

From: ["Mochrie, Paul" <Paul.Mochrie@vancouver.ca>](mailto:Paul.Mochrie@vancouver.ca)

To: ["Direct to Mayor and Council - DL"](#)

Date: 2/22/2022 12:27:26 PM

Subject: [Updated Rental Market Data from CMHC for 2021](#)

Attachments: Memo to Mayor & Council - Updated Rental Market Data from CMHC for 2021.pdf

Dear Mayor and Council,

Please find attached a memo from Theresa O'Donnell regarding updated rental market data from CMHC, released on Friday, and summary bullet points below.

- CMHC reported today that the purpose-built rental apartment vacancy rate in Vancouver decreased from 2.8% in 2020 to 1.1% in 2021, back to 2019 levels. CMHC attributes the decline in vacancy rates to the return of students and increased migration to the region, which drove increased rental demand relative to supply.
- While rents were frozen for existing tenants due to Provincial pandemic measures, overall rents in Vancouver increased by 0.7% in 2021 compared to 2020 due to the turnover of rental units to new tenants.
- Vancouver continues to lead among Metro Vancouver municipalities in terms of net gain in purpose-built rental housing, adding 880 units to the purpose-built stock in 2021. New Westminster, the City of North Vancouver, and Langley were among other Metro municipalities significantly increasing their purpose-built rental stock. Burnaby experienced a net loss of 602 rental units from 2020 to 2021.

Background: 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.

Should you have any questions, please contact Theresa O'Donnell (Theresa.O'Donnell@vancouver.ca).

Best,
Paul

Paul Mochrie (he/him)
City Manager
City of Vancouver
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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish), and səliłwətał (Tsleil-Waututh) Nations.

MEMORANDUM

February 18, 2022

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Karen Levitt, Deputy City Manager
Armin Amrolia, Deputy City Manager
Katrina Leckovic, City Clerk
Lynda Graves, Administration Services Manager, City Manager's Office
Maria Pontikis, Director, Civic Engagement and Communications
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Dan Garrison, Assistant Director, Housing Policy and Regulations, Planning, Urban Design, and Sustainability

FROM: Theresa O'Donnell
General Manager, Planning, Urban Design and Sustainability

SUBJECT: Updated Rental Market Data from CMHC for 2021

RTS #: N/A

Dear Mayor and Council,

Below are the highlights from the Canada Mortgage and Housing Corporation (CMHC) Rental Market Report – 2021 Release published on February 18, 2022. 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

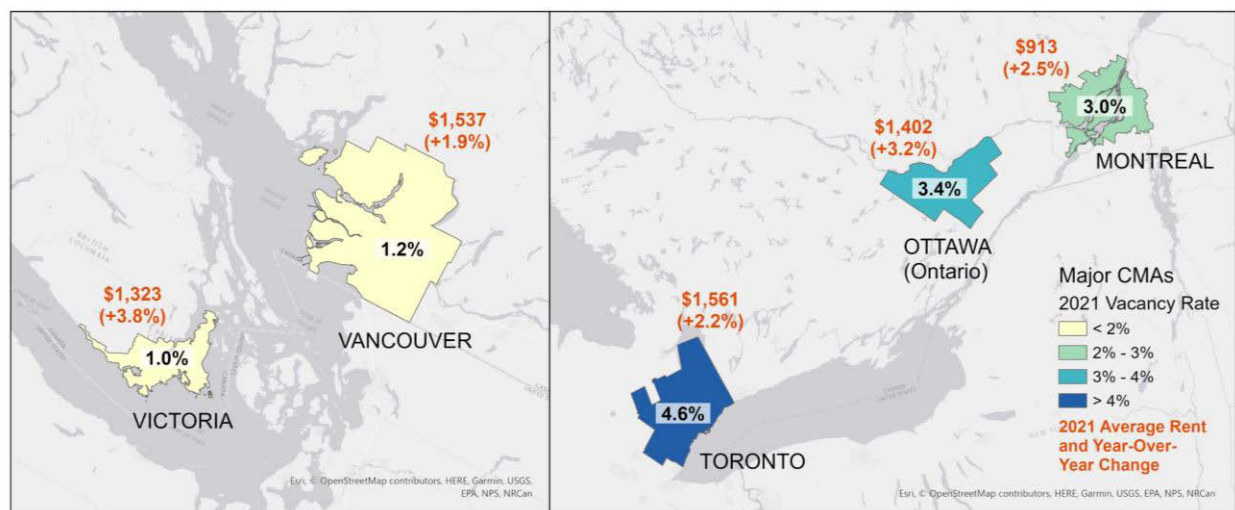
Given the complexity of the drivers for supply and demand, it is not possible to identify the extent to which a particular driver impacts the indicators in the CMHC report. However, examination of trends over time does provide Council with insights into the state of the rental housing market and provides 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 decreased to 1.1% in October 2021, down from 2.8% in October 2020. Decreased rental vacancy rates were reported across Canadian cities, with Toronto and Montreal being two notable exceptions. CMHC attributes this trend to an increase in demand for rental housing, driven by improved economic conditions, and a partial recovery in net migration and international student population following pandemic lockdowns. In Vancouver, vacancy rates decreased across all rent levels, with the steepest decline in vacancy rates reported in units renting above \$1,750/month (from 5.7% to 1.6% vacancy).

Staff note that as rental demand recovers, the city-wide average vacancy rate in purpose-built rental is still falling 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



CMHC expects increased rental demand to remain strong. Employment for younger people and workers in the food and hospitality industries recovered strongly in 2021, renewing earnings among a demographic group that disproportionately rents. Migration to the Vancouver area also increased strongly in 2021 as borders reopened and post-secondary institutions returned to in-class instruction. In the University Endowment Lands alone, the purpose-built rental apartment vacancy plummeted from 13% in 2020 to 0% in 2021. These trends play out against the backdrop

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.

of new immigration targets set to welcome over 1.3 million new permanent residents in the next three years.

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 \$1,609, up 0.7% from 2021; this rate of increase is lower than the 2% increase reported for 2019-2020, which CMHC attributes to the effects of Provincial pandemic response measures that froze rents for existing tenants. Average rents increased across Canadian metropolitan areas, as shown in Figure 1 above. In Vancouver, rents increased across all bedroom types, indicating that 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 880 units**, making up approximately 55% of the growth in rental across Metro Vancouver which saw a total of 1,602 units added. CMHC notes that this is the second highest annual increase among available records since 1990, reflecting elevated approvals and starts in recent years.
2. **The number of condo units being rented out in the City increased by 615 units in 2021**, marking a slower increase from past years. In 2020, the City saw an increase of 2,455 rented condominiums. CMHC attributes the shift toward rental in condominium units to both market and policy factors, including demand measures like the Empty Homes Tax.
3. **Rent arrears remain stable compared to 2020.** In 2021, Metro Vancouver landlords reported 3,008 units in arrears, representing approximately 2.57% of all rental units. This rate is essentially unchanged from 2020. The Metro Vancouver arrears rate is the lowest among BC CMAs, with Victoria reporting a 6.94% arrears rate and Kelowna reporting a 4.79% arrears rate. Across Canada, approximately 5.38% of landlords reported arrears in 2021 compared to 6.11% in 2020.

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 decreased in both Vancouver and the region, driven by pandemic-recovery factors including improved economic conditions and partial recovery in net migration and student population. In Vancouver, the vacancy rate decreased to 1.1% from 2.8% between October 2020 and October 2021 (Table 1). The 1.1% vacancy rate in Vancouver amounted to approximately 660 units that were physically unoccupied and available for immediate rental in October 2021, compared to 1,664 in October 2020 and 585 in October 2019. The greatest decline in rental vacancy was observed in Southeast Vancouver and in the downtown peninsula, where vacancy decreased from 5.4% to 0.6%, and from 4.0% to 1.6% respectively. The downtown area also reported the highest average rent of all local areas, at \$1,723/month in 2021.

The vacancy rate for Metro Vancouver also decreased from 2.6% to 1.2%. The region-wide decrease in vacancy rates is also paralleled across Canada, with many major centres reporting a decrease in rental vacancy compared to 2020. Toronto and – to a lesser extent – Montreal are notable exceptions to these national trends (Figure 2).

Figure 2. Vacancy Rate in Major Census Metropolitan Areas from 2020-2021

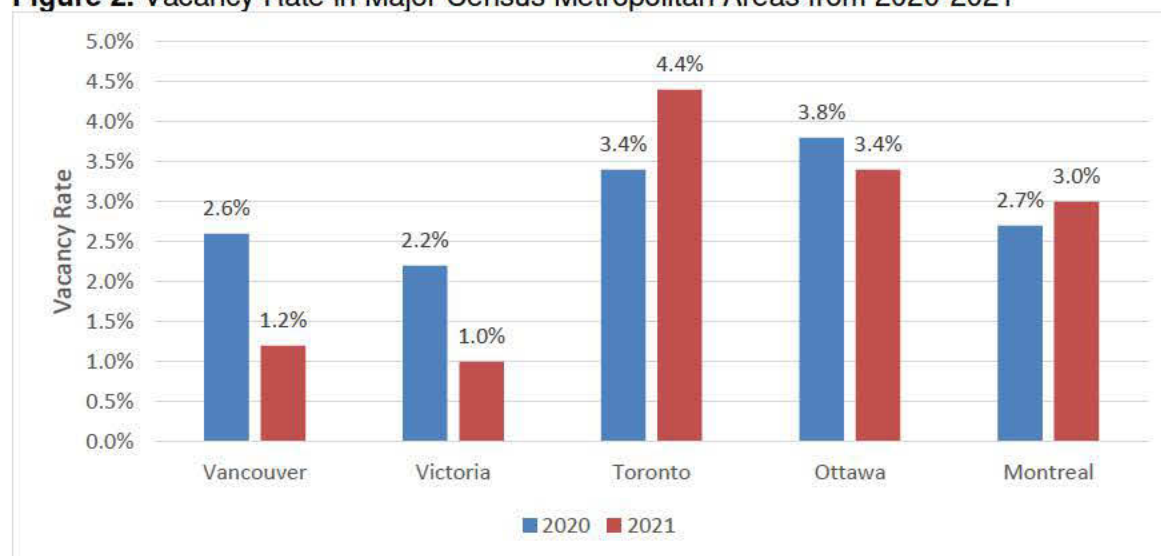
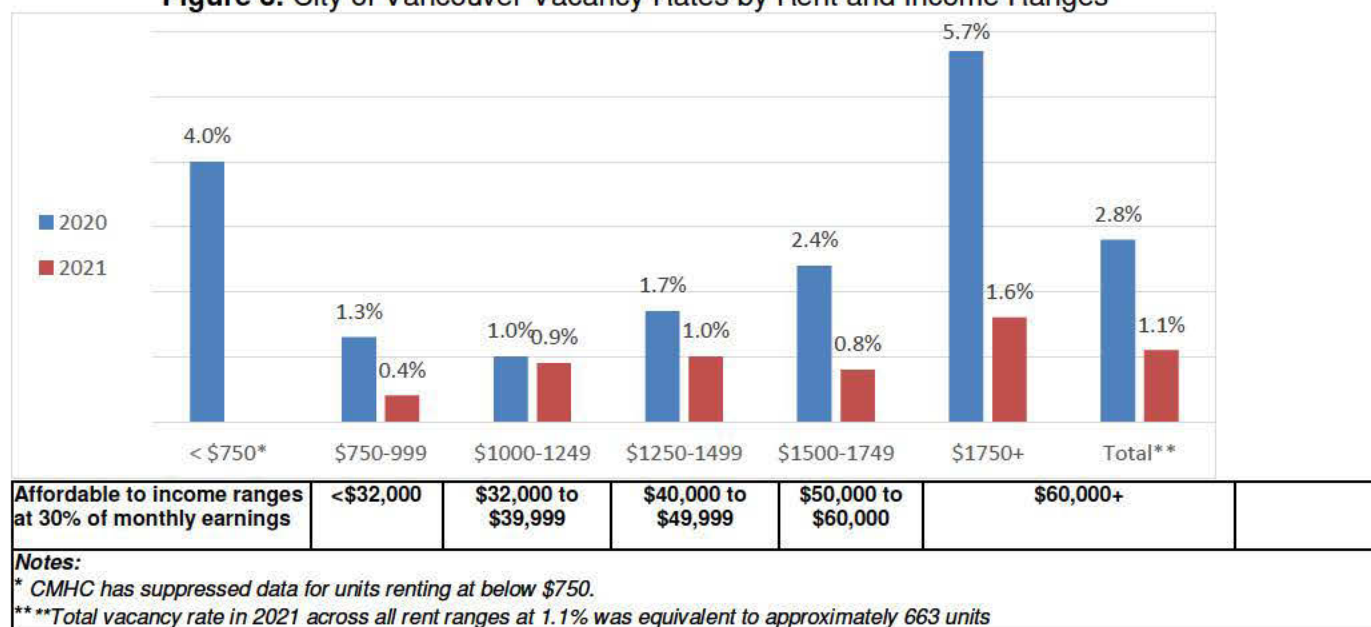


Table 1: Vacancy Rates in Purpose Built Rental Apartments

	2016	2017	2018	2019	2020	2021	Change 2020-2021
City of Vancouver	0.8%	0.9%	0.8%	1.0%	2.8%	1.1%	-1.7%
Metro Vancouver Region (Vancouver CMA)	0.7%	0.9%	1.0%	1.1%	2.6%	1.2%	+1.4%

Rental vacancy rates decreased in units across all rent levels, with the highest decline reported for units renting above \$1500 (Figure 2). Newer rental units built after the year 2000 made up only 15% of the total rental stock in 2020 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.

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



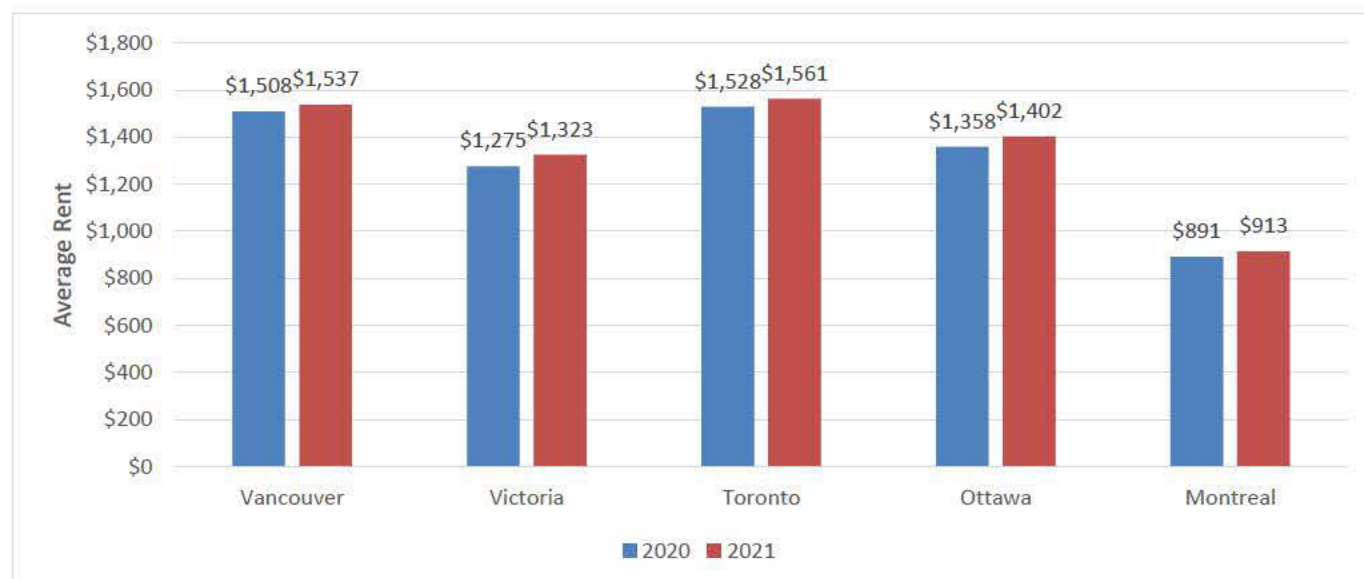
In the City of Vancouver, the vacancy rate in the rented condominium stock was reported to increase slightly from 0.7% to 0.8%, following a 0.3% increase reported between 2019 and 2020.

Table 2: Vacancy Rates in Rented Condominiums

	2016	2017	2018	2019	2020	2021	Change 2020-2021
City of Vancouver	0.4%	0.6%	0.3%	0.2%	0.7%	0.8%	+0.1%
Metro Vancouver Region	0.3%	0.6%	0.3%	0.3%	0.8%	0.8%	+0%

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 0.7% from October 2020 to October 2021 compared to 2% from October 2019 to October 2020 and to 6% from October 2018 to October 2019. An increase in average rents was observed across major Census Metropolitan areas from 2020-2021.

Figure 4: Change in Average Rents in Major Census Metropolitan Areas from 2020-2021**Table 3: Average Rents in All Purpose-built Rental Apartments**

	2016	2017	2018	2019	2020	2021	Change 2020-2021
City of Vancouver	\$1,324	\$1,389	\$1,478	\$1,568	\$1,598	\$1,609	+0.7%
Metro Vancouver Region	\$1,223	\$1,297	\$1,385	\$1,469	\$1,508	\$1,537	+1.9%

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 2021, the average rent for a vacant unit in the City was 10% higher than the rent for an occupied unit.

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

	2017		2018		2019		2020		2021		Change 2020-2021	
	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant
City of Vancouver	\$1,388	\$1,547	\$1,476	\$1,766	\$1,565	\$1,873	\$1,590	\$1,868	\$1,608	\$1,771	1.1%	-5.2%
Metro Vancouver Region	\$1,296	\$1,435	\$1,383	\$1,578	\$1,466	\$1,771	\$1,499	\$1,820	\$1,535	\$1,681	2.4%	-7.6%

Average rents in rented condominiums in the City and region increased by 9.1%, significantly more than they did between 2019 and 2020 when they increased only 0.8%. Rented condominiums tend to rent at higher rates than purpose built rental apartments. In October 2021, the average rent of condominiums was 45% higher than the average rent of purpose built rental apartments.

Table 5: Average Rents in Rented Condominiums

	2016	2017	2018	2019	2020	2021	Change 2020- 2021
City of Vancouver	\$1,955	\$2,086	\$2,080	\$2,117	\$2,135	\$2,330	+9.1%
Metro Vancouver Region	\$1,625	\$1,758	\$1,855	\$1,893	\$1,914	\$2,125	+11.0%

Key Indicator #3: Number of Purpose Built Rental Units

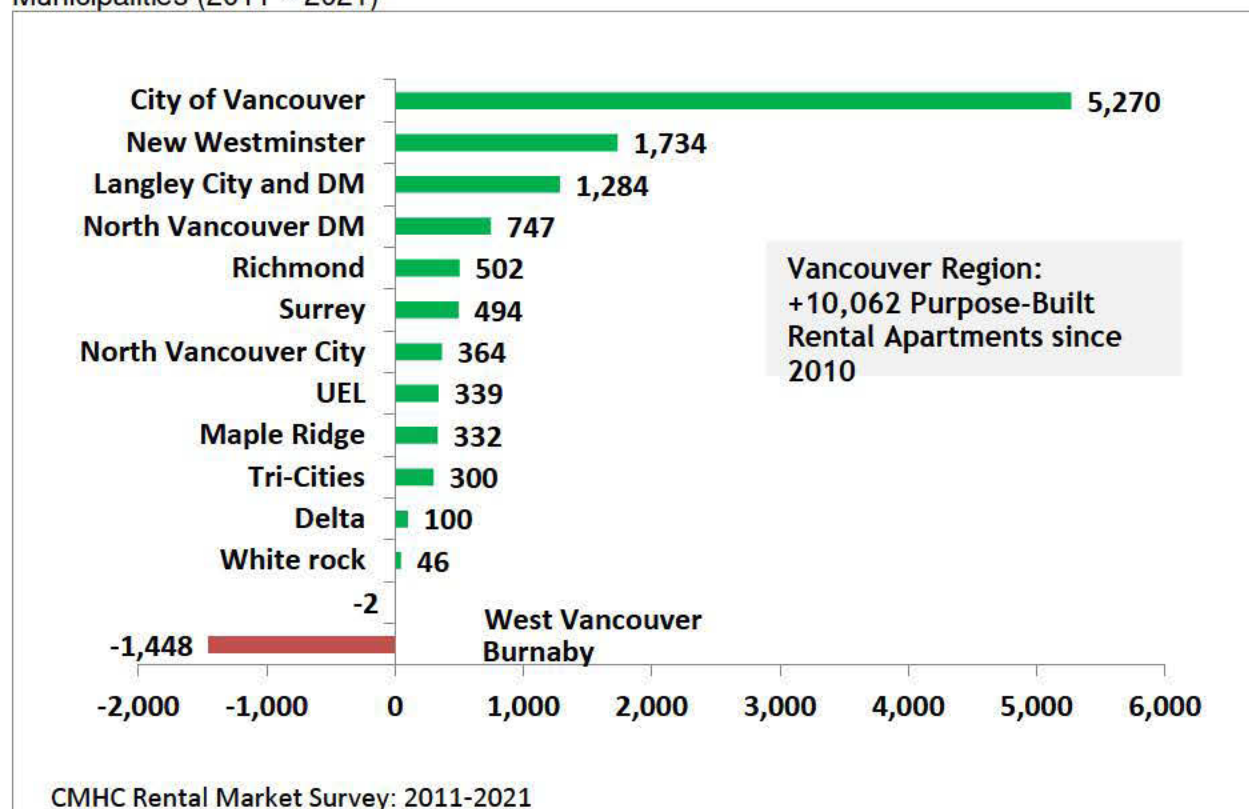
The total number of rental units in purpose built rental buildings in the City increased by 880 newly constructed units between 2020 and 2021 (Table 6), compared to 896 the previous year. CMHC reported that 1,602 newly constructed rental units were added across the region in 2020. Vancouver contributed approximately 55% 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

	2017	2018	2019	2020	2021	Change 2020-2021
City of Vancouver	57,243	57,814	58,557	59,453	60,333	+1.5% (880 units)
Metro Vancouver Region	108,496	109,289	110,753	113,141	114,743	+1.4% (1,602 units)

Looking at the net change in purpose-built 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, many Metro municipalities have been increasing the supply of new rental. However, from 2020 to 2021, Burnaby saw a loss of 602 purpose-built rental units, after experiencing an increase of 269 units from 2019-2020.

Figure 5: Change in Total Number of Purpose Built Rental Housing Units in Metro Vancouver Municipalities (2011 – 2021)



Key Indicator #4: Condominium Units in the Rental Pool

The number of condominium units in the rental pool in the City and Region continued to increase in 2021. In Vancouver, the number of condominium units in the rental pool grew by 615 units, after growing by 2,455 units in 2020 and 5,920 units in 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. However, CMHC also notes that the slowing rate of growth of units being added to the rental pool suggests that those interested in repurposing their property to long-term rental due to measures like EHT and SVT have likely already done so.

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

	2016	2017	2018	2019	2020	2021
City of Vancouver	+2,124	+257	-238	+5,920	+2,455	+615
Metro Vancouver Region	+1,516	+1,841	-1,081	+11,118	+7,137	+2550

Table 8: % of Condominium Units in the Rental Pool

	2016	2017	2018	2019	2020	2021	Change 2020-2021
City of Vancouver	32.2%	32.2%	30.9%	36.5%	37.7%	37.2%	-0.5%
Metro Vancouver Region	25.4%	25.8%	24.5%	28.0%	29.6%	29.4%	-0.2%

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.

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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