 2003 average new home price in Moncton is expected to reach \$152,000. Despite an average new home price nearly 20 per cent higher in Saint John than in Moncton, the average household income in Saint John, at \$51,460 in 2001, was almost 8 per cent lower than in Moncton. Due to rising home prices, some households could no longer afford to own a home, and decided to opt for the rental market. This is viewed as one of the key factors that caused the vacancy rate to drop to 5.2 per cent in October 2003.

Rental Starts Up

Relatively high vacancy rates in Saint John over the past few years have been due mainly to the higher ratio of older stock. In fact, more than 40 per cent of all rental units in Saint John were built prior to 1939. While these units reported the highest vacancy levels, barely any vacancies were reported in rental projects started since 1995. Developers took advantage of low interest rates and a lack of new rental accommodations available on the market to start nearly 100 new units in 2003. These new high-end units, targeted to older age groups in particular, are now providing households with another housing option in Saint John. It may take a bit longer for empty nesters and seniors to make the decision to move to smaller, lower-maintenance units, but once these projects are fully absorbed and successful, it should stimulate the construction of other rental projects.



Apartment Vacancy Rates in regions across Canada		
CMAAs	2002	2003
Abbotsford	2.0	2.5
Calgary	2.9	4.4
Saguenay	4.9	5.2
Edmonton	1.7	3.4
Halifax	2.7	2.3
Hamilton	1.6	3.0
Gatineau	0.5	1.2
Kingston	0.9	1.9
Kitchener	2.3	3.2
London	2.0	2.1
Montréal	0.7	1.0
St. Catharines-Niagara	2.4	2.7
Oshawa	2.3	2.9
Ottawa	1.9	2.9
Québec	0.3	0.5
Regina	1.9	2.1
Saint John	6.3	5.2
St. John's	2.7	2.0
Saskatoon	3.7	4.5
Sherbrooke	1.8	0.7
Sudbury	5.1	3.6
Thunder Bay	4.7	3.3
Toronto	2.5	3.8
Trois-Rivières	3.0	1.5
Vancouver	1.4	2.0
Victoria	1.5	1.1
Windsor	3.9	4.3
Winnipeg	1.2	1.3
Charlottetown	2.2	3.5
CANADA	1.7	2.2

By Province		
	2002	2003
Newfoundland	3.2	3.3
Prince Edward Island	2.7	3.7
Nova Scotia	3.3	2.6
New Brunswick	4.1	4.3
Quebec	1.3	1.3
Ontario	1.7	3.5
Manitoba	1.4	1.6
Saskatchewan	3.5	4.1
Alberta	1.1	3.7
British Columbia	2.6	3.1
Yellowknife	1.0	1.7

Vacancy Rate to Decline Below 5 Per Cent in 2004

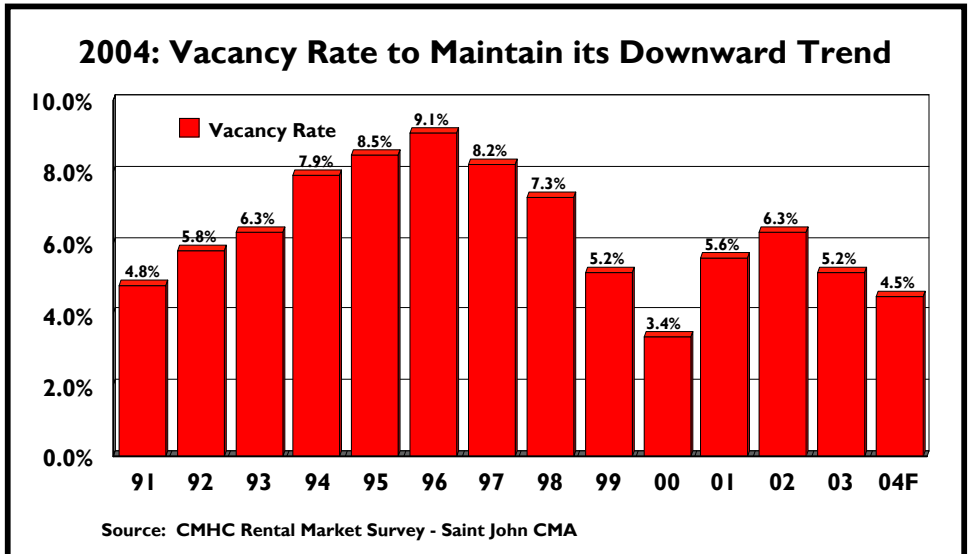
Following a slowdown in 2003, Saint John's economy is expected to bounce back in 2004, thanks to major capital projects such as the conversion of the Coleson Cove Generating Station and the refurbishment of the Irving LNG facility. These two projects alone should boost immigration in Saint John and stimulate demand for rental units in 2004. In fact, these projects may have a similar impact on the rental market as the Irving Oil refinery refurbishment had in the late '90s and 2000, when the vacancy rate had declined over many consecutive years to a low of 3.4 per cent in October 2000.

Furthermore, rising labour, land and building material costs is causing upward pressure on new home prices. Following a growth above 6 per cent in 2003, the average new home price will rise by more than 4 per cent again in 2004. Consequently, many potential homebuyers may be forced to opt for an existing home in 2004. However, not all of them will find what they are looking for. Resale market

conditions are expected to remain tight again next year, mainly due to the scarcity of listings. For some households, the rental market may be the only option. All these factors combined should cause the vacancy rate to drop under 5 per cent by the end of 2004.

Rents Up in 2004

Multiple starts in 2004 are expected to remain strong in historical terms, as more builders recognize the need for new rental units targeted to older age groups. The waterfront development project and the near-50-year low interest rates are two other key factors leading us to believe that the construction of multi-unit dwellings will remain strong again in 2004. However, these new high-end projects will represent a very small ratio of the overall rental universe. As a result, expect the average rent to increase by less than a per cent again next year, significantly lower than the inflation rate.



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Demographic Highlights: Saint John Rental Market

According to Statistics Canada's 2001 Census results, here are some interesting facts about the Saint John rental market:

Population

The largest rental market zone in Saint John is Zone 5—Outlying Areas, with a population of just over 53,000 people, representing 43 per cent of the CMA's 122,678 residents. On the other hand, Zone 1—Saint John South, is the smallest with a population count of 8,230. Between 1996 and 2001, the population declined in all of the rental markets zones with the exception of Zone 3—Saint John North, which remained relatively unchanged.

Tenure: Owning versus Renting

Overall in Saint John, there are 15,670 renter households, or about 33 per cent of all living arrangements. Renter households make up the majority of occupants in Saint John South and Saint John North, at 84 and 58 per cent, respectively. At 12 per cent, Zone 5—Outlying Areas, has the lowest ratio of renters-to-owners in Saint John.

Income

The median household income for 2000 in Saint John was \$41,596. On average, household incomes were significantly lower in Saint John South, while the Saint

John West and the Outlying Areas were above the midpoint for the CMA.

Affordability

Almost 6,000, or 38 per cent, of renter households in Saint John spend 30 per cent or more of their income on their monthly lease.¹ This figure ranges from a low of 31 per cent in Zone 5—Outlying Areas, to a high of almost 43 per cent in Zone 1—Saint John South.

¹ Does not include households in publicly-initiated housing whose shelter cost-to-household income ratio may be less than 30% or those whose shelter-to-income ratio (STIR) is over 100 per cent.

STATISTICS SUMMARY Atlantic CMAs & Cas	Rural & Small CAs	Halifax CMA	St. John's CMA	Saint John CMA	Moncton CA	Fredericton CA	Charlottetown CA
Total Population (2001)	1,373,519	359,183	172,918	122,678	117,727	81,346	58,358
Population Change 1996-2001	-4.7%	4.7%	-0.7%	-2.4%	3.7%	3.0%	2.0%
Average Income (Total Households)	\$42,939	\$56,361	\$54,940	\$51,460	\$55,483	\$51,432	\$52,103
Average Income (Owner Households)	\$49,227	\$70,470	\$66,313	\$62,503	\$64,763*	\$61,262*	\$61,434*
Average Income (Renter Households)	\$29,335	\$33,802	\$29,106	\$28,836	\$33,709*	\$30,081*	\$29,965*
Number of Dwellings (2001)	524,760	144,435	64,830	48,260	46,820	32,175	22,395
Ownership Rate (2001)	79.0%	61.7%	69.5%	67.4%	68.6%	71.4%	64.8%
Rental Market Vacancy Rate	N/A	2.7%	2.7%	6.3%	2.3%	0.9%	2.3%
Average 2-bedroom Rent	N/A	\$704	\$589	\$492	\$578	\$620	\$568

Source: Statistics Canada and CMHC

* Estimate based on per cent change in average total household income (1996-2001)

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.

Acknowledgment

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 will 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	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 - South	7.5	4.9	3.6	7.4	7.5	4.5	6.1	3.1	5.3	10.2
Zone 2 - West	4.4	7.3	**	0.0	9.3	9.7	3.2	6.6	1.7	6.2
Zone 3 - North	5.7	3.8	**	0.9	8.7	5.1	3.7	2.9	6.6	5.6
Zone 4 - East	7.3	6.6	**	**	9.1	8.6	6.4	6.3	6.1	4.3
Saint John City (1 - 4)	6.4	5.2	16.3	5.9	8.2	6.0	4.8	4.2	5.3	6.5
Zone 5 - Outlying Areas	5.5	5.1	**	**	10.4	6.0	5.0	4.6	2.9	6.5
Saint John CMA	6.3	5.2	15.9	6.2	8.3	6.0	4.8	4.2	5.2	6.5

** 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	151	3,091	27	358	59	1,317	34	1,111	31	305
Zone 2 - West	92	1,259	0	70	36	372	41	621	15	244
Zone 3 - North	107	2,801	1	117	31	616	45	1,526	30	542
Zone 4 - East	98	1,477	4	7	35	402	49	789	10	231
Saint John City (1 - 4)	449	8,628	32	552	161	2,707	170	4,047	86	1,322
Zone 5 - Outlying Areas	45	884	3	14	8	135	32	704	2	31
Saint John CMA	494	9,512	35	566	169	2,842	202	4,751	88	1,353

** 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	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 - South	479	483	**	381	433	429	523	554	597	571
Zone 2 - West	451	450	**	**	386	379	457	465	517	519
Zone 3 - North	486	492	**	356	423	435	495	510	533	522
Zone 4 - East	476	488	**	**	426	440	494	500	**	**
Saint John City (1 - 4)	477	482	359	375	424	425	497	513	544	538
Zone 5 - Outlining Areas	465	435	**	**	416	380	470	447	519	**
Saint John CMA	475	478	359	373	424	423	492	504	543	537

** Not published

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

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
3 - 5 Units	6.5	6.3	**	**	9.6	7.8	5.2	3.8	3.7	8.4
6 - 19 Units	6.0	4.8	**	7.9	6.8	5.0	5.0	4.6	7.3	3.2
20 - 49 Units	4.1	3.5	11.7	7.0	7.2	4.8	1.8	2.6	**	**
50 - 99 Units	9.7	5.2	19.9	5.3	9.2	5.1	6.5	5.6	8.4	**
100+ Units	2.3	**	2.2	**	2.4	**	2.3	**	2.4	**
Total	6.3	5.2	15.9	6.2	8.3	6.0	4.8	4.2	5.2	6.5

** Not published

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

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
3 - 5 Units	462	461	**	**	412	402	462	490	543	515
6 - 19 Units	474	478	**	412	414	418	492	498	530	566
20 - 49 Units	452	454	348	317	424	424	472	479	**	**
50 - 99 Units	508	518	358	374	500	506	558	575	547	**
100+ Units	**	**	**	**	**	**	**	**	**	**
Total	475	478	359	373	424	423	492	504	543	537

** Not published

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

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
No Storey Data	6.6	5.1	**	**	8.5	7.2	4.1	4.1	8.3	2.2
1-4 Storeys	6.1	5.2	19.4	6.2	8.0	5.8	4.8	4.2	4.2	7.6
5-9 Storeys	**	6.0	**	6.1	**	5.8	**	6.4	8.5	5.6
Total	6.3	5.2	15.9	6.2	8.3	6.0	4.8	4.2	5.2	6.5

** Not published

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

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
No Storey Data	471	446	**	**	422	415	495	467	528	521
1-4 Storeys	467	472	336	376	413	412	481	496	541	533
5-9 Storeys	**	513	**	419	**	480	**	538	548	558
Total	475	478	359	373	424	423	492	504	543	537

** Not published

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

Vacancy Rates (%)	All Units		Average Rents (\$)	All Units		Vacant VS Total Units	All Units	
	2002	2003		2002	2003		Vacant	Total
No Date	5.4	6.1	No Date	444	458	No Date	32	529
Pre 1940	7.0	6.1	Pre 1940	466	465	Pre 1940	246	4,047
1940 - 1959	7.1	4.7	1940 - 1959	522	513	1940 - 1959	23	501
1960 - 1974	4.8	3.2	1960 - 1974	498	503	1960 - 1974	72	2,175
1975 - 1984	6.9	5.5	1975 - 1984	466	469	1975 - 1984	112	2,036
1985 - 1994	2.5	3.0	1985 - 1994	474	**	1985 - 1994	5	166
After 1995	0.0	**	After 1995	580	**	After 1995	**	**
Total	6.3	5.2	Total	475	478	Total	494	9,512

** Not published

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

Rent Range (\$)	All Units		Rent Range (\$)	All Units		Rent Range (\$)	All Units	
	2002	2003		2002	2003		2002	2003
< \$300	3.9	6.3	< \$350	9.4	7.0	< \$500	7.2	6.2
\$300 - 349	11.1	7.5	\$350 - 399	10.7	10.1	\$500 - 549	4.8	3.6
\$350 - 399	10.7	10.1	\$400 - 449	8.0	5.9	\$550 - 599	3.8	3.6
\$400 - 449	8.0	5.9	\$450 - 499	4.3	4.4	\$600 - 649	8.6	6.5
\$450 - 499	4.3	4.4	\$500 - 549	4.8	3.6	\$650 - 699	**	**
\$500 +	4.9	3.8	\$550 +	5.1	4.0	\$700 +	4.5	4.1
Total	6.3	5.3	Total	6.3	5.3	Total	6.3	5.3

** Not published

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

	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Vacancy Rates (%)										
Saint John CMA	5.6	5.2	5.2	6.2	7.5	6.0	5.1	4.2	3.7	6.5
Heat Not Included	6.6	5.6	10.9	13.1	9.1	6.9	5.5	4.1	5.3	6.3
Heat Included	4.8	4.9	3.4	3.8	6.4	5.3	4.8	4.4	2.4	6.6
Average Rents (\$)										
Saint John CMA	461	478	344	373	406	423	483	504	522	537
Heat Not Included	420	441	321	373	367	399	431	455	478	488
Heat Included	491	502	350	373	431	438	528	540	559	568

** Not published

Rental Market Report is published once a year for the Saint John market. Priced at \$40 plus applicable taxes. For more information, contact Cynthia Way at the Atlantic Business Centre (902) 426-4708. Order # NBRE1.

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