

HOUSING MARKET OUTLOOK

Saint John, Moncton CMAs and Fredericton CA



Canada Mortgage and Housing Corporation

Date Released: Spring 2009

New Brunswick Economy to Face Short-term Challenges, Positive Long-term Prospects

Economic growth in New Brunswick was limited in 2008 as the natural resource sector, a traditional mainstay of the provincial economy, continued to face challenges stemming from reduced demand. The resulting decline in exports has had a negative impact on the manufacturing and transportation sectors in the province. Consequently, the drag on the

provincial economy is expected to persist in 2009, with an anticipated decline in GDP of 1.2 per cent.

Despite the challenges created by a sense of general economic uncertainty, the long term outlook for New Brunswick is positive. The recently introduced provincial budget for 2009-2010 focused on

Figure 1

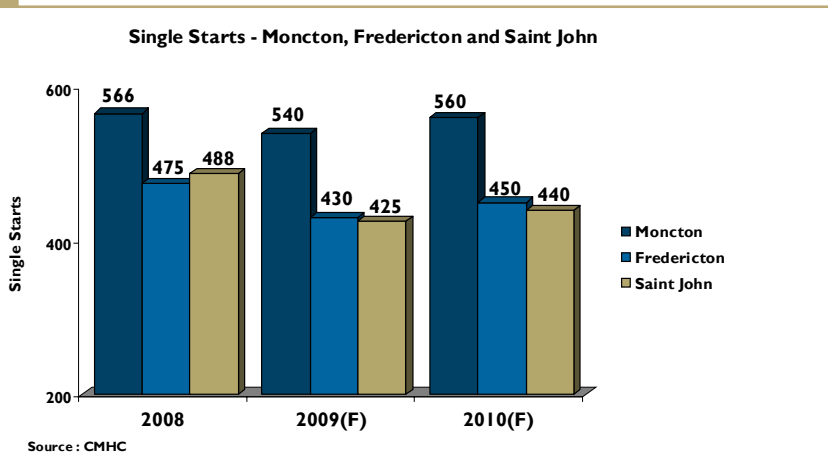


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job creation, with \$1.2 billion set aside for infrastructure programs and support to New Brunswick businesses. The return of sustained economic expansion will rely heavily on capital investment. Of particular importance will be the on-going development of the energy sector in the Saint John area, plans to twin Route 11 between Shediac and Miramichi and other investments resulting from fiscal and monetary stimulus initiatives.

Despite heightened uncertainty, employment in New Brunswick's three large urban centres was at or near record levels in 2008. As a result, positive net-migration continued in both Moncton and Fredericton, as each centre benefited from solid service, retail and construction sectors. Conversely, in-migration to Saint John was muted throughout the year, with no formal announcements on local energy sector projects. Nevertheless, demand for housing in all three centres was sufficient to bolster activity in both the new and resale market. Employment levels are expected to remain high in

historical terms in 2009, despite a decline in year-over-year comparisons; however, this should not significantly affect the housing market.

Although the residential housing market will remain strong in historical terms, provincial housing starts are expected to fall to 3,475 units in 2009. A mild rebound should push total starts higher in 2010, to 3,650 units.

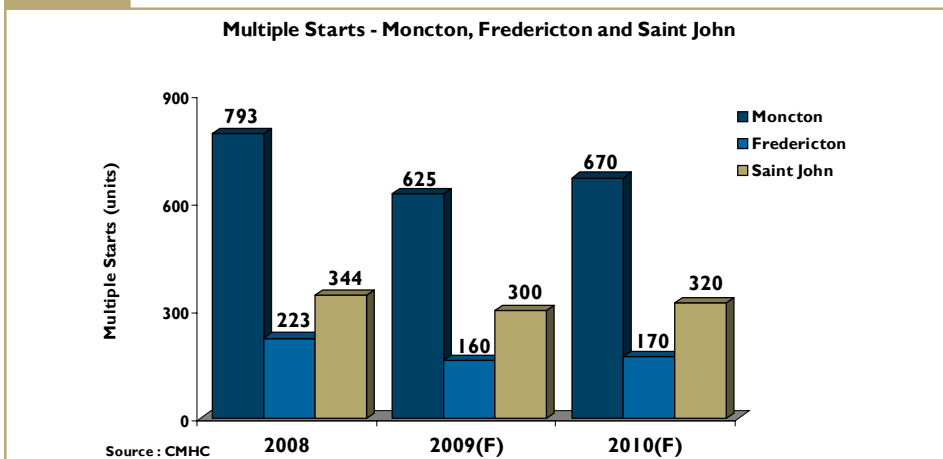
Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in government of Canada bond yields. For 2010, the one year posted mortgage rate will be in the 4.75-6.00 per cent range, while three and five year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

Residential Construction Expected to Decline in 2009

At the end of the first quarter, residential housing starts in Greater Moncton were down compared to the same period last year, with fewer single and multiple starts. With a record number of starts in 2008, the inventory of completed and unabsorbed semi-detached units was up significantly. As a result, expect semi-detached starts to decline this year for the first time in over a decade, as supply and demand strives to achieve a stable balance. With fewer semi-detached units, and apartment starts expected to remain stable, expect multiple starts to decline to 625 units in 2009, followed by a moderate rebound to 670 units in 2010. Single starts are expected to follow a similar trend in 2009 as reduced demand leads to fewer starts. As a result, expect a moderate decline to 540 units in 2009, followed by an increase to 560 units next year.

During the first three months of 2009, the year-over-year decline in total starts in Saint John was less than two per cent as ground was broken on several rental projects during the winter months. Last year, speculation associated with the region's burgeoning energy sector helped drive economic development in the port city, including activity in the local housing market. Given that a formal announcement on a possible second refinery for the region is only expected late in the year, the potential effects of the project on the housing market for 2009 will be limited. Other projects, such as a second nuclear reactor at

Figure 2



Point Lepreau and a combination wind and natural gas electrical generating station remain in the early planning stages. As such, they will have little or no impact on the housing market this year.

Consequently, housing demand over the forecast period, while expected to remain strong in historical terms, will diminish. As a result, expect fewer single starts in 2009 with 425 units, followed by a moderate increase in 2010. Multiple starts are expected to fall to 300 units in 2009, with a subsequent rise to 320 units the following year.

In the first quarter of 2009, results in Fredericton's new home market have been comparable to its provincial counterparts with a year-over-year decline in overall construction activity. Although traditional housing market drivers such as employment, in-migration, and historically low mortgage rates continue to provide favorable conditions for new home construction, activity is anticipated to decline in 2009 as economic uncertainty leads to reduced demand. As a result, expect single starts to decline to 430 units in 2009, followed by a modest increase

to 450 units in 2010. As the spring construction season gets underway, fewer apartment starts are expected in 2009. Since apartment units account for a large portion of multi-unit dwellings in Fredericton, a moderate decline in multiple starts to 160 units is expected in 2009, to be followed by a small increase to 170 units in 2010.

Resale Market Resilient in Large Urban Centres

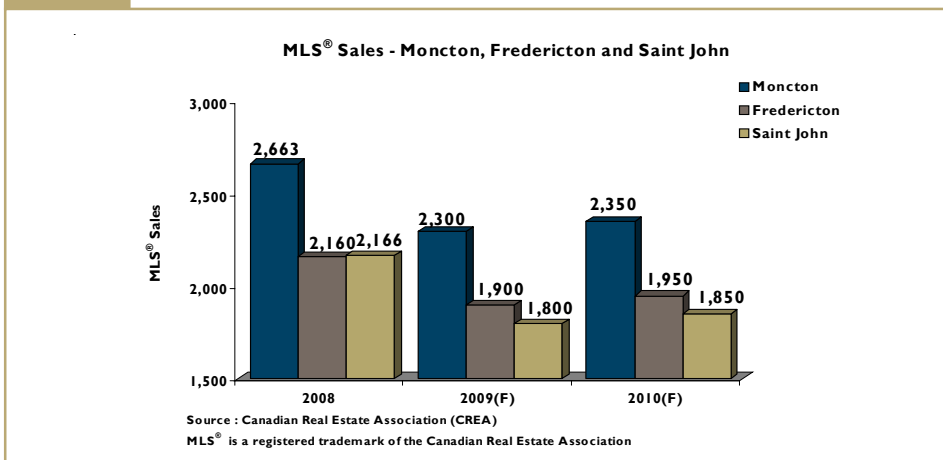
Despite posting the highest volume of sales among the province's three large urban centres, year-over-year MLS® sales in Greater Moncton were down in the first quarter of 2009. Following record sales in 2007, the resale market, as anticipated, posted fewer sales in 2008 and the trend of declining sales will extend into 2009. In addition, fewer new listings have been recorded during the first three months of 2009; nevertheless, they remain at historically high levels and continue to provide an ample selection for potential home buyers. Consequently, price growth was limited to less than one per cent during the first three months of the year. With heightened uncertainty,

home buyers are expected to become increasingly conservative in 2009, with sales expected to decline to 2,300 units, followed by a limited growth to 2,350 units in 2010. The average sale price, while expected to maintain an upward trend, will show minimal growth throughout 2009, rising less than one per cent to \$145,500. Moderate price growth in the two to three per cent range should follow in 2010 as the average price climbs to \$149,000.

Existing home sales in Saint John were also down in the first quarter of 2009. The energy sector in the region continues to drive economic activity. However, with no decision on the possible construction of a new refinery expected until the fourth quarter, housing market activity has slowed, leading to lower MLS® sales. Conversely, price growth in Saint John led the province during the first three months of 2009, as was the case throughout last year. As a result, Saint John maintains the distinction of having the highest average MLS® price in the province. Expect a decline in MLS® sales to 1,800 units in 2009. In 2010, moderate sales growth ranging between two and three per cent should return. Despite fewer sales, the average MLS® sale price is expected to rise to \$163,500 in 2009, with a subsequent increase to \$170,000 in 2010.

Fewer MLS® sales were also recorded in the capital region for the first three months of 2009. The 16.4 per cent decline recorded in Fredericton was comparable to Moncton and Saint John, where a respective decrease of 16.2 and 14.8 per cent was posted in the first quarter. Despite reduced sales, price

Figure 3



growth maintained a positive trend with a healthy 6.6 per cent, year-over-year increase in the average sale price. Although economic uncertainty persists, the diversified nature of the Fredericton economy continues to be supported by strong employment numbers and this should provide a measure of stability over the forecast period. For 2009 and 2010, expect unit sales to reach 1,900 and 1,950 units respectively, with the average sale price climbing to \$154,000 in 2009, and \$158,500 in 2010.

Vacancy Rates to Decline in Some Provincial Centres

Last fall, the vacancy rate declined in New Brunswick's three large urban centres. Greater Moncton posted the lowest vacancy rate at 2.4 per cent, while Saint John and Fredericton were slightly higher at 3.1 and 4.3 per cent, respectively. The lower vacancy rates highlighted existing demand for rental units in all three centres.

In Greater Moncton, the vacancy rate fell 1.9 percentage points in 2008 to 2.4 per cent. With over 300 apartment starts in 2008, the local rental universe could expand ahead of demand in 2009 as new units are added to the market, leading to a mild increase in the vacancy rate. As a result, expect the vacancy rate in 2009 to range between 2.4 and 2.9 per cent, with another moderate increase anticipated in 2010. With continued activity in the energy sector, in-migration in Saint John will likely rise and apply some downward pressure on the local vacancy rate. Expect the vacancy rate to decline to a range between 2.5 and 3.0

per cent in both 2009 and 2010. After coming down 2.2 percentage points last year, the vacancy rate in Fredericton will likely remain stable in 2009 as apartment starts in Fredericton have been virtually unchanged during the past two years. As a result, expect the local vacancy rate to be between 4.0 and 4.5 per cent in 2009, with a subsequent small increase anticipated in 2010. In all of the province's three major urban areas, expect the average rent increase for a two-bedroom unit to be between two and three percent in both 2008 and 2009.

Forecast Summary							
Saint John CMA							
Spring 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	1,852	2,253	2,166	1,800	-16.9	1,850	2.8
MLS® New Listings	3,357	3,391	3,621	3,350	-7.5	3,240	-3.3
MLS® Average Price (\$)	128,202	140,544	158,117	163,500	3.4	170,000	4.0
New Home Market							
Starts:							
Single-Detached	363	412	488	425	-12.9	440	3.5
Multiples	202	275	344	300	-12.8	320	6.7
Starts - Total	565	687	832	725	-12.9	760	4.8
Average Price (\$):							
Single-Detached	215,666	231,880	247,921	226,500	-8.6	234,500	3.5
Median Price (\$):							
Single-Detached	190,404	225,000	244,900	196,100	-19.9	201,000	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	3.3	0.9	2.5	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	6.8	5.2	3.1	2.8	-0.3	2.5	-0.3
Two-bedroom Average Rent (October) (\$)	556	570	618	600	-	615	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-1.90	5.29	0.49
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-1.42	5.94	0.30
Annual Employment Level	61,900	66,000	65,000	62,300	-4.2	63,100	1.3
Employment Growth (%)	0.0	6.6	-1.5	0.6	-2.1	1.3	0.7
Unemployment rate (%)	6.1	4.9	6.2	6.0	-	5.8	-
Net Migration (N.B.) ⁽¹⁾	-1,922	-2,276	2,592	2,075	-19.9	1,400	-32.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 and 2008 migration data is forecasted

Forecast Summary Moncton CMA Spring 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,561	2,849	2,663	2,300	-13.6	2,350	2.2
MLS® New Listings	4,416	4,464	4,590	4,350	-5.2	4,200	-3.4
MLS® Average Price (\$)	128,547	140,032	143,173	145,500	1.6	149,000	2.4
New Home Market							
Starts:							
Single-Detached	593	655	566	540	-4.6	560	3.7
Multiples	823	770	793	625	-21.2	670	7.2
Starts - Total	1,416	1,425	1,359	1,165	-14.3	1,230	5.6
Average Price (\$):							
Single-Detached	191,220	208,653	217,173	205,000	-5.6	215,000	4.9
Median Price (\$):							
Single-Detached	179,900	199,900	199,900	185,300	-7.3	189,900	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	3.3	0.9	2.5	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	5.6	4.3	2.4	2.5	0.1	3.0	0.5
Two-bedroom Average Rent (October) (\$)	636	643	656	640	-	660	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-1.90	5.29	0.49
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-1.42	5.94	0.30
Annual Employment Level	69,200	69,500	72,900	69,500	-4.7	70,250	1.1
Employment Growth (%)	0.1	0.4	4.9	0.7	4.2	1.1	0.4
Unemployment rate (%)	6.1	4.8	5.3	6.2	-	6.0	-
Net Migration (N.B.) ⁽¹⁾	-2,899	968	1,145	2,075	81.2	1,400	-32.5

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Forecast Summary Fredericton CA Spring 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,120	2,448	2,160	1,900	-12.0	1,950	2.6
MLS® New Listings	4,577	4,547	4,751	4,350	-8.4	4,225	-2.9
MLS® Average Price (\$)	138,094	141,117	152,268	154,000	1.1	158,500	2.9
New Home Market							
Starts:							
Single-Detached	387	432	475	430	-9.5	450	4.7
Multiples	323	204	223	160	-28.3	170	6.3
Starts - Total	710	636	698	590	-15.5	620	5.1
Average Price (\$):							
Single-Detached	211,914	207,781	225,002	218,500	-2.9	225,000	3.0
Median Price (\$):							
Single-Detached	205,000	199,000	219,000	211,150	-3.6	216,400	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	3.3	0.9	2.5	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	4.8	6.5	4.3	4.5	0.2	5.0	0.5
Two-bedroom Average Rent (October) (\$)	693	701	697	700	-	720	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-1.90	5.29	0.49
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-1.42	5.94	0.30
Annual Employment Level	46,675	49,850	49,500	46,900	-5.3	47,250	0.7
Employment Growth (%)	0.5	6.8	-0.7	0.5	-1.2	0.7	0.2
Unemployment rate (%)	6.2	4.8	4.6	6.1	-	6.0	-
Net Migration (N.B.) ⁽¹⁾	-2,899	968	1,145	2,075	81.2	1,400	-32.5

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