



RENTAL MARKET

Charlottetown

REPORT

Canada Mortgage and Housing Corporation

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OCTOBER 2002

Vacancy Rate Increases Slightly in 2002

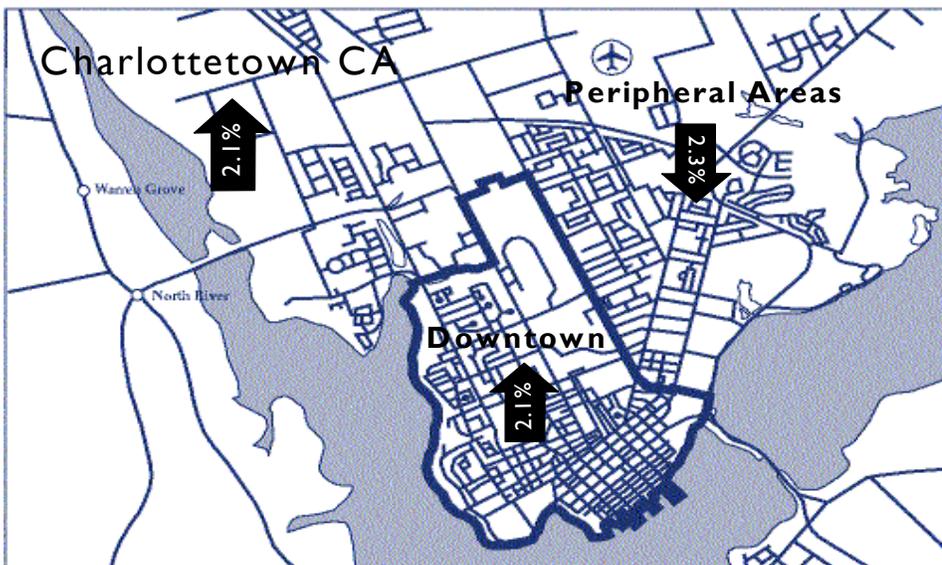
Employment Helps Sustain Rental Demand

The vacancy rate for row and apartment units in Charlottetown increased to 2.1 in October 2002, while the vacancy rate for apartment units only increased by 0.4 percentage points to 2.2 per cent. This represents the second lowest vacancy rate of the last decade for Charlottetown.

In absolute terms there are now 83 vacant units in the Capital region, compared to 69 units last year. The largest increase by unit type came from one-bedroom apartments which had 30 units vacant, 11 more than last year.

High employment levels and a shortage of modestly priced homes for sale are the main reasons which contributed to the sustained demand for rental units.

Employment by the end of August 2002 reached 20,600, matching last year's record levels. Furthermore, last year's employment gains were due in part to the nonresidential construction sector, which was supported by several large projects. Most of these projects were completed in 2002 and there was no drop in employment. This demonstrates further evidence of a diversifying economy. The shortage of existing homes available to first-time buyers also has had a significant impact on the rental market, as many of these potential buyers will have to postpone buying their first home.



Charlottetown CA Vacancy Rate 2002

IN THIS ISSUE

- 1 Employment Helps Sustain Rental Demand
- 2 Two Bedroom Units Remain Popular
- 2 Homes for First-Time Buyers Remain Scarce
- 2 Employment Reached New High in 2002
- 2 Strong Demand For Most Expensive Units
- 3 Tenants Continue to Opt for Newer Units

Forecast Summary

- 4 Vacancy Rate to Remain Under 3.5 per cent in 2002
- 4 Rental Rates to Rise Slightly
- 5 Census Highlight: When Will They Move Out?

6-8 Statistical Tables



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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 2.1 per cent in October 2002 from the October 2001 level of 1.8 per cent.
- Vacancies were highest in one bedroom units at 2.8 per cent and lowest in two and three bedroom units which were both at 1.9 per cent.
- Vacancies remained highest in Zone 2 (remainder of metropolitan area outside the urban core) at 2.3 per cent and lowest in the urban core at 2.1 per cent.
- Average monthly rents increased across all unit types, except three-bedroom units in Zone 1. Average rents for two bedroom units climbed 0.7 per cent in Zone 1, while there was no change in Zone 2.
- Continued strength in the local economy and limited additions to the supply should keep the vacancy rate between 2.0 and 3.0 per cent in 2003.

Two Bedroom Units Remain Popular

According to our last survey done in October 2002, most bedroom types experienced an increase in vacancies when compared to last year. The most significant increase occurred in the three bedroom units where the vacancy rate increased to 1.9 per cent, from 0.5 per cent in 2001. The vacancy rate for two bedroom units remained unchanged from 2001, at 1.9 per cent. The vacancy rate for bachelor and one bedroom units increased marginally to 2.2 and 2.8 per cent respectively.

This demonstrates that two bedroom units continue to be the most popular style of apartment in the Charlottetown area, making up 64 per cent of the rental universe. It is also interesting to note that recently most of the new apartment construction is almost exclusively high end two bedroom units.

Homes for First-Time Buyers Remain Scarce

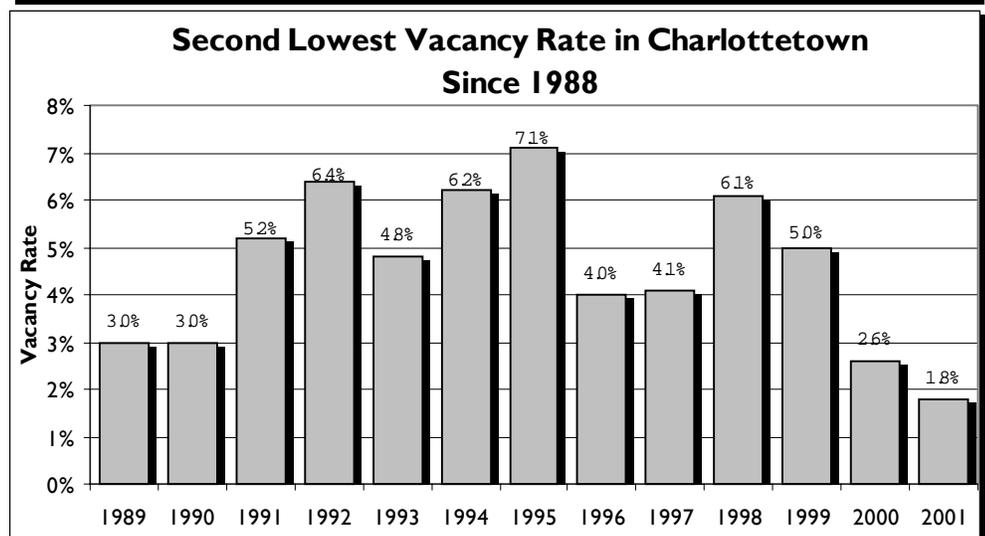
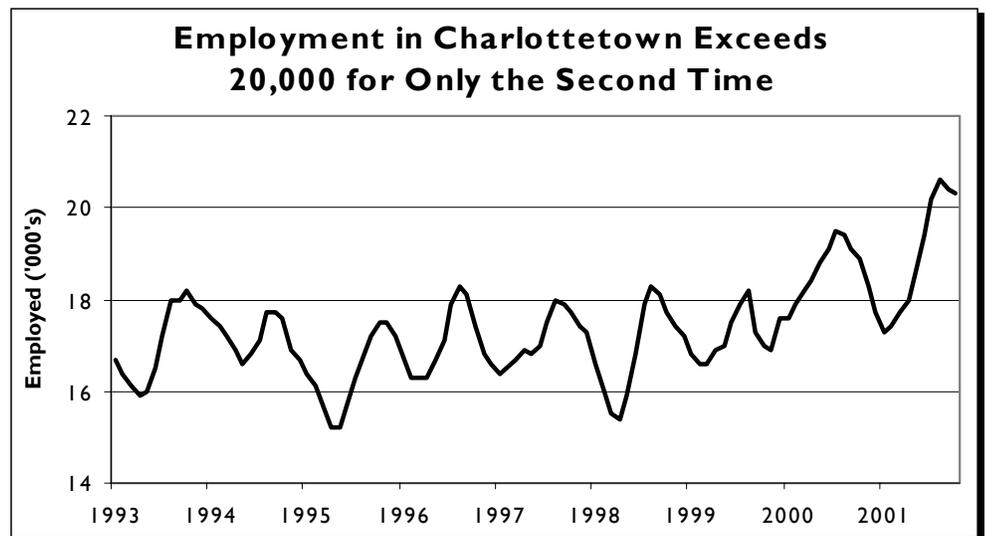
The supply of homes for sale in the Charlottetown area in the \$70,000 to \$120,000 price range remains tight. At the end of November 2002, there was only about 35 homes for sale in this

price range available on the MLS® system. Despite fewer listings the number of MLS® sales in Charlottetown reached a new record high by the end of November with 505 homes sold so far this year. During the same period, the average MLS® sales price in the Capital

Region increased to \$113,164 from \$105,800 year earlier. This represents more than a seven per cent increase. The average listing and sales price of homes in the Charlottetown has increased sharply over the past 4 years, creating a dilemma for first-time buyers. The price increases have placed more homes out of the financial reach of many first-time buyers, forcing them to remain in the rental market longer than was previously the norm. This helps to keep the demand for rental accommodation strong, and is a contributing factor in the continuation of low vacancy rates as seen in the 2002 survey.

Employment Reached New High in 2002

The number of people employed in the



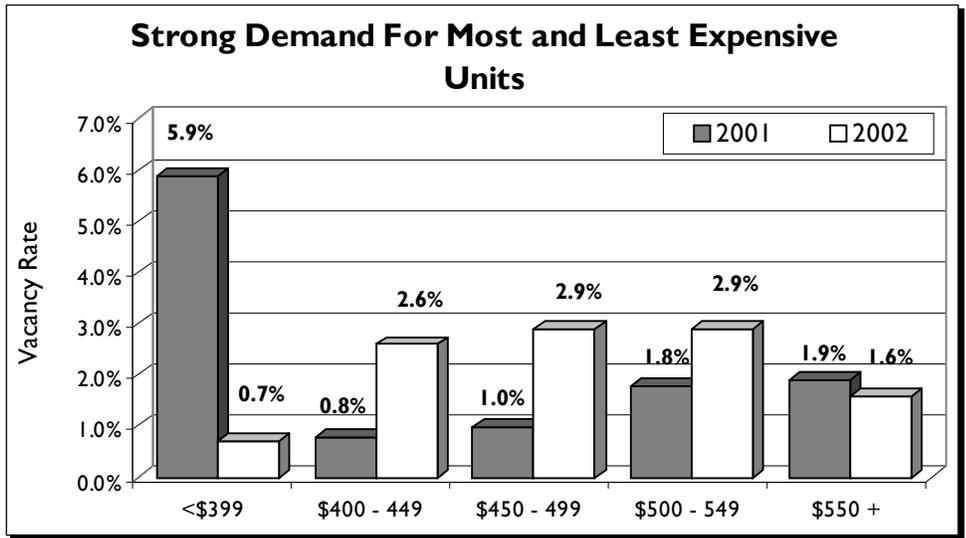
Charlottetown area reached 20,600 in August 2002, matching the record level from the same period last year. This is only the second time that the number of people employed exceeded 20,000. On a year-to-date basis employment is up 2.6 per cent from last year, representing the fifth consecutive year of growth.

One of the major affects of this strong employment has been positive immigration to the Queens County area. PEI was the only Atlantic province to show positive population growth in the 2001 census, of which Charlottetown benefitted the most. The good labour market conditions have been one of main reasons for the population increase, attracting more people to the region. As a result demand remains strong for all types of housing.

Strong Demand For Most Expensive Units

The October 2002 survey shows that vacancy rates increased for rental units in all price ranges except for the most and least expensive units.

The largest decrease occurred in the under \$399 price range. The vacancy rate for these units dropped by 5.2 percentage points to 0.7 per cent.



Units priced at \$400-\$449 and \$450-\$499 had the greatest increase in vacancy this year to 1.8 and 1.9 per cent respectively.

The most expensive units at \$550+ experienced a vacancy rate decrease of 0.3 percentage point to 1.6 per cent. However, the increase came from those units in the \$500-\$549 and \$650-\$699 price ranges. These figures also show that the most expensive units, over \$700, had the lowest vacancy rate at 0.9 per cent.

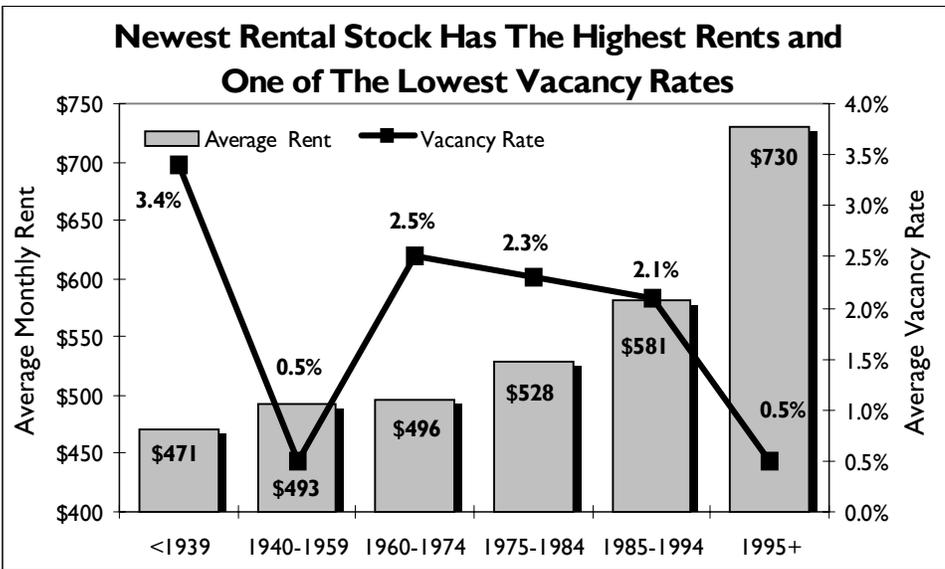
high-end units. This trend continues to be the norm in most markets. For row and apartment units built after 1995, there was only one vacant unit this year, despite the fact that at \$730 the average rent was \$191, above the overall average rent in the Charlottetown area. It is also interesting to note that most of the new high-end rental units are unheated yet they 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, as most of the new projects are located outside the downtown core.

Tenants Continue to Opt for Newer Units

According to the 2002 survey, renters again showed a preference for the newer

structures built between 1960 and 1974 were the least popular of all units surveyed with a vacancy rate of 2.5 per cent. However, these units have the second highest average rent at \$584, and make up about 34 per cent of Charlottetown's rental stock.



The results of the survey show that units built before 1940 and 1959 were the second most popular group, with a vacancy rate of 0.5 per cent. The majority of these units are located in the downtown core where the decrease in the vacancy rate may be explained by a resurgence in their popularity due to location. These units also saw the greatest price increase this year of over 4 percentage points, bringing the average rent to \$493.

Rental Construction Expected to Remain Strong in 2003

Vacancy Rate to Remain Under 3.5 per cent in 2003

While there were only 56 multiple units started in 2001, it is expected that 165 units will have been started by the end of 2002. This is an increase of 109 units over 2001. As a result of this construction activity, it is expected that the vacancy rate will increase in 2003 when these units are completed and absorbed into the local rental universe. As such, the vacancy rate for Charlottetown is expected to increase between 2.5 and 3.5 per cent in 2003. Strong labour market conditions are also expected again in 2003. This will continue to attract new workers to the area and should serve to quickly absorb the new units started in 2002. The construction of apartment units is expected to remain strong in 2003, however, this activity is not expected to have an affect on the local market until 2004.

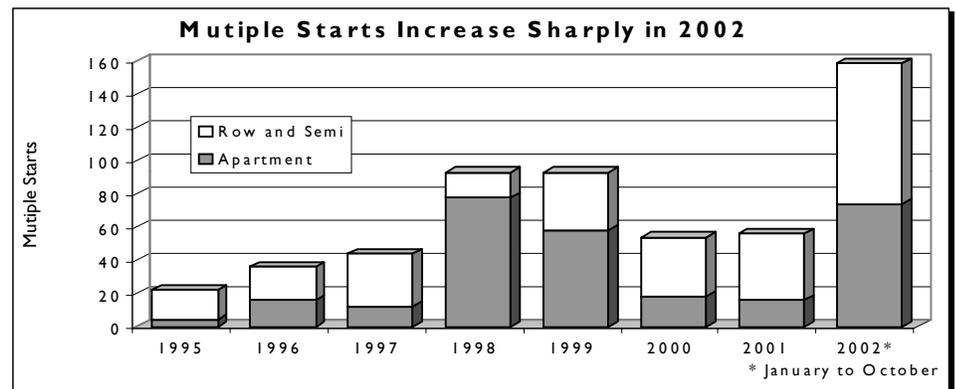
Another form of tenancy is also emerging in the area as more high-end units are being built aimed at seniors and empty nesters. This group now has more options when it comes to choosing rental accommodations over home ownership. The attraction to these units to

perspective tenants is that they offer lower maintenance and more freedom. Thus the demand for new high-end units is expected to remain strong over the forecast period.

Rental Rates to Rise Slightly

Rental rates are expected to rise from 3.5 to 4.0 per cent in 2003. The increase in the overall rental rate will be due mainly to a large number of new high-end units coming onto the market in 2003. These units have a significantly higher rent than the average apartments in the area, and this will serve to increase the average rent for the entire region. The other contributing factor to an increase in the overall rental rate will be the annual rental increase allowed by the Island Regulatory and Appeals Commission. The increase for 2003 has been set at 3.0 per cent.

Row and Apartment Vacancy Rates By Market Across Canada		
Area	2001	2002
Abbotsford	2.4	2.0
Calgary	1.2	2.8
Chicoutimi-Jonquière	4.4	4.9
Edmonton	0.9	1.6
Halifax	2.8	2.7
Hamilton	1.3	1.6
Kingston CA	1.4	0.9
Kitchener	0.9	2.2
London	1.7	1.9
Montreal	0.6	0.7
St. Catharines-Niagara	2.0	2.4
Oshawa	1.3	2.3
Hull	0.6	0.5
Ottawa	0.8	1.9
Quebec	0.8	0.3
Regina	2.0	1.9
Saint John	5.6	6.3
St. John's	2.7	2.7
Saskatoon	2.9	3.7
Sherbrooke	2.3	1.8
Greater Sudbury	6.0	5.1
Thunder Bay	5.8	4.7
Toronto	0.9	2.5
Trois-Rivieres	4.7	3.0
Vancouver	1.0	1.4
Victoria	0.5	1.5
Windsor	2.8	3.9
Winnipeg	1.4	1.2
Charlottetown	1.8	2.1
Canada	1.2	1.7



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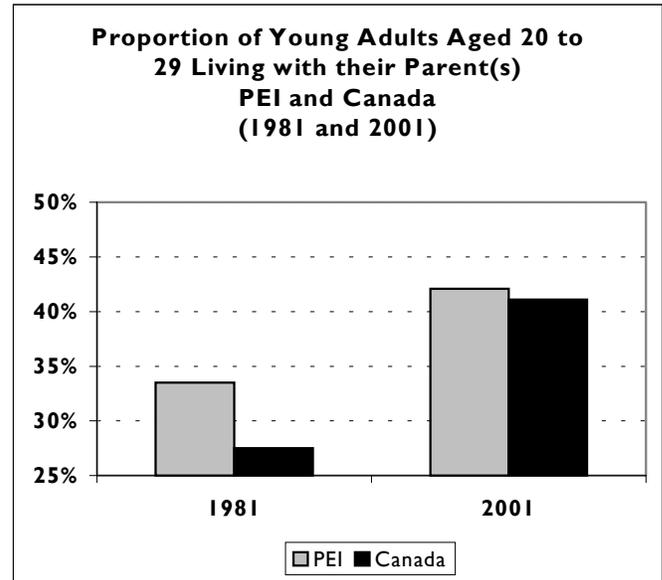
Census Highlight: When will they move out?

More young adults living at home with their parent(s)

According to Statistics Canada, the proportion of young adults living at home with their parent(s) is on the rise. Over the last two decades, young adults aged 20 to 29 have exhibited a growing tendency to remain in (or return to) the parental home. Prince Edward Island has not been immune to this phenomenon. Over the past 20 years, the number of young adult Islanders living at home increased by almost 9 per cent, from 33.5 per cent in 1981 to 42.1 per cent in 2001. The province's figures have exceeded the national average of 27.5 per cent and 41.1 per cent over the same time frame.

There are a number of explanations for this growing trend of "staying in the nest" including declining marriage rates, rising age at first marriage, the pursuit of post secondary education and difficulties in finding a job. Regardless of the reason for staying at home, the fact that more young adults are living at or returning to live with their parents is having an impact on the rental market as this age group typically exhibits the highest incidence of renting.

Finally, for those parent(s) who feel they have finally gained the freedom to roam their home, Statistics Canada reports that about 33% of men and 28% of women aged 20 to 29 returned home at least once after an initial departure.



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	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1	1.4	2.1	**	2.4	2	2.5	1.1	1.6	0	2.7
Zone 2	2.5	2.3	**	0	1.6	3.7	2.8	2.2	1.5	0
Charlottetown CA	1.8	2.1	1.7	2.2	1.9	2.8	1.9	1.9	0.5	1.9

Table 2: Row and Apartment Average Rents

By Zone and Bedroom Type

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1	529	531	**	372	444	463	567	571	740	714
Zone 2	552	554	**	402	458	463	565	565	653	676
Charlottetown CA	537	539	357	374	448	463	566	568	710	703

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 +			
	2001		2002		2001		2002		2001		2002		2001		2002		2001		2002	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1	34	2457	51	2470	**	**	4	163	15	749	22	869	16	1405	20	1235	0	163	5	203
Zone 2	36	1431	32	1427	**	**	0	12	4	231	8	226	31	1099	24	1108	1	88	0	81
Total	69	3888	83	3897	3	153	4	175	19	980	30	1094	47	2504	44	2343	1	251	5	284

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

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
3 - 5 Units	1.1	3.1	**	**	1.2	4.4	1.6	2.6	**	2.2
6 - 19 Units	1.8	2.1	3.6	**	1.9	2.6	1.8	1.8	0.7	1.7
20 - 49 Units	2.5	1.9	**	**	3.7	2.3	2.3	1.5	**	0.0
50 - 99 Units	0.9	**	**	**	2.0	**	**	**	**	**
Total	1.8	2.1	1.7	2.2	1.9	2.8	1.9	1.9	0.5	1.9

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

Area	All Units		Bachelor		One Bedroom		Two Bedroom		Three Bedroom +	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
3 - 5 Units	\$491	\$502	**	**	\$427	\$440	\$537	\$528	**	\$636
6 - 19 Units	\$539	\$536	**	**	\$430	\$452	\$558	\$558	\$727	\$728
20 - 49 Units	\$571	\$584	**	**	\$472	\$484	\$608	\$618	**	\$768
50 - 99 Units	**	**	**	**	**	**	**	**	**	**
Total	\$537	\$539	\$357	\$374	\$448	\$463	\$566	\$568	\$710	\$703

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 +			
	2001		2002		2001		2002		2001		2002		2001		2002		2001		2002	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
3 - 5 Units	6	523	16	518	**	**	**	**	2	206	9	207	4	221	5	192	**	**	2	93
6 - 19 Units	47	2582	54	2595	3	83	**	**	9	479	16	605	34	1845	31	1706	1	175	3	173
20 - 49 Units	14	569	11	569	**	**	**	**	5	145	3	133	9	395	6	401	**	**	0	16
50 - 99 Units	2	214	**	**	**	**	**	**	3	150	**	**	0	43	**	**	**	**	**	**
Total	69	3888	83	3897	3	153	4	175	19	980	30	1094	47	2504	44	2343	1	251	5	284

Table 7: Apartment and Row Vacancy Rates and Average Rents

By Year of Completion

Year Completed	Vacancy Rate (%)		Average Rent		Vacant vs. Total Units	
	2001	2002	2001	2002	Vacant	Total
Pre 1940	0.9	3.4	\$479	\$471	23	668
1940 - 1959	1.2	0.5	\$473	\$493	2	429
1960 - 1974	2.1	2.5	\$490	\$496	11	434
1975 - 1984	1.9	2.3	\$513	\$528	20	902
1985-1995	2.5	2.1	\$584	\$581	26	1241
1995+	0	0.5	\$742	\$730	1	222
Total	1.8	2.1	\$537	\$539	83	3896

Table 8: Apartment and Row Vacancy Rates By Rent Range

Rent Range	All Units		Rent Range	All Units		Rent Range	All Units	
	2001	2002		2001	2002		2001	2002
< \$300	**	N/U	< \$350	**	**	< \$500	1.7	2.6
\$300 - 349	**	**	\$350 - 399	5.9	0.7	\$500 - 549	1.8	2.9
\$350 - 399	5.9	0.7	\$400 - 449	0.8	2.6	\$550 - 599	2.8	2.1
\$400 - 449	0.8	2.6	\$450 - 499	1	2.9	\$600 - 649	1.1	0.7
\$450 - 499	1	2.9	\$500 - 549	1.8	2.9	\$650 - 699	1.2	2.3
\$500 +	1.9	1.9	\$550 +	1.9	1.6	\$700 +	0.5	0.9
Total	1.8	2.2	Total	1.8	2.2	Total	1.8	2.2

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

	Bachelor		One Bedroom		Two Bedroom		Three Bedroom +		All Units	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Average Rents										
Charlottetown CA	\$357	\$374	\$448	\$463	\$533	\$568	\$710	\$703	\$537	\$539
Heat Not Included	\$350	\$350	\$355	\$374	\$497	\$491	\$648	\$659	\$539	\$541
Heat Included	\$357	\$375	\$449	\$464	\$566	\$569	\$722	\$711	\$537	\$539
Vacancy Rates										
Charlottetown CA	1.7	2.2	1.9	2.8	1.9	1.9	0.5	1.9	1.8	2.1
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	1.8	2.3	2.0	2.8	1.9	1.9	0.6	2.3	1.8	2.2

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