HOUSING MARKET INFORMATION

HOUSING MARKET INSIGHT
Kitchener-Cambridge-Waterloo CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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"Construction of new housing targeted to students has surged in a number of communities just at the time that university enrolments are set to decline due to demographic trends."

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The Supply of and Demand for Off-Campus Student Housing

Background

The construction of housing geared to students has ramped up since 2011, especially in the City of Waterloo. This construction was encouraged by the strong growth in enrolment at the city's two universities between 2001 and 2010. However, construction of housing geared to students now outpaces the increase in enrolment, which has slowed. This report will delve into the supply of and the demand for off-campus student housing and look at whether the market is oversupplied.[1]

Growth in Demand Slowing

Demand for off-campus student housing is driven by university enrolment. In Waterloo, enrolment growth has varied significantly since 2001 with the strongest growth in 2003 which coincided with the double cohort of Ontario high school students entering university. Enrolment declined slightly in 2014 as the declining student-aged population impacted enrolment. Enrolment at the universities in the other centres studied is readily available only from 2005 to 2015. The patterns are similar, with strongest growth occurring around the turn of the decade and then, with the exception of Queen's university slowing after 2013.[2]

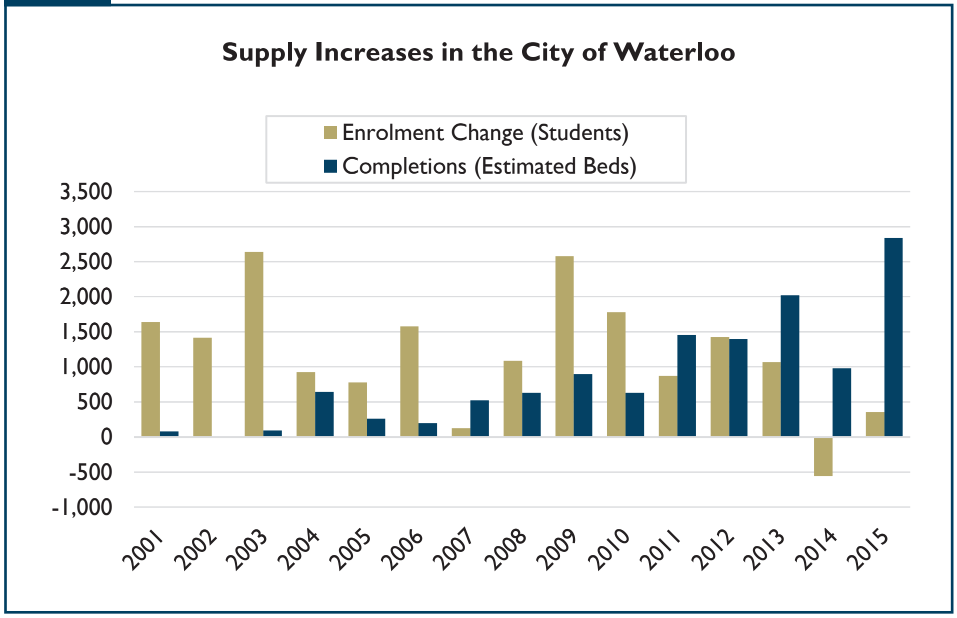
The main drivers of domestic enrolment are the size of the university-aged population and its growth. For Ontario as a whole, the post-secondary student-aged population (17-22) in 2015 was 1,115,160. The Ontario post-secondary student-aged population grew from 2001 through to 2013, but began to decline in 2014 and is expected to continue to decline until 2022.

This population group is not expected to reach the 2015 level again until 2033. This will reduce domestic enrolment and demand for student housing.[3]

International student enrolment continues to grow, but the level and the rate of growth vary by university. Between 2005 and 2015, full-time international student enrolment grew by 78% for Brock and Guelph; 111% for Queen's; 219% for Waterloo; 133% for Western; and 231% for Laurier. Although the number of international students have grown at all universities, the impact that these students have on full-time enrolment varies significantly.

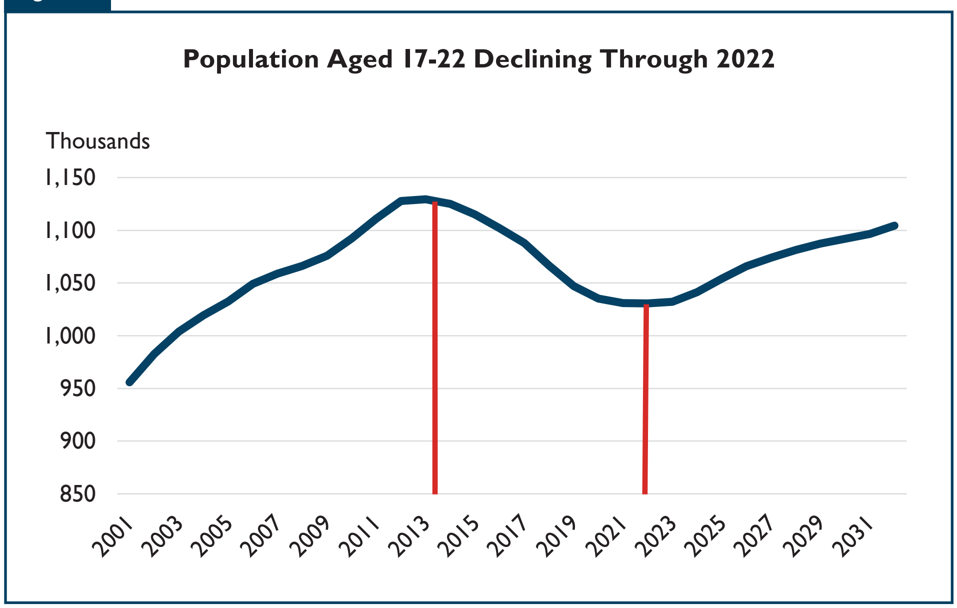
Total enrolment growth has also varied by university, mainly due to the varying proportions of domestic vs international enrolment. Since 2005, Brock University total full-time enrolment grew by 14 per cent; Guelph, 13 per cent; Queen's, 32 per cent; Waterloo, 44 per cent[4]; Western, 17 per cent; and Laurier, 37 per cent. Actual numbers are shown in Table 1. This growth has put pressure on student housing, both on-campus and off-campus. We estimate demand for off-campus student housing in 2015 by subtracting local students and on-campus housing from total enrolment. In Waterloo, nearly 30,000 students needed off-campus housing.

Figure 1



Source: CMHC, adapted from Region of Waterloo (University data)

Figure 2



Source: Statistics Canada (2001-2015); Ontario Ministry of Finance Projections (2016-2032)

Supply Continues to Increase

The supply of off-campus housing available to students includes units in purpose-built student rental housing[5], the primary rental market[6] and the secondary[7] rental market. The number of units used as student housing is difficult to accurately quantify in most cities, since most housing is not exclusively for students.[8] The most accurate data about student housing supply is newly completed units of off-campus housing targeted to students. These units are in private purpose-built buildings for student rentals and in condominium apartment projects marketed to investors to be rented to students. Tracking these units gives a good indication of whether new supply meets or exceeds the increase in demand. Between 2000 and 2016, the increase in supply was: in Guelph, 826 new beds; in Kingston, 917 beds; in London, 1,242 beds; in St. Catharines, 72 beds; and in the City Waterloo, 13,266 beds. In the City of Waterloo, more than

2,800 beds of off-campus student housing were completed in 2015 alone. The construction of new units was spurred on by the double cohort of high school students entering university in 2003 and a report[9] on the redevelopment of the Northdale area.

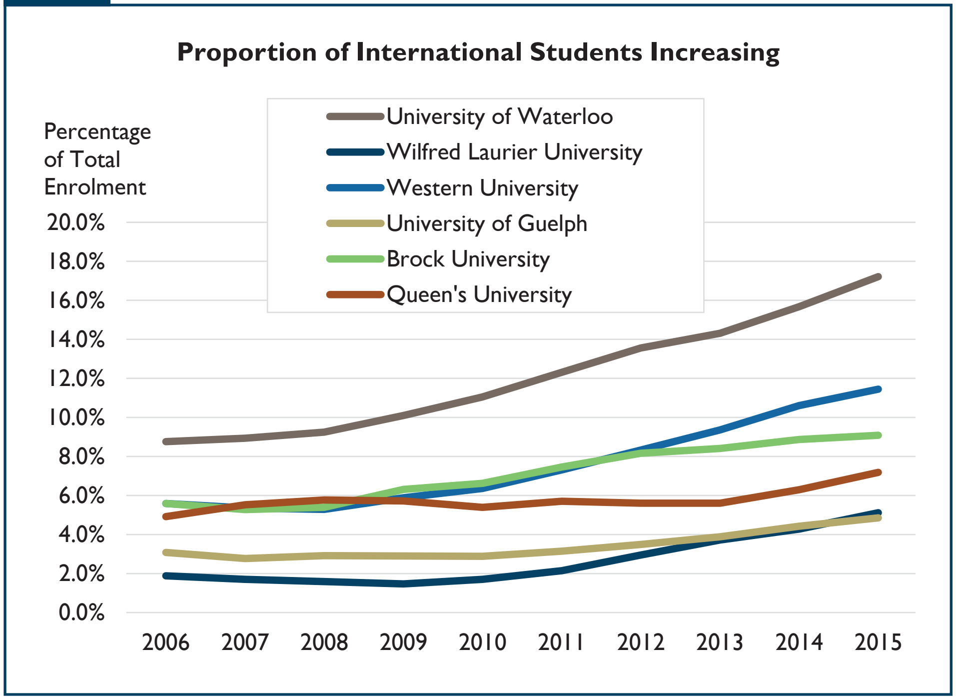
Enrolment Increase Exceeded Supply Increase in Many Communities

In the 2010-2015 period, except for the City of Waterloo, the supply of student housing did not increase as fast as the increase in enrolment. However, for the longer period 2005 to 2015, enrolment has outpaced newly completed supply in all areas. These figures do not take into account demolitions and any new on-campus housing, for which data was not available in most communities.

In the period 2000-2010, the full-time enrolment at the University of Waterloo and Wilfrid Laurier University in the City of Waterloo increased by approximately 14,500 students. In the same time period, approximately 4,000 beds of off-campus student housing were completed. Data on the increase in on-campus housing during this period is not available, but the primary rental market increased by 763 spaces in the City of Waterloo where the two universities are located. Some students would have found accommodation in the broader Kitchener-Waterloo market where spaces in the primary market increased by 3,565 in this period. However, it is also likely the additional demand was absorbed by an increase in supply in the secondary rental market as well as possibly some new on-campus housing.

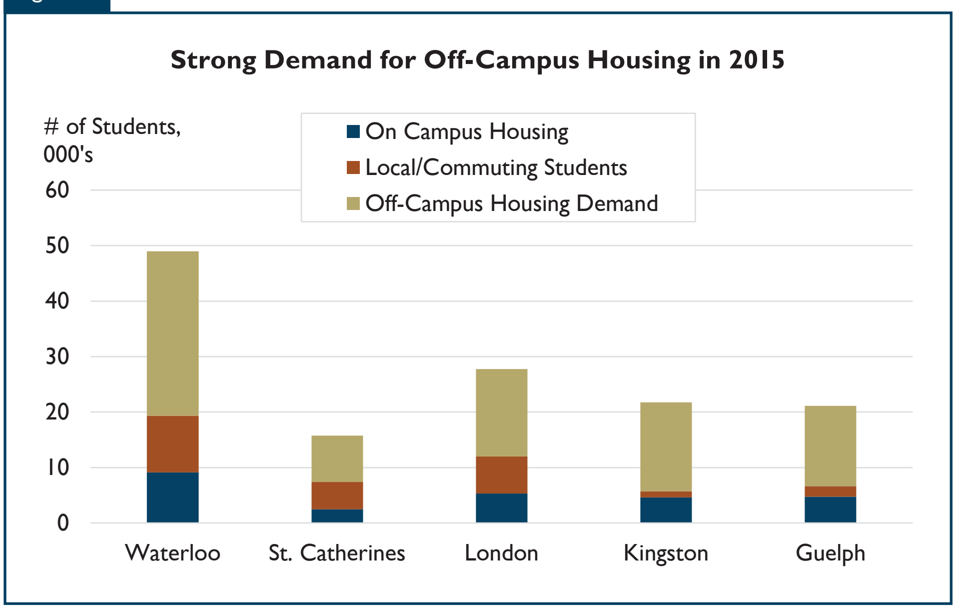
The supply-demand scenario changed between 2010 and 2015. In the period 2010-2015,

Figure 3



Source: CUDO

Figure 4



Source: University registrars & websites

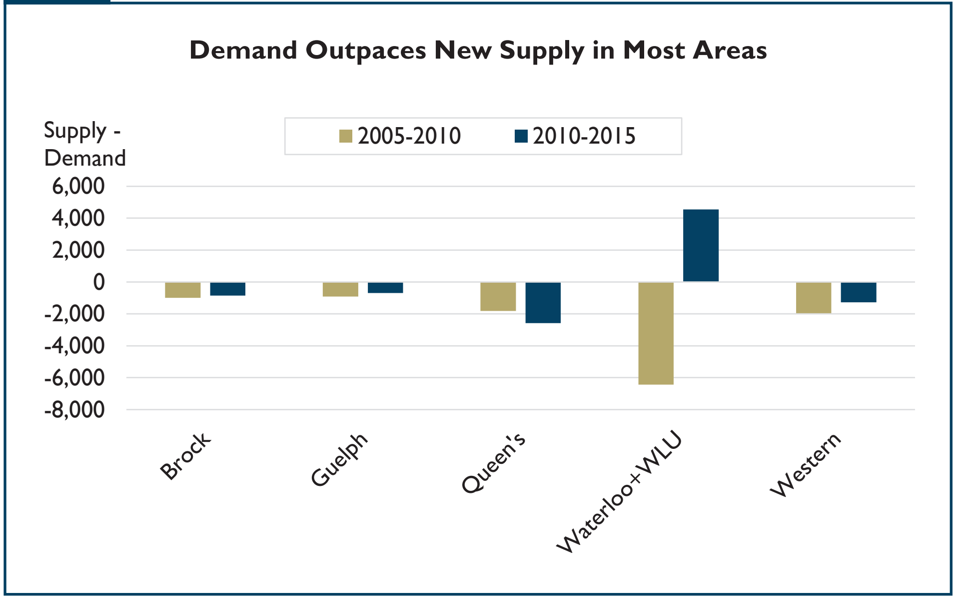
the full-time enrolment at the University of Waterloo and Wilfrid Laurier University increased by 3,200 students, while approximately 9,300 beds of student housing were completed off-campus, 8,500 beds in rental housing and 800 beds in condominium developments, as well as 1,200 on-campus beds. In the same time period, approximately 2,000 beds of student housing (mainly from the secondary rental market) were demolished to make room for the new student housing. As a result, new supply exceeded demand by approximately 5,000 beds. The available data suggest that students moved into the newer stock, and vacancies which occurred were mainly in the secondary market and older student housing. Though no data on vacancies in the secondary market exist, rents[10] have remained stable or declined, supporting the conclusion that supply exceeded demand in this market.

Demand Shifts to Newer Supply

The trend in supply of student housing has shifted away from the secondary market and older student rental buildings toward units in buildings with more amenities closer to the universities. These units come at a premium rent. However, there is still a wide range of student housing available. A declining vacancy rate in the primary rental market[11] in the City of Waterloo is an indication that students are still renting units in the primary rental market.

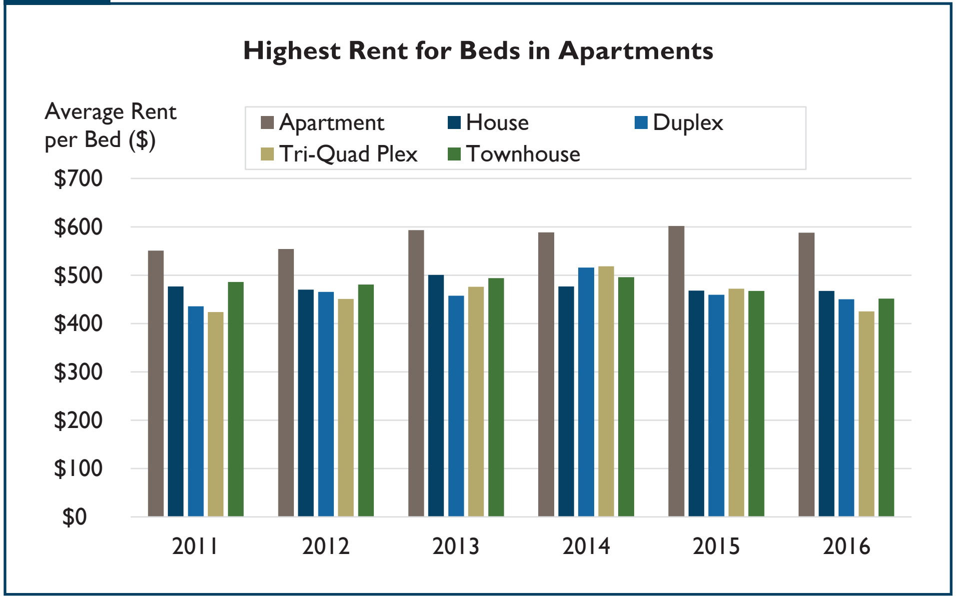
In Waterloo, more than 1,800 beds were completed in the first eleven months of 2016 and at the end of November, another 1,400 beds were under construction. However, some of the condominium projects under construction are not only being targeted to students, but also young professionals. The maximum number of beds per unit is only two, with many of the units containing only one-bedroom. These new projects are in sharp contrast to the typical student housing of just a few years ago with 3-5 bedrooms per unit. Vacancy information obtained during this research was incomplete, but indicated that some of the newer buildings had full or almost full occupancy this September. The student housing market has been shifting away from traditional student accommodation into units with fewer beds.

Figure 5



Source: CUDO, CMHC Starts & Completions Survey

Figure 6



Source: University of Waterloo Off-Campus Housing Listings

The increased supply in student housing has resulted in the market adjustments. Landlords of older buildings are offering incentives to rent their units. Some units in the secondary market are no longer being offered for rent. However, a mix of student housing with a range of rents is necessary to accommodate all students.

Little Need for New Student Housing

In the centres studied in this report, except for the City of Waterloo, the growth in student housing has not kept up with the growth in enrolment. However, future enrolment in many markets is expected to be stable at best.

Enrolment projections are based on the assumptions that domestic enrolment will remain a constant proportion of the Ontario 17-22 age group and that international enrolment will grow at the average rate of the past six years[12]. With a decline in enrolment at many universities, there will be limited need for additional student housing. New student housing will need to be more a replacement for older stock than addition to the total stock. In Waterloo, supply has already exceeded demand and with 1,400 beds under construction, supply will continue to grow. However, further adjustment will likely be necessary to resolve the imbalance which is developing.

Acknowledgements

CMHC recognizes the contribution to this report from our summer student Connor Hicks from the University of Waterloo. We thank the universities mentioned in this report as well as local municipalities for their support. In particular, we would like to thank the City of Waterloo, Regional Municipality of Waterloo and the University of Waterloo for their insight and data.

Table 1: University Enrolment												
	Brock University		**University of Guelph**		**Wilfrid Laurier University**		**Queen's University**		**University of Waterloo**		**Western University**	
	Total	Int'l.*	Total	Int'l.	Total	Int'l.	Total	Int'l.	Total	Int'l.	Total	Int'l.
2005	13,843	805	18,698	577	11,360	240	16,418	739	23,251	1,805	23,716	1,363
2006	13,954	779	19,794	608	12,402	243	16,375	805	23,990	2,074	24,106	1,349
2007	13,530	714	19,936	552	12,392	210	16,399	906	24,941	2,216	23,827	1,275
2008	13,596	732	17,751	518	12,974	205	17,132	956	25,944	2,401	24,114	1,275
2009	14,338	904	18,939	546	13,962	211	17,787	1,016	27,765	2,802	24,796	1,460
2010	14,835	982	19,795	571	14,794	251	18,279	987	29,395	3,249	25,712	1,635
2011	15,321	1,142	20,730	653	15,382	331	19,576	1,115	30,501	3,758	26,475	1,935
2012	15,678	1,280	20,692	722	15,984	472	19,901	1,115	31,611	4,287	26,748	2,226
2013	15,927	1,340	20,530	796	16,301	607	20,280	1,136	32,544	4,658	27,248	2,549
2014	15,975	1,417	20,554	909	15,843	678	21,095	1,330	32,948	5,165	27,729	2,943
2015	15,763	1,432	21,126	1,025	15,519	794	21,742	1,562	33,440	5,757	27,752	3,177

Source: Council of Ontario Universities, Common University Data Ontario (CUDO)
*Int'l. = International Students

Table 2: Enrolment Change and Completion of Student Beds										
	Brock University		**University of Guelph**		**Queen's University**		**Waterloo universities**		**Western University**	
	Enrolment Change	Comp.*	Enrolment Change	Comp.	Enrolment Change	Comp.	Enrolment Change	Comp.	Enrolment Change	Comp.
2006	111	0	1,096	0	-43	0	1,781	198	390	16
2007	-424	0	142	0	24	22	941	524	-279	16
2008	66	0	-2,185	0	733	0	1,585	631	287	0
2009	742	0	1,188	0	655	0	2,809	897	682	0
2010	497	0	856	0	492	26	2,462	630	916	0
2011	486	0	935	0	1,297	0	1,694	1,457	763	0
2012	357	0	-38	0	325	158	1,712	1,400	273	84
2013	249	0	-162	0	379	60	1,250	2,018	500	64
2014	48	0	24	72	815	63	-54	980	481	0
2015	-212	72	572	574	647	576	168	2,836	23	622
2016	-22	480	-133	300	-78	0	176	1,869	37	567
2017	-23	35	-140	0	-82	0	185	1,407	39	0
2018	-98	na	-259	na	-194	na	-5	na	-79	na
2019	-55	na	-212	na	-140	na	152	na	4	na
2020	62	na	-60	na	20	na	529	na	214	na

Source: CMHC, CUDO
*Comp. = Completions
na = not available

ENDNOTES

[1] This report will analyze the university student housing market in Guelph (University of Guelph), Kingston (Queen's University), London (Western University), St. Catharines (Brock University) and Waterloo. The focus of this report is on student housing in the City of Waterloo, which has the highest number of students in a concentrated area. Together, the University of Waterloo and Wilfrid Laurier University have approximately 49,000 full-time students. Data from the other cities will be used as comparisons to Waterloo.

[2] Enrolment is composed of domestic and international students. Domestic enrolment can include students who do not need housing because they live within commuting distance. The percentage of students requiring housing varies by the university and is influenced by the population surrounding the universities. For Waterloo, the population surrounding the universities is the largest among the centres studied. Consequently, it has the largest proportion of local/commuting students who do not need off-campus housing. By contrast, very few students in Kingston are local or able to commute from near-by communities.

[3] Student housing comes in many forms, both on-campus and off-campus. Demand for off-campus housing varies by university and takes into account the level of on-campus housing sponsored by the university. Universities continue to build some on-campus housing. However, the majority of on-campus housing is occupied by first-year students. With the majority of on-campus spaces occupied by first-year students, all other students that require housing must find a place to live in off-campus housing.

[4] Council of Ontario Universities, Common University Data Ontario (CUDO)

[5] These units are configured (3-5 bedrooms) so that they mainly appeal to students.

[6] Apartment and row structures with at least three units built to be rented

[7] All rental accommodation not included in the primary rental market except for publicly-subsidized rentals and seniors rentals with a meal plan available. Examples include houses, basement apartments, commercial structures with less than 3 residential rental units, rented condominiums etc.

[8] Advertisements on university websites and other rental websites provide some information about supply. However, this data is by no means exhaustive. For example, listings on a University of Waterloo website totaled around 2,000 per year. The listings covered a variety of dwellings from single spaces to houses in which a number of students could live. Despite the potential of housing for many more than 2,000 students, these listings fell well short of providing spaces for the nearly 30,000 students needing off-campus housing in Waterloo.

[9] Northdale: Land Use & Community Improvement Plan Study, City of Waterloo, June 2012.

[10] University of Waterloo listings of off-campus housing available

[11] CMHC's Rental Market Report 2016 for Kitchener-Cambridge-Waterloo CMA

[12] Projections calculated using Ontario population projects from the Ministry of Finance, the 2015 proportion of the population at each university, and the 2015 proportion of international students.

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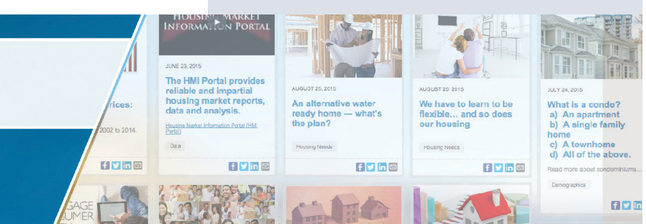

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