

Addressing Toronto's Housing Crisis?

If Toronto's Short-Term Rental Rules Were Enforced Today, Airbnb Would Have to Remove 8,241 Non-Compliant Listings; Up to 6,500 Entire Homes Could Be Added to Toronto's Long-Term Housing Supply

Thorben Wieditz, FAIRBNB.CA Coalition



Summary

Toronto is suffering from an acute housing crisis.ⁱ While the city's low- and moderate-income households have long experienced difficulties finding decent and affordable housing, even well-to-do households are feeling the squeeze today. A cursory scan of recent media coverage illustrates this trend and the most recent CMHC data shows that Toronto's housing woes are worsening.ⁱⁱ

Airbnb and other short-term rental companies have been shown to worsen Toronto's housing crisis.ⁱⁱⁱ In 2017, after careful consideration of data provided by Airbnb, Toronto city staff estimated that this company alone drained Toronto's housing supply of approximately 3,200 entire homes in 2016, a number that has more than doubled since, to approximately 6,500 entire homes today.

After months of deliberation and stakeholder consultation, Toronto's City Council passed a set of rules on December 7, 2017.^{iv} These rules were designed to allow everyday people to rent their own home from time to time to generate some additional income while preventing the further erosion of Toronto's long-term housing supply by commercial Airbnb hosts who own, lease and/or sub-lease dozens of residential properties as tourist rentals on Airbnb or similar online platforms.

To strike this balance, Toronto's City Council approved a set of fair rules tied to a zoning by-law amendment that legalized short-term rental use across the City of Toronto as long as three simple home-sharing conditions are met:

- *Listed properties must be the host's principal residence (i.e., no more multiple entire homes listings by a single host);*
- *A host's entire home can only be rented up to a maximum of 180 cumulative days in a calendar year; and,*
- *No more than a total of 3 private room listings per host.*

Unfortunately, the new zoning by-law was immediately appealed to the Local Planning Appeal Tribunal (LPAT), the former Ontario Municipal Board (OMB) by a number of individual Airbnb hosts.^v While an initial hearing was scheduled for August 30 and 31, 2018, the hearing was

adjourned after six commercial short-term rental operators (Whitehall Suites Inc., Red Maple Suites, Inc., Royal Stays Inc., Livingsuites Toronto Inc., IHM Limited, and Premium Suites Inc.) sought party status. In October 2018, the LPAT chair accepted their submissions and the hearing was scheduled to commence on August 26, 2019.^{vi}

As of now, “short-term rentals are not permitted in the City of Toronto.”^{vii} Despite this fact, the number of properties advertised on Airbnb continue to grow. Ever more residential properties are being permanently removed from Toronto's housing supply and rented to tourists via short-term rental platforms like Airbnb. This trend removes enough housing stock and significantly worsens Toronto's already critical housing supply problem.

Addressing Toronto's Housing Crisis? provides an overview of the development of Toronto's Airbnb market since City Council approved short-term rental rules in December 2017 and shows just how effective Toronto's rules could be if implemented and enforced (see Appendix A for a detailed table). The report ends with an appeal to Airbnb to be a good corporate citizen and asks the Province to consider this short-term rental problematic as *one* major challenge to its Housing Supply Action Plan.^{viii} We direct attention, in other words, to a large supply of already existing housing units, “hidden” in high demand areas and ready to be placed back on Toronto's long-term housing market.^{ix}

AIRBNB'S CONTRIBUTION TO TORONTO'S HOUSING SUPPLY PROBLEM

“A strong demand for housing and limited supply in Ontario has resulted in rapidly rising housing costs over the last few years. In high-growth urban areas, high prices and rents have made it too hard for people to afford the housing they need.”

- Ontario Ministry of Municipal Affairs and Housing^x

In 2017, city staff concluded that approximately 3,200 entire homes had been used in 2016 as full-time tourist rentals and could be placed back on Toronto's housing market, be it as long-term rentals or ownership

units, following the implementation of its recommended rules for short-term rentals.^{xi} While this seemed a significantly large enough number to warrant regulatory action, our data suggest that this number has ballooned to 6,479 entire homes by December 2019 – a mere one year following the City’s approval of its short-term rental rules. Given that Toronto suffers from one of the lowest vacancy rates in the country (currently 1.1%), returning even a fraction of these homes to the city’s housing market would make a difference to thousands of families seeking permanent homes in Toronto.

42% of Airbnb’s 19,255 listings in Toronto would be considered non-compliant if the City’s short-term rental rules were in effect today

Since the City of Toronto’s short-term rental rules were appealed to the LPAT in January 2018, Airbnb continued to dramatically reduce housing supply in Toronto.

The total number of total listings has increased by 23%, from approximately 15,610 listings in December 2017 to 19,255 listings by December 2018. Out of these 19,255 listings, 64.3% (or 12,374) are entire homes, i.e. condos, apartments or whole houses. 6,479 (or 33%) of these are offered on Airbnb by hosts with more than one entire home listing and/or are frequently booked (more than 180 days). All of these are full-time tourist rentals, or ghost hotels, and would not be compliant under the City’s short-term rental rules.

Airbnb generated an estimated \$190-million from non-compliant ghost hotels in 2019

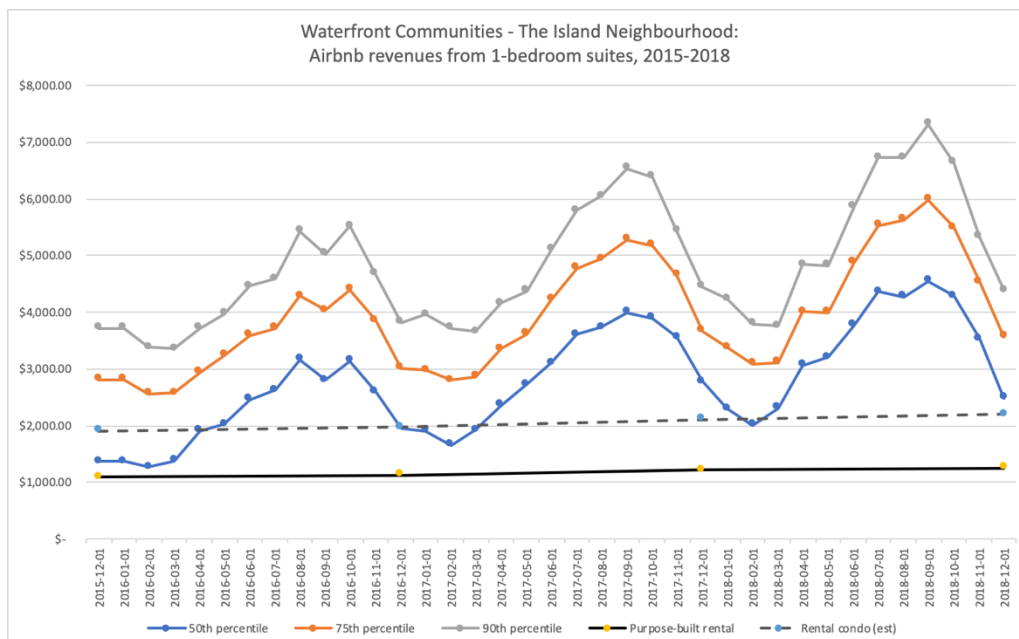
73% of Airbnb’s total estimated Toronto revenue of \$260-million was generated by 30% of Airbnb’s host community controlling 8,241 “non-compliant” listings – listings that would not be permitted under Toronto’s Council’s approved short-term rental rules, were they in effect and enforced.

IS AIRBNB TURNING THE WATERFRONT INTO A GHOST (HOTEL) TOWN?

As is common with Airbnb, the vast number of housing units used exclusively for tourists are located in high demand areas.^{xii} In Toronto, the neighbourhood featuring the city's highest rents – Toronto's Waterfront Communities–The Island – is also where Airbnb has removed more housing supply than in any other part of the city.^{xiii} Here, Airbnb has grown by 30%, much faster than the city-wide average, from 2,664 listings in December 2017 to 3,443 listings by December 2018.

Toronto's Waterfront Communities–The Island neighbourhood is replete with superlatives. Not only is this neighbourhood home to the highest concentration of Airbnb listings in the entire City of Toronto, but it also has the highest concentration of commercial ghost hotel operators like [Sakir Suites \(formerly known as "Sam"\)](#), who rent some 38 condos on Airbnb.

88% of all Airbnb listings in the neighbourhood are for entire homes (usually condo units). The majority of these (or 58% of all Airbnb listings in the neighbourhood) are ghost hotels, i.e., commercially



operated full-time Airbnb condo units that would be non-compliant under the City approved short-term rental rules.

As Figure 1 above illustrates,^{xiv} there is great financial incentive to operate residential condos as ghost hotel suites. Revenue from Airbnb rentals in the Toronto's Waterfront Communities–The Island neighbourhood generates 2-3 times the average rent of one-bedroom condos available on the long-term rental market. It is the nature of the built form in this neighbourhood, which has undergone a tremendous condo boom, that allows Airbnb to quickly appropriate existing housing supply for short-term rental use. Without short-term rental rules in place, we will likely see many more of the area's condo buildings turn into ghost hotels.

TAPPING INTO TORONTO'S "HIDDEN" HOUSING SUPPLY

Short-term rental uses are currently not permitted in the City of Toronto. Yet Airbnb and other short-term rental companies continued to operate with impunity as the City's short-term rental rules go through a lengthy appeals process at the LPAT.

In other words, Airbnb continues to profit from activities not permitted in the city while Toronto residents bear the growing costs of an unregulated and out-of-control short-term rental market.

We direct attention to a large quantity of already built housing supply in high demand areas that can be added to Toronto's market

Airbnb has always been quick to state its intention to collaborate with governments to make home-sharing work.^{xv} Following the adoption of Toronto's short-term rental rules, Airbnb was quick to state that "the company could live with the new rules and would help to educate its hosts about the city's new regulations."^{xvi}

Given the impact of unregulated "home-sharing" in Toronto outlined in this report, Fairbnb Canada calls on the company, at a minimum, to

de-list all commercial ghost hotel operators, i.e., hosts who are not everyday people renting out their homes a few times a month.

Airbnb has access to data that makes it clear to them who those ghost hotel operators are. Distinguishing between commercial multi-listing hosts of entire homes who turn Toronto's residential housing stock into ghost hotels and those who legitimately use the service to generate some modest amount of additional income would be a good start for the \$31-billion company to show that it is a good corporate citizen that respects the decisions rendered by our democratic institutions.

If the LPAT were to approve Toronto's short-term rental rules today, Airbnb would have to de-list 8,241 non-compliant properties which could add up to 6,500 homes to Toronto's long-term housing supply

The Province of Ontario is currently developing a Housing Supply Action Plan. The Ministry of Municipal Affairs and Housing has identified a number of barriers to the housing supply problem in the province. Fairbnb Canada notes that the meteoric rise of Airbnb-type short-term rentals in the province's tightest housing markets is currently not one of these identified barriers.

Given the fact that Toronto has lost at least 6,500 entire homes to Airbnb, any supply solution needs to take this housing supply drain into account. It takes years to plan, approve and build additional housing in key markets. Toronto sits on a large repository of already planned, approved and built homes – following Provincial guidelines to add *housing*, not hotels – to key areas. While many of these homes do not meet the definition of “affordable housing,” releasing this “hidden” repository of current ghost hotels would nonetheless increase vacancy rates and provide options and relief to thousands of households who want to permanently live and work in the City of Toronto.

Fairbnb Canada recommends that the Minister of Municipal Affairs and Housing include short-term rental regulations as a key aspect of the housing supply problem in Toronto and other urban markets in Ontario and pay close attention to the active short-term appeals before the LPAT.

Appendix A

City of Toronto Total December 2017									
Room Type	Multilisting	Compliant?	Occupancy (# of nights)	# of Listings	% of Listings	Estimated Yearly Revenue	% of Estimated Revenue	# of Hosts	% of Hosts
Entire home/apt	FALSE	yes	<=90	4,182	22%	\$16,432,854	6%	4182	29%
Entire home/apt	FALSE	yes	>90;<=180	1,007	5%	\$18,746,075	7%	1007	7%
Entire home/apt	FALSE	no	>180	1,575	8%	\$51,357,525	20%	1575	11%
Entire home/apt	TRUE	no	<=90	1,324	7%	\$7,192,564	3%	570	4%
Entire home/apt	TRUE	no	>90;<=180	515	3%	\$11,172,388	4%	348	2%
Entire home/apt	TRUE	no	>180	1,189	6%	\$43,702,040	17%	550	4%
Private room	FALSE	yes	n/a	4,216	22%	\$20,013,550	8%	3463	24%
Private room	TRUE	no	n/a	1,286	7%	\$5,820,520	2%	192	1%
Shared room	FALSE	yes	n/a	316	2%	\$852,456	0%	258	2%
Total				15,610	81%	\$175,289,972	67%	12,145	84%
Non-Compliant				5,889	37%	\$119,245,037	67%	3,043	28%
City of Toronto Total December 2018									
Room Type	Multilisting	Compliant?	Occupancy (# of nights)	# of Listings	% of Listings	Estimated Yearly Revenue	% of Estimated Yearly Revenue	# of Hosts	% of Hosts
Entire home/apt	FALSE	yes	<=90	4,670	24%	\$18,685,727	7%	4,670	32%
Entire home/apt	FALSE	yes	>90;<=180	1,225	6%	\$25,043,253	10%	1,225	8%
Entire home/apt	FALSE	no	>180	2,207	11%	\$79,969,079	31%	2,207	15%
Entire home/apt	TRUE	no	<=90	1,750	9%	\$9,762,418	4%	743	5%
Entire home/apt	TRUE	no	>90;<=180	806	4%	\$19,495,352	7%	485	3%
Entire home/apt	TRUE	no	>180	1,716	9%	\$71,010,880	27%	767	5%
Private room	FALSE	yes	n/a	4,764	25%	\$24,789,029	10%	3,821	26%
Private room	TRUE	no	n/a	1,762	9%	\$10,322,294	4%	270	2%
Shared room	FALSE	yes	n/a	355	2%	\$1,117,037	0%	263	2%
Total				19,255	100%	\$260,195,069		14,451	100%
Non-Compliant				8,241	42%	\$190,560,023	73%	4,472	30%
* Multilisting									
For Entire home/apt -> where the host has 1 or more other Entire home/apt listing(s)									
For Private room -> where the host has more than 3 other Private room listings									
Waterfront Communities-The Island Total December 2017									
Room Type	Multilisting	Compliant?	Occupancy (# of nights)	# of Listings	% of Listings	Estimated Yearly Revenue	% of Estimated Revenue	# of Hosts	% of Hosts
Entire home/apt	FALSE	yes	<=90	738	21%	\$3,405,305	4%	738	28%
Entire home/apt	FALSE	yes	>90;<=180	195	6%	\$4,400,913	5%	195	7%
Entire home/apt	FALSE	no	>180	409	12%	\$16,017,446	19%	409	16%
Entire home/apt	TRUE	no	<=90	370	11%	\$2,380,200	3%	154	6%
Entire home/apt	TRUE	no	>90;<=180	148	4%	\$3,967,402	5%	103	4%
Entire home/apt	TRUE	no	>180	429	12%	\$18,986,007	23%	207	8%
Private room	FALSE	yes	n/a	325	9%	\$2,854,689	3%	291	11%
Private room	TRUE	no	n/a	20	1%	\$268,547	0%	6	0%
Shared room	FALSE	yes	n/a	30	1%	\$193,897	0%	27	1%
Total				2,664	77%	\$52,474,406	63%	2,130	81%
Non-Compliant				1,376	52%	\$41,619,602	81%	879	41%
Waterfront Communities-The Island Total December 2018									
Room Type	Multilisting	Compliant?	Occupancy (# of nights)	# of Listings	% of Listings	Estimated Yearly Revenue	% of Estimated Revenue	# of Hosts	% of Hosts
Entire home/apt	FALSE	yes	<=90	840	24%	\$3,822,045	5%	840	32%
Entire home/apt	FALSE	yes	>90;<=180	213	6%	\$5,596,884	7%	213	8%
Entire home/apt	FALSE	no	>180	602	17%	\$28,784,328	34%	602	23%
Entire home/apt	TRUE	no	<=90	517	15%	\$3,187,233	4%	208	8%
Entire home/apt	TRUE	no	>90;<=180	226	7%	\$6,784,665	8%	124	5%
Entire home/apt	TRUE	no	>180	632	18%	\$31,715,755	38%	307	12%
Private room	FALSE	yes	n/a	340	10%	\$3,159,022	4%	298	11%

Endnotes

- ⁱ Wong, N. and T. Argitis (2018). 'We're at a crisis and we don't even realize it': The dark side of Toronto's housing boom. Financial Post.
- ⁱⁱ The Canadian Press (2018). Rental Housing Market Grows Tighter as Demand Outstrips Supply, CMHC Says. Huffington Post.
- ⁱⁱⁱ Jamasi, Z. and T. Hennessy (2016). Nobody's Business: Airbnb in Toronto. Canadian Centre for Policy Alternatives Ontario Office; Jamasi, Z. (2016). Popping the hood on Airbnb's Toronto report: does it add up? Behind the Numbers; Wieditz, T. (2017). Squeezed Out: Airbnb's Commercialization of Home-Sharing in Toronto. Toronto, Fairbnb.ca; Wachsmuth, D., et al. (2017). Short-term Cities: Airbnb's Impact on Canadian Housing Markets. Montreal, Urban Politics and Governance Lab School of Urban Planning McGill University.
- ^{iv} Gray, J. (2017). Toronto passes strict Airbnb rules aimed at preserving long-term rental supply. The Globe and Mail. Toronto.
- ^v Pelley, L. (2018). Toronto's short-term rental bylaws could be delayed months over OMB appeals. CBC.
- ^{vi} Local Planning Appeal Tribunal (2018). PL180082: Decision delivered by S. Tousaw and order of the tribunal. Local Planning Appeal Tribunal.
- ^{vii} <https://www.toronto.ca/community-people/housing-shelter/rental-housing-standards/short-term-rentals/>
- ^{viii} Ontario Ministry of Municipal Affairs and Housing (2018). Increasing Housing Supply in Ontario. Consultation Document, Queen's Printer for Ontario.
- ^{ix} Data used for this analysis was kindly provided by Murray Cox, a data analyst from New York City who makes Airbnb listing data publicly available for a number of cities at www.insideairbnb.com. For more information about his data sets and methodology, please visit his website.
- ^x Ontario Ministry of Municipal Affairs and Housing (2018). Increasing Housing Supply in Ontario. Consultation Document, Queen's Printer for Ontario.
- ^{xi} City of Toronto (2017). Proposed Regulations for Short-term Rentals for Consultation. Toronto, Municipal Licensing & Standards and City Planning.
- ^{xii} Wieditz, T. (2017). Could Airbnb Turn Toronto's Most Affordable Rental Housing Stock into Ghost Hotel Suites? Toronto, Fairbnb.ca.
- ^{xiii} Mathieu, E. (2018). Which neighbourhoods have seen large spikes in rent?
- ^{xiv} The blue line indicates the 50th percentile of Airbnb income for one-bedroom apartments in the neighbourhood. The grey solid line tracks CMCH reported monthly rent prices for purpose-built condos; the dashed line estimates the cost of renting a condo unit (based on the December 2018 difference between monthly one-bedroom rents reported by CMCH and PadMapper.)
- ^{xv} Cadloff, E. B. (2018). Concerns raised over Airbnb limiting long-term rentals in Halifax. CTV News Atlantic.
- ^{xvi} Gray, J. (2017). Toronto passes strict Airbnb rules aimed at preserving long-term rental supply. The Globe and Mail. Toronto.