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ENTAL MARKET

REPORT

St. Catharines-Niagara

Canada Mortgage and Housing Corporation

OCTOBER 2003 SURVEY

St. Catharines-Niagara CMA Vacancy Rate and Rents Higher in 2003

The vacancy rate in the St. Catharines-Niagara Census Metropolitan Area (CMA) increased for a second consecutive year. According to the October 2003 Rental Market Survey, the vacancy rate for privately initiated rental apartments in buildings of three or more units moved higher to 2.7 per cent. The vacancy rate in October 2002

was 2.4 per cent. In 2003, the total number of apartment units in the St. Catharines-Niagara CMA is 16,169.

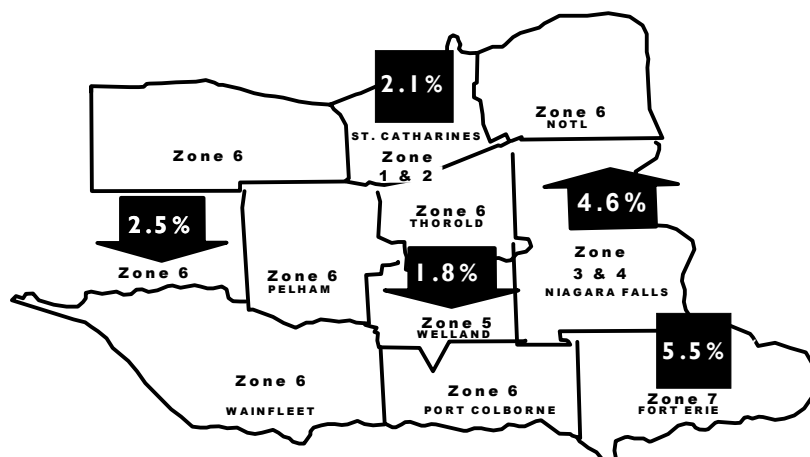
While the overall vacancy rate increased in 2003, vacancy rates by apartment type portray a slightly different story. In fact,

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**Rental Market Survey
Zone Map**



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HIGHLIGHTS

- The vacancy rate for private apartments in the St. Catharines-Niagara CMA edged up to 2.7 per cent, from 2.4 percent in October 2002.
- Vacancy rates are lower in all bedroom types, except one bedroom units which climbed to 3.7 per cent.
- Rents for three plus bedroom units experienced the highest increase again this year at 3.4 per cent. Rent increases are smallest for bachelor and one bedroom units.

- A total of 7 rental apartments commenced construction in the first nine months of 2003.
- Demand impacted by stronger youth employment and double cohort, but also by affordability of home ownership.
- The St. Catharines-Niagara CMA private apartment vacancy rate is expected increase marginally to 2.9 per cent in 2004. The average rent for the benchmark two bedroom unit is expected to reach \$718 next year.

Private Apartment Vacancy Rate St. Catharines-Niagara CMA

	2002	2003
Bachelor	4.2%	3.6%
1 Bedroom	2.6%	3.7%
2 Bedroom	2.1%	2.0%
3 Bedroom	2.5%	2.3%
TOTAL	2.4%	2.7%

Average Rent, Two Bedroom Apt. St. Catharines-Niagara CMA

	2002	2003
Bachelor	\$431	\$434
1 Bedroom	\$583	\$600
2 Bedroom	\$695	\$704
3 Bedroom	\$786	\$813
TOTAL	\$650	\$668

demand for rental accommodation in the St. Catharines-Niagara CMA only softened for one bedroom units. The vacancy rate for one bedroom units climbed to 3.7 per cent, the highest of any bedroom type. Vacancy rates for all other apartment types, including bachelor, two bedroom and three plus bedroom units all registered lower vacancy rates this year.

Bachelor, two, and three plus bedroom units, represent 65 per cent of total rental stock in the survey. Stronger demand for these units translated into slightly higher rent increases compared to 2002. Average rents in the St. Catharines-Niagara CMA increased by 2.4 per cent in 2002 and 2.8 per cent this year.

The overall average rent was pushed up by rent increases for one and three plus bedroom units. Despite a jump in vacancies, average rents for one bedroom units increased by 2.9 per cent, the same as the Tenant Protection

Act Rent Review Guideline. Rent increases for three plus bedroom units at 3.4 per cent exceeded the Guideline.

Youth Employment, Double Cohort Stimulate Rental Demand, but Renters Vacate for Ownership

With only a small number of rental units constructed over the past few years, demand factors continue to drive the St. Catharines-Niagara rental market. First, after declining in 2001, employment levels for youth aged 15 to 24 have been on the rise. In the first nine months of 2003, youth employment increased five per cent above last year's annual average. While the 2001 Census showed that more youth remain in the parental home, improved job prospects for youth have strengthened rental demand.

Second, a jump in enrolment at both Brock University and Niagara College has also impacted the local rental market in 2003. Both institutions increased first year spaces in September 2003 to accommodate "double cohort" students. While the number of residence beds also increased, anecdotal evidence suggests stronger rental demand in the vicinity of both Brock University and the Welland Campus of Niagara College.

However, the combination of historically low mortgage rates, income and job growth in recent years is causing a shift to home ownership. With rents continuing to climb, some tenants have recognized that renting a larger two or three bedroom unit is comparable to buying. As such, more tenants have moved out of the rental market into home ownership. The net effect was for a slightly higher vacancy rate in 2003.

Vacancies Increase in Most Rent Ranges

The number of vacant units increased in most rent ranges in 2003, with the exception of those priced between \$650 and \$699, and \$800 to \$849. Apartments priced below \$500 hit a vacancy rate of 6.4 per cent this year. In fact, vacancy rates for units priced under \$600 registered vacancy rates in excess of four per cent. Given that vacancies in the St. Catharines-Niagara CMA were also highest in the oldest and smallest buildings, it is likely that higher vacancies in the lower price ranges are related to quality issues. The lowest vacancy rates in 2003 were for apartments priced above \$800, and between \$650 and \$699.

With higher vacancies in most price ranges, both new and existing renters have more available options. This year's survey did show, however, that vacancies jumped more for units priced below \$600. This suggests that renters of lower priced units moved to higher priced units this year, and new demand was not sufficient to offset the outflow. Moreover, this move-up activity within the rental market likely softened the impact of renters moving into home ownership, resulting in only slightly higher vacancy rates at the upper end of the market.

Rental Market Outlook

The job market for individuals in their prime renting years has been building momentum since

late 2002. An historically high level of youth employment into 2004 will boost demand for rental accommodation as more rental households are formed.

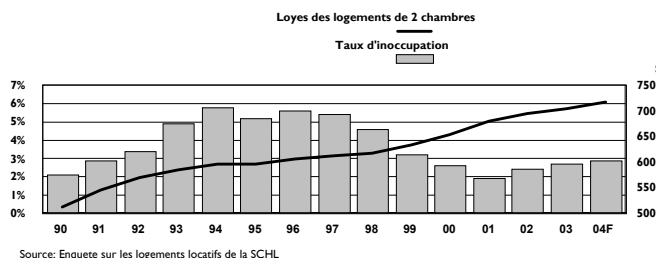
The impact of the double cohort will also boost rental demand, albeit more moderately in 2004. Some double cohort students delayed entry into post secondary education until September 2004. With enrolments expected to increase somewhat next year, demand for rental accommodation will remain strong in markets close to Brock University and Niagara College.

Despite the added stimulus to rental demand, the St. Catharines-Niagara CMA will

continue to lose renters to the ownership market in 2004. Although both resale and new home prices will see further increases, mortgage rates are forecast to increase only marginally next year. Historically low mortgage rates will still attract renters to the home ownership market.

With no significant rental supply anticipated in 2004, the above mentioned demand factors will see the vacancy rate edge up to 2.9 per cent. A third year of higher vacancies will keep rent increases in check. The average rent for the benchmark two bedroom unit will increase 2.0 per cent to \$718 in 2004.

RMR de St. Catharines-Niagara Taux D'inoccupation et loyers



Bulk of Vacant Units in Zones 1 and 3

The most significant changes in the rental market occurred in the cores of St. Catharines City (Zone 1) and Niagara Falls City (Zone 3). The vacancy rate in the core of St. Catharines City (Zone 1) increased from 2.5 per cent last year to 3.4 per cent in 2003. Vacancies increased in the one, two and three plus bedroom unit categories, with only bachelor units registering a lower vacancy rate.

Softer demand for rental units in Zone 1 clearly impacted rental charges. The average rent for both one and three plus bedroom units did not change from last year. Rents for two bedroom units were pushed downward 1.5 per cent. Rents for bachelor units, on the other hand, increased by less than one per cent.

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National Overview

The average rental apartment vacancy rate in Canada's 28 metropolitan centres rose to 2.2 per cent in October 2003 from 1.7 per cent a year ago, but is below the average of 3.4 per cent over the 1992 to 2002 period. This is the second consecutive annual increase in the vacancy rate.

The rise in the vacancy rate over the past year reflects a number of factors. Foremost among these are low mortgage rates, which reduced mortgage carrying costs and lessened demand for rental housing by bringing home ownership within reach of many renter households. Vacancy rates also rose because rental apartment completions added new rental supply in many centres. Nationally, vacancy rates have increased across the range of rent levels in a number of large centres. Nevertheless, at the most affordable level, there is still an inadequate supply of units.

Vacancy rates were higher in nine of Ontario's metropolitan areas. Only Greater Sudbury and Thunder Bay had lower vacancy rates than last year. Rates increased by at least one percentage point in Hamilton, Toronto, Kingston and Ottawa.

In Quebec, four of six metropolitan areas had higher vacancy rates than in 2002. Vacancy rates in

Sherbrooke and Trois-Rivieres declined by more than one per cent each. The greatest relative increase occurred in Gatineau, while Montreal, Quebec, and Saguenay vacancy rates rose modestly.

In the Prairies and British Columbia, vacancy rates went up in seven of eight metropolitan areas, the only exception being Victoria. In Calgary and Edmonton, the vacancy rates rose by 1.5 per cent and 1.7 per cent respectively.

In Atlantic Canada, the vacancy rate declined in all three centres. The vacancy rate in Saint John (NB) declined to 5.2 per cent, the highest rate of all metropolitan areas in Canada. Rates declined in St. John's (NFLD) to 2.0 per cent and in Halifax to 2.3 per cent.

CMHC's annual Rental Market Survey also shows that average rents for two-bedroom apartments increased in all metropolitan areas except Toronto and Calgary, where rents were essentially flat (down 0.7 per cent in Toronto, unchanged in Calgary). The highest average monthly rents for two-bedroom apartments were in Toronto (\$1,040), Vancouver (\$965), and Ottawa (\$932). The lowest average rents were in Trois-Rivieres (\$436) and Saguenay (\$457).

Apartment Vacancy Rates by Major Market

Apartment Vacancy Rates by Major Markets		
Census Metropolitan		
Area (CMA)	2002	2003
Abbotsford	2.0	2.5
Calgary	2.9	4.4
Saguenay	4.9	5.2
Edmonton	1.7	3.4
Halifax	2.7	2.3
Hamilton	1.6	3.0
Kingston	0.9	1.9
Kitchener	2.3	3.2
London	2.0	2.1
Montreal	0.7	1.0
St. Catharines-Niagara	2.4	2.7
Oshawa	2.3	2.9
Gatineau	0.5	1.2
Ottawa	1.9	2.9
Quebec	0.3	0.5
Regina	1.9	2.1
Saint John	6.3	5.2
St. John's	2.7	2.0
Saskatoon	3.7	4.5
Sherbrooke	1.8	0.7
Greater Sudbury	5.1	3.6
Thunder Bay	4.7	3.3
Toronto	2.5	3.8
Trois-Rivieres	3.0	1.5
Vancouver	1.4	2.0
Victoria	1.5	1.1
Windsor	3.9	4.3
Winnipeg	1.2	1.3
Charlottetown CA	2.2	3.5
CANADA	1.7	2.2

Acknowledgement

The success of the **Rental Market Survey** depends on the co-operation of property owners and property managers in providing timely and accurate information to our survey enumerators. Thank you for your assistance. We sincerely hope that the results of our efforts together will be of benefit to those directly and indirectly involved in the rental housing industry.

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Changes in Zone 3 are more marked. The vacancy rate in the core of Niagara Falls City jumped from 2.8 per cent in 2002 to 6.2 per cent this year. While vacant units increased in all apartment types, the vacancy rate for one bedroom units skyrocketed to 11.8 per cent. Survey data indicates that the above mentioned vacancies are located in smaller buildings and are fairly evenly spread. The average rent in Zone 3 increased 4.4 per cent in 2003, with the one bedroom unit rent rising by 7.1 per cent to \$601. The rental demand response to

higher rents in 2003 suggests much more subdued increases next year. Rents for two bedroom units in Zone 3 increased only marginally.

The vacancy rate in all other Zones in the St. Catharines-Niagara CMA declined this year with the exception of Fort Erie which remained unchanged. It is interesting to note that vacancy levels did indeed decline in both Zone 2 (remainder of St. Catharines City) and Zone 5 (Welland), the locations of Brock University and the main campus of Niagara College respectively. Increased demand in Zone 2,

resulting from larger first year enrolments, pushed the vacancy rate down in each of the bachelor, one and two bedroom units. Zone 2 also registered the highest rent increase in the St. Catharines-Niagara CMA at 5.4 per cent. Rent increases reached 7.0 per cent for three plus bedroom units, followed by 3.9 per cent for one bedroom units. The vacancy rate in Zone 5 (Welland Campus - Niagara College) dropped to 1.8 per cent, while average rents increased more moderately at 2.2 per cent.

Methodology

Canada Mortgage and Housing Corporation conducts the Rental Market Survey each year in October to determine the number of vacancies and the rents charged in private 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 report is mainly about privately initiated rental apartment structures of three or more units, the survey also includes rented row units and publicly initiated rental and co-op housing.

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

Definitions

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

Rent: Rent refers to the actual amount tenants pay. Amenities and services, such as heat, electricity, parking, hot water, and laundry facilities, may or may not be included in the rent. The average rent figures reported represent the average of different units, which may have some or all of the services included in the rent.

Rental Apartment Structure: Any building containing three or more rental dwellings that are not ground oriented.

Rental Row Structure: Any building with three or more ground oriented rental dwellings.

Mortgage Rate Forecast

Short-term mortgage rates move in tandem with the prime rate, while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets. Therefore, low interest rates in those markets call for posted mortgage rates to stay low over the next few quarters.

One, three, and five-year posted closed mortgage rates are expected to remain relatively flat for the remainder of this year, perhaps rising by 25 basis points. Next year these rates will begin to increase by 50-75 basis points and are expected to be in the 4.50-5.25, 5.75-6.50, and 6.25-7.25 per cent range respectively.

Spreads between mortgage rates and comparable bond yields have remained at 150-250 bps in the last few years, providing lenders with some room to negotiate discounts from the posted rates. These spreads and discounts are likely to persist in the near term.

Private Apartments - Vacancy Rates by Zone and Bedroom Type (%) St. Catharines-Niagara CMA

Area		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
		2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	Core	3.4	1.7	2.1	3.2	2.6	3.7	3.7	5.4	2.5	3.4
Zone 2	Remainder	11.4	4.0	2.6	1.6	1.0	0.5	1.1	2.5	1.9	1.2
Zones 1-2	St. Catharines City	6.4	2.4	2.4	2.4	1.6	1.6	1.5	3.0	2.1	2.1
Zone 3	Core	**	**	3.0	11.8	2.9	3.7	**	**	2.8	6.2
Zone 4	Remainder	**	**	0.9	0.4	3.1	2.6	**	**	2.4	2.2
Zones 3-4	Niagara Falls City	**	**	2.5	8.6	3.0	3.3	**	2.2	2.6	4.6
Zone 5	Welland	1.2	**	2.1	2.2	1.5	1.2	4.6	**	2.0	1.8
Zone 6	Other Areas	**	**	4.1	3.4	2.5	2.0	**	1.7	3.3	2.5
Zone 7	Fort Erie	**	**	5.5	**	5.8	3.0	0.0	**	5.5	5.5
St. Catharines-Niagara CMA		4.2	3.6	2.6	3.7	2.1	2.0	2.5	2.3	2.4	2.7

Private Apartments - Average Rents by Zone and Bedroom Type (\$) St. Catharines-Niagara CMA

Area		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
		2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	Core	439	442	587	587	704	693	794	794	638	630
Zone 2	Remainder	483	490	623	647	746	769	869	930	705	743
Zones 1-2	St. Catharines City	457	458	607	619	730	742	857	909	679	698
Zone 3	Core	**	**	561	601	681	682	**	**	619	646
Zone 4	Remainder	**	**	609	629	695	704	**	**	681	691
Zones 3-4	Niagara Falls City	**	**	572	610	687	691	**	758	642	663
Zone 5	Welland	397	**	553	564	659	668	681	**	614	627
Zone 6	Other Areas	**	**	528	546	637	650	**	718	601	614
Zone 7	Fort Erie	**	**	523	**	591	618	695	**	555	582
St. Catharines-Niagara CMA		431	434	583	600	695	704	786	813	650	668

Number of Publicly Funded Units St. Catharines-Niagara CMA

	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Apartments	2	168	3	3,079	13	1,046	17	433	34	4,725
Row Units	0	12	0	24	1	524	8	1,177	9	1,737

**Sample size too small to be released

Private Apartments - Vacant and Total Universe St. Catharines-Niagara CMA											
Area		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
		Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1	Core	4	217	48	1,487	49	1,344	6	107	107	3,155
Zone 2	Remainder	4	95	26	1,615	14	2,538	16	612	60	4,861
Zones 1-2	St. Catharines City	8	313	74	3,102	63	3,882	21	719	166	8,016
Zone 3	Core	**	**	83	700	47	1,262	**	**	130	2,100
Zone 4	Remainder	**	**	1	274	23	888	**	**	29	1,327
Zones 3-4	Niagara Falls City	**	**	84	974	70	2,150	5	216	159	3,427
Zone 5	Welland	**	**	21	938	19	1,529	**	**	51	2,837
Zone 6	Other Areas	**	**	16	467	17	860	2	112	38	1,490
Zone 7	Fort Erie	**	**	**	**	6	190	**	**	22	399
St. Catharines-Niagara CMA		20	556	210	5,668	175	8,611	30	1,334	435	16,169

Private Apartments - Vacancy Rates by Year of Completion and Bedroom Type (%) St. Catharines-Niagara CMA										
Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Pre 1940	**	**	6.6	13.6	6.2	4.8	**	**	6.5	8.4
1940 - 1959	6.1	0.0	3.6	7.4	4.0	5.2	2.6	**	3.9	5.9
1960 - 1974	0.4	3.3	2.4	2.5	1.5	1.3	2.1	2.2	1.8	1.9
1975 - 1984	0.0	0.0	0.8	2.3	1.2	1.2	1.2	1.8	1.1	1.7
1985 - 1994	2.8	**	2.1	1.3	2.6	2.3	**	**	2.8	1.8
After 1995	N/U	N/U	**	**	**	0.0	**	**	**	0.0
Total	4.2	3.6	2.6	3.7	2.1	2.0	2.5	2.3	2.4	2.7

Private Apartments - Average Rents by Year of Completion and Bedroom Type (\$) St. Catharines-Niagara CMA										
Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Pre 1940	**	**	490	524	587	589	**	**	536	544
1940 - 1959	398	426	489	525	591	615	640	**	536	585
1960 - 1974	455	444	598	605	706	702	808	767	668	666
1975 - 1984	489	503	631	644	733	754	810	841	698	719
1985 - 1994	397	**	596	594	727	736	**	**	668	687
After 1995	N/U	N/U	**	**	**	700	**	**	**	1002
Total	431	434	583	600	695	704	786	813	650	668

Private Apartments - Average Vacancy Rate by Structure Size and Bedroom Type St. Catharines CMA										
Structure Size	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
3 - 5 units	7.7	8.4	5.5	9.6	5.5	4.8	4.5	2.6	5.5	6.3
6 - 19 units	4.3	3.9	3.4	5.4	2.9	3.5	**	**	3.2	4.2
20 - 49 units	**	0.0	1.7	2.0	1.6	1.3	0.8	0.0	1.6	1.4
50 - 99 units	0.0	**	1.7	1.1	1.2	1.0	1.2	2.7	1.4	1.1
100+ units	**	0.0	0.9	1.6	0.7	0.7	1.1	2.2	0.8	1.1
Total	4.2	3.6	2.6	3.7	2.1	2.0	2.5	2.3	2.4	2.7

**Sample size too small to be released

Private Apartments - Average Vacancy Rates by Rent Range and Bedroom Type (%)
St. Catharines-Niagara CMA

	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
< \$500	4.6	4.9	5.6	8.3	10.8	5.2	**	**	6.2	6.4
\$500 - 549	**	0.0	1.4	5.4	1.4	3.9	**	**	1.3	4.3
\$550 - 599	**	**	2.3	5.2	1.9	4.9	**	**	2.1	5.2
\$600 - 649	**	**	2.1	1.6	2.2	3.6	**	**	2.2	2.4
\$650 - 699	**	N/U	1.7	1.6	2.6	2.0	**	1.1	2.3	1.8
\$700 - 749	N/U	N/U	1.7	4.2	2	1.8	**	**	2.2	2.4
\$750 - 799	N/U	N/U	**	**	2	1.9	2.5	**	2	2.3
\$800 - 849	N/U	N/U	**	**	0.2	0.3	**	0.8	1.4	0.4
Over \$850	N/U	N/U	**	**	**	**	0.3	2.9	0.7	1.3

**Sample size too small to be released

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