



WHERE'S HOME? 2001 UPDATE

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Housing Association November 16, 2002)

- **In an average year, Ontario loses almost 50% more private rental housing than is built**
- **Between 1991 and 2001, Ontario lost 24, 298 existing rental units**
- **There are fewer private rental units in 2001 than there were in 1991**
- **Ontario's persistent shortage of rental housing continues – vacancy rates stay in the low range (below 3%) for 13 straight years**
- **More municipalities (15) in the Where's Home? sample of 21 are below the 3% vacancy rate norm than at any time since 1991**
- **Average rents in Ontario have risen at more than twice the rate of inflation over the last 2 years**

INTRODUCTION

This is the 2001 Update in the **Where's Home?** series of reports on housing needs and the private rental market for the province of Ontario and 21 selected municipalities. Taken together, the **Where's Home?** reports present the most comprehensive snapshot available on the rental housing situation in Ontario, covering the 13 year period from 1989 to 2001.

All data is drawn from CMHC sources (see "Data Sources and Previous Reports" at end of report), of which the latest is the 2001 Rental Market Surveys and Reports.

There are essentially 3 components of the rental market in Ontario: conventional private sector multiple- unit rental housing, social housing and the secondary rental market. The latter consists of rented houses, duplexes, secondary apartments in houses, condominium apartments rented on a temporary basis etc. This report, and the CMHC data used in the analysis, deals primarily with the first type: conventional private rental housing of 3 or more units.

The conventional private rental stock is more permanent (other than social housing) than the secondary rental market, and is measured consistently by CMHC's surveys. Changes in vacancy rates, rents and the total amount of units available to rent show their impact on tenants most visibly in the CMHC data.

HIGHLIGHTS AND ANALYSIS Where's Home 2001 Update

Overview

On average, Ontario has been losing 44% more rental units each year than are being built, resulting in fewer rental units in the private sector in 2001 than the province had in 1991. Over the last decade (1991-2001), Ontario lost 24,298 private rental housing units to demolitions and conversions to ownership during a period in which only 16,885 new private rental units were built, resulting in a net loss of 7,413 units.

Yet over this 1991-2001 period, CMHC estimates of rental demand by tenant households for additional units grew steadily from an annual rate of 7,000 (1991 – 1996) to 16,000 annually from 1996-2001. Each year, thousands of additional tenant households were looking for fewer available units, as the total rental universe shrunk.

These numbers cast light on the continued low vacancy rate situation for rental housing in most of Ontario, where the average vacancy rate in 2001 was only 1.7%. Although this represented a slight uptick from the 1.6% rate in 2000, Ontario's average vacancy rate has never risen above the 3% "norm" for a balanced rental market in the 13 years of data covered by the **Where's Home?** reports. And during 2001, more municipalities (15) fell below that 3% norm than at any time since 1991.

In 2001, the average rent in Ontario for the bellwether 2-bedroom apartment unit rose 4.1%, more than twice the rate of inflation (1.9%). 19 of 21 municipalities experienced increases in average rents, of which 9 had rent increases more than twice the rate of inflation.

Average rents are likely to continue to increase faster than the rate of inflation due to:

- very low vacancy rates in existing rental housing
- the extremely low levels of new rental construction, which are not keeping pace with the loss of existing rental units
- growth in demand for rental housing; and
- the partial decontrol of rents in Ontario in 1998

Losses in Conventional Private Rental Units 1991-2001

New to this year's **Where's Home? Update 2001**, CMHC data was collected from 1991-2001 showing the amount of change in the number of private rental units available to tenants and the amount of new rental housing built in the conventional rental market for Ontario and the 21 municipalities selected for our sample. A further objective of this report was to develop an estimate of the losses to the number of existing conventional rental units over the last decade in Ontario as a whole.

Losses: The Ontario Story

1991-2001 Changes to Total of Ontario Private Rental Units	
Total estimated loss of existing private rental	-24,298
Estimate of private rental units built	16,885
Net decrease in total universe of private rental units	-7,413

Ontario lost 24,298 rental units in the private sector over the last decade (1991-2001). In the same period, only 16,885 new private rental units were built, resulting in a net loss to Ontario of 7,413 units. (see Table 1)

The loss of existing rental units exceeded the amount of new rental housing built by 44%, meaning that Ontario lost 144 rental units for every 100 new units built, leaving 7,413 fewer rental units for tenants in 2001 than were available in 1991.

The loss of 24,298 units in the existing rental stock would have typically been due to demolition, conversion to condominiums, or reversion to ownership (eg: in the case of row houses, triplexes). While significant fluctuations in numbers of units in the secondary rental market¹ are typical due to its temporary nature, significant losses to the conventional rental stock have a longer lasting impact due to the slow rate of building replacement units. It is difficult to obtain direct Ontario-wide data on the cause of these losses to the number of existing rental units, since there is no consistent reporting on this by municipalities, and no central record keeping in the province.

This study developed its estimate of the total loss of existing rental units for Ontario as a whole (24,298) by comparing the net changes to the total universe of private rental units (-7,413) with the production of new private rental housing (16,885) over the 1991-2001 period. (see Data Sources section for more detail)

In 1991, there were 655,318 private rental units, but by 2001 this had been reduced to 647,905, a loss of 7,413 units. (see Figure 1)

¹ See section “Losses: The Secondary Rental Market” for a discussion of this type of rental housing (rented houses, secondary apartments in houses, temporarily rented condominiums etc). Recently released Census data for Ontario indicate an even larger net decrease between 1996 and 2001 of 40,780 in the total number of units rented by tenants in all forms of rental housing. This report concludes that most of the net decrease occurred in the secondary rental market. Clearly, losses in numbers to both the secondary and conventional rental market affect tenants; however, this report is primarily dealing with the conventional rental market for which CMHC produces annual data.

Table 1**Where's Home Update - 2001****Estimating losses of private rental units 1991-2001**

Ontario Total Rental Universe (Private 3+ units), Starts

Year	Total Rental Units	*Net Year to Year Change	Estimated New Units**	Existing Rental Units Lost***
1991	655,318			
1992	652,215	-3,103	5,407	-8,510
1993	651,184	-1,031	2,273	-3,304
1994	652,917	1,733	2,023	-290
1995	651,170	-1,747	1,368	-3,115
1996	647,960	-3,210	550	-3,760
1997	650,832	2,872	931	1,941
1998	649,449	-1,383	773	-2,156
1999	647,974	-1,475	1,174	-2,649
2000	647,094	-880	1,313	-2,193
2001	647,905	811	1,073	-262
Total 92-01		-7,413	16,885	-24,298

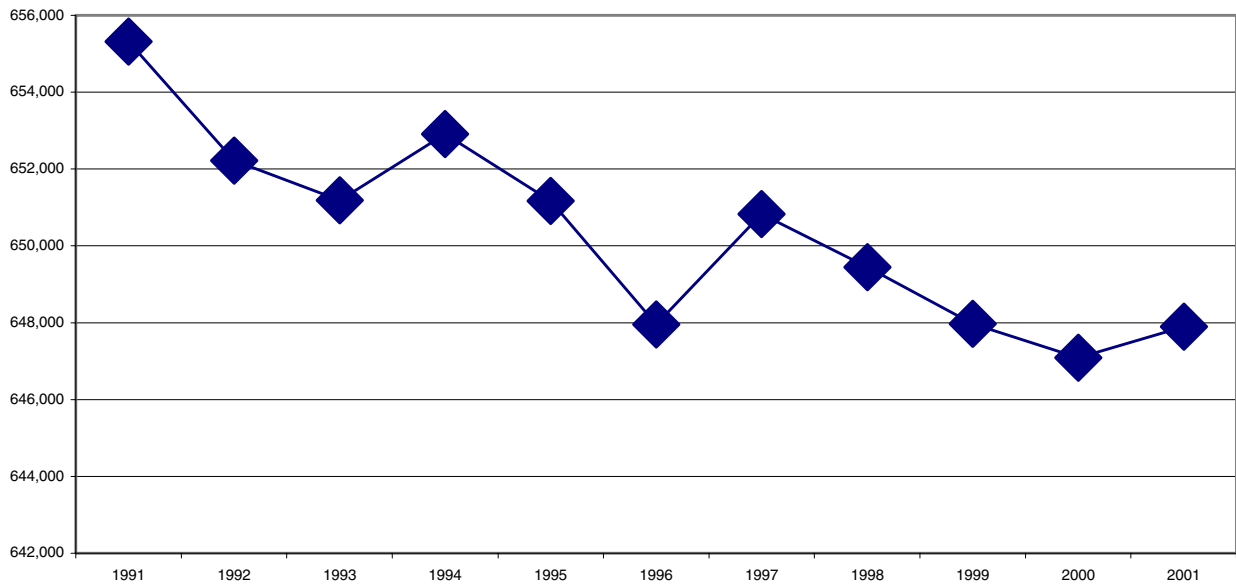
* Net change in Total Rental Units (CMHC) includes difference between newly built units and units lost largely through demolitions and conversion to ownership, condos

** Estimated new units is derived from CMHC Starts (private) from preceding year, treated as completions in the current year assuming occupancy occurs in year after construction start. Only half of 2000 Starts counted to adjust for any rental units not completed over the period.

*** Loss of existing rental units estimated by comparing Rental Starts from preceding year to the net change in Total Rental Units to establish number of existing units lost

Source - CMHC special run for Where's Home? Report (91-98) and CMHC Ontario Market Analysis Centre (99-01)

Figure 1: Change in Total Rental Universe Ontario 3+ Units (Private) 1991-01



Source: Table 1

Yet over this same period from 1991-2001, CMHC estimates of rental demand in Ontario (the number of additional tenant households seeking rental units) grew steadily, from an *annual* rate of 7,000 from 1991-1996 to 16,000 *annually* from 1996-2001. Growing rental demand is a significant problem when vacancy rates are low; Ontario's rate has remained below the 3% 'norm' for a balanced market for the last 13 years. Rental shortages in the early 90's were exacerbated over the decade as thousands of additional tenant households each year looked for fewer available units.

Currently, an increased pace of construction of new, private rental housing is being predicted by some observers. Can we expect to see this make a serious impact on the shortage of rental housing? Two cautions should be noted. First, rental demand in Ontario was not adequately met over the last decade, and is still growing. Given that Ontario lost more rental housing than was built over that same period, the pace of new construction would have to increase substantially to catch up to where we were in 1991 as well as meet rental demand since that time.

Second, the shortage of *affordable* rental housing is the most acute of all. Yet, the market conditions that may entice the private rental sector to build today are high rents and low vacancy rates, and the market segment targeted will be tenants with middle and upper incomes.

Without significant public interventions targeted to reduce the cost of affordable rental

housing, it is not expected that large inroads will be made in the shortage of affordable rental housing. Recent federal and provincial initiatives are expected to produce only about 2,000 new 'affordable' rental units a year in Ontario for the next 5 years.

Losses: The Municipal Story

10 of the 21 municipalities in the **Where's Home?** study experienced a net decrease in their total number of private rental units between 1991 and 2001. The reductions in the size of the conventional private rental universe ranged from a low of 3.4% in Oshawa to a high of 10.2% in London. (see Table 2)

- London lost 4,743 units over the last decade
- Ottawa experienced the second highest reduction: 6.3% of its rental stock, losing 4,549 units
- Peel had the third highest reduction at 5.9% with a loss of 2,516 units
- Hamilton lost 2,125 rental units, a reduction of 4.5% of its rental stock
- Kitchener/Waterloo had a reduction of 4%, with a loss of 1,201 rental units.
- Barrie could ill afford the loss of 5.2% of its rental stock (210 units) given its very low vacancy rates and high population growth rates in recent years

11 municipalities experienced net *increases* to their rental stock over the decade, most notably Toronto with a gain of 6,836 units that increased its conventional private rental stock by 2.7%. (see Secondary Rental Market below for a discussion of Toronto's net loss of total rental units, including those in the secondary rental market such as basement flats, rented condominiums etc)

- Sudbury's 14.1% increase was the highest increase, with a gain of 1,482 units.
- Windsor had a significant increase of 5.5% with the addition of 822 units.

Table 2**Where's Home Update - 2001****Change in Total Rental Units (Private) 1991-2001**

Ontario and 21 Selected Municipalities

AREA	1991 Total	2001 Total	Net Change in Total Rental Units	Percent Change
Ontario	655,318	647,905	-7,413	-1.1%
Sudbury CMA	10,505	11,987	1,482	14.1%
Muskoka	771	862	91	11.8%
Owen Sound CA	1,714	1,868	154	9.0%
North Bay CA	3,591	3,836	245	6.8%
Windsor CMA	15,001	15,823	822	5.5%
Toronto (Metro)	248,782	255,578	6,836	2.7%
Cornwall CA	3,469	3,562	93	2.7%
Peterborough CA	5,363	5,484	121	2.3%
Thunder Bay CMA	5,725	5,847	122	2.1%
Timmins CA	1,858	1,879	21	1.1%
Kingston CMA	11,487	11,531	44	0.4%
Oshawa CMA	12,629	12,204	-425	-3.4%
Sarnia CA	6,544	6,294	-250	-3.8%
Kitchener CMA	30,339	29,138	-1,201	-4.0%
Guelph CA	8,026	7,691	-335	-4.2%
Hamilton CMA	46,841	44,716	-2,125	-4.5%
St. Catherines- Niagara CMA	18,059	17,186	-873	-4.8%
Barrie CA	4,057	3,847	-210	-5.2%
Peel Region	42,354	39,838	-2,516	-5.9%
Ottawa CMA	72,677	68,128	-4,549	-6.3%
London CMA	46,719	41,976	-4,743	-10.2%

Source - CMHC special run based on data from Rental Market Reports 1991-2001, Ontario CMAs and CAs, Metro Toronto and Peel Region: Rental Apartment and Row Universe, 3+ Units, Private

Losses: The Secondary Rental Market

The secondary rental market covers tenants in rental situations such as individual houses, duplexes, condominium apartments and secondary suites in houses. It provides a valuable, if unstable, pool of rental housing. The number of these units fluctuates according to other market forces - rental status is only temporary. This study and the rest of the **Where's Home?** series of reports focus primarily on the conventional, private rental sector, in part because CMHC data is more readily available.

However, tenants are affected by changes in all 3 components of the rental market, and the size of the secondary rental market is large. This report's unit losses picture for conventional rental housing has been filled out further by recent media reports on 2001 Census data released by Statistics Canada in October 2002. The Census reported that in 2001, there were 40,780 fewer units being rented in Ontario than in 1996. The difference in these loss numbers from the 7,413 net fewer rental units between 1991 and 2001 as identified in the CMHC data in our report is accounted for by the fact that Census data includes both conventional and secondary rental market units as well as social housing units.

Time and the scope of this report did not permit direct research on the Census findings. By comparing the Census numbers reported in the media to the CMHC data in this report, some analysis has been possible. Most of the loss of 40,780 rental units from 1996 to 2001 identified through the Census can be attributed to the secondary rental market, rather than the other two components of the rental market. The number of conventional rental units surveyed by CMHC in 2001 remained virtually unchanged from 1996, (see Table 1) with a net reduction of only 55 units, and there was no loss of social housing during this period.

In Toronto, there were 10,070 *fewer* rental units reported in the 2001 Census than in 1996. Over the same period, however, Toronto's conventional private rental units surveyed by CMHC *increased* by 6,170 units. (data provided by CMHC; the net Toronto increase over the entire decade was 6,836 as noted in Table 2) Clearly, the bulk of the losses in Toronto from 1996 to 2001 occurred in the secondary market of rented condominium apartments, houses etc.

What impact does the secondary rental market have on addressing the rental shortages and rapidly rising rent problems experienced by tenants in the conventional rental universe as surveyed by CMHC? Clearly, without the secondary rental market, shortages in the conventional private rental market would be much worse.

Despite its contribution to the overall supply of rental housing, the secondary rental market has not been able to compensate in recent years for the problems in the conventional rental market. If the housing provided by the secondary market were sufficient, Ontario would not have consistently low vacancy rates and rents rising faster

than the rate of inflation in the conventional market. Instead, one would expect to see the conventional private rental market ease up for tenants.

With the Census-reported total loss of 40,780 rental units between 1996 and 2001 being due primarily to reductions in the secondary rental market, the problems for tenants as measured in the conventional rental market data are even more understandable. The greater size of the reductions in the more temporary, secondary rental market underlines the point that tenants in Ontario could not afford the net reduction of 7,413 conventional rental units over the last decade. This link is the reason why continued monitoring of the conventional rental market is both important and appropriate, since improvements or deterioration of conditions for tenants in the secondary market will impact the conventional rental market.

2001 Vacancy Rate Highlights

(see Table 3)

- Though overall vacancy rates in Ontario remain very low at 1.7%, there was a slight increase in apartments available from last year when the rate was 1.6%, and the number of municipalities experiencing further decreases in available apartments during 2001 dropped, leading to some improvement in the situation for tenants:
 - 12 Municipalities experienced decreases in rental vacancy rates, compared with 17 in 2000, 15 in 1999 and 12 in 1998
 - However, the number with vacancy rates below the 3% 'norm' increased to 15 from 14 last year, compared with 10 in 1999 and 7 in 1998
- Barrie, Guelph, Kitchener(Waterloo), Ottawa, Peel and Toronto had the lowest rates, all at or below 1%; these 6 have been below 1% for the last 3 years
- Timmins experienced the sharpest drop in vacancy rates, from 13.6% to 8.1%, followed by North Bay from 5.5% to 2.7%, making it the lowest in Northern Ontario; Sudbury and Cornwall, with moderately high vacancy rates, have experienced significant drops for the last 2 years (Cornwall's 6% rate is the lowest since 1994)
- Kingston's rate of 1.4% is the lowest in a decade, and London's 1.6% is the lowest in 14 years, while Oshawa's rate has been below 3% for the last 5 years
- Vacancy rates persistently at or above the 3% norm in this 13 year study period have been experienced by Peterborough (11 years), Timmins (12 years) and Cornwall (13 years)
- Vacancy rates persistently at or below the 3% norm have been experienced by Kitchener-Waterloo (8 years), Peel (9 years), Barrie (12 years), Guelph, Hamilton and Toronto (13 years) and Ottawa for 18 of the last 20 years.

Table 3**Where's Home Update - 2001****One-Year Change in Vacancy Rates in Rental Housing 2000-2001**

Ontario and 21 Selected Municipalities

Municipality	October, 2000	October, 2001	Increase	Decrease
Ontario Average	1.6	1.7	↑	
Barrie	0.5	0.9	↑	
Cornwall	7.9	6.0		↓
Guelph	0.7	1.0	↑	
Hamilton	1.7	1.3		↓
Kingston	1.8	1.4		↓
Kitchener	0.7	0.9	↑	
London	2.2	1.6		↓
Muskoka District	2.4	1.9		↓
North Bay	5.5	2.7		↓
Oshawa	1.7	1.3		↓
Ottawa	0.2	0.8	↑	
Owen Sound	2.8	1.6		↓
Peel	0.5	1.0	↑	
Peterborough	3.2	3.7	↑	
Sarnia	7.3	6.3		↓
St. Catherine's - Niagara	2.6	1.9		↓
Sudbury	7.7	5.7		↓
Thunder Bay	5.8	5.8	*	*
Timmins	13.6	8.1		↓
Toronto	0.6	0.9	↑	
Windsor	1.9	2.9	↑	

With decreases in 2001: 12

Below 3% minimum vacancy rate norm: 15

* Means no change, negligible

Source – CMHC October 2000 & 2001 Rental Market Reports

2001 Average Rents (2-bed units) Highlights

(see Table 4)

- Overall in Ontario, tenants continued to experience rent increases greater than inflation and the approved Rent Increase Guideline (under the Tenant Protection Act); indeed, Ontario's average 4.1% increase was more than twice the rate of inflation (1.9%):
 - 19 municipalities had rent increases last year, compared with 21 in 2000, and 15 in 1999
 - 10 municipalities had rent increases above the Rent Increase Guideline of 2.9%
 - 9 municipalities had rent increases more than twice the rate of inflation
- Barrie had the highest jump with rent increases of 6.1%, followed by Toronto (5.6%), Kingston (4.3%) and Ottawa (4.2%)
- The highest average rents for 2-bedroom apartments were found in Toronto at \$1,039, Peel at \$1,005, followed by Ottawa (\$914), Barrie (\$881) and Oshawa (\$799)
- More tenants will be struggling with affordability problems in those municipalities (9) which have experienced cumulative high rates of rent increases over recent years, such as Barrie, Guelph, Hamilton, Kitchener, Oshawa, Ottawa, Peel, St. Catharines/Niagara, and Toronto.

Table 4

Where's Home Update - 2001
One-Year Change in Average Rents for 2-bed Units 2000-2001

Ontario and 21 Selected Municipalities

% Change in 2000	Municipality	% Change in 2001	Increase	Decrease	2000 \$ Rent 2-Bed	2001 \$ Rent 2-Bed
5.6	Ontario Average	4.1	↑		829	863
5.3	Barrie	6.1	↑		830	881
2.3	Cornwall	-0.4		*	568	566
4.8	Guelph	3.8	↑		736	764
3.0	Hamilton	2.9	↑		719	740
3.2	Kingston	4.3	↑		679	708
5.6	Kitchener	3.6	↑		697	722
2.8	London	4.0	↑		657	683
2.6	Muskoka District	3.0	↑		673	693
1.9	North Bay	1.9	↑		633	645
4.4	Oshawa	2.7	↑		778	799
12.6	Ottawa	4.2	↑		877	914
3.2	Owen Sound	3.8	↑		613	636
9.1	Peel	2.1	↑		984	1005
0.4	Peterborough	2.2	↑		683	698
0.5	Sarnia	1.8	↑		599	610
3.0	St. Catherine's - Niagara	4.1	↑		653	680
1.1	Sudbury	0.2	*		619	620
1.1	Thunder Bay	0.5	*		654	657
2.4	Timmins	-0.8		↓	598	593
6.5	Toronto	5.6	↑		984	1039
5.7	Windsor	0.3	*		736	738

With increases in 2001: 19

Above Rent Increase Guideline of 2.9% 10

Above Oct. 2001 Inflation of 1.9% 14

* Means no change, or negligible (\$3 or less)

Source – CMHC October 2000 & 2001 Rental Market Reports

Data Sources and Previous Reports

This 2001 Update is drawn from data on the conventional, private rental housing market released annually by CMHC (Canada Mortgage and Housing Corporation) in their October Rental Market Surveys of municipalities with populations over 10,000.

A new component has been added for this Update on changes to the Total Private Rental Universe for Ontario and 21 municipalities (Table 2), and estimating losses to the number of existing private rental units for Ontario (Table 1). The data was provided by CMHC in response to a special request, and covers conventional private rental housing, both apartment and row units. Ontario Private Rental Starts data was drawn from the original **Where's Home?** report for 1991-1998, and provided directly by CMHC for 1999-2001.

The estimation of losses of existing rental units in Ontario (Table 1) was derived by comparing Ontario Rental Starts from 1991-2001 to the net changes in the Total Rental Universe over the same period. Starts for each year were counted in the subsequent year for the purpose of comparing them to the annual changes in the Total Rental Universe. This adjustment allowed for the fact that construction is rarely completed within the same calendar year. For 2001 losses, only half of the 2000 Starts were counted, since some would not have become occupied in 2001. (For year-by-year accuracy, Rental Completions would be more accurate, but this data was not readily available for the study.) Since Table 1's purpose was to identify the overall losses to the number of rental housing units over the decade, year-by-year accuracy was not deemed to be as important.

The 2001 Census data was drawn from two Toronto Star articles on Oct. 23 and 24, 2002.

The October 2001 changes in vacancy rates and average rents for Ontario and 21 are presented in Tables 3 and 4 respectively. The data in the **Where's Home?** series now covers a 13 year period from 1989-2001.

The two initial **Where's Home? A Picture of Housing Needs in Ontario** reports 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 Vacancy Rate measure is the average for all private rental apartment units while the Average Rent measure is for two-bedroom private rental apartments, the bellwether measure used frequently by CMHC. For a precise description of the 21 municipal rental market areas, refer to the **Where's Home?** reports on the ONPHA website and the Housing Again website.

The entire series of **Where's Home?** reports can be found at www.onpha.on.ca and at www.housingagain.web.net

(ND – Ontario Non-Profit Housing Association, for Housing Again, November 11, 2002)