

The Current State of the Rental Market in Toronto What Landlords Need to Know

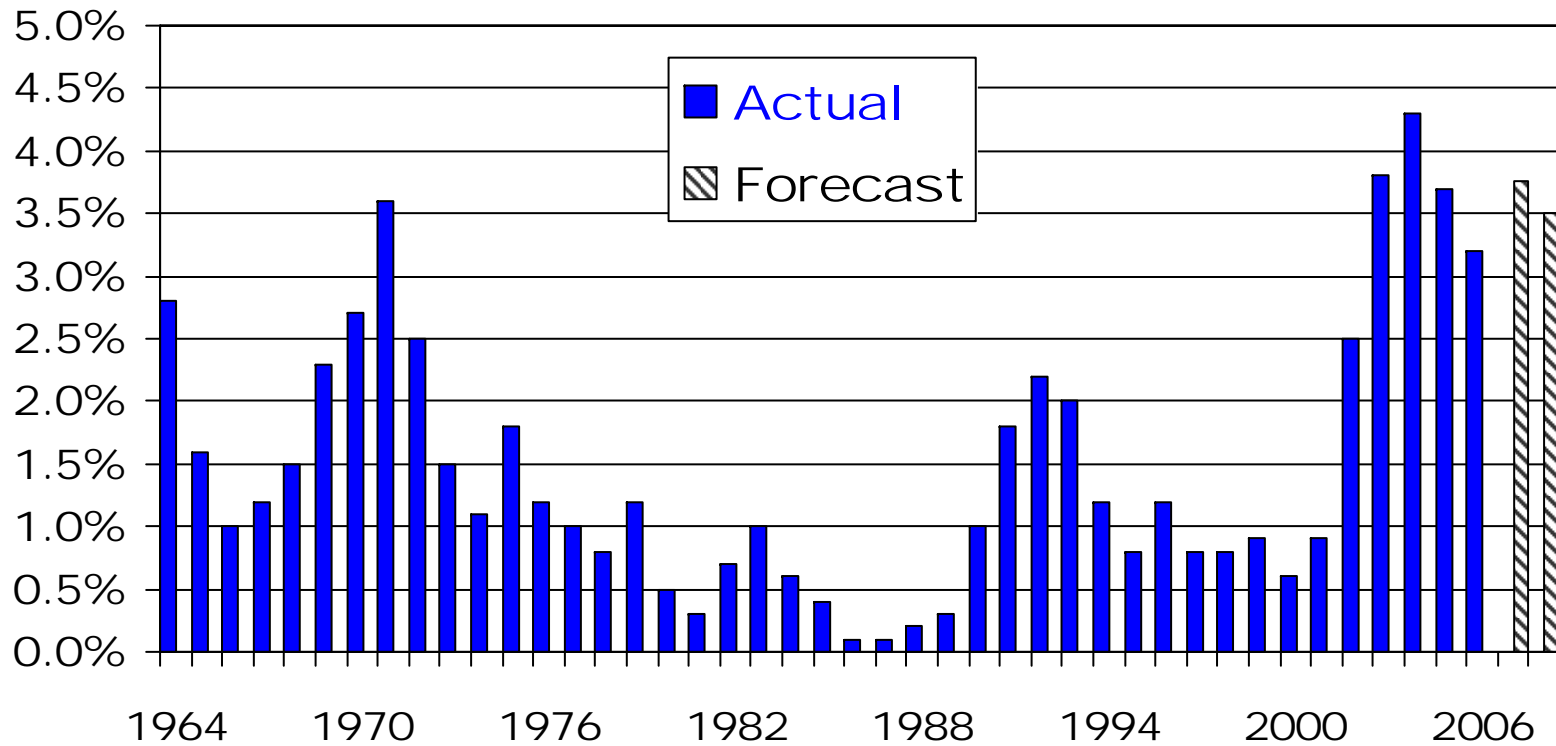
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January 25, 2007

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The Agenda

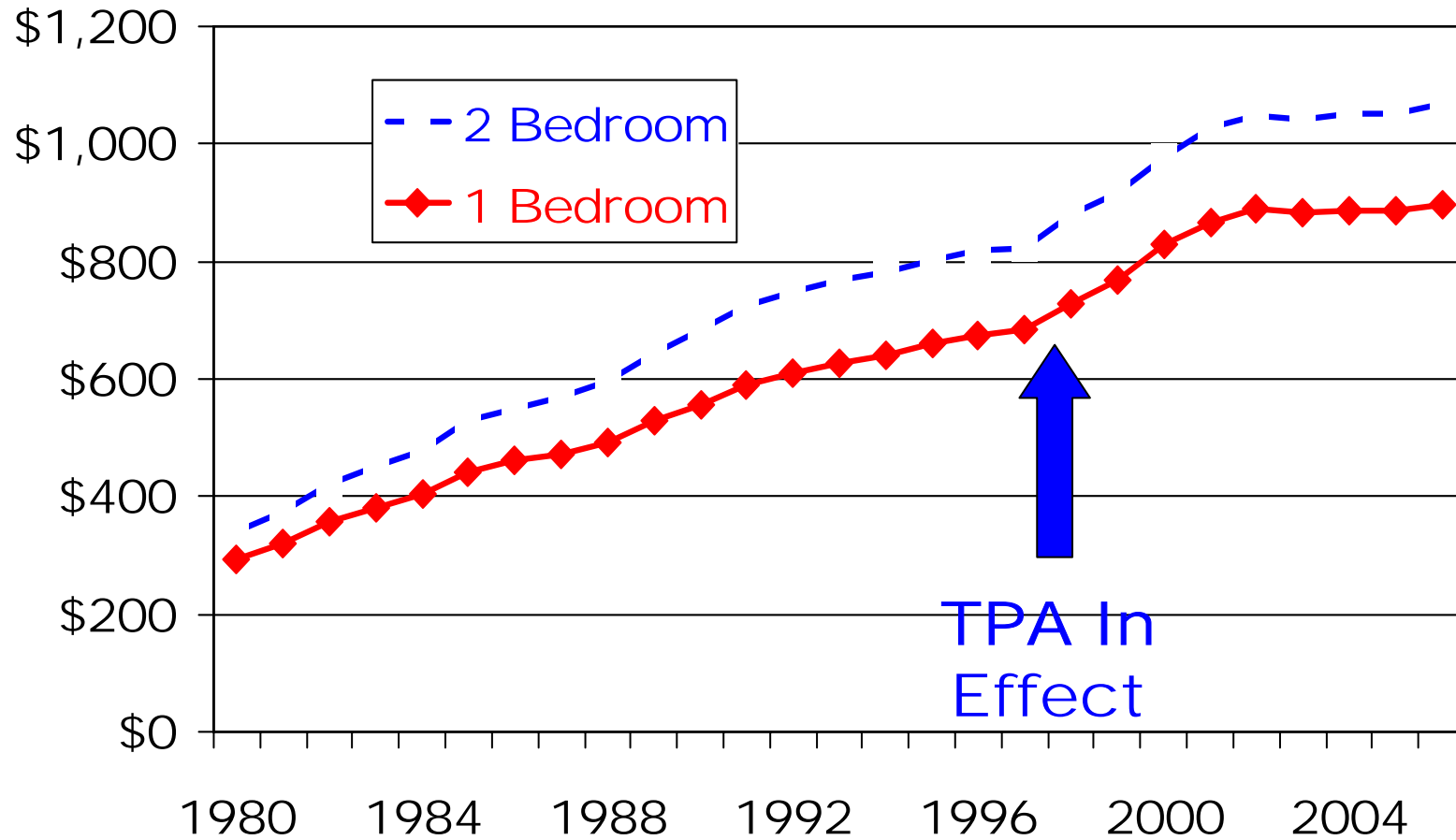
- Toronto vacancies and rents
- Factors affecting the rental market
- Ontario overview
- Implications for landlord-tenant law

Toronto CMA Vacancy Rate Has Fallen from Peak



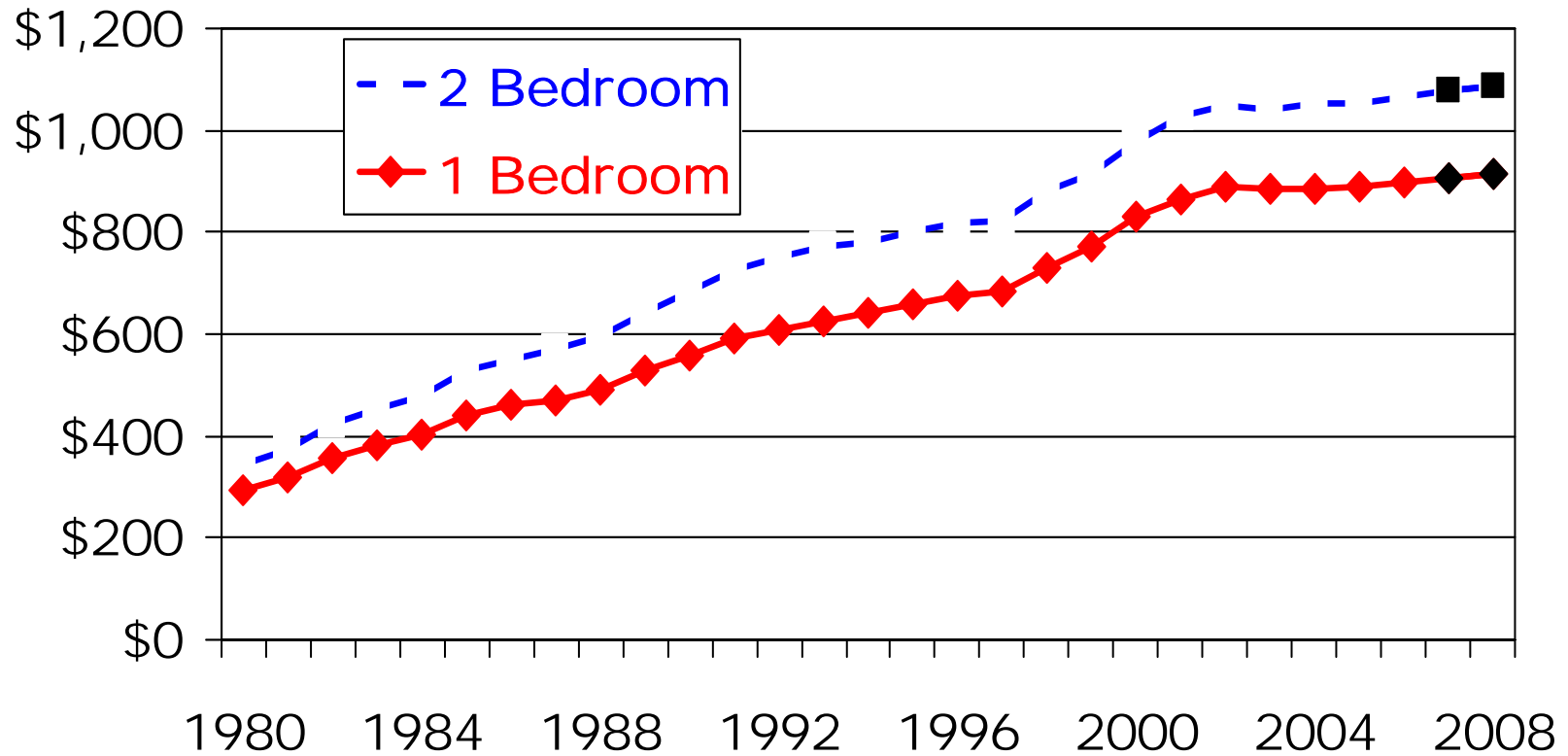
Source: CMHC / Will Dunning Inc.

Rents in Toronto Flat for 5 Years



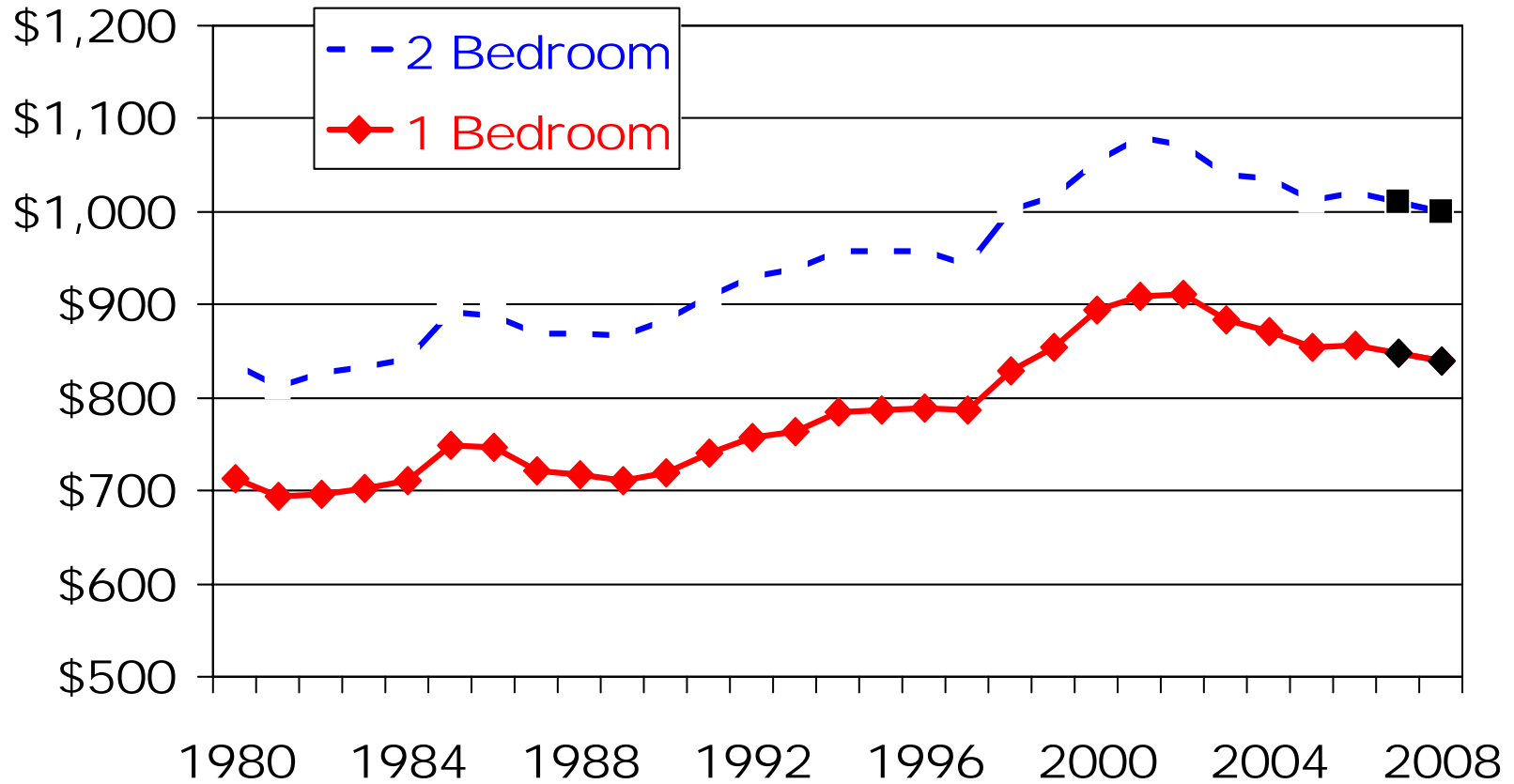
Source: CMHC

Toronto Rents Likely to Increase Slightly in 2007/2008



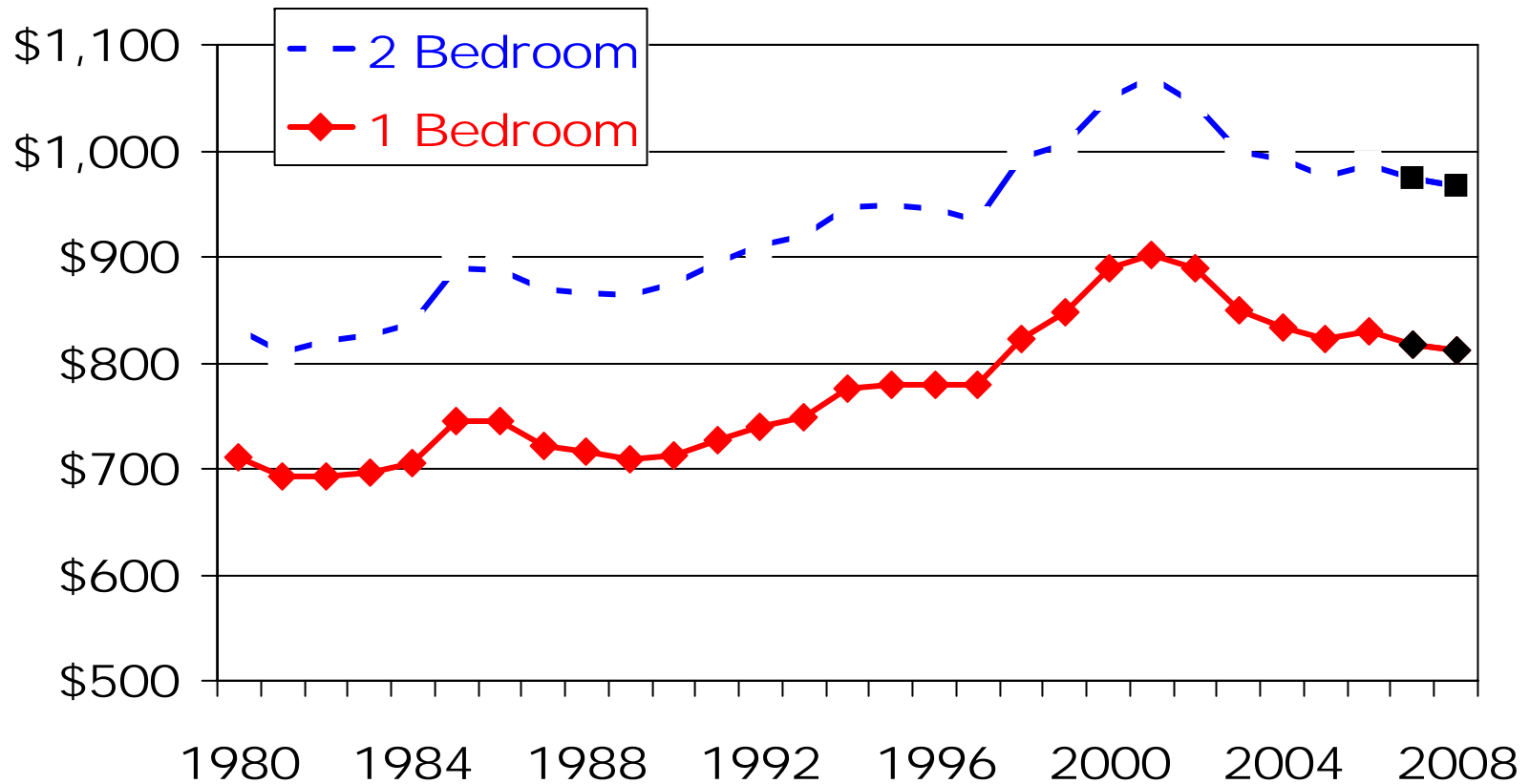
Source: CMHC / Will Dunning Inc.

Toronto Rents Adjusted for Inflation



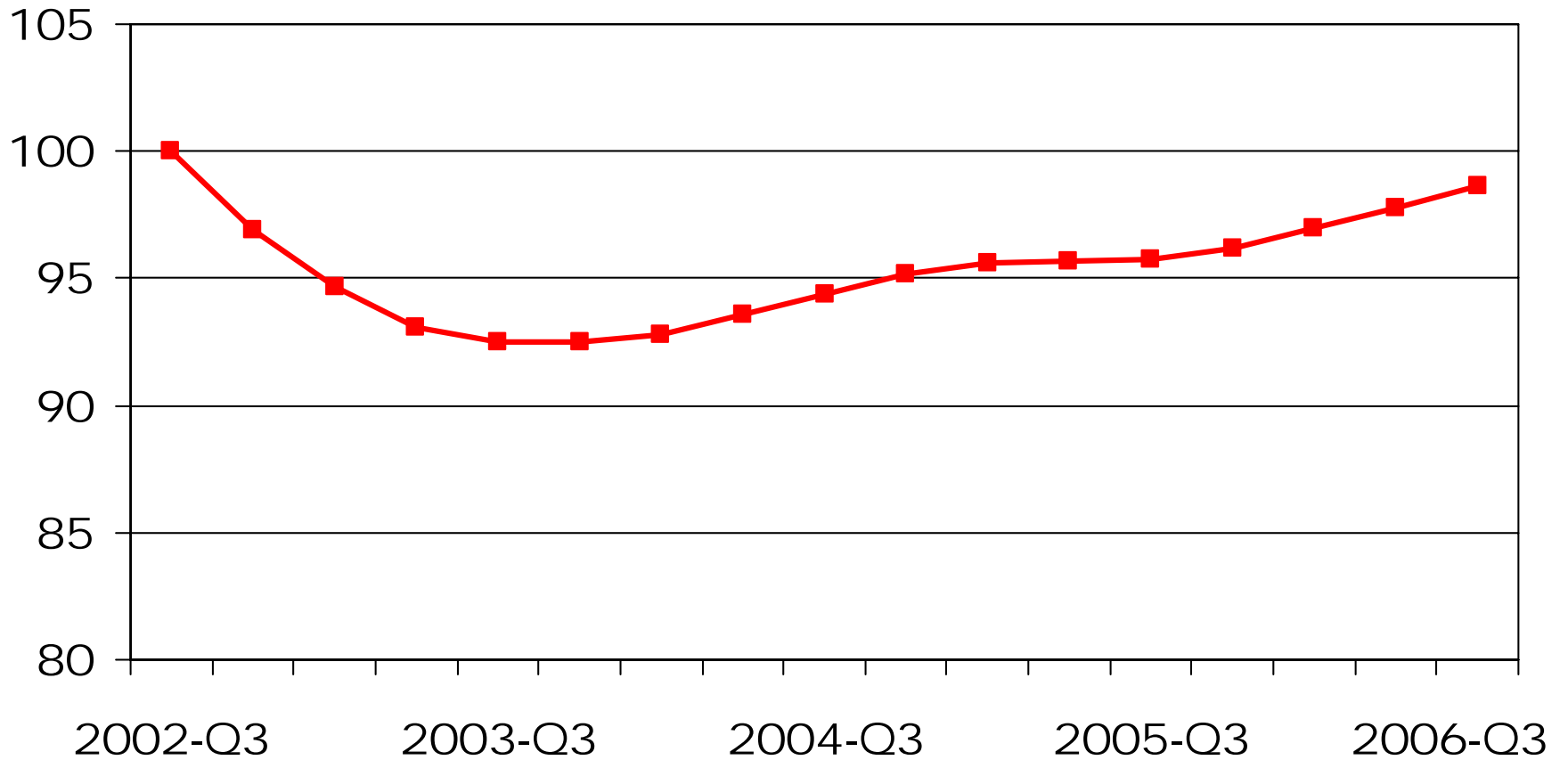
Source: CMHC / Will Dunning Inc.

Toronto Rents Adjusted for Inflation and Vacancies



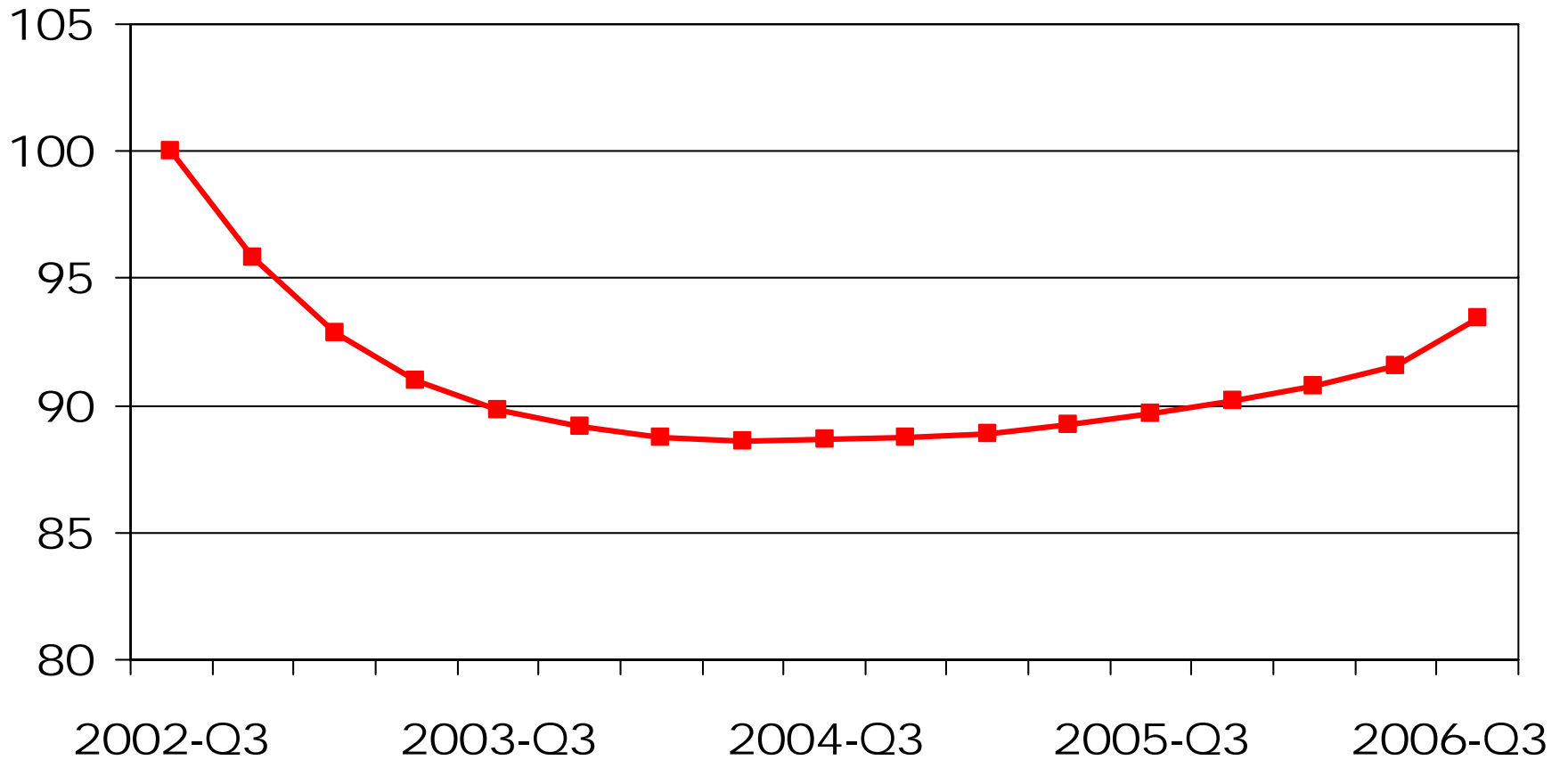
Source: CMHC / Will Dunning Inc.

Index of Condo Rents in Downtown Toronto



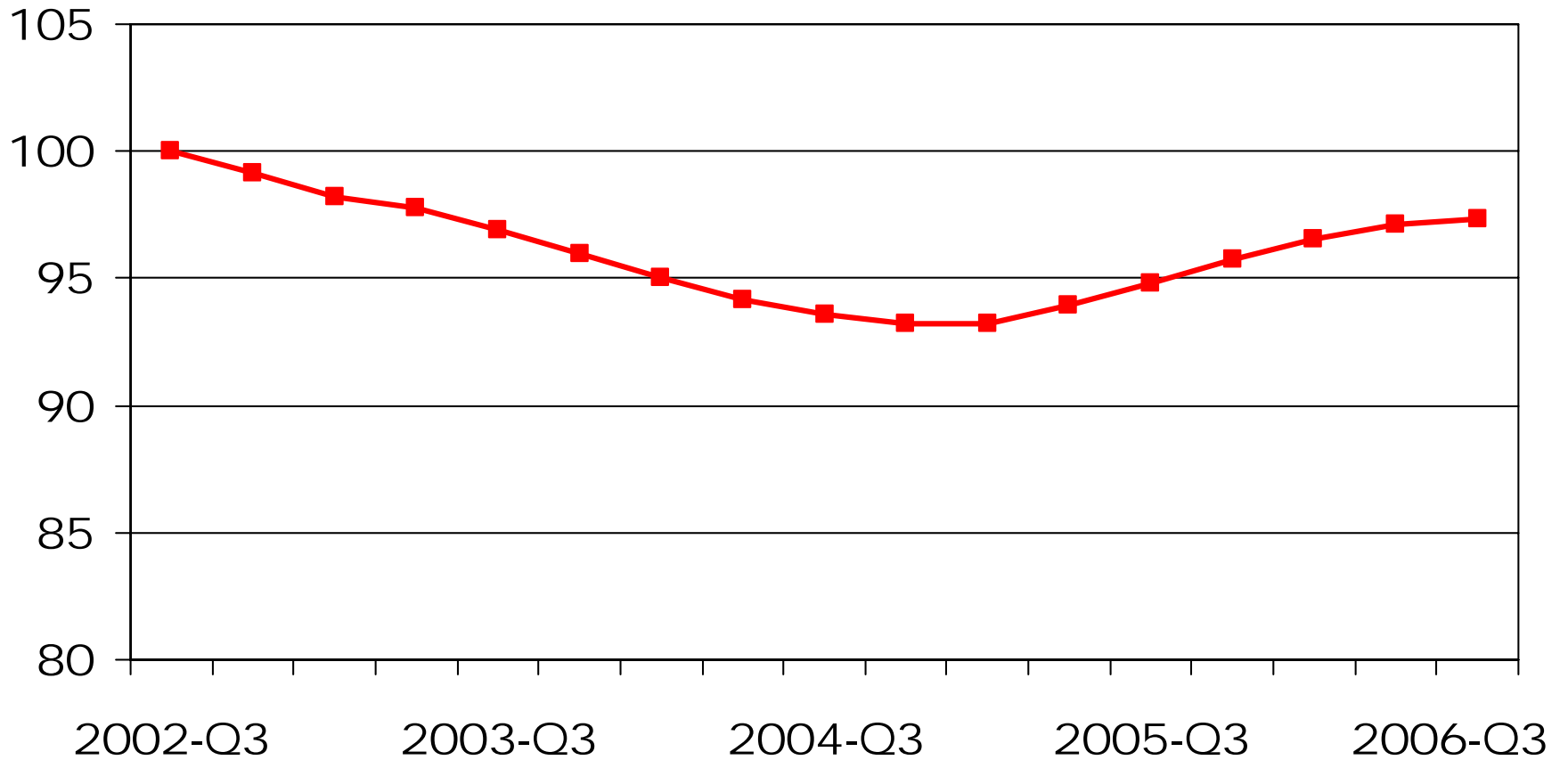
Source: Will Dunning Inc.

Index of Condo Rents in Central North York



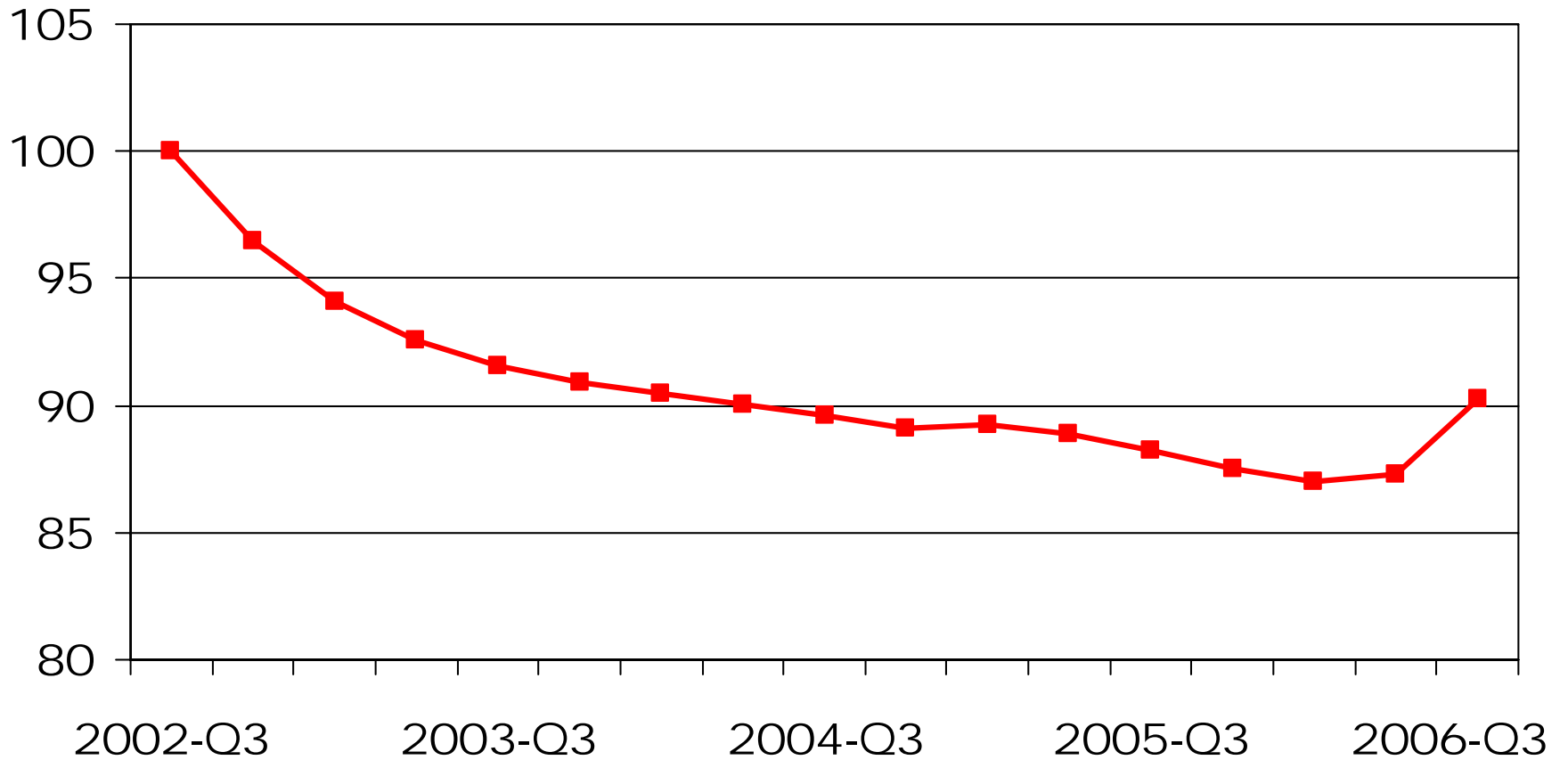
Source: Will Dunning Inc.

Index of Condo Rents in Central Mississauga



Source: Will Dunning Inc.

Index of Condo Rents in Scarborough TC

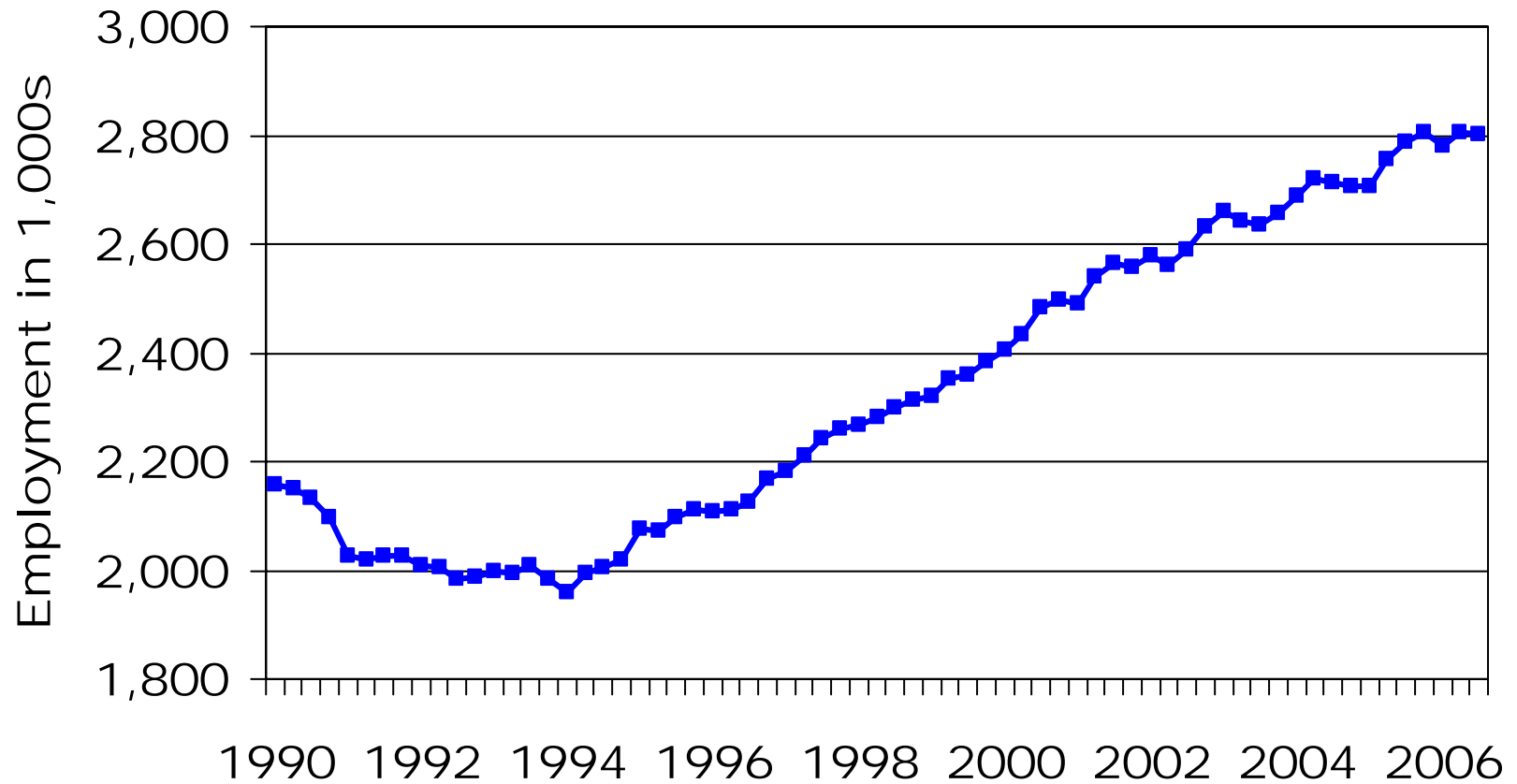


Source: Will Dunning Inc.

Factors Affecting the Rental Market

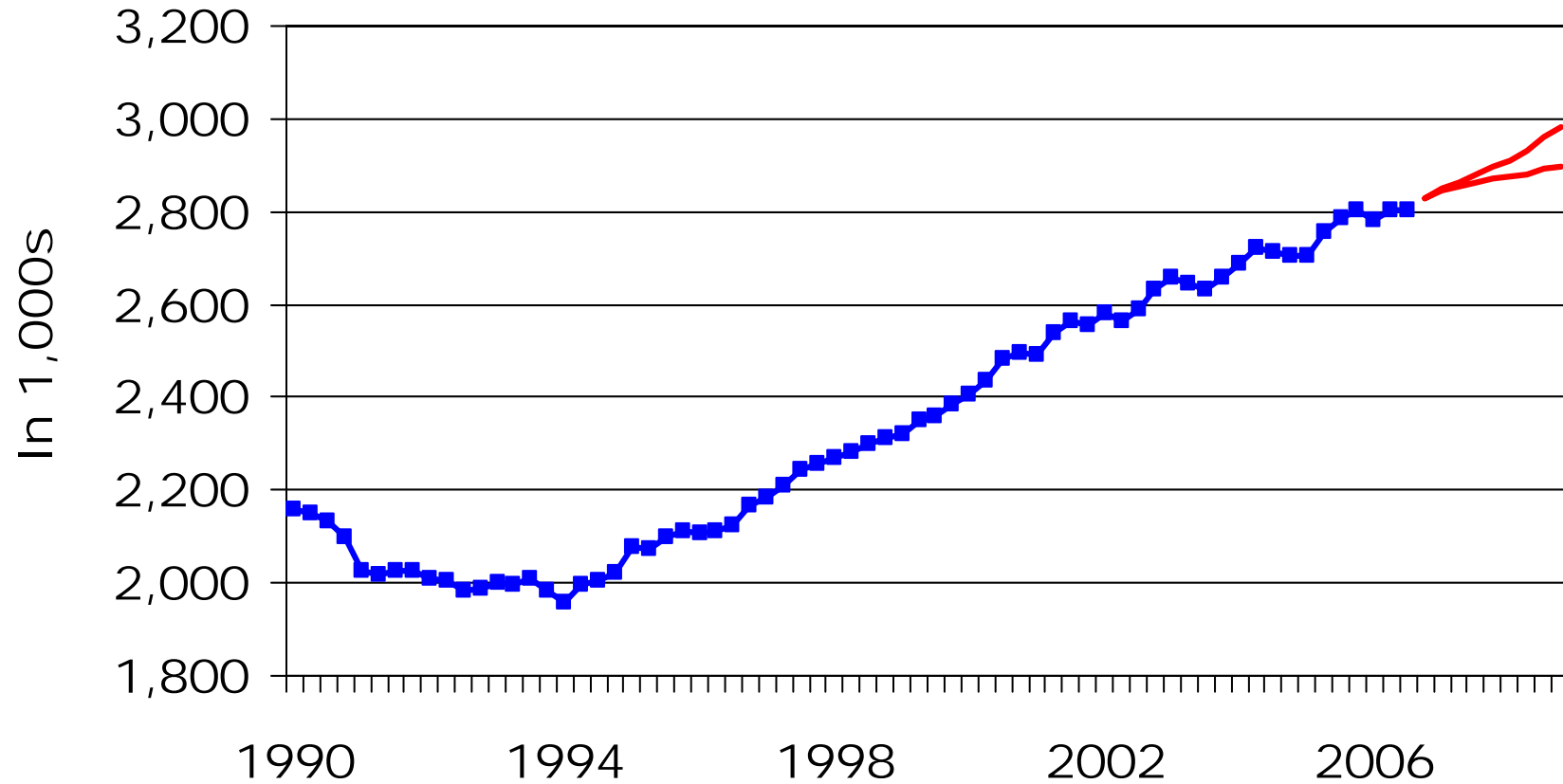
- Job creation
- Affordability of home ownership
- Economics of investment
- Housing supply
- Rent levels

Toronto CMA Employment



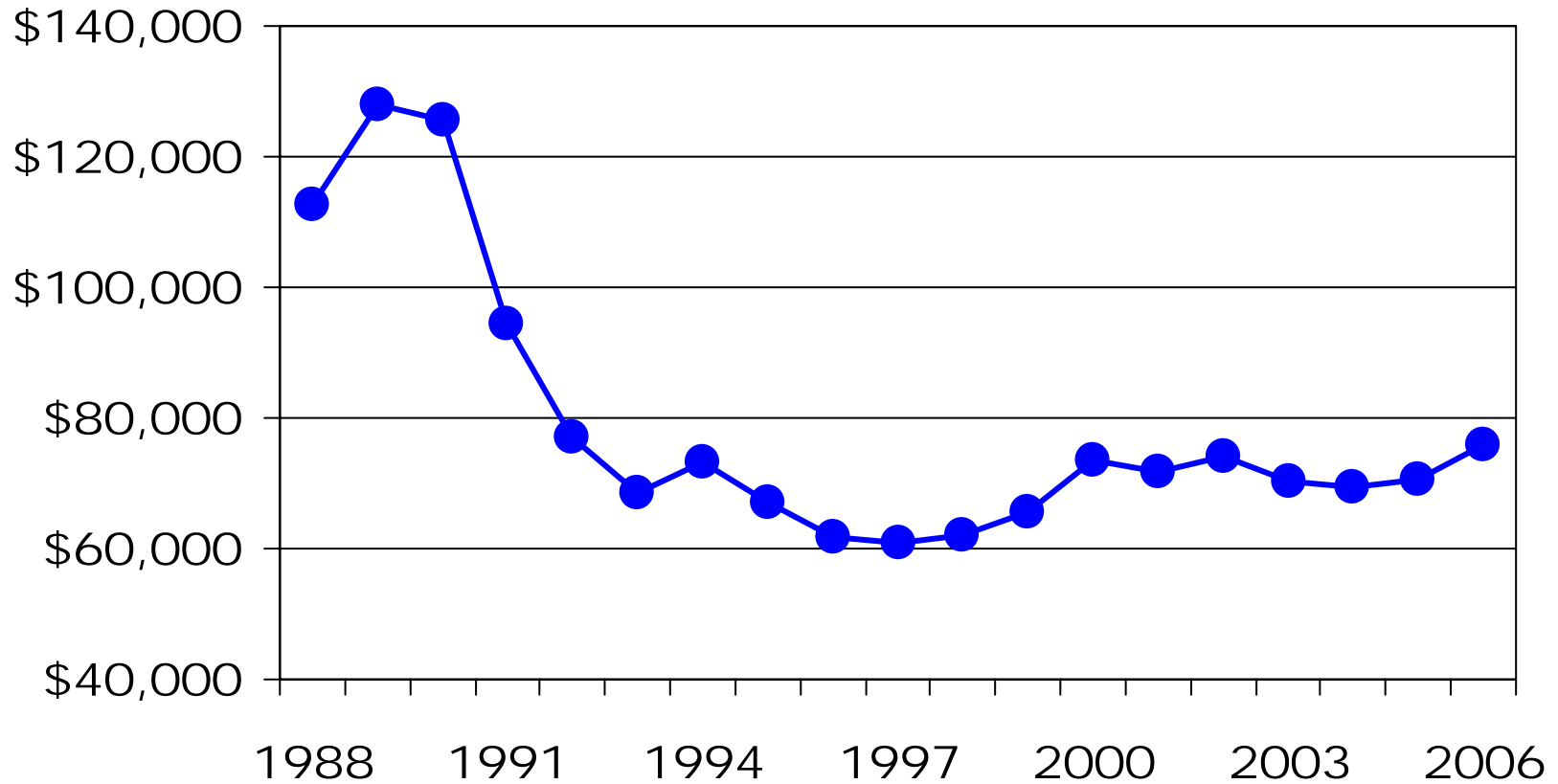
Source: Statistics Canada

Toronto CMA Employment



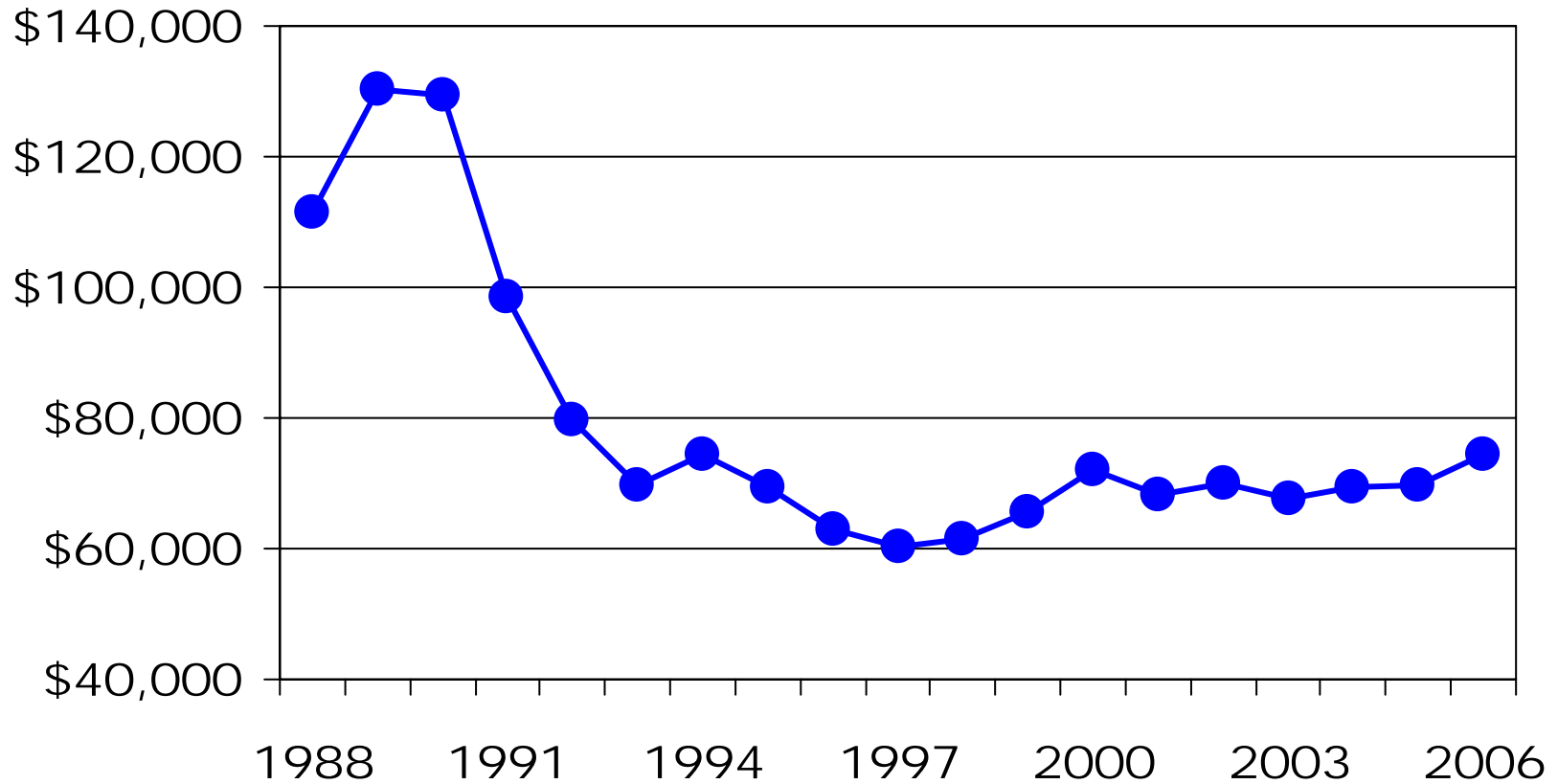
Source: Statistics Canada / Will Dunning Inc.

Income Required to Buy a Condo Apartment (Today's Dollars)



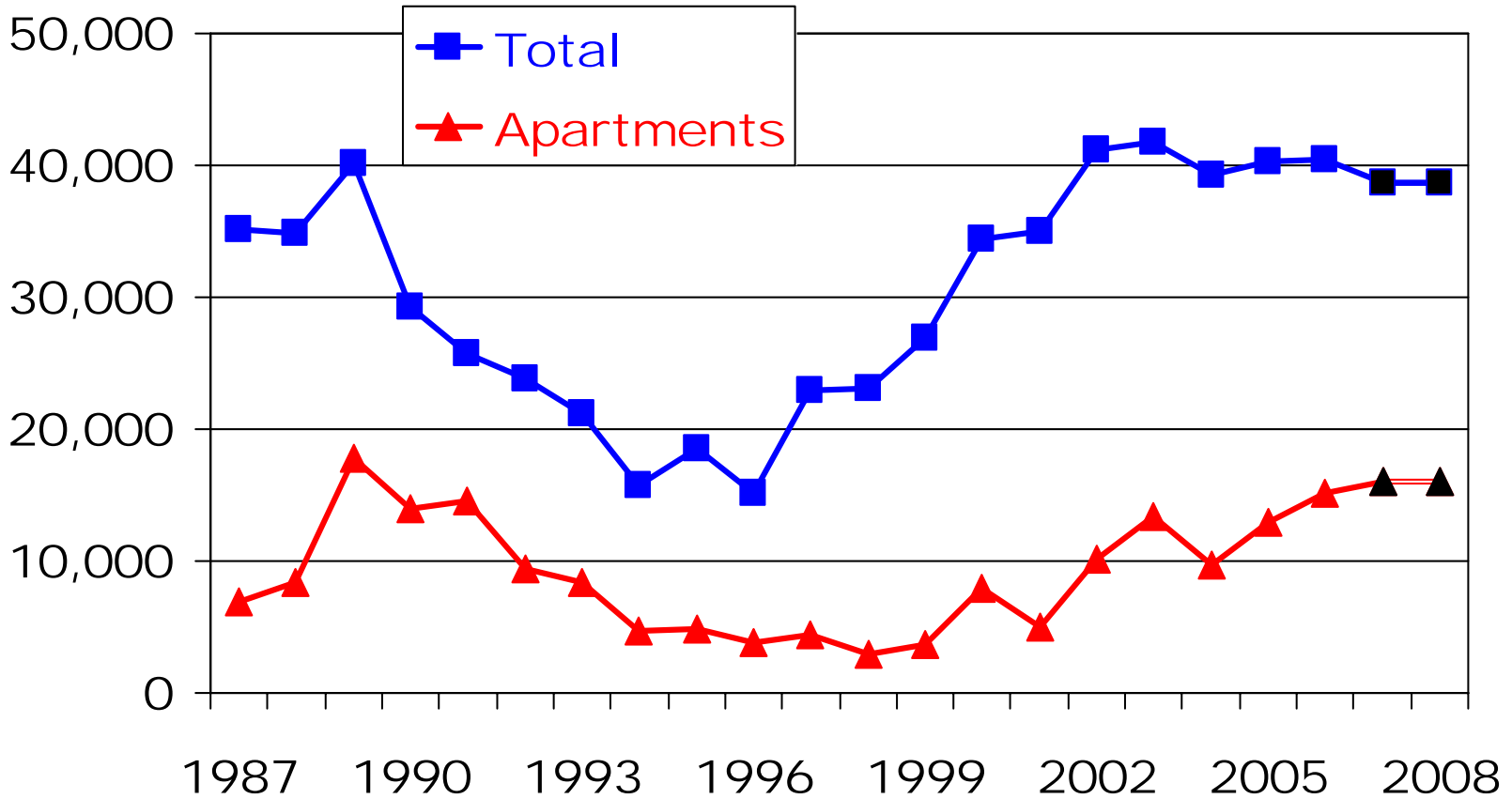
Source: TREB/Will Dunning Inc.

Income Required to Buy a Condo Town House (Today's Dollars)



Source: TREB/Will Dunning Inc.

Housing Completions – Toronto CMA



Source: CMHC / Will Dunning Inc.

Vacancy Rates Across Ontario

Urban Area	2003	2004	2005	2006
Hamilton	3.0	3.4	4.3	4.3
Kitchener	3.2	3.5	3.3	3.3
London	2.1	3.7	4.2	3.6
Oshawa	2.9	3.4	3.3	4.1
Ottawa	2.9	3.9	3.3	2.3
St.Cath-Niag.	2.7	2.6	2.7	4.3

Vacancies Across Ontario

Urban Area	2003	2004	2005	2006
Sudbury	3.6	2.6	1.6	1.2
Thunder Bay	3.3	5.0	4.6	4.9
Toronto	3.8	4.3	3.7	3.2
Windsor	4.3	8.0	10.3	10.4
Average	3.4	4.1	3.8	3.4
Canada	2.2	2.7	2.7	2.6
Source: CMHC				

Rent Increases In Ontario 2001 to 2006

Urban Area	1 Bedroom	2 Bedroom
Guideline	14.0%	
Hamilton	5.9%	7.6%
Kitchener	11.9%	14.1%
London	14.8%	15.7%
Oshawa	9.2%	7.8%
Ottawa	0.3%	3.0%

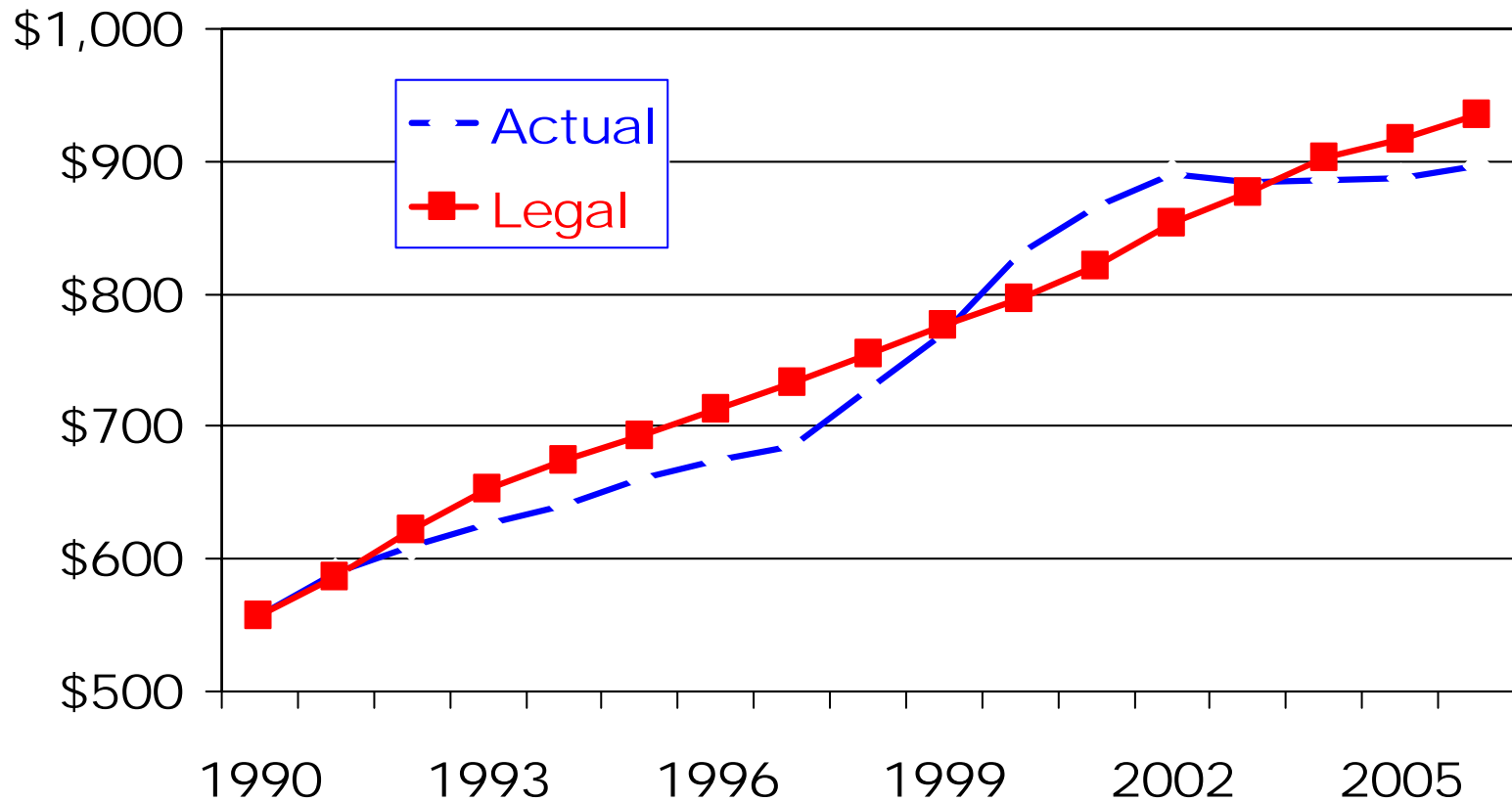
Rent Increases in Ontario 2001 to 2006

Urban Area	1 Bedroom	2 Bedroom
St.Cath-Niag.	11.8%	10.6%
Sudbury	14.2%	13.9%
Thunder Bay	7.9%	5.9%
Toronto	3.5%	3.9%
Windsor	5.2%	4.9%
Average	4.7%	5.4%

Rent Regulation in a Changing Market

- Annual guidelines
- Vacancy decontrol
- AGIs
- Vacancy thresholds
- Changes in use
- Fiscal impact
- Municipal finances

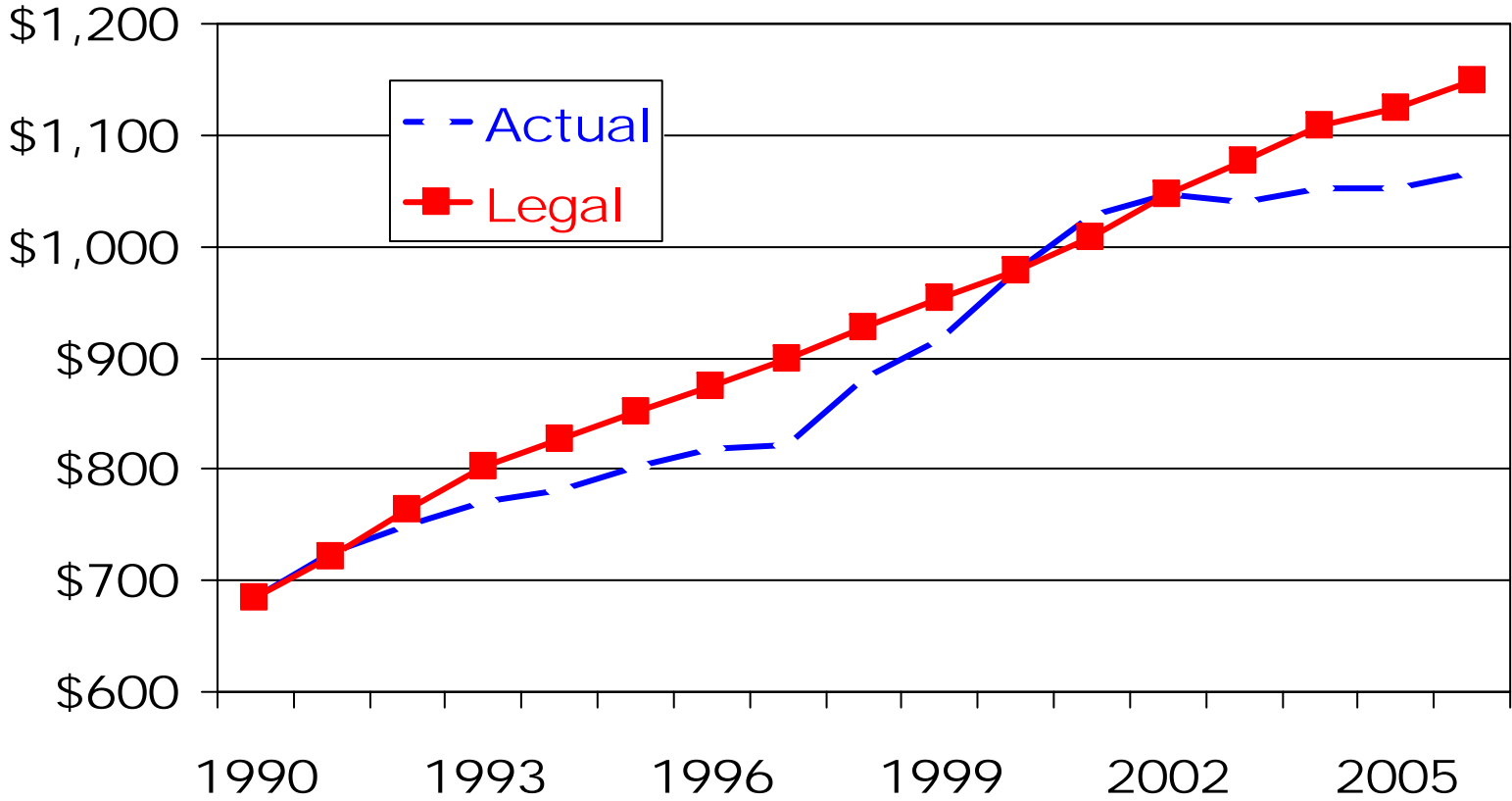
1 Bedroom Rents in Toronto CMA Actual Versus “Legal”



Source: CMHC / Will Dunning Inc.

2 Bedroom Rents in Toronto CMA

Actual Versus “Legal”



Source: CMHC / Will Dunning Inc.

Above Guideline Increases

- Economic incentive sharply reduced
- Fewer units below market
- Limited ability to increase rents
- Tenant mobility

Vacancy Thresholds – What is Balance?

- Clichéd responses
- Larry Smith paper – 1974
- Balance: rents increase at overall inflation rate (2.0-2.5%)
- Toronto (1991-2003): 1.5% - 2.0%
- Varies by city

Changes in Use

- Political preferences to prevent demolition and conversion
- What is the real harm? US HUD research suggests vacancy loss = 5% of converted units
- Almost 10,000 vacancies; 15,000 available units
- Personal and social benefits of property ownership
- Disposition and workout strategies
- Liquidity is a factor for investment

To Conclude

- Regulation will not be a major impediment on the revenue side
- Market conditions will remain challenging
- Less benefit from refinancing
- Good management is paramount