Sandra Jackson
cell 416-579-7862
SJ@SandraJackson.biz

Toronto condo leases are being snapped up at record speed despite 10% hike in rents

urbanation.ca

Intense competition means condos are being rented within 10 days of listing at average rents of $2,219

Ontario's expanded rent control rules, in place since April, couldn't stop a 10.3 per cent hike in condo rents over the past year, according to a new study.

Condo research firm Urbanation Inc. said Thursday the average index rent in the third quarter of 2017 for condominium apartments transacted through the Multiple Listing Service in the Greater Toronto Area jumped to $2.99 per square foot. Based on an average condo size of 743 square feet, that brings the average rent to $2,219 – a $232 increase over the past 12 months.

"The intense competition between renters in Toronto shows no signs of letting up in the near future," said Shaun Hildebrand, senior vice president with Urbanation. "While it's encouraging to see that rental proposals are still coming in, the level of new development needs to ramp up significantly in order to meet demand."

The increase follows changes brought in under Ontario's 16-point Fair Housing Plan which included expanded rent controls limiting annual increases to the rate of inflation and capped at 2.5 per cent for all buildings across the province. Buildings constructed after 1991 had been exempt from rent control.

Urbanation said condominiums listed for rent in the third quarter were leased within the shortest amount of time on record, averaging just 10 days. The ratio of leases-to-listings was also at an all-time high of 88 per cent with the 1,048 active listings on the market at the end of September less than two weeks of supply.

“All indications point towards a decline in vacancy rates in Toronto over the past year,” said Urbanation, in its release.

The company said market conditions have tightened due to migration inflows and a decline in ownership demand following a rapid rise in prices earlier this. Two straight overnight rate increases from the Bank of Canada, tougher mortgage insurance qualification criteria and a slowdown in home sales following the province’s housing plan have also made for tougher rental conditions, said Urbanation.

“This has been compounded by lower rates of tenant turnover, which has been further encouraged through the extension of rent control, and a slowdown in completions of condominium and purpose-built rentals,” the company says in its release.

Industry observers had predicted tenants would stay in their units longer in response to the rent control rules. The province still allows a landlord to set rents to what the market will bear but only after a tenant moves out.

The total number of new leases signed in the third quarter was 7,761 units, about the same as a year ago but activity in smaller and less expensive units declined as supply dwindled. The report said the volume of one bedroom without den rentals, about 500-599 square feet in range, dropped by 11 per cent from a year ago while studio rentals fell by three per cent during the period.

In a report commissioned by landlords, Urbanation said last month 1,000 rental units have been cancelled since Ontario expanded rent control rules across the province. RioCan, Canada’s largest publicly traded real estate investment trust, said last month it changed its mind on a 133-unit rental apartment in downtown Toronto, in part because of rent control, and is now selling the building off as condominiums.

Urbanation says the purpose-built pipeline is now beginning to level off following the rent control changes. The total proposed inventory of purpose-built rental projects in the GTA reached 30,980 units in the third quarter, about the same as the previous quarter.

“The 1,875 new units proposed during the past three months was mostly offset by the movement of some projects out of the proposal stage and into the construction phase, as well as the conversion of some projects to condominium following the introduction of rent control to new units,” the report maintains.

“The inventory of units under construction is set to decline by the end of the year as 1,681 units are scheduled to reach occupancy during the fourth quarter.”

ROYAL LePAGE Sandra Jackson

cell 416-579-7862
SJ@SandraJackson.biz