

From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>
To: "Direct to Mayor and Council - DL"
CC: "City Manager's Correspondence Group - DL"
Date: 11/28/2018 5:29:53 PM
Subject: FW: *UPDATED* Key Messages on CMHC 2018 Rental Market Report

Greetings Mayor and Council-

See below a summary of the 2018 CMHC Rental Market Report. The key findings are:

- The vacancy rate in the City of Vancouver dropped from 0.9% last year to 0.8% this year. It increased very slightly in the rest of the Metro region.
- The total purpose built rental stock continues to increase in the City, with a net gain of 571 units over the last year.
- Average rents increased 6.4% in the purpose built stock over the past year, significantly above the RTB's Annual Allowable Increase.

As usual, we will be producing a more fulsome memo that can be shared with Mayor and Council, but given the attention on rental issues this week I thought we should share the high level findings immediately.

Best

Sadhu

From: Ellis, Sarah
Sent: Wednesday, November 28, 2018 3:23 PM
To: Garrison, Dan (COV); Cho, Edna
Cc: Cheng, Aaron; Humenny, Rachel
Subject: CMHC 2018 Rental Market Report - Key Messages

Hi all ☺ Please find our early findings on the CMHC 2018 Rental Market Report.

Understanding the CMHC Rental Market Report

- The CMHC collects data on the primary and secondary rental market annually in the fall of each year. The trends and indicators in the annual Rental Market Report provide policy makers with key insights into the state of the rental housing market in Vancouver.
- There are many interrelated drivers of rental housing supply and demand that impact the indicators in the CMHC report such as purpose built rental housing completions; condominium completions and the percentage of condominium homes that are rented on the secondary market; and demand side drivers such as population and job growth. These drivers are in turn influenced by a broad range of market and economic factors, including trends in construction costs and interest rates impacting supply, as well as trends in job availability, migration, and incomes impacting demand.
- CMHC Rental Market Report indicators may also help to provide insight on the impact of policy interventions like the City's market rental incentive programs, Empty Homes Tax, and regulation of Short Term Rentals. However, given the complexity of the drivers of supply and demand, it is often challenging to identify the extent to which any particular factor, including City policy interventions, 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. CMHC rental data is an important market indicator, but must also be viewed along with City data like development approvals and Empty Homes Tax declarations, as well as data released from the Census and other government and industry sources. The Housing Vancouver Annual Progress Report and Data Book provides a yearly update on a comprehensive set of market indicators relating to housing supply, demand, and affordability in Vancouver and the impact of City and partner actions. The 2018 Progress Report and Data Book can be accessed at <https://vancouver.ca/files/cov/2018-housing-vancouver-annual-progress-report-and-data-book.pdf>

Interpreting the 2018 CMHC Rental Market Report

- Vacancy rates in purpose built rental apartments** decreased slightly in the City between 2017 and 2018, and increased slightly in the region in the same time period. CMHC attributes low rental vacancy rates in the City and region to a strong local economy contributing to growing rental demand, as well as cost of entry-level homeownership keeping some households in rental housing for longer periods. Low rental vacancy rates may also reflect potential constraints on delivery of new rental supply such as high and rising construction costs and rising interest rates.

Table 1: Vacancy Rates in Purpose Built Rental Apartments

	2017	2018	Change 2017-2018
City of Vancouver	0.9%	0.8%	-0.1%
Metro Vancouver Region	0.9%	1.0%	+0.1%

- The total number of rental units in purpose built rental buildings** in the City and Region increased by 571 and 793 units respectively between 2017 and 2018 (Table 1). CMHC notes that this trend reflects a continued emphasis on increasing supply of purpose built rental in Vancouver City and other municipalities, though the increase has been offset by demolition of rental in certain parts of the region (e.g. Tri-Cities and Burnaby).

Table 2: Number of Rental Units in Purpose Built Rental Apartments

	2017	2018	Change 2017-2018
City of Vancouver	57,243	57,814	+571
Metro Vancouver Region	108,496	109,289	+793

- Vacancy rates in the rented condominium stock** in the City and region fell, as did the overall number of rental units in Condominium Apartments. Note that rented condominiums are part of the secondary rented stock, and are considered to be a less secure form of rental housing compared to purpose-built rental housing. CMHC attributes the falling trend in vacancy rates and number of rented condominiums to a strong resale market in apartment condominiums leading to investors choosing to sell their unit rather than continuing to rent them out.

Table 3: Vacancy Rates in Rented Condominiums

	2017	2018	Change 2017-2018
City of Vancouver	0.6%	0.3%	-0.3%
Metro Vancouver Region	0.6%	0.3%	-0.3%

Table 4: Number of Rental Units in Condominium Apartments

	2017	2018	Change 2017-2018
City of Vancouver	28,382	28,144	-238
Metro Vancouver Region	59,930	58,849	-1,081

4. **Average rents in purpose-built rentals** in the City increased by 6.4% between 2017-2018, compared to 6.8% in the Region overall. This is the fourth consecutive year that average rents have increased more than the provincially-allowable increase, suggesting that landlords, through turnover of long-term tenants, are able to increase rents to market levels that are higher.

Table 3: Average Rents in Purpose Built Rental Apartments

	2017	2018	Change 2017-2018
City of Vancouver	\$1,389	\$1,478	+6.4%
Metro Vancouver Region	\$1,297	\$1,385	+6.8%

5. **Average rents in rented condominiums** decreased slightly in the City between 2017 and 2018, and increased in the region during the same time period. This reflects the sustained low vacancy rates observed in apartment condominiums across the region, though the impact appears to be less in the City compared to the region.

Table 4: Average Rents in Rented Condominiums

	2017	2018	Change 2017-2018
City of Vancouver	\$2,086	\$2,080	-0.3%
Metro Vancouver Region	\$1,758	\$1,855	+5.5%

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