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This Week...

Apartment Vacancy and Rental Rates

By Doug Elliott, Editor

The Canada Mortgage and Housing Corporation (CMHC) conducts semi-annual surveys of the private rental market in Canada. The latest reports cover vacancy rates and average monthly rents in October 2011. The reports show the vacancy rates are either low or declining in the West and average monthly apartment rents are increasing.

The mix of supply and demand is generally thought to be in balance when vacancy rates are in the 2% to 3% range. This is the case in B.C., although the vacancy rates vary across the province with Vancouver having a much lower vacancy rate (1.4%) than Victoria (2.1%) or Abbotsford (6.7%).

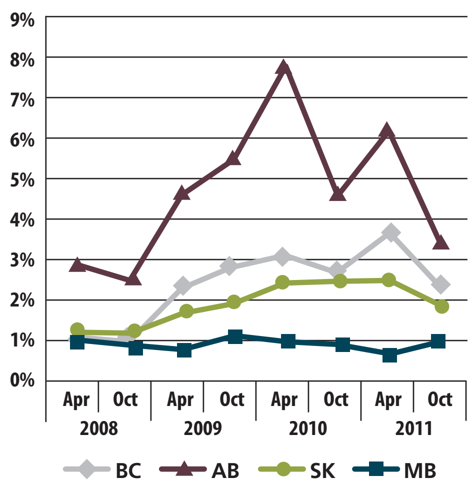
In Manitoba and Saskatchewan, vacancy rates are low enough to cause difficulties for those looking for a place to live, and probably also low enough to trigger the construction of new units.

The vacancy rate in Alberta has fallen to 3.4% from a high of 7.8% in April of 2010. The vacancy rate in Alberta is also lower in larger centres – 1.9% in Calgary, for example – than in other areas.

Average rents in the West generally reflect the supply and demand trends. They are high but stable in Alberta where vacancy rates are high but declining. The low vacancy rates in Manitoba and Saskatchewan are at least partly responsible for some significant increases in rents. From October 2010 to October 2011, the average rent increased by 4.8% in Saskatchewan and 4.6% in Manitoba. This compares with 0.8% in Alberta.

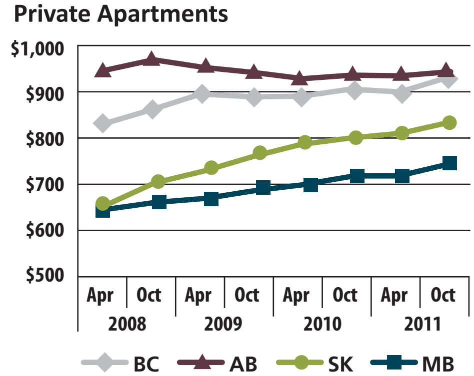
B.C. is between the two extremes with average rent increasing by 2.7% over the past year.

Figure 1: Vacancy Rates in Private Apartments



> Vacancy rates in Manitoba and Saskatchewan are low enough to cause difficulty for those trying to find a place to stay.

Figure 2: Average Monthly Rent for Private Apartments



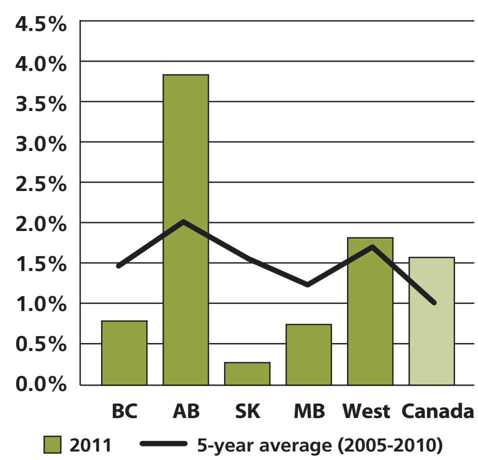
2011 Employment

The final labour market statistics for 2011 have been published by Statistics Canada. They show employment in the West has increased more quickly than in other parts of Canada, a pattern that has been evident for several years. From 2010 to 2011, employment grew by 1.9% compared with the national average of 1.6% and the five-year annual average of 1.6%.

> Employment is growing more quickly in Alberta than elsewhere in the West or other parts of Canada.

To be fair, Manitoba, Saskatchewan and B.C. are riding on Alberta's coattails. Figure 3 shows that in each of these three provinces, employment growth has been below the national average and also below their respective long-term averages.

Figure 3: Employment Growth by Province



Retail Sales

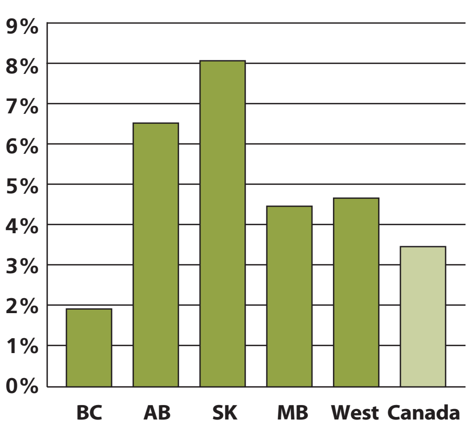
Western consumers were in a confident mood at the start of the Christmas shopping season. Gross sales in retail establishments were 6.8% higher in October than a year ago. This compares with the national average of 3.0%. The increase ranged from a low of 2.5% in B.C. to a high of 11.1% in Saskatchewan. Figure 4 shows the October figures are following a similar pattern to the one in the first three quarters of the year. Year-to-date retail sales are up by 4.7% in the West compared with 3.5% in Canada as a whole, with Alberta and Saskatchewan showing the largest increases.

Western consumers were in a confident mood heading into the Christmas shopping season but the increase in spending is not sustainable over the longer term.

Much of the growth in sales can be attributed to the purchase of new motor vehicles. Unit sales of cars and (mostly) trucks/SUVs in the West were up 6.2% for the first ten months of the year compared with a 2.0% increase nationally.

The level of spending in Alberta and Saskatchewan is not sustainable over the long term. Personal income is not growing nearly as quickly as spending, so much of the extra spending will be financed by debt. A slowdown in spending should be expected in the future, although predicting when that will happen is difficult.

Figure 4: Year-to-Date Increase in Retail Sales by Province, January to October



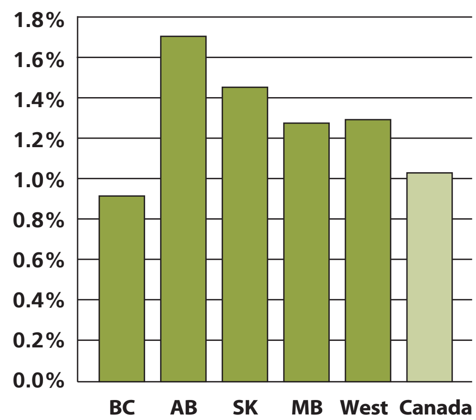
Population Trends

The population in western Canada is still growing strongly. At the end of the third quarter, the population was 10.7 million and growing at an annual rate of 1.3%. This is a slightly lower rate of growth than in the recent past, but still above the national average. The drivers for the population increases are different among the provinces.

The population growth rate is noticeably lower in B.C. than in the other western provinces. Three quarters (73%) of the 42,000 increase in B.C.'s population over the past year has come from immigration. Interprovincial migration is near zero (7% of the increase) and the remaining 20% is from natural growth (births less deaths). Saskatchewan is showing a similar pattern with 57% of the increase coming from immigration, 9% from interprovincial migration, and 34% from natural growth.

Alberta's growth is more diversified with 27% of the increase coming from immigration, 25% from interprovincial migration, and the remaining 48% from natural growth. Manitoba has negative interprovincial migration, so the population growth is exclusively from immigration and natural growth.

Figure 5: Population Growth, October 2010 to October 2011



Upcoming Releases

In the last half of January, Statistics Canada will be releasing data describing:

- November motor vehicle sales on January 16;
- November employment insurance statistics on January 16;
- November manufacturing sales on January 19;
- December consumer price inflation rates on January 20;
- November retail sales figures on January 24; and
- November employment and payrolls data on January 26.

Sources:

The figures are adapted from the following sources.

***Apartment Vacancy and Rental Rates:** CMHC Rental Market Reports*

***2011 Employment:** Statistics Canada Labour Force Survey, CANSIM Table 282-0001*

***Retail Sales:** Statistics Canada CANSIM Tables 080-0020 and 079-0003*

***Population Trends:** Statistics Canada, CANSIM Tables 051-0005*

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