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Housing crisis in a Canadian global city: Financialisation, buy-to-let investors and short-term rentals in Toronto’s rental market

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Introduction and theoretical framework

The City of Toronto is, in 2020, arguably in the midst of a residential construction boom beyond the scope of any other city in North America. With city staff reporting almost 400,000 residential units in Toronto’s development pipeline between 2014 and 2018 (City of Toronto 2019a), the unprecedented number of cranes that now dot the skyline have become emblematic of a city undergoing rapid and monumental transformation. According to a recent report from Ryerson University’s Centre for Urban Research and Land Development (Clayton and Shi 2019), the City of Toronto was the fastest-growing central city in either the US or Canada for the year ending July 2018, with its 77,435 newcomers representing more than those of the next three cities combined. Even at a regional level, the 125,298 newcomers to the Toronto metropolitan region were only surpassed by migrants to metro Dallas, Texas. However, despite this scale of development, it is increasingly clear that not enough is being done to house the city’s rapidly growing population, not to mention those existing populations being displaced by accelerating housing costs. In a city where almost half (47 per cent) of all households are renters (City of Toronto 2019c), the Canadian Rental Housing Index (2019) estimates that 23 per cent of those households spend more than 50 per cent of their income on rent, while high demand for rentals has kept vacancy rates persistently down, around the 1 per cent mark, and no-fault evictions have almost doubled since 2015 (CMHC 2018; ACTO 2019).

Of course, Toronto is not alone in grappling with such a housing crisis. While critical housing scholars are right to point out that housing crises have been a persistent companion to capitalist urbanisation since Engels’s early studies of the first industrial towns (Aalbers and Christophers 2014; Saegert 2016), the Global
Financial Crisis (GFC) has reignited both public and scholarly attention around what has long been an unstable contradiction between housing as a place for people to live and housing as a financial asset.

However, while the increasing entanglement between housing markets and international finance – a process scholars are calling ‘financialisation’ – has come to the fore in critical scholarship since the GFC, this process has unfolded over decades, as neoliberal governments have worked to roll back social infrastructures such as public housing and social housing subsidies that were implemented in varying degrees by the welfare states of the post-war era. A key factor in this process was the gradual loosening of cross-border capital flows, which enabled surplus capital – what Aalbers (2016) calls the ‘wall of money’ – to capitalise on the highest returns available across a globalised field of potential investments. Especially in a post-GFC environment characterised by quantitative easing and low interest rates, scholars observe a preference among investors handling this ‘wall of money’ for the acquisition of housing assets, one of the few remaining forms of ‘high-quality’ collateral in a stagnating global economy (see also Walks’s chapter in this volume). Meanwhile, investors have themselves become more international-facing and institutionalised into often monolithic private equity and pension funds and other institutional investment entities (Clark 2000; Aalbers 2016; Fields 2018). Finally, securitisation has been a central technology of financialisation as it has enabled otherwise ‘opaque, illiquid, and unique assets – like housing and real estate’ (August and Walks 2018, 125) to be turned into standardised, interest-bearing financial securities readily available for (rapid, value-seeking) exchange on financial markets (Gotham 2009; Walks 2014).

Critical scholarship has done much to document the processes through which owner-occupied residential housing markets in North America and Europe have become financialised through mechanisms such as asset-backed mortgage securitisation, in both the lead-up to and the aftermath of the GFC (see Walks’s chapter in this volume). A similar literature on the financialisation of rental housing is still emerging (Beswick et al. 2016; Fields and Uffer 2016; August and Walks 2018; Fields 2018; Revington and August 2019). While disinvestment and ‘roll-back’ neoliberalisation tended to characterise dynamics in the social and private rental sectors of most wealthy economies in and through the post-Fordist era, scholars note how the post-GFC era has seen a striking increase in interest among private equity, pension funds and institutional investors seeking reliable yield in ‘alternative assets’ such as rental housing (Beswick et al. 2016).

Critical scholars have also documented the ways in which financial logics have penetrated the spaces and occupations of everyday life in a variety of contexts, noting an increasing normalisation of individualised notions of responsibility and security as manifest in concerns with balancing household budgets, the cultivation of investment portfolios to ensure retirement savings, and a heightened cultural and societal importance attached to credit scoring (Martin 2002; Langley 2008). This element of financialisation and the processes that have encouraged it have in recent decades contributed to the near-ubiquity of the notion that everyone should be an
Financialising processes, then, have multiple inflections in the housing sector. Responding to Fernandez and Aalbers’s (2016) call for the development of case studies that can inform an analysis of housing financialisation as a locally variegated but global totality, this chapter offers a preliminary analysis and overview of some of these processes underway in Toronto’s uniquely structured rental market. Following a brief history of Toronto’s private rental sector, set in the broader Canadian context, we analyse the profiles and assess the prevalence of different types of private landlords and the extent to which their roles in the sector have been changing as a consequence of broader political economic and policy decisions. We consider the present state of small-scale private letting and draw attention to emerging forms of ‘buy-to-let’ rental providers, including both the incursion of corporate landlords into the multi-family rental sector and the recent expansion of short-term rental letting on platforms such as Airbnb, especially among the city’s rapidly increasing stock of condominiums.

A brief history of rental housing in Toronto

The prime period of Canadian private rental housing construction, which remains the source of most purpose-built rental supply today, took place from the mid-1950s to 1974 (Hulchanski 2004a; Suttor 2016). By the mid-1960s over half of new housing units built in Canada were intended for rental (Suttor 2009). In Toronto much of the apartment stock built from the late 1950s to the mid-1970s was developed in the suburbs by a handful of large firms as towers of 200+ units (August and Walks 2018). However, from the 1970s onwards renter households became increasingly low-income, as policies encouraging and subsidising homeownership that increased access to mortgage financing, as well as the increased presence of condominiums after the 1980s, led middle-income households to move from the rental sector and into homeownership (Hulchanski 2004a; Suttor 2009; Rosen and Walks 2013; Suttor 2016).

As elsewhere, the late 1970s and 1980s saw a dramatic decline in rental housing production (Hulchanski 2004a; Suttor 2009). Renters’ incomes were no longer high enough for private rental production to remain profitable in light of the increased costs to production that also appeared at that time, including large increases to the costs of construction labour and land, and rising (and volatile) interest rates (Hulchanski 2004a; Suttor 2009). State support and subsidies helped to maintain private rental construction into the mid- to late 1980s, but subsequently social housing and secondary (often basement) suites became the primary
sources of new rental units (Suttor 2016). In the 1980s high interest rates continued to diminish the profit motive for private rental construction and made subsidising social housing much more costly (Suttor 2009). By 1978 Canada had eschewed any responsibilities with respect to financing housing, opting instead for market approaches more susceptible to rising interest rates. Suttor (2009) estimates that private rental sector completions dropped from a national level of 88,200 completions between 1970 and 1974, to 43,000 between 1980 and 1984, to 6,200 between 1995 and 1999. While in the 1980s social rental housing accounted for 39 per cent of rental production, the period between 1984 and 1993 was characterised by rollbacks in social housing for lower-income Canadians. By 1993 the federal government had fully withdrawn all funding for new social housing (Hulchanski 2004a).

The rise of the condominium as a pillar of post-industrial re-urbanisation in Toronto has had dramatic impacts on the city’s built form and has been a key factor reshaping social relations and demographics in the inner city (Kern 2007; Rosen and Walks 2015). This stock has grown especially rapidly since the early 2000s. From 2007 to 2017, condos represented 81.5 per cent of all newly completed housing, 99.1 per cent of which were in apartment-style buildings, and much of the newest construction has taken place in the downtown and waterfront area of the City of Toronto (Rosen and Walks 2015; City of Toronto 2019b). The scale of new buildings has also increased, with a dramatic rise to dominance of buildings with more than 250 units (Rosen and Walks 2015, 293). As of 2016, 26 per cent of the City of Toronto’s approximately 1,113,000 housing units were condos (City of Toronto 2019c).

Meanwhile, between the turn of the millennium and 2020, very little purpose-built rental housing was constructed. Therefore, condo units – now an attractive form of speculative and cash-flow (rental) investment in a heated market – rented in the secondary market have become a crucial source of housing stock expected to meet new rental demand (along with rooming houses and non-condo secondary suites, such as basement apartments) (CMHC 2018). Between 2006 and 2016, approximately 75 per cent of all new rental housing stock was added in the form of condominiums, 23 per cent in non-condo private units and only 2 per cent in purpose-built rental housing (Grisdale 2019, 10). While purpose-built rental housing and social housing built in the 1970s and 1980s was generally intended to serve moderately low- and very low-income renters, the new secondary market stock tends to be high-end, commanding rental prices that often exclude lower-income tenants or serve as attractive spaces for the short-term rental market (see Figure 11.1) (Rosen and Walks 2015; City of Toronto 2019b).

Changing dynamics of ownership and tenure in the City of Toronto

Who owns Toronto’s private sector rental stock and benefits from the enormous increases to land, property and rent prices that appeared in the 2010s? In the 1960s
and 1970s Toronto’s private rental sector was dominated by large- or medium-scale corporate/commercial landlords/owners (and typically also developers), primarily of professionally managed apartment towers (August and Walks 2018; Chisolm and Hulchanski 2018). Following the decline in purpose-built rental construction things shifted and approximately half of these older multi-unit rental properties are now owned by individuals (Gibb et al. 2018; August and Walks 2018). Data from the Canada Mortgage and Housing Corporation (CMHC) indicate that at the national level in 2017, 49.3 per cent of purpose-built rental housing units were owned by individual investors, 39.7 per cent by private corporations, and the remainder were held by a combination of real estate investment trusts (REITs) (7.9 per cent), public corporations (2.5 per cent), pension funds (0.3 per cent) and real estate investment funds (CMHC 2017). However, these numbers neither reveal the scale of investors’ operations within these categories nor provide any insight on the secondary rental market. Nor do they disaggregate private corporations in terms of size and corporate structure (e.g. between smaller family-owned corporations and monolithic private equity firms). Is the private rental market dominated by a small number of individual investors that own large quantities of rental units, or many small-scale investors owning only one to three rental units, as is the case in Australia and the UK (Arundel 2017; MacLennan et al. 2018)? Is it dominated instead by non-individual (corporate) landlords that have very large portfolios of rental properties? Indeed, such information is difficult to find.

In England, approximately 89 per cent of landlords (2015) are private individuals, and the vast majority hold only one rental property (Ronald et al. 2015). This situation was intensified by a period of accessible mortgage credit and property price crashes around the time of the financial crisis (Ronald et al. 2015; Arundel...
2017; Chisolm and Hulchanski 2018; MacLennan et al. 2018). While in similar nations, such as Australia, the rental sector has also long been dominated by individual investors, with relatively few corporate or institutional landlords (Pawson 2018; Adkins et al. 2019), the Canadian housing landscape has long differed from these countries in important ways (Suttor 2009), and with no major housing correction (despite the financial crisis) it has experienced sustained house price inflation. New units in cities such as Toronto have been particularly concentrated in high-rise condos (Walks 2014; Chisolm and Hulchanski 2018; Gibb et al. 2018; Rosen and Walks 2015).

The rise of asset-based welfare and its implications for inequality

Understanding the proportions and profiles of individual private landlords, particularly in the secondary market, is important both because of the effects of property-based wealth on wealth (and income) inequality and because of the rental market dynamics (and dynamics of control) particular to this form of stock. Since the 1990s, Canada’s federal government has absolved itself of any direct role in the rental housing sector in favour of policies promoting the premise of an ‘asset-based’ form of welfare (Sherraden 1991; Walks 2014). Emblematic of what critical scholars call the ‘financialization of daily life’ (Martin 2002), ‘asset-based welfare’ describes a policy orientation that aims to replace the traditional welfare state with incentives for people to accrue assets that will increase in value over time and thus be drawn on as a form of social security in old age. While the federal government devolved responsibility for social housing to the provinces in the 1990s, it continued to maintain involvement in the mortgage insurance market through the CMHC, promoting policies amenable to the interests of Canadian (and subsequently foreign) financial institutions that, in need of new revenue streams, were increasing their operations in household mortgages (Walks 2014; Kalman-Lamb 2017). In the early years of the new millennium, and intensifying with the 2008 crisis, the CMHC introduced financial products such as government-insured mortgage-backed securities. These effectively allow mortgage originators to sell mortgages to investors in secondary markets (see Walks 2014, and Walks’s chapter in this volume, for details). In combination with reductions in government mortgage insurance eligibility requirements for homebuyers, these programmes enabled banks to lend en masse to aspiring and upsizing homeowners and individual investors.

Among the results were an increase in levels of household indebtedness and a shift of middle-income renters into the ownership sector, variously through (a) relatively more affordable condo purchases, (b) expanded condo development and (c) sustained, rapid house price escalation, particularly in Vancouver and Toronto (Walks 2014; Rosen and Walks 2015). However, after 2006 the national homeownership rate increased only slightly despite sustained house price inflation
(Kalman-Lamb 2017). Wage stagnation has had much to do with this, but more recent increases in government-imposed mortgage market regulations to impede households’ access to homeownership have also played a role. As a result, the supposed wealth-building aims of asset-based welfare have been undermined, while financial institutions have benefitted enormously (Walks 2014).

A housing and social security system that promotes the individual (or household) ownership of assets (such as housing) as the key mode of wealth building and retirement savings has contributed to a skewed distribution of wealth; not only are those retirees that rely on their housing equity for retirement security vulnerable to market downturns, but lower-income and younger households have in many cases been locked out of the owner-occupied housing market due to a combination of high student debt levels, low wage growth, lack of supply and highly inflated urban house prices. As such, early entrants have been the main beneficiaries of these considerable wealth gains. These policies also enhance wealth inequalities between renters and owners if owners use the equity in their principal residence and – more importantly – the access to additional credit (at the lowest rates) that these assets open up to purchase rental properties as further investments for their portfolios. This has become a key reason to evaluate the extent of small-scale, individual private investor-landlords’ ownership of Toronto’s (and Canada’s) private sector rental housing stock within both the purpose-built and secondary markets.

As Arundel (2017) has shown in the UK context, where the dominance of individual landlords in the private rental market has had important consequences for the distribution of wealth in British society, over 50 per cent of landlords in the UK are among the wealthiest 10 per cent of households in terms of housing wealth. They are also heavily concentrated among the highest-income-earning households, and the highest-income earners see the greatest returns on their rental property investments (Arundel 2017). Beyond merely providing pensioners with a retirement income boost, rental property investment has served to entrench existing wealth and income imbalances in the UK. The increased demand from investors can also serve to increase house prices and further erode the ability of aspiring owner-occupiers to access the homeownership ladder (Ronald et al. 2015).

Data constraints make replication of this analysis difficult in the Canadian context. However, young adults are living with parents longer, are facing high and escalating rental costs in major cities and are having difficulty in accessing the homeownership market; it is thus possible that a similar compounding of wealth inequalities, both within and between age groups, is already underway. In this case the housing system, rather than providing affordable shelter to all, would not even be fulfilling the promises of asset-based welfare, as the wealth gains of the already wealthiest and highest-income households occur at the expense of those who may never even hope to leave the rental sector.

It is still more difficult to find detailed ownership data for the secondary rental market in Canada. Despite it being widely understood that when condominium units are developed a significant proportion are expected to be rented out by purchasers,
direct data on rental condos and their owners are somewhat scarce. Gibb et al. (2018) claim that the Canadian private rental stock is split roughly evenly between small investors on the one hand and medium and large investors on the other. A recent analysis by Statistics Canada suggests that nationally, 76 per cent of individual, resident owners of multiple residential properties (concentrated in Toronto and Vancouver) own only two properties (Bekkering et al. 2019). It is unclear whether additional properties are used as rentals. However, in Toronto 21 per cent of two-property owners owned a condo apartment and almost half (46.6 per cent) of multiple-property owners held all their properties in the vicinity of their residence, suggesting that these are primarily rentals. A 2018 consultancy report (Hildebrand and Tal 2018, 4) suggests that a significant group of Toronto’s condo rental investors tend to be ‘local immigrants’ who are investing for their retirement portfolio or as a means to help their children access the housing market. These observations could point to a significant group of relatively wealthy, middle-aged, individual private landlords in Toronto renting condos, many of whom are new residents. What is clear in the Canadian context is that there has been a persistent income gap between owners and renters in Canada since at least the 1970s (Hulchanski 2004b). Today, nationally, owners’ median income is approximately twice that of renters (Chisolm and Hulchanski 2018). In Toronto this can be seen in disproportionate housing affordability stress among renters relative to homeowners (Figure 11.2).

In 2016, only 29.6 per cent of Canadian households did not hold any debt (Statistics Canada 2017). The average price for a detached home in the Greater Toronto Area (GTA) reached $1.05 million in December 2019 (Canadian Press 2020). Facing high prices, Canadian borrowers, particularly in Toronto and Vancouver, have turned increasingly to private alternative lenders, among whom

![Figure 11.2](image-url)

Notes: The 1981 Census calculated this figure as the proportion of owners/renters spending more than 25% of income rather than 30%. Data not available for 2011 so extrapolated between 2006 and 2016.

**Figure 11.2** Proportion of owners and renters spending more than 30 per cent of income on shelter costs in Canada and the City of Toronto, 1981–2016 (custom tabulated by Sean Grisdale based on data from Canada Statistics n.d.)
mortgage delinquency rates tend to be considerably higher than average (Better Dwelling 2018; Tal 2019). In September 2019 personal insolvencies (driven by defaults in unsecured and home equity lines of credit) saw their biggest annual increase (19 per cent) nationally since 2009 (Tal and Shenfeld 2019; Heaven 2019).

If small-scale individual landlords tend to hold rental condos as their investment properties, this also has implications for rental sector stability. Condo rentals are believed to be a more volatile form of stock; their investor-landlords may not have much interest, experience or knowledge in being a landlord, and may choose to sell at any time to realise capital gains. When sold to new buyers, condo units may be returned to owner-occupied tenure, and tenants may be asked to vacate on relatively short notice if existing owners decide to use the unit for personal purposes (TOLTB 2018). A 2019 report suggests that annual increases to rental condo supply have been declining in Ontario, as fewer investors keep their units on the long-term rental market (FRPO 2019). The property industry has also recently suggested that new condo-rental investors may be unable to carry costs in the coming years if the rents needed to cover monthly costs begin to outpace renters’ ability or desire to pay (Kalinowski 2020). Further, secondary condo rentals lack oversight and control by local planning authorities, in that they are market-produced stock rather than intentional components of land use planning, and the quality of rental and experience of renting may be more precarious in this housing (Rosen and Walks 2015; Gibb et al. 2018; City of Toronto 2019b).

Institutional investors: Pension funds, private equity and REITs

Recent work on the financialisation of rental housing has demonstrated the scale at which large private equity firms such as Blackstone have made inroads into those markets most heavily affected by the GFC, with Beswick et al. (2016) suggesting we may be witnessing the rise of what they call ‘global corporate landlords’. Indeed, in the wake of the GFC, it was reported that Blackstone had acquired $10 billion of repossessed residential properties at foreclosure auctions – many of them single-family homes – making it the largest private landlord in the United States, and probably the world (UNHRC 2017). Beswick et al. (2016) also show how Blackstone has acquired a formidable portfolio of distressed housing, office, retail and commercial property in Ireland, Spain and Greece. However, while research does indicate an increasing interest among private equity, REITs and pension funds in acquiring ageing multi-family residential apartments in Toronto (August and Walks 2018), it is clear that the Canadian context, much like the UK rental market (Beswick et al. 2016), is experiencing dynamics divergent from economies that experienced a significant foreclosure crisis.

For the most part, Canada managed to avoid what could have been a mass foreclosure event by socialising many of the country’s insolvent mortgages onto the balance sheet of the CMHC (see Walks’s chapter in this volume). As a consequence,
it prevented the formation of those rent gaps now exploited by firms such as Blackstone in the US, Ireland, Spain and Greece. Conversely, inflated housing prices in major Canadian cities such as Toronto and Vancouver now precipitate different problems for local communities, with processes of gentrification primarily benefitting domestic property owners, who are holding existing assets either for the purposes of long-term speculation, to milk existing rents or on the bet that they can reposition their assets to entice higher-income tenants. Indeed, according to Raj Mehta, Global Head of Private Capital and Partnerships with the property asset management company Starlight Investments, 90 per cent of this sector remains in the hands of domestic family companies and small individual investors, citing good returns amid the confluence of (a) rising rental demand as the middle class is increasingly unable or unwilling to access homeownership, (b) limited rental supply that is unlikely to be significantly offset by near-term rental completions and (c) an unwillingness to pay the capital gains taxes that come with selling (Wilcox 2018).

However, while Mehta notes the Canadian rental market continues to constitute a ‘noticeable gap’ in the overall portfolios of companies such as Blackstone, there are signs that this might be changing. For instance, in partnership with Starlight Investments, Blackstone recently marked their first incursion into the Canadian rental sector in 2018 with their joint acquisition of five apartment buildings between Toronto and Montreal (Wilcox 2018), while more recently the same partnership announced a second round of acquisitions, buying 1,067 units across eight mid-rise buildings in the GTA (Starlight Investments 2019). However, while the corporatisation of rental housing across the world has emerged from the ashes of many countries’ distressed housing markets, it is important to note that disinvestment in Canada’s multi-family apartment sector was also an important precursor to the emergence of Canadian REITs in the mid- to late 1990s. As August and Walks (2018) note, a number of overlapping historical events (see above) precipitated the legislation that would enable REITs to become the rising stars they are today.

Coincidentally, legislation enabling the first REITs was passed in 1993, the same year the federal government took its protracted leave from the rental housing market. However, as August and Walks (2018) note, the first REITs to invest in apartments would not come into existence until 1997–8 with the formation of Canadian Apartment Properties REIT (CAPREIT) in 1997 and Residential Equities REIT (ResREIT) in 1998. Today, CAPREIT is likely Canada’s largest landlord, controlling approximately 64,000 rental apartment and townhouse units across Canada, the Netherlands and Ireland in 2019 (CAPREIT 2019). Canada’s Real Estate News Exchange notes (euphemistically) how its strategy of shifting ‘toward quality in its asset mix, tenant base and market selection’ has paid off, with its net rental income increasing by 11 per cent between 2017 and 2018 alone (Duggan 2019b). Significantly, these REITs were formed at the exact moment that the Province of Ontario decontrolled rents, stripped back tenant protections and downloaded social housing responsibilities to municipalities, setting the stage for investors to capitalise on the deep rent gaps suddenly appearing in Toronto’s
ageing and disinvested apartments. There are many REITs operating in Canada’s property markets, allowing both small retail investors and institutional investors such as pension funds to receive steady returns on property, without succumbing to the particular commitments and responsibilities associated with owning actual property. And as with private equity firms such as Blackstone, they have pooled their investments in the gamut of alternative property asset classes, including student housing (Revington and August 2019), office space, industrial space and even mobile homes (Duggan 2019a).

However, a number of factors make the emergence of financialised landlords a cause for concern with respect to gentrification. As globalised monoliths, they are harder to hold accountable legally or politically, while also harder to negotiate with or persuade at an affective level – opportune conditions for them to coordinate their specialised technical expertise, patient capital and market power towards maximising revenue streams and exploiting legal loopholes (Fields and Uffer 2016; August and Walks 2018). Furthermore, as ownership is shared among any variation of diverse investors in whatever vehicle ultimately owns a given pool of units, the impetus to maximise shareholder value in combination with the unique scale at which they enjoy access to credit and technical expertise entails a drive to close rent gaps that might not be as strong, or in many cases possible, for smaller landlords or firms (August and Walks 2018). Thus residents and housing activists organising in multi-family housing are stuck between a rock and a hard place: both fighting for repairs to the severely disinvested infrastructure of buildings where smaller owners are content to milk their properties into the ground, while also struggling against aggressive evictions in buildings acquired by ambitious new corporate owners interested in maximising shareholder value by attracting wealthier tenants (August and Walks 2018). While local tenant organising has produced some important successes in the form of concessions, they are up against an increasingly sophisticated, resourced and patient form of landlord.

**Digital short-term rental platforms: An emergent form of financialised housing?**

While dynamics underway in Toronto’s multi-family apartment buildings are characterised by long-standing (though evolving) processes of disinvestment and gentrification, one unforeseen consequence of policy-makers’ turn to asset-based welfare and buy-to-let rental housing provision has been the rapid expansion of digital short-term rental platforms such as Airbnb; these now serve to distort the rental market by providing a more flexible and profitable alternative to the traditional rental market (Wachsmuth and Weisler 2018; Cocola-Gant and Gago 2019; Grisdale 2019). While companies such as Airbnb represent themselves as platforms for everyday people to make extra money renting out an extra room (Airbnb 2016; 2017), scholars studying their expansion in cities around the world
are increasingly demonstrating how short-term rental platforms are dominated by commercial operators capitalising on the willingness of tourists and business travellers to pay higher rates of rent than locals (Wachsmuth et al. 2017; Crommelin et al. 2018; Ferreri and Sanyal, 2018; Wachsmuth and Weisler 2018; Coca-Gant and Gago 2019). Thus, as Wachsmuth and Weisler (2018) have theorised, the platform can be understood as enabling the exploitation of new rent gaps that have less to do with the capacity of property owners to invest in their property. These platforms are now playing an important role in the commodification and financialisation of housing; the international surplus capital invested in disruptive platforms such as Airbnb represents hedges on the platform’s ability to capitalise on rent gaps emerging in parts of the city that are attractive to tourists (Wachsmuth et al. 2017, 2019; Wachsmuth and Weisler 2018; Grisdale 2019).

Drawing on a methodology and dataset developed by Wachsmuth and Weisler (2018) to assess the impact of short-term rentals on the local rental market, Grisdale (2019) finds that between June 2016 and May 2017 there were 4,479 full-time, entire-home Airbnb rentals operating in the city. Thus, at the same time that the rental vacancy rate hovered around 1 per cent, full-time short-term rental operations were shown to be removing approximately 0.85 per cent of the city’s potential rental stock from the traditional long-term market. The implication is that insofar as these units could be incentivised to return to the traditional rental market, the vacancy rate could be almost doubled. Furthermore, Grisdale (2019) observes that these 4,479 full-time rentals also took home approximately 58.5 per cent of total Airbnb revenue in the city, while the average full-time Airbnb host in many downtown neighbourhoods was found to be making significantly larger profits than the average landlord. A recent report by Wachsmuth et al. (2019) suggests the industry did indeed continue to expand between 2017 and 2019. While commercial short-term rentals were supposed to be officially banned in Toronto as of summer 2020, the sector has continued to operate without oversight. And as a global city that continues to attract tourists for various reasons, the platform could only be expected to continue enticing buy-to-let property owners to take up short-term rentals insofar as it continued to offer a more profitable model for investor owners.

As Wachsmuth et al. (2019) demonstrate, short-term rental hosts running multiple listings have assumed an increasing share of both total listings and total revenue, suggesting a continuing intensification of short-term rental commercialisation in the city. In 2015, hosts running multiple listings constituted approximately 23 per cent of total listings, taking home almost 37 per cent of total revenue. By 2019 they controlled almost 38 per cent of listings while taking home just over 53 per cent of total revenue. Both the absolute number of listings and the absolute amount of revenue flowing through the sector have also increased significantly. Between 2015 and 2019, active daily short-term rental listings in Toronto increased more than five-fold, from less than 5,000 in 2015 to more than 21,000 as of 30 April 2019 (Wachsmuth et al. 2019). In terms of revenue, while between June 2016 and May 2017 hosts in the City of Toronto generated approximately $151.3 million in
revenue (Grisdale 2019), they more recently took in approximately $218.9 million in the period between May 2018 and April 2019 (Wachsmuth et al. 2019), constituting a 45 per cent increase in yearly revenue in only two years.

While digital short-term rentals have come under scrutiny for a number of reasons, from over-tourism and neighbourhood disruption, to issues of safety and tax evasion, Toronto activists emphasise their impact on an already stressed local rental market, where vacancy rates are at their limit and evictions are on the rise in popular Airbnb neighbourhoods such as Kensington Market (Dingman 2019; Mathieu 2017). Just as scholars are demonstrating in the London housing market (Ferreri and Sanyal 2018; Shabrina et al. 2019), this can be understood as an unforeseen consequence of decades of neoliberal approaches to housing policy precipitating housing systems wherein the total given supply of rental stock is primarily a function of the willingness of many self-interested investors to supply their property to the traditional, regulated rental market as opposed to leaving it vacant, living in it part time or hosting tourists. Thus, the expansion of Airbnb in Toronto is particularly bound up in the city’s condominium-oriented approach to urban development. As Grisdale (2019) shows, the most central neighbourhoods of Toronto, where condominium units are the dominant (in some parts only) form of residential housing (specifically the Waterfront Communities, South Parkdale–King West and the Church–Yonge and Bay Street corridors), together accounted for almost half of the city’s full-time, entire-home listings (2,112 listings or 47 per cent). Together, these 2,112 listings accounted for approximately 32 per cent of the total Airbnb revenue generated in the city that year.

This appears to be in line with trends observed in London, where Shabrina et al. (2019) show that Airbnbs are most prevalent in the city’s core where there is a high predominance of dense, privately rented flats (whether purpose built, converted or in commercial buildings). However, while London and Toronto are seeing buy-to-let rental stock assuming a greater proportion of the total, a trend which also contributes to potential short-term rental stock, the factors driving these processes are not entirely the same. In Toronto, new buy-to-let construction of condos has been significant and sustained in neighbourhoods popular for tourists, meaning new condo construction likely accounts for a significant proportion of the total potential short-term rental stock (City of Toronto 2019a). In comparison, the rate of new construction has been declining in London since the 1970s, suggesting that relative to Toronto, flat conversions are likely to be a more significant source of any new potential short-term rental stock (Shabrina et al. 2019). Of course, short-term rentals cannot simply be explained by the city’s mix of housing tenure. Policy is also key, and though regulations banning short-term rentals in non-primary residences were set to come into enforcement in summer 2020, the platform has already done much to reshape the city. Evictions cannot be taken back, the city has lost much-needed rental stock, while many properties are likely to have undergone conversion into luxury suites that will only continue to attract higher-income tenants for the foreseeable future, whether they live there temporarily or long-term.
Conclusion

Toronto is facing a crisis of affordable housing for its lowest-income residents and for renters and prospective owners across an increasingly wider income spectrum (Chisolm and Hulchanski 2018). As the rental vacancy rate hovers at 1 per cent and rents continue to rise, ‘no-fault’ evictions, including those requested for renovations and the landlord’s own use, almost doubled between 2015 and 2019 (ACTO 2019). In this chapter we have responded to Fernandez and Aalbers’s (2016) call for analyses of the financialisation of housing in its variegated, locally inflected forms. We argue that the financialisation of rental housing in Toronto is mediated by the city’s unique mix of tenure and infrastructure: the city’s large stock of ageing multi-family rental housing is targeted by large institutional investors exploiting rent gaps that emerged suddenly in the wake of rent decontrol legislation (August and Walks 2018), while the more recent strategy of relying on condominiums to fulfill rental demand in the private market driven by job growth is now complicated by the rise of short-term rental platforms that can offer increasingly leveraged homebuyers higher returns in the tourism market, which particularly affects global cities such as Toronto and London. At the same time, rapid in-migration to the Toronto region and an expansion of mortgage debt driving a housing boom uninterrupted by the 2008 financial crisis are factors driving households into a rental market that is experiencing severe supply shortages. While purpose-built rental development is seeing something of a resurgence after decades of stagnation, the increase is not enough to meet rapidly growing demand in the short term, and developers are primarily positioning units to cater to the luxury and high end of the market (Lawrence 2019). Meanwhile, the prospect of returning rental units from the commercialised short-term rental market remains uncertain. While stringent regulations involving taxation, licensing of all listings and bans on listings in all secondary suites and properties that are not a host’s primary residence have been legislated, the question of enforcement capacity will continue to haunt cities’ attempts to govern this phenomenon.

References


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