

INVESTMENT FORECAST

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

Apartment
Toronto

2022

Many Higher-Income Workers Choosing to Rent Amid Single-Family Housing Trends

Lack of budget-friendly homes aids outlook as preferences shift.

Immigration and a broader economic reopening in the second half of last year helped lift the metro's job count by 4.1 per cent relative to the year-end 2019 tally. As the second largest financial center and third largest tech hub in North America, higher-wage jobs are being created at a blistering pace in the GTA. Payroll additions in these industries, coupled with a shortage of single-family houses available for purchase, is resulting in home and condo prices skyrocketing in Toronto. The price of a detached single-family house exceeded \$1.4 million last year, which is almost a 35 per cent annual increase. As such, many potential entry-level buyers are opting to rent. Meanwhile, COVID-19 restrictions and remote work operations generated stronger demand for units in suburban complexes with outdoor spaces, balconies and larger floorplans. This shift in preferences is producing vacancy contraction and strong rent growth in places like East Brampton, Oshawa and Milton-Halton Hills.

Toronto Apartment Investment Trends

- Competition for listed assets amid record-breaking trading velocity is applying upward pressure to sale prices, with the metrowide average apartment cost climbing above \$300,000 per unit last year.
- Rising per-unit prices in Oakville, Scarborough and Etobicoke are leading to higher trading volumes in Oshawa, Mississauga and York, where entry costs are at or below the GTA average.

2022 Apartment Trends



**2,730
UNITS**

will be completed

CONSTRUCTION:

Builders will finalize slightly fewer rentals in 2022 than the trailing five-year average amid elevated material costs and a labor shortage in the construction sector.



**30
BASIS POINT**

decrease in vacancy

VACANCY:

Following a 120-basis-point increase in 2021, vacancy will drop to 4.3 per cent by year-end. Immigration and escalating home and condo prices in the GTA will help fill more apartment units this year.



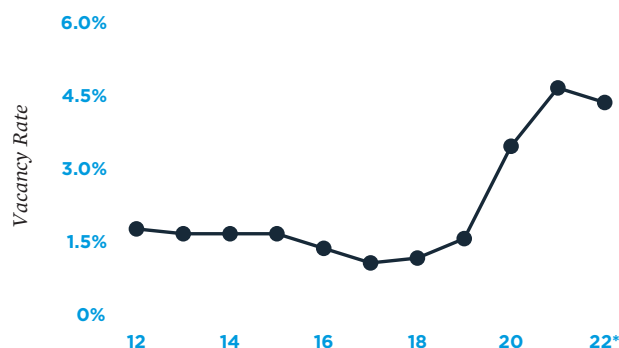
**4.5%
INCREASE**

in effective rent

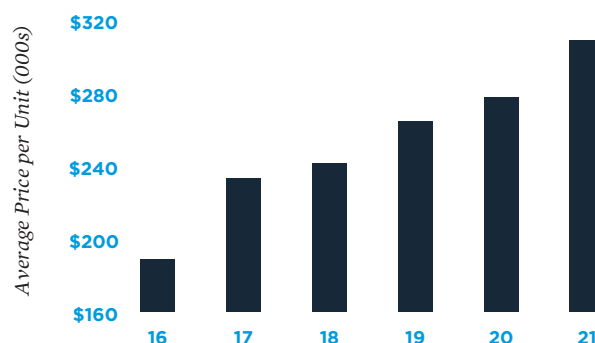
RENT:

Adding Luxury Class A units will push the average effective rent to \$1,805 per month in 2022. This is the first time rent growth will be above 3 per cent since 2019.

Vacancy Trend



Sales Trends



Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Toronto office:

Mark Paterson Regional Manager

200 King Street W, Suite 1210

Toronto, Ontario M5H 3T4

Tel: (416) 585-4646 | mpaterson@marcusmillichap.com