

March 4, 2019

To: Members
The Mayor's Housing Commission

Re: CMHC 2018 Fall Rental Vacancy Reports

RECOMMENDATION

That this report be received and filed.

CONCLUSION

Canada Mortgage and Housing Corporation (CMHC) has released the 2018 Fall Rental Market Report for the Regina Census Metropolitan Area (CMA) and 2018 Fall Rental Market Report - Saskatchewan Highlights. The rental vacancy rate for the Regina CMA has increased from 7.0 per cent in October 2017 to 7.7 per cent in October 2018.

BACKGROUND

The Mayor's Housing Commission (MHC) has the authority to seek, gather and research information that will assist in providing overall guidance in the implementation of the Comprehensive Housing Strategy (CHS), which was approved in 2013. As part of the implementation of the CHS, the rental vacancy rate and rental housing supply is continually monitored. When the CHS was developed, Regina's rental market was very tight with the vacancy rate below one per cent and rental rates were increasing rapidly. The CHS established a target of an overall city-wide vacancy rate of three per cent by 2017, which was achieved in the fall of 2014.

CMHC completes a rental market survey for major centres across Canada in October of each year. The report for the Regina CMA, released on November 28, 2018, tracks the vacancy rate for purpose-built rental buildings with three or more units for the Regina CMA and the submarket neighbourhood level zones, current supply and demand, as well as the secondary rental market. The 2018 Fall Rental Market Report - Saskatchewan Highlights reports the vacancy rates and average housing rental prices of the 10 major urban centres in the province.

The tracking of housing data is a part of the on-going evaluation of the effectiveness and appropriateness of the City of Regina's (City) housing incentives. Current data allows Administration to assess measures that may be taken by the City to improve housing affordability and supply.

DISCUSSION

Data from the CMHC reports for the Regina CMA is based on information gathered in the first

two weeks of October 2018. City Administration has summarized the findings from the CMHC reports below.

Vacancy Rate

The City's overall vacancy rate for purpose-built rental units increased to 7.7 per cent from 7.0 per cent in the fall of 2017 and 5.5 per cent in October of 2016. The term purpose-built rental units refers to buildings of three units or more that are built exclusively for rental and does not include ownership units, such as condominiums or homes that may be rented. The term secondary rental units refers to units made available for rent that are not located within a purpose-built rental building and includes rented detached and semi-detached dwellings, freehold townhomes and condominiums units. The vacancy rate for secondary rentals is also measured in the CMHC Rental Market Report and is noted below.

Demand for rental units increased in fall 2018; however, supply rose at a faster rate thus pushing the vacancy rate higher. The demand for rental accommodation in 2018 was supported by the full-time employment growth among the population aged 25 to 44 years. Additionally, the series of recent interest rate hikes have increased the cost of homeownership combined with new mortgage stress tests that have limited buying power, thereby prompting households to seek rental accommodation. Continued population growth is another factor that has contributed to the increase in the number of occupied apartments in Regina's primary rental market. As illustrated in Appendix A, this is the fifth straight year in which Regina's vacancy rate has been at or above three per cent.

Regina's overall vacancy rate is below the provincial average of 8.7 per cent and differs slightly from the City of Saskatoon (Saskatoon), where the overall vacancy rate has decreased to 8.3 per cent from 9.6 per cent in fall 2017. CMHC attributed the decrease in Saskatoon's vacancy rate to job growth, increased interest rates and continued population growth. Five out of the ten centres in Saskatchewan reported a decline in vacancy rates. CMHC has noted that Saskatchewan's economic recovery coupled with international migration has contributed to the overall downward trend in vacancy rate being experienced in the province since October 2016.

Vacancy Rate - Zone Level

Vacancy rates are recorded for eight zones in Regina to capture neighbourhood-level data. The overall vacancy rate in Regina increased with different parts of Regina experiencing both increases and decreases in vacancy rates. As illustrated in Appendix B, vacancy rates increased in the Central, Lakeview/Albert Park, West and Northeast zones, and decreased in the South: Wascana University, East and Northwest zones.

Vacancy Rate - Secondary Rented Condominiums

While Regina's overall vacancy rate increased from 7.0 per cent to 7.7 per cent, the vacancy rate for secondary rented condominium units experienced a higher increase from 0.4 per cent in October 2017 to 9.6 per cent in October 2018. The rise in the vacancy rate for secondary rental units was due to the increase in the number of secondary rental units from 1,509 in 2017 to 1,900 in 2018. The percentage of ownership condominium units in the rental market increased from 20.4 per cent in 2017 to 25.6 per cent in 2018 as more units were offered for rental purposes.

Rental Rates

The average monthly rent for existing and new two-bedroom units in fall 2018 was \$1,131, up slightly from \$1,116 reported in fall 2017. However, there was a 0.5 per cent decline from a year earlier in the same sample rent (When comparing year-over-year average rents, the age of the building needs to be taken into consideration because rents in newly-built structures tend to be higher than in existing buildings. By comparing sample rents for units that are common to both 2017 and 2018 October Rental Market Surveys, we can get a better indication of actual rent increases paid by most tenants.) of two bedroom apartments. Average rents for some unit types declined with increasing vacancy rates. For example, the average rent of bachelor suites declined from \$710 in 2017 to \$700 in 2018, and the vacancy rate increased from 7.8 per cent to 11.5 per cent. Overall, the average rents in Regina between fall 2017 and fall 2018 declined by 0.4 per cent compared to an increase of 0.5 per cent between fall 2016 and fall 2017.

At the neighbourhood zone level, as illustrated in Appendix B, average rents are the greatest in the South: Lakeview and Albert Park, South: Wascana University, East and Northwest zones. The higher amount is contributed in part due to the construction of new purpose-built rental apartments within these areas, which have higher rates than older rental apartments. Only the Northeast zone reported a decrease of -0.1 per cent in average rental rates.

Rental Supply

The supply of purpose-built rental units grew to 13,316 in fall 2018 from 12,844 in fall 2017 with 495 new construction starts reported in the first three quarters of 2018 and a total of 829 rental apartment completions between July 2017 and 2018. The number of private row (townhouse) units in Regina in fall 2018, which are not included in the overall rental vacancy rate of 7.7 per cent, was 850 units, a slight increase from 845 in fall of 2017. The total number of private row units and apartment units in fall 2018 was 14,166, an increase from 13,689 units in fall 2017. The CMHC estimates the number of apartment-style condominiums in Regina to be 7,411 units. Of the 7,411 units available, it is estimated that 1900 or 25.6 per cent are used for rental.

Turnover Rate

(A unit is counted as being turned over if it was occupied by a new tenant in the past 12 months. A unit can be counted as being turned over more than once in a 12-month period. This includes tenants who move into a different unit in the same building during this time period.) The turnover rate in the Regina CMA was 48.8 per cent an increase from 36.2 per cent last year. The rate equates to approximately one in every two rental apartment units in Regina CMA having a new tenant move in within the last 12 months. The turnover rate in Regina is higher than the provincial turnover rate of 44 per cent. Compared to other prairie cities, the turnover rate was 39 per cent in Saskatoon, an increase from 36.7 per cent reported in the fall of 2017, 35.4 per cent in the City of Calgary (Calgary), a decrease from 35.6 per cent in fall 2017 and 32.0 per cent in the City of Edmonton (Edmonton) a decrease from 34.6 per cent in fall 2017.

RECOMMENDATION IMPLICATIONS

Financial Implications

None with respect to this report.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

Implementation of the Comprehensive Housing Strategy (CHS) was established in the Housing Strategy Implementation Plan approved by City Council on June 10, 2013. The strategies of the CHS align with the City's policy objectives as outlined in *Design Regina: The Official Community Plan Bylaw 2013-48*.

Administration tracks, records and evaluates housing data from a variety of sources to inform housing policy changes. Information contained within this report and other data obtained from CMHC will be used to inform the review of the Housing Incentives Policy occurring in 2019.

The CHS set a target of a three per cent vacancy rate by 2017. This goal was achieved in fall 2014 and the vacancy rate has remained steadily above three per cent since.

The City's Condominium Conversion Policy is affected by the vacancy rate. A rental building may be considered for condominium conversion when the average of the two most recently published fall vacancy rates for the Regina CMA and neighbourhood zone are at or above three per cent. Based on the current vacancy report, condominium conversions may now be considered in all neighbourhood zones provided that the conversion would not result in the vacancy rate in that zone to fall below three per cent. Additional restrictions apply to units that have received rental incentives through the City's Housing Incentives Policy.

Other Implications

None with respect to this report.

Accessibility Implications

Five per cent of units in any individual rental development must be accessible as per the provincial *Uniform Building and Accessibility Standards Regulations*. Development criteria established for eligibility for municipal housing incentives encourages development of accessible units that exceed the required five per cent in multi-unit rental developments. The criteria also encourages the creation of accessible units in ownership developments.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

There is no delegated authority associated with this report as it is for informational purposes only.

Respectfully submitted,

A handwritten signature in cursive script, reading "Shanie Leugner".

Shanie Leugner, A/Director
Planning and Development Services

Respectfully submitted,

A handwritten signature in cursive script, reading "Fred Searle".

Fred Searle, A/Executive Director
City Planning and Community Development

Report prepared by:
Femi Adegeye, Senior Policy Analyst