



RENTAL MARKET

REPORT

OCTOBER 2000 SURVEY

Canada Mortgage and Housing Corporation

Vacancy rate tightens

Finding an apartment in Kingston is proving increasingly difficult, as the average apartment vacancy rate dropped for the second consecutive year, from 3.4 per cent in 1999 to **1.8 per cent** in 2000.

The local rate is now almost identical to the national rate of 1.6 per cent, and has passed below the "balanced market" threshold of 2-3 per cent. This is the lowest vacancy rate since 1991, the year that rates began a decade-long climb.

Dipping below the balanced threshold represents a dramatic turnaround from only two years ago, when rates peaked at 5.4 per cent. This tightening market is primarily due to renewed confidence in the local economy. With both the labour force and employment rate increasing, job opportunities in Kingston are luring people from surrounding communities, and also encouraging young people living with their family or roommates to establish their own household.

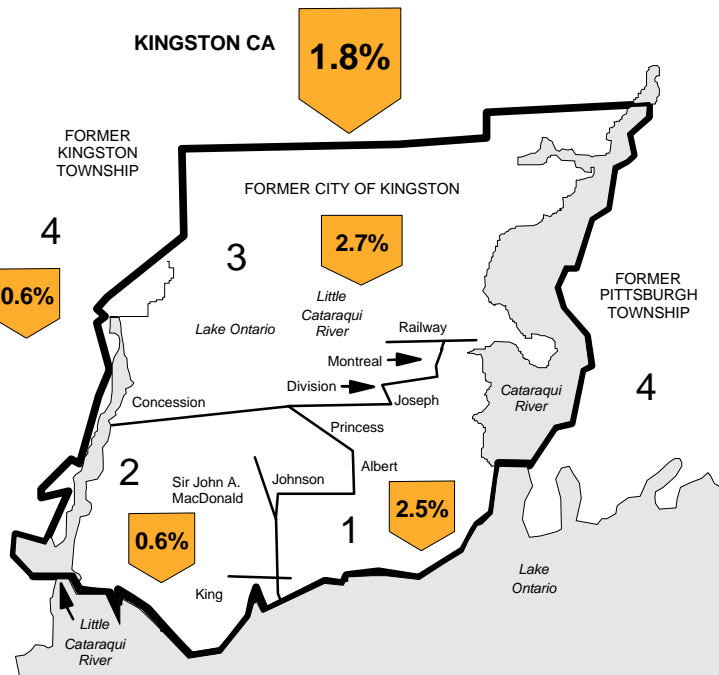
IN THIS ISSUE

| | |
|-------------------------------|-----|
| Further drop in vacancy rates | 1 |
| Forecast | |
| Vacancy rates across Canada | |
| Modest rise in rents | 2 |
| Statistical tables | 3-4 |

Increasing enrolment at both Queen's University and St. Lawrence College has also contributed to the falling vacancy rates, as students are traditionally a strong source of rental demand. A temporary surge in applications and enrolment, anticipated in two years when the province shifts to a four-year secondary school curriculum, could further strain the rental market. The "double cohort", as this surge is called, will have a broad impact across the province.

The drop in vacancy rates also reflects the fact that while demand has been increasing, the supply of rental units has remained relatively flat. There was no new rental construction in 2000, and with the exception of a large apartment

continued on next page



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continued from page 1

started in 1999, the last half-decade has seen only a marginal increase in the rental stock.

While vacancy rates dropped across most of Ontario, Kingston stands out with the lowest among neighbouring centres. The rate in Brockville fell from 8.2 per cent last year to 5.6 per cent in 2000. Belleville also recorded a decline, from 5.8 per cent in 1999 to 4.9 per cent this year.

One side effect of the favourable economic climate in Ontario has been substantially lower vacancy rates across the province. In fact, among larger cities the three lowest rates in the country are all in Ontario. Ottawa takes the prize with an extremely low vacancy rate of 0.2 per cent, down from 0.7 per cent in 1999. Toronto also fell, from 0.9 per cent last year to 0.6 per cent in 2000, closely followed by Kitchener which dropped from 1.0 per cent to 0.7 per cent.

While the economic boom that helped fuel demand for rental accommodation across the province is forecast to slow moderately in 2001, conditions will remain tight with limited new supply on the horizon in the short term.

Housing demand in Kingston remains healthy across all dwelling types, and

for most builders, the market for single detached houses, freehold townhomes, and condominium units remains far more lucrative than rental construction. Recent changes to the tax structure removed some of the extra costs associated with building rental units, but ownership units continue to dominate in Kingston.

Stable rents

Although vacancy rates are now below the "balanced market" threshold, rents have remained relatively stable, rising only modestly above inflation. Rent increases were still above 1999 levels, however. The average rent on a two-bedroom apartment climbed by \$21 to \$679 per month, an increase of 3.2 per cent compared to the negligible 0.8 per cent rise recorded last year. In addition, all bedroom types and zones experienced average rent increases of between 2.1 and 3.8 per cent, unlike last year when certain areas actually experienced small declines.

Both the rent increases and rent levels in Kingston are remarkably uniform this year. Although the survey area of Zone 3 (including Kingscourt, Rideau Heights, Glenarden, and Strathcona Park) remains home to the highest rents, there is very little difference between the downtown and outlying areas.

FORECAST

The rental vacancy rate in Kingston, as in much of Ontario, is expected to remain low for the next few years. An improving economy, provincially and locally, and a shortage of new supply are the two main reasons behind this forecast.

Locally, the Kingston rental market benefits from a stable pool of tenants in the large student population that attends the post-secondary institutions in the city. If anything, the double-cohort enrolment year caused by the disappearance of high school's Grade 13 in 2002 will cause an extra influx of students seeking rental accommodation, creating more demand on the city's rental stock.

*The stable local economy has been creating employment opportunities that draw new residents into the city who, typically, rent their first dwelling. The health of the local economy will therefore also contribute to a low vacancy rate. Supply is expected to remain historically low, with any new rental units likely to be targeted to a more upscale market segment. The vacancy rate is forecast to remain **below 2 per cent** in 2001, and will likely be closer to 1 per cent. In 2002, the vacancy rate could quite possibly dip below the 1 per cent mark as the extra influx of students arrives on the rental market.*

Apartment vacancy rates in regions across Canada

| CMA Areas | 1999 | 2000 |
|------------------------|------------|------------|
| Calgary | 2.8 | 1.3 |
| Chicoutimi-Jonquière | 4.9 | 4.4 |
| Edmonton | 2.2 | 1.4 |
| Halifax | 3.6 | 3.6 |
| Hamilton | 1.9 | 1.7 |
| Kitchener | 1.0 | 0.7 |
| London | 3.5 | 2.2 |
| Montréal | 3.0 | 1.5 |
| St. Catharines-Niagara | 3.2 | 2.6 |
| Oshawa | 1.7 | 1.7 |
| Hull | 4.4 | 1.4 |
| Ottawa | 0.7 | 0.2 |
| Québec | 3.3 | 1.6 |
| Regina | 1.4 | 1.4 |
| Saint John | 5.2 | 3.4 |
| St. John's | 9.2 | 3.8 |
| Saskatoon | 0.9 | 1.7 |
| Sherbrooke | 7.6 | 4.7 |
| Sudbury | 11.2 | 7.7 |
| Thunder Bay | 7.7 | 5.8 |
| Toronto | 0.9 | 0.6 |
| Trois-Rivières | 7.9 | 6.8 |
| Vancouver | 2.7 | 1.4 |
| Victoria | 3.6 | 1.8 |
| Windsor | 2.7 | 1.9 |
| Winnipeg | 3.0 | 1.5 |
| CA areas | | |
| Barrie | 1.0 | 0.5 |
| Belleville | 5.8 | 4.9 |
| Brantford | 2.5 | 2.9 |
| Charlottetown | 5.0 | 2.6 |
| Chilliwack | 12.1 | 7.8 |
| Cornwall | 11.1 | 7.9 |
| Drummondville | 2.7 | 1.8 |
| Fredericton | 1.5 | 1.3 |
| Granby | 3.7 | 2.0 |
| Guelph | 0.5 | 0.7 |
| Kamloops | 8.2 | 8.1 |
| Kelowna | 2.1 | 1.2 |
| Kingston | 3.4 | 1.8 |
| Lethbridge | 0.9 | 0.6 |
| Medicine Hat | 1.1 | 0.7 |
| Moncton | 3.8 | 1.7 |
| Nanaimo | 12.0 | 9.7 |
| North Bay | 5.1 | 5.5 |
| Peterborough | 4.4 | 3.2 |
| Prince George | 16.0 | 15.3 |
| Red Deer | 0.6 | 0.7 |
| St-Hyacinthe | 2.6 | 1.8 |
| St-Jean | 4.1 | 2.8 |
| Sarnia | 8.8 | 7.3 |
| Sault Ste. Marie | 11.5 | 11.8 |
| Shawinigan | 8.9 | 8.4 |

Statistical Tables

Table 1: Private apartment vacancy rates (%)

| Area | All units | | Bachelor | | One bedroom | | Two bedroom | | Three+ bedroom | |
|---------------------------|------------|------------|------------|------------|-------------|------------|-------------|------------|----------------|------------|
| | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 |
| Zone 1 - City Centre | 3.9 | 2.5 | 1.6 | 1.7 | 3.6 | 1.8 | 5.2 | 3.7 | 0.4 | 0.4 |
| Zone 2 - City West | 2.0 | 0.6 | ** | ** | 0.7 | 0.7 | 2.1 | 0.6 | ** | ** |
| Zone 3 - City North | 3.9 | 2.7 | ** | 12.7 | 2.7 | 1.9 | 4.6 | 2.9 | ** | 2.0 |
| Zone 4 - Former Townships | 4.4 | 0.6 | 15.6 | ** | 1.0 | ** | 6.0 | 1.1 | 0.0 | ** |
| Kingston CA | 3.4 | 1.8 | 5.6 | 1.9 | 2.3 | 1.4 | 4.3 | 2.3 | 0.2 | 0.7 |

Table 2: Vacancy rates by age of structure, all dwelling types (%)

| Area | All units | | Bachelor | | One bedroom | | Two bedroom | | Three+ bedroom | |
|---------------------------|------------|--------------|------------|--------------|-------------|--------------|-------------|--------------|----------------|--------------|
| | Pre-1986 | 1986 & after | Pre-1986 | 1986 & after | Pre-1986 | 1986 & after | Pre-1986 | 1986 & after | Pre-1986 | 1986 & after |
| Zone 1 - City Centre | 2.5 | 2.4 | 1.7 | ** | 1.8 | 0.0 | 3.6 | 4.2 | 0.3 | 1.5 |
| Zone 2 - City West | 0.7 | 0.5 | 0.0 | ** | 0.9 | 1.3 | 0.7 | 0.0 | 0.5 | ** |
| Zone 3 - City North | 3.5 | 0.5 | 12.7 | ** | 3.0 | 0.3 | 3.6 | 0.7 | 1.9 | ** |
| Zone 4 - Former Townships | 1.3 | 0.0 | 0.0 | ** | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 |
| Kingston CA | 2.0 | 0.9 | 1.9 | ** | 1.6 | 0.3 | 1.2 | 2.5 | 0.6 | 1.1 |

Table 3: Vacancy rates by structure size and bedroom type, all dwelling types

| Structure size | All Units | | Bachelor | | One bedroom | | Two Bedroom | | Three+ bedroom | |
|--------------------|------------|------------|------------|------------|-------------|------------|-------------|------------|----------------|------------|
| | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 |
| 3-5 units | 4.4 | 2.9 | 6.2 | 1.9 | 5.9 | 2.7 | 4.6 | 5.4 | 0.0 | 0.0 |
| 6-19 units | 5.4 | 3.0 | 6.5 | 4.4 | 3.8 | 2.0 | 6.7 | 3.6 | 1.2 | 1.0 |
| 20-49 units | 5.6 | 2.4 | 10.3 | 1.4 | 1.6 | 0.8 | 7.7 | 3.4 | 0.0 | 0.0 |
| 50-99 units | 2.0 | 1.2 | 3.8 | 0.0 | 1.1 | 1.2 | 2.5 | 1.3 | 0.0 | 0.8 |
| 100+ units | 0.7 | 0.3 | ** | 0.0 | 0.4 | 0.3 | 1.0 | 0.3 | 0.0 | 2.6 |
| Kingston CA | 3.4 | 1.8 | 5.6 | 1.9 | 2.3 | 1.4 | 4.3 | 2.3 | 0.3 | 0.3 |

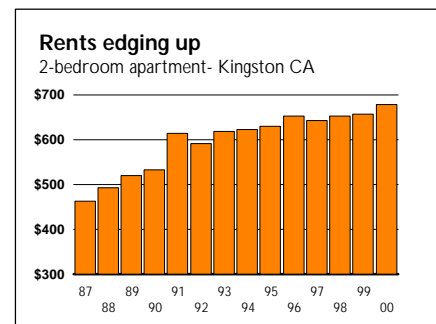
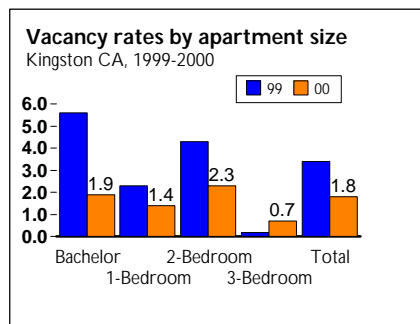
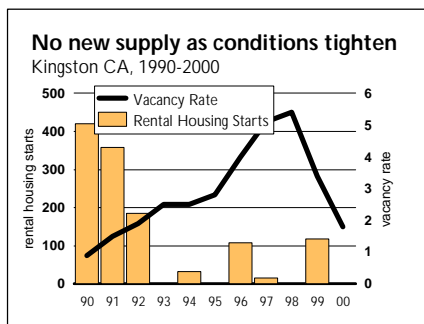


Table 4: Private rental stock and vacant units, all dwelling types

| Area | All units | | Bachelor | | One bedroom | | Two bedroom | | Three+ bedroom | |
|---------------------------|--------------|---------------|--------------|------------|--------------|--------------|--------------|--------------|----------------|------------|
| | Vacant units | Total | Vacant units | Total | Vacant units | Total | Vacant units | Total | Vacant units | Total |
| Zone 1 - City Centre | 96 | 3,919 | 6 | 367 | 26 | 1,454 | 62 | 1,694 | 3 | 432 |
| Zone 2 - City West | 19 | 3,007 | ** | ** | 7 | 986 | 11 | 1,682 | ** | ** |
| Zone 3 - City North | 86 | 3,226 | 5 | 43 | 20 | 1,040 | 59 | 2,033 | 2 | 110 |
| Zone 4 - Former Townships | 7 | 1,147 | 0 | 24 | 0 | 387 | 7 | 637 | 0 | 99 |
| Kingston CA | 208 | 11,299 | 12 | 610 | 53 | 3,866 | 138 | 6,046 | 5 | 707 |

Table 5: Public rental stock and vacant units, all dwelling types

| Area | All units | | Bachelor | | One bedroom | | Two bedroom | | Three+ bedroom | |
|---------------------------|--------------|--------------|--------------|------------|--------------|------------|--------------|------------|----------------|------------|
| | Vacant units | Total | Vacant units | Total | Vacant units | Total | Vacant units | Total | Vacant units | Total |
| Zone 1 - City Centre | 22 | 355 | 6 | 76 | 8 | 213 | 6 | 20 | 2 | 46 |
| Zone 2 - City West | 10 | 639 | 1 | 136 | 9 | 236 | 0 | 191 | 0 | 76 |
| Zone 3 - City North | 35 | 1,046 | 0 | 14 | 5 | 263 | 27 | 487 | 2 | 282 |
| Zone 4 - Former Townships | 3 | 202 | 0 | 0 | 0 | 135 | 1 | 51 | 2 | 16 |
| Kingston CA | 70 | 2,242 | 7 | 226 | 22 | 847 | 34 | 749 | 8 | 420 |

Table 6: Average rents in private apartment units (\$)

| Area | All units | | Bachelor | | One bedroom | | Two bedroom | | Three+ bedroom | |
|---------------------------|------------|------------|------------|------------|-------------|------------|-------------|------------|----------------|------------|
| | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 |
| Zone 1 - City Centre | 622 | 636 | 422 | 431 | 526 | 546 | 653 | 674 | 853 | 871 |
| Zone 2 - City West | 609 | 627 | ** | ** | 549 | 566 | 652 | 675 | ** | ** |
| Zone 3 - City North | 631 | 651 | ** | 441 | 566 | 583 | 661 | 684 | ** | 768 |
| Zone 4 - Former Townships | 617 | 631 | 417 | ** | 525 | ** | 673 | 695 | 763 | ** |
| Kingston CA | 621 | 640 | 423 | 435 | 542 | 559 | 658 | 679 | 820 | 851 |

Survey methodology and definitions available upon request.
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