RESCON: Fixing the GTA's broken rental market

Richard Lyall
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There are two words that can change the complexion of housing in the GTA – market equilibrium.

If you prefer something a little catchier, let's try this three-term phrase: supply equals demand.

The demand for housing is unquenchable, and the lack of supply is making it chaotic for anyone to find a home – we're underproducing by about 20,000 units per year in this region.

While the market is behind by tens of thousands of housing units, it doesn't have to be – Tokyo's housing prices stabilized after the Japanese government facilitated the streamlining of approval processes.

That led to a huge boost in the housing supply as hundreds of thousands of units pre-emptively were made available to homebuyers.
The conditions that helped stabilize the Tokyo housing market included no rent controls, which do not work.

Sure they benefit current renters, but this is at the expense of new renters and people entering the market – ultimately, they kill new investment.

Tokyo also had fewer restrictions on height and density, a lesson that can all be applied to Toronto and the GTA. In fact, our elected officials are well aware of that this can help home seekers: various Ontario governments have been strongly encouraging intensification in urban centres and near transit hubs through public policy since introducing the first Places to Grow plan in 2006.

And that leads me to addressing the GTA's broken rental market, which punishes millennials and Generation Z the most for being late to the home searching game – which is obviously not their fault.
Most young people's first home, on their own, is a rental.

Very few of us have been fortunate to have parents that bought us our own starter home. So, as they leave the nest, millennials and Generation Z have to hunt for rentals in a stagnant housing market, which makes it more difficult to move closer to work.

With costs rising exponentially due to market circumstances, there's less money for the other essentials of life that come in addition to shelter – food, car payments, heat, water, childcare. These young people have a difficult introduction to working life.

There was an old rule of thumb bandied about 20-plus years ago that said your housing costs should only take up 25% of your income; it's now past 50% for some of the less fortunate Torontonians.

Of course, the residential construction industry would welcome the addition of purpose-built rentals –more than 3,500 are expected to hit the Toronto market this year (which, sadly, is a few drops in the bucket when there are 115,000 people moving to the region every year).

But the fact is, until the market conditions change to make it easier to build them, new condo builds are supplementing renters' needs in this region. According to Statistics Canada, 38 per cent of all Toronto condo units are not occupied by owners.

And while some people blame new condo builds for spiking rental prices in Toronto and the surrounding region, let me remind you of this: without the thousands of suites that are added to the rental housing pool by condo investors, we would see rental prices go even higher.
Yes, this is hard to imagine.

But remember the goal – let's create a market where supply meets demand.

Richard Lyall, president of RESCON, has represented the building industry in Ontario since 1991. Contact him @RESCONprez or at media@rescon.com.