

WHERE'S HOME? 2000 UPDATE
RELEASED JULY 2001

INTRODUCTION

This 2000 Update is drawn from data released annually by CMHC (Canada Mortgage and Housing Corporation) as part of their October rental market surveys in municipalities with populations over 10,000.

The October 2000 changes in vacancy rates and average rents for the 21 municipalities studied in the previous **Where's Home?** reports (and the 1999 Update) are presented in two tables. An analysis is also provided. The data now covers a 12 year period for those municipalities.

The two previous **Where's Home?** reports collected and analysed a more comprehensive set of data and housing need indicators over the 10 year period from 1989-1998. The annual CMHC surveys create the opportunity to update two data categories: vacancy rates and average rents, and to identify increases or decreases to the rental supply captured in their surveys.

The tables in the 1999 and 2000 updates are consistent with those in **Where's Home?**, using vacancy rates for the total of all private rental apartment units and the percent change in average rents for two-bedroom private rental apartments. For a precise description of the rental market area contained in each of the 21 municipalities, refer to the **Where's Home?** reports on the Housing Again web site.

HIGHLIGHTS AND ANALYSIS
October 2000 Survey

Overview

In summary, the already difficult situation for tenants in private rental housing throughout much of Ontario continued to deteriorate as there were fewer available apartments and rents increased significantly. In 2000, the deterioration widened to cover more of Ontario, and worsened in a greater number of municipalities than in 1999, which in turn saw a deterioration from 1998.

The private rental market surveyed by CMHC continued to tighten, with the average Ontario vacancy rate declining for the fourth straight year, to a 10 year low of 1.6%. CMHC noted that rents are rising at twice the rate of inflation, with the bellwether 2 bedroom apartment rent increasing by 5.6% in 2000. In 1999, the Ontario average rent increase was 3.2%.

In the 12 years covered by **Where's Home?** data, Ontario's average vacancy rate has never risen above the 3% "norm" for a balanced rental market. These very low vacancy rates in existing rental housing, combined with the partial decontrol of rents in Ontario (late 1998) and the extremely low levels of new rental construction, will continue to cause rents to increase faster than the rate of inflation.

New Rental Housing?

In recent months, there have been signs that a number of proposed private rental developments in several Ontario cities may proceed. However, it may be a while before these increases make up for the decreases in rental stock over the last decade. In the October 2001 **Where's Home?** update, rental completion figures for Ontario as a whole and the 21 municipalities will be included. Some information is available in this year's CMHC rental surveys, though it is not complete nor consistently reported.

Overall, as reported in an April speech by Ontario's Deputy Minister, Michael Fenn "Ontario had less than 2,000 rental starts in each of the four years from 1997-2000." By contrast, in the first 5 years of the **Where's Home?** study (1988-1992) rental starts averaged almost 15,000 units annually.

However, it would not be accurate to say that Ontario's rental supply *increased* by 2,000 units last year, because during this time rental units were being lost due to demolition as well as conversion to condominium or private ownership. In fact, there was a net *decrease* of 631 apartment rental units, meaning that around 2600 apartments units in CMHC's 1999 rental survey were lost during 2000.

Examples noted in the CMHC reports:

- Ottawa, Windsor and London had a combined total of 474 new apartment rental units built (completions) but a combined loss of existing rental apartments of 574 units, for a net decrease of 100 units
- 5 municipalities (Guelph, Owen Sound, Peel, Sarnia and Waterloo) each lost 1% or more of their apartment rental stock during 2000, for a combined net loss of 1,157 units in their rental supply
- Only Barrie increased their rental supply by more than 1% (1.7% - 65 units), but the CMHC report notes that increased demand outstripped the supply
- Hamilton has lost 1.8% of its apartment rental units over the last four years, with continued losses projected for 2001
- Toronto had a net loss of almost 1,000 apartment rental units in 2000
- St. Catharines/Niagara has lost 450 apartment units since 1993, 122 of them last year alone

Toronto, London, Waterloo and Ottawa are all projecting completion of a number of new apartment projects in the next 2 years, but have years of decreases in rental supply to make up. For example, even with new rental completions during 2001 in London, there will still be 2,100 fewer rental units than there were in 1993. Ottawa has lost 5% of its total rental supply in the last decade (3,900 units).

2000 Vacancy Rate Highlights

- Decreases in the number of available apartments are hitting more municipalities, and more of them are falling below the 3% vacancy rate “norm” for a balanced market:
- 17 municipalities experienced decreases in rental vacancy rates, compared with 15 in 1999 and 12 in 1998
- 14 had vacancy rates below 3%, compared with 10 in 1999 and 7 in 1998
- Barrie, Guelph, Kitchener(Waterloo), Ottawa, Peel and Toronto had the lowest rates, all below 1%; these 6 had the same status in 1999
- Sudbury and Cornwall, with moderately high vacancy rates, experienced the sharpest drop over the last year, while Muskoka dropped below 3% for the first time since 1990
- Vacancy rates persistently at or above the 3% norm in the 12 year study period have been experienced by Peterborough (10 years), Timmins (11 years) and Cornwall (12 years)
- Vacancy rates persistently at or below the 3% norm have been experienced by Kitchener-Waterloo (7 years), Peel (8 years), Barrie (11 years), Guelph, Hamilton and Toronto (12 years) and Ottawa for 17 of the last 20 years

2000 Average Rents (2-bed units) Highlights

- Tenants are experiencing rent increases in more municipalities and with higher rates of increase than in 1999:
- All 21 municipalities had increases last year, compared with 15 in 1999
- 12 municipalities had rent increases at or above 3%, compared with only 5 in 1999 (3% is an arbitrary level, but exceeds both the rent review guideline and inflation rate for 2000)
- Ottawa had the highest jump with rent increases of 12.6%, followed by Peel (9.1%) and Toronto (6.5%)
- Windsor’s 5.7% rent increase was their highest jump in over a decade, while London’s 2.8% increase was the first time since 1990 that average rents increased more than the rent review guideline
- In actual dollars, the highest average rents for 2-bedroom apartments were found in Toronto and Peel at \$984, followed by Ottawa (\$882) and Barrie (\$830)
- Surprisingly, North Bay and Timmins had rent increases in 2000 though their vacancy rates also increased slightly; the Timmins vacancy rate is over 13%
- The trend of a disconnect between vacancy rates and rents noted in **Where’s Home?** still has validity in some cases, ie: average rents are not declining, and in fact are rising even in municipalities with medium to high vacancy rates over several years (Cornwall, North Bay, Sarnia, and Timmins)

(ND - Housing Again July 9 2001)

Table 1

Where's Home Update - October, 2000
 One-Year Change in **Vacancy Rates** in Private Rental Housing
 Ontario and 21 Selected Municipalities

Municipality	October, 1999	October, 2000	Increase	Decrease
Ontario Average	2.1	1.6		↓
Barrie	1.0	0.5		↓
Cornwall	11.1	7.9		↓
Guelph	0.5	0.7	↑	
Hamilton	1.9	1.7		↓
Kingston	3.4	1.8		↓
Kitchener	1.0	0.7		↓
London	3.5	2.2		↓
Muskoka District	3.1	2.4		↓
North Bay	5.1	5.5	↑	
Oshawa	1.7	1.7	-*	-*
Ottawa	0.7	0.2		↓
Owen Sound	2.9	2.8		↓
Peel	0.8	0.5		↓
Peterborough	4.4	3.2		↓
Sarnia	8.8	7.3		↓
St. Catherine's - Niagara	3.2	2.6		↓
Sudbury	11.1	7.7		↓
Thunder Bay	7.5	5.8		↓
Timmins	13.0	13.6	↑	
Toronto	0.9	0.6		↓
Windsor	2.7	1.9		↓

with decreases in 2000: 17

below 3% minimum vacancy rate norm: 14

* - means no change, or negligible

Table 2

Where's Home Update - October, 2000
 One-Year Change in **Average Rents** for 2-bed Units for 21 Selected Municipalities
 October 1999 and October 2000

% change in 1999	Municipality	% change in 2000	Increase	Decrease
3.2	Ontario Average	5.6	↑	
1.8	Barrie	5.3	↑	
2.0	Cornwall	2.3	↑	
2.3	Guelph	4.8	↑	
5.4	Hamilton	3.0	↑	
0.8	Kingston	3.2	↑	
3.0	Kitchener	5.6	↑	
.*	London	2.8	↑	
1.9	Muskoka District	2.6	↑	
.*	North Bay	1.9	↑	
2.6	Oshawa	4.4	↑	
3.8	Ottawa	12.6	↑	
.*	Owen Sound	3.2	↑	
0.9	Peel	9.1	↑	
1.6	Peterborough	0.4	↑	
4.7	Sarnia	0.5	↑	
2.8	St. Catherine's - Niagara	3.0	↑	
(-1.7)	Sudbury	1.1	↑	
.*	Thunder Bay	1.1	↑	
.*	Timmins	2.4	↑	
4.8**	Toronto	6.5	↑	
2.4	Windsor	5.7	↑	

with increases in **2000**: 21

* - means no change, or negligible

** please note that the 1999 Update incorrectly used 4% as the percent change for Toronto

Source - CMHC October 1999 & 2000 Rental Market Reports