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Date: 1/29/2021 4:56:54 PM
Subject: Memo - Updated Rental Market Data from CMHC
Attachments: Memo to Mayor and Council - Updated Rental Market Data from CMHC.pdf

Dear Mayor and Council,

Please see the attached memo from Gil Kelley regarding Updated Rental Market Data from CMHC. A brief summary is as follows:

- ☐ In the first Rental Market Report since the start of the COVID-19 pandemic, CMHC reports that the vacancy rate in purpose-built rental housing in the City of Vancouver increased to 2.8% in October 2020, compared to 1.0% in October 2019.
- ☐ Increased rental vacancy rates were reported across Canadian cities, attributed to a pandemic-related reduction in demand for rental housing driven by restrictions on immigration and in-person education, as well as temporary or permanent income losses among renters. Staff note that even with the impact of the pandemic on the rental market, the increased vacancy rate still falls short of the targeted vacancy rate of 3%, which would signal a balanced rental system between landlords and renters.
- ☐ CMHC also reports that the average rent in the City of Vancouver increased by 2% from October 2019, up to \$1,598. This rate increase is lower than the 6% increase reported for 2018 to 2019. Average rents in Vancouver have increased by over 60% since 2008.
- ☐ The number of condominium units being rented out in the City increased by 2,455 units in 2020, a continuation of the trend in 2019 which saw 5,920 rented condominiums added to the rental pool. CMHC attributes the shift toward rental in the condominium pool to both market and policy factors, including demand measures like the Empty Homes Tax.

Should you have any questions, please contact Gil Kelley, General Manager of Planning, Urban Design, and Sustainability at Gil.Kelley@vancouver.ca

Best,

Paul

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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməŋ̓əm̓ (Musqueam), ləw̓ú 7mesh (Squamish), and səlilwətał (Tseil-Waututh) Nations.

MEMORANDUM

January 29, 2021

TO: Mayor and Council

CC: Paul Mochrie, Acting City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Gail Pickard, Acting Civic Engagement and Communications Director
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Sandra Singh, General Manager, Arts, Culture, and Community Services
Patrice Impey, General Manager, Finance, Risk, and Supply Chain Management

FROM: Gil Kelley
General Manager, Planning, Urban Design and Sustainability

SUBJECT: Updated Rental Market Data from CMHC

Below are the highlights from the Canada Mortgage and Housing Corporation (CMHC) Rental Market Report – 2020 Release published on January 28, 2021. The CMHC collects data on the primary and secondary rental market annually via a survey of rental owners in the fall of each year. The trends and indicators in the report provide policy makers with key insights into the state of the rental housing market in Vancouver.¹ Key indicators in the report include:

- Vacancy rates and change over time (Vancouver and Region)
- Average rents and change over time (Vancouver and Region)
- Number of purpose built rental units and change over time (Vancouver and Region)
- % of condominiums in the rental pool and change over time (Vancouver and Region)

Note:

1. *Interrelated drivers of rental housing supply and demand that impact the indicators in the CMHC report includes:*

- *Purpose built rental housing completions*
- *Condominium completions and the percentage of condominium homes that are rented on the secondary market*
- *Demand side drivers such as population and job growth*
- *Policy interventions to encourage condominium owners to rent out empty and under-utilized units as long-term rental, such as the Empty Homes Tax and Speculation and Vacancy Tax, and regulation of Short Term Rental*

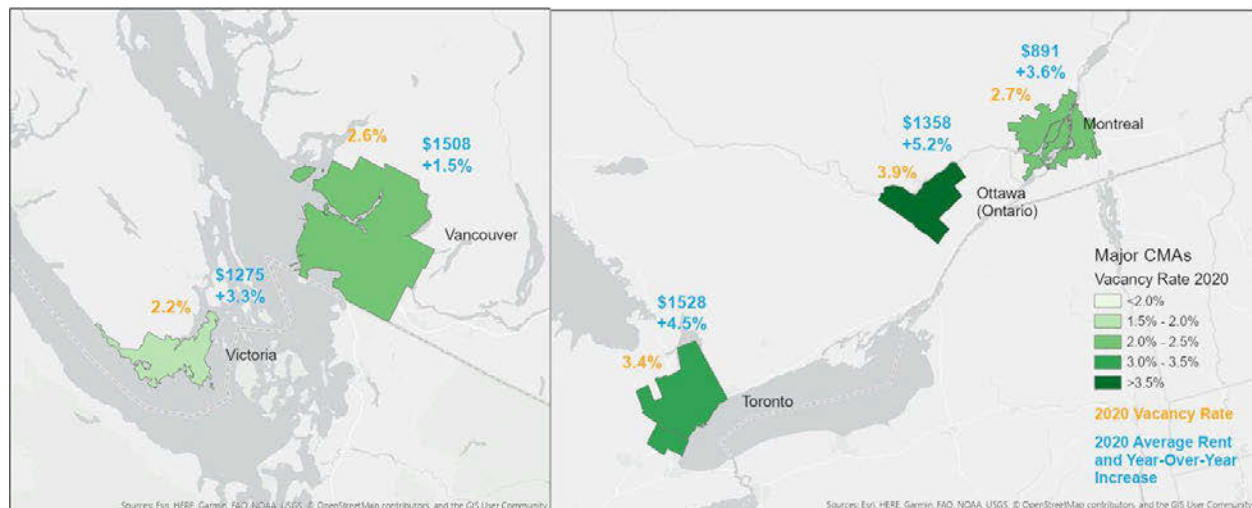
Given the complexity of the drivers for supply and demand, it is not possible to identify the extent to which a particular driver impacts the indicators in the CMHC report. However, examination of trends over time does provide Council with insights into the state of the rental housing market and provides context for setting policy going forward.

Key Indicators

In the first Rental Market Report since the start of the COVID-19 pandemic, CMHC reports that the purpose-built rental vacancy rate in the City of Vancouver increased to 2.8% in October 2020, up from 1.0% in October 2019. Increased rental vacancy rates were reported across Canadian cities, which CMHC attributes to a pandemic-related reduction in demand for rental housing, driven by restrictions on immigration and in-person higher education, and loss of income due to temporary or permanent unemployment. In Vancouver, vacancy rates increased across all rent levels, with the highest increases among units renting below \$750/month (from 0% to 4% vacancy) and above \$1500/month (from 1.4% to 4.2% vacancy).

Staff note that even with the pandemic-induced reduction in demand for rental housing, the city-wide average vacancy rate in purpose-built rental still falls short of our targeted vacancy rate of 3%, considered to be the minimum vacancy rate for a healthy rental housing system that balances the needs of landlords and renters.

Figure 1. Vacancy Rate and Average Rents for Major Census Metropolitan Areas Across Canada¹



The increased vacancy rate indicates that there are more rental options available to Vancouver renters in the immediate term. However, these findings should be interpreted with some caution with respect to future trends. CMHC predicts that the factors driving increased vacancy rates are likely temporary and tied to the pandemic period, noting that the federal government has increased immigration targets for future years and vaccine distribution is underway. It is also unclear why there has been such a significant increase in rental vacancy in the most affordable units under <\$750, raising some concerns about the housing situation for the city's lowest income renters during the pandemic. Staff will continue to monitor future data releases and work with CMHC moving forward on clarifying questions about the current report.

CMHC reports an average rent in the City of Vancouver of \$1,598, up 2% from 2019; this rate of increase is lower than the 6% increase reported for 2018-2019. Average rents increased across Canadian metropolitan areas, as shown in Figure 1 above. In Vancouver, rents increased

¹ Note – The Vancouver CMA covers the entire Metro Vancouver region, including the city of Vancouver. The vacancy rate for the Vancouver CMA was 2.6% in October 2020; more information is on page 4.

across all bedroom types, indicating that even with higher rental vacancy rates and a Province-wide rent freeze in place for much of 2020, landlords are still able to increase rents on turnover. Since 2008, rents in Vancouver have increased by over 60%. CMHC also reports that the gap between rental and entry-level ownership remains significant.

Additional highlights from the 2020 CMHC Rental Market Report include:

1. **The number of purpose built rentals in the City increased by 896 units**, making up approximately 40% of the growth in rental across Metro Vancouver which saw a total of 2,388 units added. CMHC notes that this is the highest annual increase among available records since 1990, reflecting elevated approvals and starts in recent years, but also warns of a risk that current uncertainty regarding demand may reduce completed units in coming years.
2. **The number of condo units being rented out in the City increased by 2,455 units in 2020**, a continuation of the trend in 2019 which saw an increase of 5,920 rented condominiums. CMHC attributes the shift toward rental in condo units to both market and policy factors, including demand measures like the Empty Homes Tax.
3. **For the first time, CMHC collected data on rent arrears.** In 2020, CMHC asked landlords about the number of units in arrears and total rent arrears, following from concern that renters are in arrears due to loss of income during the COVID-19 pandemic. Metro Vancouver landlords reported 3,008 units in arrears, representing approximately 2.59% of all rental units. The Metro Vancouver arrears rate is the lowest among BC CMAs, with Victoria reporting a 6.19% arrears rate and Kelowna reporting a 4.13% arrears rate. Across Canada, approximately 60% of landlords reported higher arrears compared to 2019.

Further detail on Key Indicators from the Rental Market Report are outlined below.

Key Indicator #1: Vacancy Rates

The vacancy rate in purpose-built market rental increased in both Vancouver and the region, driven by pandemic-related factors including restrictions on immigration and in-person higher education; and job and income losses. In Vancouver, the vacancy rate increased to 2.8% from 1% between October 2019 and October 2020 (Table 1). The 2.8% vacancy rate in Vancouver amounted to approximately 1,664 units that were physically unoccupied and available for immediate rental in October 2020, compared to 585 in October 2019. The greatest increase in rental vacancy was observed in downtown Vancouver, where vacancy increased from 1.3% to 6.3%. This area also reported the highest average rent of all local areas, at \$1,815/month in 2020.

The vacancy rate for Metro Vancouver also increased from 1.1% to 2.6%. The region-wide increase in vacancy rates is also paralleled across Canada, with most major urban centres reporting an increase in rental vacancy compared to 2019. Toronto and Ottawa (Ontario) are among the census metropolitan areas with the highest vacancy rate increases (Figure 2).

Figure 2. Vacancy Rate in Major Census Metropolitan Areas from 2019-2020

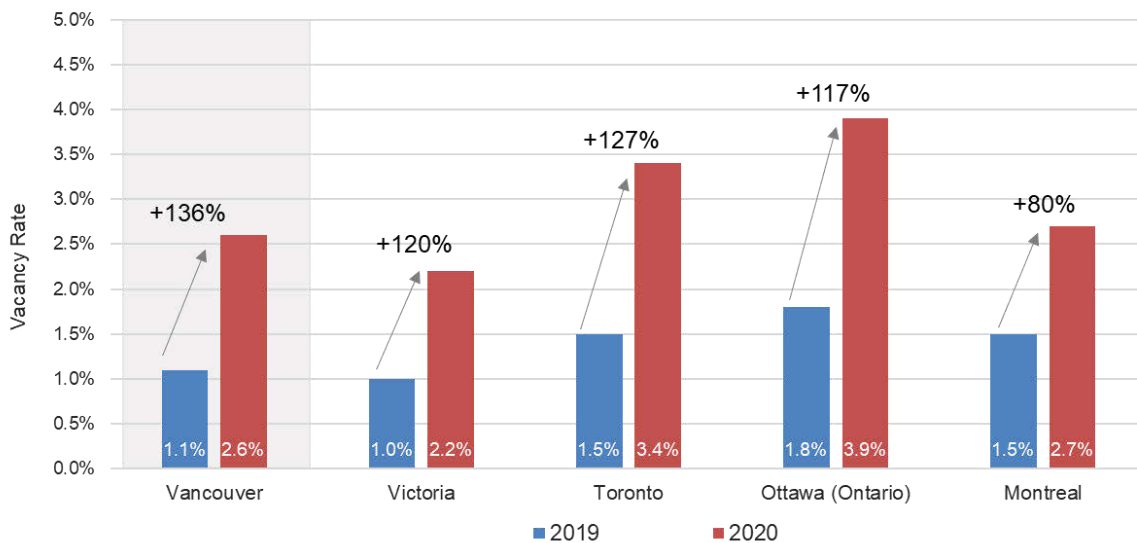
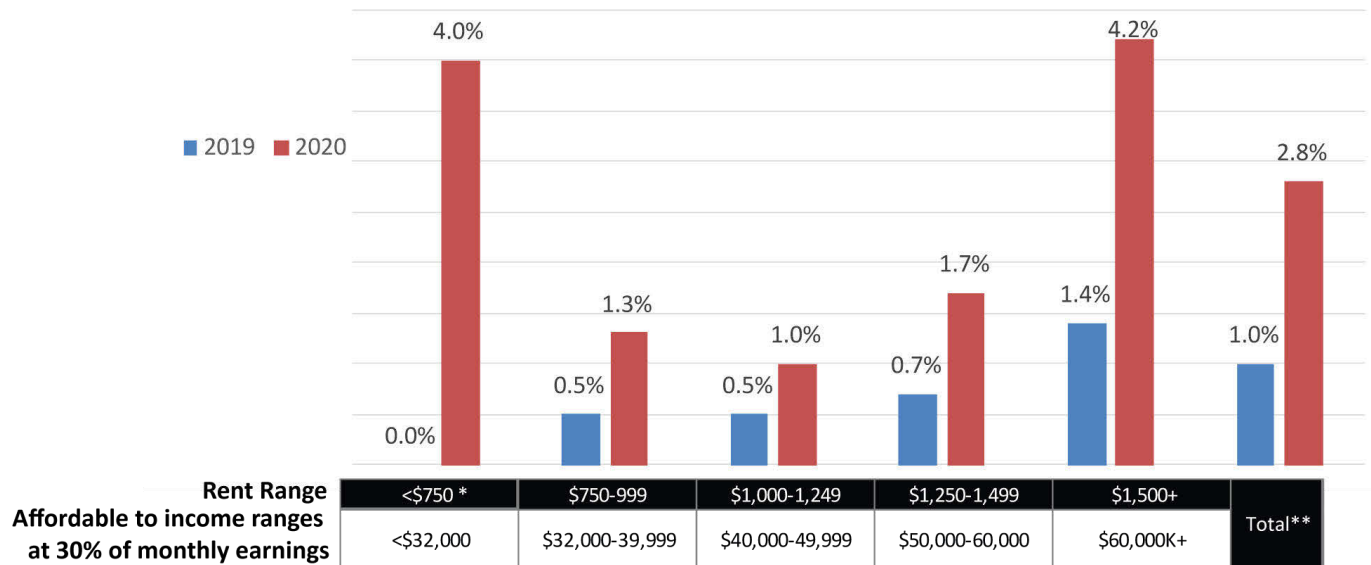


Table 1: Vacancy Rates in Purpose Built Rental Apartments

	2016	2017	2018	2019	2020	Change 2019-2020
City of Vancouver	0.8%	0.9%	0.8%	1.0%	2.8	+1.8%
Metro Vancouver Region (Vancouver CMA)	0.7%	0.9%	1.0%	1.1%	2.6	+1.5%

Rental vacancy rates increased in units across all rent levels, with the highest increases reported for units renting below \$750 and above \$1500 (Figure 2). Newer rental units built after the year 2000 make up only 15% of the total rental stock and tend to have higher rents and vacancy rates compared to older construction. The majority of the rental stock consists of older rental buildings that rent on average between \$1400-\$1500/month, and tends to be more affordable to low and moderate incomes between \$30,000-\$50,000. This stock experienced a relatively modest increase in vacancy rates. City staff will continue to engage with the CMHC Market Insights team to gather and analyze more detailed information on the vacancy rate trend in the most affordable stock.

Figure 3. City of Vancouver Vacancy Rates by Rent and Income Ranges



Notes:

*CMHC has indicated that data reliability and sampling for units renting at below \$750 is lower than all other rent ranges and should be used with caution.

**Total vacancy rate in 2020 across all rent ranges at 2.8% was equivalent to approximately 1,665 units

In the City of Vancouver, the vacancy rate in the rented condominium stock was reported to increase slightly from 0.2% to 0.5%, following a 0.1% decrease reported between 2018 and 2019.

Table 2: Vacancy Rates in Rented Condominiums

	2016	2017	2018	2019	2020	Change 2019-2020
City of Vancouver	0.4%	0.6%	0.3%	0.2%	0.5	+0.3%
Metro Vancouver Region	0.3%	0.6%	0.3%	0.3%	0.6	+0.3%

Key Indicator #2: Average Rents

CMHC reports that the pace of average rent increases in rental apartments slowed compared to previous years, with average rents increasing by 2% from October 2019 to October 2020 compared to 6% from October 2018 to October 2019. An increase in average rents was observed across major Census Metropolitan areas from 2019-2020.

Figure 4: Change in Average Rents in Major Census Metropolitan Areas from 2019-2020

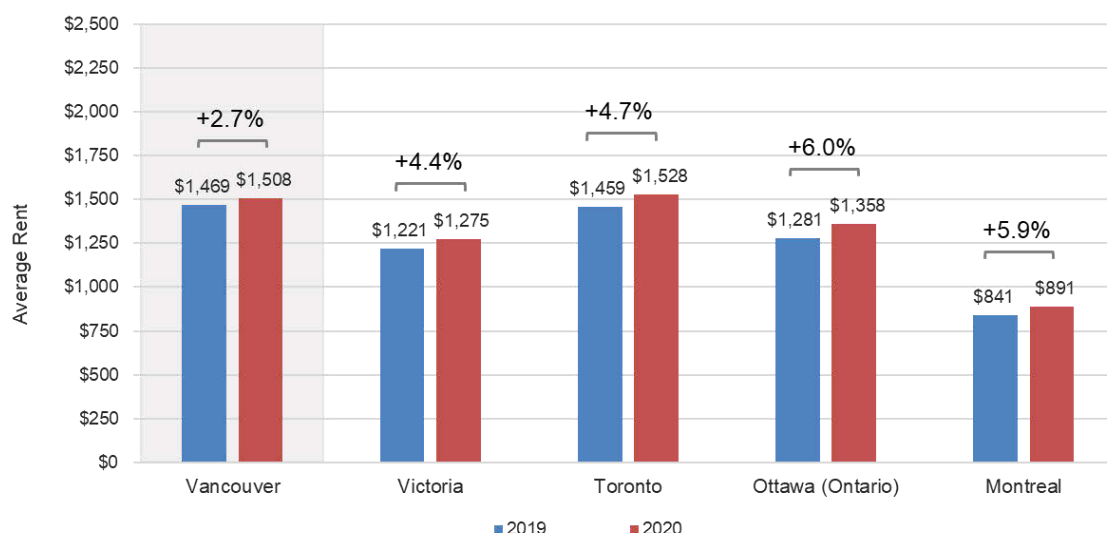


Table 3: Average Rents in All Purpose-built Rental Apartments

	2016	2017	2018	2019	2020	Change 2019-2020
City of Vancouver	\$1,324	\$1,389	\$1,478	\$1,568	\$1,598	+2%
Metro Vancouver Region	\$1,223	\$1,297	\$1,385	\$1,469	\$1,508	+2.6%

However, as in previous years, average rents for vacant units continue to be much higher when compared to rents for occupied units, which means prospective tenants face higher rents than longer-term tenants. Most occupied rental units in BC were subject to a rent freeze starting on April 1st 2020, a COVID-19 related measure. In October 2020, the average rent for a vacant unit in the City was 17% higher than the rent for an occupied unit.

Table 4: Occupied Vs. Vacant Average Rents in Purpose-Built Rental Apartments

	2016		2017		2018		2019		2020		Change 2019-2020	
	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant
City of Vancouver	\$1,323	\$1,431	\$1,388	\$1,547	\$1,476	\$1,766	\$1,565	\$1,873	\$1,590	\$1,868	+1.6%	-0.3%
Metro Vancouver Region	\$1,223	\$1,299	\$1,296	\$1,435	\$1,383	\$1,578	\$1,466	\$1,771	\$1,499	\$1,820	+2.3%	+2.8%

Average rents in rented condominiums in the City and region increased by 0.8%. Rented condominiums tend to rent at higher rates than purpose built rental apartments. In October 2020, the average rent of condominiums was 34% higher than the average rent of purpose built rental apartments.

Table 5: Average Rents in Rented Condominiums

	2016	2017	2018	2019	2020	Change 2019- 2020
City of Vancouver	\$1,955	\$2,086	\$2,080	\$2,117	\$2,135	+0.8%
Metro Vancouver Region	\$1,625	\$1,758	\$1,855	\$1,893	\$1,914	+1.1%

Key Indicator #3: Number of Purpose Built Rental Units

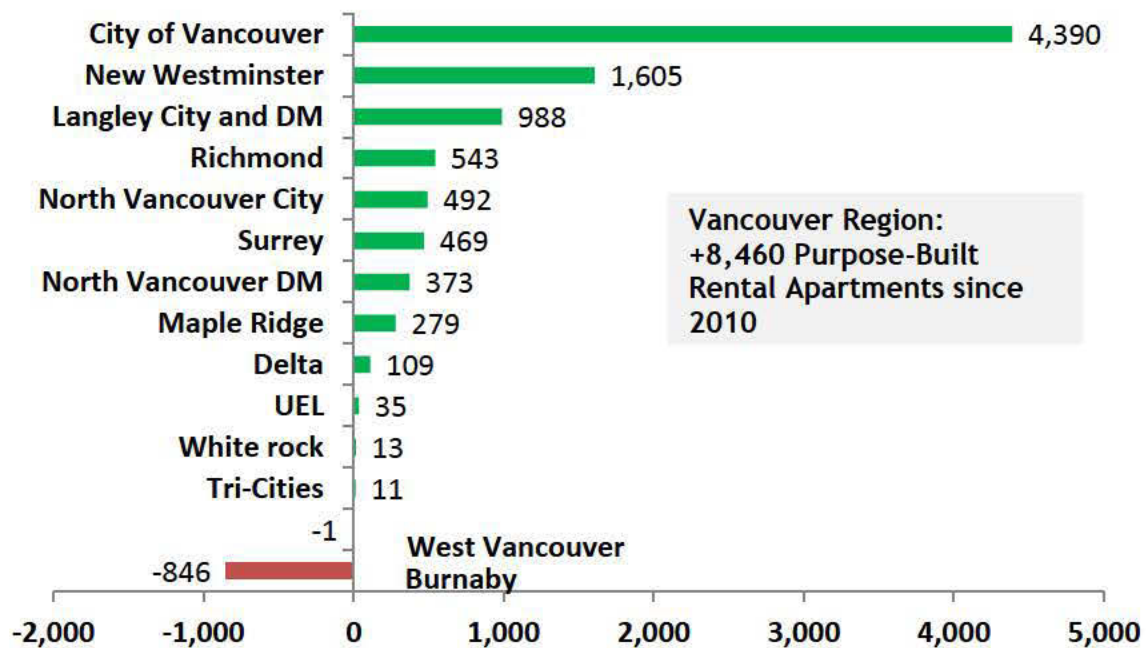
The total number of rental units in purpose built rental buildings in the City increased by 896 newly constructed units between 2019 and 2020 (Table 6). CMHC reported that 2,388 newly constructed rental units were added across the region in 2020, the highest annual increase among CMHC records since 1990. Vancouver contributed to approximately 40% of the region's new purpose built rental housing supply over this period

Table 6: Number of Rental Units in Purpose Built Rental Apartment Universe

	2016	2017	2018	2019	2020	Change 2019-2020
City of Vancouver	57,018	57,243	57,814	58,557	59,453	+1.5% (896 units)
Metro Vancouver Region	107,867	108,496	109,289	110,753	113,141	+2.2% (2,388 units)

Looking at the net change in rental supply across the region since 2011, we see that Vancouver continues to lead among Metro Vancouver municipalities in terms of net gain in rental stock. In recent years, Metro municipalities have been increasing the supply of new rental, with the Tri-Cities and White Rock now experiencing a net gain in rental since 2011. From 2019-2020, Burnaby saw an increase of 269 rental units, resulting from recent policy changes to support retention and supply of rental housing; however, past demolition of rental housing means that Burnaby is still registering a net loss of purpose-built rental since 2011.

Figure 5: Change in Total Number of Purpose Built Rental Housing Units in Metro Vancouver Municipalities (2011 – 2020)



CMHC Rental Market Survey: 2011-2020

Key Indicator #4: Condominium Units in the Rental Pool

The percentage of condominium units in the rental pool in the City and Region continued to increase in 2020. In Vancouver, the percentage of condominium units in the rental pool grew by 1.2% between 2019 and 2020, after growing 5.6% between 2018 and 2019. The stock of condos in the long-term rental market increased by 2,455 units between 2019 and 2020, after growing by 5,920 units between 2018 and 2019. CMHC attributes the continued shift in the condo stock toward long-term rental to market trends and policies like the City of Vancouver Empty Homes Tax and the Provincial Speculation and Vacancy Tax.

Table 7: Net Change in Condominium Units in the Rental Pool

	2016	2017	2018	2019	2020
City of Vancouver	+2,124	+257	-238	+5,920	+2,455
Metro Vancouver Region	+1,516	+1,841	-1,081	+11,118	+7,137

Table 8: % of Condominium Units in the Rental Pool

	2016	2017	2018	2019	2020	Change 2019-2020
City of Vancouver	32.2%	32.2%	30.9%	36.5%	37.7%	+1.2%
Metro Vancouver Region	25.4%	25.8%	24.5%	28.0%	29.6%	+1.6%

CMHC Market Rental Survey Methodology

- **Primary rental 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.
- **Rented Condominium 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 major urban areas, including Vancouver. 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.

Further information about how the CMHC Rental Market Report - 2019 Release relates to the Housing Vancouver Strategy, data, and targets will be provided as part of the Housing Vancouver 2019 Progress report in Spring 2020. If you have any questions or require further information, please contact me or Dan Garrison, Assistant Director of Housing Policy, at 604-673-8435 or dan.garrison@vancouver.ca.



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