

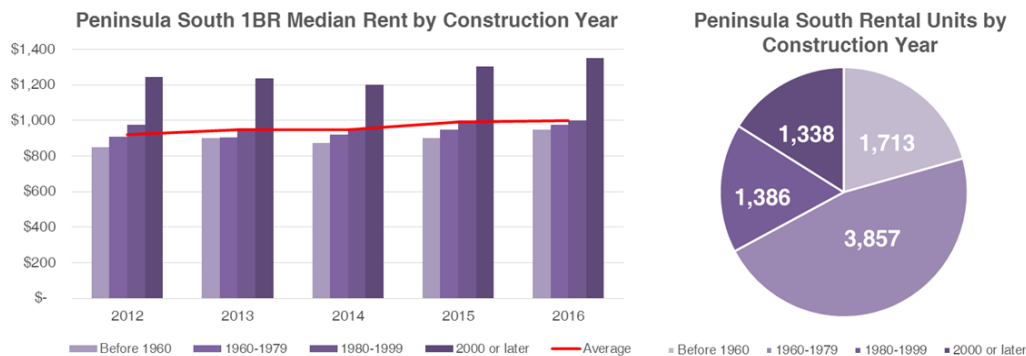


Subject: Rental Affordability: Beyond the Headlines.

Comments: On October 17th the Nova Scotia NDP introduced the Rental Fairness & Affordability Act. The legislation was a gesture towards an apparent crisis in rental housing, particularly in Halifax where costs had supposedly increased by nearly 11% in a year. This figure, cited breathlessly by both politicians and the media, was sourced from PadMapper, a private rental listings aggregator. Though the bill was DOA in a Liberal-dominated House, what of that rental data? Has Halifax followed the path of markets like Toronto and Vancouver? To find facts instead of fanfare, we (unlike the NDP) turn to a more rigorous, Canadian, and taxpayer funded source: the CMHC.

Admittedly missing the most recent year's data, overall HRM apartment rent has grown by an average of 2.3% per year over the last 25 years, and recent trends are consistent with this long-term pace. Median rent on a 1 BR unit was \$795, a far cry from PadMapper's \$1,020 (even if a significant spike materialized in the past year). Looking only at the fast developing Peninsula, the figures are equally unexciting; 2.1% annual overall rent growth, and a current median 1BR rent of \$897.

The reason for this disparity is survey sampling. PadMapper only tracks currently advertised asking rents, which is disproportionately influenced by the price of new supply, CMHC on the other hand looks at the full rental stock, which is mostly older and cheaper. Looking just at the southern half of the Peninsula, we can get an appreciation for the outsized impact of this expensive, new supply:



Source: Turner Drake & Partners Ltd, CMHC

In this case-study area, the rental stock built since the year 2000 totaled 1,338 units in 2016 and a few hundred more have been completed since. Astonishingly, as of September 2017, there are 1,291 rental apartments under construction, and many more approved or in the planning process. With such an historic amount of new supply about to hit the market, the statistic of "average asking rent" will likely continue it's rapid increase, however this does not mean existing building owners are, or should consider, raising theirs. Despite strong demand and low vacancy rates, development is about to overshoot and competition for tenants will increase. As the market rebalances and demand catches up, we foresee a period of limited rent growth, and potentially declining rents for buildings pushed out of their "king of the hill" position; finding themselves now competing with cheaper, older stock.

This is both good news and bad news for those concerned about affordability. On one hand, there is clearly no recent or forming crisis. Yet this means the very real affordability challenges in Halifax have been prevalent for years, and are more a factor of stagnant income than runaway rent. Sadly, that challenge is far more resistant to silver-bullet legislation.

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