

# EMERGING TRENDS IN RENTAL HOUSING IN ONTARIO

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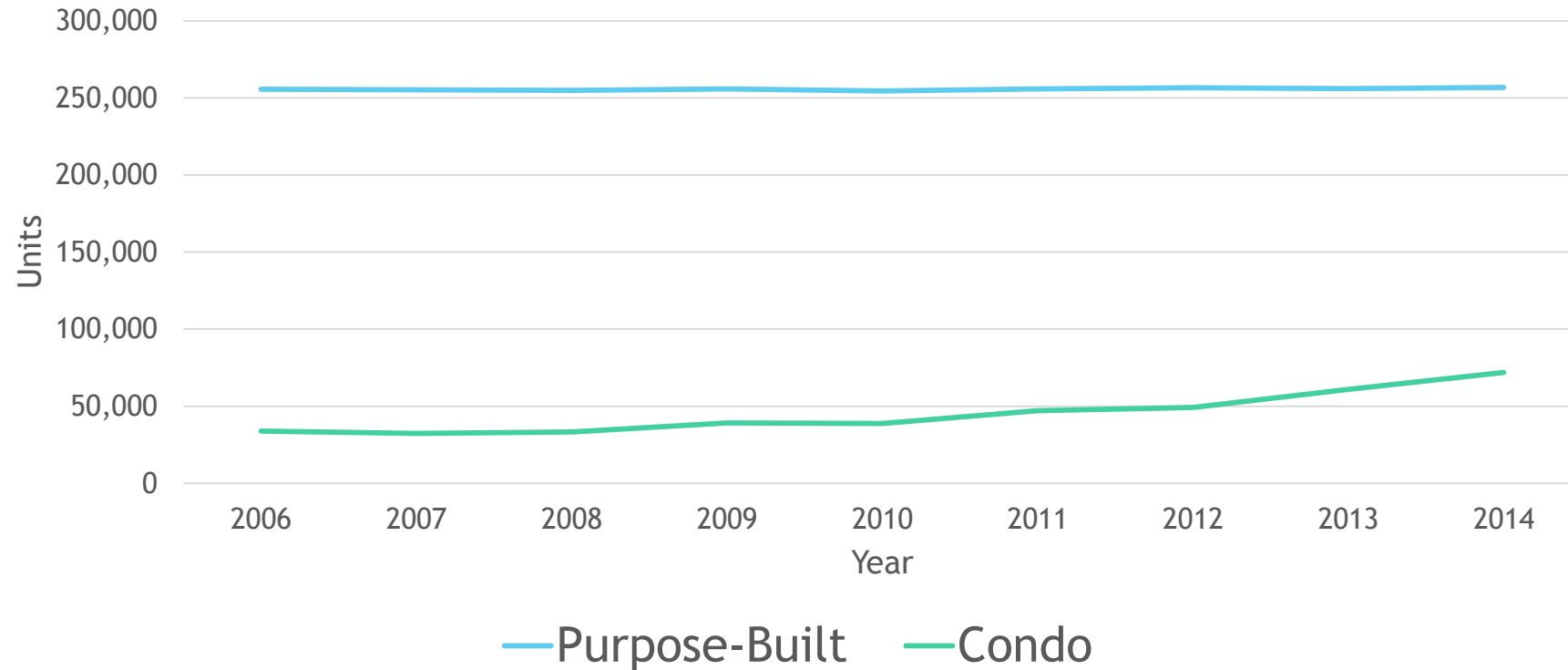
# Traditional Renter Groups

- ▶ All people with affordability issues
- ▶ Students
- ▶ Transient Workers
  - ▶ Temporary assignments
  - ▶ Contracts
- ▶ Seniors down sizing
  - ▶ The Colonnade
  - ▶ Manulife
- ▶ Renters by Choice - prefer the simplicity of renting over owning

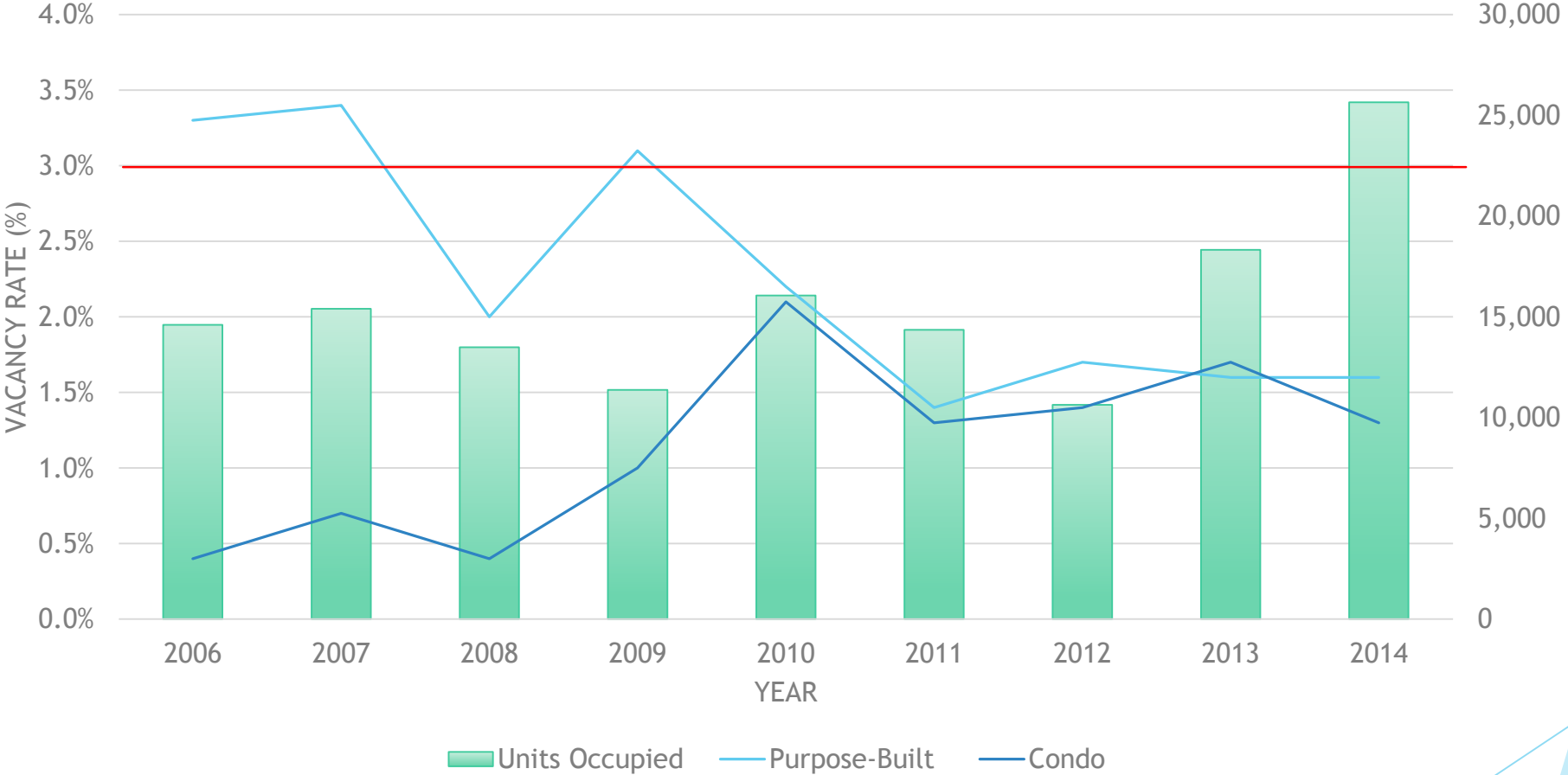
# Factors Underpinning Rental Housing Demand

- ▶ In general...
  - ▶ Job Growth
  - ▶ Population Growth and Demographic Shifts
  - ▶ Vibrant, Desirable Communities
  - ▶ The Cost of Ownership Housing
- ▶ In Toronto...
  - ▶ Lack of Supply
  - ▶ Age and Quality of Supply

# Demand has been met by the Private Condominium Market



# But not fully...



# Tight supply means increased rents..

| <b>Private Condominium Rental MLS Pricing</b> |                    |                    |                      |
|---|--------------------|--------------------|----------------------|
|   | <b>One Bedroom</b> | <b>Two Bedroom</b> | <b>Three Bedroom</b> |
| <b>2003</b>                                   | \$1,370            | \$1,907            | \$2,629              |
| <b>Average Unit Size</b>                      | 775                | 840                | 925                  |
| <b>Rent PSF</b>                               | \$1.77             | \$2.27             | \$2.84               |
| <b>2015</b>                                   | \$1,649            | \$2,285            | \$2,845              |
| <b>Average Unit Size</b>                      | 725                | 800                | 900                  |
| <b>RENT PSF</b>                               | <b>\$2.27</b>      | <b>\$2.86</b>      | <b>\$3.16</b>        |
| <b>Increase</b>                               | 29%                | 26%                | 11%                  |

# Private Condominium rents are also justified by better quality

- ▶ Older rental frequently lack:
  - ▶ Dishwashers
  - ▶ Air conditioning
  - ▶ Ensuite Bathrooms
  - ▶ Washer and Dryers
  - ▶ Open Plans
  - ▶ Amenities



## But...Private Condominium Units ...

- ▶ Frequently lack professional management
- ▶ Lack security of tenure
- ▶ Owner renter conflicts
- ▶ Not designed as rental - durability issues



# Landlords are reinvesting...



# Seniors and Rental Demand

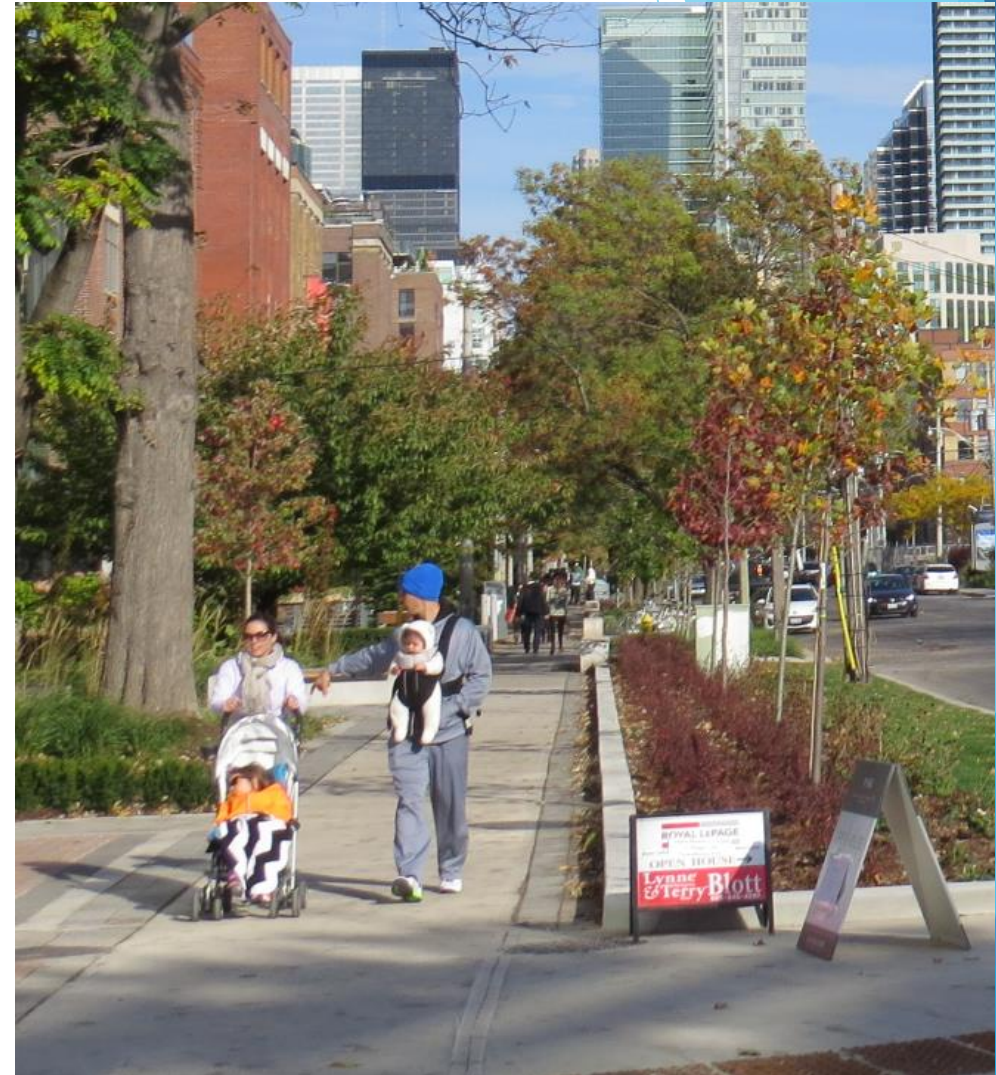
- ▶ Housing choices for downsizing seniors are limited:
  - ▶ Older purpose built rentals
  - ▶ Private Condominium rentals
  - ▶ “retirement housing” - not old enough
  - ▶ Buy a condominium
- ▶ Advantages over purchasing a Condo
  - ▶ Liquefy Home Equity for Retirement Income
  - ▶ On site management
  - ▶ Avoids condo board politics
  - ▶ Avoid potential assessments



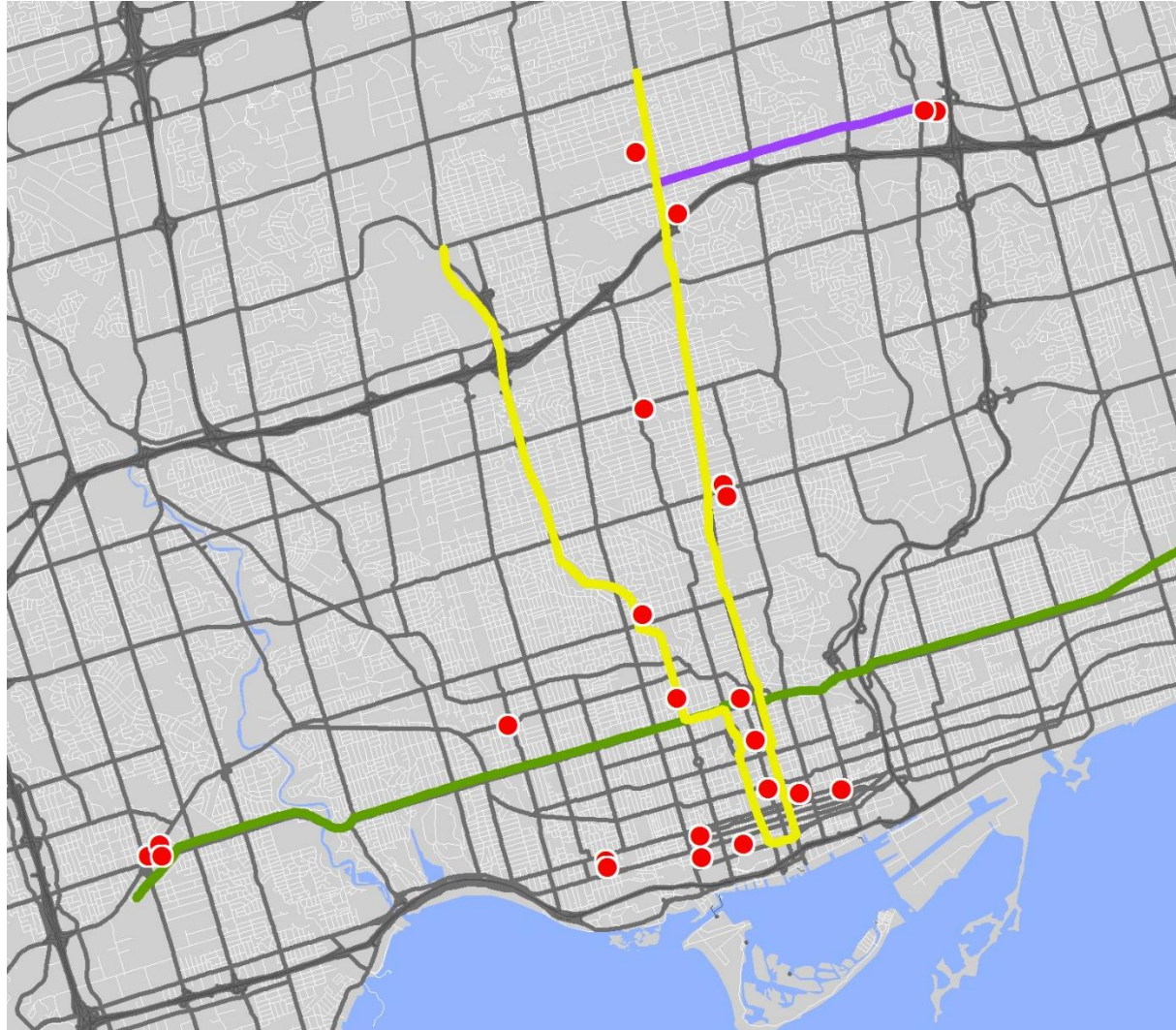
*The Cooperage, Waterloo*

## ... and Millennials...

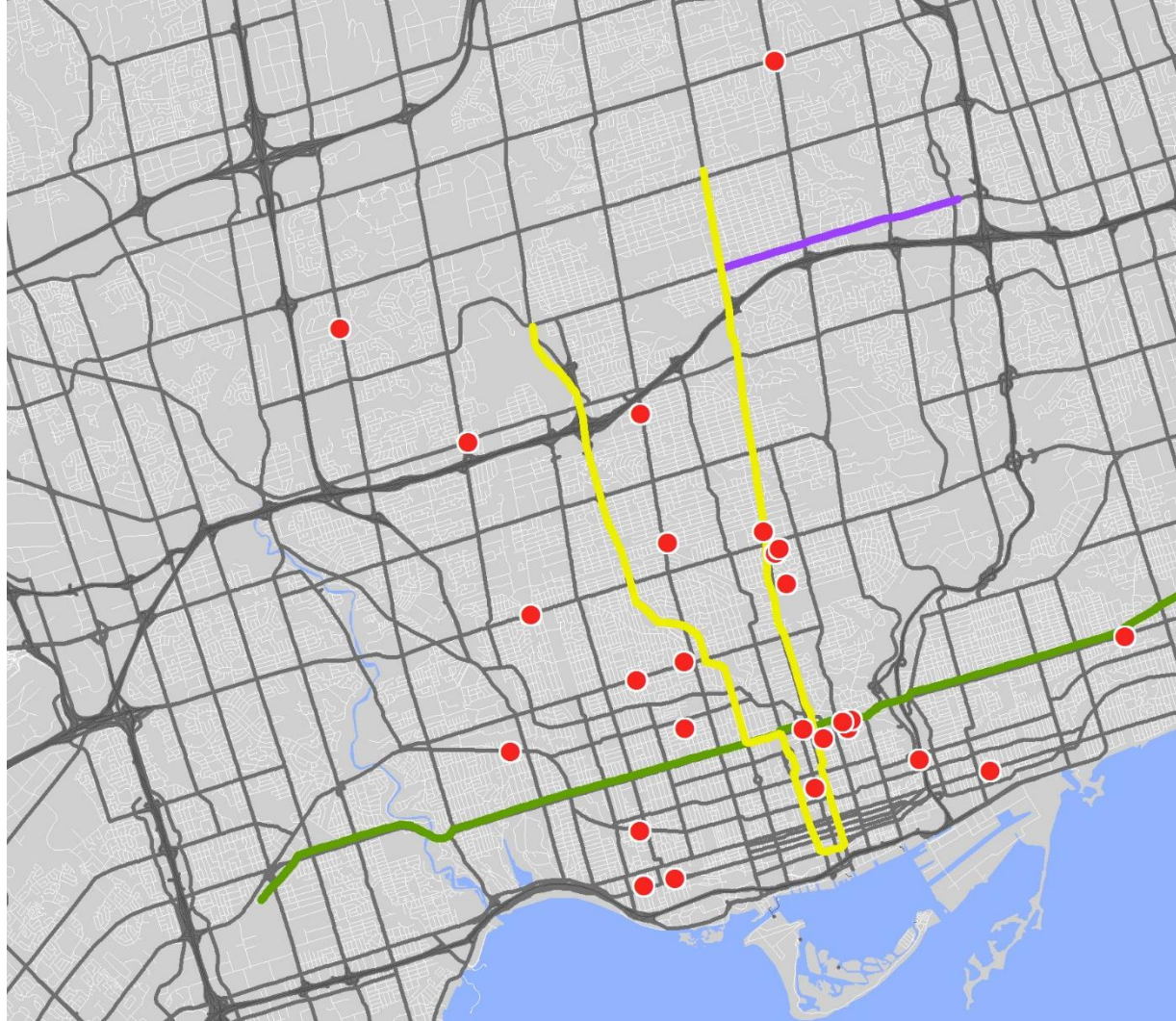
- ▶ Core downtown demographic, both living and renting
- ▶ Now turning 35 and beginning to form families
- ▶ Love the downtown...
- ▶ Not interested in the burbs..
- ▶ Typically move to ownership housing
- ▶ But, will become increasingly out of reach



# 23 Projects 2001 to 2015



# 26 Projects: Pipeline/Under Construction



# Emerging Trends in Rental Housing

- ▶ Increasing demand from...
  - ▶ Growth; and,
  - ▶ An expanding range of target groups
- ▶ Continued tight vacancy- especially in the downtown
- ▶ Purpose-built rentals recapture market demand
- ▶ Rentals targeting seniors
- ▶ Shopping Centre REITs - Investment
- ▶ Landlords reinvesting

# Where are we going....

| <b>Percentage of Household in Rental Tenure</b> |            |
|---|------------|
| <b>Major Cities</b>                             |            |
| <b>New York</b>                                 | <b>70%</b> |
| <b>San Francisco</b>                            | <b>65%</b> |
| <b>Montreal</b>                                 | <b>64%</b> |
| <b>Vancouver</b>                                | <b>52%</b> |
| <b>Toronto</b>                                  | <b>51%</b> |

Thanks



# Population Growth and Rental Demand

|  |                                   |
|--|-----------------------------------|
| ▶ Households in Rental Housing         | 51% ( <i>likely to increase</i> ) |
| ▶ City of Toronto Growth to 2016- 2041 | 768,000 persons                   |
| ▶ PPU                                  | 2.5 ( <i>likely to decrease</i> ) |
| ▶ Households to 2041                   | 307,200                           |
| ▶ Demand for Market Rental Units       | 6,300 per year                    |
| ▶ Deduct for affordability             | ?                                 |
| ▶ Deduct for supply from Investors     | ?                                 |
| ▶ Deduct for other Secondary Supply    | ?                                 |