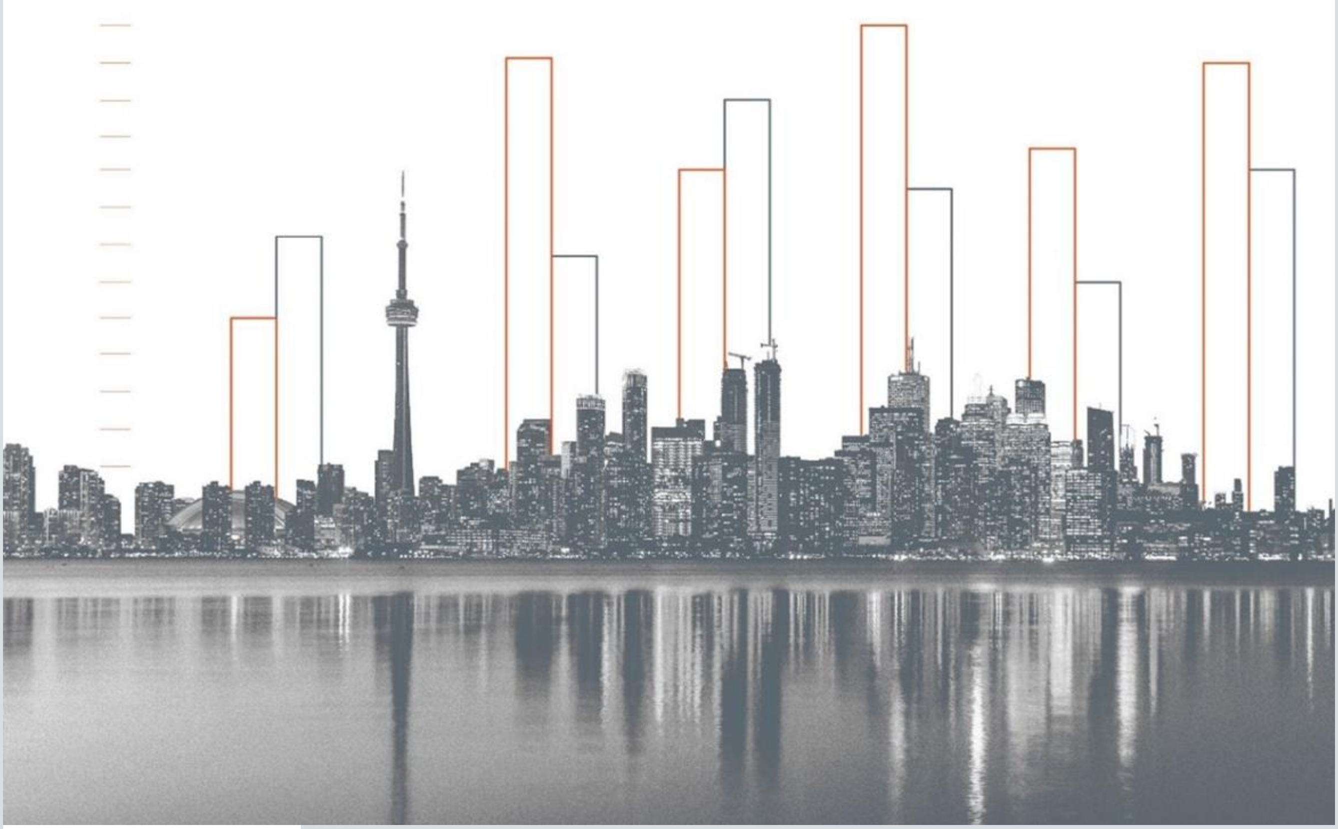
Q2 2021

Q2-2021 Rental Take – Greater Toronto

RENTS REBOUND



UA

URBAN
ANALYTICS

Q2-2021 RENTAL TAKE - GTA: RENTS REBOUND

Rents for newer purpose built rental apartments increased for the first time in six quarters during the second quarter of 2021. Average rents per square foot increased two percent ($0.06 per square foot) from $3.06 in Q1-2021 to $3.12 per square foot at the end of the most recent quarter. Many developers have reduced the value of incentive offerings, which has increased net rents. There were four new project launches during the second quarter of the year bringing 1,146 new units to the market. *Evolv* by Daniels Corporation was launched in the downtown core, *Two Avenue Road* by Oxford Properties and *Litho* by RioCan were launched in Midtown and *Novus* by Bentall GreenOak was launched in Toronto West. The new launches led to a 1.3 percent rise in overall vacancy when compared to the first quarter of the year and is now at 16.7 percent.

Urban Analytics (UA) began monitoring the Greater Toronto Area (GTA) purpose-built rental apartment market in 2019 and are currently monitoring 57 concrete rental apartment projects and one rental townhome project. The overall project breakdown is as follows:

- 18 active projects with a total of 5,280 units conducting their respective initial lease-up campaigns;
- 40 fully-leased projects with 9,327 units; and,
- 208 contemplated projects that will add 76,270 units to the GTA market once approved and built.

Figure 1

INCREASE IN VACANCY RATES

The overall average vacancy for newer rental apartment developments in the GTA was 16.7 percent at the end of the second quarter of 2021. This represents a 1.3 percent increase from the previous quarter and is 6.7 percent higher than the same quarter last year. The vacancy noted below includes all 58 purpose-built rental projects currently being tracked by UA.

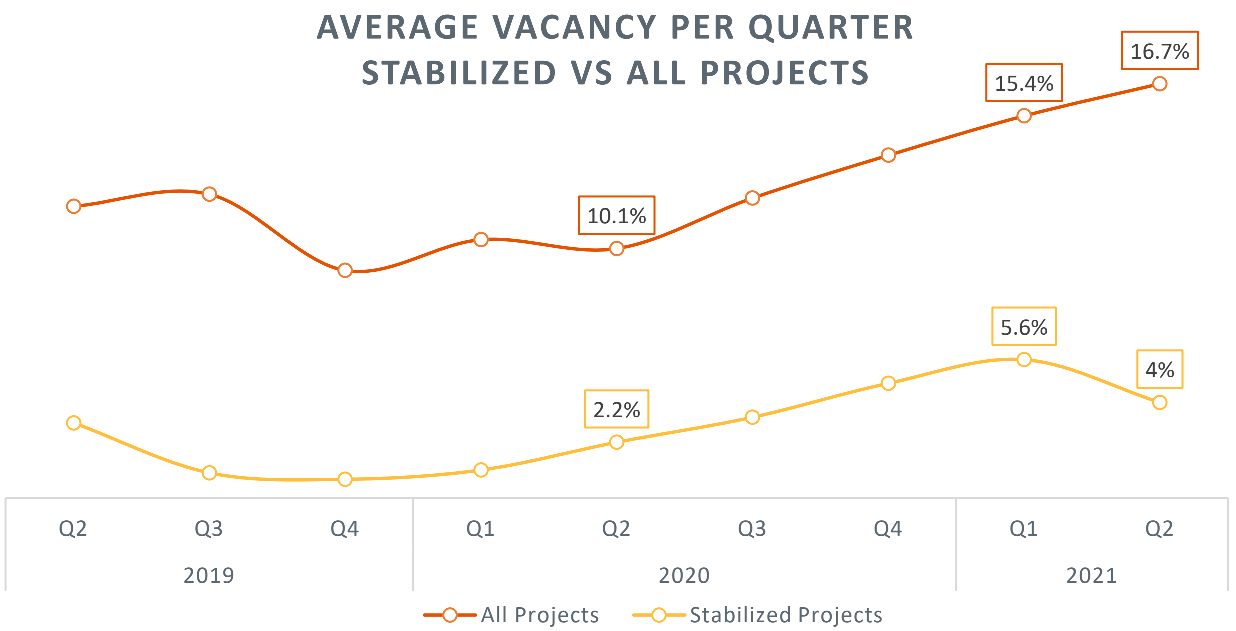


Chart 1

Chart 1 shows the average vacancy rate for stabilized newer purpose-built rental projects versus the average vacancy for all projects across the GTA. UA considers projects that have less than 95 percent occupancy to be actively leasing, and those with more than 95 percent occupancy to be fully leased or stabilized, as this is typically when units begin to turnover for the first time. The vacancy is typically lower in stabilized projects as those projects have been on the market for a longer period of time. The overall vacancy rate increased from the previous quarter while the vacancy rate for stabilized projects only was lower at the end of Q2-2021. The four projects launched in the second quarter of the year have an average vacancy of 93 percent which illustrates the impact of new project launches on the overall vacancy rate. The 18 projects completing their initial lease-up have an average vacancy rate of 58 percent, which also impacts the market's overall vacancy rate.

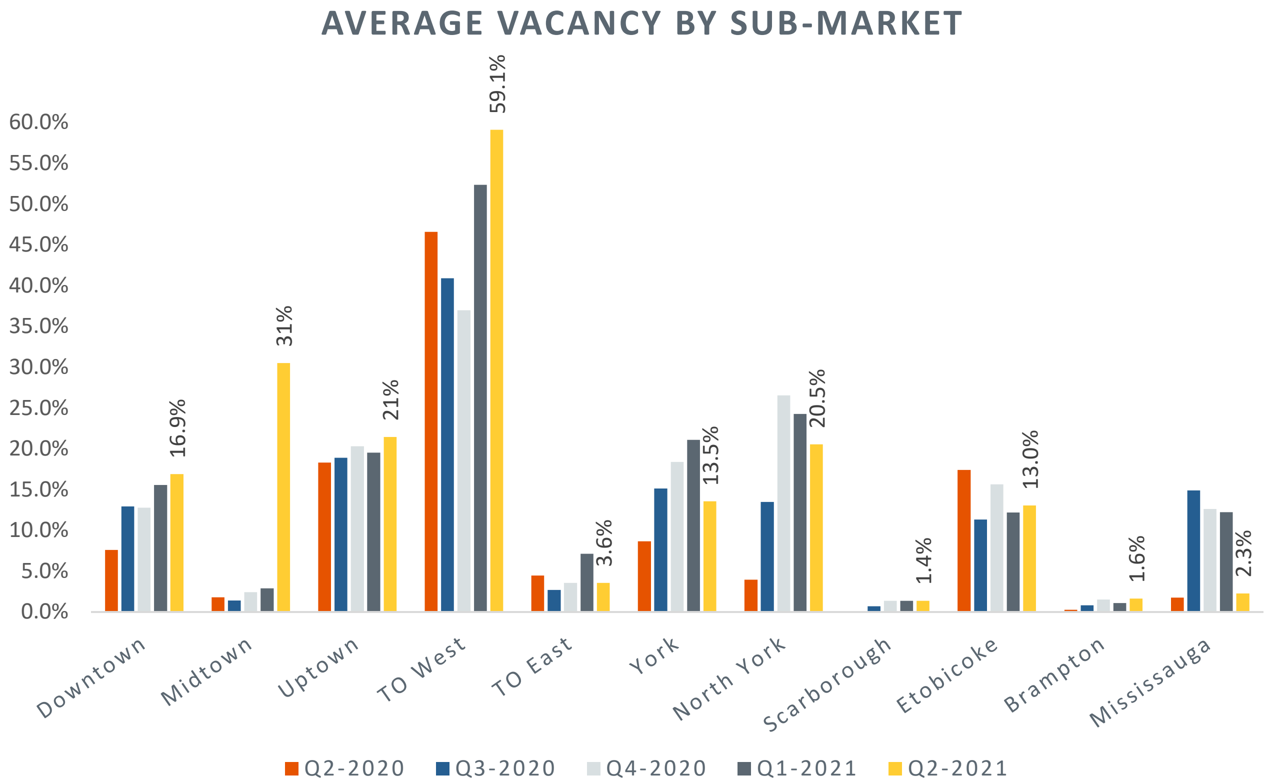


Chart 2

East York has not been included Chart 2 due to the absence of any purpose-built rental projects in this sub-market. UA is tracking several contemplated projects in this area and will monitor activity once projects complete construction and commence their respective leasing campaigns.

The vacancy rates shown in Chart 2 comprise both actively leasing and turned over units in fully leased projects. Four of the eleven sub-markets experienced lower vacancy rates when compared to the previous quarter. Mississauga experienced the largest drop in vacancy with a 9.9 percent decrease; from 12.2 percent in Q1-2021 to 2.3 percent at the end of Q2-2021. The decrease in vacancy can be attributed to strong absorptions at *The Huron,* which reported 35 units leased over the last quarter and was fully leased in just over 11 months. York experienced a 7.7 percent decrease from 21.1 percent in Q1-2021 to 13.5 percent at the end of the second quarter. Toronto East and North York experienced 3.6 and 3.7 percent decreases, respectively when compared to the previous quarter.

Midtown experienced the most significant quarterly increase in vacancy with a 27.6 percent rise from three percent in Q1 to 31 percent at the end of Q2-2021. The increase can be attributed to the two new projects that launched during the quarter, adding 375 new units to the market. However, the vacancy for stabilized projects in the sub-market remained stable at two percent.

The Toronto West sub-market had a 6.8 percent increase in vacancy when compared to the previous quarter. This increase is likely due to the 425 units at *Novus* by Bentall GreenOak being launched during the quarter.

The Downtown, Uptown, Etobicoke and Brampton all saw modest increases in vacancy. Vacancy in the Downtown area increased despite tenants returning to the market there as 346 new units at *Evolv* by Daniels Corporation were released in April.

HIGHER RENTS IN Q2-2021

Average monthly per square foot rents for newer purpose-built rental buildings increased by two percent from the previous quarter and are currently $3.12 per square foot. Monthly per square foot rents are down by eight percent ($0.28 per square foot) when compared to the same quarter of last year. Net effective rents have increased for the first time in over two years as covid measures relax and owners reduced the value of incentives offerings.

Q2-2019: **$3.23**
Q2-2020: **$3.39**
Q2-2021: **$3.12**

Etobicoke, Midtown and Uptown recorded the highest rents at $3.65 per square foot, $3.64 per square foot and $3.42 per square foot, respectively. Rents in Etobicoke remain the same as last quarter. Rents in Midtown have increased due to the launch of the luxury building *Two Avenue Road* by Oxford Properties, which is seeking a blended net rent of $4.05.

Figure 2

Rental rates for turned over apartment units have varied across the market with some projects achieving higher rents upon unit turnover. Chart 3 illustrates the comparison of asking rates for turned over units versus the original average net rent sought for those unit types during the initial lease-up stage. As noted, many buildings reduced their rents or offered incentives after COVID-19 measures were implemented, which led to most turned over unit types realizing lower rents than when the units were renting as new.

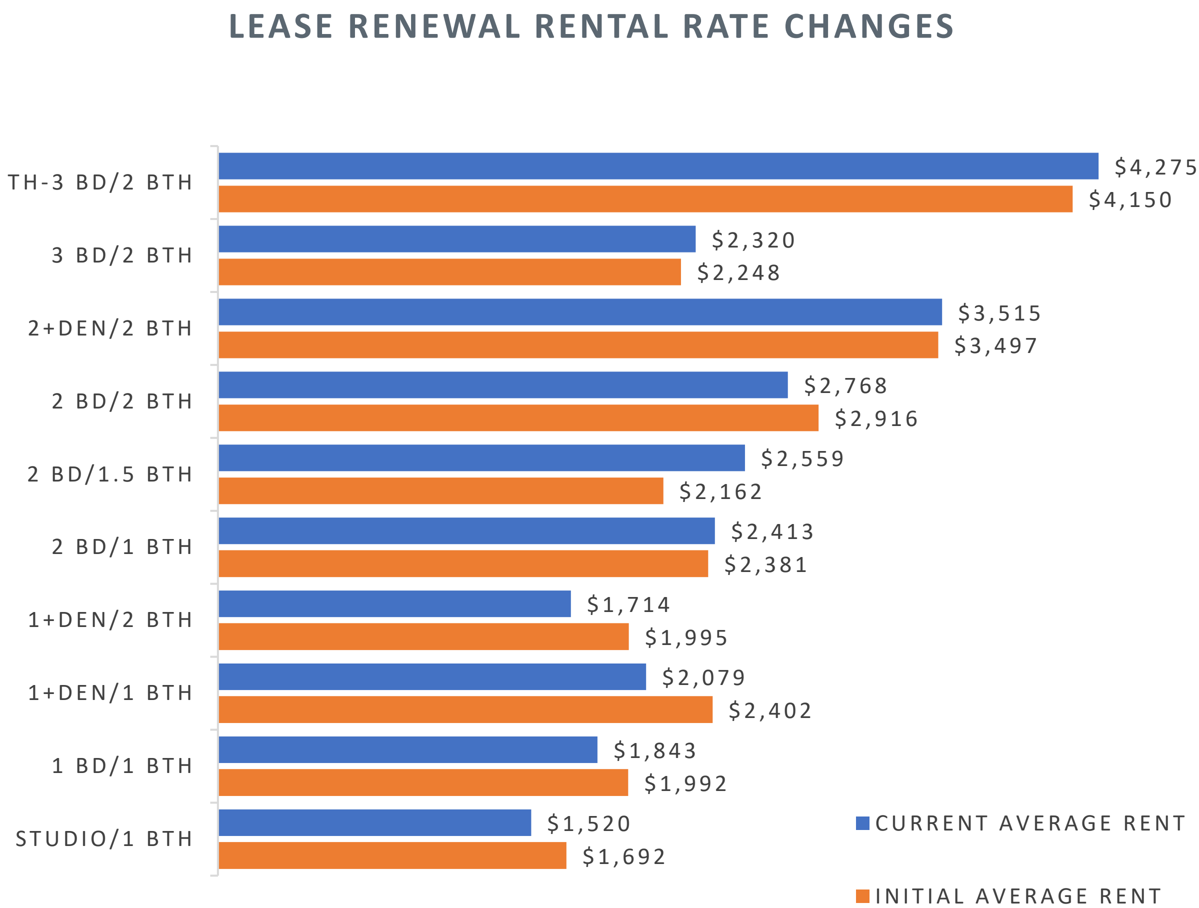


Chart 3

Rents increased for five-unit types upon being turned over in Q2-2021;

- Two bedroom, one bath units increased by one percent ($32 per month),
- Two bedroom, one and a half bath units increased by 18 percent ($397 per month),
- Two bedroom plus den, two bath units increased by one percent ($19 per month),
- Three bedroom, two bath units increased by three percent ($72 per month), and
- Three bedroom, two bath townhome units increased by three percent ($125 per month).

Rents have decreased for five types upon turnover in Q2-2021;

- Studio, one bath units decreased by 10 percent ($172 per month),
- One bedroom, one bath units decreased by seven percent ($149 per month),
- One bedroom plus den, one bath units decreased by 13 percent ($323 per month),
- One bedroom plus den, two bath units decreased by 14 percent ($281 per month), and
- Two bedroom, two bath units decreased by five percent ($149 per month),

This was the first quarter since Q2-2020 that saw an increase in rents for the majority of unit types. This is an encouraging sign as rents are beginning to increase after six consecutive quarterly decreases. The majority of units that turned over during the second quarter of 2021 were one bedroom one bath plans and two bedroom two bath plans. Two bedroom units in inner-city neighborhoods are often rented by roommates, which leads to a higher turnover rate. Smaller one bedroom units also have a higher turnover rate than other unit types due to renters determining they require more living space. In other cases, the unit is occupied by a couple who decide to purchase a home.

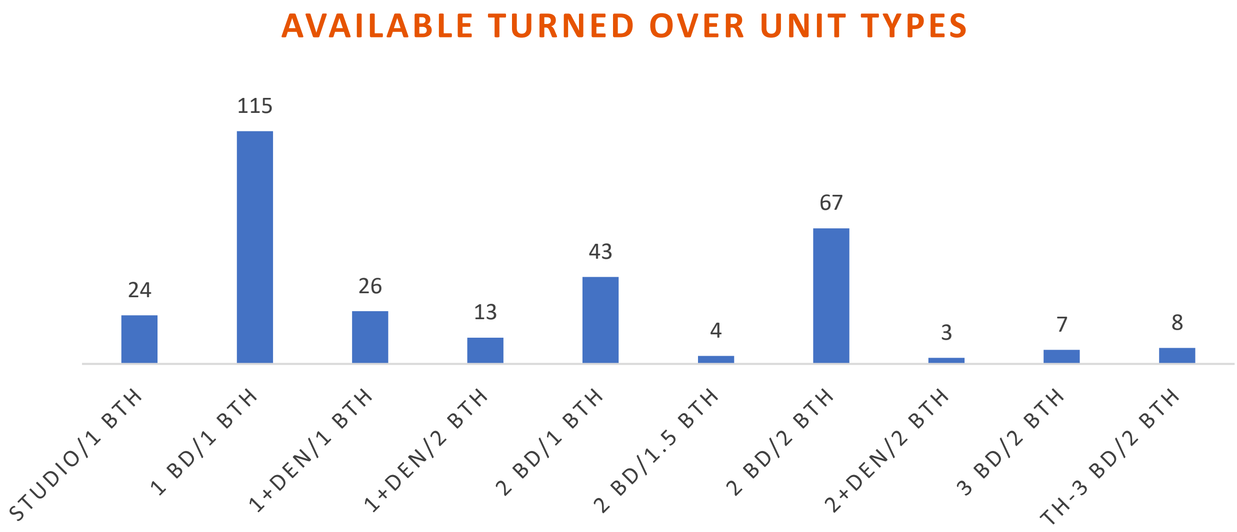


Chart 4

AVERAGE NET RENT $PSF PER SUB-MARKET

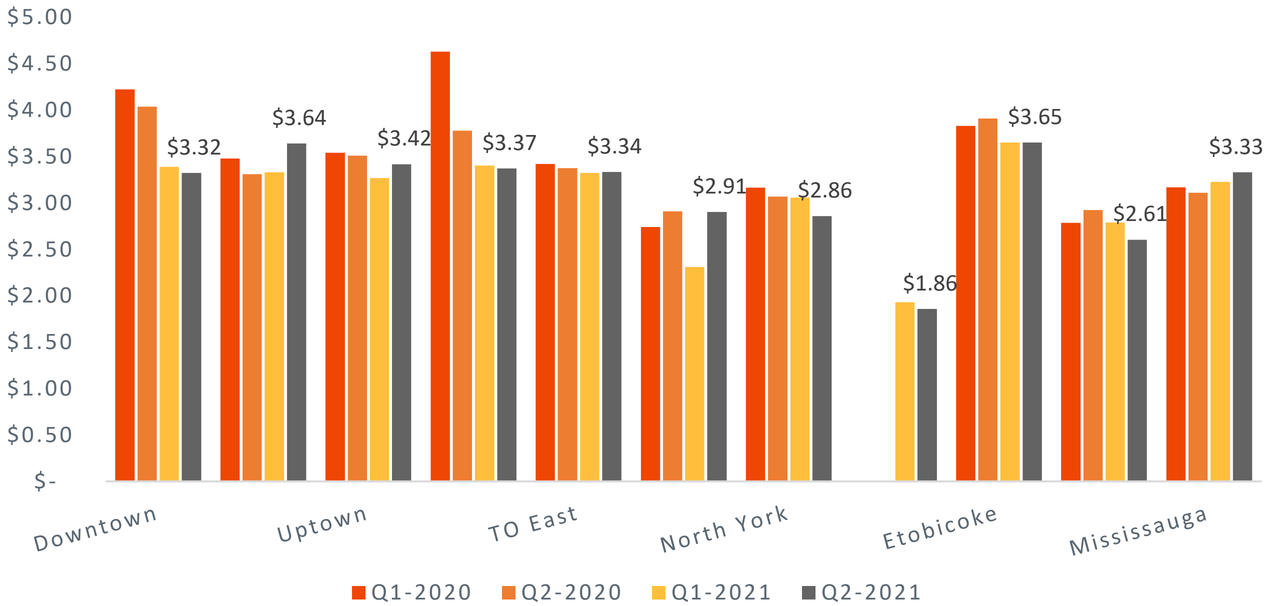


Chart 5

Six of the eleven sub-markets in the GTA experienced increases in average net rent per square foot rates when compared to the first quarter of the year. This compares to only three sub-markets that experienced increases from the fourth quarter of 2020 to the first quarter of 2021. Again, UA has not included East York in the chart below due to the absence of any purpose-built rental projects in this sub-market.

York experienced the largest increase in rental rates during the second quarter, with a 26 percent rise from $2.31 to $2.91 per square foot. The increase in rental rates can be linked to the absence of incentives in this sub-market.

Midtown recorded a nine percent increase in rents from $2.33 to $2.64, which was likely due to the $4.05 per square foot average rents being sought at the recently launched *Two Avenue Road project* by Oxford. Uptown experienced a four percent increase, from $3.27 to $3.42 per square foot in the second quarter of the year. Rents in Mississauga increased three percent from $3.23 to $3.33 per square foot.

Etobicoke recorded average rents of $3.65 per square foot for the fourth quarter in a row, likely due to the small amount of product currently offered in this sub-market.

North York and Brampton recorded the largest decreases in rents, both noting a seven percent decrease when compared to the previous quarter. Rents in North York dropped to $2.86 at the end of the second quarter from $3.06 per square foot at the start. Rents in Brampton decreased from $2.79 to $2.61 per square foot.

The slight decrease in the Downtown sub-market (from $3.39 to $3.32) is likely attributable to incentives offered offered to attract renters after COVID measures all but locked the city down for several months.

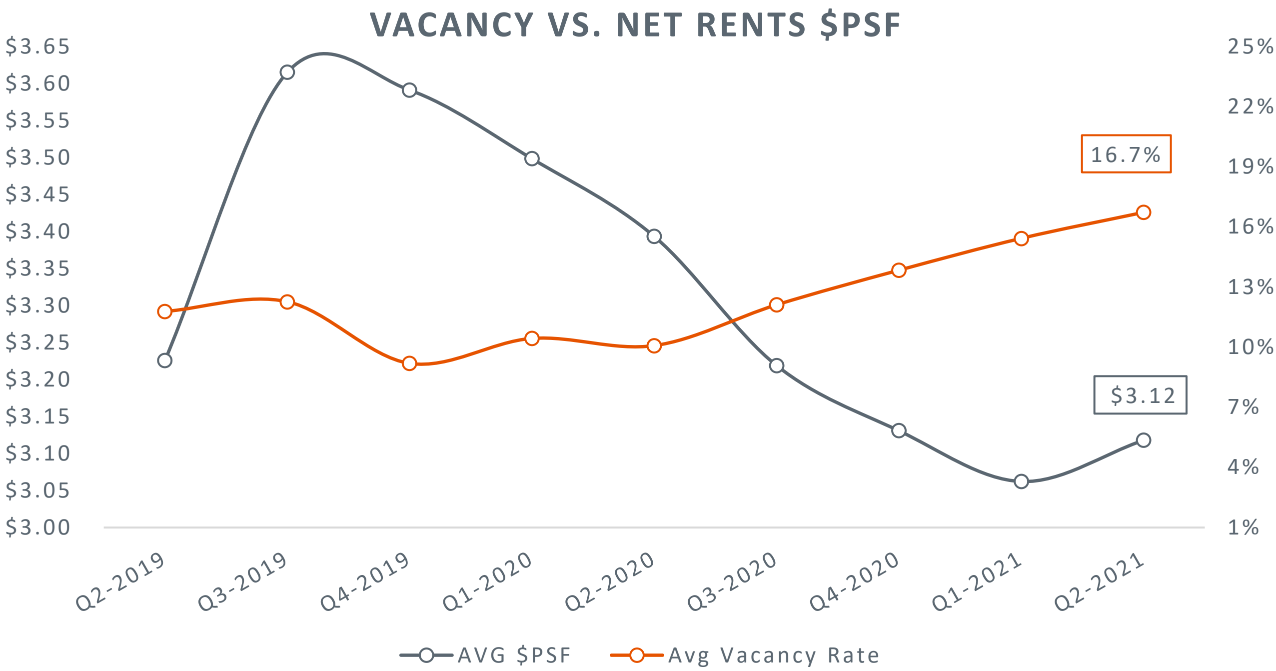


Chart 6

Chart 6 illustrates the correlation between the average vacancy rate and the average net rent per square foot in the GTA's newer purpose-built rental apartment market. Both vacancies and rental rates increased compared to the previous quarter. The increase in vacancy can be attributed to the amount of new supply in the market, with 1,146 new units added in the second quarter of the year and 628 new units added in the previous quarter. UA predicts that vacancy will start to decrease over the next couple of quarters as the new supply gets absorbed into the market.

Rents have increased by 1.8 percent ($0.06 per square foot) when compared to the previous quarter. Year-over-year rents have decreased by eight percent or $0.28 per square foot. UA anticipates rents to rise to pre-COVID levels during the coming quarters as demand from international renters, students and young professionals returns.

ACTIVE VS. FULLY LEASED PROJECTS

UA considers new projects that have less than 95 percent occupancy to be actively leasing, and those with more than 95 percent occupancy to be fully leased or stabilized, as this is typically when units begin to turn over for the first time after the initial leasing campaign. *Tippet Park* by Shiplake Properties and *The Huron* by Starlight investments were fully leased this quarter after actively leasing for eight and 11 months, respectively. There were 18 projects considered to be actively leasing in the GTA as of the end of Q2-2021.

A few of these projects include:

- *99 Gerrard West* in the Downtown sub-market (252 units), pre-leasing for three months, leasing for a total of 12 months. Currently 45 percent leased.
- *The Waverley* in the Downtown sub-market (166 units), pre-leasing for two months, leasing for a total of six months. Currently 46 percent leased.
- *The Livmore High Park Building B* in the Toronto West sub-market (264 units), pre-leasing for four months, leasing for a total of 14 months. Currently 84 percent leased.
- *Pivot* in North York sub-market (360 units), pre-leasing for two months, leasing for a total of eight months. Currently 25 percent leased.

The following graphic illustrates the proportion of fully leased buildings compared to those still in their initial lease-up phase. Toronto East, York, Scarborough, Etobicoke, Brampton and Mississauga have no active projects.

ACTIVE VS FULLY LEASED PROJECTS BY SUB-MARKET

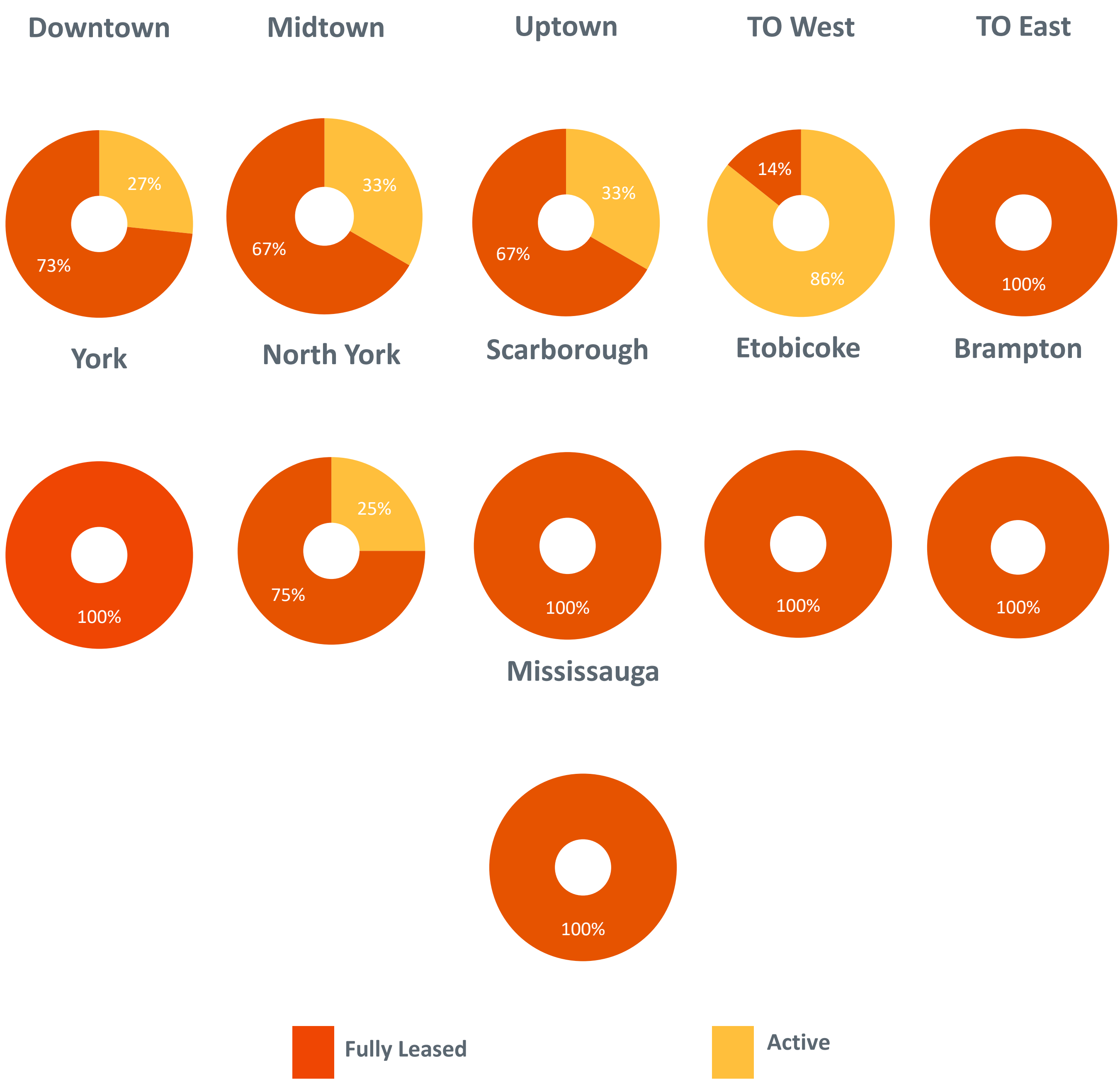


Chart 7

AVAILABILITY IN Q2-2021

The figure below illustrates how the Downtown, Midtown, Uptown, Toronto West and North York sub-markets had the highest inventory levels at the end of Q2-2021. The large number of vacant units in these sub-markets can be attributed to the launch of new projects over the last couple of quarters. Toronto West had three projects launch within the last two quarters adding 887 new units to the market.

Released and Available Units by Sub-Market

Downtown	Midtown	Uptown	Toronto West	Toronto East	York	North York	East York	Scarborough	Etobicoke	Brampton	Mississauga
810	383	514	1125	4	57	382	-	2	15	18	11

INCENTIVES

38 of the 58 rental apartment buildings monitored in the GTA offered incentives in the second quarter of the year. This is 11 less buildings offering incentives than in the first quarter of 2021. The majority of incentives offered are in the form of rental rate reductions; one or two months of free rent. Developers are now becoming creative in the incentive offerings as the majority of buildings are now offering some sort of incentive. The following is a sample of incentives offered as of June 2021:

- One month free on a 12-month lease
- Two months free on a 12-month lease
- One month free on a 13-month lease
- One month free on an 18-month lease
- $1,500 cash move-in bonus
- $1,000 cash move-in bonus
- $500 cash move-in bonus
- Free internet for one year
- Free parking for 3, 6 or 9 months
- $300 off rent for first four months
- Pre-loaded Presto card
- Flexible lease terms
- iPhone 12
- Filled wine fridge or $500 gift card to a downtown winery
- $1,000 Structube gift card
- $300 Ritual gift card
- $200 Netflix gift card

Incentive offerings were reported at projects across all sub-markets in the GTA.

RENTAL TRENDS

New purpose-built rental product offerings in the GTA have incorporated many features where extensive lifestyle-focused amenities are offered. Recently launched buildings in the GTA offer 24-hour concierge with services similar to hotels such as dry-cleaning pick-up, restaurant bookings, car service, dog-walking services and more.

Lifestyle-oriented offerings help distinguish a purpose-built rental product from investor-owned rental units in condominium buildings. Some of the rental buildings in the GTA offering these services include *One O One, The Livmore, Two St. Thomas, The Selby and The Montgomery*. UA will continue to monitor and report any notable trends offered at new projects that commence leasing in the coming months.

AMENITIES

The newer purpose-built rental buildings UA currently monitors offer a variety of amenity features. Projects offering superior amenity packages are more likely to achieve full occupancy sooner, achieve higher rents and experience lower turnover than projects with limited or no amenities. The level of amenities offered in newer rental apartment projects generally depends on the sub-market. Projects in the inner sub-markets (i.e. Downtown, TO West, TO East, Midtown and Uptown) feature a more comprehensive amenity package expected by the more discerning renters these projects are targeting. *The Selby* is an example of a project offering a comprehensive amenity package that features a large outdoor patio with a kitchen, lounge area and pool, private off-leash dog park and spa grooming area, full fitness center with yoga/spin room and wet/dry sauna and meditation area. The project also has a large private theater and indoor kitchen and lounge. *One O One* in Midtown features a dog park and pet wash area, business center, private party room with catering kitchen and a well-equipped games room. Tenants get access to the Imperial Club, which features a screening room, sound studio, green room, golf simulator, hot tub and pool, fitness center with spin studio, steam room, and squash courts. The following is a sample of amenities offered at other rental apartment projects throughout the GTA.

- Roof terrace
- Dog wash station
- Outdoor patio
- Lounge
- Bike repair area
- Fitness area
- Business center
- BBQ area
- Outdoor kitchen
- Courtyard
- Bike storage
- Media room
- Yoga area
- Concierge
- Library/Study room
- Board room
- Indoor pool
- Golf simulator
- Spa/jacuzzi
- Woodshop
- Community garden
- Residence manager
- Games room
- Rooftop pool

RENTER DEMOGRAPHIC

The profile of renters across the GTA varies widely. Toronto's diverse population is reflected in the variety of rental projects and locations. The inner sub-markets attract millennials, younger professionals, mature established professionals, empty nesters and couples without children from their thirties to fifties. Pre-COVID, international students attending the University of Toronto and other post-secondary institutions were more likely to live in the inner sub-markets as well. Demand from international students is returning as universities are planning for in-person learning in the fall. Rental projects in the outer sub-markets offer lower rents, larger units, and a higher proportion of two and three-bedroom floorplans, which tend to attract families, young renters, downsizers, recent immigrants and students.

CONTEMPLATED

UA is monitoring 208 contemplated purpose-built rental projects representing an aggregate total of 76,270 apartment units proceeding through the planning and construction process in the GTA. 140 projects (55,512 units) are currently under review by the City. Of the 208 proposed rental projects, 37 are under construction. Chart 8 below provides a breakdown of the construction status of contemplated rental projects with the number of units at each stage also shown.

Chart 8

LOOKING FORWARD

The following are new rental projects that have either recently launched or will be launching a leasing campaign during the next two quarters that UA will be monitoring closely:

- The Westward – Main & Main
- Liberty Village – CentreCourt/Fitzrovia
- The Taylor – Tricon/Mod Developments
- Strada – RioCan/Allied
- The Parker –Fitzrovia

UA has the most current and accurate data on the purpose-built rental markets in Calgary, Edmonton, Metro Vancouver, and most recently the GTA. UA's online database NHSLive provides accurate and timely data on the new rental and multi-family sectors of the market. With its user-friendly interface and extensive functionality, it has become an invaluable tool for thousands of industry stakeholder users. Call or email us today to schedule a demonstration of NHSLive.

We appreciate your feedback. Please contact us with any questions regarding this UA Take or any of our other periodic publications. In addition to maintaining the most current new multi-family home and rental apartment project data on NHSLive.ca, UA provides advisory services that can be tailored to meet your firm's specific needs. Please contact us to discuss how we can assist you in the design or positioning of your new multi-family home or rental apartment community.

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