



# RENTAL MARKET

# REPORT

ST. JOHN'S

Canada Mortgage and Housing Corporation

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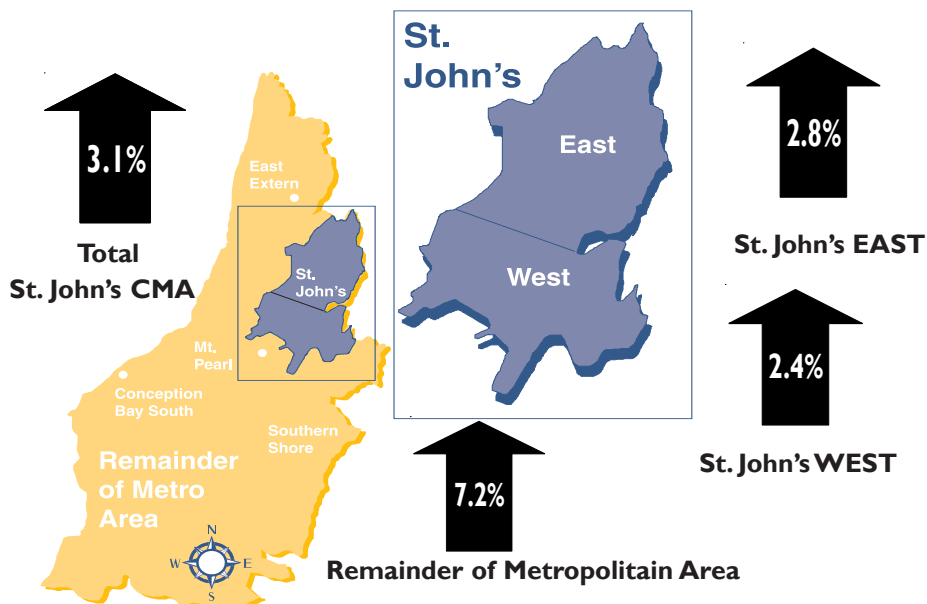
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## Metro Vacancy Rate Edges Higher in 2004

Following a 13 year low in 2003, the apartment vacancy rate within the St. John's region edged higher during the latter part of this year. CMHC's rental market survey conducted during the first two weeks of October identified 130 vacant units out of the almost 4,250 units enumerated. At 3.1 per cent, the vacancy rate in private apartment structures containing three or more units increased from the 2.0 per cent recorded a year earlier. Despite the

rising number of vacancies, tight conditions persist in a number of key submarkets, and in particular within the City of St. John's. The increase in the region's vacancy rate largely reflects ongoing movement of renter households to home ownership as sustained income growth and low interest rates continue to support home buying activity. Given these conditions, MLS® sales within the metro region are on pace to hit record levels

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## SUMMARY

- The vacancy rate for privately initiated apartment structures (three units and over) within the St. John's CMA increased to 3.1 per cent in October 2004, up from 2.0 per cent in 2003.
- Vacancies were highest in bachelor units at 3.8 per cent and lowest in two bedroom units at 2.9 per cent.
- Within the region, Zone 3 (remainder of metropolitan area outside the urban core) posted the highest vacancy rate at 7.2 per cent. St. John's west was lowest at 2.4 per cent, followed by St. John's east with a vacancy rate of 2.8 per cent.
- Changes in average monthly rents were mixed, ranging from a decline of 3.0 per cent in bachelor units to an increase of 1.8 per cent in two bedroom apartments. One and three bedroom rents edged up marginally by 0.1 per cent and 0.4 per cent, respectively.

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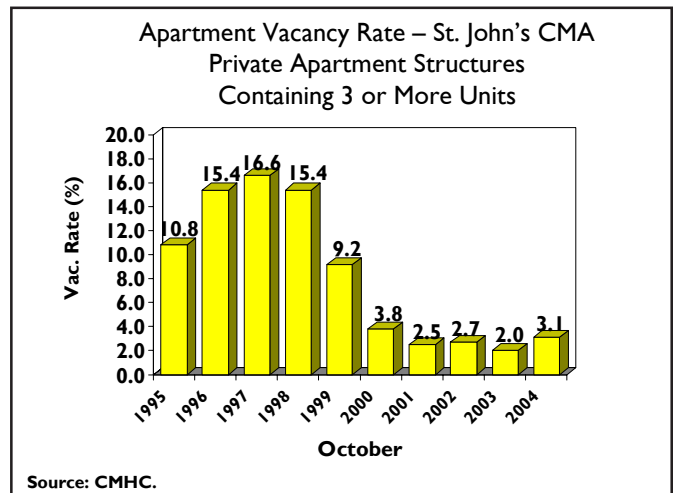
for the sixth consecutive year in 2004, while housing starts should post their strongest performance since 1973. Additions to the supply of rental stock in the form of basement apartments and job losses throughout 2004 have also caused vacancy rates to rise over the past 12 months.

While vacancy rates increased throughout the region over the past 12 months, Zone 3 (remainder of metropolitan area outside the urban core), experienced the largest gain. The vacancy rate in Zone 3 jumped from 2.7 per cent a year earlier to 7.2 per cent this October. With a vacancy rate of 2.4 per cent, the

west end of the City of St. John's remained the tightest submarket. This was followed closely by St. John's east where the vacancy rate stood at 2.8 per cent. Within the City of St. John's, only 2.6 per cent of apartments lay vacant in October. A vacancy rate at this level indicates that renters have limited choice within the market and shortages of quality apartments continue to exist. A closer look at the overall results indicates that

vacancies were highest in bachelor units at 3.8 per cent and lowest in two bedroom units at 2.9 per cent. One and three bedroom apartments recorded vacancy rates of 3.0 and 3.7 per cent, respectively.

The sharp increase in average rental rates that occurred in the previous two years eased substantially in 2004. Changes in monthly rental rates have been mixed, ranging from a decline of 3.0 per cent for bachelor units to an increase of 1.8 per cent in two bedroom apartments.



Rents for one bedroom units were virtually unchanged at \$521 per month, while three bedroom units edged up 0.4 per cent to an average of \$624 per month.

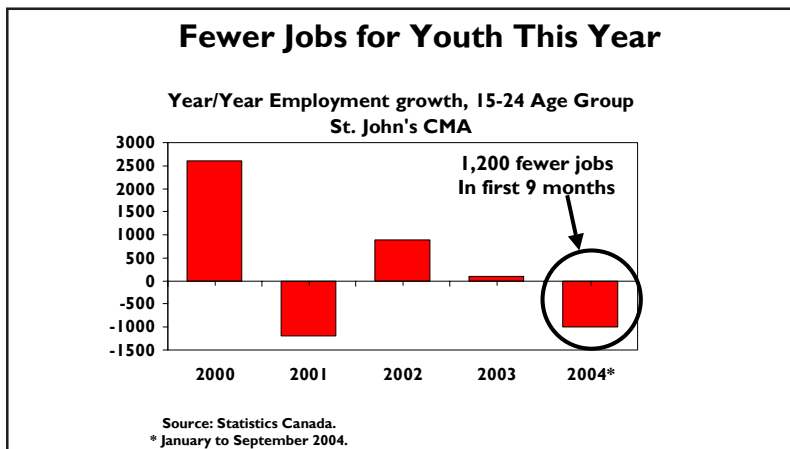
## Owning Versus Renting – Inside the Numbers

Without a doubt, favourable home buying conditions brought about by low interest rates have prompted many renters to purchase a home in recent years. Historically, Newfoundland & Labrador has enjoyed the highest rate of ownership within Canada as households strive to achieve their dream of owning a home. This strong desire to own a home combined with the positive financial benefits of investing in their future continues to prompt St. John's renter households to buy. Furthermore, growth in monthly rents has outpaced gains in home ownership costs in recent years providing additional incentives to purchase a home. Between 2000 and 2004, average two and three bedroom rents in St. John's increased 12.0 per cent and 6.9 per cent respectively. However, steadily declining mortgage rates over this period have resulted in average mortgage carrying cost increases of only 9.0 per cent. In fact, low mortgage rates have caused average carrying costs to fall below average two and three bedroom rents each year from 2001 to 2003. In 2003, the average two and three bedroom rents in St. John's were \$607 and \$620 respectively while the mortgage payment on the average priced MLS® home in St. John's was \$586 – a difference of \$21 and \$34 a month. While strong price growth has narrowed this gap somewhat in 2004, average monthly mortgage payments have remained on par with average two and three bedroom rents. Another incentive for households to opt for home ownership has been the financial security offered as well as the added benefit associated with price appreciation. With no opportunity for equity gains and stock markets remaining weak, the purchase of a home has become increasingly attractive. During 2003, the average MLS® house price in this region increased almost 6.0 per cent and climbed another 9.5 per cent during the first nine months of 2004. These favourable conditions combined with the introduction of flexible downpayment requirements have prompted more renter households to purchase homes.

## 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
Kingston CMA	1.9	2.4
Kitchener CMA	3.2	3.5
London CMA	2.1	3.7
Montreal CMA	1.0	1.5
St. Catharines-Niagara CMA	2.7	2.6
Oshawa CMA	2.9	3.4
Ottawa	2.9	3.9
Gatineau CMA	1.2	2.1
Quebec 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-Rivieres 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	2.2	2.7

Rental market performance is affected by a number of factors. These factors have remained fairly consistent in recent years and involve both supply and demand influences. Key factors which influence rental demand over the short term include labour market performance, migration flows and competition from other housing options such as purchasing a home. As CMHC's Rental Market Survey only covers larger structures containing three or more units, demand for this stock is also influenced by competition from other rental options, and in particular, basement apartments. The supply side of the market is impacted by additions to the rental stock either through new construction or conversion of vacant space to apartment units.



The supply of rental units can also be reduced by conversion activity as apartment units are converted to other tenure forms such as condominiums or hotel units. Demolition of rental stock for alternate uses or losses due to fire will also reduce the rental stock. The following analysis discusses the key factors which have influenced this region's rental market performance in the past year.

### Fewer Jobs This Year - Youth Employment Particularly Weak

The healthy and sustained gains in employment that have occurred over the past seven years have come to an abrupt halt throughout 2004. During the first nine months, employment within the St. John's CMA declined 1.9 per cent representing approximately 1,700 fewer jobs. A closer look at the employment numbers indicates that youth employment (aged 15-24) has accounted for some 1,200 of these job losses. As young people are a main source of rental demand, particularly for bachelor and one bedroom units, job losses in this age group are viewed as a contributing factor behind the rising vacancy rate.

### Home Buying Activity at Record Levels

Rising incomes, migration to the St. John's region and low interest rates have continued to stimulate home buying demand throughout 2004.

These conditions have allowed more renter households to purchase homes. MLS® residential sales through the Eastern Newfoundland Real Estate Board posted their strongest quarter ever between July and September and are on pace to hit record levels for the sixth consecutive year. Furthermore, housing starts have remained quite brisk this year and are expected to register their strongest performance since 1973. This flurry of home buying activity is another factor influencing the increase in the region's rising vacancy rate.

### Competition From Basement Apartments Impacting Larger Projects

After bottoming out in 1999, starts of single-detached homes with basement apartments have been steadily increasing. Rising construction costs are largely responsible for the sustained increase as more buyers require the rental income to be able to afford their new home. An expanding seniors population has also prompted more families to include a basement apartment to house their aging parents. Almost 200 of these units were started during the first ten months of this year and they are on pace to hit their highest level since 1997. Competition from basement apartments is also impacting the performance of larger projects.

## Availability Rates Indicate That Movement to Home Ownership Will Continue

Results from this year's Rental Market Survey indicate that 4.6 per cent of rental units in larger projects are available within the St. John's market. This is 1.5 percentage points higher than the total vacancy rate. The availability rate includes actual vacant units as well as units for which the existing tenant has given notice and a new tenant has not yet signed a lease. Availability rates give a slightly broader indication of trends in the supply of vacant stock over the short-term.

As previously noted, movement to home ownership has been a key factor behind the increase in this region's vacancy rate. Availability results indicate that this movement will continue. This is supported by the fact that the gap between the vacancy and availability rate is 5.0 per cent for three bedroom units. While all types of renter households are buying homes, often many of these households are renting three bedroom apartments. With three bedroom rents typically the highest, the gap between renting and buying is much smaller for this group. Accordingly, more of these renters are able to afford the purchase of a home.

## Vacancy Rate to Increase Slightly Next Year

The outlook for only modest employment growth coupled with another year of brisk home sales will push the vacancy rate higher next year. Competition from an ongoing supply of basement apartments will also impact the performance of larger rental projects. While the vacancy rate is forecast to edge higher in the 3.5 to 4.0 per cent range, overall conditions will remain healthy in historical terms. As supply and demand pressures ease, expect gains in monthly rents of one to two per cent in 2005.

**Apartment Vacancy and Availability Rates by Zone and Bedroom Type  
Privately Initiated Apartment Structures with at least 3 units  
St. John's CMA (%)**

AREA	2004									
	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 - St. John's East	2.8	4.0	5.1	5.6	3.8	4.8	1.8	2.7	2.8	6.5
Zone 2 - St. John's West	2.4	4.3	0.7	2.2	2.1	3.7	2.6	4.4	2.4	8.1
St. John's City 1-2	2.6	4.2	3.5	4.4	3.0	4.3	2.2	3.6	2.6	7.4
Zone 3										
Remainder of Metro Area	7.2	8.1	**	**	3.5	5.1	7.8	8.6	7.2	12.0
<b>St. John's CMA</b>	3.1	4.6	3.8	4.6	3.0	4.4	2.9	4.2	3.1	8.1

## 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.

**Table 1: Apartment Vacancy Rates (per cent)  
By Zone and Bedroom Type  
St. John's CMA - October 2003-2004**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - St. John's East	2.2	2.8	5.0	5.1	2.0	3.8	1.4	1.8	4.5	0.8
Zone 2 - St. John's West	1.5	2.4	0.0	**	1.2	2.1	1.9	2.6	1.7	3.2
<b>St. John's City 1-2</b>	<b>1.9</b>	<b>2.6</b>	<b>3.1</b>	<b>3.5</b>	<b>1.7</b>	<b>3.0</b>	<b>1.6</b>	<b>2.2</b>	<b>3.1</b>	<b>2.1</b>
Zone 3 - Remainder of Metro Area	2.7	7.2	**	**	0.0	**	2.5	7.8	**	**
<b>St. John's CMA</b>	<b>2.0</b>	<b>3.1</b>	<b>3.1</b>	<b>3.8</b>	<b>1.5</b>	<b>3.3</b>	<b>1.7</b>	<b>2.9</b>	<b>4.2</b>	<b>3.7</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.

**Table 2: Number of Apartment Units by Zone and Bedroom Type  
St. John's CMA - October 2004**

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	56	1,966	13	244	26	687	16	903	1	132
Zone 2 - St. John's West	43	1,829	1	139	12	592	25	953	5	145
<b>St. John's City 1-2</b>	<b>99</b>	<b>3,795</b>	<b>14</b>	<b>383</b>	<b>38</b>	<b>1,279</b>	<b>41</b>	<b>1,856</b>	<b>6</b>	<b>277</b>
Zone 3 - Remainder of Metro Area	32	438	**	**	5	131	20	250	6	54
<b>St. John's CMA</b>	<b>131</b>	<b>4,233</b>	<b>15</b>	<b>386</b>	<b>43</b>	<b>1,410</b>	<b>61</b>	<b>2,106</b>	<b>12</b>	<b>331</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.

**Table 3: Apartment Vacancy Rates (per cent) by Bedroom Count and Structure Size  
St. John's CMA - October 2004**

Structure Size	Bachelor	One Bedroom	Two Bedroom	Three Bedroom +	Total
3 - 5 Units	**	8.4	6.4	2.6	7.1
6 - 19 Units	8.6	**	1.8	2.3	2.8
20 - 49 Units	0.0	4.2	2.2	2.7	2.6
50 - 99 Units	1.5	0.0	3.4	7.3	2.2
100-199 Units	10.5	0.8	0.0	**	1.6
<b>Total</b>	<b>3.8</b>	<b>3.0</b>	<b>2.9</b>	<b>3.7</b>	<b>3.1</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.

**Table 4: Apartment Average Rents (\$) by Zone and Bedroom Type  
St. John's CMA - October 2003-2004**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - St. John's East	606	602	**	439	555	540	670	686	660	**
Zone 2 - St. John's West	543	551	**	**	494	505	564	577	614	**
<b>St. John's City I-2</b>	<b>575</b>	<b>577</b>	<b>468</b>	<b>454</b>	<b>525</b>	<b>524</b>	<b>615</b>	<b>630</b>	<b>636</b>	<b>644</b>
Zone 3 - Remainder of Metro Area	499	**	**	**	**	**	520	**	**	**
<b>St. John's CMA</b>	<b>568</b>	<b>571</b>	<b>467</b>	<b>453</b>	<b>520</b>	<b>521</b>	<b>607</b>	<b>618</b>	<b>620</b>	<b>624</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.

**Table 5: Average Apartment Rents (\$) by Year of Completion  
and Bedroom Type - St. John's CMA - October 2003-2004**

Year of Completion	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Pre 1940	531	541	433	438	473	492	563	568	630	630
1940 - 1959	**	**	**	**	**	**	**	**	**	**
1960 - 1974	624	612	436	450	571	553	754	754	532	573
1975 - 1984	568	567	408	**	550	527	584	594	649	644
After 1985	***	**	N/U	N/U	**	N/A	**	**	**	**
<b>St. John's CMA</b>	<b>568</b>	<b>568</b>	<b>467</b>	<b>453</b>	<b>520</b>	<b>521</b>	<b>607</b>	<b>618</b>	<b>620</b>	<b>624</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.

N/A - No structures in sample size.

N/U - No structures in the rental universe.

**Table 6: Row and Apartment Vacancy Rates (per cent)  
by Zone and Bedroom Type  
St. John's CMA - October 2003-2004**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - St. John's East	2.2	2.9	5.0	5.1	2.0	4.0	1.4	1.7	3.6	0.7
Zone 2 - St. John's West	1.5	2.3	0.0	**	1.2	2.1	1.8	2.6	1.7	3.2
<b>St. John's City I-2</b>	<b>1.9</b>	<b>2.6</b>	<b>3.1</b>	<b>3.5</b>	<b>1.6</b>	<b>3.1</b>	<b>1.6</b>	<b>2.2</b>	<b>2.4</b>	<b>1.9</b>
Zone 3 - Remainder of Metro Area	2.5	7.1	**	**	**	**	2.4	7.8	**	**
<b>St. John's CMA</b>	<b>1.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.8</b>	<b>1.5</b>	<b>3.2</b>	<b>1.7</b>	<b>2.8</b>	<b>3.7</b>	<b>3.4</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.



**Table 7: Number of Row & Apartment Units by Zone and Bedroom Type  
St. John's CMA - October 2004**

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	58	2,017	13	244	28	697	16	919	1	157
Zone 2 - St. John's West	43	1,852	1	139	12	592	25	975	5	146
<b>St. John's City I-2</b>	<b>101</b>	<b>3,869</b>	<b>14</b>	<b>383</b>	<b>40</b>	<b>1,289</b>	<b>41</b>	<b>1,894</b>	<b>6</b>	<b>303</b>
Zone 3 - Remainder of Metro Area	32	447	**	**	5	131	20	250	6	63
<b>St. John's CMA</b>	<b>133</b>	<b>4,316</b>	<b>15</b>	<b>386</b>	<b>45</b>	<b>1,420</b>	<b>61</b>	<b>2,144</b>	<b>12</b>	<b>366</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.

**Table 8: Row and Apartment Average Rents (\$) by Zone and Bedroom Type  
St. John's CMA - October 2003-2004**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - St. John's East	611	609	434	439	555	543	670	686	699	**
Zone 2 - St. John's West	543	551	519	**	494	505	564	576	614	**
<b>St. John's City I-2</b>	<b>577</b>	<b>581</b>	<b>468</b>	<b>454</b>	<b>525</b>	<b>526</b>	<b>615</b>	<b>629</b>	<b>659</b>	<b>682</b>
Zone 3 - Remainder of Metro Area	505	**	**	**	**	**	519	**	**	**
<b>St. John's CMA</b>	<b>571</b>	<b>575</b>	<b>467</b>	<b>453</b>	<b>520</b>	<b>523</b>	<b>606</b>	<b>617</b>	<b>638</b>	<b>655</b>

Note: Privately initiated, three units and over.

\*\* Sample size not large enough to publish reliable results.

**Rental Market Report** is published once a year for the St. John's, Newfoundland, market. Priced at \$40 plus applicable taxes. For more information, contact Michèle Clark at the Atlantic Business Centre (902) 426-4708. Order # 7598.

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