



RENTAL MARKET

REPORT

MONCTON

Canada Mortgage and Housing Corporation

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Vacancies on the Rise

Sharp Increase in New Rental Units Causes Higher Vacancies

Results of the October 2004 Rental Market Survey show that there were 456 vacant units in the Greater Moncton area, compared to 256 units a year ago. The survey includes privately initiated apartment structures of three units and more. This significant rise in the number of vacant units has caused the vacancy rate to reach 5.0 per cent in October of this year compared to 2.9 per cent in 2003. This latest rate represents the highest vacancy level since October 1998.

Results of the last four annual Rental Market Surveys clearly indicate that vacancies are on the rise in Greater Moncton. However, the higher vacancies are mainly due to a substantial rise in the supply of rental units coming on the market, as opposed to a weakening rental demand. Over the 2002-2003 period, developers started close to 1,100

new rental units in the Greater Moncton area. This represents a substantial rise in new units to be absorbed by the market, as the annual average of rental starts has traditionally been about 250 units. A near record low 1.6 per cent vacancy rate in October 2001 combined with low borrowing costs fuelled construction of rental accommodations in 2002 and 2003. Most of these 1,100 units started over that 2-year period were not completed in time to be considered in the October 2003 Rental Market Survey. As a result, the impact of the higher levels of construction activity in 2002 and 2003 was only captured in the October 2004 Survey.

Over the January-October 2004 period, developers only started 85 rental units. This is another indication vacancy rates are on the rise in the Greater Moncton area.

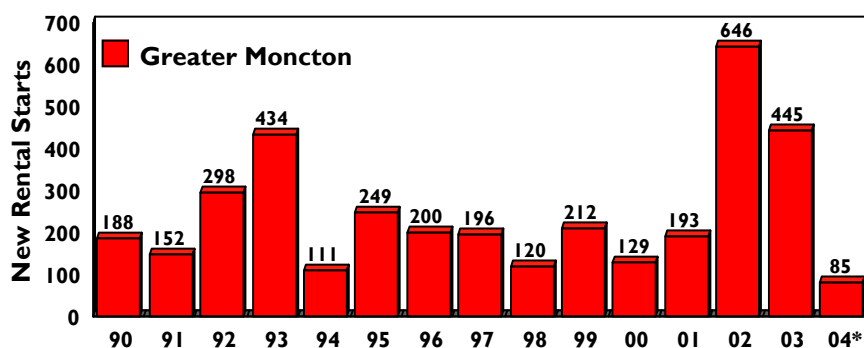
IN THIS ISSUE

- 2 Vacancy Rate and Average Rent Up in All Areas
- 2 Many Renters Jump into Home Ownership
- 3 Vacancy Rate to Remain Relatively High in 2005
- 4 Methodology

Statistical Tables

- 5 Apartment vacancy rates (%) - By zone and bedroom type
- 5 Number of apartment units - vacant and total (2004 universe)
- 6 Average apartment rents (\$) - By zone and bedroom type
- 6 Apartment vacancy rates (%) and average rents (\$) - By structure size and bedroom type
- 6 Apartment vacancy rates (%) and average rents (\$) - By age of structure
- 7 Apartment vacancy rates (%) by rent range
- 7 Apartment vacancy rates (%) and average rents (\$) - Heated vs Unheated

High Levels of Construction Activity in 2002 and 2003 Caused the Significant Rise in Vacancies in 2004

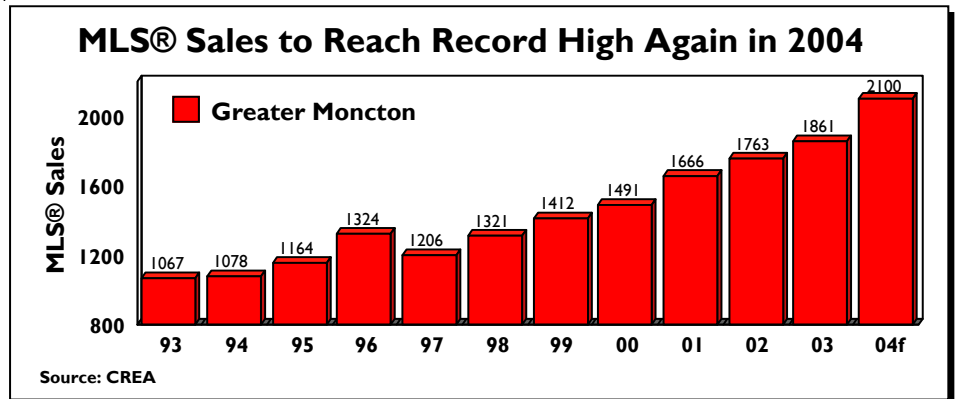
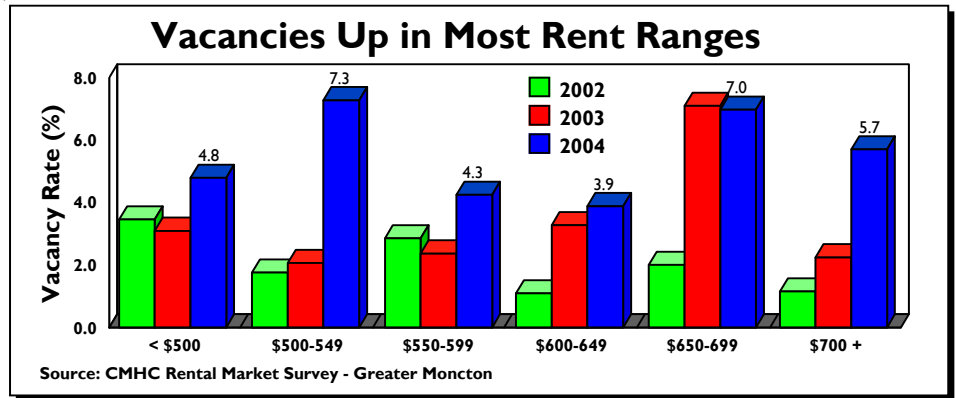


04*: January thru October

Vacancy Rate and Average Rent Up in All Areas

The rise in vacancies was felt in all areas throughout Greater Moncton. In Moncton City, the vacancy rate in October 2004 reached 4.7 per cent compared to 2.6 per cent last year. The rise in vacancies in that community is mainly attributed to the fact that Moncton City captured by far the greatest share of rental starts in the past few years. In Riverview, the vacancy rate increased slightly from 3.6 to 4 per cent over the same period, as a result of relatively weaker construction activity. The most significant jump in vacancies was recorded in Dieppe City, where renters jumped into home ownership. The vacancy rate rose from 4.7 per cent in October 2003 to 8 per cent this year.

Most of the rental accommodations started in Greater Moncton over the past two years were units at the higher end of the rental market. This explains in part why there has been a significant rise in vacant units above \$700. In fact, the vacancy rate for units above \$700 reached a high of 5.7 per cent compared to 2.3 per cent last year. The vacancy rate for units between \$650-\$699, although slightly lower than in 2003, also remains high at 7 per cent. This is an indication that the high-end of the rental market is temporarily oversupplied in Greater Moncton. Most of the new high-end rental units built over the past two years were located in Moncton City. This explains the significant rise in average rents in the largest city. From October 2003 to October 2004, the average rent in Moncton City jumped from \$548 to \$582 (up \$34), while the average rent rose by \$15 and \$7 in Riverview and Dieppe City, respectively.



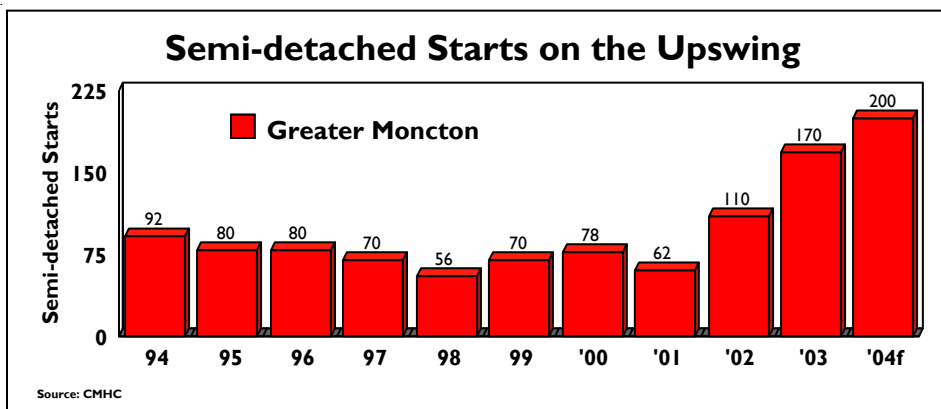
Many Renters Jump into Home Ownership

Besides a significant rise in the supply of new rental stock, the irresistible lure of home ownership under historically low mortgage rates is viewed as the other key factor supporting the higher vacancy rate this year.

At the end of October, sales in the real estate market had already reached 1,845 units, a 16 per cent increase compared to last year's record levels. About 800 of these 1,845 transactions (43 per cent) were properties under \$100,000. The majority of these properties were most likely purchased by first-time homebuyers. Assuming a house is

purchased for \$100,000, with a minimum \$5,000 down payment and a 6 per cent mortgage rate, the monthly carrying costs would be about \$633. As a result, many households in Greater Moncton purchased their first home over the past two years, to the detriment of the rental market. This is particularly true in Dieppe City where developers have been offering a broad range of smaller, less expensive dwellings in the home ownership market, such as duplexes, town houses and row and apartment style condos. This explains, at least in part, the greater increase in vacancies in Dieppe City this past October.

The substantial rise in the number of new semi-detached dwellings throughout Greater Moncton is certainly another factor supporting the increase in vacancies on the rental market. Prior to 2002, developers started an average of about 70 semi-detached units per year. Since 2002, semi-detached starts have been trending up significantly and are well on their way to reaching the expected high of 200 units in 2004. These new semi-detached units offer an attractive option for renters who are looking to own their first property.



Vacancy Rate to Remain Relatively High in 2005

The upward vacancy trend which began in 2001 is expected to cool off somewhat throughout 2005, due mainly to weaker construction activity. At the end of October 2004, developers had only started 85 rental units, a substantial drop when compared to the 343 rental units started over the same period last year. A decline in new rental accommodations to be completed in 2005 will allow the market time to absorb a significant portion of the rental units completed in 2002 and 2003.

However, the resale market will continue to perform very well in 2005. Real estate agents are already well on their way to reaching the ambitious forecast of 2,100 transactions set for 2004. Despite strong sales' levels, the supply of existing homes available for sale has been rising as well over the past year. In fact, active listings in the Greater Moncton area were at 1,254 units at the end of October, a 24 per cent increase when compared to the pool of potential homes available for sale

12 months earlier (1,008 units). This indicates that many homebuyers will have reasonable choice in their pursuit of housing in 2005.

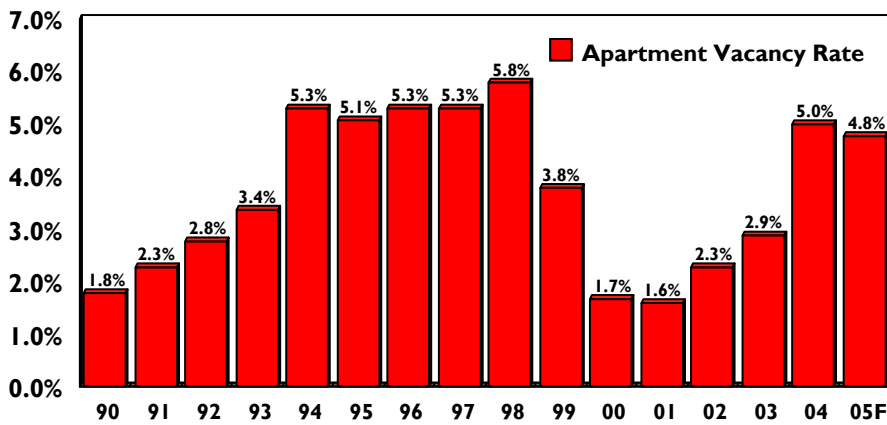
However, the number of transactions on the resale market is expected to grow at a slower pace in 2005. Our current forecast indicates that MLS® sales will reach 2,200 units, a 4.4 per cent increase when compared to the expected 2004 sales' levels (CMHC expects a near 13 per cent sales' growth from 2003 to 2004). The slower growth will be attributed to a fewer number of first-time buyers. This is mainly due to the fact that interest rates and home prices are expected to continue to rise in 2005.

Consequently, potential homebuyers can expect to pay higher monthly mortgage payments in 2005 than if they would have bought that same house in 2004. As a result, fewer renters will be able to afford a jump into the home ownership market.

A combination of fewer first-time buyers and a significant drop in the supply of new rental units to be completed in 2005 will cause the vacancy rate to decline slightly by the fall of 2005. Expect the vacancy rate in Greater Moncton to be between 4.5 and 5.0 per cent by the fall of 2005.

Apartment Vacancy Rates in Regions Across Canada		
AREA	2003	2004
Abbotsford CMA	2.5	2.8
Calgary CMA	4.4	4.3
Saguenay CMA	5.2	5.3
Edmonton CMA	3.4	5.3
Halifax CMA	2.3	2.9
Hamilton CMA	3.0	3.4
Gatineau CMA	1.2	2.1
Kingston CMA	1.9	2.4
Kitchener CMA	3.2	3.5
London CMA	2.1	3.7
Montréal CMA	1.0	1.5
St. Catherines-Niagara	2.7	2.6
Oshawa CMA	2.9	3.4
Ottawa CMA	2.9	3.9
Québec CMA	0.5	1.1
Regina CMA	2.1	2.7
Saint John CMA	5.2	5.8
St. John's CMA	2.0	3.1
Saskatoon CMA	4.5	6.3
Sherbrooke CMA	0.7	0.9
Greater Sudbury CMA	3.6	2.6
Thunder Bay CMA	3.3	5.0
Toronto CMA	3.8	4.3
Trois-Rivières CMA	1.5	1.2
Vancouver CMA	2.0	1.3
Victoria CMA	1.1	0.6
Windsor CMA	4.3	8.8
Winnipeg CMA	1.3	1.1
Charlottetown CA	3.5	4.2
CANADA	2.3	2.7

Vacancy Rate to Remain Relatively High in 2005



Source: CMHC Rental Market Survey - Greater Moncton



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Contact Ben Champoux, your local analyst, at (506) 851-2742.

METHODOLOGY

Canada Mortgage and Housing Corporation (CMHC) conducts the **Rental Market Survey (RMS)** every year in October to estimate the relative strengths in the rental market. The survey is conducted on a sample basis in all urban areas with populations of 10 000 and more. The survey targets only structures with at least three rental units, which have been on the market for at least three months. The data collected for a structure depends on its initiation type (public or private), and whether it is an apartment or a row structure. The survey collects vacant unit data for all sampled structures. The market rent data are collected for only privately initiated structures. Most data contained in this publication refer to privately initiated apartment structures.

The survey is conducted by a combination of telephone interviews and site visits, and information is obtained from the owner, manager, or building superintendent. The survey is conducted during the first two weeks of October, and the results reflect market conditions at that time.

Definitions

Rent: The rent refers to the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water. For available and vacant units, the rent is the rent being asked for by the owner for the unit.

Rental Apartment Structure: Any building containing three or more rental units, of which at least one unit is not ground oriented. Owner-occupied units are not included in the rental building unit count.

Rental Row Structure: Any building containing three or more rental units, all of which are ground oriented. Owner-occupied units are not included in the rental building unit count.

Vacancy: A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Acknowledgement

The Rental Market Survey could not have been conducted without the cooperation of the rental property owners, managers and building superintendents throughout Canada. CMHC acknowledges their hard work and assistance in providing timely and accurate information. As a result of their contribution, CMHC is able to provide information that benefits the entire housing industry.

Market Zones

The survey zones reported in this publication are described on page 5.

Statistical Tables

Table 1: Apartment vacancy rates (%) - By zone and bedroom type

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - Moncton City	2.6	4.7	1.8	3.5	2.2	4.8	2.9	4.7	2.3	4.2
Central Moncton	3.1	5.2	**	5.6	2.8	5.9	3.5	5.0	3.0	3.9
West Moncton	1.5	1.2	**	**	1.5	0.7	1.1	1.7	**	**
East Moncton	2.8	4.8	5.8	2.8	1.0	4.3	3.3	4.7	**	9.2
North Moncton	2.0	4.9	**	**	2.3	4.7	2.2	5.3	**	**
Zone 2 - Riverview	3.6	4.0	**	**	2.9	6.3	4.1	3.1	0.0	10.6
Zone 3 - Dieppe City	4.7	8.0	**	**	7.8	9.5	4.3	7.7	**	7.4
MONCTON CA	2.9	5.0	1.7	3.4	2.6	5.2	3.2	5.0	2.0	4.8

** Sample size not large enough to publish reliable results

Table 2: Number of apartment units - vacant and total (2004 universe)

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - Moncton City	339	7,271	9	265	92	1,913	216	4,560	22	532
Central Moncton	147	2,830	7	124	54	921	73	1,455	13	330
West Moncton	7	612	**	**	1	185	6	367	**	**
East Moncton	97	2,039	2	72	17	393	70	1,487	8	87
North Moncton	88	1,790	**	**	20	414	66	1,251	**	**
Zone 2 - Riverview	31	783	0	3	9	147	19	599	4	34
Zone 3 - Dieppe City	86	1,074	0	2	15	159	69	886	2	27
MONCTON CA	456	9,128	9	272	116	2,218	303	6,046	28	593

** Sample size not large enough to publish reliable results

Submarkets Description

Central Moncton

All areas north of Petit Codiac River, west of Wheeler Blvd. and east of Collishaw and Vaughan Harvey Dr.

West Moncton

All areas west of Collishaw and Vaughan Harvey Blvd. and south of Berry Mills and Killiam Dr.

East Moncton

All Areas south of TC Highway, east of North Branch Halls Creek and north of Old Shediac Rd.

North Moncton

All areas bounded by Berry Mills and Killiam Dr., Edgett Rd., and TC Highway.

Table 3: Average apartment rents (\$) - By zone and bedroom type

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - Moncton City	548	582	370	477	483	499	587	613	616	657
Central Moncton	542	561	*	*	478	471	596	613	600	643
West Moncton	528	577	*	*	465	500	588	611	*	*
East Moncton	563	598	397	685	491	536	584	608	*	*
North Moncton	551	596	*	*	495	528	577	620	*	*
Zone 2 - Riverview	553	568	**	**	447	451	581	598	566	587
Zone 3 - Dieppe City	588	595	**	**	528	525	598	604	**	**
MONCTON CA	553	582	370	476	483	498	588	611	617	656

** Sample size not large enough to publish reliable results

Table 4: Apartment vacancy rates (%) and Average rents (\$) - By structure size **

Structure Size	Vacancy Rate (%)		Structure Size	Average Rents (\$)		Structure Size	Vacant VS Total Units	
	2003	2004		2003	2004		2003	2004
3 - 5 Units	3.5	4.9	3 - 5 Units	503	526	3 - 5 Units	78	1,584
6 - 19 Units	2.7	4.8	6 - 19 Units	539	568	6 - 19 Units	197	4,131
20 - 49 Units	2.9	4.4	20 - 49 Units	573	601	20 - 49 Units	106	2,384
50 - 99 Units	3.6	7.3	50 - 99 Units	660	682	50 - 99 Units	68	927
Total	2.9	5.0	Total	553	582	Total	456	9,128

** Data for 100+ unit structures is not published

Table 5: Apartment vacancy rates (%) and average rents (\$) - By age of structure

Vacancy Rates (%)	All Units		Average Rents (\$)	All Units		Vacant vs Total Units	All Units	
	2003	2004		2003	2004		Vacant	Total
Pre 1940	3.2	3.8	Pre 1940	509	521	Pre 1940	48	1,245
1940 - 1959	*	4.2	1940 - 1959	*	551	1940 - 1959	20	471
1960 - 1974	2.4	5.0	1960 - 1974	514	531	1960 - 1974	138	2,753
1975 - 1984	*	6.7	1975 - 1984	*	536	1975 - 1984	36	541
1985 - 1994	3.0	4.4	1985 - 1994	573	587	1985 - 1994	73	1,651
After 1995	4.1	5.8	After 1995	655	681	After 1995	142	2,467
Total	2.9	5.0	Total	553	582	Total	456	9,128

** Sample size not large enough to publish reliable results

Table 6: Apartment vacancy rates (%) - By rent range

Rent Range (\$)	All Units		Rent Range (\$)	All Units		Rent Range (\$)	All Units	
	2003	2004		2003	2004		2003	2004
< \$300	**	**	< \$350	8.2	1.1	< \$500	3.1	4.8
\$300 - 349	6.1	**	\$350 - 399	2.1	5.6	\$500 - 549	2.1	7.3
\$350 - 399	2.1	5.6	\$400 - 449	2.9	5.3	\$550 - 599	2.4	4.3
\$400 - 449	2.9	5.3	\$450 - 499	2.7	4.7	\$600 - 649	3.3	3.9
\$450 - 499	2.7	4.7	\$500 - 549	2.1	7.3	\$650 - 699	7.1	7.0
\$500 +	3.0	7.3	\$550 +	3.2	4.9	\$700 +	2.3	5.7
Total	2.9	5.0	Total	2.9	5.0	Total	2.9	5.0

** Sample size not large enough to publish reliable results

Table 7: Apartment vacancy rates and average rents - Heated vs Unheated

	All Units		Bachelor		One Bedroom		Two Bedroom		Three + Bedroom	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Vacancy Rates (%)										
Moncton CA	2.9	5.0	1.7	3.4	2.6	5.2	3.2	5.0	0.0	4.8
Heat Not Included	3.0	5.0	2.2	5.0	2.8	4.0	3.3	5.3	1.4	5.7
Heat Included	2.8	5.0	1.4	2.2	2.4	7.4	3.1	4.4	2.8	3.6
Average Rents (\$)										
Moncton CA	553	582	370	476	483	498	588	611	617	656
Heat Not Included	566	587	372	398	487	494	601	620	614	633
Heat Included	532	572	368	535	478	505	564	590	620	684

** Sample size not large enough to publish reliable results

Rental Market Report is published once a year for the Moncton market. Priced at \$40 plus applicable taxes. For more information, contact Michèle Clark at the Atlantic Business Centre (902) 426-4708. Order # NBRE2.

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