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RENTAL MARKET

REPORT

Oshawa

Canada Mortgage and Housing Corporation

OCTOBER 2003 SURVEY

Oshawa CMA Vacancy Rate Moves Higher in 2003

The vacancy rate in the Oshawa Census Metropolitan Area (CMA) increased in 2003 to the highest level since 1996, continuing an upward trend started in 2002 as demand weakens in the local rental market. According to the October 2003 Rental Market Survey, the vacancy rate for privately initiated rental apartments in buildings of three or more units moved higher to 2.9 per cent. This means that for every 1000 privately initiated rental apartment units, 29 were available for rent. The vacancy rate

in October 2002 was 2.3 per cent and in October 2001, 1.3 per cent. One and two bedroom units experienced the highest vacancy rates.

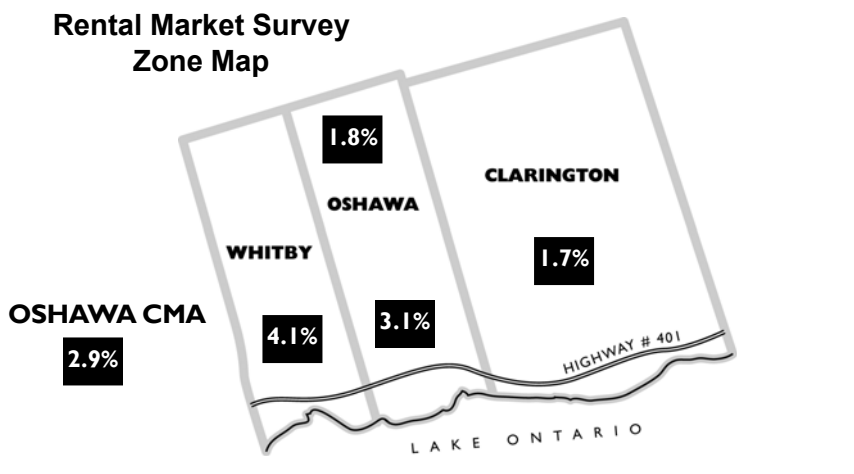
Despite softer demand, the average rents in one and two bedroom apartments moved beyond the rate of inflation given the tighter rental market over the past couple of years. Rent increases were above the Tenant Protection Act's 2.9 per cent Rent Review Guideline for 2003

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HIGHLIGHTS

- The vacancy rate for private apartments in the Oshawa CMA edged up to 2.9 per cent, from 2.3 percent in October 2002.
- Vacancy rates are higher in one and two bedroom units, but lower in bachelor and three plus bedroom units. One bedroom units went from having the lowest vacancy rate in 2002 to the highest vacancy rate in 2003.
- Rents for one bedroom units experienced the highest increase this year at 5.5 per cent.

Rent increases are smallest for bachelor units followed by three plus bedroom units.

- No new supply of traditional apartments in the last year.
- Softer demand as renters move to the ownership market due to historically low mortgage rates and strong employment growth.
- The Oshawa CMA private apartment vacancy rate is expected to edge up to 3.0 per cent in 2004, while the average rent for a two bedroom unit is expected to reach \$860 next year.

Private Apartment Vacancy Rate Oshawa CMA

	2002	2003
Bachelor	3.8%	2.0%
1 Bedroom	1.8%	3.3%
2 Bedroom	2.1%	2.9%
3 Bedroom	4.7%	1.9%
TOTAL	2.3%	2.9%

Average Rent Oshawa CMA

	2002	2003
Bachelor	\$579	\$581
1 Bedroom	\$713	\$752
2 Bedroom	\$819	\$845
3 Bedroom	\$925	\$944
TOTAL	\$789	\$820

for both one and two bedroom units. The benchmark two bedroom rent increased by 3.2 per cent to \$845, compared to an increase of 2.5 per cent in 2002. One bedroom units had the highest rent increase, rising by 5.5 per cent in 2003. Rents for three plus bedroom units edged up by 2.1 per cent. Bachelor units experienced the lowest rent increase at 0.4 per cent.

Move to Ownership Strongest Influence on Vacancy Rates

No new conventional rental units were completed in the Oshawa CMA in the last twelve months. As such, demand factors continue to drive the rental market. Demand for rental accommodation in the Oshawa CMA continues to wane as historically low mortgage rates, a strong local economy, and solid job growth are influencing the move to homeownership in 2003. Several other factors are also influencing the vacancy rates in the Oshawa CMA.

Firstly, due to the easing pace of economic growth and inflation in Canada, mortgage rates have not risen as expected and remain low by historical standards. The historically low mortgage rates have kept the carrying costs of ownership from increasing and enabled many first time buyers to qualify for mortgage financing. With rents continuing to climb, tenants are realizing that the costs of home ownership is comparable to renting. As such, more tenants of one and two bedroom units have vacated their units for ownership this year.

Secondly, the Oshawa CMA has seen growth in employment for the last eleven years. Strength has been experienced in full time employment, especially for those in their prime home buying years (25 to 44). Individuals, with secure, permanent employment are better able to save for a down payment and move into homeownership. Also, employment growth over the last few years has resulted in higher rates of household formation. While

generally this would increase demand for rental, individuals who have secured a down payment are staying at home then moving directly into home ownership. 2001 Census statistics indicate approximately 47.4 per cent of people aged between 20 and 29 are remaining at home with their parents. However, after two consecutive years of job losses, employment for youth aged 15 to 24 has also strengthened in the past year. This group typically has the highest incidence of renting and may partially explain increased demand for bachelor units.

Thirdly, the opening of the new Ontario Institute of Technology and the double cohort attending Durham College has increased the pool of renters. Students from outside of Durham Region attending these institutions need a place to reside. Industry insiders state that some of this demand is being fulfilled in the secondary rental market (i.e. basement apartments), in buildings with 3-5 units, and in three

bedroom plus apartments.

Finally, some landlords of buildings with higher vacancy rates in 2002, reacted to the higher vacancy rates by lowering the average rent of their units, resulting in a lowered vacancy rate in these buildings in 2003.

Overall, the net effect has been an increase in vacancy rates in 2003.

Vacancies Increase in Most Rent Ranges

The number of vacant units increased in all rent ranges in 2003, with the exception of those priced lower than \$500, between \$550 and \$599, and between \$750 and \$799. For the most popular two bedroom units, the vacancy rate declined from 5.5 per cent to 3.4 per cent in units priced between \$750 and \$799. Units priced between \$600 and \$649 recorded the highest vacancy rate at 4.5 per cent, followed by units priced between \$650 and \$699 at 4.1 per cent. The lowest vacancy rates in 2003 were for apartments between \$550 and \$599, and \$700 and \$749. The high vacancy rate in most price ranges indicates that both new and existing renters have more available options. With more choice, renters are either moving up or moving out.

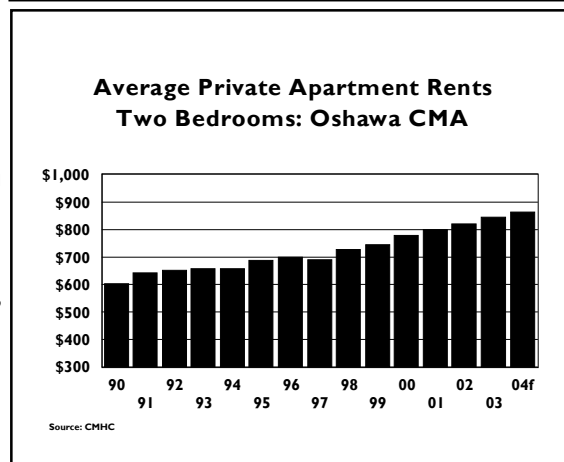
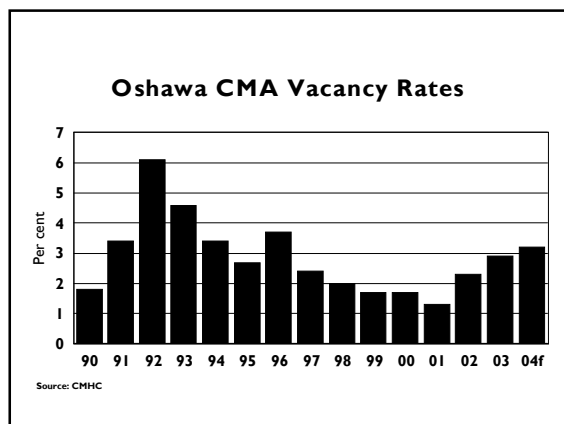
Only twenty per cent of units are priced below \$715 in this year's survey with a vacancy rate of 3.4 per cent. The higher vacancy rate at the lower rent are in older buildings with less amenities. Forty per cent of

units have a rent above \$850 with a vacancy rate of 2.9 per cent. Rents at or above this level are approaching the cost of owning a home. Renters have been taking advantage of historically low mortgage rates and moving into homeownership.

Lower Vacancy Rate, Highest Rent Increases in North Oshawa

Of the three municipalities in the Oshawa CMA, Clarington posted the lowest overall vacancy rate at 1.7 per cent in 2003, unchanged from 2002, followed closely by North Oshawa with a vacancy rate of 1.8 per cent. The vacancy rate in Whitby is the highest in the Oshawa CMA, jumping to 4.1 per cent from 1.3 per cent in 2002.

A tighter rental market in North Oshawa last year and the influx of students to the UOIT and Durham College this year, allowed rents to increase at higher rates than in other parts of the CMA in 2003. North Oshawa's one bedroom rent increased by 6.7% to \$779, while the two bedroom rent increased by 4.6 per cent to \$884 and the three plus bedroom rent by 4.0 per cent to \$981. Vacancies rates for two and three plus units in North Oshawa were the lowest in the CMA. With demand from students especially for bachelor, two, and three-bedroom units continuing, rent increases above the rate of



inflation can be expected in 2004.

South/Centre Oshawa was the only area in the CMA to show a decline in vacancy rates in 2003. The average vacancy rate in South/Central Oshawa was 3.1 per cent a decline from 3.6 per cent in 2003. The 2002 vacancy rate was the highest in the CMA. Landlords realizing the higher vacancy rates, especially in bachelor units and the larger two and three plus bedroom units, kept rents competitive to attract new tenants to their buildings. In 2003, the vacancy rate dropped for all bedroom types, except one bedroom units. For three plus bedroom units, the average rent declined 0.3 per cent to \$874, while the benchmark two bedroom rents increased by 2.9 per cent to \$795. It can also be noted that South/Central Oshawa has the lowest rents of any of

the municipalities in the CMA.

Whitby had the second lowest vacancy rate of any area in the Oshawa CMA in 2002 at 1.3 per cent. Due to the tight rental market over the past couple of years, the average rent moved beyond the rate of inflation. With rents increasing, and historically low mortgage rates, many tenants moved out of the rental market into homeownership. The overall vacancy rate in Whitby rose to 4.1 per cent in 2003. The jump in vacancy rates in Whitby was the highest in the CMA. With a strong resale market in Whitby, as well as many new subdivisions being built, homeownership was near at hand. The vacancy rate in the most popular two bedroom units rose to 4.9 per cent from 1.7 per cent in 2002. The average rent for the two bedroom units rose marginally by 1.0 per cent to \$903, the highest rent in the CMA.

Clarington's overall vacancy rate remained unchanged in 2003 at 1.7 per cent. Softer demand for bachelor, two bedroom and three plus bedroom units offset the increased demand for one bedroom units in Clarington. With overall demand for rental units remaining unchanged in 2003, the overall average rent declined marginally. The benchmark two bedroom rent increased by 0.9 per cent to \$819.

National Overview

The average rental apartment vacancy rate in Canada's 28

metropolitan centres rose to 2.2 per cent in October 2003 from 1.7 per cent a year ago, but is below the average of 3.4 per cent over the 1992 to 2002 period. This is the second consecutive annual increase in the vacancy rate.

The rise in the vacancy rate over the past year reflects a number of factors. Foremost among these are low mortgage rates, which reduced mortgage carrying costs and lessened demand for rental housing by bringing homeownership within the reach of many renter households. Vacancy rates also rose because rental apartment completions added new rental supply in many centres. Nationally, vacancy rates have increased across the range of rent levels in a number of large centres. Nevertheless, at the most affordable level, there is still an inadequate supply of units.

Vacancy rates were higher than one year ago in 20 of Canada's 28 metropolitan areas. Saint John, Saguenay, Saskatoon, Calgary, and Windsor had the highest vacancy rates, while Quebec City, Sherbrooke, Montreal, Victoria, and Gatineau were among the cities with the lowest vacancy rates.

Vacancy rates were higher in nine of Ontario's 11 metropolitan areas. Only Greater Sudbury and Thunder Bay had lower vacancy rates than last year. Rates increased by at least one percentage point in Hamilton, Toronto,

Apartment Vacancy Rates by Major Markets		
Census Metropolitan Area (CMA)	2002	2003
Abbotsford	2.0	2.5
Calgary	2.9	4.4
Saguenay	4.9	5.2
Edmonton	1.7	3.4
Halifax	2.7	2.3
Hamilton	1.6	3.0
Kingston	0.9	1.9
Kitchener	2.3	3.2
London	2.0	2.1
Montreal	0.7	1.0
St. Catharines-Niagara	2.4	2.7
Oshawa	2.3	2.9
Gatineau	0.5	1.2
Ottawa	1.9	2.9
Quebec	0.3	0.5
Regina	1.9	2.1
Saint John	6.3	5.2
St. John's	2.7	2.0
Saskatoon	3.7	4.5
Sherbrooke	1.8	0.7
Greater Sudbury	5.1	3.6
Thunder Bay	4.7	3.3
Toronto	2.5	3.8
Trois-Rivieres	3.0	1.5
Vancouver	1.4	2.0
Victoria	1.5	1.1
Windsor	3.9	4.3
Winnipeg	1.2	1.3
Charlottetown CA	2.2	3.5
CANADA	1.7	2.2

Kingston, and Ottawa.

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

In the Prairies and British Colum-

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.

bia, vacancy rates went up in seven of eight metropolitan areas, the only exception being Victoria. In Calgary and Edmonton, the vacancy rates rose by 1.5 per cent and 1.7 per cent respectively.

In Atlantic Canada, the vacancy rate declined in all three centres. The vacancy rate in Saint John (NB) declined to 5.2 per cent, the highest rate of all Canadian Metropolitan areas. Rates declined in St. John's (NFLD) to 2.0 per cent and in Halifax to 2.3 per cent.

CMHC's 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 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-Rivieres (\$436) and Saguenay (\$457).

Rental Market Outlook

The job market for individuals in their prime renting years has been building momentum since early 2002. Stronger youth employment and the double cohort of students entering college and university in 2003 and 2004 will boost demand for rental accommodation.

With respect to losing renters to the ownership market, this trend is expected to continue in 2004. Although both resale and new

home prices continue to rise, mortgage rates are forecast to remain at historical lows into 2004. With sales in both the resale and new home construction market strong, the exodus of renter households into the ownership market will continue into 2004. Based on these assumptions, and the continued lack of new rental supply, the Oshawa CMA vacancy rate is expected to rise marginally to 3.2 per cent in 2004. New supply in the rental market will come on stream in late 2004 after the survey has been completed. The increase in the vacancy rate this year will keep rent increases in check throughout 2004. As such, the benchmark two bedroom rent will increase by 2.0 per cent next year to \$862. This increase is well within inflation targets for 2004.

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

Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets. Therefore low interest rates in those markets call for posted mortgage rates to stay low over the next few quarters.

One, three and five-year posted closed mortgage rates are expected to remain relatively flat for the remainder of this year, perhaps rising by 25 basis points. Next year these rates will begin to increase by 50-75 basis points and are expected to be in the 4.50-5.25, 5.75-6.50, and 6.25-7.25 per cent range respectively.

Spreads between mortgage rates and comparable bond yields have remained at 150-250 bps in the last few years, providing lenders with some room to negotiate discounts from the posted ones. These spreads and discounts are likely to persist in the near term.

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

Oshawa CMA

Area	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 Oshawa (North)	**	**	1.4	2.6	1.0	1.7	1.7	0.3	1.2	1.8
Zone 2 Oshawa (S./Central)	6.1	2.4	2.7	4.7	3.2	2.9	8.2	0.5	3.6	3.1
Zones 1-2 Oshawa City	5.3	2.4	2.2	3.8	2.3	2.4	5.6	0.4	2.7	2.6
Zone 3 Whitby	**	**	0.6	2.3	1.7	4.9	**	**	1.3	4.1
Zone 4 Clarington	0.0	**	3.2	1.2	1.0	2.2	0.0	**	1.7	1.7
Zones 1-4 Oshawa CMA	3.8	2.0	1.8	3.3	2.1	2.9	4.7	1.9	2.3	2.9

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

Oshawa CMA

Area	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1 Oshawa (North)	**	**	730	779	845	884	943	981	817	861
Zone 2 Oshawa (S./Central)	544	563	657	692	773	795	877	874	741	766
Zones 1-2 Oshawa City	551	578	685	726	802	831	904	916	771	804
Zone 3 Whitby	**	**	786	825	894	903	**	**	855	884
Zone 4 Clarington	552	**	684	683	812	819	906	**	769	768
Zones 1-4 Oshawa CMA	579	581	713	752	819	845	925	944	789	820

Number of Publicly Funded Apartments

Oshawa CMA

	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Zones 1-4 Oshawa CMA	**	**	5	1,850	15	1,191	4	252	24	3,383

**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)	**	**	22	866	34	1,958	1	300	58	3,181
Zone 2 Oshawa (S./Central)	5	190	61	1,294	86	2,963	2	465	153	4,912
Zones 1-2 Oshawa City	6	247	83	2,160	119	4,921	3	765	211	8,093
Zone 3 Whitby	**	**	20	884	69	1,406	**	**	107	2,610
Zone 4 Clarington	**	**	2	193	7	323	**	**	9	543
Zones 1-4 Oshawa CMA	6	291	105	3,236	195	6,650	21	1,068	328	11,246

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

Oshawa CMA

Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Pre 1940	**	**	3.1	4.2	0.0	**	**	**	2.8	2.7
1940 - 1959	**	**	3.7	7.8	2.8	3.6	**	**	3.4	4.5
1960 - 1974	2.0	2.4	1.5	3.4	2.3	2.8	5.9	0.5	2.5	2.7
1975 - 1984	**	**	1.5	3.4	2.1	4.6	**	**	2.1	4.3
1985 - 1994	**	**	2.5	1.6	1.4	1.0	**	**	1.6	1.1
After 1995	N/U	N/U	N/U	**	**	**	**	**	**	**
Total	3.8	2.0	1.8	3.3	2.1	2.9	4.7	1.9	2.3	2.9

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

Oshawa CMA

Year of Completion	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Pre 1940	**	**	562	599	751	**	**	N/A	596	642
1940 - 1959	**	**	605	643	739	748	**	**	697	709
1960 - 1974	569	586	709	751	805	833	893	898	782	813
1975 - 1984	**	**	791	809	907	913	**	**	868	893
1985 - 1994	**	**	697	722	809	838	**	**	778	806
After 1995	N/U	N/U	N/U	**	**	**	**	N/A	**	**
Total	579	581	713	752	819	845	925	944	789	820

Private Apartments - Average Vacancy Rate by Structure Size and Bedroom Type

Oshawa CMA

Structure Size	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +		Total	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
3 - 5 units	**	**	4.3	2.0	0.8	3.3	3.3	0.0	2.7	2.3
6 - 19 units	0.0	0.0	2.1	4.7	2.2	2.7	**	**	2.2	3.2
20 - 49 units	6.4	**	2.3	4.0	1.3	2.8	**	**	1.9	3.1
50 - 99 units	**	**	2.1	**	2.5	**	3.5	**	2.4	**
100+ units	**	**	0.9	**	2.5	3.6	5.4	2.9	2.5	3.4
Total	3.8	2.0	1.8	3.3	2.1	2.9	4.7	1.9	2.3	2.9

**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	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
< \$500	1.5	0.0	**	**	**	N/U	N/U	N/U	5.0	**
\$500 - 549	**	**	0.0	**	**	N/U	N/U	N/U	0.0	**
\$550 - 599	**	**	5.1	0.9	**	**	**	N/U	4.1	1.3
\$600 - 649	**	**	3.3	5.3	2.4	4.5	**	**	3.3	4.5
\$650 - 699	**	**	3.5	5.8	1.0	1.3	**	**	2.3	4.1
\$700 - 749	**	**	0.9	1.7	1.7	1.6	**	**	1.5	1.6
\$750 - 799	**	N/U	**	4.1	5.5	3.4	**	**	4.7	3.5
\$800 - 849	N/U	N/U	**	**	1.5	2.6	**	**	1.5	3.3
Over \$850	N/U	N/U	**	**	1.4	3.4	4.9	2.7	2.1	2.9

**Sample size too small to be released

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