



RENTAL MARKET

REPORT

Oshawa

Canada Mortgage and Housing Corporation

www.cmhc.ca

Oshawa Vacancy Rate Higher in 2004

October 2004 Survey

The vacancy rate in privately initiated rental apartment buildings with three or more units in the Oshawa CMA (Census Metropolitan Area) continued an upward trend started in 2002. The October 2004 vacancy rate increased to 3.4 per cent compared to 2.9 per cent in 2003 and 2.3 per cent in 2002 according to the Rental Market Survey conducted annually in October by Canada Mortgage and Housing Corporation (CMHC). All bedroom types, except one bedroom units, experi-

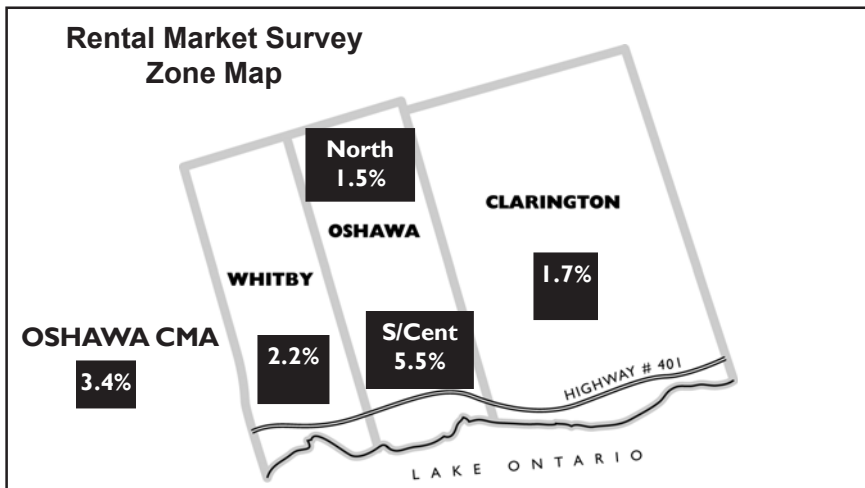
enced higher vacancy rates this year.

Rent increases were subdued due to the softer demand for rental accommodation during the past two years. The average rent in two-bedroom units, the most populous type, went up marginally. Average rents in one-bedroom units remained virtually unchanged. Only bachelor and three plus bedroom units recorded average rent increases above the Tenant Protection

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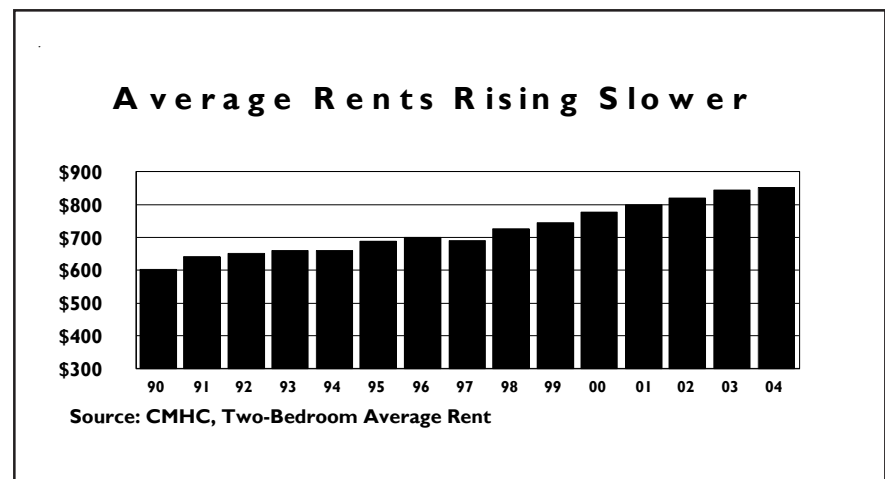
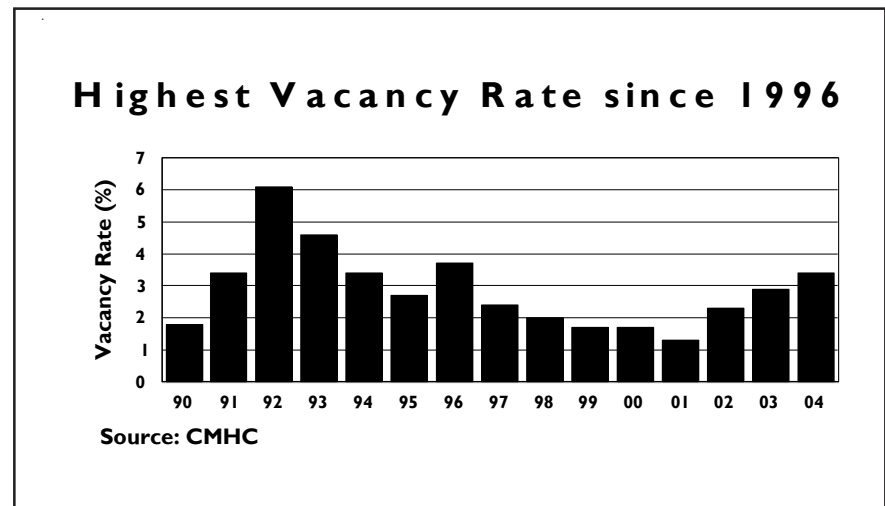
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Act's 2.9 per cent Rent Review Guideline for 2004. The Tenant Protection Act permits landlords to adjust rent to market levels on units that turnover, but keep occupied unit rent increases to the guideline. Above guideline increases are allowed due to significantly higher municipal taxes and utilities, major renovations or repairs, and added security services. The most popular two bedroom units saw a very marginal increase in average rents, but a higher than average increase in vacancy rates. Bachelor rents shot up close to triple the general rate of inflation. The resulting decrease in bachelor rental unit demand lifted the vacancy rate to a very high 4.2%. One bedroom unit rents remained essentially unchanged. Consequently, a reduction in one bedroom vacancy rates suggest that some bachelor renters found one bedroom units as affordable. The second largest rent increase was for three plus bedroom units, but vacancy rates for this bedroom type did not increase quite as much.

Rental demand softens

Several factors explain why the demand for rental has softened. Firstly, low mortgage rates and solid consumer confidence have allowed many renters to move into home ownership as first-time buyers. Existing home sales in the Oshawa CMA will reach record levels in 2004 reflecting softer demand for rental accommodation.

Secondly, first-time homeowners usually buy resale, but some renters purchase new homes from plans. Strong new home completions suggest that some of



these renters should have moved into their new homes.

Thirdly, a decline in employment for those aged 15-24, the prime renters, will negatively impact rental demand.

Finally, more young people are bypassing rental to move directly into homeownership. According to 2001 Census data, approximately 47 per cent of young adults, aged 20-29, remained in their parental home.

Some factors will act to boost rental demand, for example student demand for rental accommodation and migration to the Oshawa CMA have mitigated

the decline in rental demand. Renters have a very limited choice of new rental units as only eight conventional rental units were completed in the Oshawa CMA in the past year.

Weaker low end demand

The high vacancy rates in most price ranges indicates that renters have more available choice, and more bargaining power, whether it is a new renter looking for a first apartment, or an existing renter making a change. Landlords are faced with an increasing challenge in attracting and keeping tenants. Units priced below \$600 recorded the highest vacancy rate, well above the Oshawa average. Many of

these are smaller units in older, less desirable buildings. Apartments priced above \$1,000 had the lowest vacancy rate. There is limited choice for renters who demand rental accommodation in high-end buildings with more amenities.

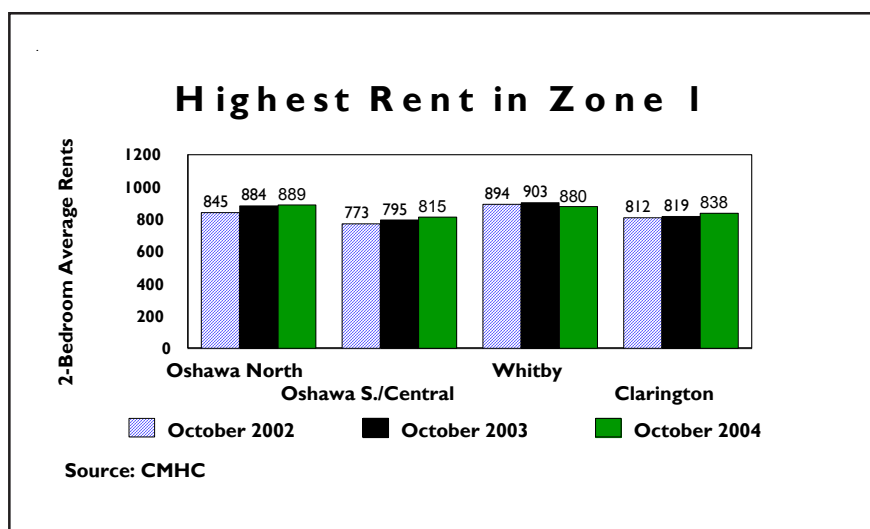
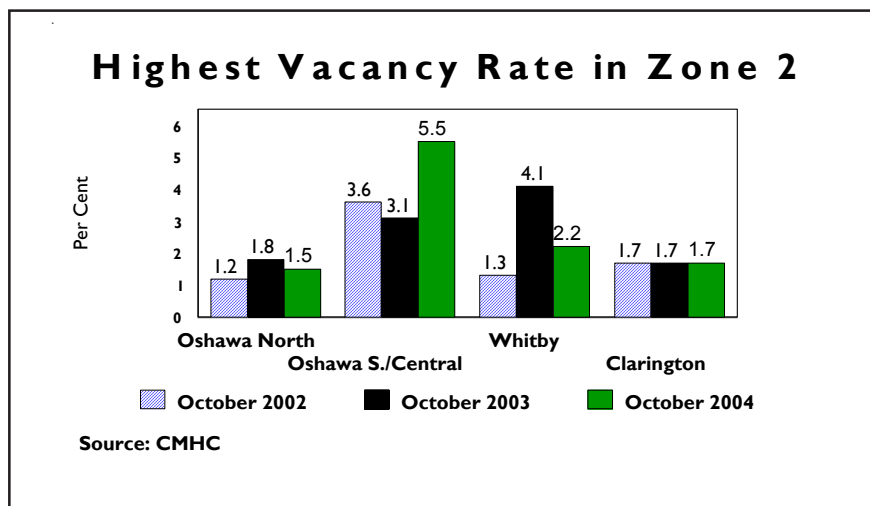
Except for bachelor units, first quintile rents had the highest increase of any quintiles. For all units types, rents increased at a rate higher than the general level of inflation. Vacancy rates tended to be higher in the lowest two quintiles in the Oshawa CMA. For the most populous two bedroom units, 80 per cent were rented above \$775.

Sub-market differences

There are Sub-market differences in the vacancy rates and average rents in Oshawa.

The influx of students to the University of Ontario Institute of Technology (UOIT) and Durham College is keeping rental demand strong in North Oshawa (Zone 1). Vacancy rates for one bedroom and three plus bedroom units there were the lowest in the CMA. With most of the private rental stock in this area built after 1960, and demand for rental accommodation the strongest in the CMA, rents for two-bedroom units are the highest in the CMA. Although rental demand is high in North Oshawa, rent increases were limited by a high vacancy rate the previous year. Vacancy rates in 2003 were the highest since 1996.

The average vacancy rate in South/Central Oshawa jumped to a very high 5.5 per cent. After



being the only area in the CMA to show a decline in vacancy rates in 2003, South/Central Oshawa (Zone 2) was the only area in the CMA to show an increase in vacancy rates in 2004. This area is an older, blue collar working class area, with the second lowest rents of any of the zones in the CMA. The move to homeownership in this area was slower to take hold as households required longer periods of time to save for a down payment. Many existing renters also took advantage of abundant rental choice in other areas of the CMA to move to larger units with more amenities. Also impacting the higher vacancy rate are the higher rents.

Landlords in South/Central Oshawa, after keeping their rents competitive to attract new tenants last year, increased their rents this year. South/Central Oshawa had the highest overall increase in average rents.

The high vacancy rate in Whitby in 2003 prompted many landlords to lower their rents this year to attract new tenants. The average rent for both one and two bedroom units slipped below levels charged last year and Whitby's vacancy rate dipped in 2004. Also lowering Whitby's vacancy rates is the fact that the move to homeownership has slowed in this area. Housing starts in Whitby this year have fallen below levels

seen in the past two years. The vacancy rate in the most popular two bedroom units fell to 1.9 per cent from 4.9 per cent in 2003.

Clarington's vacancy rate remained unchanged for the third consecutive year at 1.7 per cent. With the lowest number of rental units in the CMA, demand continues to remain high for rental accommodation in Clarington.

Vacancy rate data by age of structure suggests that the most popular dwellings in the CMA were in structures built between 1979 and 1984. Vacancy rate increases occurred in buildings of all ages, except those constructed between 1975 and 1984. Apartments completed between 1975 and 1984 had the lowest vacancy rate. The majority of these buildings are located in North Oshawa and Whitby. Vacancy rates were highest in buildings built between 1940 and 1959. Over 53 per cent of these units were located in South/Central Oshawa. For two bedroom units, the highest average rent was in buildings built between 1975 and 1984. Although age of structure and subsequent level of quality is relevant, the location of properties in determining vacancies and rent is also important.

Economic and demographic demand factors

Low mortgage rates encouraged movement to ownership. Throughout 2004 mortgage rates have remained close to historically low levels thereby making homeownership more affordable for many potential first-time buyers. These historically low mortgage rates will drive the resale market to new record

levels in 2004. With the posted three year mortgage rate averaging 5.69 per cent in 2004, the monthly payment for the average resale home (\$221,000) amortized over 25 years with a 25 per cent down payment would carry for \$1,030. As many consumers can negotiate a discount, the monthly payment could be even lower.

A weaker job market weighed on rental demand. Between the October 2003 and October 2004 rental market surveys, total employment in the Oshawa CMA fell by 8,800 jobs. All age categories saw job losses. Both full-time and part-time employment numbers fell, but part-time workers were especially hard hit. For those aged 15-24, the primary renter aged households, employment numbers fell by 1,300.

The stronger than expected Canadian dollar has eroded the competitiveness of Oshawa's export-oriented industries. Employment in both trade and manufacturing has declined. Renter ages were particularly affected by job losses.

Migration to Oshawa added to renter demand. The most current tax filer data (2002/2003) revealed that net migration into the Oshawa CMA in 2003 jumped to 6,680. Although the majority of migrants who move to the Oshawa CMA enter the ownership market directly, there are some who rent for a period of time.

National Overview

The average rental apartment vacancy rate in Canada's 28

Apartment Vacancy Rates by Major Markets		
Census Metropolitan Area (CMA)	2003	2004
Abbotsford	2.5	2.8
Calgary	4.4	4.3
Edmonton	3.4	5.3
Gatineau	1.2	2.1
Greater Sudbury	3.6	2.6
Halifax	2.3	2.9
Hamilton	3.0	3.4
Kingston	1.9	2.4
Kitchener	3.2	3.5
London	2.1	3.7
Montreal	1.0	1.5
Oshawa	2.9	3.4
Ottawa	2.9	3.9
Quebec	0.5	1.1
Regina	2.1	2.7
Saguenay	5.2	5.3
Saint John	5.2	5.8
Saskatoon	4.5	6.3
Sherbrooke	0.7	0.9
St. Catharines-Niagara	2.7	2.6
St. John's	2.0	3.1
Thunder Bay	3.3	5.0
Toronto	3.8	4.3
Trois-Rivieres	1.5	1.2
Vancouver	2.0	1.3
Victoria	1.1	0.6
Windsor	4.3	8.8
Winnipeg	1.3	1.1
CANADA	2.2	2.7

major centres rose to 2.7 per cent in October 2004 from 2.2 per cent a year ago. This is the third consecutive annual increase in the vacancy rate, but it remains below the 3.3 per cent average vacancy rate over the 1992 to 2003 period.

Vacancy rates were higher than one year ago in 21 of Canada's 28 major centres. Windsor (8.8 per cent), where rents are relatively high compared to the cost of ownership, had the highest vacancy rate, while Victoria (0.6 per cent), where developers are building condominiums rather than rental, had the lowest vacancy rate.

Average rents for two-bedroom apartments increased in all major centres, except Windsor where rents were unchanged.

Rental Market Outlook

In 2005, Oshawa's economy is expected to bounce back with a small increase in jobs, which will slightly boost household formation and the demand for rental accommodation.

Growing homeownership carrying costs will impede movement out of rental. Three year mortgage rates are expected to be in the 5.75-6.75 per cent range in

2005. Average resale prices are forecast to rise five per cent in 2005. For the average resale home, carrying costs are expected to rise by 13 per cent in 2005. They will be beyond the reach of some first-time buyers. Very little new supply of private rental apartments will be added to the universe in 2005.

Offsetting the positive demand factors is the strength of the new home construction market. Condominium apartments in Oshawa City and Clarington, slated to be completed in 2005, are especially attractive for first-time buyers.

The demand for rental accommodation is expected to improve marginally in 2005. The vacancy rate will slip to 3.2 per cent in October 2005, from 3.4 per cent this year.

Lingering affects of higher vacancy rates will keep rental increases to a minimum. Higher operating costs for landlords, will help to push the average two bedroom rent up by 1.5 per cent, the maximum allowable under the rent review guidelines. Average two bedroom rents will rise to \$865 in October 2005, from \$852 this year.

Private Apartments - Availability Rates by Zone and Bedroom Type (%)
Oshawa CMA

Area	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	Vacancy	Availability	Vacancy	Availability	Vacancy	Availability	Vacancy	Availability	Vacancy	Availability
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Zone 1 Oshawa (North)	3.6	5.7	1.4	2.4	1.7	2.1	0.0	0.6	1.5	2.1
Zone 2 Oshawa (S./Central)	6.9	6.9	4.5	5.7	6.0	6.9	4.7	5.2	5.5	6.4
Zones 1-2 Oshawa City	6.1	6.6	3.3	4.4	4.2	4.9	2.6	3.2	3.9	4.7
Zone 3 Whitby	**	**	2.9	4.3	1.9	3.5	**	**	2.2	4.0
Zone 4 Clarington	**	**	2.2	2.8	1.2	1.2	**	**	1.7	2.0
Zones 1-4 Oshawa CMA	4.2	6.6	3.1	4.3	3.6	4.4	2.5	3.7	3.4	4.4

New data: Availability rates

CMHC's 2004 Rental Market Survey collected a new type of rental data, availability rates. The availability rate not only includes vacant units, but also units for which the existing tenant has given, or has received, official notice to move out of the unit, and for which a new tenant has not signed a lease.

According to the 2004 Rental Market Survey, 4.4 per cent of private apartments are available for rent in the Oshawa CMA. The total availability rate is 100 basis points higher than the total vacancy rate. Availability rates give

a slightly broader measure of trends in unoccupied supply in the short-term.

The availability rate is highest, and the gap between the availability rate and the vacancy rate is largest for bachelor units. Two factors, more choice in larger units and declining employment prospects for those aged 15-24, continue to push renters of bachelor units to make a move. More choice in the rental market and the lure of homeownership are factors which influence many households to make the switch out of their one, two, and three

plus bedroom rental units.

The highest availability rate was observed in Zone 2, South/Central Oshawa, where the 2004 vacancy rate is the highest and where the largest increase compared to 2003 occurred. Renters continue to move out of rental accommodation in this area. However, the largest gap between the availability rate and the vacancy rate was observed in Zone 3, Whitby, where housing completions are the highest in the Oshawa CMA. Renters are moving out of their apartments and into homeownership.

Private Apartments - Vacancy Rates by Zone and Bedroom Type (%)

Oshawa CMA

Area		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
		2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	Oshawa (North)	**	3.6	2.6	1.4	1.7	1.7	0.3	0.0	1.8	1.5
Zone 2	Oshawa (S./Central)	2.4	6.9	4.7	4.5	2.9	6.0	0.5	4.7	3.1	5.5
Zones 1-2	Oshawa City	2.4	6.1	3.8	3.3	2.4	4.2	0.4	2.6	2.6	3.9
Zone 3	Whitby	**	**	2.3	2.9	4.9	1.9	**	**	4.1	2.2
Zone 4	Clarington	**	**	1.2	2.2	2.2	1.2	**	**	1.7	1.7
Zones 1-4	Oshawa CMA	2.0	4.2	3.3	3.1	2.9	3.6	1.9	2.5	2.9	3.4

Private Apartments - Average Rents by Zone and Bedroom Type (\$)

Oshawa CMA

Area		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
		2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	Oshawa (North)	**	635	779	796	884	889	**	997	861	869
Zone 2	Oshawa (S./Central)	563	581	692	706	795	816	874	938	766	783
Zones 1-2	Oshawa City	578	594	726	740	831	846	916	964	804	817
Zone 3	Whitby	**	**	825	787	903	879	**	**	884	849
Zone 4	Clarington	**	**	683	689	819	**	**	**	768	781
Zones 1-4	Oshawa CMA	581	611	752	750	845	852	944	973	820	823

Private Apartments - Vacant and Total Universe

Oshawa CMA

Area		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
		Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1	Oshawa (North)	2	68	12	880	35	2,060	0	313	50	3,320
Zone 2	Oshawa (S./Central)	14	205	63	1,405	174	2,923	18	386	269	4,919
Zones 1-2	Oshawa City	17	273	75	2,284	209	4,983	18	699	319	8,239
Zone 3	Whitby	**	**	26	907	26	1,333	**	**	57	2,614
Zone 4	Clarington	**	**	4	185	4	346	**	**	9	557
Zones 1-4	Oshawa CMA	17	398	105	3,376	239	6,662	25	974	386	11,410

Private Apartments - Average Vacancy Rates by Rent Range and Bedroom Type (%)

Oshawa CMA

	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
< \$600	1.3	6.3	2.1	6.9	**	**	N/U	**	1.7	7.1
\$600 - \$649	**	**	5.3	3.8	4.5	**	**	N/U	4.5	2.4
\$650 - \$699	**	**	5.8	3.1	1.3	1.2	**	**	4.1	2.9
\$700 - \$749	**	**	1.7	6.5	1.6	4.3	**	**	1.6	5.0
\$750 - \$799	N/U	**	4.1	2.4	3.4	2.3	**	**	3.5	2.2
\$800 - \$899	N/U	**	2.9	**	3.2	4.7	**	**	2.8	4.2
\$900 - \$999	N/U	N/U	**	**	3.9	3.7	4.4	**	3.7	3.5
Over \$1000	N/U	N/U	**	**	**	**	**	**	2.1	1.8

Private Apartments - Vacancy Rates by Year of Completion and Bedroom Type (%)
Oshawa CMA

Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Pre 1940	*	*	4.2	2.9	*	4.4	*	*	2.7	3.4
1940 - 1959	*	*	7.8	5.1	3.6	5.3	*	*	4.5	5.3
1960 - 1974	2.4	2.9	3.4	3.9	2.8	3.9	0.5	3.3	2.7	3.8
1975 - 1984	*	*	3.4	0.8	4.6	2.5	*	1.7	4.3	1.8
1985 - 1994	*	*	1.6	4.4	1.0	2.9	*	*	1.1	3.7
After 1995	N/U	N/U	*	N/A	*	*	*	N/A	*	*
Total	2.0	4.2	3.3	3.1	2.9	3.6	1.9	2.5	2.9	3.4

Private Apartments - Average Rents by Year of Completion and Bedroom Type (\$)
Oshawa CMA

Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Pre 1940	*	*	599	624	*	796	N/A	*	642	661
1940 - 1959	*	*	643	673	748	788	*	*	709	752
1960 - 1974	586	601	751	747	833	845	898	948	813	821
1975 - 1984	*	*	809	839	913	921	*	1030	893	895
1985 - 1994	*	*	722	689	838	823	*	*	806	779
After 1995	N/U	N/U	*	N/A	*	*	N/A	N/A	*	*
Total	581	611	752	750	845	852	944	973	820	823

Private Apartments - Average Vacancy Rate by Structure Size and Bedroom Type
Oshawa CMA

Structure Size	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 - 5 units	*	*	2.0	4.3	3.3	1.3	0.0	2.5	2.3	2.3
6 - 19 units	0.0	8.6	4.7	4.6	2.7	2.7	*	*	3.2	3.5
20 - 49 units	*	*	4.0	5.6	2.8	6.1	*	*	3.1	5.7
50 - 99 units	*	*	*	*	*	*	0.8	*	*	*
100+ units	*	*	*	1.1	3.6	4.2	2.9	2.7	3.4	3.0
Total	2.0	4.2	3.3	3.1	2.9	3.6	1.9	2.5	2.9	3.4

Private Apartments - Vacancy Rates by Structure Height and Bedroom Type (%)
Oshawa CMA

Number of Storeys	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
1 - 4 Storeys	0.9	4.4	3.6	4.3	2.2	2.9	0.0	0.9	2.5	3.3
5 - 9 Storeys	*	*	3.0	3.0	2.7	5.9	0.4	4.0	2.5	4.7
10 + Storeys	*	*	*	*	*	*	*	*	*	*
Total	2.0	4.2	3.3	3.1	2.9	3.6	1.9	2.5	2.9	3.4

**Sample size too small to be released

SURVEY METHODOLOGY

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 structures with at least three rental units, which have been on the market for at least three months. The data collected for a structure depends on its initiation type (public or private), and whether it is an apartment or a row structure. The survey collects vacant unit data for all sampled structures. The market rent data are collected for only privately initiated structures. The available unit data are obtained only for privately initiated apartments. Most data contained in this publication refer to privately initiated apartment 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 first two weeks of October, and the results reflect market conditions at that time.

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 what the owner is asking for the unit.

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 Structure: Any building containing three or more rental units, all of which are ground oriented. Owner-occupied units are not included in the rental building unit count.

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

Acknowledgement

The Rental Market Survey could not have been conducted without the cooperation of the rental property owners, managers and building superintendents throughout Canada. CMHC acknowledges their hard work and assistance in providing timely and accurate information. As a result of their contribution, CMHC is able to provide information that benefits the entire housing industry.

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