

Real Estate

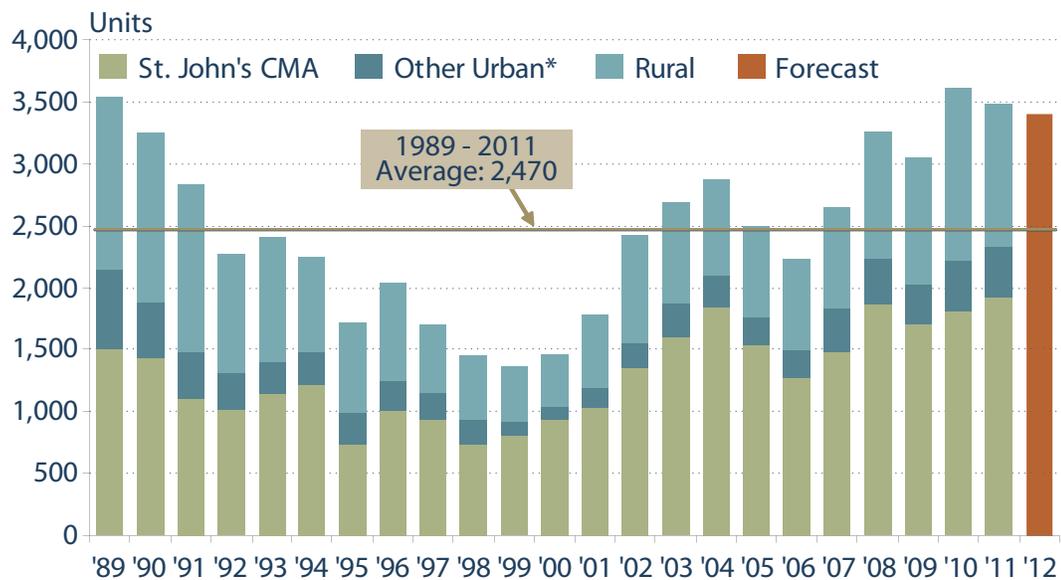
The residential housing market remained strong in 2011. Housing demand reflected solid economic conditions, low interest rates, optimism about future major projects and growth in the number of households. Housing starts and residential sales activity remained high and residential prices reached record levels. The residential rental market remained strong in 2011 with low vacancy rates and higher rents.

Housing Starts

Housing starts totalled 3,488 units in 2011, down 3.3% compared to 2010 but high from a historical perspective (2010 marked the highest level of housing starts since 1980). By comparison, housing starts were down 1.4% in the Maritimes and up 2.1% in Canada. Since 1989 housing starts have averaged 2,470 units per year (see chart).

Single-detached starts (which typically account for about 80% of total starts in the province) declined by 11.2% to 2,612 units, while multiple starts (which include denser housing types such as row houses, semi-detached homes, apartments and condominiums) increased by 31.7% to 876 units. Factors contributing to the growth in multiple starts likely include increased condominium development, tight conditions in the rental market, and demand for increased affordability often associated with multiple units.

Housing Starts



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

Source: Canada Mortgage and Housing Corporation; Department of Finance

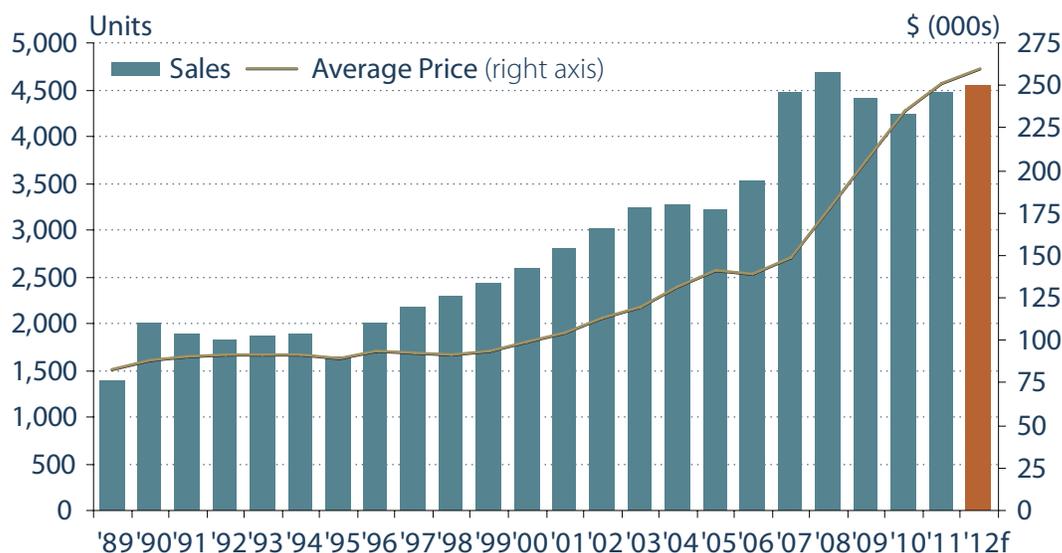
Growth in housing starts differed between urban and rural areas in 2011. Urban housing starts (which account for approximately two-thirds of housing starts in the province) were up 4.9% to 2,322 units, driven primarily by an increase in starts in the St. John's Census Metropolitan Area (CMA). Conversely, rural starts were down 16.3% to 1,166 units. The divergence between urban and rural starts can be partially explained by the type of housing being built (i.e. multiple units are more likely to be constructed in more populated urban centres).

Residential Sales and Prices

Residential sales activity and prices remained high in 2011. The number of residential properties sold in the province through the Canadian Real Estate Association's (CREA) Multiple Listing Service® (MLS®) during 2011 was 4,480, an increase of 5.8% from 2010. Compared to 2010, residential sales were slow during the first half of 2011 but picked up during the second half. Active listings (a measure of inventory in the resale housing market) were up 17.0% during 2011 to a level not seen since 2007, possibly indicating a return to more balanced market conditions. Nationally, residential sales increased 2.2% during 2011 with increases experienced in all provinces except New Brunswick (-1.5%) and Quebec (-3.5%).

Residential prices in the province continue to set new highs. During 2011 the average MLS® residential price in the province was \$251,581, an increase of 6.9% compared to 2010. The average MLS® residential price in the St. John's CMA was \$268,608, an increase of 6.9% over 2010. Nationally, the average MLS® residential price increased 7.2% to \$363,346 during 2011. Newfoundland and Labrador recorded the third highest residential price growth in 2011, behind British Columbia (+11.1% to \$561,304) and Ontario (+7.0% to \$366,272), yet remained one of the more affordable places to purchase a home.

Residential MLS® Sales and Average Price



f: forecast (March 2012)
Source: Canadian Real Estate Association

Rental Market

Residential rental vacancy rates have been near historic lows throughout Newfoundland and Labrador for the past number of years, hovering around 1% since 2008. Urban vacancy rates increased from 1.0% in October 2010 to 1.3% in October 2011 (latest data available), but remain very low and represent the second lowest vacancy rate in Canada (see table). In October 2011 vacancy rates were 0.9% in the Grand Falls-Windsor Census Agglomeration (CA), 1.2% in Gander, 1.3% in the Corner Brook CA, 1.3% in the St. John's CMA, and 3.6% in the Bay Roberts CA. As vacancy rates remain low, rents have been increasing but are still among the lowest in Canada. In October 2011 the average monthly rent for a two-bedroom apartment in Newfoundland and Labrador was \$701, up from \$668 in October 2010, but the third lowest in Canada. It is expected that improved labour markets, positive net-migration and higher housing prices will continue to keep vacancy rates low and exert upward pressure on rents.

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Vacancy Rates and Rents

| | Vacancy Rate | | Average Rent* | |
|---------|--------------|--------|---------------|---------|
| | 10-Oct | 11-Oct | 10-Oct | 11-Oct |
| CA..... | 2.9% | 2.5% | \$835 | \$856 |
| BC..... | 2.7% | 2.4% | \$1,019 | \$1,019 |
| AB..... | 4.6% | 3.4% | \$1,036 | \$1,044 |
| SK..... | 2.5% | 1.9% | \$872 | \$913 |
| MB..... | 0.9% | 1.0% | \$815 | \$850 |
| ON..... | 2.9% | 2.2% | \$980 | \$1,002 |
| QC..... | 2.7% | 2.9% | \$666 | \$684 |
| NS..... | 2.9% | 2.7% | \$851 | \$882 |
| NB..... | 4.5% | 4.8% | \$668 | \$687 |
| PE..... | 2.2% | 2.9% | \$719 | \$745 |
| NL..... | 1.0% | 1.3% | \$668 | \$701 |

*Average rent presented on two-bedroom (new and existing structures)

Source: Canada Mortgage and Housing Corporation, Rental Market Survey (urban sample survey conducted twice annually)

The residential real estate market is expected to remain strong during 2012.

Total housing starts are expected to decrease by 3.4% to 3,371 units, but remain high from a historical perspective.

Residential resale prices are expected to increase by 3.2% to average \$259,700, and sales activity is expected to remain strong at about 4,550 in 2012 according to the Canadian Real Estate Association.

Interest rates are expected to remain low for the duration of 2012.