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RENTAL MARKET

REPORT

Oshawa

Canada Mortgage and Housing Corporation

OCTOBER 2002 SURVEY

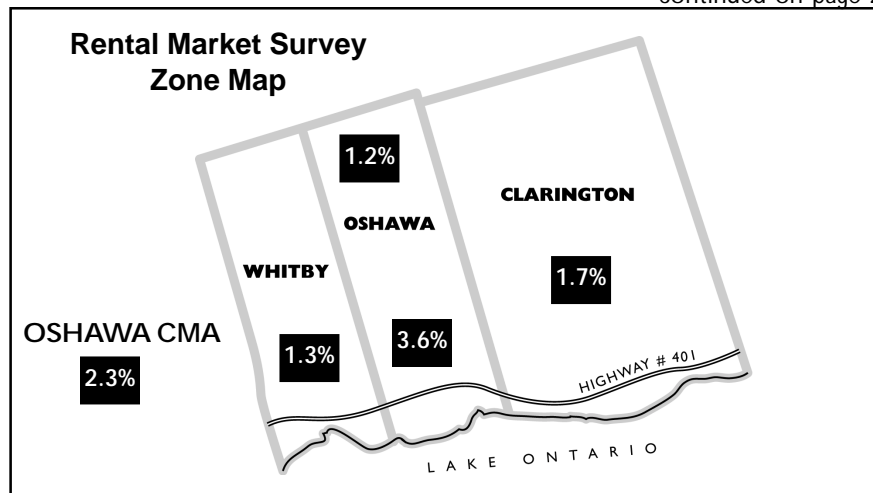
Oshawa CMA Vacancy Rate and Rents Move Higher in 2002

The vacancy rate in the Oshawa Census Metropolitan Area (CMA) increased in 2002 to the highest level since 1997, reversing a tightening trend in the local rental market. According to the October 2002 Rental Market Survey, the vacancy rate for privately initiated rental apartments in buildings of three or more units moved higher to 2.3 per cent. The vacancy rate in October 2001 was 1.3 per cent. In 2002,

the total number of apartment units in the Oshawa CMA is 11,168 with 260 vacancies.

Softer demand for rental accommodation in the Oshawa CMA has resulted in more subdued increases in rents this year, particularly for the larger two and three plus bedroom units. The benchmark two bedroom rent increased by 2.5 per cent to \$819, compared to an increase

continued on page 2



IN THIS ISSUE

- 1 Oshawa CMA Vacancy Rate and Rents Move Higher in 2002
- 2 Highlights
- 3 Rental Market Outlook
- 3 Tightest Market, Biggest Rent Increases in North Oshawa
- 4 National Overview
- 5 Methodology
- 5 Definitions
- 6 Mortgage Rate Forecast
- 6 Apartment Vacancy Rates by Zone and Bedroom Type
- 6 Apartment Average Rents by Zone and Bedroom Type
- 6 Number of Publicly Funded Apartments
- 7 Vacant and Total Universe, Apt. by Zone and Bedroom Type
- 7 Apartment Vacancy Rates by Year of Completion
- 7 Apartment Rents by Year of Completion
- 7 Apartment Vacancy Rates by Structure Size and Zone
- 8 Apartment Vacancy Rates by Rent Range and Bedroom Type

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HIGHLIGHTS

- The vacancy rate for private apartments in the Oshawa CMA edged up to 2.3 per cent, from 1.3 percent in October 2001.
- Vacancy rates are higher in all bedroom types, however, one bedroom units maintained the lowest vacancy rate again this year.
- Rents for bachelor units experienced the highest increase again this year at 6.8 per cent. Rent increases are smallest for three plus bedroom followed by two bedroom units.
- No new apartment construction in 2002.
- Demand impacted by affordability of home ownership. Employment growth combined with low mortgage rates have prompted renters to switch to ownership market
- The Oshawa CMA private apartment vacancy rate is expected to edge down to 2.0 per cent in 2003, while the average rent for a two bedroom unit is expected to reach \$840 next year.

Private Apartment Vacancy Rate Oshawa CMA

	2001	2002
Bachelor	2.0%	3.8%
1 Bedroom	1.2%	1.8%
2 Bedroom	1.3%	2.1%
3 Bedroom	1.5%	4.7%
TOTAL	1.3%	2.3%

Average Rent, Two Bedroom Apt. Oshawa CMA

	2001	2002
Bachelor	\$542	\$579
1 Bedroom	\$692	\$713
2 Bedroom	\$799	\$819
3 Bedroom	\$903	\$925
TOTAL	\$766	\$789

of 2.7 per cent in 2001. Rents for three plus bedroom units edged up by 2.4 per cent. Bachelor units experienced the highest rent increase at 6.8 per cent, followed by one bedroom rents which are 3.0 per cent higher in 2002. Rent increases were below the Tenant Protection Act's 3.9 per cent Rent Review Guideline for 2002, with the exception of bachelor units.

Employment Growth, Low Mortgage Rates Fuel Move to Ownership

With no new conventional rental supply in 2002, demand factors continue to drive the rental market in the Oshawa CMA. First, youth aged 15 to 24 have suffered two consecutive years of employment losses. After declining marginally in 2001, youth employment levels dropped by just over 1,000 jobs this year. Fewer job prospects for Oshawa

CMA youth has resulted in weaker rental demand as this group typically has the highest incidence of renting. Moreover, the 2001 Census points to the fact that more young adults are remaining in the parental home. In 2001, 47.4 per cent of young adults aged 20 to 29 lived with their parents.

Second, although recent youth employment has waned, a strong run up of total employment since the mid 1990s has also impacted rental demand in 2002. Employment growth over the last few years has resulted in higher rates of household formation recently. While some of this demand has been satisfied by the rental market, those individuals who have secured a down payment have moved directly into home ownership. In 2002, the Oshawa CMA has witnessed a recovery in the manufacturing sector from a slowdown in 2001. The increase in higher paying jobs, combined with employment and income

gains, has also allowed more renter households to buy homes this year.

Finally, in addition to income growth, historically low mortgage rates have reduced the carrying costs of ownership, motivating renters to buy homes in 2002. With rents continuing to climb, tenants are recognizing that renting one of the larger apartments in the Oshawa CMA is comparable to home ownership. As such, more tenants of two and three bedroom units have vacated their units for ownership this year. The outflow of tenants suggests that the market will not sustain further significant rent increases. Rents may well have approached maximum thresholds, at least in the short term.

Vacancies Increase in Most Rent Ranges

The number of vacant units increased in all rent ranges in 2002, with the exception of those priced between \$500 and \$549.

Apartments priced below \$500 hit a vacancy rate of 5.0 per cent this year. Units priced between \$750 and \$799 experienced a 4.7 per cent vacancy rate, while those priced between \$550 and \$599 recorded a vacancy rate of 4.1 per cent. Higher vacancies in the lower price ranges are likely related to quality issues. The lowest vacancy rates in 2002 were for apartments between \$500 and \$549, \$700 and \$749, and \$800 and \$849.

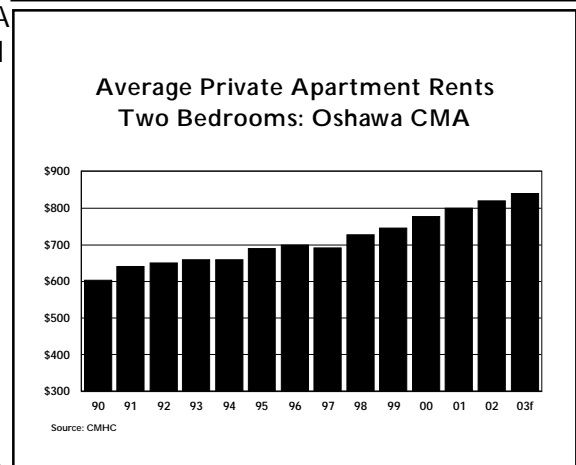
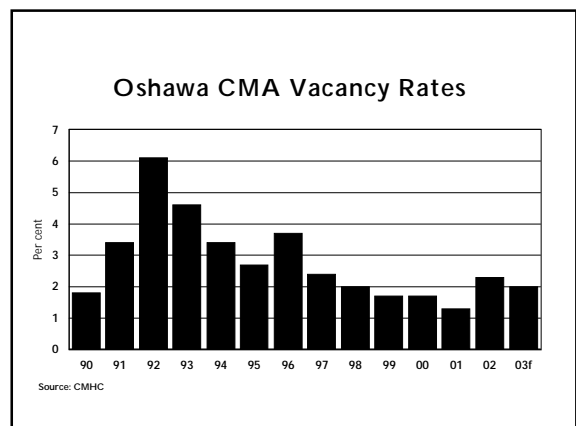
An increase in vacancies across all price ranges indicates that both new and existing renters have more available options. However, 73 per cent of vacant units are priced over \$750, and the bulk of those units contain two and three plus bedrooms. This is a good indication that softer demand for rental accommodation in the Oshawa CMA is more the result of competition from the ownership market. Both the new and the resale markets are running at historical highs this year, with single detached construction breaking the previous record set in 1989. Renters have been taking advantage of historically low mortgage rates and buying homes.

Rental Market Outlook

Despite year-over-year losses in youth employment, the job market for individuals in their prime renting years has been building momentum since early 2002. Recovering youth employment into 2003 will boost demand for rental accommodation as more rental households are formed.

With respect to losing renters to the ownership market, this trend

is expected to continue in 2003. However, with both resale and new home prices continuing to rise, and higher mortgage rates forecast next year, fewer renter households will make the move to ownership. Based on these assumptions, and the continued lack of new rental supply, the Oshawa CMA vacancy rate is expected to decline marginally to 2.0 per cent. The increase in the vacancy rate this year will keep rent increases in check throughout 2003. As such, the benchmark two bedroom rent will increase by 2.5 per cent next year to \$840. This increase is well within inflation targets for 2003.



Tightest Market, Biggest Rent Increases in North Oshawa

Of the three area municipalities, Whitby posted the lowest overall vacancy rate at 1.3 per cent in 2002. The vacancy rate was 0.1 per cent in 2001. The highest number of vacant units in Whitby are located in buildings containing 100 to 199 units.

The scarcity of rental units in Whitby last year allowed landlords to increase rents at higher rates than in Oshawa City and Clarington in 2002. Whitby's two bedroom rent increased by 3.7 per cent to \$894. With vacancies under one per cent for one bedroom units, and under two per cent for two bedroom

units, rent increases above the rate of inflation can be expected in 2003.

Clarington's overall vacancy rate increased only marginally in 2002 to 1.7 per cent. Softer demand for one bedroom units pushed rents lower, while a slight increase in two bedroom vacancies resulted in only a marginally increase in the benchmark rent. Unlike the other local municipalities, demand for bachelor and three bedroom units improved this year. There are no recorded vacancies in bachelor or three plus bedroom units in Clarington.

continued on page 5

National Overview

The average rental apartment vacancy rate in Canada's 28 metropolitan centres rose to 1.7 per cent from 1.1 per cent in October 2001. This is the first increase in the vacancy rate since 1992.

Many factors contributed to the increased vacancy rates over the past year. Foremost among them are low mortgage rates, which have reduced the carrying costs of home ownership. This encouraged many people to make the switch from renting to owning, causing vacancy rates to go up in many metropolitan areas.

Seventeen of Canada's 28 metropolitan areas have higher vacancy rates than one year ago. The highest recorded vacancy rates are in Saint John (NB), Sudbury, Chicoutimi-Jonquiere and Thunder Bay. The lowest vacancy rates recorded are in Quebec City, Gatineau, Montreal, and Kingston.

Vacancy rates were higher in eight of Ontario's 11 metropolitan areas. Of the eight metropolitan areas with higher rates, Toronto, Kitchener, Ottawa, Oshawa and Windsor increased by one percentage point or more.

In Quebec, two of six metropolitan areas had higher vacancy rates than 2001. The greatest relative increase occurred in Chicoutimi-Jonquiere (4.9 from 4.4 per cent), while Montreal's vacancy rate rose to 0.7 per cent from 0.6 per cent. Vacancy rates in Gatineau, Quebec City, Sherbrooke and Trois-Rivieres declined.

In the Prairies and British Columbia, vacancy rates went up in five of eight metropolitan areas including Calgary, Edmonton, Saskatoon, Vancouver, and Victoria. Abbotsford, Regina and Winnipeg experienced declines.

In Atlantic Canada, the vacancy rate in Saint John (NB) rose to 6.3 per cent, the highest rate of all Canadian Metropolitan areas. Rates increased slightly in St. John's (NFLD) and fell slightly in Halifax.

CMHC's annual rental market survey shows that average rents for two-bedroom apartments increased in all metropolitan areas, except Thunder Bay where it remained unchanged. The greatest increase occurred in Edmonton at 8.4 per cent. Halifax posted the second-largest increase at 4.6 per cent. Average rents in Gatineau, Sudbury, Montreal and Windsor also rose more than four per cent.

Apartment Vacancy Rates by Major Market

Census Metropolitan

Area (CMA)	2001	2002
Abbotsford	2.4	2.0
Victoria	0.5	1.5
Montreal	0.6	0.7
Hull	0.6	0.5
Ottawa	0.8	1.9
Quebec	0.8	0.3
Kitchener	0.9	2.3
Edmonton	0.9	1.7
Toronto	0.9	2.5
Vancouver	1	1.4
Calgary	1.2	2.9
Hamilton	1.3	1.6
Oshawa	1.3	2.3
Winnipeg	1.4	1.2
London	1.6	2.0
Charlottetown CA	1.8	2.2
St. Cath.-Niagara	1.9	2.4
Regina	2.1	1.9
Sherbrooke	2.3	1.8
St. John's	2.5	2.7
Halifax	2.8	2.7
Saskatoon	2.9	3.7
Windsor	2.9	3.9
Chic.-Jonquiere	4.4	4.9
Trois-Rivieres	4.7	3.0
Saint John	5.6	6.3
Sudbury	5.7	5.1
Thunder Bay	5.8	4.7
Canada CMAs*	1.1	1.7

* weighted average for CMAs and Charlottetown

Acknowledgement

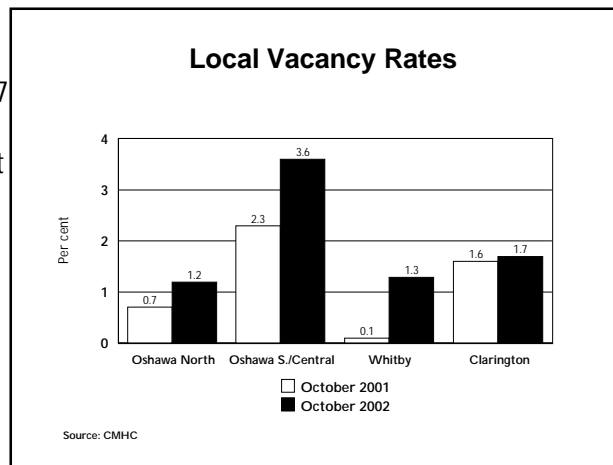
The success of the **Rental Market Survey** depends on the co-operation of property owners and property managers in providing timely and accurate information to our survey enumerators. Thank you for your assistance. We sincerely hope that the results of our efforts together will be of benefit to those directly and indirectly involved in the rental housing industry.

continued from page 3

Oshawa City posted the highest vacancy rate in the Oshawa CMA in 2002 at 2.7 per cent. However, the bulk of vacancies are concentrated in South/Central Oshawa (Zone 2) where vacancies hit 3.6 per cent. While vacancies are up for all bedroom types this year, the most marked increases are for bachelor units (6.1 per cent) and three bedroom units (8.2 per cent). Softer demand for rental accommodation in South/Central Oshawa resulted in marginal rent changes this year. The benchmark two bedroom rent increased by 0.8 per cent to \$773.

Data from the 2002 survey paints an entirely different picture for North Oshawa (Zone 2). North Oshawa posted the lowest vacancy rate of all four zones in the Oshawa CMA at 1.2 per cent. Vacancies are highest for three bedroom units at 1.7 per cent, however, this is still the lowest three bedroom rate in the Oshawa CMA. Strong demand for rental units pushed the average rent for two bedroom units up a whopping 4.4 per cent to \$845.

This is a good indication that tighter rental markets that continue to attract new renters will experience higher than average rent increases.



Methodology

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

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

Definitions

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

Rent: Rent refers to the actual amount tenants pay. Amenities and services, such as heat, electricity, parking, hot water, and laundry facilities, may or may not be included in the rent. The average rent figures reported represent the average of different units, which may have some or all of the services included in the rent.

Rental Apartment Structure: Any building containing three or more rental dwellings that are not ground oriented.

Rental Row Structure: Any building with three or more ground oriented rental dwellings.

Mortgage Rate Forecast

Slower economic growth at home and south of the border will help keep mortgage rates low over the next several months. However, concerns over accelerating pace of economic growth and inflation will lead to less relaxed monetary policy and will push up bond yields and mortgage rates by the second half of 2003. While open and variable rate mortgages generally track lenders' prime rate, fixed rate mortgages move in tandem with the bond market.

Mortgage rates will continue to remain low by historical standards. The one-year closed mortgage rate is forecast to be in the 4.50 - 7.00 per cent range over the next fourteen months. The three-year and five-year term mortgage rates will be in the 5.50 - 8.00 and 6.50 - 8.50 per cent ranges, respectively for the rest of this year and next. However, there are risks to the forecasts such as the performance of the U.S. economy and further volatility in capital markets, which could result in mortgage rates falling outside the forecast range.

Private Apartments - Vacancy Rates by Zone and Bedroom Type (%)

Oshawa CMA

Area	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 Oshawa (North)	**	**	0.7	1.4	0.5	1.0	0.9	1.7	0.7	1.2
Zone 2 Oshawa (S./Central)	2.1	6.1	2.0	2.7	2.4	3.2	2.6	8.2	2.3	3.6
Zones 1-2 Oshawa City	3.2	5.3	1.5	2.2	1.7	2.3	2.0	5.6	1.7	2.7
Zone 3 Whitby	**	**	0.1	0.6	0.2	1.7	**	**	0.1	1.3
Zone 4 Clarington	11.1	0.0	2.8	3.2	0.8	1.0	5.2	0.0	1.6	1.7
Zones 1-4 Oshawa CMA	2.0	3.8	1.2	1.8	1.3	2.1	1.5	4.7	1.3	2.3

Private Apartments - Average Rents by Zone and Bedroom Type (\$)

Oshawa CMA

Area	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1 Oshawa (North)	**	**	724	730	809	845	900	943	789	817
Zone 2 Oshawa (S./Central)	522	544	650	657	767	773	873	877	733	741
Zones 1-2 Oshawa City	534	551	678	685	783	802	883	904	754	771
Zone 3 Whitby	**	**	730	786	862	894	**	**	802	855
Zone 4 Clarington	518	552	693	684	808	812	892	906	773	769
Zones 1-4 Oshawa CMA	542	579	692	713	799	819	903	925	766	789

Number of Publicly Funded Apartments

Oshawa CMA

Area	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zones 1-4 Oshawa CMA	**	**	0	1,850	2	1,192	3	253	5	3,385

**Sample size too small to be released

**Private Apartments - Vacant and Total Universe
Oshawa CMA**

Area		Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
		Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zone 1	Oshawa (North)	**	**	12	868	20	1,938	5	297	39	3,161
Zone 2	Oshawa (S./Central)	11	188	38	1,411	94	2,967	36	440	180	5,006
Zones 1-2	Oshawa City	13	245	51	2,279	114	4,905	41	737	218	8,167
Zone 3	Whitby	**	**	6	926	21	1,205	**	**	33	2,480
Zone 4	Clarington	0	9	5	168	3	324	0	19	9	521
Zones 1-4	Oshawa CMA	13	342	62	3,374	138	6,435	48	1017	260	11,168

**Private Apartments - Vacancy Rates by Year of Completion and Bedroom Type (%)
Oshawa CMA**

Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Pre 1940	**	**	2.0	3.1	0.0	0.0	**	**	2.1	2.8
1940 - 1959	**	**	6.8	3.7	1.4	2.8	**	**	2.9	3.4
1960 - 1974	3.2	2.0	0.5	1.5	1.6	2.3	2.4	5.9	1.4	2.5
1975 - 1984	**	**	0.9	1.5	0.6	2.1	0.0	**	0.6	2.1
After 1985	**	**	1.8	2.5	1.4	1.4	**	**	1.5	1.6
Total	2.0	3.8	1.2	1.8	1.3	2.1	1.5	4.7	1.3	2.3

**Private Apartments - Average Rents by Year of Completion and Bedroom Type (\$)
Oshawa CMA**

Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Pre 1940	**	**	591	562	737	751	**	**	617	596
1940 - 1959	**	**	568	605	686	739	**	**	646	697
1960 - 1974	547	569	690	709	783	805	868	893	760	782
1975 - 1984	**	**	750	791	870	907	991	**	818	868
After 1985	**	**	699	697	816	809	**	**	785	778
Total	542	579	692	713	799	819	903	925	766	789

**Apartment Vacancy Rates by Structure Size and by Zone (%)
Oshawa CMA**

Area		Number of Units						Total
		3 - 5	6 - 19	20 - 49	50 - 99	100 - 199	200+	
Zone 1	Oshawa (North)	2.0	2.2	2.7	2.3	0.5	**	1.2
Zone 2	Oshawa (S./Central)	4.0	2.6	2.2	3.4	6.9	**	3.6
Zones 1-2	Oshawa City	3.4	2.5	2.3	2.9	2.7	**	2.7
Zone 3	Whitby	1.2	1.1	0.6	0.0	2.1	**	1.3
Zone 4	Clarington	0.0	1.6	2.4	**	**	**	1.7
Zones 1-4	Oshawa CMA	2.7	2.2	1.9	2.4	2.5	**	2.3

***Sample size too small to be released*

Private Apartments - Average Vacancy Rates by Rent Range and Bedroom Type (%)
Oshawa CMA

	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
< \$500	1.5	1.5	2.5	**	**	**	**	**	1.9	5.0
\$500 - 549	**	**	0.0	0.0	**	**	**	**	0.1	0.0
\$550 - 599	**	**	**	5.1	0.2	**	**	**	0.1	4.1
\$600 - 649	**	**	**	3.3	0.0	2.4	**	**	0.1	3.3
\$650 - 699	**	**	**	3.5	0.0	1.0	**	**	0.2	2.3
\$700 - 749	**	**	**	0.9	**	1.7	**	**	**	1.5
\$750 - 799	**	**	**	**	**	5.5	**	**	0.2	4.7
\$800 - 849	**	**	**	**	**	1.5	**	**	**	1.5
Over \$850	**	**	**	**	**	1.4	**	4.9	**	2.1

***Sample size too small to be released*

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