



# RENTAL MARKET

## REPORT

St. John's

Canada Mortgage and Housing Corporation

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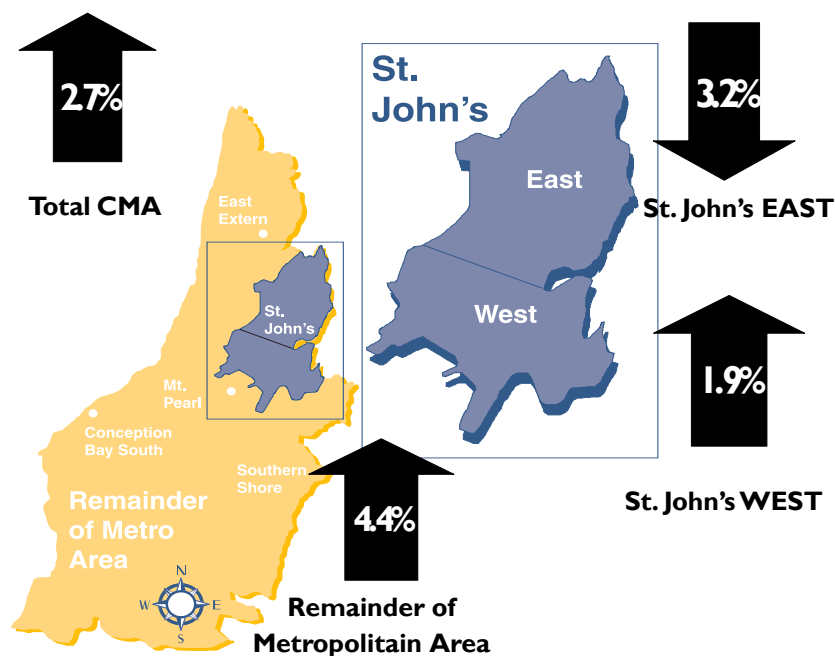
## Metro Rental Market Remains Tight

### St. John's CMA

The private rental market within the St. John's region remained tight during 2002 as the number of vacant units was quite low in historical terms. In October 2002, there were only 100 vacancies in apartment structures containing three or more units. While vacancies remained low, the vacancy rate actually increased from the year before. However, with an overall vacancy rate of 2.7 per cent, the market remains undersupplied.

The slight increase in the vacancy rate largely reflects ongoing movement of renter households to home ownership.

The combination of low interest rates, growing incomes and record levels of employment has provided a major boost in home buying activity this year. At the same time, the lack of new large scale rental projects in recent years combined to keep overall rental market conditions tight.



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## SUMMARY

- The vacancy rate for privately initiated apartment structures (three units and over) within the St. John's CMA edged up to 2.7 per cent in October 2002, from the October 2001 level of 2.5 per cent.
- Vacancies were highest in bachelor units at 6.0 per cent and lowest in two bedroom units at 1.7 per cent.
- Vacancies remained highest in Zone 3 (remainder of metropolitan area outside the urban core) at 4.4 per cent and lowest in St. John's west at 1.9 per cent.
- Average monthly rents increased across all unit types. The increase in average rents ranged from a low of 1.4 per cent for bachelor units to a high of 4.3 per cent for one bedroom apartments. Average rents for two bedroom units climbed 2.4 per cent while three bedroom rents increased 3.1 per cent.
- Continued strength in the local economy and limited additions to the supply should keep the vacancy rate between 2.0 and 3.0 per cent in 2003.

*Continued from page 1*

Within the region, St. John's west, with a vacancy rate of 1.9 per cent in October, continued to show the fewest vacancies. Although conditions remained tight in the west end, the vacancy rate actually increased for the second consecutive year.

In contrast, St. John's east saw its vacancy rate decline slightly over the past twelve months. In fact, in 2002, the east end of the city was the only submarket to post a decline in the vacancy rate. At 3.2 per cent its rate was slightly lower than the October 2001 level of 3.3 per cent.

The rental market in the remainder of the CMA located outside of St. John's city limits remained relatively stable,

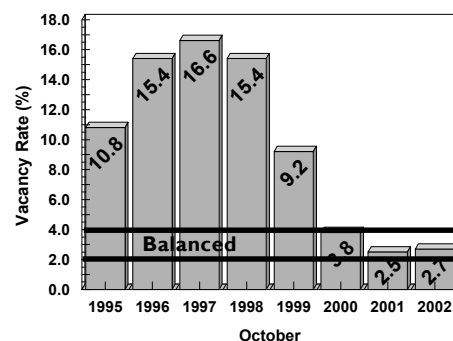
recording a vacancy rate of 4.4 per cent in October 2002. This was a marginal increase from the 4.1 per cent recorded a year earlier.

Within the rental stock, bachelor units experienced the greatest decline in vacancy rates falling to 6.0 per cent in October 2002 from 8.6 per cent last year. Despite the improvement, bachelor units continue to show the highest rate of vacancies. At 1.7 per cent, two-bedroom units posted the lowest vacancy rate within the region. This size of apartment is the most popular and represents

the largest share of total stock. As such, swings in demand for two bedroom units have a much greater impact on the overall market. Furthermore, because these units make up a significant portion of the stock, shortages here clearly indicate that the market is under supplied. Vacancy rates in three-bedroom apartments climbed to 3.8 per cent in October. One-bedroom units also posted a slight rise in vacancies with the rate edging up to 2.7 per cent compared to 1.7 per cent a year earlier.

Existing market conditions have also served to push average rents higher for all unit types. The increase in average rents ranged from a low of 1.4 per cent for bachelor units to a high of 4.3 per cent for one bedroom apartments. Average rents for two bedroom units climbed 2.4 per cent while three bedroom rents increased 3.1 per cent.

**Historical Vacancy Rate  
3+ Apartment Structures - St. John's CMA**



Source: CMHC

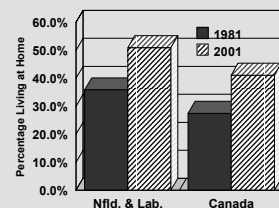
## Census Highlight: When will they move out?

### More young adults are living at home with their parent(s)

According to Statistics Canada, the proportion of young adults living at home with their parent(s) is on the rise. Over the last two decades, young adults aged 20 to 29 have exhibited a growing tendency to remain in (or return to) the parental home. Newfoundland and Labrador has not been immune from this phenomenon. Over the past 20 years the number of young adult Newfoundlanders living at home increased by 15 per cent from 36 per cent in 1981 to 51 per cent in 2001. The province's figures are the highest in Canada exceeding the national averages over the same time frame, which are reported at 28 per cent and 41 per cent respectively.

There are a number of explanations for this growing trend of "staying in the nest" including declining marriage rates, rising age at first marriage, the pursuit of post secondary education and difficulties in finding a job. Regardless of the reason for staying at home, the fact that more young adults are living at or returning to live with their parents is having an impact on the rental market as this age group typically exhibits the highest incidence of renting. At 46 per cent, St. John's has a slightly lower proportion of young adults living at home than the provincial average, but it is still one of the highest percentages for a major urban centre in Canada. This decreasing propensity of St. John's young adults to venture out on their own may be one of the factors contributing to this year's increasing vacancy rate.

**Proportion of Young Adults Aged 20 to 29  
Living with Their Parent(s)  
Nfld. & Lab. vs Canada**



Source: Statistics Canada, Census of Canada.

## Apartment Vacancy Rates in Regions Across Canada

Area	2001	2002
Abbotsford	2.4	2.0
Calgary CMA	1.2	2.8
Chicoutimi-Jonquière		
CMA	4.4	4.9
Edmonton CMA	0.9	1.6
Halifax CMA	2.8	2.7
Hamilton CMA	1.3	1.6
Kitchener CMA	0.9	2.2
London CMA	1.7	1.9
Montreal CMA	0.6	0.7
St. Catharines-Niagara CMA	2.0	2.4
Oshawa CMA	1.3	2.3
Ottawa	0.8	1.9
Gatineau CMA	0.6	0.5
Quebec CMA	0.8	0.3
Regina CMA	2.0	1.9
Saint John CMA	5.6	6.3
St. John's CMA	2.5	2.7
Saskatoon CMA	2.9	3.7
Sherbrooke CMA	2.3	1.8
Sudbury CMA	6.0	5.1
Thunder Bay CMA	5.8	4.7
Toronto CMA	0.9	2.5
Trois-Rivieres CMA	4.7	3.0
Vancouver CMA	1.0	1.4
Victoria CMA	0.5	1.5
Windsor CMA	2.8	3.9
Winnipeg CMA	1.4	1.2
Charlottetown CA	1.8	2.1
CANADA	1.1	1.7

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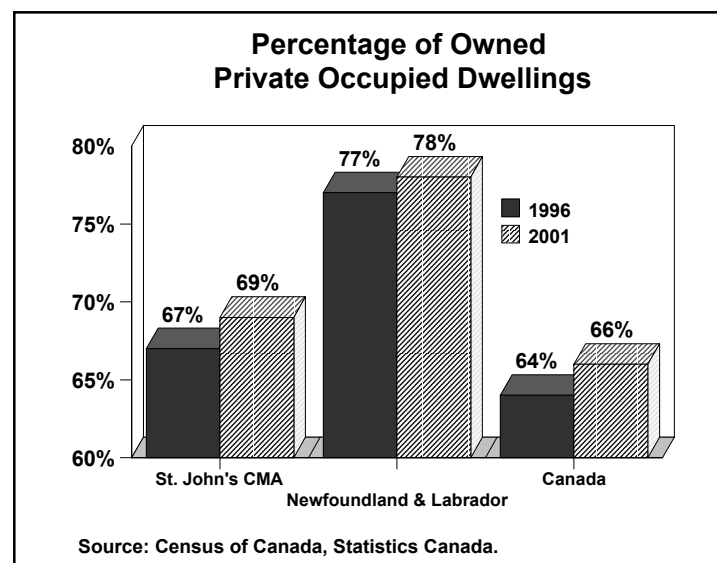
There are a number of factors which have been influencing rental market performance in recent years. These factors involve both the supply and demand side of the market. From a demand perspective, sustained employment growth, particularly in service based industries, has provided a major boost. A steady rise in enrolments in the regions major post-secondary educational institutions has also bolstered rental demand. However, a significant increase in home buying activity this year suggests that some renters are moving to home ownership.

Supply factors include reductions due to conversion of stock to both condos and hotel units as well as minor losses from fires. With the exception of basement apartments, no other new rental stock

has entered the market. The combination of limited supply and improved demand has resulted in a significant tightening of overall conditions.

### Home Ownership on the Rise

According to Statistics Canada, the percentage of people living in owned housing versus rented housing is on the rise. Between 1996 and 2001, the percentage of private occupied dwellings that were owned increased by two per cent in the St. John's CMA. Furthermore, both St. John's and Newfoundland and Labrador lead the nation for home ownership rates.



The total number of private occupied dwellings in the St. John's CMA increased by 7.5 per cent between 1996 and 2001 from 60,295 units to 64,830 units. Of this total, rented dwellings increased by less than one per cent (19,620 to 19,775) while owned dwellings jumped almost 11 per cent from 40,675 in 1996 to 45,055 in 2001.

With employment at record levels and interest rates remaining low, more renter households can afford to purchase homes. Analysis of both MLS sales and housing starts in the metro region indicates that the trend towards home ownership continued throughout 2002. In fact, MLS residential sales were up almost 14 per cent to the end of September and are on pace to hit record levels for the fourth consecutive year. During the same period, housing starts jumped 44 per cent from the year before and should post their best performance in over a decade.

While rental market conditions remain tight, the ongoing movement towards home ownership has had a stabilizing impact on the overall vacancy rate.

**Why?** Because most vacancies created by this movement to home ownership are being filled by new renter households generated from employment gains and higher student enrolments. While choice for many renters remains limited, the vacancy rate has remained relatively stable over the past 12 months.

### Student Enrolments Up Again

As referred to in the previous section, student enrolments at the region's larger post-secondary educational institutions continued to increase during the Fall 2002 semester. Preliminary data provided by the two major educational institutions within the region indicate that full-time enrolments

increased by almost 3.0 per cent this past September. This equates to approximately 300 more students. Furthermore, the number of students attending these institutions from outside the province increased by almost 200.

While many students tend to favour living together in order to maximize their limited financial resources, their impact on the rental market remains positive. Growth in this key renter group, and in particular students from outside the province, helped to bolster overall demand and played a key role in keeping market conditions tight.

### Basement Apartment Starts Making a Come Back

Up to the mid 1990's, additions to the supply of rental housing were mainly due to the construction of single-detached homes with basement apartments.

After peaking at 278 units in 1994, the number of new basement apartments fell significantly throughout the latter part of the decade. CMHC's survey of residential construction indicates that the number of basement apartment starts bottomed out at only 29 units in 2000. A modest come back has occurred since that time. To the end of October, there have been 51 homes started with a basement apartment in the metro region. While this component of the overall residential construction industry remains small, its impact on the rental market is much greater. **Why the come back?**

Growth in the seniors population has prompted more families to include a basement apartment to house their aging parents. Cost savings associated with a basement apartment versus an above ground suite is also influencing demand for this form of housing. Despite low interest rates, price growth for new homes has been quite strong in recent years. This had led to a deterioration in affordability. As a result, in order to purchase a home, more buyers need the added income provided by a basement apartment. The increase in basement apartment stock has helped in stabilizing vacancy rates. The outlook for continued price growth and a steady increase in the

seniors population should stimulate further gains in basement apartment starts in coming years.

### Employment Gains Continue to Stimulate Rental Demand

Sustained employment growth remains a key factor behind the strong rental market performance. Since the vacancy rate peaked at 16.6 per cent in 1997, over 9,000 jobs have been created in the St. John's economy. Although the pace of

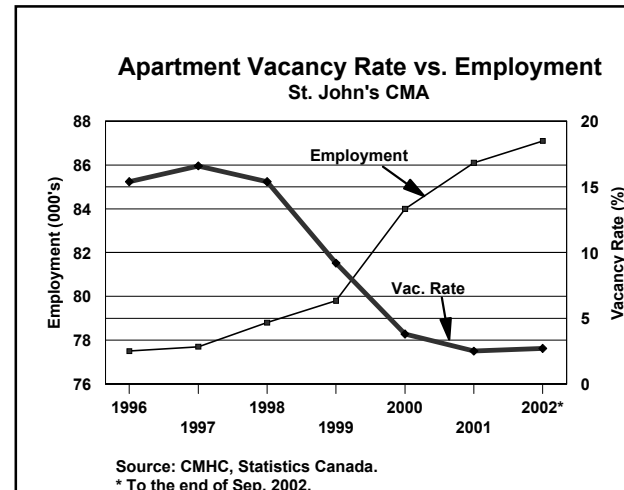
created. Despite the slower pace, current employment levels remain at record levels. Without a doubt, the prolonged economic upturn and associated employment gains continue to stimulate rental demand.

### Tight Conditions Forecast Again in 2003

The economy of St. John's will continue to grow. When combined with only limited additions to the rental stock, the local market will remain tight next year. While home buying activity will also remain brisk, an expected rise in mortgage rates in the second half of next year will likely moderate overall sales.

Accordingly, CMHC expects the apartment vacancy rate to remain in the 2.0 to 3.0 per cent range in 2003. Given these conditions, monthly rents will also increase at

similar levels recorded over the past two years.



job creation has slowed in 2002, approximately 500 positions have been

## METHODOLOGY

Canada Mortgage and Housing Corporation conducts the Rental Market Survey every year in October to determine the number of vacancies and the rents charged in rental structures. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. Only Structures which have been on the market for at least three months are included. While this publication is mainly about privately initiated apartments with three units and more, the CMHC survey also examines row houses and publicly initiated rental and co-op housing. The survey is conducted by telephone or site visit, and rent information is obtained from the owner, manager or building superintendent. The survey is conducted in the first two weeks of October and these results reflect market conditions at that time.

### Definitions

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

**Rent:** The rent data refers to the actual amount tenants pay for their unit. Amenities and services such as heat, light, parking, hot water and laundry facilities may or may not be included in the monthly rent reported in individual cases.

The average rent figures reported in this publication represent the average of different units in the market area, some of which may have some or all of these services.

**Rental apartment structure:** Any building containing three or more rental dwellings which are ground oriented.

**Rental row house structure:** Any building with three or more rental dwellings which are not ground oriented.

### Acknowledgement

The Rental Market Survey could not have been conducted without the co-operation of the many property owners and managers throughout Canada. We greatly acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope that the results of this work will provide a benefit to these clients and to the entire housing industry.

**Table 1: Apartment Vacancy Rates (per cent)  
By Zone and Bedroom Type  
St. John's CMA - October 2001-2002**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 - St. John's East	3.3	3.2	9.5	4.9	3.5	5.7	1.6	1.4	2.9	1.0
Zone 2 - St. John's West	1.4	1.9	***	7.0	0.2	0.5	0.4	1.4	***	0.9
<b>St. John's City 1-2</b>	<b>2.4</b>	<b>2.5</b>	<b>8.7</b>	<b>6.0</b>	<b>1.8</b>	<b>3.0</b>	<b>1.0</b>	<b>1.4</b>	<b>1.5</b>	<b>1.0</b>
Zone 3 - Remainder of Metro Area	4.1	4.4	***	***	***	0.0	6.2	4.2	****	16.0
<b>St. John's CMA</b>	<b>2.5</b>	<b>2.7</b>	<b>8.6</b>	<b>6.0</b>	<b>1.7</b>	<b>2.7</b>	<b>1.5</b>	<b>1.7</b>	<b>2.2</b>	<b>3.8</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 2: Number of Apartments Units by Zone and Bedroom Type  
St. John's CMA - October 2002**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - St. John's East	51	1,589	10	208	29	512	11	767	1	102
Zone 2 - St. John's West	33	1,730	18	258	3	549	11	805	***	***
<b>St. John's City 1-2</b>	<b>84</b>	<b>3,319</b>	<b>28</b>	<b>466</b>	<b>32</b>	<b>1,061</b>	<b>22</b>	<b>1,572</b>	<b>2</b>	<b>217</b>
Zone 3 - Remainder of Metro Area	16	366	***	***	0	119	8	195	8	50
<b>St. John's CMA</b>	<b>100</b>	<b>3,685</b>	<b>28</b>	<b>470</b>	<b>32</b>	<b>1,180</b>	<b>30</b>	<b>1,767</b>	<b>10</b>	<b>267</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 3: Apartment Vacancy Rates (per cent) by Bedroom Count and Structure Size  
St. John's CMA - October 2002**

Structure Size	Bachelor	One Bedroom	Two Bedroom	Three Bedroom +	Total
3 - 5 Units	***	6.6	3.4	***	5.4
6 - 19 Units	***	1.8	3.4	9.0	4.7
20 - 49 Units	0.0	5.6	1.8	2.3	2.5
50 - 99 Units	6.5	0.6	0.8	0.0	2.1
100-199 Units	5.6	1.3	0.0	***	1.7
<b>Total</b>	<b>6.0</b>	<b>2.7</b>	<b>1.7</b>	<b>3.7</b>	<b>2.7</b>

Note: Privately initiated, three units and over.

\*\*\*Not available. Suppressed because of confidentiality.

Table 4: Apartment Average Rents (\$) by Zone and Bedroom Type St. John's CMA - October 2002										
Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 - St. John's East	559	576	422	420	478	513	637	652	602	640
Zone 2 - St. John's West	515	526	***	429	516	522	535	548	***	***
<b>St. John's City 1-2</b>	<b>537</b>	<b>550</b>	<b>420</b>	<b>425</b>	<b>498</b>	<b>517</b>	<b>587</b>	<b>599</b>	<b>604</b>	<b>622</b>
Zone 3 - Remainder of Metro Area	442	485	***	***	***	***	459	509	***	***
<b>St. John's CMA</b>	<b>528</b>	<b>543</b>	<b>419</b>	<b>425</b>	<b>489</b>	<b>510</b>	<b>575</b>	<b>589</b>	<b>581</b>	<b>599</b>

Note: Privately initiated, three units and over.

Table 5: Average Apartment Rents (\$) by Year of Completion and Bedroom Type - St. John's - October 2001-2002										
Year of Completion	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Pre 1940	528	560	***	***	528	***	535	***	***	***
1940 - 1959	481	563	***	***	441	562	473	550	***	***
1960 - 1974	571	570	428	433	516	530	706	676	504	531
1975 - 1984	534	549	384	401	490	510	565	577	606	625
After 1985	484	492	***	***	396	415	***	***	***	***
<b>St. John's CMA</b>	<b>528</b>	<b>543</b>	<b>419</b>	<b>425</b>	<b>489</b>	<b>510</b>	<b>575</b>	<b>589</b>	<b>581</b>	<b>599</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

<b>Table 6: Row and Apartment Vacancy Rates (per cent)</b> <b>by Zone and Bedroom Type</b> <b>St. John's CMA - October 2001-2002</b>										
Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 - St. John's East	3.3	3.3	9.5	4.9	3.5	5.7	1.6	1.4	2.9	0.9
Zone 2 - St. John's West	1.8	1.8	***	7.0	0.2	0.5	0.4	1.4	***	***
<b>St. John's City 1-2</b>	<b>2.6</b>	<b>2.5</b>	<b>9.1</b>	<b>6.0</b>	<b>1.8</b>	<b>3.0</b>	<b>1.0</b>	<b>1.4</b>	<b>1.5</b>	<b>0.9</b>
Zone 3 - Remainder of Metro Area	4.0	4.0	***	**	***	***	6.5	4.0	***	11.4
<b>St. John's CMA</b>	<b>2.7</b>	<b>2.7</b>	<b>9.1</b>	<b>6.0</b>	<b>1.7</b>	<b>2.7</b>	<b>1.5</b>	<b>1.7</b>	<b>2.0</b>	<b>3.4</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

<b>Table 7: Number of Row and Apartment Units by Zone and Bedroom Type</b> <b>St. John's CMA - October 2001-2002</b>										
Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 - St. John's East	1,723	1,723	225	209	519	514	869	771	109	116
Zone 2 - St. John's West	1,793	1,793	305	258	541	548	840	805	***	***
<b>St. John's City 1-2</b>	<b>3,516</b>	<b>3,516</b>	<b>530</b>	<b>467</b>	<b>1,060</b>	<b>1,062</b>	<b>1,709</b>	<b>1,576</b>	<b>216</b>	<b>231</b>
Zone 3 - Remainder of Metro Area	384	384	***	***	***	***	181	208	***	70
<b>St. John's CMA</b>	<b>3,900</b>	<b>3,900</b>	<b>535</b>	<b>470</b>	<b>1,181</b>	<b>1,187</b>	<b>1,890</b>	<b>1,890</b>	<b>293</b>	<b>301</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

**Table 8: Row and Apartment Average Rents (\$) by Zone and Bedroom Type  
St. John's - October 2001-2002**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 - St. John's East	559	581	422	420	478	513	637	652	602	700
Zone 2 - St. John's West	510	526	***	***	516	522	535	548	***	***
<b>St. John's City 1-2</b>	<b>534</b>	<b>552</b>	<b>410</b>	<b>425</b>	<b>498</b>	<b>517</b>	<b>587</b>	<b>599</b>	<b>604</b>	<b>653</b>
Zone 3 - Remainder of Metro Area	453	492	***	***	***	***	459	507	***	***
<b>St. John's CMA</b>	<b>526</b>	<b>546</b>	<b>408</b>	<b>425</b>	<b>489</b>	<b>510</b>	<b>551</b>	<b>589</b>	<b>579</b>	<b>621</b>

Note: Privately initiated, three units and over.

\*\*\*Not available.

## NEED MORE DETAILED INFORMATION?

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