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BUSINESS

Unprecedented rent drop in Toronto means it's now cheaper to rent a condo than to own one

By **Tess Kalinowski** Real Estate Reporter

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Sam Jacobs, 23, has been living in the same shared Cabbagetown flat for three years, ever since he was a student at Ryerson University.

He loves the place and his roommates, but he wants to live alone.

"I work a fair amount and I want a place to come home to that is fully my own, being able to just have some quiet," said Jacobs, who is the growth and new projects manager for a restaurant chain.

A real estate watcher, he noticed what analysts and rental sites have been reporting since the [COVID-19](#) lockdown: Toronto rents had dipped in what one market researcher said is an extraordinary moment.

Shaun Hildebrand of real estate research firm Urbanation said the rent decline is unprecedented since Canada Mortgage and Housing Corp. (CMHC) began publishing rental data in 1990.

A growing supply of apartments — mostly in the condo sector — is hitting the market, as [COVID-19](#) has stalled immigration and sent university students and some hourly workers home to shelter with their parents. The lack of tourism has also pushed some short-term rentals to the long-term market.

Hildebrand said condos now account for about 30 per cent of Toronto's tenanted households, and the rents on those units had climbed to a 2019 third-quarter high of \$2,481 on average.

The average rent has retreated to \$2,357 and at least another 20,000 condos are expected to come online this year. Rents held between April and May but still showed a 4 per cent yearly decline, and are now about 5 per cent below last year's high.

Renting a condo now costs less than owning one, said Hildebrand. Carrying costs for condos remain near record highs despite low interest rates. With a 10 per cent down payment and condo fees, it costs about \$3,200 a month to carry the average condo — nearly \$900 a month more than the average rent.

The decline in rents doesn't affect the many tenants in older, rent-controlled buildings unless they're moving. But the market's overwrought conditions, including the practice of bidding up rents, have cooled.

Jacobs said the pandemic "turned (an apartment) that might not have been affordable four or five months ago — even two months ago — into something that I can actually afford."

He decided to take the leap and give notice on his flat.

When he found the perfect basement apartment near Christie and Bloor streets, he let the owner know that as much as he loved it, the place was beyond his budget.

He didn't ask for a rent reduction, but the owner offered to take \$100 off the price, and Jacobs plans to move in on July 1.

CMHC's rental market survey isn't scheduled until October. But other sources are already reporting a drop in Toronto rents. Rental listings site PadMapper showed a 1 per cent month-over-month decline in Toronto rents in May; a 2 per cent drop year over year.

That was based on 42,335 rental listings in Ontario, including 22,116 in Toronto of which about a third were condos.

Research for Rentals.ca by Bullpen Research said that purpose-built apartment rents were listed at 11.2 per cent less in April than they were in March, and condo landlords were asking 4.2 per cent less during the same period. It found that the average rent for all properties in the Toronto Census Metropolitan Area — houses and apartments — declined for a sixth consecutive month in May to \$2,266. In Toronto, rents declined 4.7 per cent annually.

The shift is less dramatic in Ontario's traditional rental stock, said Tony Irwin, CEO of the Federation of Rental-Housing Providers of Ontario (FRPO). Its 2,200 members in building management, construction and financing account for 350,000 tenanted households in the province.

"In older buildings with families there is not a lot changing. People aren't moving out of those units so there's not much happening by way of rent," he said.

However, in downtown areas with concentrations of short-term rentals and neighbourhoods with large student populations, there has been an uptick in vacancies and rent incentives to try to fill units that have emptied out.

Until COVID-19, Toronto's tight vacancy rate meant most landlords didn't have to worry about finding tenants, said Irwin.

Hildebrand said it's difficult to project how long tenants have to take advantage of the current rent discounts.

The number of leases signed was rising faster than new listings on a weekly basis in May and the first part of June. That could help stabilize rents. On the other hand, many people are struggling with employment and immigration has stalled.

"If you're a renter looking to save \$100 or \$200, this is the time to find that deal," he said.

Changes to CMHC insured mortgage qualifications, set to take effect July 1, could also feed rental demand because tighter mortgage policies mean fewer first-time buyers will qualify for ownership.

Jacobs said some of his friends are able to upgrade within the range of what they're paying now. Prices are still "astronomical," but maybe they're more "approachable now," he said.

A FRPO survey found more than 90 per cent of members' tenants paid full rent through the COVID-19 crisis. Only 3 per cent were not paying anything at all.

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