



# RENTAL MARKET

St. John's

# REPORT

Canada Mortgage and Housing Corporation

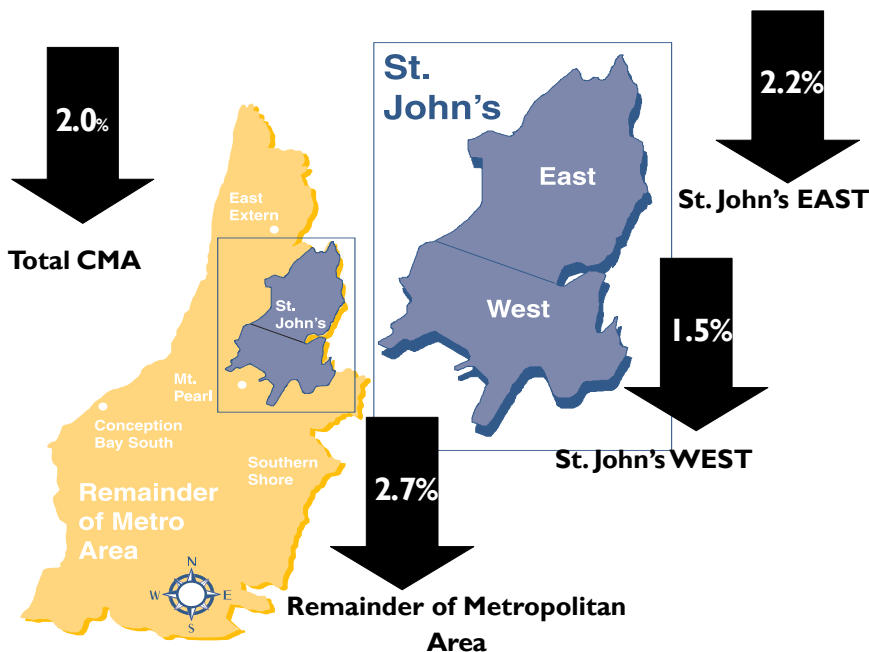
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## Metro Vacancy Rate Falls to 13-Year Low

### St. John's CMA

The apartment vacancy rate within the St. John's region fell to its lowest level in 13 years during the latter part of 2003 with overall conditions remaining tight. CMHC's rental market survey conducted during the first two weeks of October identified only 89 vacant units out of the almost 4,500 units enumerated. Accordingly, the vacancy rate in apartment structures containing three or more units stood at 2.0 per cent. This was its lowest level

since 1990. A seventh consecutive year of employment growth combined with an increase in the number of students from outside the province attending the region's major educational institutions were the major factors behind the sustained upturn in rental demand. A sharp rise in house prices in recent years and reduced supplies of homes being placed on the market for sale have also impeded



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## SUMMARY

- The vacancy rate for privately initiated apartment structures (three units and over) within the St. John's CMA fell to 2.0 per cent in October 2003, its lowest level since 1990.
- Vacancies were highest in three-bedroom units, at 3.9 per cent and lowest in one-bedroom units, at 1.5 per cent.
- Zone 3 (remainder of metropolitan area outside the urban core), at 2.7 per cent, posted the highest vacancy rate. St. John's west remained the tightest submarket, with a vacancy rate of 1.5 per cent.
- Average monthly rents increased across all unit types. The increase in average rents ranged from a high of 9.9 per cent for bachelor units, to a low of 2.0 per cent for one-bedroom apartments. Average rents for two-bedroom units advanced 3.1 per cent, while three-bedroom rents increased 3.5 per cent.

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the ability of some renter households to move into homeownership. The combination of growing demand and only limited additions to the supply of larger rental projects in recent years has contributed to the tight conditions which currently exist.

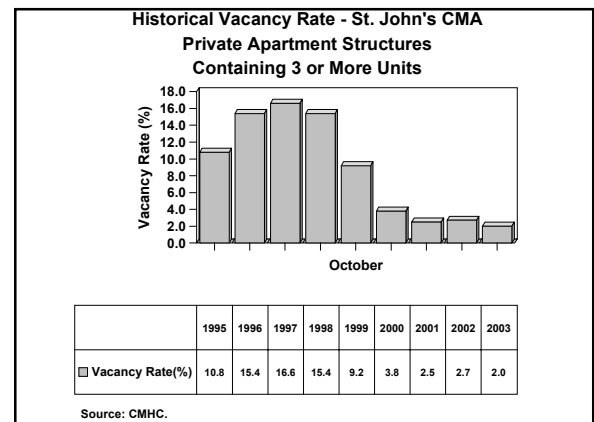
While all submarkets recorded fewer vacancies over the past 12 months, with a vacancy rate of 1.5 per cent, St. John's west remained the tightest. This was followed closely by St. John's east, where the vacancy rate fell to 2.2 per cent this past October. The remainder of the metropolitan area (Zone 3) located outside the City of St. John's experienced the highest vacancy rate of

2.7 per cent. It is worth noting that, with all submarkets posting rates below 3.0 per cent, shortages are prevalent throughout the region.

For the second consecutive year, bachelor units recorded the largest decline in vacancy rates. Only 3.1 per cent of bachelor units lay vacant this past October, compared to 6.0 per cent in 2002. At 1.5 per cent, one-bedroom units posted the lowest vacancy rate within the rental stock. The vacancy rate for two-bedroom apartments held steady over the past year at 1.7 per cent.

Vacancy rates in three-bedroom apartments edged up to 3.9 per cent, from 3.8 per cent in October 2002. With vacancy rates for one- and two-bedroom apartments below 2.0 per cent, and these units comprising over 80 per cent of the rental stock, the market is clearly under supplied.

Average market rents also increased across all bedroom types for the second consecutive year. Gains ranged from a high of 9.9 per cent for bachelor units to a low of 2.0 per cent for one bedroom apart-



ments. Average rents for two bedroom units advanced 3.1 per cent while three bedroom rents increased 3.5 per cent.

### Demographic Highlights—St. John's CMA Rental Market

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

#### Population

The largest rental market zone in St. John's is Zone 3 (surrounding areas outside of the City of St. John's), with a population of just over 95,800 people representing 54 per cent of the region's residents. Zone 1 (St. John's East), is the smallest with a population count of approximately 37,700. Between 1996 and 2001 the population declined in all of the rental market zones except Zone 3, which increased slightly by 1.7 per cent. This largely reflects growing populations in the Town of Paradise and, to a lesser extent, Conception Bay South and Torbay.

#### Tenure (Owning versus Renting)

There are approximately 19,750 renter households within the region representing almost 30 per cent of all living arrangements. Zone 2 (St. John's West) has the highest proportion of renter to total households, at 43 per cent. In contrast, Zone 3 has the lowest ratio of renters to owners in the region at 22 per cent.

#### Income

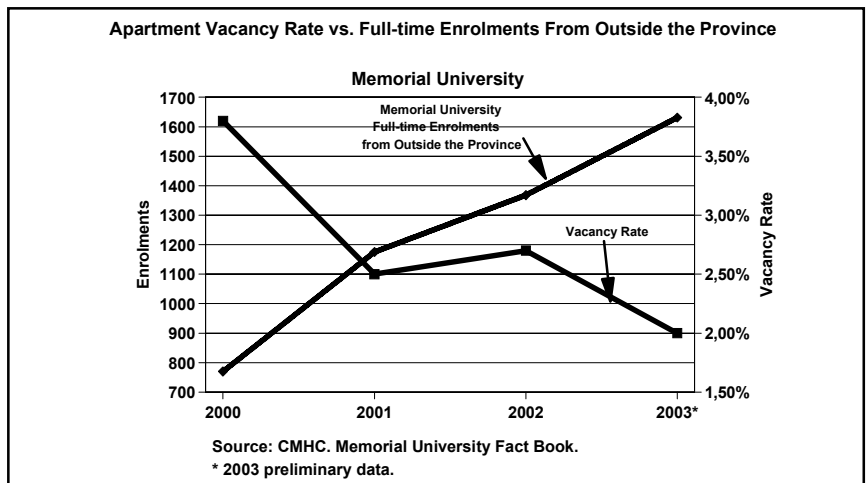
The median household income in 2000 in the CMA was \$45,675. Households in Zone 1 had the highest incomes at \$59,692 while Zone 2 had the lowest, at \$48,204. Median household income in Zone 3 was \$56,002.

## Apartment Vacancy Rates in Regions Across Canada

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

Continued from page 2

The factors influencing rental market performance in recent years have remained fairly consistent and involve both the supply and demand side of the market. Sustained employment growth, an expanding pool of students from outside the province attending the region's major educational institutions and dwindling supplies of quality existing homes being placed on the market for sale are some of the major factors. Movement to the region of persons from rural areas as well as workers involved in the expanding offshore oil industry have also provided a boost to rental demand.



The gap between market rents and rents required to ensure project viability continue to discourage developers from building new apartment projects. This lack of new construction, combined with growing demand, has resulted in a further tightening within the rental market over the past 12 months.

### Rental Demand Grows as Employment Increases

Similar to recent trends, ongoing expansion in the local economy has resulted in healthy employment growth again this year. During the first nine months of 2003, there were an additional 2,600 new jobs created within the metro region. This marks the seventh consecutive year that employment levels have increased and is a major reason behind the sustained improvement in rental demand. Over 12,000 jobs have been created in the local economy since 1996. During the same period, the apartment vacancy rate has fallen from a record high of 16.6 per cent in 1997 to its current, 13-year low of 2.0 per cent.

### Student Enrolments Up Again

Demographic trends clearly indicate that the number of students from this province who graduate from high school is on the decline. While

our own students will continue to comprise the greatest share of enrolments at the various educational institutions, such as Memorial University, increased recruitment efforts to attract students from outside the province have been stepped up in recent years.

In fact, the number of full-time students attending Memorial University during its fall semester who made application from outside the province has increased almost 40 per cent since 2001. Furthermore, this group of students accounted for 11.7 per cent of total full-time enrolment this past September, up from 8.5 per cent in 2001. This upward trend in students from outside the province is providing a boost to rental demand and is another key reason behind the declining vacancy rate.

### Low Rents Discourage Developers From Building New Stock

With the vacancy rate for larger structures remaining below 3.0 per cent during the past three years, the local market is in need of some new rental stock. Despite the obvious need, the gap between market rent and the rents required to ensure project viability continues to discourage developers from investing in larger rental projects. Although average rents for two apartment units have increased by almost 20 per cent since 1998, at \$607 per month they remain well below what would be needed to stimulate new construction.

The lack of new construction remains another key reason why the vacancy rate has moved steadily downward since 1997. Although ongoing construction of basement apartments is helping to ease some of the pressure on the market, their numbers are not sufficient to fully offset growing demand.

### Cost of Homeownership on the Rise

While sustained employment increases and growing incomes have underpinned record levels of housing sales in recent years, it has also led to a rapid rise in house prices. In fact, gains in house prices have more than offset lower interest rates, resulting in an upward trend in the overall cost of home ownership. Coupled with increasing ownership costs has been a downward trend in the supply of

homes being placed on the market for sale. After peaking in 1998, total active MLS® listings have been falling steadily. This combination of growing demand and dwindling supply has shifted the local housing market to favour sellers over the past 18 months. Discussions with local industry professionals indicate that while housing sales have been at record levels, increasing costs and a shortage of quality listings has

	2001	2002	2003(E)
<b>5 - Year Mortgage Rate (Annual Avg.)</b>	7.18%	6.70%	6.42%
<b>Purchase Price</b>	\$115,700	\$124,500	\$132,000
<b>Monthly Payment(P.I.T.)</b>	\$863	\$896	\$926

Source: CMHC, Eastern Newfoundland Real Estate Board. Weighted average price (new and resale)  
Assume: 10% downpayment, 25 year amortization, taxes at 1.27 % of purchase price.  
Note: 2003 is CMHC estimate.

served to moderate sales activity. These conditions have forced some renter households, unable to find a

suitable home, to stay where they are. Still others are frozen out of the homebuying market due to the rising cost of homeownership. These factors have also contributed to the tight rental market which currently exists.

### Outlook Calls for Tight Conditions to Persist in 2004

Further employment growth stemming from another year of economic expansion will continue to support rental demand next year. The gap between market rents and rents required to ensure market viability will continue to discourage new construction. Accordingly, overall market conditions will remain tight with the vacancy rate expected to stay around 2.0 per cent next year.

Few vacancies and growing demand will continue to place upward pressure on monthly rents, which are forecast to increase 5.0 per cent over the next 12 months.

## 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 that 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 gratefully acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope the results of this work will provide a benefit to these clients and to the entire housing industry.

**Table 1: Apartment Vacancy Rates (per cent)  
By Zone and Bedroom Type  
St. John's CMA - October 2002-2003**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 - St. John's East	3.2	2.2	4.9	5.0	5.7	2.0	1.4	1.4	1.0	3.6
Zone 2 - St. John's West	1.9	1.5	7.0	0.0	0.5	1.2	1.4	1.9	0.9	1.7
<b>St. John's City 1-2</b>	<b>2.5</b>	<b>1.9</b>	<b>6.0</b>	<b>3.1</b>	<b>3.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.6</b>	<b>1.0</b>	<b>2.6</b>
Zone 3 - Remainder of Metro Area	4.4	2.7	***	***	0.0	0.0	4.2	2.5	16.0	10.4
<b>St. John's CMA</b>	<b>2.7</b>	<b>2.0</b>	<b>6.0</b>	<b>3.1</b>	<b>2.7</b>	<b>1.5</b>	<b>1.7</b>	<b>1.7</b>	<b>3.8</b>	<b>3.9</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 2: Number of Apartment Units by Zone and Bedroom Type  
St. John's CMA - October 2003**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - St. John's East	46	2,088	12	242	15	722	13	978	6	146
Zone 2 - St. John's West	31	1,959	0	140	7	607	21	1,059	3	153
<b>St. John's City 1-2</b>	<b>77</b>	<b>4,047</b>	<b>12</b>	<b>382</b>	<b>22</b>	<b>1,329</b>	<b>34</b>	<b>2,037</b>	<b>9</b>	<b>299</b>
Zone 3 - Remainder of Metro Area	12	450	***	***	0	132	6	258	6	57
<b>St. John's CMA</b>	<b>89</b>	<b>4,497</b>	<b>12</b>	<b>385</b>	<b>22</b>	<b>1,461</b>	<b>40</b>	<b>2,295</b>	<b>15</b>	<b>356</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 3: Apartment Vacancy Rates (per cent) by Bedroom Count and Structure Size  
St. John's CMA - October 2003**

Structure Size	Bachelor	One Bedroom	Two Bedroom	Three Bedroom +	Total
3 - 5 Units	***	3.4	2.9	6.2	3.4
6 - 19 Units	0.0	***	2.7	7.2	3.6
20 - 49 Units	0.0	1.2	1.7	1.4	1.6
50 - 99 Units	2.9	1.2	0.9	1.4	1.4
100-199 Units	7.0	0.5	1.3	***	1.3
<b>Total</b>	<b>3.1</b>	<b>1.5</b>	<b>1.7</b>	<b>3.7</b>	<b>2.0</b>

Note: Privately initiated, three units and over.

\*\*\*Not available. Suppressed because of confidentiality.

**Table 4: Apartment Average Rents (\$) by Zone and Bedroom Type  
St. John's CMA - October 2002-2003**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 - St. John's East	576	606	420	434	513	555	652	670	640	660
Zone 2 - St. John's West	526	543	429	519	522	494	548	564	***	614
<b>St. John's City 1-2</b>	<b>550</b>	<b>575</b>	<b>425</b>	<b>468</b>	<b>517</b>	<b>525</b>	<b>599</b>	<b>615</b>	<b>622</b>	<b>636</b>
Zone 3 - Remainder of Metro Area	485	499	***	***	***	***	509	520	***	***
<b>St. John's CMA</b>	<b>543</b>	<b>568</b>	<b>425</b>	<b>467</b>	<b>510</b>	<b>520</b>	<b>589</b>	<b>607</b>	<b>599</b>	<b>620</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 5: Average Apartment Rents (\$) by Year of Completion  
and Bedroom Type - St. John's - October 2002-2003**

Year of Completion	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Pre 1940	560	531	***	***	***	473	***	563	***	630
1940 - 1959	563	***	***	***	562	***	550	***	***	***
1960 - 1974	570	624	433	436	530	571	676	754	531	532
1975 - 1984	549	568	401	408	510	550	577	584	625	649
After 1985	500	***	***	***	***	***	***	***	***	***
<b>St. John's CMA</b>	<b>543</b>	<b>568</b>	<b>425</b>	<b>467</b>	<b>510</b>	<b>520</b>	<b>589</b>	<b>607</b>	<b>599</b>	<b>620</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 6: Row and Apartment Vacancy Rates (per cent)  
by Zone and Bedroom Type  
St. John's CMA - October 2002-2003**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 - St. John's East	3.2	2.2	4.9	5.0	5.7	2.0	1.4	1.4	0.9	3.6
Zone 2 - St. John's West	1.9	1.5	7.0	0.0	0.5	1.2	1.4	1.8	0.9	1.7
<b>St. John's City 1-2</b>	<b>2.5</b>	<b>1.9</b>	<b>6.0</b>	<b>3.1</b>	<b>3.0</b>	<b>1.6</b>	<b>1.4</b>	<b>1.6</b>	<b>0.9</b>	<b>2.4</b>
Zone 3 - Remainder of Metro Area	4.0	2.5	0.0	**	0.0	0.0	4.0	2.4	11.4	7.7
<b>St. John's CMA</b>	<b>1.9</b>	<b>2.0</b>	<b>6.0</b>	<b>3.1</b>	<b>2.7</b>	<b>1.5</b>	<b>1.7</b>	<b>1.7</b>	<b>3.4</b>	<b>3.7</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 7: Number of Row & Apartment Units by Zone and Bedroom Type  
St. John's CMA - October 2003**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - St. John's East	47	2,138	12	242	15	732	14	993	6	171
Zone 2 - St. John's West	31	1,980	0	140	7	607	21	1,080	3	153
<b>St. John's City 1-2</b>	<b>78</b>	<b>4,118</b>	<b>12</b>	<b>382</b>	<b>22</b>	<b>1,339</b>	<b>35</b>	<b>2,073</b>	<b>9</b>	<b>324</b>
Zone 3 - Remainder of Metro Area	13	487	***	***	0	138	7	269	6	77
<b>St. John's CMA</b>	<b>91</b>	<b>4,605</b>	<b>12</b>	<b>385</b>	<b>22</b>	<b>1,477</b>	<b>42</b>	<b>2,342</b>	<b>15</b>	<b>401</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 8: Row and Apartment Average Rents (\$) by Zone and Bedroom Type  
St. John's - October 2002-2003**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 - St. John's East	581	611	420	434	513	555	652	670	700	699
Zone 2 - St. John's West	526	543	***	519	522	494	548	564	***	614
<b>St. John's City 1-2</b>	<b>552</b>	<b>577</b>	<b>425</b>	<b>468</b>	<b>517</b>	<b>525</b>	<b>599</b>	<b>615</b>	<b>653</b>	<b>659</b>
Zone 3 - Remainder of Metro Area	492	505	***	***	***	473	507	519	***	534
<b>St. John's CMA</b>	<b>546</b>	<b>571</b>	<b>425</b>	<b>467</b>	<b>510</b>	<b>520</b>	<b>589</b>	<b>606</b>	<b>621</b>	<b>638</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

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**BRIAN MARTIN**  
**Tel.: (709) 772-4034**  
**Fax: (709) 726-7014**  
**E-mail: [bmartin@cmhc-schl.gc.ca](mailto:bmartin@cmhc-schl.gc.ca)**  
**Web site: <http://www.cmhc-schl.gc.ca>**

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