

RESEARCH IN BRIEF

CITY OF TORONTO LOW END OF RENTAL MARKET STUDY 2017

Prism Economics and Analysis

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RESEARCH SUMMARY

INTRODUCTION

Availability of affordable rental stock in Toronto, defined as having rents at or below the CMHC average market rent (AMR), is declining.

Prism Economics and Analysis was contracted by the City of Toronto's Shelter, Support and Housing Administration division, in collaboration with the City Planning division, to conduct a study of the "low end" of the private rental market in Toronto. The purpose of this study is to obtain a better picture of the low end of the rental market in Toronto. The study also explores how changes in the supply and cost of this type of housing are affecting affordability and housing stability for households.

While CMHC rental market data provide a foundation for understanding the rental market, this study compensates for key limitations: CMHC data use "prevailing rents" paid by current tenants, whereas this study obtained "asking rents" that a new tenant must pay if they want to move in. Another limitation with CMHC's average market rent estimates is that they do not

include shared accommodation with three or more rooms, such as rooming houses, which is an important component of the low-end of market rental stock.

MAIN MESSAGES

- In Toronto, asking rents for new tenants are substantially higher than the prevailing rents paid by current tenants.
- Just 34% of rental postings have asking rents at or below established affordable rent thresholds. If shared accommodations are excluded, the share of affordable units falls to 15%.
- When estimated utility costs are added to asking rent, total shelter costs often exceed established affordable rent thresholds.
- Findings of this research indicate that the decline in affordable rental stock is due to accelerating rent increases, increasing separation of utility charges from rent, and incentives for landlords to evict low-income tenants in order to harness higher prices.

METHODOLOGY

The study involved a mixed methods approach involving:

- 1) A canvass of 1000 rental units advertised through online listings services with asking rents considered to be low end of market. CMHC city-wide AMR were used to determine thresholds; for shared units, the Ontario Works and Ontario Disability Support Program shelter allowance plus a typical City of Toronto housing allowance were used. Follow-up phone calls with landlords were used to validate advertised information and collect additional information.
- 2) A canvass of 4,895 units representative of the broader rental market to determine asking rents.
- 3) A focus group with individuals living in private, low-end of market rental units and interviews and a focus group with housing support workers.

FINDINGS

The asking rents for apartments being advertised in Toronto are substantially higher than the prevailing rents being paid in existing tenancies. As shown in Table 1, average asking rents are anywhere from 40% to 70% higher than the prevailing rents by unit type, as collected by the CMHC. For these units overall, the average asking rent is \$1961, which is 58% above the average prevailing rent.

Participants shared that there has been a significant acceleration in rent increases. In addition, utility costs are increasingly being added separately to rents, which further diminishes affordability.

TABLE 1: PREVAILING AND ASKING RENTS

Unit type	Average monthly rent		
	Prevailing	Asking	% difference
Shared	--	\$735	--
Bach.	\$957	\$1,342	+ 40%
1 bdrm	\$1,132	\$1,614	+ 43%
2 bdrm	\$1,326	\$2,252	+ 70%
3+ bdrm	\$1,525	\$2,403	+ 58%
All	\$1,240	\$1,961	+ 58%

As Table 2 indicates, just one-third (34%) of all rental postings had asking rents below the low end of market threshold. Three-quarters (74%) of shared accommodations had asking rents below the low end threshold. If shared accommodations are excluded, the share of affordable units falls to 15%.

TABLE 2: PERCENT OF RENTAL POSTINGS BELOW THE CITY'S RENT THRESHOLDS

Unit type	Average monthly rent		
	Asking	Rent Threshold	% units below threshold
Shared	\$735	\$800	74%
Bach.	\$1,342	\$962	21%
1 bdrm	\$1,614	\$1,137	18%
2 bdrm	\$2,252	\$1,341	12%
3+ bdrm	\$2,403	\$1,536	10%
All	--	--	34%

In the current market, most available units in the low-end of the rental market are either basement apartments or shared accommodation. Affordable, above grade, self-contained apartments are in short supply.

Affordable shared accommodations were found to cluster around public transportation, post-secondary institutions, and services. Low-income individuals and families often experience a trade-off between the privacy or additional space of a self-contained unit and easy access to transit and other services.

The competition for affordable units is very high, with most listings posted for fewer than 10 days. Research participants reported that this tight availability has increased the screening criteria used by landlords, and that landlords have been incented to evict tenants more frequently in order to raise rents.

IMPLICATIONS

This study confirms the challenges of accessing low end of market housing, particularly for vulnerable groups. There is a need to protect the low end of market rental stock, particularly shared accommodation and secondary suites.

Landlord engagement is important to improving housing access and retention. In addition, housing benefits need to reflect actual housing costs, rather than market averages, to be most effective. The findings also point to opportunities to improve housing quality and tenant safety through the development of tools for housing workers, as well as increased enforcement.

RECOMMENDATIONS

- Canvass Toronto's private rental market regularly to supplement CMHC data
- Take actual costs into account when designing and implementing housing benefit programs
- Protect the low-end of market rental stock
- Build relationships with private landlords to increase entry points for clients
- Explore opportunities to improve housing quality and tenant safety

FOR FURTHER INFORMATION

CONTACT

For the full report or further information, please contact: ssha@toronto.ca

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