

Ontario Rental Market Overview & Outlook

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Housing market intelligence you can count on

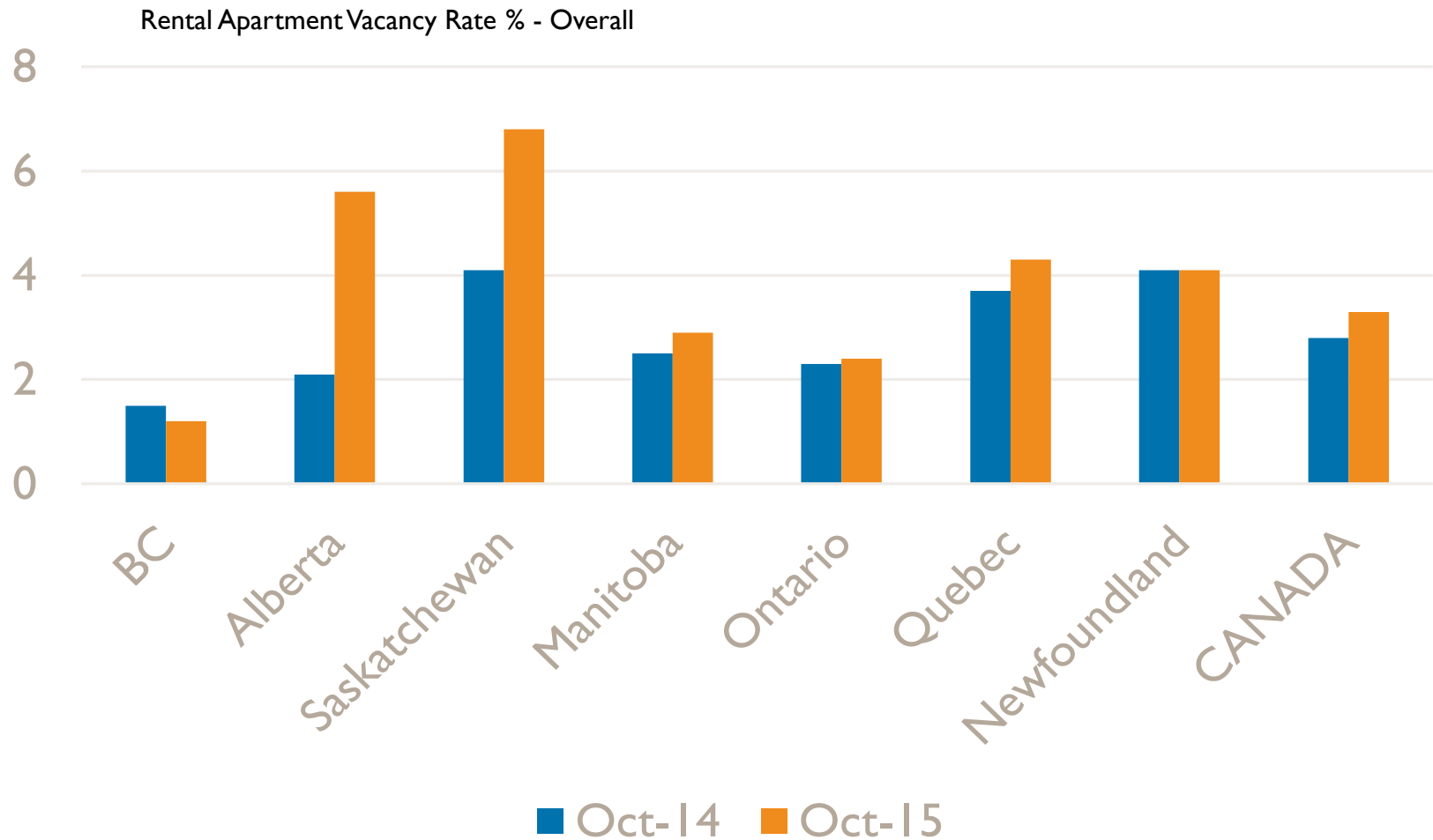
AGENDA

- Ontario vs Rest of Canada (ROC) Rental Trends – October 2015
- Factors Impacting 2015 Ontario Rental Sector vs January 2015 Forecast
- Ontario Rental Market Outlook – 2016/17
- GTA Rental Market Overview
- Questions??

KEY TAKEAWAYS

- Vacancy Rates Below National Average in BC, Ontario Urban Markets - But Above Average Elsewhere
- Rental Demand Growing Despite Slight Uptick in Ontario Vacancy Rates
- Improving Economy & Rising Home Prices To Support Rental Demand Especially in Southern & Southwestern Markets
- Supply Pressures To Ease But Will Keep Vacancy Rates Elevated
- Sector Should Attract Continued Investor Interest

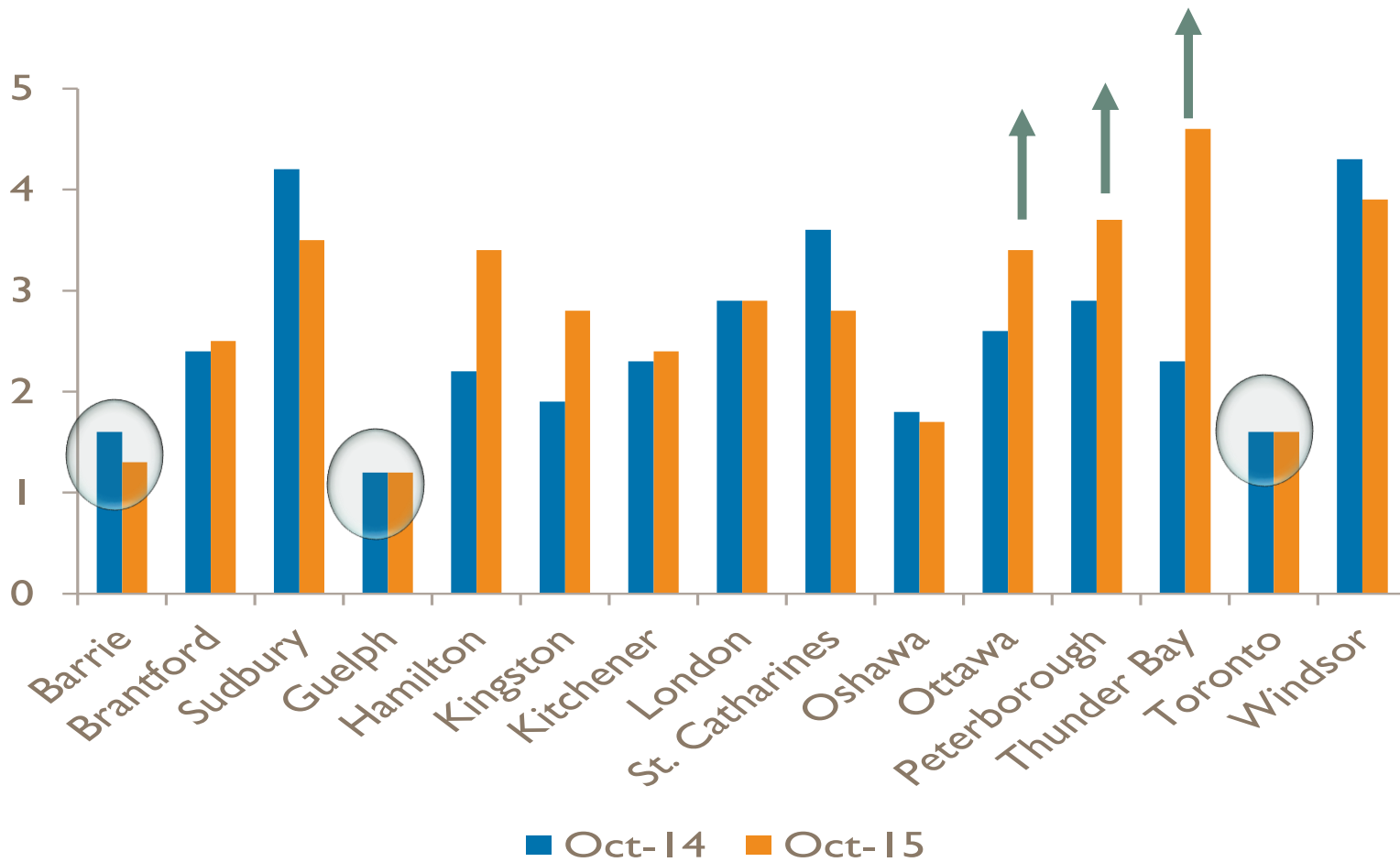
BC & Ontario Remain Tightest Rental Markets



Source: CMHC Fall RMS Survey

Barrie, Guelph & GTA Tightest Market/North & East Cooler

Rental Apartment Vacancy Rate % - Overall



Source: CMHC Fall RMS Survey

Factors Impacting Ontario Vacancy Rate – 2014/15

<u>FACTORS</u>	Actual		Forecast
	<u>2014</u>	<u>2015</u>	Jan-15
Job Market	D	U	D
Migration	U	U	U
Cost Gap (Own vs Rent)	D	D	D
New Rental Supply	U	U+	U
Net Effect	D	U	

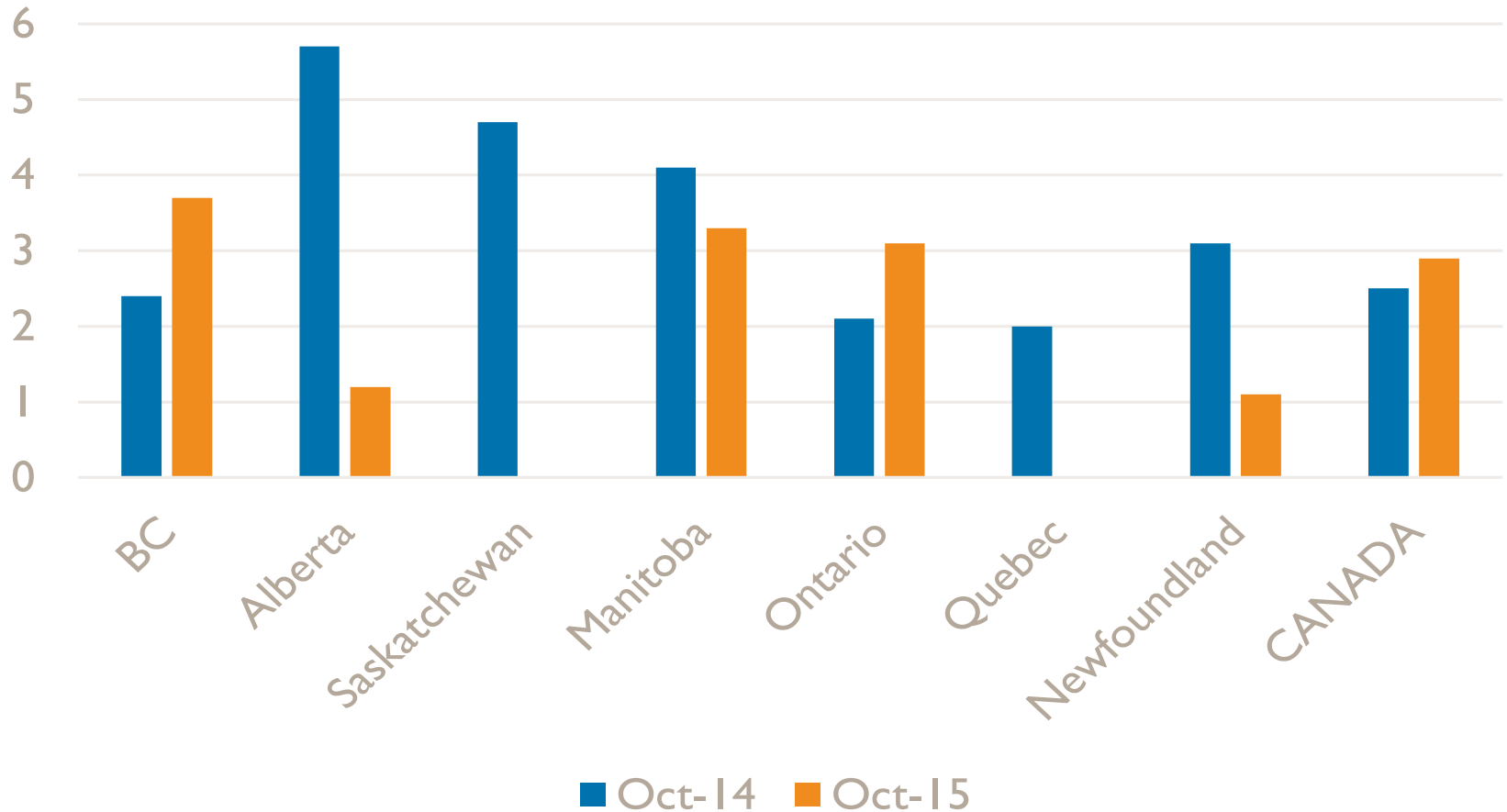
D=Downward Pressure

U=Upward Pressure

N=Neutral

Rent Increases Stronger in BC and Ontario

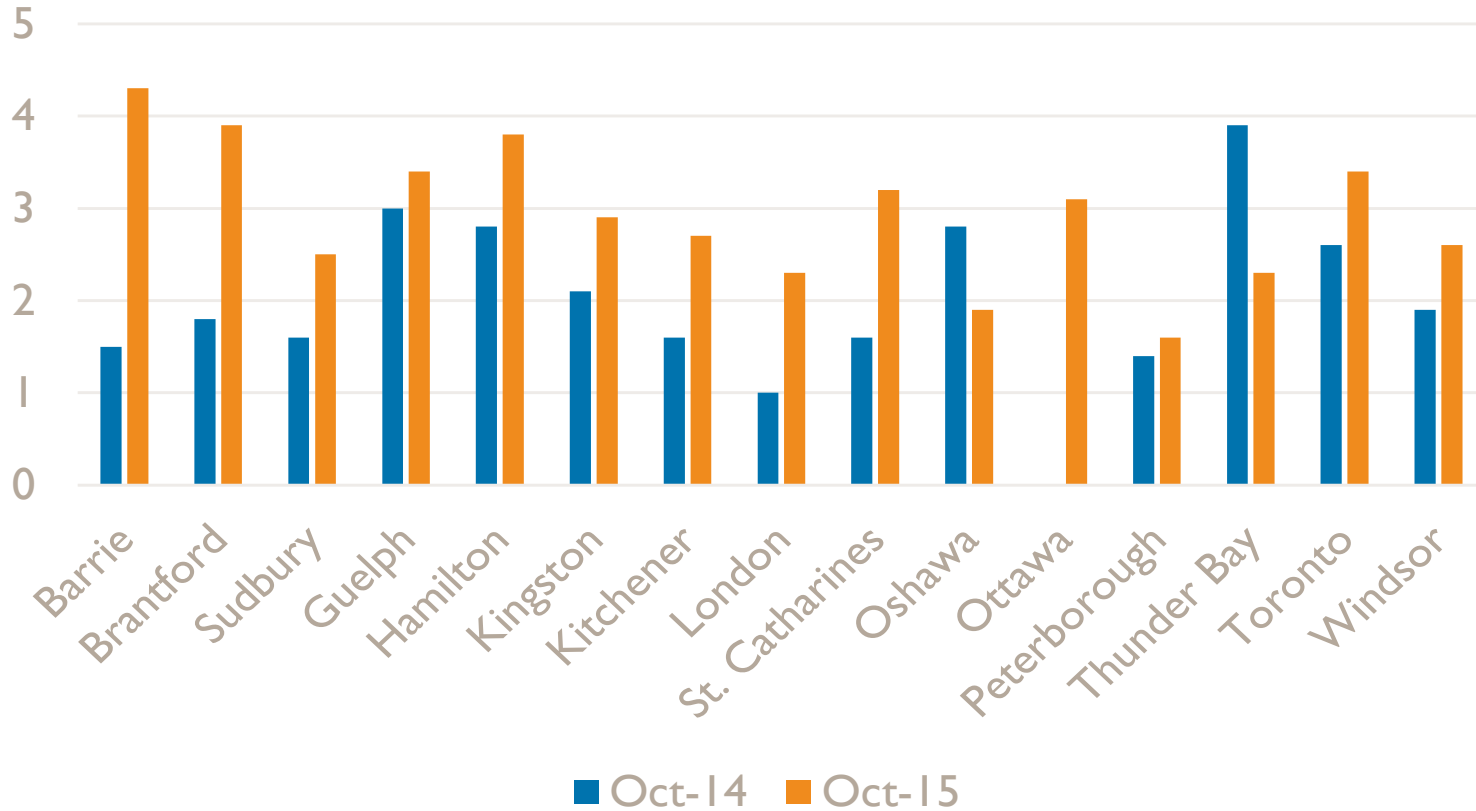
Same Sample 2-Bed Apartment Rent % chg



Source: CMHC Fall RMS Survey

Rent Increases Varied Across Ontario

Same Sample 2-Bed Apartment Rent % chg



Source: CMHC Fall RMS Survey

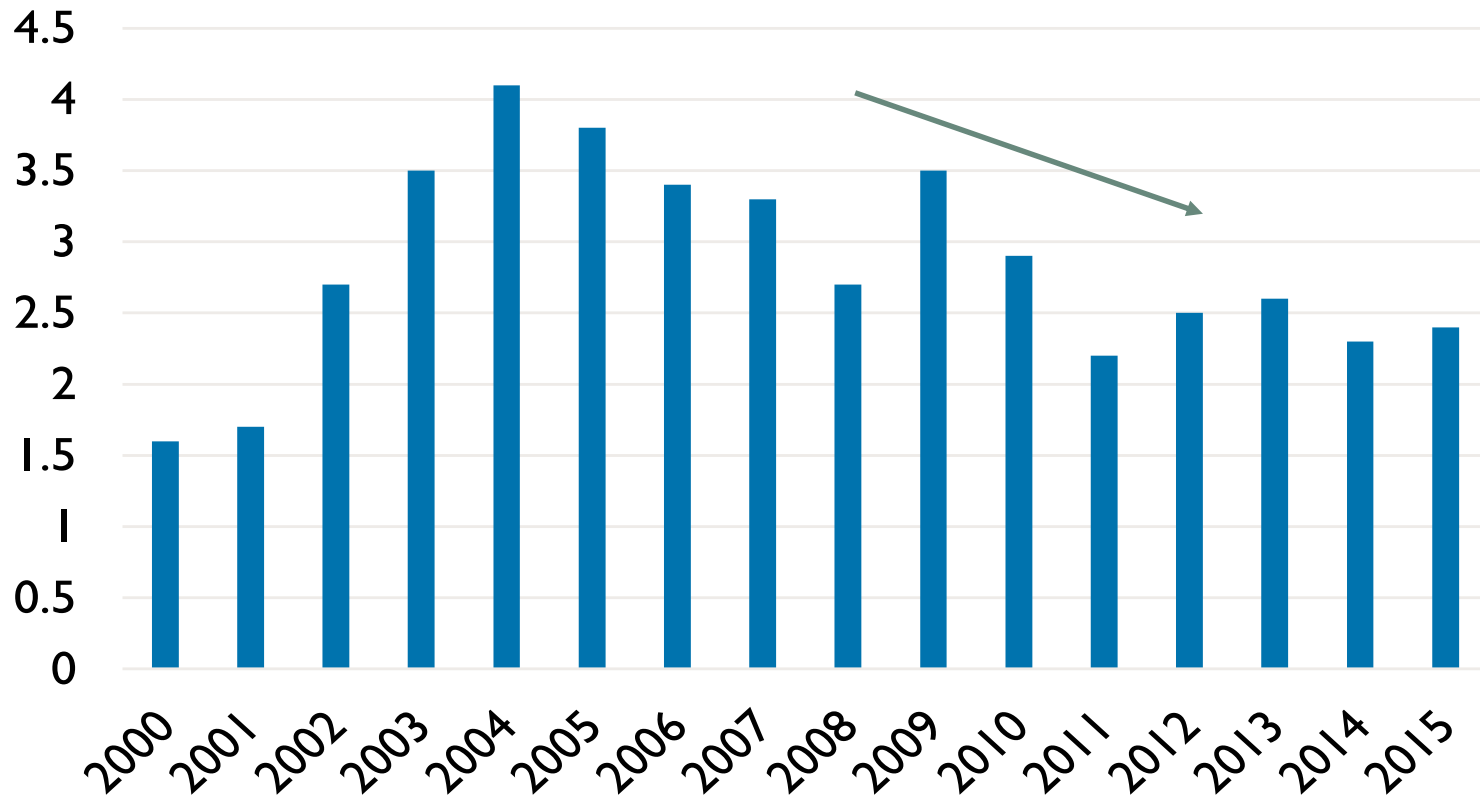
Ontario Vacancy Rate Outlook – 2016/17

CMAAs	2015	2016f	2017f
Barrie	1.3	2.2	2.6
Brantford	2.5	2.5	2.3
Sudbury	3.5	4.6	4.8
Guelph	1.2	1.5	1.4
Hamilton	3.4	2.2	2
Kingston	2.8	1.9	2.1
Kitchener	2.4	2.8	2.5
London	2.9	2.5	2.5
St. Catharines	2.8	3.3	3
Oshawa	1.7	1.9	2
Ottawa	3.4	2	1.7
Peterborough	3.7	3	2.8
Thunder Bay	4.6	3.5	3
Toronto	1.6	1.9	2
Windsor	3.9	3.8	3.6
ONTARIO CMA Average	2.8	2.6	2.6

Source: CMHC Forecast (f) as of September 2015

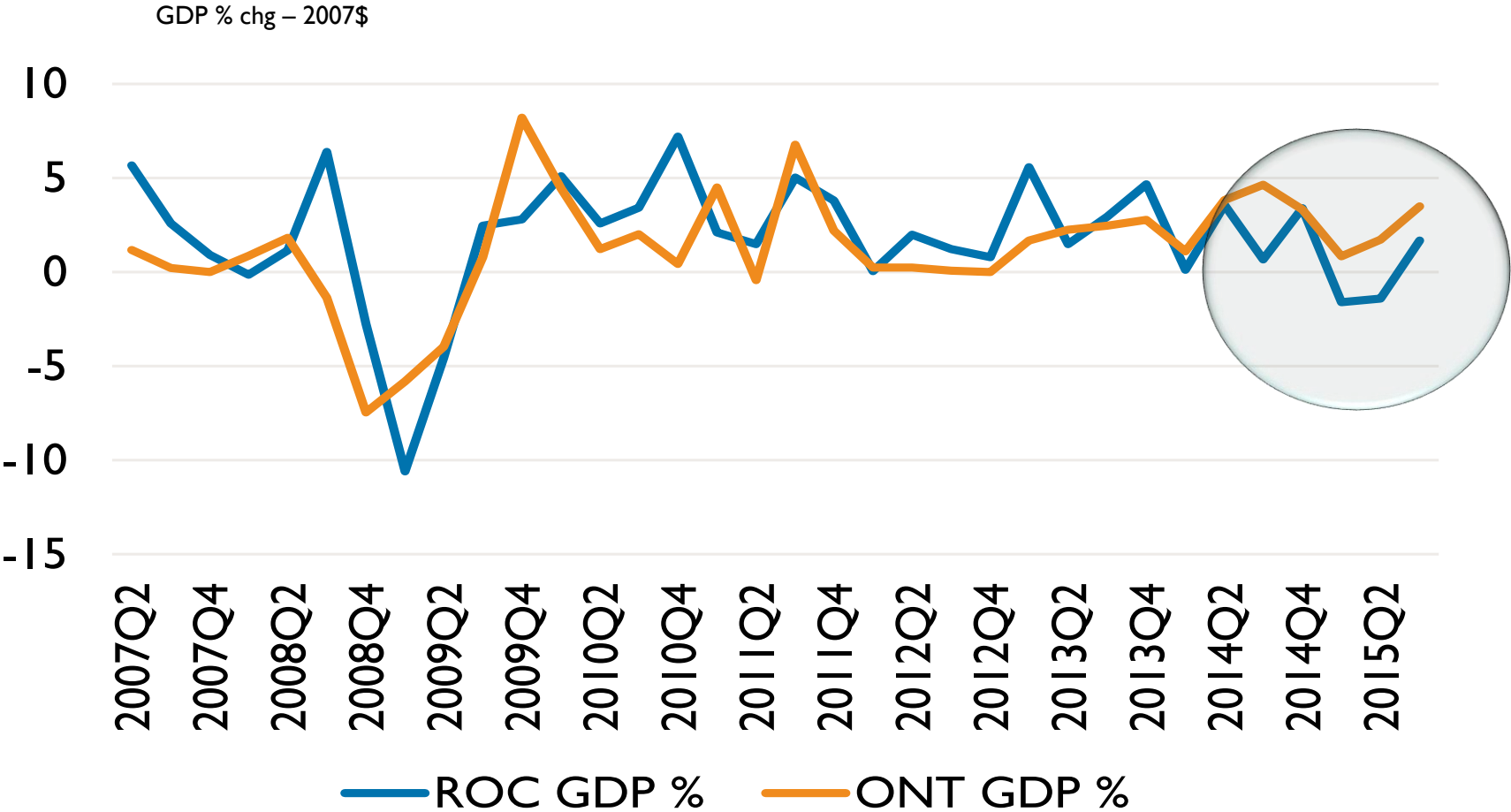
Downward Trending Vacancy Rate Means Demand Outpacing Supply

Apartment vacancy rate - ONTARIO



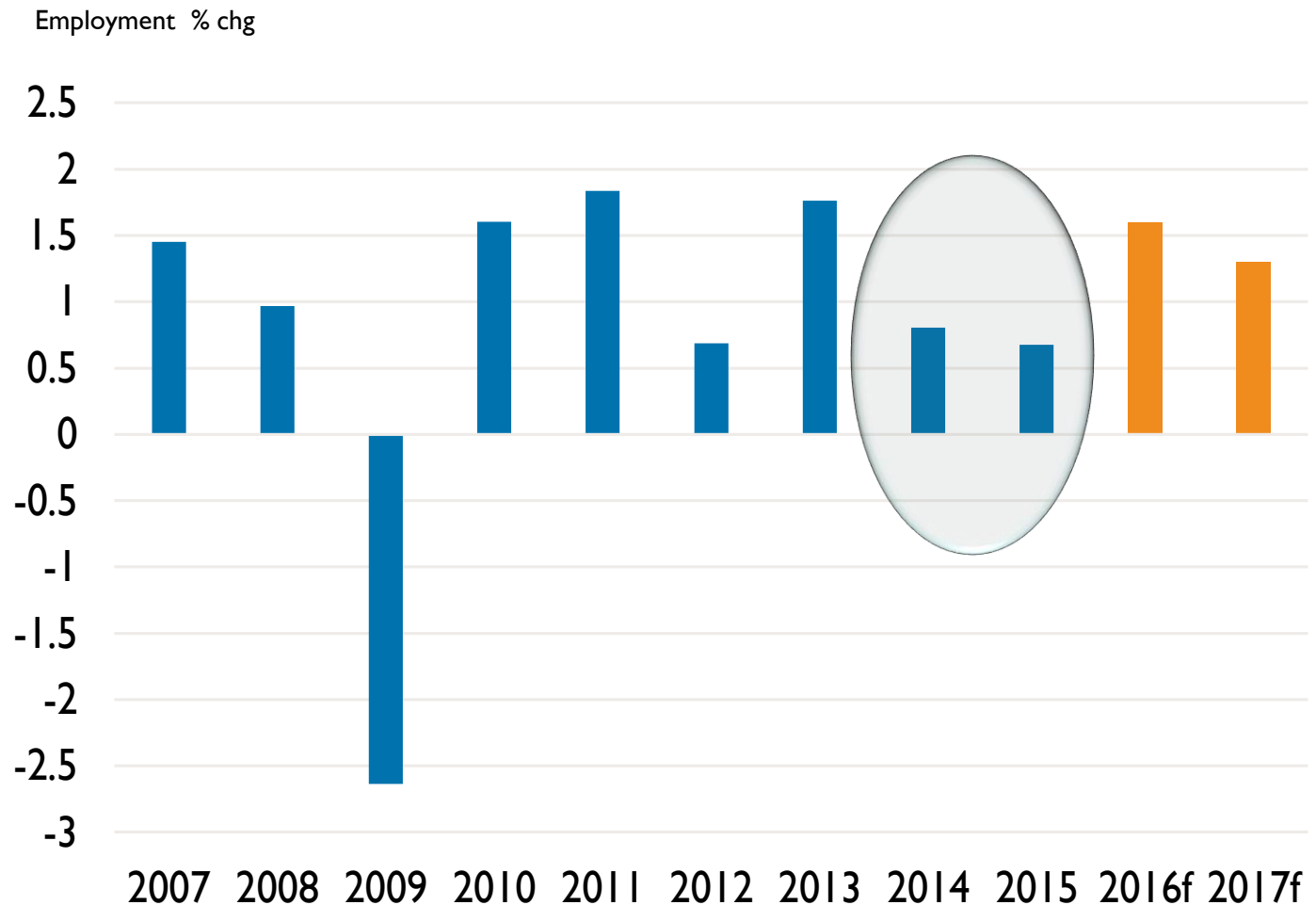
Source: CMHC Fall RMS Survey

Ontario Economy Outperforming Since 2014



Source: Statistics Canada, ROC=Rest of Canada GDP

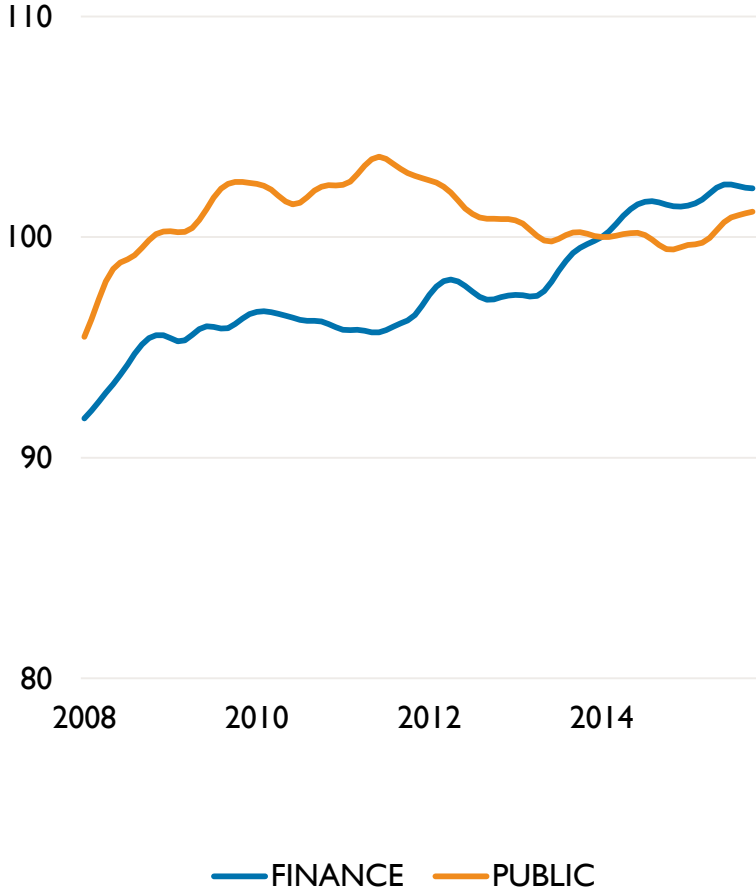
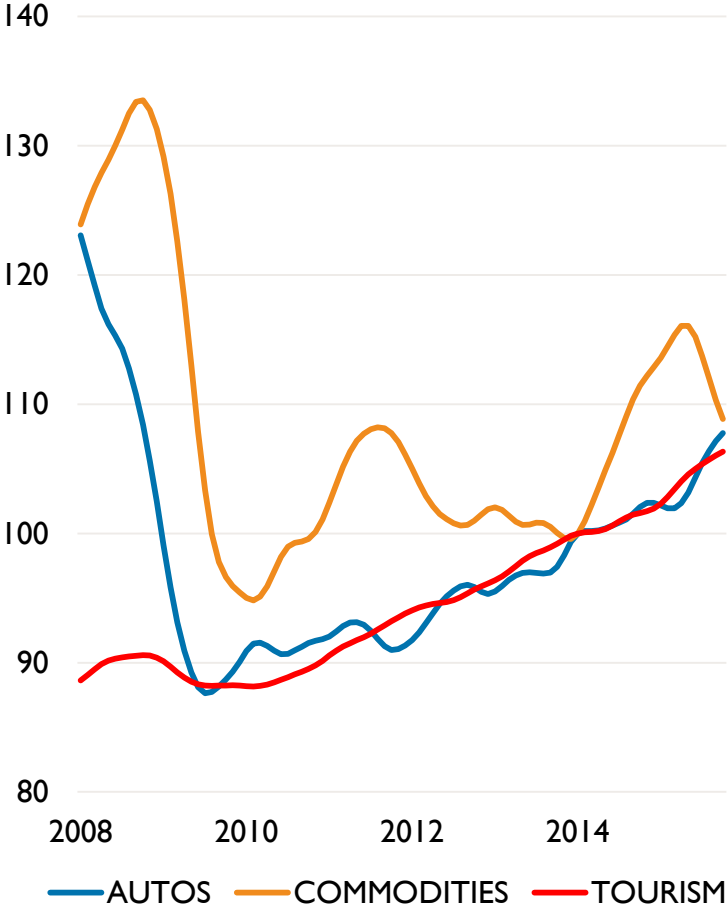
Ontario Job Growth Modest But Will Strengthen



Source: Statistics Canada. CMHC Forecast(f)

Strength in Manufacturing, Tourism – Not So For Commodities, Public Admin, Finance

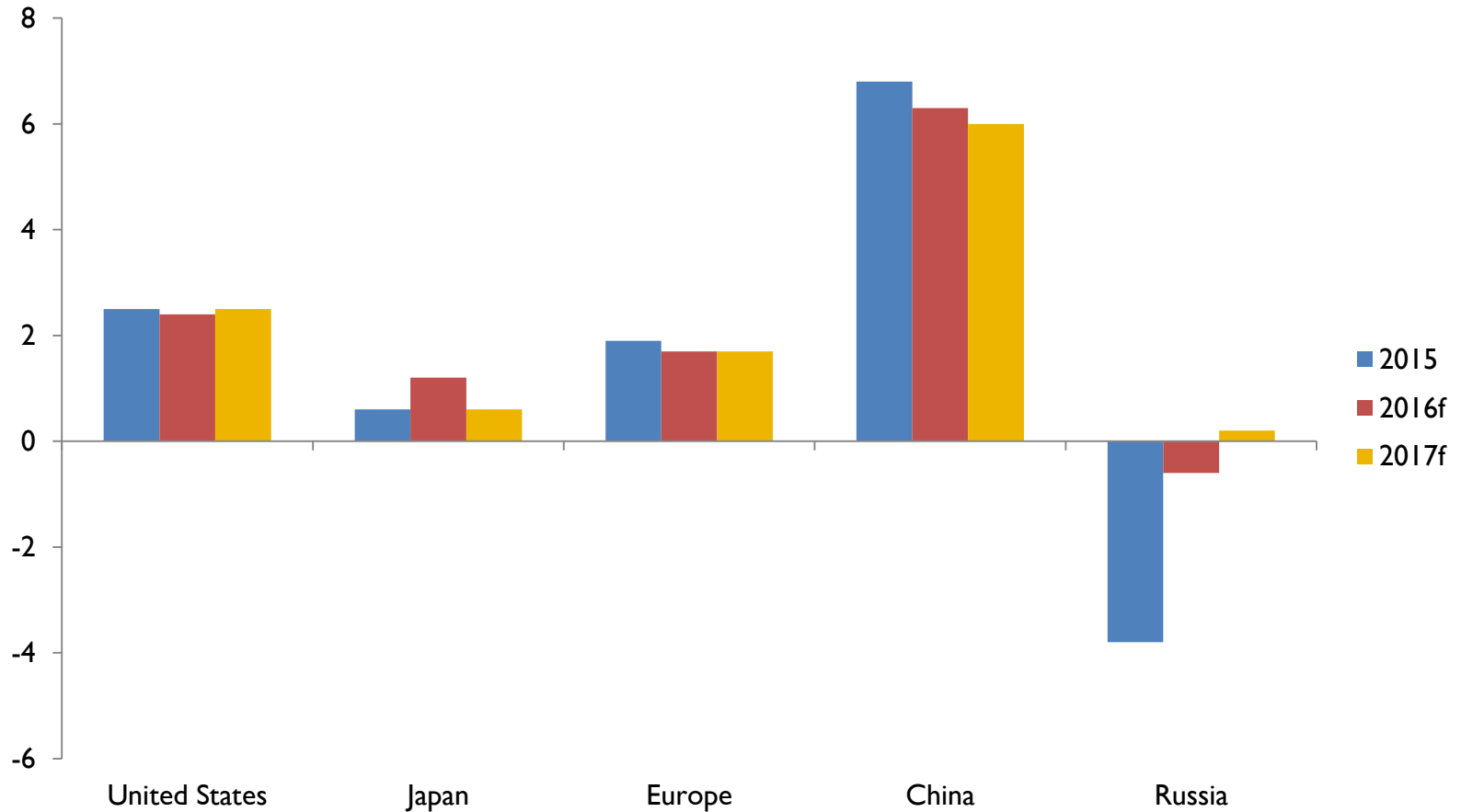
Employment Index by Ontario Sector (2014=100)



Source: Statistics Canada.

US Economy Supporting Exports – China Less So

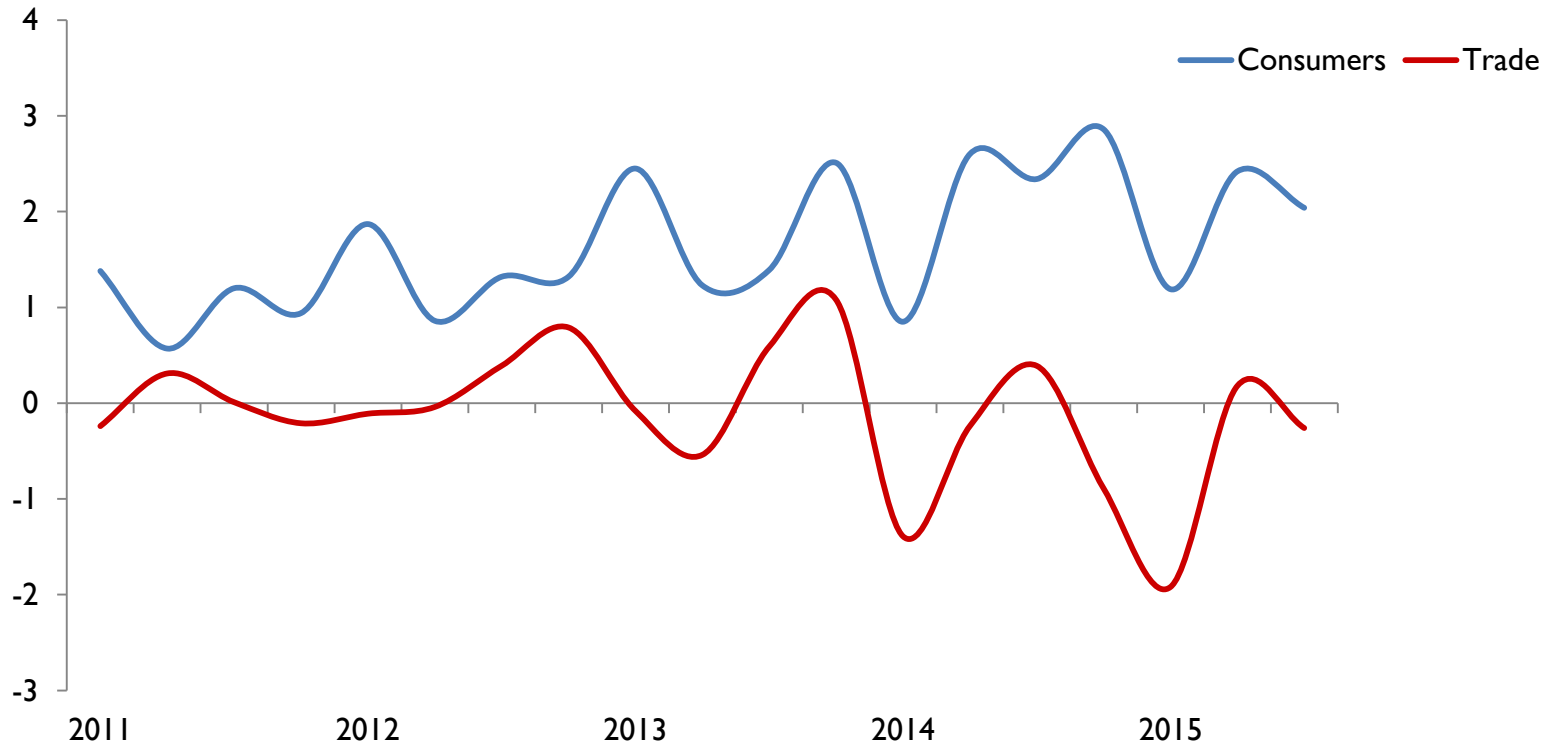
GDP % - 2007\$



Source: Consensus Forecasts, IMF

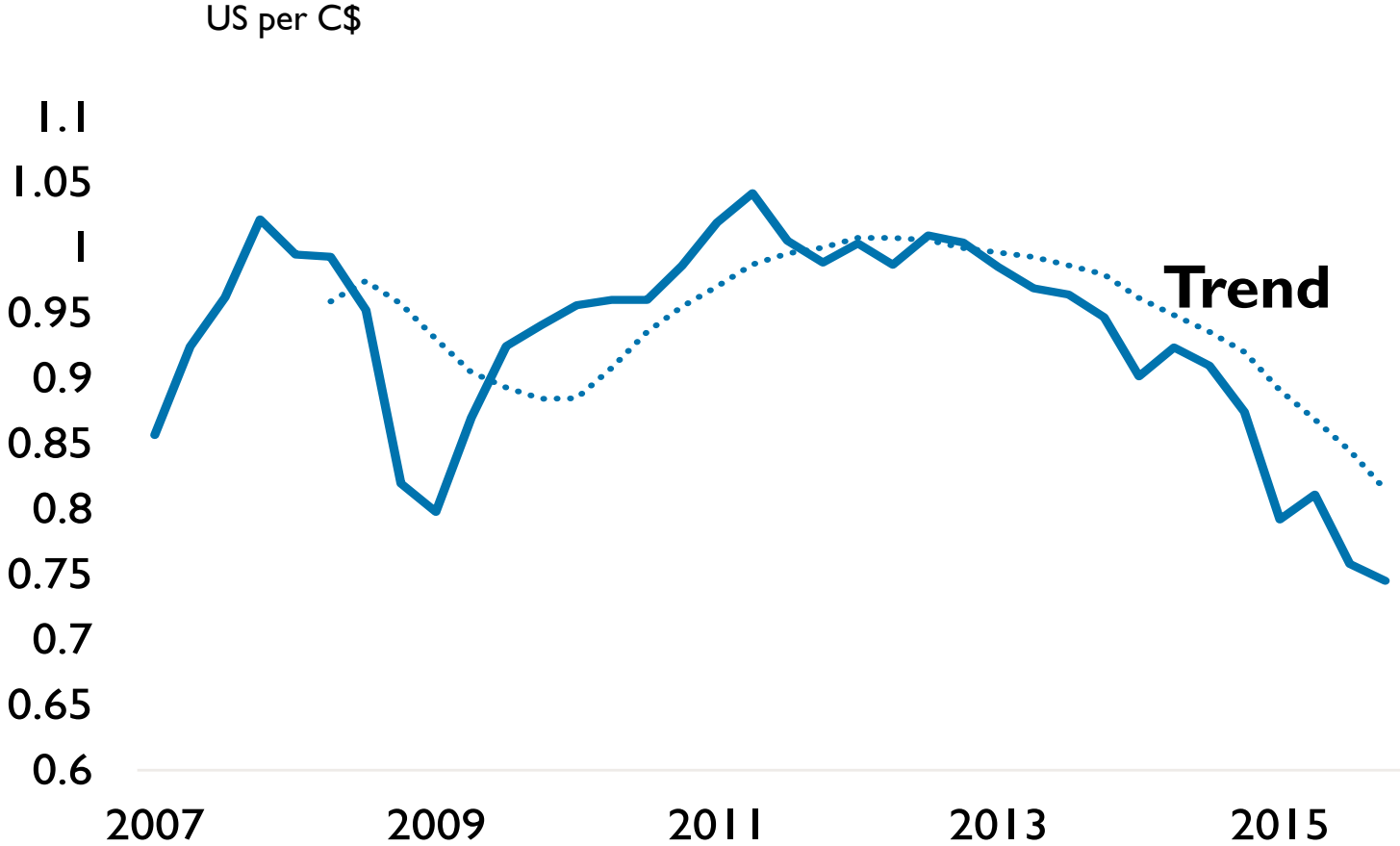
US Consumers Feeling Good – Exporters Not So Good

Contributions to US Economic Growth By Quarter



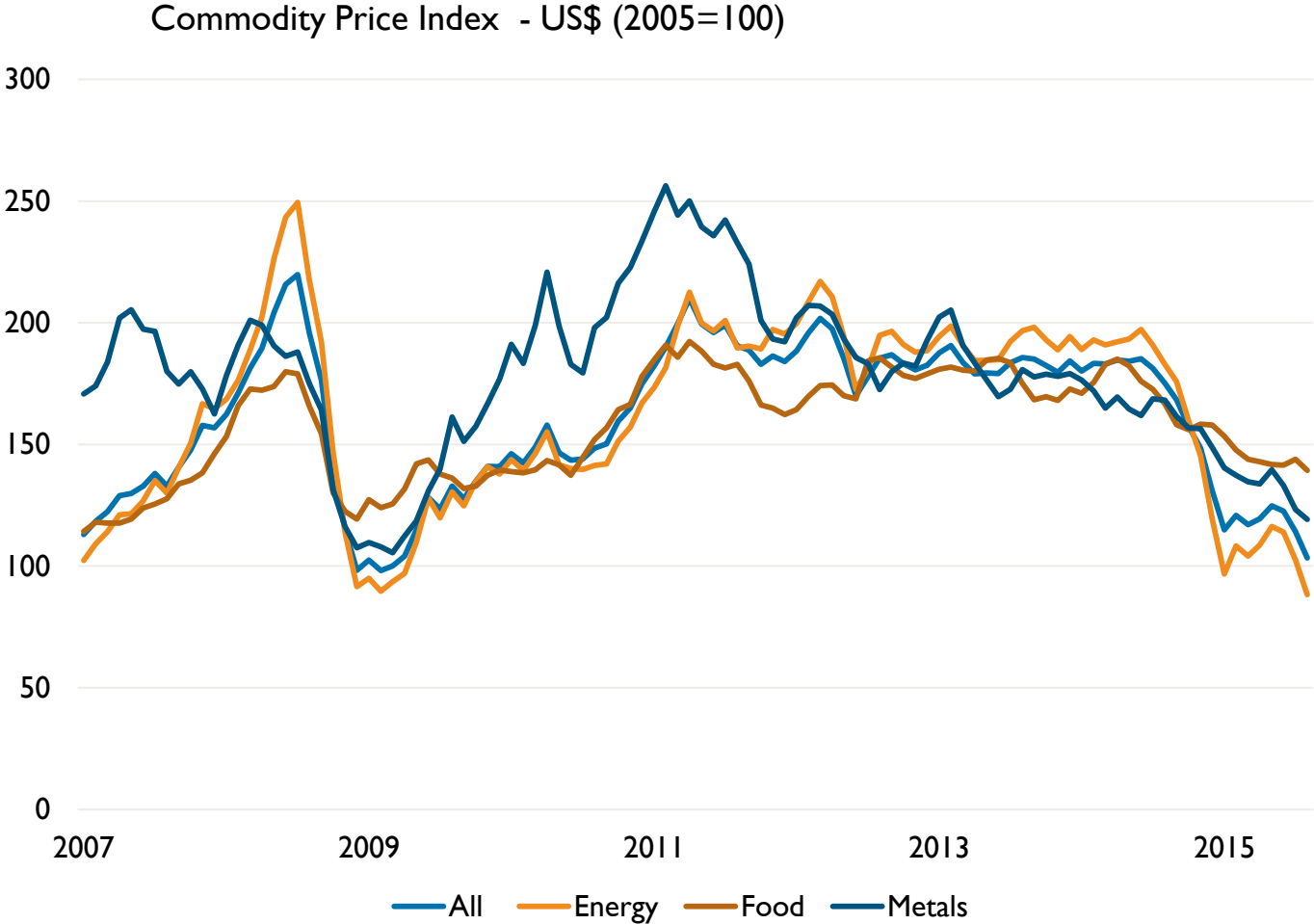
Source: US BEA

Canadian Dollar Trending Lower



Source: Statistics Canada,

Lower Commodity Prices – Good News For Ontario

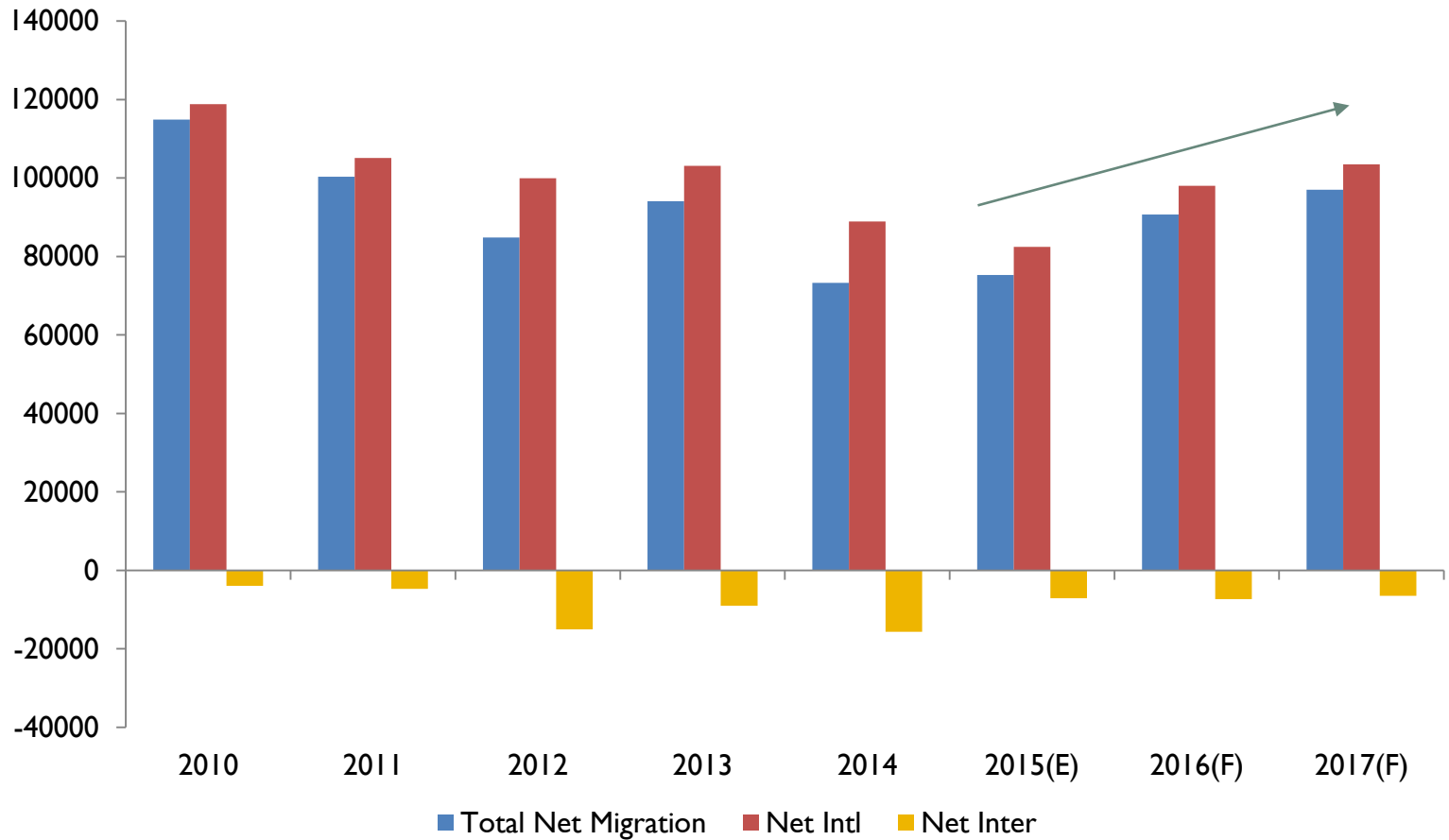


Source: IMF Commodity Price Database

Why Has US Growth/C\$ Impact on Trade & Jobs Not Arrived?

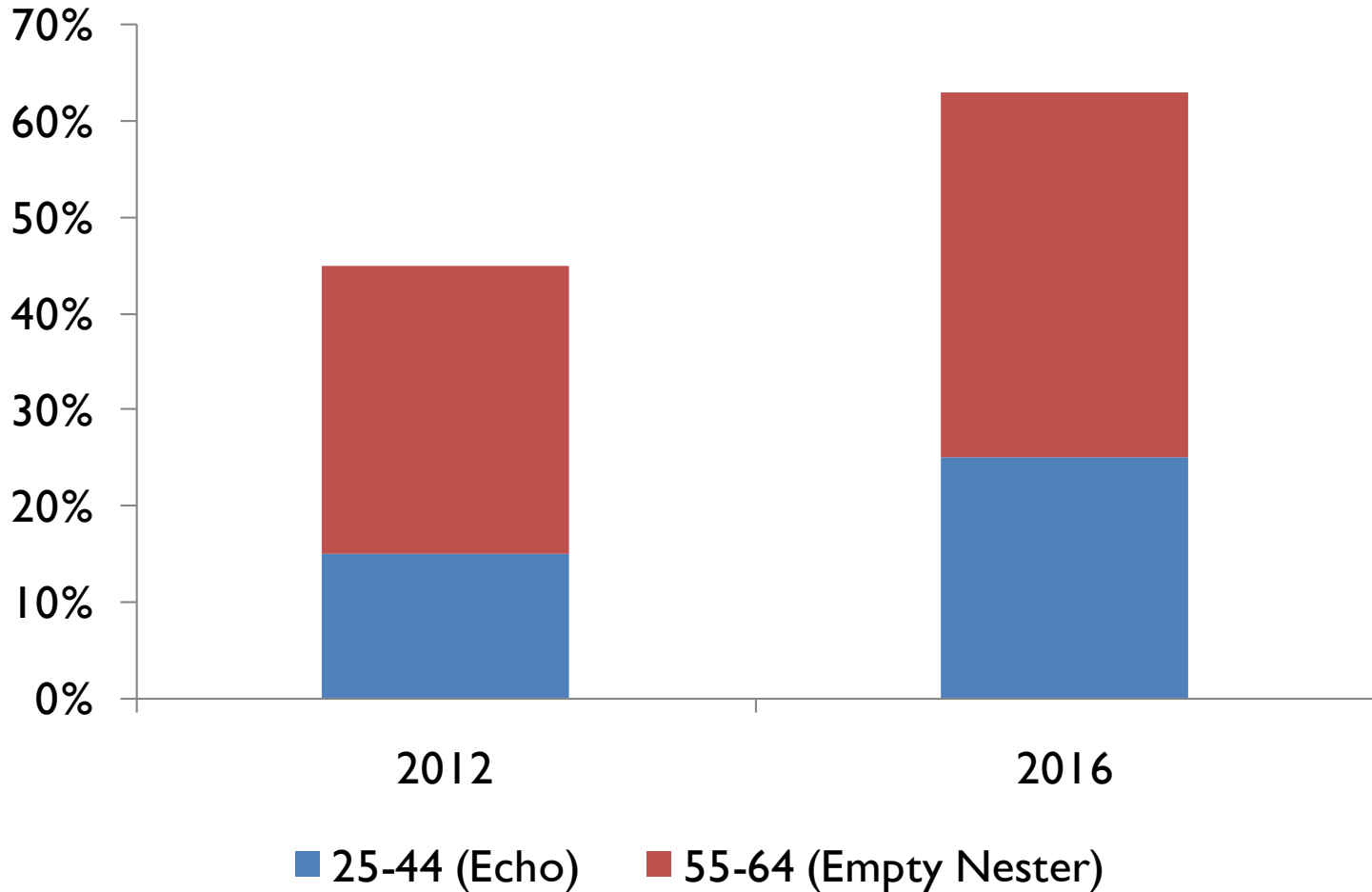
- Relative Competitiveness Important
- New Investment Needed
- Some Exported Goods Are Import Intensive

Ontario Migration To Support Rental Demand Ahead vs Recent Past



Source: Statistics Canada, CMHC Forecast(f)

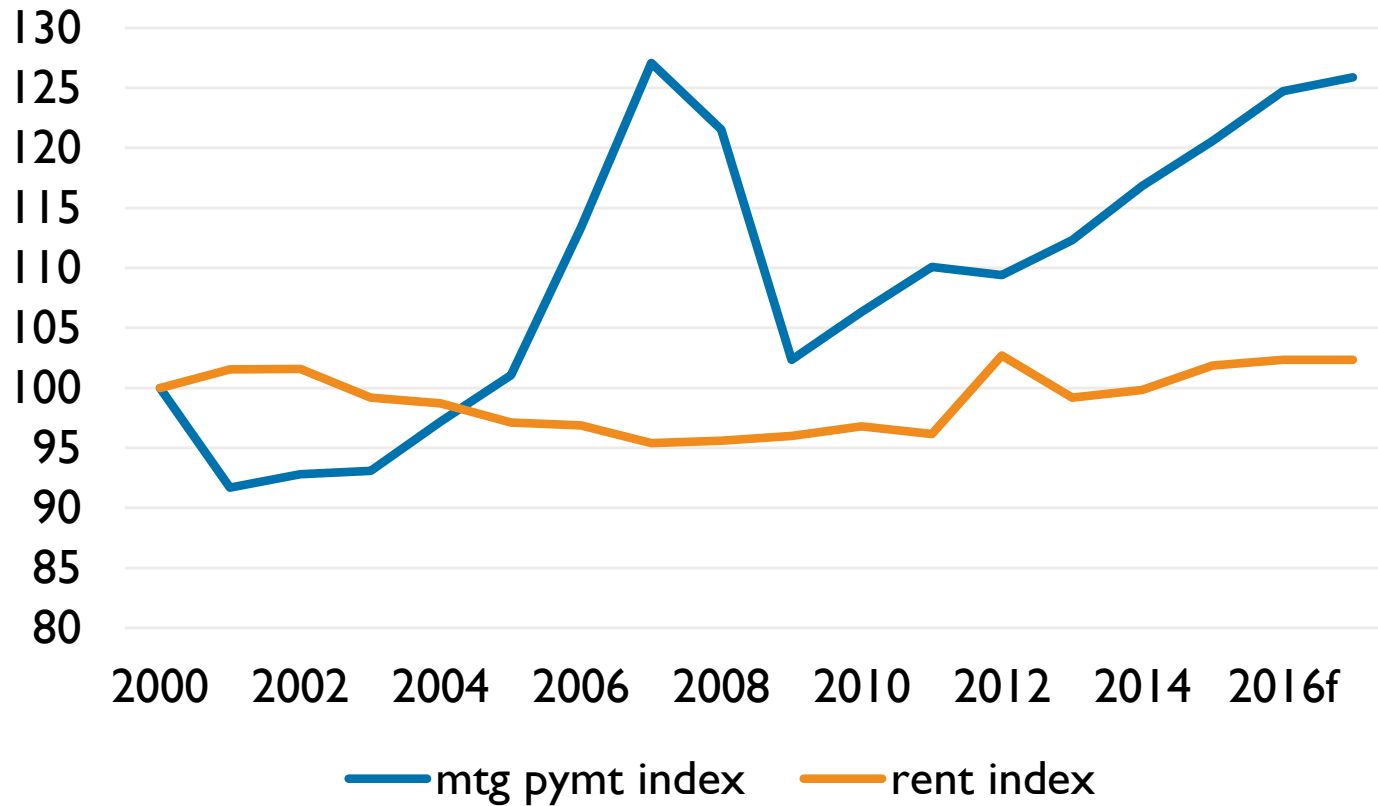
Echo and Empty Nester Group Bigger Contributors to Household Formation



Source: Statistics Canada, CMHC Ontario Demographic Projections(f)

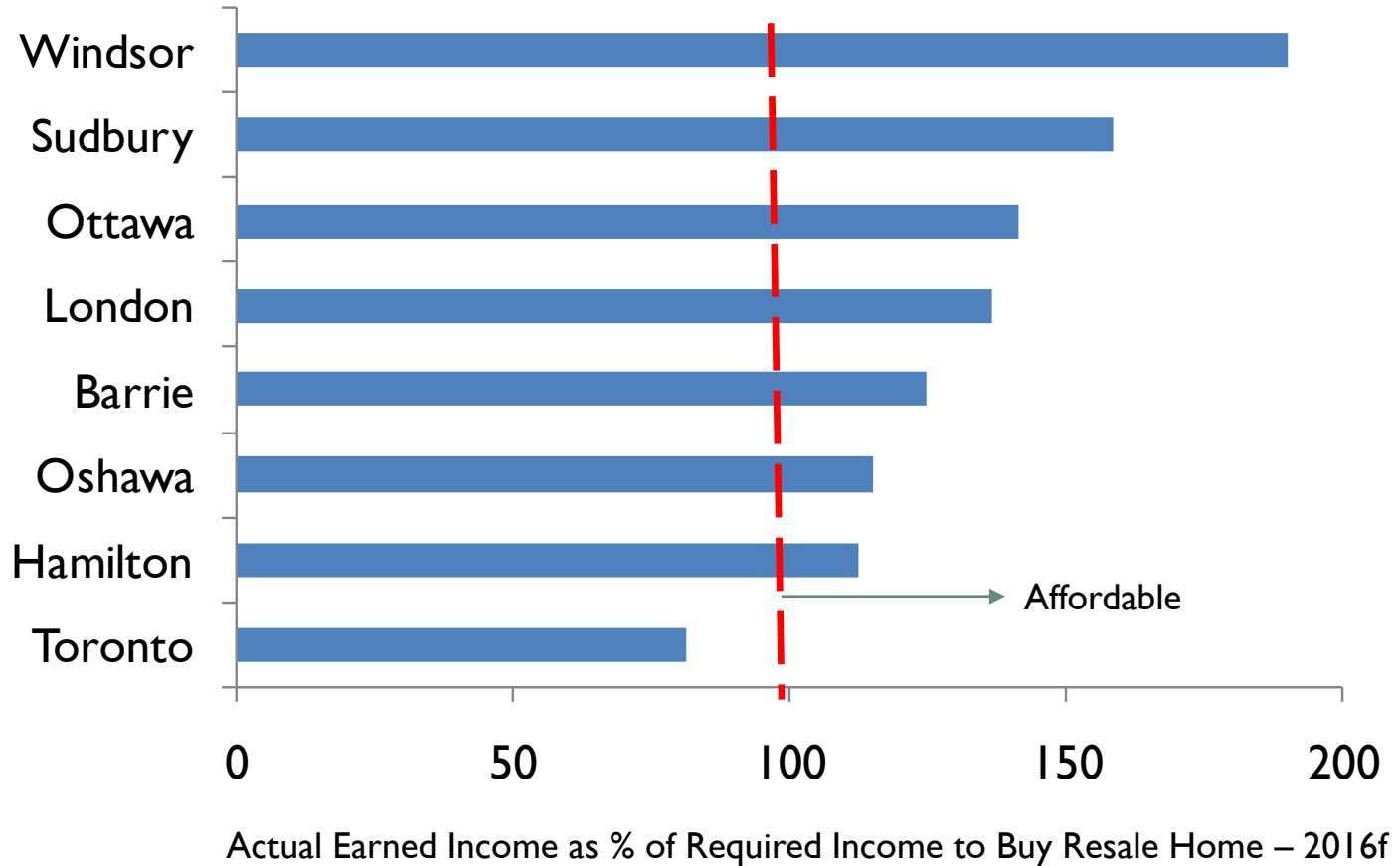
Echo Group Finding Cost Gap More Prohibitive

Ontario inflation adjusted index (2000=100)



Source: Statistics Canada, CREA, CMHC forecast

Especially When Income Is Considered in Larger Markets



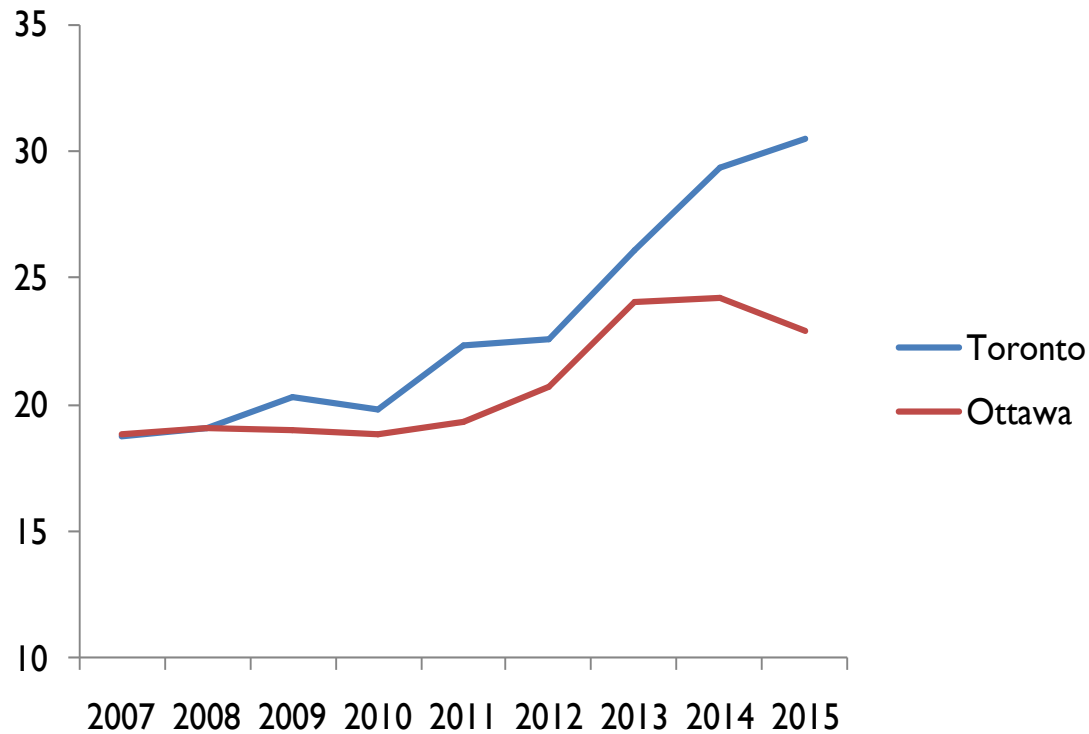
Source: Statistics Canada, CREA, CMHC calculation



HOW IS RENTAL SUPPLY RESPONDING TO MARKET CONDITIONS

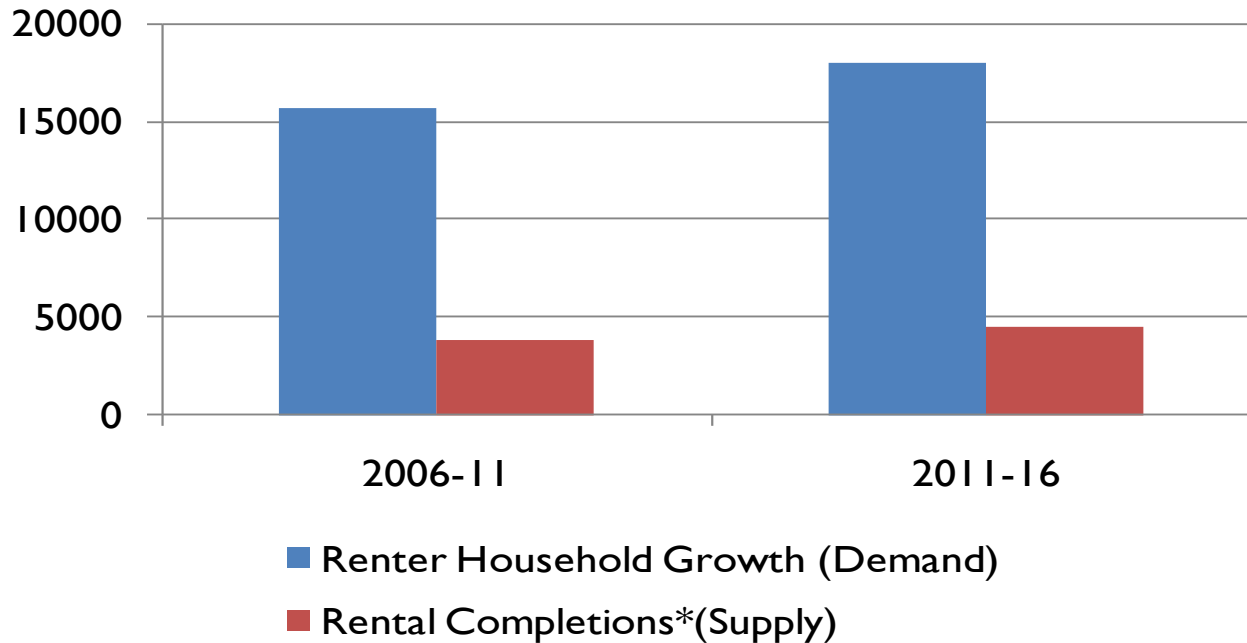
Small Condo Investors More Active

Estimated Share % of Existing Condominium Universe Rented Out



Source: CMHC Fall RMS Survey

Rental Demand Outstripping Supply in Ontario

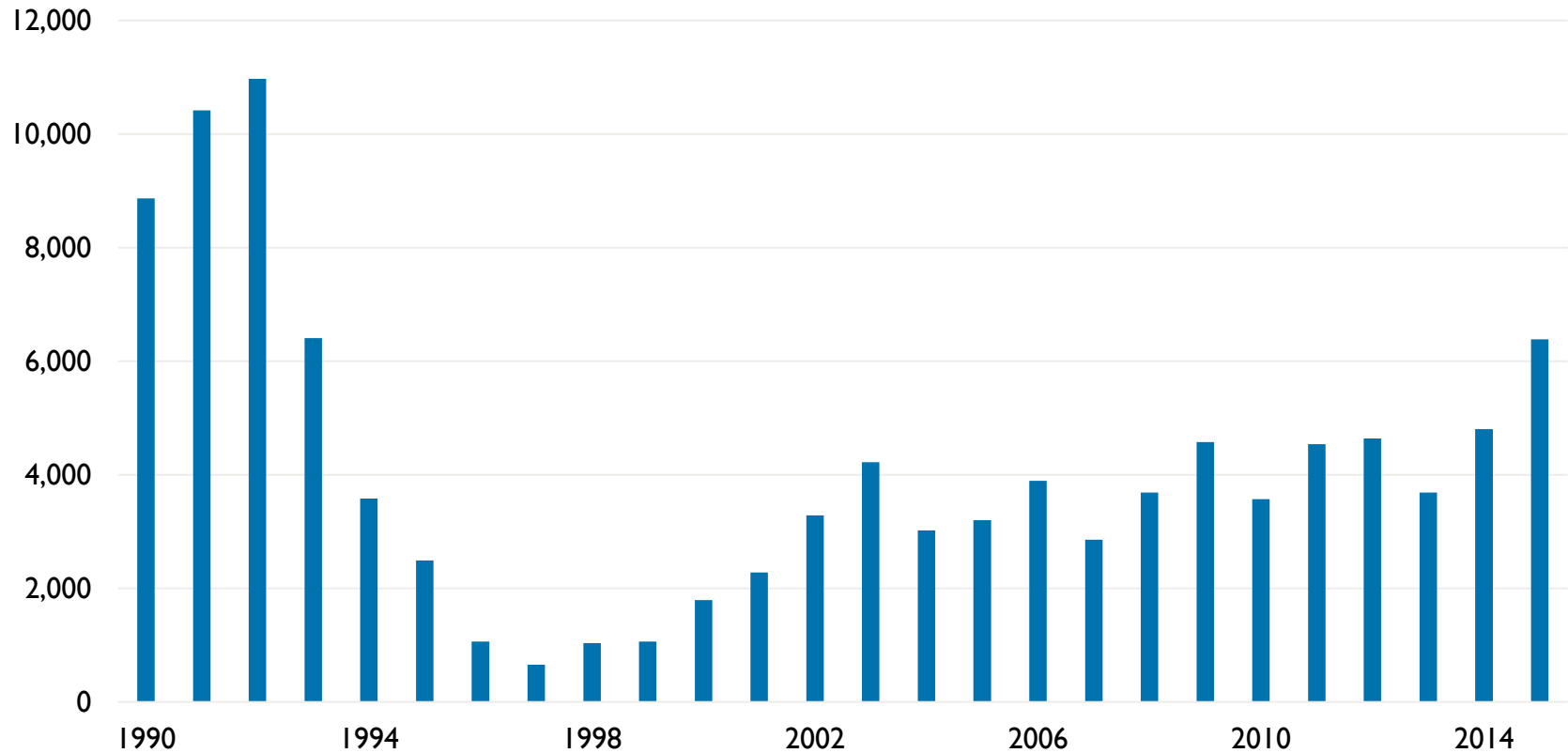


Source: CMHC Forecast 2011-16, Statistics Canada

*Does not include condominiums completed and available for rent

Larger Investors Also Interested in Purpose-Built Rental

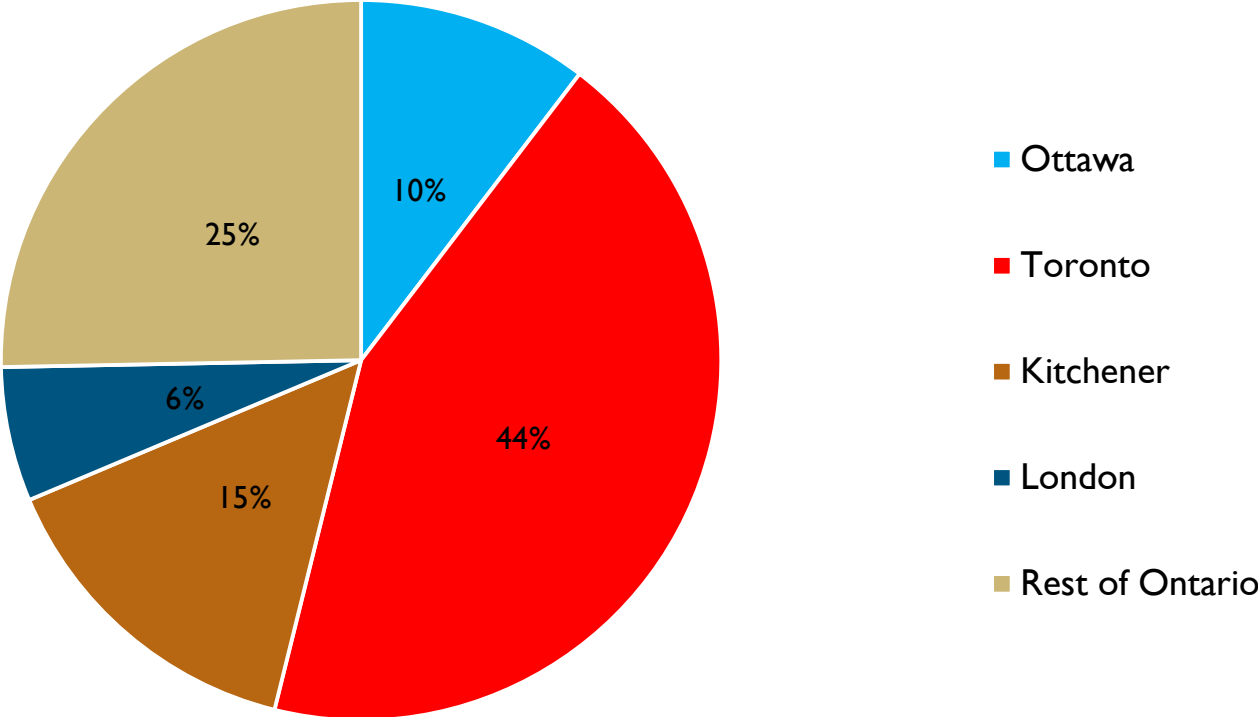
Rental Apartment Starts - ONTARIO



Source: CMHC Fall RMS Survey

New Rental Investments Registered Across Ontario

Share of Rental Apartment Starts by CMA - 2015



Source: CMHC

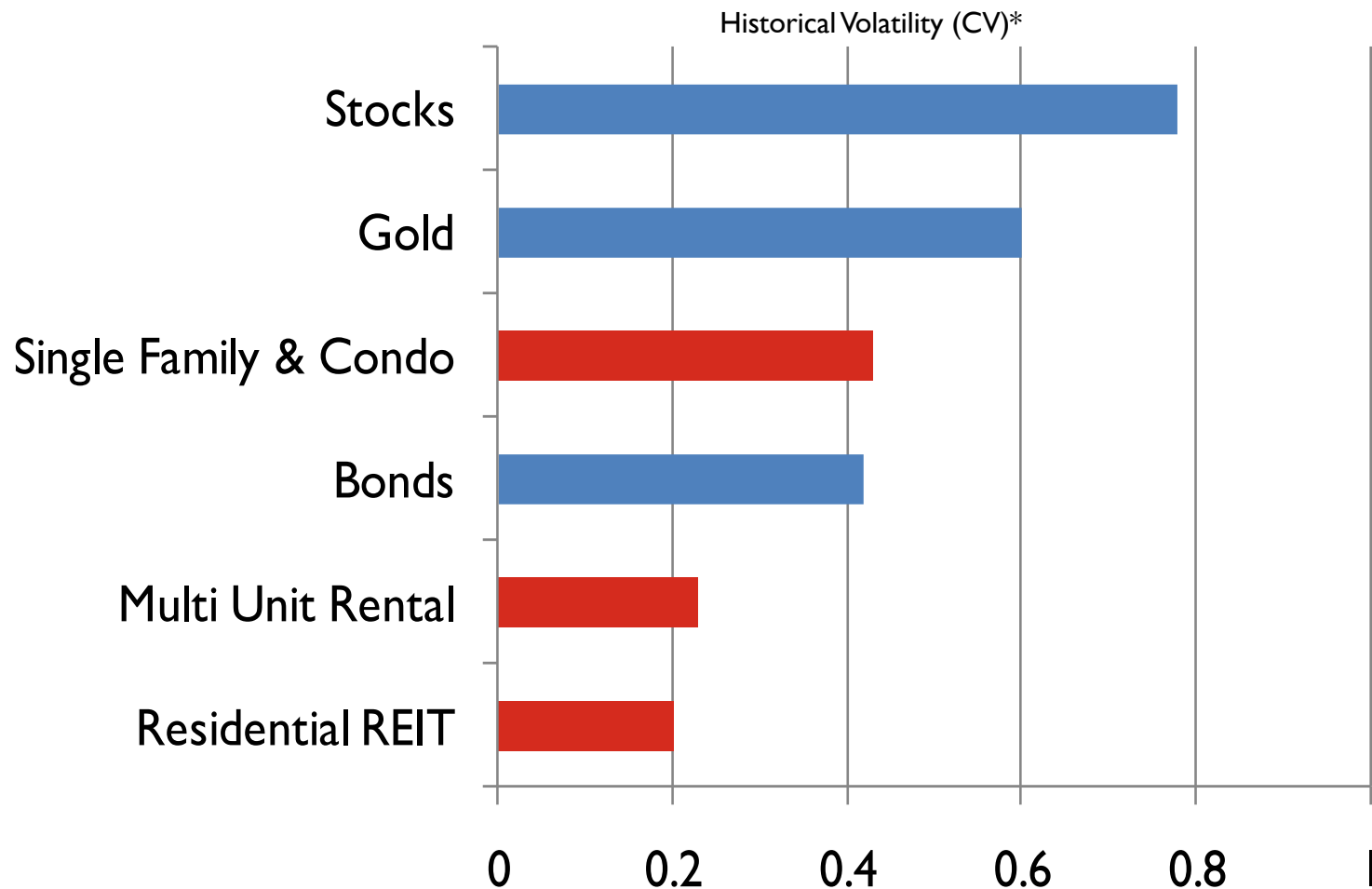
Factors Impacting New Rental Investment - ONTARIO

- Economic & Demographic Trends
- Rising Multi-Unit Values
- De-Controlled Rents
- Aging Rental Stock
- Cost of Capital & Yield
- Flight To Quality & Stable Asset

World Economy Remains Uncertain Since 2001



Not Just About Returns – Stability Also Important



Source: Altus, CREA, Bloomberg, CMHC calculation, Statistics Canada

*CV = Coefficient of Variation; CV close to 0 = low volatility; CV close to 1 = high volatility

Final Thoughts

- Rental Demand Grew Faster in Ontario & BC in 2015
- Ontario Vacancy Rates Inched Higher But Stable – Should Move Lower By 2016
- Ontario Economy, Affordability Will Support Rental Demand – Particularly in Expensive Markets
- Continued Investment Activity A Positive Signal For Sector
- Slower Job Growth, More Competing Supply Biggest Risks