

The Rental Revival and the Death of Ownership: An analysis on renting and owning within the GTA housing market

Living life has never been so expensive: While the Consumer Price Index (CPI) has increased by 6.8% since 2021, salaries have not (Government of Canada, 2023). A report from consulting firm Eckler Limited found that the salary increases from 2022 to 2023 is projected to be at 4.2%, a disproportionately higher increase compared to salary raises (The Canadian Press, 2022). At the same time, a significant shift has been happening in Ontario: from 2011 to 2021, Ontario has seen the fourth-largest decline in homeownership across Canada, going from 71.4% to 68.4% and has inversely seen a growth rate across the province, with cities such as Toronto and Barrie increasing by 25.1% and 47.7%, respectively (Chai, 2022). While no option is inherently good or bad, they each offer pros and cons depending on various life factors.

Considerations towards deciding home ownership and renting

With the average price for a house being sold for more than \$1.1 million in December 2022, home ownership is no small feat (Deschamps, 2023). Excluding the purchase of the house, other housing costs typically include legal fees, moving costs, real estate commissions and other homeowner expenses (such as décor), mortgage payments, property taxes, utilities and heat costs, insurance, and indoor and outdoor maintenance (Harvey, 2022). For those in a financially safe position, it may be a great investment for the future – But what does a secure financial position look like? According to Canada Mortgage and Housing Corporation, monthly housing expenses should not be more than 39% of an individual's gross monthly income (Government of Canada, 2022). Housing fees are prone to fluctuate, as costs such as mortgage rates are often beyond a homeowner's control.

Despite these factors, home ownership is still a very attractive pursuit: the possibility of having a fully personalized space to call home is especially special. As a homeowner, one has the security of knowing that they will not be forced out of their living space at an unpredictable time. Having a private area to unwind and take some time to fully personalize it to one's taste could certainly be an enormous advantage and a true source of comfort for some.

Data courtesy of TorontoRentals.com's GTA July Rent Report 2022 and DailyHive concluded that most GTA cities have a lower average monthly mortgage payment than the average monthly rent for condo apartments (Demarco, 2022). Only two out of nine Toronto and GTA cities (Mississauga and Oshawa) have shown a negative price difference (-10.2% and -14.4%, respectively), whereas Brampton, Hamilton, Markham, Oakville, Richmond Hill, Toronto, and Vaughan all posted positive price differences to own, from 9% in savings in Toronto to a staggering 59% in Oakville (Demarco, 2022). With a mortgage costing less than rent in most areas of the city, the long-term cost differences between renting and owning become narrower, giving more people the option to consider ownership.

On the other hand, renting a property offers a completely different experience. By choosing to rent, an individual becomes a tenant to their landlord, bound by a rental agreement. In such, a monthly payment is typically made – but costs such as real estate agent fees, property taxes, home maintenance costs, and utilities are the landlord's responsibilities. Other than the monthly rent, renting costs will typically include moving expenses, renter's insurance, utilities, parking, telecommunications and laundry (Government of Canada, 2023). While still costly, they are considerably lower when compared to home ownership. Having minimal maintenance costs is not only a money saver for tenants, but a timesaver as well. Additionally, there is added flexibility in being able to change as there is no long-term financial commitment to the property. But as the market fluctuates, rent can be prone to increasing at anytime. Since the property is

not owned by the tenant, the rent being charged for the living area is being used to pay the landlord's mortgage. This offers no benefit to the tenant as there is no profit to gain if the property grows in value.

Renting vs. owning within the GTA

The following statistics on the real estate market of the GTA provide necessary information as to whether to rent or own within the GTA.

Table 1

Average cost of home in the GTA (February 2023)

House type	Average purchase price
Detached house	\$1.44M
Semi-detached	\$1.07M
Freehold townhouse	\$1.05M
Condo Apartment	\$705k
Average home price in the GTA as of February 2023 (O'Neil, 2023):	\$1,095,617
Average interest rate range as of March 2023 (O'Neil, 2023)	4.69% to 5.55%.

Toronto Housing Market Report. WOVA. (n.d.). Retrieved March 14, 2023, from <https://wowa.ca/toronto-housing-market>

Table 2:

Rental prices in Ontario per apartment type as of March 2023

Apartment Type	Individual monthly rent	Shared monthly rent for individuals renting under the same household
1 bedroom purpose built and condo rental apartment	\$2,178/month	\$1,089/month each for two individuals
2 bedroom purpose built and condo rental apartment	\$2,661/month	\$1,330.50/month each for two individuals
3 bedroom purpose built and condo rental apartment	\$2,989/month	\$996.33/month each for three individuals

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City development and location preferences

The GTA is booming into an urban community: across the city, the development of downtown areas with large-scale mixed use style buildings indicates a new method of housing to suit the area’s growing immigration and job economy (Dragicevic, 2021). Within the next 20 years, multiples cities across the GTA can be expected to have their own downtown area. For members of the GTA segments located in cities emerging downtowns and urban centers such as Vaughan, Markham, Mississauga, and Brampton, purchasing a house may prove to be the best financial decision as these housing prices further soar as desirability to move into the area rises over the next decades.

The construction of condominiums across the GTA provides individuals who do not require or desire a large living space with a great first-time option for homeownership. With over half of newly constructed

residences in Toronto built from 2016 to 2021 being condominiums, the purchase or rental of a condo rather than a detached, semi-detached, or townhouse would be a more financially sound consideration (Government of Canada, 2022). Within the GTA’s population demographic, the option of home ownership would especially make sense in areas such as Brock, Oshawa, Orangeville, and Oshawa, who pose the most affordable average home costs from \$750,000 to \$1 million (Hanrahan, 2022).

Employment Status and Financial Situation

The following calculations are based the average price of a house as shown in Table 1, as well as average statistic rates from the GTA:

Table 3:

Calculations made from the average statistics of home ownership

Down payment	Down payment amount	Mortgage	Interest rate	Payment Frequency	Standard Amortization Period
20%	\$219,123.40	\$876,493.60	5.12%	Monthly	25%

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A monthly mortgage of \$5,157.77 would be the result of the average cost of a GTA house, with total payments resulting in \$1,547,331. Using this estimate while keeping in mind that monthly housing costs should not exceed 39% of gross monthly income, a potential individual homeowner would need a minimum monthly salary of \$13 225.05 (\$158,700 yearly) to afford the purchase of a house (Government of Canada, 2023).

Buying a house requires extensive financial compatibility, and as of the current state of the GTA housing market, I would not recommend to a single income earner, which in the GTA, has an average salary of \$57,152, to purchase a house, as it would incur large amounts of debt and financial instability. (Glassdoor, 2023). Home buying programs offered by the Government of Canada could provide additional funds to finance the purchase of a house but realistically, the purchase of a house could most likely only be done with a two-person combined minimum salary of \$158,700.

Following the same formula, the average rent of a one-bedroom apartment in the GTA as shown in Table 2 would require a monthly salary of \$5,584.60 (\$67,015 yearly) to remain financially stable. With national salary increases projected at 4.2%, and a year-over-year increase of 19% for rent, renting becomes more and more unaffordable for the average GTA inhabitant (Toronto Regional Real Estate Board, 2023). Renting still proves to be an expensive housing option but is more feasible for the average single income earner in the GTA.

Relationship status and living arrangements

Roommates, partners, or individuals who yearn to find a house in a pair or in a trio would be excellent candidates for renting a condominium style house. By renting a living space with more than one person, housing costs are considerably lower, allowing individuals to continue to save or invest their money into their own interests, or save up to eventually be able to rent or own a house independently. A shared monthly rent in a 1, 2, or 3 bedroom apartment with an even ratio of tenants and number of bedrooms as shown in Table 2 would compose 46%, 28%, and 21% (respectively) of the average GTA salary. Based on these figures, we can observe how renting a home with other tenants proves to be less of a financial burden compared to renting or owning independently.

Purchasing a house with another individual is an extremely important financial decision to make but is the best financial solution for those in the GTA wishing to own a house. Therefore, for those ready to make the commitment and who plan to stay in a location long-term would be excellent candidates for homeownership within the GTA.

In summary, there are many personal and financial variables to consider when deciding whether to rent or own a property. Personally, I am in favor of home ownership – if one can afford it. However, considering the income and lifestyle of the average GTA inhabitant, renting seems to be the most cost-effective and lifestyle-fitting option, thus making it better for most.

The future of GTA housing options

The COVID-19 pandemic has shone a light of the drastic difference in supply and demand within real estate. With the rise of condominiums in the GTA, an increase in tenant-occupied dwellings could prove to be the future of GTA housing. As home values continue to rise by over 50% in 77.8% of homes in Ontario, housing affordability is at an all-time low (Government of Canada, 2022). The housing crisis proves to be an urgent situation to be addressed by the provincial government. With reports that unaffordable housing rates are highest for both homeowners and renters in census metropolitan areas, I have had to reconsider my own options when it comes to finding a home in a desired area for the future.

I personally find that highly populated and lively cities attract me the most – and I especially hope to have the ability to live near the core of downtown Toronto, in areas like High Park or Liberty Village, in my late twenties or early thirties. Reflecting on my projected expenses related to attending a four-year university program and further post-graduate education, renting a property after completing my graduate studies would suit me best, as I would want to live downtown short-term. Long-term, owning a property would

be the best fit for me as I would hope to stay in the Greater Toronto Area for my work and expand my own family in that area. To achieve this goal realistically, financial literacy and responsibility is crucial – which is why after living in residence and renting student housing properties during my four years of undergraduate study, I plan to return to living at home with my family and aggressively save to be able to rent, and eventually purchase a property with my future partner [1762 words].

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