

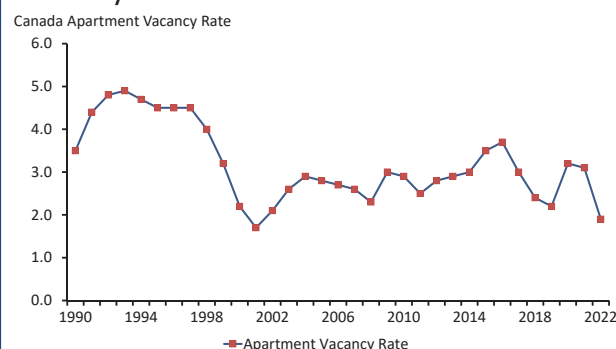


## Renters experience severe stress in 2022 as vacancy rates plunge, rents soar

The latest CMHC rental market data for 2022 will come as no surprise to the many recent newcomers to Canada, young adults looking to find independence and the many individuals and households just needing be mobile for life's changes. Rental market conditions tightened considerably during the year as the pandemic waned, immigration returned and rocketing mortgage rates (and eroded affordability) limited movement into homeownership.

According to the latest CMHC figures, Canada's rental market vacancy rate for purpose-built apartment rental units fell to 1.9 per cent in October compared to 3.1 per cent in same-month 2021. This was the lowest since 2001 as demand for units overwhelmed a significant increase in new supply. Growth in the number of purpose-built apartment units rose by nearly 55,000 units which was the most since 2013 but not enough to offset demand.

### Near historic low in Canada's apartment vacancy rate



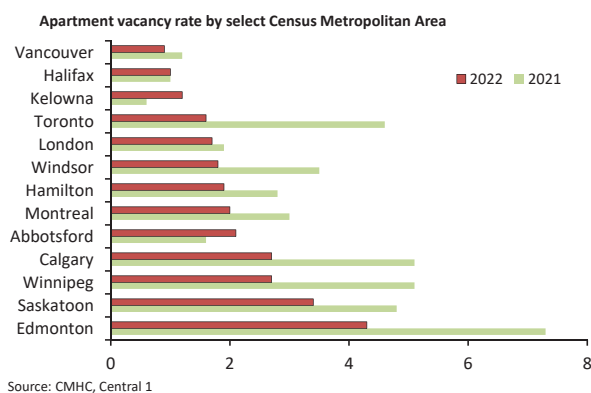
Among larger provinces, the lowest vacancy rates were in B.C. (1.3 per cent) and Quebec (1.7 per cent). The highest were in Saskatchewan (4.2 per cent) and Alberta (3.8 per cent). The vacancy rate fell in all provinces except New Brunswick.

Not surprisingly, rents surged. Same-sample rent growth for 2-bedroom apartments surged to 5.6 per cent from 3.0 per cent in 2021 marking a new historic high (going back to 1990). This comes even as turnover rates fell as a lower proportion of existing tenants moved, likely with the knowledge that the market was excessively tight. The average rent for a 2-bedroom unit was \$1,258.

Strong headline rent growth reflects a huge step up in turnover rents as existing tenants in many provinces are protected by some form of rent control. Indeed, units that turned over on average rose 18 per cent compared to 2.9 per cent for those that did not change tenants. Once vacated, landlords can lift rent to market value, while also upgrading and renovating to add value. In some cases, these units have been far below market rents due to rent control. The gap is substantial and an impediment to moving. The average rent in turnover units came in at \$1,453 compared to \$1,171 in those that did not.

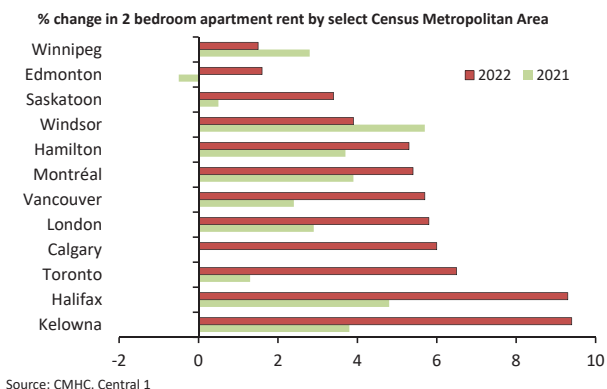
Of the 36 Census Metropolitan Areas (CMAs) areas surveyed, 24 reported declines in vacancy rates with excessively tight conditions in some regions. It would not be a stretch to say this marks a crisis for renters looking for accommodation, as there is scant number of units available. Notable lows in apartment vacancy rates were observed in the Vancouver CMA (0.9 per cent) and Halifax (1.0 per cent) with an additional 15 markets exhibiting rates below 1.5 per cent. The Toronto CMA recorded a 1.6 per cent vacancy rate, down from 4.6 per cent the previous year. Montreal's vacancy rate came in at 2.0 per cent with Calgary at 2.7 per cent (albeit less than half of 2021). On the upper end of vacancy rates sat Edmonton (4.3 per cent) and Saskatoon (3.4 per cent), although a stronger increase in rental supply was a contributing factor in keeping the vacancy rate elevated.

## Apartment vacancy rate slump across CMAs



Rents have soared in many communities, reflecting severe housing shortages and inflows of people during the earlier stages of the pandemic as individuals traded spaces in a hybrid/remote world for space and leisure, while a rebound in international migration further added to demand. The strongest growth in rent was reported in Sherbrooke (9.6 per cent), Kelowna (9.4 per cent) and Halifax (9.3 per cent), although these were not the highest cost markets. Edmonton (1.6 per cent) and Winnipeg (1.5 per cent) experienced the lowest pace of growth. Renters in Vancouver and Toronto faced the highest average costs. Rent in the Vancouver CMA tipped past \$2,000 per month (up 5.7 per cent), Toronto came in at \$1,779 with Victoria not far behind at \$1,699. Relative bargains could be had in Quebec and some of the Atlantic provinces with rent at \$1,100 or less in many markets.

## Rents soar with higher demand

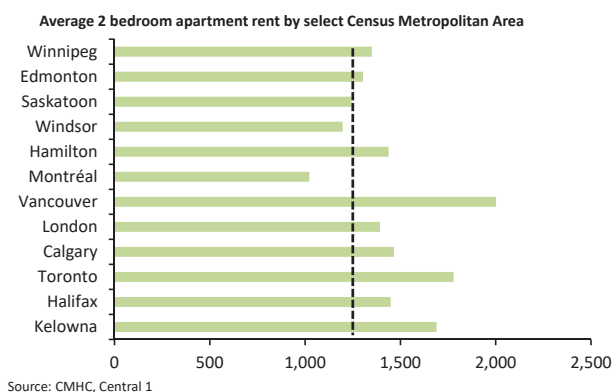


CMHC's survey of rental condominiums was not any better for renters where the vacancy rate for metro areas surveyed came in at 1.6 per cent and average rent reached \$1,930 or 9 per cent higher than a year ago.

This latest data point is yet another in the long list highlighting affordability challenges facing Canadians across the country. Soaring rents further adds to the deterioration of consumer finances already facing elevated inflation and interest rates. This is particularly impactful for lower-income households and younger workers. Higher income

individuals are waiting for a more attractive entry point for prices and interest rates to get into the homeownership market. While rental market could slow with a weakening economy and delays in household formation, robust immigration is likely to lift demand. Federal targets are for 500,000 newcomers annually in 2025 (although recent trends have been far above this) which will continue to add pressure to the housing stock and demand for rental accommodation.

## Vancouver an outlier in average rent



## B.C. Summary

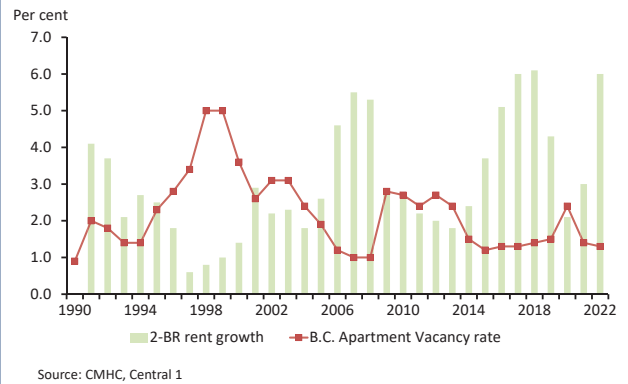
British Columbia exhibited among the tightest rental markets in the country. Based on urban areas (10,000+ population), B.C.'s apartment rental vacancy rate edged down from 1.4 per cent in 2021 to 1.3 per cent in 2022. This is not the lowest on record however, as the provincial vacancy rate fell to 1.0 per cent in 2007.

This marked the third lowest vacancy among all provinces and lowest among the largest provinces. Average rent rose 6.0 per cent following a 3.0 per cent increase in 2021, with an average provincial rent of \$1,721 which was by far the highest among provinces. Rent growth rebounded to a pattern last observed in 2018.

As noted, the Vancouver CMA recorded a vacancy rate of only 0.9 per cent, with rates of 1.2 per cent in Kelowna and 1.5 per cent in Victoria. Abbotsford-Mission came in at 2.1 per cent. Among smaller Census Agglomerations, some of the lowest vacancy rates were observed in markets that attracted urbanites during the pandemic. On Vancouver Island, Duncan (0.3 per cent), Courtenay (0.7 per cent) and Parksville (1.1 per cent) recorded exceptionally low rates, alongside Squamish (0.7 per cent), Nelson (0.6 per cent) and others.

Data on rent growth is incomplete, but some of the strongest rent growth was observed in Squamish (20 per cent), and markets like Nanaimo and Kamloops with growth of more than 9 per cent.

### B.C. rental market tightens, rent growth rebounds to 2018 pattern



### 2022 Vacancy Rate

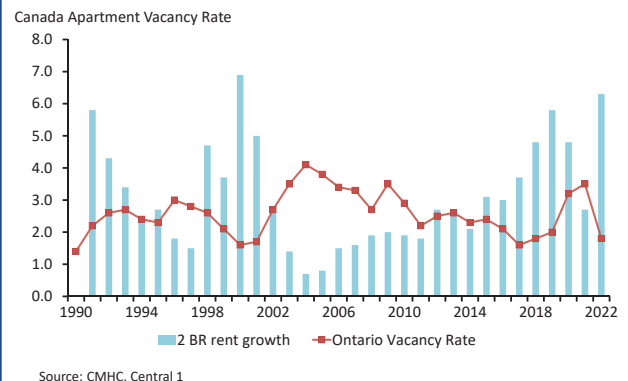
Abbotsford - Mission	2.1	Port Alberni	1.9
Campbell River	1.6	Powell River	1.3
Chilliwack	1.3	Prince George	4
Courtenay	0.7	Prince Rupert	5.2
Cranbrook	1.1	Quesnel	1.3
Dawson Creek	5.8	Salmon Arm	0.4
Duncan	0.3	Squamish	0.7
Fort St. John	10.6	Terrace	0
Kamloops	1.1	Vancouver	0.9
Kelowna	1.2	Vernon	0.7
Nanaimo	2.2	Victoria	1.5
Nelson	0.6	Williams Lake	4.4
Parksville	1.1	British Columbia	1.3
Penticton	1.1		

### Ontario Summary

Ontario's rental market tightened considerably in 2022. The apartment rental vacancy rate in urban areas (10,000+ population) fell by nearly half to 1.8 per cent from 3.5 per cent the previous year. This marked the lowest level since 2017 and ranked among the tightest markets on record. Average rent jumped 6.3 per cent following a 2.7 per cent gain in 2023. The average rent in the province was \$1,555.

With a high number of CMAs in the province, we highlight some of the significant changes in metro area rental markets. Toronto, as noted, recorded a steep decline in the vacancy rate from 4.6 per cent to 1.6 per cent, with the region being a key beneficiary of rebounding

### Ontario vacancy rates drops to near record low, rent soar



immigration. Meanwhile, Ottawa's vacancy fell to 2.1 per cent from 3.4 per cent, while regions like Kingston (1.2 per cent) and London (1.7 per cent) also saw declines and remained amongst the tightest markets. Rent growth was robust with urban area rents up 6.3 per cent in aggregate. This included a 6.5 per cent increase in Toronto, 7.5 per cent in Thunder Bay, and 7.2 per cent in Kitchener-Waterloo-Barrie. Broad population growth and intra provincial flows of population has driven these increases.

Among smaller markets, sub-one per cent vacancy rates were observed in areas such as Hawkesbury, Port Hope and West Nipissing. The highest vacancy rates were seen in Timmins and Tillsonburg near 4 per cent, Lambton Shores (4.6 per cent) and North Perth (4.2 per cent).

2022 Vacancy Rate					
Barrie	2.1	Ingersoll	3	Peterborough	1.1
Belleville	2.4	Kawartha Lakes	1.6	Port Hope	0.5
Brantford	1.5	Kincardine MU	0	Prince Edward County CY	5.9
Brighton MU	0.8	Kingston	1.2	Sarnia	2.2
Brock TP	0	Kitchener - Cambridge - Waterloo	1.2	Saugeen Shores T	1
Brockville	2.3	Lambton Shores MU	4.6	Sault Ste. Marie	1.7
Centre Wellington	2.3	Leamington	2.1	St. Catharines - Niagara	2.8
Chatham-Kent	2.8	London	1.7	Stratford	1.9
Cobourg	1.8	Meaford MU	1.9	Thunder Bay	1.6
Collingwood	3	Midland	2.1	Tillsonburg	3.8
Cornwall	1.6	Norfolk	3.4	Timmins	3.9
Elliot Lake	2.2	North Bay	2.1	Toronto	1.6
Gravenhurst T	1.3	North Perth MU	4.2	West Nipissing	0.5
Greater Sudbury	2.3	Orillia	1.2	Windsor	1.8
Guelph	1.5	Oshawa	2.6	Woodstock	1.1
Hamilton	1.9	Ottawa	2.1	Ontario	1.8
Hawkesbury	0.7	Owen Sound	1.8		
Huntsville T	0	Petawawa	0.7		

---

## Bryan Yu

Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209