

R

ENTAL MARKET

Charlottetown

REPORT

Canada Mortgage and Housing Corporation

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OCTOBER 2001

Urban Vacancy Rate Drops Again

Strong Employment Helps Sustain Rental Demand

The vacancy rate in Charlottetown dropped by almost one percentage point to reach 1.8 per cent this year, the lowest level in over a decade. The causes of this decline are the high levels of employment in the region, the low level of rental construction over the past two years, and the lack of moderately priced homes for sale. These factors have stimulated the demand for rental accommodations and pushed the vacancy rate to the current low level.

Results of the October Rental Market Survey showed that there were 69 units vacant in row and apartment structures containing three or more units, compared to 102 vacancies in last year's survey.

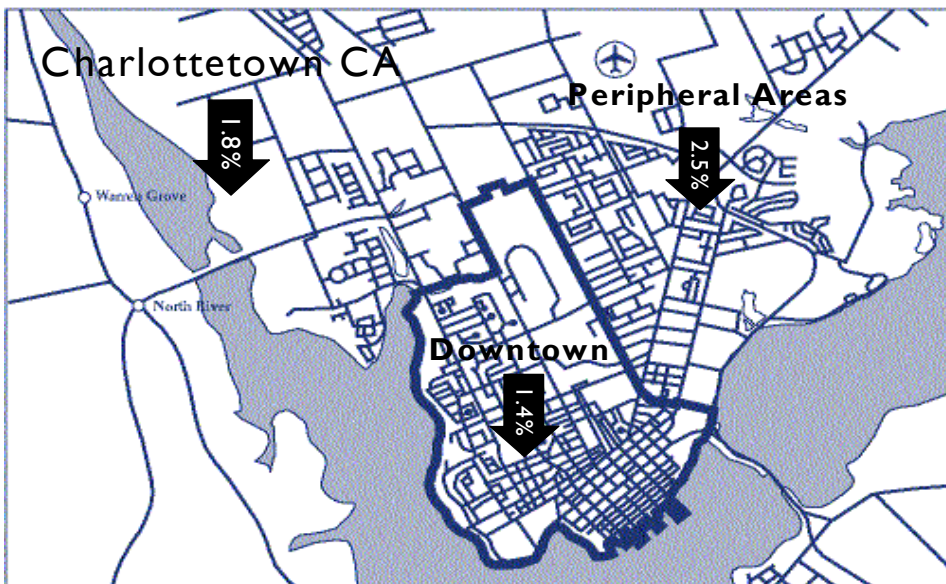
Most bedroom types experienced an increased demand in this survey compared to last year. The most significant increase came from one bedroom units which saw their vacancy rate drop by 2.4 percentage points to 1.9 per cent. Two bedroom units also saw increased demand as their vacancy rate fell by 0.3 of a percentage point to 1.9 per cent. Bachelor units remained constant at 1.7 per cent. Three

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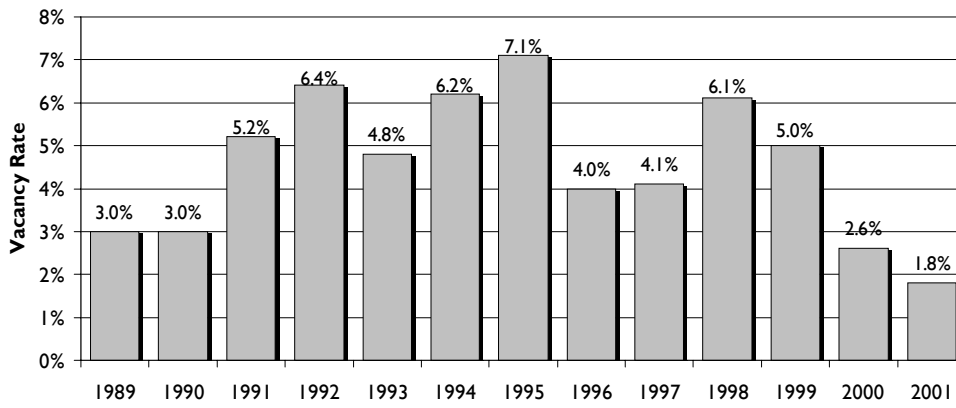


Charlottetown CA Vacancy Rate 2001



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Vacancy Rate in Charlottetown Lowest Level in Over a Decade



bedroom+ units experienced a 0.1 percentage point increase to 0.5 per cent, after experiencing a drop of 2.2 percentage points in last year's survey.

The total average rent in Charlottetown this year for all units surveyed increased by four per cent. It is important to note though that this increase does not totally reflect an increase in all units. In 2001, Island Regulatory & Appeals Commission (IRAC) allowed a rent increase of 3.75 and 1.25 per cent for heated and unheated units respectively. The remainder of the increase is due to the new units that are coming onto the market. These units are priced significantly higher than the existing rental stock, and tend to drive up the overall average rents for the entire region.

Rental rates in Charlottetown City (Zone 1), are on average four per cent lower than those in the peripheral areas (Zone 2). Most of the high-end multiple units built recently are located outside the downtown core.

Overall, the rents in Zone 1 increased by five per cent in the October survey when compared to last year, while rents in Zone 2 increased by three per cent during the same period. The low vacancy rate in all areas this year has allowed landlords to increase the rents in almost all areas and bedroom types.

Rental Market Report, October 2001

The vacancy rate in peripheral areas increased this year by one percentage point to 2.5 per cent, while vacancies in the urban core tumbled by 1.8 percentage points to 1.4 per cent.

Employment Reached New High in 2001

The number of people employed in the Charlottetown area reached 20,300 in October 2001. This is a seven per cent increase when compared to the 18,900 employed during the same period last year. Employment levels exceeded the 20,000 mark for the first time this summer, which represents the fourth consecutive year of growth.

Employment is up in all but three industries, reflecting a more diversified

economy. Full time employment is also up in the area by over 800 workers from last year's level, while part time employment has dropped by 480 from the same period last year. These solid labour market conditions have attracted more people to the Capital Region and have helped to stimulate the demand for all types of housing.

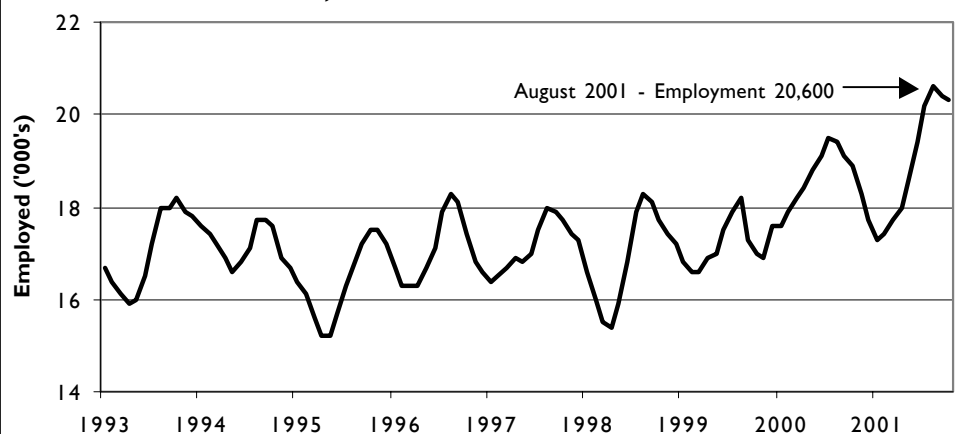
Tenants Continue to Opt for Newer Units

According to the 2001 survey, renters again showed a preference for the new, higher-end units. This trend continues to be the norm in most markets. Row and apartment units built after 1995 had zero vacancies this year, despite the fact that at \$742, the average rent was \$205 above the overall average rent in the Charlottetown area. It is also interesting to note that most of these new, high-end rental units are unheated yet still command the highest rents.

The demand for newer units has helped to lower the vacancy rate in the peripheral areas over the past few years, because most of these projects are being developed outside the downtown core.

The structures built between 1985 and 1994 were the least popular of all units surveyed with a vacancy rate of 2.5 per cent. However, these units do have the

Employment in Charlottetown Exceeds 20,000 for the First Time

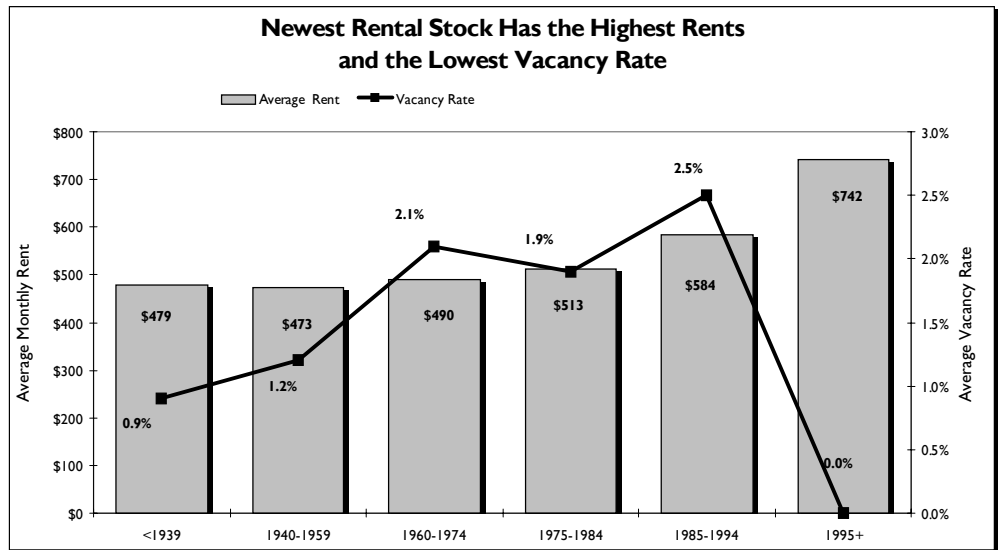


second highest average rent at \$584, and make about 34 per cent of Charlottetown's rental stock.

The results of the survey showed that the oldest stock, built before 1939, was the second most popular age range with a vacancy rate of 0.9 per cent. The majority of these units are located in the downtown core where the decrease in the vacancy rate in this area may be explained by a resurgence in their popularity. These units also had the greatest price increase this year of almost seven percentage points, bringing the average rent to \$479.

Homes for First-Time Buyers Remain Scarce

The supply of homes for sale in the Charlottetown area in the \$70,000 to \$100,000 price range continues to remain tight. To the end of November 2001, MLS® had under 30 homes that fell into this price range. Despite this, the number of MLS® sales on PEI reached a new record high at the end of November with 1098 homes sold so far this year. During the same period, the average MLS® sales price in the Capital Region increased to \$105,800 from \$103,600 a year earlier. This represents more than a two per cent increase.



Furthermore, existing homes that are available for sale are listed at a much higher price, when compared to the last few years. This creates a problem for the first-time buyer as many of these homes are out of their price range. The average listing price of homes in the Charlottetown area has risen sharply over the past four years. The average price rose from \$107,909 to the end of November 1997 to \$122,926 during the same period in 2001.

The largest increase during the four year period came from the Stratford area where the listing price increased from \$95,760 during the first 11 months of 1997, to \$145,327 in 2001. Even during the past year, the average list price in Stratford has jumped by over 16 per cent. This remarkable price growth is

due mostly to the completion of the new bridge linking Stratford to Charlottetown City, which has encouraged new businesses to move into the area.

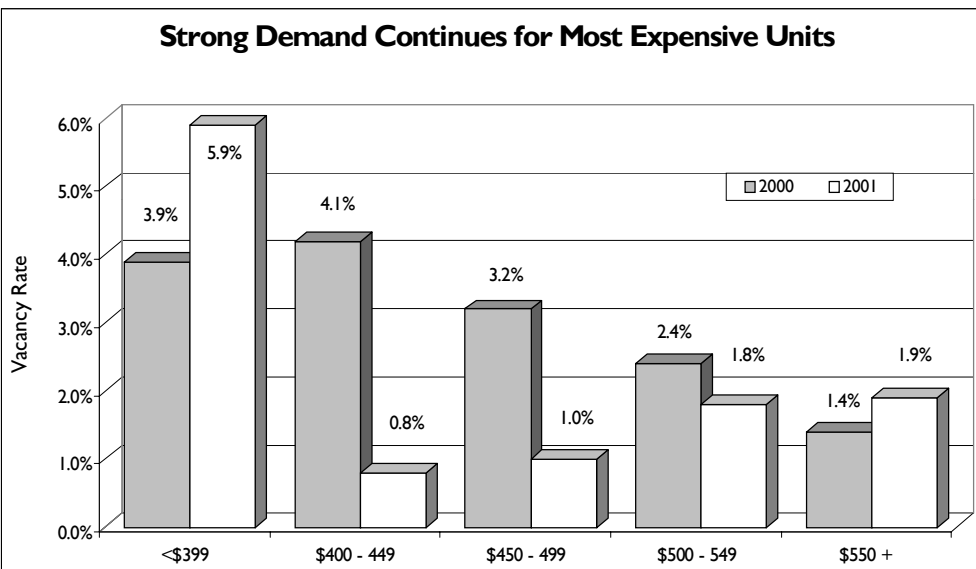
Strong Demand For Rental Units

The October 2001 survey showed that vacancy rates dropped for rental units in all price ranges except for the least and most expensive units.

The largest decrease of all price ranges came from the units in the \$400-\$449 price range. The vacancy rate for these units dropped by 3.4 percentage points to reach a low of 0.8 per cent.

The vacancy rate for least expensive units, under \$399, had the greatest increase this year at two percentage points bringing the vacancy rate to 5.9%.

The most expensive units at \$550+ experienced a vacancy rate increase of 0.5 percentage point to 1.9 per cent. However, when the most expensive rents are broken down into finer detail, it can be seen that the increase comes from units in the \$550-\$599 price range. This breakdown also shows that the trend of the most expensive units having the lowest vacancy continued, with the units over \$700 having the low vacancy of 0.5 per cent.



Row and Apartment Vacancy Rates By Market Across Canada

Area	2000	2001
Calgary	1.2	1.2
Chicoutimi-Jonquière	4.4	4.4
Edmonton	1.3	0.9
Halifax	3.6	2.8
Hamilton	1.6	1.3
Kitchener	0.8	0.9
London	2.2	1.7
Montreal	1.5	0.6
St. Catharines-Niagara	2.7	2.0
Oshawa	1.7	1.3
Hull	1.5	0.6
Ottawa	0.2	0.8
Quebec	1.6	0.8
Regina	1.4	2.0
Saint John	3.4	5.6
St. John's	3.7	2.7
Saskatoon	1.7	2.9
Sherbrooke	4.7	2.3
Sudbury	8.5	6.0
Thunder Bay	5.7	5.8
Toronto	0.6	0.9
Trois-Rivières	6.8	4.7
Vancouver	1.4	1.0
Victoria	1.8	0.5
Windsor	1.9	2.8
Winnipeg	2.0	1.4
Charlottetown	2.6	1.8

By Province	2000	2001
Newfoundland	5.7	3.3
Prince Edward Island	3.3	2.4
Nova Scotia	4.2	3.3
New Brunswick	3.1	4.1
Quebec	2.2	1.3
Ontario	1.6	1.7
Manitoba	2.2	1.4
Saskatchewan	2.2	3.5
Alberta	1.3	1.1
British Columbia	3.6	2.6
Yellowknife	2.4	1.0
Canada	2.2	1.7

Increased Rental Construction Expected in 2002

Vacancy Rate to Remain Under 3 per cent in 2002

Despite a strong demand for rentals, the construction of apartment units dropped slightly in 2001. At the end of November, only 16 new apartment units had been built in Charlottetown compared to 18 units in 2000.

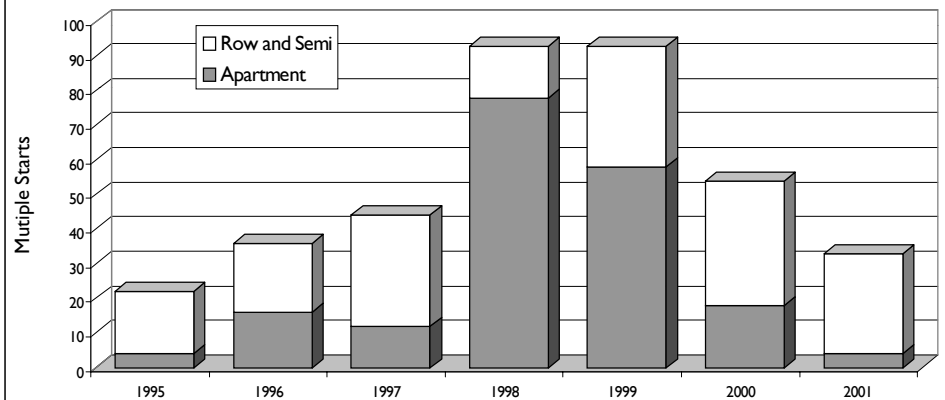
As a result, the vacancy rate in Charlottetown dropped to a low 1.8 per cent. The strong labour market expected again in 2002 will continue to stimulate the demand for rental accommodations. Therefore, the construction of apartment units is expected to bounce back over the forecast period.

In-migration of workers combined with seniors and empty nesters selling their larger homes to move into smaller lower maintenance units will continue to maintain a strong demand for high-end rental units in 2002.

Rental Rates to Rise Slightly

The rental rates are expected to rise in the range of 1.2 to 1.5 per cent again in 2002. Notwithstanding this, the increase in rents will be below the inflation rate. An improving demand for rentals should offset the rise in construction activity. As a result, the vacancy rate in the Charlottetown area should remain under three per cent in the Fall of 2002.

Mutiple Units Built in 2001 Decline Again, Despite Strong Demand



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Building Size Has a Direct Impact on Average Monthly Rents

According to the 2001 Rental Market Survey results, there is a general upwards trend on average rents as the building size gets bigger. So what is it about the size of a building that allows its owners to demand a higher rent?

Apartment buildings tend to have progressively higher rents as the structures get bigger, as smaller rental structures are typically unable to compete with other types of land uses for the more accessible locations within the city. As a result, the highest valued residential land will usually be developed as higher density apartment buildings.

Although these larger buildings may not have the same degree of personality as the smaller buildings, they are often very convenient and accessible to shopping, professional services, and other desirable amenities that will demand higher rents.

Also, economies of scale realized through the operational efficiencies of managing a large number of units gives developers the ability to add extra amenities (e.g., fitness facilities, common lounge) to the building. It is expected that the gap between rents of various sizes of apartment buildings will not continue simply due to the recent design style of new mid-sized structures that are commanding premium rents.

Developers have recognized a demand at the upper-end of the market for larger individual units in lower density buildings. Today's renters in the Charlottetown area, especially the seniors population, are typically not interested in living in high-rise apartment buildings.

From an urban planner's perspective, this low-rise structure design fits better with the general aesthetics of the city and gives developers less resistance from the neighborhood to the construction of a new building. From the developer's perspective, this design will likely attract more renters and allow them to charge higher rents, while limiting the number of units that can be placed in one building.

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 row houses and 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

average 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 greatly 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	Bachelor		One Bedroom		Two Bedroom		Three Bedroom +		All Units	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	**	**	4.2	2	3.3	1.1	0	0	3.2	1.4
Zone 2	**	**	4.5	1.6	0.8	2.8	1.3	1.5	1.5	2.5
Charlottetown CA	1.7	1.7	4.3	1.9	2.2	1.9	0.4	0.5	2.6	1.8

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

Area	Bachelor		One Bedroom		Two Bedroom		Three Bedroom +		All Units	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	**	**	\$439	\$444	\$540	\$567	\$715	\$740	\$506	\$529
Zone 2	**	**	\$434	\$458	\$547	\$565	\$641	\$653	\$534	\$552
Charlottetown CA	\$371	\$357	\$438	\$448	\$543	\$566	\$691	\$710	\$516	\$537

Table 3: Number of Row and Apartments Units - Vacant & Total (Universe 2001)**By Zone and Bedroom Type**

Area	Bachelor		One Bedroom		Two Bedroom		Three Bedroom +		All Units	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1	**	**	15	749	16	1405	0	163	34	2457
Zone 2	**	**	4	231	31	1099	1	88	36	1431
Charlottetown CA	3	153	19	980	47	2504	1	251	69	3888

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

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
3 - 5 Units	2.0	1.1	**	**	3.4	1.2	1.7	1.6	**	**
6 - 19 Units	3.0	1.8	**	3.6	5.7	1.9	2.4	1.8	0.6	0.7
20 - 49 Units	**	2.5	**	**	**	3.7	**	2.3	**	**
50 - 99 Units	**	0.9	**	**	**	2.0	**	**	**	**
Total	2.6	1.8	1.7	1.7	4.3	1.9	2.2	1.9	0.4	0.5

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

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
3 - 5 Units	\$471	\$491	**	**	\$410	\$427	\$501	\$537	**	**
6 - 19 Units	\$517	\$539	**	**	\$421	\$430	\$535	\$558	\$706	\$727
20 - 49 Units	**	\$571	**	**	**	\$472	**	\$608	**	**
50 - 99 Units	**	**	**	**	**	**	**	**	**	**
Total	\$516	\$537	\$371	\$357	\$438	\$448	\$543	\$566	\$691	\$710

Table 6: Number of Apartment and Row Units -Vacant and Total (Universe 2001) 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	6	523	**	**	2	206	4	221	**	**
6 - 19 Units	47	2582	3	83	9	479	34	1845	1	175
20 - 49 Units	14	569	**	**	5	145	9	395	**	**
50 - 99 Units	2	214	**	**	3	150	0	43	**	**
Total	69	3888	3	153	19	980	47	2504	1	251

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

Year Completed	Vacancy Rate (%)		Average Rent		Vacant vs. Total Units	
	2000	2001	2000	2001	Vacant	Total
Pre 1940	3.9	0.9	\$448	\$479	6	703
1940 - 1959	2	1.2	\$465	\$473	4	320
1960 - 1974	4.7	2.1	\$484	\$490	11	495
1975 - 1984	1.9	1.9	\$514	\$513	16	856
1985-1995	1.8	2.5	\$562	\$584	32	1305
1995+	0	0	\$732	\$742	0	209

Table 8: Apartment and Row Vacancy Rates By Rent Range

Rent Range	All Units		Rent Range	All Units		Rent Range	All Units	
	2000	2001		2000	2001		2000	2001
< \$300	N/U	**	< \$350	**	**	< \$500	3.7	1.7
\$300 - 349	**	**	\$350 - 399	3.9	5.9	\$500 - 549	2.4	1.8
\$350 - 399	3.9	5.9	\$400 - 449	4.1	0.8	\$550 - 599	1.3	2.8
\$400 - 449	4.1	0.8	\$450 - 499	3.2	1.0	\$600 - 649	3	1.1
\$450 - 499	3.2	1	\$500 - 549	2.4	1.8	\$650 - 699	**	1.2
\$500 +	1.8	1.9	\$550 +	1.4	1.9	\$700 +	0.6	0.5
Total	2.6	1.8	Total	2.6	1.8	Total	2.6	1.8

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

	Bachelor		One Bedroom		Two Bedroom		Three Bedroom +		All Units	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Average Rents										
Charlottetown CA	\$371	\$357	\$438	\$448	\$543	\$533	\$691	\$710	\$516	\$537
Heat Not Included	\$325	\$350	\$379	\$355	\$475	\$497	\$637	\$648	\$478	\$539
Heat Included	\$375	\$357	\$441	\$449	\$544	\$566	\$701	\$722	\$518	\$537
Vacancy Rates										
Charlottetown CA	1.7	1.7	4.3	1.9	2.2	1.9	0.4	0.5	2.6	1.8
Heat Not Included	0.0	0.0	6.1	0.0	0.0	0.0	2.6	0.0	2.7	0.0
Heat Included	1.9	1.8	4.2	2.0	2.2	1.9	0.0	0.6	2.6	1.8

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