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High-end rental towers are on the rise

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Gary Spira sold his house and moved into a new rental tower. He's one of many people making such a move as demand for carefree living grows.

Peter J Thompson

Gary Spira spent his entire life living in houses in or around Toronto's tony Forest Hill Village.

Six months ago, with his two children off to university, the computer consultant decided it was high time he traded in his snow shovel and lawnmower for a more carefree lifestyle. But rather than pour his money into a condo, Spira banked the cash from the

sale of his house and moved into a two-bedroom, 1,500-sq.-ft. unit on the 27th floor of the neighbourhood's brand new rental tower.

He's not alone. As Toronto's population grows and condo vacancies decline, there's a growing demand for purpose-built rentals, according to condo research firm Urbanation Inc. The number of proposed purpose-built rentals in the city increased to 27,812 in 2016, up from 10,513 in the year-earlier period. And it's a trend the organization expects to continue, said Pauline Lierman, director of market research.

Spira's new address is The Heathview, comprising two 30-storey towers by Morguard Corp. with 586 units ranging from 450 sq. ft. to two-storey, 2,070-sq.-ft. townhouses. He liked the fact that it was a new building because "I didn't have to go in and clean up someone else's mess."

"I wanted to get out of the market," says Spira, 60. "I didn't want to own. I wanted to just put the money away and enjoy myself."

Rental advantages

With high-end appliances, in-suite laundry and amenities like party room, fitness centre and 24/7 concierge on par with traditional condo towers, he says it feels "like a cross between a hotel and summer camp." By renting, he's socking away his savings and living debt-free. And he's not worried about being kicked out any time soon.

"I didn't want to rent from a condo owner because that's a risky proposition – they can turn around any time and go: 'I want to move in,'" he explains. "In a rental building you have a little more protection re: length of stay. You also have staff on-site if there are problems. You don't have to go chasing down an owner and start with: 'You pay for it and I'll pay you back.'"

With housing prices continuing to soar in the Greater Toronto Area, interest rates low and a vacancy rate of investor-owned rental condos at a seven-year low of one per cent, it's no surprise that developers are turning serious attention to purpose-built rentals. But don't think dull 1970s-style rent-controlled buildings with closet-sized gyms and basement laundromats. Today, it's all about space, style and luxurious amenities that are giving brand new condominium towers – and investors who own units there – some stiff competition.

Of the 332 residential projects (comprising 104,817 units) under review right now at the City of Toronto’s planning division, 43 – that’s 8,684 units – are rentals, and some projects that were originally proposed as condominiums have switched to rentals. “For a long time there wasn’t a lot of purpose-built [rental] construction happening so what was filling the demand were condominium rentals,” says Andrew Scott, senior market analyst at Canada Mortgage and Housing Corporation, adding that 50 per cent of



Westbank's proposed Mirvish Village at Bathurst St. and Bloor St. W. is still a few years away from becoming a reality. CNR Lennox and Bathurst Westbank

newly constructed condos sold in the GTA go onto the rental market. “Renters have gotten used to that standard. The new purpose-built units have to compete with that, with offerings on par with condominium apartments in terms of finishings and amenities.”

Market growth

Millennials and empty-nesters, it seems, are driving a market that averages rents of about \$3.25 per square foot.

“The younger crowd, who aren’t yet to be able to afford [ownership], looks at rental as a way to be close to work while saving up to buy a home,” says Joshua Lax, vice-president of development at Mizrahi Developments, a company which is contemplating getting in the rental game. “The older crowd potentially has a home in Florida, has no more kids at home, doesn’t need a large home, wants their capital accessible and wants to be mobile. ... [Renting] gives them flexibility and mobility and it frees up all their capital to put in other investments in those years of retirement.”

Many like renting because its affordable while others, like Spira, prefer the security of knowing that they can’t be kicked out on the whim of a landlord. There’s also the benefit of having a full-time property management company on-site to look after things like broken appliances or leaking sinks, which can take time if the condo owner lives elsewhere.

“A [condo] building looks the best on the day it opens but then it’s left to the condominium board to look after and maintain it,” explains Jack Winberg, president of The Rockport Group, which is building Montgomery Square near Yonge St. and Eglinton Ave. “We’re going to be there for the owners, we’re going to be leasing that building every day, forever and we’re going to keep it in great shape.”

Given the enthusiasm, developers are responding with an array of condo-quality offerings.

The Heathview is 95-per-cent leased but Montgomery Square, incorporating a 1930s-era post office, is under construction and should go to market by summer. The 27-storey building will have 233 units, with a typical one-bedroom-plus-den around 750 sq. ft. and three-bedroom and penthouses as big as 1,200 sq. ft. The 6,500-sq.-ft. amenity space will include dining room, lounge, conference centre, theatre and even a sixth-floor outdoor dog area complete with decorative fire hydrant.

Nearby, Camrost-Felcorp is set to add 229 rental units to its 2.9-acre master-planned Imperial Plaza community at St. Clair and Avenue Rd. that has two condo towers. Called simply 101 St. Clair Avenue West, the 26-storey building under construction will feature luxurious units from 585 to 1,900 sq. ft. starting at \$2,800 per month. Tenants will have access to outdoor lounges, a catering kitchen, card room and other amenities within the rental building as well as access to the complex’s 22,000-sq.-ft. Imperial Club with pool, squash courts, a games room, theatre and yoga/spinning studios.

Stability

“[These are] people who want to live in a rental building but the stock is outdated,” says Camrost-Felcorp development manager Joseph Feldman, adding high-end rentals are less price-driven than condos. “They want new, they want stability, they want to be able to live there for the long-term. ... They can lock up the unit and fly around the world. Maintenance is done for them. Landscaping is done for them. Packages are delivered and taken care of. It’s a very carefree lifestyle.”

Westbank Corporation’s Ian Duke says purpose-built rental “as an asset class is being rediscovered” and the company is “building rental wherever we can.” At Westbank’s proposed Mirvish Village at Bathurst and Bloor streets, 850 stylish rental units in five midrise buildings are a few years away, and half will be two- and three-bedrooms geared at families.

“[Purpose-built rental] is driven by people and geographic trends,” says Keith Reading, director of research for Morguard, which developed The Heathview. “If you’re astute and provide the amenities that tenants require and you choose a good location, it’s absolutely something that’s in demand.”

As for Spira, he couldn’t be happier with his new rental lifestyle. He brings his personal trainer to the gym, swims in the pool regularly and appreciates being able call on someone to fix a problem quickly rather than having to figure it out himself. And with no maintenance fee to pay, he’s financially at ease.

“I don’t have my capital tied up,” he says. “It’s sitting, it’s earning, it’s invested and I’m free to do what I want with it. I’m free to travel and enjoy myself.”