House for sale (Dept. of Finance)

Real Estate

The residential real estate market turned in another solid performance in 2010. Strong demand for housing during the first half of 2010 was fuelled by record low interest rates, pending changes to mortgage qualification rules and the continuation of strong economic fundamentals. During the second half of 2010, housing starts remained strong but sales activity softened and prices began to stabilize. The residential rental market remained strong in 2010 with low vacancy rates and higher rents.

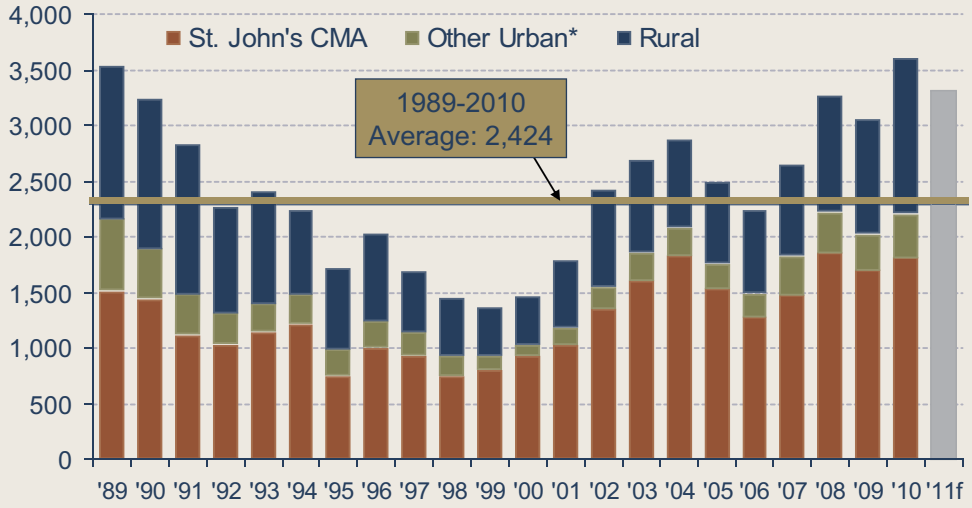
Housing Starts

Housing starts totalled 3,606 units in 2010, an increase of 18.0% compared to 2009 and far surpassing the recent high of 3,261 reached in 2008. The number of starts recorded in 2010 was the highest in 30 years (1980). Urban housing starts were up 9.4% to 2,213 units (about two-thirds of the market) and rural starts were up 34.5% to 1,393 units. Since 1989, total housing starts have averaged 2,424 units per year (see chart).

Residential Sales Activity and Prices

Residential sales activity and prices remained at or near historically high levels in 2010. However, consistent with national trends, sales activity slowed as the year progressed and prices appeared to be stabilizing toward the end of last year. The number of residential properties sold in the province through the Canadian Real Estate Association's Multiple Listing Service® (MLS®) during 2010 was 4,237, a decrease of 4.1% from 2009 and a decrease of 9.8% from the record of 4,695

Housing Starts



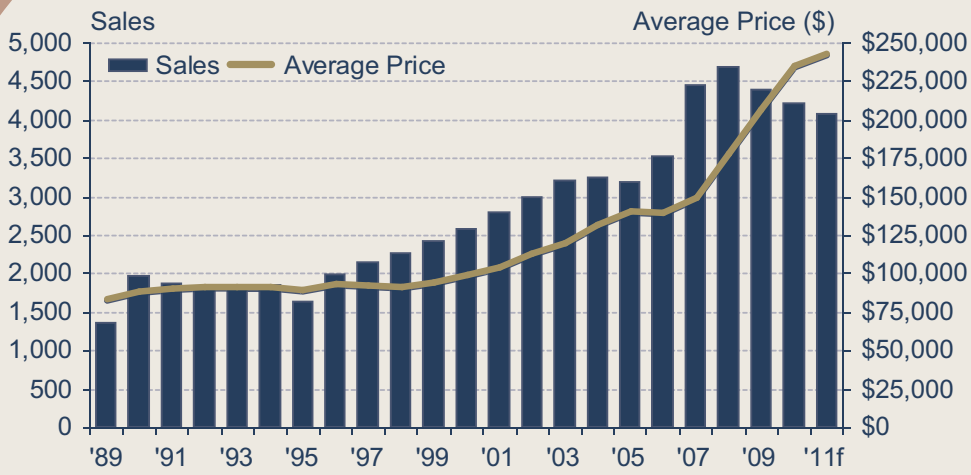
f: forecast

* 'Other Urban' includes Census Agglomerations: Carbonear (to 1991), Bay Roberts, Corner Brook, Gander, Grand Falls-Windsor, Labrador City (to 2007).

Source: Canadian Real Estate Association

in 2008 (see chart on page 62). Residential sales were very strong during the first half of 2010 as changes to mortgage rules (effective April 19, 2010) and the fear of interest rate increases likely encouraged buying decisions in the first part of the year (see chart on page 62). During the second half of 2010, residential sales activity was down 15.7% compared to the same period in 2009, a trend that is continuing into 2011. At the same time, active listings (a measure of inventory in the resale housing market) have been increasing, up 12.1% during 2010. Nationally, residential sales were down 3.9% during 2010 with declines experienced in all provinces except Prince Edward Island (up 5.9%), Quebec (up 1.3%), Manitoba (up 0.6%) and Nova Scotia (up 0.1%).

Residential MLS® Sales and Average Price



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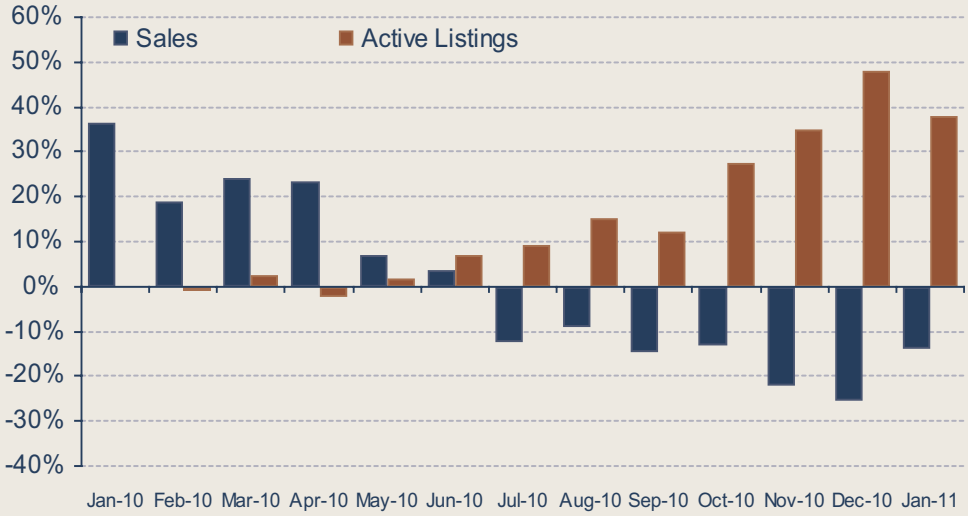
Source: Canadian Real Estate Association (CREA)

Residential MLS® Sales and Active Listings

% Change Year-over-Year



Source: Canadian Real Estate Association

Residential MLS® Average Price

	2007 ($)	2010 ($)	2011f ($)	2010-11f %
CAN	305,822	339,030	343,300	1.3
BC	439,199	505,178	520,400	3.0
AB	356,235	352,301	347,300	-1.4
ON	299,544	342,245	344,400	0.6
QC	202,895	248,697	262,700	5.6
SK	174,405	242,258	245,300	1.3
NL	149,258	235,341	242,700	3.1
MB	169,189	222,132	235,700	6.1
NS	180,989	206,186	208,200	1.0
NB	136,603	157,240	158,600	0.9
PE	133,457	147,196	150,600	2.3

Source: Canadian Real Estate Association (CREA)

During 2010, the average MLS® residential price in the province was approximately $235,300, an increase of 14.0% compared to 2009. The average MLS® residential price in the St. John's Census Metropolitan Area (CMA) was $251,191, an increase of 14.8% over 2009. According to Canada Mortgage and Housing Corporation (CMHC), prices appear to have stabilized around the $235,000 level in the province and around the $250,000 level in the St. John's CMA during the third quarter of 2010. While prices continue to be relatively high, lower sales volumes combined with an increase in active listings should slow further upward price movement. Nationally, the average MLS® residential price increased 5.8% to $339,030 during 2010. Newfoundland and Labrador recorded the strongest residential price growth in 2010 followed by Manitoba (up 10.3%), British Columbia (up 8.5%), Quebec (up 8.0%) and Ontario (up 7.5%).

Rental Market

Residential rental vacancy rates remain at or near historical lows throughout Newfoundland and Labrador. Vacancy rates in urban areas decreased from a high of 15.4% in 1997 to just 1.0% in the fall of 2010 and have been near or below 1% since 2008. In October 2010 (latest data available), urban vacancy rates were 0.3% in Gander, 0.7% in the Corner Brook Census Agglomeration (CA), 1.1% in the St. John's CMA and 1.3% in the Grand Falls-Windsor CA. Although vacancy rates are very low and rents have risen, rents remain among the lowest in Atlantic Canada. In October, the average monthly rent for a two-bedroom apartment in Newfoundland and Labrador was $668 compared to $851 in Nova Scotia, $719 in Prince Edward Island and $668 in New Brunswick. It is expected that positive net-migration, higher housing prices and a lack of rental construction will continue to keep vacancy rates low and place upward pressure on rents.

New Developments

On February 8, 2010, the Canadian Competition Bureau announced that it was formally challenging rules imposed by the Canadian Real Estate Association (CREA) concerning the use of its MLS®. The Competition Bureau alleged that these rules were anti-competitive by limiting consumer choice and preventing innovation in the market for residential real estate services. On October 24, 2010, at a special general meeting in St. John's, members of CREA voted in favour of an agreement with the Competition Bureau. The new 10-year agreement gives Canadians the ability to choose which services they want from a real estate agent when buying and selling a home, and to pay only for those selected services, compared to the traditional full-service commission-based structure. In addition, the agreement will ensure that real estate agents have the flexibility to provide innovative service and pricing options that meet the needs of consumers.

Real Estate 2011 Outlook

On January 17, 2011, the Federal Government of Canada announced a second round of adjustments to the rules for government-backed insured mortgages. These adjustments took effect on March 18, 2011. The adjustments are being made to support the long-term stability of Canada's housing market and include: reducing the maximum amortization period to 30 years on insured mortgages with a loan-to-value (LTV) ratio above 80%; lowering the maximum LTV limit on insured re-finances from 90% to 85%; and eliminating government insurance on home-equity secured lines of credit. These changes are in addition to previous adjustments that took effect April 19, 2010 and included: increasing the qualifying rates on fixed term mortgages less than five years and on variable mortgages; lowering the maximum LTV limit on insured re-finances from 95% to 90%; and increasing the down payment requirement for insured rental property financing from 5% to 20%.

The level of activity in the residential real estate market is expected to remain high during 2011.

Housing starts are expected to decrease by 8.7% to about 3,300 units but remain high following the very strong performance of 2010.

Residential sales activity is expected to decline by 3.2% to 4,100 in 2011.

Residential resale prices are expected to increase moderately by 3.1% to average $242,700.

Interest rates are expected to rise but remain relatively low.