

City of Ottawa Rental Market Analysis

Final



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Executive Summary

This report has two objectives. The first is to profile the current state of the rental market in the City of Ottawa, including the emerging area of short-term rental properties. The second is to forecast how the rental market in Ottawa is likely to develop over the next decade.

The findings presented in this report are based on:

- detailed data from the 2016 Census on housing and costs;
- Canada Mortgage and Housing Corporation (CMHC) survey data on the change in rental prices from 2016 to 2018;
- CMHC counts of new construction activity including the construction of rental-purposed units and condominiums;
- the City of Ottawa forecasts on population and household composition;
- Multiple Listing Service (MLS) records for the City of Ottawa to capture the upper end of the rental market;
- Kijiji listings for rental properties to capture the middle and lower ends of the rental housing market;
- online listings for short-term rentals in the period from 2016 to 2018;
- additional data sources integrated into the Canadian Centre for Economic Analysis' (CANCEA) forecast model;
- data on the stock of buildings with rental accommodation obtained from the Municipal Property Assessment Corporation (MPAC).

This approach is comprehensive; it includes both primary (purpose-built rentals) and secondary (e.g. rented condos, home conversions, etc.) rental markets and includes both high-end house rentals and low-end shared accommodation for estimating both total units and rent.

State of the Rental Market

The housing stock in Ottawa is divided between owners, who largely live in single detached homes covering most of the City's area, and renters, who largely live in apartments located in concentrated areas accessible by transit. The rental market has grown in supply (number of rental units) by approximately 1% between 2016 to 2018, while over the same period, the population living in rental accommodation has grown by a faster rate of 2.9%. This has contributed to a sharp rise in rents – over that same period, apartment rents have risen by 7.8% and house rents by 11.3%. The increase in rents reflects faster growth in population relative to the housing stock, a general rise in incomes, and in some areas, the rapid growth of short-term rentals as an alternative use

of rental stock. Because rental housing is geographically concentrated, so are the households facing housing affordability pressures. These households make up 40% of renter households and that percentage is expected to continue to rise over the long-term.

Private Rental Listing Platforms

There are a number of privately maintained platforms that provide information on currently available rental units, including shared and rooming house accommodation. These include Kijiji, Viewit, Padmapper, Liveonrent, and Craigslist, among others. In this study, data from Kijiji was used to obtain information on the size and nature of rental market units, current asking rents, and location. The statistical reliability of findings based on these private platforms is not as strong as CMHC's surveys which apply more rigorous sampling rules. However, a large sample of private platform listings is nevertheless indicative of actual trends in asking rents and fills an important gap in information on the actual cost of shared and rooming house accommodation.

Short-Term Rentals

This study included a scraping of short-term rental listings from short-term rental websites. It includes all listings from AirBnB and VRBO in the Ottawa area taken in the period from August 2015 to December 2018. Although there are other short-term rental services (e.g. Expedia), these services do not provide enough data to avoid duplication issues (where the same properties are listed on multiple sites), and because they are new entrants, each with a relatively small market share of overall properties, they were not included. Key findings of the analysis include:

- The number of short-term rentals has grown rapidly, with listings increasing by 83% since 2016 and the number of exclusively short-term rental units increasing by 254% over the same period.
- Rapid growth is from a small base number of properties, and the pace of market growth is showing some signs of stabilizing.
- Short-term rentals are in the majority apartments.
- Short-term rentals are concentrated in areas of tourist interest and have low market penetration outside those areas.
- Approximately 1.2% of apartments (excluding purpose-built rental units) were used for short-term rentals, up from less than 0.4% in 2016.
- The share of exclusive STR units (those rented for more than 120 days a year) has doubled from 10% of overall listings in 2016 to 20% in 2018.

- By 2031, up to 1.85% of the rental stock could be short-term rentals if the current growth trends were to continue. If this were to result in pushing the vacancy rates by half that amount, annual rent increases could reach over 5%.

Rental Market Forecast

The supply of housing units has maintained a relatively stable linear growth in the City of Ottawa, and this report forecasts that the stock of dwellings will continue to increase by about 5,600 per year with the shift in construction moving away from single-detached homes and towards apartments and row houses. If the current construction rates continue and are considered against current demographic forecasts, this report forecasts by 2031 a gap of approximately 18,000-19,000 dwellings for the population trying to settle in Ottawa. In this scenario, average apartment rents would be expected to rise by 41% in the period between 2018 and 2031. This would result in almost 25,000 more households living in unaffordable dwellings by 2031.

1. Introduction

Ottawa's real estate market is characterized by rising prices and scarce availability of rental units, which creates pressures for housing affordability but also motivates new residential investment. This study compiles the available information about the current stock of rental accommodation in the City of Ottawa (nature, size and location), and provides estimates of current market rates for housing based on primary data obtained from online listing platforms. The study also provides a forecast to 2031 of the future rental housing market based on anticipated trends in population growth and economic conditions. This study employs rental data from CMHC's Rental Market Survey and Secondary Rental Market Surveys which provide a base but an incomplete sample of the overall rental housing market. For example, rooming houses and shared accommodation are not covered by CMHC surveys. However, data from the 2016 Census makes it possible to capture the diverse changes in Ottawa's housing market among the City's many neighbourhoods and distinguish between different types of rental properties.

A key objective of this report is to address the City's information gap about the current state of the housing market by providing credible estimates of:

- the stock of rental units by rental type
- the number of buildings with residential rental accommodations
- rent costs correlated with unit type, their location, and other relevant characteristics.

In addition, the report provides a ten-year forecast of the rental accommodation market at the neighbourhood level taking into account the impact of the short-term rental market.

2. Methodology

The findings in this report are based on the following data sources:

- Detailed data from the 2016 Census on housing and costs.
- CMHC survey data on the change in rental prices from 2016 to 2018.
- CMHC counts of new construction activity including the construction of rental-purposed units and condominiums.
- The City of Ottawa forecasts on population and household composition;
- Multiple Listing Service (MLS) records for the City of Ottawa to capture the upper end of the rental market.
- Kijiji listings for rental properties to capture the middle and lower ends of the rental housing market.
- Online listings for short-term rentals in the period from 2016 to 2018;
- Additional data sources integrated into CANCEA's forecast model.
- Data on the stock of buildings with rental accommodation obtained from the Municipal Property Assessment Corporation (MPAC).

Analysis of the dataset is divided into three components: the rental accommodation inventory, the state of the rental accommodation market, and the rental market forecast.

2.1 Rental Accommodation Inventory

The first step in analyzing the rental market was developing an inventory of the number, size, location, physical attributes (e.g., number of bedrooms and state of repair) and average shelter costs of housing in the Ottawa Census Metropolitan Area (CMA). This data was collected both for rental housing and for owner-occupied housing at the Census Tract level from the 2016 Census. Housing was classified by dwelling type (either an apartment, a semi-detached house, a row house, a detached house or a moveable dwelling). It was also classified by the number of bedrooms (up to and including three). The stock of housing and of rental housing were calculated by using CMHC housing completion data and changes in short-term rentals from a dataset of scraped data provided by AirDNA.

In order to advance Census data from 2016 to the current period, other existing data sources, such as CMHC's rental market data, were used to provide an estimate of the change in average rents. The actual rents reported by CMHC's survey were not used in the analysis. The main CMHC survey is performed on purpose-built rental accommodation but this distinction is not listed in the Census data and this was found to produce a bias in most rent estimates because the secondary market forms a large

share of the rental housing market but CMHC's supplementary secondary rental market survey does not have the same level of precision as the primary study. In addition, available data does not cover basement apartments or shared accommodations which are vital components of the housing supply for low-income tenants. Instead, CMHC's observed changes in rental prices were applied to the 2016 Census data for rental shelter costs.

Shelter costs is a term used by Statistics Canada to refer to the average monthly total of all shelter expenses paid by households that own or rent their dwelling. Shelter costs for owner households include, where applicable, mortgage payments, property taxes and condominium fees, along with the costs of electricity, heat, water and other municipal services. For renter households, shelter costs include, where applicable, the rent and the costs of electricity, heat, water and other municipal services. Within this document, the term rent is used to refer to shelter costs where the residents rent their accommodation. This may understate shelter costs with respect to market rent data because it is not uncommon for listings to exclude additional costs after rent in the text of advertisements.

To measure housing affordability, the dataset uses Statistics Canada's 'Shelter-cost-to-income ratio', defined as the proportion of average total household income spent on shelter costs. By this measure, shelter costs which exceed 30% of total income are classified as unaffordable. Housing affordability data was also collected using dwelling and bedroom type by Census Tract; however, data suppression was high at this level of detail in less populated Census Tracts.

Population and household data is based on the 2016 Census demographic data collected at the same level of detail as the housing dataset. In order to bring demographic estimates forward to 2018, neighbourhood-level changes in terms of populations and households, forecasted by the City of Ottawa, were applied to Census Tract-level data and then normalized against the tract-level housing stock and the overall population estimate for the City.

A growing factor in the supply of rental units are short-term rentals. Short-term rental data was purchased from AirDnA, which conducts regular scrapes of AirBnB and VRBO listings and compiles them into a historic database. Although monthly listing data was available, the inventory analysis of short-term rental listings was based on repeated listers for which data was scraped in the year being analyzed. Short-term rentals are modelled in this analysis as a pure substitute for long-term rentals when the unit is listed for more than 120 days in the twelve months prior to when the data was scraped. AirDNA data includes the latitude and longitude of rented properties, which was used to attach short-term rentals with individual Census Tracts. Properties listed for fewer than 120 days were not included in the overall rental analysis. Without further market research, it unclear whether these rentals are at the expense of a long-term renter.

2.2 State of the Rental Housing Market

Some of the most up to date and detailed data on the rental market are the listings on public rental boards such as Kijiji, Viewit, Padmapper, Liveonrent, and Craigslist. Multiple listings on these sites contain details on the type of unit, the rent, and approximate location (some listings have the exact address but not all). The listings are updated frequently on these platforms and some are even updated in real-time. Since the extent of cross-posts between platforms is high and unmeasurable, market rents were extracted from three online sources:

- short-term rents were extracted from online listings, as provided by AirDNA;
- mid and lower market rents were extracted from Kijiji listings in October, November, and December of 2018; and
- top-level rents were extracted from Multiple Listing Service (MLS) listings for houses in October, November, and December of 2018.

Rents are clearly stated in all web listings, although these represent asking rates (overwhelmingly posted by landlords) rather than confirmed market-clearing rents, which represent private transactions.

An additional source of error is found in the listings themselves. Kijiji postings often contain incomplete information and errors. For example, many listings advertised on the website for Ottawa were in fact for apartments outside the Ottawa CMA. Only data for which dwelling types, number of bedrooms and location could be extracted from the listing were used in the market rate analysis. Locations were determined either by addresses or by nearby landmarks or neighbourhoods referenced in the listing. This reduced the number of observations from 3,374 raw listings to 2,363 data points used.

MLS data was used for high-end rentals, typically single detached homes that are infrequently rented through Kijiji. Only a small number of listings (139) were available for the time period. Data quality for the listings was found to be high but not representative in cost. However, there was no reasonable measure of this bias, therefore the data from this sample was combined with Kijiji data without weighting.

2.3 Rental Housing Market Forecast

The rental housing market forecast was produced by the Canadian Centre for Economic Analysis (CANCEA), using CANCEA's Prosperity at Risk (PaR) model, a computer simulation platform that incorporates and combines social, health, economic, financial, and infrastructure factors into a single system in order to serve Canadians' policy interests. PaR is a unique, agent-based simulation modelling platform, wherein 'agents'

(e.g., individuals, industries, governments and non-residents) are modelled simultaneously as a complete system. These agents have a long list of attributes (currently over 850) and behavioural rules, as well as associated financial statements and assets. In particular, the people and households modelled in the platform have the key attributes related to housing and affordability including age, income, household structure (i.e. single, couple, lone-parent, with or without children), and dwelling type (i.e. detached, apartment, semis, etc.). The resulting heterogeneity of the agents in the system provides a realistic representation of the society of interest and allows longitudinal tracking of individuals and households. For example, one could follow an individual from birth, through employment, potentially becoming married, having children, to retirement and eventually death. This modelling approach is uniquely suited to identify the development of housing markets based on region, economic state and household formation, as well as additional requirements such as accessibility and low incomes.

Within the simulation platform, agents interact with each other, natural resources, the infrastructure, and the economy, in accordance with their behavioural rules. In addition to the endogenous rules of behaviour, external policy rules, such as limitations on populations within a region or population density restrictions are a standard part of the platform. PaR reflects over 5,000 Canadian census subdivisions that are linked through population, health, infrastructure, socioeconomic policy and industry development interdependencies with consistent historical data. For this analysis, PaR incorporated Ottawa-specific housing and demographic data collected as part of the housing inventory analysis and through the City's plans for development over the next decade.

Demographics and Households

Demographics are modelled using a longitudinal stock-flow consistent model. The various factors driving population growth – births, deaths, in-migration, and out-migration -- are simulated based on recent regional historical trends. In general, average birth rates are decreasing and women are having children at an older age. Age-standardized death rates are also decreasing, resulting in an ageing population. International immigration is a primary driver of overall population growth in Canada.

Within the population, households are formed following recent trends as well. Overall, as the population ages and families are forming at later ages and with fewer children per family and therefore the average household size is decreasing. The result is that the number of households is increasing faster than the population. Household size is falling from the 2.50 people per household observed in the 2016 Census to 2.46 projected in 2031.

It is important to note that the demographic projection is modelled without any housing constraints in order to capture the anticipated demand for housing. In practice, the actual population of Ottawa could be reduced (or increased) if fewer (or more) dwellings were built than required.

Dwelling Stock

The current dwelling stock is estimated from the rental housing inventory analysis. The construction of dwellings is based on CMHC reported starts and completions by census division. Under the status quo model, construction rates are assumed to follow the average starts over the last five years. The dwelling stock and construction is divided into 4 structural types, including:

- Single detached home
- Semi-detached home (relatively rare in Ottawa)
- Row home
- Apartments

Each dwelling is assigned one of 5 uses:

- Owner-occupied
- Primary rental (purpose-built rental)
- Secondary rental (long-term)
- Short-term rental
- Other use

The 'Other use' category includes dwellings occupied by households not captured in the census such as non-permanent residents.

The initial distribution of dwelling use is based on CMHC surveys and the 2016 Canadian Census Profile. The projected use of dwellings assumes that the current use trends persist with a proportional adjustment for increased short-term rentals.

Short-Term Rental Scenarios

The introduction of short-term rentals into the housing market is a relatively recent phenomenon, therefore historical trends are not available. However, over the last 3 years, there has been a considerable increase in the number of dwellings being rented on a short-term basis. Over the long term, such rapid increases are unlikely to persist. Therefore, two scenarios were considered:

- Slow growth in short-term rentals: The prevalence of short-term rentals will increase slightly over the next couple of years before levelling off
- Fast growth in short-term rentals: The prevalence of short-term rentals will continue to increase at rates seen recently for several more years before starting to level off

Actual growth can easily fall between these two scenarios. Short-term rentals are concentrated in tourist areas of the City and thus have a natural limit that can constrain adoption but are building from a relatively small base with most growth happening in just the last two years.

Affordability Thresholds

The number of households facing affordability challenges (i.e. spending more than 30% of the income on shelter costs) depends on both the incomes of the household members and costs of dwellings in a dynamic housing market. Both incomes and housing costs depend on many variables, such as interest rates, labour markets, and international economic activity. Numerous assumptions would be required to fully model the dynamics. However, a simplified approach is to ask the question of: How many more households would face affordability issues if the status quo was to continue? The forecast analysis is based on the continuation of rent increases currently seen over the short-term (the next two years) easing into an inflation-based estimation over the medium to long term. These conservative estimates are compared against the continuation of current trends in income growth to estimate the change in the number of households living below the affordability threshold.

3 Findings from the Rental Housing Inventory

This section reports the findings from the quantitative analysis of the inventory of rental housing.

3.1 Profile of Overall Rental Supply

Over the last three years, the supply of new rental units has increased by 1%, but the population living in rental housing increased by 2.9%. As a result, the population per rental unit has risen from 2.05 residents to 2.07 in the City of Ottawa.

Table 1 (A) – City of Ottawa, Renters and Units, 2016-2018

Year	Rental Units	Population in Rental Housing	Population per unit
2016	131,444	269,228	2.05
2017	131,629	271,531	2.06
2018	132,567	274,616	2.07

Table 1 (B) – Ottawa CMA (including Gatineau), Renters and Units, 2016-2018

Year	Rental Units	Population in Rental Housing	Population per unit
2016	179,075	359,152	2.01
2017	179,757	365,192	2.03
2018	180,899	369,117	2.04

The above figures are based on a simple calculation: the population estimate provided by the City of Ottawa, the number of purpose-built rental and condominium housing units completed as reported by CMHC, the number of units used for short-term rentals, and the historic distribution between use in condominiums between owner and renter occupation. It may be the case that the city has seen an expansion of the secondary rental universe at the expense of owner-occupied housing. This which would alleviate the trend of higher population per unit but there is no data available to test this hypothesis.

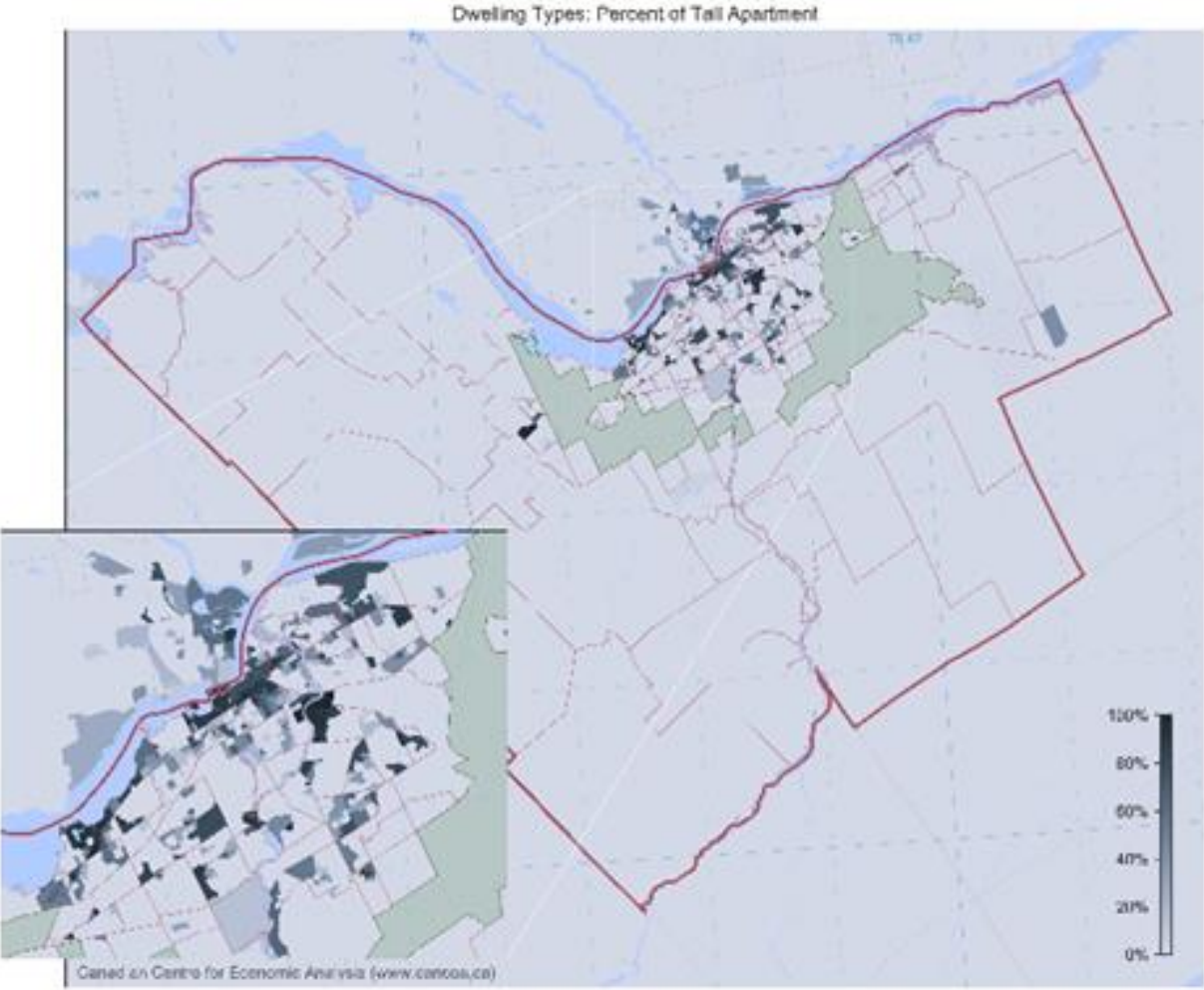
Most housing in the City of Ottawa is composed of owner-occupied, single-detached homes, with high rise apartments contained within the region surrounded by Ottawa's green belt. The estimated 2018 distribution of units by dwelling types for the City of Ottawa shows that most renters (69%) live in apartments and relatively few reside in homes of any type except row houses. Table 2 provides an estimate of the inventory of housing units by type and tenure for 2018.

Table 2 – Inventory of housing units by Tenure, City of Ottawa, 2018

	All	Apartment	Row Houses	Semi-Detached	Single Detached Homes	Movable dwellings (e.g. Mobile Homes)
Owner	270,802	27,309	55,478	17,477	169,613	925
Renter	132,887	91,886	26,422	4,775	9,644	160
Total	403,689	119,195	81,900	22,252	179,257	1,085

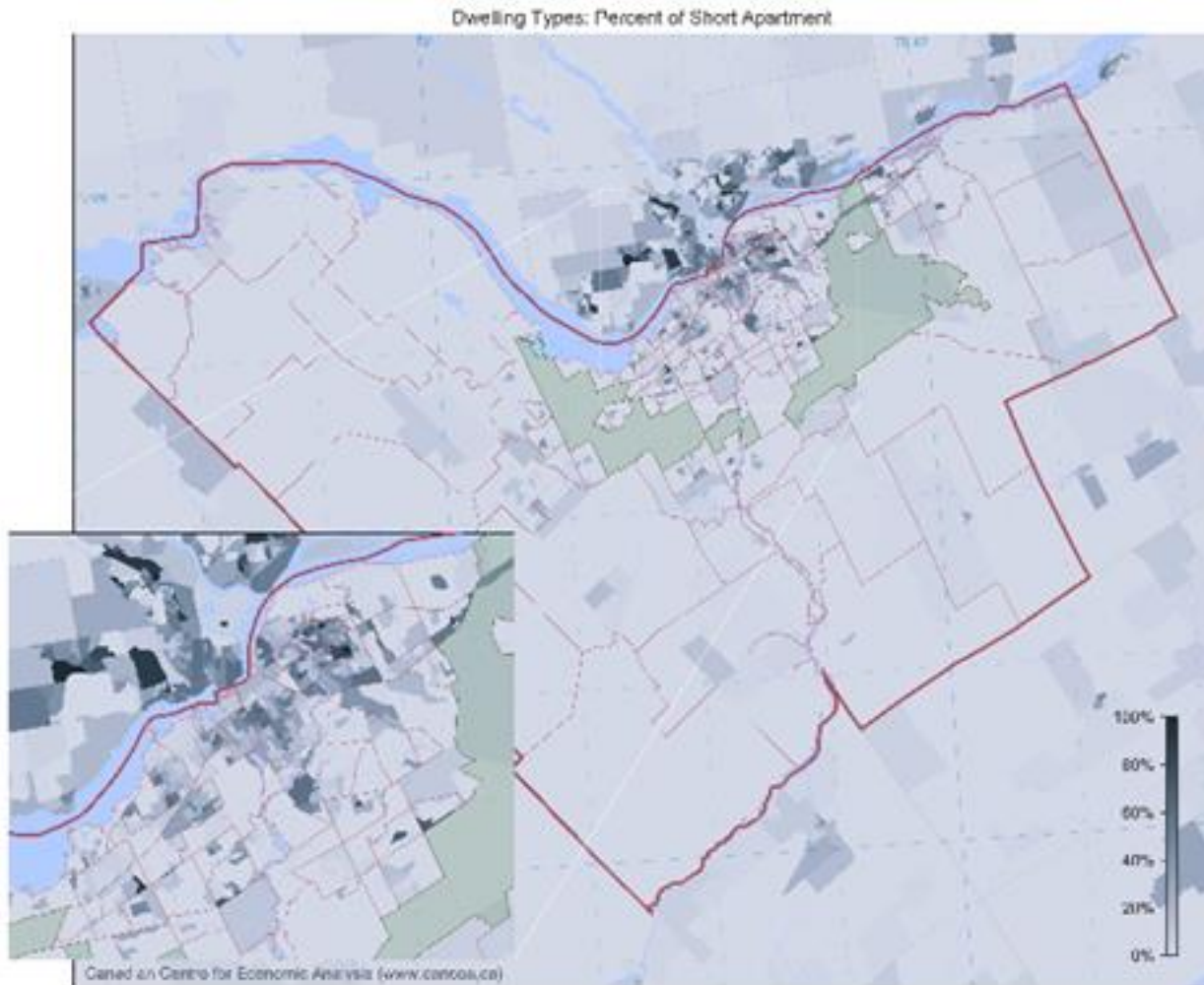
Of the apartments, most of the stock is highly concentrated in distinct neighbourhoods in the City of Ottawa and are mainly comprised of high-rise apartments (low-rise apartments, buildings of 5 storeys or less, are relatively more common in Gatineau) as shown in Figures 1 & 2.

Figure 1 - Dwelling Types: Percent of High-Rise Apartments



Source: CANCEA

Figure 2 - Dwelling Types: Percent of Low-Rise Apartments



Source: CANCEA

Total housing construction has averaged about 5,800 units per year in Ottawa for the past decade. The units constructed have been fairly evenly split between apartments (1,770 per year), row houses (1,750 per year), and single-detached houses (2,010 per year). Starts have fallen slightly over the past five years but this has been counteracted somewhat by a slow but consistent increase, starting in 2012, in the number of units intended for the rental market as shown in Figures 3 & 4

Figure 3 – Starts by Dwelling Type: Ottawa

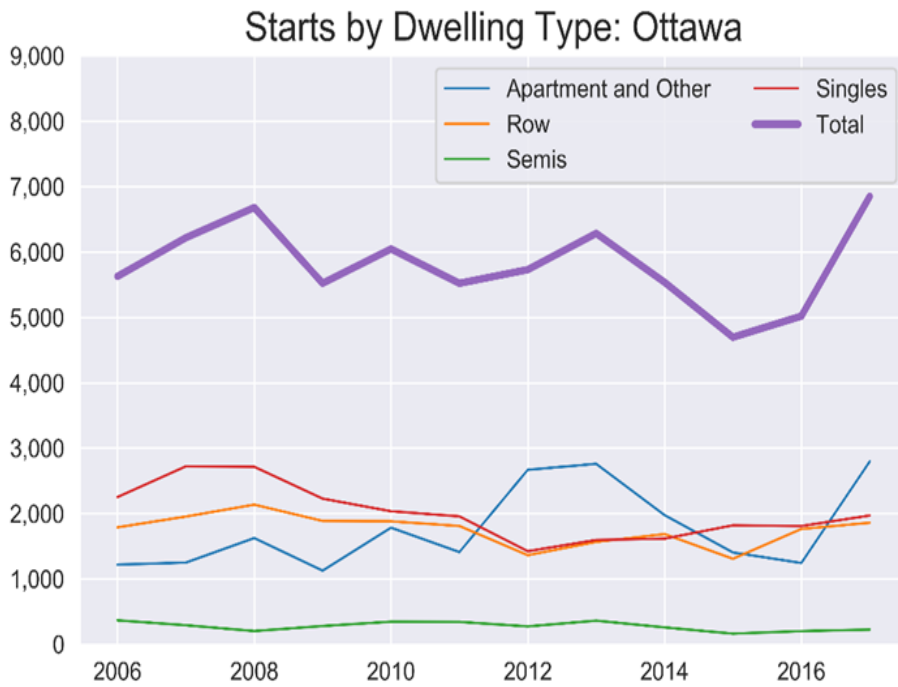
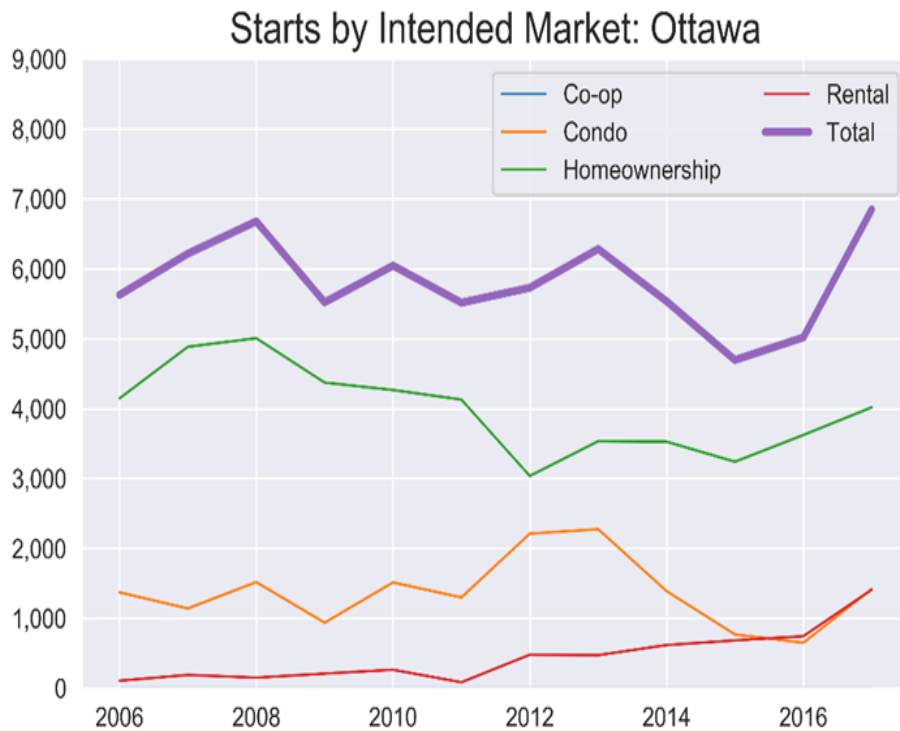


Figure 4 – Starts by Intended Market: Ottawa



The rental housing stock for the City of Ottawa is aging, with most (62%) of rental units built before 1979. New rental units that are being constructed are overwhelmingly (97%) apartments, either purpose-built units or new condominiums rented by their owners. There is anecdotal evidence, however, that there are newly constructed single detached homes that have been converted to secondary market rental units but no hard data on this is available.

Table 3– Rental Units by Construction Era, Dwelling Types, 2018

	Before 1960	1960 to 1979	1980 to 1999	2000 to 2016	After 2016
All	28,649	54,140	30,751	18,063	1,613
Apartment	20,678	40,029	19,450	10,424	1,573
Row	2,724	9,356	8,701	5,654	40
Semi-Detached	1,750	1,657	766	601	n/a
Single	3,497	3,098	1,834	1,384	n/a

Limiting the housing stock to only rental units and looking at the number of bedrooms available in these units (see Table 4 below) shows that over time there has been a shift in supplier preferences towards apartments with more bedrooms. In buildings older than 1960, 51% of units are one-bedroom, but that is true of only an estimated 32% of buildings built in the last two years. Conversely, the share of two-bedroom units has risen from 37% of units in apartment buildings older than 1960 to 51% of units in new construction.

Table 4 – Rental Apartments by Construction Era, 2018

	Before 1960	1960 to 1979	1980 to 1999	2000 to 2016	After 2016
Bachelor	586	1,088	405	221	89
1 Bedroom	10,614	21,512	9,528	4,645	489
2 Bedroom	7,663	14,659	8,306	5,012	772
3+ Bedroom	1,806	2,796	1,254	461	165
All	20,669	40,055	19,493	10,339	1,515

This data can further be broken down by the number of buildings themselves, as shown in Table 5 below. This table estimates the distribution of building ages based on building

counts provided by MPAC. For apartments, this includes both owned and rented condominium properties because both properties can be found within condominium buildings.

Table 5 – Buildings with Rental Units by Estimated Age of Construction, 2018

	Before 1960	1960 to 1979	1980 to 1999	2000 and After	Total
All	10,584	31,348	27,672	18,045	87,649
Apartment	435	846	476	359	2,116
Row	8,064	27,696	25,757	16,857	78,374
Semi-Detached	1,801	1,706	789	619	4,915
Single	284	1,100	650	210	2,244

3.2 Profile of Average Rents

Shelter costs for the City of Ottawa have risen rapidly since 2016, with apartment rents rising 7.8% over a two-year period and rent on detached homes increasing by 11.2%. This has increased the average rent for a three-bedroom house from \$1,547 in 2016 to \$1,737 in 2018.

Average Rents in the City of Ottawa by Dwelling Type, 2016-18

Table 6 (A) – Apartments

	Percentage (%) Change					Average Rent (\$) per month				
	Bedrooms					Bedrooms				
	Bachelor	1	2	3+	Total	Bachelor	1	2	3+	Total
2016	n/a	n/a	n/a	n/a	n/a	769	959	1,237	1,313	1,088
2017	3.5	2.0	2.0	2.3	2.1	796	978	1,262	1,343	1,111
2018	5.2	5.9	5.8	5.6	5.6	838	1,036	1,335	1,419	1,173

Table 6 (B) – Single Detached House

	Percentage (%) Change					Average Rent (\$) per month				
	Bedrooms					Bedrooms				
	Bachelor	1	2	3+	Total	Bachelor	1	2	3+	Total
2016	n/a	n/a	n/a	n/a	n/a	1,279	986	1,223	1,547	1,454
2017	4.0	4.0	4.4	6.1	4.0	1,331	1,025	1,277	1,641	1,513
2018	7.0	7.0	6.4	5.9	7.0	1,424	1,097	1,358	1,737	1,645

A geographic analysis of average rents in the City of Ottawa shows some common patterns can be identified when looking at specific housing types. Rents are generally higher close to the downtown core and in areas close to public transportation, but Ottawa shows an interesting contrast in that some suburban areas show relatively

expensive rental markets – Kanata/Stittsville, for example, has higher rental costs, than downtown neighbourhoods like the Glebe.

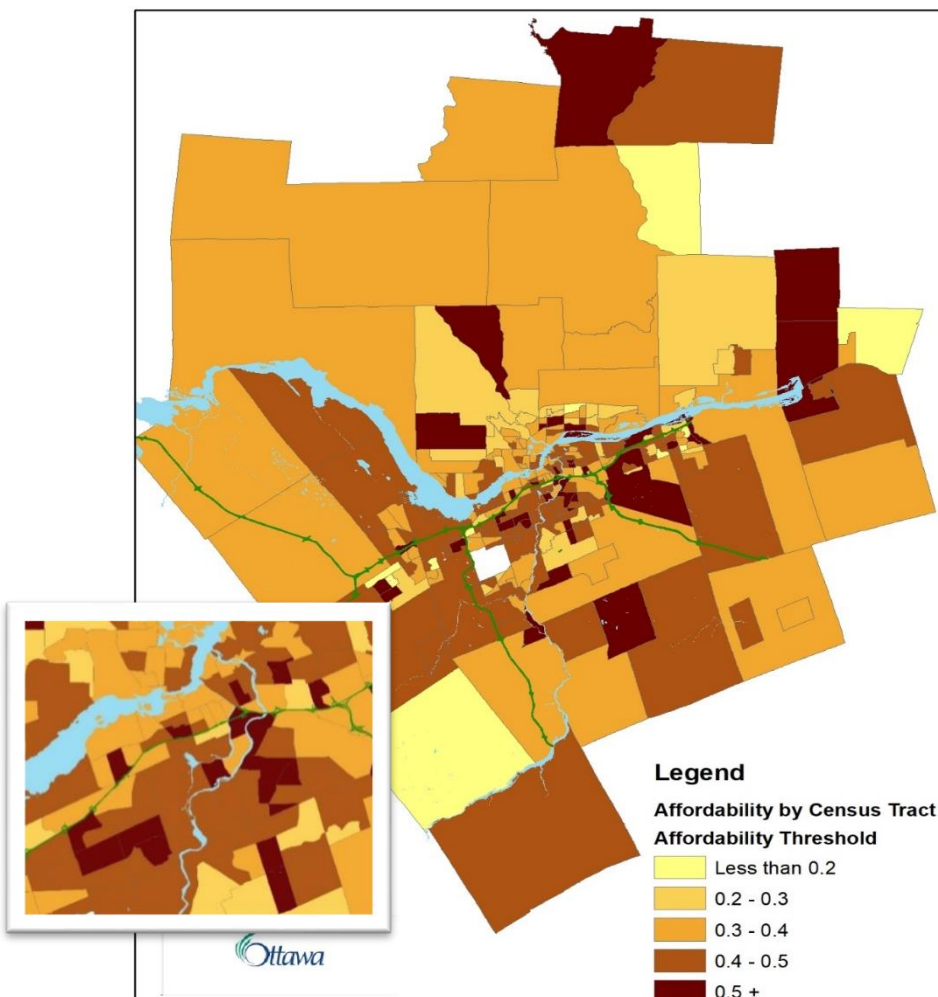
Table 7 – Average monthly renter costs by neighbourhood, 2018

Neighbourhood	All	Apartment	Row	Semi-Detached	Single
City of Ottawa	1,264	1,173	1,408	1,423	1,645
Alta Vista	1,173	1,113	1,311	1,177	1,584
Barrhaven and Rural Nepean	1,606	1,449	1,611	1,636	1,939
Bayshore/Crystal Beach/West College	1,303	1,184	1,432	1,436	1,449
Beacon Hill/Cyrville	1,291	1,146	1,435	1,394	1,612
Britannia/Lincoln Heights	1,087	1,072	959	1,504	1,463
Carlington	1,040	981	1,041	1,250	1,573
Chinatown/Hintonburg	1,136	1,093	1,158	1,522	1,756
Clarence-Rockland	1,207	1,032	1,206	1,287	1,607
Downtown	1,319	1,298	1,625	1,511	1,687
Eastern Orleans/Rural Eastern Ottawa	1,432	1,190	1,600	1,160	1,633
Gatineau	928	874	918	1,082	1,107
Glebe	1,519	1,485	1,561	1,682	1,867
Gloucester/Western Orleans	1,405	1,263	1,469	1,461	1,706
Hampton Park	1,409	1,314	1,284	1,915	1,951
Hunt Club/South Keys	1,152	1,026	1,265	1,420	1,519
Iris/Queensway Terrace/Whitehaven	1,214	1,151	1,284	1,395	1,487
Kanata/Stittsville	1,559	1,527	1,561	1,325	1,806
Knoxdale	1,317	1,171	1,479	1,287	1,516
Lowertown	1,191	1,163	1,315	1,437	1,246
New Edinburgh/Manor Park/Rockcliffe Park	1,234	1,128	1,260	2,001	2,295
North Grenville MU	1,298	1,080	1,381	1,168	1,561
Old Ottawa South	1,377	1,274	1,767	1,800	1,918
Overbrook/Castle Heights	1,103	1,005	1,279	1,247	1,393
Rural Western Ottawa	1,445	969	1,554	1,184	1,623
Sandy Hill	1,216	1,188	1,172	1,741	1,762
Vanier	1,068	1,050	1,246	1,109	1,197
West Centretown/Fisher Park	1,421	1,331	1,577	1,861	1,670
Westboro North/Tunney's Pasture	1,334	1,292	1,595	1,798	1,589
Westboro South	1,164	1,141	1,431	1,008	1,943

3.3 Housing Affordability

The continued rise in rental prices has created challenges for lower-income residents struggling to find affordable and appropriate shelter. In order to measure this, Statistics Canada uses the shelter-cost-to-income ratio - the proportion of average total income of household which is spent on shelter costs. The affordability measure is simply the share of households with a shelter-cost-to-income ratio above 30%. This measure does not show the severity of unaffordable housing within an individual household, but when considered within a geographic area it can be used to observe the scope of unaffordable housing within the area. In 2016, over 42% of all renter households and 14% of all owner-occupied households in the City were paying over 30% of their total income on shelter expenses. Figure 5 shows the share of the population below the affordability threshold for renters by Census Tract. It shows that unaffordable housing exists not only in lower-income suburban areas but also in pockets of exurban tracts, likely reflecting the high cost of single detached homes even in less dense communities.

Figure 5 – Affordability threshold for renters by Census Tract.



From a public policy standpoint, combining population with the affordability threshold for the renter population shows the concentration of need. Communities like Alta Vista combine high shelter costs with high population (10,327 people there are estimated to spend more than 30% of their income on shelter costs).

Table 8 – Renter affordability threshold and population, 2016

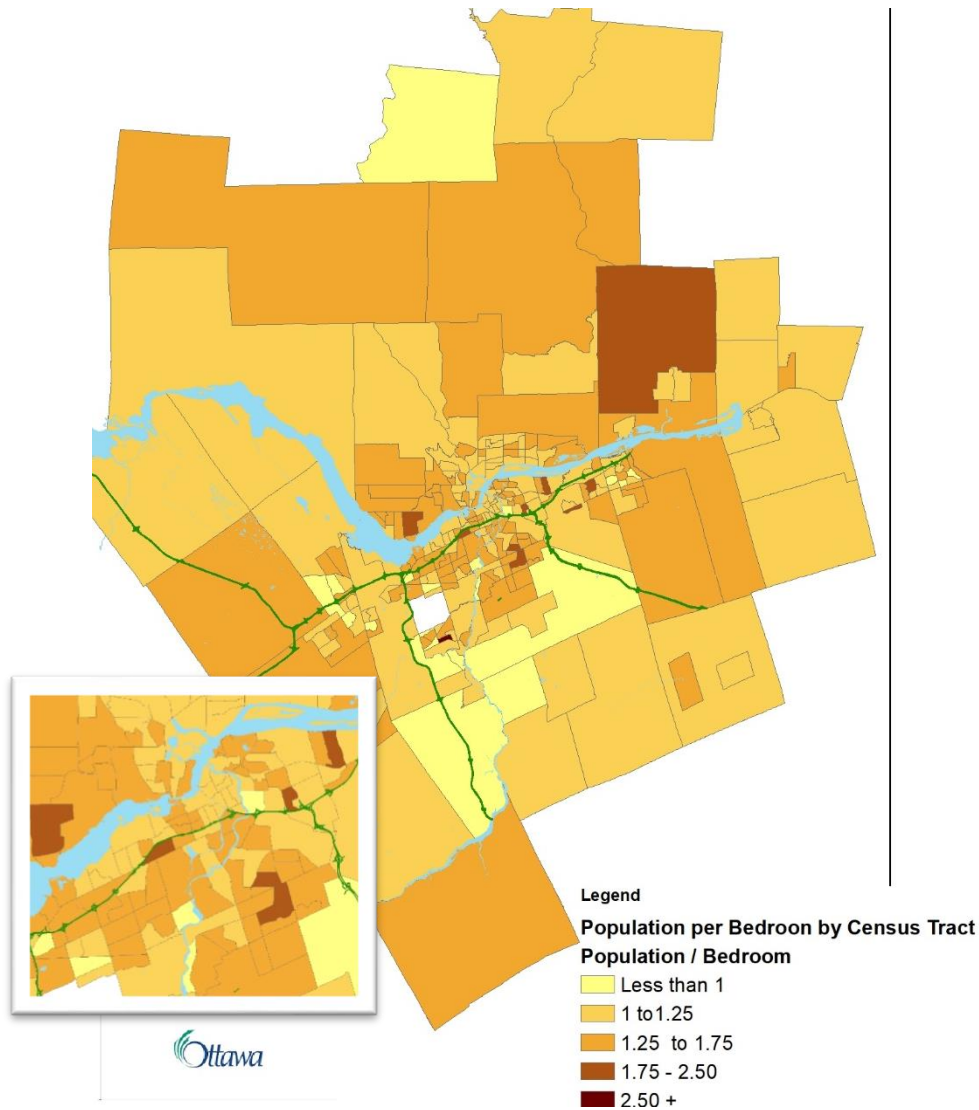
Neighbourhood	Shelter Spending Over Affordability Threshold	Population	Population in Unaffordable Housing
City of Ottawa	0.42	269,536	113,205
Alta Vista	0.48	21,515	10,327
Barrhaven and Rural Nepean	0.39	10,442	4,072
Bayshore/Crystal Beach/West College	0.44	12,012	5,285
Beacon Hill/Cyrville	0.42	10,721	4,503
Britannia/Lincoln Heights	0.43	10,290	4,425
Carlington	0.42	10,550	4,431
Chinatown/Hintonburg	0.46	7,270	3,344
Clarence-Rockland	0.45	3,613	1,626
Downtown	0.38	20,690	7,862
Eastern Orleans/Rural Eastern Ottawa	0.4	10,237	4,095
Gatineau	0.36	89,618	32,262
Glebe	0.39	3,405	1,328
Gloucester/Western Orleans	0.4	17,105	6,842
Hampton Park	0.42	2,730	1,147
Hunt Club/South Keys	0.41	19,913	8,164
Iris/Queensway Terrace/Whitehaven	0.39	11,996	4,678
Kanata/Stittsville	0.39	13,281	5,180
Knoxdale	0.48	15,614	7,495
Lowertown	0.42	8,500	3,570
New Edinburgh/Manor Park/Rockcliffe Park	0.37	6,119	2,264
North Grenville MU	0.42	1,695	712
Old Ottawa South	0.53	4,556	2,415
Overbrook/Castle Heights	0.4	12,632	5,053
Rural Western Ottawa	0.39	2,915	1,137
Sandy Hill	0.46	8,125	3,738
Vanier	0.49	10,500	5,145
West Centretown/Fisher Park	0.41	3,315	1,359

Neighbourhood	Shelter Spending Over Affordability Threshold	Population	Population in Unaffordable Housing
Westboro North/Tunney's Pasture	0.35	6,735	2,357
Westboro South	0.48	3,060	1,469

Since 2016 the shortage of affordable rental accommodations has likely worsened, as the number of rental units has grown slower than the population in rental accommodation and current market rent listings for apartments are on average 28% higher than 2018 average rents (see Section 4 – Findings from the Market Rent Analysis).

Unaffordable housing can also lead to over-crowding, particularly with shared accommodation. Table 1 shows that between 2016 and 2018, the per-bedroom population in Ottawa rose from 2.01 to 2.04. Mapping this data onto Census Tracts (Figure 6) show that there is a generally uniform level of crowding across the city, with the exception of a few small pockets. In general, suburban areas in the south and west of the City are more crowded and this correlates with the share of households in unaffordable rental housing.

Figure 6 - Crowding Map, Population per Bedroom



3.4 Short-Term Rentals

The number of short-term rental units has been growing quickly over the last several years, with total listings increasing from 3,434 in 2016 to 6,278 in 2018. An important distinction can be made between exclusive listings (whole properties that are put on the short-term rental market for more than 120 days a year) and non-exclusive listings (properties that are put up for short-term rental on a highly seasonal basis or for which only individual rooms are rented). Exclusive listings increased from 349 in 2016 to 1,236 in 2018. While the total number of listed properties levelled off between 2017 and 2018, the share of exclusive short-term rental listings continued to rise. As a result, overall revenue from short-term rentals continued to climb, from \$11.7M in 2016 to about \$39.8M in 2018.

Table 9 – Short-term Rental Listings 2016-2018

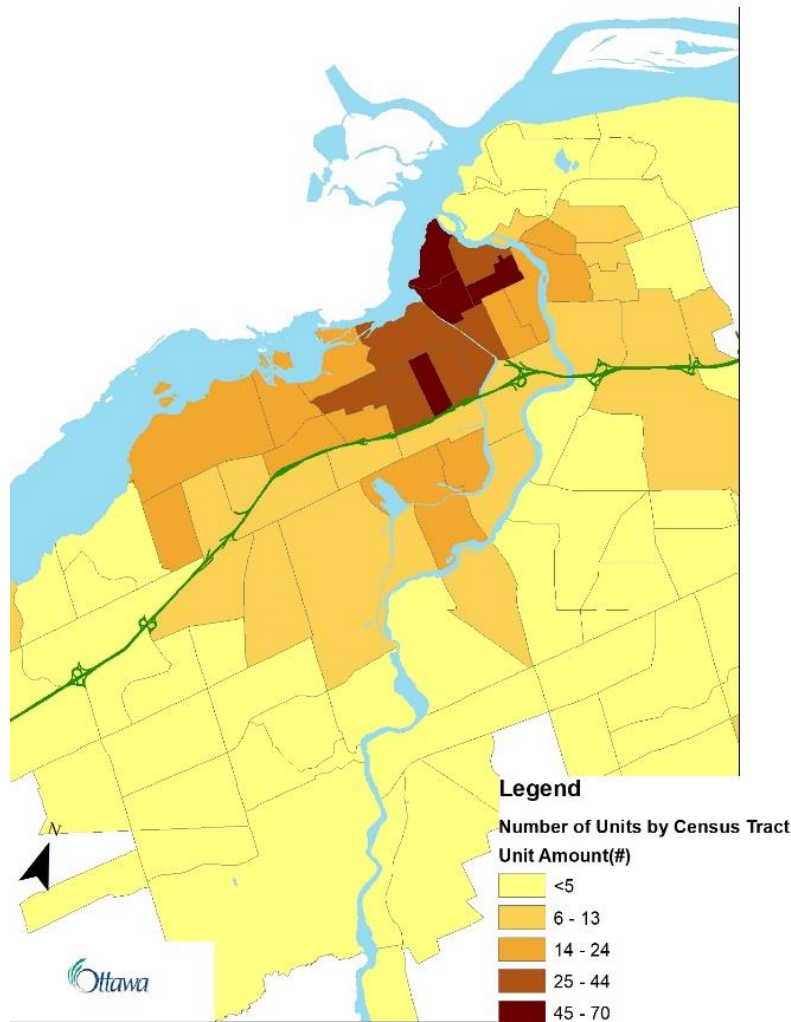
	Total Listings	Exclusive Listings	Revenue (\$millions)
2016	3,434	349	11.7
2017	6,286	980	31.4
2018	6,278	1,236	39.8

Exclusive listings are highly concentrated in areas with high levels of tourism traffic. As shown in Table 10, 52% of short-term rentals are based in five neighbourhoods and 36% in the top two neighbourhoods of Downtown and Lowertown. Figure 7 shows the distribution of short-term rentals by Census Tract.

Table 10 – Top Five Neighbourhoods for Short-Term Rental

<i>Neighbourhood</i>	Units	Share of Total
Downtown	248	20%
Lowertown	197	16%
Sandy Hill	78	6%
Chinatown/Hintonburg	67	5%
Vanier	57	5%

Figure 7 – Distribution of Short-term rental Units by Census Tract



The high concentration of short-term rental units in the downtown is a pattern seen in most other cities and one that places a limit on the adoption of short-term rentals over the city as a whole. At the same time, this concentration intensifies the impact in those areas where full-time use as a short-term rental is desirable, materially eroding the stock of rental housing for long-term use.

The units placed up for exclusive short-term rent mirror the long-term rental housing stock in the areas where they are located - whereas most dwellings in Ottawa are houses, most short-term rentals are apartments (see Table 7). The impact on the overall rental housing stock is small but growing: In 2018, over 1.2% of apartments (excluding purpose-built rental units) were used for short-term rentals, up from less than 0.4% in 2016.

Table 11 – Short-term Rentals by Dwelling Type and Bedrooms

	Bachelor	1 Bedroom	2 Bedroom	3+ Bedroom	Total
Apartment					
2016	29	132	61	21	243
2017	89	346	174	56	665
2018	124	418	227	71	840
House					
2016	3	9	30	64	106
2017	4	31	80	200	315
2018	6	37	98	255	396

4 Findings from the Market Rent Analysis

Samples of online rental data from the period from October to December 2018 extracted 2,214 apartment listings and 230 house listings that could be identified as rentals from the content of the advertisements themselves. Prices in listings largely reflect rents asked by landlords and may be higher than the rent actually paid. In general, asking rents are much higher than average rents: averaging \$1,572 for apartments against a 2018 average rent of \$1,173 and \$2,714 for single detached homes against an average rent of \$1,645. Assuming that listings are more likely to be made in neighbourhoods with higher average rents, the average asking rent is approximately 28% above the average rent for apartments, 30% above the average rent for row houses and 84% above the average rent for single detached homes. For single detached homes, this is likely exacerbated by some selection bias towards the higher end in MLS data.

Table 12 – Market Rent Listings by Bedroom Type, 2018

	Bachelor	1 Bedroom	2 Bedroom	3 bedroom	All
Apartment					
Asking Rent	1,174	1,401	1,674	1,977	1,572
Number of Listings	207	755	977	275	2,214
Average Rent	838	1,036	1,335	1,419	1,173
Row Housing					
Asking Rent	906	1,380	1,862	1,926	1,737
Number of Listings	4	11	23	23	61
Average Rent	937	978	1,278	1,441	1,408
Single-Detached Housing					
Asking Rent	1,050	1,819	2,525	2,948	2,714
Number of Listings	2	14	47	106	169
Average Rent	1,424	1,097	1,358	1,737	1,645

Breaking down the online listings into neighbourhoods shows that the listings themselves are concentrated in particular neighbourhoods, with downtown properties attracting the most listings (418), which is likely due to a tendency for landlords to describe properties as being located downtown when they are, in fact, not. But other downtown neighbourhoods without this problem also show high numbers of listings, including Sandy Hill (182), Chinatown/Hintonburg (135), and Lowertown (252).

Table 13 – Average Asking Rent for Market Rentals by Bedroom

Neighbourhood	Dwelling Type	Bachelor	1 bedroom	2 bedroom	3+ bedrooms	Listings
Alta Vista	Apartment	n/a	1,037	1,356	1,884	102
Alta Vista	Single	n/a	n/a	2,575	2,967	8
Barrhaven and Rural Nepean	Apartment	1,000	1,200	1,479	1,974	36
Barrhaven and Rural Nepean	Row	n/a	n/a	1,750	1,740	2
Barrhaven and Rural Nepean	Single	n/a	n/a		2,830	5
Bayshore/Crystal Beach/West College	Apartment	n/a	1,390	1,561	1,917	55
Bayshore/Crystal Beach/West College	Row	n/a	n/a	n/a	1,650	1
Bayshore/Crystal Beach/West College	Single	n/a	n/a	2,200	2,548	3
Beacon Hill/Cyrville	Apartment	985	1,317	1,339	1,886	35
Beacon Hill/Cyrville	Row	n/a	n/a	n/a	1,675	1
Beacon Hill/Cyrville	Single	n/a	900	n/a	3,667	4
Britannia/Lincoln Heights	Apartment	996	1,119	1,424	1,636	101
Britannia/Lincoln Heights	Row	n/a	n/a	1,150	n/a	1
Britannia/Lincoln Heights	Single	1,500	1,072	2,150	n/a	4
Carlington	Apartment	1,012	1,116	1,372	2,048	119
Carlington	Row	n/a	n/a	n/a	1,666	3
Carlington	Single	n/a	n/a	n/a	3,358	3
Chinatown/Hintonburg	Apartment	1,362	1,590	1,908	2,391	135
Chinatown/Hintonburg	Row	n/a	n/a	1,900	1,395	2
Chinatown/Hintonburg	Single	n/a	1,722	2,491	2,700	8
Clarence-Rockland	Apartment	834	858	1,099	1,200	22
Downtown	Apartment	1,200	1,591	1,846	2,048	418

Neighbourhood	Dwelling Type	Bachelor	1 bedroom	2 bedroom	3+ bedrooms	Listings
Downtown	Row	975	1,650	2,329	2,650	13
Downtown	Single	n/a	2,500	2,892	3,367	7
Eastern Orleans/Rural Eastern Ottawa	Apartment	n/a	1,525	1,775	n/a	6
Eastern Orleans/Rural Eastern Ottawa	Single	n/a	n/a	n/a	2,833	9
Gatineau	Apartment	n/a	812	1,817	800	23
Glebe	Apartment	1,275	1,514	1,841	2,750	30
Glebe	Row	n/a	n/a	n/a	3,500	1
Gloucester/Western Orleans	Apartment	882	1,223	1,395	1,684	61
Gloucester/Western Orleans	Row	n/a	n/a	1,775	1,898	4
Gloucester/Western Orleans	Single	n/a	n/a	2,020	2,928	13
Hampton Park	Apartment	930	1,666	2,113	2,306	107
Hampton Park	Row	950	n/a	n/a	n/a	1
Hampton Park	Single	n/a	n/a	2,286	3,562	11
Hunt Club/South Keys	Apartment	1,050	1,090	1,470	1,416	59
Hunt Club/South Keys	Row	n/a	n/a	1,186	1,900	4
Hunt Club/South Keys	Single	n/a	n/a	1,925	2,899	9
Iris/Queensway Terrace/Whitehaven	Apartment	1,012	1,184	1,396	1,845	59
Iris/Queensway Terrace/Whitehaven	Single	n/a	n/a	n/a	2,360	5
Kanata/Stittsville	Apartment	1,027	1,539	2,046	1,345	30
Kanata/Stittsville	Row	n/a	n/a	1,450	1,620	5
Kanata/Stittsville	Single	n/a	1,200	2,550	2,726	19
Knoxdale	Apartment	n/a	1,313	1,680	1,538	47
Knoxdale	Single	n/a	n/a	n/a	2,950	4
Lowertown	Apartment	1,383	1,585	1,975	2,092	252
Lowertown	Row	450	1,717	2,600	n/a	5
Lowertown	Single	n/a	2,000	2,600	3,275	10
New Edinburgh/Manor Park/Rockcliffe Park	Apartment	1,133	1,658	1,729	1,988	38
New Edinburgh/Manor Park/Rockcliffe Park	Single	n/a	n/a	n/a	2,600	1
Old Ottawa South	Apartment	n/a	1,212	1,318	1,475	7
Old Ottawa South	Single	n/a	n/a	2,500	3,300	2

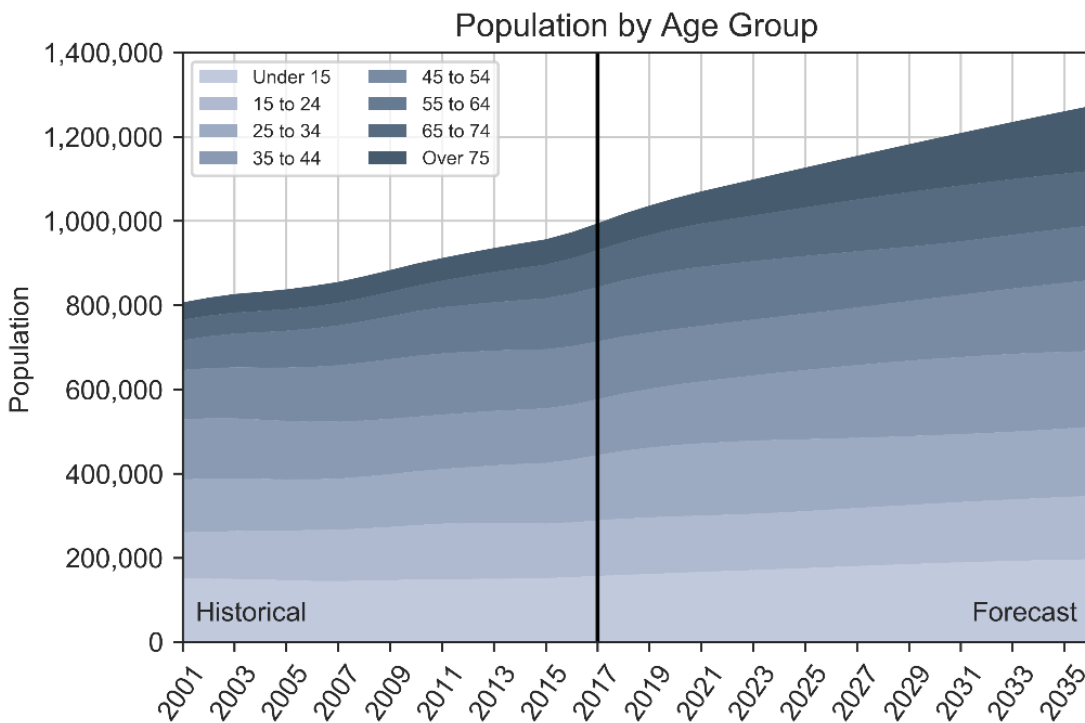
Neighbourhood	Dwelling Type	Bachelor	1 bedroom	2 bedroom	3+ bedrooms	Listings
Overbrook/Castle Heights	Apartment	888	1,047	1,238	1,268	43
Overbrook/Castle Heights	Single	n/a	2,268	3,464	3,025	12
Rural Western Ottawa	Apartment	979	1,120	1,469	1,947	95
Rural Western Ottawa	Row	n/a	875	1,750	1,841	7
Rural Western Ottawa	Single	600	n/a	2,267	2,619	12
Sandy Hill	Apartment	1,295	1,273	1,617	2,407	182
Sandy Hill	Row	n/a	450	1,700	2,800	4
Sandy Hill	Single	n/a	n/a	1,487	3,815	5
Vanier	Apartment	803	1,312	1,376	1,358	69
Vanier	Row	n/a	n/a	1,200	n/a	1
Vanier	Single	n/a	n/a	n/a	3,600	2
West Centretown/Fisher Park	Apartment	962	1,302	1,570	2,100	19
West Centretown/Fisher Park	Row	1,250	n/a	n/a	1,950	2
West Centretown/Fisher Park	Single	n/a	2,100	2,600	3,694	9
Westboro North/Tunney's Pasture	Apartment	1,111	1,341	1,810	2,184	78
Westboro North/Tunney's Pasture	Row	n/a	n/a	2,165	2,400	4
Westboro North/Tunney's Pasture	Single	n/a	n/a	3,950	2,000	4
Westboro South	Apartment	n/a	1,360	1,574	n/a	9

5 Rental Market Forecast

5.1 Population and Demographics

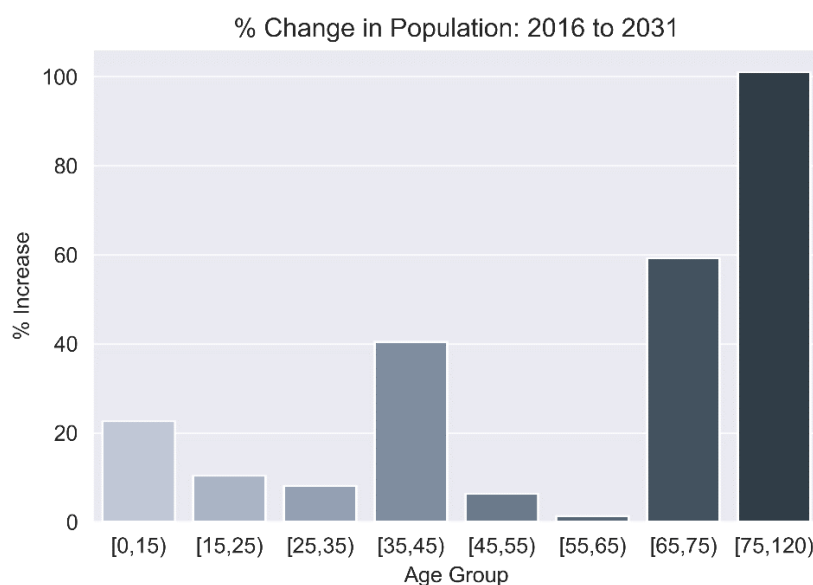
The population used for the rental market forecast is based on a natural growth model. It follows the current migration, death, and birth trends for the City independent of housing stock constraints. The model forecasts a 24% increase in population between 2016 and 2031. The existing growth plans for the City of Ottawa are consistent with this approach.

Figure 8 - Population by Age Group



From 2016 to 2031, the age distribution of the City is expected to significantly skew older, with the population at or above the age of 75 more than doubling. As a share of overall population, the percentage of persons 75 and over will increase from 6% to 10% by 2031. During that same time, the share of the population between 25 and 65 years of age is forecasted to decline from 56% of the population in 2016 to 51% in 2031.

Figure 9– Percentage Change in Population: 2016-2031



As the population ages, the average household size in Ottawa is expected to fall, from 2.50 in 2016 to 2.46 in 2031. This places pressure on housing availability, because housing demand is driven by households and falling household size results in demand for housing increasing faster than the population.

5.2 Change in the Housing Stock

If current building trends continue, the stock of dwellings is expected to increase by about 5,600 per year. Two scenarios are considered in the rental market forecast: a slow growth approach where short-term rentals increase slightly and then level off after 2018; and a fast growth approach where trends over the last two years continue at a similar rate. In the fast growth scenario, the number of new rental units are expected to increase over time, rising from 1,205 new units per year in 2018 to 2,203 by 2031 (considering both purpose-built rental units and units originally intended as owner-occupied housing) at the expense of growth of owner-occupied housing. In the forecast for each scenario, the share of apartment and row houses increases and the fraction of single-detached homes falls. This is in keeping with the historic trend for the City. New rental units are distributed in a relatively stable pattern with almost all new units (99%) composed of either row houses or apartment units. This analysis does not include the constraint on land imposed by each building's footprint but if land-use constraints were applied, this change would be even more pronounced.

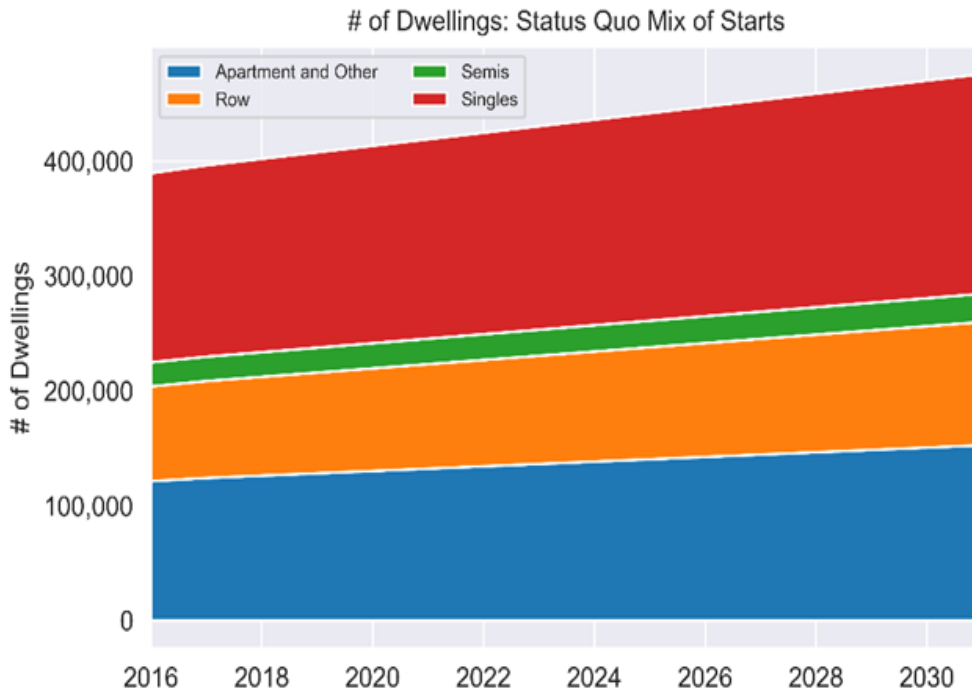


Figure 10- Number of Dwellings: Status Quo Mix of Starts

Figure 11 – Proportion of Housing Stock: Status Quo Mix of Starts

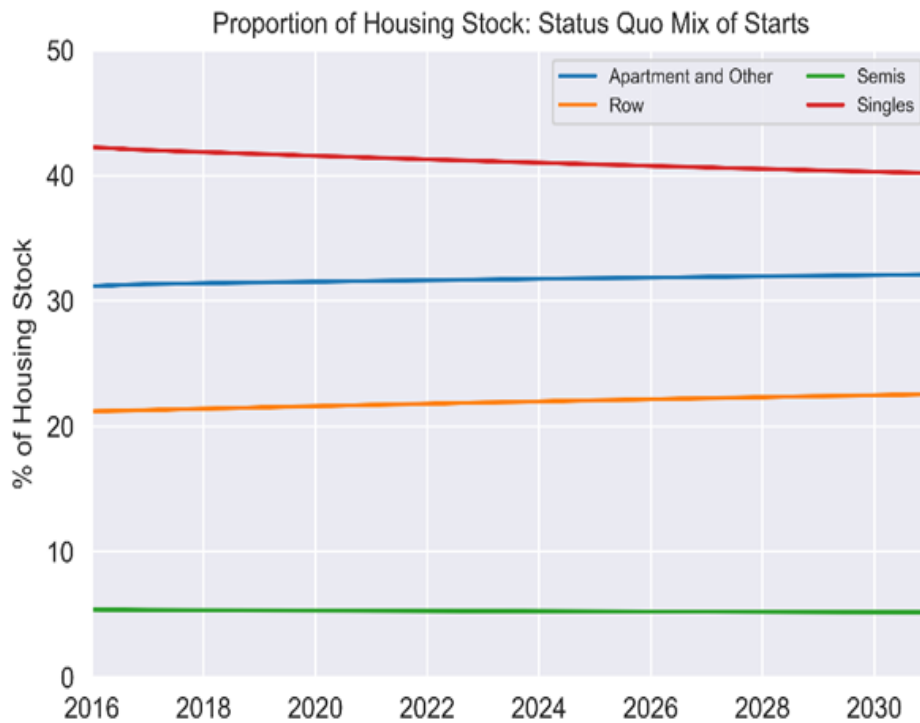
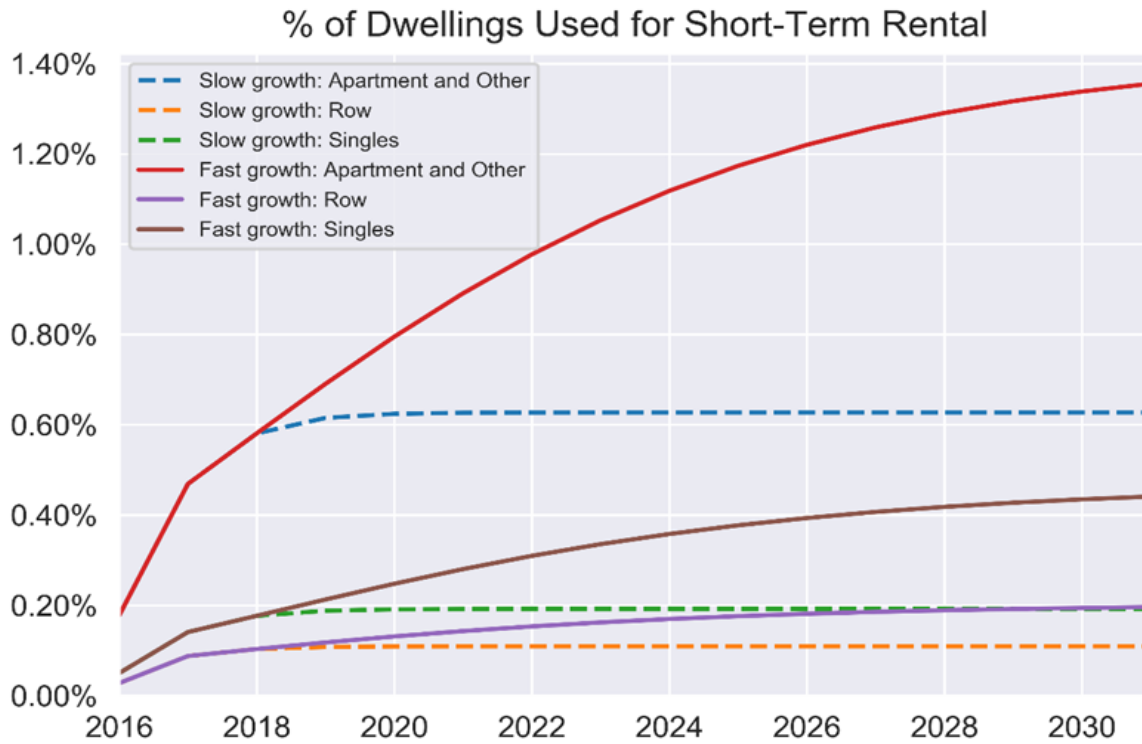
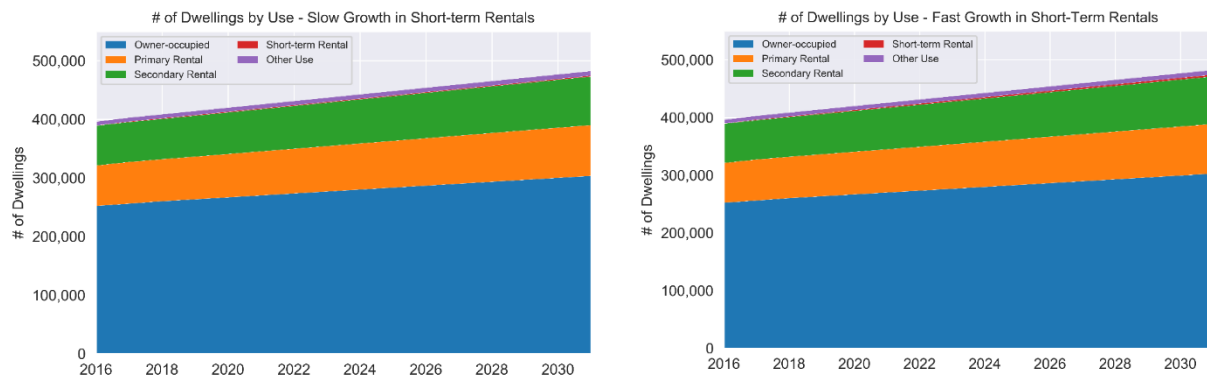


Figure 12 - Stock of Dwellings in Housing Forecast



The fast growth scenario results in a significant loss of long-term rental accommodation to short-term rentals, amounting to about 1.4% of all dwellings, with a particular impact on apartment units rented on the secondary market (not purpose-built rental units put on the rental market). Still, neither scenario substantively impacts the ownership structure of dwellings expected in the City.

Figure 13 – Dwellings by Use in Two Growth Scenarios



Overall, if current construction rates continue, by 2031 there will be a gap of about 18,000 dwelling units between the population trying to settle in Ottawa and the available number of dwellings. This could increase to over 19,000 under the high growth scenario for short-term rentals. Not included in this analysis is the concentration of these effects; as was shown in Figure 7, short-term rentals are highly clustered in the downtown area. This suggests that gaps will be more severe at a neighbourhood level in areas attracting a disproportionate share of visitors.

Figure 14 - Supply/Demand Gaps

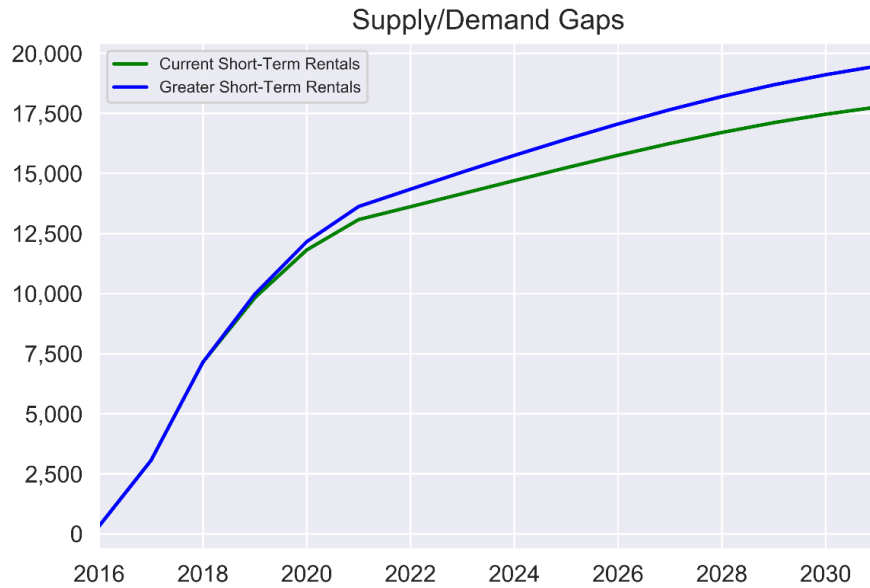
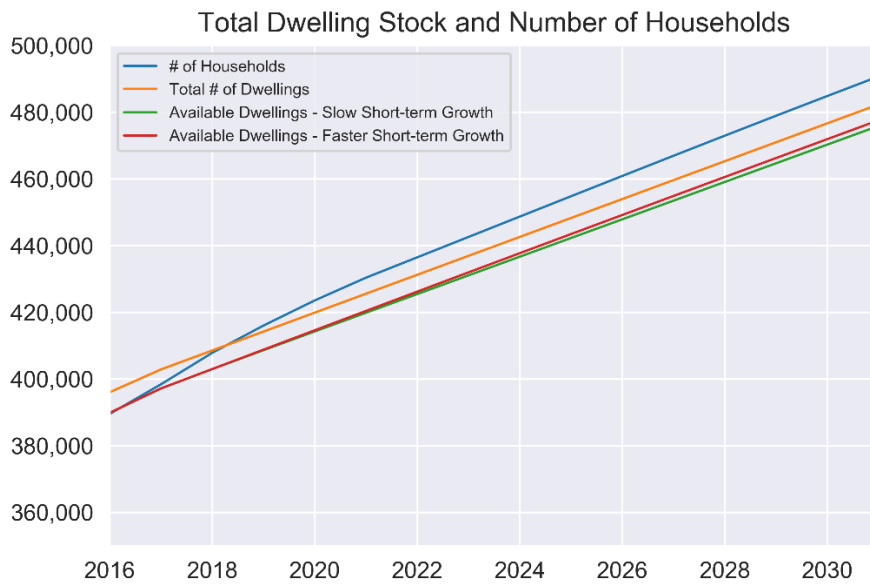


Figure 15 - Total Dwelling Stock and Number of Households



In order to meet the shortfall, annual growth will need to accelerate (as shown in Table 14, below) from the previous growth plans, particularly in regions inside the Greenbelt.

Table 14 – Growth Targets by Dwelling Type

Dwelling Type	Inside Greenbelt	Outside Greenbelt	Total
Total Dwellings 2016	231,429	164,556	395,985
Current Trend Dwellings 2031	247,058	226,956	474,014
Growth Plan Target Dwellings 2031	270,000	210,000	480,000
Natural Growth Required Dwellings 2031	251,376	230,922	482,298
Required Annual Growth 2016 to 2031	2,571	3,030	5,601
Change In Growth Rate To Meet Growth Plan	247%	73%	108%
Change In Growth Rate To Meet Natural Growth	128%	106%	111%

5.3 Change in Average Monthly Rent

Since 2008, Ottawa has seen escalating rents, particularly in the last few years. Currently, vacancy rates are near historic lows and if recent trends continue, future demand would exceed supply, suggesting that rents will continue to rise. However, forecasting future changes in rent is subject to many uncertainties:

- they are dependent on household incomes and local labour markets both as a driver of rising rents and as a constraint on their rise;
- supply is influenced by local policy through construction and development plans;
- supply is influenced by provincial policy through rent controls and tax incentives;
- both supply and demand are influenced by interest rates and tax policy; and
- consumer preferences change over time.

This forecast assumes that the high growth in rents will continue for two more years and then begin to taper towards the inflation rate. The impact of this forecast is shown in Table 14, which show the progression of average rents in the City of Ottawa from 2008 to 2031 for apartments by the number of bedrooms. Average rents for all apartment sizes taken together are expected to increase by 41% in the period from 2018 to 2031, from \$1,235 to \$1,744, or 2.7% per year. This is comparable to the long-term average growth of apartment rents during the period from 2008 to 2018, which averaged 3.3% per year.

Table 15 – Average Apartment Monthly Rents for the City of Ottawa By Bedroom, 2008 to 2031

Year	All	Bachelor	1 Bedroom	2 Bedroom	3+ Bedroom
2008	897	671	827	995	1,227
2009	926	688	853	1,028	1,222
2010	947	715	877	1,048	1,221
2011	976	704	878	1,133	1,202
2012	996	720	898	1,158	1,229
2013	1,015	731	911	1,175	1,247
2014	1,021	734	916	1,181	1,254
2015	1,056	754	940	1,212	1,286
2016	1,144	717	970	1,241	1,346
2017	1,171	745	990	1,266	1,378
2018	1,235	783	1,048	1,340	1,455
2019	1,283	817	1,090	1,392	1,513
2020	1,329	849	1,128	1,442	1,567
2021	1,372	878	1,165	1,488	1,618
2022	1,413	906	1,200	1,533	1,667
2023	1,452	933	1,234	1,575	1,713
2024	1,490	959	1,266	1,617	1,759
2025	1,527	984	1,298	1,657	1,803
2026	1,564	1,009	1,329	1,697	1,846
2027	1,600	1,033	1,360	1,736	1,889
2028	1,636	1,057	1,391	1,775	1,932
2029	1,672	1,080	1,422	1,815	1,975
2030	1,708	1,104	1,453	1,854	2,018
2031	1,744	1,128	1,484	1,893	2,061

A similar forecasted increase is expected for row housing. Table 15 shows the progression of average rents from 2008 to 2031 for row housing by bedroom. In it, unit rents are expected to rise by 42% between 2018 and 2031, from \$1,296 per unit to \$1,842. This is a faster increase than was seen historically, from the 1.74% annual growth seen from 2008 to 2018 to a 2.74% annual growth rate.

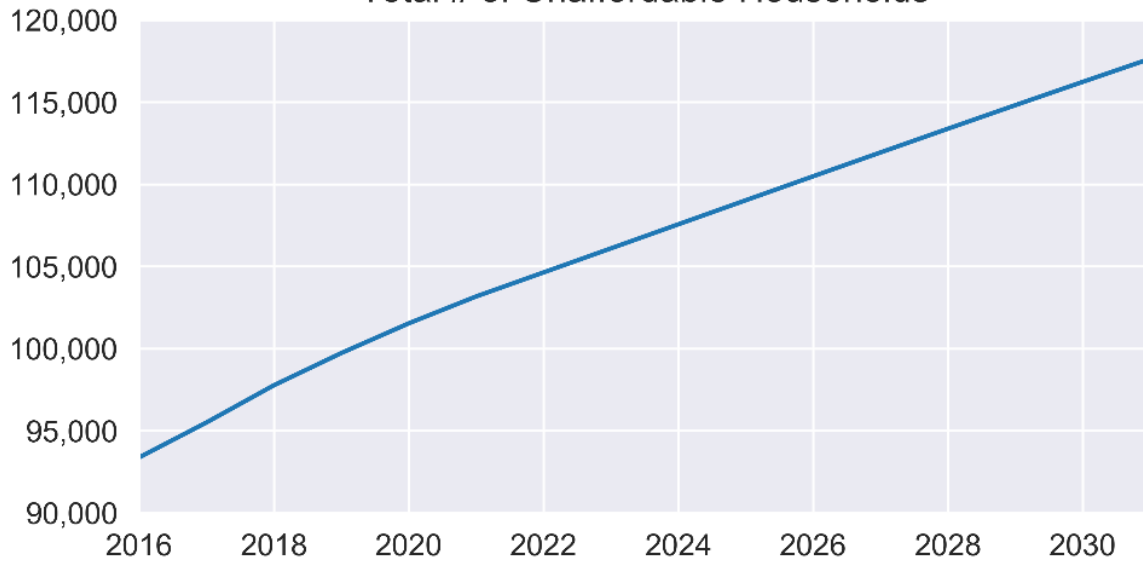
Table 16 – Average Row Housing Rent by Bedroom, 2008 to 2031

Year	All	1 Bedroom	2 Bedroom	3+ Bedroom
2008	1,095	801	988	1,134
2009	1,146	848	1,041	1,183
2010	1,158	918	1,066	1,191
2011	1,190	914	1,085	1,227
2012	1,224	903	1,120	1,263
2013	1,240	922	1,130	1,286
2014	1,221	932	1,117	1,272
2015	1,254	932	1,172	1,299
2016	1,196	908	1,203	1,331
2017	1,239	936	1,246	1,402
2018	1,296	975	1,288	1,442
2019	1,349	1,010	1,333	1,501
2020	1,399	1,043	1,376	1,557
2021	1,445	1,075	1,417	1,609
2022	1,489	1,105	1,456	1,658
2023	1,532	1,135	1,494	1,705
2024	1,572	1,163	1,531	1,751
2025	1,612	1,191	1,568	1,796
2026	1,651	1,219	1,604	1,840
2027	1,689	1,247	1,640	1,883
2028	1,727	1,274	1,676	1,926
2029	1,765	1,302	1,712	1,969
2030	1,803	1,330	1,749	2,012
2031	1,842	1,358	1,786	2,055

5.4 Change in Affordability

If the current distribution of rents and incomes (in real terms) persists, the number of households in unaffordable housing is expected to grow by almost 25,000 by 2031 to more than 115,000, reflecting the gap between supply of new housing and continued demand. As shown in Figure 5, unaffordability is already widely distributed in the City with areas facing high shelter costs in urban, suburban, and exurban areas. Given the complexity of changes in income and location preferences it is not possible to credibly map this forecast onto specific neighbourhoods or tracts where affordability impacts will be most pronounced.

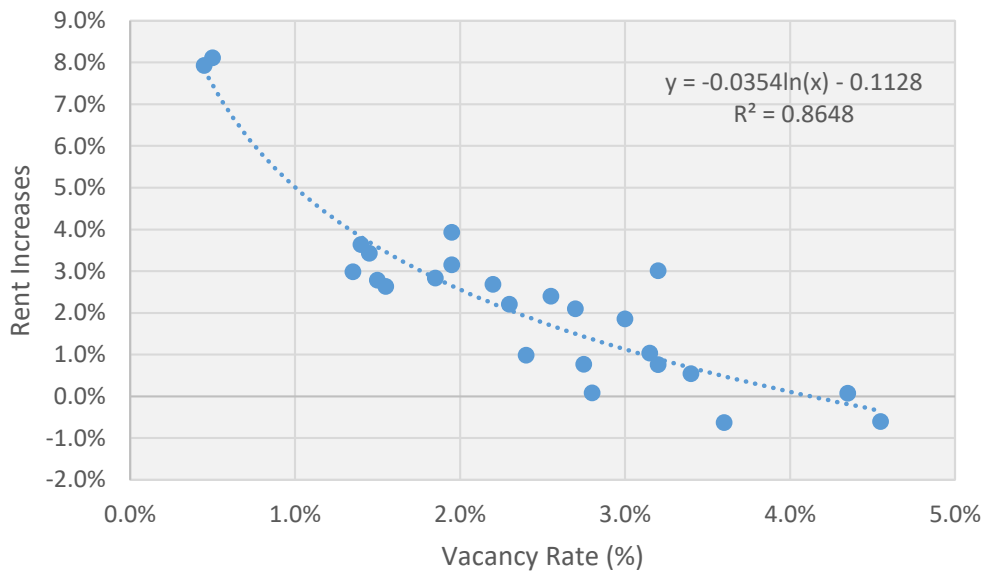
Figure 16 - Total # of Unaffordable Households
Total # of Unaffordable Households



5.5 Impact of short-term rentals on monthly rents

To estimate the potential impact of short-term rentals on rents, a log-linear regression was performed using historical vacancy rates and rental increases. Specifically, the two-year rolling average of annual 2 bedroom rents and total vacancy rates for the Ottawa CMA were used based on CMHC historic rent data from 1992 to 2018. The data is shown in the figure below:

Figure 17 – Vacancy Rates and Rent Increases, 1992 to 2018



This figure shows that vacancy rates have high explanatory power ($R^2 = 0.8648$) in explaining the rate of change in rent - high vacancy rates lower the rate of rent increases and low vacancy rates increase them. This data tends to cluster where vacancy rates are between roughly 1.5% to 3.5% and rent increases between 0% to 4%, but the outlier data is a close fit to a logarithmic relationship between the two factors. This means that while rent increases are very high when vacancy rates are very low and high vacancy rates have a much smaller impact on moderating rents.

Under the assumption that any increases in short-term rentals would not be accounted for by the addition of new dwellings, a greater number of short-term rentals would tend to push the vacancy rates lower as a matter of simple arithmetic. Short-term rentals also have a moderating influence on high vacancy rates since they present an alternate use for unoccupied rental units. This reduction in short-term rentals has an outsized impact on rent increases because of the logarithmic relationship.

Table 17 – Summary of Short-term Rental Impacts by 2031

<i>Short Term Rent Impacts</i>	Slower Short-Term Growth	Faster Short-Term Growth
Total Rental Stock (2031)	170,951	170,951
# Short Term Rentals (2031)	1,461	3,166
% Of Rental Stock	0.85%	1.85%
Vacancy Rate Impact	0.43%	0.93%
Potential Vacancy Rate	1.37%	0.87%
Annual Rent Increase	3.89%	5.49%

By 2031, up to 1.85% of the rental stock could be short-term rentals if the current growth trends were to continue. If this were to result in pushing the vacancy rates by half that amount, annual rent increases could reach over 5% or 1.6% higher per year than the baseline (slow-growth) forecast. As shown previously, the effect of short-term rentals on rental housing supply are highly concentrated in areas of tourist interest (in the case of Ottawa, the downtown area) but that this estimate is based on impacts across the City, so this overall estimate under-estimates changes at a community level. It should be noted that this forecast depends critically on the assumption that no new dwellings would be constructed in response to lower occupancy rates. If plans encouraged the expansion in the number of rental units above the baseline, particularly in tourist areas, this would mitigate the impact on the vacancy rate and the rate of rent increase where short term rentals are expected to expand.

Conclusion

The housing stock in Ottawa is divided between owners, who largely live in single detached homes covering most of the City's area, and renters, who largely live in apartments located in concentrated areas accessible by transit. The rental market has grown in supply (number of rental units) by about 1% over the period from 2016 to 2018, while over the same period, the population in rental accommodation has grown by 2.9%. Over that same period rents have risen sharply, by 7.8% for apartments and house rents by 11.3%. This report confirms that rents are continuing to rise. Where asking rents are scraped from online listings, those prices for apartments are 28% above average rents when compared to similar apartments in the same neighbourhood.

The increase in rents reflects growth in population relative to the housing stock, a general rise in incomes, and in some areas the rapid growth of short-term rentals as an alternative use of rental stock. Because rental housing is geographically concentrated, so are the households facing unaffordable housing costs. These households in unaffordable dwellings make up 40% of renter households and are expected to continue to rise over the long-term.

The conversion of housing stock to short-term rentals has increasingly reduced the stock of housing units available for long-term rental. The number of short-term rentals has grown rapidly, with listings increasing by 83% since 2016 and the number of exclusively short-term rental units increasing by 254% over the same period, albeit from a small base and with slowing growth in the past year. Short-term rentals are overwhelmingly apartments and are concentrated in areas of tourist interest. Overall over 1.2% of apartments (excluding purpose-built rental units) were used for short-term rentals, up from less than 0.4% in 2016; and the share of exclusive short-term rental units (those rented for more than 120 days a year) has doubled from 10% of overall listings in 2016 to 20% in 2018.

The supply of housing units has maintained a relatively stable linear growth in the City of Ottawa, and this report forecasts that the stock of dwellings would continue to increase by about 5,600 per year with the shift in construction moving away from single-detached homes and towards apartments and row houses. If the current construction rates continue and considered against current demographic forecasts, this report forecasts a gap between the population trying to settle in Ottawa and the available number of dwellings of about 18,000-19,000 dwellings by 2031. In this scenario average apartment rents would be expected to rise by 41% in the period between 2018 and

2031. This would result in almost 25,000 more households living in unaffordable dwellings by 2031.