

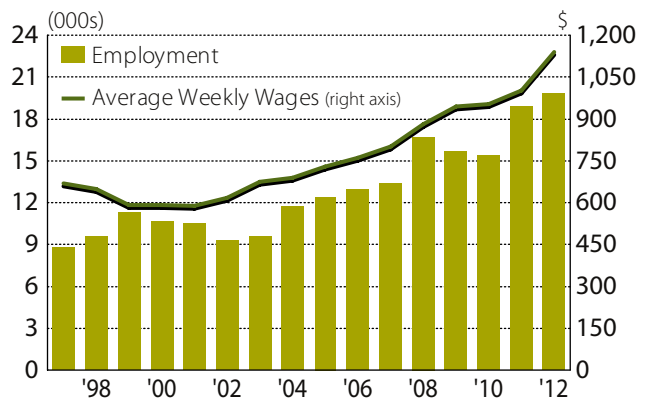
## Construction

Investment in residential construction remained strong in 2012, with investment rising to over \$1.8 billion, an increase of 6.8% over historically high levels of investment seen in 2011. Higher expenditures were seen both on new dwellings (+8.4%) and renovations (+8.6%). Higher expenditures directed toward new dwellings are consistent with the 11.4% increase in housing starts seen in 2012 (see *Real Estate*).

### Construction Employment and Wages

The recent strength in the construction industry has benefited construction workers. Construction wages have increased considerably over the last five years (see chart). Between 2007 and 2012 construction weekly wages in Newfoundland and Labrador increased by 42.0%. In 2012, average weekly earnings in the construction industry were \$1,139, the third highest among provinces after Alberta and Saskatchewan. This represents an increase of 13.7% compared with 2011, by far the highest growth seen in the country. Additionally, average employment in the construction industry increased by 4.8%, reaching the highest level ever recorded in the province. Major project development, combined with the strength in new home construction, significantly contributed to increased employment.

### Construction Employment and Wages



Source: Statistics Canada

### Construction Outlook 2013

- Construction investment is expected to post another strong performance with expenditures forecast to increase by 25.9% to reach \$10.2 billion.
- Non-residential construction spending is projected to increase 33.8%, driven by the continued advancement of major projects such as Muskrat Falls and the Hebron development.
- Residential investment is expected to total \$1.8 billion, on par with the record levels posted in 2012.
- Over \$36 billion in project spending is planned or underway in the province according to the Inventory of Major Capital Projects (see page 37).



## Real Estate

The housing market in Newfoundland and Labrador was strong in 2012, supported by solid income growth and low interest rates. Housing starts and sales increased, and house prices reached new highs. Rental vacancy rates edged upward during the year but remained low in a historical context.

## Housing Starts

Housing starts totaled 3,885 units in 2012, an increase of 11.4% compared to 2011 (see chart). This was the highest figure in 36 years. By comparison, starts were down 3.0% in the Maritimes and up 10.8% in Canada.

A trend towards fewer single-detached starts (which, on average, accounted for about 80% of total starts in the province) and more multiple starts (which include denser housing types, such as row, semi-detached homes, apartments and condominiums) continued in 2012. Single-detached starts declined by 3.4% to 2,523 units, while multiple starts increased by 55.5% to 1,362 units, compared to 2011. In the St. John's Census Metropolitan Area (CMA) the increase in multiple starts was 39.1%. Some of the factors contributing to the increase in multiple starts include tight conditions in the rental market, increased affordability for certain product segments, and an aging population (a portion of which tend to downsize to condominiums or apartments in retirement).

Urban housing starts (which account for approximately two-thirds of housing starts in the province) were up 9.5% to 2,544 units last year, while rural starts were up 15.0% to 1,341 units.

## Residential Sales Activity and Prices

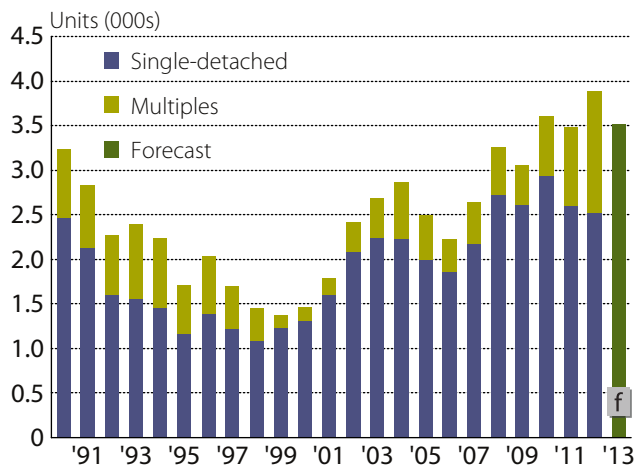
Residential sales activity and prices increased significantly in 2012. The number of residential properties sold in the province through the Canadian Real Estate Association's Multiple Listing Service® (MLS®) rose 3.8% to 4,650 units. Sales fell just short of the record high for the province set in 2008 (see chart). Sales activity was on par with 2011 for January through April, then rose by 61.5% in May and June before falling below the previous year's levels for the July to December period. The decline in sales for the last half of the year may be partially explained by tighter mortgage regulations announced in June 2012, aimed at cooling the housing market. Nationally, residential resales were down 1.1% in 2012 compared to 2011.

In 2012, the average MLS® residential price in the province was \$268,776, an increase of 6.8% compared to the 2011 figure. Nationally, the MLS® average resale price showed a 0.3% increase compared to 2011. In the St. John's CMA, the province's largest submarket, the average MLS® residential price in 2012 was \$285,529, an increase of 6.3% over the previous year.



Multiple Housing Units

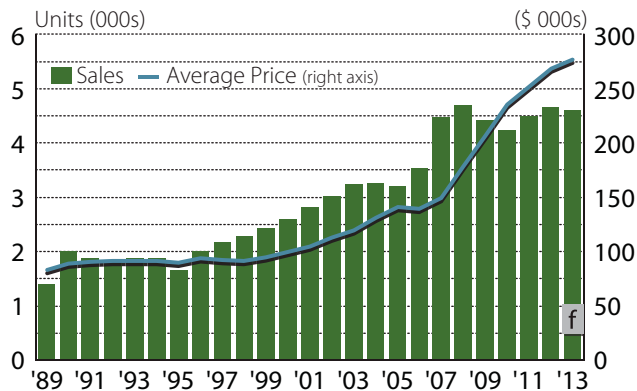
## Housing Starts



f: forecast

Source: Canada Mortgage and Housing Corporation; Department of Finance

## Residential MLS® Sales and Average Price



f: forecast

Source: Canadian Real Estate Association

## Affordability

Comparing house prices to household income is one commonly used indicator of housing affordability. Despite surging real estate prices, purchasing a home remains affordable in Newfoundland and Labrador relative to other major markets. The province still ranks near the middle when compared to other provinces (see table). In 2012, the cost of a home in Newfoundland and Labrador was 4.2 times the average family income in the province. Comparatively, this figure was 5.5 in Canada and averaged 3.2 in the Maritimes. In terms of price growth, the average residential home price in Newfoundland and Labrador increased by 157.5% between 2001 and 2012, well above the national figure (111.2%). This price growth was the third highest of the provinces, behind only Saskatchewan (180.9%) and Manitoba (164.3%). The weakest growth was seen in New Brunswick (67.9%), PEI (73.6%), and Nova Scotia (90.9%).

## Rental Market

Vacancy rates in urban areas in Newfoundland and Labrador edged up from 1.3% in October 2011 to 2.2% in October 2012 (see table). Despite the increase, rates remain historically low and among the lowest in Canada. In October 2012 vacancy rates were 1.0% in the Corner Brook Census Agglomeration (CA), 2.8% in the St. John's CMA, 0.5% in Gander and 1.1% in the Grand Falls-Windsor CA. Although vacancy rates are low, rents remain affordable compared to most of Canada. In October 2012, the average monthly rent for a two-bedroom apartment in Newfoundland and Labrador was \$725, up from \$701 in October 2011. The only provinces with lower rents were Quebec at \$681 and New Brunswick at \$707. It is expected that strong labour markets, in-migration, higher housing prices and revised mortgage regulations will continue to keep vacancy rates low and place continued upward pressure on rents.

## Real Estate Outlook 2013

- The residential real estate market is expected to remain at elevated levels.
- Housing starts are forecast at 3,520 units, down 9.4% from 2012.
- The Canadian Real Estate Association forecasts sales to decrease by 1.1% to 4,600. The residential resale price is expected to average \$276,400. If realized, this would be an increase of 2.8% from 2012.
- Mortgage rates are expected to remain at low levels.

### Housing Affordability Ratio

	2001	2005	2009	2011	2012
CA	4.0	5.1	5.3	5.8	5.6
BC	4.8	6.3	7.6	9.1	8.3
ON	3.9	4.8	5.0	5.4	5.5
QC	3.1	4.3	4.3	4.9	4.8
AB	4.1	4.8	4.7	4.6	4.6
NL	3.1	3.7	3.9	4.2	4.2
NS	3.1	3.8	3.8	4.0	4.0
SK	3.1	3.4	3.8	4.0	4.0
MB	2.4	3.1	3.5	3.9	3.9
NB	2.4	2.9	3.0	3.0	2.9
PE	2.2	2.6	2.7	2.8	2.8

Housing Affordability Ratio: average residential price to average family income ratio, \$2010

2011-2012 income estimated using 5-year historical growth rates

Source: Canadian Real Estate Association (CREA); Statistics Canada; Department of Finance

### Vacancy Rates and Average Rental Price

	Vacancy Rate		Average Rent*	
	11-Oct	12-Oct	11-Oct	12-Oct
CA	2.5%	2.8%	\$856	\$875
BC	2.4%	2.7%	\$1,050	\$1,073
AB	3.4%	2.0%	\$1,044	\$1,085
SK	1.9%	2.2%	\$913	\$957
MB	1.0%	1.6%	\$850	\$887
ON	2.2%	2.5%	\$1,002	\$1,033
QC	2.6%	3.0%	\$684	\$681
NS	2.7%	3.4%	\$882	\$909
NB	4.8%	6.9%	\$687	\$707
PE	2.9%	5.0%	\$745	\$787
NL	1.3%	2.2%	\$701	\$725

\*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)