



HOUSING NOW

Newfoundland and Labrador

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 6, EDITION 1
FIRST QUARTER 2003

Cold Weather and Winter Storms Cool Housing

The combined effects of several winter storms followed by a deep cold snap in March served to cool housing market performance during the first quarter of 2003. While the residential construction industry was hardest hit by the inclement weather, MLS® residential sales also felt the negative impacts.

activity with only 15 housing starts recorded. This was the first year-over-year decrease in quarterly starts since early 2001. Although this represented a 56 per cent decline from last year, it is worth noting that, during the record snowfall of 2001, there were only 12 houses started during the first three months. Rural housing starts will gather momentum in coming months as the traditional spring market kicks in. However, cod fishery closures along the northeast coast and gulf regions will have a dampening effect on rural starts throughout 2003 with some reductions expected.

Decline in Starts Widespread

The decline in housing starts was widespread during the first quarter as both urban and rural areas of the province experienced reduced activity from the year before. Rural starts posted the sharpest drop in

While residential construction activity was also lower in urban centres, at 29 per cent, the overall

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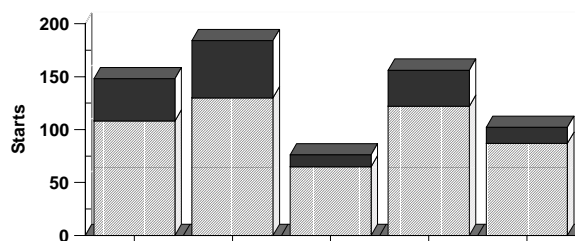
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Housing Starts Newfoundland & Labrador
1st Quarter



	1999	2000	2001	2002	2003
Urban	108	130	65	122	87
Rural	40	54	11	34	15
Total	148	184	76	156	102

Source: CMHC.

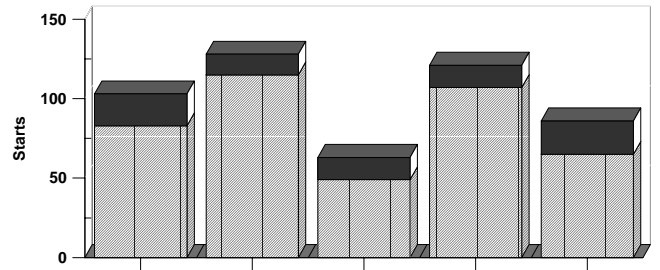


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decline was only half the level experienced in rural Newfoundland and Labrador. Without a doubt, the harsh weather impeded the ability of many urban based builders to start new homes as well. The St. John's region continued to dominate the province's residential construction industry during the first quarter accounting for almost 85 per cent of provincial starts and 99 per cent of urban activity. A closer look at first quarter activity indicates that declines were entirely due to a 43 per cent drop in single-detached starts. In contrast, multiple unit construction continued to recover posting a 50 per cent increase.

Despite weakness during the early part of 2003, there are a number of solid fundamentals in place to suggest activity will gather steam throughout this year. Those fundamentals include sustained income and employment growth and low inventories of both new and existing homes.

Housing Starts - St. John's CMA 1st Quarter



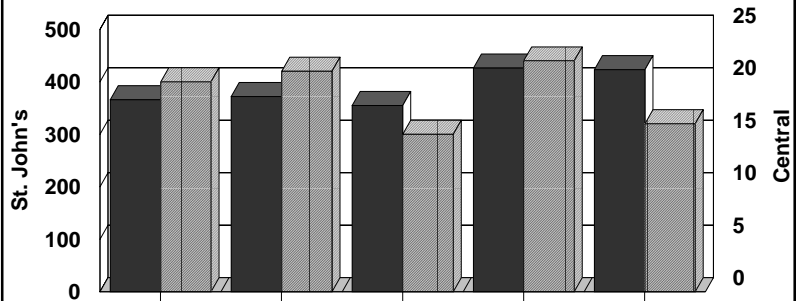
	1999	2000	2001	2002	2003
■ Singles	83	115	49	107	65
■ Multiples	20	13	14	14	21
Total	103	128	63	121	86

Source: CMHC.

MLS® Sales Slip in 1st Quarter

Poor weather also had a negative impact on provincial MLS® residential sales during the first quarter. While adverse weather played a role, the steady reduction in quality listings also contributed to the modest decline in MLS® sales activity. During the first three months, MLS® sales slipped 2.0 per cent from a year earlier to 439 units. This marked the second consecutive quarter of reduced sales activity, a situation which has not occurred since 1995. Within the province, MLS® sales in the St. John's region were relatively flat while sales in Central Newfoundland fell by six units. Despite the slight dip in sales, the average MLS® house price continued its record setting pace. Sales of more expensive housing in St. John's served to push the average MLS® house price within the province up 10.0 per cent to another record high of \$116,572.

MLS Residential Sales - Newfoundland & Labrador 1st Quarter



	1999	2000	2001	2002	2003
■ St. John's	366	372	355	426	423
■ Central	20	21	15	22	16
Total	386	393	370	448	439

Source: Eastern Newfoundland Real Estate Board, Central Newfoundland Real Estate Board.



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.

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TABLE I
STARTS SUMMARY BY AREA
Newfoundland and Labrador

Area	Starts						Completions						Under Construction		
	1st Quarter			Year-to-Date			1st Quarter			Year-to-Date			As at 03-31-03		
	2003	2002	% chg	2003	2002	%chg	2003	2002	% chg	2003	2002	%chg	2003	2002	% chg
St. John's CMA	86	121	-28.9	86	121	-28.9	306	233	31.3	306	233	31.3	464	468	-0.9
Corner Brook CA	0	1	-100.0	0	1	-100.0	15	8	87.5	15	8	87.5	12	15	-20.0
Gander CA	1	0	NA	1	0	NA	7	11	-36.4	7	11	-36.4	23	9	NA
Grand Falls Windsor CA	0	0	0.0	0	0	0.0	20	6	NA	20	6	NA	14	6	NA
Labrador CA	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	0	1	100.0
TOTAL URBAN AREAS	87	122	-28.7	87	122	-28.7	348	258	34.9	348	258	34.9	513	499	2.8
TOTAL OTHER AREAS	15	34	-55.9	15	34	-55.9	147	252	-41.7	327	252	29.8	256	113	NA
TOTAL NFLD & LAB	102	156	-34.6	102	156	-34.6	495	510	-2.9	675	510	32.4	769	612	25.7

Source: CMHC

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

Area/ Period	Single	Semi	Row	Apartment & Other	Total
St. John's City:					
First Quarter 2003	20	0	13	2	35
First Quarter 2002	39	0	0	10	49
Year-to-Date 2003	20	0	13	2	35
Year-to-Date 2002	39	0	0	10	49
Conception Bay South:					
First Quarter 2003	20	0	0	0	20
First Quarter 2002	18	0	0	0	18
Year-to-Date 2003	20	0	0	0	20
Year-to-Date 2002	18	0	0	0	18
Mount Pearl:					
First Quarter 2003	6	0	0	0	6
First Quarter 2002	8	2	0	2	12
Year-to-Date 2003	6	0	0	0	6
Year-to-Date 2002	8	2	0	2	12
Paradise/St. Thomas:					
First Quarter 2003	15	0	0	6	21
First Quarter 2002	22	0	0	0	22
Year-to-Date 2003	15	0	0	6	21
Year-to-Date 2002	22	0	0	0	22
Torbay:					
First Quarter 2003	3	0	0	0	3
First Quarter 2002	7	0	0	0	7
Year-to-Date 2003	3	0	0	0	3
Year-to-Date 2002	7	0	0	0	7
Other Centres:					
First Quarter 2003	1	0	0	0	1
First Quarter 2002	13	0	0	0	13
Year-to-Date 2003	1	0	0	0	1
Year-to-Date 2002	13	0	0	0	13
Total St. John's CMA:					
First Quarter 2003	65	0	13	8	86
First Quarter 2002	107	2	0	12	121
Year-to-Date 2003	65	0	13	8	86
Year-to-Date 2002	107	2	0	12	121

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 **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*

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F O R E C A S T

St. John's

S U M M A R Y

Canada Mortgage and Housing Corporation

VOLUME 6 EDITION 1
FIRST QUARTER 2003

Strong Housing Markets Persist

While continued employment and income growth will sustain home buying demand, expect overall activity to ease slightly this year. The double impact of accelerating price growth and higher mortgage rates will cause a sharp rise in home ownership costs and moderate demand. Expect both housing starts and MLS® residential sales to back off from last year's torrid pace. Despite the outlook, overall activity will remain strong when compared to the levels achieved throughout the past decade.

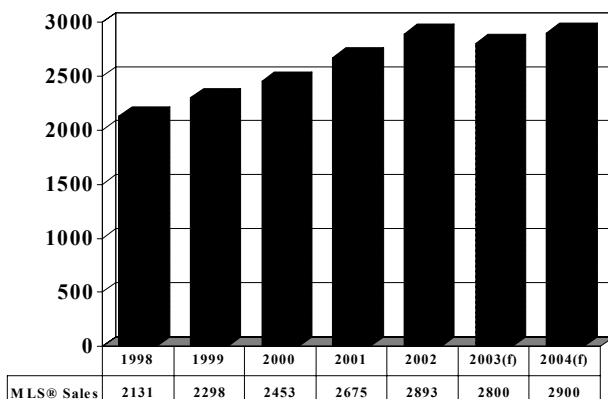
MLS® Sales To Hit 2nd Highest Total Ever

Sustained employment and income growth and high consumer confidence will continue to drive MLS® resales. However, the rising cost of home ownership will moderate overall demand. When combined with a thin supply of quality listings, expect resale activity to tone down from last year's record pace. Nevertheless, at 2,800 units, MLS® residential sales through the Eastern Newfoundland Real Estate Board will post their second best performance on record in 2003. With White Rose and Voisey's Bay picking up, expect MLS® residential sales volumes to rise to 2,900 units in 2004.

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- 2 Home Ownership Costs On The Rise**
- 2 Price Growth Outpaces Inflation**
- 2 New Homes Market :** Multiple Starts Up again This Year
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- 3 Mortgage Rates Expected to Increase**
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MLS® Sales - St. John's and Area



Source: Eastern Newfoundland Real Estate Board, CMHC.

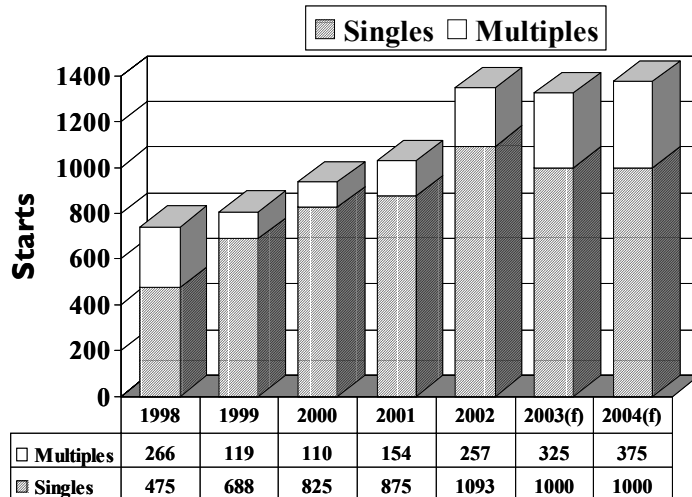


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Home Ownership Costs on the Rise

With housing demand remaining strong and supplies of both new and existing homes at low levels, price growth is forecast to increase at above average levels again this year. New home prices will be further bolstered by rising construction costs, and in particular, local labour rates. The combination of rising mortgage rates and higher prices will push the

Housing Starts- St. John's CMA



Source: CMHC.

Singles Lower But Remain High in Historical Terms

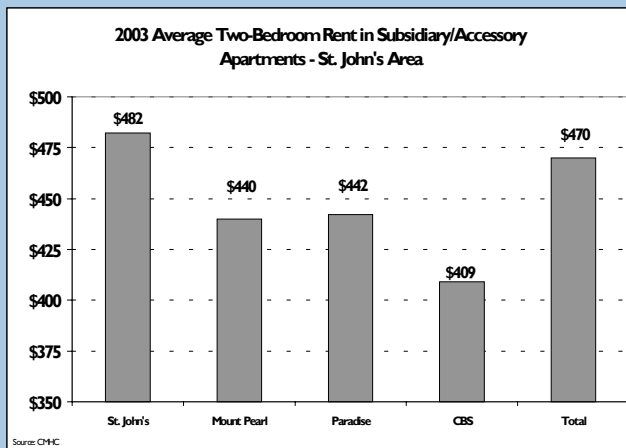
Sustained demand from move-up buyers, more jobs and growing incomes will continue to support single-detached activity. Shortages of both new and existing homes will also stimulate single starts. Despite these factors, labor shortages and delays caused by the harsh winter are going to be hard to make up this year. The growing shift towards multiple type units such as condos, basement apartments and more affordably priced semi-detached homes will also moderate single-detached activity over the next two years.

As a result, expect singles to fall to 1,000 units in 2003 and remain there in 2004. It should be noted that, despite the outlook for a decline this year, single starts will still be substantially higher than the levels achieved during the 1990's.

Highlights of the Subsidiary/Accessory Apartment Survey St. John's Area

Earlier this year, CMHC commissioned a survey of the subsidiary/accessory rental apartment market in the St. John's area including the Cities of St. John's and Mount Pearl and the Towns of Conception Bay South and Paradise. Here is what we found out about the secondary rental apartment market in the region:

- The total universe of subsidiary/accessory apartments in the St. John's area is estimated at just under 8,400 units with an overall vacancy rate of 5.4 per cent. The vacancy rate in the secondary market is twice as high as the region's 2.7 per cent vacancy rate in apartment buildings with 3 or more units (CMHC's October 2002 Rental Market Survey).
- In line with higher vacancy rates, average rents in subsidiary apartments are lower than the rents charged in apartment buildings in the overall St. John's



Source: CMHC

market. The average rent for a two-bedroom accessory suite is \$470 compared with the \$589 average two-bedroom rent reported in the October 2002 Rental Market Survey.

-Almost half of the subsidiary apartments are two-bedroom (49 per cent) while one-bedroom units account for 37 per cent of the market and the remain-

ing 14 per cent are three bedroom or larger.

- Over 96 per cent of the apartments are located in single detached homes with about 82 per cent below grade (e.g. basement apartments) and the remaining 18 per cent above ground.

A detailed report looking at historical trends and further submarket analysis of the St. John's subsidiary/accessory apartment will be available from CMHC in the near future.

Mortgage Rates Expected to Increase

Short-term rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets. With interest rates forecast to move upward this year and next, expect mortgage rates to follow. Despite the rise, borrowers will still be in a position to negotiate discounts from lender's posted rates of between 50 and 150 basis points.

The outlook for short-term rates in 2003 remains favourable with the one-year closed rate in the 5.00-6.25 per cent range. The three- and five-year closed mortgage rates will push slightly higher and are expected to be in the 6.0-7.25 and 6.50-7.75 per cent ranges, respectively.

St. John's Metropolitan Area April 2003

RESALE MARKET	2002	2003(f)	% Chg	2004(f)	% Chg
MLS Average Monthly Active Listings	966	925	-4.2%	950	2.7%
MLS Sales	2,893	2,800	-3.2%	2,900	3.6%
Benchmark House Price (3 Bed. Bungalow, January)					
East	\$145,000	\$153,000	5.5%	\$162,000	5.9%
West	\$138,000	\$146,000	5.8%	\$155,000	6.2%
Mount Pearl	\$135,500	\$143,000	5.5%	\$152,000	6.3%
NEW HOMES MARKET					
Absorption Rates (Monthly Average)					
Single and Semi-detached	73	80	9.6%	85	6.3%
Starts	1,350	1,325	-1.9%	1,375	3.8%
Single	1,093	1,000	-8.5%	1,000	0.0%
Multiple	257	325	26.5%	375	15.4%
Ownership	209	250	19.6%	275	10.0%
Rental	48	75	56.3%	100	33.3%
Average Absorbed New House Price	\$151,700	\$159,300	5.0%	\$165,000	3.6%
RENTAL MARKET					
Vacancy Rate (October)	2.7%	2.5%		2.0%	
Rental Rate (annual % chg) 2 bdr	2.4%	5.0%		5.0%	
ECONOMIC OVERVIEW					
Mortgage rate (3 yr. term)	6.28%	6.43%		7.64%	
Mortgage rate (5 yr. term)	7.02%	7.01%		8.18%	
Employment growth	1,300	1,700		2,000	
Net Migration	700	750		1,000	

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