

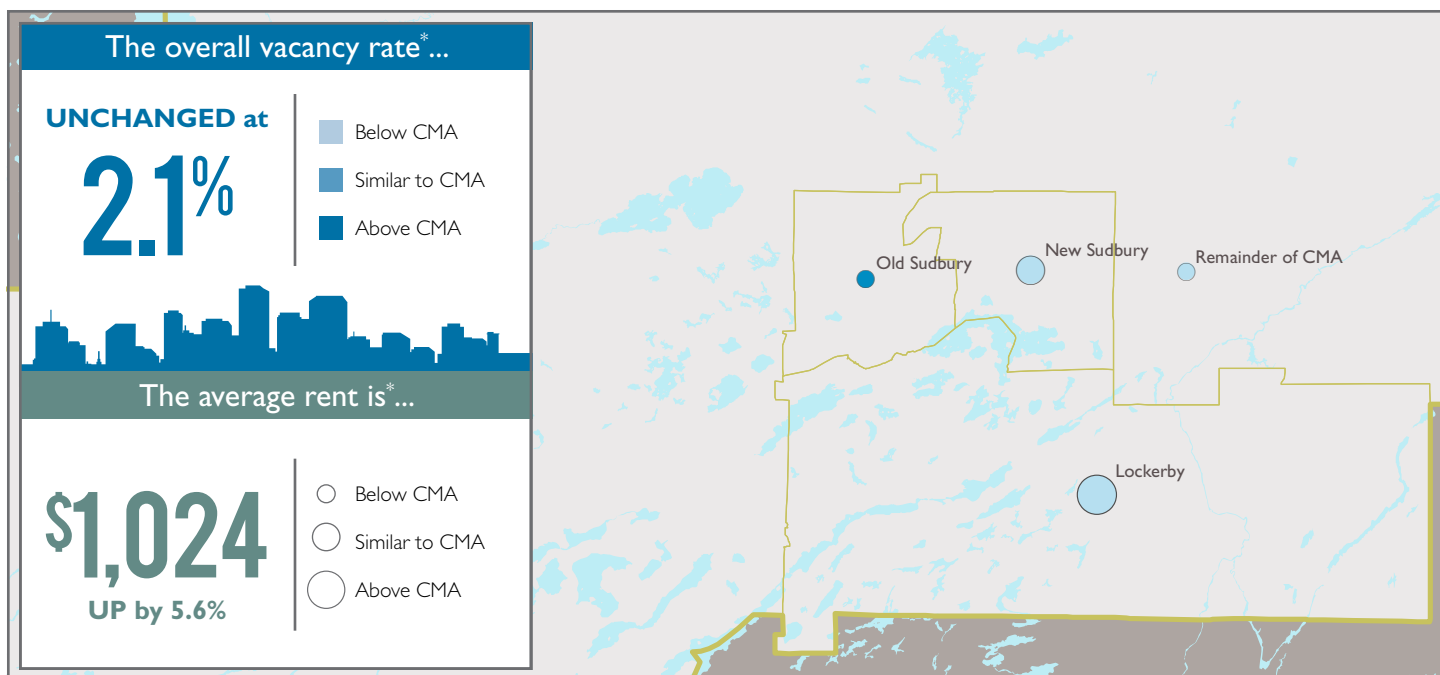
RENTAL MARKET REPORT

Greater Sudbury CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: 2020



PRIMARY RENTAL MARKET (by bedroom type)			
Bachelor	One bedroom	Two bedroom	Three or more bedrooms
3.1%	2.5%	1.9%	0.6%
Vacancy Rate	Vacancy Rate	Vacancy Rate	Vacancy Rate
\$676 Avg. Rent	\$904 Avg. Rent	\$1,114 Avg. Rent	\$1,183 Avg. Rent

“The vacancy rate in Greater Sudbury remained much lower than the historical average, leading to strong rent growth.”

Christopher Zakher
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 average vacancy rate for purpose-built rental apartments¹ was 2.1% in 2019, unchanged² from a year ago.
- Supply increased by a similar magnitude to demand resulting in stable market conditions.
- International students supported a modest increase in rental demand, however, outflows from the rental market from first-time home buyers curtailed the demand increase.
- Fixed sample average rents for two-bedroom apartments grew³ above the Ontario Rent Review Guideline of 1.8%.

The results of the Rental Market Survey conducted in October 2019 revealed that the rental apartment vacancy rate in the Greater Sudbury Census Metropolitan Area (CMA) was 2.1%, unchanged from a year ago and still at its lowest level since 2008. A modest increase in rental demand was offset by a similar increase in supply, which ultimately held the vacancy rate steady.

International students supported modest increase in rental demand

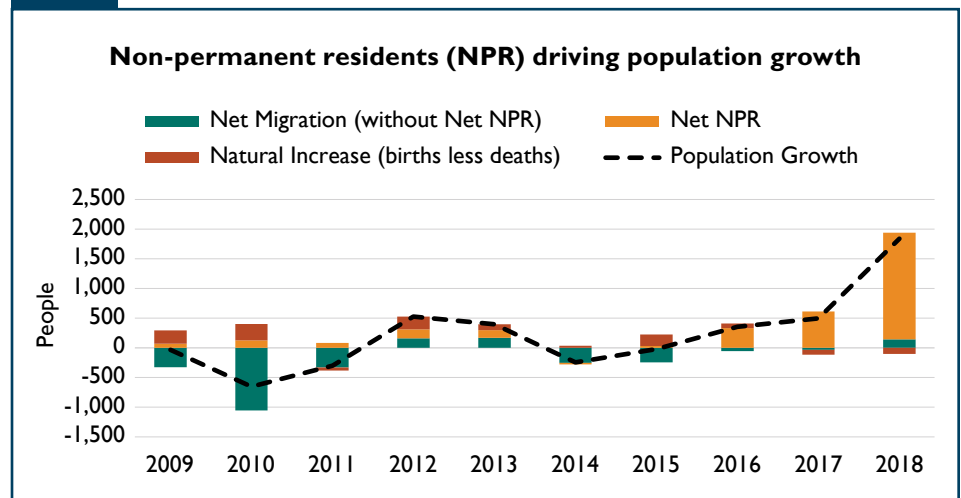
Between 2016 and 2018, non-permanent residents, particularly international students coming to study at the local post-secondary institutions, drove population growth in Greater Sudbury (Figure 1). Market intelligence indicated that enrollment of these students was set to increase again in 2019, suggesting a further influx of non-permanent residents to the CMA. According to the most recent Census, non-permanent residents have a very high propensity to rent. Therefore, the increase in non-permanent residents likely contributed to most of the rental demand increase witnessed this year. Notably, the only two sub-markets within Greater Sudbury to have experienced an increase in demand, rental zones 1

and 2, are where the two largest post-secondary institutions are located. They were also the only two sub-markets to observe a decrease in vacancy rates and an increase in turnover rates⁴.

Rental market outflows restrained demand growth

Favourable conditions in the local economy led to robust job creation January-to-September, relative to the same period last year. Benefiting have been those aged 25-to-44; a group which historically has made up the largest share of first-time buyers. Higher full-time employment, stronger earnings growth, and stagnation in monthly mortgage carrying costs (monthly mortgage payments)⁵ likely resulted in greater outflows from the rental market to homeownership from this group.

Figure 1



Sources: CMHC, adapted from Statistics Canada

¹ Based on privately initiated rental apartment structures of three or more units.

² The change in the vacancy rate between the 2018 and 2019 October rental market surveys was not statistically significant.

³ 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 October rental market surveys, we can get a better indication of actual rent increases paid by most tenants.

⁴ Please see Methodology and/or Definitions for the definition of turnover and the calculation of turnover rate.

⁵ Negligible home price growth in the existing home market led to stagnant growth in monthly mortgage payments. The monthly mortgage payment on the average priced MLS[®] home increased slightly by 1.4% (or \$20/month). This calculation was based on year-to-September MLS[®] prices (source: CREA), a 10% down payment, the fixed five-year mortgage rate (source: Bank of Canada), and a 25-year amortization period.

This placed downward pressure on rental demand. Indeed, January-to-September existing home sales through the local Multiple Listing Service® (MLS®) were higher than last year and, in fact, were at their highest level since 2012, suggesting increased homeownership demand from first-time buyers.

The youth population, aged 15-to-24, are a group important to the local rental market as Census data shows they have the highest propensity to rent of all age bands in the CMA. It is likely that people in this group formed fewer rental households as their population decreased and a smaller percentage of them had a full-time job, on a January-to-September basis, compared to 2018. This will have tempered inflows into the rental market this year.

Supply grew modestly

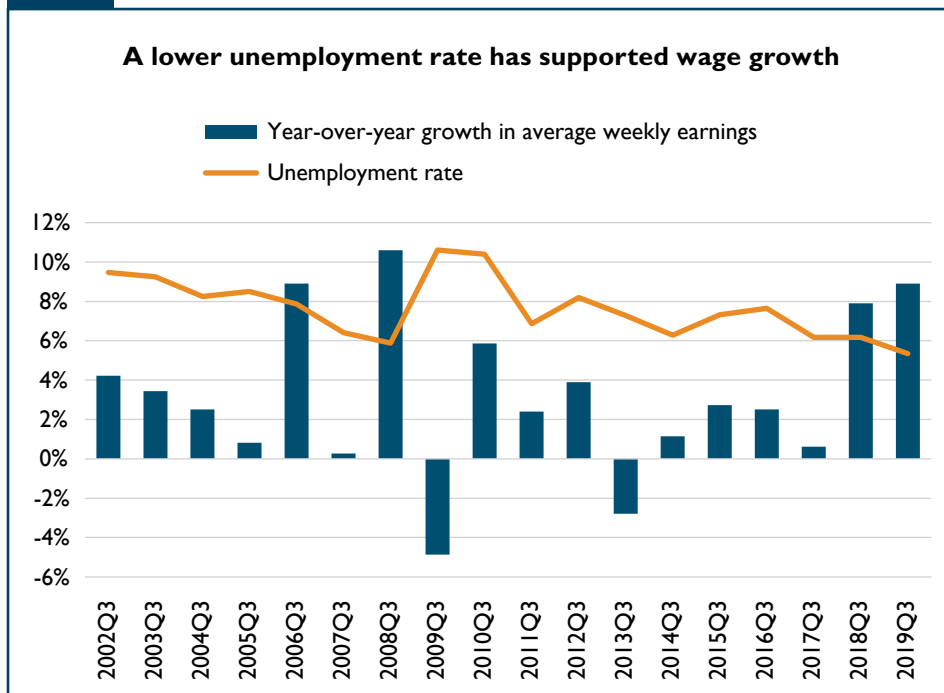
The rental apartment universe grew by a modest 0.3%, which was enough to offset the slight growth in rental demand. The decade long uptrend in the vacancy rate, which concluded in 2016, has led to limited construction of new rental supply. This lack of new rental supply has kept the rental apartment universe steady in recent years.

Fixed sample rent growth above the guideline increase

Fixed sample rents for two-bedroom apartments grew above the 2019 Ontario Rent Review Guideline of 1.8%. A very low vacancy rate for two-bedroom units, the only bedroom type to experience a vacancy rate decrease, left renters

with fewer options and has played a part in the increase. As well, robust wage growth due to a tight labour market, evidenced by the lowest unemployment rate in the CMA since at least 2001 (Figure 2), allowed landlords to raise rents above guideline on units that turned over and to the upper limit of the Ontario guideline increase for units that were already occupied.

Figure 2

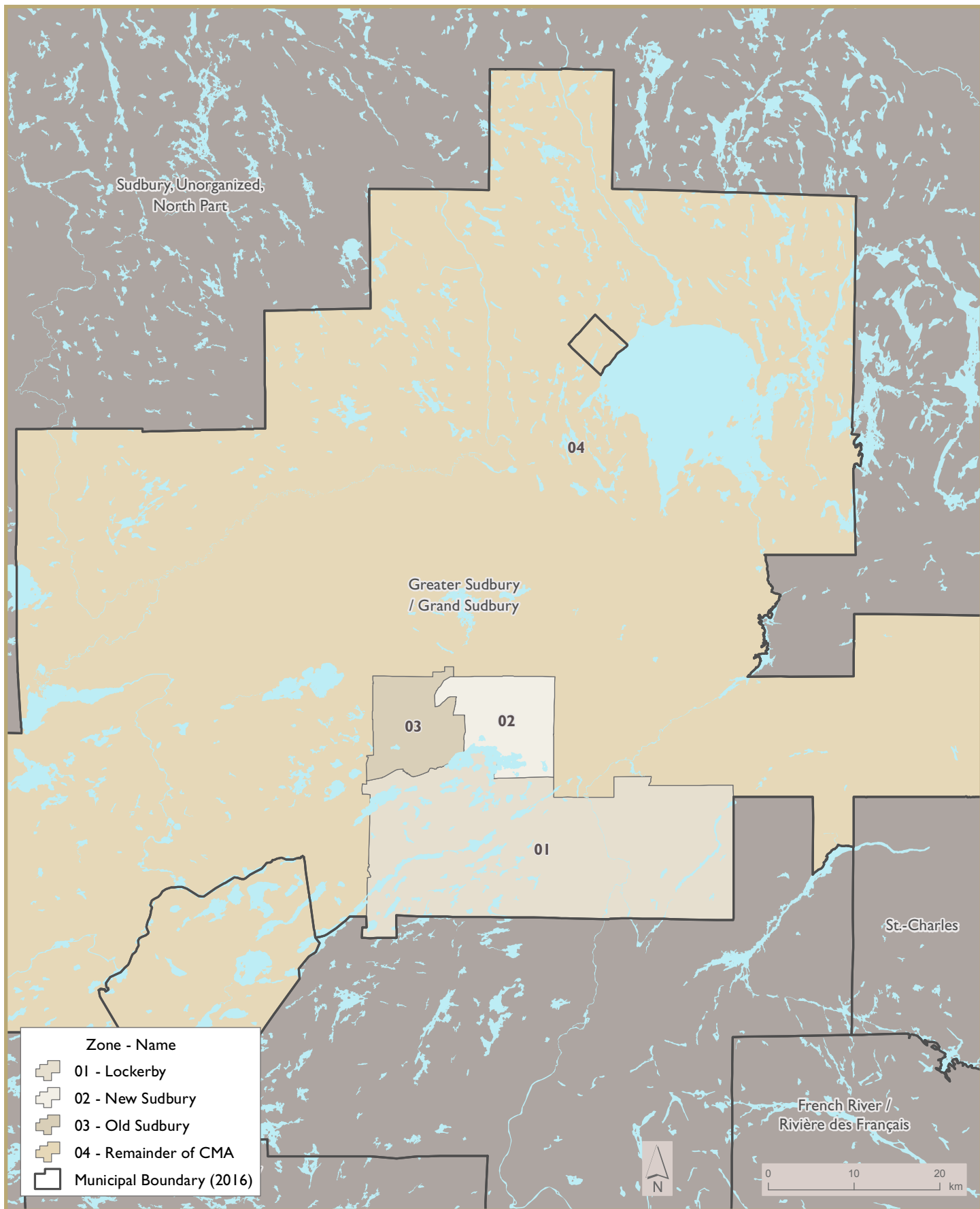


Sources: CMHC, adapted from Statistics Canada

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.

⁶ MLS® is a registered trademark of the Canadian Real Estate Association.



RMS ZONE DESCRIPTIONS - GREATER SUDBURY CMA	
Zone 1	Lockerby: Includes the entire area south of Ramsey Lake.
Zone 2	New Sudbury: Includes New Sudbury and Minnow Lake.
Zone 3	Old Sudbury: Includes the West End, Gatchell and Copper Cliff.
Zones 1-3	Sudbury City
Zone 4	Remainder Metropolitan Area: Includes Valley East, Rayside-Balfour, Nickel Centre, Walden, Markstay-Warren, Onaping Falls and Capreol.
Zones 1-4	Greater Sudbury 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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