



# St. John's Area Housing Market & Economy: Key Drivers of Demand, Current Conditions & Outlook

**Chris Janes, Senior Market Analyst**



# Key Drivers of Local Housing Market



# How are they doing in 2017?

**Employment -4.6%**

**Working age population +1.6%**

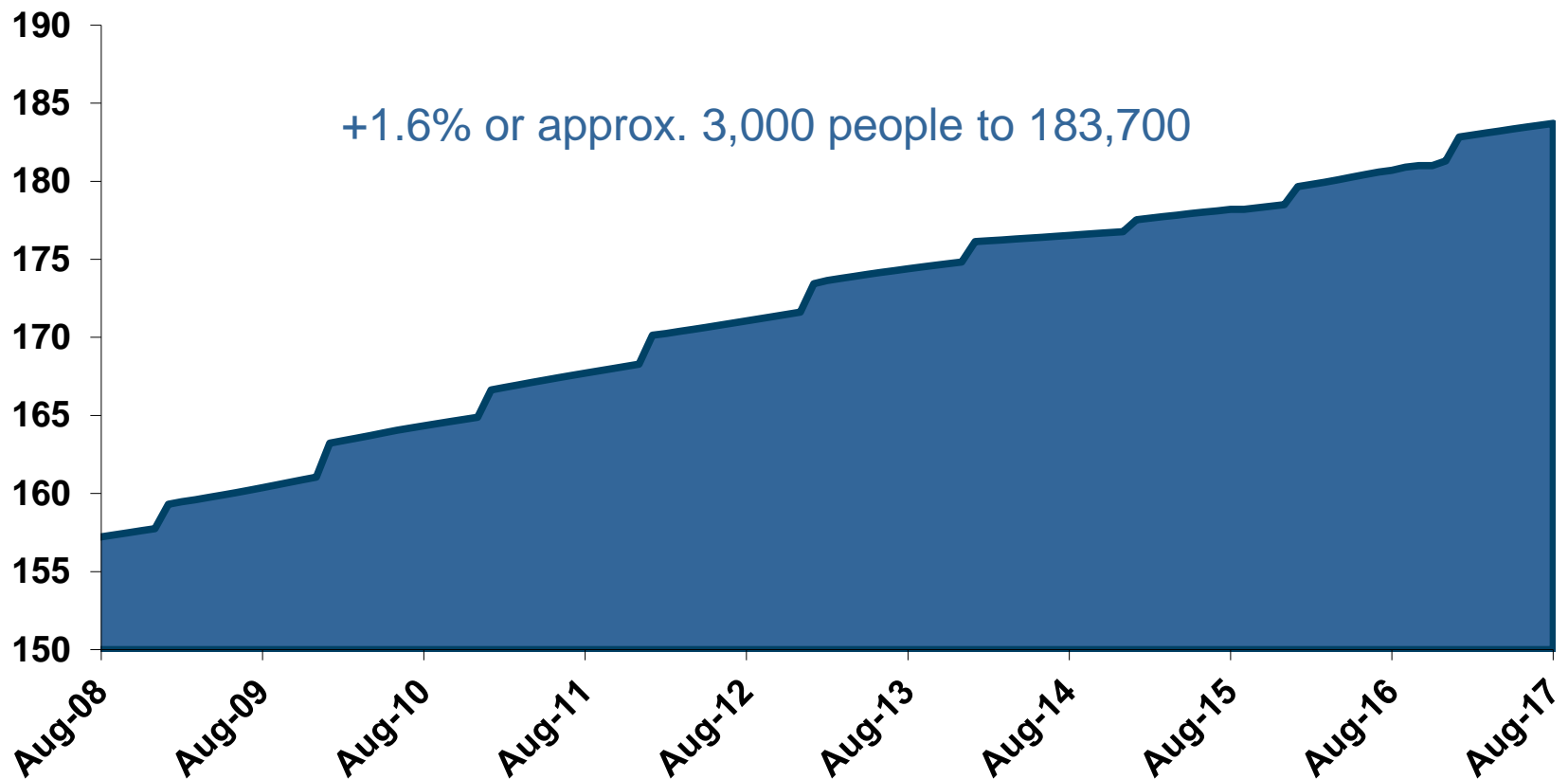


**Average weekly earnings +4%**



# Working age population up modestly

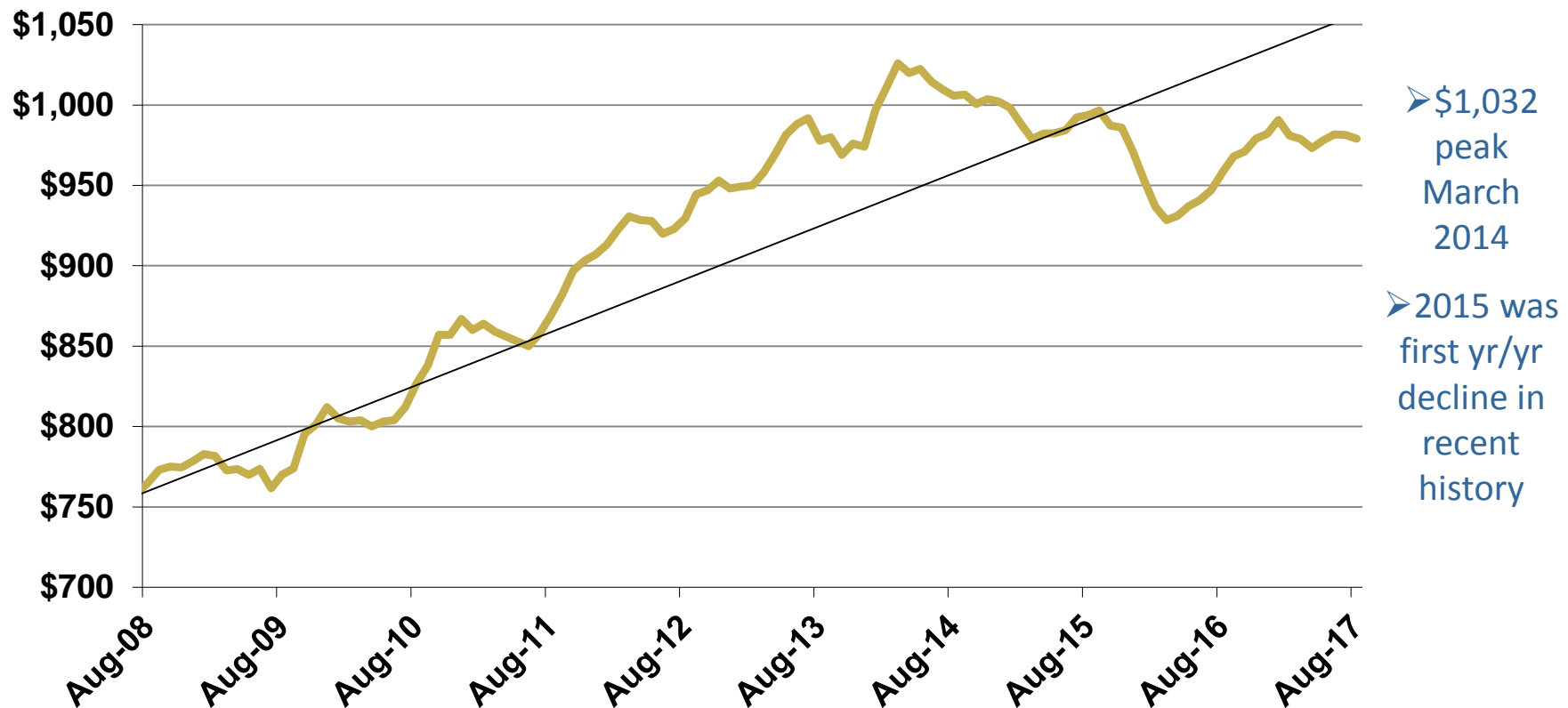
Population, St. John's Area, Both Sexes, Age 15+ (000's)





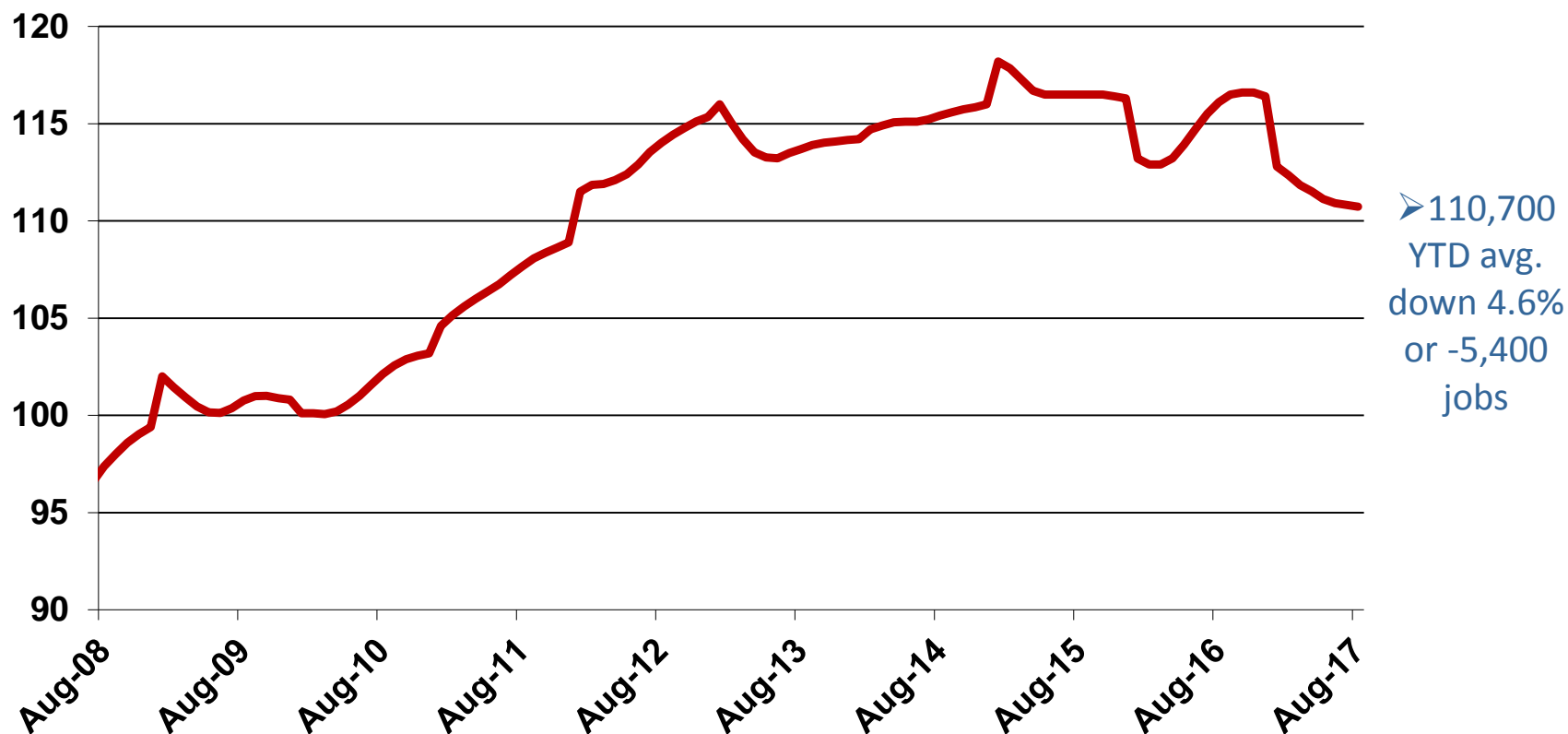
# Average weekly earnings +4% to \$980 vs \$940

## Average Weekly Earnings, All Industries, St. John's Area



# St. John's area employment under pressure

Total Employment, age 15-64 years, St. John's Area (000's)



# YTD employment highlights by age group...

- Full-time total: 93,300 people employed; -2.2%
  - Age 15-24: 6,900 people; -20%
  - **Age 25-44: 46,700 people; +3%**
  - Age 45-64: 39,600 people; -4%
- Part-time total: 17,400 people employed; -16%
  - Age 15-24: 8,300 people; -15%
  - Age 25-44: 4,700 people; -8%
  - Age 45-64: 4,400 people; -25%



# YTD employment highlights by sector...

- Services-producing sector recording largest declines
  - Finance, insurance, real estate services & leasing in decline for 1 year
  - Professional, scientific & technical services in decline for 1.5 years
- Goods-producing sector also posting notable declines
  - Largest losses in Construction in recent months due to worsening economic conditions, Hebron GBS completion & lack of capital project work





# Population, income & employment driven by...

2009-2014

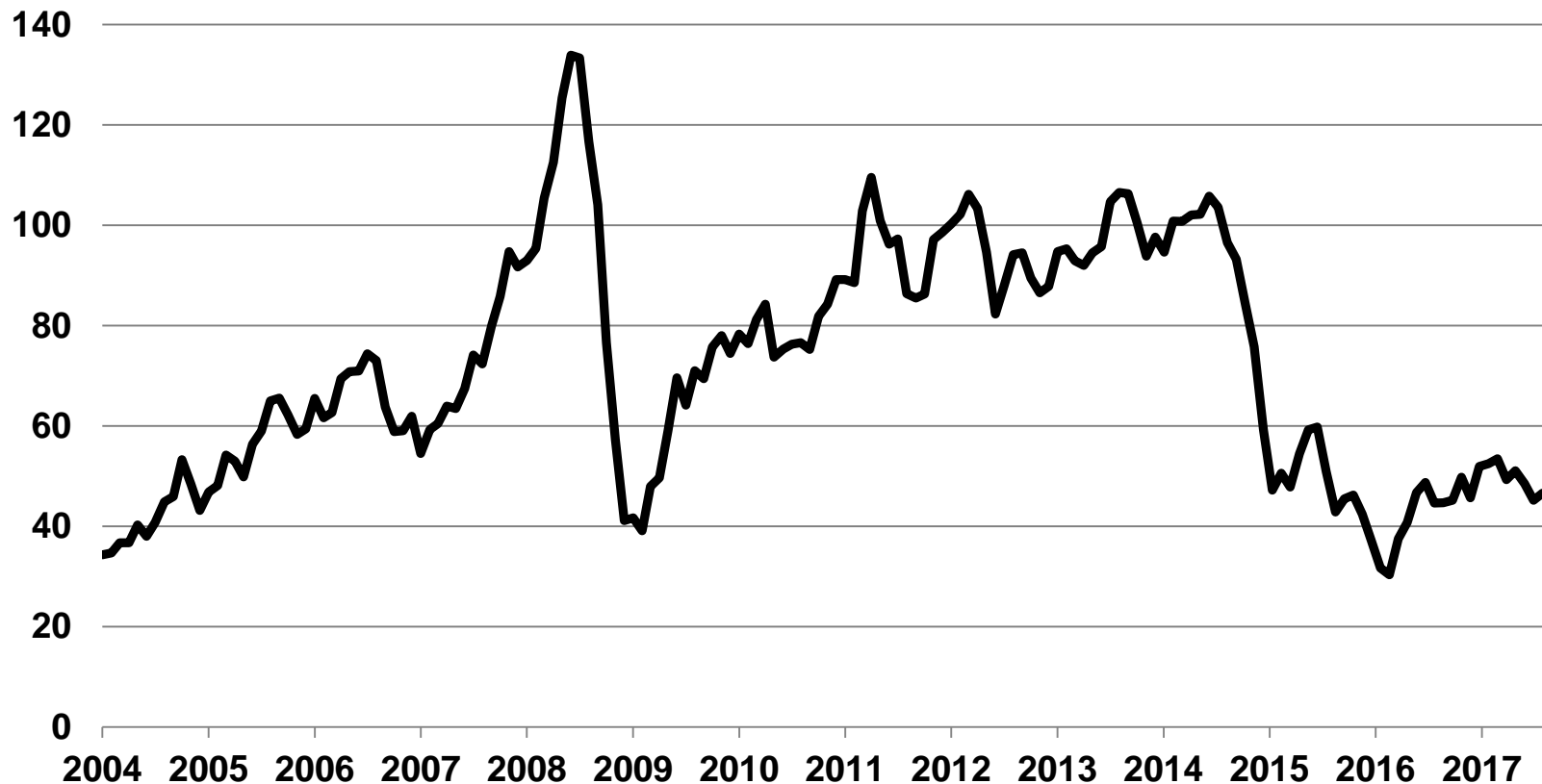


2014-Present



# Oil price declined dramatically in 2008 & 2014

West Texas Intermediate, Monthly Average Price (US \$)/bbl



# Oil sector #1 driver of our economy since 1997

Production (billion barrels)

1.6+

Value of Output (billion \$ CDN)

\$115+

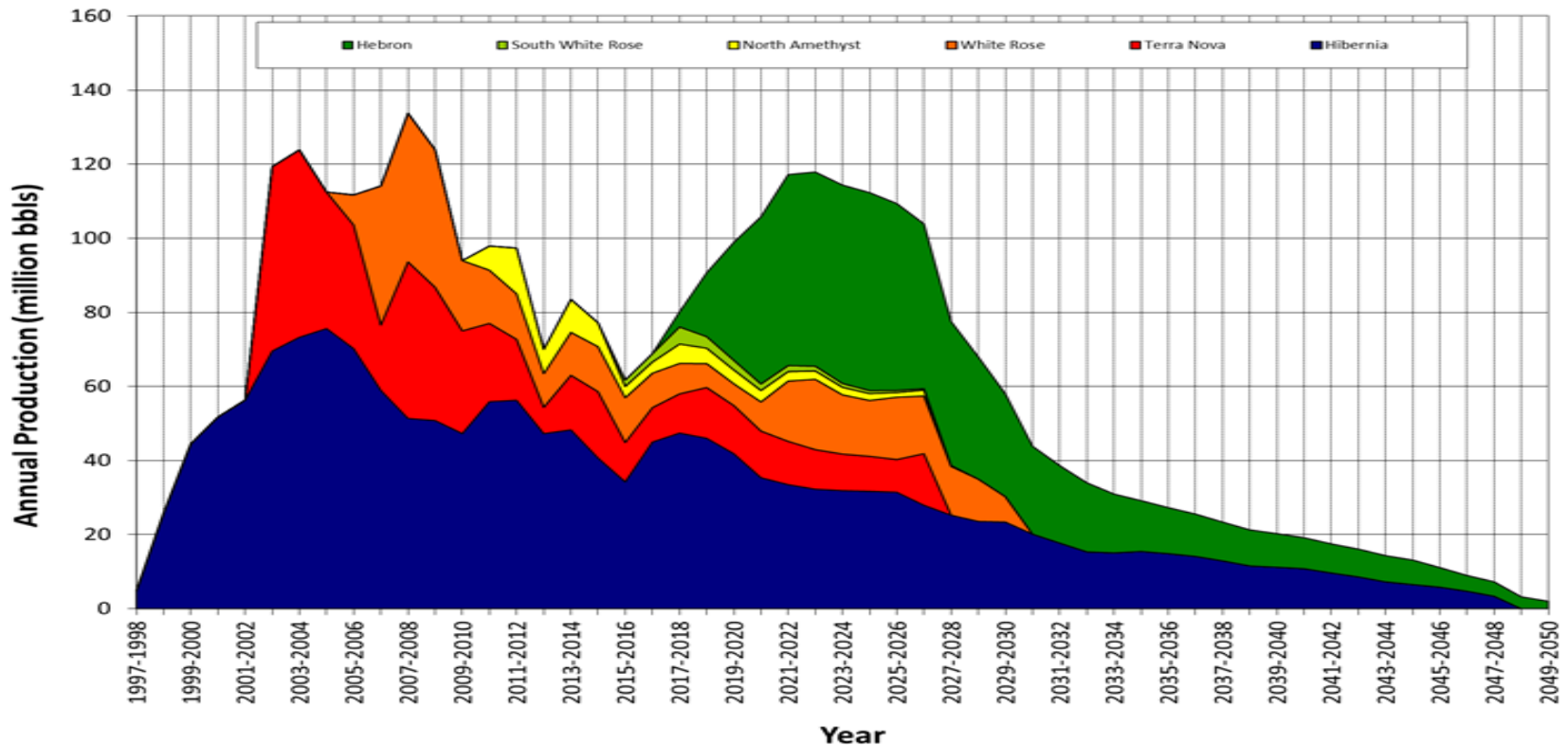
Cumulative Royalties (billion \$ CDN)

\$19+

Sector Investment (billion \$ CDN)

\$45+

**Newfoundland and Labrador Offshore Area  
Production Forecast**



# What lies ahead?

- Past, current & future projects create enormous wealth in NL:
  - Long Harbour - \$4.25 billion
  - Hebron - \$14 billion; first oil late 2017
  - Muskrat Falls - \$XX billion!
  - Hibernia expansion & White Rose West (GBS) - \$5 billion; first oil 2022
  - Statoil 2013 discoveries development? – Harpoon & Bay du Nord
  - \$2.6 billion in offshore work commitment bids since 2014
  - Lower oil price = cheaper drill rig day rates (avg. \$400k+ now \$200k or less)
  - Momentum is now building again in offshore oil sector, despite low oil price
- However, significant challenges remain in play:
  - Since 2012, oil royalties down from 38.7% of provincial revenues to 10.5%
  - Net debt per capita +60% from \$15,000 to \$24,000 over same period
  - Capital investment will be approx. 40% below recent (2013-2015) peak



# Beyond this, what else impacts house prices?



# 2007 to 2013 housing market looked like this...





# However, recent years looked more like this...





# Market - New Home Market



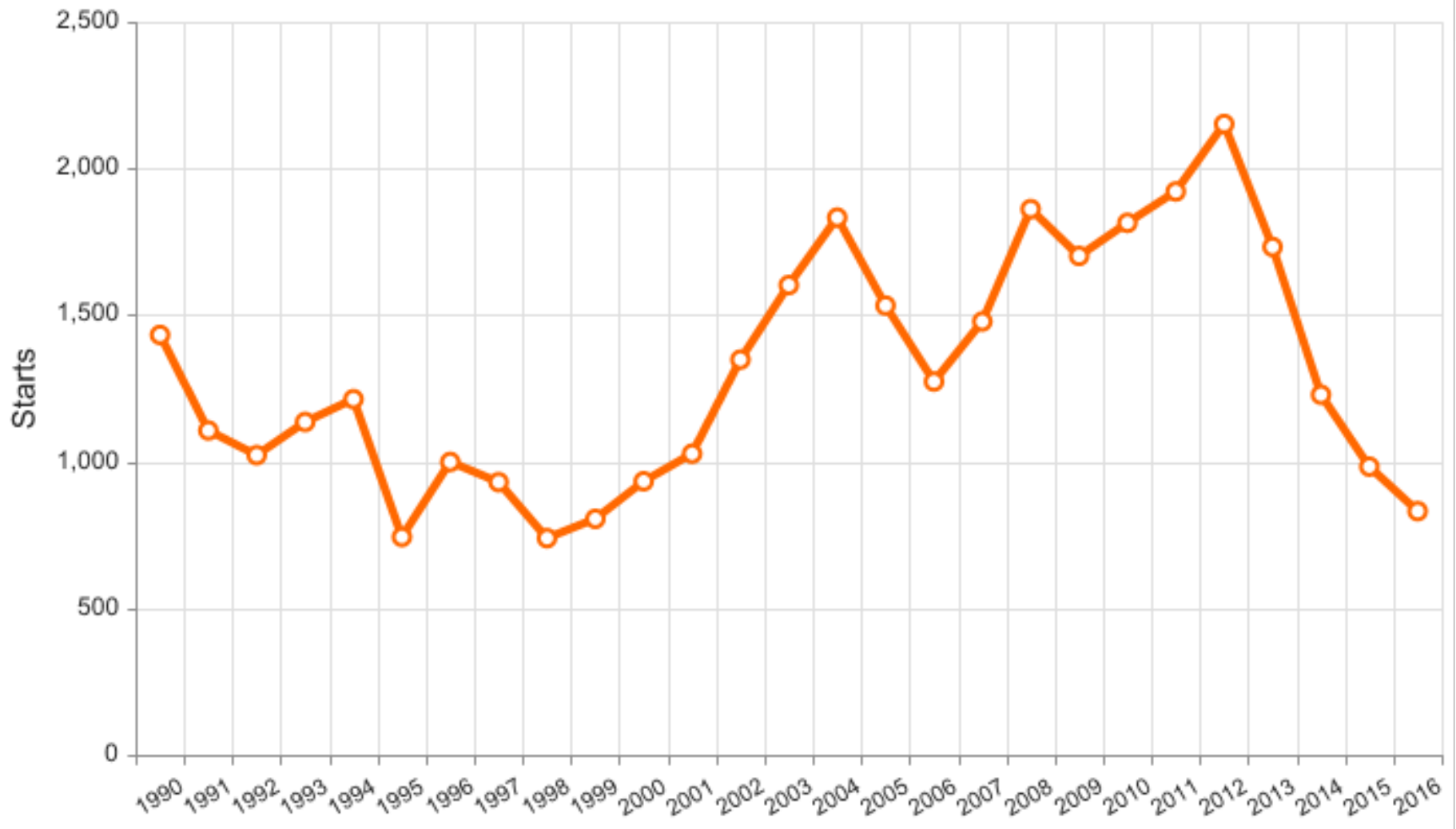
# What are the new home market conditions?

“A picture is worth a thousand words.”

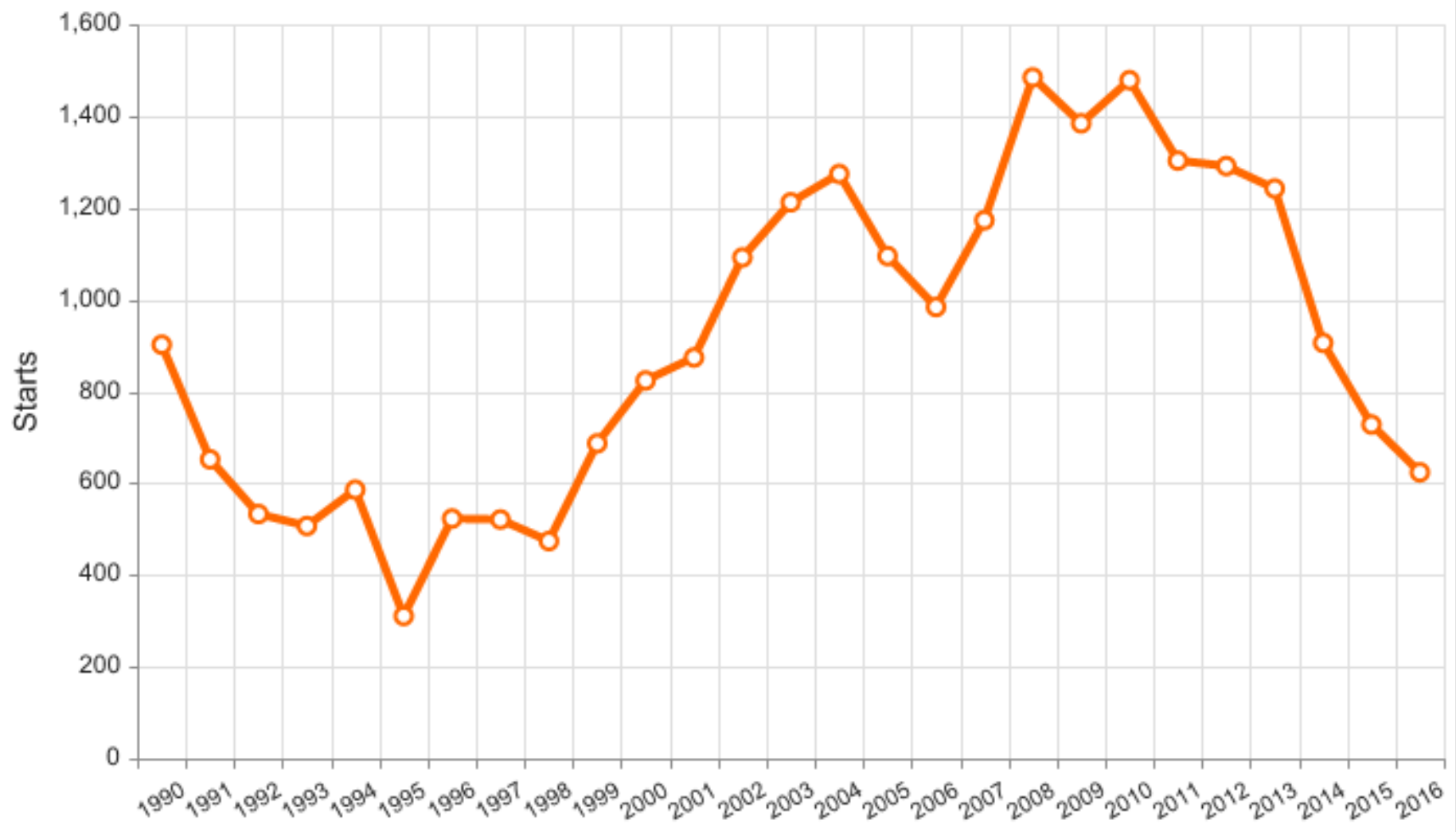
- Total housing starts down over 60% from 2012 peak of 2,153
  - -14% YTD to 425 (singles -27%)
- Newly built homes are smaller
  - More semi-detached & row houses
- Lower avg. new detached house price
  - -5% YTD to \$397,000 vs \$418,000



# Total housing starts back to pre-2000 levels

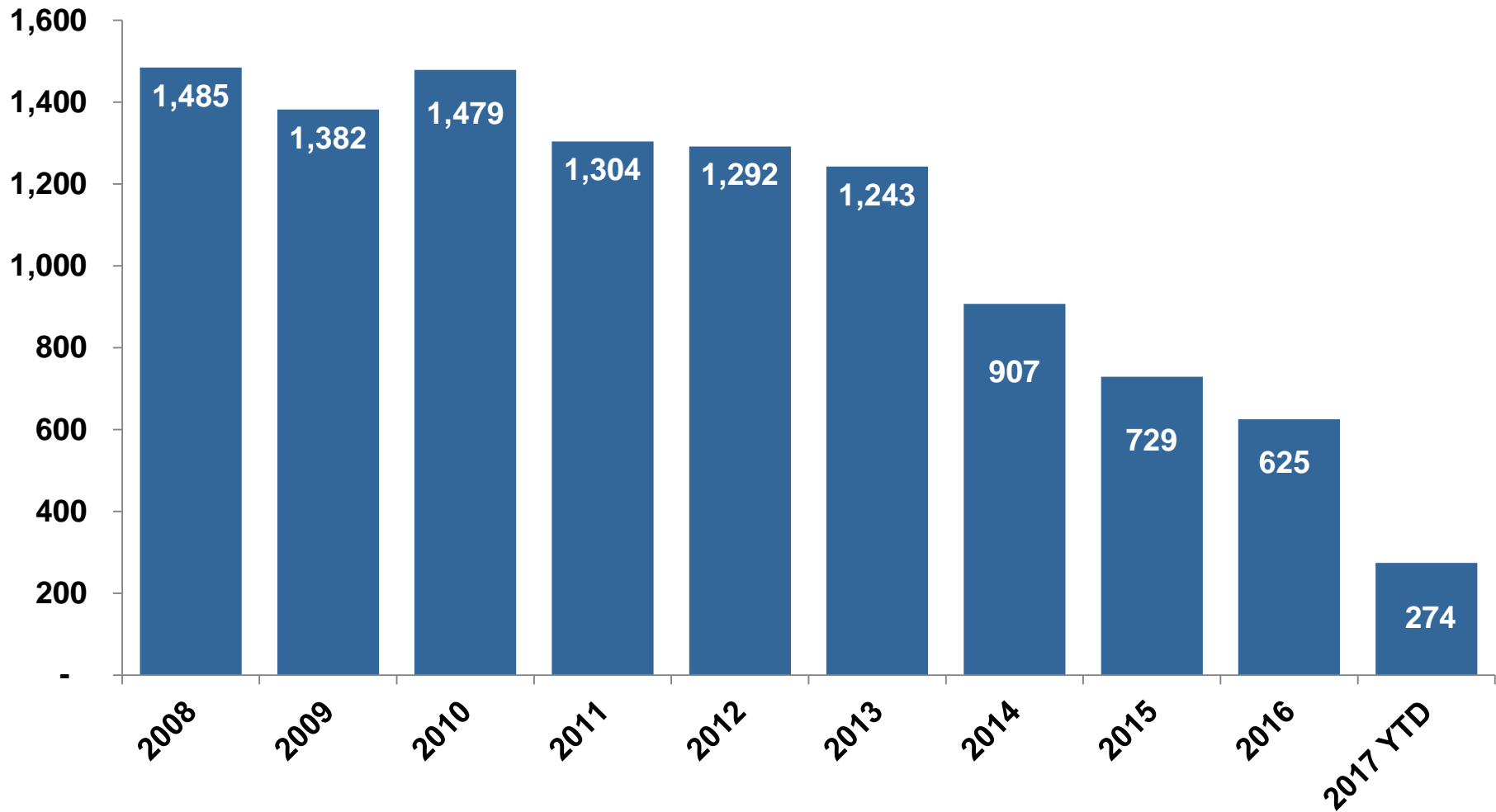


# Single-detached starts leading the decline



# Single starts down considerably since 2013

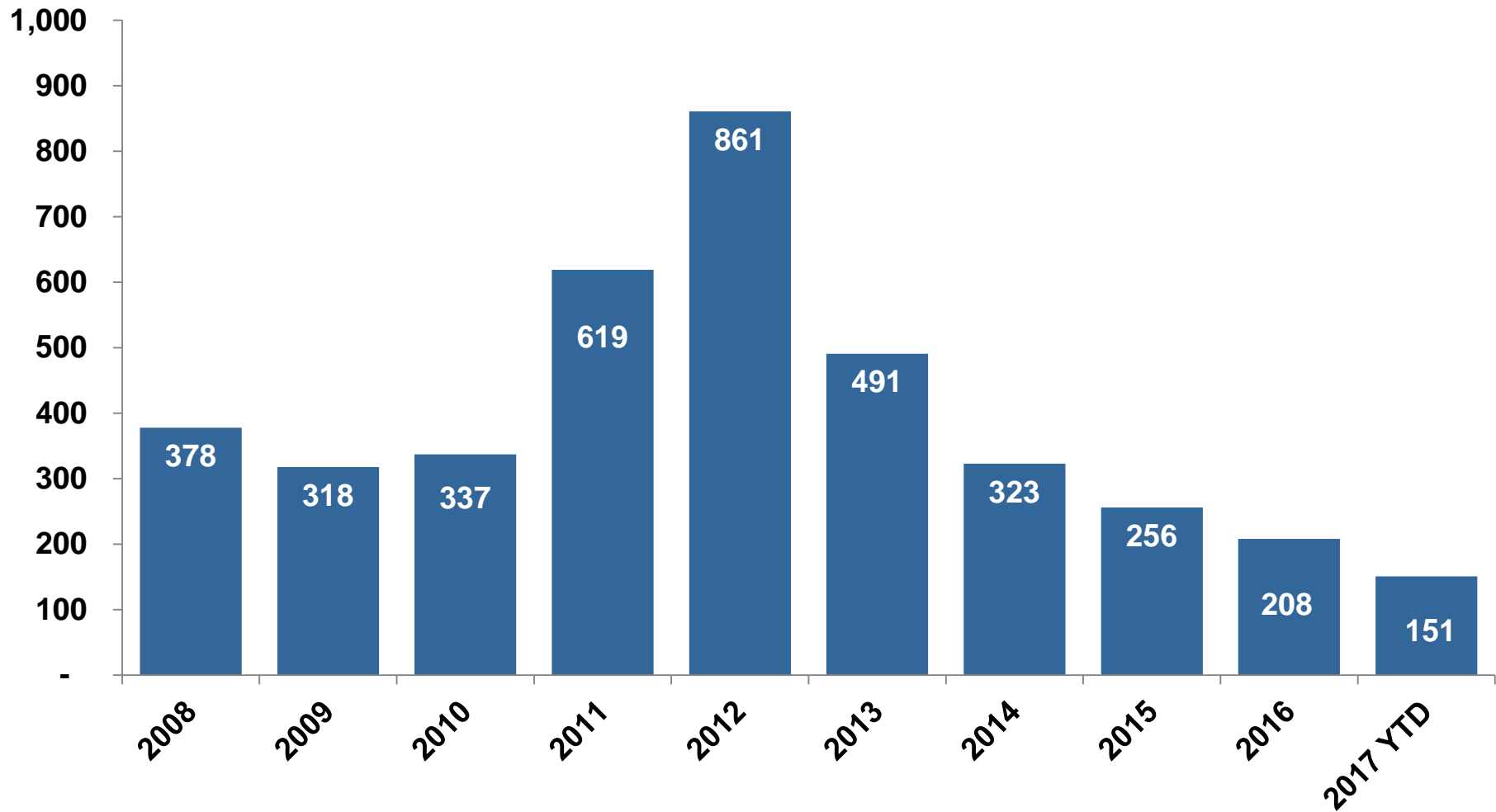
Annual Single-Detached Starts, St. John's Area



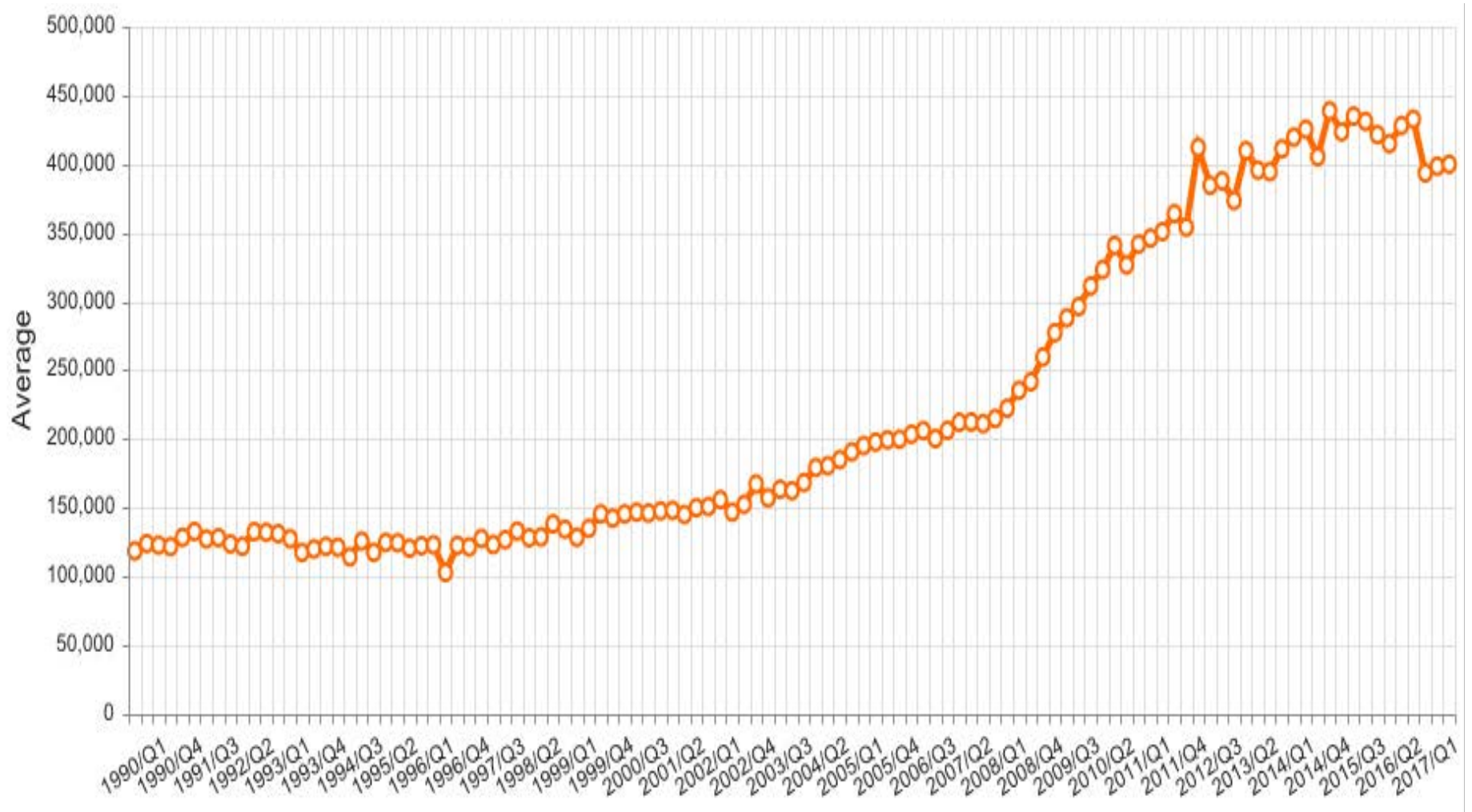


# Multiple starts also down considerably

Annual Multiple Starts, St. John's Area



# Avg. annual price growth +7.5% 2007-2015



# New home market outlook...

- Housing starts activity driven by demand not speculation
  - Smaller homes targeted at first-time buyers; lackluster move-up buyer activity; shift to lower-priced existing homes market
- Single-detached starts activity inline with fundamentals
  - Population, income & employment activity will remain key driver of singles
- Multiples driven by affordability & mortgage qualification
  - Smaller/cheaper homes = return to row, duplex & tri-plex units
- Lower average prices due to smaller homes & economy



The background of the slide is a collage of architectural images. The top half features a white background with several semi-transparent, colorful rectangular blocks in shades of blue, orange, and grey. Below these blocks, a dark blue horizontal band contains the text. The bottom half of the slide shows a row of various building facades, including brick houses, wooden structures, and modern architectural elements, all partially obscured by the same colorful geometric overlays.

# Market - MLS® Residential Market

# Uncertainty is fading within MLS® market...



# What are the MLS® market conditions?

“Every picture tells a story.”

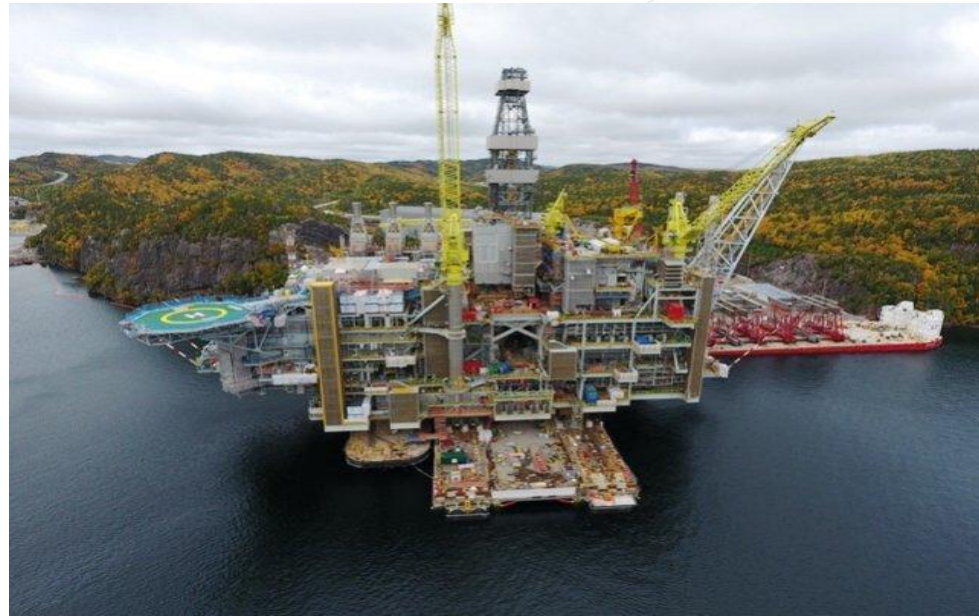
- House prices remain under pressure
  - -2.3% YTD to \$301,527
  - However, \$306,000 avg. May-Aug vs \$294,000 avg. Jan-Apr
- Sales declining
  - -15% YTD
  - However, -13% May-Aug vs -19% Jan-Apr
- Worst may be behind us with support slowly re-emerging





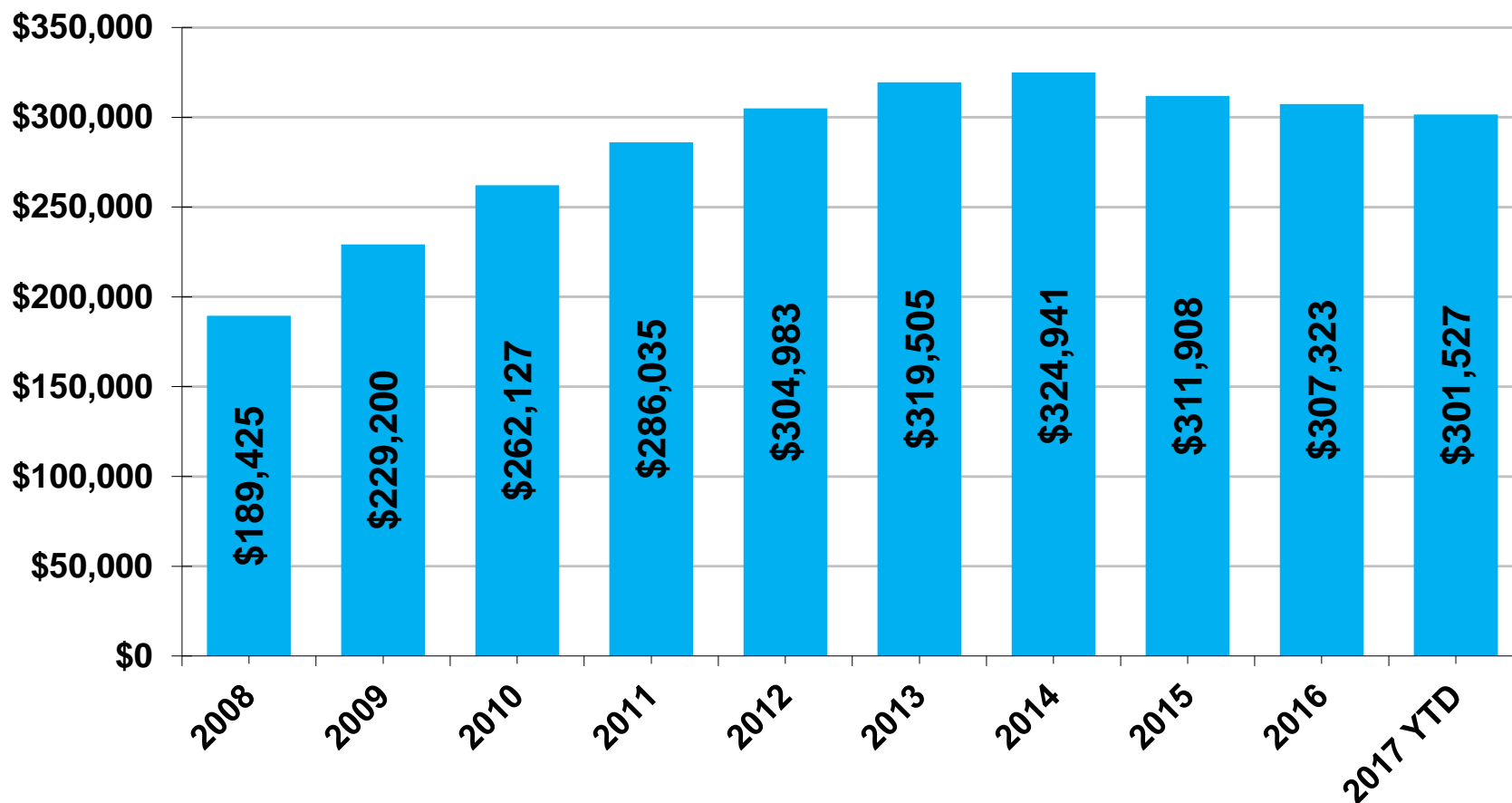
# Support & optimism likely coming from...

- Hebron offshore oil GBS
- White Rose GBS announcement
- Muskrat Falls Project?
- Better than expected Budget

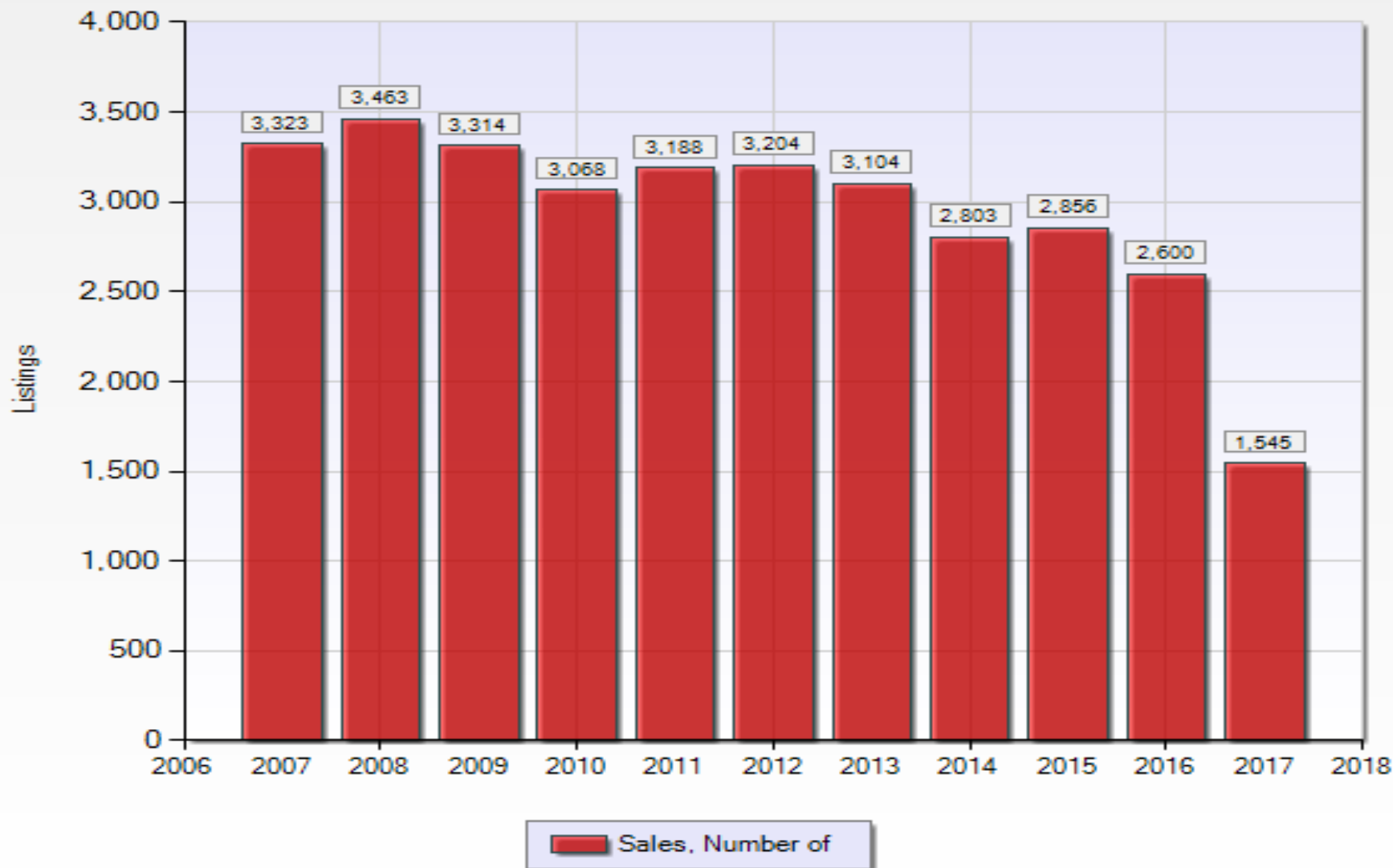


# Average MLS® price holding above \$300,000

## Average MLS® house price, St. John's Area



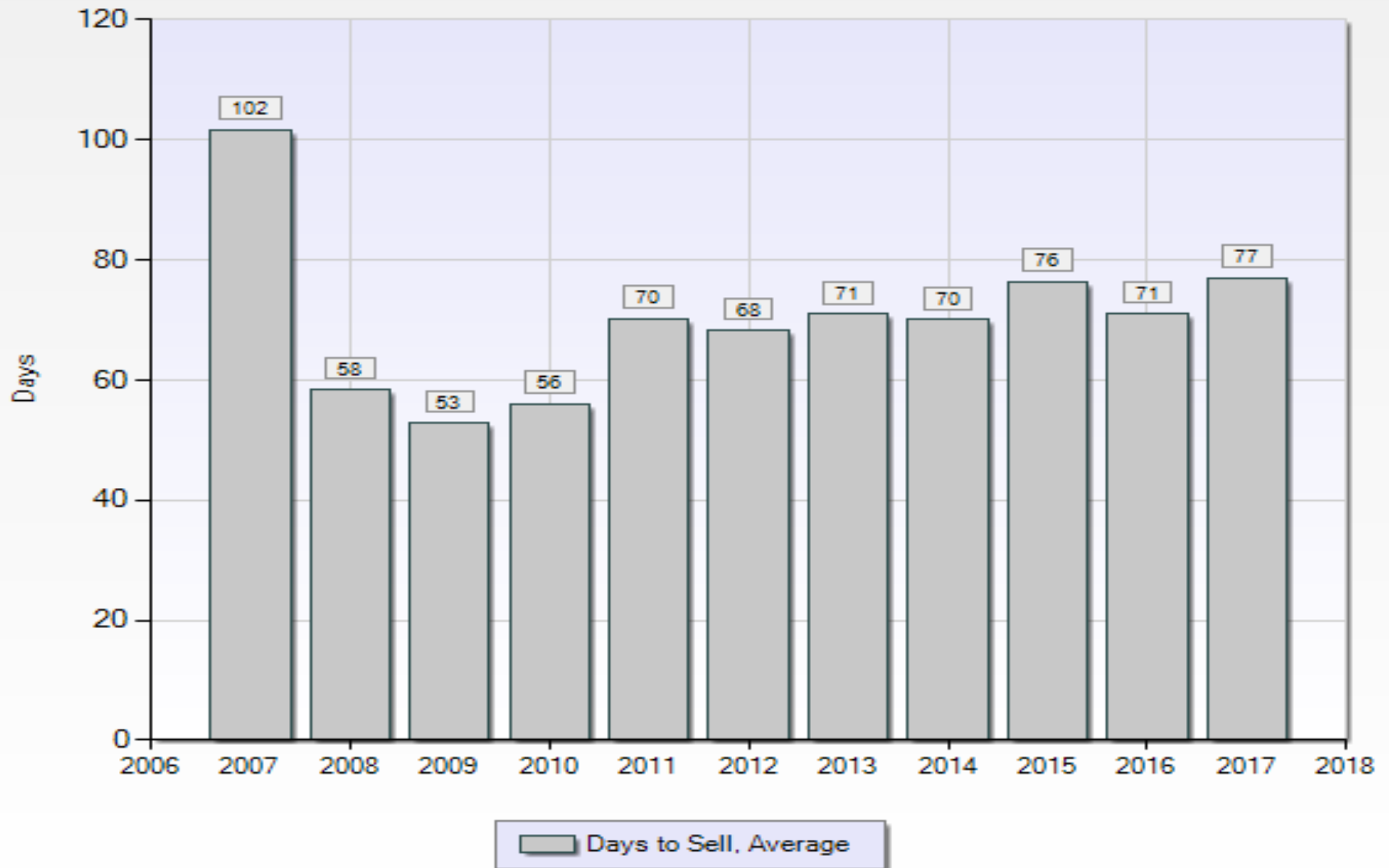
# MLS® sales declining & under 3,000 since 2013



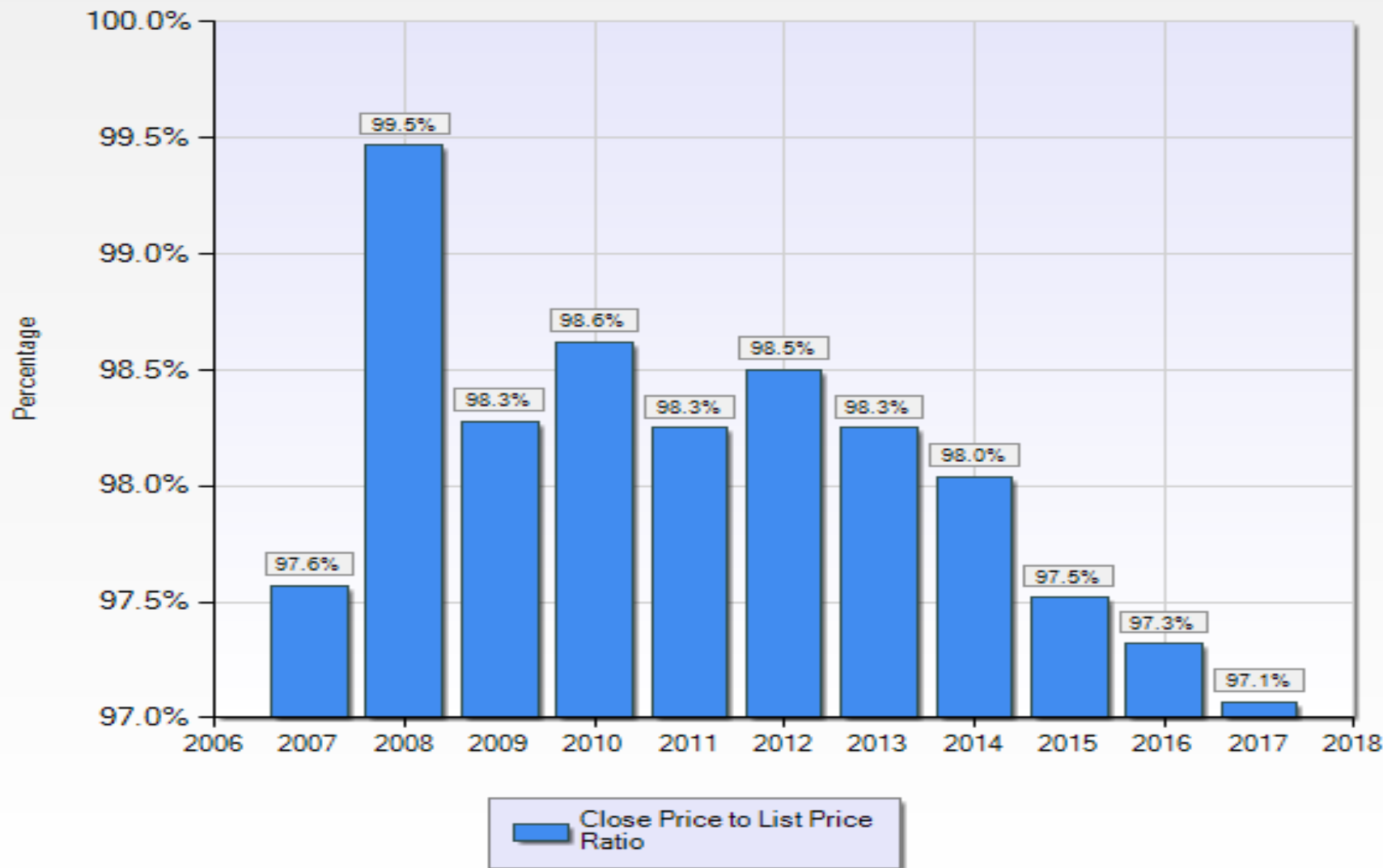
# Active listings much higher in recent years



# Average of 77 days on market for a sale



# Lower sale price to list price ratio of 97.1%





# MLS® residential market outlook...

- Sales flat-to-negative in line with weaker economy
  - Owners will choose to stay put unless forced to sell = less sales activity
- Average prices will remain under pressure
  - Lack of growth in key drivers = Lack of demand = Lack of price growth
- “Buyers” market classification continues
  - Oversupply of active listings paired with flat-to-negative sales favours buyers
- Attractive mortgage rates for buyers, despite increases





# Market - Rental Market



# St. John's CMA vacancy rate 7.9% vs 4.7%

## Private Apartment Vacancy Rates (%) by Zone and Bedroom Type St. John's CMA

Zone	Bachelor			1 Bedroom			2 Bedroom			3 Bedroom +			Total		
	Oct-15	Oct-16		Oct-15	Oct-16		Oct-15	Oct-16		Oct-15	Oct-16		Oct-15	Oct-16	
Zone 1 - St. John's East	7.8	9.2	-	3.5	2.8	-	3.5	8.4	↑	5.8	7.8	-	4.1	6.7	↑
Zone 2 - St. John's West	4.1	8.7	↑	3.0	4.3	↑	5.8	11.2	↑	8.3	15.3	↑	5.0	9.3	↑
St. John's City (Zones 1-2)	6.3	9.0	↑	3.3	3.4	-	4.6	9.6	↑	7.0	11.4	↑	4.5	7.8	↑
Zone 3 - Remainder of CMA	0.0	**		0.7	6.3	↑	6.9	4.8	↓	**	**		6.1	8.4	-
<b>St. John's CMA</b>	<b>6.2</b>	<b>9.0</b>	↑	<b>3.0</b>	<b>3.8</b>	↑	<b>4.7</b>	<b>9.3</b>	↑	<b>9.2</b>	<b>13.6</b>	↑	<b>4.7</b>	<b>7.9</b>	↑



# Average rents higher, despite higher vacancies

## Private Apartment Average Rents (\$) by Zone and Bedroom Type St. John's CMA

Zone	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	Oct-15	Oct-16	Oct-15	Oct-16	Oct-15	Oct-16	Oct-15	Oct-16	Oct-15	Oct-16
Zone 1 - St. John's East	655	651	833	822	995	1,035	981	956	904	924
Zone 2 - St. John's West	736	760	774	783	878	895	908	905	836	850
St. John's City (Zones 1-2)	690	697	808	806	941	973	946	932	874	892
Zone 3 - Remainder of CMA	**	**	724	743	717	773	702	713	717	750
<b>St. John's CMA</b>	<b>690</b>	<b>697</b>	<b>798</b>	<b>799</b>	<b>923</b>	<b>958</b>	<b>902</b>	<b>888</b>	<b>859</b>	<b>879</b>



# Thank you!



# Contact information

**Chris Janes, MBA**  
**Senior Market Analyst**  
**CMHC**  
**709-772-2403**  
**[cjanes@cmhc.ca](mailto:cjanes@cmhc.ca)**

