

March 5, 2015

To: Members,
Mayor's Housing Commission

Re: CMHC Fall 2014 Rental Vacancy Reports

RECOMMENDATION

That this report be received and filed.

CONCLUSION

Canadian Mortgage and Housing Corporation (CMHC) has released the Fall 2014 Rental Market Report for the Regina Census Metropolitan Area (CMA) and Fall 2014 Rental Market Report – Saskatchewan Highlights. The rental vacancy rate for the Regina CMA increased to three per cent, up from 2.5 per cent reported in the spring 2014 survey. This vacancy rate increase achieves the target of the Comprehensive Housing Strategy to attain a three per cent rental vacancy rate by 2017. This vacancy rate includes purpose-built rental buildings of three units or more but does not include social or affordable housing units.

BACKGROUND

The Mayor's Housing Commission 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). As part of the implementation of the CHS, the rental vacancy rate has been monitored with a goal of reaching a three per cent vacancy by 2017. The October 2014 Rental Market Report states a three per cent vacancy rate in the Regina CMA. This is the first time since 2006 that Regina CMA has seen a vacancy rate at or above three per cent.

Rental vacancy rates are recorded in the spring (April) and fall (October) of each year. The report for the Regina CMA, released in December, 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 Fall 2014 Rental Market Report – Saskatchewan Highlights reports the vacancy rates and average rents of the 10 major urban centres in the Province.

The tracking of housing data is a critical process in the evaluation of the effectiveness and appropriateness of the City's housing incentives. Current data allows Administration to assess measures that may be taken by the City to improve housing affordability and supply. This analysis will be the basis of the upcoming Housing Incentives Policy review in 2015.

DISCUSSION

In December 2014, CHMC released the Fall 2014 Rental Market Reports for the Regina CMA and Saskatchewan (see Appendix A and B). Data for the Regina CMA is based on information gathered in the first two weeks of October 2014. This report will be accompanied by a short presentation to provide charts and graphs of this information.

A summary of the data presented is as follows:

- The primary rental market vacancy rate reached three per cent in October 2014, up from 1.8 per cent in October 2013.
- The average monthly rent for a two-bedroom apartment unit in Regina is \$1,079, up from \$1,018 in October 2013, resulting in a three per cent rise in the average monthly rental cost.
- The number of purpose-built rental apartment units in Regina CMA has increased to 11,647, up from 11,082 reported in October 2013.
- In order for a newly constructed building to be considered for the October survey, it must be completed and available for occupancy by June 30. An additional 337 units were completed between July 1 and December 31, 2014 and would not have been counted in the Fall Survey.
- The vacancy rate does not include social or affordable housing units such as those under federal operating agreements, and those owned and operated by non-profits or housing authorities for eligible households that are not available in the open market. Until 2004 these units were measured as a separate vacancy rate. However, CMHC has stopped reporting on these units as the vacancy rate was consistently zero per cent.

Vacancy rates are also recorded for eight zones in the city to capture neighbourhood-level data. Vacancies increased in almost all submarket zones in the city in 2014 (see Figures 1 and 3 in Appendix A). These numbers also reflect a large increase in purpose-built rental units in the two north zones in Regina, resulting in higher vacancy rates.

- Regina's Northeast and Northwest neighbourhoods saw the most change in vacancy and rental price. Rental vacancies are highest in Regina Northeast and Northwest zones reporting 4.2 per cent and 4.7 per cent vacancies respectively. The Northwest also reported the highest average monthly rent for a two-bedroom apartment at \$1,280, up from \$1,085 in October 2013. This is likely due to the increase in new construction in these areas resulting in new, higher-priced units being added to the market.
- Apartment vacancies continue to remain low (0.9 per cent) in the South. There is a high rental demand from students in the Wascana-University zone given its proximity to the University and Saskatchewan Polytechnic.
- The East zone was the only one with a decline in vacancy rate of 2.1 per cent, down from 3.5 per cent in October 2013.

In addition to the primary rental market, CMHC also conducts a survey for the Secondary Rental Market in September and October each year to estimate the rental market not covered by the Rental Market Survey (RMS). The information collected for the secondary rental market reflects rented condominiums, single-detached and semi-detached houses, secondary suites, townhouses or any other dwelling containing one or two dwelling units. Year-to-year changes in the secondary rental market differ from those in the RMS as owners of these types of dwellings can

move them in and out of the rental market. Unlike units counted in the RMS, which are built for rental tenure, units in the secondary market can be rented one year and owner occupied the next.

- In the fall of 2014, the vacancy rate of investor-owned and rented condominiums saw little change, 1.2 per cent, down from 1.4 per cent at the same time in 2013.
- There were an estimated 12,559 households in the secondary rental market, of these households, 7,007 lived in single family detached rental homes, 2,765 rented semi-detached or duplex units, 1,582 were housed in rented condominiums and the remainder in other forms of secondary rental units such as secondary suites.
- The average rent in the secondary market for all unit types in 2014 was \$1,243, compared to \$1,026 in October 2013. In 2014 the secondary rental market saw a 21 per cent increase in rental rates, compared to the three per cent rental increase observed in purpose-built rental units.

The Fall 2014 Rental Market Report - Saskatchewan Highlights was also released in December, reporting on urban centres exceeding a population of 10,000. Province-wide there were increased rental demands and a rise in rental stocks, which contributed to higher vacancy rates.

- Vacancy rates have increased across the province. The Fall 2014 Rental Market Report indicates a 4.1 per cent vacancy rate in the major urban centres in the Province, up from three per cent in October 2013. Eight of the 10 cities in Saskatchewan reported vacancy rate increases.
- The average monthly rent for a two-bedroom unit in Saskatchewan's urban centres in fall 2014 was \$1,056. Regina reported a slightly higher than average two-bedroom rent of \$1,079 per month. The highest average two bedroom rents in the province were reported in Lloydminster and Estevan at \$1,226 and \$1,240 per month respectively.

As a result of the high number of 2014 rental starts, the Regina CMA has reached the City's vacancy rate target of three percent. CMHC predicts that increased construction will continue to lift vacancies over the next two years. Administration has estimated that approximately 350 - 400 additional units are needed annually to keep up with projected growth. CMHC has reported 900 new rental unit starts in Regina between January and December 2014. Given this rental development, Regina should remain at a three per cent vacancy rate or higher in the next reporting period. The vacancy rate data as well as additional data on rental starts and completions will be considered as part of Administration's review of the Housing Incentives Policy scheduled for 2015.

RECOMMENDATION IMPLICATIONS

Financial Implications

None with respect to this report.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The CHS has a target of three per cent vacancy rate by 2017. This goal has been achieved in this fall's report. However, Administration will continue to monitor the data to evaluate whether policy and incentives are required to maintain a steady vacancy rate.

The Condominium Conversion Policy is affected by this increase in vacancy rate. A rental building may be considered for condominium conversion when the average of the two most recently published spring vacancy rates or the two most recently published fall vacancy rates for the Regina CMA and neighbourhood zone are both at or above three per cent. Additional restrictions apply for 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 rental development must be accessible as per the provincial *Uniform Building and Accessibility Standards Regulations*. Development criteria established for eligibility for housing incentives encourages development of accessible units that exceed the required five per cent in multi-unit rental developments and the creation of accessible units in ownership developments.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

The Mayor's Housing Commission has the authority to seek, gather and research information that will assist in providing overall guidance in the implementation of the Comprehensive Housing Strategy.

Respectfully submitted,



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Respectfully submitted,



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