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# ENTAL MARKET

Charlottetown

## REPORT

Canada Mortgage and Housing Corporation

VOLUME 5 EDITION 1  
OCTOBER 2003

## Vacancy Rate Increases Slightly in 2003

### Rental Construction Remained Strong in 2003

The vacancy rate for row and apartment units in Charlottetown increased to 3.4 per cent in October 2003, while the vacancy rate for apartment units only increased 1.3 percentage points to 3.5 per cent. Although the vacancy rate increased from the 2002 level, it is still one of the lowest rates of the last decade.

In absolute terms, there were 135 vacant units in the Capital region in October 2003, compared to 83 units a year ago. The main contributor to this increase was two-bedroom apartments, which saw the number of vacant units jump from 44 in 2002 to 79 units in 2003.

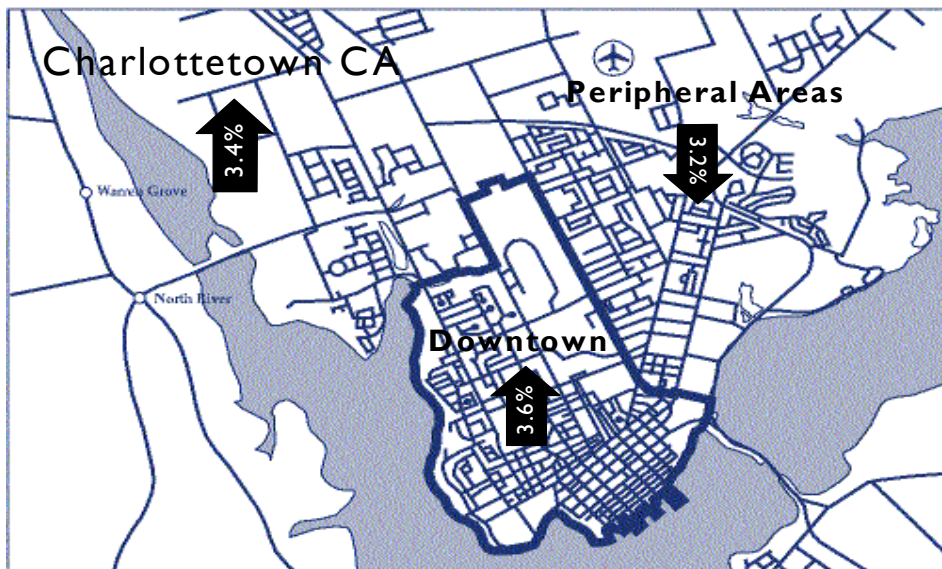
Although the demand for rental accommodations in the Charlottetown area remains strong, the increase recorded this October was expected, as supply has outpaced demand during the last three years. With interest rates at near-50-year lows, many developers have decided to build new rental properties. As a result, there has been about 350 new high-end rental units added to the local rental market since 2001. To put this into perspective, there has been as many rental units added to the local rental stock since 2001 as there was between the six year period from 1994 to 2000. When considering the number of units added to the local rental universe the market has remained surprising resilient over the period.

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Charlottetown CA Vacancy Rate 2003



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## SUMMARY

- The vacancy rate for privately initiated row and apartment structures (three units and over) within the Charlottetown CA edged up to 3.4 per cent in October 2003, from the October 2002 level of 2.2 per cent.
- Vacancies were highest in bachelor units at 5.3 per cent and lowest in three-bedroom units with a vacancy rate of 2.7 per cent.
- Vacancies were highest in Zone 1 (urban core) at 3.6 per cent and lowest in Zone 2 (peripheral areas) at 3.2 per cent.
- Average monthly rents increased in all unit types and in all rental zones. Average rents for two-bedroom units climbed 1.3 and 1.1 per cent in Zones 1 and 2, respectively.
- Continued strength in the local economy and limited additions to the supply should keep the vacancy rate between 4.0 and 4.5 per cent in 2004.

## Homes for First-Time Buyers Remain Scarce

The limited supply of homes available for sale in the \$70,000 to \$120,000 price range is also serving to fuel the demand for rental accommodations. At the end of November 2003, there were only about 48 homes for sale in this price range on the MLS® system. A sharp increase in the home prices in the Charlottetown area is viewed as one of the main reasons for this scarcity of listings in the under \$120,000 range. This increase has been problematic for some first-time buyers, by placing many homes out of their financial reach. This has forced them to remain in the rental market longer than was previously the norm.

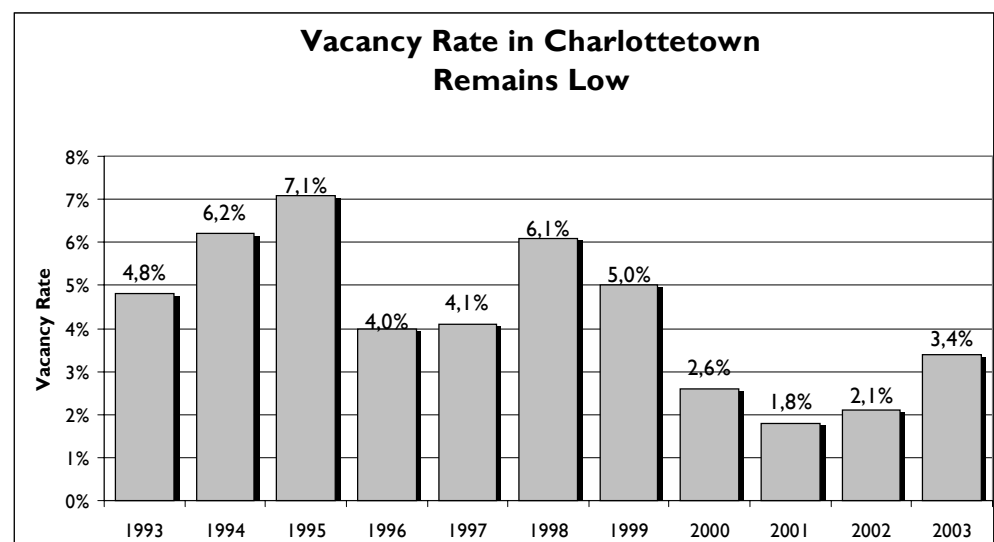
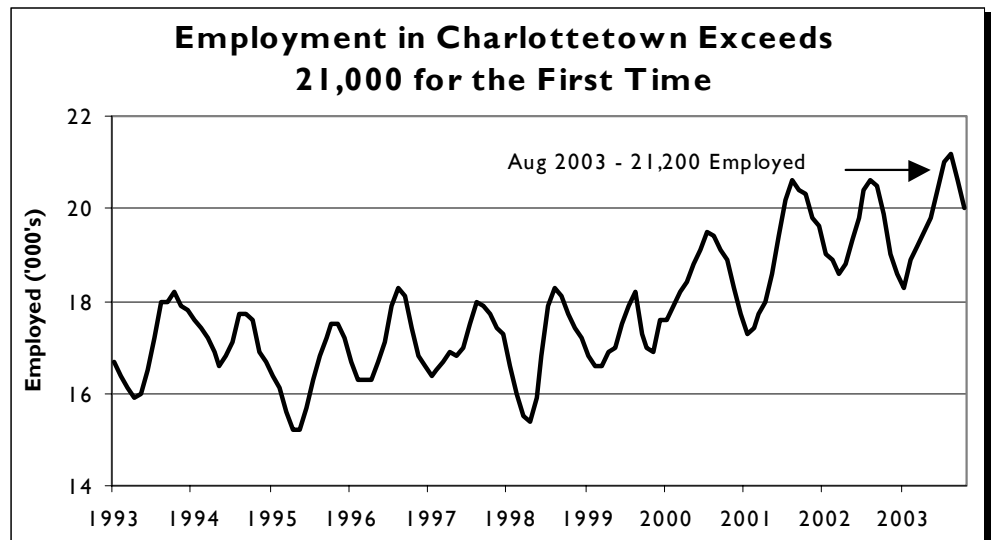
## Employment Reached New High in 2003

Two of the main factors helping to sustain the demand for rental accommodations in the Capital Region are strong employment and positive net migration. These two factors provide both the population and the income which allows households to afford either rental or ownership housing.

The number of people employed in the Charlottetown area reached 21,200 in August 2003, exceeding the record level from the same period last year. This marked the first time that the number of people employed exceeded the 21,200 mark. On a year-to-date basis employment is up 1.6 per cent over last year, representing the sixth consecutive year of growth.

Employment growth continued to stimulate in-migration to the Queens County area. On a provincial basis, P.E.I. was the only Atlantic province to record positive population growth in the 2001 census, of which Queens County contributed the most. This trend of positive in-migration is expected to continue as both expatriates return, and new people move to the Island in search of work.

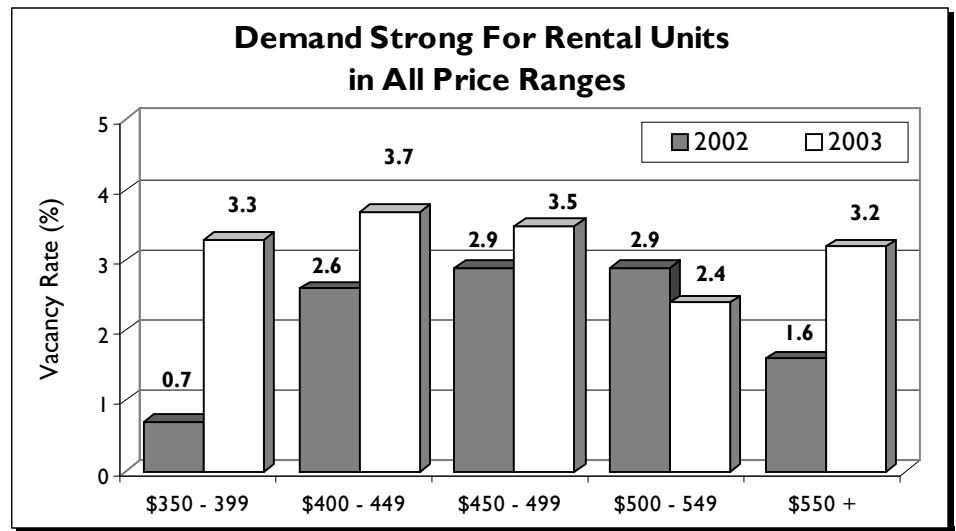
The continued strength of both the labour market and in-migration should serve to keep the demand for rental accommodation strong, into 2004, despite the surge in rental construction.



## Two-Bedroom Units Remain Popular

According to our last survey, all bedroom types experienced an increase in vacancies when compared to last year. The most significant increase occurred in bachelor units where the vacancy rate increased to 5.3 per cent from 2.2 per cent in 2002. The vacancy rate for two-bedroom units edged up from 1.9 per cent in 2002 to 3.3 per cent in 2003. The vacancy rate for one-bedroom and 3+ bedroom units increased marginally to 3.7 and 2.7 per cent, respectively.

This is the first time since 1996, that two-bedroom units did not post the lowest vacancy rate of all unit types. Although two-bedroom units are still the most widely available style of apartment in the Charlottetown area, making up 64 per cent rental universe, three-bedroom units proved to be the most popular style of unit in 2003. However, it is important to note that most of the new apartment construction is high-end, two-bedroom units, and as such the increase in supply seen over the last three years may have temporarily oversupplied the market. It is expected that the pace of new rental construction will slow over the coming year, and as a result the vacancy rate for two-bedroom units should decrease as these new units are absorbed.



## Strong Demand For Most Expensive Units

The October 2003 survey showed that vacancy rates increased for rental units in all price ranges except for the second most expensive units.

The largest increase occurred in the under-\$399 price range, following a significant decrease in 2002. The vacancy rate for these units jumped by 2.6 percentage points to 3.3 per cent.

The most expensive units, at \$550+, posted an increase in the vacancy rate of 1.6 per cent to 3.2 per cent in 2003. However, when the figures for the most expensive units are analysed more closely, it is evident that the increase came from units in the \$500-\$549 and \$650-\$699 price ranges. This trend is

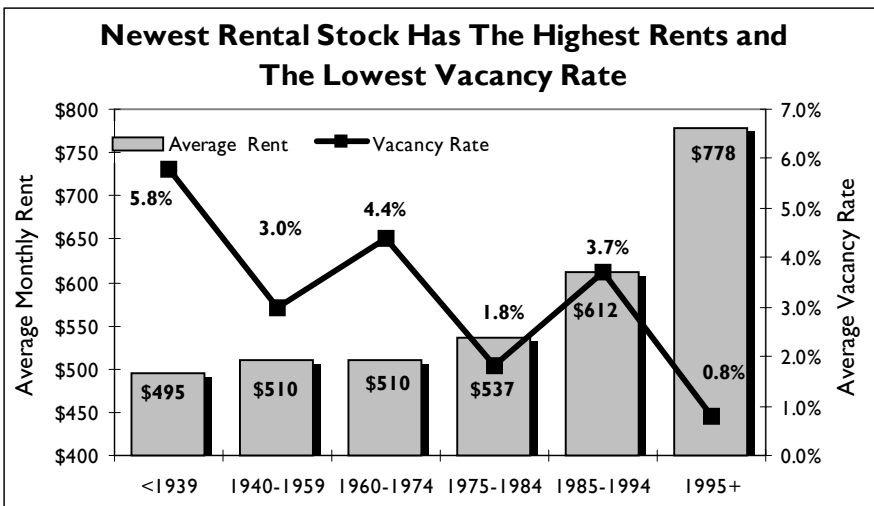
common in many markets. In P.E.I., the most expensive units, those over \$700, had the lowest vacancy rate at 1.5 per cent.

## Tenants Continue to Opt for Newer Units

According to the 2003 survey, renters have again shown a preference for the newest high-end units. For row and apartment units built after 1995 there were only two vacant units this year. This is in spite of the fact that the average rent for these units, at \$778, was \$212 above the overall average rent in the area.

While the newest units continue to enjoy the highest rents and lowest vacancies, the exact opposite is true for the oldest units in the Charlottetown rental market. The oldest units, those built before 1939, posted the highest vacancy rate—5.8 per cent—and the lowest average rent—\$495.

These figures again show that renters are willing to pay a premium for units that offer the newest amenities and features. These newer units tend to offer more square footage than the older ones, with other features such as in-unit laundry hook-ups, hardwood and ceramic floors and underground parking.



# Rental Construction Expected to Slow in 2004

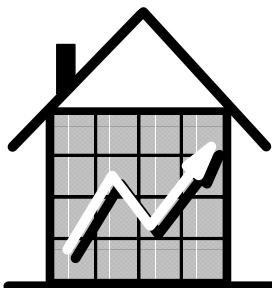
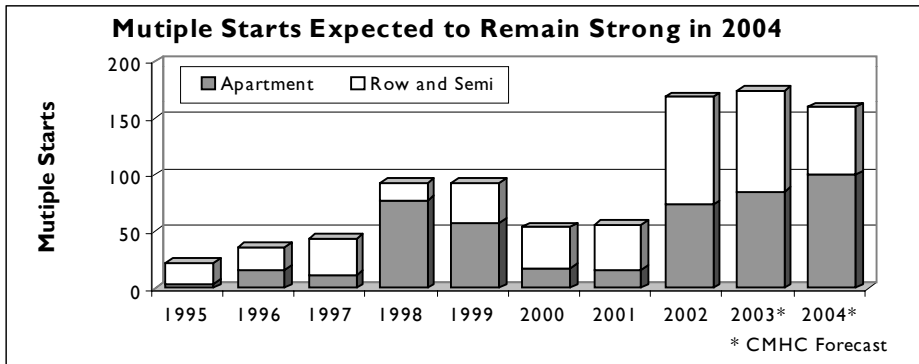
## Vacancy Rate to Remain Under 4.5 per cent in 2004

In January-November period of 2003, there were 167 new units built in the Charlottetown area. This in addition to the 169 units built during the same period last year. As a result, the vacancy rate in Charlottetown increased in 2003 and is expected to rise even further in 2004 as all of these new units become available. When the rental market survey is conducted in October of 2004, expect to see the vacancy rate increase by 0.5 to 1.0 per cent over the 2003 level. This will show a vacancy rate of 4.0-4.5 per cent for the Charlottetown area. Although the pace of multiple construction is expected to slow somewhat in 2004 from the 2003 level, it will take the rental market some time to absorb the new units built over the past few years.

## Rental Rates to Rise Slightly

Rental rates are expected to rise 3.5 to 4.0 per cent in 2004, which is above the 2.0 per cent increase allowed by the Island Regulatory and Appeals Commission. The additional increase, above 2.0 per cent, will be the result of a large number of new high-end units coming to market near the end of 2003 and into 2004. These units, which have a significantly higher rent than the average apartments in the area, will increase the average rent for the entire region. The increase for the existing units will be around the 2.0 per cent mark, but when the rents from the new high-end units are factored in, the average rent increase for the area will be around 4.0 per cent.

Row and Apartment Vacancy Rates By Market Across Canada		
Area	2002	2003
Abbotsford CMA	2,0	2,6
Calgary CMA	2,8	4,4
Saguenay CMA	4,9	5,2
Edmonton CMA	1,6	3,5
Halifax CMA	2,7	2,3
Hamilton CMA	1,6	3,0
Kingston CMA	0,9	2,0
Kitchener CMA	2,2	3,2
London CMA	1,9	2,2
Montréal CMA	0,7	1,0
St. Catharines-Niagara CM	2,4	2,7
Oshawa CMA	2,3	3,0
Gatineau CMA	0,5	1,2
Ottawa CMA	1,9	3,0
Québec CMA	0,3	0,5
Regina CMA	1,9	1,9
Saint John CMA	6,3	5,2
St. John's CMA	2,7	1,9
Saskatoon CMA	3,7	4,4
Sherbrooke CMA	1,8	0,7
Greater Sudbury CMA	5,1	3,4
Thunder Bay CMA	4,7	3,3
Toronto CMA	2,5	3,8
Trois-Rivières CMA	3,0	1,5
Vancouver CMA	1,4	2,0
Victoria CMA	1,5	1,1
Windsor CMA	3,9	4,4
Winnipeg CMA	1,2	1,3
Charlottetown CA	2,1	3,4
CANADA	1,7	2,3
By Province		
Newfoundland	2,9	3,3
Prince Edward Island	2,5	3,3
Nova Scotia	3,0	2,6
New Brunswick	4,2	4,3
Quebec	1,2	1,3
Ontario	2,7	3,5
Manitoba	1,4	1,5
Saskatchewan	4,0	4,1
Alberta	2,2	3,8
British Columbia	3,3	3,3



Your Link to the Housing Market

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CMHC is the source for expert analysis and comprehensive data on housing. Whether you are in mortgage lending, real estate sales, the building industry, housing appraisals, urban planning, relocation consulting or government, it is critical that you understand the trends and factors behind Prince Edward Island's housing markets. There is simply no substitute for the thorough, concise analysis of housing market developments that you get with CMHC's market data and analysis.

Contact Jason Beaton, your local analyst, at (506) 851-6047.

## National Apartment Vacancy Rate Rises for the Second Year in a Row

For the second consecutive year, the national rental apartment vacancy rate climbed higher across Canada. This rise in the overall average vacancy rate is due in part to historically low mortgage rates attracting tenants to homeownership, declining immigration levels and strong rental and condominium construction adding to the supply of available housing.

The average rental apartment vacancy rate in Canada's 28 metropolitan areas<sup>1</sup> rose to 2.2 per cent in October 2003 from 1.7 per cent a year ago. However, it remains below the average of 3.4 per cent over the 1992 to 2002 period. Vacancy rates were higher than one year ago in 20 of Canada's 28 largest metropolitan areas.

Saint John, N.B., Saguenay, Saskatoon, Calgary and Windsor had the highest vacancy rates, while Québec, Sherbrooke, Victoria, Montréal, and Gatineau were among the cities with the lowest vacancy rates. Vacancy rates were higher in nine of Ontario's 11 metropolitan areas. Rates increased by at least one percentage point in Hamilton, Toronto, Kingston and Ottawa.

In Quebec, four of six metropolitan areas had higher vacancy rates than in 2002. The greatest relative increase occurred in Gatineau (from 0.5 per cent to 1.2 per cent), while Montréal, Québec, and Saguenay vacancy rates rose modestly. Vacancy rates in Sherbrooke and Trois-Rivières declined by more than one percentage point each.

Vacancy rates went up in seven of eight metropolitan areas in the Prairies and British Columbia. The only decline was in Victoria, from 1.5 per cent to 1.1 per cent.

In Atlantic Canada, the vacancy rate in Saint John fell 1.1 percentage points to 5.2 per cent. In spite of this, Saint John and Saguenay had the highest vacancy rate of all Canadian metropolitan areas. Vacancy rates also fell in both Halifax and St. John's (Nfld.).

The annual Rental Market Survey also shows that average rents for two-bedroom apartments increased in all metropolitan areas except Toronto and Calgary, where rents were essentially flat (down 0.7 per cent in Toronto, unchanged in Calgary). The greatest increase occurred in Gatineau, where rents were up 6.7 per cent. Kingston posted the second-largest increase at 5.6 per cent. Average rents in London, Winnipeg, Saguenay, and Montreal were all up by about four per cent. Nationally, rent increases (on a percentage basis) were highest at the lower end of the rent spectrum.

The highest average monthly rents for two-bedroom apartments were in Toronto (\$1,040), Vancouver (\$965), and Ottawa (\$932). The lowest average rents were in Trois-Rivières (\$436) and Saguenay (\$457).

<sup>1</sup> Census metropolitan areas as defined by Statistics Canada.

## METHODOLOGY

*Canada Mortgage and Housing Corporation conducts the Rental Market Survey every year in October to determine the number of vacancies and the rents charged in rental structures. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. Only structures which have been on the market for at least three months are included. While this publication is mainly about privately initiated row and apartments with three units and more, the CMHC survey also examines publicly initiated rental and co-op housing.*

*The survey is conducted by telephone or site visit, and rent information is obtained from the owner, manager or building superintendent. The survey is conducted in the first two weeks of October and these results reflect market conditions at that time.*

### Definitions

**Vacancy:** A unit is considered vacant if, at any time of the survey, it is physically unoccupied and available for immediate rental.

**Rent:** The rent data refers to the actual amount tenants pay for their unit. Amenities and services such as heat, light, parking, hot water and laundry facilities may or may not be included in the monthly rent reported in individual cases. The aver-

age rent figures reported in this publication represent the average of different units in the market area, some of which may have some or all of these services.

**Rental apartment structure:** Any building containing three or more rental dwellings which are not all ground oriented.

**Rental row house structure:** Any building with three or more ground-oriented rental dwellings.

### Acknowledgement

The Rental Market Survey could not have been conducted without the co-operation of the many property owners and managers throughout Canada. We gratefully acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope that the results of this work will provide a benefit to these clients and to the entire housing industry.

**Table 1 : Row and Apartment Vacancy Rates**

**By Zone and Bedroom Type**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	2.1	3.6	2.4	5.5	2.5	3.5	1.6	3.5	2.7	3.1
Zone 2	2.3	3.2	0	**	3.7	4.3	2.2	3	0	1.6
<b>Charlottetown CA</b>	<b>2.1</b>	<b>3.4</b>	<b>2.2</b>	<b>5.3</b>	<b>2.8</b>	<b>3.7</b>	<b>1.9</b>	<b>3.3</b>	<b>1.9</b>	<b>2.7</b>

**Table 2: Row and Apartment Average Rents**

**By Zone and Bedroom Type**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	531	561	372	402	463	469	571	595	714	770
Zone 2	554	573	402	**	463	468	565	587	676	693
<b>Charlottetown CA</b>	<b>539</b>	<b>566</b>	<b>374</b>	<b>403</b>	<b>463</b>	<b>468</b>	<b>568</b>	<b>591</b>	<b>703</b>	<b>751</b>

**Table 3 : Number of Row and Apartments Units - Vacant Total (Universe)**

**By Zone and Bedroom Type**

Area	All Units				Bachelor				One Bedroom				Two Bedroom				Three Bedroom +			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
<b>Zone 1</b>	51	2470	89	2517	4	163	6	116	22	869	31	876	20	1235	44	1273	5	203	8	252
<b>Zone 2</b>	32	1427	46	1452	0	12	**	**	8	226	10	238	24	1108	34	1124	0	81	1	84
<b>Total</b>	<b>83</b>	<b>3897</b>	<b>135</b>	<b>3969</b>	<b>4</b>	<b>175</b>	<b>6</b>	<b>122</b>	<b>30</b>	<b>1094</b>	<b>41</b>	<b>1114</b>	<b>44</b>	<b>2343</b>	<b>79</b>	<b>2397</b>	<b>5</b>	<b>284</b>	<b>9</b>	<b>336</b>

**Table 4: Row and Apartment Vacancy Rates By Structure Size and Bedroom Type**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
3 - 5 Units	3.1	5.4	**	**	4.2	4.1	2.8	6.7	2.3	6.8
6 - 19 Units	2.1	3.6	**	**	2.7	4.7	1.8	3.2	1.9	1.5
20 - 49 Units	1.9	1.7	**	**	2.5	2.5	1.6	1.6	0.0	0.0
50 - 99 Units	**	**	**	**	**	**	**	**	**	**
<b>Total</b>	<b>2.1</b>	<b>3.4</b>	<b>2.2</b>	<b>5.3</b>	<b>2.8</b>	<b>3.7</b>	<b>1.9</b>	<b>3.3</b>	<b>1.9</b>	<b>2.7</b>

**Table 5: Average Row and Apartment Rents By Structure Size and Bedroom Type**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
3 - 5 Units	\$502	\$525	**	**	\$440	\$456	\$528	\$559	\$636	\$666
6 - 19 Units	\$536	\$564	**	**	\$452	\$448	\$558	\$579	\$728	\$780
20 - 49 Units	\$584	\$609	**	**	\$484	\$502	\$618	\$649	\$768	\$710
50 - 99 Units	**	**	**	**	**	**	**	**	**	**
<b>Total</b>	<b>\$539</b>	<b>\$566</b>	<b>\$374</b>	<b>\$403</b>	<b>\$463</b>	<b>\$468</b>	<b>\$568</b>	<b>\$591</b>	<b>\$703</b>	<b>\$751</b>

**Table 6: Number of Row and Apartment Units -Vacant and Total (Universe)**

**By Structure Size and Bedroom Type**

Area	All Units				Bachelor				One Bedroom				Two Bedroom				Three Bedroom +			
	2002		2003		2002		2003		2002		2003		2002		2003		2002		2003	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
3 - 5 Units	16	518	29	526	**	**	**	**	9	207	9	220	5	192	14	207	2	93	5	81
6 - 19 Units	54	2595	95	2660	**	**	**	**	16	605	29	611	31	1706	56	1745	3	173	4	237
20 - 49 Units	11	569	10	569	**	**	**	**	3	133	3	133	6	401	7	401	0	16	0	16
50 - 99 Units	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**
<b>Total</b>	<b>83</b>	<b>3897</b>	<b>135</b>	<b>3969</b>	<b>4</b>	<b>175</b>	<b>6</b>	<b>122</b>	<b>30</b>	<b>1094</b>	<b>41</b>	<b>1114</b>	<b>44</b>	<b>2343</b>	<b>79</b>	<b>2397</b>	<b>5</b>	<b>284</b>	<b>9</b>	<b>336</b>

**Table 7: Apartment and Row Vacancy Rates and Average Rents  
By Year of Completion**

Year Completed	Vacancy Rate (%)		Average Rent		Vacant vs. Total Units	
	2002	2003	2002	2003	Vacant	Total
Pre 1940	3.4	5.8	\$471	\$495	40	687
1940 - 1959	0.5	3	\$493	\$510	12	409
1960 - 1974	2.5	4.4	\$496	\$510	20	458
1975 - 1984	2.3	1.8	\$528	\$537	16	910
1985-1995	2.1	3.7	\$581	\$612	45	1207
1995+	0.5	0.8	\$730	\$778	2	298
<b>Total</b>	<b>2.1</b>	<b>3.4</b>	<b>\$539</b>	<b>\$566</b>	<b>135</b>	<b>3969</b>

**Table 8: Apartment and Row Vacancy Rates By Rent Range**

Rent Range	All Units		Rent Range	All Units		Rent Range	All Units	
	2002	2003		2002	2003		2002	2003
< \$300	N/U	N/U	< \$350	**	**	< \$500	2.6	3.5
\$300 - 349	**	**	\$350 - 399	0.7	3.3	\$500 - 549	2.9	2.4
\$350 - 399	0.7	3.3	\$400 - 449	2.6	3.7	\$550 - 599	2.1	4.7
\$400 - 449	2.6	3.7	\$450 - 499	2.9	3.5	\$600 - 649	0.7	2.4
\$450 - 499	2.9	3.5	\$500 - 549	2.9	2.4	\$650 - 699	2.3	3.4
\$500 +	1.9	3	\$550 +	1.6	3.2	\$700 +	0.9	1.5
<b>Total</b>	<b>2.2</b>	<b>3.2</b>	<b>Total</b>	<b>2.2</b>	<b>3.2</b>	<b>Total</b>	<b>2.2</b>	<b>3.2</b>

**Table 9 : Row and Apartment Vacancy Rates and Average Rents By Heated vs Unheated**

	Bachelor		One Bedroom		Two Bedroom		Three Bedroom +		All Units	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
<b>Average Rents</b>										
<b>Charlottetown CA</b>	\$374	\$403	\$463	\$468	\$568	\$591	\$703	\$751	\$539	\$566
Heat Not Included	\$350	\$355	\$374	\$400	\$491	\$493	\$659	\$695	\$541	\$583
Heat Included	\$375	\$406	\$464	\$470	\$569	\$592	\$711	\$762	\$539	\$565
<b>Vacancy Rates</b>										
<b>Charlottetown CA</b>	2.2	5.3	2.8	3.7	1.9	3.3	1.9	2.7	2.1	3.4
Heat Not Included	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Heat Included	2.3	5.5	2.8	3.8	1.9	3.3	2.3	3.2	2.2	3.5

**Rental Market Report** is published once a year for the Charlottetown market. Priced at \$40 plus applicable taxes. For more information, contact Cynthia Way at the Atlantic Business Centre (902) 426-4708. Order # PERME

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