

From: "Mochrie, Paul" <Paul.Mochrie@vancouver.ca>

To: "Direct to Mayor and Council - DL"

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

"Kelley, Gil" <Gil.Kelley@vancouver.ca>

Date: 1/23/2020 5:16:50 PM

Subject: Memo - CMHC Rental Market Report – Fall 2019 Release

Attachments: Memo to Council - CMHC Rental Market Report – Fall 2019 Release.pdf

Dear Mayor and Council,

This memo provides highlights of the Canada Mortgage and Housing Corporation (CMHC) Rental Market Report – 2019 Release published on January 15, 2020. The trends and indicators in the report provide policy makers with key insights into the state of the primary and secondary 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)

Should you have any questions, please contact Gil Kelley, General Manager of Planning, Urban Design, and Sustainability at 604.873.7446 / Gil.Kelley@vancouver.ca.

Best,
Paul

Paul Mochrie | Deputy City Manager
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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.

MEMORANDUM

January 23, 2020

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
Jessie Adcock, 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 2019 Release

Below are the highlights of the Canada Mortgage and Housing Corporation (CMHC) Rental Market Report – 2019 Release published on January 15, 2020. 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.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)
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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

Overall, CMHC reports that despite significant rental housing supply in the purpose-built and secondary markets, strong demand for rental housing has kept vacancy rates low and lead to continued upward pressure on rental rates.

It is also important to note that CMHC found a very significant increase in the number of condominium units being added to the long-term rental stock. Across the region, the rented condominium stock increase by over 11,000 units, 6,000 of which were in the City of Vancouver. CMHC attributes this shift primarily to recent policy initiatives aimed at reducing speculative investment in the real estate market, include the City’s Empty Homes Tax and AirBnB regulations and the provincial Speculation Tax.

Key Indicator #1: Vacancy Rates

The supply of purpose-built (primary) rental apartments increased across the Metro Vancouver region contributing to modest increases in the vacancy rate in the purpose-built rental apartment stock in Vancouver and the region. In Vancouver, the vacancy rate increased to 1.0% from 0.8% between October 2018 and October 2019 (Table 1).The 1% vacancy rate in Vancouver amounted to approximately 585 units that were physically unoccupied and available for immediate rental in October 2019, an increase in 122 units compared to October 2018.

The vacancy rate for Metro Vancouver increased to 1.1% from 1.0%. Even with record new construction of rental supply across the region, vacancy rates still remain extremely low as a result of strong demand from employment growth, international migration, and the high cost of entry-level homeownership keeping some households in rental housing.

Table 1: Vacancy Rates in Purpose Built Rental Apartments

	2015	2016	2017	2018	2019	Change 2018-2019
City of Vancouver	0.6%	0.8%	0.9%	0.8%	1.0%	+0.2%
Metro Vancouver Region	0.8%	0.7%	0.9%	1.0%	1.1%	+0.1%

In the City, the vacancy rate in the rented condominium stock has further decreased from 0.3% to 0.2% between 2018 and 2019 (Table 2). The drop in vacancy rate despite the significant increase in the supply of condos in the long-term rental market over the same time period also indicates a continued high demand for rental.

Table 2: Vacancy Rates in Rented Condominiums

	2015	2016	2017	2018	2019	Change 2018- 2019
City of Vancouver	0.8%	0.4%	0.6%	0.3%	0.2%	-0.1%
Metro Vancouver Region	0.9%	0.3%	0.6%	0.3%	0.3%	0%

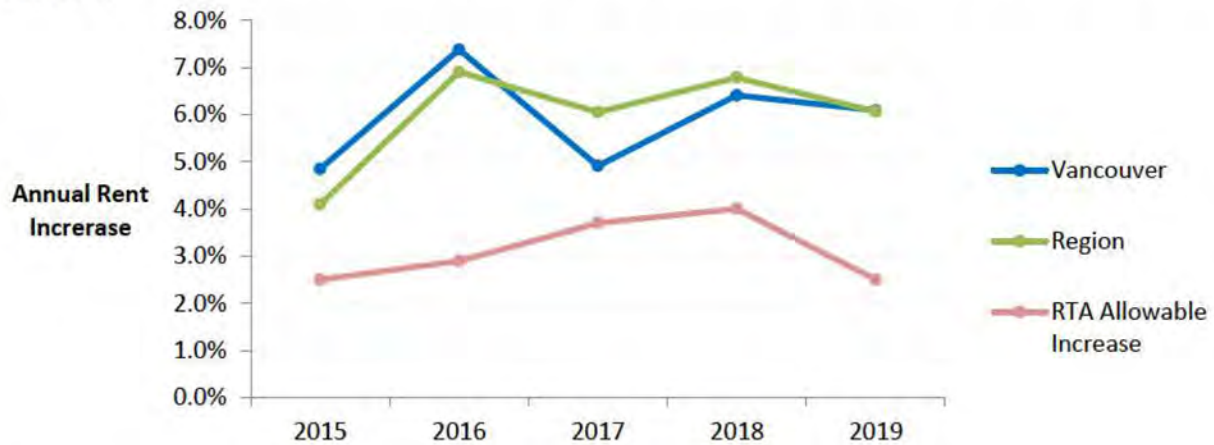
Key Indicator #2: Average Rents

High demand for rental and low vacancy rates have contributed to a continued trend of high and rising rents in the purpose-built (primary) apartment rental stock. Average rents for apartment units increased by 6% for all bedroom types within Vancouver and Metro Vancouver region between 2018 and 2019, exceeding the provincially-allowable increase of 2.5% for the same period (Graph 1). This suggests that landlords are able to achieve higher market levels upon turnover to new tenants.

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

	2015	2016	2017	2018	2019	Change 2018- 2019
City of Vancouver	\$1,233	\$1,324	\$1,389	\$1,478	\$1,568	+6%
Metro Vancouver Region	\$1,144	\$1,223	\$1,297	\$1,385	\$1,469	+6%

Graph #1. Annual Average Rent Increase in Vancouver and Region vs. RTA Maximum Rent Increase



Source: CMHC Market Rental Survey 2015-2019 and Residential Tenancy Act

Average rents for vacant units tend to be much higher when compared to rents for occupied units with longer term tenants. Vacant units are typically new rental apartments that have recently opened or rental units experiencing turn-over. In 2019, the average rent for a vacant unit in the City was 20% higher than the rent for an occupied unit.

From 2018 to 2019 across the region, rents for vacant units increased significantly by 12% compared to rents for occupied units that increased by 6% (Table 4).

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

	2015		2016		2017		2018		2019		Change 2018-2019	
	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant
City of Vancouver	\$1,269	\$1,233	\$1,323	\$1,431	\$1,388	\$1,547	\$1,476	\$1,766	\$1,565	\$1,873	+6%	+6%
Metro Vancouver Region	\$1,144	\$1,131	\$1,223	\$1,299	\$1,296	\$1,435	\$1,383	\$1,578	\$1,466	\$1,771	+6%	+12%

Average rents in rented condominiums in the City and region increased by 2%. Rented condominiums tend to rent at higher rates than purpose built rental apartments. In 2019, the average rent of condominiums was 35% higher than the average rent of purpose built rental apartments.

Table 5: Average Rents in Rented Condominiums

	2015	2016	2017	2018	2019	Change 2018- 2019
City of Vancouver	\$1,917	\$1,955	\$2,086	\$2,080	\$2,117	+2%
Metro Vancouver Region	\$1,576	\$1,625	\$1,758	\$1,855	\$1,893	+2%

Key Indicator #3: Number of Purpose Built Rental Units

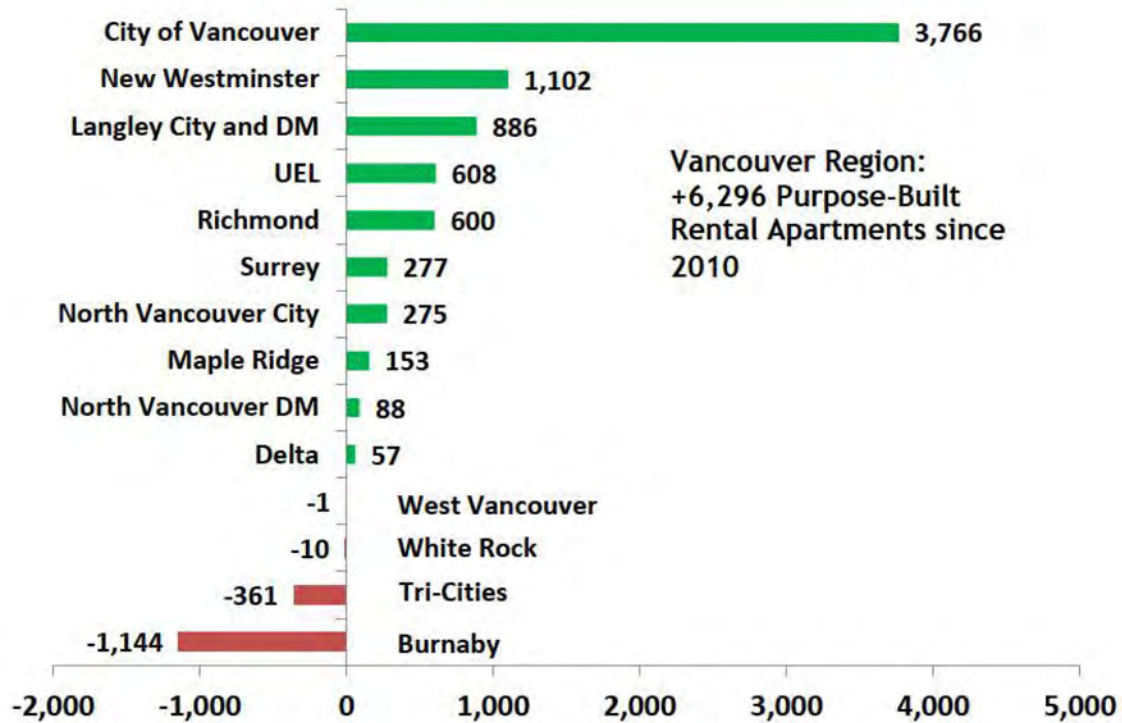
The total number of rental units in purpose built rental buildings in the City and Region increased by 743 and 1,464 units respectively between 2018 and 2019 (Table 6). Over the last 5 years, 42% of new units added to the rental housing stock in the City have been family-sized with 2 or 3 bedrooms, exceeding the City's Family Room Housing Mix Rezoning target of 35% family units.

Table 6: Number of Rental Units in Purpose Built Rental Apartments

	2015	2016	2017	2018	2019	Change 2018-2019
City of Vancouver	56,190	57,018	57,243	57,814	58,557	+2% (743 units)
Metro Vancouver Region	106,945	107,867	108,496	109,289	110,753	+2% (1,464 units)

In terms of the region overall, Vancouver has contributed to over half of the region's new purpose built rental housing supply between 2018 and 2019. Some municipalities are reducing the stock of purpose built rentals in their city, with Burnaby and Tri-Cities (including Coquitlam, Port Coquitlam and Port Moody) seeing declines of 1,144 and 361 units since 2010 due to renovations and demolitions (Graph 1).

Graph #2: Change in Total Number of Purpose Built Rental Housing Units in Metro Vancouver Municipalities (2010 – 2019)



Source: CMHC Rental Market Survey: 2010-2019

Key Indicator #4: Condominium Units in the Rental Pool

The percentage of condominium units in the rental pool in the City and Region have both increased. In Vancouver, the percentage of condominium units in the rental pool grew by 5.6% between 2018 and 2019; the percentage for Metro Vancouver grew by 3.5% over the same period. The net increase in rented condominiums in Vancouver represents over half of the overall increase in rented condominiums in the region. The stock of condos in the long-term rental market increased by 21% (5,920 units) in the City and 19% in the region (11,118 units) over a one year period between 2018 and 2019 (Table 8).

CMHC attributes the increase in rented condominiums to two main factors: investors repurposing their properties toward long-term rental and the addition of newly-completed rental condominium units to the market. Particularly in areas of the City of Vancouver like the Burrard Peninsula, the overall increase in rented condominiums exceeds the number of new condominiums added to the stock, indicating that existing condominiums are shifting toward long-term rental from a previous use. CMHC has noted that this shift coincides with the implementation of policies like EHT and the Speculation and Vacancy Tax, both designed to encourage properties to be rented long-term instead of being held vacant or as short-term rental. CMHC also notes that other rental markets, such as Toronto, did not see a significant shift of condominium stock into the long-term rental market, further pointing to these policy changes in British Columbia as the key driver of this trend.

Table 8: Net Change in Condominium Units in the Rental Pool

	2015	2016	2017	2018	2019
City of Vancouver	+1,788	+2,124	+257	-238	+5,920
Metro Vancouver Region	+4,975	+1,516	+1,841	-1,081	+11,118

Table 9: % of Condominium Units in the Rental Pool

	2015	2016	2017	2018	2019	Change 2018-2019
City of Vancouver	33.5%	32.2%	32.2%	30.9%	36.5%	+5.6%
Metro Vancouver Region	26.9%	25.4%	25.8%	24.5%	28.0%	+3.5%

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.

Regards,

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

Gil Kelley, FAICP
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