

R

ENTAL MARKET

REPORT

Gatineau

www.cmhc.ca

Canada Mortgage and Housing Corporation

OCTOBER 2003 SURVEY

Vacant rental dwellings less scarce in the Outaouais

In the Gatineau census metropolitan area (CMA), the rental market is starting to recover from a very tense situation that has lasted for the past two years. This year, with the winds still favouring homeownership, the

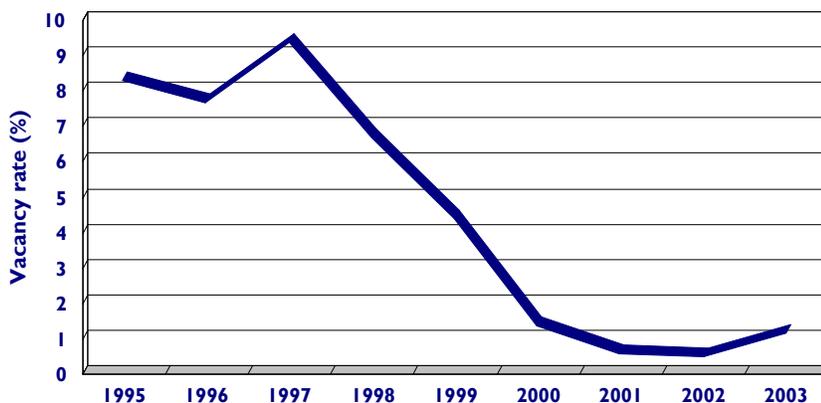
vacancy rate for privately initiated buildings with three or more housing units went up. It reached **1.2 per cent in October 2003**, compared to 0.5 per cent last year, for its first increase since 1998.

IN THIS ISSUE

Analysis

- 1 Vacant rental dwellings less scarce in the Gatineau Area
- 2 Supply recovery in full swing
- 2 Greater scarcity in the Gatineau sector
- 3 Larger units still preferred
- 3 Demand remains strong
- 4 Gatineau and Ottawa: Gap Still Significant
- 4 Residential construction favours rental increases
- 5 Forecast for 2004
- 6 Rental housing affordability: better or worse?
- 7 **Methodology**
- 7 **Delimitation of Survey Zones**
- 7-8 **Statistical Tables**

Vacancy Rate Gatineau CMA



Source: CMHC



HOME TO CANADIANS
Canada

Overall, the market reflects a supply that is managing to adjust to the demand. In fact, it is easy to see that rental housing construction is taking away increasingly larger shares of the new home market.

As well, the results of our survey show that, in 2003, vacancy rates rose in three other CMAs across Quebec. The rental markets in Montréal (1.0 per cent) and Québec (0.5 per cent), like Gatineau, posted small increases, while vacancy rates fell in the CMAs of Sherbrooke (from 1.8 per cent to 0.7 per cent in October 2003) and Trois-Rivières (from 3.0 per cent to 1.5 per cent in October 2003). As was the case last year, the survey revealed a totally different situation on the rental market in the Saguenay CMA, which showed a slight hike. The vacancy rate there went from 4.9 per cent up to 5.2 per cent in October 2003.

Supply recovery in full swing

Rental housing construction seems well out of its torpor. In fact, since 2002, the Outaouais area has registered nearly 1,200 rental apartment

starts, representing over 25 per cent of the new home market (19 per cent for 2000 and 2001 combined).

Several factors account for this change. Among them, the motivation of developers ranks high. While developers had remained cautious and concentrated their activity on single-family homes, the low vacancy rate, higher rents and affordable mortgage rates brought them to revise their positions. With a vacancy rate of 0.5 per cent in 2002, the rental market posted a shortage of dwellings and, by the same token, presented some fine opportunities to potential investors. As well, with the income generated by the single-family home market more stable, several builders went ahead and took the calculated risk of building highrise apartment buildings.

As result, the rental market has produced two very different types of housing since 2002: affordable dwellings, thanks to the assistance provided by the different levels of government, and upscale apartments.

Given the high costs of apartment construction, these two options were

very appropriate for developers. In fact, in the first case, the grant helped support the costs while, in the second, profitability is ensured by higher rents.

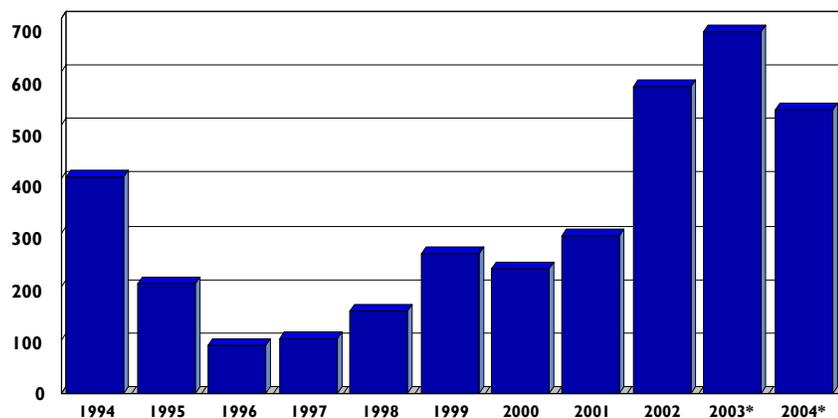
In 2001, the fortunate experiences of certain investors on the retirement home market also revealed the potential of the 60-75 years' population segment. This gave rise to new rental housing concepts, and the Outaouais area now boasts housing projects intended for pre-retirees. These people sold their houses for a good price and, now, they do not want the worries associated with another property but they do not feel ready for a specialized home. For these clients with very specific requirements, builders created a type of housing that is close to all the conveniences, easily accessible (elevator) and elegantly finished. In short, they paid a great deal of attention to satisfy clients who can amply afford to pay. In fact, apartments built since 2001 rent for an average of 26 per cent more than other units (\$618 on the market, compared to \$781 in projects built since 2001).

Greater scarcity in the Gatineau sector

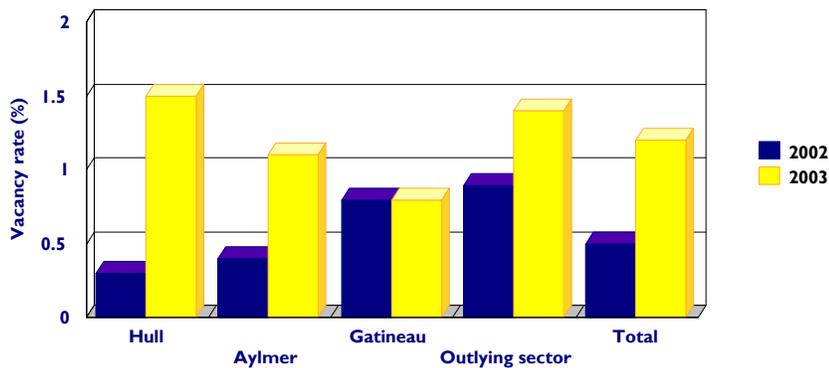
While the vacancy rates rose in all other sectors, the proportion of unoccupied units remained stable at 0.8 per cent in the Gatineau sector. In the Hull and Aylmer sectors, the vacancy rates respectively went up from 0.3 per cent and 0.4 per cent in 2002 to 1.5 per cent and 1.1 per cent this year. In the outlying sector, the increase in the number of vacant units was not as great, as the rate increased from 0.9 per cent last year to 1.4 per cent in October 2003.

Hull thereby lost its title of tightest sector to the detriment of Gatineau. It should be noted that, since 2001,

Renewed Activity on Rental Job Sites



Vacancy Rates by Sector



Source: CMHC

out of the 596 units that have been added to the rental housing stock in the Outaouais area, 426 (71 per cent) were built in the Hull sector. This increase in Hull's supply is certainly not extraneous to the easing of its rental market.

Larger units still preferred

As for unit size, bachelor apartments stood out once again with a vacancy rate of 3.9 per cent, or more three times the average (1.2 per cent). Last year, the Gatineau sector had most of the unoccupied bachelor units while, in 2003, it was Hull's turn. In this last sector, the vacancy rate for bachelor apartments went from 0.4 per cent in 2002 up to 6.1 per cent in 2003. After bachelor units, the most available dwellings are one-bedroom apartments, as their vacancy rate rose from 0.3 per cent to 1.6 per cent.

Units of all other sizes are scarcer, with a vacancy rate of 0.9 per cent. The margin therefore remains narrow for families who need more space, but young people moving in alone still have some choice.

Demand remains strong

Demand is effectively still red-hot. Apart from the specialized niches, like the 60 to 75 years' segment, many renters are young people aged from 15 to 24 years.

First, in the employment sector, the Gatineau CMA generally continued to register good results. The job market posted solid growth in the Outaouais. At an annual rate, employment increased by 5 per cent in November

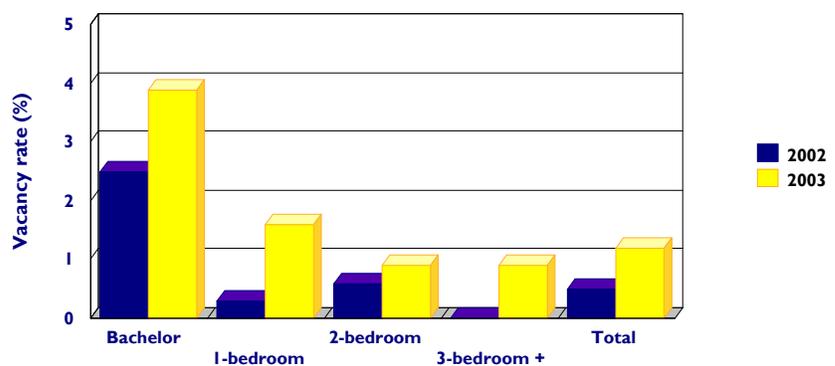
2003, which brought the number of workers to 142,417.

More specifically, a review of the population of workers most likely to rent, that is, young people aged from 15 to 24 years, also revealed an improvement in labour market conditions. At an annual rate, there were 22,067 young people working in November 2003, for a gain of 5.8 per cent over the same period in 2002.

This excellent situation on the job market in the Outaouais continues to attract new households to the area. Between 2001 and 2002, 2,816 people (net migration) chose to move to the Outaouais. Even though the financial conditions favour homeownership, most newcomers will first turn to renting.

The Université du Québec en Outaouais also has an impact on the rental market. Already in 2002, it broadened its programs and accepted 5 per cent more students. This year, a total of 300 more students came to swell the ranks of the local university, and many will certainly opt for an apartment rather than a room in a residence.

Vacancy Rates by Apartment Size



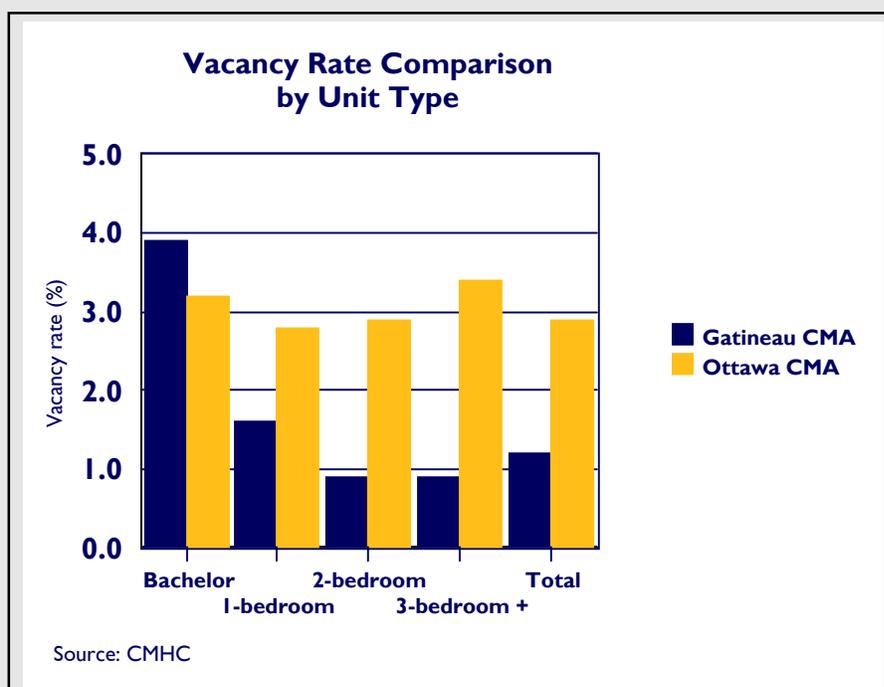
Source: CMHC

Gatineau and Ottawa: Gap Still Significant

Although rental market conditions have eased on both sides of the river, the rent differences remain very significant.

In Ottawa, the vacancy rate was 2.9 per cent in October 2003, so this proportion is well on its way to reaching a balanced level. Potential renters therefore have a better chance of finding an apartment there than on this side of the river. A sign that the times are changing: rents remained relatively stable in Ottawa. In fact, it costs only \$1 more than in 2002 to rent a two-bedroom apartment.

However, rental rates had attained rather high peaks and, even if they have stabilized, rents in Ontario remain well above those charged on the Quebec side. In fact, the rent for a two-bedroom unit is \$293 more in Ottawa (\$331 in 2002). Still, households seeking a dwelling are less inclined to look elsewhere, as they have more choice in Ottawa than in Gatineau. It is therefore to be expected that fewer Ontario renters will cross the river than in the last two years.



Rent Comparison Between the Gatineau CMA and the Ottawa CMA				
	Gatineau CMA	Ottawa CMA	Difference (\$)	Difference (%)
Bachelor	\$462	\$627	\$165	35.9%
1-bedroom	\$548	\$768	\$220	40.1%
2-bedroom	\$639	\$932	\$293	45.8%
3-bedroom +	\$720	\$1,168	\$448	62.2%

Residential construction favours rental increases

This year, the vacancy rate definitely went up but, at 1.2 per cent, the market is still favourable to landlords. It is therefore no surprise that rents posted another gain, which attained 7 per cent in 2003.

Like last year, the Hull sector stood out with an above-average rental increase of 7.4 per cent.

The Aylmer and Gatineau sectors, for their part, saw their average rents go up by 6.3 per cent and 6.4 per cent, respectively, in October 2003. Landlords in the Gatineau sector are therefore continuing to adjust their rents to the reality of a market that is favourable to them.

In the outlying sector, rents went into high gear with an increase of 10.2 per cent, the greatest hike in the Outaouais this year. It should be

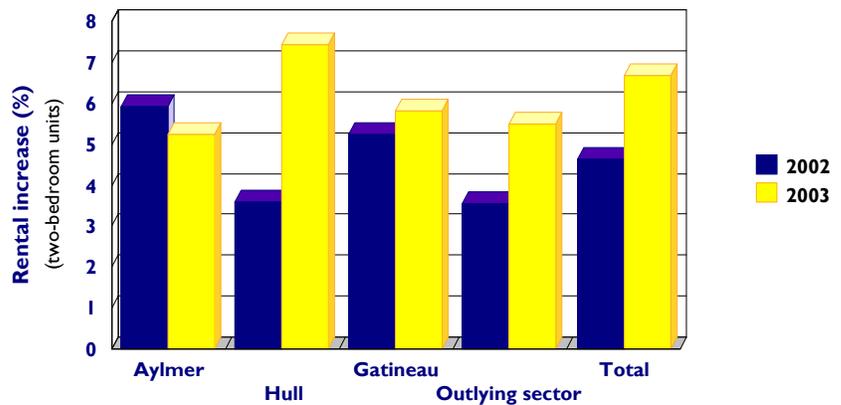
specified, however, that the rents have historically been lower there. The tight market conditions in recent years forced many people seeking affordable apartments to move away from the urban centres. As a result, following a vacancy rate of 3.5 per cent in 2001, there remained just 9 unoccupied apartments out of 1,000 in 2002. The situation is certainly better in 2003, but it still allowed landlords to adjust their rents to an increasingly pressing demand, even in the outlying sector.

Apartment Vacancy Rates

Canada	2002	2003
Metropolitan Areas		
Abbotsford	2.0	2.5
Calgary	2.9	4.4
Charlottetown	2.2	3.5
Saguenay	4.9	5.2
Edmonton	1.7	3.4
Halifax	2.7	2.3
Hamilton	1.6	3.0
Gatineau	0.5	1.2
Kingston	0.9	1.9
Kitchener	2.3	3.2
London	2.0	2.1
Montréal	0.7	1.0
Oshawa	2.3	2.9
Ottawa	1.9	2.9
Québec	0.3	0.5
Regina	1.9	2.1
Saint John	6.3	5.2
Saskatoon	3.7	4.5
Sherbrooke	1.8	0.7
St. Catharines-Niagara	2.4	2.7
St. John's	2.7	2.0
Sudbury	5.1	3.6
Thunder Bay	4.7	3.3
Toronto	2.5	3.8
Trois-Rivières	3.0	1.5
Vancouver	1.4	2.0
Victoria	1.5	1.1
Windsor	3.9	4.3
Winnipeg	1.2	1.3
Total Canada	1.7	2.3
Québec Province		
Urban Areas from 50,000 to 99,999 inhabitants		
Drummondville	2.2	2.5
Granby	2.5	1.7
Shawinigan	8.5	7.4
St-Jean-sur-Richelieu	0.6	0.5
Sub-Total 50,000-99,999	3.0	2.6
Urban Areas from 10,000 to 49,999 inhabitants		
Alma	5.0	7.0
Amos	13.0	12.0
Baie-Comeau	11.1	6.9
Cowansville	3.5	3.8
Dolbeau-Mistassini	4.7	4.9
Caspé	6.5	4.5
Joliette	0.9	0.8
La Tuque	16.7	17.4
Lachute	1.0	1.8
Magog	1.4	0.4
Matane	10.8	9.7
Montmagny	1.4	0.3
Rimouski	2.6	0.9
Rivière-du-Loup	1.6	1.0
Roberval	3.7	4.0
Rouyn-Noranda	10.0	7.9
Salaberry-de-Valleyfield	2.2	1.5
Sept-Îles	9.2	5.2
Sorel-Tracy	5.8	4.3
St-Félicien	3.4	5.0
St-Georges	2.3	3.6
St-Hyacinthe	0.7	0.5
St-Lin	n.d.	1.7
Ste-Marie	3.1	1.3
Thetford-Mines	7.9	7.1
Val d'Or	11.7	6.4
Victoriaville	1.8	4.0
Sub-Total 10,000-49,999 inhabitants*	4.5	3.6
Total Province of Québec	1.2	1.3

* Now including Rimouski and Saint-Hyacinthe.

Rents Up Significantly Once Again



Source: CMHC

For rental rates, Aylmer and Hull are the most expensive sectors once again this year. Gatineau remains more affordable. In fact, the average rents for two-bedroom apartments are \$678 and \$660, respectively, in Aylmer and Hull. Renters willing to move a little further away can save around \$50 in Gatineau (\$616). And, for those who go all the way to the outlying sector (\$437), the savings are more significant, up to \$200.

Interestingly this year, the greatest rental increases did not go hand in hand with the lowest vacancy rates. While large dwellings are the scarcest, their rents rose by 6.7 per cent for two-bedroom units and by 5.2 per cent for apartments with three or more bedrooms. Smaller units, although more available, posted price hikes of 7.0 per cent for bachelor apartments and 7.7 per cent for one-bedroom dwellings.

Forecast for 2004

In the short term, market conditions will continue to get less tight. However, few factors will contribute to a significant easing of the Gatineau area rental market. Demand will remain strong, despite the impressive homeownership trend observed for the past two years. The job market will post steady gains of 3 per cent at least over the next two years. The area will therefore continue to be a centre of attraction for people from elsewhere. On the other hand, even if construction will hold up, renewed interest in condominiums on the part of developers has been noted since the beginning of 2003. This could slow down rental apartment construction, as the return on investment is immediate with condominiums. While 2003 will end with around 700 rental housing starts, only 550 units will get under way in 2004. With demand staying quite strong, this decrease in activity should result in a small increase in the vacancy rate. It is consequently forecast that, in 2004, fewer than 2 units out of 100 will be available for rent.

Rental housing affordability: better or worse?

With the data collected by Statistics Canada during the censuses, it is possible to make a comparison between shelter costs and household income, every five years. Here, we will compare the situation of Gatineau area renters in 1996 and 2001 with the conditions prevailing in other large centres across Canada.

Percentage of Renter Households Spending 30% or More of Their Income on Housing		
Metropolitan areas	1996	2001
Gatineau	35.0%	29.5%
Ottawa	36.0%	32.7%
Montréal	37.4%	31.6%
Québec	35.8%	30.8%
Calgary	32.3%	32.1%
Toronto	37.6%	36.9%
Vancouver	40.3%	37.5%

Source: Statistics Canada

A widely used affordability criterion is the « 30 per cent threshold ». According to this criteria, a household that allocates 30 per cent or more of its gross income on housing does not live in an affordable home. In 1996, 35 per cent of renter households in the Outaouais area were effectively in this situation. Five years later, despite an increase in the average rent of 5.1 per cent (for a two-bedroom unit) during the period from 1996 to 2001, this proportion had fallen considerably. In fact, in 2001, only 29.5 per cent of renter households in the Gatineau CMA had such affordability problems. This means that the average gross income of renters rose faster than their rent over this period.

It is also interesting to compare the situation in the Outaouais with the conditions in other large metropolitan areas across Canada or Quebec, for example, Ottawa, Montréal and Québec. The above table shows the proportions of renter households who spend more than 30 per cent of their gross income on housing, by CMA. According to the 2001 data, it can be seen that, among these large centres, the most affordable rental housing can be found in the Gatineau area, followed by the Québec and Montréal areas. Renters living in Ottawa, however, have a much greater chance of experiencing affordability problems.

These results are not really surprising, given that average market rents are lower in Quebec than elsewhere in Canada. However, after posting moderate rental increases from 1996 to 2001, the Outaouais rental market has recorded much greater hikes in the last two years (11 per cent over two years). In Gatineau, the average rent for a two-bedroom unit is currently \$639 per month. It is therefore highly likely that the trend has now turned around and that rental housing affordability has declined during the past two years in the Gatineau metropolitan area.

THE RETIREMENT HOME MARKET STUDY

The Canada Mortgage and Housing Corporation's Market Analysis Center publishes reports on the Retirement Homes for six Metropolitan Areas in Québec (Saguenay, Gatineau, Montréal, Québec, Sherbrooke and Trois-Rivières).

These are the most comprehensive tools for developers and investors interested in this promising real estate segment and are based on the latest CMHC's data available in 2002.

Customer Service Department
at 1 866 855-5711
or by Email: cam_qc@cmhc.ca

METHODOLOGY

Canada Mortgage and Housing Corporation conducts the Rental Market Survey every year in October to determine the number of vacancies and the rents charged in rental structures. The survey is conducted on a sample basis in all urban areas with populations of 10,000 or more. Only structures that have been on the market for at least three months are included. While this publication is mainly about privately initiated apartment buildings with three or more units, the CMHC survey also examines row houses and publicly initiated rental and cooperative housing.

The survey is conducted by telephone or site visit, and information is obtained from the owner, manager or building superintendent. The survey is usually conducted in the first two weeks of October and these results reflect market conditions at that time.

Definitions

Vacancy: A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Rent: The rent data refers to the actual amount tenants pay for their unit. Amenities and services such as heat, light, parking, hot water and laundry facilities may or may not be included in the monthly rent reported in individual cases. The average rent figures reported in this publication represent the average of different units in the market area, some of which may have some or all of these services.

Rental apartment structure: Any building containing three or more rental dwellings that are not ground-oriented.

Acknowledgement

The Rental Market Survey could not have been conducted without the cooperation of the many property owners and managers throughout Canada. We greatly acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope that the results of this work will provide a benefit to these clients and to the entire housing industry.

Market Zones:

Zone 1: Hull

Zone 2: Aylmer

Zone 3: Gatineau

Zone 4: Peripheral zone (Buckingham, Masson-Angers, Chelsea, Cantley, La Pêche, Pontiac and Val-des-Monts).

1. Apartment Vacancy Rates (%) By Zone and Bedroom Type Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	0.4	6.1	0.1	1.7	0.5	1.0	0.0	1.0	0.3	1.5
Zone 2	***	***	0.8	1.1	0.4	1.2	***	***	0.4	1.1
Zone 3	6.5	0.9	0.6	1.6	0.7	0.6	0.0	0.6	0.8	0.8
Zone 4	***	***	***	***	1.0	1.7	***	***	0.9	1.4
Metropolitan Area	2.5	3.9	0.3	1.6	0.6	0.9	0.0	0.9	0.5	1.2

2. Apartment Average Rents (\$) By Zone and Bedroom Type Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	428	464	520	559	631	678	727	773
Zone 2	***	***	555	605	627	660	***	***
Zone 3	451	472	490	523	582	616	641	658
Zone 4	***	***	***	***	437	461	***	***
Metropolitan Area	432	462	509	548	599	639	684	720

**3. Number of Apartment Units-Vacant and Universe in October 2003
By Zone and Bedroom Type
Gatineau Metropolitan Area**

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom +		Total	
	Vacant	Universe	Vacant	Universe	Vacant	Universe	Vacant	Universe	Vacant	Universe
Zone 1	31	507	62	3,597	49	5,106	14	1,347	156	10,557
Zone 2	***	***	4	313	9	765	***	***	14	1,218
Zone 3	2	258	21	1,322	22	3,912	7	1,058	52	6,551
Zone 4	***	***	***	***	12	749	***	***	16	1,107
Metropolitan Area	34	872	87	5,380	93	10,533	24	2,648	238	19,433

**Apartment Vacancy Rates (%)
By Structure Size and Bedroom Type
Gatineau Metropolitan Area**

Size	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
3 to 5 units	***	***	0.2	3.3	0.6	1.5	0.0	1.1	0.4	***
6 to 19 units	***	***	0.3	2.0	0.6	0.9	0.0	1.1	0.5	1.5
20 to 49 units	***	***	0.0	0.5	0.8	0.8	0.0	0.3	0.5	0.6
50 to 99 units	0.5	2.0	0.1	0.6	0.9	0.5	0.0	0.5	0.4	0.7
100 + units	7.1	0.4	0.5	0.9	0.1	0.1	0.0	0.0	0.9	0.6
Metropolitan Area	2.5	3.9	0.3	1.6	0.6	0.9	0.0	0.9	0.5	1.2

**5. Apartment Vacancy Rates (%)
By Structure Year of Completion and Bedroom Type
Gatineau Metropolitan Area**

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
No Date Available	***	***	***	***	***	***	***	***	***	***
Pre 1940	***	***	***	***	***	***	***	***	***	***
1940 - 1959	***	***	0.0	5.2	0.0	1.4	***	***	0.0	2.6
1960 - 1974	1.0	1.6	0.2	0.7	0.6	0.5	0.0	0.1	0.4	0.6
1975 - 1984	***	***	0.3	1.6	0.4	1.2	0.0	1.5	0.3	1.4
After	***	***	0.6	1.9	0.9	0.3	0.0	1.0	0.9	0.9
Metropolitan Area	2.5	3.9	0.3	1.6	0.6	0.9	0.0	0.9	0.5	1.2

*** Unavailable or sample too small to disclose results

© 2003 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada

Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this

publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.