



# HOUSING NOW

New Brunswick

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 6, EDITION 1  
THIRD QUARTER 2003

## New Home Market Strong

### Housing starts maintain the torrid pace set earlier this year

- √ Residential construction activity in the third quarter maintained the torrid pace set earlier this year, exceeding the pace for new home construction set in 2002.
- √ Total housing starts in the third quarter of 2003 reached 1,585 units at the provincial level, a 45 per cent increase when compared to last year. This represents the best third quarter for new home construction since 1979, when builders had started 1,657 units over that period.
- √ New home construction in the third quarter was fuelled by a rise in housing starts in both urban and rural areas.
- √ In urban areas, housing starts reached 1,056 units, a 43 per cent increase when compared to last year and the best third quarter since 1976 (when housing starts had reached 1,287 units). In rural areas, housing starts increased significantly, jumping from 351 units in the third quarter last year to 529 units in 2003. This represents the best third quarter in rural areas since 1994.
- √ At the end of September, 2,304 units were under construction in New Brunswick, an 88 per cent increase when compared to 2002. In urban areas, 2,132 units were under construction as at September 30, compared to 1,135 units last year.

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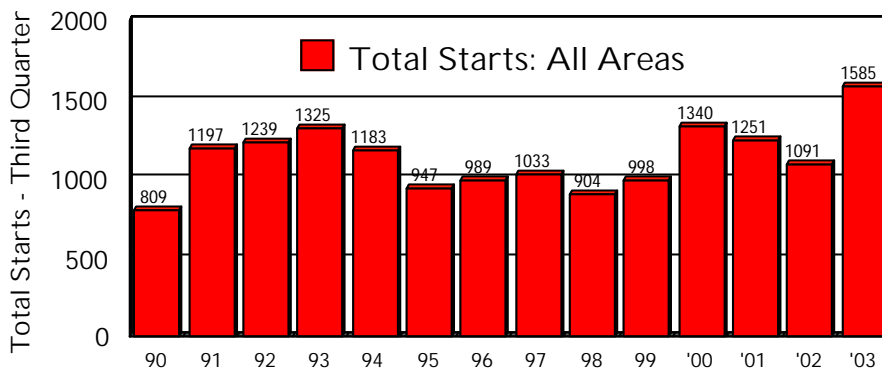
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### Total Housing Starts: Best Third Quarter Since 1979



Source: CMHC



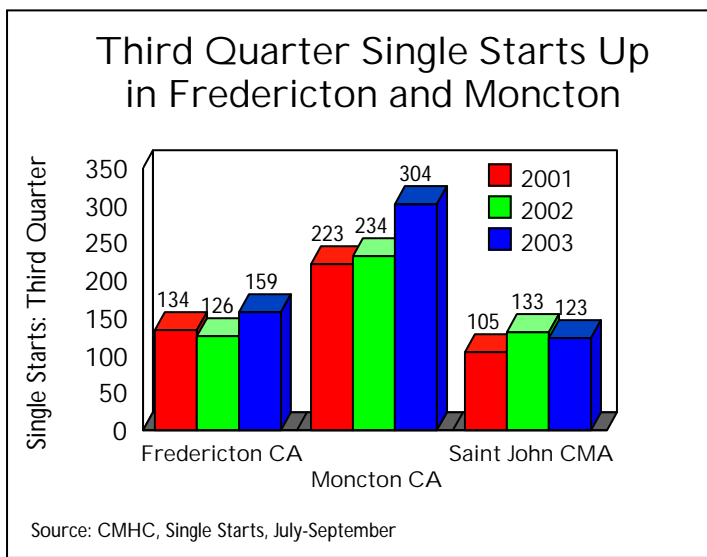
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# FREDERICTON MONCTON SAINT JOHN

## Housing Market Overview

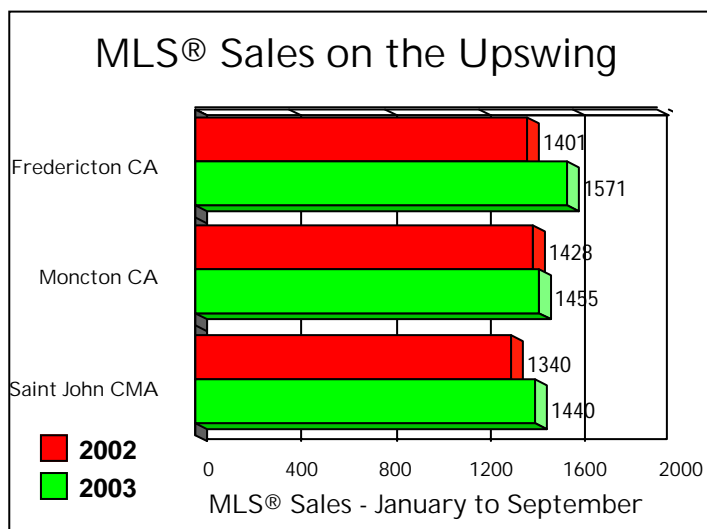
### New single-family homes remain strong in Southern New Brunswick

- √ Third quarter single-detached starts increased in the Greater Fredericton and Moncton areas. These two regions continue to benefit from attractive labour market conditions. Solid employment growth in the service sector in particular has forced employers in Fredericton and Moncton to recruit from outside their respective region to fill up new bilingual positions. This is generating in-migration, and fuelling housing demand in these two areas.
- √ In Saint John, single starts in the third quarter did not match last year's levels. However, year-to-date single starts remain strong with 276 units compared to 255 last year. A significant rise in new apartment units is also contributing to the rise in residential activity in Saint John.



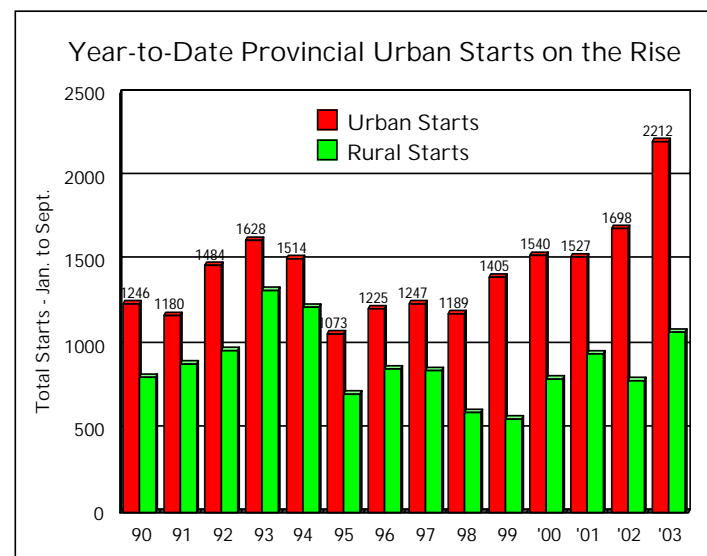
### MLS® Sales to set another record year

- √ Economic and employment growth, in-migration and near 50-year low interest rates are all key factors stimulating the resale market in New Brunswick. Provincial MLS® sales were particularly strong in the third quarter. As a result, MLS® sales are now ahead of last year in all three larger urban areas, and realtors are expected to have another record year in 2003.
- √ Strong demand and low mortgage rates have caused a 4.2 and 7.2 per cent increase in the average MLS® sales price in Fredericton and Moncton, respectively. A significant increase in active listings in these two regions will also continue to stimulate MLS® sales in these two regions.



### Year-to-date starts up in all areas

- √ Thanks to a solid third quarter, provincial housing starts have now reached 3,291 units so far this year, a 32 per cent increase when compared to last year, and the best first three quarters since 1983.
- √ A rise in residential activity in both urban and rural areas contributed to the new home market's solid performance so far this year. Urban starts were particularly strong with 2,212 units, a 30 per cent increase when compared to last year. Besides employment growth and low mortgage rates, the urbanization and aging phenomenons also contributed to the rise in urban starts. Rural starts also remain strong as a fair number of people moving closer to the urban centres will opt for areas outside city limits.



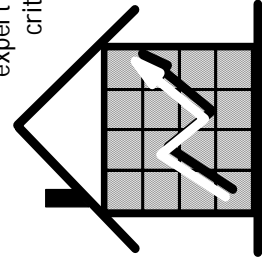
**TABLE 1**  
**ACTIVITY SUMMARY BY AREA**  
**New Brunswick**

Area	Starts				Completions				Under Construction						
	Third Quarter		Year-to-Date		Third Quarter		Year-to-Date		As at September 30						
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002					
Bathurst CA	19	13	46.2	33	28	17.9	11	16	-31.3	32	27	18.5	22	14	57.1
Campbellton CA	4	6	-33.3	11	10	10.0	2	3	-33.3	7	4	75.0	8	7	14.3
Edmundston CA	22	32	-31.3	45	39	15.4	16	6	166.7	42	13	223.1	27	37	-27.0
Fredericton CA	257	132	94.7	593	302	96.4	178	228	-21.9	382	446	-14.3	452	201	124.9
Miramichi CA	19	28	-32.1	34	41	-17.1	14	11	27.3	33	17	94.1	23	31	-25.8
Moncton CA	535	396	35.1	1065	979	8.8	127	327	-61.2	713	840	-15.1	1306	684	90.9
Saint John CMA	200	133	50.4	431	299	44.1	113	134	-15.7	262	273	-4.0	294	161	82.6
<b>TOTAL URBAN AREAS</b>	1056	740	42.7	2212	1698	30.3	461	725	-36.4	1471	1620	-9.2	2132	1135	87.8
<b>TOTAL OTHER AREAS</b>	529	351	50.7	1079	789	36.8	319	72	343.1	1017	529	92.2	172	753	-77.2
<b>TOTAL NEW BRUNSWICK</b>	1585	1091	45.3	3291	2487	32.3	780	797	-2.1	2488	2149	15.8	2304	1888	22.0

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:



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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
<b>Fredericton City</b>						<b>Grand Bay-Westfield</b>					
July - Sept. 2003	52	8	40	46	146	July - Sept. 2003	5	0	0	0	5
July - Sept. 2002	51	2	4	0	57	July - Sept. 2002	3	0	0	0	3
Jan. - Sept. 2003	130	18	44	187	379	Jan. - Sept. 2003	12	0	0	0	12
Jan. - Sept. 2002	128	7	4	10	149	Jan. - Sept. 2002	13	0	0	0	13
<b>Total Fredericton</b>						<b>Quispamsis Town</b>					
July - Sept. 2003	159	8	40	50	257	July - Sept. 2003	52	0	0	2	54
July - Sept. 2002	126	2	4	0	132	July - Sept. 2002	43	4	0	0	47
Jan. - Sept. 2003	340	18	44	191	593	Jan. - Sept. 2003	113	0	6	4	123
Jan. - Sept. 2002	277	7	4	14	302	Jan. - Sept. 2002	115	4	0	0	119
<b>Moncton City</b>						<b>Rothesay Town</b>					
July - Sept. 2003	123	32	4	123	282	July - Sept. 2003	13	2	0	0	15
July - Sept. 2002	99	10	0	108	217	July - Sept. 2002	15	2	3	0	20
Jan. - Sept. 2003	233	72	4	238	547	Jan. - Sept. 2003	35	2	3	0	40
Jan. - Sept. 2002	216	20	0	324	560	Jan. - Sept. 2002	22	2	3	0	27
<b>Dieppe Town</b>						<b>Saint John City</b>					
July - Sept. 2003	94	16	14	0	124	July - Sept. 2003	25	4	6	59	94
July - Sept. 2002	66	14	0	12	92	July - Sept. 2002	30	4	11	0	45
Jan. - Sept. 2003	184	30	18	64	296	Jan. - Sept. 2003	64	10	11	109	194
Jan. - Sept. 2002	181	18	0	20	219	Jan. - Sept. 2002	77	14	21	0	112
<b>Riverview Town</b>						<b>Saint John - Other outlying areas</b>					
July - Sept. 2003	25	4	0	38	67	July - Sept. 2003	28	0	0	0	28
July - Sept. 2002	24	10	0	8	42	July - Sept. 2002	42	0	0	0	42
Jan. - Sept. 2003	61	10	0	38	109	Jan. - Sept. 2003	52	0	4	0	56
Jan. - Sept. 2002	64	22	9	8	103	Jan. - Sept. 2002	28	0	0	0	28
<b>Total Moncton CA</b>						<b>Total Saint John CMA</b>					
July - Sept. 2003	304	52	18	161	535	July - Sept. 2003	123	6	6	61	196
July - Sept. 2002	234	34	0	128	396	July - Sept. 2002	133	10	14	0	157
Jan. - Sept. 2003	586	112	22	345	1,065	Jan. - Sept. 2003	276	12	24	113	425
Jan. - Sept. 2002	554	62	9	354	979	Jan. - Sept. 2002	255	20	24	0	299

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.



# F FORECAST

New Brunswick

## SUMMARY

Canada Mortgage and Housing Corporation

VOLUME 6 EDITION 3  
THIRD QUARTER 2003

### Torrid Pace of Housing Starts to Slow Down Slightly in 2004

Residential construction in New Brunswick is poised to record another outstanding performance in 2003 and 2004, although the new home market is expected to decline slightly in 2004 when compared to the solid pace set this year.

Strong employment growth in 2002, combined with near 50-year-low interest and mortgage rates, fuelled residential construction activity this year. A significant rise in both single and multiple starts will cause the 2003 new home market to reach its best performance since 1983. Single and multiple starts are expected to rise by 11 and 30 per cent, respectively, this year. However, the new home market will not be able to maintain this pace in 2004. Weaker employment growth combined with rising construction costs, are viewed as the two of the key factors that will negatively impact the new home market in 2004. An expected rise in the inventory of existing homes available for

sale will also slow residential construction, as more home seekers opt for the resale market. Furthermore, multiple starts in 2004 will unlikely match the 2003 levels in all three large urban centres. In 2003, 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.

Rural starts over the forecast period will remain strong in historical terms. New Brunswickers will continue to move from northern to southern regions, but will choose to relocate in rural areas just outside the city limits where homes are less expensive. In short, expect total housing starts to reach 4,500 units this year, before dropping to 4,200 units in 2004. This will mark the first time since 1985-1986 that the new home market exceeds the 4,000-unit mark in two consecutive years.

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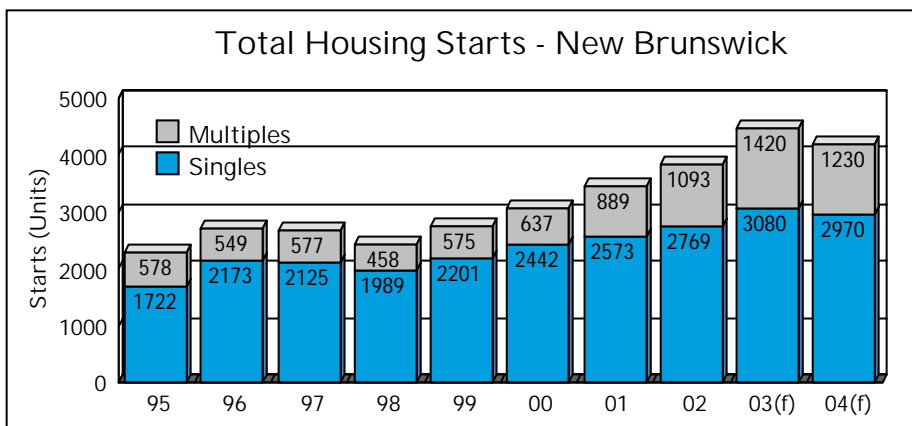
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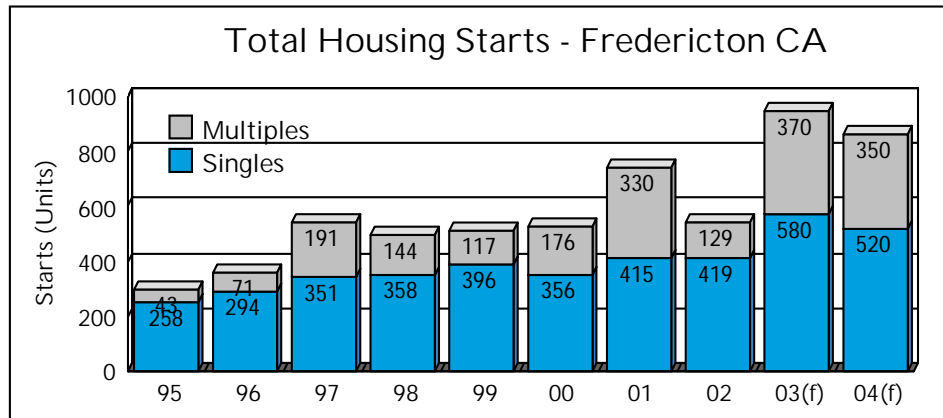
# Fredericton

## Employment Growth Fuelling the New Home Market

Employment growth in the Fredericton area did not maintain the solid pace set last year, but remained strong in historical terms. In fact, employment grew by more than 10 per cent over the first nine months of 2003 when compared to last year. The service sector accounts for most of the new positions created so far this year. As a result, employers continued to recruit bilingual workers from outside the region, mainly from northern New Brunswick. Considering that the average MLS® sales price was below \$65,000 last year in northern New Brunswick, this migration trend will stimulate demand for rentals and lower-priced homes, such as manufactured homes. As a result, expect total starts to reach a high of 950 units in 2003. Residential activity in 2004 will not match the 2003 levels, but will remain strong in historical terms with 870 units.

## No Relief in Sight for Construction Costs

Expected high levels of residential activity will maintain upward pressure on construction costs and new home prices. Furthermore, record sales levels on the resale market are causing a surge in renovation activity. As a result, trades are



busier than ever, and builders are not expected to experience any relief in labour costs again next year. On the bright side, it will likely be at least a year before early indications of a recovery in the U.S. economy translate into a firming-up in residential construction south of the border and related increases in building material costs. However, the volatility that has plagued the lumber market in 2003 is likely to persist until the current softwood lumber trade dispute is settled.

Consequently, new home price growth is forecast to climb by more than 7 and 4 per cent in 2003 and 2004, respectively. **Strong Demand for Existing Homes and Rental Units**

Attractive labour market conditions will continue to stimulate in-migration and fuel demand for rental units and existing homes in particular. Empty-nesters will take advantage of new high-end rental units to sell their homes and move into

smaller, low-maintenance units, increasing the supply of existing homes available for sale. Furthermore, more prospective buyers will opt for the resale market as the cost of owning a new single-detached home in preferred areas of Fredericton maintains its upward trend. Strong demand combined with greater supply will push MLS® sales to a record high in 2004. Record sales levels will mainly be due to a greater number of transactions for lower-priced homes outside city limits, where listings will remain abundant. As a result, the average sales price is expected to rise by less than one per cent in 2004. Contrary to market conditions in the Greater Fredericton area, the resale market will remain tight in Fredericton City. Strong demand for single-family homes, combined with a shortage of existing homes available for sale will continue to support single starts.

## FORECAST SUMMARY Fredericton CA

	1999	2000	2001	2002	2003*	2004*	% Change
<b>NEW HOME MARKET</b>							
Total Starts	513	532	745	548	950	870	-8.4%
Single-detached	396	293	344	327	480	410	-14.6%
Manufactured Homes **	--	63	71	92	100	110	10.0%
Multiples	117	176	330	129	370	350	-5.4%
Avg. New Home Price	\$121,980	\$119,000	\$138,200	\$156,600	\$168,000	\$175,000	4.2%
Vacancy Rate	1.5%	1.3%	1.5%	0.9%	1.5%	2.0%	
<b>RESALE MARKET</b>							
MLS® Sales	1106	1287	1384	1474	1550	1600	3.2%
Average Sales Price	\$95,687	\$99,507	\$105,818	\$105,245	\$109,000	\$110,000	0.9%

\* Forecast

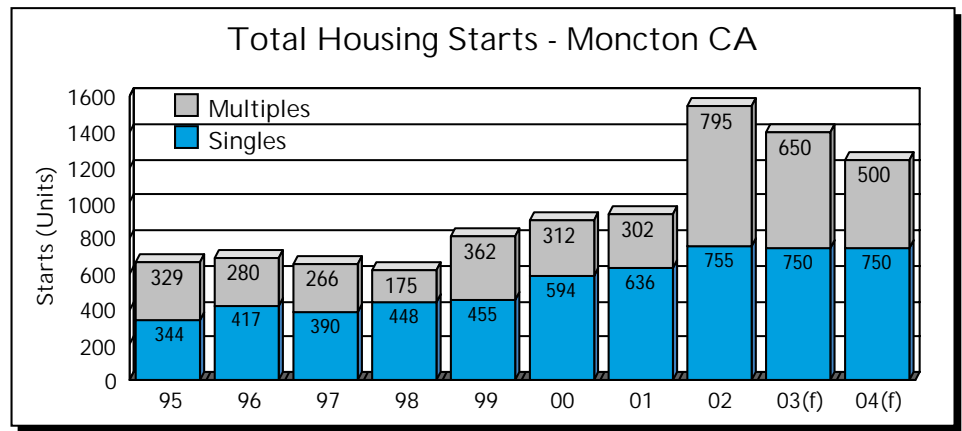
\*\* Single sections in land lease communities

# Moncton

**In-migration to Remain Strong**  
Employment growth this year in Greater Moncton will not match the torrid pace set in 2002. Notwithstanding, employment set a record high in September, exceeding the 67,000 mark. An expanding labour market, combined with a shortage of skilled workers in many sectors, are forcing employers to recruit from outside the region, fuelling in-migration and housing demand.

**Resale Market Poised for Another Record Performance**  
Positive net migration will initially benefit real estate agents, as most workers moving into the area will opt for an existing home rather than build a new one. Furthermore, new home prices have been rising at a rapid pace over the past few years, driving up monthly homeownership costs. As new home prices increase at a faster pace than existing home prices, more prospective buyers will opt for the resale market. Our current forecast indicates that new home price growth will climb by more than 5 per cent in both 2003 and 2004.

A substantial rise in multiple starts will also continue to positively affect the resale market. New high-end apartment units are providing empty-nesters with the



opportunity to sell their home and move into smaller, low-maintenance units. As a result, new listings will maintain their upward trend over the forecast period. Strong demand, combined with a broader inventory, will push MLS® sales to record levels this year and again in 2004.

The substantial rise in new home prices has also allowed real estate agents to bring listing prices up without affecting sales. The increase in resale list prices has been offset by historically low mortgage rates, and no significant increase in mortgage rates is expected again in 2004. This will allow potential home-buyers to purchase more expensive homes without significantly affecting their monthly homeownership costs. Increasing sales expected in higher price ranges will cause the average resale price to reach record levels over the forecast period, reaching \$106,500 by the end of 2004.

## Vacancies on the Upswing

Prior to 2002, an average of about 200 new rental units was started annually in Greater Moncton. Then in 2002, multiple starts reached 795 units, the highest level of construction activity in nearly three decades. With 646 units, rental accommodations accounted for more than 80 per cent of the new multiple stock started last year. Despite strong levels of construction activity, builders will continue to take advantage of low interest rates to build a high level of new multiple units in 2003 and 2004. Multiple starts are expected to slow over the forecast period, yet construction activity will remain strong in historical terms. Our current forecast indicates 650 and 500 multiples starts in 2003 and 2004, respectively. As a result, vacancies and absorption rates are on the rise. Expect the vacancy rate to hover between 3 and 4 per cent over the forecast period.

## FORECAST SUMMARY Moncton CA

	1999	2000	2001	2002	2003*	2004*	% Change
<b>NEW HOME MARKET</b>							
Total Starts	817	906	938	1550	1400	1250	-10.7%
Single-detached	371	471	510	614	600	590	-1.7%
Manufactured Homes **	84	123	126	141	150	160	6.7%
Multiples	362	312	302	795	650	500	-23.1%
Avg. New Home Price	\$107,888	\$112,000	\$138,650	\$144,000	\$152,000	\$160,000	5.3%
Vacancy Rate	3.8%	1.7%	1.6%	2.3%	3.0%	4.0%	
<b>RESALE MARKET</b>							
MLS® Sales	1413	1491	1666	1763	1800	1850	2.8%
Average Sales Price	\$87,675	\$89,065	\$92,428	\$99,942	\$103,500	\$106,500	2.9%

\* Forecast

\*\* Single sections in land lease communities

# Saint John

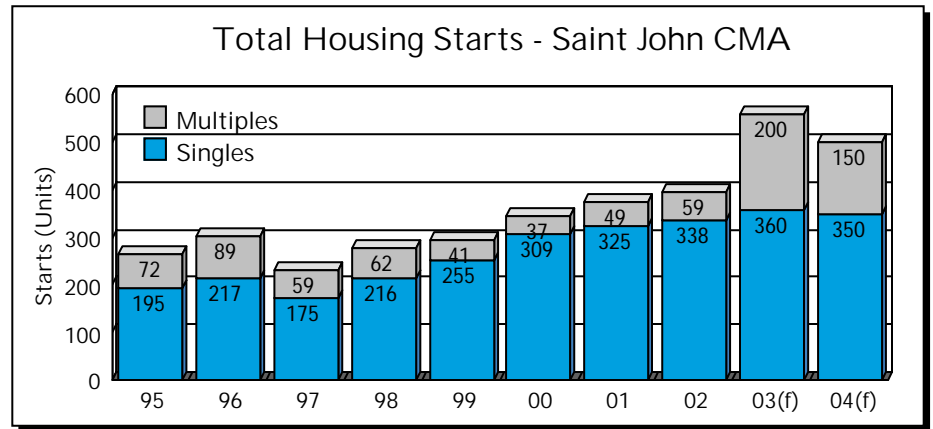
## Housing Market Strong Despite Employment Drop

Employment growth this year will not match the pace set over the last few years.

In fact, the total number of workers in Greater Saint John will most likely come about one per cent short of last year's record level. Notwithstanding, employment remains strong in historical terms. Furthermore, Saint John's economy is expected to bounce back in the near future, thanks to major capital projects such as the conversion of the Coleson Cove Generating Station and the refurbishment of the Irving LNG facility.

## Resale Market to Maintain its Upward Trend

So far this year, housing demand has remained strong as the near 50-year-low mortgage rates have offset the drop in employment. Both new and resale markets will have a banner year in 2003. This was already evident at the end of the third quarter, as single starts were already up 9



per cent and MLS® sales had increased by nearly 8 per cent. However, a major rise in labour, land and building material costs has caused a substantial increase in new home prices, and there is no relief in sight for 2004. Consequently, new home price growth is forecast to climb by more than 6 per cent in 2003, and 4 per cent in 2004. As a result, some prospective buyers will opt for the resale market next year to the detriment of the new home market.

## Multiple Starts Strong

Multiple starts will also be particularly strong in 2003, reaching the highest level since 1983. The construction of new

multiple units will slow down in 2004, but will remain strong in historical terms. Expect around 200 multiple unit starts in 2003 and another 150 units in 2004, most of them in Saint John City. These new apartment units, targeted mainly to older age groups, may not be absorbed as quickly as in other urban areas of the province. This is the first time that empty-nesters have the option to move into smaller, low-maintenance units in Saint John, and some of them may not be ready to leave their single-detached home. However, once empty-nesters break this psychological barrier, expect a surge of new high-end multiple units in Saint John.

## FORECAST SUMMARY Saint John CMA

	1999	2000	2001	2002	2003*	2004*	% Change
<b>NEW HOME MARKET</b>							
Total Starts	296	346	374	397	560	510	-8.9%
Single-detached	255	309	322	330	350	345	-1.4%
Manufactured Homes **	--	0	3	8	10	15	50.0%
Multiples	41	37	49	59	200	150	-25.0%
Avg. New Home Price	\$140,084	\$146,000	\$148,000	\$171,400	\$182,000	\$190,000	4.4%
Vacancy Rate	5.2%	3.4%	5.6%	6.3%	5.2%	5.0%	
<b>RESALE MARKET</b>							
MLS® Sales	1530	1484	1510	1505	1500	1550	3.3%
Average Sales Price	\$88,731	\$93,697	\$97,348	\$103,544	\$105,000	\$106,000	1.0%

\* Forecast \*\* Single sections in land lease communities

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