

RESEARCH REPORT



A Profile of Purpose-Built Rental Housing in Canada



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A Profile of Purpose-Built Rental Housing in Canada

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April 2016

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Executive Summary

The purpose-built (primary) rental stock comprises units in privately initiated, purpose-built rental structures of three units or more. Much of this supply consists of one- and two-bedroom apartments in large structures of 20 units or more. It includes relatively little housing that is suitable for large families.

The purpose-built rental stock is an important component of rental supply in Canada, especially in urban areas. In CMAs collectively, it was home to slightly over half of renter households in 2011.

Although construction of purpose-built rental housing has increased over the past two decades, most of the purpose-built stock dates from the 1970s and earlier. Ongoing investment will be required to keep this housing in reasonable shape. Although residents rate purpose-built housing as being in comparable, if not better, physical condition than units in the secondary rental market, disrepair is more prevalent in older units than in recently-built projects.

Consistent with the predominance of one- and two-bedroom units in the purpose-built stock, households living in the primary rental market tend to be smaller than those in the secondary market. In 2011, by comparison to the secondary market, purpose-built units housed higher numbers of moderate-income households, one-person households and other non-family households, couples without children, immigrant households, and households with maintainers under 35 and 65 or older.

Despite the smaller average size of households in purpose-built housing, crowded conditions are more common than in the secondary rental market. In both markets, immigrants account for a disproportionate share of crowded households, particularly households maintained by recent immigrants.

The high rate of crowding among recent and other immigrants suggests a scarcity of affordable rental housing suited to the typically larger sizes of immigrant households. Given Canada's continuing immigration, the need for affordable rental housing suited to families is likely to persist.

Introduction

There are many kinds of rental housing. One way of characterizing this diversity is to distinguish purpose-built rental units from other rented homes. Purpose-built units make up what is known as the primary rental market, with all other rentals grouped together in the secondary rental market.

Units in the primary market are built by developers with the intention of being offered for rent at market rates. In contrast, much of the housing in the secondary market, such as rented condominiums and single-detached homes, was not initially developed as rental housing and could revert to owner-occupancy in the future.¹

This study presents a profile of purpose-built rental housing in Canada. It discusses the size and other characteristics of the purpose-built rental stock, including its share of the rental market in Canada as a whole and in individual Census Metropolitan Areas (CMAs).² It also compares and contrasts the purpose-built and secondary markets, with regard to both housing characteristics and the socio-economic make-up of the renters served by the two markets.

Definition of Purpose-Built (Primary) Market

The **purpose-built (primary) rental market** is defined in this report as units in privately initiated, purpose-built rental structures of three units or more, both in apartments and in row housing. These are the units covered by CMHC's Rental Market Survey (RMS).

The **secondary rental market** is made up of all renter-occupied housing units that do not fall in the purpose-built rental market. These comprise rentals in structures of fewer than three units, condominiums, freehold row houses, and subsidized housing.

For more detail on definitions, concepts, and methods used, see the Annex, which elaborates on the distinction between the purpose-built (primary) and secondary markets and the composition of each.

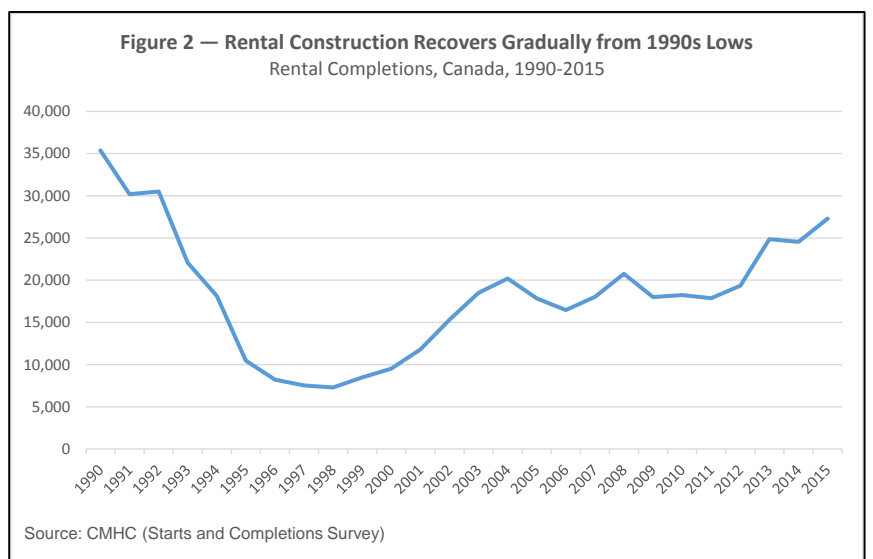
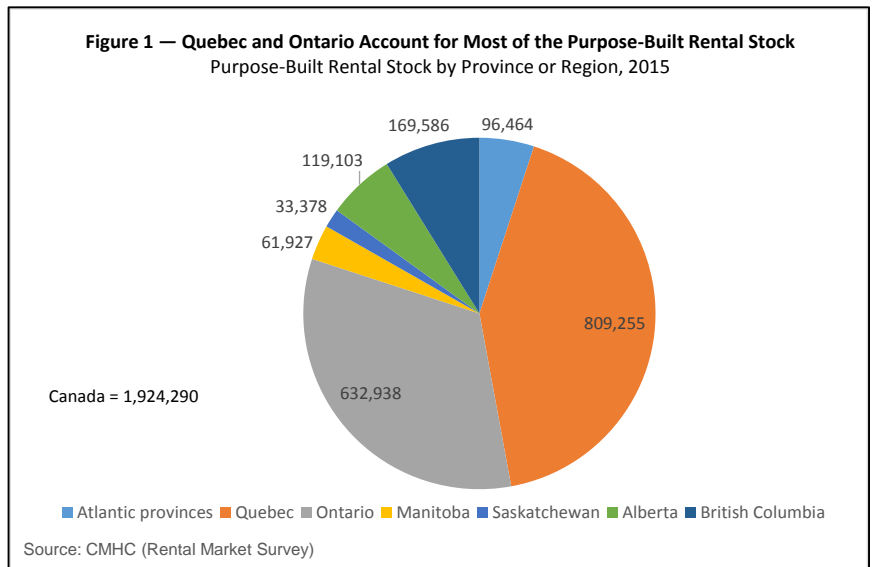
¹ Subsidized housing, another component of the secondary market, is a different matter. It is developed with the intention of being offered for rent, but not at market rates.

² A CMA is an urban area with a total population of at least 100,000 and a core population of at least 50,000.

Characteristics of Purpose-Built Rental Housing

a. Size of the stock, age composition, and the rate of new additions

- In 2015, there were 1.9 million units, both occupied and vacant, of purpose-built rental housing in Canada.³ Quebec had the largest stock, followed by Ontario (see Figure 1).
- Construction of new purpose-built rentals dropped through the 1990s until the middle of the decade and recovered gradually thereafter, although not back to early 1990s levels (see Figure 2). The rise in residential completions over the past two decades has been attributed to a variety of factors, including historically low interest rates, easing of rent controls, increasing urbanization, the high cost of homeownership, and uncertainty in the condominium market.⁴



³ Coverage of the purpose-built rental market in CMHC’s Rental Market Survey is limited to communities with populations of 10,000 or more. As a result, the true size of the purpose-built stock in 2015 would have been somewhat larger than stated. The 2011 National Household Survey estimates that there were 106,405 occupied unsubsidized, non-condominium apartments in parts of Canada other than Census Metropolitan Areas and Census Agglomerations (roughly equivalent to communities with populations of less than 10,000). That figure suggests that the actual size of the purpose-built stock in 2015 was around 2 million units.

⁴ For sample commentaries, see Tamsin McMahon, “Canada’s rental unit landscape witnessing a resurgence,” *Globe and Mail*, March 15, 2015 <http://www.theglobeandmail.com/report-on-business/economy/housing/canadas-rental-unit-landscape-witnessing-a-resurgence/article23465600/> (January 20, 2016) and Derek Lobo, “Canada’s new apartment construction boom is beginning,” *Real Estate News Exchange* October 31, 2013 <http://renx.ca/canadas-new-apartment-construction-boom-is-beginning/> (January 20, 2016).

- Recent rental construction, however, pales by comparison to levels attained in the past. In 2011, less than a quarter of the occupied units in the primary rental stock dated from the previous three decades, whereas just over half were built during the two decades from 1961 to 1980 (see

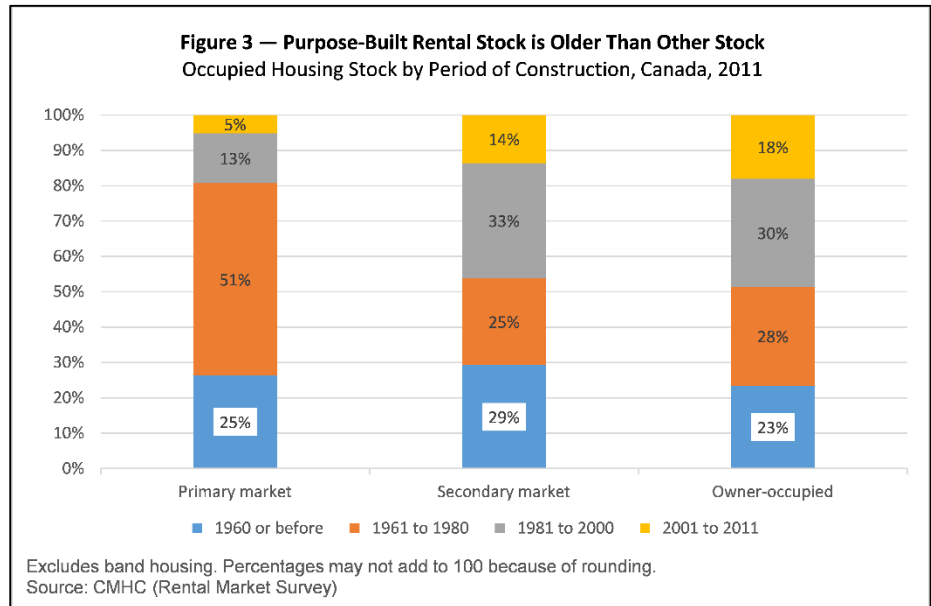


Figure 3). On balance, purpose-built rental housing is considerably older than housing in the secondary rental market and owner-occupied housing.

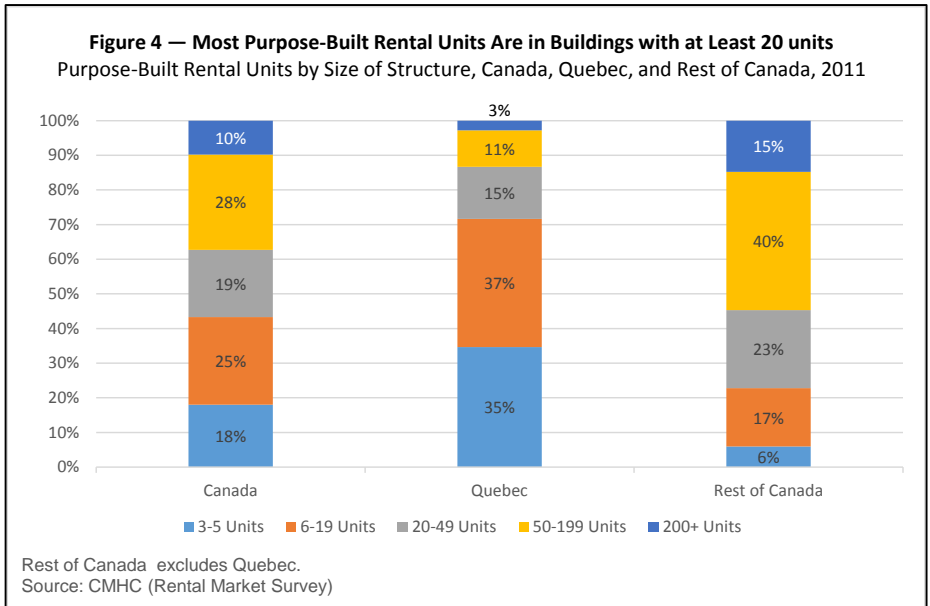
- In the 1970s, baby boomers began leaving home in large numbers to establish their own households. Governments responded to this burgeoning demand with rental stimulus measures, such as the Multiple Residential Building (MURB) tax shelter and the Assisted Rental Program (ARP).⁵ In later decades, rental demand was lower, and developers turned their attention increasingly towards condominiums.

b. Physical characteristics of the purpose-built stock

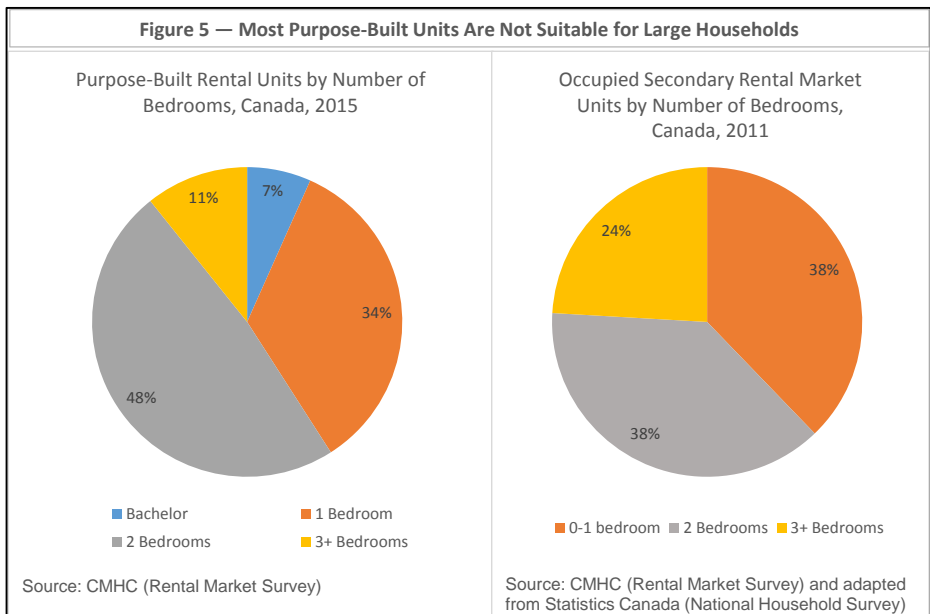
- Apartment buildings account for almost all units (96% in 2015) in the purpose-built rental stock, with row housing making up the rest.

⁵ See Nick Van Dyk, “Financing Social Housing in Canada,” *Housing Policy Debate*, Volume 6, Issue 4, (1995), pp. 825-827.

- A majority (57% in 2015) of purpose-built rental units are in sizable buildings that have at least 20 units (see Figure 4). The story is different in Quebec, where triplexes are a common rental housing form. There, structures of fewer than 20 units accounted for more than 70% of the purpose-built rental supply in 2015. In the rest of Canada, by contrast, such structures furnished less than a quarter of the purpose-built supply.⁶



- Relatively few purpose-built rental units are suitable for large families. In 2015, just 11% had three or more bedrooms (see Figure 5), compared to almost a quarter (24%) of all units in the secondary market (in 2011⁷).



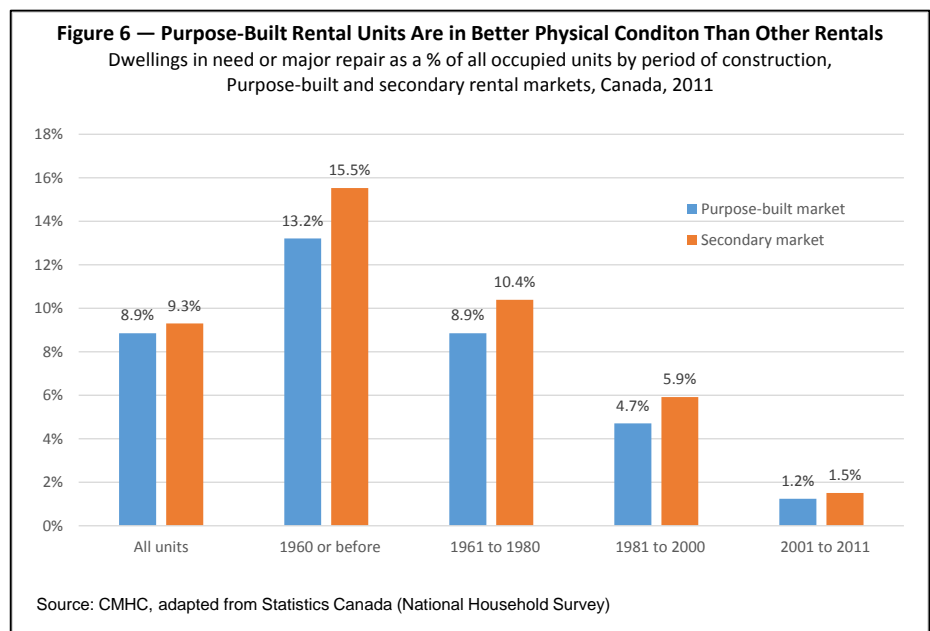
⁶ As in Quebec, structures with fewer than 20 units accounted for most of the purpose-built supply in Prince Edward Island and New Brunswick in 2015, but the number of units involved was small.

⁷ Because the estimation method relies on data from the 2011 National Household Survey (NHS), it is not possible to generate secondary market estimates for 2015. The percentage of purpose-built rental units that had three or more bedrooms was the same in 2011 as in 2015. In 2011, the number of purpose-built bachelor units counted by CMHC's Rental Market Survey was larger than the total number of renter-occupied bachelor units (both purpose-built and secondary) counted by the NHS. It appears therefore that some respondents to the NHS who lived in bachelor units mistakenly identified their homes as having one bedroom, not zero. Accordingly, estimates for the secondary market in the Figure 5 combine bachelor and one-bedroom units into a single category.

- One- and two-bedroom units in apartment buildings are the dominant housing form in the purpose-built market (accounting for 81% of all units in 2015).⁸
- By comparison, the secondary market offers a more diverse range of housing choices. These include apartments⁹ (most of them condominiums or subsidized housing), single-detached houses, duplexes (include many accessory suites and basement apartments)¹⁰, semi-detached houses, row houses¹¹, and other types. This supply includes structure types, such as single-detached and semi-detached houses, that are typically more spacious than other rental units and hence likely to appeal to families with children.

c. *State of repair*

- Despite its relatively old age, the purpose-built rental stock is — according to residents — in somewhat better physical condition than other renter-occupied housing.¹² In 2011, occupants of purpose-built rental housing were less likely to rate their homes as being in need of major repairs than occupants of comparably aged units in the secondary market (see Figure 6).



- Although these patterns suggest that owners of purpose-built housing are doing a reasonable job of attending to maintenance and repair demands — at least by comparison to owners of other renter-occupied properties, it is

⁸ Data not shown in figure.

⁹ Apartments in the secondary rental market comprise units in structures with fewer than three units, rented condominiums, and publicly initiated (subsidized) units.

¹⁰ Statistics Canada defines a duplex as “One of two dwellings, located one above the other.” The NHS did not ask respondents if they live in basement suites or accessory apartments.

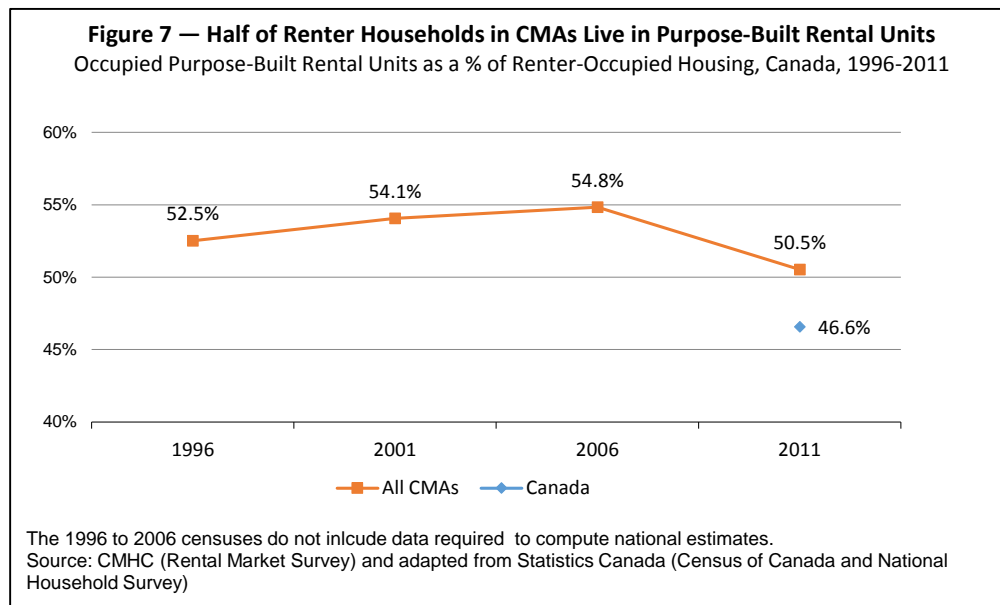
¹¹ Row houses in the secondary market comprise freehold units, condominiums, and subsidized units.

¹² The 2011 National Household Survey asked private households, both renters and homeowners, to assess the physical condition of their dwellings. Respondents rated their homes as being in need of regular maintenance only, in need of minor repairs, or in need of major repairs. To guide respondents, the questionnaire provided examples of conditions that would indicate a need for maintenance, minor repairs, or major repairs.

nonetheless true that the rate of disrepair increases considerably with building age. Given the decades-long vintage of much purpose-built rental housing, keeping the condition of the stock from deteriorating further will be an ongoing challenge.

Purpose-Built Share of the Rental Market

- Since 1996, purpose-built rental units have accounted for half or slightly more than half of rented homes in CMAs (see Figure 7). The estimated share rose moderately from 1996 to 2006 and then dropped from 2006 to 2011.

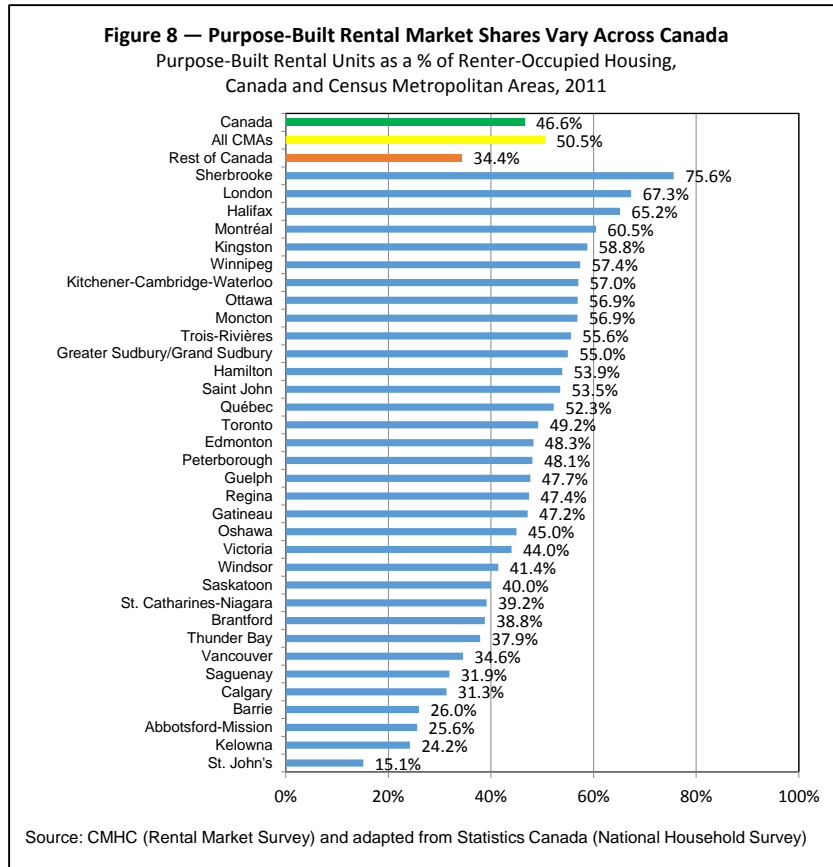


- Unlike purpose-built rental structures, which can take years to develop, the supply of housing in the secondary rental market can adjust relatively quickly to changing market conditions. The period from 1996 to 2006 was characterized by strong homeownership demand, increasing homeownership rates, and rising house prices. Shrinkage in the number of occupied secondary units during these years likely reflected both the departure of tenants to the homeownership market as well as reversion of secondary units to owner-occupancy (given the temptation for owners of secondary units to reap capital gains during a period of rising prices). In contrast, the years after 2006 saw recession, weaker employment growth, and rising rental demand, conditions that would have been conducive to growth in the secondary supply.¹³

¹³ For example, CMHC's Secondary Rental Market Survey (SRMS) suggests that the percentage of condominium units that were rented out by their owners generally rose over the past decade. The SRMS collects vacancy and rent information annually in selected CMAs. For information about the SRMS, see <https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/SrmsMethodology>.

- The purpose-built market accounts for a somewhat lower percentage of the rental market in Canada as a whole than in CMAs collectively (see Figure 7). In 2011, slightly under half of renter households in Canada lived in homes in the purpose-built market — an estimated 1.9 million out of 4.1 million households.¹⁴

- The relative sizes of primary and secondary rental markets vary significantly across Canada. In most CMAs, purpose-built housing accounts for at least a third of units occupied by renters (see Figure 8).



- The purpose-built share of the rental market is relatively high in many CMAs in Atlantic Canada and Quebec, and relatively low in CMAs in British Columbia. In British Columbia and, to a lesser degree, other

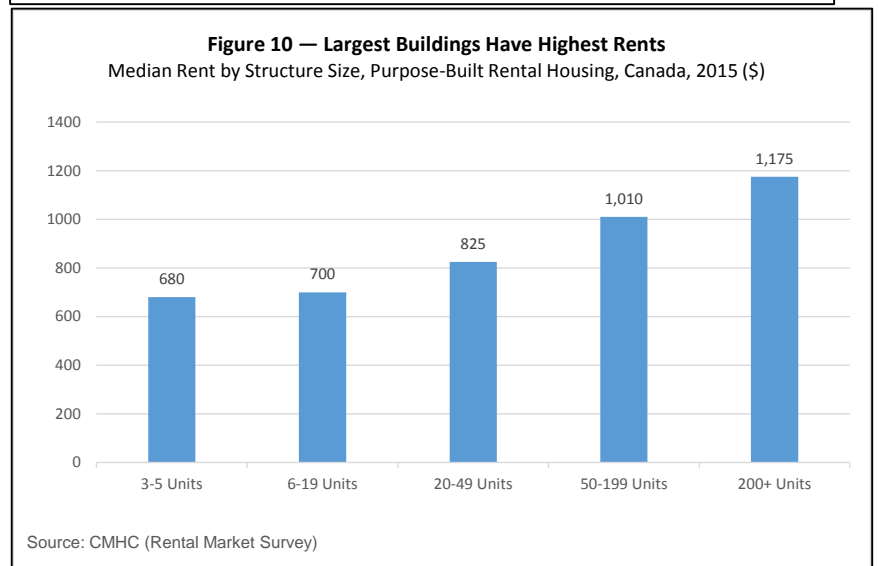
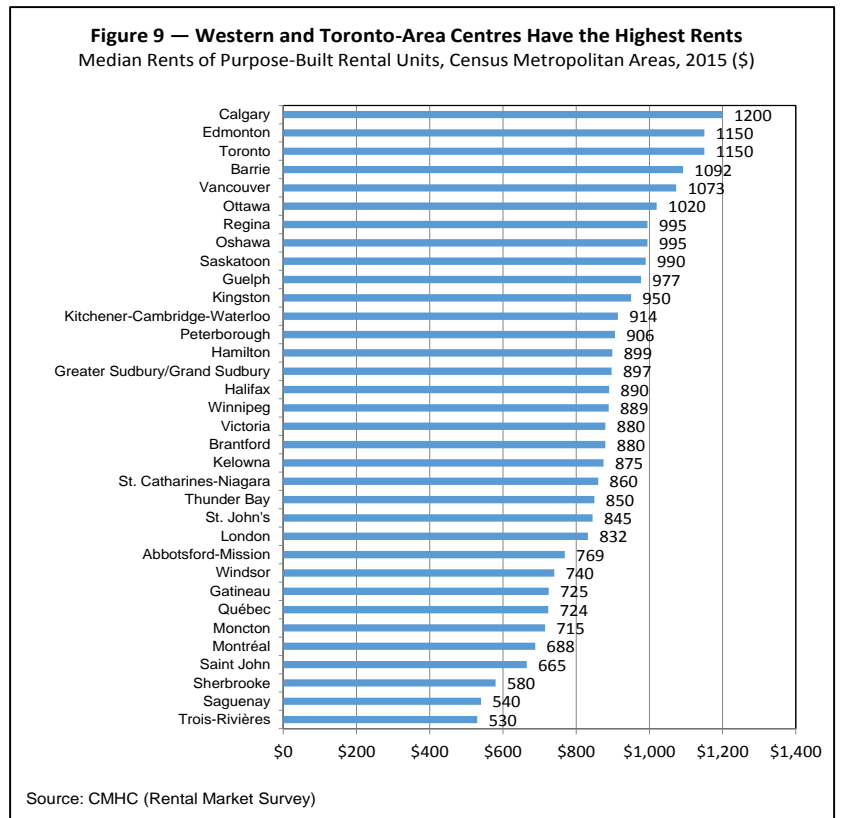
parts of Western Canada, the stock of condominiums is relatively large. As a result, rented condominiums, which fall in the secondary market, tend to be a comparatively important source of rental housing.

- Outside of CMAs, the purpose-built share of the rental market is low (see Figure 8). The large rental developments that make up the bulk of the purpose-built rental supply are far less common in smaller communities than in CMAs.

¹⁴ Because it relies on content added to the National Household Survey in 2011, the method used here to estimate the secondary market share in Canada cannot be replicated in previous census years. See the Annex for details.

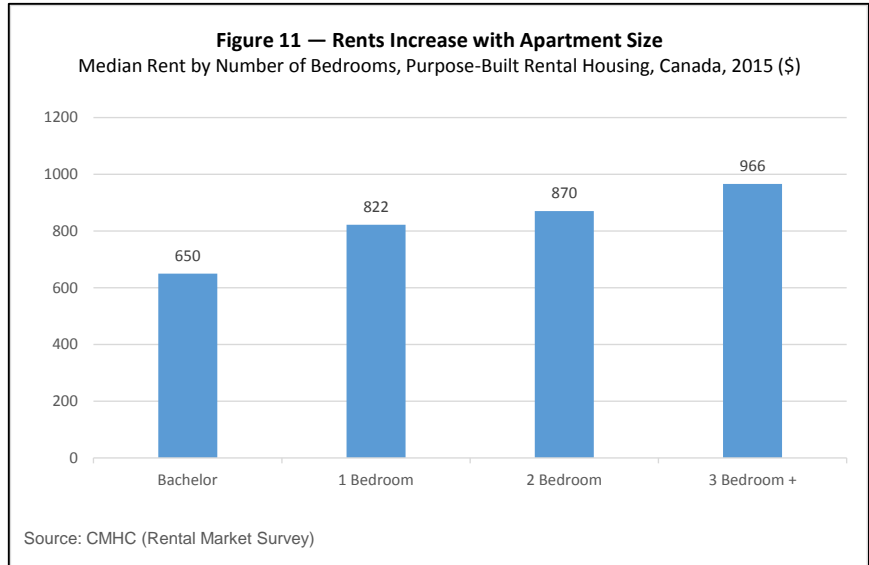
Rents in the Purpose-Built Market

- Rents in the purpose-built market are highest in the West, led by Calgary and Edmonton, and in Ontario, particularly in Ottawa, Toronto, and Toronto-area CMAs (see Figure 9).
- In Quebec, median purpose-built rents are the lowest among provinces. Rents in Atlantic Canada are also relatively low.
- Although costs are generally higher in large centres, Montréal is a notable exception with rents that are among the lowest of any CMA. As noted earlier, Quebec has the largest supply of purpose-built rental stock of any province. Montréal has by far the largest stock of any CMA, almost twice as much as Toronto.¹⁵
- Rents in the purpose-built market are generally higher the larger the structure (see Figure 10). This pattern is consistent with the previously noted concentration of triplexes and other small purpose-built rental buildings in the low-cost province of Quebec.

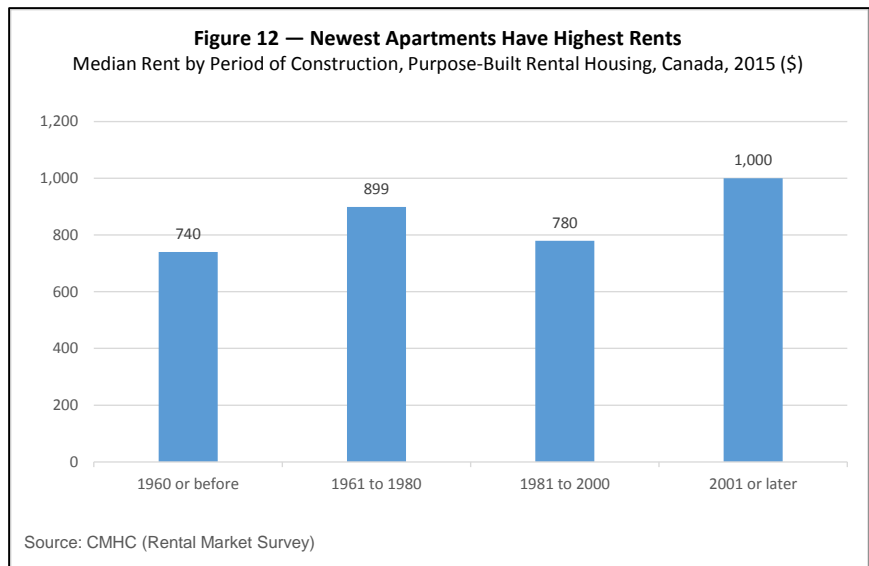


¹⁵ In 2015, there were 551,146 purpose-built units in Montréal and 316,241 in Toronto.

- Not surprisingly, larger purpose-built units, as measured by the number of bedrooms, tend to have higher rents (see Figure 11). Given economies of scale, the increase in rents as bedrooms are added is moderate: two-bedroom and three-bedroom units may have kitchens, bathrooms, and common spaces that do not differ a great deal from those in a one-bedroom apartment.



- Rents are generally higher in newer purpose-built structures (see Figure 12). Recently-built units may have more modern designs, appliances, and finishes than older units. As discussed previously, they also tend to be in better repair.

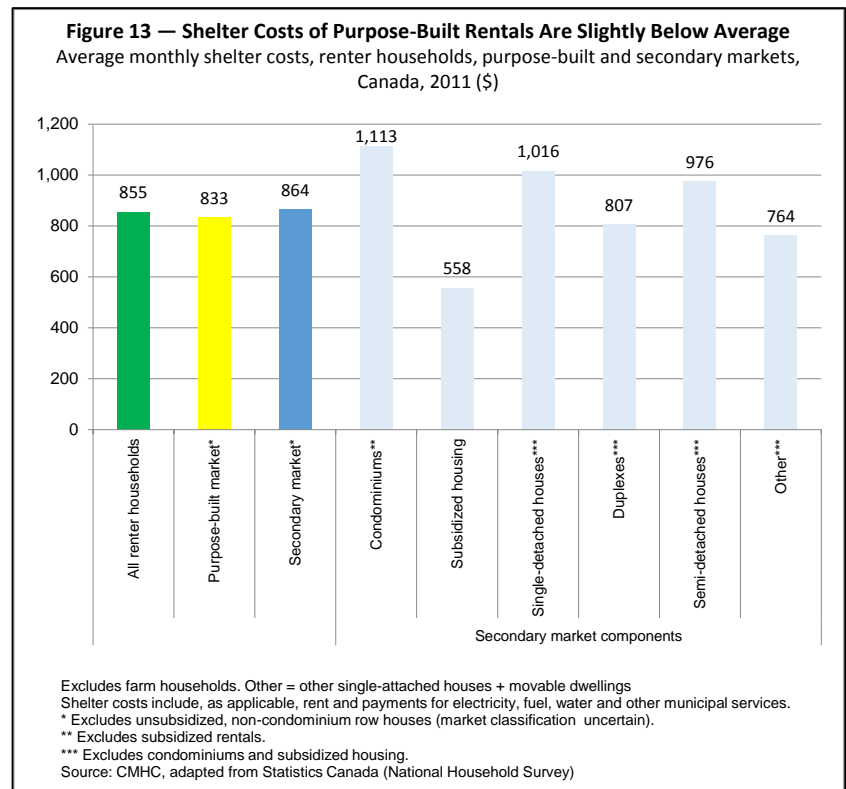


- Curiously, purpose-built units dating from the 1980s and 1990s had lower median rents in 2015 than units dating from the 1960s and 1970s. Reasons for the relatively low rents in the 1980-1999 stock are not immediately apparent but likely reflect differences in the sizes, amenities, and locations of units built during different periods.

Comparison of Shelter Costs — Purpose-Built and Secondary Markets

- To compare costs in the primary and secondary markets, it is necessary to turn to the 2011 National Household Survey (NHS).¹⁶ Data on purpose-built rents collected by CMHC’s Rental Market Survey discussed in the last section measure what tenants actually pay to the landlord and hence may or may not include utilities. In contrast, the NHS collects information on all shelter costs. For renters, these include, as applicable, rent and payments for electricity, fuel, water and other municipal services.

- Monthly shelter costs on average are slightly lower in the purpose-built market than in the secondary market (see Figure 13). That said, shelter costs in the secondary market vary considerably by housing type. Subsidized housing (the most affordable accommodation in the secondary market), duplexes (including accessory apartments and basement suites), and “other” units cost less on average than purpose-built rental housing.¹⁷ In contrast, average monthly costs for condominiums, single-detached houses, and semi-detached houses are a good deal higher than the average cost in the purpose-built market.¹⁸



- Costs reflect the attributes of each type of housing. Single-detached houses, semi-detached houses, and some condominiums (e.g., row houses) typically offer more living space than standard rental apartments.¹⁹ Many would also

¹⁶ For methodological details, see the Annex.

¹⁷ The “other” category comprises moveable dwellings and other-single-attached houses (single units attached to another building). These housing types account for a very small share of the secondary market.

¹⁸ Rankings obtained from the NHS of the relative costs of different types of secondary market housing are consistent with data from CMHC’s Secondary Rental Market Survey (SRMS), which show accessory suites being the least expensive housing type and condominiums and single-detached houses the most expensive.

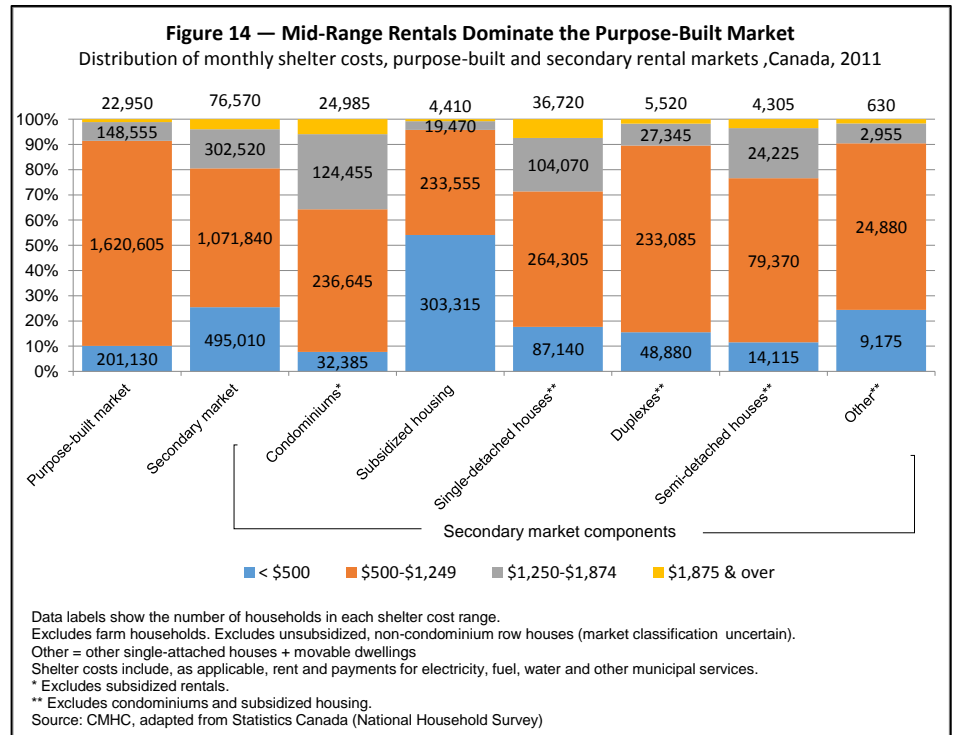
¹⁹ Freehold row houses cannot be identified in NHS data. All row houses other than condominiums and subsidized units are excluded from the shelter cost estimates presented in Figure 13. See the Annex for details on the method used to estimate shelter costs in the primary and secondary markets using the NHS.

have yards. Condominiums can have other attractions as well, such as entertainment and recreational facilities, security features, and locations in established neighbourhoods. Many condominiums are of relatively recent construction and hence may have more modern designs, appliances, and finishes than older rental apartments.

- By comparison to the secondary market, the purpose-built market in 2011 had a higher proportion of mid-range rentals costing from \$500 to \$1,249 a month (see Figure 14). Four out of five purpose-built rentals fell in this range.

To varying degrees, each type of rental housing supplies units at either end of the cost

spectrum. As noted above, cost differences in purpose-built housing reflect amenities such as unit size, age, and location.²⁰



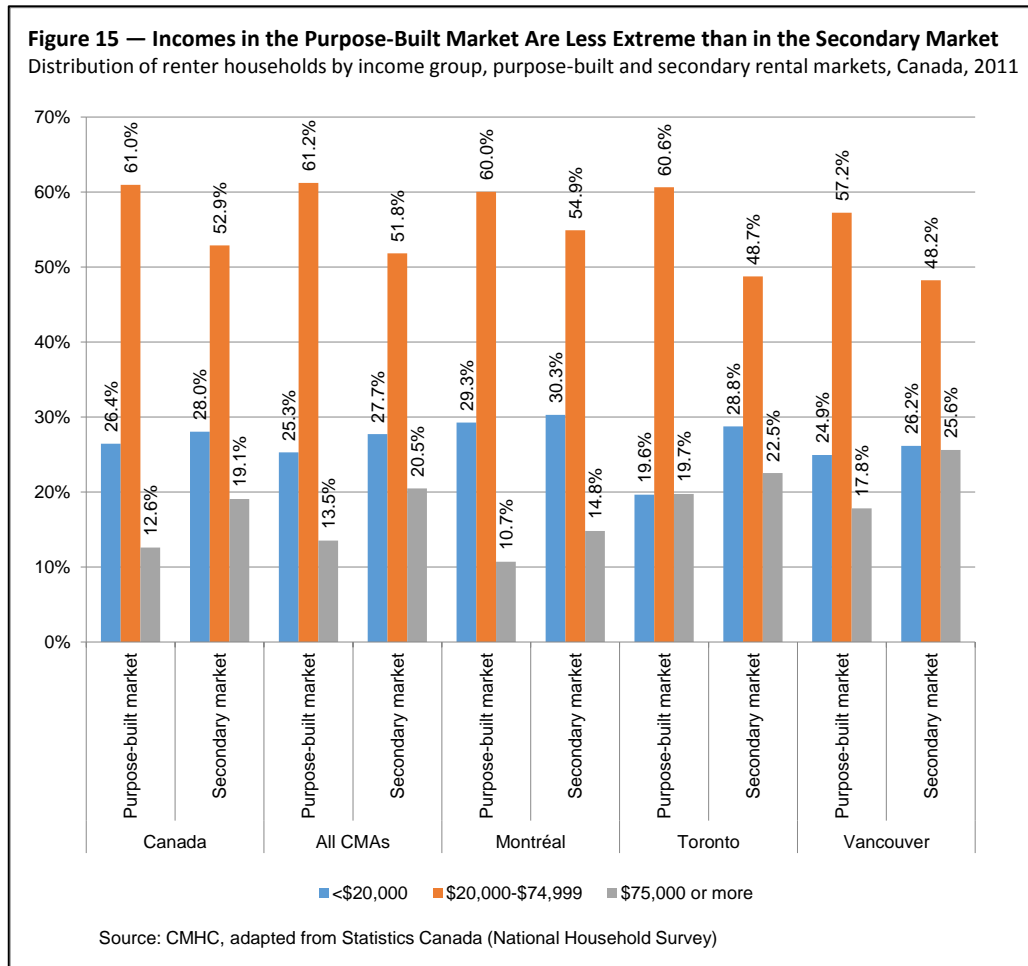
Household Incomes — Purpose-Built and Secondary Markets

- The incomes of renters in the purpose-built market are consistent with the high proportion of mid-priced rentals in that market. Compared to households in the secondary market, renter households in the purpose-built market in 2011 were more likely to have incomes between \$20,000 and \$74,999 (see Figure 15) and less likely to have incomes above or below this range.²¹
- Average household incomes were somewhat lower in the purpose-built market than in the secondary market (\$42,113 versus \$49,058), this despite

²⁰ To a large degree, cost differences in the secondary market were linked to the diversity of housing types in the market. More than half of low-cost rentals in the secondary market in 2011 were subsidized units. A majority of high-cost rentals in the secondary market were single-detached houses or condominiums.

²¹ Income estimates from the 2011 NHS are for the 2010 calendar year.

the presence of large numbers of subsidized, low-income renters in the secondary market.²²



- Around half of renter households in the secondary market with incomes under \$20,000 lived in subsidized housing. Almost two-thirds of those with incomes of \$75,000 or more lived in unsubsidized freehold single-detached houses or unsubsidized condominiums.
- The mix of incomes in the purpose-built and secondary markets varies from community to community. Among the three largest CMAAs, the difference in the percentages of low-income renters in the primary and secondary markets was particularly pronounced in Toronto in 2011. By comparison, Montréal showed little difference in the percentage of purpose-built and secondary market rentals occupied by those with low incomes. As noted earlier, Montréal has the largest supply of purpose-built housing of any CMA, with rents that are among the lowest of any CMA.

²² As noted in the Annex, the method used to develop estimates in this report assigns all subsidized rentals identified by the NHS to the secondary market, even though some renters in privately initiated rental structures of three units or more may have benefitted from rent subsidies.

Characteristics of Renters in the Purpose-Built and Secondary Markets

a. Household sizes and types

- In 2011, the average size of households in purpose-built rental housing was somewhat smaller than that of households in the secondary market (1.8 versus 2.2 persons). As discussed earlier, the diversity of housing in the secondary market includes structure types, such as single-detached and semi-detached houses, that are typically more spacious than other rental units and therefore likely to appeal to families with children.²³

- One-person households, other non-family households²⁴, and, to a lesser extent, couples without children were each overrepresented in purpose-built rental housing by comparison to their shares of the secondary market (see

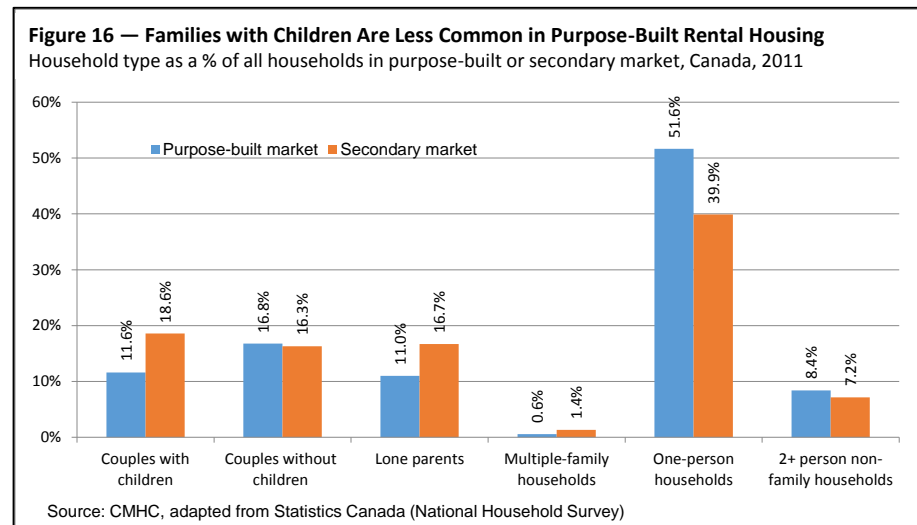


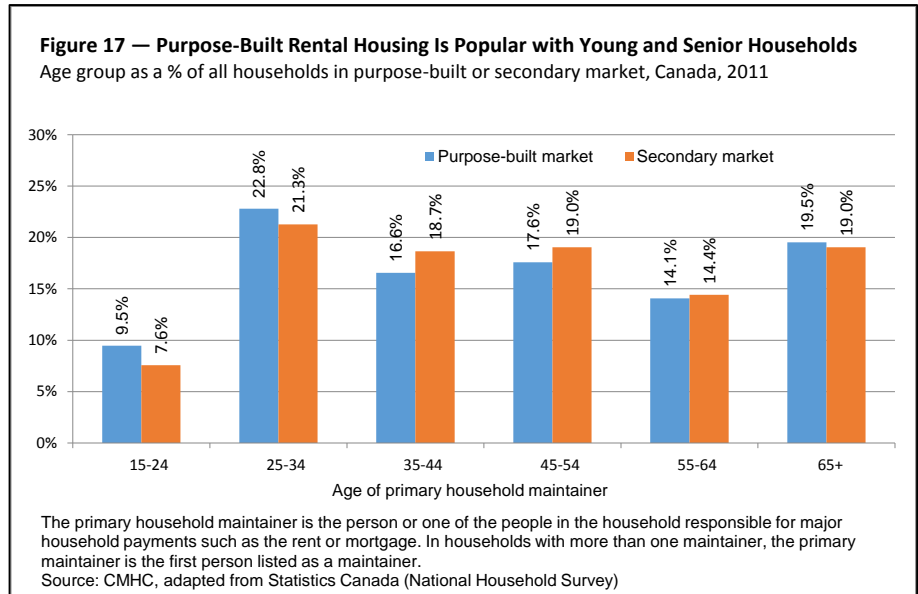
Figure 16). Families with children accounted for lower shares of purpose-built rental housing than of the secondary market.

²³ In 2011, single-detached houses were the most common type of secondary market housing occupied by couples with children and multi-family households. In contrast, more lone parents lived in subsidized housing than in any other type of secondary market housing.

²⁴ Non-family households are households that do not include a census family. Census families comprise couples with or without children and lone-parent families.

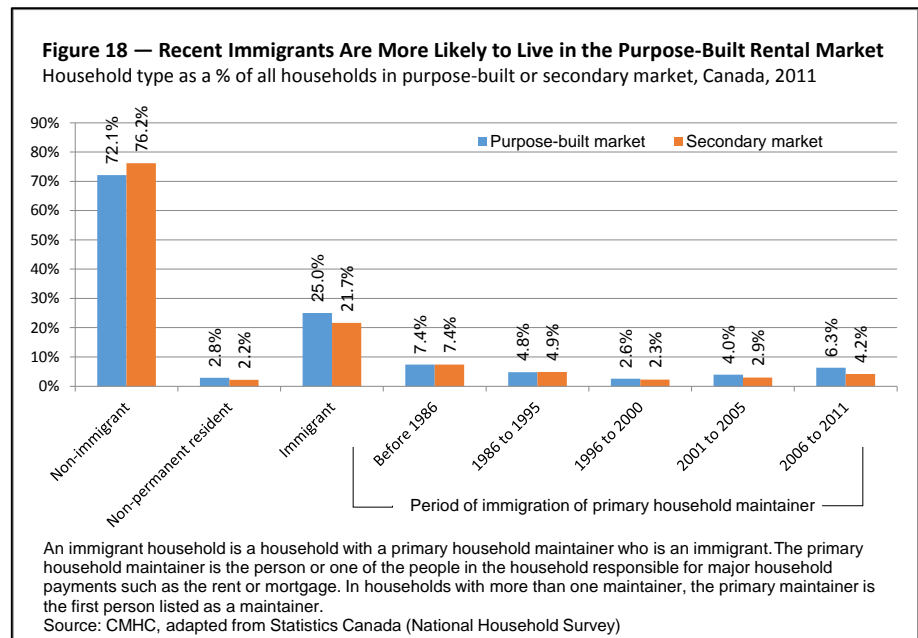
b. Age composition

- The age make-up of renters in the purpose-built market is weighted somewhat more heavily towards households with maintainers under the age of 35 and 65 or older (see Figure 17). This difference is consistent with the comparatively high proportion of one-person households and other households without children living in the purpose-built market.



c. Immigrant households

- In 2011, households with maintainers who were recent-immigrants²⁵ accounted for a higher percentage of the purpose-built rental housing market than of the secondary market (see Figure 18). Differences in the distribution of immigrants across the purpose-built and secondary markets were less pronounced the longer immigrants had been in Canada. Among long-term immigrant maintainers who landed in Canada prior to 1996, there was effectively no difference: this group accounted for similar shares of the purpose-built and secondary markets.

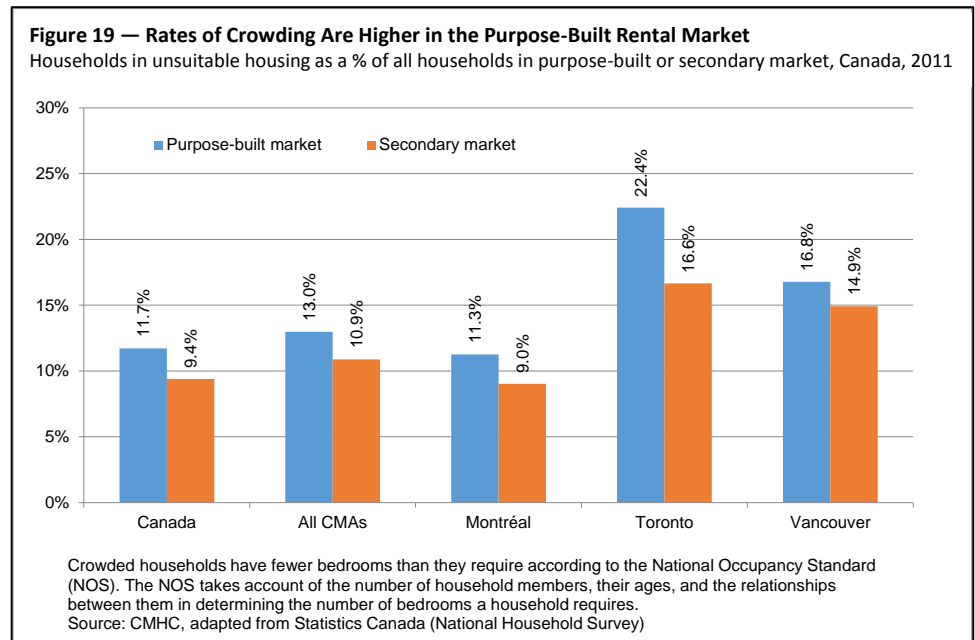


²⁵ In this discussion, recent immigrants are those who landed in Canada from 2006 to 2011. See the Annex for more information on immigrant households.

- The overrepresentation of recent-immigrant households in purpose-built rental housing is consistent with the relatively high concentration of purpose-built rental housing stock in CMAs, where immigrants tend to settle. In addition, given relatively low incomes, it is not surprising that recent-immigrant households would seek shelter in the purpose-built market, where average rents in 2011 were, as we have seen, somewhat lower than in the secondary market.²⁶ As discussed below, however, economizing on housing costs may involve settling for crowded living conditions.
- The balanced distribution of long-term immigrants across the purpose-built and secondary markets likely reflects gravitation of immigrants to different housing types in the years following settlement.²⁷ In 2011, for example, recent-immigrant households were less likely than other immigrant households to live in single-detached and semi-detached rentals (relatively spacious forms of rental housing) and also less likely to live in subsidized rentals (which often have long waiting lists).

d. *Crowding (Suitability)*

- Despite smaller average household sizes, renters in the purpose-built market are more likely to live in crowded conditions (unsuitable housing) than those in the secondary market (see Figure 19).

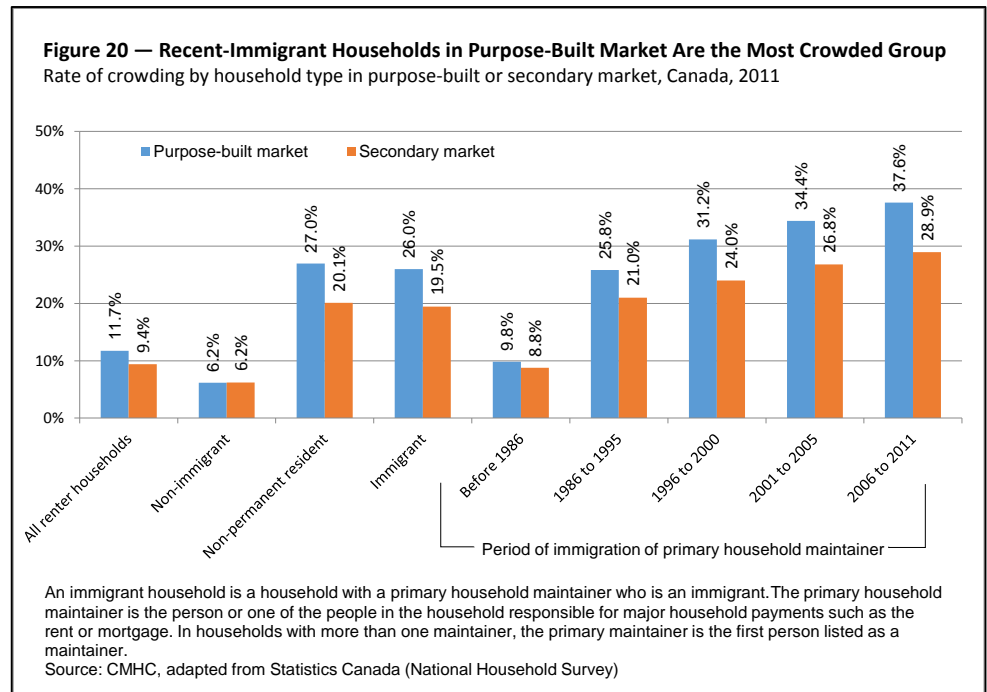


- In 2011, most of the largest CMAs in Canada had higher rates of crowding in purpose-built rental housing than in the secondary market. The incidence of crowding was especially high in Toronto and Vancouver (in both the purpose-built and secondary markets).

²⁶ In 2010, renter households maintained by recent immigrants had an average household income of \$42,709, somewhat lower than the average income for all renter households (\$45,969).

²⁷ The data describe different generations of immigrants at a given moment: they are cross-sectional. While differences among generations are suggestive of changes that might occur over time as immigrant fortunes and housing choices evolve, estimates do not actually describe the life course of individual generations. They are not longitudinal.

- Immigrants accounted for a disproportionate share of these crowded households. In 2011, more than half (55%) of all crowded households in the purpose-built rental market in Canada and close to half (45%) of crowded households in the secondary rental market had maintainers who were immigrants.



- Newcomers were the most likely to experience crowded conditions, especially in the purpose-built market. Recent-immigrant households living in purpose-built rental housing in 2011 were six times more likely than non-immigrant households to be crowded (see Figure 20).
- The high rates of crowding among recent immigrants suggest that newcomers have trouble finding suitably-sized rental accommodation that they can afford. To economize, they may opt for housing that has fewer bedrooms than they would like. As discussed earlier, there is little purpose-built rental housing that is suitable for large families, and the housing options in the secondary market that have more bedrooms, such as single-detached homes, tend to be more expensive than other rental housing.
- Although households in purpose-built rental housing tend to be smaller than other households, that is not the case for immigrant households, especially those that are crowded. In 2011, the average size of crowded recent-immigrant households living in purpose-built housing (3.7 persons) was close to double the size of the average renter household (2.0 persons). Crowded recent-immigrant households in the secondary rental market were larger still (4.2 persons). Evidently, there are appreciable numbers of recent-immigrant households for whom a standard one-bedroom or two-bedroom unit in the purpose-built market would not be suitable.

Summary and Implications

The purpose-built (primary) rental stock comprises units in privately initiated, purpose-built rental structures of three units or more. Much of this supply consists of one- and two-bedroom apartments in large structures of 20 units or more. It includes relatively little housing that is suitable for large families.

The purpose-built rental stock is an important component of rental supply in Canada, especially in urban areas. In CMAs collectively, it was home to slightly over half of renter households in 2011.

Although construction of purpose-built rental housing has increased over the past two decades, most of the purpose-built stock dates from the 1970s and earlier. Ongoing investment will be required to keep this housing in reasonable shape. Although residents rate purpose-built housing as being in comparable, if not better, physical condition than units in the secondary rental market, disrepair is more prevalent in older units than in recently-built projects.

Consistent with the predominance of one- and two-bedroom units in the purpose-built stock, households living in the primary rental market tend to be smaller than those in the secondary market. In 2011, by comparison to the secondary market, purpose-built units housed higher numbers of moderate-income households, one-person households and other non-family households, couples without children, immigrant households, and households with maintainers under 35 and 65 or older.

Despite the smaller average size of households in purpose-built housing, crowded conditions are more common than in the secondary rental market. In both markets, immigrants account for a disproportionate share of crowded households, particularly households maintained by recent immigrants.

The high rate of crowding among recent and other immigrants suggests a scarcity of affordable rental housing suited to the typically larger sizes of immigrant households. Given Canada's continuing immigration, the need for affordable rental housing suited to families is likely to persist.

ANNEX

Glossary

Purpose-Built and Secondary Markets

The **purpose-built rental market** is defined as occupied rental units in privately initiated, purpose-built, rental structures of three units or more, both in apartments and in row housing structures.²⁸

The **secondary rental market** comprises all occupied rental units other than those in the primary rental market (see Table A1).

CMHC's **Rental Market Survey (RMS)** covers the purpose-built market. It is conducted on a sample basis in all urban areas with populations of 10,000 or more and targets only privately initiated structures with at least three rental units that have been on the market for at least three months.²⁹

Table A1 – Definitions of Purpose-Built and Secondary Rental Markets

Purpose-Built Rental Market	Secondary Rental Market
All rental units in occupied privately initiated purpose-built rental structures with at least three rental units (apartments and row housing).	All rentals not in the purpose-built market: <ul style="list-style-type: none">• Rented condominiums• Publicly initiated (subsidized) rental units• Freehold row house rentals• Rental units in structures with fewer than 3 units

Other Terminology

A **Census Metropolitan Area (CMA)** - an urban area with a total population of at least 100,000 and a core population of at least 50,000.

A **Census Agglomeration (CA)** - an urban area that is not a CMA and has a core population of at least 10,000.

Crowded household - a household with fewer bedrooms than it requires. The number of bedrooms required is based on both the size and the composition of the household.

²⁸ There could be some tenants in these private market units whose rent is being subsidized.

²⁹ For more information on the RMS, see <https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/RmsMethodology>.

Family household - a household that contains at least one census family (a couple with or without children or a lone parent living with one or more children).

Immigrant - a person who is or has ever been a landed immigrant/permanent resident. The person has been granted the right to live in Canada permanently by immigration authorities.

Immigrant household - a household with a primary household maintainer (as defined below) who is an immigrant.

Non-family household - a person living alone, or two or more people who share a dwelling and who do not constitute a family.

Non-immigrant household - household with a primary household maintainer (as defined below) who is neither an immigrant nor a non-permanent resident.

Non-permanent resident - a person from another country who has a work or study permit or who is a refugee claimant and any non-Canadian-born family member living in Canada with them.

Other immigrant - an immigrant who is not a recent immigrant.

Other immigrant household - a household with a primary household maintainer (as defined below) who is an immigrant but not a recent immigrant.

Primary household maintainer - the person or one of the people in the household responsible for major household payments such as the rent or mortgage. In households with more than one maintainer, the primary maintainer is the first person listed as a maintainer.

Recent immigrant - a person who landed in Canada from January 1, 2006 through May 10, 2011 (Census Day).

Recent-immigrant household - a household with a primary household maintainer who is a recent immigrant

Shelter costs - for renters, costs include, as applicable, rent and payments for electricity, fuel, water, and other municipal services.

Methodology

1. Characteristics of Purpose-Built Rental Housing

The review of characteristics of the purpose-built rental housing stock (in Section 3 of this report) is based largely on counts of purpose-built units from CMHC's Rental Market Survey (RMS). Estimates of rental completions come from CMHC's Starts and Completions Survey. Examination of the state of repair of the purpose-built stock is derived from 2011 National Household Survey (NHS) estimates. As explained below (see Table A2), because the NHS does not distinguish purpose-built from other rentals, proxies for purpose-built and secondary units were developed using NHS structure type and tenure categories.

2. Purpose-Built Share of the Rental Market

For reasons outlined below, the method for estimating the rental market share of purpose-built rental housing in Canada (in Section 4) is slightly different than that used for individual CMAs. Whatever the geography, the measure of the total size of the rental market is the number of renter households counted by the NHS (in 2011) or Census of Population (in 1996, 2001, and 2006).

In CMAs

In CMAs, the estimate of the number of units in the purpose-built market is the RMS count of occupied rental units in privately initiated purpose-built rental structures of at least three units. The purpose-built share of the total rental market is computed by dividing the RMS count by the number of renter households.

In Canada

The RMS does not survey purpose-built rentals in communities with populations of less than 10,000. To estimate the size of the purpose-built market in Canada as a whole, therefore, an estimate of the number of primary market rentals in these smaller communities is needed. The measure chosen was the number of rented unsubsidized, non-condominium apartments counted by the NHS in areas outside CMAs and CAs.

This NHS-based proxy was added to the RMS count for communities with populations of 10,000 or more to produce the total estimate of occupied purpose-built rental housing in Canada, which was then divided through by the number of renter households in Canada to estimate the purpose-built share of the rental market. The adjustment for the number of primary market rentals in areas of Canada outside CMAs and CAs raised the estimated purpose-built share in 2011 from 44.0% to 46.6%.

The NHS estimate of purpose-built rentals in areas of Canada outside CMAs and CAs would include an unknown number of rentals in structures of fewer

than three units. Such units, if they could be identified, should be counted in the secondary market but would make little difference to the results presented here.³⁰

The method used to develop the national purpose-built market estimate relies on information on rented condominiums and subsidized housing collected for the first time by the NHS in 2011. Calculations therefore cannot be replicated in previous census years.

3. Rents in the Purpose-Built Market

Rent estimates in Section 5 come from the RMS. The rent data collected by the RMS describe what tenants actually pay to the landlord. Amounts may or may not include utilities.

4. Comparison of Shelter Costs — Purpose-Built and Secondary Markets

Comparisons of the shelter costs of purpose-built and secondary market renters (in Section 6) are derived exclusively from the NHS. The NHS does not distinguish purpose-built from other rentals, nor do NHS definitions provide unambiguous separation of structures into those with three units or more and those with fewer units. As a result, assigning renter households enumerated by the NHS to purpose-built and secondary market groups involves a degree of uncertainty for some types of housing.

Shelter cost estimates were generated using the following assignment logic (see Table A2 for a summary):

- **Rented condominiums** clearly are part of the secondary market.
- **Rentals in structures that are known to have fewer than three units** (structure types other than apartments and row houses) also fall unambiguously in the secondary market.
- **Unsubsidized, non-condominium apartment rentals** are assigned in the shelter cost estimation to the purpose-built market even though some may be in structures with fewer than three units.³¹

³⁰ What evidence there is suggests that most apartments enumerated by the NHS are not in structures with fewer than three units. The 2011 RMS counted 1,723,343 occupied apartments in privately initiated structures of three units or more in communities with populations of 10,000 or more. In 2011, the NHS counted 1,886,835 households renting unsubsidized, non-condominium apartments located in CMAs or CAs, only about 163,000 more than the number counted by the RMS. In 2011, there were 106,405 unsubsidized, non-condominium apartments occupied by renters in areas outside CMAs and CAs.

³¹ Statistics Canada defines such apartments as “A dwelling unit attached to other dwelling units, commercial units, or other non-residential space in a building that has fewer than five storeys.”

- All **subsidized rentals** identified by the NHS are assigned to the secondary market, even though some renters benefitting from rent subsidies may live in privately initiated rental structures of three units or more.
- The market status of **unsubsidized, non-condominium row house rentals** cannot be determined. These units could be purpose-built rentals (primary market) or freehold units (secondary market).³² They are excluded from shelter cost comparisons.

Because the NHS did not collect shelter cost information for farm operators, 2011 shelter cost estimates presented here exclude renter households who lived on and operated farms. The NHS counted 5,450 such renter households in Canada.

Table A2 - Rental Market Classifications of NHS Housing Types

NHS housing type	Market classification
Apartments - non-condo, unsubsidized	Purpose-built
Apartments - condominium	Secondary
Apartments - subsidized	Secondary
Row houses - condominium	Secondary
Row houses - subsidized	Secondary
Row houses - non-condo, unsubsidized ³³	Indeterminate
All other rentals (structures with < 3 units) ³⁴	Secondary

5. Method for Comparing Incomes and Demographic Characteristics of Purpose-Built and Secondary Market Renters

Unlike shelter cost estimates, data on incomes (in Section 7) and demographic characteristics (in Section 8) of purpose-built and secondary market renters include farm households. For these analyses, secondary market estimates are

³² Based on comparison of the counts of row houses in the RMS and NHS, these rentals may be fairly evenly split across the two markets. In 2011, the NHS counted a total of 116,560 unsubsidized, non-condominium row houses occupied by tenants in CMAs and CAs, while the RMS counted 69,231 occupied privately initiated row house rental units in the primary market.

³³ These units could be part of the primary market (in privately initiated rental developments) or the secondary market (in freehold row houses). NHS data do not distinguish between these two types of row house rentals.

³⁴ Structures with fewer than three units comprise single-detached houses, semi-detached houses, other single-attached houses, duplexes, and movable dwellings. For details on Statistics Canada's structure type definitions, see <http://www12.statcan.gc.ca/nhs-enm/2011/ref/dict/dwelling-logements013-eng.cfm>.

derived on a residual basis — as the difference between all renter households and the primary and indeterminate groups listed in Table A2.³⁵

6. Undercoverage

Secondary market estimates presented here, which are generated as the difference between the number of renter households and the number of occupied purpose-built rental units, may understate the true size of the secondary market given incomplete household coverage by the Census and NHS. The number of renter households in Canada not counted (missed) by the Census or NHS is unknown. Excluding incompletely enumerated Indian reserves and settlements, Statistics Canada estimates that the 2011 Census missed 2.22% of Canada's population (not households).³⁶

7. Boundary Changes

Purpose-built and secondary market estimates presented here reflect CMA boundaries at the time data were collected. They are not adjusted for boundary changes that occurred after data collection.

8. Comparability of Census and National Household Survey Estimates

Methodological changes introduced to the census program in 2011 could also affect estimates presented here. In 2011, the voluntary NHS replaced the former mandatory long census questionnaire. Statistics Canada has cautioned that because of the change from a mandatory to a voluntary survey, data from the NHS may not be strictly comparable to those from earlier censuses.

³⁵ The alternative of adding across the multitude of secondary market types listed in Table A1 would produce very slightly different numbers because subsidized and unsubsidized breakdowns are unavailable for farm households. The subsidized housing question on the NHS, like shelter cost questions, was not asked of farm households.

³⁶ Statistics Canada, *Census Technical Report: Coverage*, Catalogue no. 98-303-X2011001 (Ottawa: Statistics Canada, 2015), p.8.

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