



HOUSING NOW

Newfoundland and Labrador

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 6, EDITION 3
THIRD QUARTER 2003

Solid Fundamentals Underpin Another Robust Quarter

With employment and incomes continuing to grow and interest rates hovering around 50-year lows, these solid fundamentals underpinned another quarter of robust housing market activity. Provincial housing starts posted healthy gains over the third quarter of last year while MLS® activity hit record levels.

Gains in Housing Starts Widespread

The sustained upturn in residential construction activity was widespread throughout the industry during the third quarter as both single-detached and multiple-unit starts increased over the same period in 2002. Multiple-unit starts recorded the

largest gains, advancing 8.5 per cent. Growth in single-detached starts was only slightly lower, at 7.9 per cent. Multiple starts remained heavily concentrated in the ownership market in the form of townhouses and single-detached units with basement apartments. To the end of September, total provincial housing starts increased 11.0 per cent to 1,915 units. This represents the strongest level of activity since 1991.

Urban Centres See Largest Gains

While the residential construction industry in both urban and rural areas of the province has reaped

IN THIS ISSUE

- 1 Solid Fundamentals Underpin Another Robust Quarter
- 1 Gains in Housing Starts Widespread
- 1 Urban Centres See Largest Gains
- 2 Summer Surge Pushes MLS® Sales to New Heights

Diagrams

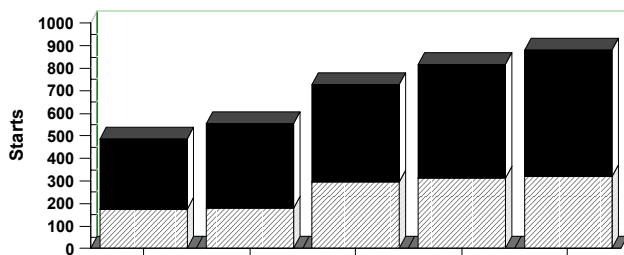
- 1 Provincial Housing Starts 3rd Quarter
- 2 Provincial Housing Starts January to September
- 2 Provincial MLS® Sales January to September

Tables

- 3 Starts Activity Summary by Area Newfoundland & Labrador
- 4 Starts by Area and Dwelling Type St. John's CMA

MLS® is a registered certification mark of the Canadian Real Estate Association

Housing Starts Newfoundland and Labrador
Third Quarter



	1999	2000	2001	2002	2003
□ Rural	174	178	296	313	320
■ Urban	311	376	432	502	560
Total	485	554	728	815	880

Source: CMHC.



HOME TO CANADIANS
Canada

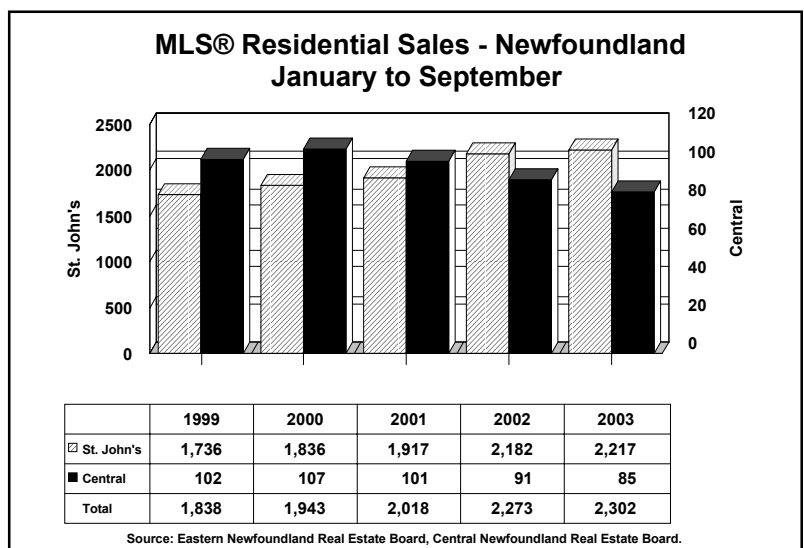
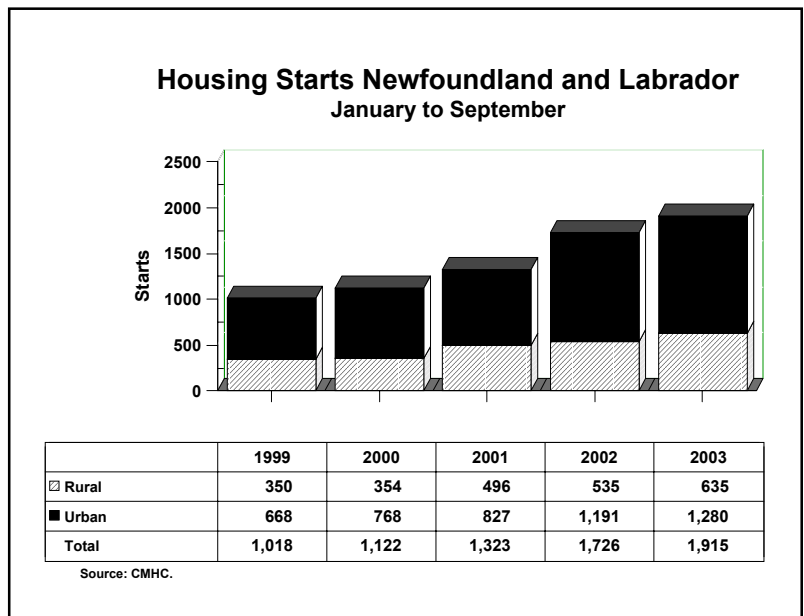
the benefits of the sustained economic upturn in recent years, urban areas experienced the largest gains during the third quarter. Between July and September, urban starts increased 11.6 per cent reflecting gains in the St. John's, Corner Brook and Grand Falls-Windsor areas. Housing starts in the Gander region were weaker during the quarter while Labrador West recorded no residential construction activity. Year-to-date starts in urban areas, at 1,280 units, are 7.5 per cent above last year's levels.

Following a spike in the second quarter, starts in rural areas were relatively flat during the summer months. Rural starts, at 320 units, were virtually unchanged from the 313 homes started during the third quarter of 2002. Despite the flat performance, year-to-date starts in rural areas have increased 18.7 per cent this year and are at their highest level since 1996.

Summer Surge Pushes MLS® Sales To New Heights

Following a slight decline during the first half of this year, MLS® residential sales through the province's two real estate boards came roaring back during the summer months. At 1,089 units, third-quarter sales increased 4.5 per cent over last year. With MLS® sales hitting record levels in both July and August, the summer surge helped to push third quarter activity to new heights. Without a doubt, housing demand continues to benefit from low interest rates and sustained employment and income growth. Despite a modest decline in September, MLS® sales remain on track to post another banner year in 2003.

With sales activity at record levels and supplies of good quality homes remaining low, growth in the average MLS® price posted a sharp rise during the third quarter. At \$122,315, the average MLS® price within the province jumped 8.0 per cent during the quarter. For the year, the average MLS® price is up 7.1 per cent to \$119,012, also an all-time high.



Your Link to the Housing Market

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 Newfoundland and Labrador'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 Brian Martin today at (709) 772-4034 or e-mail:
bmartin@cmhc-schl.gc.ca**

TABLE I STARTS SUMMARY BY AREA Newfoundland and Labrador															
Area	Starts			Completions			Under Construction								
	3rd Quarter		% chg	Year-to-Date		%chg	3rd Quarter		% chg	Year-to-Date		%chg			
	2003	2002		2003	2002		2003	2002		2003	2002		2003	2002	
St. John's CMA	477	423	12.8	1,099	1,030	6.7	370	318	16.4	939	816	15.1	852	799	6.6
Corner Brook CA	33	23	43.5	63	54	16.7	31	23	34.8	56	41	36.6	34	35	-2.9
Gander CA	10	23	-56.5	31	38	-18.4	11	9	22.2	42	23	82.6	18	35	-48.6
Grand Falls Windsor CA	40	33	21.2	87	69	26.1	28	28	0.0	68	37	83.8	53	44	NA
Labrador CA	0	0	0.0	0	0	0.0	0	0	0.0	0	1	-100.0	0	0	0.0
TOTAL URBAN AREAS	560	502	11.6	1,280	1,191	7.5	440	378	16.4	1,105	918	20.4	957	913	4.8
TOTAL OTHER AREAS	320	313	2.2	635	535	18.7	68	40	70.0	621	312	99.0	593	553	7.2
TOTAL NEWFOUNDLAND & LABRADOR	880	815	8.0	1,915	1,726	11.0	508	418	21.5	1,726	1,230	40.3	1,550	1,466	5.7

Source: C M H C

**TABLE 2
STARTS BY AREA AND DWELLING TYPE
ST. JOHN'S CMA**

Area/ Period	Single	Semi	Row	Apartment & Other	Total
St. John's City:					
Third Quarter 2003	137	18	9	34	198
Third Quarter 2002	98	4	8	44	154
Year-to-Date 2003	296	28	53	88	465
Year-to-Date 2002	264	8	12	148	432
Conception Bay South:					
Third Quarter 2003	88	0	0	0	88
Third Quarter 2002	72	0	0	0	72
Year-to-Date 2003	177	0	0	0	177
Year-to-Date 2002	172	0	0	0	172
Mount Pearl:					
Third Quarter 2003	15	0	0	0	15
Third Quarter 2002	23	0	0	0	23
Year-to-Date 2003	52	0	0	4	56
Year-to-Date 2002	64	2	0	2	68
Paradise:					
Third Quarter 2003	69	0	0	16	85
Third Quarter 2002	84	0	0	8	92
Year-to-Date 2003	172	0	0	48	220
Year-to-Date 2002	178	4	0	15	197
Torbay:					
Third Quarter 2003	30	0	0	2	32
Third Quarter 2002	31	0	0	0	31
Year-to-Date 2003	69	0	0	2	71
Year-to-Date 2002	57	0	0	0	57
Other Centres:					
Third Quarter 2003	57	0	0	2	59
Third Quarter 2002	49	0	0	2	51
Year-to-Date 2003	108	0	0	2	110
Year-to-Date 2002	102	0	0	2	104
Total St. John's CMA:					
Third Quarter 2003	396	18	9	54	477
Third Quarter 2002	357	4	8	54	423
Year-to-Date 2003	874	28	53	144	1 099
Year-to-Date 2002	837	14	12	167	1 030

Source: CMHC

Housing Now is published 4 times a year for the Newfoundland & Labrador market. **Forecast Summary** is included in the first and third quarter editions. Annual subscriptions to the **Housing Now** for Newfoundland & Labrador 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. 2084*

Ce document est disponible en français. Veuillez communiquer avec Johannes O'Callaghan au Centre d'affaires de l'Atlantique au (902) 426-4708.





FORECAST

St. John's

SUMMARY

Canada Mortgage and Housing Corporation

VOLUME 6 EDITION 2
THIRD QUARTER 2003

Housing Demand Remains Strong Next Year

Housing demand throughout the St. John's region is expected to remain strong in 2004 reflecting ongoing migration to the region, favourable interest rates, buoyant consumer confidence and sustained income and employment growth. Despite this underlying strength, sales of both new and existing homes will back off modestly from the torrid pace set in recent years. Reduced affordability, and the fact that a portion of future demand has already been satisfied, will be the major reasons for the modest dip in activity.

MLS® Sales Cool From Recent Highs

After posting annual gains in each of the past eight years and setting new

records over the past five, MLS® residential sales through the Eastern Newfoundland Real Estate Board are forecast to cool off in 2004. Our forecast calls for only minimal reductions however, with MLS® sales falling to 2,800 units. It should be noted that this level of activity will be quite strong in historical terms, only surpassed twice in the history of the region's MLS® system.

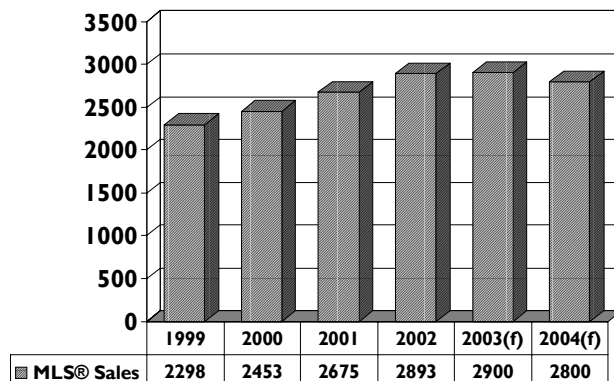
Despite the slight decline in sales, price growth will continue, albeit at a reduced level from that achieved in recent years. When coupled with rising interest rates, affordability will decline, freezing some potential homebuyers out of the market. The lowest interest rates in 50 years, which prevailed throughout most of 2003, have also brought forward

IN THIS ISSUE

- 1 **Resale Market:** MLS® sales cool from recent highs
- 2 Price growth to continue at reduced pace
- 2 Sellers remain in driver's seat but pressures expected to ease
- 2 **New Homes Market:** Strength in multiple starts continue
- 3 Single starts edge lower next year
- 3 Mortgage rates to rise but remain low
- 3 Feature: What's it worth today?
- 4 **Forecast Summary Table**

MLS® - Multiple Listing Service is a registered certification mark owned by the Canadian Real Estate Association.

MLS® Sales - St. John's and Area



Source: Eastern Newfoundland Real Estate Board, CMHC forecast.



HOME TO CANADIANS
Canada

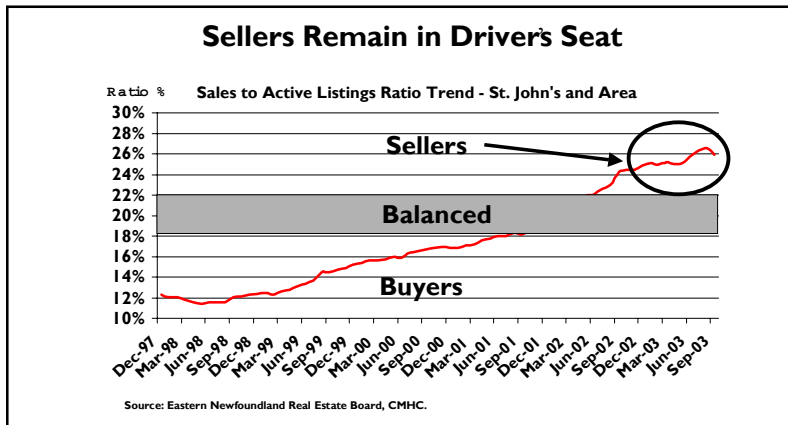
a portion of future demand as many buyers viewed the market conditions as a “can’t get any better than this” scenario, prompting them to accelerate their homebuying plans accordingly. This will also have a dampening effect on next year’s sales.

Price Growth to Continue at Reduced Pace

While house prices are forecast to grow again next year, the pace of growth will moderate from recent levels. Slightly weaker demand, coupled with an expected increase in active listings, are the main factors behind the easing in price growth. The number of active MLS® listings rose modestly during the third quarter of 2003 and this trend is forecast to continue next year. The steady rise in active listings will come as a result of more homeowners attempting to convert equity gains attained in recent years. The growth in listings will mark the first time since 1998 that supplies will increase. As a result, price gains of between two and four per cent are anticipated for both bungalows and two-storey dwellings next year.

Sellers Remain in Driver’s Seat But Pressures Expected to Ease

Analysis of the sales-to-active listings ratio over the past nine months



Forecast Summary, Third Quarter 2003

Price Growth Continues at Reduced Pace

Bungalow

	July 2001	July 2002	July 2003	July 2004(f)
St. John's East	\$142,000	\$150,000	\$154,000	\$157,000
St. John's West	\$135,000	\$143,000	\$146,000	\$148,500
Mount Pearl	\$133,000	\$140,000	\$143,000	\$145,000

Two Storey

	July 2001	July 2002	July 2003	July 2004(f)
St. John's East	\$186,500	\$196,000	\$200,000	\$203,000
St. John's West	\$182,500	\$192,000	\$196,000	\$199,000
Mount Pearl	\$183,000	\$192,000	\$197,000	\$200,000

Source: CMHC Benchmark House Price Survey.

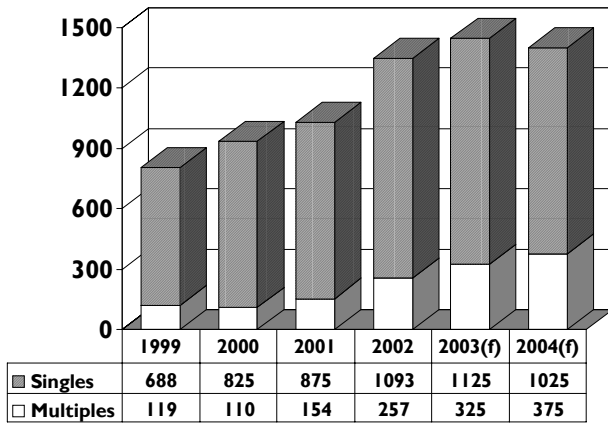
indicates that home sellers remained firmly in the driver’s seat throughout 2003. While the supply of active listings increased during the third quarter, these slight gains were more than offset by a record level of sales. Although seller’s conditions have prevailed for some time, throughout the third quarter of this year this ratio averaged 31.5 per cent. This was its strongest performance since the market moved to favour sellers early last year. Furthermore, the ratio was at its second highest level ever, only surpassed back in the summer/fall of 1988 following the Hibernia development announcement. More listings and fewer sales should ease pressures in the resale market, resulting in more balanced conditions by the second half of 2004.

New Homes Market

Strength in Multiple Starts to Continue

While sales of new homes will remain brisk next year, demand for multiple units will continue to exhibit the most strength. At 375 units, multiple starts will increase for the fourth year and reach their highest level since 1997. Several factors will converge to support continued strength in the multiples market. Steady growth in the number of smaller households (one and two persons and a growing empty-nesters population), reduced affordability associated with detached- versus multiple-style homes and an infusion of public funds in support of affordable housing will stimulate multiple starts. While multiples will remain concentrated in the ownership market (condos and semi-detached and row townhouses) further tightening in the local rental market will likely prompt a modest recovery in apartment starts.

Housing Starts-St. John's CMA



Source: CMHC. Forecast 2003, 2004.

Single Starts Edge Lower Next Year

After climbing to a 14-year high in 2003, single-detached starts are forecast to edge lower to 1,025 units next year.

With construction costs continuing their upward trend and interest rates also inching higher, affordability remains a concern. These conditions will maintain the ongoing shift towards more affordable multiples, such as townhouse and semi-detached units at the expense of the singles market. Furthermore, and similar to the resale market, the exceptional homebuying conditions which have prevailed over the past 12-18 months have also accelerated buying decisions in the new home segment. This will have a slightly dampening effect on sales next year. Finally, an expected increase in MLS® listings will provide more choice for buyers also moderating demand for new homes. Despite the expected decline, at 1,025 units, single starts will remain well above the levels achieved during the last decade. With builders remaining busy, labour shortages will persist. Expect price growth of around five per cent next year as well.

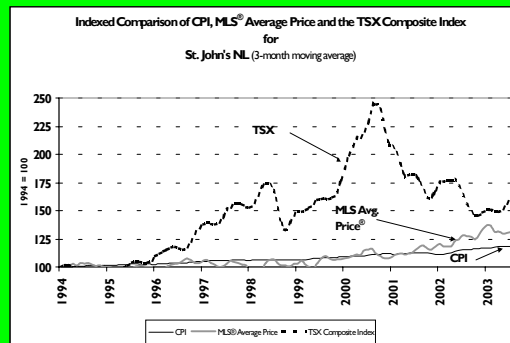
Mortgage Rates to Rise But Remain Low

The outlook for mortgage rates for the remainder of 2003 and 2004 calls for modest increases but they will remain low in historical terms. Easing inflation and lingering concerns over trade, health and geopolitical risks will keep mortgage rates low in the near future prior to rising slightly next year. One-, three- and five-year mortgage rates are expected to be in the 4.25-5.25, 5.25-6.25, and 6.00-6.75 per cent range, respec-

What's it worth today?

A comparison of residential real estate, stocks, and the general cost of living in St. John's

It is hard to ignore the daily cacophony of advice streaming from financial planners and investment specialists in the business section of the newspaper and on television with respect to where to park your money for a rainy day. Often there are conflicting opinions about stocks versus residential real estate as the key to financial freedom. While individual investment advice is a personal decision and no investment is immune from risk, it is interesting to look at how local housing markets have compared to Canada's key stock index over the past ten years especially when compared to the local cost of living. Over the past ten years the average MLS® resale price in St. John's climbed 31 per cent from just under \$90,000 in 1994 to around \$120,000 today. This compares with a 62 per cent gain on the TSX Composite Index over the same time frame. Although the TSX has outperformed the local housing market over the last ten years, the degree of volatility in the stock market far exceeds the relatively steady gains in the area's residential real estate market. In addition to the favourable tax treatment afforded to primary residences, a home is also a place to live, which is a fairly important consideration in any financial plan. Finally, when measured against the region's general cost of living, overall gains in both stocks and residential real estate have exceeded inflation as measured by the Consumer Price Index (CPI). In other words, regardless of where you parked your money ten years ago, it would have posted a positive real rate of return by today (although some investment choices may have resulted in more sleepless nights instead of a place to sleep).



St. John's Census Metropolitan Area October 2003

RESALE MARKET	2002	2003*	% Chg	2004*	% Chg
MLS Average Monthly Active Listings	966	925	-4.2%	975	5.4%
MLS Sales	2,893	2,900	0.2%	2,800	-3.4%
Benchmark House Price (3 bdr Bungalow, July)					
East	\$150,000	\$154,000	2.7%	\$157,000	1.9%
West	\$143,000	\$146,000	2.1%	\$148,500	1.7%
Mount Pearl	\$140,000	\$143,000	2.1%	\$145,000	1.4%
NEW HOMES MARKET					
Absorption Rates (Monthly Average)					
Single and Semi-detached	90	95	5.6%	90	-5.3%
Starts	1,350	1,450	7.4%	1,400	-3.4%
Single	1,093	1,125	2.9%	1,025	-8.9%
Multiple	257	325	26.5%	375	15.4%
Ownership	209	325	55.5%	275	-15.4%
Rental	48	0	N/A	75	N/A
Average Absorbed New House Price	\$151,700	\$160,000	5.5%	\$168,000	5.0%
RENTAL MARKET					
Vacancy Rate (October)	2.5%	2.0%		2.0%	
Rental Rate (annual % chg) 2 bdr	5.0%	3.0%		5.0%	
ECONOMIC OVERVIEW					
Mortgage rate (3 yr. term)	6.28%	5.76%		6.01%	
Mortgage rate (5 yr. term)	7.02%	6.42%		6.83%	
Employment growth	1,250	2,500		1,500	
Net Migration	700	700		750	

Housing Now is published 4 times a year for the Newfoundland & Labrador market. **Forecast Summary** is included in the first and third quarter editions. Annual subscriptions to the **Housing Now** for Newfoundland & Labrador 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. 2084*

Ce document est disponible en français. Veuillez communiquer avec Johannes O'Callaghan au Centre d'affaires de l'Atlantique au (902) 426-4708.

© 2003 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior

written permission of Canada Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and

opinions contained in this publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.

