

The Canadian Student Housing Market

Its Structure & Characteristics



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THE CANADIAN STUDENT HOUSING MARKET: STRUCTURE AND CHARACTERISTICS

Purpose-built rental student housing is a growing market that has seen steadily rising demand over the last twenty years, and a supply that has only just started to rise to meet it. The number of students attending colleges and universities across Canada is growing. The number of students coming from outside Canada is growing, as are the number of students who are choosing to attend universities outside their home region.

Student housing has a number of features that make it very different from other forms of purpose-built rental housing. Suppliers are only now adjusting their building stock to meet these unique demands, and the results are student housing units that better meet the needs of Canada's students, for the benefit of the students, their parents, the post-secondary institutions they attend, and the municipalities they reside in.

DEMAND FOR STUDENT HOUSING

On September 1, 2017, a total of 1,039,521 students enrolled full time at Canada's 84 major university campuses; 874,283 were undergraduates, while 165,238 were graduates. Just seven years before, this number was 831,370 full time students. Between 2010 and 2017, Canada's full-time university student population grew by 208,151, or 25%. On September 1, 2017, there were 258,484 students attending one of Ontario's 24 post-secondary colleges full time. Across Canada, there are now over 1,300,000 full-time post-secondary students.

The largest populations of these students are found in Canada's largest cities, among housing markets that are some of the most active in Canada. The largest university in Canada is the University of Toronto, located in a region where private apartment vacancy rates are at 1.3% and average rents are \$1,648 per unit [source: CMHC, 2019]. The University of British Columbia is Canada's third largest post-secondary institution, whose 29,564 full-time students attend in a neighbourhood with vacancy rates at 0.3%, and average rents at \$1,996 per unit [source: CMHC, 2019].

Thus far, the only region to address the demand for purpose-built student housing is Waterloo, Ontario, which now has 23,387 beds in off-campus developments, although this is still below the estimated student population attending the area's two major universities who have come from outside the host region [42,139 students]. Toronto is the next largest market of off-campus purpose-built student housing with 4,681 units, followed by London with an estimated 3,500, and Vancouver with 3,099. As of January 2019, an estimated 51,747 purpose-built off-campus student beds were available or were being built across Canada.

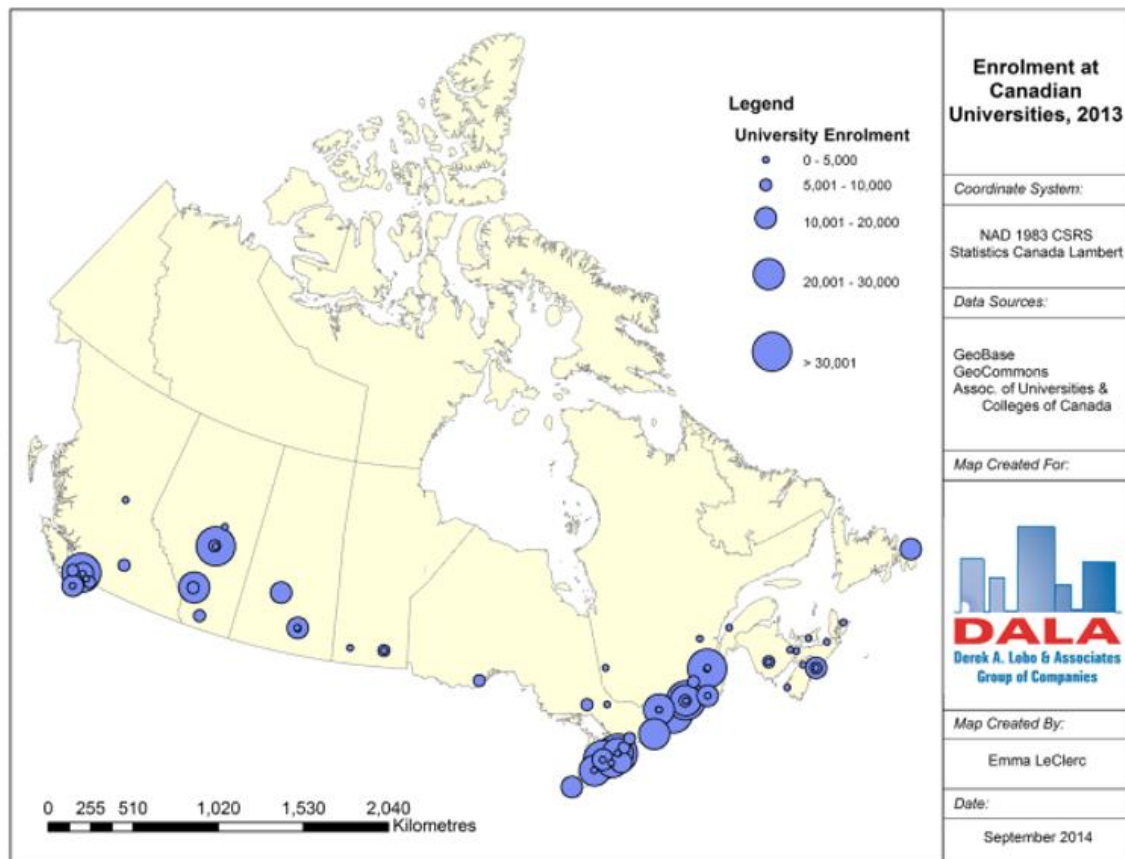
SVN Rock Advisors tracks enrollment by full/part-time status and geographic origin (local, non-local and international), and on-and-off campus beds. Below, we provide an estimate of the non-local students per bed for selected markets in Canada:

City	# Institutions	# Non-Local Students Per Bed
Waterloo, ON	2	2
Toronto, ON	3	11
London, ON	1	8
Vancouver, BC	3	10
Montreal, QC	7	21
Ottawa, ON	2	15
Kingston, ON	2	16

Source: AUCC 2017, local institutions, SVN Research

SVN Rock Advisors can provide data for each market, broken down by institution, for clients looking to engage in a deeper market analysis.

The map below highlights the location of Canada's universities with each dot sized according to the size of those institutions' student populations.



HOUSING THESE STUDENTS

Students attending university in their home town typically don't need housing. However, many universities across Canada attract students from outside their host city. Students are attracted by the prestige of the university, or they wish to experience the rite-of-passage of living away from their parents for the first time. Many universities attract large numbers of students from outside Canada. **It is estimated that 12.5% of all students attending Canadian universities come from outside Canada** – a number that has increased in recent years due to what institutions are referring to as the “Trump Bump”.

These students need housing. Most universities provide some housing for their students. These come in the form of on-campus dormitories or student apartments, or villages of townhouses made available to students. Some universities offer meal plans to go with this housing. In very few cases outside of small religious university campuses, is sufficient on-campus housing available to meet demand.

Outside of a handful of small institutions, almost no Canadian university campus offers enough on-campus student housing to house all of its full-time students coming from outside the host city. These students have to look for off-campus housing.

THE NATURE OF STUDENT HOUSING

Typical student housing markets offer students several different types of rental housing. These are summarized in the table below.

Type	Sub-Types	Operator	Residents
on-campus residences	traditional dormitories apartment-style	Institutions	students only
off-campus residences	apartment-style	private sector firms	students only
conventional rentals	apartments townhouses	private sector firms	students & other renters
informal or casual rentals	condominium-rentals house-rentals rooms-for-rent	Individuals	students & other renters

Source: SVN Research market research department.

Although not all housing types in the table above are found in all student housing markets, most are present, offering students a wide range of housing options which vary in modernity, quality, amenities, and pricing.

Off-campus housing takes many forms. In the past, most post-secondary students lived in off-campus conventional rental housing provided by developers in the private sector. This housing was rarely geared to the needs or requirements of students. In the past twenty years, however, there has been a growing trend, first found in the United States but making gains in Canada as well, for developments to be built specifically to meet the needs of student renters.

Privately operated, purpose-built off-campus student residences are the most attractive type of off-campus housing for students. In Canada, however, this market is only just maturing, and so not all

student housing markets offer private student residences. Where they exist, privately operated purpose-built off-campus residences offer comparable (and in some cases, superior) modernity, quality, and amenities to even the newest on-campus student residences. Privately operated purpose-built off-campus residences operate under provincial Landlord & Tenant acts and usually adopt and enforce the codes-of-conduct which the local university or college applies to their on-campus residences.

These developments are substantially better than informal or casual rentals, which are typically single condominiums, detached or semi-detached homes, and townhouses offered for rent by their owners who may or may not remain in residence. As their name suggests, these are not always transparent arrangements and many casual rentals “slip under the radar” of Landlord & Tenant acts, which means students renting these types of rental units do not always enjoy the legal protections they should and do not have any guarantee of quality or safety.

ADVANTAGES OF PURPOSE-BUILT STUDENT HOUSING

Purpose-built off-campus student housing addresses students’ needs in ways that conventional and informal rentals do not. They offer substantial benefits not only to the students, but to their parents, to the institutions the students attend, and to the cities that host them. Here are some of the advantages:

Acknowledgement of Seasonality: Students attend post-secondary institutions in blocks of 4 months, which correspond to academic terms of study. Students enrolled in full-time studies usually start in September and go through to the end of April (8 months total), unless they are on a co-op stream, which means four months of academics followed by four months of work placement, repeated. Most conventional rental buildings lease apartments for a year, leaving students on the hook for the four months they are not in school. Forcing them into a complicated process of subletting.

Acknowledgement of Shared Housing: Many students, to address financial constraints, try to lower their individual costs by living by partnering with other students. In conventional rentals, it means leasing a unit, and then subleasing to roommates who share the rent. This practise places a number of burdens on the student and raises uncertainties for the landlord. If one of the roommates moves out, the other tenants have to cover that share of the rent. Purpose-built student housing rents units by the bed, rather than by the door. Students are responsible for their own rents, and all tenants within a unit are covered by the protections and obligations of the lease.

Student housing apartments are often four or five-bedroom units, which enable students to pay an affordable rent by the bed, while granting landlords a higher income on the square foot. This additional income covers the increased maintenance costs associated with student housing and is also helping to increase the supply of new student housing at institutions across Canada.

SUBMETERING

Submetering is the practise of adding additional utility meters to a purpose-built rental apartment equal to the number of units within that building, monitoring the use of each utility within each apartment, and charging the tenants of each unit based on their actual utility use. This has been a feature of most new purpose-built rental apartments built in the last twenty years and is increasingly the case in older purpose-built apartments that have been retrofitted with more modern amenities.

In older conventional rentals, typical practise offered one set of utility meters per building. The cost of providing utilities was divided between each of the units equally and added to each unit's rent.

By allowing landlords to separate each tenants' utility costs from their rents and charging them on a strict per-use basis, tenants, landlords and the wider population enjoy many benefits thanks to submetering.

ADVANTAGES OF SUBMETERING

Increased Energy Efficiency: With each tenant now in control of their utility costs, there is tremendous incentive to use less of each utility. Doing so lowers that tenant's utility bill. Without submetering, tenants have little incentive to turn off lights when not in use, or lower their heat, as many of those additional costs would be picked up by the surrounding tenants in buildings that did not have submetering. A study of 410,000 residential units in Ontario by the firm Navigant found that submetering buildings reduced average electricity consumption by 27%, or 106 KW/hrs per month. Building units that didn't use electricity for heating found even higher reductions, averaging 34%, or 112 KW/hrs per month.

While there is a capital cost of adding new meters, and a cost of processing many new accounts compared to a single account for a building, the decreased energy use means lowered costs for the public utility, and the taxpayers who support it. It means decreased pressure on the environment through decreased use of fossil fuels. Lowering demand for these utilities lowers their price as well, making it cheaper for those who need it.

Tenant-Focused Services: With the utility account now in the name of the tenant rather than the landlord, tenants in need can apply for various programs to help their situation. Low income households currently have the ability to seek assistance with their utility bills through programs like the Ontario Energy Savings Plan [OESP]. To apply for the OESP, an applicant needs their own account with the electric utility. Their rebate is assessed based on a needs test and a rebate is applied to their utility bill. If the rebate is higher than the rebate itself, then the applicant pays nothing, and the surplus remains with the OESP. It is not pocketed by the tenant, the sub-metering contractor, or the landlord.

Low-income tenants in buildings that are not sub-metered are excluded from this plan. They are required to pay a fixed rate for their utilities through their rent and are thus subject to the average rate of utility use, regardless of whether they use that average rate. Without sub-metering, they have no possibility of relief.

SUBMETERING IN STUDENT HOUSING

Most purpose-built off-campus student housing has been built in the past twenty years, and it has been built with the newest amenities, including sub-metering. However, in many cases, sub-metering is applied as if the student housing development is a conventional rental, assuming that the tenants within each unit belong to the same family or household. This makes little sense from the perspective of student renters.

The tenants of student housing have been attracted to the development by the prospect of by-the-bed rents. They do not want to be left on-the-hook for a portion of the unit's rent if a roommate fails to pay their share. They want the protections that go with the obligations of all tenants within the unit having their own lease with the landlord.

Submetering each unit, but then expecting all the tenants of the unit to share the utility costs on a single bill flies in the face of a favoured advantage of student housing: paying for the rental costs by the bed, rather than by the door. Someone who refuses to pay their share of the bill shifts the burden onto the other tenants with little or no recourse in this situation. It also prevents low-income tenants from taking advantage of support programs like OESP, since these programs require such people to have their own account with the utility.

While by-the-bed submetering accounts may increase processing costs, this situation is not unlike the advantage offered by the large unit-mixes of student housing. Individual students pay less by renting, or paying utility costs, by the bed, and this makes up for the increase in the total processing cost divided among the unit's tenants.

CONCLUSIONS

Submetering is an important feature for future purpose-built rental apartments, and in retrofitting older rental apartments with modern amenities. It puts control of each unit's utility costs in the hands of the tenant, and it provides incentive for a more efficient use of resources, which benefits taxpayers and the environment. By putting the responsibility for utility costs on the tenant directly, rather than indirectly through their rent, tenants get access to support programs they would not have access to in a non-submetered building.

Submetering in purpose-built student residences offers the same advantages, but special steps need to be taken to incorporate the unique features of off-campus student housing. With units rented by the bed rather than by the door, it makes little sense for submetered utility bills to be offered on a strict per-unit basis. Again, putting each tenant in charge of their share of the unit's utility bill provides advantages that are adapted to the realities of purpose-built off-campus student housing.

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Derek Lobo is the Broker of Record and CEO of SVN Rock Advisors Inc., Brokerage. Derek is regarded as a 'thought leader' in the apartment and student housing industries, specializing in new apartment construction, asset management, leasing, and apartment brokerage. His extensive knowledge of the industry has placed him as an in-demand presenter and consultant throughout North America, providing numerous seminars and training programs for every level of apartment and student housing professional, ranging from owners and property managers to leasing agents and on-site personnel.

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Sally Turner is Director of SVN Rock's Research and Consultancy Department. Sally is a trained urban planner, having earned a PhD in Urban Geography from the University of Toronto, with an additional six years of professional experience in land use planning and development. Sally brings this experience to SVN Rock Advisors, providing planning expertise and experience land development and acquisition to all research projects.