

# Saint John: major growth, major opportunities

**Saint John's condo market might not be as vast as those in Toronto, Vancouver or Calgary, but it's getting its share of attention. Now, new units are being built at prices that are sure to attract investors**

Saint John, NB has a growing population and immigration more than tripled between 2004 and 2005. The population now sits at 68,000, according to Statistics Canada. Coupled with a shortage of land in the downtown area, this has made condo development a necessity.

While the quantity of inventory can't yet compete with major centres, there's still an opportunity to cash in.

"Until recently, Saint John didn't have a condo market because land was plentiful and inexpensive," says John Rocca, developer at Harbourfront condo development. "In the last two years, a significant number of condo projects have been announced and more modest ones built with condo conversions starting at the low-end of the market."

Many new condos are located near the waterfront. Pre-sales have been very strong, and with completion expected for 2010 and 2011, it's advised to get in now, says Sasha Peters, local realtor at Exit Realty Specialists.

"With the realization of the value of condos and a buyer market that's

looking for condos, new developments are on the drawing board," says Peters.

## Growth

For years, Saint John was plagued by high unemployment due to an economy that was restricted to the shipping and manufacturing industries. This meant increasing rate of out-migration and a bleak future.

In 2004, Enterprise Saint John launched True Growth, a strategic program designed to engage all areas of the community, including economic, cultural, social and environmental, to combat this problem.

The results are becoming apparent. Now, Saint John's economy is more diversified with as many as 33,000 new

jobs expected in the coming years, according to some estimates.

This can be partially attributed to a growing cruise ship industry. Also, \$30 billion is budgeted to be spent in energy-related investments including the new liquefied natural gas (LNG) terminal, potash mine, oil refinery and nuclear plant.

Also, government programs such as Wage Gap, Workforce Expansion and Women in Trades are designed to improve the workforce and regenerate the economy.

Saint John residents and others looking for employment are taking advantage of these initiatives, says Imelda Gilman, president of Saint John Board of Trade.

To accommodate the expected influx of workers, new home construction was up 125% in the first quarter of 2008 compared to the previous year, according to Enterprise Saint John.

Saint John experienced an increase in building permits driven by both residential and non-residential buildings, notes Gilman. Currently, Market Square is expanding with another 41,000 square feet of commercial space. Other developments include the Provincial Anglophone Medical School slated to open in September 2010 at the University of New Brunswick in Saint John, and the first Indigo Book Store in the province, which opened in the summer of 2008.

## Condo market

Demand for housing is on the rise and there's a need to double the

## Condo stats

	September 2005-2006	September 2006-2007	September 2007-2008
Average price (all unit types)	\$128,563	\$107,577	\$115,002
Units sold	66	113	92

Source: Saint John Real Estate Board Inc.

## Price comparison

	Q2 2008	Q2 2007	Year-over-year change
Detached bungalow	\$185,000	\$161,700	14.4%
Standard 2-storey	\$264,000	\$210,400	25.5%
Standard condo (2-bedroom)	\$142,000	\$118,500	19.8%

Source: Royal LePage

- Average price: \$115,002
- 33,000 new jobs in the coming years
- \$30 billion spent in energy-related investments



### Gothic restoration

The expanding property portfolio of Jason and Bree Tetz now includes a unique condo conversion project, Gothic Arches, a 126-year-old church. Still in the closing stages, this multimillion-dollar investment will be revamped into 16 condo units.

“We want to maintain the dynamic architecture and design elements in the property that make it different from the other projects that are happening in Saint John,” says Bree.

The couple feels the prime downtown location and vast potential make the project a perfect fit for the condo boom that some say is poised to continue in the city.

Bree and Jason had initially been interested in purchasing property for cash flow. However, after researching the market, they switched gears and decided a condo conversion would be more profitable.

Both are experienced in real estate investing, with several rentals across the country under their belt. These include duplexes, triplexes and single-family dwellings with basement suites. The properties had price tags from \$80,000 to \$500,000, and bring in a return between 45% and 113%.

“We’re projecting a much greater ROI on our real estate investment in New Brunswick than the other Canadian markets in which we’ve invested,” notes Jason.

This is because there are specific distinctions between the Saint John market and the others, he says. “Growth is occurring in the midst of economic uncertainty that has seemingly stalled many other strong Canadian real estate markets.”

The couple believes projects such as the LNG terminal, university expansions and condo development are strong indicators that support Saint John’s capacity to remain resilient to the current economic downturn.

annual housing production. Condo construction and conversion is the most plausible solution, notes Rocca.

Affordable prices are piquing buyer interest. The average condo price from September 2007 to September 2008 was \$115,002 with 92 units sold, notes the Saint John Real Estate Board. This is in comparison to a price of \$107,577 with 113 condos sold during the same period the year before. From September 2005 to 2006, however, the average price of a condo was \$128,563 and the market has yet to top this.

“In general, prices for condos are on the rise,” says Angela Beyea, executive officer at Saint John Real Estate Board Inc. “The higher average sales figure from 2005 to 2006 was due to the sale of a handful of very high-end condos.”

According to CMHC, the vacancy rate in Saint John sits at 5.2%, while the average apartment rents for \$554.

### Investment opportunities

The savvy investor might want to consider a conversion building, a popular alternative due to affordability and potentially high returns on investment.

“Plans are underway for more new condo development in the uptown area and also near the University of New Brunswick,” says Peters. “There’s an old church there that was recently purchased by an out-of-town investor, and the plans are to convert it into condos.”

For the right investor with deep pockets, there may be several opportunities, Peters says. Examples include two buildings currently on the market that could be revamped into condo units. One is a school for

### At a glance

<b>Median household income</b>	\$51,042
<b>Average price (all unit types)</b>	\$115,002
<b>Average monthly rental rate</b>	\$554
<b>Owned dwellings (#)</b>	16,520
<b>Rented dwellings (#)</b>	12,800
<b>Population</b>	68,043
<b>Geographic size</b>	316.31km <sup>2</sup>
<b>Property tax rate (owner-occupied residential)</b>	1.815%
<b>Property tax rate (non owner-occupied residential)</b>	3.315%
<b>Property tax rate (commercial)</b>	4.963%
<b>Unemployment rate</b>	4.3%
<b>Major occupations</b>	Sales and service, business, finance, administration, trades, transport

Source: Statistics Canada, City of Saint John

\$550,000 at more than 40,000 square feet. The other is an old home care facility at 9,000 square feet for \$200,000.

Marc Mawhinney, realtor at Re/Max Professionals Saint John, says the condo market is a mix of low-and high-end units. Coldbrook/Mystery Lake was recently converted from apartments to condos and offers some affordable buys, whereas Brentwood Tower has waterfront units upwards of \$400,000, with a rental rate at about \$1,300 for a one-bedroom.

Investors interested in buy-rent-hold units should consider the Forestview East building, where the monthly rent ranges from \$700 for a one-bedroom to \$950 for a three-bedroom. Another opportunity is Robertson’s Wharf on the Saint John boardwalk. Rental rates for a two-bedroom condo range from \$2,500 to \$3,500.

“Condos are selling well, but we have a way to go to meet the demand for this market,” Mawhinney says. ■