



RENTAL MARKET

REPORT

SAINT JOHN

Canada Mortgage and Housing Corporation

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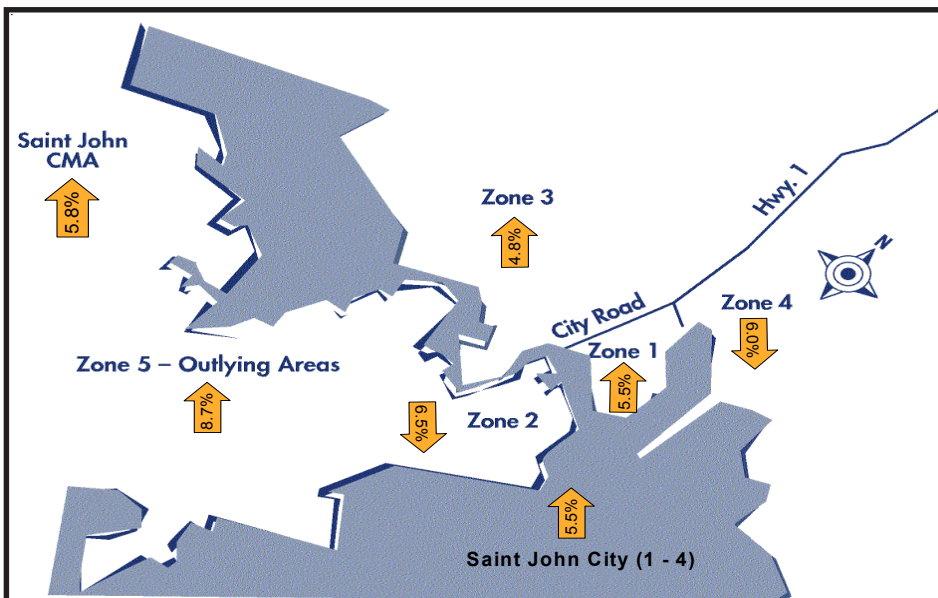
Vacancies on the Rise in Saint John City and Outlying Areas

Results of the October 2004 Rental Market Survey in the Greater Saint John area show that there were 544 vacant units in privately initiated apartment structures of three units and more compared to 494 units a year ago. As a result, the vacancy rate increased slightly from 5.2 per cent in 2003 to 5.8 per cent in October of this year.

The average apartment vacancy rate in Canada's 28 metropolitan areas rose from 2.2 per cent in October 2003 to 2.7 per cent in October this year, with increases in 21 of the 28 centres. The Saint John CMA no longer has the highest vacancy rate of all CMAs, but is now ranked third after Windsor and Saskatoon. According to the 2004 Survey, only 7 of the 28 CMAs had fewer vacant units as compared to 2003.

In the Saint John CMA, the vacancy rate increased in one and two-bedroom units, while vacancies dropped in the three+ bedroom units from 6.5 per cent in October 2003 to 4.5 per cent this year. The vacancy rate for bachelor units remained unchanged at 6.2 per cent.

Vacancies rose in Saint John City as well as in areas outside city limits (Zone 5 - Outlying areas). Within the city, there were fewer vacancies in Saint John West and East, but more vacancies in Saint John North and South, the two largest Zones. However, the outlying areas recorded the highest vacancy rate, and also the largest increase in vacancies when compared to 2003 (from 5.1 to 8.7 per cent). With 169 vacant units, more than 31 per cent of all vacancies were in Saint John South.



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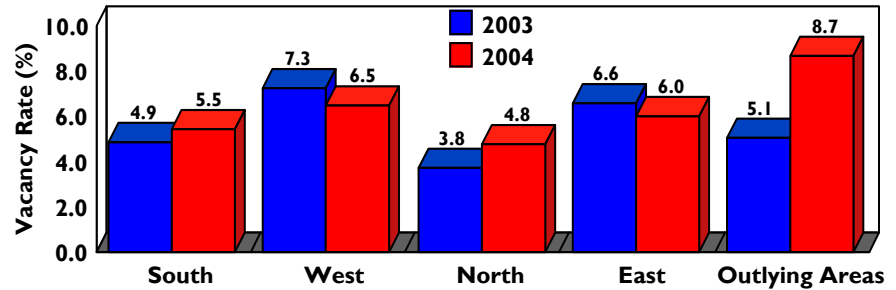
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Vacancies on the Rise in High-end Rental Units

Results of the October 2004 Rental Market Survey indicate that the overall rental demand has not changed significantly over the past 12 months. The 0.6 per cent increase in the vacancy rate (from 5.2 to 5.8 per cent) only represents a rise of 50 vacant units (494 vacant units out of a total 9,512 units surveyed in October 2003 compared to 544 vacant units out of a total 9,383 units in October 2004). However, the distribution of vacant units varies somewhat when comparing results of the last two surveys. In October 2004, there was a higher vacancy rate in high-end units when compared to 2003, and a lower vacancy rate in lower priced units. In fact, the vacancy rate jumped from 4.1 per cent to 6.7 per cent in units priced above \$700 a month, while it dropped from 6.2 to 5.6 per cent in units priced below \$500 a month. Furthermore, units in the \$650-\$699 rent range showed a 12.5 per cent vacancy rate, the highest vacancy rate of all categories.

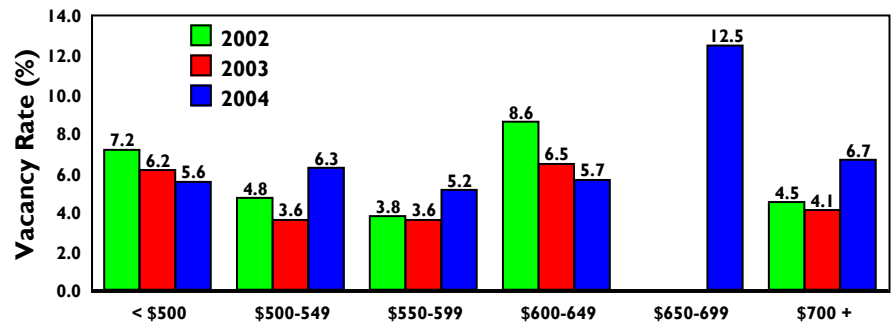
Despite rising vacancies in high-end units, most of the vacant units remain in the older, lower priced buildings. According to the 2004 survey, 252 of the total 544 vacant units were in structures built prior to 1940, when most of the rental structures were built. In fact, nearly half of the units surveyed were in structures built prior to 1940 (4,491 of the total 9,393 units surveyed), while only 204 of the 9,393 units surveyed (2.2 per cent) were in structures built after 1985. A higher ratio of older rental stock explains in part why the Saint John CMA has a higher vacancy rate when compared to most other Canadian CMAs.

Greater Rise in Vacancies in Outlying Areas



Source: CMHC 2004 Rental Market Survey - Saint John CMA

Higher Vacancies in More Expensive Units



Source: CMHC 2004 Rental Market Survey - Saint John CMA

Many Households Opt for Their First Home

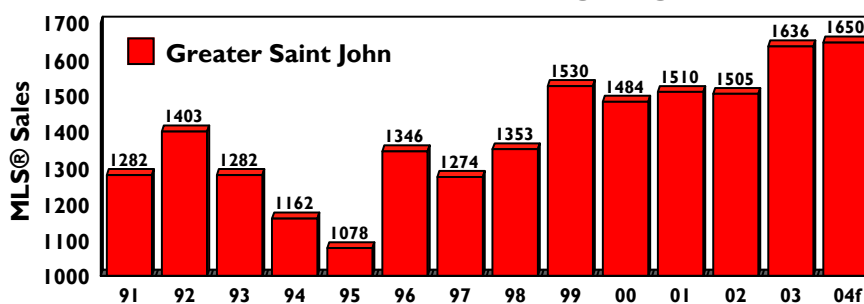
The lure of home ownership under historically low mortgage rates is viewed as another factor that can explain in part the slight increase in vacancies this year. In the Saint John CMA, 2003 and 2004 represent the best two-year period ever for real estate agents. In 2003, the resale market reached record sales levels with 1,636 transactions, and is expected to set a new record again this year with 1,650 units*.

Nearly two-thirds of all transactions concluded in Saint John so far this year

were for properties under \$120,000. The majority of these properties were most likely purchased by first-time homebuyers. Assuming a house is purchased for \$120,000, with a minimum \$5,000 down payment and a 6 per cent mortgage rate, the monthly carrying costs would be about \$760. As a result, some households in the Greater Saint John area took advantage of attractive resale market conditions to purchase their first home, to the detriment of the rental market. This explains, at least in part, why vacancy rates are on the rise in some of the high-end units with monthly rents that are closer to the average mortgage payment.

(* Note that at the end of October, MLS® sales had reached 1,321 units, a 7.8 per cent decline when compared to the 2003 January-October period. However, the decline in sales is mainly due to a change in the methodology approved earlier this spring by the Saint John Real Estate Board: a real estate transaction is now recorded in the MLS® system at the closing date as opposed to the date when an agreement had been reached by both parties. As a result, the drop in sales is not a reflection of a weakening demand in the market).

MLS® Sales to Reach Record High Again in 2004



Source: CREA & CMHC Forecast

Vacancy Rate to Remain Above 5 Per cent in 2005

There is no indication that rental supply will change significantly in Saint John in 2005. At the end of October, rental starts had only reached 38 units. The construction of rental projects is expected to pick up slightly in 2005. However, most new projects will unlikely be completed in time to be included in the October 2005 Survey. Besides, these new units would not make any significant difference to the Survey's results, considering that at least 9,000 units will be surveyed again in 2005.

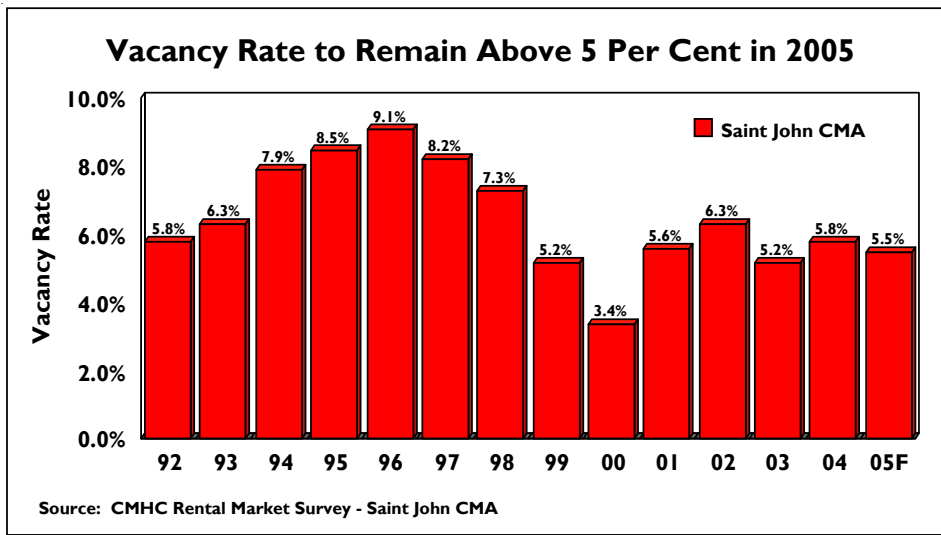
No significant increase in rental demand is expected in 2005. At the end of October, the 2004 monthly employment average had reached 60,660, a 2 per cent increase when compared to last year. Both full-time and part-time employment were up when compared to 2003. Employment growth has been particularly strong in the education, professional, scientific and technical services, and trade sectors. However, most new jobs in these sectors were filled with local residents. Construction is one of the few sectors that attracted

workers from outside the region, thanks to projects such as the \$750 million LNG terminal and the Trans-Canada Pipeline co-generate plant. However, this was not enough to offset the number of young couples leaving the region. A similar scenario is expected in 2005. Employment will most likely maintain its upward trend. However, employers will unlikely have to recruit from outside the region to fill the new positions, as unemployment in Saint John remains relatively high. Net migration will therefore be insignificant. The refurbishment of the Point Lepreau nuclear power plant is the only major project that could fuel in-migration and cause a decline in vacancies. However, this project is only under active consideration at this point and even if approved, would unlikely begin in 2005.

Fewer first-time homebuyers is the only factor that will cause the vacancy rate to remain under 6 per cent in October 2005. Fewer renters will jump into home ownership next year as a result of rising home prices and expected increases in

mortgage rates. (At the end of October, the average MLS® sales price was up 9.8 per cent when compared to last year). No significant increase in rental supply combined with fewer first-time buyers will allow the vacancy rate to decline slightly by the fall of 2005. Expect a vacancy rate in Greater Saint John between 5.2 and 5.8 per cent in 2005.

Apartment Vacancy Rates in Regions Across Canada		
AREA	2003	2004
Abbotsford CMA	2.5	2.8
Calgary CMA	4.4	4.3
Saguenay CMA	5.2	5.3
Edmonton CMA	3.4	5.3
Halifax CMA	2.3	2.9
Hamilton CMA	3.0	3.4
Gatineau CMA	1.2	2.1
Kingston CMA	1.9	2.4
Kitchener CMA	3.2	3.5
London CMA	2.1	3.7
Montréal CMA	1.0	1.5
St. Catherines-Niagara	2.7	2.6
Oshawa CMA	2.9	3.4
Ottawa CMA	2.9	3.9
Québec CMA	0.5	1.1
Regina CMA	2.1	2.7
Saint John CMA	5.2	5.8
St. John's CMA	2.0	3.1
Saskatoon CMA	4.5	6.3
Sherbrooke CMA	0.7	0.9
Greater Sudbury CMA	3.6	2.6
Thunder Bay CMA	3.3	5.0
Toronto CMA	3.8	4.3
Trois-Rivières CMA	1.5	1.2
Vancouver CMA	2.0	1.3
Victoria CMA	1.1	0.6
Windsor CMA	4.3	8.8
Winnipeg CMA	1.3	1.1
Charlottetown CA	3.5	4.2
CANADA	2.3	2.7



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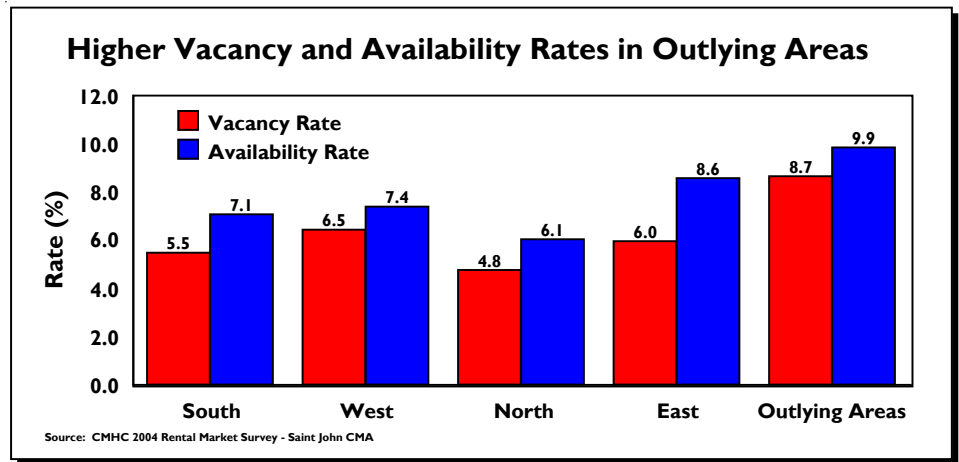
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Contact Ben Champoux, your local analyst, at (506) 851-2742.

Availability Rates Indicate Home Ownership Remains Strong

According to the 2004 Rental Market Survey results, 7.3 per cent of rental units were available in October in the Saint John market. The total availability rate is 1.5 percentage points higher than the total vacancy rate. The availability rate not only includes the vacant units, but also units for which the existing tenant has given, or has received, notice to move, and for which a new tenant has not signed a lease. Availability rates give a slightly broader indication of the trends in unoccupied rental accommodations in the short-term.

As explained previously in this report, the slight increase in vacancies in the Saint John area is due, at least in part, to the fact that many households made the switch from renting to owning a home. Despite the rising single-detached home prices, the gap between the cost of renting and owning a home has narrowed due to low mortgages rates. Consequently, it did not come as a surprise that the gap between the vacancy and availability rates is larger for three+ bedroom apartment units (4.5



per cent vacancy rate compared to a 6.4 per cent availability rate). Availability results somewhat indicate that the movement to home ownership continues and remains strong.

There was also a fairly large gap between the vacancy and availability rates in smaller one-bedroom units. This can be explained in part by the fact that large projects, such as the construction of a \$750 million LNG terminal and the Trans-Canada Pipeline co-generate plant, attracted many non-permanent workers from outside the Saint John area. Most workers moving to Saint John on a temporary basis often opt to rent a smaller apartment close to the Irving Oil Refinery and the downtown core.

Gaps Between Vacancy and Availability Rates Higher in Central Zones

According to the 2004 survey, the highest availability rate was observed in Zone 5, which includes all areas outside Saint John City (Outlying areas). These outlying areas also recorded not only the highest vacancy rate, but also the largest increase in vacancies when compared to 2003 (from 5.1 to 8.7 per cent). However, when looking at the gap between the vacancy and availability rates, the largest gaps are observed in Zones located in the centre of the Saint John CMA (Zone 4 - East, Zone 1 - South). In other words, renter turnover is more pronounced in central sectors.

Table A: Apartment Vacancy and Availability Rates (%) - By Zone and Bedroom Type
Privately initiated apartments with at least 3 units

Saint John CMA

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate
Zone 1 - South	5.5	7.1	5.4	5.4	8.4	10.3	3.7	5.3	3.1	4.7
Zone 2 - West	6.5	7.4	**	**	9.3	9.3	5.9	7.1	4.4	5.9
Zone 3 - North	4.8	6.1	3.9	3.9	5.2	6.8	4.3	5.1	5.8	8.3
Zone 4 - East	6.0	8.6	9.2	13.8	6.1	9.3	6.4	8.8	3.8	5.7
Saint John City (1 - 4)	5.5	7.1	5.5	6.0	7.3	9.2	4.8	6.2	4.6	6.6
Zone 5 - Outlying Areas	8.7	9.9	**	**	12.5	13.6	8.1	9.2	0.0	0.0
Saint John CMA	5.8	7.3	6.2	7.0	7.6	9.3	5.2	6.6	4.5	6.4

** Sample size not large enough to publish reliable results

METHODOLOGY

Canada Mortgage and Housing Corporation (CMHC) conducts the **Rental Market Survey (RMS)** every year in October to estimate the relative strengths in the rental market. The survey is conducted on a sample basis in all urban areas with populations of 10 000 and more. The survey targets only structures with at least three rental units, which have been on the market for at least three months. The data collected for a structure depends on its initiation type (public or private), and whether it is an apartment or a row structure. The survey collects vacant unit data for all sampled structures. The market rent data are collected for only privately initiated structures. The available unit data are obtained only for privately initiated apartments. Most data contained in this publication refer to privately initiated apartment structures.

The survey is conducted by a combination of telephone interviews and site visits, and information is obtained from the owner, manager, or building superintendent. The survey is conducted during the first two weeks of October, and the results reflect market conditions at that time.

Definitions

Availability: A rental unit is considered available if the existing tenant has given, or has received, notice to move, and a new tenant has not signed a lease; OR the unit is vacant (see definition of vacancy below).

Rent: The rent refers to the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water. For available and vacant units, the rent is the rent being asked for by the owner for the unit.

Rental Apartment Structure: Any building containing three or more rental units, of which at least one unit is not ground oriented. Owner-occupied units are not included in the rental building unit count.

Rental Row Structure: Any building containing three or more rental units, all of which are ground oriented. Owner-occupied units are not included in the rental building unit count.

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

Acknowledgement

The Rental Market Survey could not have been conducted without the cooperation of the rental property owners, managers and building superintendents throughout Canada. CMHC acknowledges their hard work and assistance in providing timely and accurate information. As a result of their contribution, CMHC is able to provide information that benefits the entire housing industry.

Market Zones

The survey zones reported in this publication are described on page 6.

Statistical Tables

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

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - South	4.9	5.5	7.4	5.4	4.5	8.4	3.1	3.7	10.2	3.1
Zone 2 - West	7.3	6.5	**	**	9.7	9.3	6.6	5.9	6.2	4.4
Zone 3 - North	3.8	4.8	0.9	3.9	5.1	5.2	2.9	4.3	5.6	5.8
Zone 4 - East	6.6	6.0	**	9.2	8.6	6.1	6.3	6.4	**	3.8
Saint John City (1 - 4)	5.2	5.5	5.9	5.5	6.0	7.3	4.2	4.8	6.5	4.6
Zone 5 - Outlying Areas	5.1	8.7	**	**	6.0	12.5	4.6	8.1	6.9	0.0
Saint John CMA	5.2	5.8	6.2	6.2	6.0	7.6	4.2	5.2	6.5	4.5

** Sample size not large enough to publish reliable results

Table 2: Number of apartment units - Vacant and total (2004 universe)

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - South	169	3,046	15	282	96	1,146	46	1,240	12	378
Zone 2 - West	80	1,231	**	**	31	335	39	669	10	218
Zone 3 - North	135	2,808	3	82	31	598	65	1,514	36	615
Zone 4 - East	89	1,483	5	51	24	399	50	785	10	248
Saint John City (1 - 4)	473	8,568	23	424	182	2,477	201	4,207	67	1,460
Zone 5 - Outlying Areas	71	815	4	11	14	110	54	662	0	32
Saint John CMA	544	9,383	27	434	196	2,588	254	4,869	67	1,491

** Sample size not large enough to publish reliable results

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	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - South	483	508	381	**	429	444	554	575	571	587
Zone 2 - West	450	456	**	**	379	388	465	472	519	504
Zone 3 - North	492	507	**	**	435	424	510	523	522	554
Zone 4 - East	488	492	**	**	440	442	500	505	**	567
Saint John City (1 - 4)	482	497	375	366	425	432	513	526	538	557
Zone 5 - Outlying Areas	435	477	**	**	380	440	447	483	**	**
Saint John CMA	478	496	373	366	423	432	504	520	537	556

** Sample size not large enough to publish reliable results

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

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 - 5 Units	6.3	6.2	**	**	7.8	10.2	3.8	5.6	8.4	3.1
6 - 19 Units	4.8	5.8	7.9	7.9	5.0	7.3	4.6	4.8	3.2	6.9
20 - 49 Units	3.5	3.3	7.0	**	4.8	1.9	2.6	3.8	**	**
50 - 99 Units	5.2	6.6	5.3	3.8	5.1	6.2	5.6	8.8	**	**
Total	5.2	5.8	6.2	6.2	6.0	7.6	4.2	5.2	6.5	4.5

** Sample size not large enough to publish reliable results

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

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 - 5 Units	461	486	**	**	402	425	490	495	515	539
6 - 19 Units	478	492	412	359	418	417	498	517	566	574
20 - 49 Units	454	455	317	**	424	427	479	475	**	**
50 - 99 Units	518	534	374	373	506	515	575	605	**	**
Total	478	496	373	366	423	432	504	520	537	556

** Sample size not large enough to publish reliable results

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

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
No Storey Data	5.1	6.1	**	**	7.2	9.6	4.1	5.6	2.2	0.5
1-4 Storeys	5.2	5.6	6.2	3.8	5.8	7.5	4.2	4.8	7.6	5.4
5-9 Storeys	6.0	7.2	6.1	7.8	5.8	6.3	6.4	9.6	5.6	4.9
10+ Storeys	**	6.3	**	**	**	4.5	**	7.4	**	**
Total	5.2	5.8	6.2	6.2	6.0	7.6	4.2	5.2	6.5	4.5

** Sample size not large enough to publish reliable results

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

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
No Storey Data	446	454	**	**	415	401	467	457	521	535
1-4 Storeys	472	492	376	350	412	428	496	515	533	557
5-9 Storeys	513	508	419	414	480	471	538	530	558	563
10+ Storeys	**	685	**	**	**	558	**	778	**	**
Total	478	496	373	366	423	432	504	520	537	556

** Sample size not large enough to publish reliable results

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	
	2003	2004		2003	2004		Vacant	Total
Pre 1940	6.1	5.6	Pre 1940	465	481	Pre 1940	252	4,491
1940 - 1959	4.7	9.8	1940 - 1959	513	544	1940 - 1959	55	559
1960 - 1974	3.2	4.1	1960 - 1974	503	514	1960 - 1974	91	2,216
1975 - 1984	5.5	6.9	1975 - 1984	469	479	1975 - 1984	132	1,913
1985 - 1994	3.0	*	1985 - 1994	*	*	1985 - 1994	*	*
After 1995	*	*	After 1995	*	*	After 1995	*	*
Total	5.2	5.8	Total	478	496	Total	544	9,383

** Sample size not large enough to publish reliable results

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

Rent Range (\$)	All Units		Rent Range (\$)	All Units		Rent Range (\$)	All Units	
	2003	2004		2003	2004		2003	2004
< \$300	6.3	7.0	< \$350	7.0	6.5	< \$500	6.2	5.6
\$300 - 349	7.5	6.1	\$350 - 399	10.1	5.7	\$500 - 549	3.6	6.3
\$350 - 399	10.1	5.7	\$400 - 449	5.9	7.6	\$550 - 599	3.6	5.2
\$400 - 449	5.9	7.6	\$450 - 499	4.4	3.8	\$600 - 649	6.5	5.7
\$450 - 499	4.4	3.8	\$500 - 549	3.6	6.3	\$650 - 699	**	12.5
\$500 +	3.8	6.4	\$550 +	4.0	6.4	\$700 +	4.1	6.7
Total	5.3	5.8	Total	5.3	5.8	Total	5.3	5.8

** Sample size not large enough to publish reliable results

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

	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Vacancy Rates (%)										
Saint John CMA	5.2	5.8	6.2	6.2	6.0	7.6	4.2	5.2	6.5	4.5
Heat Not Included	5.6	6.1	13.1	11.6	6.9	7.1	4.1	6.6	6.3	2.3
Heat Included	4.9	5.6	3.8	4.3	5.3	7.9	4.4	4.2	6.6	6.1
Average Rents (\$)										
Saint John CMA	478	496	373	366	423	432	504	520	537	556
Heat Not Included	441	447	373	355	399	387	455	461	488	511
Heat Included	502	532	373	369	438	465	540	569	568	589

** Sample size not large enough to publish reliable results

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