

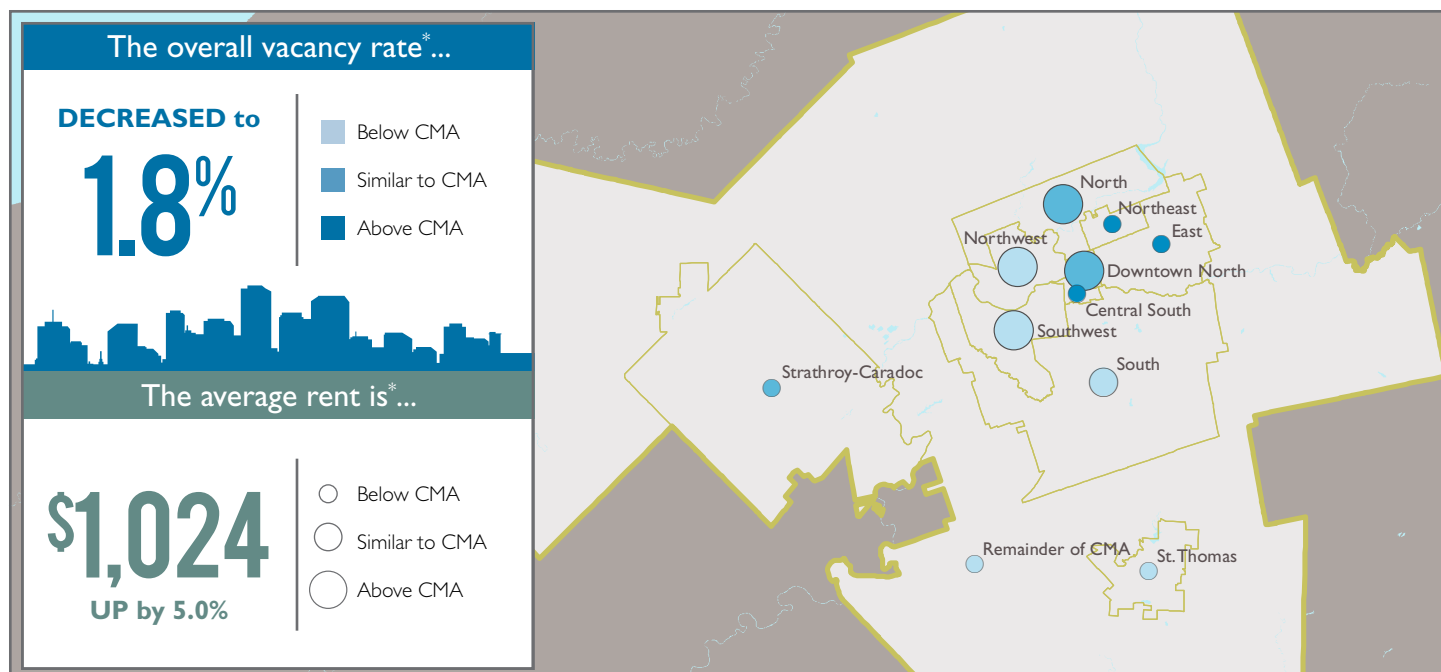
RENTAL MARKET REPORT

London CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: 2020



PRIMARY RENTAL MARKET (by bedroom type)			
Bachelor	One bedroom	Two bedroom	Three or more bedrooms
3.7%	1.9%	1.6%	1.4%
Vacancy Rate	Vacancy Rate	Vacancy Rate	Vacancy Rate
\$697 Avg. Rent	\$915 Avg. Rent	\$1,107 Avg. Rent	\$1,322 Avg. Rent

“The vacancy rate declined slightly as stronger demand surpassed the increase in supply this October.”

Andrew Scott
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.

Key Analysis Findings

- The purpose-built apartment¹ vacancy rate declined slightly to 1.8% and remained at historic lows.
- The average fixed-sample² rent for two-bedroom apartments increased at 4.9%, a slightly stronger rate than in 2018.
- The share of condominium rental offerings increased from 2018 and the vacancy rate³ remained low and unchanged⁴ from last year.

Vacancy rate declined, and remained low

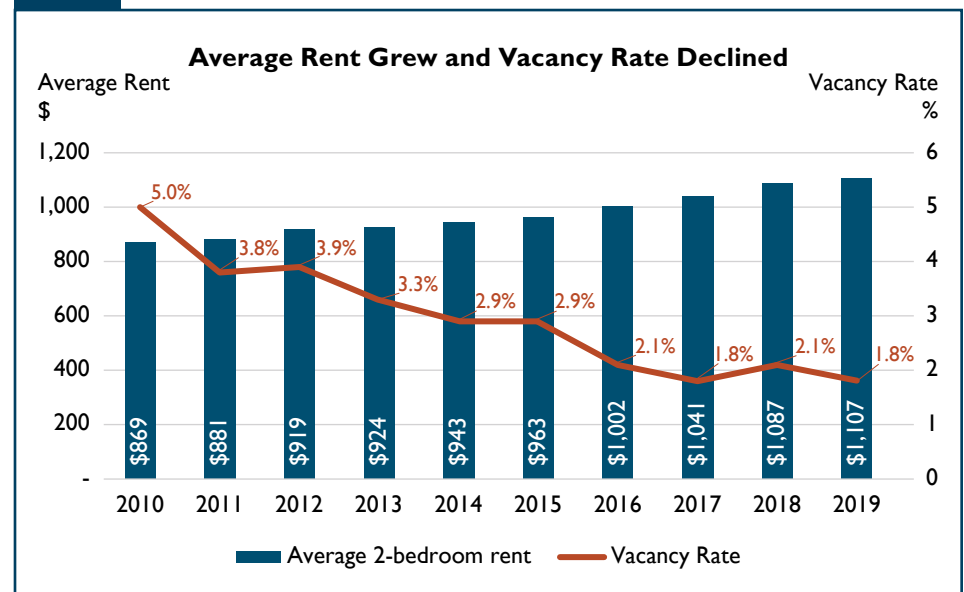
According to the results of the Canada Mortgage and Housing Corporation's Rental Market Survey (RMS) conducted in October 2019, the purpose-built apartment vacancy rate declined slightly to 1.8% from 2.1% in the previous year. The change in the vacancy rate was mostly driven by a decline in the vacancy rate for two-bedroom apartments, as movements in the vacancy rates for all other bedroom count units were not significant⁵. A decline in the vacancy rate occurred in the City of London, while the change in the vacancy rate in both St. Thomas and Strathroy-Caradoc were not significant.

Demand grew at a stronger pace than the increase in supply

There were 654⁶ purpose-built rental apartments completed in London in the twelve-month period to June 2019. However, the RMS rental universe increased by 387 units only as CMHC's primary rental market survey accounts for demolitions, renovations, and conversions of existing stock, and excludes seniors' and student housing units. It is estimated that the number of occupied rental apartments increased by 516 units surpassing the increase in the RMS rental universe (supply), and pushing the vacancy rate down from a year earlier.

Robust population growth in the London CMA boosted by strong net migration levels, particularly immigrants and non-permanent residents, which include international students, continued to support rental demand. According to preliminary immigration data year-to-date to September 2019, permanent resident admissions rose 14%⁷ compared to the same time last year. Immigrants tend to rent for the first few years upon arrival in Canada. Steady enrollment of both local and international students choosing Western University also continued to support rental market demand. It is estimated that Western University's full time enrolment increased by close to 2,000⁸ students. Furthermore, even though year-to-date employment to

Figure 1



Source: CMHC, Rental Market Survey 2010-2019, Purpose-built apartments in structures of 3 + units

Data is for the overall vacancy rate, and average rent for two-bedroom apartments.

¹ 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 structures that are common to both 2017 and 2018 fall rental market surveys, we can get a better indication of actual rent increases paid by most tenants.

³ The vacancy rate change between 2018 and 2019 was not statistically significant.

⁴ The vacancy rate change for condominiums offered for rent between 2018 and 2019 was not statistically significant.

⁵ The change in the vacancy rates for bachelor, one-bedroom and three-bedroom units was not significant.

⁶ Total completions are tallied over the 12 months ending in June 2019, which marks the cut-off point for the RMS.

⁷ Growth calculation based on Immigration Refugee and Citizenship Canada preliminary numbers that are subject to revisions.

⁸ The figure is based on rough estimates of growth in full-time students between 2017 which can be found here: <http://www.ipb.uwo.ca/documents/cudo2017.pdf>, and full-time enrolment numbers for 2018 from Facts and Figures: <https://www.uwo.ca/about/whowere/facts.html>.

September declined, average earnings grew at 5.3% over the same period and remained supportive of housing demand for both resale and rental accommodation.

Fixed sample average rent growth accelerated

Stronger demand than supply supported growth in average rents for most bedroom count units. The fixed sample average rent for the benchmark two-bedroom apartments increased 4.9% this year, much higher than the Ontario rent increase guideline of 1.8% for 2019, and slightly higher than last year's increase of 4.2%. Fixed-sample average rents for one-bedroom units rose at a slightly stronger rate, while bachelor unit rents increased at the lowest rate.

In terms of area, the strongest growth in two-bedroom average rent was observed in London East (Zone 8), surpassing the CMA average growth. Rent levels in this area remain the lowest in the CMA regardless of bedroom type. Robust demand as evidenced by a decline in the vacancy rate may have encouraged rent growth in the area to catch up with market rents.

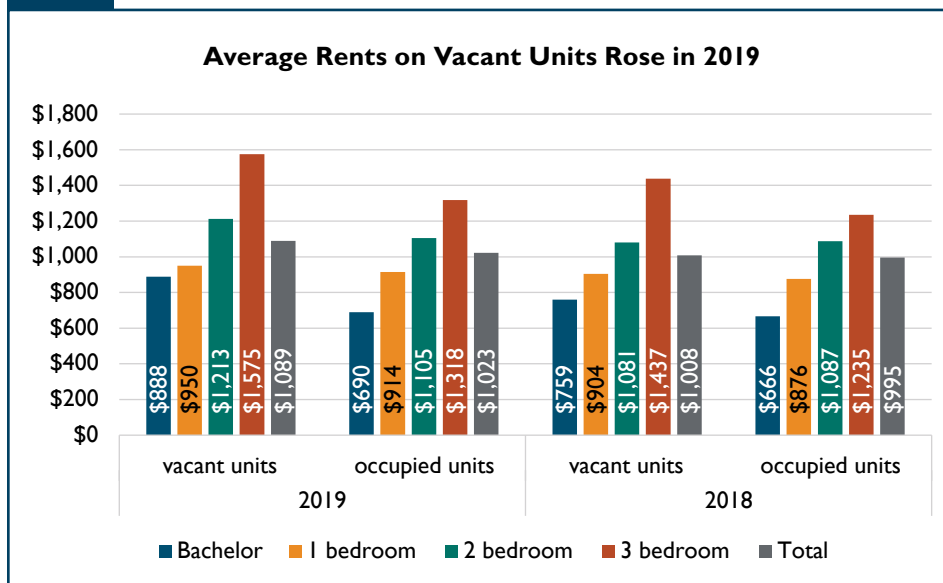
Growing demand together with declining turnover rates for all bedroom count units except bachelor units encouraged higher market rents once a unit was vacant. Stricter mortgage rules and rising carrying costs of homeownership likely led to lower turnover rates as households chose to continue to rent over transitioning into homeownership.

The average rent on vacant⁹ units for the benchmark two-bedroom apartment was 9.8% higher than occupied units. Rising average rents on vacant units may have also pushed turnover rates lower and discouraged some renters from moving between rental units.

Rental condominium apartment supply grew

The supply of condominium apartments offered for rent grew by 22%, which is an addition of 453 units compared to last year. The vacancy rate for this segment of the market remained low at 1.3% and the change from last year was not significant. Steady demand for rental units may have encouraged condominium owners to offer a greater number of units for rent this year. There is a premium on the average rents for condominium rental units, and such units are more comparable to purpose-built rental apartments renting at the highest rent quintile. Condominium average rents for two-bedroom units sat 10% higher than the highest rent quintile average rents of the same bedroom count in purpose-built apartments.

Figure 2

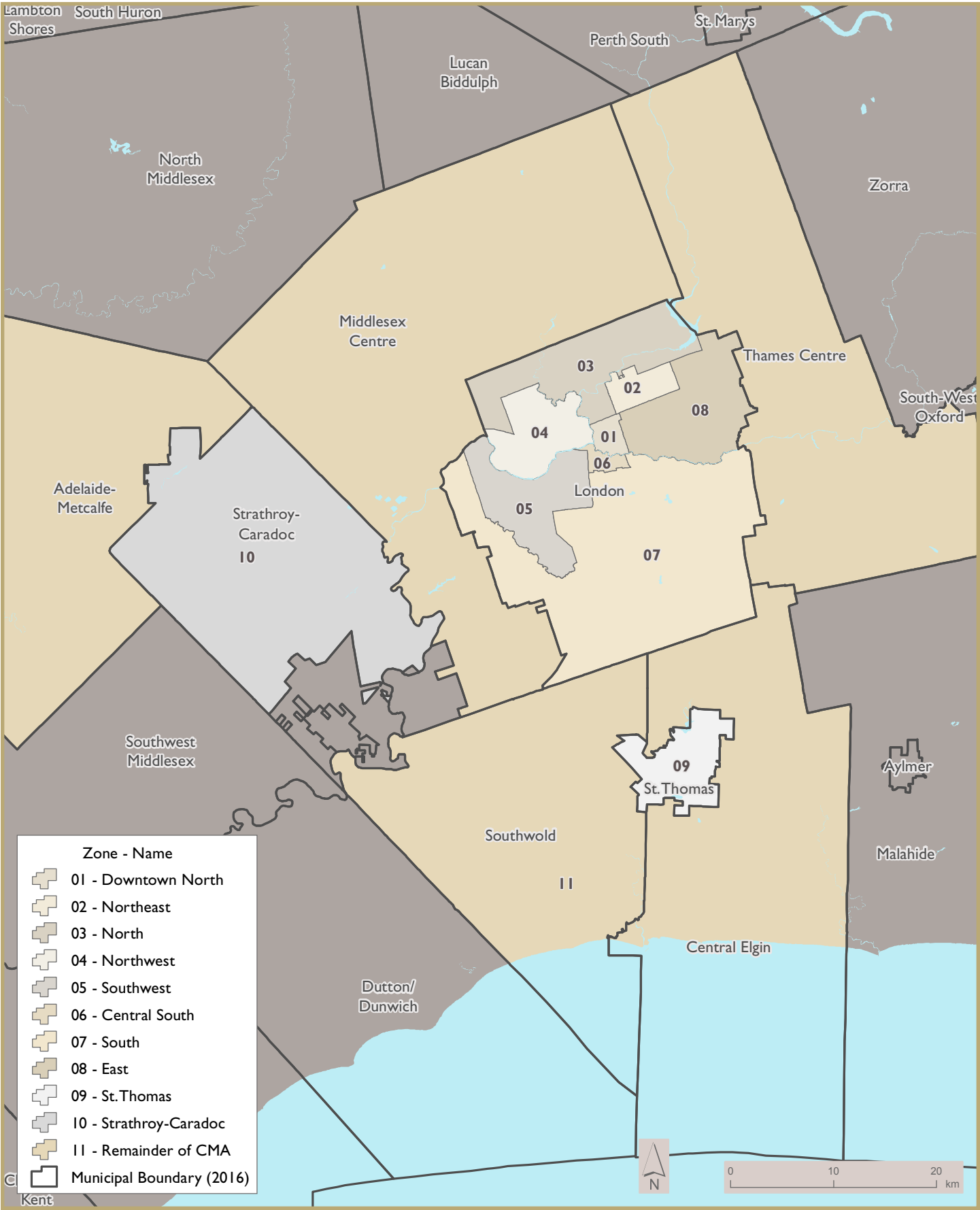


Source: CMHC, Rental Market Survey 2018-2019, Purpose-built apartments in structures of 3 + units

RESOURCES

You can find this data – and data for all provinces and census metropolitan areas (CMAs) in Canada – at [cmhc.ca/rental-market-report-data](https://www.cmhc.ca/rental-market-report-data).

⁹ Data on average rents for vacant and occupied units are located here: <https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/average-apartment-rents-vacant-occupied>.



RMS ZONE DESCRIPTIONS - LONDON CMA	
Zone 1	Downtown North - Census tracts 0022, 0023, 0033, 0034. North to Oxford St., East to Adelaide St and bound by the Thames River to the West and South.
Zone 2	Northeast - Census tracts 0038, 0039, 0040, 0041, 0046, 0047, 0048. North of Oxford St., East of Adelaide St., West of Clarke Rd, North to the River and Kilally Rd.
Zone 3	North - Census tracts 0042, 0043, 0045, 0049.01, 0049.02, 0050.01, 0050.02, 0050.03, 0051, 0120.03. North of Oxford St. from North Thames River to Adelaide, West of Fanshawe Lake, East of Denfield, South of Medway.
Zone 4	Northwest - Census tracts 0008, 0009.01, 0009.02, 0020.01, 0020.02, 0021, 0044.01, 0044.02, 0044.04, 0044.05, 0044.06, 0044.07. North of Thames River, West of North Thames River, South of Fanshawe Park from Hyde Park to River, East of Hyde Park.
Zone 5	Southwest - Census tracts 0005.01, 0005.02, 0005.03, 0006.01, 0006.02, 0006.04, 0006.05, 0007.01, 0007.02, 0010.01, 0010.02, 0011, 0019, 0110.01. South of Thames River, East of Westdel Bourne to Dingman Creek, North of Dingman Creek, West of Bostwick & Wharncliffe.
Zone 6	Central South - Census tracts 0015, 0016, 0017 and 0018. Includes Old South area - East of Wharncliffe Rd, West of Adelaide St., North of Chester Rd, and South of the Thames River.
Zone 7	South - Census tracts 0001.02, 0001.03, 0001.05, 0001.06, 0001.07, 0001.08, 0002.01, 0002.02, 0002.03, 0002.04, 0003, 0004.01, 0004.03, 0004.04, 0012, 0013, 0014 and 0110.02. East of Woodhull Rd., South of Zone 5, 6 & 8 and south of the Thames River, West of Westchester Bourne, North of Southminster Bourne.
Zone 8	East - Census tracts 0024, 0025, 0026, 0027.03, 0027.04, 0027.05, 0027.06, 0027.07, 0028, 0029, 0030, 0031, 0032, 0035, 0036, 0037. East of Adelaide St, South of Oxford St (except section East of Clarke Rd) to the Eastern City boundary and down to the South branch of the Thames River.
Zones 1-8	London City
Zone 9	St. Thomas
Zone 10	Strathroy-Caradoc TP
Zone 11	Rest of CMA - Includes markets outside of what is included in Zones 1-10.
Zones 1-11	London CMA

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

The Rental Market Survey and the Condominium Apartment Survey could not have been conducted without the cooperation of the rental property owners, managers, building superintendents and household members 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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