

## **The Greater Golden Horseshoe's Rental Market: Can It Keep Up?** **by Elisa Gabriele**

In a world of inflation, the cost of living is ever-increasing. At the forefront of this, fueled by limited availability and a growing population, house prices are soaring. Opposite this, living wages become increasingly harder to earn, making it more difficult for homeownership. As a result, people have collectively shifted to renting their homes. The Greater Golden Horseshoe is at the forefront of this issue while being a leading region for immigration and population increase. The region cannot accommodate the increasing demand in the rental market, and as a result of this, both newcomers and current residents will have extreme difficulty finding affordable places to live. This is caused by numerous reasons, which if not dealt with, will only worsen. As a result of the increase in housing prices, landlords are less likely to afford rental properties, limiting the number of rentals on the market. With an increase in population, there are not enough rental properties to house the population that needs it. Due to the saturated number of people in need of rental houses, properties will be increasingly expensive, therefore fewer people will be able to afford them. The effect of this is detrimental to the Greater Golden Horseshoe area. However, there are many possible solutions that limit the issues of the rental market.

### **The Decrease of Rental Properties**

The housing crisis impacts all homebuyers, including real estate rental investors such as landlords. As house prices escalate, landlords likely face challenges as their budget does not allow them to buy the amount of investment properties they once used to. According to the Market Report Summary in February 2024, the average home selling price in the GTA increased

by 1.2% compared to 2023, reaching an average house price of \$1,108,720 (Toronto Housing Market, 2024). As this trend persists, obtaining rental properties becomes increasingly difficult due to the fact that many landlords cannot afford the 20% down payment required (Financial Consumer Agency of Canada, 2023). Consequently, fewer people can afford to invest in rental properties, leading to a significant decrease in the availability of rentals as housing prices soar.

For instance, if there were 30,000 people seeking rentals, there were presumably 30,000 landlords capable of purchasing rental properties. However, due to the rising house prices, only 25,000 individuals can now afford to become landlords, leaving 5,000 people without housing options. If house prices continue to rise steadily, the pool of potential landlords will continue to shrink. Consequently, the shortage of rental properties will worsen, exacerbating the inability of the rental market to meet future demands.

### **House Construction vs. Population Growth**

As the population of the Greater Horseshoe area continues to grow, the demand for rental properties will inevitably surge. While new developments are underway throughout the region, they are not keeping pace with the exponential rate of population growth. According to ReMax Wealth Builders, the GTA has historically been a magnet for newcomers seeking economic opportunities and cultural richness. The website projects that by 2041, the GTA's population could surpass 9.5 million people, representing a staggering 50% increase from current levels (Greater Toronto Housing Market Outlook, 2024). However, can developers feasibly increase housing developments by 50%? Unfortunately, the future indicates a significant spike in population growth, but housing construction cannot keep up with this rapid pace. Therefore, the

rental market will witness a demand it is unable to accommodate, and this will only worsen in the future.

Moreover, even if developments were expedited, the question arises: where can housing be built? Particularly in Toronto, there is a shortage of available land, and most vacant land is protected by the Green Belt. The Greater Golden Horseshoe area faces spatial constraints, further intensifying the housing shortage crisis. This shortage of land poses a dual threat to both the rental and purchasing markets. As the population continues to increase, the available properties will continue to fall short and not meet the demand of the rental market, further intensifying the housing crisis in the region.

### **Unaffordability**

As the population grows, the demand for rental properties will inevitably rise. However, if the supply of rental properties fails to keep pace with this growth, or increases at a rate that does not match population growth, the prices of rental properties will soar (Mulder, 2021). Consequently, many individuals find themselves unable to afford suitable housing. While some argue that this scenario benefits the market, it actually diminishes the pool of potential renters as affordability becomes increasingly out of reach.

According to "Homelessness Is a Housing Problem" by Gregg Colburn and Clayton Page Aldern as cited in Toronto City Hall Watchers, absolute rent levels and rental vacancy rates are strongly correlated with regional rates of homelessness. The number of homeless individuals utilizing overnight shelters surged from 7,900 to 10,500 between January 2021 and January 2023. This figure does not represent the amount of people rejected from overnight shelters due to capacity issues (Elliott, 2023). Coinciding with the increase in homelessness, the price of rental

properties also escalated during the same timeframe, underscoring the impact of rising rental house prices.

As the population continues to grow, it is imperative that the availability of rental homes align with population growth to adequately meet the needs of the community. Based on the current shortage of rental homes coupled with the ever growing population, the rental market is not suited to accommodate the Greater Golden Horseshoe's population.

## **Solutions**

If the market continues to be unaffordable and saturated with buyers over the next few years, the future of the rental market is not feasible to suit the population of the Greater Golden Horseshoe area. This can lead to homelessness and other detrimental effects; however, numerous strategies can limit the impending boom of the rental market.

One approach to reducing the demand of the rental market is to slow down the population growth in the Greater Horseshoe area by managing immigration rates. By doing so, the region can effectively temper the demand for rental properties, thereby averting a future recession driven by excessive rapid price escalation followed by market collapse. Between 2018 and 2022, Canada saw an annual average of 553,568 newcomers to the country. In the same time period, only 205,762 homes were built each year (Gravenor, 2023). According to the Canada Mortgage and Housing Corporation, it is projected that 3.5 million additional housing units will need to be built by 2030 (Housing Shortages in Canada Report, 2022). This number is unrealistic which will result in the region facing a surplus of people living without a home. By limiting the amount of new immigrants, the demand will decrease. This will steady the population growth and also buy

time to develop the many homes needed. As this happens, rental properties will decrease in price, making the market better for those in need.

As previously discussed, the concentration of investment in real estate exacerbates issues within the housing market, which in turn affects the rental market. Consequently, altering the dynamics of the housing market could alleviate pressure on rental markets. According to the Bank of Canada, investors and capitalists owned 30% of Canada's housing stock in the first quarter of 2023, representing a 10% increase from 2020 (Feinstein, 2023). While this boosts the availability of rental properties, it also contributes to the housing market's inaccessibility, driving more individuals to turn to renting. One proposed solution involves provincial and municipal governments implementing policies to regulate multi-home purchases, such as curbing profits or increasing taxes. This measure would minimize demand from investors and repeat homebuyers, leveling the playing field and making homeownership more attainable (Mishra, 2023). In doing this, the amount of people in need of rental homes will decrease. Consequently, the reduced demand in the market would alleviate pressure on the rental market, making it more accessible and affordable.

Another critical issue facing the rental market is the scarcity of available properties. The rate of population growth far outpaces the rate at which rental properties are being made available. Achieving an equilibrium between these rates while increasing the amount of homes built, would provide everyone with the opportunity to access housing. Obtaining approval for housing development typically entails nearly a year of waiting for authority approval at a minimum (Applying for changes to land use, 2019). The Stanford Social Innovation Review suggests that one effective strategy to accelerate home construction rates is to reduce or eliminate regulatory barriers hindering the construction of new homes and apartments (Ivorty et al., 2020).

By doing so, more developments can be built in a given timeframe, keeping pace with population growth. Moreover, many companies would be incentivized to embark on larger and more extensive developments tailored to the needs of the region's population. By prioritizing housing development, the availability of housing would increase, thus accommodating more renters.

## **Conclusion**

As the population increases and housing affordability diminishes, the rental market faces the risk of becoming unattainable for the general population. In essence, the rental market is currently growing and is projected to continue growing over the next several years due to the affordability stresses in the housing market. When the rental market becomes increasingly inaccessible, it threatens the lifestyle of the Greater Horseshoe Area.

The lack of available rental properties worsens homelessness, as the escalating prices of homes make it difficult for landlords to invest in rental properties, reducing the supply of rental properties. As the population expands rapidly and housing development fails to match the pace of population growth, rental properties become prohibitively expensive for many individuals. This scenario is particularly detrimental to society, as it heightens the risk of homelessness and fosters unsafe living conditions in neighborhoods.

The rapid growth of the rental market has many negative, long-term effects if nothing changes. To mitigate this risk, the region can implement measures such as limiting immigration rates, increasing the cost of owning investment properties, and accelerating the pace of housing construction. By doing so, the accessibility and affordability of rental houses can be preserved.

The flourishing housing market makes homeownership unattainable for many people in the Greater Golden Horseshoe region. Implementing these solutions is crucial in preventing the negative ramifications of the future rental market. As the Greater Golden Horseshoe rental market expands, it is important to acknowledge and address the adverse effects of its growth to proactively prevent these consequences from materializing. The Greater Golden Horseshoe region is a hotspot of innovation and new technologies, seen as a desirable place to live. In order to maintain this, it is imperative to ensure solutions are utilized to make the rental market more accessible for the Greater Golden Horseshoe's population.

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