



Market Report Issued 2024

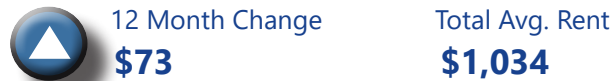
Saint John | Multifamily

MARKET TRENDS

Vacancy Rate



Average Rent



Inventory



MARKET OVERVIEW

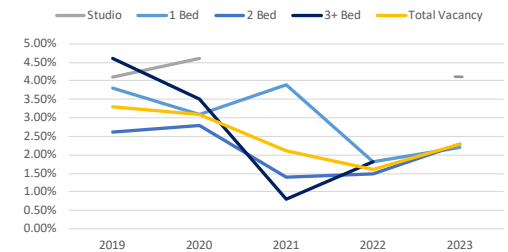
During the period, Saint John saw the introduction of 138 new apartment units spread across various submarkets in the city. The Wellington, located in Saint John's Uptown, contributed 47 units. In the East Side of Saint John, 24 units were made available with the completion of Heatherway Phase III. Additionally, North Saint John saw the availability of 61 units at the Seabird Suites.

For the first time on record, the average rental rate in Saint John has surpassed \$1,000, now sitting at \$1,034. This represents a \$73 increase year over year or 760 basis points.

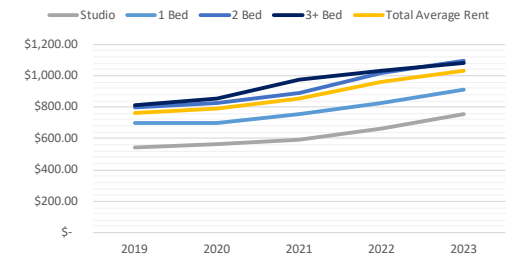
The vacancy rate in Saint John has slightly risen by 70 basis points to 2.3%. This minor increase could be due to more data suppression from the Canada Mortgage & Housing Corporation (CMHC) than usual. The overall rate remains extremely low as the increase was less than 1%.

In 2023, the population of Greater Saint John experienced growth of 2.52%, adding 3,420 people to the census metropolitan area bringing the total to 138,985. The city of Saint John grew by 2,300 people now at 75,015.

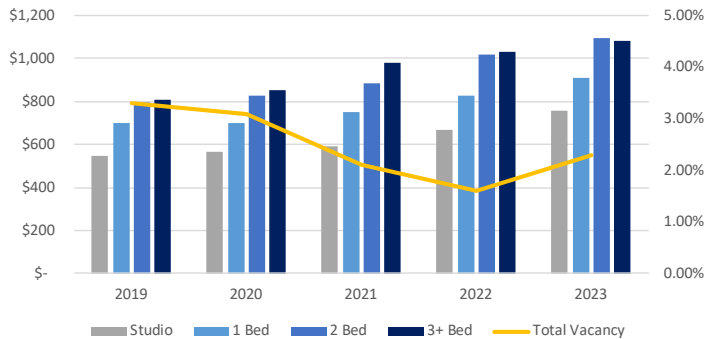
Vacancy Rate



Average Rent



Average Rents by Unit vs Total Vacancy 2019 - 2023



MARKET OUTLOOK

According to a residential market study by Parcel Economics for Envision Saint John, 30% of the housing demand will be for rental units in the near term, with immigrants accounting for the majority of the growth need. In the case of Saint John CMA's recent population growth, approximately 1,000 individuals. As of May 2024, a significant 852 units are under construction, marking a 21% increase from the 702 units under construction in May 2023. It is anticipated that more than 400 units will be completed in 2024. The influx of new comers has the potential to put downward pressure on the rental rate in 2024. Record-breaking under construction figures will help to balance the supply issue within the market to sustain the current need and any further demand created by additional population growth.

The Bank of Canada has recently lowered its key interest

rate by 25 basis points, bringing it to 4.75%. This shift serves as an initial indication that mortgage interest rates may be on a downward trajectory. If this trend continues, we can expect a continued decline in mortgage rates. It's important to note that inflation is a metric that the Bank of Canada closely monitors, as it plays a crucial role in determining any further reductions.

Effective June 25, 2024, amendments to the capital gains tax legislation will be implemented in Canada, escalating the inclusion rate for amounts above \$250,000 from the current 50% to 66.67% for both corporate entities and individuals. This change could exert adverse effects on property developers, particularly those engaged in the construction and subsequent sale of apartment complexes.

Source: Canada Mortgage and Housing Corporation (CMHC) Rental Market Survey (12 months ending October 2023, released January 2024) Supplemented by Brunswick Brokers Research, Parcel Economics & Envision Saint John. Note: Studio vacancy rate data is suppressed from 2021-2022 and is reported at 4.1% in 2023 as represented by the graph.

Market Overview

Under Construction by Dwelling Type

	May-24	Chg
Single	129	↓
Semi-Detached	12	↑
Row	19	↓
Apartment	852	↑
Total	1,012	↑

Historical Vacancy Rates

	Saint John	Chg
Oct-2017	4.7%	
Oct-2018	3.7%	↓
Oct-2019	3.3%	↓
Oct-2020	3.1%	↓
Oct-2021	2.1%	↓
Oct-2022	1.6%	↓
Oct-2023	2.3%	↑

Source: CMHC Rental Market Survey (12 months ending October 2023, released January 2024)

CMHC Construction Survey (Monthly May 2024)

-- Data suppressed to protect confidentiality or data not statistically reliable

Total Apartments (Saint John)

	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct	5-yr Chg
Bachelor	391	393	393	394	393	1.81%
1 Bedroom	2,534	2,597	2,611	2,637	2,657	6.54%
2 Bedroom	5,189	5,370	5,612	5,745	5,816	13.44%
3 Bedroom +	1,270	1,543	1,403	1,397	1,683	34.53%
Total	9,384	9,903	10,019	10,173	10,298	11.23%

Vacancy Rates (Saint John)

	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Total
Zone 1 (South)	--	--	--	--	3.2%
Zone 2 (West)	--	--	0.0%	--	--
Zone 3 (North)	--	--	--	1.0%	2.2%
Zone 4 (East)	--	--	--	1.2%	2.6%
Zone 5 (Outlying Areas)	--	0.0%	--	--	--
Saint John CMA	4.1%	2.2%	2.3%	--	2.3%
New Brunswick	2.8%	1.9%	1.3%	1.6%	1.5%

Average Rents (Saint John)

	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Total
Zone 1 (South)	\$723	\$934	\$1,155	\$1,257	\$1,075
Zone 2 (West)	--	\$841	\$1,029	\$1,210	\$989
Zone 3 (North)	\$781	\$897	\$1,050	\$982	\$1,003
Zone 4 (East)	\$810	\$951	\$1,121	\$1,096	\$1,071
Zone 5 (Outlying Areas)	--	\$842	\$1,107	--	\$1,092
Saint John CMA	\$756	\$912	\$1,093	\$1,081	\$1,034

MARKET STATISTICS

SUBMARKET	TOTAL NUMBER OF UNITS	VACANCY RATE (%)	AVERAGE MONTHLY RENT	UNITS UNDER CONSTRUCTION MAY 2024	TOTAL UNIT COMPLETIONS IN 2023	SALES VOLUME (\$) (MLS Only)	NUMBER OF TRANSACTIONS	AVERAGE TRANSACTION PRICE
Uptown Saint John	2,712	3.2%	\$1,042	174	47	\$11,473,050	27	\$424,928
East Saint John	2,072	2.6%	\$1,071	37	24	\$6,501,400	16	\$406,338
West Saint John	1,217	-	\$989	69	6	\$8,820,900	30	\$294,030
North Saint John	3,179	2.2%	\$1,003	360	61	\$7,233,538	29	\$249,432
Outlying Areas*	1,118	-	\$1,092	212	0	\$6,816,400	22	\$309,836
TOTAL MARKET	10,298	2.3%	\$1,034	852	138	\$40,845,288	124	\$329,397

SIGNIFICANT TRANSACTIONS

PROPERTY	DATE	SUBMARKET	PURCHASER	SALE PRICE	NUMBER OF UNITS	\$ PER UNIT	CAP RATE
Millennium Estates (190 & 512 Millennium Dr)	2024	Rothesay	Gaudet Properties	\$17,750,000	76	\$233,553	5.00%
Heatherway Phase III	2023	East Saint John	GOJI Properties Inc.	\$5,900,000	24	\$245,833	N/A
11 Nason Road	2023	East Saint John	739458 NB LTD	\$1,500,000	12	\$125,000	4.43%

Supply Side

The North apartment market, which includes the expansive Millidgeville neighbourhood, has experienced significant growth in recent months. Key projects such as The Vistas, The Venetian, Seabird Suites, The Burlington Flats, and 461 Millidge Avenue are either open for occupancy or under construction, poised to hit the market in the upcoming months. These projects alone are projected to introduce over 300 units to the market, a significant and much needed increase given the current vacancy rate of 2.2%, which is the lowest among all locales. This is particularly noteworthy in Saint John North, which already constitutes the majority of Saint John’s apartment units, with 3,179 units or 31% of the total market.

In the city’s Uptown core, 174 units are under construction, encompassing projects such as the Fundy Quay, St Vincent’s School Redevelopment, and an affordable housing project on Broad Street. The Wellington was recently completed in the Uptown Core, bringing 47 units which includes affordable options for renters.

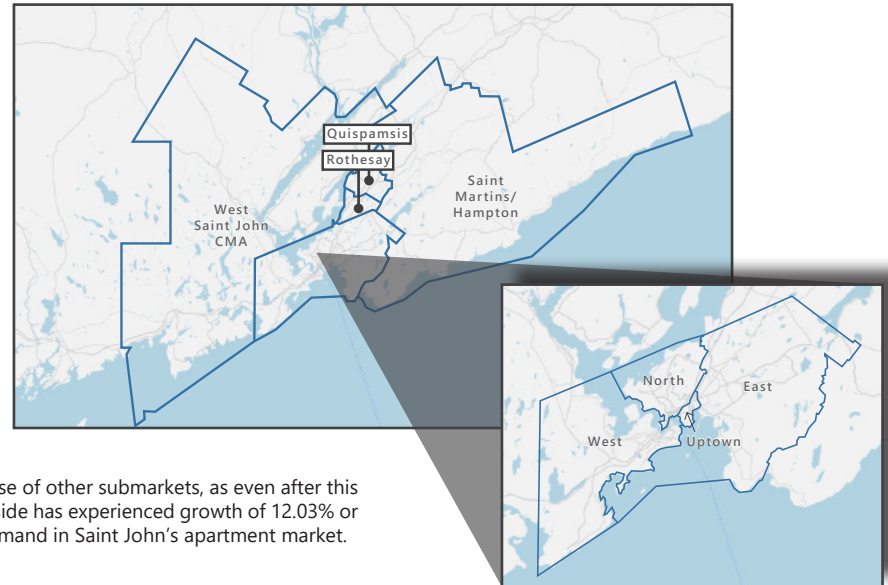
In addition, Saint John’s Outlying Area is also seeing a surge in development with 212 units underway. Notable projects include Chapel Hill in Rothesay, which has recently completed and added 48 units to the market. In Grand Bay-Westfield, 24 units have been recently completed with an additional 24 units planned, both located on Colonel Nase Boulevard.

Rental Rate Growth

The demand side of the apartment market in Saint John has seen remarkable growth recently. In particular, the West Side of Saint John has seen a substantial increase of 18.73%, resulting in a \$156 year-over-year change. The average rental rate in this submarket is now \$989. This surge may be attributed to landlords aligning their rents with those of other submarkets, as even after this considerable increase, West Saint John remains the most affordable submarket for renters. Meanwhile, Saint John’s East Side has experienced growth of 12.03% or \$115, bringing the average rental rate to \$1,071, the highest in the CMA. These trends indicate a robust and growing demand in Saint John’s apartment market.

Transactions

Another significant year in terms of sale transactions in the multifamily market as MLS sales volume was \$40,845,288 for the period. Additionally, there were several transactions unreported by MLS with a few key transactions that resulted in just under \$24,000,000 in additional sales volume in the multifamily market. Notably, Gaudet Properties purchased the recently completed Millennium Estates (190 & 512 Millennium Dr) located in Rothesay for \$17,750,000. GOJI Properties Inc. purchased the third phase of the Heatherway apartment project for \$5,900,000 built by Heatherway Developments Inc. 11 Nason Road traded this period as a numbered company bought the 12 unit building for \$1,500,000.



Source: Canada Mortgage and Housing Corporation (CMHC) Rental Market Survey (12 months ending October 2023) Supplemented by Brunswick Broker, Realtor.ca

*Outlying Areas include Quispamsis, Rothesay, Saint Martins/Hampton, and West Saint John CMA

ECONOMIC OVERVIEW

NB GDP Growth

2023 Rate
1.2%



2024 Forecast
0.9%

Unemployment Rate

Jun-23
6.1%



Jun-24
4.9%

Population Growth

2022
135,565

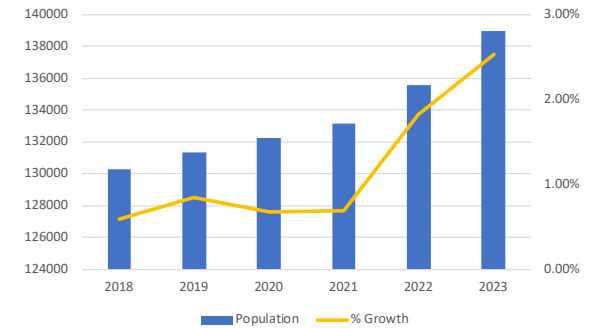


2023
138,985

Economic Slowdown in Canada & New Brunswick

In June 2024, the Bank of Canada delivered much-anticipated rate relief by lowering its key interest rate to 4.75%, down from the previous level of 5% maintained since July 2023. According to TD Economics, the economic slowdown witnessed across Canada is no exception in New Brunswick. In 2023, the province experienced a percentage change in real GDP growth of 1.2%, down 70 basis points from the 2022 rate. Looking ahead, TD Economics forecasts a growth rate of 0.9% in 2024 and another modest increase of 1.3% in 2025. However, the report highlights that New Brunswick has demonstrated resilience in comparison to other provinces. In 2023, New Brunswick experienced record setting population growth, which positively influenced spending and employment figures, outperforming other provinces. Supporting evidence from RBC Economics indicates that New Brunswick excelled in consumer spending. In 2023, the province achieved positive consumer spending, with an annual increase of 1.55%. This exceptional growth rate surpassed that of Quebec, the only other province to remain positive, which closely followed with a 0.99% increase.

Population Growth (2018 - 2025)



The Impact of the GST Rebate and the Housing Crisis in Saint John and Across the Country

The City of Saint John, like many other communities across the country, is grappling with a housing crisis. The demand for affordable housing has surged, while supply struggles to keep pace. According to Statistics Canada, Saint John's population grew by 2.52%, adding 3,420 in 2023 and bringing the city's total population to 138,985. This increase represents the fastest growth the city has seen in decades. However, the surge in population exacerbates the existing housing shortage and the apartment vacancy rate is a critical indicator. In Saint John, the average vacancy rate for apartment rentals was 2.3% in 2023. The Canada Mortgage and Housing Corporation (CMHC) estimates that there were 852 housing unit starts in May of 2024, which falls drastically short of the population growth. To incentivize development, the federal government has introduced an enhanced GST Rental Rebate on new purpose-built rental housing. This rebate increases from 36% to 100%, removing phase-out thresholds. It applies to projects starting construction between September 14, 2023, and December 31, 2030, aiming to create much needed rental homes for Canadians. The Province of New Brunswick has repeatedly stated that they will not eliminate HST in the Multifamily market.

Source: Statistics Canada, TD Economics, Bank of Canada, All New Brunswick, Government of Canada, Canada Mortgage and Housing Corporation, RBC Economics, and Envision SJ

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