

R

ENTAL MARKET

REPORT

Canada Mortgage and Housing Corporation

www.cmhc.ca

Windsor

WINDSOR VACANCY RATE HIGHEST IN CANADA

Tenants had their choice of rental units this year as the apartment vacancy rate more than doubled in the Windsor Census Metropolitan Area (CMA). For the fourth year in a row the vacancy rate increased. The rate hit 8.8 per cent, up from 4.3 per cent recorded in the October 2003 survey, making Windsor the highest vacancy rate in Canada.

Several different factors have contributed to the greater number of vacant units. Firstly, the lure of low mortgage rates and the comparable carrying cost between

homeownership and rental payments enticed renters in the homeownership market. With an average MLS house price of \$160,000 in the greater Windsor area, the carrying costs for principal and interest of a home with 25 per cent down was \$807 in September versus an average rent for a 3 bedroom apartment of \$903. Multiple family units are even more affordable and developers have been actively targeting the first-time buyer. As a result the number of vacant rental units increased from 635 units last year to 1,317 units in 2004.

ANNUAL SURVEY OCTOBER 2004

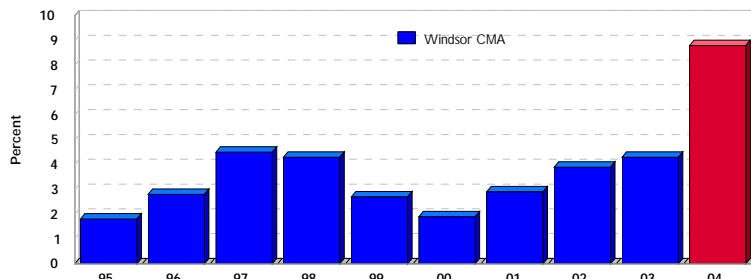
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Secondly, those first time buyers who opted to buy a new multiple family unit generally have to wait up to 2 years from marketing to completion and move-in. With over 300 new row and apartment ownership units completed in the first three quarters of 2004, many renters had vacated their units by the October survey.

Thirdly, in-migration to Windsor has been strongest in the 35-49 year age category which has traditionally been associated with homeownership. In-migration was recently highest in the 2000-2002 period. New migrants tend to rent first and then turn to

Vacancy rate is on the rise



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homeownership after two-three years. This group has had a significant impact on the strong homeownership market in Windsor over the last two years. In-migration has dropped down due to lack of employment growth and in turn taken the pressure off of rental demand.

Windsor City rates jump

All four zones within the city of Windsor showed increases in the vacancy rate, but Zone 1 in the core and Zone 4 in the west end of the city more than doubled. Zone 1 had the highest rate at 10.8 per cent as many renters left for recently completed multiple ownership units. This zone also has the most units. Zone 4's rate was adversely impacted by a newly completed university residence as well as a number of original single family homes being used as student accommodations.

Rates in larger buildings were lower than smaller buildings indicating the impact that on-site management has in attracting and keeping tenants. Rates were highest in the 1-4 storey buildings and also buildings with 3-5 units.

Windsor CMA apartment rents

The significant rise in the Windsor CMA vacancy rate erased all upward pressure on rents. Higher vacancy rates this year translate into no increase in the average one and two bedroom rent while both bachelor and three bedroom rents dropped. Over the previous several years Windsor's two bedroom rent has increased at a greater pace than similar markets in southwestern Ontario. Specifically the London market, and is still 2.4 per cent above the average \$758 two bedroom rent in London.

Windsor's stagnant rents did not even move by the allowed amount this year under the Tenant Protection Act guideline. Landlords are unable to pass on cost increases due to oversupply and

competition. Landlords are focusing on keeping current tenants and even offering incentives such as one month free rent and foregoing the last month security deposit.

Rents by quintile indicate that the higher the rent for a unit type the lower the vacancy rate showing that landlords who maintain their units in good shape can still keep and attract tenants.

Summary and Forecast

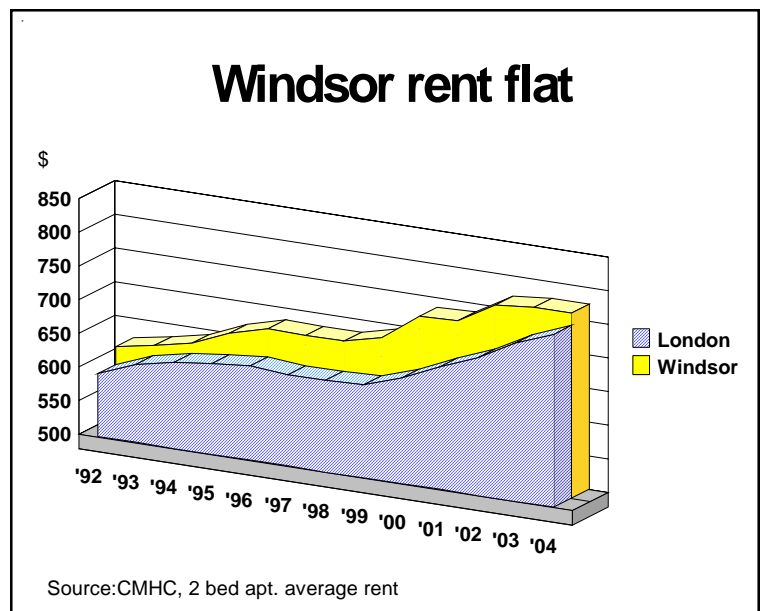
Much of the increase in the vacancy rate has been due to a decline in rental accommodation demand due to the low relative costs in the ownership market.

Low mortgage rates continue to lure tenants into the ownership market at a faster rate than new households are entering the rental market.

Job creation in 2005 will encourage the creation of new households looking for rental accommodation and result in a modest decrease in the apartment vacancy rate from 8.8 per cent to 6.5 per cent.

Rising home prices in the ownership market and coupled with slightly higher mortgage rates will increase the cost of homeownership relative to the rental market.

The average 2-bed rent apartment rent is forecast to increase less than one per cent in 2005 to \$779 due to the oversupply and competition for tenants.



Availability rates indicate that movement to homeownership remains strong

This year for the first time, CMHC has piloted the availability rate survey for apartments in the Windsor CMA in 2004. According to the Rental Market Survey results, 10.5 per cent of 2 bedroom rental apartments are available in the Windsor market. The availability rate is 1.8 percentage points higher than the vacancy rate. The availability rate not only includes the vacant units but also units for which the existing tenant has given, or has received, notice to move and for which the a new tenant has not signed a lease. Availability rates give a slightly broader indication of the trends in the available rental supply.

Growth in the vacancy rate is in part explained by the fact that many households made the switch from

renting to owning because of the narrowed gap between the cost of renting and the cost of owning a home.

Availability results indicate that the homeownership movement continues to remain strong. It also indicates that with numerous vacant units available, some renters are seeking a new unit that better meets their needs. Although sample size may be an issue, this factor is particularly evident in explaining the large gap between the availability rate and the vacancy rate for bachelor units.

Gaps between availability and vacancy rate are higher in the west

In zone 4 (west) near the university, the vacancy rate and the availability rate for one bedroom apartments was the greatest. This can largely be accounted for by the temporary need for accommodation of students and the extra supply targeting this group which is not included in our survey. (Residences and non self-contained rental units).

In zone 1, downtown the one bedroom rate is also high but the two bedroom availability rate is the highest at 13.2 per cent. Many of the people who chose to live in this central location moved to ownership and purchased newly completed multiple units due to the comparable affordability.

Apartment Vacancy and Availability Rates by Zone and Bedroom Type

Privately Initiated apartment with at least 3 units
Windsor CMA

Rental Sub-market	2004							
	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate
Zone 1 - Centre	13.0	16.4	9.4	11.3	11.8	13.2	**	**
Zone 2 - E. Inner	**	**	7.8	9.9	8.2	8.7	**	**
Zone 3 - E. Outer	6.3	8.1	4.7	6.5	10.4	11.2	**	**
Zone 4 - West	9.5	11.2	10.8	12.5	7.1	9.5	**	**
Zones 1-4 Windsor City	10.9	13.3	8.5	10.3	9.7	11	9.0	9
Zone 5 - Amherstburg Twp	**	**	**	**	**	**	**	**
Zone 6 - Remainder	**	**	**	**	2.2	2.9	**	**
Windsor CMA	11.0	13.3	8.2	10.0	9.2	10.5	8.8	8.8

National Apartment Vacancy Rate Rises

The average rental apartment vacancy rate in Canada's 28 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.

The rising vacancy rate over the past year is due to various factors. Low mortgage rates have kept mortgage carrying costs low and lessened demand for rental housing by bringing home ownership within the reach of many renter households. Continued high levels of condominium completions have also created competition for the rental market and have contributed to rising vacancy rates. Condominiums are a relatively inexpensive form of housing that are often purchased by renter households switching to home ownership. Condos also supplement the rental market because, in some cases, they are purchased by investors who in turn rent them out. Vacancy rates have also risen because rental apartment completions have added new rental supply in some centres.

Despite the higher vacancy rates in many centres, there are many households that pay more than 30 per cent of their income for rent. These households either need less expensive units or require some help in order to make their monthly shelter costs more affordable. In some cases, however, there are not enough vacant units to meet the needs of all households in core housing need: for example households living in crowded conditions. Therefore, additional affordable housing units continue to be required.

Vacancy rates were higher than one year ago in 21 of Canada's 28 major centres. Windsor (8.8 per cent), Saskatoon, Saint John (NB), Edmonton, Saguenay, and Thunder Bay had the highest vacancy rates, while Victoria (0.6 per cent), Sherbrooke, Québec, Winnipeg, Trois-Rivières, and Vancouver were among the cities with the lowest vacancy rates.

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

unchanged. The greatest increase occurred in both Sherbrooke and Québec where rents were up 5.1 per cent, and in Trois-Rivières where rents were up 4.8 per cent. Average rents in Trois-Rivières, Halifax, Gatineau, Montréal, Saint John (NB), and London were all up by three per cent or more. The highest average monthly rents for two-bedroom apartments were in Toronto (\$1,052), Vancouver (\$984), and Ottawa (\$940). The lowest average rents were in Trois-Rivières (\$457) and Saguenay (\$459).

A new measure called the availability rate has been introduced on a pilot basis this year in all 28 major centres across Canada. The average rental apartment availability rate in Canada's 28 major centres was 3.9 per cent in October 2004.

Privately initiated Apartment structures, 3 Units and over

2004 Rank	Census Metropolitan Area (CMA)	Vacancy Rate (%) 2003	2004
1	Victoria CMA	1.1	0.6
2	Sherbrooke CMA	0.7	0.9
3	Québec CMA	0.5	1.1
3	Winnipeg CMA	1.3	1.1
5	Trois-Rivières CMA	1.5	1.2
6	Vancouver CMA	2.0	1.3
7	Montreal CMA	1.0	1.5
8	Gatineau CMA	1.2	2.1
9	Kingston CMA	1.9	2.4
10	St. Catharines-Nagara CMA	2.7	2.6
10	Greater Sudbury CMA	3.6	2.6
12	Regina CMA	2.1	2.7
13	Abbotsford CMA	2.5	2.8
14	Halifax CMA	2.3	2.9
15	St. John's CMA	2.0	3.1
16	Oshawa CMA	2.9	3.4
16	Hamilton CMA	3.0	3.4
18	Kitchener CMA	3.2	3.5
19	London CMA	2.1	3.7
20	Ottawa CMA	2.9	3.9
	Charlottetown CA*	3.5	4.2
21	Toronto CMA	3.8	4.3
22	Calgary CMA	4.4	4.3
23	Thunder Bay CMA	3.3	5.0
24	Edmonton CMA	3.4	5.3
24	Saguenay CMA	5.2	5.3
26	Saint John CMA	5.2	5.8
27	Saskatoon CMA	4.5	6.3
28	Windsor CMA	4.3	8.8
	CANADA	2.2	2.7

(1) Weighted average of the 28 Metropolitan areas surveyed. Abbotsford and Kingston were not CMAs prior to 2002.

*Census Agglomeration (CA)

TABLE A1: APARTMENT VACANCY RATES

Vacancy rates by zone for private 3+ unit buildings (%) Windsor CMA										
Rental Sub-market	All Units		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - Centre	4.7	10.8	7.5	13.0	3.7	9.4	5.5	11.8	**	**
Zone 2 - E. Inner	4.5	8.2	**	**	4.8	7.8	4.1	8.2	**	**
Zone 3 - E. Outer	4.6	7.3	1.1	6.3	3.5	4.7	6.8	10.4	**	**
Zone 4 - West	3.4	9.1	2.7	9.5	2.9	10.8	3.2	7.1	**	**
Zones 1-4 Windsor City	4.3	9.1	4.8	10.9	3.6	8.5	5.1	9.7	6.0	9.0
Zone 5 - Amherstburg Twp	**	**	**	**	**	**	**	**	**	**
Zone 6 - Remainder	2.8	2.3	**	**	**	**	**	2.2	**	**
Windsor CMA	4.3	8.8	4.9	11.0	3.5	8.2	4.9	9.2	6.0	8.8

N/U = No units of this type in the Universe.

N/A = No units of this type in the Sample.

** Information not released to ensure confidentiality and accuracy of survey results.

TABLE A2: APARTMENT STOCK AND VACANCIES

Private 3+ unit apartment universe and vacancies by zone Windsor CMA										
Rental Sub-market	All Units		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	Vacant Units	Universe	Vacant Units	Universe	Vacant Units	Universe	Vacant Units	Universe	Vacant Units	Universe
Zone 1 - Centre	557	5,138	68	522	260	2,767	201	1,705	**	**
Zone 2 - E. Inner	167	2,049	**	**	78	1,002	71	866	**	**
Zone 3 - E. Outer	257	3,522	22	346	77	1,621	155	1,491	**	**
Zone 4 - West	310	3,404	20	210	196	1,817	91	1,273	**	**
Zones 1-4 Windsor City	1,291	14,113	126	1,158	611	7,207	517	5,336	37	412
Zone 5 - Amherstburg Twp	**	**	**	**	**	**	**	**	**	**
Zone 6 - Remainder	12	533	**	**	**	**	7	321	**	**
Windsor CMA	1,317	14,951	128	1,165	620	7,567	531	5,774	39	445

TABLE A3: APARTMENT VACANCY RATES

Vacancy rates by size of building (%)											
Windsor CMA											
No. of Rental Units in the Building	All Units			Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	2002	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 - 5 Units	7.5	7.4	13.7	**	**	4.7	11.3	8.7	14.9	**	15.6
6 - 19 Units	4.5	5.0	10.9	8.5	16.4	5.5	12.0	3.2	8.6	**	**
20 - 49 Units	3.2	3.6	8.1	3.9	8.2	3.5	9.4	3.8	6.3	**	**
50 - 99 Units	2.6	2.6	4.9	**	9.3	1.4	3.6	3.7	6.2	**	5.4
100+ Units	3.3	**	**	**	**	**	**	**	**	**	**
All Sizes	3.9	4.3	8.8	4.9	11.0	3.5	8.2	4.9	9.2	6.0	8.8

TABLE A4: APARTMENT VACANCY RATES

Vacancy rates by structure height (%)											
Windsor CMA											
Building Height	All Units			Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	2002	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
1 - 4 Storeys	5.5	6.1	11.5	6.6	13.4	5.0	10.9	7.0	11.6	9.9	11.7
5 - 9 Storeys	1.6	1.6	4.8	2.5	4.6	1.4	4.6	2.0	5.4	**	**
10+ Storeys	2.9	2.6	**	**	**	2.5	**	3.3	**	**	**
All heights	3.9	4.3	8.8	4.9	11.0	3.5	8.2	4.9	9.2	6.0	8.8

TABLE A5: APARTMENT RENTS

Average rents by bedroom type and sub-market area (\$)								
Windsor CMA								
Rental Sub-market	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - Centre	450	433	634	640	773	776	**	**
Zone 2 - E. Inner	**	**	654	622	777	783	**	**
Zone 3 - E. Outer	537	534	683	682	794	778	**	**
Zone 4 - West	514	526	645	650	775	776	**	**
Zones 1-4 Windsor City	494	488	651	649	779	778	968	913
Zone 5 - Amherstburg Twp	**	**	**	**	**	**	**	**
Zone 6 - Remainder	**	**	**	**	**	**	**	**
Windsor CMA	494	488	650	650	776	776	963	903

TABLE A6: APARTMENT RENTS

Average Rents by size of building (\$) Windsor CMA										
No. of Rental Units in the Building	All Units		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 - 5 Units	604	613	**	**	515	524	634	642	**	845
6 - 19 Units	634	636	449	483	585	592	723	724	**	**
20 - 49 Units	695	676	498	495	651	641	808	780	**	**
50 - 99 Units	762	752	**	514	704	697	857	848	**	1,033
100+ Units	**	**	**	**	**	**	**	**	**	**
All Sizes	699	694	494	488	650	650	776	776	963	903

TABLE A7: APARTMENT RENTS

Average Rents by structure height (\$) Windsor CMA										
Building Height	All Units		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
1 - 4 Storeys	632	631	471	468	590	593	708	709	813	779
5 - 9 Storeys	771	769	540	564	704	702	834	844	**	**
10+ Storeys	802	**	**	**	745	**	923	**	**	**
All heights	699	694	494	488	650	650	776	776	963	903

2004 RENTAL QUINTILES: VACANCY RATES AND AVERAGE RENTS

Privately initiated Apartments with 3 or more units Windsor CMA							
Apartment Type		First	Second	Third	Fourth	Fifth	Totals
		Quintile	Quintile	Quintile	Quintile	Quintile	
Bachelor	Vacancy rate	17.1	18.1	6.3	10.0	8.4	11
	Average rent	364	459	499	538	596	488
	Boundary	400	486	515	560		
1 Bedroom	Vacancy rate	14.7	11.0	9.1	6.8	4.8	8.2
	Average rent	505	609	656	721	793	650
	Boundary	575	630	675	750		
2 Bedroom	Vacancy rate	15.8	14	9.7	5.9	4.5	9.2
	Average rent	599	725	787	838	946	776
	Boundary	675	750	806	865		
3+ Bedroom	Vacancy rate	16.9	9.2	19.7	9.0	4	8.8
	Average rent	683	771	834	987	1311	903
	Boundary	700	800	850	1150		

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.