RENTAL MARKET REPORT
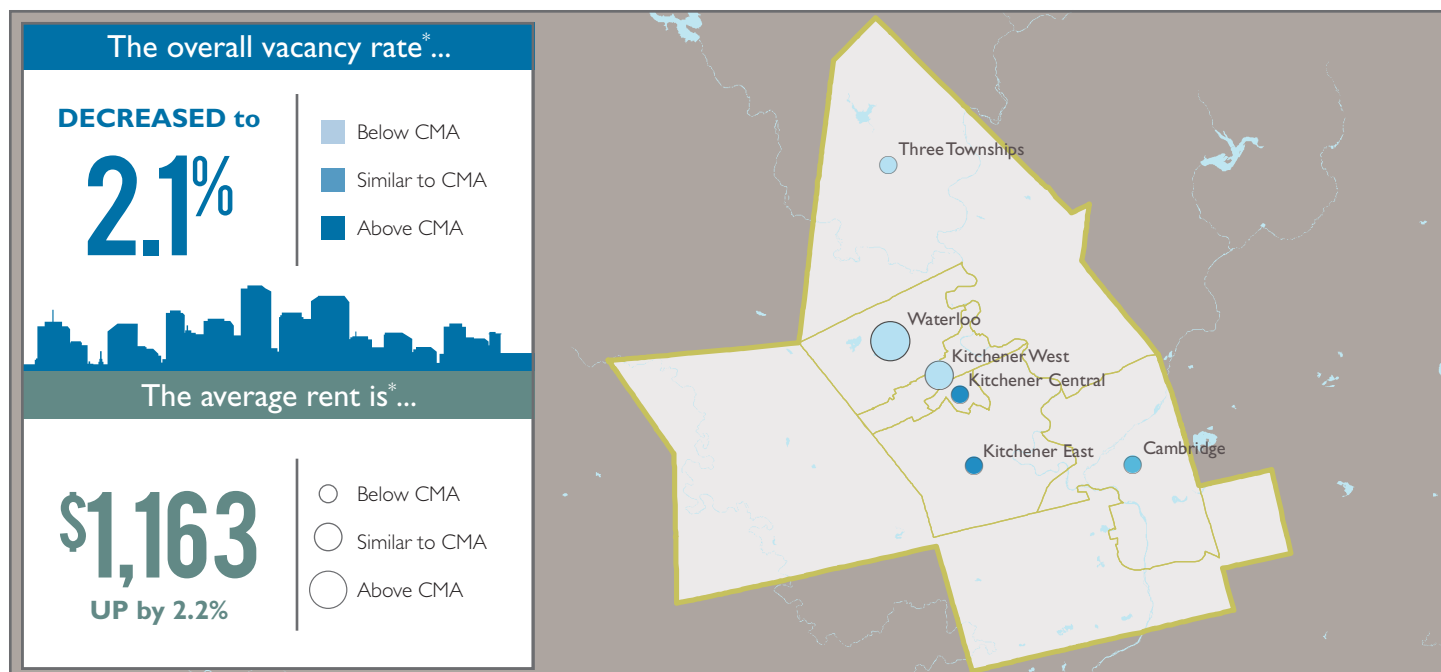## Kitchener-Cambridge-Waterloo CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: 2020

The overall vacancy rate*...

DECREASED to

2.1%

- ☐ Below CMA
- ☐ Similar to CMA
- ■ Above CMA

The average rent is*...

$1,163

UP by 2.2%

- ○ Below CMA
- ○ Similar to CMA
- ○ Above CMA

Three Townships

Waterloo

Kitchener West

Kitchener Central

Kitchener East

Cambridge

PRIMARY RENTAL MARKET *(by bedroom type)*

Bachelor	One bedroom	Two bedroom	Three or more bedrooms
3.2%	2.1%	2.1%	1.3%
Vacancy Rate	**Vacancy Rate**	**Vacancy Rate**	**Vacancy Rate**
$810 **Avg. Rent**	$1,045 **Avg. Rent**	$1,231 **Avg. Rent**	$1,300 **Avg. Rent**

"Strong population growth caused rental market conditions to tighten, resulting in lower vacancy rates and turnover rates."

Jennifer Y. Tsao
Senior Analyst, Economics

*CMHC collects data on the primary and secondary rental market annually, in the fall. These data refer to the primary rental market, which only includes rental units in privately-initiated apartment structures containing at least three rental units. The secondary rental market covers rental dwellings that were not originally purpose-built for the rental market, including rental condominiums. The primary vacancy rate and rent level is based on all surveyed structures, while the rent increase is based only on structures common to the survey sample in both the current and previous year.

Canada

CMHC ♦ SCHL

Key Analysis Findings

- The sample of apartment structures common to the 2018 and 2019 surveys saw rents increase by 5.0% over the past year, above the provincial rent guideline of 1.8%.

- Strong demand resulted in declining vacancy rates, in both primary rental apartments and rental condominium apartments.

- Total stock of purpose-built rental apartments fell by 2.3% compared to a year ago, which was the first annual decrease since 2012.

Rental Market Conditions have Tightened

According to the Rental Market Survey (RMS) of October 2019, the overall vacancy rate in the Kitchener-Cambridge-Waterloo Census Metropolitan Area (KCW CMA) decreased to 2.1%, down from 2.9% in October 2018.[1] With the exception of Cambridge, vacancy rates declined across all municipalities within the CMA. Notably, Waterloo saw its vacancy rates decline from 3.1 to 1.6%, partly due to the decline in rental stock.

## Strong Population Growth Continued to Drive Up Rental Demand

In between 2017 and 2018, KCW CMA was the second fastest growing CMA in Ontario. In 2019, its population continued to grow at a pace unprecedented for the CMA (Figure 1). While the population has historically grown at an average of 4,650 persons annually from 2006 to 2014, recent annual increases have averaged around 12,505 persons per year from 2015 onwards. A large part of the growth is due to increased levels of migration, both from other parts of Ontario and non-permanent residents. In addition, the fast population increase amidst record prices and the dampened number of active listings in the resale market put pressure on the rental market, contributing to the decline in vacancy rates. One particular demographic segment, young professionals (25 to 34 years old),

are moving in to KCW at increasing numbers (Figure 2). With the exception of bachelor units, all bedroom types saw vacancy rates fall in October 2019 compared to October 2018. The increase in average rent for a sample of structures common to the RMS in 2018 and 2019 was 5.0%,[2] above the provincial guidelines of 1.8% for 2019.

Supply of Purpose-Built Rental Units Decreased while Condominium Rental Apartments Increased

The composition of rental supply has altered, with rental condominium apartments gaining market share. October 2019 marked the first time since 2012 where the total stock of purpose-built rental units decreased relative to the previous year. This was partly because some purpose-built rentals were converted into
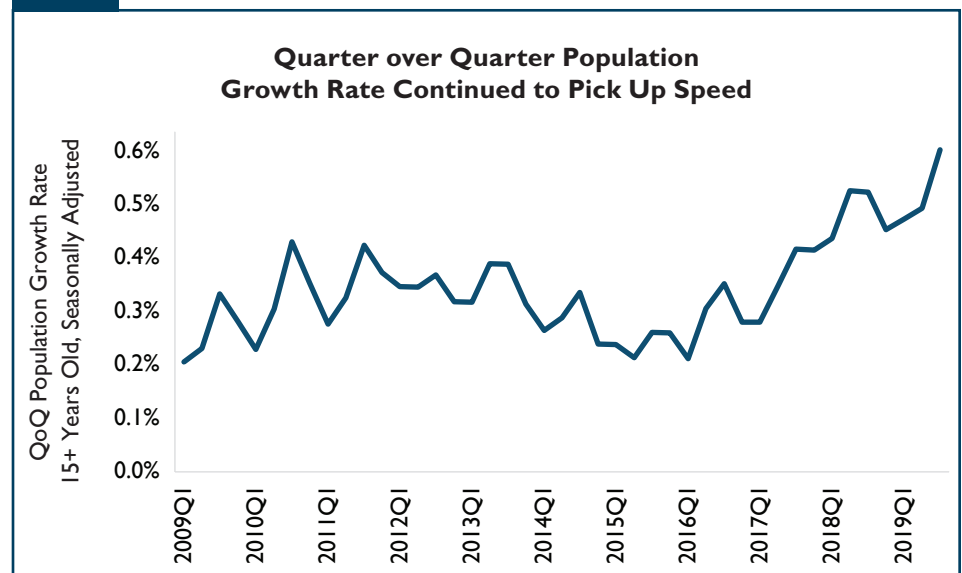
Source: Statistics Canada

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[1] The survey is based on privately initiated rental apartment structures of three or more units.

[2] When comparing year-over-year average rents, the age of the building needs to be taken into consideration because rents in newly built structures tend to be higher than in existing buildings. By comparing rents for units that are common to both 2018 and 2019 Fall Rental Market Surveys, we can get a better indication of actual rent increases paid by most tenants.
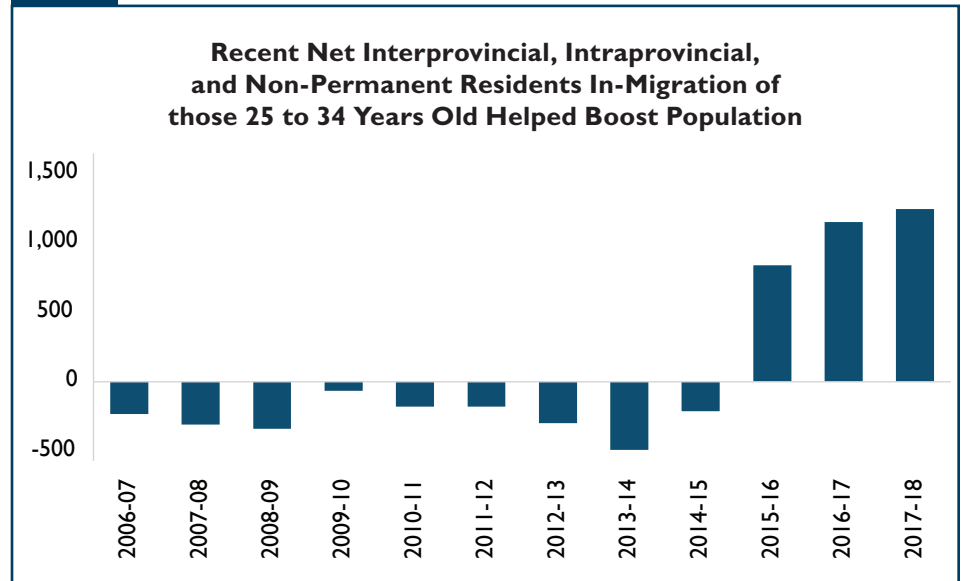
[3] A rental unit should provide individual tenants with their own set of kitchen, bathroom, and general set of amenities of a "self-contained" unit for CMHC to count it as a unit in the primary rental market. Student housing units generally do not fulfill the characteristics of a self-contained unit, and are not counted in the Rental Market Survey.

condominiums and student rentals.[3] Overall, compared to October 2018, this year saw the number of purpose-built rental apartments fall by 2.3%, while the estimated stock of rental condominium apartments rose by 16.4%. This suggests that the market is responding to a shift of renter preferences towards rental condominium units, which was also supported by in-migration of young professionals. As of October 2019, at 0.6%, rental condominium apartments exhibited their lowest vacancy rate since 2015.
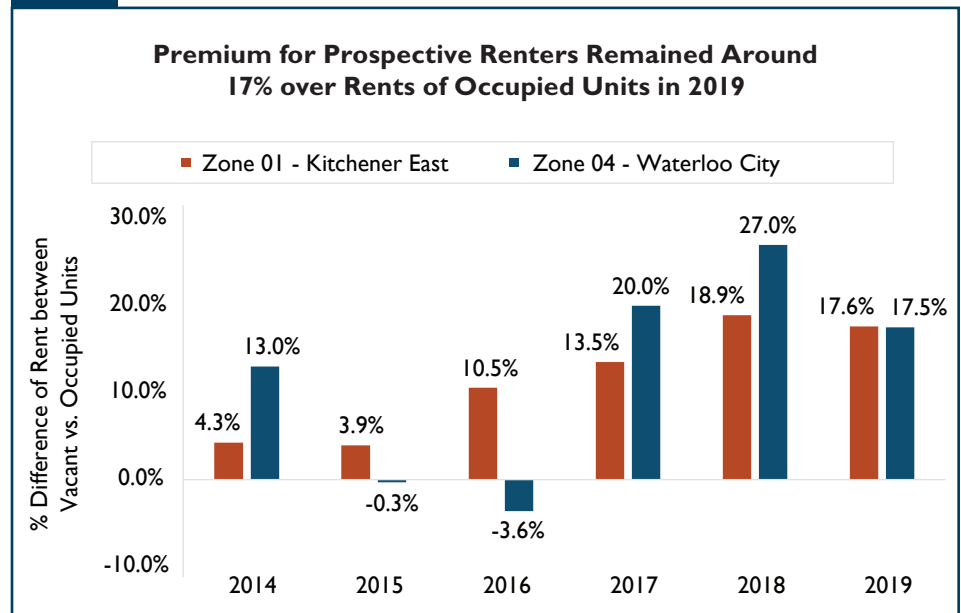
Turnover Rates Declined

The KCW CMA turnover rate declined from 18.8% to 14.2% over the past year. This is the lowest it has been since CMHC first started tracking the statistic in 2016, and is close to the provincial average of 13.0%. While younger city centres[4] with a sizeable presence of post-secondary institutions generally exhibit higher turnover rates, the falling turnover rate in 2019 was indicative of the tight rental market conditions. Renters did not move as much because asking rents have become increasingly higher (Figure 3). Moreover, the dampened number of available listings in the resale market likely caused some prospective first-time homebuyers to stay in the rental market, contributing to the lower turnover rate. Two survey zones, Kitchener East and Waterloo City saw the largest decrease in vacancy rates in between October 2018 and 2019 and faced the most upwards pressure on rents. As a result, Waterloo became the most unaffordable area in the CMA for new prospective tenants.
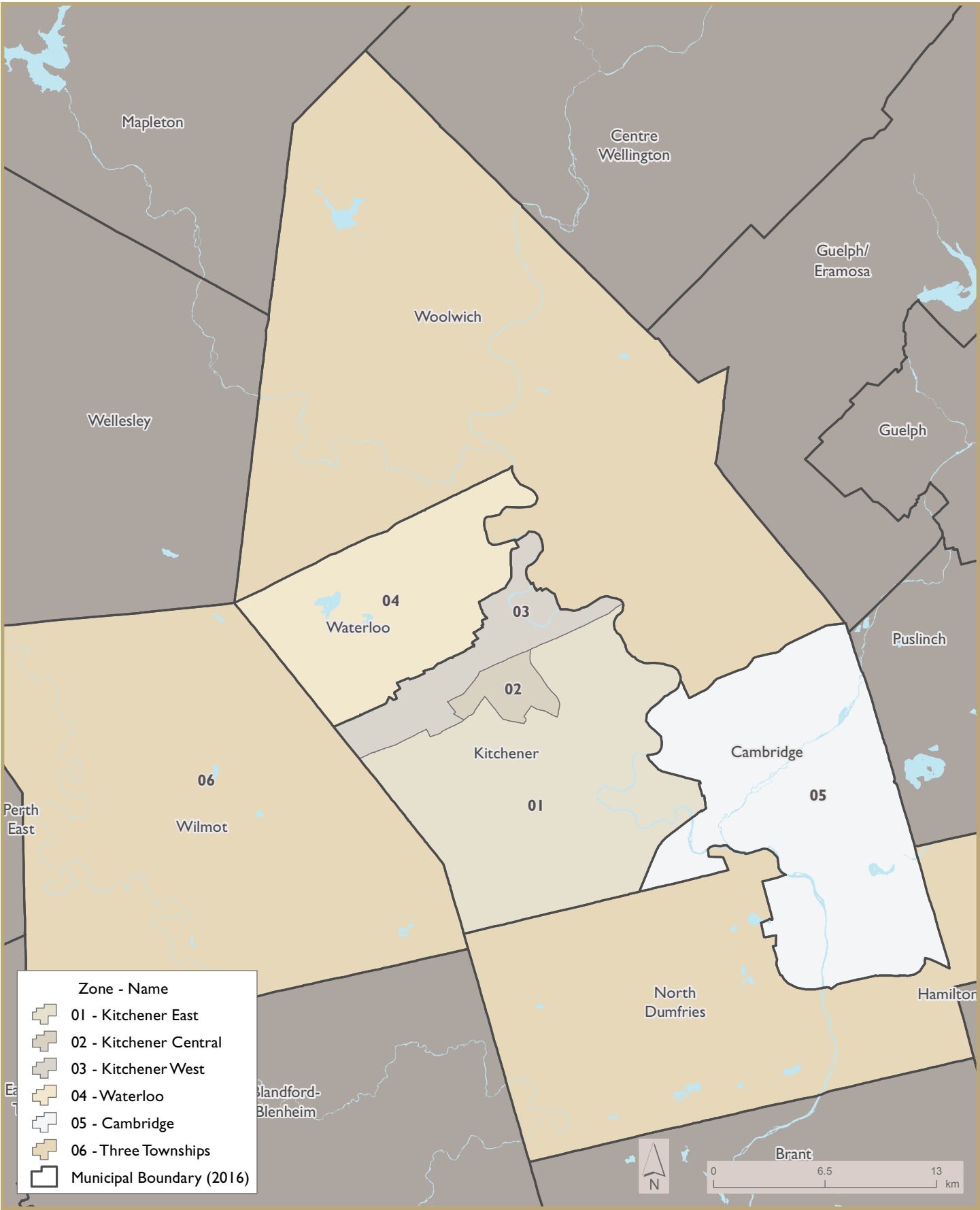
Figure 2

Recent Net Interprovincial, Intraprovincial, and Non-Permanent Residents In-Migration of those 25 to 34 Years Old Helped Boost Population

Source: Statistics Canada

Figure 3

Premium for Prospective Renters Remained Around 17% over Rents of Occupied Units in 2019

Source: CMHC Rental Market Survey 2019, author's calculations

[4] According to the 2016 Census, the median age of KCW CMA was 38.6, below the Ontario average of 41.3.

Mapleton

Centre
Wellington

Guelph/
Eramosa

Woolwich

Wellesley

Guelph

04
Waterloo

03

Puslinch

02

Kitchener

Cambridge

06

01

05

Perth
East

Wilmot

North
Dumfries

Hamilton

Zone - Name
01 - Kitchener East
02 - Kitchener Central
03 - Kitchener West
04 - Waterloo
05 - Cambridge
06 - Three Townships
Municipal Boundary (2016)

Blandford-
Blenheim

Brant

N

0	6.5	13
		km

RMS ZONE DESCRIPTIONS - KITCHENER-CAMBRIDGE-WATERLOO CMA	
Zone 1	**Kitchener East** - *Highland Rd. West, Mill St., Victoria Ave. (north), N. Dumfries boundaries (New Dundee Rd.) (south), Woolwich Twp. (Grand River), Cambridge, Hwy 401 (east), Trussler Rd. (west).*
Zone 2	**Kitchener Central** - *Victoria Ave. (north), Highland Rd. West, Mill St. (south), Conestoga Pkwy (east), Lawrence Ave. (west).*
Zone 3	**Kitchener West** - *Waterloo City boundaries (north), Highland Rd. West, Mill St., Victoria Ave. (south), Woolwich Twp. (Grand River) (east), Wilmot Line/Wilmot Twp boundaries (west).*
Zones 1-3	**Kitchener City**
Zone 4	**Waterloo** - *Woolwich Twp boundaries (north), Kitchener City boundaries (south), Woolwich Twp. (Grand River) (east), Wilmot Line (west).*
Zone 5	**Cambridge** - *Woolwich Twp boundaries (north), N. Dumfries Twp boundaries (south), Town Line Rd. (N. Dumfries Twp, Puslinch Twp) (east), Kitchener City boundaries (west).*
Zone 6	**Three Townships - Woolwich:** *Waterloo City, Cambridge City boundaries (south), Puslinch Twp (east), Regional Rd 16, Waterloo City, Kitchener City (west);* **N. Dumfries:** *Kitchener City, (north), Cambridge City boundaries (east), Trussler Rd. (west);* **Wilmot:** *Gerber / Cedar Grove Rd. (north), Oxford Waterloo Rd. (south), Kitchener City (east), Wilmot Easthope Rd. / Oxford Rd. 5 (west).*
Zones 1-6	**Kitchener-Cambridge-Waterloo CMA**

6 ⌃

TECHNICAL NOTE:

Difference between Percentage Change of Average Rents (Existing and New Structures) AND Percentage Change of Average Rents from Fixed Sample (Existing Structures Only):

Percentage Change of Average Rents (New and Existing Structures): The increase/decrease obtained from the calculation of percentage change of average rents between two years (example: $500 in the previous year vs. $550 in current survey represents an increase of 10 percent) is impacted by changes in the composition of the rental universe (e.g. the inclusion of newly built luxury rental buildings in the survey, rental units renovated/upgraded or changing tenants could put upward pressure on average rents in comparison to the previous year) as well as by the rent level movement (e.g. increase/decrease in the level of rents that landlords charge their tenants).

Percentage Change of Average Rents from Fixed Sample (Existing Structures Only): This is a measure that estimates the rent level movement. The estimate is based on structures that were common to the survey sample for both the previous year and the current Rental Market Surveys. However, some composition effects still remain e.g. rental units renovated/upgraded or changing tenants because the survey does not collect data to such level of details.

METHODOLOGY FOR RENTAL MARKET SURVEY

Canada Mortgage and Housing Corporation (CMHC) conducts the **Rental Market Survey** (RMS) every year in October to estimate the relative strengths in the rental market. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. The survey targets only privately initiated rental structures with at least three rental units, which have been on the market for at least three months. The survey collects market rent levels, turnover and vacancy unit data for all sampled structures.

The survey is conducted by a combination of telephone interviews and site visits, and information is obtained from the owner, manager, or building superintendent. The survey is conducted during the month of October, and the results reflect market conditions at that time.

CMHC is constantly reviewing the Universe of rental structures in the rental market Universe to ensure that it is as complete as possible. Every year, any newly completed rental structures with at least 3 rental units are added to the Universe. In addition to this, CMHC undertakes comprehensive reviews by comparing the Universe listing to other sources of data to ensure that the list of structures is as complete as possible.

CMHC's Rental Market Survey provides a snapshot of vacancy and turnover rates and average rents in both new and existing structures. There also exists a measure for the change in rent that is calculated based on existing structures only. The estimate is based on structures that were common to the survey sample for both the previous and the current Rental Market Surveys. The change in rent in existing structures is an estimate of the change in rent that the landlords charge and removes compositional effects on the rent level movement due to new buildings, conversions, and survey sample rotation. The estimate of percent change in rent is available in all Canada and Provincial Highlights publications, and also in the CMA reports. The rent levels in new and existing structures are also published. While the percent change in rents in existing structures published in the reports are statistically significant, changes in rents that one might calculate based on rent levels in new and existing structures may or may not be statistically significant.

METHODOLOGY FOR CONDOMINIUM APARTMENT SURVEY

Canada Mortgage and Housing Corporation (CMHC) conducts the Condominium Apartment Survey (CAS) in September to estimate the relative strengths in the condo apartment rental market The CAS collects the number of units being rented out and the vacancy and rent levels of these units in the following CMAs: Calgary, Edmonton, Gatineau, Halifax, Hamilton, Kelowna, Kitchener, London, Montréal, Ottawa, Québec, Regina, Saskatoon, Toronto, Vancouver, Victoria and Winnipeg. The CAS is a census of all apartment condos with 3 units and over, with the exception of Montréal, where a sample of structures is surveyed. The CAS is conducted by telephone interviews and information is obtained from the property management company, condominium (strata) board, or building superintendent. If necessary, this data can be supplemented by site visits if no telephone contact is made.

RENTAL MARKET SURVEY (RMS) AND CONDOMINIUM APARTMENT SURVEY (CAS) DATA RELIABILITY

CMHC does not publish an estimate (e.g. Vacancy Rates and Average Rents) if the reliability of the estimate is too low or the confidentiality rules are violated. The ability to publish an estimate is generally determined by its statistical reliability, which is measured using the coefficient of variation (CV). CV of an estimate is defined as the ratio of the standard deviation to the estimate and CV is generally expressed a percentage. For example, let the average rent for one bedroom apartments in a given CMA be $\bar{x}$ and its standard deviation be $\sigma_{\bar{x}}$. Then the Coefficient of Variation is given by $CV = \frac{\sigma_{\bar{x}}}{\bar{x}}$.

Reliability Codes for Proportions

CMHC uses CV, sampling fraction and universe size to determine the ability to publish proportions such as vacancy rates, availability rates and turnover rates. The following letter codes are used to indicate the level of reliability of proportions:

a — Excellent
b — Very good
c — Good
d — Fair (Use with Caution)
** — Poor — Suppressed
++ – Change in rent is not statistically significant. This means that the change in rent is not statistically different than zero (0).
- – No units exist in the universe for this category
n/a – Not applicable

The following two tables indicate the level of reliability of proportions:

If the proportion is Zero (0) and sampling fraction is less than 100% then the following levels are assigned:

Sampling Fraction (%) range

Structures in Universe	(0,20]*	(20,40]	(40,60]	(60,80]	(80,100)
3 – 10	Poor	Poor	Poor	Poor	Poor
11 – 20	Poor	Fair	Fair	Fair	Good
21 – 40	Poor	Fair	Fair	Good	Very Good
41 – 80	Poor	Fair	Good	Good	Very Good
81+	Poor	Good	Good	Very Good	Very Good

*(0, 20] means sampling fraction is greater than 0% but less than or equal to 20%; others are similar.

Otherwise, the following table is used to determine the reliability level of proportions:

Coefficient of Variation (CV) %

Vacancy Rate	0	(0,5]	(5,10]	(10,16.5]	(16.5,33.3]	(33.3,50]	50+
(0,0.75]	Excellent	Excellent	Excellent	Excellent	Excellent	V. Good	V. Good
(0.75,1.5]	Excellent	Excellent	Excellent	Excellent	Excellent	Fair	Poor
(1.5,3]	Excellent	Excellent	Excellent	V. Good	Good	Poor	Poor
(3,6]	Excellent	Excellent	V. Good	Good	Fair	Poor	Poor
(6,10]	Excellent	Excellent	V. Good	Good	Poor	Poor	Poor
(10,15]	Excellent	Excellent	Good	Fair	Poor	Poor	Poor
(15,30]	Excellent	Excellent	Fair	Poor	Poor	Poor	Poor
(30,100]	Excellent	Excellent	Poor	Poor	Poor	Poor	Poor

Reliability Codes for Averages and Totals

CMHC uses the CV to determine the reliability level of the estimates of average rents and a CV cut-off of 10% for publication of totals and averages. It is felt that this level of reliability best balances the need for high quality data and not publishing unreliable data. CMHC assigns a level of reliability as follows (CV's are given in percentages):

a — If the CV is greater than 0 and less than or equal to 2.5 then the level of reliability is **Excellent**.
b — If the CV is greater than 2.5 and less than or equal to 5 then the level of reliability is **Very Good**.
c — If the CV is greater than 5 and less than or equal to 7.5 then the level of reliability is **Good**.
d — If the CV is greater than 7.5 and less than or equal to 10 then the level of reliability is **Fair**.
** — If the CV is greater than 10 then the level of reliability is **Poor**. (Do Not Publish)

Arrows indicate Statistically Significant Changes

Use caution when comparing statistics from one year to the next. Even if there is a year over year change, it is not necessarily a statistically significant change. When applicable, tables in this report include indicators to help interpret changes:

↑ **indicates the year-over-year change is a statistically significant increase.**
↓ **indicates the year-over-year change is a statistically significant decrease.**
– indicates that the effective sample does not allow one to interpret any year-over-year change as being statistically significant.

△ **indicates that the change is statistically significant**

DEFINITIONS

Availability: A rental unit is considered available if the existing tenant has given, or has received, notice to move, and a new tenant has not signed a lease; or the unit is vacant (see definition of vacancy below).

Rent: The rent refers to the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water. For available and vacant units, the rent is the amount the owner is asking for the unit.

It should be noted that the average rents reported in this publication provide a sound indication of the amounts paid by unit size and geographical sector. Utilities such as heating, electricity and hot water may or may not be included in the rent.

Rental Apartment Structure: Any building containing three or more rental units, of which at least one unit is not ground oriented. Owner-occupied units are not included in the rental building unit count.

Rental Row (Townhouse) Structure: Any building containing three or more rental units, all of which are ground oriented with vertical divisions. Owner-occupied units are not included in the rental building unit count. These row units in some centres are commonly referred to as townhouses.

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

Turnover: A unit is counted as being turned over if it was occupied by a new tenant moved in during the past 12 months. A unit can be counted as being turned over more than once in a 12 month period.

Definitions of Census Areas referred to in this publication are as follows:

A census metropolitan area (CMA) or a census agglomeration (CA) is formed by one or more adjacent municipalities centred on a large urban area (known as the urban core). The census population count of the urban core is at least 10,000 to form a census agglomeration and at least 50,000 to form a census metropolitan area. To be included in the CMA or CA, other adjacent municipalities must have a high degree of integration with the central urban area, as measured by commuting flows derived from census place of work data. CMAs and CAs contain whole municipalities or Census Subdivisions.

October 2017 and October 2018 data is based on Statistics Canada's 2016 Census area definitions.

Acknowledgement

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