

How do you tackle GTA's rental crunch? Increase supply

by Richard Lyall on 30 Jul 2021



It's a great time to be young, as long as you don't need a job or start a family or want to buy a house (or shake hands).

But buying a home is no easy task in the GTA.

In fact, [a recent survey](#) by Abacus Data stated that one-third of non-homeowners in Ontario have given up on ever owning property; another 26 per cent are pessimistic.

So, if millennials and Generation Zers can't buy, they rent. Right?

However, vacancy rates are trending downward. The new condo market has had to fill in the gaps for thousands of Torontonians and GTAers over the years, leading to a hellish market for renters.

Housing market researchers Urbanation found that there have been 50,000 GTA condo leases over the past four quarters—if all of those downtown Torontonians headed for the hills during the COVID-19 pandemic, it looks like they're on their way back.

Urbanation also reported that 1,242 new purpose-built rentals were completed and began occupancy during this year's second quarter. The good news is that this is the second-highest quarterly total for new supply additions in more than 30 years.

However, rental demand is fierce (see above), and all of those new rentals are being built in high-rise-focused Toronto.

Meanwhile, Ben Myers of Bullpen Research & Consulting Inc. reported that “the gap between the average rent for a condo apartment in Toronto and the rest of the GTA steadily decreased during 2020.” But that was last year.

Expecting a large rise in activity this fall, Myers added that, “Bullpen is forecasting rent growth of 12 per cent to 14 per cent next year when the borders open, tourism ramps up, students return to campus, and many office towers are back to full capacity.”

Lower supply, higher prices—that’s the basic supply and demand principle that we all learned in high school economics.

I’m not the only industry observer beating the supply drum. Urbanation president Shaun Hildebrand told a Toronto Storeys reporter: “While new construction activity is also on the rise, the level of supply underway is expected to lag behind demand, creating conditions for rents to continue rising towards pre-COVID levels and beyond in the months to come.”

Let the bidding wars begin: They are no longer reserved for buyers—even renters have had to up the ante to get the home they want, especially in the 905 area.

A GTA real estate agent told CBC.ca that she commonly sees tenants offer more than the rental's list price plus offer months of advance payments. She added that one rental homeowner recently rented out a house for \$700 more per month than what the home was listed for.

One GTA renter told the media website she lost more than 12 bidding wars before finding a new home and paying six months of advance rent—despite having a strong credit rating and steady income.

There is clearly a huge need to build more rentals—more shelter, in general, as we’re seeing people drive their way to affordability, taking a highway north, west or east out of Toronto and the GTA to the next nearest community within commuting distance of the office and working remotely whenever possible when they decide they want to buy instead of rent.

Cue the brain drain: How are we going to keep our young bright minds in this province if they can’t afford to live in Ontario’s capital and surrounding region, the economic engine of the province and arguably the country? And how are we going to convince new talent from anywhere else that Ontario is the place to live, work and build a life?

We need to come up with incentives for builders to create a proper balance between new builds and purpose-built rentals, depending on the needs of each municipality.

The best solution to satisfy demand is to increase supply. With more supply, we’ll see rental prices flatten and, if not an end, a decrease in the number of bidding wars that continue to push up prices.

It's time for Ontario and its municipalities to open up housing supply – streamline the approvals process, incentivize builders to build purpose-built rentals and create programs for density bonuses. More units, more housed Ontarians.

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