

Abstract

This report was prepared to develop comprehensive information about the size of the secondary rental housing market in Ontario. The report estimates the number and type of rental units which comprise the secondary rental market on a provincial basis and on a regional basis as of 2016. It also projects the growth, or loss, of the market over the next five and ten year periods and assesses the factors which will contribute to the growth or loss of units in the market.

The report uses a demographics-driven model to estimate and project the size of the secondary rental market that combines age-specific population projections with assumptions about the household formation, tenure, dwelling type, and condominium status decisions of people as they age. Base case assumptions were based on headship, tenure, dwelling type and condominium status rates calculated from the 2011 Census. The report offers multiple scenarios to illustrate the impacts of alternative assumptions of how different extrapolations of past trends and key factors could affect demand and supply of secondary rental housing.

The report estimates that the secondary rental market in Ontario currently has between 495,440 and 574,962 dwellings – 520,895 dwellings if age-specific headship rates and rental rates have remained constant at 2011 values. Approximately 30% of these units are part of a condominium. Under all of the projection scenarios, the size of the secondary rental market is projected to grow in the next five and ten year periods on a provincial basis and on a regional basis, except the north, where it will be relatively stable. Provincially, the report projects that the size of the secondary rental market will grow by 10% between 2016 and 2026, or 51,214 units, under the base case scenario.

Current and Projected Size and Scope of Ontario's Secondary Rental Housing Market

Updated Report – Now Includes Information on Municipalities within the GTA
November 2016

Prepared For:

Landlord's Self-Help Centre

Prepared by:



Table of Contents

Introduction	1
Research Questions	1
Hypothesis	1
Definition of the Secondary Rental Market	2
Methodology	2
Factors Contributing to Secondary Rental Market Growth or Loss	9
Size of the Secondary Rental Market	13
Conclusions	28
References and Bibliography	29

Introduction

This report was prepared to develop comprehensive information about the size of the secondary rental housing market in Ontario. The report estimates the number of rental units which comprise the secondary rental market on a provincial basis and on a regional basis as of 2016. It also projects the growth, or loss, of the market over the next five and ten year periods and assesses the factors which will contribute to the growth or loss of units in the market.

The report was commissioned by the Landlord's Self-Help Centre. The Landlord's Self-Help Centre is a specialty community legal clinic that supports Ontario's small landlords by providing summary legal advice, guidance and direction with respect to their rights, responsibilities, and obligations as housing providers. The report was intended to assess the size of the community the Landlord's Self-Help Centre serves.

Research Questions

The research questions addressed in this report are:

1. How is the secondary rental housing market defined?
2. What is the breadth of the secondary rental housing market and the type of rental units which comprise this market on a provincial basis and on a regional basis?
3. What are the contributing factors to secondary rental market growth or loss in the next five and ten year periods and how are they anticipated to contribute to growth or loss?
4. What is the projected secondary rental market growth, or loss, in the next five and ten year periods on a provincial basis and on a regional basis?

Hypothesis

It was hypothesized that the size of the secondary rental market will grow in the next five and ten year periods on a provincial basis and on a regional basis in four of the five regions. The Northern region will be the exception, with relative stability in the size of its secondary rental market.

Definition of the Secondary Rental Market

In this report, the “secondary rental market” is defined as any rental property with only one or two self-contained residential rental units. The secondary rental market consists of units within dwellings or within structures accessory to dwellings, including:

- Rented single-detached houses
- Rented double (semi-detached) houses (i.e.. two units of approximate equal size and under one roof that are situated either side-by-side or front-to-back)
- Rented row/town homes that are part of properties with one or two residential units
- Rented condominium apartments
- Rented duplex apartments (i.e. one-above-other).
- Rented accessory apartments (one or two separate dwelling units that are affiliated with another dwelling type and may or may not be within or attached to other dwellings or buildings)
- Two rented units in a triplex
- One or two rented residential units that are affiliated with or have been converted from a commercial or other non-residential structure (which may or may not be attached to other buildings).

This definition is largely based on Canada Mortgage and Housing Corporation’s (CMHC’s) definition of the secondary rental market, which has also been used by the City of Toronto and studies for the Ministry of Municipal Affairs and Housing.

Methodology

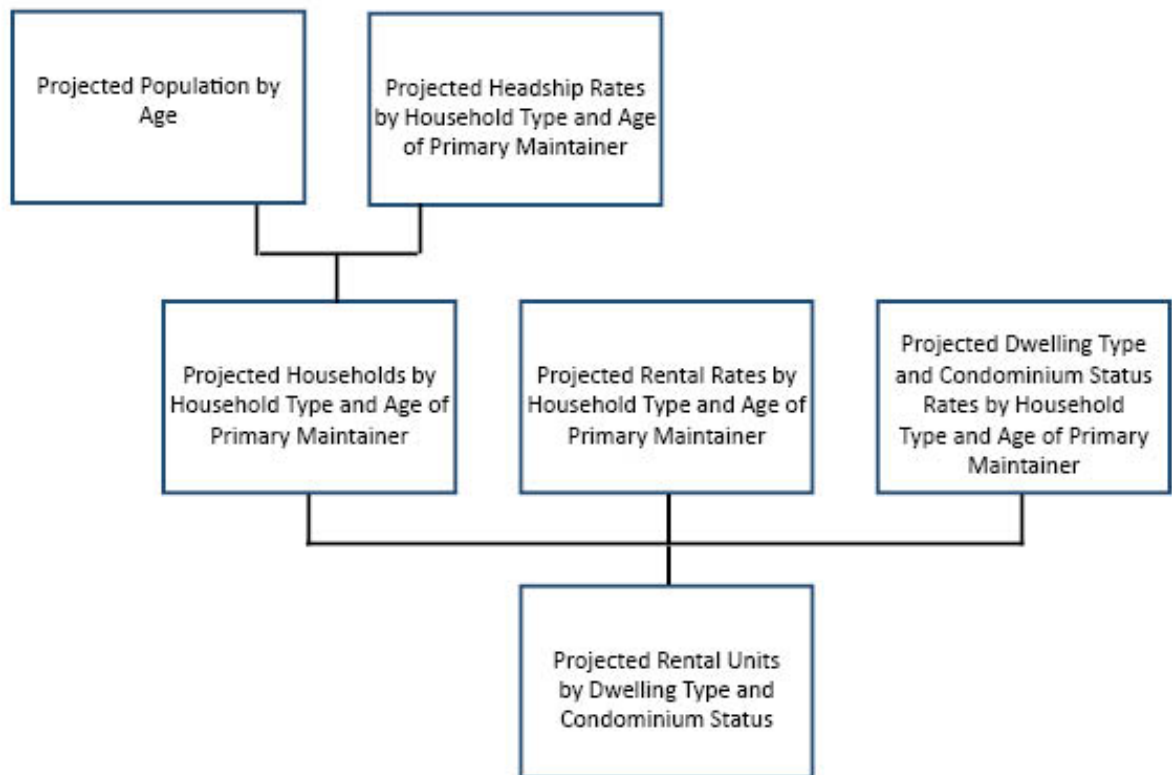
This report uses a demographics-driven model to estimate and project the size of the secondary rental market that combines age-specific population projections with assumptions about the household formation, tenure, dwelling type, and condominium status decisions of people as they age. This is a widely used method of projecting household growth (CMHC, 2009 and CMHC, 2013). It is the method used by CMHC to project households, tenure, and dwellings by type.

CMHC’s Long-Term Household Projections report states that:

“Since a private household is defined as one or more persons residing in an occupied private dwelling, it is expected that changes in the number of households would be related to changes in the overall number of dwellings... Growth in the adult population over time tends to simultaneously spur the formation of new households and the demand for additional housing (CMHC, 2013).”

As such, the demographics-driven model, known as the headship rate approach, is an appropriate model for projecting the size of the secondary rental market. As the number of households rises, there may be some reductions in the number of vacant dwellings, but over time housing supply must rise accordingly to accommodate the additional demand. Over the longer term, conversions to residential use and new housing construction generally aligns with household growth (CMHC, 2013).

The model used in this report to estimate and project the secondary rental market is based on CMHC's Potential Housing Demand Model. Households are projected by applying projected headship rates by household type and age of the primary maintainer to population projections. Secondary rental dwellings are projected by then applying projected rental rates and dwelling-type/condominium status rates by household type and age of the primary maintainer to the household projections. The projection model is depicted below.



Source: Vink Consulting based on CMHC, 2013

Population Projections

The population projections used in this report were prepared by the Ontario Ministry of Finance. The data was in five-year age increments. The projections were published in Spring 2016 and were based on the 2011 Census and 2015 population estimates from Statistics Canada, with minor changes to reflect the most recent trends in fertility, mortality and migration (Ontario, 2016).

The Ontario Ministry of Finance provides three population projection scenarios for Ontario. The reference, or medium, scenario is considered most likely to occur if recent trends continue (Ontario, 2016). The low- and high-growth scenarios provide a reasonable range based on plausible changes in the components of growth. At the regional level, the Ontario Ministry of Finance only publishes the reference scenario. The assumptions for population growth in these projections “reflect recent trends in all streams of migration and the continuing evolution of long-term fertility and mortality patterns in each census division” (Ontario, 2016).

Household Projections

Projecting households involves multiplying age-specific population projections by age-specific household headship rates. These headship rates represent the propensity of people in a given age group to form households. The headship rate for a given age group is calculated as the number of primary household maintainers¹ in that group divided by the total number of people in the same age segment.

At the provincial level, four headship rate scenarios for family and non-family households were used in the report. Three of the scenarios were developed by CMHC. These are based on historical trends and capture a range of outcomes. The low scenario is a continuation of the historical downward trend and assumes headship rates to continuously decrease to some extent. The high scenario assumes headship rates will increase and there will be some reversal of the historical decreasing trend after 2015. The medium scenario is the average between the high and low scenarios. The fourth scenario, holds the age-specific headship rates for family and non-family households at their 2011 values. This is the only headship rate scenario provided at the regional level. This scenario relies on custom-tabulated Census and National Household Survey data from Statistics Canada for 2011.

Each of the four headship rate scenarios was paired with each of the three population projection scenarios at the provincial level, resulting in 12 household projection scenarios for Ontario.

Rental Housing Projections

Two scenarios for age-specific rental rates were used at the provincial level. The first, which is also the only rental rate scenario provided at the regional level, holds the age-specific rental rates for family and non-family households at their 2011 values. In the second scenario, the pattern of rising age-specific ownership rates observed from 1996 to 2011 is assumed to reverse over the projection period. In this scenario it was assumed that there was a small increase in the rental rate between 2011 and 2016 and a more significant increase will occur between 2016 and 2021 before flattening out somewhat by 2026. Data on age-specific rental rates for 2011 was from custom-tabulated Census and National Household Survey data from Statistics Canada. Data for 2001 and 2006 was from CMHC, and was originally obtained from Statistics Canada.

¹ The primary household maintainer is the person or one of the people responsible for the major household costs such as rent or mortgage, property taxes, and electricity in a private household.

These rental rate scenarios were informed by information on key factors influencing rental rates and demand and supply of rental housing. These include changes in relative affordability of ownership compared to incomes, changes in employment, the attractiveness of rental housing investment, house prices, rent levels, rental vacancy rates, the supply of primary rental housing, and the policy landscape. Key sources of information about these factors included:

- Statistics Canada's Census and National Household Survey – primarily 2006 and 2011
- Ontario Ministry of Finance's Population Projections – Spring 2016
- CMHC's Long-Term Household Growth Projections – 2015 Update
- CMHC's Housing Market Outlook Reports, 2016
- CMHC's Rental Housing Market Surveys, 2006-2015.
- Statistics Canada's Labour Force Survey, 2011-2014
- Bank of Canada, 5-year Conventional Mortgage Rate Data.

Each of the twelve household projection scenarios for Ontario was paired with each of the two rental rate projection scenarios at the provincial level, resulting in 24 rental housing projection scenarios for Ontario.

Dwelling Type and Condominium Status Projections

One dwelling type and condominium status projection scenario was used in the report. It assumes age-specific occupancy patterns for family and non-family households will continue to resemble those observed in 2011 for the projection period. Data on age-specific occupancy patterns for 2011 was obtained from custom-tabulated Census and National Household Survey data from Statistics Canada. This data classifies households by tenure, whether or not the dwelling is part of a condominium, and categorizes dwelling types into eight structural types as outlined on the following page.

Based on the report's definition of secondary rental units as any rental property with only one or two self-contained residential rental units, it was assumed that all rented units of the following structural types are part of the secondary rental market:

- Single-detached house
- Semi-detached house
- Apartment or flat in a duplex (these are primarily basement apartments)
- Other single-attached house
- Movable dwelling.

For the following dwelling types, only a portion of units were included in the secondary rental market calculations:

- Row house
- Apartment, building that has fewer than five storeys
- Apartment, building that has five or more storeys.

All rented condominium apartment units and condominium row houses were included in the calculation of the secondary rental market. Row houses include a mix of primary or purpose built rental units and secondary rental units. The number of row houses in the secondary rental market was calculated by subtracting the number of primary rental row houses and row houses that are social housing units or developed through the Canada-Ontario Affordable Housing Program. Data on the number of primary rental row houses was from CMHC's Rental Market Surveys of communities of over 10,000². Data on social housing units and units developed through the Canada-Ontario Affordable Housing Program was obtained from the Ontario Ministry of Municipal Affairs and Housing.

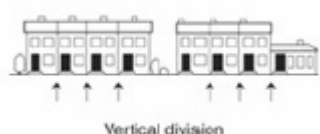
Statistics Canada's Structural Type of Dwelling Classifications



Single-detached house – A single dwelling not attached to any other dwelling or structure (except its own garage or shed.)



Semi-detached house – One of the two dwellings attached side by side (or back to back) to each other, but not attached to any other dwelling or structure (except its own garage or shed.)



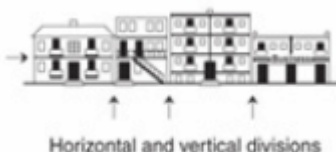
Row house – One of three or more dwellings joined side by side (or occasionally side to back), such as a town house or garden home, but not having any other dwellings either above it or below.



Apartment or flat in a duplex – One of two dwellings, located one above the other.

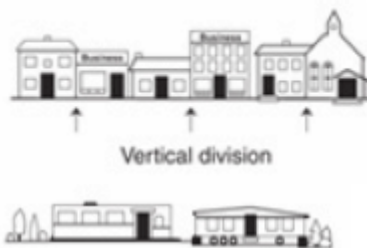


Apartment in a building that has five or more storeys – A dwelling unit in a high-rise apartment building which has five or more storeys.



Apartment in a building that has fewer than five storeys – A dwelling unit attached to other dwelling units, commercial units, or other non-residential space in a building that has fewer than five storeys.

² The calculations do not subtract out row house units in the primary rental market in communities of less than 10,000 because of the unavailability of data. However, this number is likely quite small.



Other single-attached house – A single dwelling that is attached to another building and that does not fall into any of the other categories, such as a single dwelling attached to a non-residential structure (e.g. store or church) or occasionally to another residential structure (e.g. apartment building).

Movable dwelling – A single dwelling capable of being moved to a new location on short notice.

Source: Statistics Canada

Summary of Scenarios

The base case scenario assumes medium population growth and constant headship rates, rental rates and dwelling type/condominium status rates at 2011 values. The base case scenario has been more accurately calculated as a roll up of values from each of the sub-regions. The alternative scenarios have just been prepared at the provincial level, which results in slightly different numbers as a result of changes in distributions of the population regionally since 2011. All scenarios are summarized below:

Population Projections	Headship Rates	Rental Rates	Dwelling Type/ Condominium Status Rates
Medium Growth	Constant	Constant	
		Increasing	
	Low	Constant	
		Increasing	
	Medium	Constant	
		Increasing	
Low Growth	Constant	Constant	
		Increasing	
	Low	Constant	
		Increasing	
	Medium	Constant	
		Increasing	
High Growth	Constant	Constant	
		Increasing	
	Low	Constant	
		Increasing	
	Medium	Constant	
		Increasing	
	High	Constant	
		Increasing	

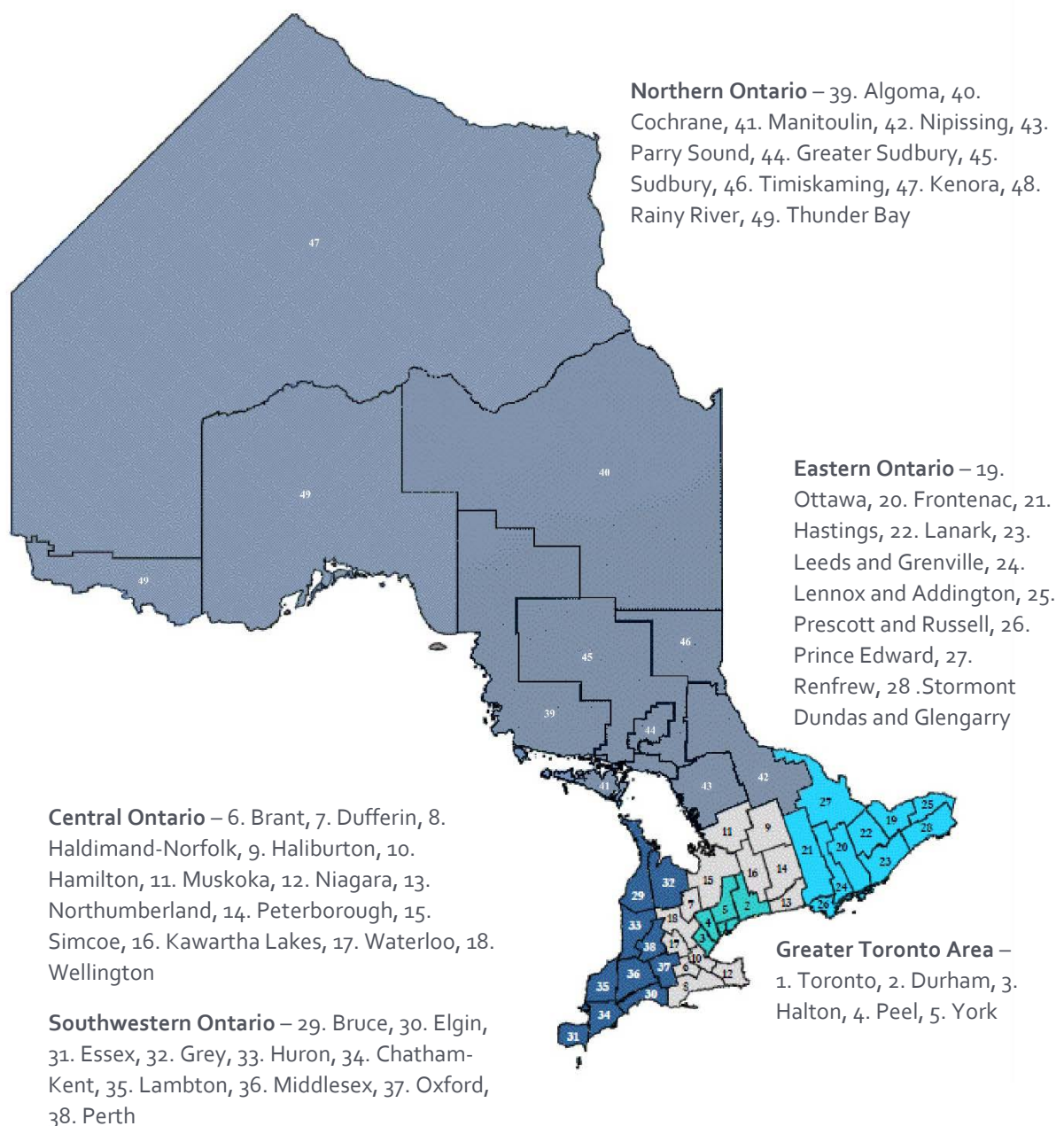
Factors Contributing to Secondary Rental Market Growth or Loss

While age-specific headship rates, rental rates, and occupancy patterns were obtained from Census and National Household Survey data, the projections use population estimates which have been adjusted for the census undercount.

The report provides projections for the size of the secondary rental market in the next five and ten years. The projections are not forecasts. They provide a variety of scenarios which illustrate the impacts of alternative assumptions of how different extrapolations of past trends and key factors could affect demand and supply of secondary rental housing. Some of these factors, such as migration, have been highly variable. The scenarios are thought to present a reasonable range, but it is possible that actual outcomes may lie outside it in either direction.

Geographic Regions Used in the Report

The report provides estimates and projections on a provincial and regional basis. Below is a list of the municipalities included in each of the five regions.



Factors Contributing to Secondary Rental Market Growth or Loss

Demographic Factors

A number of factors contribute to changes in demand for secondary rental housing.

Demographic factors, and household growth in particular, are the most important (CMHC, 2016b). The main contributors to household growth are population growth and age composition of the population. Key components of population growth are fertility, mortality, and migration.

Highlights of the assessment of how these factors have influenced the size of the secondary rental housing market since the 2011 Census and how they are anticipated to influence the market over the next five and ten year periods are as follows:

- Ontario's population is projected to grow by 1,654,492 between 2016 and 2026 under the medium growth (base case) scenario (Ontario, 2016). This represents an increase of 6% in each of the five year periods between 2016 and 2026. The Greater Toronto Area (GTA) will be the fastest growing, and is projected to see its population increase by 8% between 2016 and 2021 and another 4% between 2021 and 2026. The Central and Eastern regions are both projected to see 5% growth in each of the five year periods of the projection horizon. Growth in Southwestern Ontario will be moderate at 2.3% to 2021 and 2.4% to 2026, while the population size will remain essentially unchanged in the Northern Region over the projection horizon.
- Natural increase will be fairly stable over the projection period (Ontario, 2016).
- Net migration is projected to increase in Ontario through interprovincial migration and increased federal immigration targets (Ontario, 2016). Net migration will contribute to a significant portion of Ontario's population growth, although this factor is highly variable due to swings in interprovincial migration and international migration.
- The province, and each of the five regions, will see a shift towards an older age structure over the projection period (Ontario, 2016). The share of seniors will increase from 16% to 21% provincially under the medium scenario (base case). The Central, Southwestern, and Northern regions will see the largest shift – a 6% increase in seniors' share of the population. Both the number and share of people 15 to 29, the prime years for household formation, are projected to decrease provincially and in each of the five regions under the medium growth scenario.
- Headship rates represent the propensity of people in a given age group to form households³. Headship rates have trended downwards over the past ten years for people

³ It is calculated as the number of primary household maintainers in that group divided by the total number of people in that age group

between the ages of 20 and 44 and over the age of 65 (CMHC, 2016b). CMHC's projections for headship rates range from a continued decrease in headship rates to some reversal of past trends (CMHC, 2016b).

- The number of households in Ontario is projected to increase by 767,721 between 2016 and 2026 under the medium population growth constant headship scenario (base case) (Vink Consulting calculations). This represents a 15% increase over the projection period.
- The number of non-family households grew at a higher pace than family households between 2001 and 2011. "These changes reflect demographic, social, cultural and economic developments, such as changing attitudes towards marriage and divorce and rising labour force attachment among women, which likely contributed to gains in young and middle-aged non-family households" (CMHC, 2009). Non-family households are projected to continue to grow more rapidly than family households over the projection horizon at 19% and 14% respectively in the medium population growth constant headship scenario (base case) (Vink Consulting calculations).
- The propensity towards homeownership increases with age, with the exception of family households where the primary maintainer is 75 or older. While the increasing population projects an increase of 194,669 in the number of renter households between 2016 and 2026 under the base case scenario, the changing age composition of the population projects a decrease in the overall percentage of households that are renters under the constant age-specific rental rate scenario (base case) (Vink Consulting calculations).
- There has been a pattern of rising age-specific ownership rates from 1996 to 2011. Key factors behind the large increases in ownership rates were strong income and employment growth and low interest rates, which made homeownership more attainable for a wider range of households (CMHC, 2009). However, CMHC does not expect gains in age-specific ownership rates to continue, and in fact uses only a constant age-specific rental rate scenario in its latest (2015) projections (CMHC, 2009 and CMHC, 2016b).
- The projected changes to the population's age composition are not projected to have much of an effect on the relative percentage shares of each type of rental dwelling or condominium status of the dwellings, provincially or in any of the five regions (Vink Consulting calculations).

The population projections used in the report incorporate a range of plausible scenarios for all components of population growth (Ontario, 2016). In addition to projecting overall population growth, they project changes in age composition of the population. The headship rate scenarios factor in a range of reasonable scenarios for headship rates by age. Age- and household type-specific household projections paired with projections of rental rates and dwelling-type/condominium status rates by age account for changes in the demand for secondary rental housing as a result of household formation and dissolution and age-specific propensities to rent and to occupy various dwelling types.

Economic Factors

The other key factors influencing the demand and supply of secondary rental housing are economic. The change in demand for rental housing in general is primarily influenced by income and employment growth or loss and changes in the relative affordability of ownership housing. Components of change in ownership affordability include changes in household incomes, house prices, and mortgage rates.

Changes in demand for rental housing are met by some combination of change in the supply of primary purpose-built rental housing and change in the supply of secondary rental housing, depending on the attractiveness of investment in each of the two markets. It becomes increasingly un-economic to develop new primary rental housing in circumstances with high or increasing vacancy rates in primary rental housing, insufficient returns on investment as a result of low rent levels, limited escalation in rents, housing prices and correspondingly low expectations of capital gains, higher mortgage rates, and unfavourable or uncertain policy landscapes, including unfavourable tax treatment of rental housing and stringent rent regulations, lack of or limited private sector subsidized supply programs, unfavourable mortgage insurance policies, and stringent regulatory controls of secondary suites (Focus Consulting, 2011; FRPO, 2005; Steele, 1991; Suttor, 2015). Additions to the rental stock tend to be disproportionately concentrated in the secondary rental market in such circumstances (Steele, 1991).

Highlights of the assessment of how these factors have influenced the size of the secondary rental housing market since the 2011 Census and how they are anticipated to influence the market over the next five and ten year periods are discussed below. However, it should be noted that economic factors are highly volatile, and therefore there is limited availability of long-term projections.

- Real income has continued its increasing trend across the province since 2011, although income growth since 2011 has not been as strong as 2006 to 2011 growth in several parts of the province (CMHC, 2016a). This includes the Census Metropolitan Areas (CMAs) of Kitchener-Waterloo, Kingston, Ottawa, Barrie, and Peterborough. Strong income growth in Ontario is expected to continue over CMHC's projection horizon to 2017 (CMHC, 2016a). Income growth has supported growth in house prices and is anticipated to continue to support price growth until price escalation dampens demand in 2017 (CMHC, 2016a).
- Unemployment rates have decreased across the province since 2011 and employment growth has occurred in the majority of economic regions across Ontario, with the exception of the Kingston-Pembroke, Muskoka-Kawarthas, and Stratford-Bruce Peninsula Economic Regions (Statistics Canada, 2015). Employment growth is expected to continue in Ontario over CMHC's projection horizon to 2017 (CMHC, 2016a). "Weaker economic conditions in Northern and Eastern Ontario will restrain housing activity [in these regions] relative to the rest of the province" (CMHC, 2016a).
- Ontario house prices have continued on a strong upward trend since 2011. However, some areas have had low or negative price growth, including the Kingston, Ottawa and

Sudbury CMAs. Prices are projected to continue to grow to the end of CMHC's forecast period of 2017, although at a slower rate (CMHC, 2016a). For individuals, price escalation can dampen homeownership demand when households begin to be priced out of the homeownership market. This is currently occurring in some parts of the province, in particular in the Greater Toronto Area. For secondary rental housing investors, in periods of anticipated strong escalation of house prices, capital gains are expected to be high and play an increasing role in the return on rental real estate, and therefore additions to the rental stock tend to be disproportionately concentrated in the secondary rental market (Steele, 1991). However, later in periods of strong price escalation when prices are anticipated to flatten or reverse, landlords are encouraged to sell units for homeownership (Steele, 1991). Landlords currently have some incentives to sell their units for homeownership.

- Mortgage rates have been on a decreasing trend since 2008 and are at historical lows (Bank of Canada, 2016). They are not expected to rise until 2017, and are then expected to rise gradually (CMHC, 2016a). With everything else equal, this will continue to support homeownership demand as well as the attractiveness of rental housing investment.
- The household incomes required to support the mortgage carrying costs⁴ on the average resale home have increased relative to increases in actual household incomes since 2011, an indication of decreasing affordability of ownership housing in Ontario (CMHC, 2016a). Substantial erosion of affordability has occurred in the GTA, while Kingston, Ottawa and Sudbury CMAs have had limited increases in required incomes compared to actual incomes. The decline in affordability is anticipated to erode some of the future demand for ownership housing.
- Growth in rents has been modest for the past 15 years (CMHC, 2016c). With annual growth of 3% or less in average rent since 2011, rent changes have had limited impact on returns on rental investment.
- Compared to the previous five years, new housing construction in Ontario intended for the primary rental housing market increased between 2011 and 2015. Primary rental housing construction is anticipated to "continue to remain near record highs thanks to low vacancy rates and increasing cost of ownership housing" (CMHC, 2016a).
- Vacancy rate trends have varied across the province, but have decreased since 2011 in the majority (58%) of areas surveyed by CMHC (CMHC Rental Housing Market Survey, 2011-2016). Ontario's vacancy rates are anticipated to continue to decrease slightly as a result of rental demand supported by the "rising cost gap between owning and renting, an improving job market and rising international migration" (CMHC, 2016a).
- A number of policies have changed at the federal level since 2012 which have changed the economics of rental housing investment. A number of these changes have been largely in an effort to cool the housing market in hot markets such as Toronto. These have included

⁴ Required income is mortgage carrying costs divided by 0.32 to reflect the 32 per cent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

“changing mortgage insurance rules by increasing down payments and shortening the period buyers have to repay their loans, withdrawn mortgage insurance for investment properties and homes valued over \$1 million, and changing the rules for immigrant investors such that they cannot simply invest in Canadian real estate or fixed income and call it job creation” (Canadian Business, 2015). Another recent change by the Federal government has been its commitment of increased investment in affordable housing, including the construction of new affordable rental housing, which will absorb a small portion of the net new demand for rental housing over the next ten years.

- At the local level, the number of municipalities that permit second units in single detached, semi-detached and row dwellings and accessory dwellings will continue to increase, as a result of provincial regulation enacted in 2012 requiring municipalities to establish policies allowing second units in new and existing developments. This will support the creation of some additional secondary rental market units.
- Additional changes to housing policy are anticipated beginning in the Federal government’s spring 2017 budget. This may include tax breaks to encourage the construction of rental housing, such as the removal of the GST on new capital investments (Canadian Business, 2015). This may stimulate some new rental development and absorb a small portion of the net new demand for rental housing. It is also anticipated, based on campaign promises, that the Federal government will loosen policies to help first-time homebuyers and others access homeownership. One promise is to expand the existing qualification rules to withdrawal from RRSPs as part of the Home Buyers’ Plan. Such changes would support access to homeownership for a wider range of households. Also under consideration by the federal and provincial governments, are additional restrictions or taxes of foreign home-buyers in an effort to cool Toronto’s hot housing market.

In the model, economic change factors influencing the demand and supply of rental housing are incorporated through the two rental rate projections scenarios. The base case assumes that age-specific rental rates will remain constant at 2011 values over the projection horizon, while the alternative scenario assumes increases to rental rates. The main factor driving the alternate scenario of higher rental rates is the erosion of homeownership affordability as a result of strong price escalation. The projections hold the composition of the rental market, in terms of dwelling-types and condominium status, constant over the projection horizon as there is not a strong indication of economic factors impacting occupancy.

Size of the Secondary Rental Market

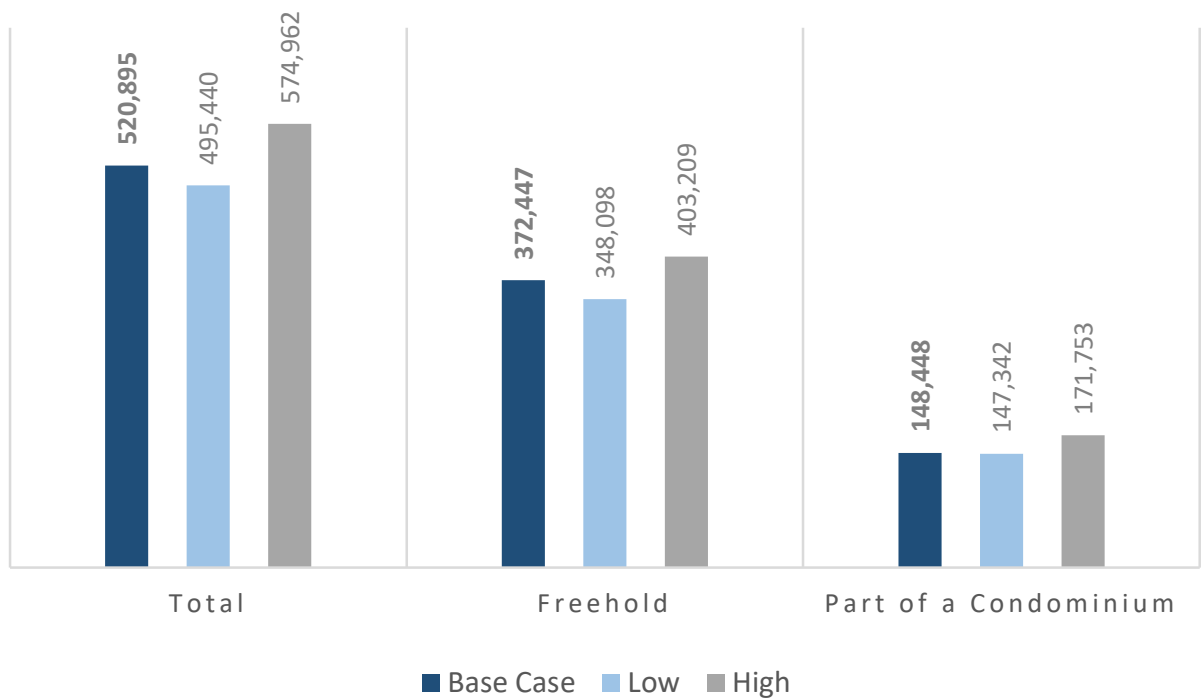
Current size of the secondary rental housing market and type of units

It is estimated that the current (2016) size of the total secondary rental market in Ontario is 520,895 dwelling units, under the base case scenario of medium population growth and constant age-specific headship and rental rates at 2011 values. Under the lowest scenario, with low

population growth since 2015, low headship rates, and constant age-specific rental rates since 2011, it is estimated that there are 495,440 dwellings in the secondary rental market. The current number could be as high as 574,962 dwellings if the province has experienced high population growth since 2015, high headship rates, and an increase in rental rates since 2011.

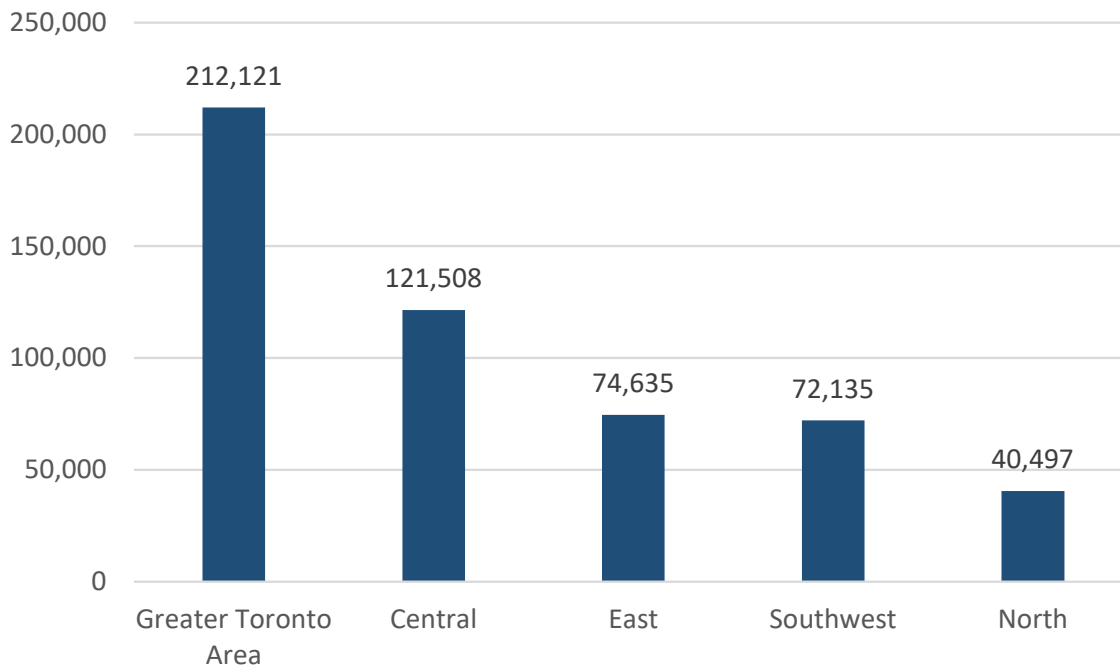
Approximately 30% of the units in Ontario’s secondary rental market (or 148,448 dwellings under the base case scenario) are part of a condominium, while the other 70% (or 372,447) are freehold secondary rental dwellings.

Figure 1: Estimated Current Size of Ontario’s Secondary Rental Housing Market (2016)



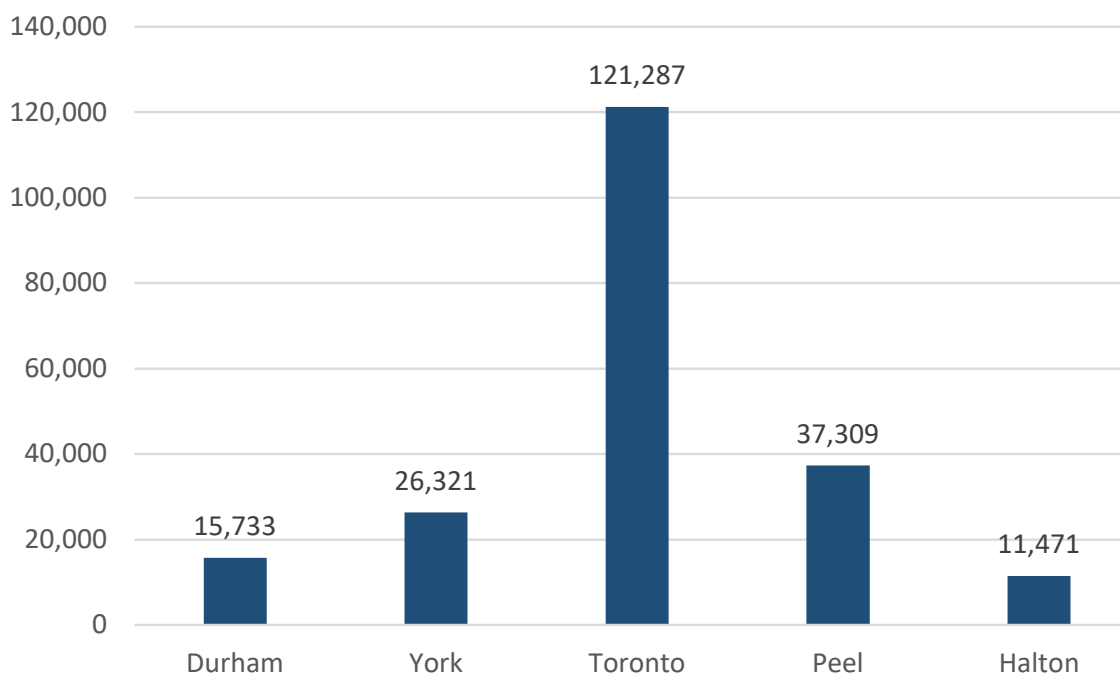
The Greater Toronto Area has the highest number of secondary rental housing units at 212,121, accounting for 41% of the province’s market. The Central region has the next largest market, at 121,508 dwellings, representing almost a quarter of the province’s market. The East (74,635 dwellings) and Southwest (72,135 dwellings) regions each account for 14% of the province’s secondary rental market, while the North accounts for 8% (40,497 dwellings).

Figure 2: Estimated Size of Ontario's Secondary Rental Housing Market by Region (2016)



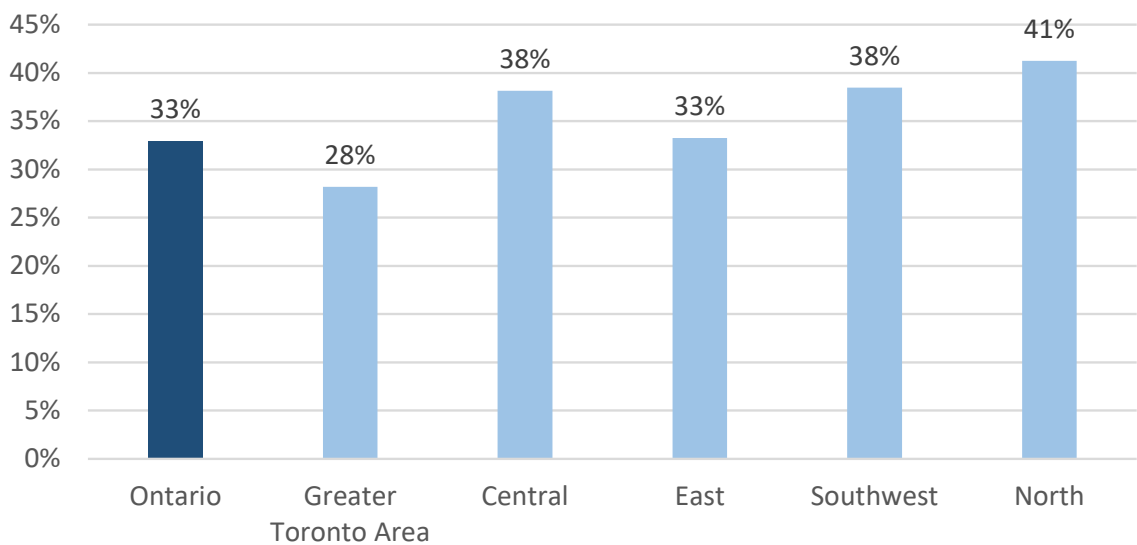
Over half (57%) of the units in the Greater Toronto Area's secondary rental market are in the City of Toronto. The Region of Peel distantly follows the City of Toronto at 37,309 units. The Regions of York and Durham has the third and forth highest number of secondary rental units in the Greater Toronto Area at 26,321 and 15,733 units, respectively. Halton Region has the fewest number of secondary rental dwellings in the Greater Toronto Area.

Figure 3: Estimated Size of the Secondary Rental Housing Market in the Greater Toronto Area Municipalities (2016)



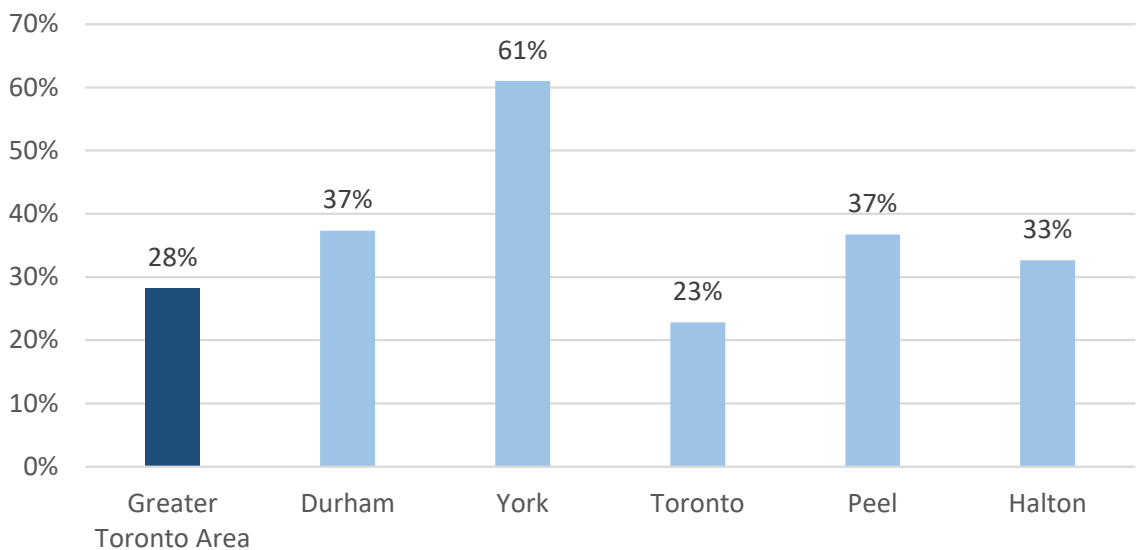
It is estimated that the secondary rental market makes up one third of the rental market in Ontario. The secondary rental market’s share of the total rental market ranges from a low of 28% in the Greater Toronto Area to a high of 41% in the North region. The Southwest and Central regions also have higher proportions of secondary rental units at 38% and 37% respectively, whereas the East region is consistent with the provincial average.

Figure 4: Secondary Rental Market as a Percentage of the Total Rental Market in Ontario and by Region, 2016 Estimate



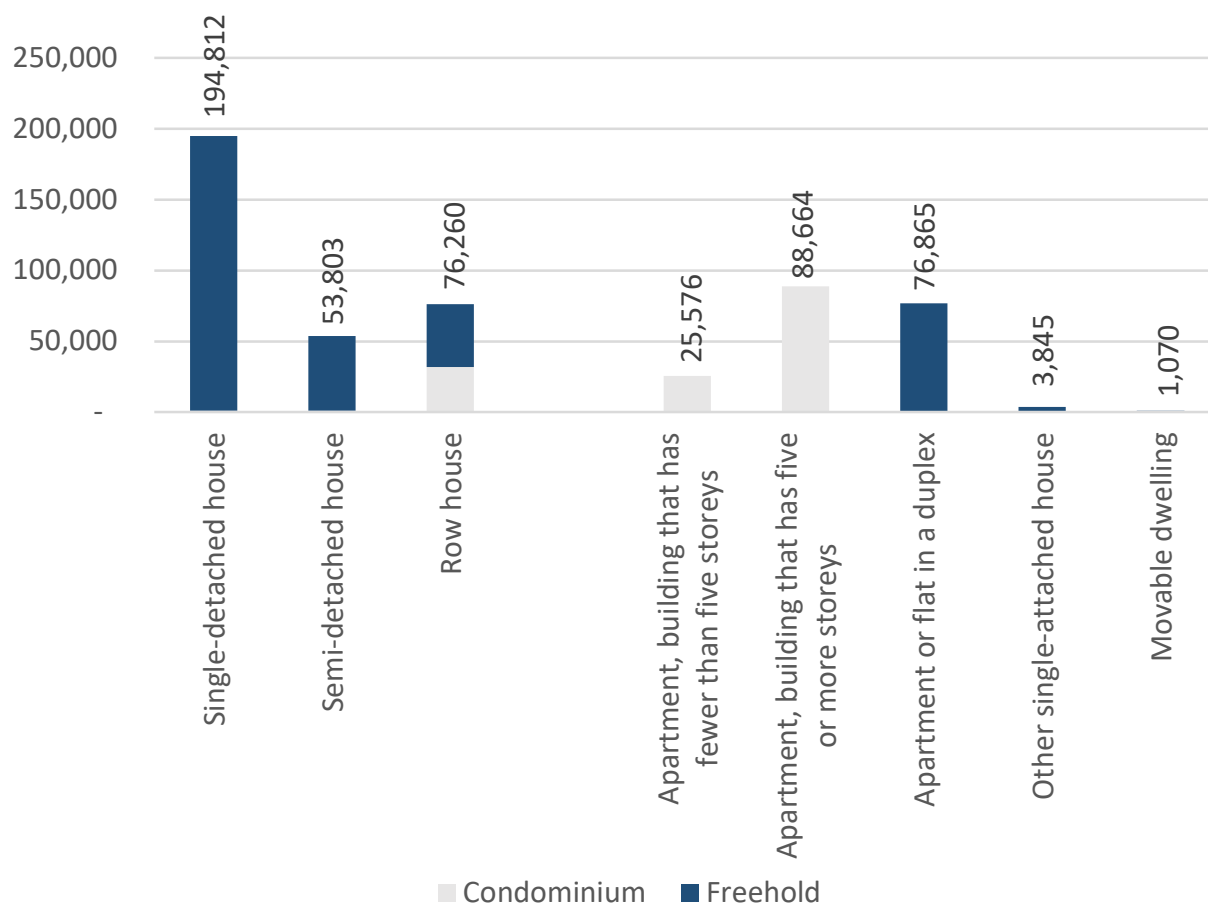
Within the Greater Toronto Area, secondary rental housing is particularly predominant within the rental market in the Region of York, where it accounts for 61% of the rental market. The secondary rental market accounts for no more than 37% of the rental market in any of the other Greater Toronto Area regional municipalities.

Figure 5: Secondary Rental Market as a Percentage of the Total Rental Market in the Greater Toronto Area Municipalities, 2016 Estimate



While people may think of basement apartments or condominium apartment units when they think of the secondary rental market, single-detached houses actually make up the largest share (37%) of the secondary rental market. Condominium units in apartment buildings account for almost one quarter (22%) of the market. Rental units that are located in a duplex (one of two dwellings, located one above the other, primarily basement apartments) contribute to another 15% of the market, while row houses and semi-detached houses account for 15% and 10% respectively. The remaining 1% are other single attached houses or movable dwellings.

Figure 6: Current Composition of Ontario's Secondary Rental Housing Market by Dwelling Type and Condominium Status



Dwellings that are part of a condominium range from a high of almost half (45%) of the secondary rental market in the Greater Toronto Area to a low of 6% in the North region. One quarter of the secondary rental dwellings in the East region are part of a condominium. The share of condominium units in the Southwest and Central regions are 18% and 15% respectively. Refer to Table 1 for further details on the number of dwellings by type and condominium status provincially and in each of the five regions.

Table 1: Estimated Size of the Secondary Rental Housing Market in Ontario and Each of the Regions in 2016 by Unit Type and Condominium Status, Base Case Scenario

		Ontario	Greater Toronto Area	Central	East	Southwest	North
Freehold	Single-detached house	193,677	49,859	58,465	25,761	38,432	21,161
	Apartment, building that has five or more storeys	0	0	0	0	0	0
	Movable dwelling	1,070	0	279	148	200	444
	Semi-detached house	52,921	14,267	12,529	12,304	7,522	6,299
	Row house	44,476	19,354	10,839	8,444	3,320	2,520
	Apartment or flat in a duplex	76,458	31,917	19,400	9,031	8,705	7,406
	Apartment, building that has fewer than five storeys	0	0	0	0	0	0
	Other single-attached house	3,845	920	1,166	838	663	257
	Total	372,447	116,316	102,678	56,525	58,842	38,087
	Part of a Condominium	Single-detached house	1,135	364	541	186	45
Apartment, building that has five or more storeys		88,664	75,738	4,417	4,742	3,380	385
Movable dwelling		0	0	0	0	0	0
Semi-detached house		882	152	226	194	257	53
Row house		31,784	9,831	8,402	6,792	6,076	683
Apartment or flat in a duplex		407	177	94	137	0	0
Apartment, building that has fewer than five storeys		25,576	9,542	5,150	6,060	3,535	1,289
Other single-attached house		0	0	0	0	0	0
Total		148,448	50,223	18,830	18,110	13,293	2,411
Total		Single-detached house	194,812	50,223	59,005	25,946	38,477
	Apartment, building that has five or more storeys	88,664	75,738	4,417	4,742	3,380	385
	Movable dwelling	1,070	0	279	148	200	444
	Semi-detached house	53,803	14,419	12,755	12,497	7,780	6,351
	Row house	76,260	29,185	19,241	15,235	9,396	3,203
	Apartment or flat in a duplex	76,865	32,093	19,494	9,167	8,705	7,406
	Apartment, building that has fewer than five storeys	25,576	9,542	5,150	6,060	3,535	1,289
	Other single-attached house	3,845	920	1,166	838	663	257
	Total	520,895	212,121	121,508	74,635	72,135	40,497

Condominium units account for over half (55%) of the units in the secondary rental market in the City of Toronto. This compares to 42% and 37% in the Regions of Peel and Halton, respectively. In the Region of York, condominium units account for one quarter of the secondary rental market. Condominium units were the least common among the Greater Toronto Area municipalities in Durham Region (16%).

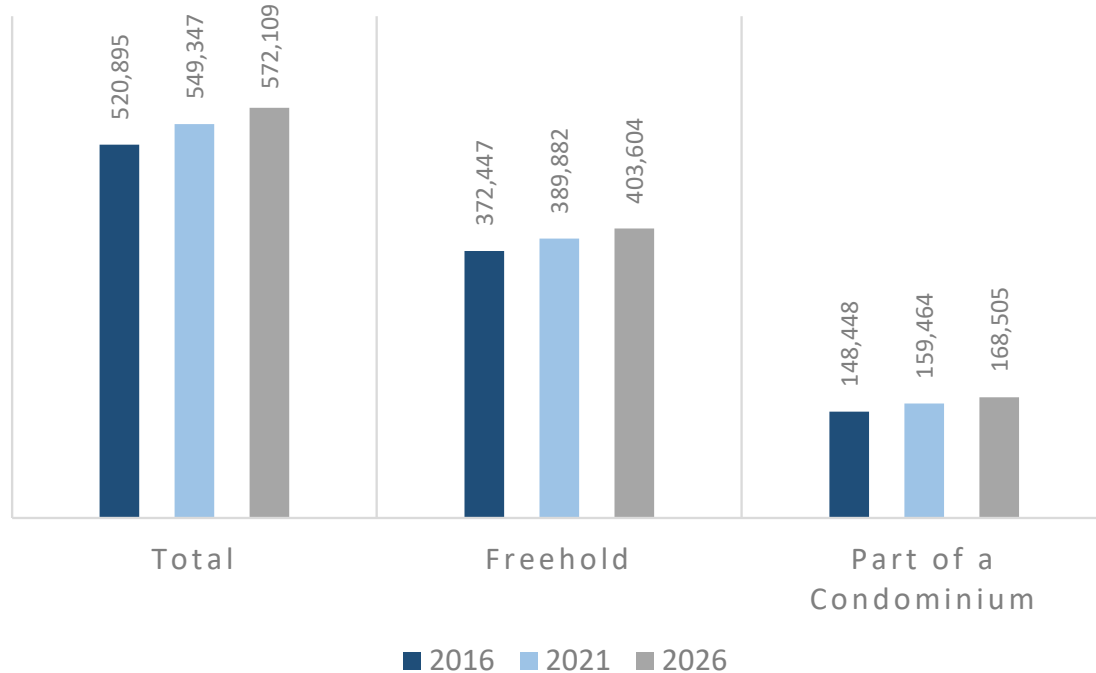
Table 2: Estimated Size of the Secondary Rental Housing Market Each of the Regional Municipalities in the Greater Toronto Area in 2016 by Unit Type and Condominium Status, Base Case Scenario

		Durham	York	Toronto	Peel	Halton
Freehold	Single-detached house	7,377	9,880	19,368	9,340	3,895
	Apartment, building that has five or more storeys	0	0	0	0	0
	Movable dwelling	0	0	0	0	0
	Semi-detached house	1,048	1,631	7,539	3,280	770
	Row house	1,519	3,269	9,406	3,397	1,763
	Apartment or flat in a duplex	3,282	4,725	17,493	5,571	845
	Apartment, building that has fewer than five storeys	0	0	0	0	0
	Other single-attached house	0	44	875	0	0
	Total	13,226	19,549	54,680	21,587	7,273
Part of a Condominium	Single-detached house	0	25	212	112	16
	Apartment, building that has five or more storeys	699	5,114	57,830	10,813	1,282
	Movable dwelling	0	0	0	0	0
	Semi-detached house	0	0	118	34	0
	Row house	1,086	980	2,582	3,456	1,726
	Apartment or flat in a duplex	0	0	77	100	0
	Apartment, building that has fewer than five storeys	721	652	5,789	1,206	1,173
	Other single-attached house	0	0	0	0	0
	Total	2,592	2,769	149,878	157,085	161,769
Total	Single-detached house	7,377	9,904	19,579	9,452	3,910
	Apartment, building that has five or more storeys	699	5,114	57,830	10,813	1,282
	Movable dwelling	0	0	0	0	0
	Semi-detached house	1,048	1,631	7,656	3,314	770
	Row house	2,605	4,250	11,987	6,853	3,490
	Apartment or flat in a duplex	3,282	4,725	17,570	5,671	845
	Apartment, building that has fewer than five storeys	721	652	5,789	1,206	1,173
	Other single-attached house	0	44	875	0	0
	Total	15,733	26,321	121,287	37,309	11,471

Projected size of the secondary rental housing market and type of units in 2021 and 2026

Under the base case scenario, Ontario's secondary rental housing market is projected to grow from 520,895 units in 2016 to 549,347 units in 2021 and 572,109 units in 2026 – a 5% increase between 2016 and 2021 and a further 4% increase between 2021 and 2026. Stronger growth is projected in rental condominiums at 7% and 6% for 2016-2021 and 2021-2026 respectively. The remainder of the market is projected to grow by 5% and 4% in these two periods respectively. Refer to Figure 7 for information on the number of units by condominium status.

Figure 7: Estimated and Projected Size of Ontario's Secondary Rental Housing Market in 2016, 2021 and 2026, by Condominium Status, Base Case Scenario



The alternative scenarios show that as many as 649,205 dwellings or as few as 509,080 are plausible by 2021 and as many as 734,627 dwellings or as few as 516,670 dwellings are plausible by 2026. Refer to Table 3 for a breakdown by condominium status.

Figure 6: Estimated and Projected Size of Ontario's Secondary Rental Housing Market in 2016, 2021 and 2026, Base Case and Alternative Scenarios

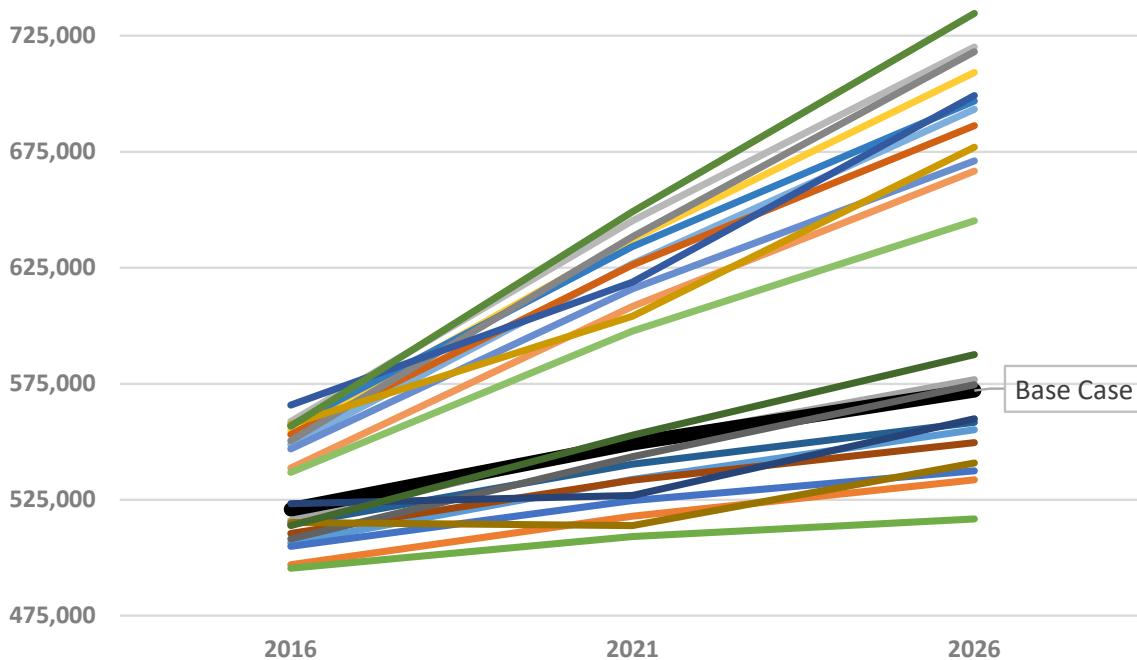
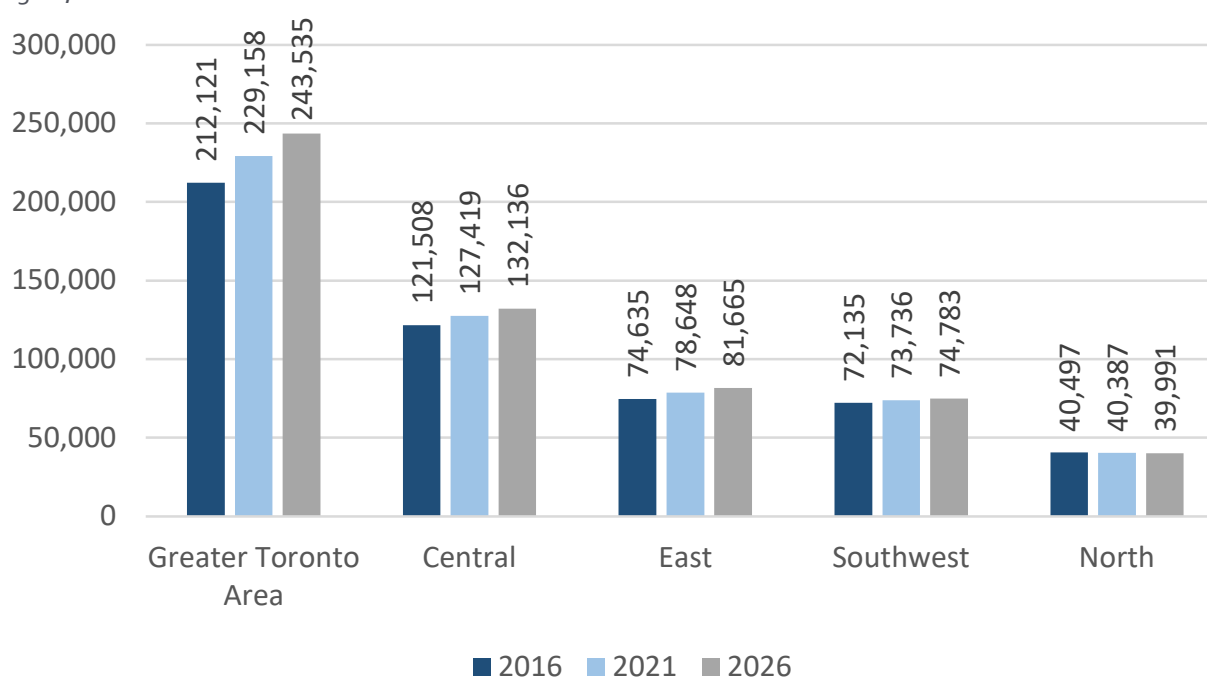


Table 3: Projected Size of Ontario's Secondary Rental Housing Market in 2021 and 2026 by Condominium Status, Base Case and Lowest and Highest Scenarios

	2021			2026		
	Base Case	Low	High	Base Case	Low	High
<i>Freehold</i>	372,447	356,501	456,856	572,109	361,145	516,428
<i>Part of a Condominium</i>	159,464	152,579	192,349	168,505	155,526	218,199
<i>Total</i>	549,347	509,080	649,205	572,109	516,670	734,627

The Eastern and Central regions' growth is projected to be relatively consistent with that of the province. Stronger growth is projected in the Greater Toronto Area. Weaker growth is projected in Southwestern Ontario. The size of the secondary market is projected to be stable in the North over the projection horizon. Refer to Table 4 for information on the number of units by condominium status. A breakdown by dwelling type can be found in Table 5 and Table 7.

Figure 7: Estimated and Projected Size of Ontario's Secondary Rental Housing Market in 2016, 2021 and 2026, by Region, Base Case Scenario



Strong growth in the secondary rental market is projected in each of the regional municipalities in the Greater Toronto Area. Growth is projected at 10% or more between 2016 and 2021 in the Regions of York, Peel and Halton. This compares to 8% and 7% in the Region of Durham and the City of Toronto, respectively. Refer to Table 4 for information on the number of units by condominium status. A breakdown by dwelling type can be found in Table 6 and Table 8.

Figure 8: Estimated and Projected Size of the Secondary Rental Housing Market in 2016, 2021 and 2026 in the Greater Toronto Area Municipalities, Base Case Scenario

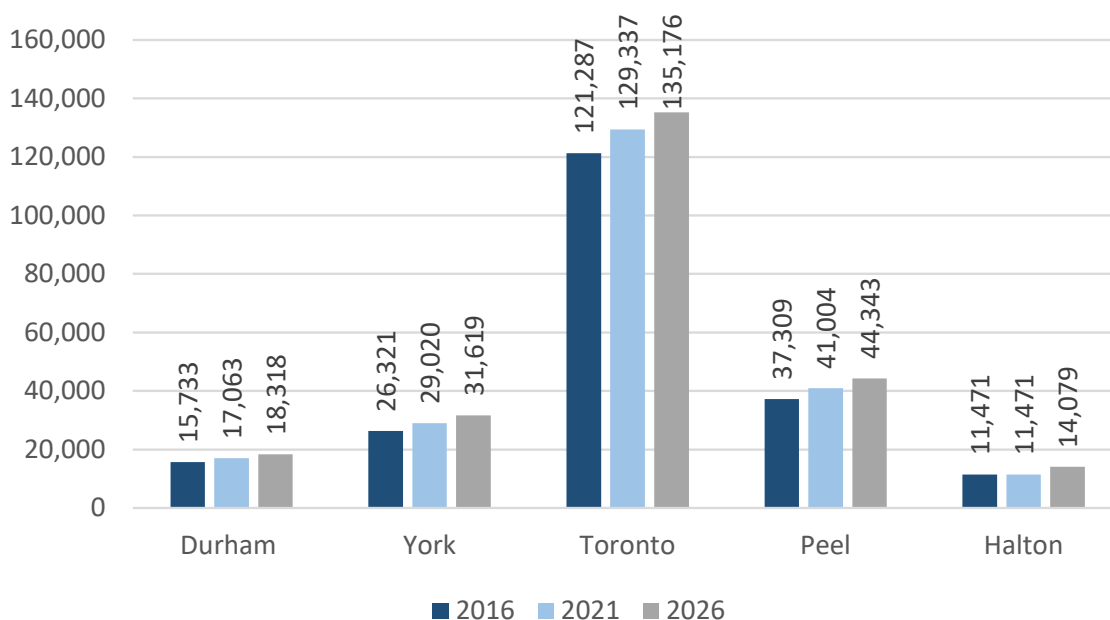


Table 4: Projected Size of the Secondary Rental Housing Market in Ontario and Each of the Regions and the Greater Toronto Area Regional Municipalities by Condominium Status in 2016, 2021, and 2026, Base Case Scenario

		2016	2021	2026	% Change 2016-2021	% Change 2021-2026
Ontario	Freehold	372,447	389,882	403,604	5%	4%
	Part of a Condominium	148,448	159,464	168,505	7%	6%
	Total	520,895	549,347	572,109	5%	4%
Greater Toronto Area	Freehold	116,316	125,598	133,767	8%	7%
	Part of a Condominium	95,805	103,559	109,768	8%	6%
	Total	212,121	229,158	243,535	8%	6%
Central	Freehold	102,678	107,254	110,721	4%	3%
	Part of a Condominium	18,830	20,165	21,415	7%	6%
	Total	121,508	127,419	132,136	5%	4%
East	Freehold	56,525	59,359	61,457	5%	4%
	Part of a Condominium	18,110	19,289	20,208	7%	5%
	Total	74,635	78,648	81,665	5%	4%
Southwest	Freehold	58,842	59,876	60,437	2%	1%
	Part of a Condominium	13,293	13,860	14,346	4%	4%
	Total	72,135	73,736	74,783	2%	1%
North	Freehold	38,087	37,795	37,222	-1%	-2%
	Part of a Condominium	2,411	2,592	2,769	8%	7%
	Total	40,497	40,387	39,991	0%	-1%

Table 4: Projected Size of the Secondary Rental Housing Market in Ontario and Each of the Regions and the Greater Toronto Area Regional Municipalities by Condominium Status in 2016, 2021, and 2026, Base Case Scenario
(Continued)

		2016	2021	2026	% Change 2016-2021	% Change 2021-2026
<i>Durham</i>	Freehold	13,226	14,284	15,214	8%	7%
	Part of a Condominium	2,507	2,778	3,104	11%	12%
	Total	15,733	17,063	18,318	8%	7%
<i>York</i>	Freehold	19,549	21,330	23,057	9%	8%
	Part of a Condominium	6,772	7,690	8,562	14%	11%
	Total	26,321	29,020	31,619	10%	9%
<i>Toronto</i>	Freehold	54,680	58,489	61,503	7%	5%
	Part of a Condominium	66,607	70,848	73,672	6%	4%
	Total	121,287	129,337	135,176	7%	5%
<i>Peel</i>	Freehold	21,587	23,513	25,245	9%	7%
	Part of a Condominium	15,722	17,491	19,098	11%	9%
	Total	37,309	41,004	44,343	10%	8%
<i>Halton</i>	Freehold	7,273	7,981	8,747	10%	10%
	Part of a Condominium	4,197	4,752	5,332	13%	12%
	Total	11,471	12,734	14,079	11%	11%

Table 5: Projected Size of the Secondary Rental Housing Market in Each of the Regions in 2021 by Unit Type and Condominium Status, Base Case Scenario

		<i>Greater Toronto Area</i>	<i>Central</i>	<i>East</i>	<i>Southwest</i>	<i>North</i>
<i>Freehold</i>	Single-detached house	54,107	61,189	27,197	39,207	21,054
	Apartment, building that has five or more storeys	0	0	0	0	0
	Movable dwelling	0	292	150	202	437
	Semi-detached house	15,289	13,091	12,915	7,632	6,215
	Row house	20,850	11,246	8,802	3,393	2,513
	Apartment or flat in a duplex	34,350	20,233	9,421	8,765	7,312
	Apartment, building that has fewer than five storeys	0	0	0	0	0
	Other single-attached house	1,003	1,204	873	677	264
	Total	125,598	107,254	59,359	59,876	37,795
<i>Part of a Condominium</i>	Single-detached house	382	590	195	50	0
	Apartment, building that has five or more storeys	81,765	4,848	5,183	3,619	440
	Movable dwelling	0	0	0	0	0
	Semi-detached house	157	241	198	253	54
	Row house	10,661	8,841	7,099	6,243	727
	Apartment or flat in a duplex	184	95	135	0	0
	Apartment, building that has fewer than five storeys	10,412	5,549	6,479	3,695	1,370
	Other single-attached house	0	0	0	0	0
	Total	155,526	152,414	161,591	168,012	151,212
<i>Total</i>	Single-detached house	54,488	61,779	27,392	39,257	21,054
	Apartment, building that has five or more storeys	81,765	4,848	5,183	3,619	440
	Movable dwelling	0	292	150	202	437
	Semi-detached house	15,446	13,331	13,113	7,884	6,270
	Row house	31,511	20,087	15,901	9,636	3,240
	Apartment or flat in a duplex	34,533	20,328	9,556	8,765	7,312
	Apartment, building that has fewer than five storeys	10,412	5,549	6,479	3,695	1,370
	Other single-attached house	1,003	1,204	873	677	264
	Total	229,158	127,419	78,648	73,736	40,387

Table 6: Estimated Size of the Secondary Rental Housing Market in Ontario and Each of the Regional Municipalities in the Greater Toronto Area in 2021 by Unit Type and Condominium Status, Base Case Scenario

		Durham	York	Toronto	Peel	Halton
Freehold	Single-detached house	7,981	10,814	20,790	10,251	3,895
	Apartment, building that has five or more storeys	0	0	0	0	0
	Movable dwelling	0	0	0	0	0
	Semi-detached house	1,119	1,752	8,034	3,537	770
	Row house	1,628	3,560	10,074	3,664	1,763
	Apartment or flat in a duplex	3,557	5,162	18,631	6,061	845
	Apartment, building that has fewer than five storeys	0	0	0	0	0
	Other single-attached house	0	43	960	0	0
	Total	14,284	21,330	58,489	23,513	7,273
Part of a Condominium	Single-detached house	0	24	221	121	16
	Apartment, building that has five or more storeys	794	5,857	61,503	12,111	1,282
	Movable dwelling	0	0	0	0	0
	Semi-detached house	0	0	122	35	0
	Row house	1,174	1,060	2,769	3,771	1,726
	Apartment or flat in a duplex	0	0	78	106	0
	Apartment, building that has fewer than five storeys	810	749	6,154	1,348	1,173
	Other single-attached house	0	0	0	0	0
	Total	159,323	165,013	150,788	162,922	173,110
Total	Single-detached house	7,981	10,837	21,012	10,371	3,910
	Apartment, building that has five or more storeys	794	5,857	61,503	12,111	1,282
	Movable dwelling	0	0	0	0	0
	Semi-detached house	1,119	1,752	8,156	3,572	770
	Row house	2,802	4,620	12,842	7,436	3,490
	Apartment or flat in a duplex	3,557	5,162	18,709	6,166	845
	Apartment, building that has fewer than five storeys	810	749	6,154	1,348	1,173
	Other single-attached house	0	43	960	0	0
	Total	17,063	29,020	129,337	41,004	11,471

Table 7: Projected Size of the Secondary Rental Housing Market in Each of the Regions in 2026 by Unit Type and Condominium Status, Base Case Scenario

		<i>Greater Toronto Area</i>	<i>Central</i>	<i>East</i>	<i>Southwest</i>	<i>North</i>
<i>Freehold</i>	Single-detached house	57,897	63,283	28,379	39,659	20,797
	Apartment, building that has five or more storeys	0	0	0	0	0
	Movable dwelling	0	310	155	206	432
	Semi-detached house	16,195	13,509	13,314	7,696	6,087
	Row house	22,263	11,588	9,080	3,430	2,477
	Apartment or flat in a duplex	36,316	20,792	9,656	8,738	7,160
	Apartment, building that has fewer than five storeys	0	0	0	0	0
	Other single-attached house	1,095	1,240	873	709	268
	Total	133,767	110,721	61,457	60,437	37,222
<i>Part of a Condominium</i>	Single-detached house	398	624	199	58	0
	Apartment, building that has five or more storeys	86,484	5,278	5,551	3,850	505
	Movable dwelling	0	0	0	0	0
	Semi-detached house	160	255	204	247	56
	Row house	11,397	9,200	7,304	6,333	763
	Apartment or flat in a duplex	185	99	137	0	0
	Apartment, building that has fewer than five storeys	11,144	5,958	6,813	3,858	1,444
	Other single-attached house	0	0	0	0	0
	Total	109,768	21,415	20,208	14,346	2,769
<i>Total</i>	Single-detached house	58,295	63,907	28,578	39,717	20,797
	Apartment, building that has five or more storeys	86,484	5,278	5,551	3,850	505
	Movable dwelling	0	310	155	206	432
	Semi-detached house	16,355	13,764	13,518	7,943	6,143
	Row house	33,660	20,788	16,384	9,762	3,241
	Apartment or flat in a duplex	36,501	20,891	9,792	8,738	7,160
	Apartment, building that has fewer than five storeys	11,144	5,958	6,813	3,858	1,444
	Other single-attached house	1,095	1,240	873	709	268
	Total	243,535	132,136	81,665	74,783	39,991

Table 8: Estimated Size of the Secondary Rental Housing Market in Ontario and Each of the Regional Municipalities in the Greater Toronto Area in 2026 by Unit Type and Condominium Status, Base Case Scenario

		Durham	York	Toronto	Peel	Halton
Freehold	Single-detached house	8,506	11,700	21,953	11,070	4,669
	Apartment, building that has five or more storeys	0	0	0	0	0
	Movable dwelling	0	0	0	0	0
	Semi-detached house	1,175	1,883	8,422	3,771	943
	Row house	1,744	3,871	10,626	3,921	2,101
	Apartment or flat in a duplex	3,790	5,559	19,450	6,483	1,034
	Apartment, building that has fewer than five storeys	0	0	0	0	0
	Other single-attached house	0	44	1,052	0	0
	Total	15,214	23,057	61,503	25,245	8,747
Part of a Condominium	Single-detached house	0	24	230	127	17
	Apartment, building that has five or more storeys	934	6,570	63,926	13,328	1,725
	Movable dwelling	0	0	0	0	0
	Semi-detached house	0	0	124	37	0
	Row house	1,275	1,127	2,906	4,026	2,063
	Apartment or flat in a duplex	0	0	76	110	0
	Apartment, building that has fewer than five storeys	894	841	6,411	1,471	1,527
	Other single-attached house	0	0	0	0	0
	Total	3,104	8,562	73,672	19,098	5,332
Total	Single-detached house	8,506	11,724	22,182	11,197	4,687
	Apartment, building that has five or more storeys	934	6,570	63,926	13,328	1,725
	Movable dwelling	0	0	0	0	0
	Semi-detached house	1,175	1,883	8,546	3,808	943
	Row house	3,020	4,998	13,533	7,946	4,163
	Apartment or flat in a duplex	3,790	5,559	19,526	6,593	1,034
	Apartment, building that has fewer than five storeys	894	841	6,411	1,471	1,527
	Other single-attached house	0	44	1,052	0	0
	Total	18,318	31,619	135,176	44,343	14,079

Conclusions

This report estimates that the secondary rental market in Ontario currently has between 495,440 and 574,962 dwellings as of 2016 – 520,895 dwellings if age-specific headship rates and rental rates have remained constant at 2011 values. Approximately 30% of these units are part of a condominium. Under all of the projection scenarios in this report the size of the secondary rental market is projected to grow in the next five and ten year periods on a provincial basis and on a regional basis, except the north, where it will be relatively stable. Provincially, the base case scenario projects 572,109 dwelling units by 2026, but the number could reasonably be between 516,670 and 734,627 dwellings.

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