

July 22, 2014

## Are Toronto condo rents poised to climb?

By Tara Perkins

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Will rents for Toronto condos resume their upward climb?

Monthly rents for condo-apartments in Canada's most populous city have softened, according to data from the Toronto Real Estate Board, which represents realtors and tracks the market by way of the Multiple Listing Service.

The average rent for a one-bedroom unit rented by way of the MLS was \$1,583 in the latest quarter, down from \$1,610 in the same quarter a year earlier. Rents for one-bedroom units have fallen for three quarters in a row now on a year-over-year basis. (When it comes to quarter-over-quarter they were \$1,633 in the third quarter of last year, \$1,600 in the fourth quarter, \$1,573 in the first quarter of this year, and then \$1,583 in the latest quarter).

Rents for two-bedroom units also softened on a year-over-year basis in the latest quarter, to \$2,142 from \$2,175, after a period of steady year-over-year growth. Downtown rents are the drag, while those in the outskirts of North York and Mississauga are still rising.

Some analysts and economists predicted last fall that Toronto rents would start falling amid a growing number of completed condo buildings. A report by **Veritas Investment Research** said in November that the rental market appeared to be at an inflection point.

"We believe recent claims of robust rental market increases should be taken with a grain of salt," the **Veritas** report said.

The market is being watched not only by renters and landlords. **Veritas** outlined a potential scenario in which lower rents could cause a large number of condo-owners who are holding the properties as investments to sell, causing a decline in condo prices that could trickle into the broader housing market.

Most economists have pegged the chances of that as slim. Canadian Imperial Bank of Commerce economist Benjamin Tal said late last year that the rental market is likely to be weaker in 2014 and 2015, but he did not believe there would be a crash or even a serious correction because he believes that young people will increasingly have to rent rather than buy.

For its part, the Toronto Real Estate Board (which, as noted, represents realtors) is saying that the number of rentals done over the MLS during the latest quarter were up by more than new rental listings.

"If rental transactions continue to increase relative to the number of units listed, we will likely see renewed growth in average rents as competition between renters increases," the board said in its market report.