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# ENTAL MARKET

SAINT JOHN

# REPORT

Canada Mortgage and Housing Corporation

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OCTOBER 2001

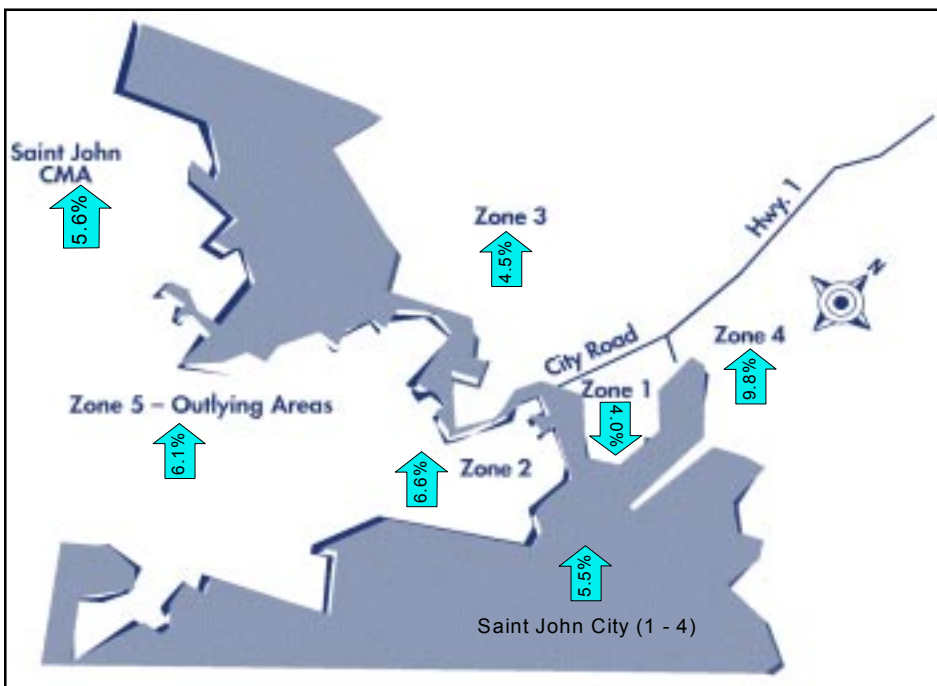
## Vacancy Rate on the Rise Weaker Demand for Rental Units as Employment Declines

Weaker growth in Saint John's economy has resulted in a 2.2 percentage point rise in the overall vacancy rate as many workers leave the region. Results of the Fall 2001 Rental Market Survey in the Greater Saint John area indicate that there were 551 vacancies in row and apartment structures compared to 374 vacant units a year ago. As a result, the vacancy rate increased to 5.6 per cent in October compared to a record low 3.4 per cent in 2000. This represents the strongest rise in vacancies in all larger Canadian urban centres.

The completion of the Irving Oil refinery as well as the lateral natural gas pipeline has caused out-migration of several

thousand workers. This is viewed as the main factor which contributed to the rise in vacancies.

The vacancy rate increased for all bedroom types, except for bachelors. The only area where vacancies dropped when compared to last year was South Saint John (Zone 1) with a 4 per cent vacancy rate. Higher vacancy rates typically mean a broader selection of rental units for tenants. Therefore, landlords are not in a position to increase rents substantially. However, despite a weaker rental demand, the average rent for the Saint John CMA rose by 3.8 per cent to \$461.



Vacancy Rate 2001, Saint John CMA

### IN THIS ISSUE

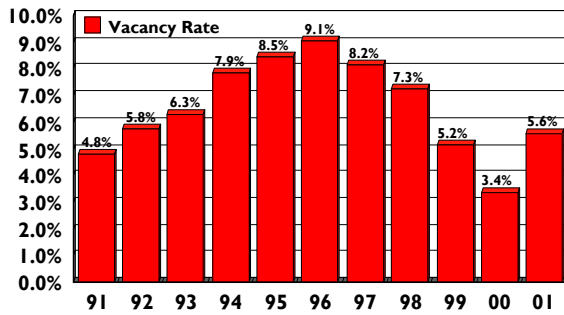
#### Statistical Tables

- 5** Row & Apartment Vacancy Rates (%)
- 5** Number of Row & Apartment Units - Vacant and Total (Universe 2001)
- 6** Average Row & Apartment Rents (\$)
- 6** Row & Apartment Vacancy Rates by Structure Size and Bedroom Type
- 6** Average Row & Apartment Rents by Structure Size and Bedroom Type
- 7** Row & Apartment Vacancy Rates by Structure Height and Bedroom Type
- 7** Average Row & Apartment Rents by Structure Height and Bedroom Type
- 7** Row & Apartment Vacancy Rates and Average Rents by Age of Structure
- 8** Row & Apartment Vacancy Rates by Rent Range
- 8** Row & Apartment Vacancy Rates and Average Rents - Heated vs Unheated



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## Vacancy Rate on the Rise



Source: CMHC Rental Market Survey - Saint John CMA

## Higher Vacancies on East Side

Major capital projects such as the expansion of the refinery and the natural gas pipeline had fuelled demand for rental accommodations in Saint John over the last few years. As a result, the vacancy rate trended down significantly between 1996 and 2000, dropping from a high of 9.1 per cent to a record low 3.4 per cent over the 5-year period.

Saint John's East side (Zone 4) benefitted from its proximity to the Irving Oil refinery. However, completion of the refinery expansion in 2001 has had a substantial impact on rental demand in East Saint John in particular. The several hundred workers leaving that area have caused the vacancy rate to rise from a low 2.9 per cent in 2000 to a high 9.8 per cent in 2001. This represents the highest vacancy rate of all areas within the Saint John CMA. The vacancy rate also more than doubled in West Saint John, from 3.2 per cent last year to 6.6 per cent in the Fall of 2001.

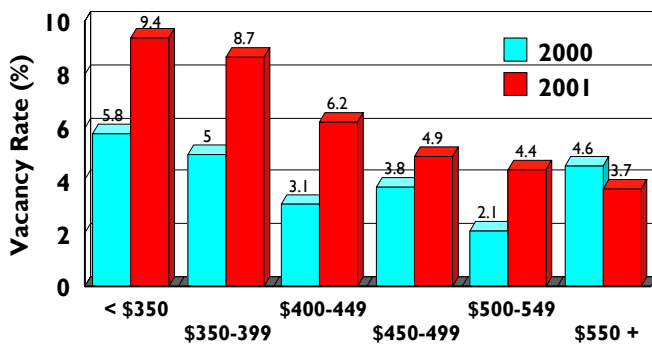
## Tenants Attracted to Newer Stock

Historical data have shown that tenants have always been attracted to the newer rental units despite higher rents. Saint John is not an exception to that trend. According to our latest Rental Market Survey, nearly half of the vacant units were in rental structures built prior to 1940. Rental units built prior to 1940 had an average rent of \$437, the lowest of all age categories. Only a few rental units were built after 1995. Notwithstanding this, there was no vacancy in all units built

since 1995, despite an average rent, at \$580, substantially higher than the overall average rent of \$461.

Rental units built after 1985 in Saint John represent 2 per cent of the rental universe compared to 32 per cent in the Greater Moncton area.

## Greater Demand for High-end Row and Apartment Units



Source: CMHC 2001 Rental Market Survey - Saint John CMA

## Downtown Rental Market Improves

Despite a substantial drop in capital investment, the Saint John economy has never been as diversified as it is now. This is mainly due to the development of the service sector. Strong growth in the telecommunication industry has helped decrease the

vacancy rate in the Downtown submarket (Zone 1). Despite a slight rise in vacancies, the two bedroom units were in greatest demand with a 2.9 per cent vacancy rate compared to 2.2 per cent one year ago. Typically, a balanced rental market has a vacancy rate hovering between 3 and 4 per cent.

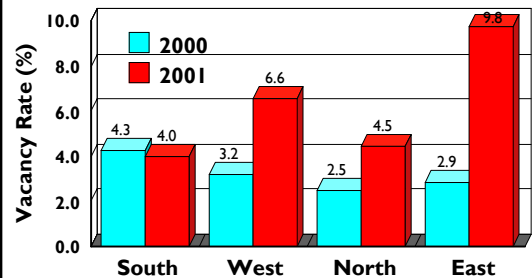
## What Are Renters Looking For?

Some of the renter's preferences in 2001 were consistent and others were very different from 2000. Based on our latest Rental Market Survey, the following section highlights the similarities and where shifts occurred:

✓ In 2001, more renters showed a preference toward one-bedroom units as the vacancy rate dropped from 8.7 to 5.2 per cent over the last twelve months.

✓ Despite a rise in vacancies, two bedroom units were the most popular type of rental accommodations with a vacancy rate just over 5 per cent.

## Higher Vacancies in East Saint John



Source: CMHC 2001 Rental Market Survey

✓ The vacancy rate for rental units with heat included was lower this year than for those in which heat is not included. At \$491, the average rent for heated units was \$71 higher than the average rent for unheated units.

✓ The high-end units with rents above \$550 were in greater demand again this year with a 3.7 per cent vacancy rate, the lowest of all rent ranges.

✓ When it comes to the size of the building, renters prefer to live in medium size apartment buildings. Large buildings with 50 to 99 units showed a high 8.9 per cent vacancy rate in October, while the vacancy rate in structures of 3-5 units and 6-19 units both had a 5 per cent vacancy rate.

**Row and Apartment Vacancy Rates By Market Across Canada**

Area	2000	2001
Calgary	1.2	1.2
Chicoutimi-Jonquière	4.4	4.4
Edmonton	1.3	0.9
Halifax	3.6	2.8
Hamilton	1.6	1.3
Kitchener	0.8	0.9
London	2.2	1.7
Montreal	1.5	0.6
St. Catharines-Niagara	2.7	2.0
Oshawa	1.7	1.3
Hull	1.5	0.6
Ottawa	0.2	0.8
Quebec	1.6	0.8
Regina	1.4	2.0
Saint John	3.4	5.6
St. John's	3.7	2.7
Saskatoon	1.7	2.9
Sherbrooke	4.7	2.3
Sudbury	8.5	6.0
Thunder Bay	5.7	5.8
Toronto	0.6	0.9
Trois-Rivières	6.8	4.7
Vancouver	1.4	1.0
Victoria	1.8	0.5
Windsor	1.9	2.8
Winnipeg	2.0	1.4
Charlottetown	2.6	1.8
<b>By Province</b>	<b>2000</b>	<b>2001</b>
Newfoundland	5.7	3.3
Prince Edward Island	3.3	2.4
Nova Scotia	4.2	3.3
New Brunswick	3.1	4.1
Quebec	2.2	1.3
Ontario	1.6	1.7
Manitoba	2.2	1.4
Saskatchewan	2.2	3.5
Alberta	1.3	1.1
British Columbia	3.6	2.6
Yellowknife	2.4	1.0
<b>Canada</b>	<b>2.2</b>	<b>1.7</b>

# Vacancy Rate to Rise Above 6 Per Cent in the Fall of 2002

Labour market conditions will remain strong in the high technology sector and telecommunications industry. However, this will not be enough to outweigh the significant decline in commercial construction and manufacturing sectors. The current economic slowdown in the U.S. will have a significant impact on exports. Petroleum products, New Brunswick's most important export, are dependent upon the strength of the U.S. economy. More than 80 per cent of our exports are shipped across the American border. As a result, Saint John's employment levels in 2002 will not match the 2001 mark. This slowdown in employment will negatively affect consumer confidence. An increasing number of job seekers will be tempted to leave the area, especially in the younger age groups. This will have a negative impact on

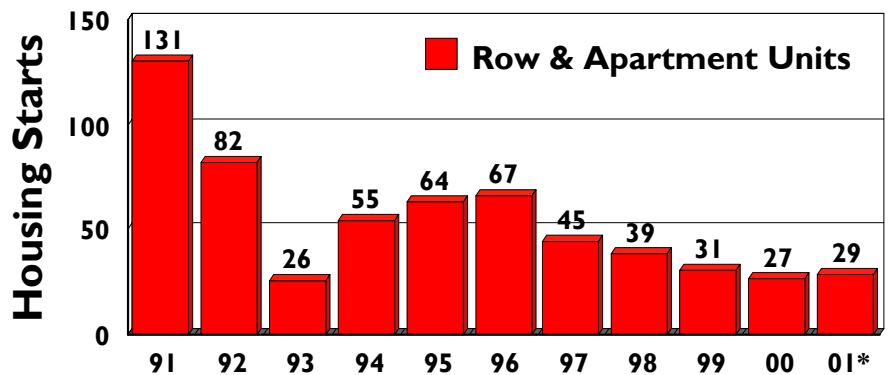
housing demand as well, and on rental units in particular. Expect the number of vacant units to rise by at least another 100 units, causing the vacancy rate to increase above 6 per cent in 2002.

Landlords and property managers will have to wait until 2003 before seeing a rise in rental demand. Irving LNG plant, the next major capital project expected to begin in 2003, will boost in-migration again and stimulate demand for rental units.

## Rents to Increase Modestly in 2002

Multiple starts are expected to rise slightly in 2002, but will remain weak in historical terms. Only a modest rent increase is expected, well below the inflation rate, due to a lack of new construction and higher vacancies.

### Construction of Row & Apartment Units Trending Down In Greater Saint John



01\*: January to November



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

# Higher Rents as Building Size Gets Bigger

According to the 2001 Rental Market Survey results, there is a general upwards trend on average rents as the building size gets bigger. So what is it about the size of a building that allows its owners to demand a higher rent?

Apartment buildings tend to have progressively higher rents as the structures get bigger, as smaller rental structures are typically unable to compete with other types of land uses for the more accessible locations within the city. As a result, the highest valued residential land will usually be developed as higher density apartment buildings.

Although these larger buildings may not have the same degree of personality as the smaller buildings, they are often very convenient and accessible to shopping, professional services, and other desirable amenities that will demand higher rents.

Also, economies of scale realized through the operational efficiencies of managing a large number of units gives developers the ability to add extra amenities (e.g., fitness facilities, common lounge) to the building. It is expected that the gap between rents of various sizes of apartment buildings will not continue simply due to the recent design style of new mid-sized structures that are commanding premium rents.

Developers have recognized a demand at the upper-end of the market for larger individual units in lower density buildings. Today's renters in Saint John, especially the seniors population, are typically not interested in living in high-rise apartment buildings.

From an urban planner's perspective, this low-rise structure design fits better with the general aesthetics of the city and gives developers less resistance from the neighborhood to the construction of a new building. From the developer's perspective, this design will likely attract more renters and allow them to charge higher rents, while limiting the number of units that can be placed in one building.

## 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 all 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 will provide a benefit to these clients and to the entire housing industry.

# Statistical Tables

**Table 1: Row & Apartment Vacancy Rates (%) - By Zone and Bedroom Type**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1 - South	4.3	4.0	11.3	3.6	4.6	5.0	2.2	2.9	4.3	4.0
Zone 2 - West	3.2	6.6	**	**	3.3	11.4	3.5	6.5	3.2	6.6
Zone 3 - North	2.5	4.5	**	**	2.1	6.6	2.5	4.3	2.5	4.5
Zone 4 - East	2.9	9.8	**	**	4.0	14.8	2.3	7.0	2.9	9.8
<b>Saint John City (1 - 4)</b>	<b>3.4</b>	<b>5.5</b>	<b>8.8</b>	<b>5.5</b>	<b>3.8</b>	<b>7.6</b>	<b>2.5</b>	<b>4.7</b>	<b>3.4</b>	<b>5.5</b>
Zone 5 - Outlying Areas	4.0	6.1	**	**	4.9	5.3	3.8	6.6	4.0	6.1
<b>Saint John CMA</b>	<b>3.4</b>	<b>5.6</b>	<b>8.7</b>	<b>5.2</b>	<b>3.9</b>	<b>7.5</b>	<b>2.7</b>	<b>5.1</b>	<b>3.2</b>	<b>3.7</b>

\*\* Not published

**Table 2: Number of Row & Apartment Units - Vacant and Total (Universe 2001)**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - South	128	3,170	11	302	72	1,428	32	1,103	14	337
Zone 2 - West	80	1,218	**	**	39	341	40	611	2	248
Zone 3 - North	132	2,903	**	**	37	561	68	1,606	20	622
Zone 4 - East	142	1,455	**	**	60	405	54	760	**	**
<b>Saint John City (1 - 4)</b>	<b>483</b>	<b>8,746</b>	<b>26</b>	<b>482</b>	<b>207</b>	<b>2,736</b>	<b>194</b>	<b>4,080</b>	<b>55</b>	<b>1,448</b>
Zone 5 - Outlying Areas	68	1,114	**	**	8	154	60	905	0	35
<b>Saint John CMA</b>	<b>551</b>	<b>9,860</b>	<b>26</b>	<b>502</b>	<b>216</b>	<b>2,890</b>	<b>254</b>	<b>4,985</b>	<b>55</b>	<b>1,482</b>

## 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 Row & Apartment Rents (\$)**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1 - South	440	459	312	358	406	411	484	530	485	500
Zone 2 - West	437	446	**	**	363	377	462	459	484	509
Zone 3 - North	446	473	**	**	390	403	447	482	520	534
Zone 4 - East	472	472	**	**	442	425	482	486	**	**
<b>Saint John City (1 - 4)</b>	447	464	336	346	406	407	467	493	509	522
Zone 5 - Outlying Areas	412	432	**	**	356	390	423	440	**	491
<b>Saint John CMA</b>	<b>444</b>	<b>461</b>	<b>336</b>	<b>344</b>	<b>402</b>	<b>406</b>	<b>460</b>	<b>483</b>	<b>508</b>	<b>522</b>

\*\* Not published

**Table 4: Row & Apartment Vacancy Rates (%) - By Structure Size and Bedroom Type**

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
3 - 5 Units	3.5	5.4	11.5	**	3.6	8.3	2.6	4.7	3.8	3
6 - 19 Units	3.2	5	3.5	3.6	4.4	6.3	2.8	5	1.9	1.8
20 - 49 Units	3.8	5	11.5	2.2	3.6	6.6	3.3	4.3	3.9	6
50 - 99 Units	**	8.9	**	12.9	**	9.1	**	6.7	**	10.4
<b>Total</b>	<b>3.4</b>	<b>5.6</b>	<b>8.7</b>	<b>5.2</b>	<b>3.9</b>	<b>7.5</b>	<b>2.7</b>	<b>5.1</b>	<b>3.2</b>	<b>3.7</b>

\*\* Not published

**Table 5: Average Row & Apartment Rents (\$) - By Structure Size and Bedroom Type**

Structure Size	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
3 - 5 Units	425	431	314	**	380	380	434	455	481	482
6 - 19 Units	443	459	306	341	391	399	461	476	525	551
20 - 49 Units	460	462	315	308	400	412	477	481	592	623
50 - 99 Units	**	533	**	416	**	510	**	583	**	545
<b>Total</b>	<b>444</b>	<b>461</b>	<b>336</b>	<b>344</b>	<b>402</b>	<b>406</b>	<b>460</b>	<b>483</b>	<b>508</b>	<b>522</b>

\*\* Not published

**Table 6: Row & Apartment Vacancy Rates (%) - By Structure Height and Bedroom Type**

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
No Storey Data	4.1	5.4	8.2	**	4.2	5.3	3.6	6.4	4.1	**
1-4 Storeys	2.7	5.1	9.9	2.4	3.6	7.5	2.1	4.7	1.1	2.4
5-9 Storeys	**	10.5	**	**	**	10.9	**	8.7	**	11.3
<b>Total</b>	<b>3.4</b>	<b>5.6</b>	<b>8.7</b>	<b>5.2</b>	<b>3.9</b>	<b>7.5</b>	<b>2.7</b>	<b>5.1</b>	<b>3.2</b>	<b>3.7</b>

\*\* Not published

**Table 7: Average Row & Apartment Rents (\$) - By Structure Height and Bedroom Type**

Height	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
No Storey Data	427	448	299	**	384	401	440	475	495	**
1-4 Storeys	446	449	316	322	398	391	466	471	510	512
5-9 Storeys	**	508	**	**	**	473	**	533	**	552
<b>Total</b>	<b>444</b>	<b>461</b>	<b>336</b>	<b>344</b>	<b>402</b>	<b>406</b>	<b>460</b>	<b>483</b>	<b>508</b>	<b>522</b>

\*\* Not published

**Table 8: Apartment & Row Vacancy Rates (%) and Average Rents - By Age of Structure**

Vacancy Rates (%)	All Units		Average Rents (\$)	All Units		Vacant VS Total Units	All Units	
	2000	2001		2000	2001		Vacant	Total
No Date	**	**	No Date	**	**	No Date	14	166
Pre 1940	3.6	5.4	Pre 1940	431	437	Pre 1940	254	4,706
1940 - 1959	4.4	5.8	1940 - 1959	494	514	1940 - 1959	25	436
1960 - 1974	2.8	3.9	1960 - 1974	467	497	1960 - 1974	90	2,273
1975 - 1984	3.5	7.5	1975 - 1984	442	457	1975 - 1984	156	2,077
1985 - 1994	4.5	6.9	1985 - 1994	507	474	1985 - 1994	12	173
After 1995	**	0.0	After 1995	**	580	After 1995	0	29
<b>Total</b>	<b>3.4</b>	<b>5.6</b>	<b>Total</b>	<b>444</b>	<b>461</b>	<b>Total</b>	<b>551</b>	<b>9,860</b>

\*\* Not published

**Table 9: Apartment Row Vacancy Rates (%) - By Rent Range**

Rent Range (\$)	All Units		Rent Range (\$)	All Units		Rent Range (\$)	All Units	
	2000	2001		2000	2001		2000	2001
< \$300	10	11.6	< \$350	5.8	9.4	< \$500	4.2	6.8
\$300 - 349	3.9	8.1	\$350 - 399	5	8.7	\$500 - 549	2.1	4.4
\$350 - 399	5	8.7	\$400 - 449	3.1	6.2	\$550 - 599	3.4	3.5
\$400 - 449	3.1	6.2	\$450 - 499	3.8	4.9	\$600 - 649	9.6	**
\$450 - 499	3.8	4.9	\$500 - 549	2.1	4.4	\$650 - 699	**	**
\$500 +	3.4	4.1	\$550 +	4.6	3.7	\$700 +	**	5.7
<b>Total</b>	<b>3.4</b>	<b>5.6</b>	<b>Total</b>	<b>3.4</b>	<b>5.6</b>	<b>Total</b>	<b>3.4</b>	<b>5.6</b>

\*\* Not published

**Table 10: Row & Apartment Vacancy Rates and Average Rents - Heated vs Unheated**

	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
<b>Vacancy Rates (%)</b>										
<b>Saint John CMA</b>	3.4	5.6	8.7	5.2	3.9	7.5	2.7	5.1	3.2	3.7
Heat Not Included	3.3	6.6	12.1	10.9	3.6	9.1	2.6	5.5	3.9	5.3
Heat Included	3.5	4.8	7.7	3.4	4.0	6.4	2.9	4.8	2.5	2.4
<b>Average Rents (\$)</b>										
<b>Saint John CMA</b>	444	461	336	344	402	406	460	483	508	522
Heat Not Included	421	420	339	321	366	367	430	431	487	478
Heat Included	460	491	335	350	425	431	484	528	529	559

\*\* 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 Johannes O'Callaghan at the Atlantic Business Centre (902) 426-4708. Order NBRE1.

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