

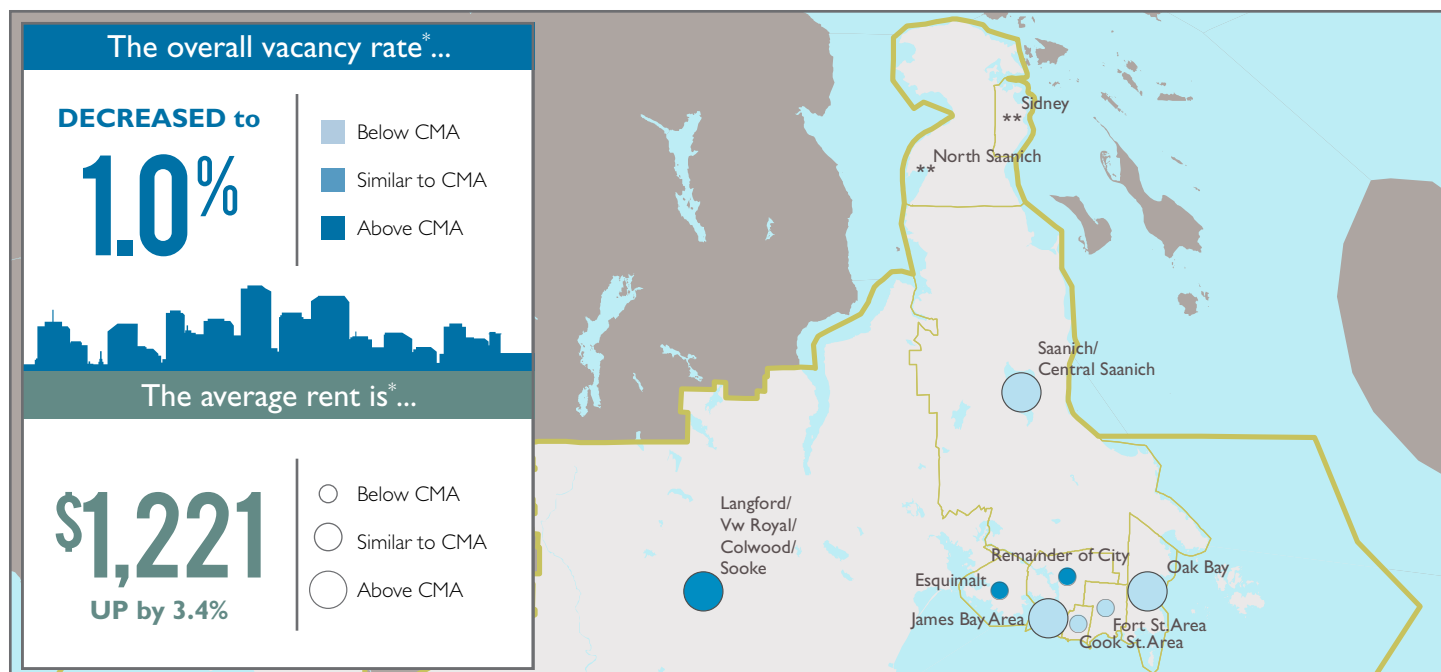
RENTAL MARKET REPORT

Victoria CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: 2020



PRIMARY RENTAL MARKET (by bedroom type)			
Bachelor	One bedroom	Two bedroom	Three or more bedrooms
1.1%	0.9%	1.1%	1.2%
Vacancy Rate	Vacancy Rate	Vacancy Rate	Vacancy Rate
\$965 Avg. Rent	\$1,127 Avg. Rent	\$1,448 Avg. Rent	\$1,740 Avg. Rent

“Rent growth has slowed from previous years, and while vacancy was down overall, there were pockets of improved rental availability where supply additions were noted.”

Braden Batch
Senior Analyst

*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.

Highlights

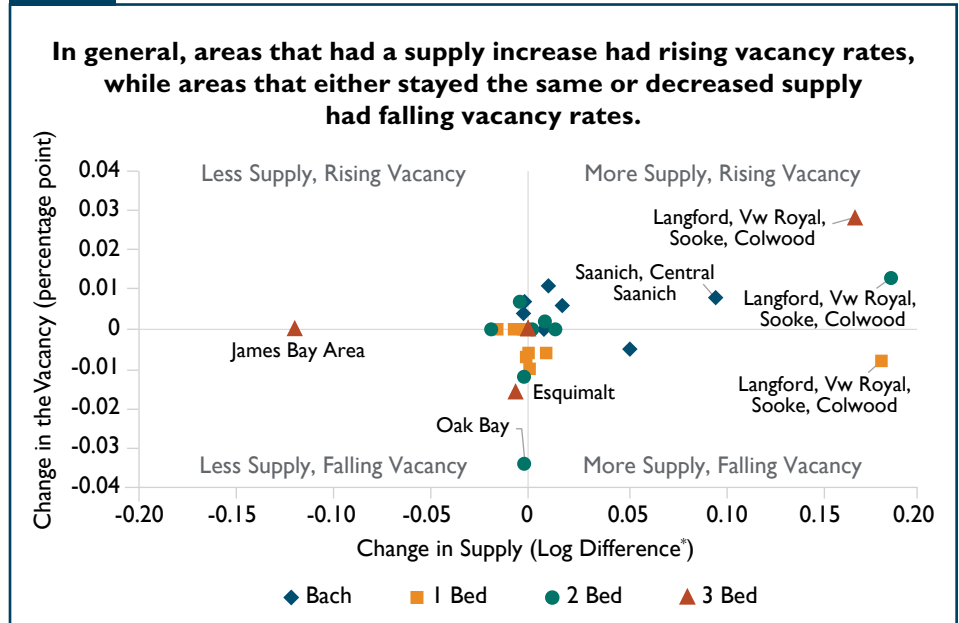
- The vacancy rate decreased in Metro Victoria¹ to 1.0%, but the change in vacancy varied across the metro area.
- The average apartment rent was \$1,221 in October 2019 compared to \$1,170 last year.
- Same-sample rents increased 3.4%, a slower rate than in the past two years as a result of easing demand pressures.

Metro Victoria's vacancy rate fell to 1%

According to the results of the Rental Market Survey conducted in October 2019, the vacancy rate in Metro Victoria decreased from 1.2% in 2018 to 1.0% in 2019.² However, it behaved differently for different segments of the market. Figure 1 plots changes in vacancy against changes in the purpose built rental universe. The data shows bachelor suites had a general rise in vacancy rate on increased supply, while there was almost no increases in 1-bedroom units anywhere in the Metro Area and thus generally falling or constant vacancy rates for these units.

With only small changes in vacancy observed for most unit types and locations, same-sample rents increased 3.4% in 2019, which is a slowing of rent increases from the 7.5% increase in 2018. The average two-bedroom rent in Metro Victoria was \$1,448 in October 2019 compared to \$1,406 in October 2018, and there remains a sizable gap between the rent paid by long-term tenants and new entrants to the market (see figure 4 for difference in vacant vs. occupied rents).

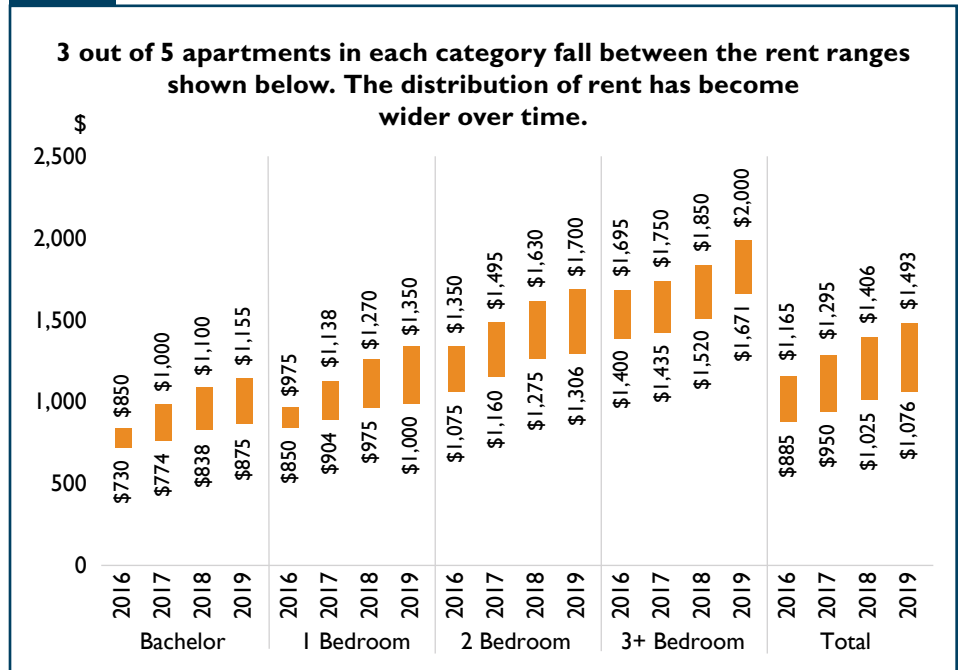
Figure 1



Source: CMHC Rental Market Survey

*Log difference is a technique used to normalise the change in a variable. It is the difference in the natural logarithm between two datapoints.

Figure 2



Source: CMHC Rental Market Survey

The turnover rate for Metro Victoria was 20.8% in 2019, exposing roughly 1 in 5 units to current market rental prices.

¹ Metro Victoria refers to the Victoria Census Metropolitan Area.

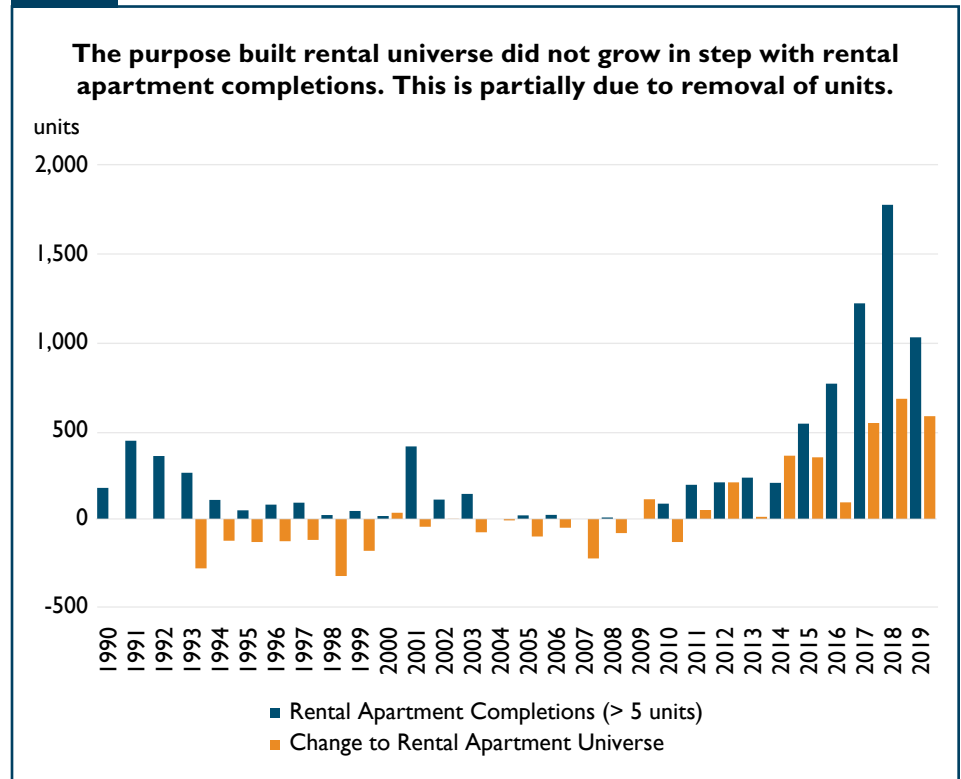
² The survey is based on privately initiated rental apartment structures of three or more units.

The expansion of the purpose-built rental universe was limited to a few localised areas, as a result, overall vacancy rate declined

After decades of little to no change in the supply of purpose built rental, the universe has seen meaningful expansion once again. Nonetheless, the vast majority of purpose built universe is over 40 years old, and often requires removal from the supply for renovation, demolition, or repurposing. Figure 3 demonstrates the changes in rental apartment completions and the rental universe in overall counts. As new stock entered the market, the universe expanded at a comparatively reduced level. The rate of new supply was substantial and will continue to be substantial in the near future, and yet the vacancy rate declined overall in Metro Victoria.

A closer look at more localised data suggests that the new supply is having an effect. Much of the new rental construction was concentrated in Langford. As a result, Langford's vacancy rate increased from 0.7% to 1.2%, and the increase in supply there means that the purpose built rental market supported about 602 new renter household formations since the 2018 survey. To put that in context, across the entire Metro Victoria area the same figure is 628.

Figure 3



Source: CMHC Rental Market Survey, CMHC Starts and Completions Survey. 2019 completions to the end of October

Note: Completions of units over 5 units was used to exclude secondary suites and laneway homes from the data.

In fact, most of the Metro Victoria area saw fewer renter households from 2018 to 2019, and partially this reflects reductions in the overall purpose built rental universe. In summary, areas in which new construction outpaced removals, new renter households were able to form in order to accommodate population growth, but for most of the metro area, the heightened construction of new units did not effectively increase the purpose built rental supply in 2019.

Slower population growth eased pressure on purpose built rental supply

For at least the past 10 years, housing demand in Metro Victoria has shifted towards the rental market and away from the ownership market.³ Population growth has slowed since peaking in 2016, but remains between 4 to 5 thousand people per year.⁴

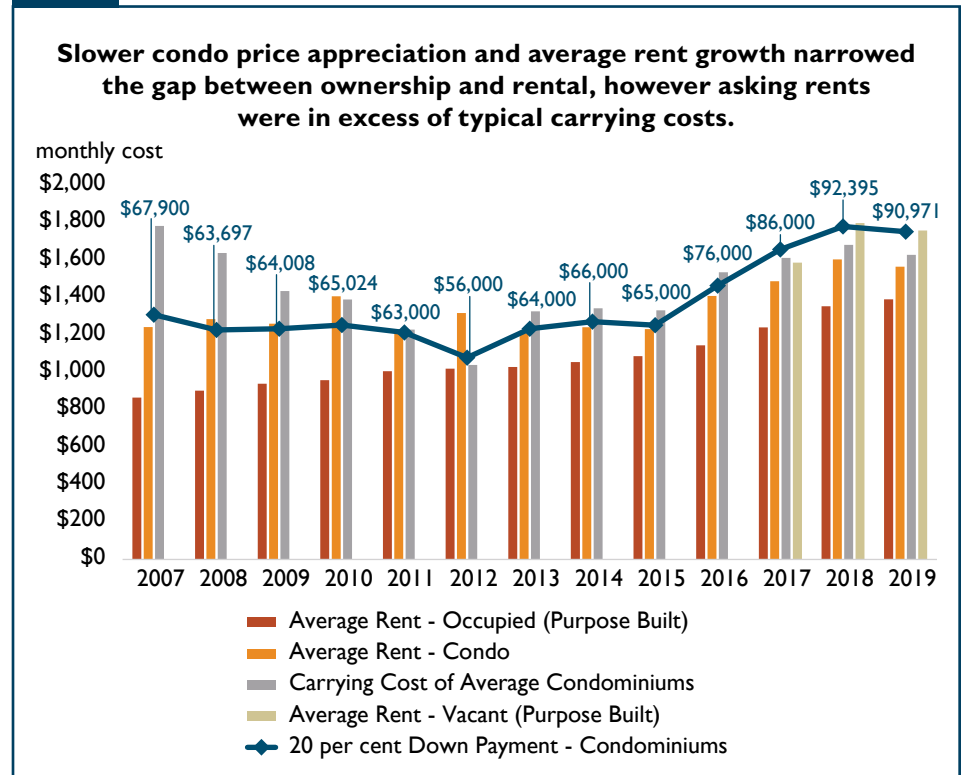
³ According to the 2016 Census and the 2011 National household Survey, between the 2011 and 2016, Metro Victoria added 9,340 new households.

Four of every five of these new households chose to rent instead of buy. Rental households grew by 14% over the 5-year period, or 7,385 households.

⁴ Statistics Canada. Table 17-10-0135-01 Population estimates, July 1, by census metropolitan area and census agglomeration, 2016 boundaries.

A low unemployment rate in Metro Victoria and a higher job vacancy rate than the national average have acted to attract young workers to the region. Most of this population growth was concentrated in age cohorts who have low homeownership rates, and are hence likely to be renters. Current vacant units have the highest monthly costs (Figure 4), and the carrying cost of the average condo decreased in the past year; however, households must have fairly substantial savings in order to take advantage of these lower monthly payments. As a result, some households who wish to buy may have remained renters, placing additional pressure on the purpose built rental supply.

Figure 4

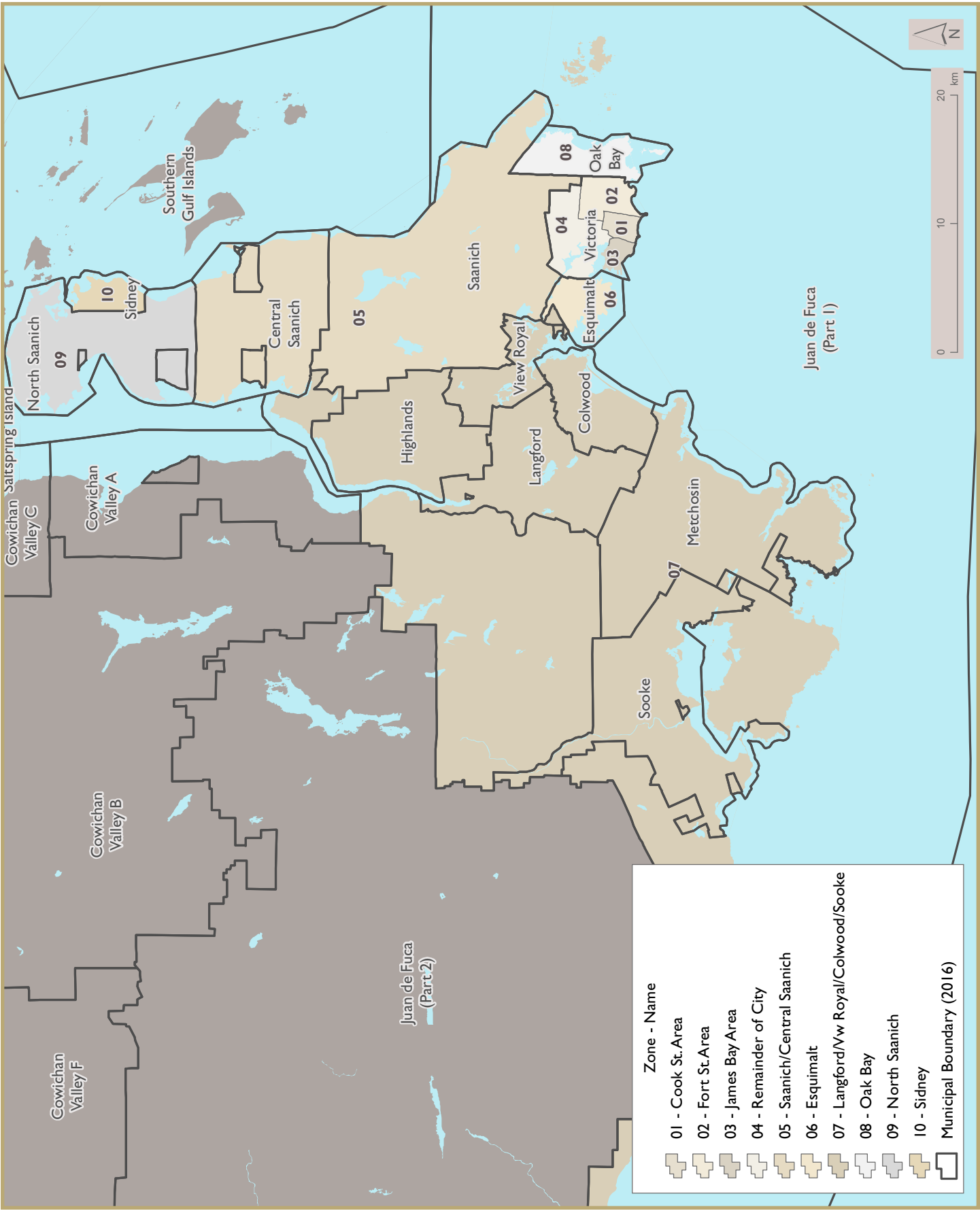


Source: CMHC Rental Market Survey, CMHC Secondary Rental Market Survey, VREB, calculations by CMHC

Note: Carrying cost includes mortgage payment, but excludes average condominium (strata) fees and average taxes.

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.



RMS ZONE DESCRIPTIONS - VICTORIA CMA	
Zone 1	Cook St. Area - includes Fairfield and Rockland neighbourhoods - bounded on west by Douglas St., on north by Fort St. and on east by Moss St.
Zone 2	Fort St. Area - includes Fernwood neighbourhood - bounded on west by Cook St., on north by Bay St. and on east by City of Victoria boundary.
Zone 3	James Bay Area - bounded on east by Douglas St.
Zone 4	Remainder of City - includes downtown core, Victoria West, Hillside and Jubilee neighbourhoods - bounded on east by Cook St. and on south by Bay St.
Zones 1-4	City of Victoria
Zone 5	Saanich/Central Saanich
Zone 6	Esquimalt
Zone 7	Langford/View Royal/Colwood/Sooke
Zone 8	Oak Bay
Zone 9	North Saanich
Zone 10	Sidney
Zones 5-10	Remainder of Metro Victoria
Zones 1-10	Victoria CMA

CONDOMINIUM SUB AREA DESCRIPTIONS - VICTORIA CMA	
Sub Area 1	City of Victoria includes RMS Zone 1 (Cook St. Area); Zone 2 (Fort St. Area); Zone 3 (James Bay Area) and Zone 4 (Remainder of City).
Sub Area 2	Remainder of Metro Victoria includes RMS Zone 5 (Saanich/Central Saanich); Zone 6 (Esquimalt); Zone 7 (Langford/View Royal/Colwood/Sooke); Zone 8 (Oak Bay); Zone 9 (North Saanich) and Zone 10 (Sidney).
Sub Areas 1-2	Victoria CMA

NOTE: Refer to RMS Zone Descriptions page for detailed zone descriptions.

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)

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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