



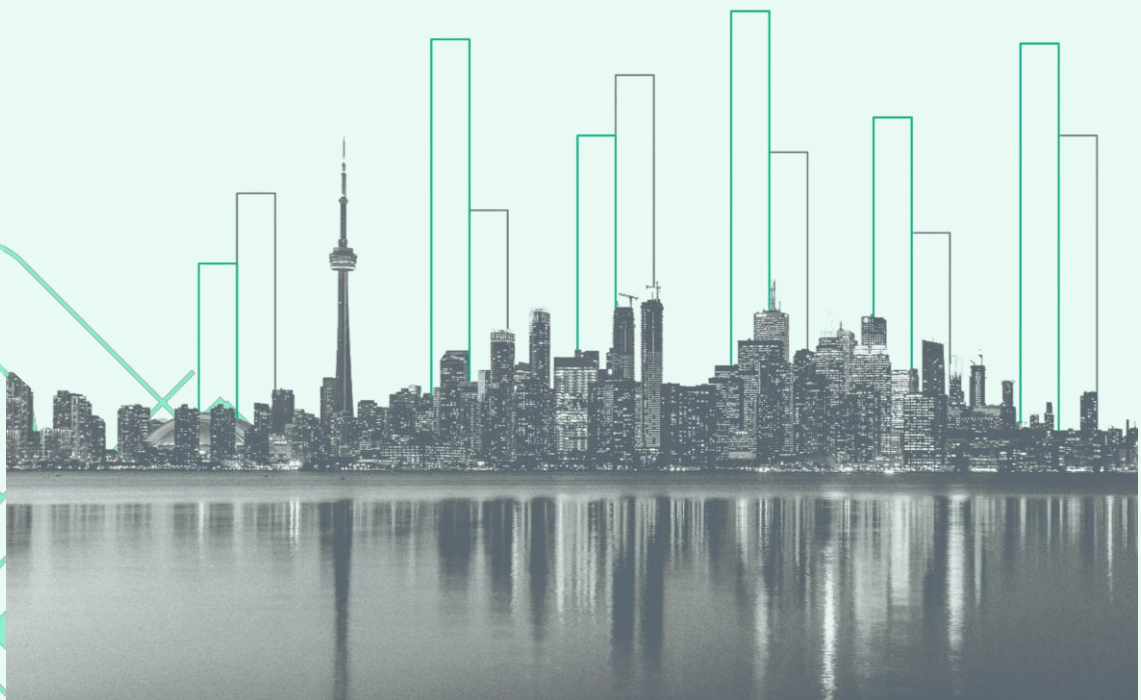
Urban

Formerly Urban Analytics

**Q3 2021**

RENTAL TAKE: GREATER  
TORONTO AND HAMILTON AREA

# **STUDENTS RUSH FOR RENTALS**



# Students Rush Back

Activity has picked up during the third quarter of the year with rents increasing six percent (\$0.19 per square foot) from \$3.27 in Q2-2021 to \$3.46 per square foot at the end of the third quarter. The market is steadily absorbing the 2,701 new units that were launched in the first half of the year. Vacancy has decreased by six percent when compared to the previous quarter and is now at an overall average of 13.5 percent. The downtown area has recovered from the peak of covid with vacancy decreasing 11.3 percent as students and international renters return to the area.

Since Zonda Urban began monitoring the Greater Toronto and Hamilton Area (GTHA) in 2019 the market has grown from 31 purpose-built rental apartments to 60 purpose-built rental apartments with 15,374 apartment units. The overall project breakdown is as follows;

- 19 active projects with a total of 5,881 units conducting their initial lease-up campaign;
- 41 fully-leased projects with 9,493 unit; and
- 218 contemplated projects with the potential to add 80,862 units to the GTHA market once approved and built.

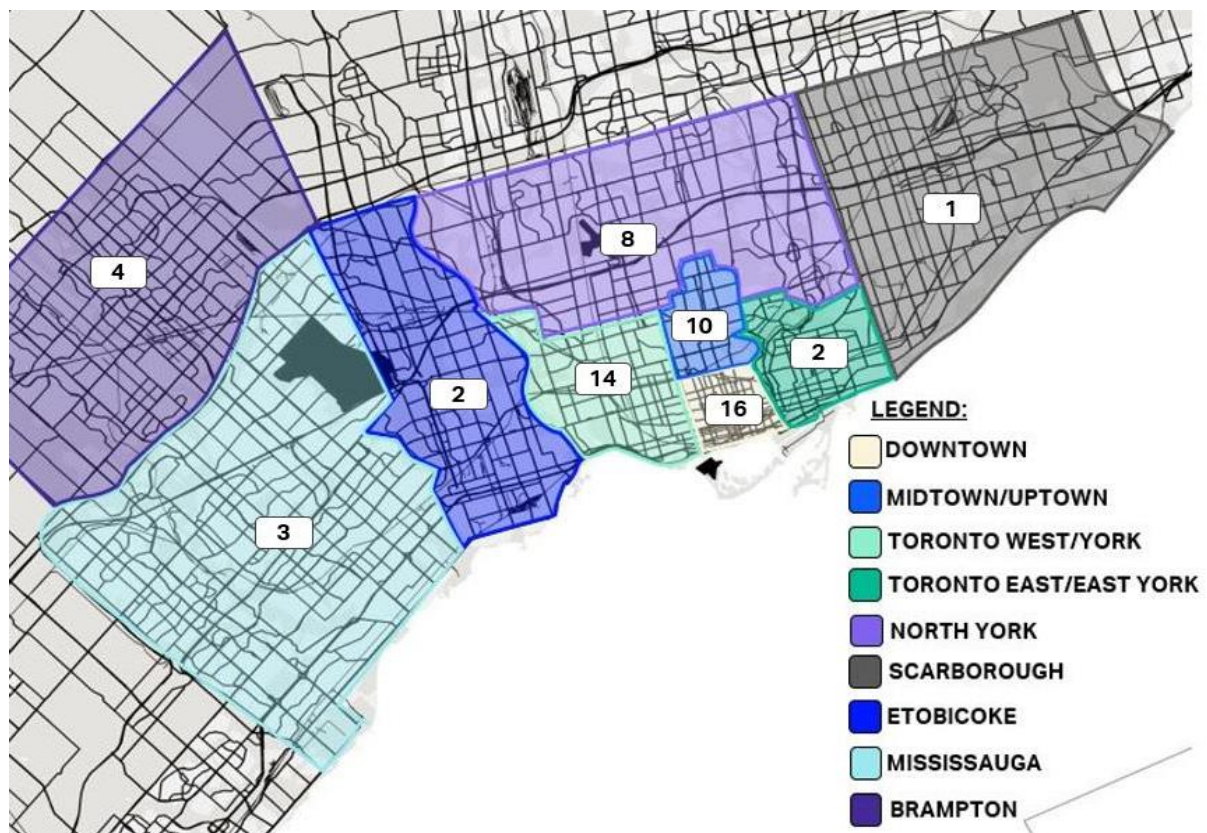


Figure 1

information collected on each proposed and actively leasing project is accessible to industry stakeholders through Zonda Urban's NHSLive data platform on a subscription basis.

# DECREASE IN VACANCY RATES

The overall vacancy rate for newer rental apartment developments in the GTHA was 13.5 percent at the end of the third quarter of 2021. This represents a six percent decrease from last quarter and a 2.4 percent increase from the third quarter of 2020. The lower quarterly vacancy can be attributed to the absorption of the nine new projects that launched in the first half of the year.

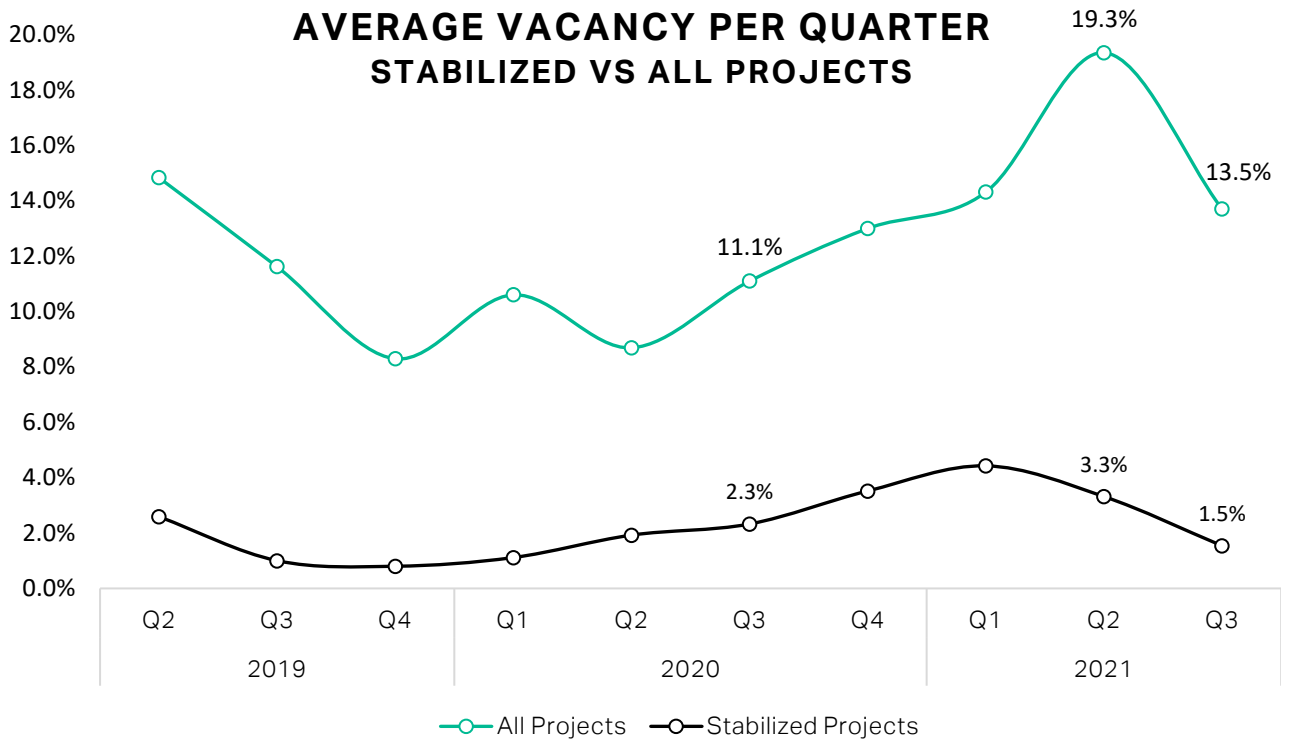


Chart 1

Chart 1 illustrates the average vacancy rate for stabilized newer purpose-built rental projects versus the average vacancy for all the projects across the GTHA. Zonda Urban 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. The vacancy is typically lower in stabilized projects due to those buildings being in the market for a longer period of time. The vacancy for both all projects and just stabilized projects decreased when compared to the previous quarter, indicating the return of renters to the market. The increase in demand has put pressure on rental rates.

The 19 projects completing their initial lease-up have an average vacancy of 37 percent, which elevates the market’s overall vacancy rate, illustrating the impact of newly leasing buildings on overall vacancy rates.

## AVERAGE VACANCY BY SUB-MARKET

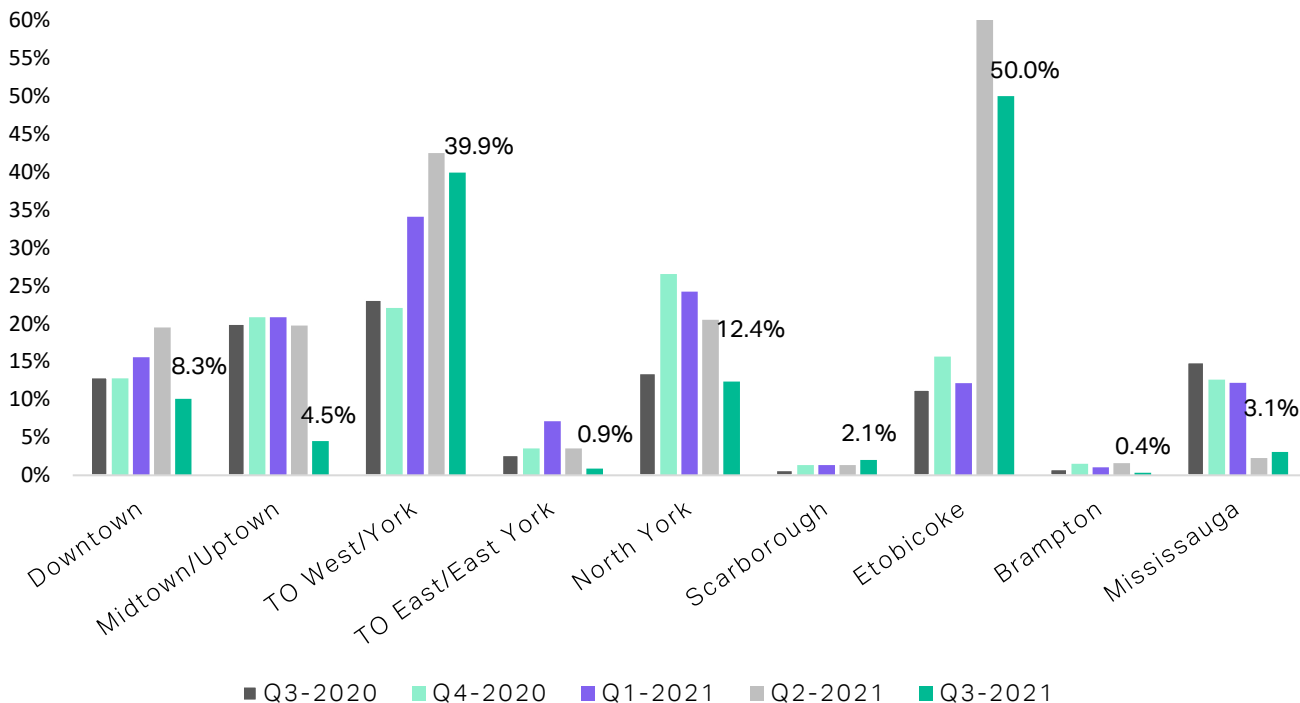


Chart 2

The vacancy rates shown in chart 2 comprise both actively leasing and turned over units in fully leased projects. Seven of the nine sub-markets experienced lower vacancy rates when compared to the previous quarter.

Midtown/Uptown experienced the largest drop in vacancy with a 15.2 percent decrease; from 19.8 percent in Q2-2021 to 4.5 percent at the end of Q3-2021. The decrease in vacancy can be attributed to the increase in demand as tenants are returning to the inner sub-markets. The Downtown experienced a similar trend with vacancy decreasing by 11.3 percent to an overall average of 8.3 percent.

Etobicoke experienced a 13 percent decrease when compared to the second quarter; from 62.9 percent in the second quarter down to 50 percent. Vacancy remains elevated in this sub-market due to *Station Place* by Main + Main developments which added 333 new units to the area and is currently 35 percent leased.

Toronto West/York experienced a 2.6 percent decrease in vacancy from 42.5 percent in Q2-2021 to 39.9 percent at the end of Q3-2021. These sub-markets are home to the largest core of newly-leasing product with the GTHA, resulting in higher vacancy rates.

North York and Toronto East experienced 8.2 percent and 2.7 percent decreases when compared to the previous quarter.



# HIGHER RENTS IN Q3-2021

Rents continue to climb as we reach the second half of the year. Rents increased six percent when compared to the previous quarter. This represents a \$0.19 increase from \$3.27 per square foot in Q2-2021 to \$3.46 per square. Year-over-year, rents have increased by one percent or \$0.02 per square foot. The increase in rents during the third quarter of the year can be attributed to the increase in demand with Toronto's downtown core re-opening as well as the increase of international renters with the re-opening of the boarder.



Q3-2019: **\$3.63**  
 Q3-2020: **\$3.33**  
 Q3-2021: **\$3.46**

Figure 2 illustrates the average per square foot rental rates being sought for newer rental apartment buildings in the GTHA by sub-market. Average list rents in Downtown are the highest in the market at \$3.83 per square foot. Scarborough and Brampton remain the most affordable area for newer rental product in the GTHA. The distance from the downtown core is a contributing factor in the lower rents being sought.

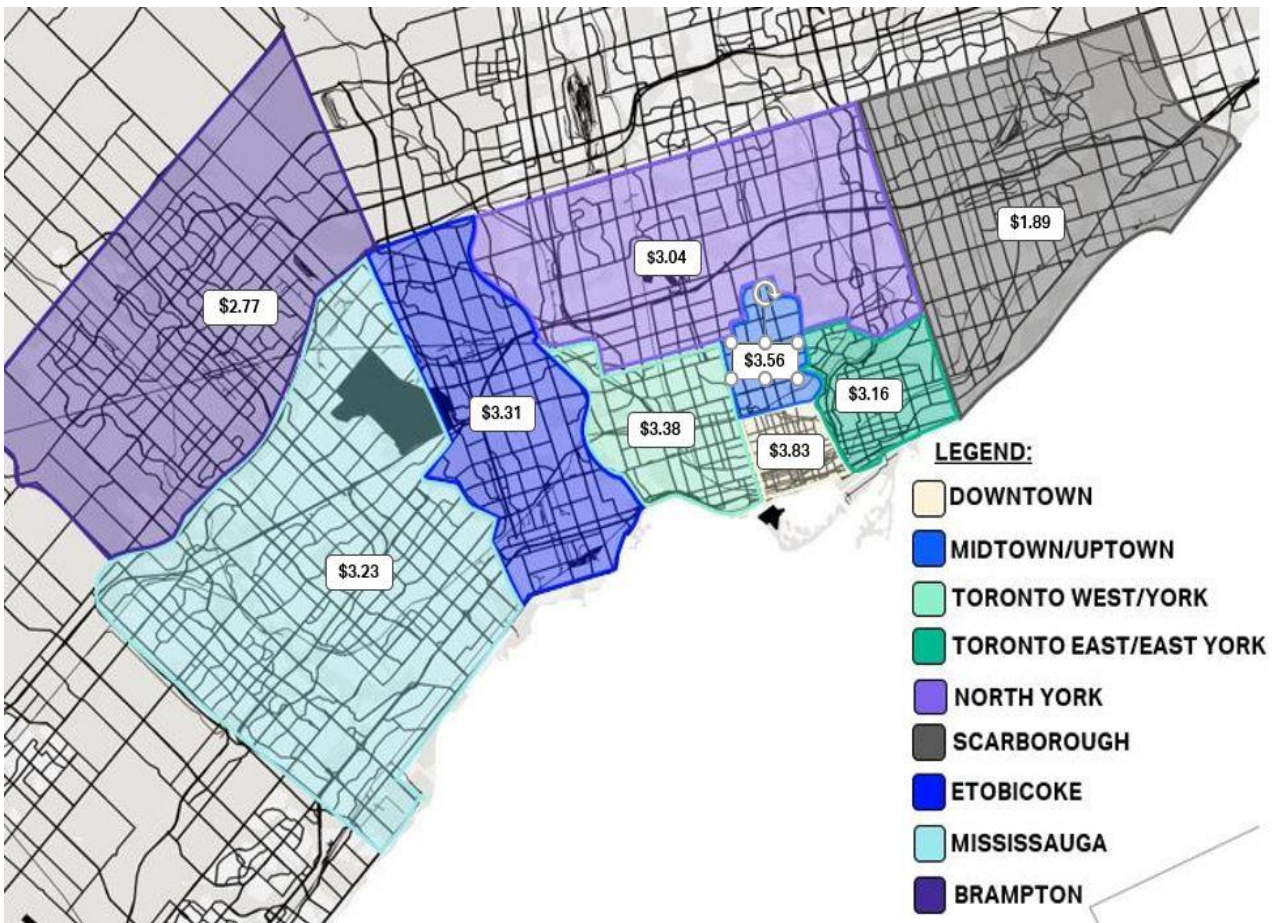


Figure 2

Rental rates for turned over apartment units have varied slightly across the market. Rents have increased for two of the seven unit types that turned over in Q3-2021;

- One plus den, two bath units increased by one percent (\$20 per month);
- Three bed, two bath units increased by two percent (\$77 per month).

Chart 3 illustrates the comparison of asking rates for turned over units in stabilized buildings versus the original average net rents sought for those unit types during the initial lease-up stage. Zonda Urban expects that rental rates for turned over units will surpass their original asking rents by the first quarter of 2022, thereby fully recovering from the recent pandemic lows witnessed in late 2020.

### LEASE RENEWAL RENTAL RATE CHANGES FOR STABILIZED BUILDINGS

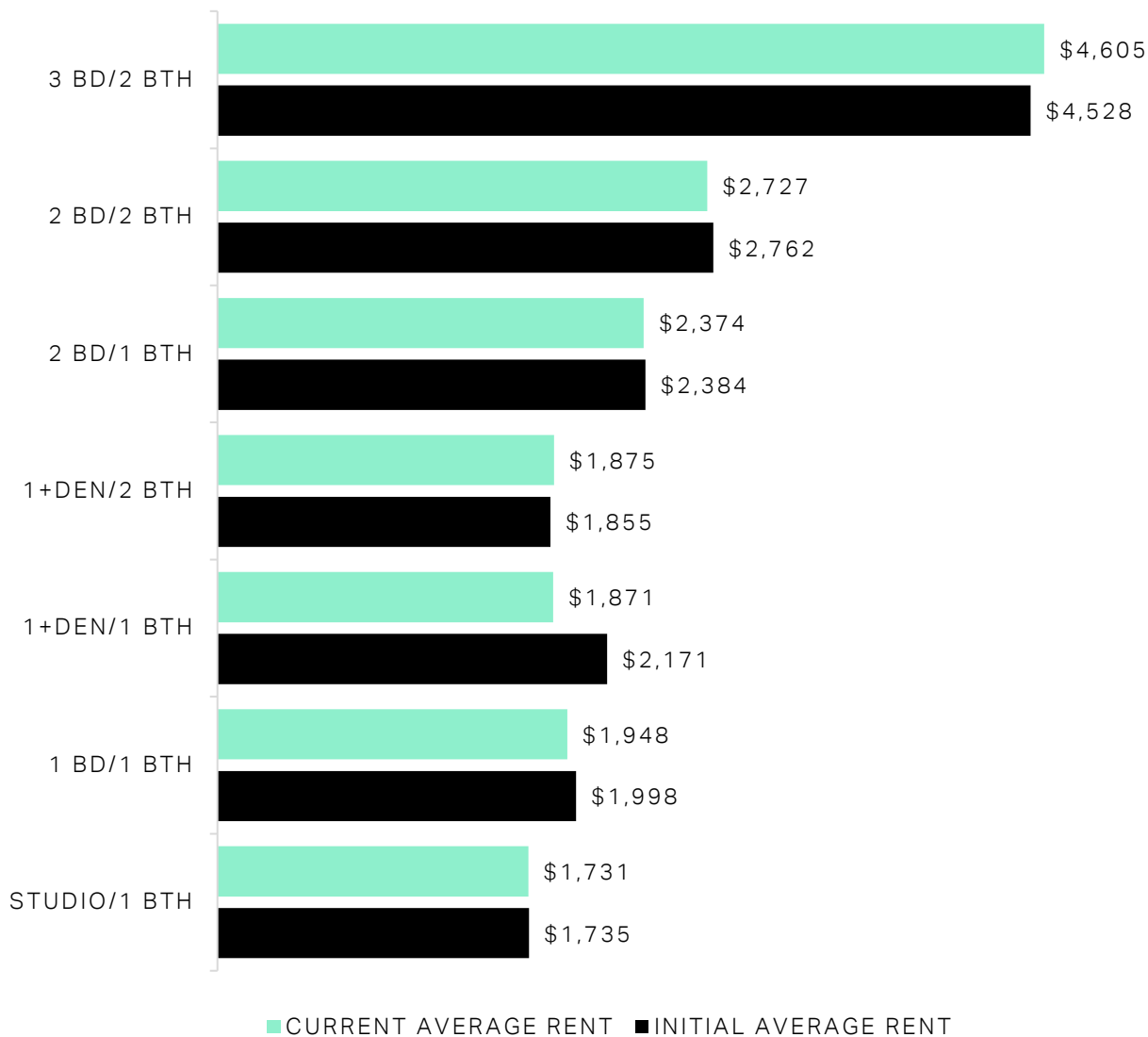


Chart 3

There were only 129 turned over units available during the third quarter of the year, this compares to 311 available units during the second quarter. The decrease in available units has led to higher rental rates as demand for newer purpose-built rental has returned.

## AVAILABLE TURNED OVER UNIT TYPES

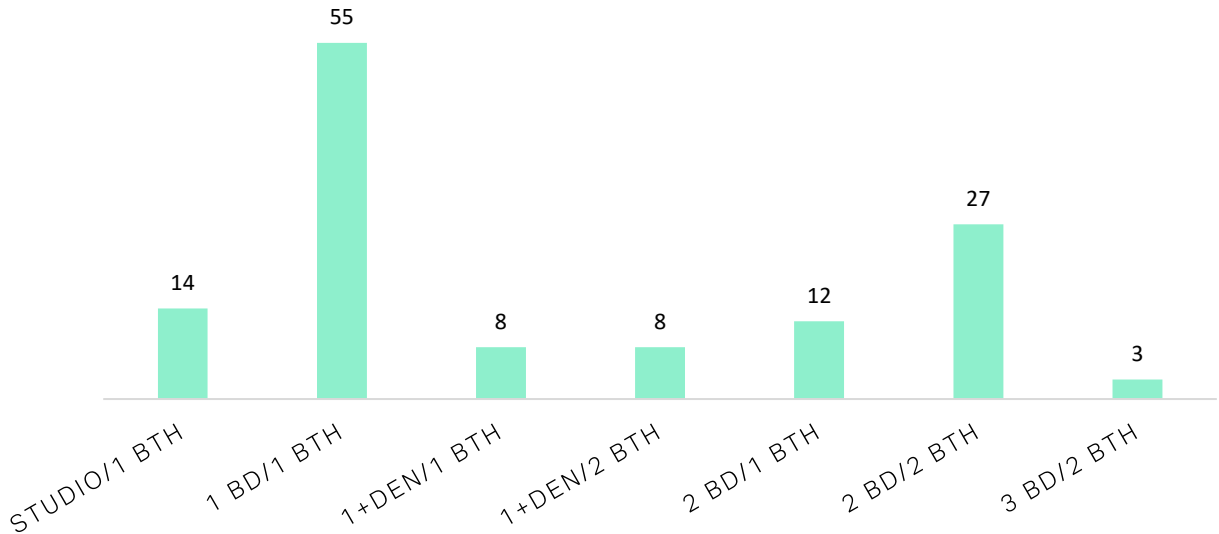


Chart 4

The majority of units that turned over during the third 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.

## AVERAGE NET RENT \$PSF PER SUB-MARKET

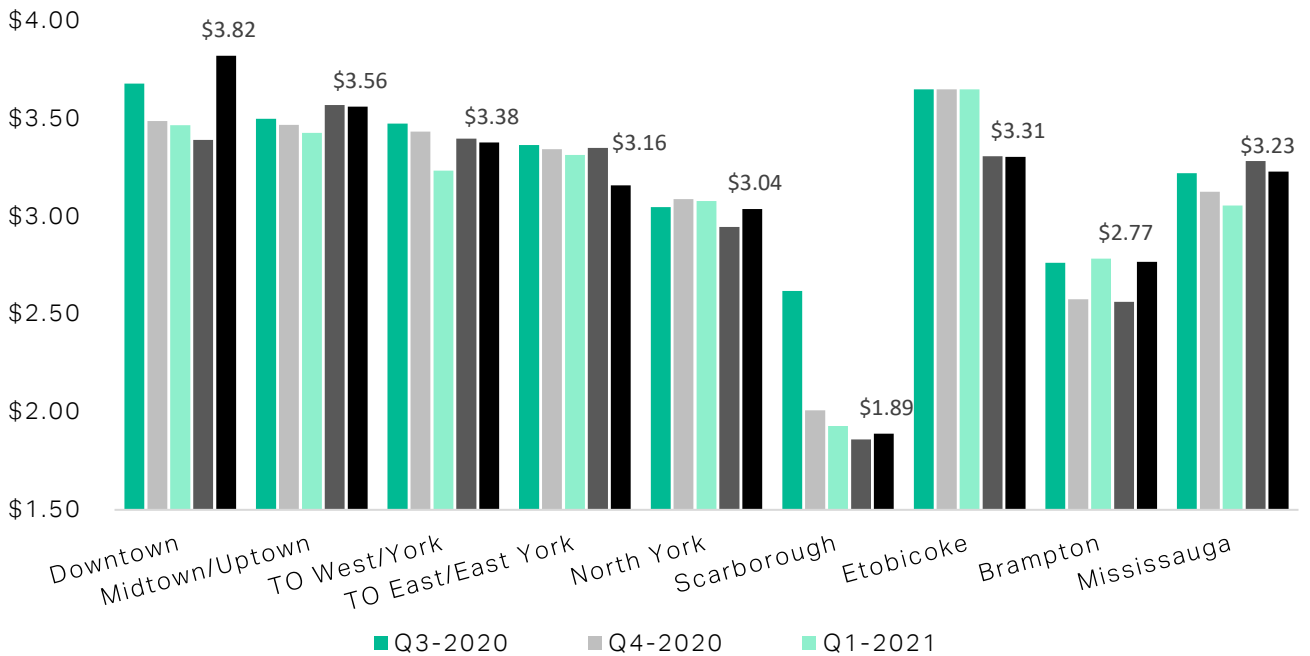


Chart 5

Six of the nine sub-markets in Toronto reported higher average net rents per square foot when compared to the previous quarter. Zonda Urban took a simplified look at the downtown area and combined Midtown/Uptown, TO East/East York and TO West/York sub-markets for a broader overview.

The downtown area experienced the largest increase in rental rates during the third quarter, with a 13 percent increase from \$3.39 to \$3.83 per square foot. The increase in rental rates can be linked to the increase in demand for the area, resulting in developers raising rents and pulling back on incentives offered.

Brampton recorded an eight percent increase in rents from \$2.56 to \$2.77, attributable to this market areas limited turnover and low vacancy rates. The outer 416 North York/Scarborough experienced marginal increases in rental rates with a three percent increase from \$2.95 to \$3.04 per square foot at the end of the third quarter in North York and a two percent increase in Scarborough from \$1.86 to \$1.89 per square foot.

Toronto East/East York and Mississauga recorded the largest decrease in rents when compared to the previous quarter. Toronto East/East York experienced the largest decline with a six percent decrease from \$3.35 to \$3.16 per square foot. Rents in Mississauga decreased by two percent from \$3.28 to \$3.23 per square foot at the end of the third quarter.



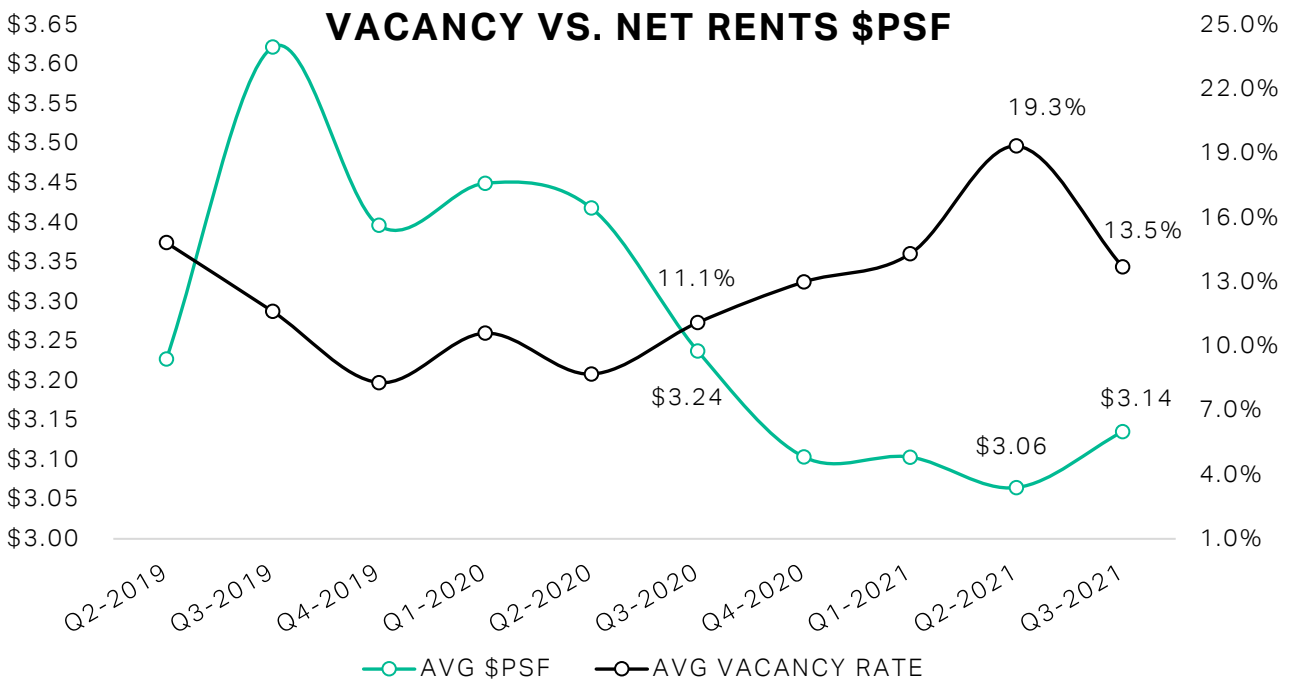


Chart 6

Chart 6 illustrates the correlation between the average vacancy rate and the average net rent per square foot in the GTHA’s newer purpose-built rental apartment market. Newer purpose-built rental projects throughout the GTHA experienced higher rents and lower vacancy rates in the third quarter of the year. Vacancy rates decreased by six percent while rents increased by six percent (\$0.19 per square foot) relative to the second quarter of 2021. Vacancy rates increased by 2.4 percent and rents increased by one percent (\$0.02 per square foot) year-over-year. Zonda Urban expects rents to continue to increase as we move towards year end with the expectation of rising above pre-covid levels by the second quarter of 2022.

## ACTIVE VS. FULLY LEASED PROJECTS

Zonda Urban 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. There were 19 projects considered to be actively leasing in the GTHA at the end of Q3-2021. One project was stabilized during the third quarter of the year:

- *The Waverley* by Fitzrovia, a 166-unit concrete building in the Downtown leased up in five months;

A few active projects include;

- *99 Gerrard West* in the Downtown sub-market (275 units), pre-leasing for three months, leasing for a total of 13 months and currently 72 percent leased.
- *Livmore High Park Building B* in the Toronto West sub-market (264 units), pre-leasing for four months, leasing for a total of 17 months, currently 86 percent leased.
- *Pivot* in North York (360 units), pre-leasing for two months, leasing for a total of 11 months, currently 49 percent leased.
- *Station Place* in Etobicoke (333 units), leasing for four months and currently 35 percent leased.

## ACTIVE VS FULLY LEASED PROJECTS BY SUB-MARKET

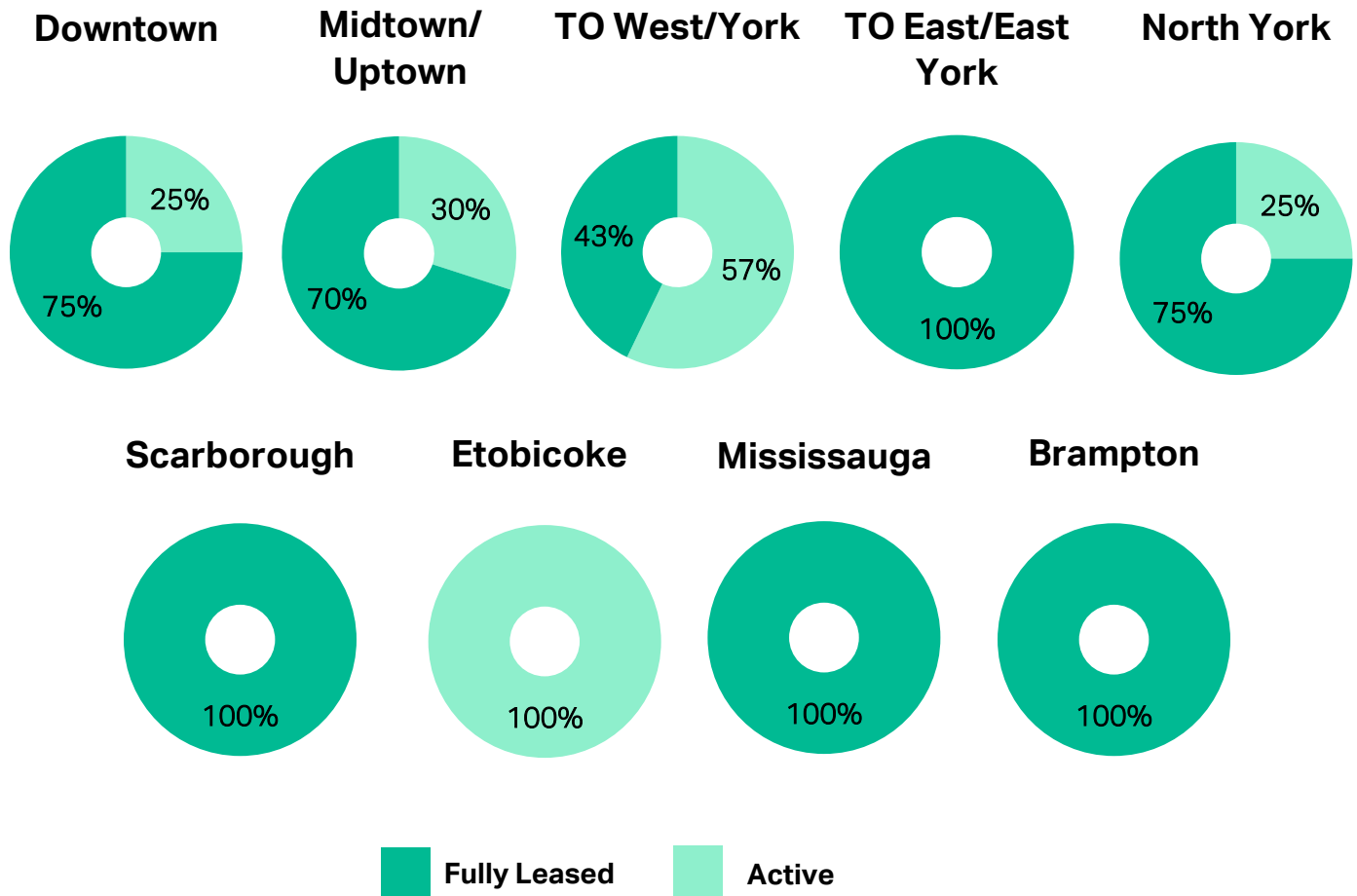


Chart 7

## AVAILABILITY IN Q3-2021

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 Q3-2021. 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 five projects launch within the first half of the year, adding 1,694 new units to the market with 1,328 of these units available at the end of Q3-2021.

Released and Available Units by Sub-Market								
Downtown	Midtown/ Uptown	TO West/York	TO East/East York	North York	Scarborough	Etobicoke	Brampton	Mississauga
492	116	1,509	1	230	3	224	4	15

## INCENTIVES

While the value of incentives being offered at actively leasing and fully leased newer purpose-built rental buildings has dropped, most projects continue to offer an incentive package albeit at a reduced scale compared to the covid market. Incentives offered in the downtown areas are typically of higher value due to the large number of new projects completing their initial lease-up. The following is a list of some incentives offered as of September 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
- Sunwing Voucher
- Filled wine fridge or \$500 gift card to a downtown winery
- \$1,000 Structube gift card
- \$500 Farmboy gift card
- \$300 Ritual gift card
- \$200 Netflix gift card

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

## RENTAL TRENDS

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Leasing agents were forced to adapt throughout the last two years and began showing suites to prospective renters through online and virtual formats. Leasing agents are now offering the choice of either in-person or virtual showings based on the prospective tenant's comfort level. New purpose-built rental product offerings in the GTHA have incorporated many features where extensive lifestyle-focused amenities are offered. Recently launched buildings in the GTHA 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 GTHA offering these services include *The Waverley*, *E18HTEEN*, *Novus*, *Brixton*, *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

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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/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 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 GTHA.

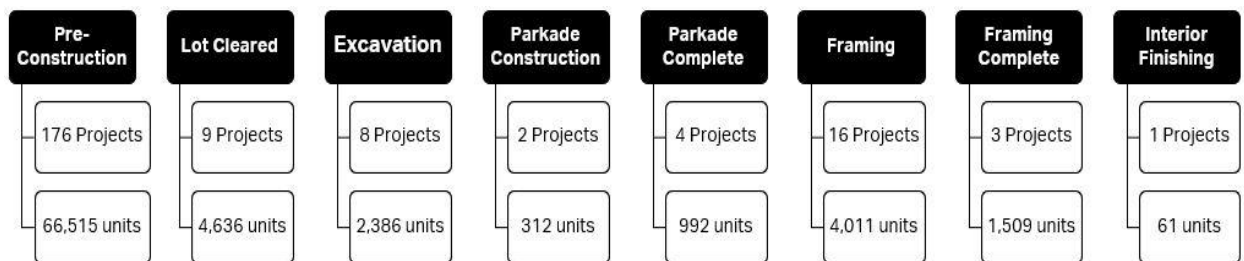
- Roof terrace
- Dog wash station
- Outdoor patio
- Lounge
- Bike repair area
- Fitness area
- Business center
- BBQ area
- Outdoor kitchen
- Courtyard
- Bike storage
- Media room
- Yoga area
- Concierge
- Library/Study room
- Board room
- Indoor pool
- Golf simulator
- Spa/jacuzzi
- Woodshop
- Community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

## RENTER DEMOGRAPHIC

The profile of renters across the GTHA varies widely. Toronto’s diverse population is reflected in the variety of rental projects and locations. Downtown sub-markets attract millennials, younger professionals, mature established professionals, empty nesters and couples without children from their thirties to fifties. Pre-Covid, international students were more likely to live in the downtown submarkets close to the central University of Toronto and Ryerson University Campuses. Demand for international students returned as universities resumed in-person learning this 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

Zonda Urban is monitoring 219 contemplated purpose-built rental projects representing an aggregate total of 80,422 apartment units proceeding through the planning and construction process in the GTHA. 176 projects (66,515 units) are currently under review by the City. Of the 219 proposed rental projects, 43 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.



## LOOKING AHEAD

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

- *Strada* – RioCan/Allied Properties
- *The Taylor* – Tricon/Mod Developments
- *The Parker* – Fitzrovia
- *The Kay* – Killam Properties
- *41 River street* – Percy Ellis
- *15 Brenthall* – Starlight Investments
- *The Stack at Bayview* – Brown Group

These buildings will add a total of 1,037 new units to the market once launched.



Zonda Urban has the most current and accurate data on the newer purpose-built rental apartment markets in Edmonton, Calgary, Metro Vancouver, and Greater Toronto. NHSLive, Zonda Urban's online data platform, provides timely data on the new rental and multi-family home sectors of the market. With its user-friendly interface and extensive functionality, it has become an invaluable tool for thousands of industry stakeholders to make better decisions. Call or email [sales@urbananalytics.ca](mailto:sales@urbananalytics.ca) today to schedule a demonstration of NHSLive.

With the anticipated increased competition in the GTHA's new purpose-built rental apartment sector, it is crucial to ensure your project is appropriately designed and positioned prior to launching. Zonda Urban provides comprehensive advisory services to meet your firm's specific needs in all markets we service. Call or email today to ask how we can help.

We appreciate your feedback. Please contact us with any questions regarding this Zonda Urban Take or any of our other periodic publications.



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