

Real Estate

At the national level, the real estate market continued to grow in 2014, but performance varied across regions. Overall, housing starts increased 1.1%, the number of residential properties sold increased 5.1% and the average price rose 6.7%. The bulk of national growth was attributable to larger markets such as Toronto and Vancouver. Some traditionally strong markets such as Calgary exhibited declines in sales and flat price growth in the latter half of the year, reflecting the weaker economic climate due to the decrease in oil prices. Weakness was also evident in Atlantic Canada.

The real estate market in Newfoundland and Labrador weakened in 2014. Housing starts fell considerably, sales activity in the residential market declined, and housing prices plateaued. Vacancy rates rose in the residential and commercial rental markets, though rental rates continued to rise. Despite market weakness, some of the fundamental factors impacting demand for housing remained strong. Income growth was strong at 4.9% and mortgage rates remained low. The 5-year mortgage rate averaged 4.1% in 2014, the lowest level on record (see chart).

Housing Starts

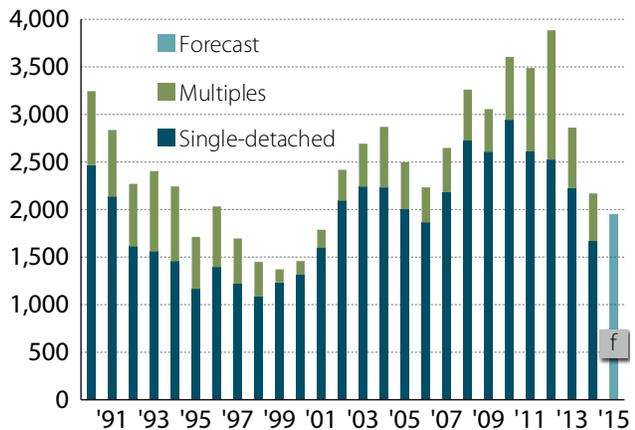
Housing starts in the province totalled 2,119 units in 2014, a decrease of 26% compared to 2013 (see chart). The decline in housing starts reflects a number of factors, including long-term adjustment to the tightening of mortgage regulations over the past five years, a build-up of housing stocks in previous years, and slow population growth.

Average Residential Mortgage Rate - 5 year



Source: Bank of Canada

Housing Starts



f: forecast

Source: Statistics Canada; Department of Finance

Housing Starts by Region, NL

	2013	2014	% change
Total Urban	2,024	1,496	-26.1%
Bay Roberts	71	68	-4.2%
Corner Brook	57	75	31.6%
Gander	74	86	16.2%
Grand Falls-Windsor	88	37	-58.0%
St. John's CMA	1,734	1,230	-29.1%
Total Rural	838	623	-25.7%
Total Newfoundland and Labrador	2,862	2,119	-26.0%

Source: Canadian Mortgage and Housing Corporation

Most housing in Newfoundland and Labrador is comprised of single-detached residences. Single starts declined 25% to 1,670 units in 2014, compared to 2013. Multiple starts (which include denser housing types such as row, semi-detached homes, apartments and condominiums) fell to 449 units, down 33.3% compared to 2013 and 67% lower than the record high experienced in 2012.

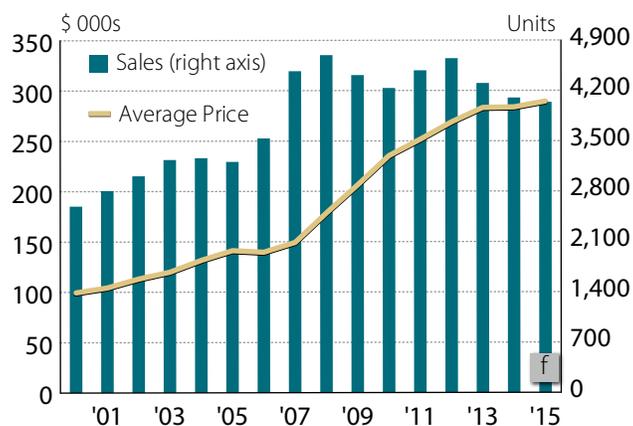
On a regional basis, starts rose in Corner Brook and Gander but declined in all other areas (see table). Growth in Corner Brook and Gander was attributable to increased multiple starts. Within the St. John's Census Metropolitan Area (CMA), the largest market in the province, housing starts declined 34.2%—both single and multiple starts fell substantially.

Residential Sales and Prices

The number of residential properties sold in the province through the Canadian Real Estate Association's Multiple Listing Service (MLS®) fell 4.7% to 4,100 units in 2014, compared to the previous year (see chart).

The average MLS® residential price in the province was \$283,671 in 2014, an increase of 0.2% compared to 2013. In the St. John's CMA, the average MLS® residential price was \$325,803 in 2014, an increase of 1.6%. Moderated price growth in the province reflects a shift from a relatively balanced market to a buyers' market as indicated by a drop in the sales-to-new listings ratio. The ratio of sales to new listings fell from about 42.7% in 2013 to 37.3% in 2014. A sales-to-new listings ratio between 40% to 60% is generally consistent with balanced housing market conditions. Readings above or below this range indicate sellers' or buyers' markets, respectively.

Residential MLS® Sales and Average Price



f: forecast

Source: Canadian Real Estate Association

Rental Market

Residential vacancy rates in Newfoundland and Labrador increased in 2014, but remained low by historical standards. Significant growth in the province's housing stock over the past number of years has contributed to rising vacancy rates, and this is expected to persist as the market rebalances. The province's average vacancy rate was 4.1% in October 2014, up 1.4 percentage points (ppt.) from October 2013. Vacancy rates varied throughout the province, but all urban areas recorded relatively low rates. Vacancy rates were 2.9% in Corner Brook (up 2.9 ppt. from October 2013), 0.7% in Gander (down 0.2 ppt.), 3.1% in Grand Falls-Windsor (up 0.8 ppt.), and 4.7% in St. John's (up 1.7 ppt.).

The average monthly rent for a two-bedroom apartment in the province in October was \$812, up from \$784 in the previous year. By comparison, the average rent for a two-bedroom apartment was comparable in Prince Edward Island (\$819), higher in Nova Scotia (\$955), and lower in New Brunswick (\$735).

Commercial

The commercial office sector has seen significant growth in recent years in tandem with growth in the economy. The establishment of offices by oil companies and firms that support the oil industry has been one of the main catalysts for increased demand for office space. 2014 marked the completion of several significant developments in the St. John's area, such as 351 Water St. and Fortis Place. Over the course of 2014, commercial construction completions in the St. John's CMA totalled 360,400 square feet, over four times what was completed in 2013. There is currently almost \$90 million being spent on ongoing commercial real estate projects in St. John's.

As a direct result of this increase in supply, the office space vacancy rate in St. John's averaged 5.7% in 2014, up almost a full percentage point compared to 2013. However, strong demand for office space—combined with a significant increase in new and renovated office space which generally commands a higher price than older space—has resulted in the average rental rate for office space growing by 5.6% to \$33.93 per square foot in 2014 compared to 2013.

Outlook 2015

Real Estate

- The residential real estate market is expected to experience reduced activity in 2015, with fewer housing starts than in recent years and moderating sales activity.
- Housing starts in 2015 are forecast at 1,915 units, this amounts to a 9.6% decrease compared to 2014.
- The Canadian Real Estate Association forecasts sales to decline by 1.0% to 4,060 units. The average residential resale price is expected to fall by 0.4%, to \$282,600.
- 2015 began with the Bank of Canada lowering the overnight rate by 25 basis points to 0.75%. Some analysts believe additional lowering may come later this year. This will likely translate into lower mortgage lending rates and, as a result, may encourage new buyers to enter the housing market.