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CC: "City Manager's Correspondence Group - DL"

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Date: 11/30/2018 4:52:52 PM

Subject: CMHC Rental Market Report – Fall 2018 Release

Attachments: Memo to Mayor and Council - CMHC Rental Market Report – Fall 2018 Releas....pdf

Dear Mayor and Council,

I sent a high level summary a few days ago on the CMHC rental Market Report – Fall 2018 Release. Please find attached a more thorough analysis of the report, including:

- Provides highlights of the latest CMHC Rental Market Report which includes data on both the primary and secondary rental market for Vancouver and the Region
- Key indicators include vacancy rates, average rents, number of purpose built rental units and % of condominiums in the rental pool
- Examination of indicator trends over time provides insights into the state of the rental housing market and context for setting policy going forward

Best,
Sadhu

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MEMORANDUM

November 30, 2018

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Communications Director
Katrina Leckovic, City Clerk
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Anita Zaenker, Chief of Staff, Mayor's Office
Sandra Singh, General Manager, Arts Culture and Community Services
Kaye Krishna, General Manager, Development Building and Licenses
Dan Garrison, Assistant Director, Housing Policy and Regulation
Abigail Bond, Director of Affordable Housing

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

SUBJECT: CMHC Rental Market Report - Fall 2018 Release

Dear Mayor and Council,

Below are the highlights of the Canada Mortgage and Housing Corporation (CMHC) Rental Market Report - Fall 2018 Release. The CMHC collects data on the primary and secondary rental market annually 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. 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)

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
- Demand side drivers such as population and job growth
- Policy interventions to encourage condominium owners to rent out their homes such as the Empty Homes Tax and regulation of Short Term Rentals

Given the complexity of the drivers of 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

Key Indicator #1: Vacancy Rates

Vacancy rates in purpose built rental apartments slightly decreased in the City by 0.1% and increased in the region by 0.1% between 2017 and 2018 (Table 1). Vacancy rate increases in Burnaby and New Westminster with a large share of the regions rental stock contributed to a higher vacancy rate in the region compared to the City.

Table 1: Vacancy Rates in Purpose Built Rental Apartments

	2014	2015	2016	2017	2018	Change 2017-2018
City of Vancouver	0.5%	0.6%	0.8%	0.9%	0.8%	-0.1%
Metro Vancouver Region	1.0%	0.8%	0.7%	0.9%	1.0%	+0.1%

Although, the City has seen a decrease in vacancy rates for the entire purpose built rental stock, the vacancy rate for newer purpose-built apartments built since 2005 has significantly increased by 0.6% between 2017 and 2018 (Table 2). An increase in the vacancy rate of rental apartments may be a reflection of the net gain in rental stock seen in Vancouver from new rental apartment openings.

Table 2: Vacancy Rates in Newer Purpose Built Rental Apartments Built Since 2005

	2014	2015	2016	2017	2018	Change 2017-2018
City of Vancouver	0.7%	0.8%	0.2%	0.9%	1.5%	+0.6%
Metro Vancouver Region	1.9%	0.7%	0.3%	1.3%	2.3%	+1.0%

Vacancy rates in the rented condominium stock in the City and region have decreased by 0.3% between 2017 and 2018 (Table 3).

Table 3: Vacancy Rates in Rented Condominiums

	2014	2015	2016	2017	2018	Change 2017-2018
City of Vancouver	0.5%	0.8%	0.4%	0.6%	0.3%	-0.3%
Metro Vancouver Region	0.7%	0.9%	0.3%	0.6%	0.3%	-0.3%

Key Indicator #2: Average Rents

Between 2017 and 2018, average rents in purpose built rentals in the City increased by 6.4% compared to 6.8% in the Region overall.

Table 4: Average Rents in All Purpose Built Rental Apartments

	2014	2015	2016	2017	2018	Change 2017-2018
City of Vancouver	\$1,176	\$1,233	\$1,324	\$1,389	\$1,478	+6.4%
Metro Vancouver Region	\$1,099	\$1,144	\$1,223	\$1,297	\$1,385	+6.8%

Average rents for vacant units in new rental apartments that have recently opened or rental units experiencing turn-over tend to be much higher when compared to rents for occupied units with longer term tenants. In 2018, the average rent for a vacant unit in the City was 20% higher than the rent for an occupied unit. Between 2017 and 2018, rents for vacant units increased significantly by 14.2% compared to rents for occupied units that increased by 6.3% (Table 5).

Table 5. Occupied Vs. Vacant Average Rents in Purpose-Built Rental Apartment

	2017		2018		Change 2017-2018	
	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant
City of Vancouver	\$1,388	\$1,547	\$1,476	\$1,766	6.3%	14.2%
Metro Vancouver Region	\$1,296	\$1,435	\$1,383	\$1,578	6.7%	1.0%

Average rents in rented condominiums in the City decreased by 1.3% compared to an increase by 5.5% in the region. Rented condominiums tend to rent at higher rates than purpose built rental apartments. In 2018, the average rent of condominiums was 39% higher than the average rent of purpose built rental apartments.

Table 6: Average Rents in Rented Condominiums

	2014	2015	2016	2017	2018	Change 2017-2018
City of Vancouver	\$1,865	\$1,917	\$1,955	\$2,086	\$2,060	-1.3%
Metro Vancouver Region	\$1,540	\$1,576	\$1,625	\$1,758	\$1,855	+5.5%

Key Indicator #3: Number of Purpose Built Rental Units

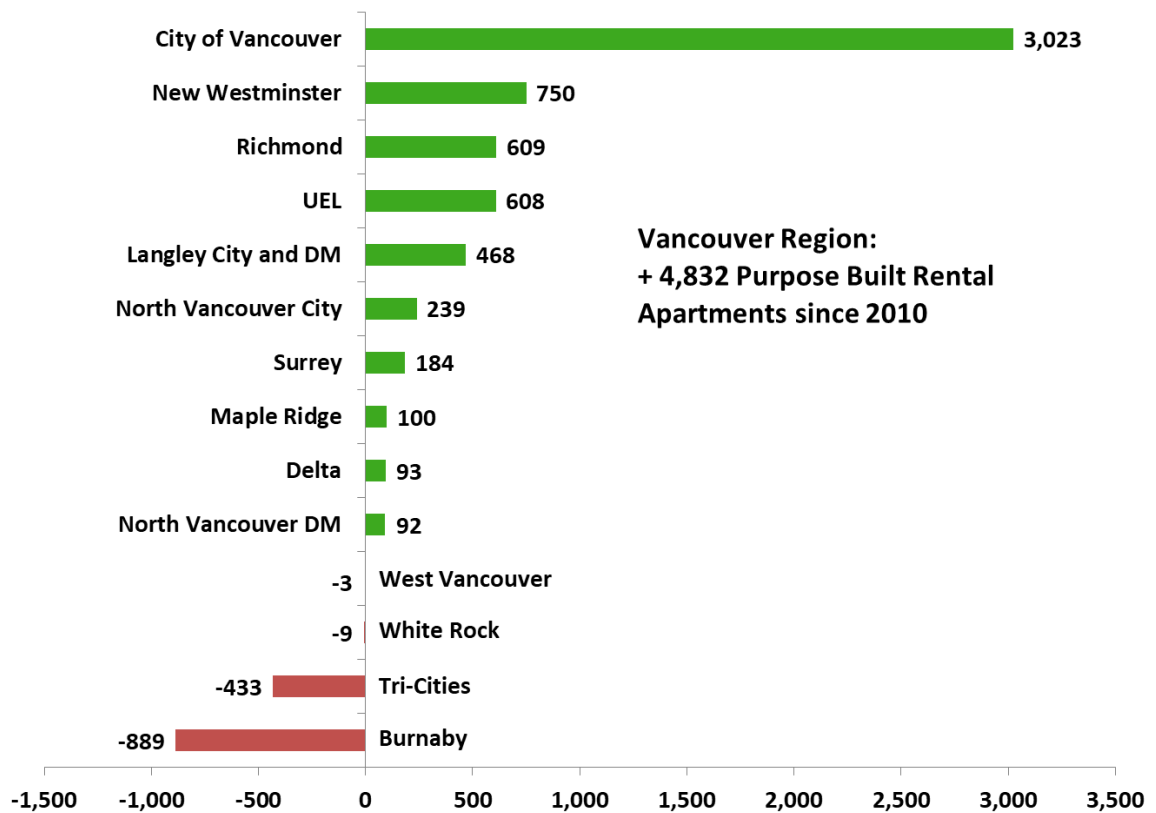
The total number of rental units in purpose built rental buildings in the City and Region increased by 571 and 793 units respectively between 2017 and 2018 (Table 6).

Table 7: Number of Rental Units in Purpose Built Rental Apartments

	2014	2015	2016	2017	2018	Change 2017-2018
City of Vancouver	55,848	56,190	57,018	57,243	57,814	+571
Metro Vancouver Region	106,111	106,945	107,867	108,496	109,289	+793

In terms of the region overall, Vancouver is adding significantly more purpose built rental housing supply than other municipalities. Some municipalities are reducing the stock of purpose built rentals in their city with Burnaby and Tri-Cities seeing declines of 889 and 433 units since 2010 due to renovations and demolitions (Graph 1).

Graph #1: Change in Total Number of Purpose Built Rental Housing Units in Greater Vancouver Municipalities (2010 - 2018)



CMHC Rental Market Survey: 2010-2018

Key Indicator #4: Percentage of Condominium Units in the Rental Pool

The percentage of condominium units in the City and Region have both decreased by 1.3% from 32.2% to 30.9% in the City and 25.8% to 24.5% in the Region. 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 8: % of Condominium Units in the Rental Pool

	2014	2015	2016	2017	2018	Change 2017-2018
City of Vancouver	32.0%	33.5%	32.2%	32.2%	30.9%	-1.3%
Metro Vancouver Region	25.5%	26.9%	25.4%	25.8%	24.5%	-1.3%

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.

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a horizontal line that tapers to the right.

Gil Kelley, FAICP
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