



RENTAL MARKET

REPORT

CHARLOTTETOWN

Canada Mortgage and Housing Corporation

www.cmhc.ca

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Vacancy Rate Up Slightly

Vacancy Rate Edges Higher in 2004

The vacancy rate for apartment structures containing three or more units in the Charlottetown CA was 4.2 per cent in October, up from 3.5 a year earlier. The vacancy rate for row and apartment units combined reached 4.1 per cent in October 2004. Although this marks the second consecutive year in a row that the overall vacancy rate has posted an increase, it still remains low in historical terms. This report focuses on the survey results for both privately initiated row and apartment structures of three units and more.

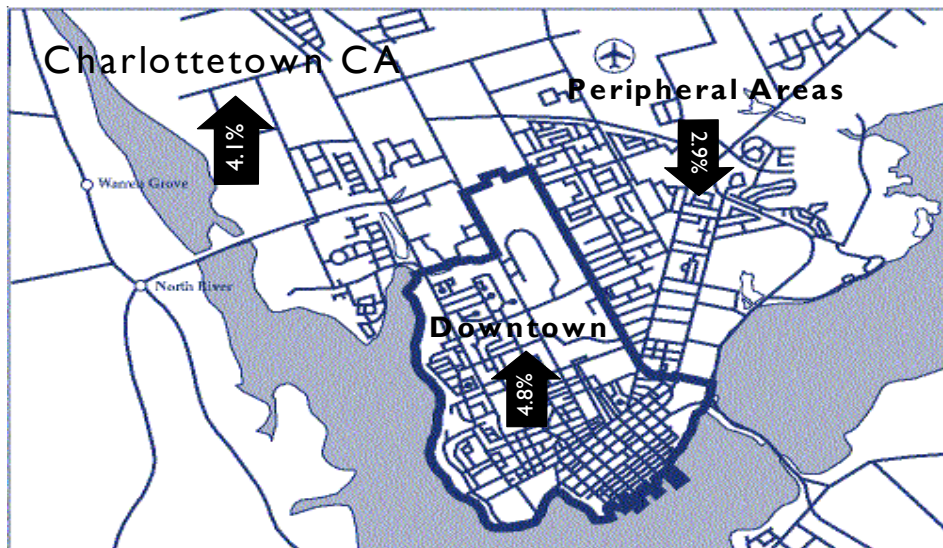
Overall there were 166 vacant units in the Capital region this October, compared to 135 units a year ago. However, in contrast to previous years

there was no individual unit type that can be singled out as the cause of the increase. Instead there was a marginal rise in vacancies for all units types.

The slow rise in the vacancy rate over the past three years has been the result of increased rental construction. During this period, there have been more than 350 new rental units added to the local market, an increase of about 9 per cent. Most of these 350 units were started over the 2002-2003 period and were not completed in time to be considered in the October 2003 Rental Market Survey. As a result, the impact of the higher levels of construction activity in these years was only captured in the October 2004 Survey. Higher levels of rental construction over the past three years have resulted in increased vacancies particularly at the high end of market.

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Source : CMHC

SUMMARY

- The vacancy rate for privately initiated row and apartment structures (three units and over) within the Charlottetown CA increased to 4.1 per cent in October 2004, up from 3.4 per cent in 2003.
- Vacancies were highest in bachelor units at 9.9 per cent and lowest in two bedroom units with a vacancy rate of 3.7 per cent.
- Vacancies were highest in Zone 1 (urban core) at 4.8 per cent and lowest in Zone 2 (peripheral areas) at 2.9 per cent.
- Average monthly rents increased for all unit types and in all rental zones, except bachelor units in Zone 1. Average rents for two-bedroom units climbed 5.9 and 0.2 per cent in Zones 1 and 2, respectively.
- Continued strength in the local economy and limited addition to supply should keep the vacancy rate between 3.5 and 4.0 per cent in 2005.

Average Rents Continue to Rise

Due to the unusually large number of new high-end units being surveyed for the first time this year, the average rental rates has increased significantly. In the October 2004 Survey the average rent increased to \$588, up \$22 per month from the 2003 survey. This represents an increase of 3.9 per cent, almost double the 2 per cent rise stipulated by the Islands Regulatory and Appeals Commission (IRAC) which manages residential rental increases on the Island. However, the stipulated increase only applies to existing tenants, not to the rent that may be charged for either a new tenant or new units. The latter variable however is the main reason for the increase this year. The new construction over the past three years has been almost exclusively at the high-end of the market, which has pushed the average rents for the entire area to a new all time high.

The largest increase was recorded for two-bedroom units in the downtown area (Zone 1), where the average rent jumped from \$595 in October 2003 to \$630 this year. Two-bedroom units in Zone 1 have also remained the most predominant unit type with a universe of 1,360 units.

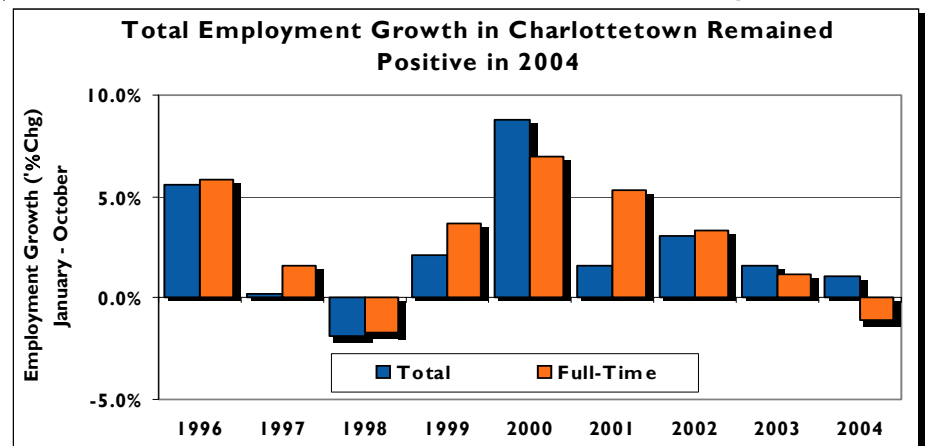
Employment Reached New High in 2004

Two of the main factors helping to sustain the demand for rental accommodations in the Capital Region are strong employment and continued positive net migration as a result of urbanization.

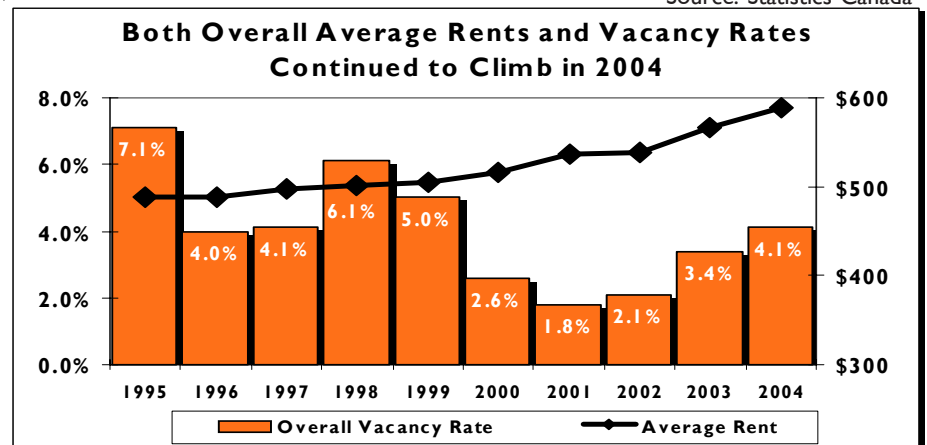
Although the pace of employment growth has slowed from previous years, it has managed to remain positive for the first 10 months of 2004. During this period, the number of people employed in the Charlottetown area averaged 20,110, an increase of 1.1 per cent from the 2003 level. This exceeded the level set in 2003 and sets a new record high for employment in the Charlottetown area.

Employment growth continued to stimulate in-migration to the Queens County area. On a provincial basis, PEI was the only Atlantic province to record positive population growth in the 2001 census, of which Queens County contributed the most. Positive in-migration to the Charlottetown area is expected to continue as urbanization redistributes the Island's population.

The continued strength of both the labour market and in-migration should serve to keep the demand for rental accommodation strong into 2005.



Source: Statistics Canada



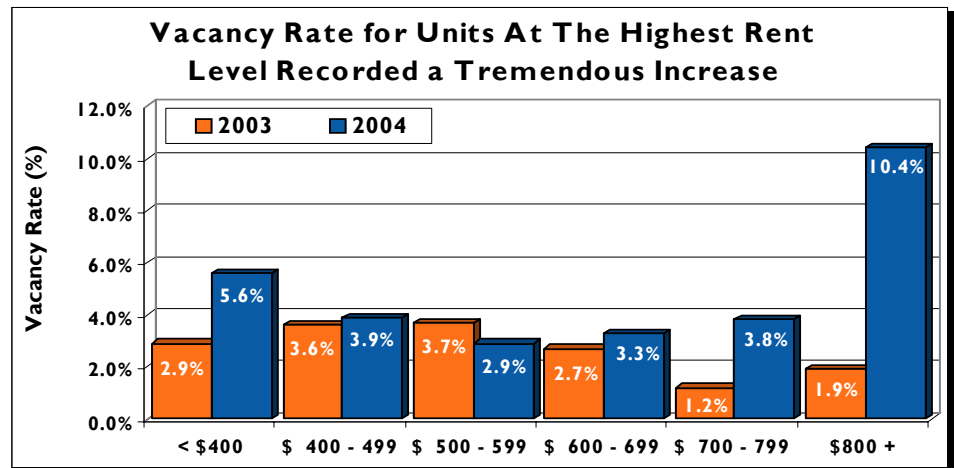
Source: CMHC

Interest Rates Remained Low in 2004

Besides a significant rise in the supply of new rental stock, the irresistible lure of home ownership under historically low mortgage rates is viewed as another reason for the higher vacancy rate this year. As interest rates fall, the average monthly payments come down. As a result the difference between owning and buying narrows. Assuming that a household purchases a home at the average MLS® sales price of approximately \$125,000, with a down payment of \$6,250 or 5%, and a 6 per cent mortgage rate, the monthly carrying costs would be about \$765, excluding property taxes. When this is compared to the average two bedroom rent at \$611, one can see why some households currently renting have chosen to jump to the ownership market.

Two Bedroom Units Remain Popular

According to our latest 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 9.9 per cent, from 5.3 per cent in 2003. The vacancy rate for two bedroom units, which



Source: CMHC

makes up the majority of the rental market, edged up from 3.3 per cent in 2003, to 3.7 per cent in 2004. The vacancy rate for one-bedroom units rose 0.2 per cent to 3.9 per cent, while 3+ bedroom units increased to 5.0 from 2.7 per cent last year.

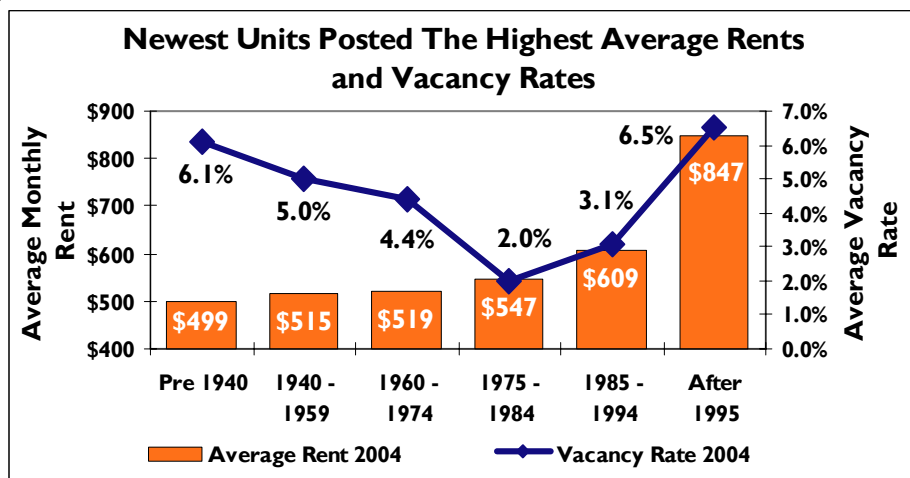
Two-bedroom units once again posted the lowest vacancy rate of all unit types. This is important to note because two-bedroom units are still the most widely available type of rental accommodation in the Charlottetown area, making up 61 per cent of the rental universe. It is expected that as the pace of new rental construction slows over the coming year, the vacancy rate for two-bedroom units should decrease marginally in 2005. A similar result is expected for the other unit types as well.

Vacancy Rate For the Most Expensive Units Rises

When broken down into rent ranges, the October 2004 Survey showed that vacancy rates increased in four of the six categories.

The largest increase occurred in the over \$800 price range, where the vacancy rate jumped by 8.5 percentage points to 10.4 per cent. The main reason attributed to this increase is the rise in the number of units in this price range as an outcome of strong new construction over the past three years. As a result, the high-end two bedroom market is temporarily oversupplied in the Charlottetown area. This situation should resolve itself over the next year as construction slows, and these units are given ample time to be absorbed in the market.

Unlike in previous years, where the newest units enjoyed the highest rents and the lowest vacancies, this year the newest units continue to record the highest rents, but also posted the highest vacancy rate. For row and apartment units built after 1995 the vacancy rate in 2003 was only 0.8 per cent compared to 6.5 per cent in 2004. The size of this category also increased this year, confirming that there has been a substantial number of new units built



Source: CMHC

over the past two years. The number of units surveyed jumped to 483 units compared to 298 in 2003.

Despite the rise in vacancies, these units have posted the largest gains in average rents. The average rent for units built after 1995 reached \$847 this year, up 8.9 per cent from the previous year. With the increase this year, the average rent for the newest units is now \$259 higher than the average for the entire market. Due to the large premium attached to the rents for new units, it becomes evident why many developers have chosen to build new projects over the past few years.

While the newest units enjoy the highest rents, the exact opposite is true for the oldest units in the Charlottetown rental market. The oldest units, those built before 1940, posted the second highest vacancy rate at 6.1 per cent, and the lowest average rent at \$499, up only 0.8 per cent from the previous year.

Vacancy Rate to Fall Below 4.0 per cent

The trend to higher vacancy rates in each of the past three years is expected to reverse in 2005 as the construction of rental units slows. Due to the substantial increase in home prices over the past three years, many developers are building semi-detached units for the home ownership market, an attractive option for first-time buyers. It is expected that this will reduce the number of rental units offered in the

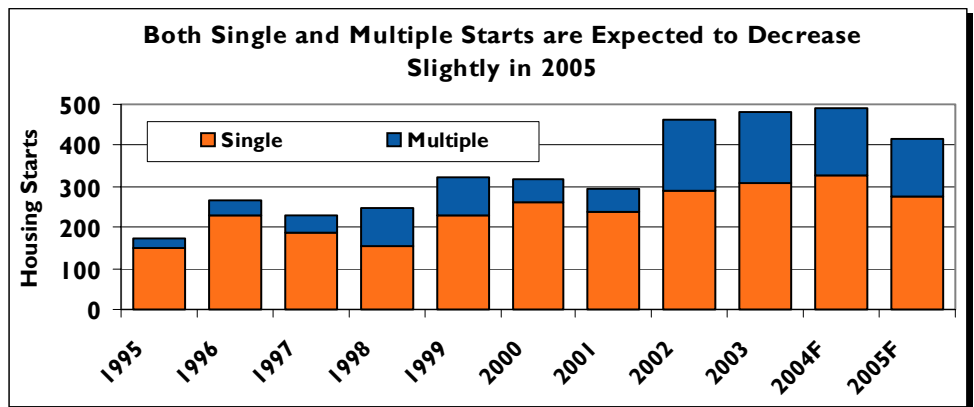
market for 2005, resulting in the bulk of units built over the past two years being absorbed. This will support lower vacancies with the vacancy rate forecast to be in the 3.5 to 4.0 per cent range in October 2005.

Rental Rates to Rise Slightly

Rental rates are expected to rise between 2.5 and 3.0 per cent in 2005, which is above the 2.0 per cent increase allowed by the Island Regulatory and Appeals Commission, but less than the jump seen in 2004. The increase above 2.0 per cent will be the result of higher priced new units started in 2004, but not completed by June 1 and therefore not included in the 2004 survey, as well as new projects started early in 2005. These new units will once again have significantly higher rents than the existing older apartments in the area, and will push up the average for the whole area.

Apartment Vacancy Rates By Market Across Canada		
Area	2003	2004
Abbotsford CMA	2.5	2.8
Calgary CMA	4.4	4.3
Saguenay CMA	5.2	5.3
Edmonton CMA	3.4	5.3
Halifax CMA	2.3	2.9
Hamilton CMA	3.0	3.4
Kingston CMA	1.9	2.4
Kitchener CMA	3.2	3.5
London CMA	2.1	3.7
Montreal CMA	1.0	1.5
St. Catharines-Niagara CMA	2.7	2.6
Oshawa CMA	2.9	3.4
Gatineau CMA	1.2	2.1
Ottawa CMA	2.9	3.9
Quebec CMA	0.5	1.1
Regina CMA	2.1	2.7
Saint John CMA	5.2	5.8
St. John's CMA	2.0	3.1
Saskatoon CMA	4.5	6.3
Sherbrooke CMA	0.7	0.9
Greater Sudbury CMA	3.6	2.6
Thunder Bay CMA	3.3	5.0
Toronto CMA	3.8	4.3
Trois-Rivieres CMA	1.5	1.2
Vancouver CMA	2.0	1.3
Victoria CMA	1.1	0.6
Windsor CMA	4.3	8.8
Winnipeg CMA	1.3	1.1
Charlottetown CA	3.5	4.2
CANADA	2.3	2.7

Source: CMHC



Source: CMHC



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

METHODOLOGY

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 structures with at least three rental units, which have been on the market for at least three months. The data collected for a structure depends on its initiation type (public or private), and whether it is an apartment or a row structure. The survey collects vacant unit data for all sampled structures. The market rent data are collected for only privately initiated structures. Most data contained in this publication refer to privately initiated apartment structures.

The survey is conducted by a combination of telephone interviews and site visits, and information is obtained from the owner, manager, or building superintendent. The survey is conducted during the first two weeks of October, and the results reflect market conditions at that time.

Definitions

Rent: The rent refers to the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water. For available and vacant units, the rent is the rent being asked for by the owner for the unit.

Rental Apartment Structure: Any building containing three or more rental units, of which at least one unit is not ground oriented. Owner-occupied units are not included in the rental building unit count.

Rental Row Structure: Any building containing three or more rental units, all of which are ground oriented. Owner-occupied units are not included in the rental building unit count.

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

Acknowledgement

The Rental Market Survey could not have been conducted without the cooperation of the rental property owners, managers and building superintendents throughout Canada. CMHC acknowledges their hard work and assistance in providing timely and accurate information. As a result of their contribution, CMHC is able to provide information that benefits the entire housing industry.

Market Zones

The survey zones reported in this publication are outlined on page I.

**Table 1 : Row and Apartment Vacancy Rates
By Zone and Bedroom Type**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - Downtown	3.6%	4.8%	5.5%	9.3%	3.5%	4.4%	3.5%	4.4%	3.1%	5.6%
Zone 2 - Peripheral	3.2%	2.9%	**	**	4.3%	2.3%	3.0%	2.9%	1.6%	3.0%
Charlottetown CA	3.4%	4.1%	5.3%	9.9%	3.7%	3.9%	3.3%	3.7%	2.7%	5.0%

** - Not Published

**Table 2: Row and Apartment Average Rents
By Zone and Bedroom Type**

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1 - Downtown	\$561	\$594	\$402	\$391	\$469	\$491	\$595	\$630	\$770	\$802
Zone 2 - Peripheral	\$573	\$578	**	**	\$468	\$479	\$587	\$588	\$693	\$697
Charlottetown CA	\$566	\$588	\$403	\$393	\$468	\$489	\$591	\$611	\$751	\$778

** - Not Published

**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 +	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1 - Downtown	124	2,610	12	131	36	823	60	1,360	17	296
Zone 2 - Peripheral	42	1,449	**	**	5	222	32	1,130	3	90
Charlottetown CA	166	4,059	14	137	41	1,045	92	2,490	19	387

** - Not Published

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

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 - 5 Units	5.4%	5.2%	**	**	4.1%	8.8%	6.7%	1.9%	6.8%	6.5%
6 - 19 Units	3.6%	4.0%	**	**	4.7%	3.3%	3.2%	3.9%	1.5%	4.8%
20 - 49 Units	1.7%	2.1%	**	**	2.5%	0.0%	1.6%	2.4%	0.0%	0.0%
50 - 99 Units	**	7.0%	**	**	**	3.8%	**	11.2%	**	**
Total	3.4%	4.1%	5.3%	9.9%	3.7%	3.9%	3.3%	3.7%	2.7%	5.0%

** - Not Published

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

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 - 5 Units	\$525	\$529	**	**	\$456	\$458	\$559	\$547	\$666	\$664
6 - 19 Units	\$564	\$583	**	**	\$448	\$473	\$579	\$591	\$780	\$820
20 - 49 Units	\$609	\$617	**	**	\$502	\$505	\$649	\$656	\$710	\$722
50 - 99 Units	**	\$682	**	**	**	\$565	**	\$936	**	**
Total	\$566	\$588	\$403	\$393	\$468	\$489	\$591	\$611	\$751	\$778

** - Not Published

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 +	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
3 - 5 Units	27	518	**	**	16	187	4	213	6	96
6 - 19 Units	107	2,666	**	**	19	566	68	1,751	13	272
20 - 49 Units	13	605	**	**	0	131	11	436	0	17
50 - 99 Units	19	270	**	**	6	160	10	89	**	**
Total	166	4,059	14	137	41	1,045	92	2,490	19	387

** - Not Published

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

Year Completed	Vacancy Rate (%)		Average Rent		Vacant vs. Total Units	
	2003	2004	2003	2004	Vacant	Total
Pre 1940	5.8%	6.1%	\$495	\$499	40	668
1940 - 1959	3.0%	5.0%	\$510	\$515	17	337
1960 - 1974	4.4%	4.4%	\$510	\$519	21	474
1975 - 1984	1.8%	2.0%	\$537	\$547	17	842
1985-1995	3.7%	3.1%	\$612	\$609	39	1,256
1995+	0.8%	6.5%	\$778	\$847	31	483
Total	3.4%	4.1%	\$566	\$588	166	4,059

Table 8: Row and Apartment Vacancy Rates By Rent Range

Rent Range	All Units		Rent Range	All Units		Rent Range	All Units	
	2003	2004		2003	2004		2003	2004
< \$350	**	**	< \$400	2.9%	5.6%	< \$500	3.5%	4.1%
\$350 - 399	3.3%	**	\$ 400 - 499	3.6%	3.9%	\$500 - 549	2.4%	2.9%
\$400 - 449	3.7%	3.4%	\$ 500 - 599	3.7%	2.9%	\$550 - 599	4.7%	2.9%
\$450 - 499	3.5%	4.2%	\$ 600 - 699	2.7%	3.3%	\$600 - 649	2.4%	3.8%
\$500 - 549	2.4%	2.9%	\$ 700 - 799	1.2%	3.8%	\$650 - 699	3.4%	2.6%
\$550 +	3.2%	4.1%	\$800 +	1.9%	10.4%	\$700 +	1.5%	6.7%
Total	3.2%	3.9%	Total	3.2%	3.9%	Total	3.2%	3.9%

** - Not Published

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

	Bachelor		One Bedroom		Two Bedroom		Three Bedroom +		All Units	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Average Rent										
Charlottetown CA	\$403	\$393	\$468	\$489	\$591	\$611	\$751	\$778	\$566	\$588
Heat Not Included	\$355	\$350	\$400	\$381	\$493	\$559	\$695	\$654	\$583	\$560
Heat Included	\$406	\$395	\$470	\$490	\$592	\$311	\$762	\$795	\$565	\$589
Vacancy Rate										
Charlottetown CA	5.3	9.9	3.7	3.9	3.3	3.7	2.7	5.0	3.4	4.2
Heat Not Included	0.0	0.0	0.0	0.0	0.0	5.6	0.0	0.0	0.0	1.2
Heat Included	5.5	10.3	3.8	4.0	3.3	3.7	3.2	5.7	3.5	4.2

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

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