



FORECAST

New Brunswick

SUMMARY

Canada Mortgage and Housing Corporation

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FIRST QUARTER 2004

Torrid Pace of Housing Starts to Slow Down Only in 2005

Residential construction in New Brunswick is poised for another outstanding performance in 2004. Over the past few years, construction activity was fuelled mainly by intra-provincial migration and near 50-year low interest rates. These two factors will continue to stimulate construction activity in 2004. Many workers will continue to move from northern New Brunswick to the larger southern urban centres. Over the past decade, most larger urban centres attracted mainly young families with children. This migration pattern will continue and could even be amplified due to potential movement of older residents from northern New Brunswick. Once they retire, empty-nesters in the northern areas of the province may want to move closer to their children and grandchildren who have already moved to the larger urban centres. No significant increase in mortgage rates is expected in the near future, and, when combined with the urbanization phenomenon, this will continue to support the housing market in 2004.

Construction activity will decline slightly in 2005 due to a drop in both single and multiple starts. The decline will be due to higher home prices, rising interest rates and an oversupplied rental market in Greater Moncton in particular, which represents nearly half of New Brunswick's multiple starts.

Over the past few years, developers took advantage of low borrowing costs to start a broad range of multi-unit projects in all regions of southern New Brunswick. A slightly oversupplied rental market in some areas will cause multiple starts to slow next year.

However, the ample supply of higher-end rental units available on the market will allow many empty-nesters to list their homes for sale and move into smaller, lower maintenance units. As a result, expect realtors to have record years again in 2004 and 2005, both in terms of sales and average sales price.

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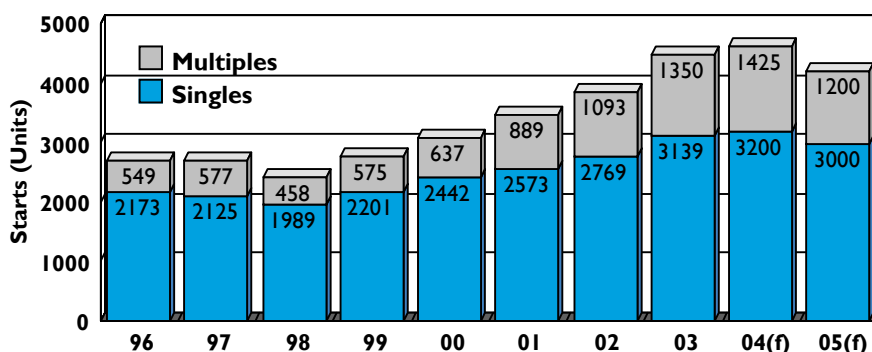
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Total Housing Starts - New Brunswick



HOME TO CANADIANS
Canada

Fredericton

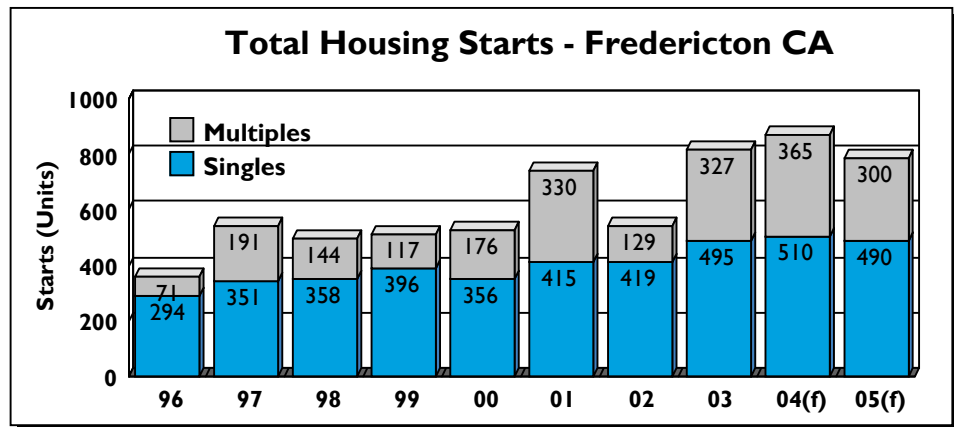
Strong Employment Growth to Fuel Housing Demand

Employment growth in the Fredericton area reached a record high in 2003 with a net gain of more than 1,800 jobs.

Employment growth was particularly strong in the trade, construction and service sectors, offsetting a decline in the public administration sector. Employment rose in all age groups, but the growth was particularly strong in the 45–64 age category. Strong employment levels in many key sectors and in all age groups stimulated demand for a broader range of housing types and will continue to have a positive impact on consumer confidence, which is essential in sustaining the strong level of activity in the housing market. As a result, expect new home construction to remain strong over the next two years.

In-migration Stimulating Demand for Existing Homes

The creation of many new jobs, combined with relatively low unemployment levels, forced employers to recruit from outside the Fredericton region again in 2003. Demand for existing homes has increased significantly as more workers continue to move in to the Fredericton region. As most migrants came from Northumberland and Gloucester counties, realtors sold more



lower-priced homes outside city limits. In fact, more than half of properties sold last year were located outside Fredericton City. Considering that listings were abundant, the sales-to-new-listings ratio outside city limits was relatively low, at 42 per cent, when compared to a ratio of 68 per cent in Fredericton City. Tight resale market conditions in Fredericton City explain in part why the average sales price in the city was at a high of \$140,608 compared to \$91,654 outside city limits. Increased sales outside city limits and much higher home prices within Fredericton City have caused both MLS® sales and the average sales price to a record high in 2003. Considering that employment and in-migration will remain strong and that mortgage rates are not expected to rise significantly in the short term, realtors are poised for banner years again in both 2004 and 2005. However, the growth in the average sales price may be weaker in

2005 once mortgage rates start to rise and potential buyers are forced to buy lower-priced homes.

Multiple Starts to Remain Strong

CMHC's October 2003 rental market survey indicated a 1.6 per cent vacancy rate in Fredericton, reflecting relatively tight rental market conditions. Furthermore, empty-nesters will continue to take advantage of attractive resale market conditions to sell their current homes and move into smaller, lower-maintenance units. Many developers will also take advantage of low interest rates to finance their residential projects at a lower cost. Consequently, a combination of stronger demand and relatively weak supply will maintain a high level of construction activity over the forecast period. Expect multiple starts to remain above 300 units in both 2004 and 2005.

FORECAST SUMMARY Fredericton CA

| | 2000 | 2001 | 2002 | 2003 | 2004* | 2005* | % Change |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| NEW HOME MARKET | | | | | | | |
| Total Starts | 532 | 745 | 548 | 822 | 875 | 790 | -9.7% |
| Single-detached | 293 | 344 | 327 | 405 | 410 | 390 | -4.9% |
| Manufactured Homes ** | 63 | 71 | 92 | 90 | 100 | 100 | 0.0% |
| Multiples | 176 | 330 | 129 | 327 | 365 | 300 | -17.8% |
| Avg. New Home Price | \$119,000 | \$138,200 | \$156,600 | \$165,000 | \$172,000 | \$180,000 | 4.7% |
| Vacancy Rate | 1.3% | 1.5% | 0.9% | 1.6% | 2.0% | 2.5% | |
| RESALE MARKET | | | | | | | |
| MLS® Sales | 1287 | 1384 | 1474 | 1655 | 1800 | 1925 | 6.9% |
| Average Sales Price | \$99,507 | \$105,818 | \$105,245 | \$115,229 | \$120,000 | \$123,000 | 2.5% |

* Forecast ** Single sections in land leased communities

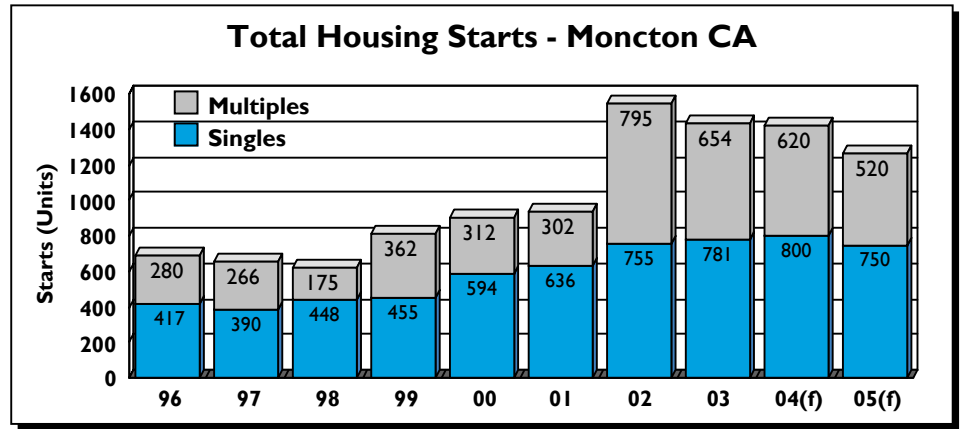
Moncton

Employment Growth to Bounce Back

Employment growth last year in Greater Moncton did not match the pace set in 2002. In fact, employment increased by less than 900 jobs last year compared to more than 3,600 jobs in 2002. However, many companies already indicated that they would expand in 2004 and hire more workers. This was already evident in the first quarter of 2004 as employment exceeded last year's levels by more than 3,500. However, employers are facing a significant shortage of skilled workers in many sectors. A record low 3.7 per cent unemployment rate in Greater Moncton in late 2003, the lowest in Canada at the time, clearly indicated that employers would have to recruit from outside the region to find qualified workers. Strong employment growth combined with a shortage of skilled workers in most sectors will continue to fuel in-migration and housing demand again in 2004.

In-migration and Low Mortgage Rates to Stimulate Housing Demand

Between 1997 and 2002, more than 4,400 people moved into Westmorland County, by far the highest net migration level of all counties. Overall, the province had a net



loss of 5,100 people over the same period. Furthermore, Westmorland County led the province in positive net migration in all age groups, which fuelled demand for a broad range of housing types.

Most migrants will opt for an existing home, a condo or a rental unit rather than build a new house. This explains in part why the resale market and multiple starts have performed so well over the last few years. Furthermore, historical data clearly shows a positive correlation between MLS® sales and single starts. In other words, more people selling their existing homes will generate a demand for new single-detached homes better suited to their needs.

Empty-nesters are currently taking advantage of an increased demand to sell their existing home and move into smaller, low-maintenance rental units. However, some of them are also taking advantage of low mortgage rates to build their dream

home. This explains the surge in larger, more expensive single-detached starts in Greater Moncton over the last few years. In most cases, declining mortgage rates have offset the higher construction costs. The substantial rise in new home prices has also allowed real estate agents to bring listing prices up without affecting sales. Considering stronger net migration levels in Greater Moncton in 2004 and no significant increase in mortgage rates, both new and existing home markets will remain strong in historical terms in 2004 and 2005.

Vacancies in newer rental units increased significantly in 2003. As builders continue to take advantage of low interest rates in 2004 to build a high level of rental units, the vacancy rate will maintain its upward trend to a high of 4 per cent by the end of 2005. Consequently, expect the construction of rental accommodations to decline in 2005.

FORECAST SUMMARY Moncton CA

| | 2000 | 2001 | 2002 | 2003 | 2004* | 2005* | % Change |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| NEW HOME MARKET | | | | | | | |
| Total Starts | 906 | 938 | 1550 | 1435 | 1420 | 1270 | -10.6% |
| Single-detached | 471 | 510 | 614 | 647 | 660 | 600 | -9.1% |
| Manufactured Homes ** | 123 | 126 | 141 | 134 | 140 | 150 | 7.1% |
| Multiples | 312 | 302 | 795 | 654 | 620 | 520 | -16.1% |
| Avg. New Home Price | \$112,000 | \$138,650 | \$144,000 | \$150,200 | \$158,000 | \$169,000 | 7.0% |
| Vacancy Rate | 1.7% | 1.6% | 2.3% | 2.9% | 3.5% | 4.0% | |
| RESALE MARKET | | | | | | | |
| MLS® Sales | 1491 | 1666 | 1763 | 1861 | 2000 | 2100 | 5.0% |
| Average Sales Price | \$89,065 | \$92,428 | \$99,942 | \$104,577 | \$109,000 | \$112,000 | 2.8% |

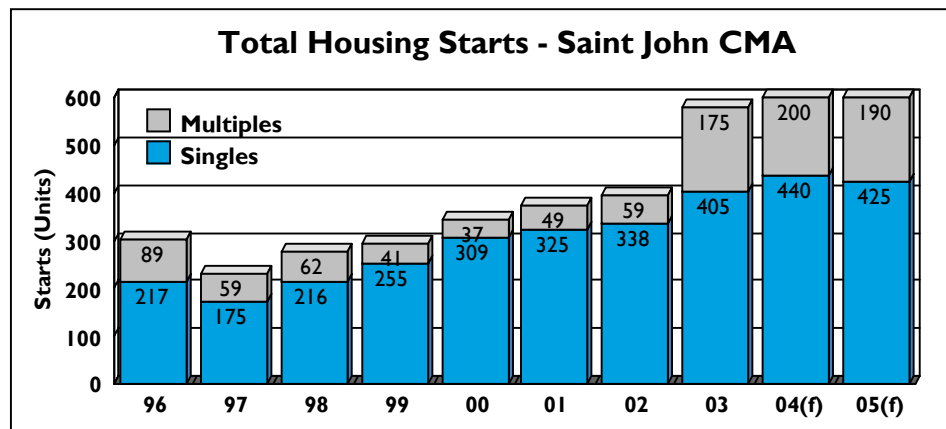
* Forecast ** Single sections in land leased communities

Saint John

Residential Construction Up Despite Weak Employment Growth

Employment dropped by more than 2,000 last year, the most significant decline in many years. The drop occurred in all age groups and in many key sectors, such as transport, storage, communication, utilities and the service sector.

Employment should bounce back in 2004, but the growth will most likely be weak as relatively few companies are planning to hire more workers. Many workers may also leave the region as the conversion of the Coleson Cove Generating Station has reached its peak and is getting closer to completion. Air Canada's current financial situation could also have a major impact on one of Saint John's most important call centres. Notwithstanding, employment remains strong in historical terms. Furthermore, the refurbishment of the Point Lepreau nuclear power plant and the construction of a liquified natural gas



facility could generate tremendous economic growth in Saint John, as these projects remain under active consideration in 2004.

Despite weaker employment levels, the housing market remained strong in 2003, and is expected to maintain its upward trend again in 2004, before dropping slightly in 2005.

An aging population and near 50-year low interest rates are the two key factors that are contributing the housing market's solid performance in Saint John. Despite a 2.4 per cent decline in the population between the last two censuses, the

population in the 55-64 age group has increased by more than 14 per cent. Most of these people are empty-nesters living in a larger home that may no longer meet their needs. As a result, many of them will sell their homes to younger families with children and move into smaller, lower maintenance housing units. This trend has fuelled demand for existing homes and for higher-end, multi-unit dwellings.

Considering that no significant rise in interest rates is expected in the near future, both builders and realtors will enjoy banner years in 2004 and 2005 in the Greater Saint John area.

FORECAST SUMMARY Saint John CMA

| | 2000 | 2001 | 2002 | 2003 | 2004* | 2005* | % Change |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| NEW HOME MARKET | | | | | | | |
| Total Starts | 346 | 374 | 397 | 580 | 640 | 510 | -20.3% |
| Single-detached | 309 | 322 | 330 | 395 | 425 | 345 | -18.8% |
| Manufactured Homes ** | 0 | 3 | 8 | 10 | 15 | 15 | 0.0% |
| Multiples | 37 | 49 | 59 | 175 | 200 | 150 | -25.0% |
| Avg. New Home Price | \$146,000 | \$148,000 | \$171,400 | \$177,800 | \$185,000 | \$190,000 | 2.7% |
| Vacancy Rate | 3.4% | 5.6% | 6.3% | 5.2% | 4.8% | 4.5% | |
| RESALE MARKET | | | | | | | |
| MLS® Sales | 1484 | 1510 | 1505 | 1636 | 1750 | 1850 | 5.7% |
| Average Sales Price | \$93,697 | \$97,348 | \$103,544 | \$106,475 | \$110,000 | \$112,500 | 2.3% |

* Forecast

** Single sections in land leased communities

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