

TO: PLANNING AND HOUSING COMMITTEE
FROM: TORONTO HOSTS ASSOCIATION
RE: SHORT TERM RENTAL BYLAW UPDATE 5 APRIL 2024

1. The principles of the bylaw are Availability and Affordability. Why is it that when STR is declining, vacancy rates are not improving? Why were vacancy rates rising when STR was rising (2016-2020)?
2. Why does the MLS research ignore factors like population growth and historic housing supply trends when analyzing all the factors impacting Availability and Affordability?
3. Why does the MLS research get basic facts wrong such as the Vacancy Rates from 2012-2020?
4. How can it be that the MLS researcher shows that STR is now **declining** but he then says on the next page that it is **increasing** and hurting LTR? Is STR growing or declining - it can't be both?
5. If vacancy rates are rising at the same time that STR is growing, where is the causal connection? Likewise, if STR is declining and vacancy rates are not improving then where is the causal link? Whether it is growing or declining, there is no causal link showing how STR impacts LTR availability or affordability.
6. PLEASE see the following pages where it is illustrated that the bylaw has failed to deliver on its principles.
7. Please vote to Deny the passage of these amendments, or at the least to Delay a final vote on the matter until this flawed and failed research can get independent scrutiny.



We have a housing crisis.
There's an earthquake of population growth - you
can blame Trudeau.
There's obsolete zoning that's strangling supply.
You can blame zoning on city councils from before
you were born, and every one thereafter.
But don't blame STR.
STR is a scapegoat, a smokescreen for government
policy failures that created the housing crisis.

Principal Residence Rule

We are in favour of the principal residence rule.



Ghost hotels - Get Rid of them!



Ghost hotels - Get Rid of them!



2019 Wachsmuth Report:

21,000 active STR

How did we get here?

In 2019, Mr Wachsmuth reports 21,000 active STR



Wachsmuth 2019:

- 5,500 Commercial STR = Ghost Hotels
- Principal Residence : ~~Commercial STR~~

Wachsmuth: If we do this, it will mean:
“Doubling the rental vacancy rate in the short-term,
and bringing down rents in the long-term.”

He says 5500 will fail the principal residency test.
And the result will be a vacancy rate twice as good.
And rents going down down down.



2023 Wachsmuth Update:

- **Restored 5,000+ to LTR**
- **Now only 3,810 active STR**

He gets paid by us to update in 2023.
He says his advice restored 5100 units to Long
Term Rentals.
And he's cut STR by 80%, from 21,000 to under
4,000.

“Doubling the rental vacancy rate in the short-term, and bringing down rents in the long-term.”

2019 (Before)	2019 Forecast	2023 (After)
Vacancy: <u>3.4%</u>	Vacancy: <u>6.8%</u>	Vacancy: <u>1.7%</u>
Average Rent: \$2,385	<u>“Rents will decline.”</u>	Average Rent: \$2,908

A 400% error on vacancy rates.

**Vacancy is twice as bad, not twice as good.
Rents are higher than ever, not lower.**

But what about his 2019 Forecast? Why don't we get the availability and affordability he said this would deliver?

It turns out he's off. Way off. Vacancies aren't 6.8. They're 1.7. That's a 400% error.

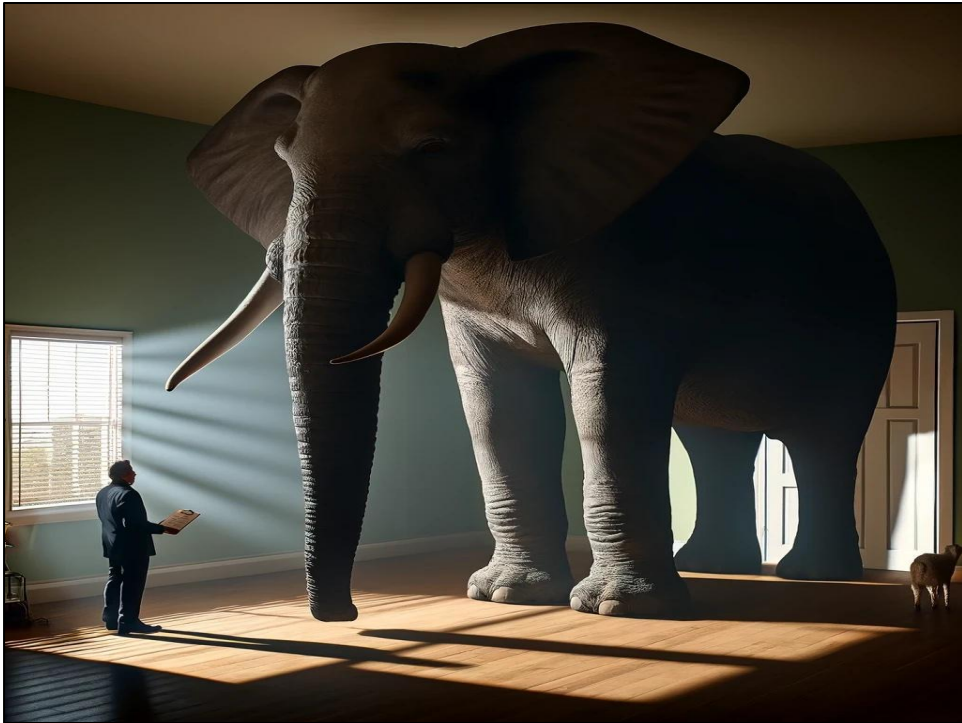
Things are twice as bad, not twice as good. Rents go up not down.

Availability: 400% error on vacancy rates.

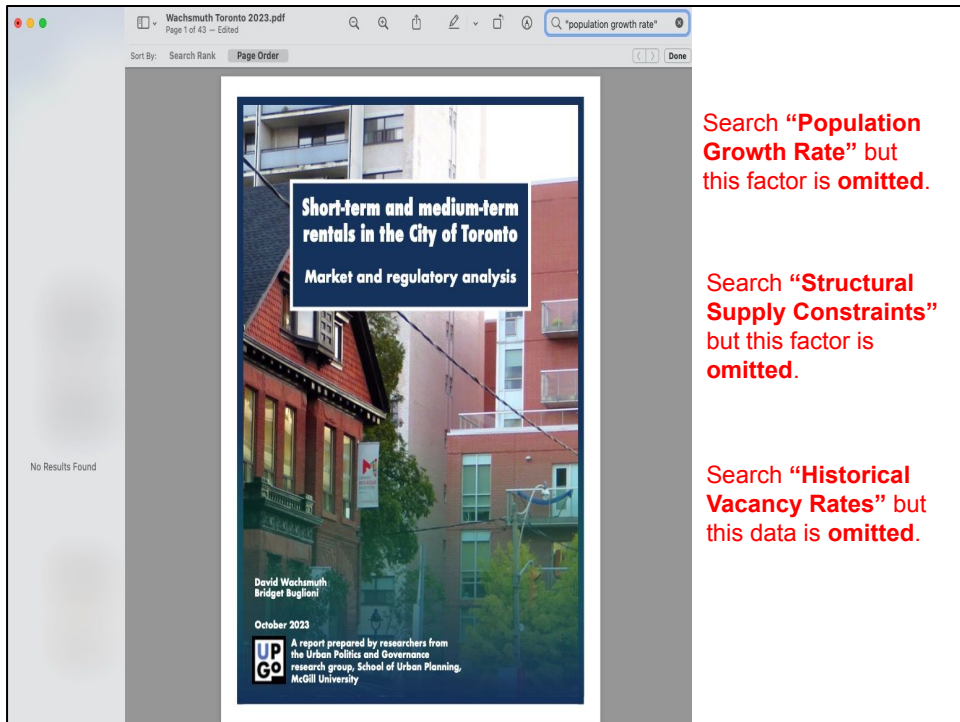
Affordability: Rent Growth = 22% - 25% (CMHC).

It Fails: Even with 80% reduction in STR listings from 2019. (21,000 to 3,810 in 2023).

It Fails: Even with adding 5,100 to LTR.



Could the elephant in the room be the explanation?
Mr. Wachsmuth can't see it.



Wachsmuth can't see things like population growth rate, or structural supply constraints. And he has trouble finding a simple table of history vacancy rates to illustrate his narrative.

Wachsmuth story: vacancy rates as unregulated STR rises from 2012-2020.

Wachsmuth 2023, p. 22: Pre-2020, “vacancy rates falling.”

Falling? Really??

STR- AND MTR-INDUCED HOUSING LOSS

Prior to the Covid pandemic, Toronto’s housing market had been under considerable stress, with housing prices and rents rising, and rental vacancy rates falling. The pandemic and the shift away from a low-interest-rate macroeconomy have complicated the housing situation in Toronto considerably, but the central fact of Toronto’s housing market remains that the supply of housing is insufficient to meet demand. One possible explanation for both the insufficient supply and elevated demand for housing in Toronto is the growth in short-term rentals. Tourists

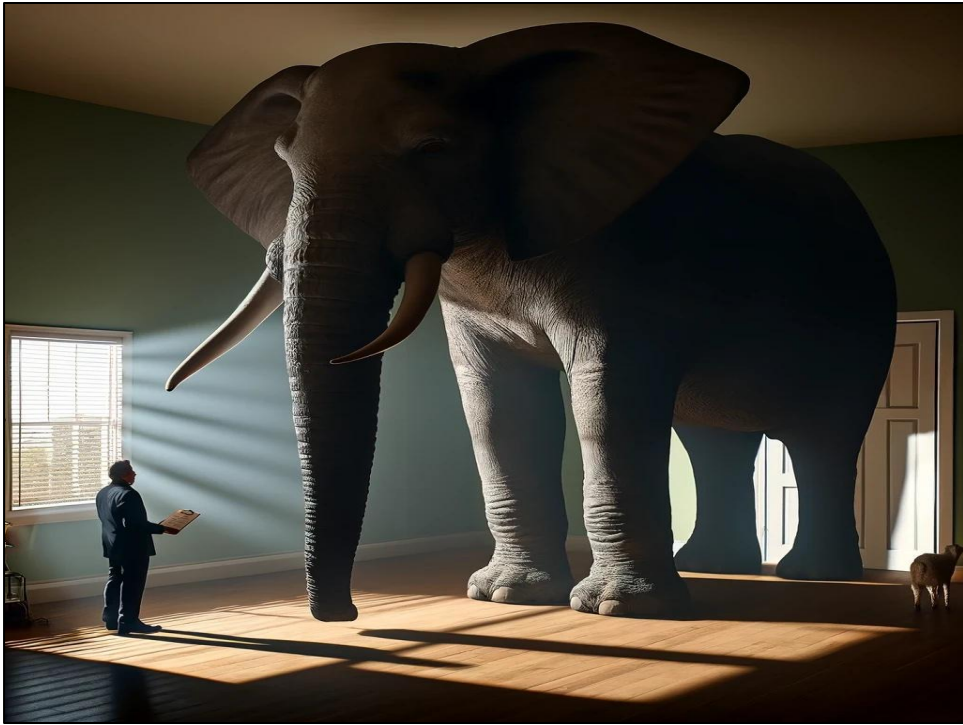
are now able to compete with residents for housing—adding demand to the local housing market. And landlords are now able to shift their properties out of the conventional housing market to become dedicated STRs and MTRs—reducing the supply of conventional housing. Research has found that renting a housing unit on the STR market frequently offers landlords greater potential revenue than conventional leases (Wachsmuth & Weisler 2018), especially in transit-accessible neighborhoods (Deboosere et al. 2019). Multiple studies have also found that

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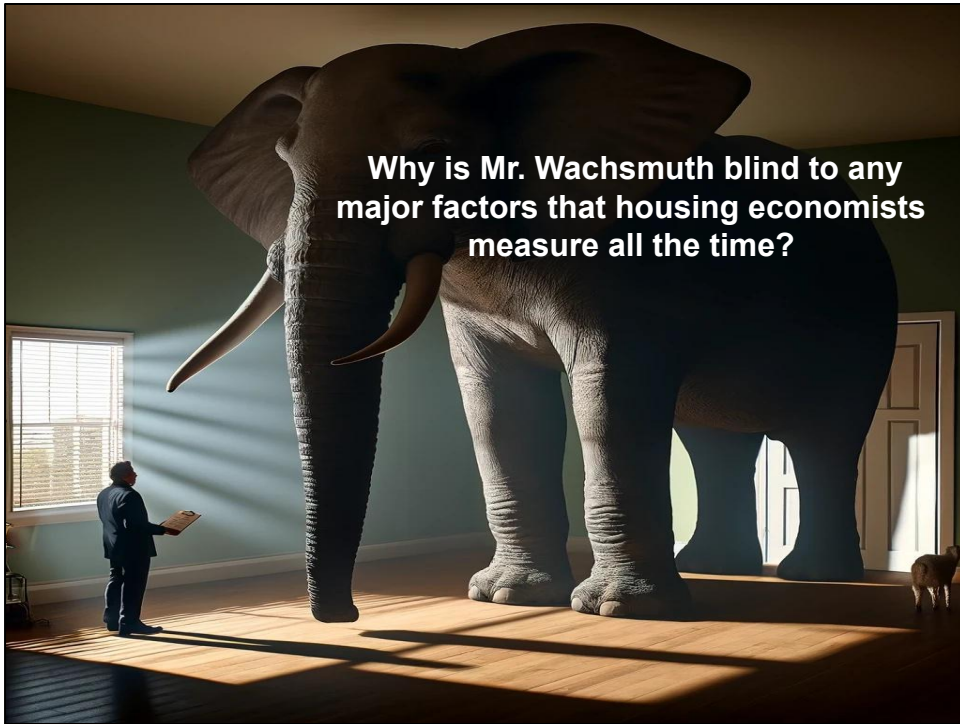
His vacancy story is that rates were falling for 7 years while unregulated STR mushroomed. But CMHC contradicts Mr Wachsmuth, it says rates were not falling. In fact leading up to 2020, CMHC shows vacancy rates were rising even as STR was fast rising.

CMHC TORONTO	VACANCY RATE (Q4)	
2012 October	1.8 a	CMHC 2012-2017: Vacancy rates average 1.9% for six years The data shows that even as STR was rising at its peak of 2018 and 2019, of 25% YoY new STR listings, Availability was rising.
2013 October	2.0 a	
2014 October	1.8 a	
2015 October	2.2 a	
2016 October	1.8 a	
2017 October	1.7 a	
2018 October	2.4 a	2018: Rises to 2.4%
2019 October	3.4 a	2019: Rises to 3.4%
2020 October	6.9 a	
2021 October	8.0 a	
2022 October	3.1 a	
2023 October	1.7 a	

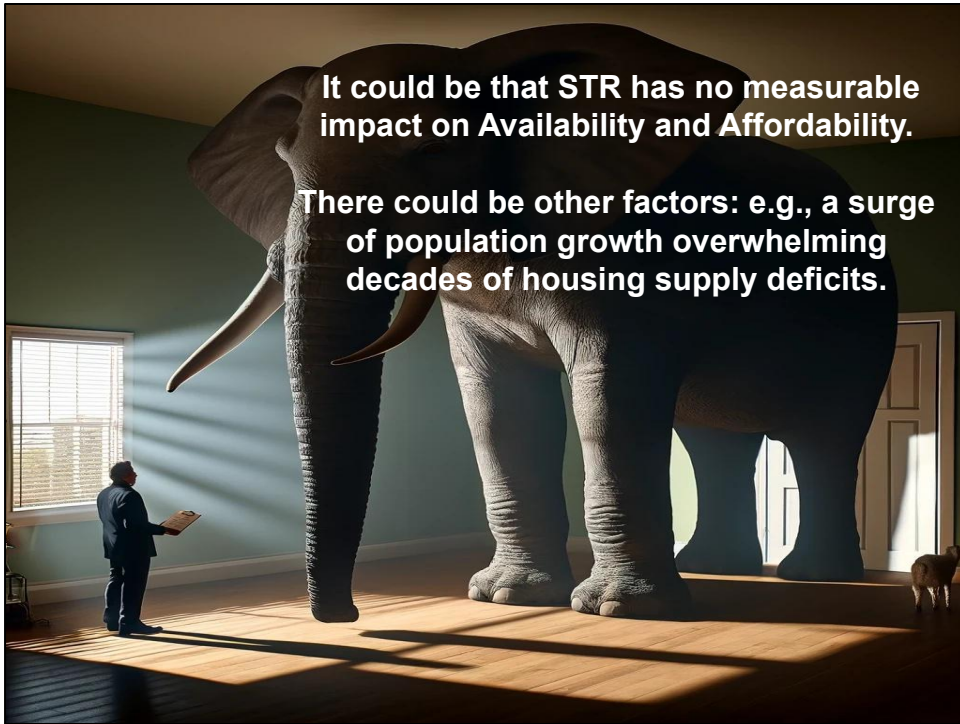
Wachsmuth story is that as Unregulated STR mushroomed, Availability Fell for 8 years. But CMHC contradicts him: rates were not falling. The data shows that even as STR was rising fast, Availability was rising. It's because one does not measurably impact the other.



Is Mr. Wachsmuth blind?



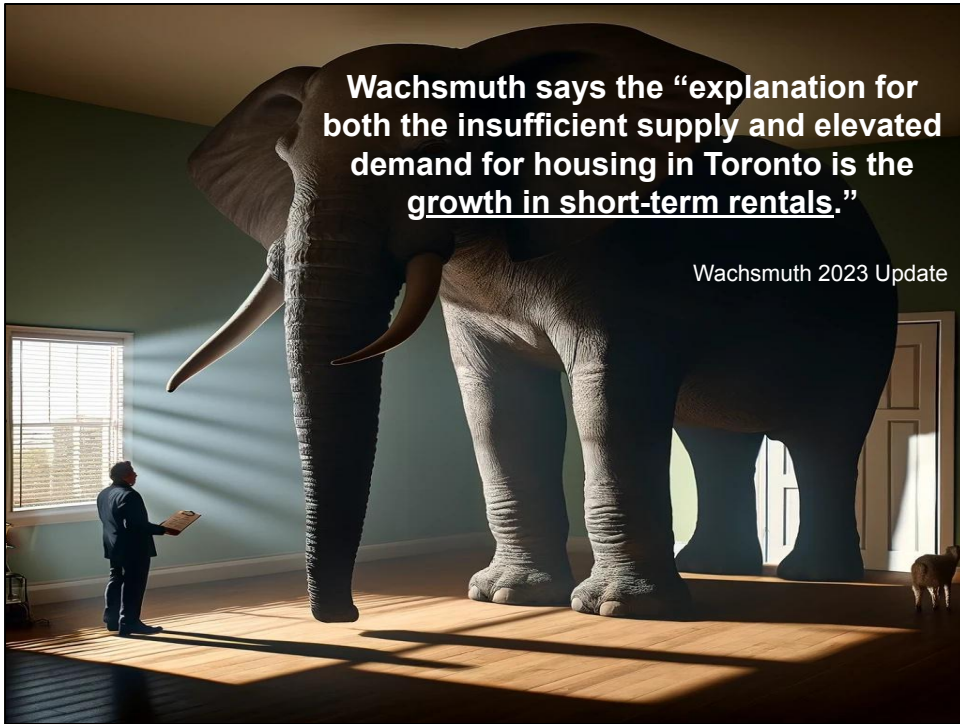
Why is he blind to any major factors that housing economists measure all the time?



It could be that STR has no measurable impact on Availability and Affordability.

There could be other factors: e.g., a surge of population growth overwhelming decades of housing supply deficits.

**Is Mr. Wachsmuth imagining things?
Can he not see clearly?**



Wachsmuth says the “explanation for both the insufficient supply and elevated demand for housing in Toronto is the growth in short-term rentals.”

Wachsmuth 2023 Update

Wachsmuth examines no fundamental market factors or possible explanations. Except “the growth in short term rentals.”



But he has just told us there is a big DECLINE in STR to 2023.

Is it Growing or Declining - he can't have it both ways.

How can he now find it's Growing, and its growth is the only explanation he offers for the housing crisis.

Recap: 1. Wachsmuth fails to deliver on his 2019 forecast.

2. Then, in 2023, Wachsmuth delivers glaring errors and omissions in his report.

Please don't vote for something so misleading and unreliable.



- **MR. WACHSMUTH FAILS TO PROVE THAT STR HAS A MEASURABLE IMPACT ON AVAILABILITY OR AFFORDABILITY**
- **MR. WACHSMUTH FAILS TO DELIVER OUTCOMES FOR BYLAW OVERALL. HIS REPORTS ARE UNRELIABLE AND MISLEADING.**

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Please vote for:

1. Independent scrutiny of research - vote Deny or Delay this update until then.
2. Not rushing untested theories and fake facts into law.
3. Not tripling budgets in response to fake facts.
4. Do not give STR police the power to: (i) demand access to homes anytime without showing probable cause (ii) demand any documents whatsoever (iii) remove due process or right of appeal.
5. Ask province to direct the \$40 million "Airbnb Tax" (MAT) to **non-profit housing**. Why is it going to a Hotel Booking Consortium?
6. No more moral panic. No scapegoats or smokescreens.

