



HOUSING NOW

New Brunswick

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 5, EDITION 1
FIRST QUARTER 2002

Housing Starts Decline Slow Start for New Home Construction Despite Strong Demand

- √ Despite strong demand, first quarter housing starts in New Brunswick could not maintain the pace set in 2001.
- √ Total housing starts in the first three months of 2002 reached 219 units at the provincial level, a 40 per cent drop when compared to last year. Despite the slowdown, residential activity registered in the first quarter remained strong in historical terms.
- √ First quarter urban starts declined by 39 per cent while rural starts dropped by nearly 42 per cent when compared to last year. Total urban and rural starts reached 152 and 67 units respectively.
- √ In the province's urban centres, 138 of the 152 starts in the first quarter were single-detached homes. While in rural areas, all 67 starts were single-family dwellings.
- √ First quarter housing starts dropped in all three major urban centres of the province. However, housing units under construction at the end of the first quarter were significantly higher than a year ago in both Fredericton and Saint John.
- √ Total housing completions in New Brunswick reached 1,359 units in the first quarter, a near 80 per cent increase when compared to the first quarter of 2001.

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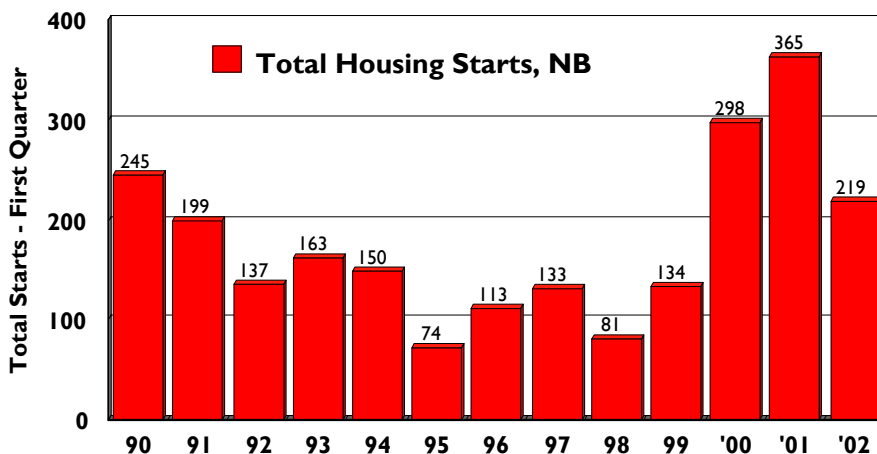
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First Quarter: Provincial Total Starts Declined



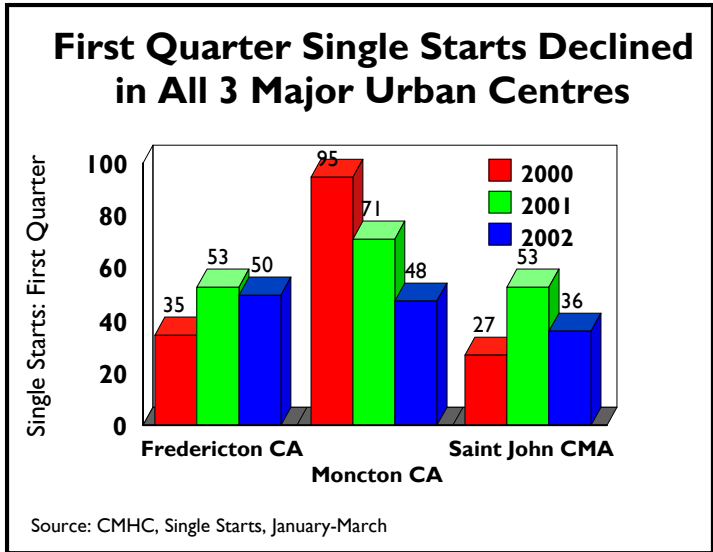
HOME TO CANADIANS
Canada

FREDERICTON MONCTON SAINT JOHN

Housing Market Overview

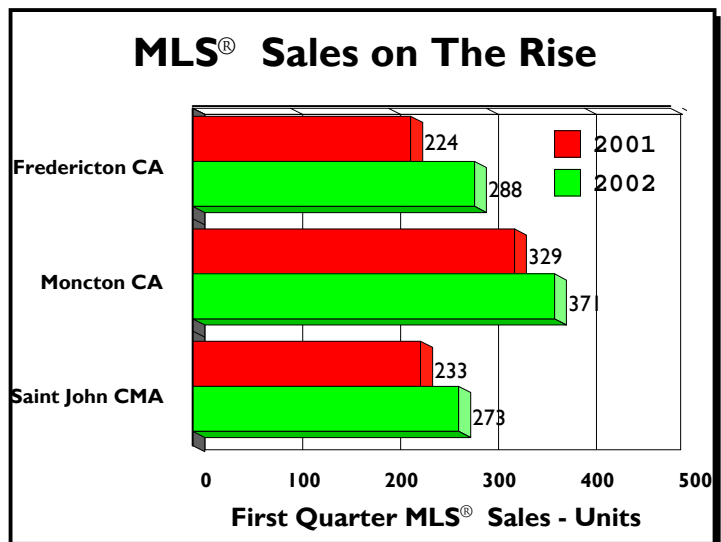
Fewer New Single-family Homes Built in All Three Larger Urban Centres

- ✓ Despite a strong demand, first quarter single-detached starts declined in all three major urban centres of the province. In the Fredericton area, single-detached starts dropped slightly but remained strong in historical terms. In fact, with 50 new homes, single starts in Fredericton exceeded levels of construction activity in Greater Moncton for the first time in several years.
- ✓ Despite a slow start, expect new home construction to bounce back over the next few months. Mild weather, strong consumer confidence, low mortgage rates and tight resale market conditions are all key factors indicating that builders are poised for another excellent construction season.



First Quarter: MLS® Sales Strong

- ✓ The number of transactions on the resale market in the first quarter is a clear indication that housing demand remains strong across the larger urban areas of the province. Sales of existing homes increased 28 per cent, 13 per cent and 17 per cent in the Fredericton, Moncton and Saint John areas. The Greater Moncton area led the province with a record 371 homes sold in the first quarter, exceeding the previous record registered last year by more than 42 homes.
- ✓ However, growth is expected to slow down over the next few months as strong levels of sales have absorbed most of the inventory. The resale market is now classified as a *sellers' market* in all three larger urban centres.



Rural Housing Starts Down

- ✓ Rural areas of the province were no exception to the slow start in residential activity. Total housing starts in rural areas reached 67 units in the first quarter, a near 42 per cent drop when compared to last year.
- ✓ Rural starts are expected to bounce back over the next few months. Total rural starts in 2001 had reached 1,262 units, a 15 per cent increase when compared to 2000.
- ✓ Construction activity in rural areas captured more than 36 per cent of the total 3,462 units started across the province in 2001. Expect rural areas to capture the same share of the provincial new home market again in 2002.

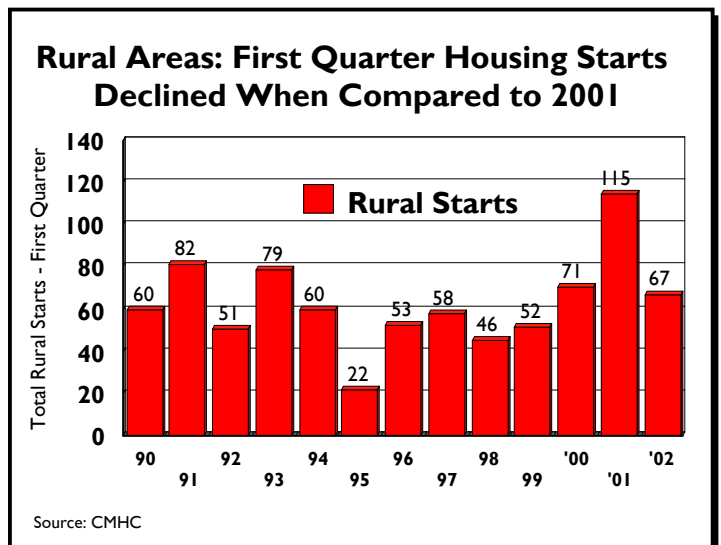


TABLE 1
ACTIVITY SUMMARY BY AREA
New Brunswick

Area	Starts						Completions						Under Construction		
	First Quarter			Year-to-Date			First Quarter			Year-to-Date			As at March 31		
	2002	2001	% chg	2002	2001	% chg	2002	2001	% chg	2002	2001	% chg	2002	2001	% chg
Bathurst CA	1	1	0.0	1	1	0.0	10	10	0.0	10	10	0.0	4	5	-
Campbellton CA	0	0	0.0	0	0	0.0	1	2	-	1	2	-	0	0	0.0
Edmundston CA	1	3	-	1	3	-	11	7	-	11	7	-	8	1	-
Fredericton CA	55	98	-43.9	55	98	-43.9	20	80	-75.0	20	80	-75.0	263	170	54.7
Miramichi CA	3	3	0.0	3	3	0.0	3	2	-	3	2	-	7	52	-86.5
Moncton CA	50	81	-38.3	50	81	-38.3	298	204	46.1	298	204	46.1	303	541	-44.0
Saint John CMA	42	64	-34.4	42	64	-34.4	85	91	-6.6	85	91	-6.6	92	81	13.6
TOTAL URBAN AREAS	152	250	-39.2	152	250	-39.2	428	396	8.1	428	396	8.1	677	850	-20.4
TOTAL OTHER AREAS	67	115	-41.7	67	115	-41.7	931	360	158.6	931	360	158.6	844	525	60.8
TOTAL NEW BRUNSWICK	219	365	-40.0	219	365	-40.0	1359	756	79.8	1359	756	79.8	1521	1375	10.6

Source: CMHC

NEED MORE DETAILED INFORMATION?

Market Analysis Products and Services are designed to suit your needs. CMHC is the source for expert analysis and comprehensive data on housing. If you are in the housing industry, it is critical that you understand the trends and factors behind New Brunswick's housing markets. There is no substitute for the thorough, concise analysis of housing market developments that you get with CMHC's market data and analysis. Contact CMHC's Senior Market Analyst for New Brunswick:



Your Link to the Housing Market

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TABLE 2
STARTS BY AREA AND DWELLING TYPE
Fredericton / Moncton / Saint John

Area/ Period	Single	Semi	Row	Apartment & other	Total	Area/ Period	Single	Semi	Row	Apartment & other	Total
Fredericton City						Grand Bay-Westfield					
Jan.-March 2002	23	1	0	0	24	Jan.-March 2002	1	0	0	0	1
Jan.-March 2001	16	4	0	40	60	Jan.-March 2001	1	0	0	0	1
Jan.-March 2002	23	1	0	0	24	Jan.-March 2002	1	0	0	0	1
Jan.-March 2001	16	4	0	40	60	Jan.-March 2001	1	0	0	0	1
Total Fredericton						Quispamsis Town					
Jan.-March 2002	50	1	0	4	55	Jan.-March 2002	19	0	0	0	19
Jan.-March 2001	53	4	0	41	98	Jan.-March 2001	18	0	0	0	18
Jan.-March 2002	50	1	0	4	55	Jan.-March 2002	19	0	0	0	19
Jan.-March 2001	53	4	0	41	98	Jan.-March 2001	18	0	0	0	18
Moncton City						Rothsay Town					
Jan.-March 2002	22	0	0	0	22	Jan.-March 2002	4	0	0	0	4
Jan.-March 2001	13	0	0	0	13	Jan.-March 2001	3	0	0	0	3
Jan.-March 2002	22	0	0	0	22	Jan.-March 2002	4	0	0	0	4
Jan.-March 2001	13	0	0	0	13	Jan.-March 2001	3	0	0	0	3
Dieppe Town						Saint John City					
Jan.-March 2002	14	2	0	0	16	Jan.-March 2002	11	0	6	0	17
Jan.-March 2001	27	2	0	8	37	Jan.-March 2001	7	4	7	0	18
Jan.-March 2002	14	2	0	0	16	Jan.-March 2002	11	0	6	0	17
Jan.-March 2001	27	2	0	8	37	Jan.-March 2001	7	4	7	0	18
Riverview Town						Saint John - Other outlying areas					
Jan.-March 2002	9	0	0	0	9	Jan.-March 2002	1	0	0	0	1
Jan.-March 2001	10	0	0	0	10	Jan.-March 2001	24	0	0	0	24
Jan.-March 2002	9	0	0	0	9	Jan.-March 2002	1	0	0	0	1
Jan.-March 2001	10	0	0	0	10	Jan.-March 2001	24	0	0	0	24
Total Moncton CA						Total Saint John CMA					
Jan.-March 2002	48	2	0	0	50	Jan.-March 2002	36	0	6	0	42
Jan.-March 2001	71	2	0	8	81	Jan.-March 2001	53	4	7	0	64
Jan.-March 2002	48	2	0	0	50	Jan.-March 2002	36	0	6	0	42
Jan.-March 2001	71	2	0	8	81	Jan.-March 2001	53	4	7	0	64

Note: Other outlying areas include Greenwich Parish, Kingston Parish, Musquash Parish, St. Martins Parish, St. Martins Village, Simonds Parish, Lepreau Parish, Petersville Parish, Hampton Town, Hampton Parish and Upham Parish.

Housing Now is published 4 times a year for the New Brunswick market. **Forecast Summary** is included in the first and third quarter editions. Annual subscriptions to the **Housing Now** for New Brunswick are \$55.00 plus applicable taxes. This publication is also available in French. For more information, or to subscribe, contact Johannes O'Callaghan at the Atlantic Business Centre at (902) 426-4708. Order no. 2086

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F O R E C A S T

New Brunswick

S U M M A R Y

Canada Mortgage and Housing Corporation

VOLUME 5 EDITION 1
FIRST QUARTER 2002

Total Housing Starts to Remain Strong in Historical Terms

Residential construction in New Brunswick will remain strong in historical terms but is expected to decline slightly over the forecast period. Following the best year for new home construction since 1989, total housing starts are expected to decline to 3,350 units and 3,300 units in 2002 and 2003 respectively. However, the drop in residential activity will be due to slightly fewer multiple starts, while single-detached starts are poised for two exceptional years. Demographic trends have had a significant impact on housing activity over the last few years. The impact of an aging population will continue to sustain housing demand over the next several years.

The fastest growing portion of the population between now and 2010 will be the 45 to 64 year old. The majority of this group will be made up of baby boomers as they enter the pre-retirement stage of their lives. After 2010, this same group will dominate population growth,

but they will have moved into the 65 and over category. They will continue to have a significant influence on housing markets. This group is not made up of first-time homebuyers. They have ownership experience and know what they are looking for in a home. Their preference leans in favour of new construction to fulfill their housing wants and needs. However, to make such a move, they must rely on a strong resale market to sell their current homes. The past few years have been an ideal time for those in the upper end of this age category to make that step.

Other characteristics of this group include: high household incomes; less likely to have a mortgage; more open to moving to a different home type (i.e. condominium) or location as they approach retirement. The last point is being confirmed in Atlantic Canadian locations as some cottage communities and small towns are seeing an increase of home building by this age group.

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- 2 Sales of Existing Homes to Bounce Back in 2003

MONCTON

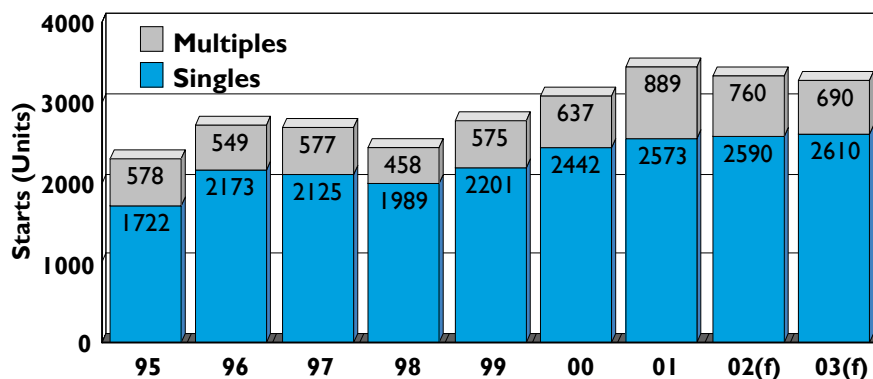
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SAINT JOHN

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Total Housing Starts - New Brunswick



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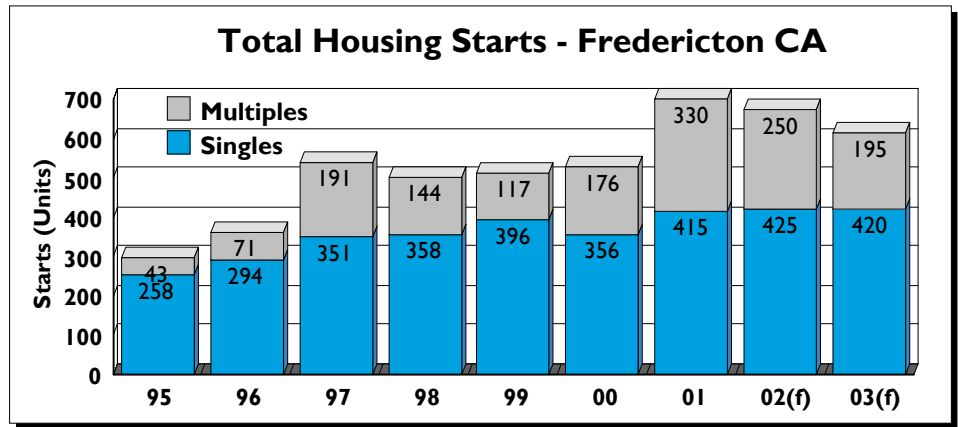
Fredericton

Labour Market Down

Employment declined in the first quarter when compared to last year. The slight rise in employment in the transportation, communication and trade sectors was not enough to offset a significant decline in the public administration and service sectors. Companies involved in the IT sector have started to suffer from the U.S. economic slowdown. Furthermore, the labour market offered fewer full-time jobs while part-time jobs increased slightly over the last few months. The construction sector also employed fewer workers in the first quarter when compared to the same period last year. However, this is only temporary as the shortage of office space should boost commercial construction while residential builders are poised for another good year as housing demand remains strong.

Strong Demand for Single-detached Homes

Low inventory of new homes on the speculative market combined with tight resale market conditions and low mortgage rates will continue to stimulate demand for single-family dwellings. Renovations to the Fredericton airport as well as the new highway between Moncton and Fredericton will boost economic growth and housing



demand in areas such as Oromocto and Lincoln. However, Fredericton City will continue to capture the greater share of single-detached starts over the forecast period.

Multiple Starts to Decline

Rental market conditions have remained very tight over the last three years with a vacancy rate below 1.6 per cent.

Considering that a balanced market usually has a vacancy rate hovering between 3 and 4 per cent, the rental market is currently undersupplied.

Builders have responded to a greater need for rental accommodations in 2001 with 330 units, the best year for multiple starts in well over two decades. As of March 31, 270 units were under construction compared to 170 units twelve months earlier. These units will help ease the tight rental market conditions once they become available for occupancy over the next few months. However, some of those

multiple units are condominiums for the home ownership market. The demand for rental units will remain strong over the forecast period. As a result, the construction of rental units should match or even exceed last year's levels, but expect total multiple starts to decline as no major condominium project is expected in the near future.

Sales of Existing Homes to Bounce Back in 2003

Fewer listings combined with strong demand has caused upward pressure on prices and shifted the resale market conditions to a *sellers market*. As a result, MLS® sales will remain strong in historical terms but will unlikely match the 2001 record levels. Sales will bounce back in 2003 as listings are expected to pick up in the second half of 2002. Mortgage rates will increase slightly over the forecast period, but not enough to discourage potential homebuyers.

FORECAST SUMMARY Fredericton CA

	1998	1999	2000	2001	2002*	2003*	% Change
NEW HOME MARKET							
Total Starts	502	513	532	745	675	615	-8.9%
Single-detached	358	396	293	344	350	350	0.0%
Mini Homes	--	--	63	71	75	70	-6.7%
Multiples	175	117	176	330	250	195	-22.0%
Avg New Home Price	\$126,058	\$121,980	\$119,000	\$138,200	\$145,000	\$150,000	3.4%
Vacancy Rate	3.4%	1.5%	1.3%	1.5%	1.8%	2.0%	
RESALE MARKET							
MLS® Sales	1054	1106	1287	1384	1300	1375	5.8%
Average Sales Price	\$95,164	\$95,687	\$99,507	\$105,818	\$109,000	\$111,000	1.8%

* Forecast

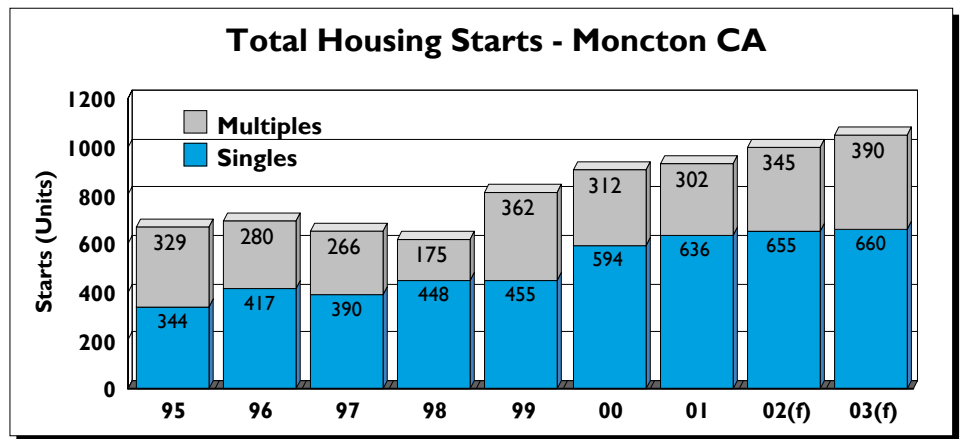
Moncton

Strong Economic Growth to Stimulate Housing Demand

The Greater Moncton economy has never been as healthy and diversified as it is now. Employment reached 61,100 at the end of March, exceeding last year's employment levels by more than 3,000 workers. Employment growth is being driven by several key industries, including the finance, insurance, manufacturing, service, transportation, communication and construction sectors. Trade and public administration were the only two sectors with fewer workers at the end of March when compared to one year ago. Both full-time and part-time jobs have increased significantly in the first quarter. Immigration remains strong as job opportunities are abundant. The in-flux of workers is stimulating housing demand.

Resale Market: Shortage of Listings to Drive Up Prices

Workers moving into the region are likely to either rent an apartment or buy an existing home. With the current record low vacancy rate, available rental accommodations are a scarce commodity throughout Greater Moncton. As a result, migrants will most likely have no choice but to purchase an existing home, stimulating sales on the resale market.



However, they may have to spend a few extra thousand dollars than what they had originally planned. At the end of March, active listings on the resale market had declined by more than 20 per cent when compared to the previous year. Fewer listings combined with strong demand usually creates an upward pressure on prices. This was evident in the first quarter as MLS® sales reached a record high while the average sales price jumped to \$99,500, a 10 per cent increase when compared to the first quarter of 2001.

Despite attractive mortgage rates, the substantial drop in inventory combined with higher prices will discourage some potential first-time buyers this year. As a result, sales of existing homes will remain strong but will not exceed last year's record. Our current forecast indicates MLS® sales will reach 1,600 units this year. Higher sales prices will convince several

people to list their homes for sale in the second half of the year. Notwithstanding, realtors will have to wait until 2003 before sales activity bounces back to record levels.

New Home Construction Poised For Two Excellent Years

Tight resale market conditions, low vacancies in the rental market, strong consumer confidence and attractive mortgage rates are all key factors which will contribute to an excellent year for new home construction. Most local builders are already fully booked for 2002. Expect both single and multiple starts to increase over the next two years. Our current forecast indicates total housing starts in Greater Moncton to reach 1,000 and 1,050 units in 2002 and 2003 respectively, the best years for new home construction in several decades.

FORECAST SUMMARY Moncton CA

	1998	1999	2000	2001	2002*	2003*	% Change
NEW HOME MARKET							
Total Starts	623	817	906	938	1000	1050	5.0%
Single-detached	448	371	471	510	525	530	1.0%
Mini Homes	--	84	123	126	130	130	0.0%
Multiples	175	362	312	302	345	390	13.0%
Avg New Home Price	\$126,723	\$107,888	\$112,000	\$138,650	\$145,000	\$150,000	3.4%
Vacancy Rate	5.8%	3.8%	1.7%	1.6%	1.5%	2.0%	
RESALE MARKET							
MLS® Sales	1306	1413	1491	1666	1600	1700	6.3%
Average Sales Price	\$86,775	\$87,675	\$89,065	\$92,428	\$98,000	\$101,000	3.1%

* Forecast

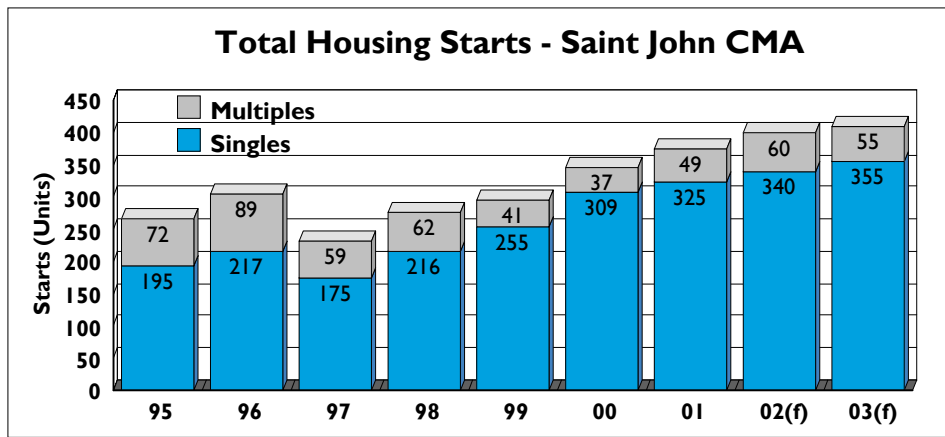
Saint John

Sustained Housing Demand as Employment Recovers

Saint John's labour market was tremendously affected last year by the completion of major projects such as the Irving Oil refinery expansion. When combined with fewer jobs in the manufacturing and trade sectors, employment in April 2001 had reached its lowest level in several years. Since then, employment has bounced back, thanks to substantial growth in the service sector. At the end of March, the work force had increased by more than 3,000 workers when compared to last year. The majority of these new jobs were part-time positions. Notwithstanding, employment growth will help sustain housing demand over the next two years.

Fewer New Homes Expected in Saint John City

Our forecast indicates total housing starts will reach 400 and 410 units in 2002 and 2003 respectively. Single-detached starts



will increase over the next two years, maintaining an upward trend which began in 1997.

However, expect fewer homes to be built in Saint John City. The scarcity of available lots combined with improved accessibility to the city have convinced a fair number of people to build their new home in the Valley. Housing starts in Quispamsis surpassed construction activity in Saint John City for the first time in 2001. Migration data clearly show that the majority of people leaving Saint John County between 1995 and 2000 simply moved to Kings County.

Resale Market to Remain Strong in Historical Terms

Fewer active listings combined with slightly higher mortgage rates will discourage a few potential buyers to purchase an existing home this year. MLS® sales will remain strong in historical terms, but are not expected to exceed last year's levels. However, a drop in listings combined with stronger demand expected in 2003 will cause both sales and average sales price to surpass 2002 levels. Our current forecast indicates MLS® sales to drop to 1,500 units this year before increasing to 1,525 units in 2003.

FORECAST SUMMARY Saint John CMA

	1998	1999	2000	2001	2002*	2003*	% Change
NEW HOME MARKET							
Total Starts	278	296	346	374	400	410	2.5%
Single-detached	216	255	309	322	335	350	4.5%
Mini Homes	--	--	0	3	5	5	0.0%
Multiples	62	41	37	49	60	55	-8.3%
Avg New Home Price	\$125,557	\$140,084	\$146,000	\$148,000	\$152,000	\$156,000	2.6%
Vacancy Rate	7.3%	5.2%	3.4%	5.6%	6.0%	6.5%	
RESALE MARKET							
MLS® Sales	1353	1530	1484	1510	1500	1525	1.7%
Average Sales Price	\$87,087	\$88,731	\$93,697	\$97,348	\$99,500	\$104,000	4.5%

* Forecast

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