

New Brunswick Non-Profit Housing Conference

# **New Brunswick's Housing Market Dynamics: Key Issues and Questions**

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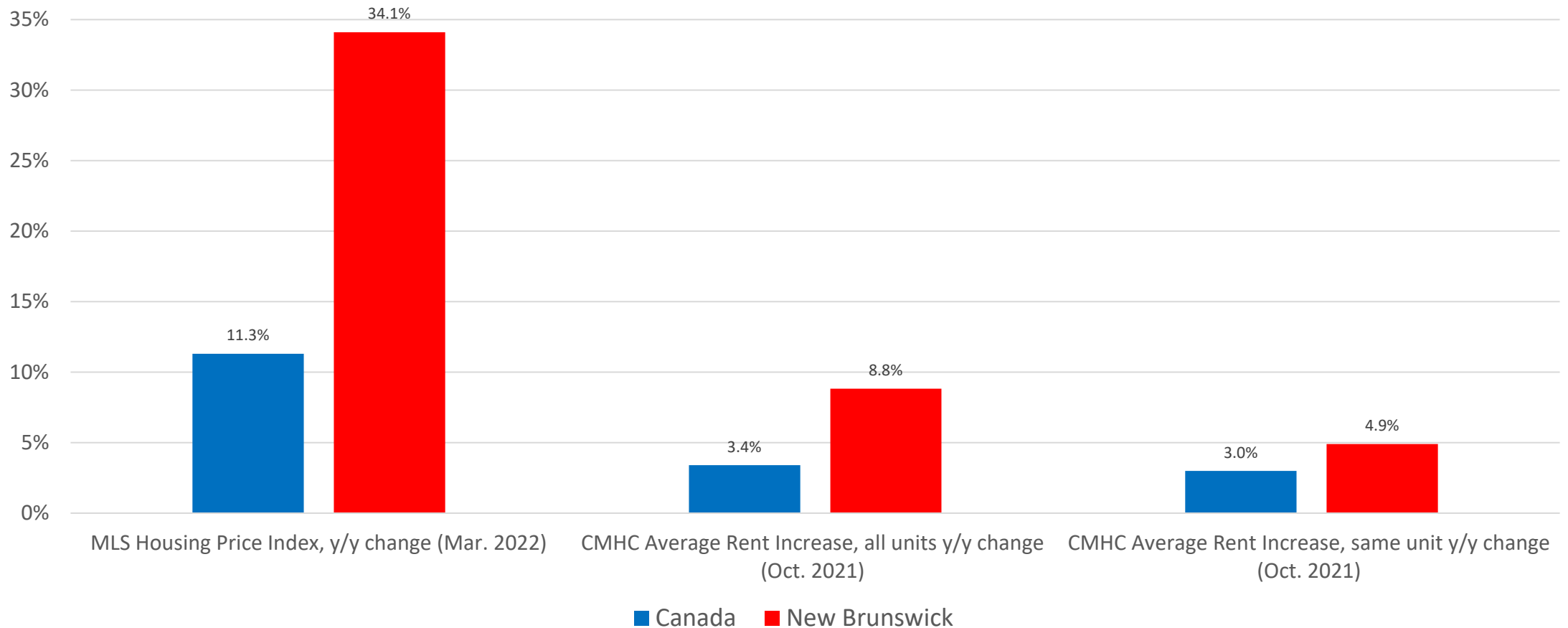
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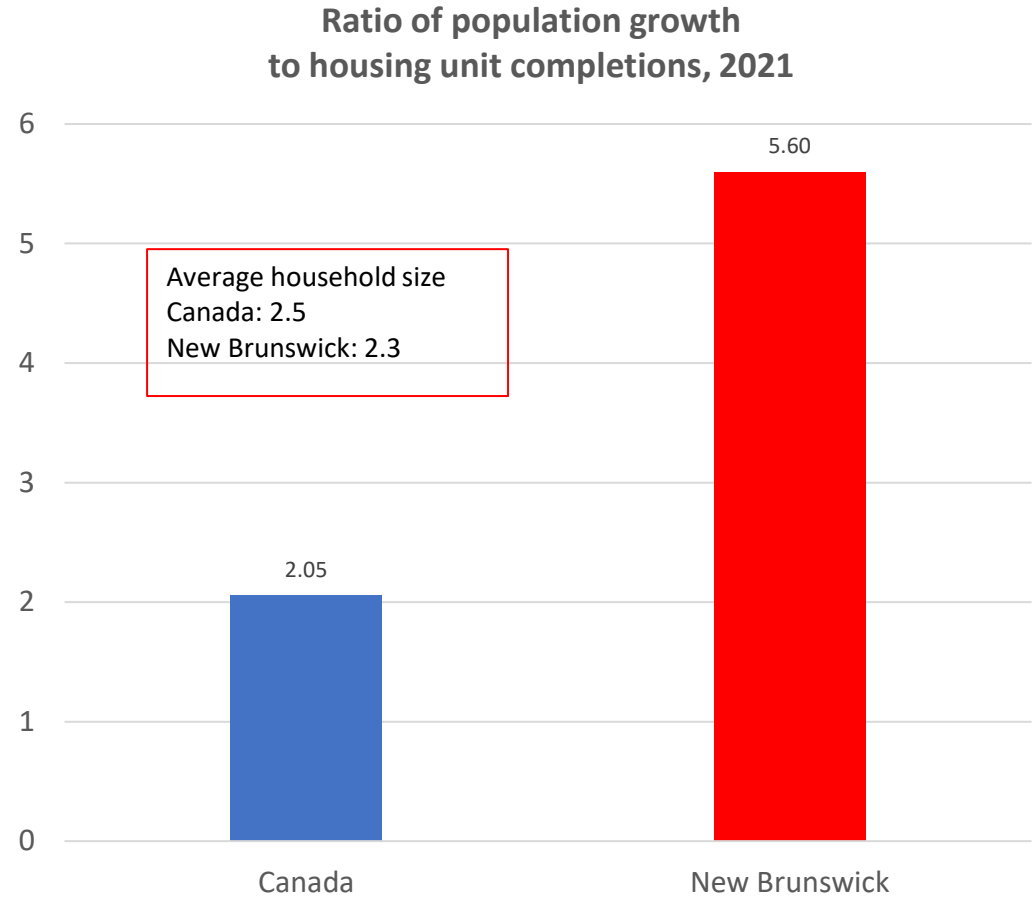
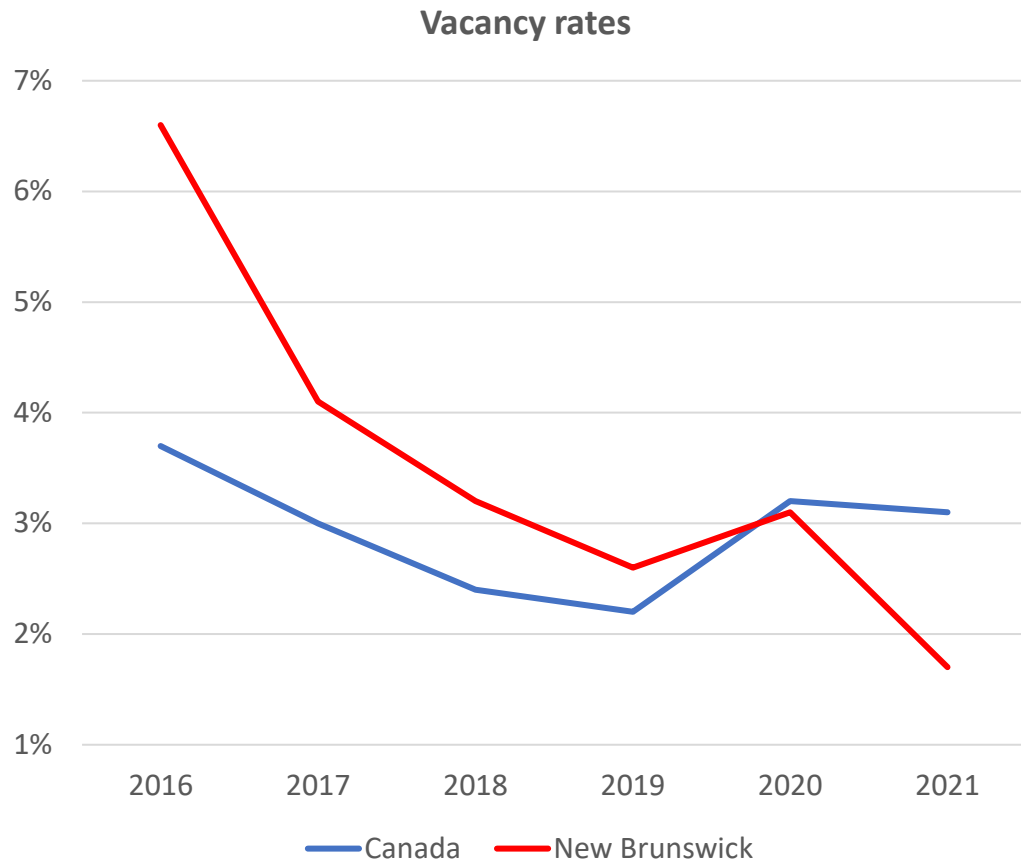
**Saint John**

# Five key points about NB's housing market dynamics

*1. Housing prices are rising faster in New Brunswick than virtually everywhere else in Canada.*

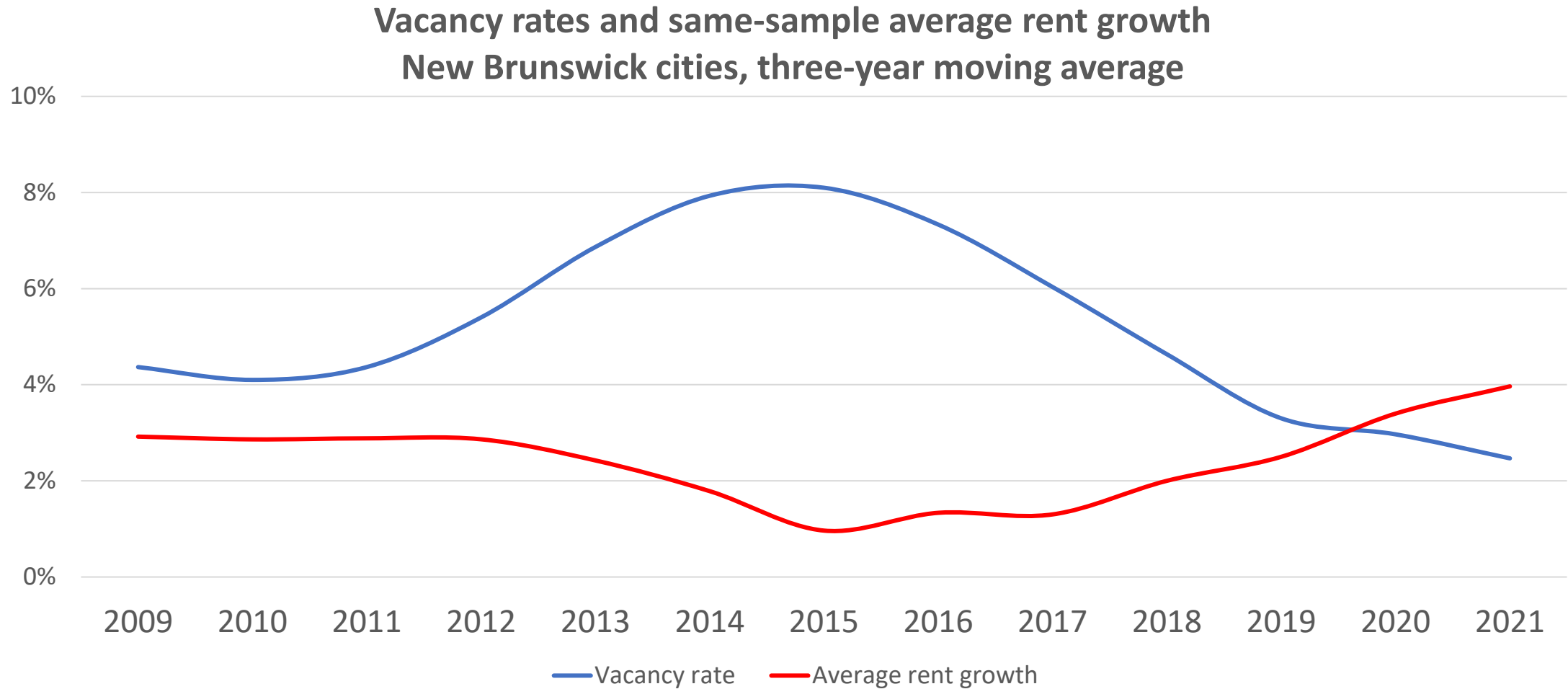


## 2. The housing market is now much tighter in New Brunswick than in Canada as whole.



Source: CMHC Housing Information Portal; Statistics Canada, Census 2016 and CANSIM table 17-10-0009-01.

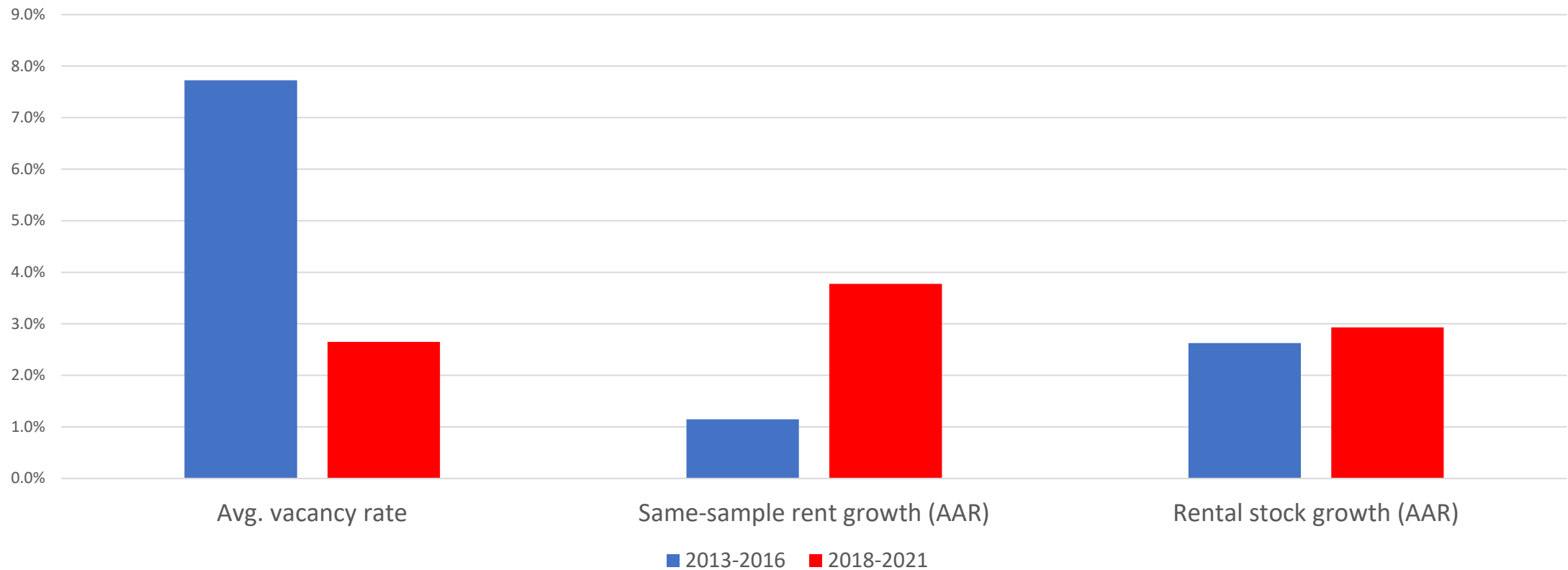
*3. As was to be expected, vacancy rates and rent growth go in opposite directions.*



Source: CMHC Housing Information Portal.

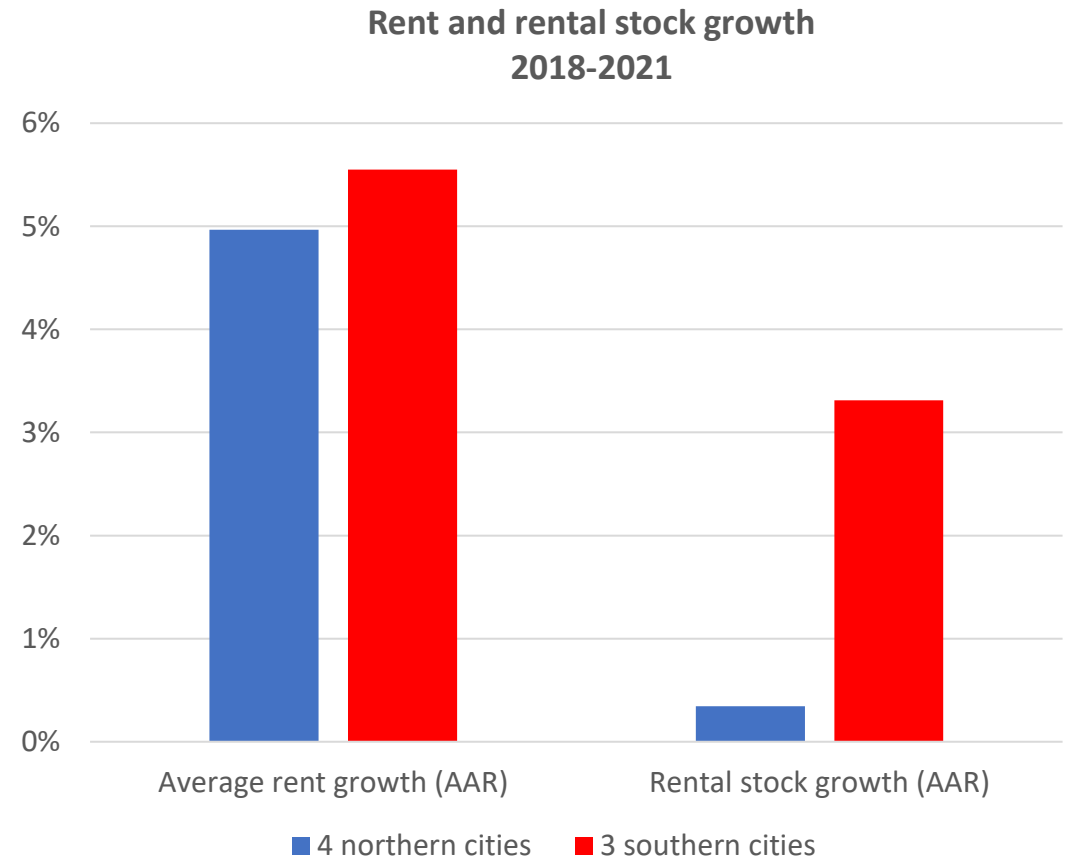
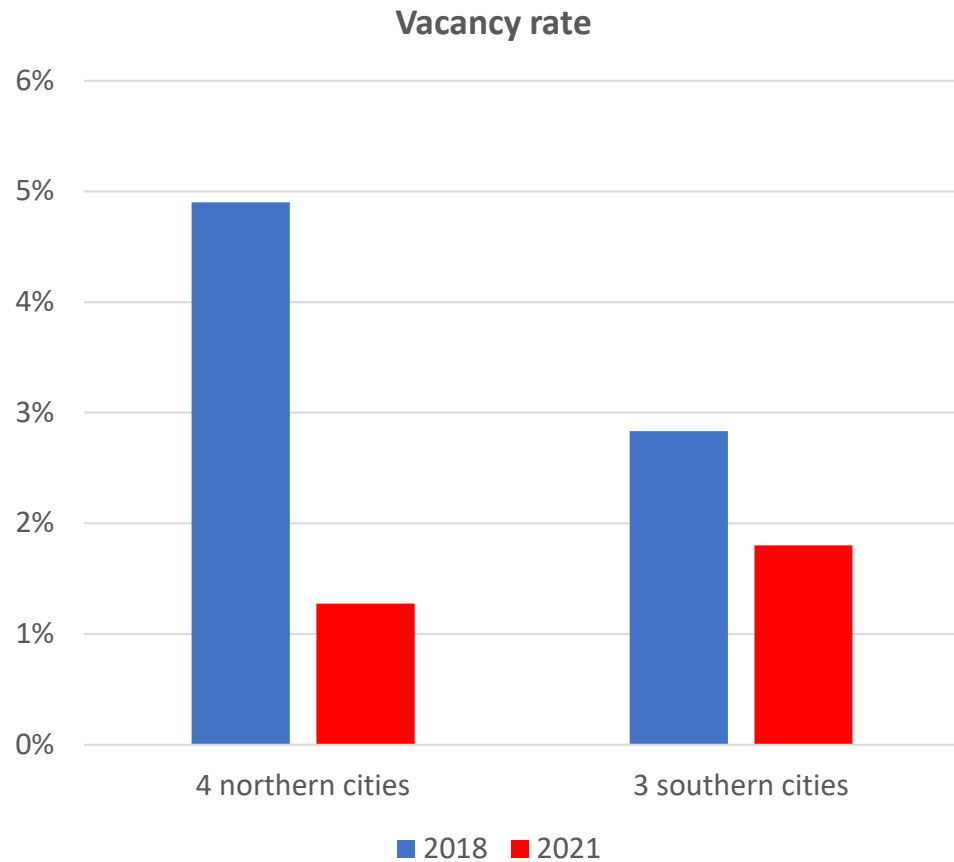
*4. Markets do not have to be “tight” for construction activity to be strong. Escalating rents for existing units occur when supply can’t keep up with demand.*

Selected rental housing market indicators, 7 New Brunswick cities



Source: CMHC Library and Housing Information Portal.

*5. Rental markets are now much tighter in the four northern than the three southern cities. Yet, housing supply is mostly flat in the former while growing robustly in the latter.*



Source: CMHC Housing Information Portal.

# Five big questions



# 1. Why is housing supply seemingly not responding in rural and small-town NB?

## Potential explanations:

- It's just a matter of time – the market will eventually respond
- The market is not responding because it is not commercially attractive to do so.
  - Rents too low?
  - With scarce labour, developers can “cherry-pick” the least risky and most profitable opportunities (typically, at the higher end of the market in southern cities)?
  - With baby boomers making up a much larger share of the population in the North, possibility that owners may end up without tenants in 15 or 20 years from now?

## 2. There is a consensus that supply needs to expand dramatically. But where will find the labour?



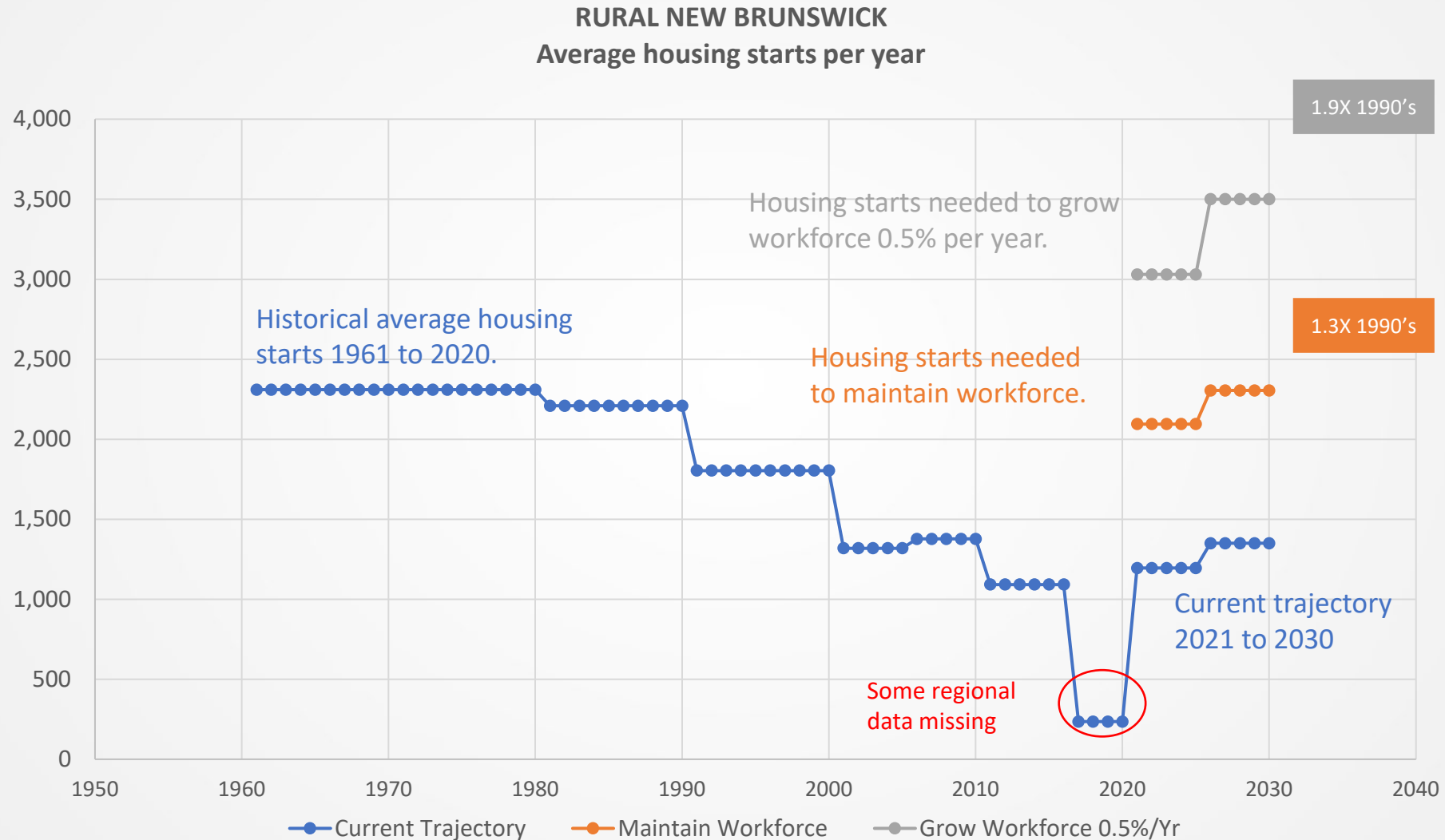
Source: Statistics Canada, CANSIM table 14-10-0023-01.

- While many factors can explain the steady decline in the number of construction workers, the industry's aging workforce is clearly a big one. 30% of workers are 55 or over.
- Residential construction activity has benefited from a decline in non-residential investment in recent years. This is not likely to last.
- Urgently need a bold, concerted strategy for expanding labour supply.

### 3. What happens when supply can't keep up with demand?

1. Big dogs will eat first: those with greater means will be able to buy their way out by bidding up prices.
  - If rent cap maintained, extra pressure on new units being put on the market. If not, expect continued same-unit rent escalation.
  - Home prices will continue to escalate, making it harder for those with no equity and lower wages to buy a house.
2. Rental housing poverty, as lower-income households have to pay more for a smaller place, share their unit with others, or end up without permanent home. (Rent cap would protect some tenants, but not all).
3. Deindustrialization: some businesses will either have a smaller presence, close shop or move their activities elsewhere, including outside the province. Anecdotal evidence suggesting this is already happening.

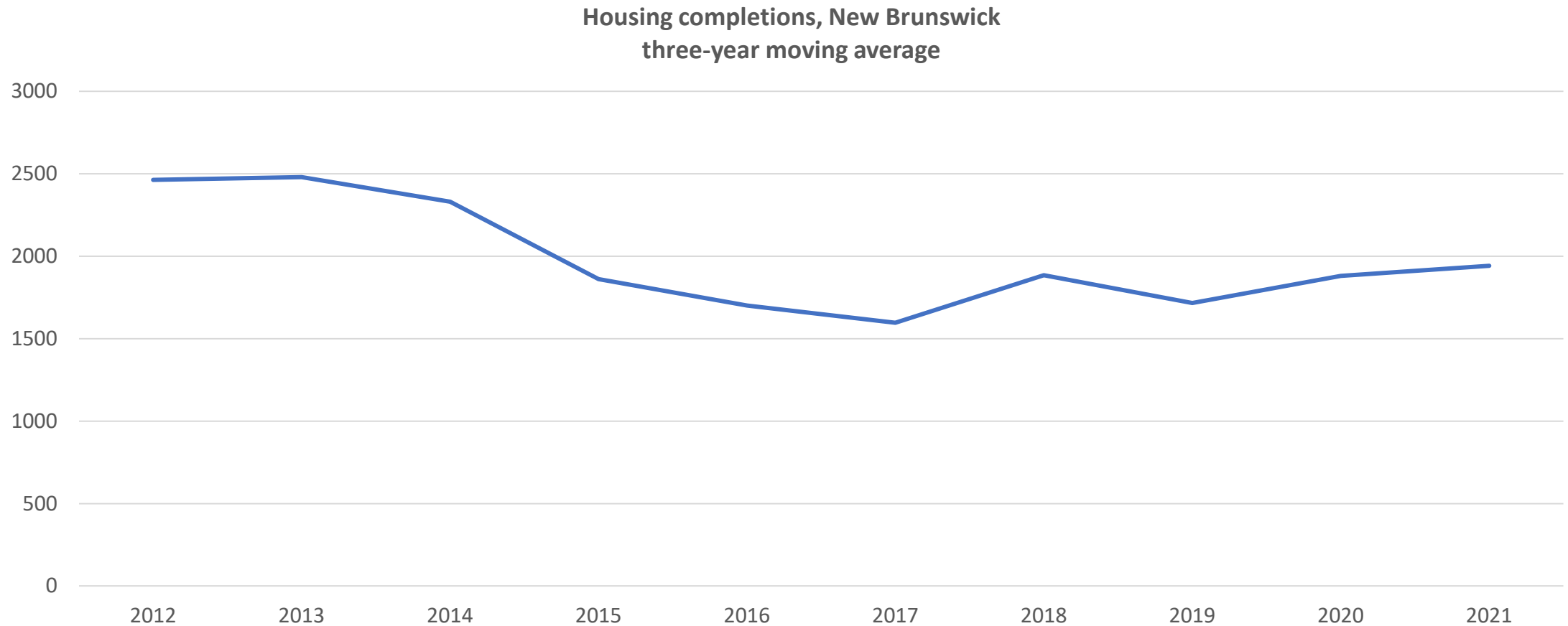
### 3. What happens when supply can't keep up with demand (cont'd)?



#### 4. Won't supply catch a break with rising interest rates and society returning to some form of new normal?

- Short answer is don't bet on it.
- With interest rates shooting up, affordability crisis in Southern Ontario, which faces some of the priciest real estate in the world, about to get worse.
- With pandemic having demonstrated effectiveness of work from home arrangements for many types of jobs, no reason why NB could not see elevated flows of "housing refugees" from Southern Ontario for many years to come.
- Meanwhile, 4000 more NBers reach retirement than working age each year. Beyond the need for replacement workers, NB also needs more people to serve a fast-growing local population and swelling ranks of senior residents.
- In this context, reasonable to expect continued 10,000+ population growth in years ahead. However, little evidence that supply is ramping up materially in response to recent population growth.

#### 4. Won't supply catch a break as demand slows down with rising interest rates and Canadian society returning to some form of new normal (cont'd)?



Source: CMHC Library and Housing Information Portal.

## 5. What needs to be done?

- Housing is the big issue that threatens to undermine New Brunswick's growth potential and the quality of life for many of its residents.
- This file requires bold, co-ordinated action from all sectors of society. Urgent priorities include:
  - Dramatically expanding supply of construction industry workers.
  - Using policy levers to make “more affordable” housing projects more attractive/viable to developers, both in the for-profit and non-profit sectors.
  - In rural and small-town NB, there is a need for major investments to de-risk and enhance financial viability of rental construction activity.

Thank you

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