

# Secondary and Tertiary Markets in Southern Ontario Suitable for Developing New Multi-Unit Rental Housing

by ApartmentResearch.ca<sup>1</sup>

## Introduction

Ontario's developers and lenders have embraced the development of rental housing, building dozens of new rental buildings and thousands of new rental units over the past two decades, with more waiting in the development pipeline. That's good news for renters who now have greater choice, especially renters who want modern features and amenities, and it's been good for investors who finally have new, premium-grade buildings to purchase for their investment funds and portfolios. However, most of these new purpose-built rentals are concentrated in Ontario's primary markets—its largest cities and towns—which offer the largest demand for rentals and the highest achievable rents. Only a very small portion of this new rental supply has been built in Ontario's secondary (medium-sized cities and towns) and tertiary markets (small towns, villages, and other minor population centres). In other words, developers and lenders have generally focused on Ontario's 'safest' housing markets.

This situation is starting to change, spurred on by extremely high land and construction costs in Ontario's large cities, effectively raising barriers to entry so high that most developers and lenders now find it difficult (if not impossible) to build rental projects in primary markets. Secondary and tertiary markets, with lower barriers to entry, are beginning to attract attention and interest.

Keeping this shift in the industry's focus in mind, this study reviews secondary and tertiary markets in southern Ontario with the goal of helping developers and lenders see the opportunities and challenges these small markets offer rental housing. To meet this goal this study (1) identifies secondary and tertiary markets, (2) compares basic demographic and housing data, and (3) gauges depth-of-market for new rentals. This study ends with a summary of main findings and suggests topics for future research.

## Data Sources

This study uses a selection of demographic, economic, and housing data published by Statistics Canada in the Census. The most recent Census dates from 2016 (and the previous dates from 2011)<sup>2</sup>. Although Statistics Canada offers custom data products for a fee, the consultant used only publically available no-fee data in this study. The consultant accepts no responsibility for errors or inaccuracies in Census data. The Census data used in this study is for the City, Town, and Population Centre geographic levels which means for nearly all geographies surrounding rural and semi-rural areas are not included in the data in this study.

## Defining Secondary & Tertiary Markets

This study compares data for 164 cities, towns, and population centres located in southern Ontario<sup>3</sup>. Most developers and lenders are familiar with Ontario's largest cities and towns, but many of the smaller towns and population centres included in this study are not household names except to the people who live in them or live nearby, or who have passed through while travelling. This study uses total population to separate markets into the following categories:

- Primary Markets: more than 30,000 people.
- Secondary Markets: from 10,000 to 30,000 people.
- Tertiary Markets: less than 10,000 people.

This separation/categorization could be further refined using additional demographic or housing data points, but for the purposes of this study this categorization (by total population) is sufficient.

## Analysis

To compare secondary and tertiary markets with more familiar primary markets, this study includes the following data points from Statistics Canada's 2016 Census, collected in May 2016 (income data is from 2015):

- Total Population: Total of all persons residing in the city or town at the time of the Census (excluding visitors).
- Population Growth: Growth in total population is measured from the previous Census (five years previously).
- Total Dwelling Units: The total number of occupied private dwelling units of all types containing one household each. This means that one dwelling unit could be a single-detached house or a small apartment in a high-rise.
- Dwelling Units in Multi-Storey Buildings: The percentage of occupied private dwelling units which are found in multi-

---

<sup>1</sup> ApartmentResearch.ca is a consulting firm serving Ontario's rental housing industry (contact@apartmentresearch.ca).

<sup>2</sup> Statistics Canada conducts the Census every five years in May. This month is significant since it is the first month after the post-secondary academic year ends which means most university and college students will have returned to their family home for the summer and in theory will be counted there. This eliminates, for the most part, the potential distortion of demographic and economic data in cities and towns which host post-secondary institutions. The next Census will be conducted in May 2021.

<sup>3</sup> The most northern geography included in this study is Huntsville; cities and towns located in northern Ontario are not included.

storey apartment buildings (not including duplexes). This combines both owned and rented.

- **Total Number of Rented Dwellings:** This includes both purpose-built and non-purpose-built rentals.
- **Average Total After-Tax Household Incomes:** For all households. Traditionally, when looking at affordability, the rule-of-thumb was to allocate one-third of pre-tax household income to housing. This study uses after-tax income instead, since this is the income from which households pay.
- **Average Monthly Housing Costs for Renters:** This is the total amount paid per month by renter households and includes “the rent and the costs of electricity, heat, water and other municipal services” (Statistics Canada).

To gauge demand or depth-of-market for rental housing, or the opportunities for adding to the rental supply by developing new rentals, this study calculates (1) the percentage of all dwellings which are being rented (shaded yellow in the tables below) and (2) the ratio of rented dwellings per 1,000 people, referred to as “Rental Supply Density” (shaded orange). To gauge opportunities for rent growth, this study compares average after-tax household incomes to average monthly housing costs for renters to calculate the “Rent Upside,” the gap between what the average household income could pay per month for rental housing (assuming 1/3 of household income allocated to housing costs) and what the average monthly cost being paid by renters is in the housing supply (shaded green). These three calculated indicators are discussed later in this study.

TABLE 1 – Primary Markets (population over 30,000)

Geography	Total Population (2016)	Population Change 2011 to 2016	Total Dwelling Units	% Dwelling Units in Multi-Storey Buildings	Total Rented Dwelling Units	% Rented Dwellings	RENTAL SUPPLY DENSITY (1)	AVG Total After-Tax Household Income	AVG Monthly Housing Cost: Renters	RENT UPSIDE (2)
Cornwall	46,589	0.5%	20,930	26.3%	9,480	45.3%	203.48	\$51,819	\$788	\$651
Toronto	2,731,571	4.5%	1,112,925	59.2%	525,835	47.2%	192.50	\$81,495	\$1,242	\$1,022
Kingston	123,798	0.4%	53,520	31.7%	21,620	40.4%	174.64	\$72,005	\$1,065	\$935
London	383,822	4.8%	163,140	31.2%	65,070	39.9%	169.53	\$68,108	\$941	\$951
Orillia	31,166	1.9%	13,475	26.0%	5,115	38.0%	164.12	\$61,112	\$954	\$744
Peterborough	81,032	2.9%	34,710	24.1%	13,145	37.9%	162.22	\$63,111	\$956	\$797
Belleville	50,716	2.6%	21,730	26.7%	8,225	37.9%	162.18	\$62,888	\$952	\$795
Chatham	43,550	-2.5%	18,955	24.6%	6,770	35.7%	155.45	\$59,214	\$761	\$884
Windsor	217,188	3.0%	91,630	24.3%	33,410	36.5%	153.83	\$62,040	\$796	\$927
Kitchener	233,222	6.4%	92,220	30.1%	34,975	37.9%	149.96	\$72,465	\$1,028	\$985
Stratford	31,465	1.8%	13,845	23.4%	4,610	33.3%	146.51	\$67,646	\$886	\$993
St. Catharines	133,113	1.3%	56,870	24.5%	18,960	33.3%	142.44	\$64,317	\$907	\$880
Sarnia	71,594	-1.1%	31,935	20.5%	10,195	31.9%	142.40	\$71,715	\$878	\$1,114
St. Thomas	38,909	2.6%	16,585	20.6%	5,400	32.6%	138.79	\$60,975	\$797	\$897
Woodstock	40,902	8.3%	17,155	20.8%	5,670	33.1%	138.62	\$68,803	\$978	\$933
Ottawa	934,243	5.8%	373,755	28.8%	128,285	34.3%	137.31	\$86,579	\$1,148	\$1,257
Welland	52,293	3.3%	22,490	19.0%	6,855	30.5%	131.09	\$60,321	\$841	\$835
Brantford	97,496	4.1%	39,215	20.2%	12,765	32.6%	130.93	\$65,052	\$923	\$884
Guelph	131,794	8.3%	52,090	23.9%	17,030	32.7%	129.22	\$78,495	\$1,050	\$1,130
Hamilton	536,917	3.3%	211,600	24.4%	68,545	32.4%	127.66	\$73,524	\$947	\$1,095
Oshawa	159,458	6.6%	62,595	21.2%	19,720	31.5%	123.67	\$71,579	\$1,070	\$918
Waterloo	104,986	6.3%	40,380	25.4%	12,590	31.2%	119.92	\$87,690	\$1,146	\$1,290
Niagara Falls	88,071	6.1%	35,775	17.1%	10,120	28.3%	114.91	\$65,296	\$908	\$906
Cambridge	129,920	2.5%	48,240	18.4%	14,160	29.4%	108.99	\$77,417	\$1,025	\$1,125
Barrie	141,434	3.9%	52,475	18.5%	15,140	28.9%	107.05	\$77,309	\$1,219	\$928
Mississauga	721,599	1.1%	240,910	33.5%	66,785	27.7%	92.55	\$87,086	\$1,281	\$1,138
Burlington	183,314	4.3%	71,375	24.2%	16,835	23.6%	91.84	\$97,836	\$1,329	\$1,389
Newmarket	84,224	5.3%	28,675	12.6%	5,875	20.5%	69.75	\$94,381	\$1,247	\$1,375
Oakville	193,832	6.2%	66,270	16.7%	12,135	18.3%	62.61	\$126,204	\$1,523	\$1,983
Bowmanville	39,371	12.0%	14,095	10.9%	2,375	16.8%	60.32	\$84,097	\$1,174	\$1,162
Georgina	45,418	4.4%	16,820	6.5%	2,685	16.0%	59.12	\$78,022	\$1,122	\$1,045
Richmond Hill	195,022	5.1%	64,115	19.1%	11,260	17.6%	57.74	\$93,757	\$1,446	\$1,158
Brampton	593,638	13.3%	168,010	15.2%	33,610	20.0%	56.62	\$85,038	\$1,225	\$1,137
Whitby	128,377	5.2%	43,530	12.6%	7,255	16.7%	56.51	\$97,877	\$1,168	\$1,551
Aurora	55,445	4.2%	18,850	11.1%	3,035	16.1%	54.74	\$113,594	\$1,345	\$1,810
Halton Hills	61,161	3.6%	21,080	10.0%	3,000	14.2%	49.05	\$102,565	\$1,170	\$1,679
Georgetown	42,123	4.8%	14,465	11.0%	2,005	13.9%	47.60	\$103,748	\$1,176	\$1,706
Kanata	117,304	12.2%	40,910	6.3%	5,515	13.5%	47.01	\$102,930	\$1,511	\$1,348
Milton	110,128	30.5%	34,260	8.4%	4,840	14.1%	43.95	\$97,783	\$1,522	\$1,194
Markham	328,966	9.0%	102,680	15.0%	14,285	13.9%	43.42	\$92,943	\$1,436	\$1,146
Ajax	119,677	9.2%	37,550	9.7%	5,165	13.8%	43.16	\$93,092	\$1,208	\$1,378
Pickering	91,771	3.4%	30,920	12.0%	3,895	12.6%	42.44	\$96,886	\$1,359	\$1,332
Whitchurch-Stouffville	45,837	21.8%	15,355	5.6%	1,750	11.4%	38.18	\$104,529	\$1,356	\$1,548
Lakeshore	36,611	6.0%	13,185	1.7%	1,200	9.1%	32.78	\$97,747	\$889	\$1,826
Vaughan	306,233	6.2%	94,255	12.5%	9,765	10.4%	31.89	\$106,775	\$1,587	\$1,379
<b>AVERAGE</b>		<b>5.3%</b>		<b>33.2%</b>		<b>33.6%</b>	<b>126.98</b>	<b>\$82,440</b>	<b>\$1,154</b>	<b>\$1,136</b>

SOURCE: Statistics Canada 2016 Census (income data for 2015). Table sorted by rental supply density. Average incomes and housing costs are weighted.

(1) Rental Supply Density equals the total number of rented dwellings per 1,000 people (consultant’s calculation).

(2) Rent Upside equals the affordable monthly rent calculated from 1/3 of average total pre-tax household income minus average monthly housing cost for renters.

Of the 164 cities, towns, and population centres included in this study, 45 categorize as primary markets. Rental supply density, the number of rented dwelling units or households per 1,000 people, ranges from 31.89 in Vaughan up to 203.48 in Cornwall (Toronto at 192.5 ranks second-highest). This is an extremely wide range and does not seem correlated to total population: Vaughan, for example, is one of the largest cities in Ontario but has one of the lowest rental supply densities, while Orillia, with just over thirty thousand people, has one of the highest rental supply densities. The percentage of rented dwellings closely tracks

rental supply density, indicating that renting is not confined to large markets but is prevalent in cities and towns of every size.

There appears to be a positive relationship between average household income and the percentage of rented dwellings: where dwellings are least likely to be rented, average household incomes are highest; so too are average monthly costs paid by renters. Although it is possible that a relatively small percentage of rented dwellings may drive monthly housing costs higher in a sort of scarcity effect, it is more likely that higher household incomes are making higher rates of home ownership possible because the percentage of rented dwellings (supply of rentals) is elastic rather than restricted or inelastic.

Directly comparing two of Ontario's largest cities yields insights. London, the largest city in southwestern Ontario, has a total population of 383,822, while Vaughan, located in the GTA's suburbs, has a population of 306,233, about a quarter less. London's housing supply, of which 39.9% of dwellings are rented, contains 73% more dwelling units than Vaughan, where only 10.4% are rented. London's rental supply density is 169.53 rented units per 1,000 people versus Vaughan's 31.89. This indicates that London's households have a much higher 'propensity' to rent, although it also suggests that Vaughan is undersupplied with rental units. Average total after-tax household income and average monthly housing cost paid by renters are much higher in Vaughan, which is to be expected since the GTA has the most jobs and the highest housing costs in Ontario. The key question is, could Vaughan look like London in the future? It is not possible to come up with an answer based on the data used in this study, but as a theoretical exercise Vaughan would need to add thousand of dwelling units suitable for renting to match London.

TABLE 2 – Secondary Markets (population 10,000 to 30,000)

Geography	Total Population (2016)	Population Change 2011 to 2016	Total Dwelling Units	% Dwelling Units in Multi-Storey Buildings	Total Rented Dwelling Units	% Rented Dwellings	RENTAL SUPPLY DENSITY (1)	AVG Total After-Tax Household Income	AVG Monthly Housing Cost: Renters	RENT UPSIDE (2)
Hawkesbury	10,263	-2.7%	4,960	28.1%	2,445	49.3%	238.23	\$48,900	\$776	\$582
Brockville	21,854	-1.9%	10,340	32.9%	4,445	43.0%	203.40	\$58,149	\$883	\$732
Owen Sound	21,341	-1.6%	9,630	33.5%	4,130	42.9%	193.52	\$57,317	\$843	\$749
Pembroke	13,882	-3.3%	6,195	24.4%	2,595	41.9%	186.93	\$58,326	\$837	\$783
Simcoe	13,922	4.0%	6,270	21.0%	2,145	34.2%	154.07	\$60,544	\$811	\$871
Petawawa	13,701	10.5%	4,955	10.7%	2,045	41.3%	149.26	\$78,262	\$903	\$1,271
Lindsay	20,713	2.1%	9,130	23.8%	2,985	32.7%	144.11	\$60,708	\$869	\$817
Wallaceburg	10,098	-0.3%	4,515	14.1%	1,435	31.8%	142.11	\$52,889	\$706	\$763
Tillsonburg	15,872	3.7%	7,125	20.2%	2,160	30.3%	136.09	\$62,043	\$845	\$878
Cobourg	19,440	5.0%	8,640	22.9%	2,575	29.8%	132.46	\$68,651	\$1,039	\$868
Fort Erie	14,621	0.9%	6,170	14.3%	1,750	28.4%	119.69	\$60,947	\$847	\$846
Collingwood	21,793	13.3%	9,560	21.4%	2,510	26.3%	115.17	\$68,585	\$1,124	\$781
Port Colborne	18,306	-0.6%	8,020	15.0%	2,070	25.8%	113.08	\$61,786	\$816	\$900
Leamington	27,595	-2.8%	9,995	14.9%	3,095	31.0%	112.16	\$67,503	\$836	\$1,039
Thorold	18,801	4.9%	7,465	14.0%	2,060	27.6%	109.57	\$67,496	\$910	\$965
Ingersoll	12,757	5.0%	5,085	12.0%	1,260	24.8%	98.77	\$72,019	\$887	\$1,114
Port Hope	16,753	3.3%	7,075	15.6%	1,530	21.6%	91.33	\$74,054	\$954	\$1,103
Fergus	20,767	7.4%	8,200	18.7%	1,785	21.8%	85.95	\$79,454	\$1,043	\$1,164
Strathroy-Caradoc	20,867	-0.5%	8,295	12.4%	1,775	21.4%	85.06	\$70,762	\$861	\$1,105
Orangeville	28,900	3.3%	10,565	15.6%	2,410	22.8%	83.39	\$80,023	\$1,126	\$1,097
Alliston	18,809	22.6%	7,340	13.0%	1,480	20.2%	78.69	\$77,509	\$1,118	\$1,035
Lambton Shores	10,631	-0.2%	4,785	8.2%	805	16.8%	75.72	\$70,869	\$772	\$1,197
Clarence-Rockland	24,512	5.7%	9,330	10.8%	1,740	18.6%	70.99	\$82,784	\$1,062	\$1,238
Paris	12,310	5.0%	4,705	10.4%	825	17.5%	67.02	\$77,691	\$989	\$1,169
Uxbridge	11,832	1.1%	4,435	14.3%	790	17.8%	66.77	\$92,032	\$1,112	\$1,444
Keswick	26,757	2.9%	9,525	7.5%	1,715	18.0%	64.10	\$80,300	\$1,151	\$1,080
Essex	20,427	4.2%	8,080	5.6%	1,255	15.5%	61.44	\$73,905	\$792	\$1,261
Bradford	29,862	29.7%	9,740	8.0%	1,795	18.4%	60.11	\$84,939	\$1,226	\$1,133
Kingsville	21,552	0.9%	7,970	5.0%	1,245	15.6%	57.77	\$79,570	\$828	\$1,382
Amherstburg	21,936	1.8%	8,525	8.6%	1,255	14.7%	57.21	\$85,183	\$837	\$1,529
Wasaga Beach	20,675	17.9%	9,005	4.2%	1,180	13.1%	57.07	\$64,024	\$1,117	\$661
Grimsby	27,314	7.9%	10,375	7.8%	1,480	14.3%	54.18	\$89,598	\$1,124	\$1,365
Beamsville	11,834	11.1%	4,265	7.9%	590	13.8%	49.86	\$84,704	\$987	\$1,366
Wilmet	20,545	6.9%	7,515	6.8%	1,005	13.4%	48.92	\$92,748	\$1,020	\$1,556
Pelham	17,110	3.1%	6,470	8.5%	705	10.9%	41.20	\$95,520	\$968	\$1,685
East Gwillimbury	23,991	6.8%	8,075	3.5%	850	10.5%	35.43	\$102,008	\$1,277	\$1,557
Bolton	26,378	-2.7%	8,450	3.7%	790	9.3%	29.95	\$99,654	\$1,410	\$1,358
<b>AVERAGE</b>		<b>4.7%</b>		<b>14.2%</b>		<b>23.6%</b>	<b>93.19</b>	<b>\$74,688</b>	<b>\$945</b>	<b>\$1,129</b>

SOURCE: Statistics Canada 2016 Census (income data for 2015). Table sorted by rental supply density. Average incomes and housing costs are weighted.

(1) Rental Supply Density equals the total number of rented dwellings per 1,000 people (consultant's calculation).

(2) Rent Upside equals the affordable monthly rent calculated from 1/3 of average total pre-tax household income minus average monthly housing cost for renters.

Of the 164 cities, towns, and population centres included in this study, 37 categorize as secondary markets. Many of these cities and towns will be familiar to readers, at least by name, although most are located some distance from major population centres (primary markets). Interestingly, the percentage of rented dwellings in secondary markets, which range from 9.3% in Bolton up to 49.3% in Hawkesbury, show similar highs/lows as primary markets; so too does rental supply density. However, secondary markets show, on average, a lower percentage of rented dwellings and rental supply density than primary markets by about a third, indicating a slightly lower 'propensity' to rent among secondary markets.

Not surprisingly, the average percentage of dwelling units in secondary markets in multi-storey apartment buildings is less than half the average of primary markets. Although this percentage combines owned and rented units, it indicates that secondary

markets have significantly less dense housing, on average, than primary markets.

Average after-tax households incomes are significantly lower, generally speaking, in secondary markets than in primary markets; so too are average monthly housing costs paid by renters. There appears to be a (rough) negative relationship between percentage of rented dwellings and incomes and affordability: as the percentage of rented dwellings drops, average incomes and rent upside increase. Pelham, a small town located in the centre of Niagara, provides a good example: Pelham has the third lowest percentage of dwellings being rented among secondary markets but the third highest average incomes. This means Pelham's housing market is primarily owner-occupied and the relatively small number of dwellings being rented are asking average monthly rents significantly lower than what households in the town with average incomes could afford. Pelham's households, therefore, have a low 'propensity' to be renters, while the small number of dwellings in the town which are being rented could, in theory, achieve higher rents.

TABLE 3 – Tertiary Markets (population under 10,000)

Geography	Total Population (2016)	Population Change 2011 to 2016	Total Dwelling Units	% Dwelling Units in Multi-Storey Buildings	Total Rented Dwelling Units	% Rented Dwellings	RENTAL SUPPLY DENSITY (1)	AVG Total After-Tax Household Income	AVG Monthly Housing Cost: Renters	RENT UPSIDE (2)
Warton	1,989	-2.2%	950	20.3%	435	45.8%	218.70	\$46,672	\$832	\$464
Perth	5,930	1.5%	3,010	31.9%	1,270	42.2%	214.17	\$56,181	\$891	\$670
Smiths Falls	8,780	-2.2%	4,065	25.2%	1,735	42.7%	197.61	\$50,734	\$860	\$549
Madoc	1,535	3.3%	720	25.7%	300	41.7%	195.44	\$50,588	\$912	\$493
Pictou	4,702	5.1%	2,330	26.6%	880	37.8%	187.15	\$54,869	\$850	\$674
Napanee	7,439	4.3%	3,305	30.4%	1,350	40.8%	181.48	\$54,323	\$823	\$686
Alexandria	2,845	-2.7%	1,330	19.4%	505	38.0%	177.50	\$47,438	\$766	\$552
Trenton	2,616	5.7%	1,070	19.1%	310	29.0%	118.50	\$53,162	\$736	\$641
Bancroft	3,881	0.0%	1,750	26.3%	650	37.1%	167.48	\$55,360	\$836	\$603
Gravenhurst	5,349	7.9%	2,325	27.4%	895	38.5%	167.32	\$60,376	\$935	\$816
Gananoque	5,159	-0.7%	2,400	21.3%	860	35.8%	166.70	\$58,511	\$861	\$759
Hanover	7,688	2.6%	3,335	24.0%	1,275	38.2%	165.84	\$62,977	\$866	\$866
Arnprior	8,795	8.4%	3,910	21.5%	1,440	36.8%	163.73	\$47,006	\$883	\$515
Tweed	1,701	5.4%	760	26.0%	270	35.5%	158.73	\$59,378	\$791	\$653
Huntsville	6,482	1.2%	2,880	17.8%	1,025	35.6%	158.13	\$53,452	\$996	\$681
Dunnville	5,759	2.4%	2,530	25.5%	880	34.8%	152.80	\$56,885	\$804	\$651
Mount Forest	4,643	4.0%	2,085	20.4%	705	33.8%	151.84	\$58,177	\$929	\$810
Meaford	4,910	1.0%	2,315	19.8%	725	31.3%	147.66	\$65,010	\$806	\$901
Goderich	7,628	1.4%	3,485	18.5%	1,120	32.1%	146.83	\$60,512	\$905	\$946
Wingham	2,934	2.1%	1,310	19.3%	425	32.4%	144.85	\$67,133	\$735	\$816
Bracebridge	9,232	2.2%	4,060	15.7%	1,245	30.7%	134.86	\$56,163	\$1,049	\$767
Delhi	4,240	1.6%	1,840	14.1%	565	30.7%	133.25	\$70,305	\$793	\$1,132
Walkerton	4,517	2.6%	1,945	15.6%	600	30.8%	132.83	\$57,899	\$821	\$892
Blenheim	4,344	-5.5%	1,890	19.9%	570	30.2%	131.22	\$57,986	\$716	\$835
Clinton	3,049	2.3%	1,370	12.5%	385	28.1%	126.27	\$63,900	\$776	\$722
Bobcaygeon	3,525	0.5%	1,745	13.6%	435	24.9%	123.40	\$58,032	\$1,053	\$717
Lakefield	2,753	2.9%	1,220	7.5%	335	27.5%	121.69	\$52,228	\$895	\$715
Lucknow	1,121	2.4%	495	20.6%	130	26.3%	115.97	\$54,463	\$786	\$727
Stirling	2,030	0.1%	805	20.2%	235	29.2%	115.76	\$62,626	\$880	\$860
Paisley	1,045	4.7%	455	8.5%	120	26.4%	114.83	\$73,465	\$939	\$1,102
Ridgetown	3,002	0.5%	1,315	14.2%	340	25.9%	113.26	\$57,779	\$750	\$855
Exeter	4,649	10.4%	2,005	17.4%	520	25.9%	111.85	\$67,860	\$837	\$1,048
Fenelon Falls	2,464	8.1%	1,120	14.2%	270	24.1%	109.58	\$63,653	\$880	\$888
Hagersville	2,939	14.0%	1,215	9.0%	320	26.3%	108.88	\$68,375	\$866	\$1,033
Seaforth	2,680	2.0%	1,140	13.3%	285	25.0%	106.34	\$60,770	\$752	\$936
Tilbury	4,768	2.0%	1,940	8.2%	505	26.0%	105.91	\$59,202	\$755	\$890
Arthur	2,333	0.8%	930	17.7%	245	26.3%	105.02	\$64,755	\$824	\$975
Palmerston	2,624	1.0%	1,105	15.9%	275	24.9%	104.80	\$65,275	\$757	\$1,056
Milverton	1,576	6.8%	600	18.9%	165	27.5%	104.70	\$70,354	\$752	\$1,202
Hastings	1,115	8.3%	515	7.9%	115	22.3%	103.14	\$57,771	\$824	\$781
Southampton	3,678	8.8%	1,710	9.9%	370	21.6%	100.60	\$73,731	\$908	\$1,140
Port Elgin	7,862	7.6%	3,380	12.6%	790	23.4%	100.48	\$88,536	\$938	\$1,521
Harriston	1,797	5.7%	700	18.6%	180	25.7%	100.17	\$59,765	\$666	\$994
Kincardine	8,315	6.6%	3,660	9.0%	805	22.0%	96.81	\$87,948	\$951	\$1,492
Dresden	2,451	2.8%	1,040	7.7%	230	22.1%	93.84	\$62,051	\$687	\$1,037
Brighton	5,861	11.3%	2,720	8.7%	545	20.0%	92.99	\$63,637	\$938	\$830
Beaverton	2,822	1.1%	1,205	11.2%	260	21.6%	92.13	\$63,639	\$846	\$922
Norwich	2,852	5.4%	1,100	7.3%	260	23.6%	91.16	\$66,131	\$1,009	\$828
Port Stanley	2,148	-5.4%	1,020	5.2%	195	19.1%	90.78	\$76,804	\$972	\$1,161
Norwood	1,380	-0.7%	560	16.4%	125	22.3%	90.58	\$55,460	\$789	\$752
Stayner	4,029	4.8%	1,555	9.7%	335	21.5%	83.15	\$66,369	\$1,017	\$827
Port Dover	6,161	7.9%	2,920	7.1%	505	17.3%	81.97	\$71,291	\$909	\$1,071
Dutton	1,368	5.2%	535	11.7%	110	20.6%	80.41	\$64,630	\$775	\$1,020
Acton	9,462	-0.5%	3,535	14.0%	710	20.1%	75.04	\$82,056	\$1,035	\$1,244
Port Perry	9,453	-2.7%	3,700	12.7%	705	19.1%	74.58	\$87,431	\$1,102	\$1,327
Grand Bend	2,684	4.7%	1,485	8.9%	195	13.1%	72.65	\$77,942	\$973	\$1,192
West Perth	8,865	-0.6%	3,365	7.6%	640	19.0%	72.19	\$74,538	\$821	\$1,250
Shelburne	8,126	39.0%	2,785	12.2%	570	20.5%	70.15	\$73,253	\$941	\$1,094
Watford	1,536	3.0%	595	5.8%	100	16.8%	65.10	\$62,275	\$815	\$915
Cannington	1,845	2.0%	720	11.2%	120	16.7%	65.04	\$69,556	\$860	\$1,072

(table continued on next page)

Geography	Total Population (2016)	Population Change 2011 to 2016	Total Dwelling Units	% Dwelling Units in Multi-Storey Buildings	Total Rented Dwelling Units	% Rented Dwellings	RENTAL SUPPLY DENSITY (1)	AVG Total After-Tax Household Income	AVG Monthly Housing Cost: Renters	RENT UPSIDE (2)
Waterford	3,132	3.5%	1,290	8.0%	200	15.5%	63.86	\$69,716	\$913	\$1,024
Schomberg	2,691	15.9%	1,060	23.4%	170	16.0%	63.17	\$91,076	\$1,232	\$1,298
Merrickville-Wolford	3,067	7.6%	1,230	6.9%	190	15.4%	61.95	\$74,660	\$937	\$1,137
Erin	2,647	4.9%	1,040	7.9%	160	15.4%	60.45	\$92,329	\$1,071	\$1,494
Wheatley	2,868	-1.0%	1,040	2.9%	170	16.3%	59.27	\$73,866	\$885	\$1,167
Port Rowan	1,102	3.1%	580	2.7%	65	11.2%	58.98	\$54,331	\$921	\$588
Vineland	4,074	7.0%	1,630	8.7%	230	14.1%	56.46	\$74,504	\$990	\$1,080
Tottenham	5,143	9.0%	1,915	8.2%	280	14.6%	54.44	\$78,279	\$1,225	\$949
Caledonia	9,674	-2.0%	3,475	7.9%	455	13.1%	47.03	\$89,381	\$906	\$1,577
Smithville	5,489	13.4%	2,020	7.0%	250	12.4%	45.55	\$81,211	\$896	\$1,360
Plympton-Wyoming	7,795	2.9%	3,055	4.1%	355	11.6%	45.54	\$90,742	\$894	\$1,627
Drayton	2,111	18.9%	705	10.3%	95	13.5%	45.00	\$80,058	\$970	\$1,254
Beeton	3,891	4.3%	1,340	6.3%	170	12.7%	43.69	\$85,320	\$915	\$1,455
Wellesley	3,246	10.8%	1,125	5.3%	135	12.0%	41.59	\$93,339	\$914	\$1,679
Chatsworth	6,630	3.0%	2,550	1.8%	260	10.2%	39.22	\$66,515	\$901	\$947
King	6,970	51.4%	2,305	8.1%	270	11.7%	38.74	\$129,459	\$1,551	\$2,045
Thamesford	2,116	8.3%	885	4.8%	70	7.9%	33.08	\$81,216	\$864	\$1,392
St. George	3,255	4.2%	1,265	3.3%	105	8.3%	32.26	\$90,841	\$831	\$1,692
Nobleton	4,614	80.7%	1,410	2.9%	130	9.2%	28.18	\$131,744	\$1,683	\$1,977
Wainfleet	6,372	0.3%	2,415	1.0%	150	6.2%	23.54	\$81,895	\$1,061	\$1,214
Palgrave	1,044	4.2%	405	2.6%	20	4.9%	19.16	\$120,797	(n/a)	\$3,355
Caledon	1,482	-5.7%	475	1.1%	20	4.2%	13.50	\$138,037	\$1,799	\$2,035
<b>AVERAGE</b>		<b>5.2%</b>		<b>14.5%</b>		<b>25.1%</b>	<b>104.98</b>	<b>\$70,156</b>	<b>\$895</b>	<b>\$1,054</b>

SOURCE: Statistics Canada 2016 Census (income data for 2015). Table sorted by rental supply density. Average incomes and housing costs are weighted.

(1) Rental Supply Density equals the total number of rented dwellings per 1,000 people (consultant's calculation).

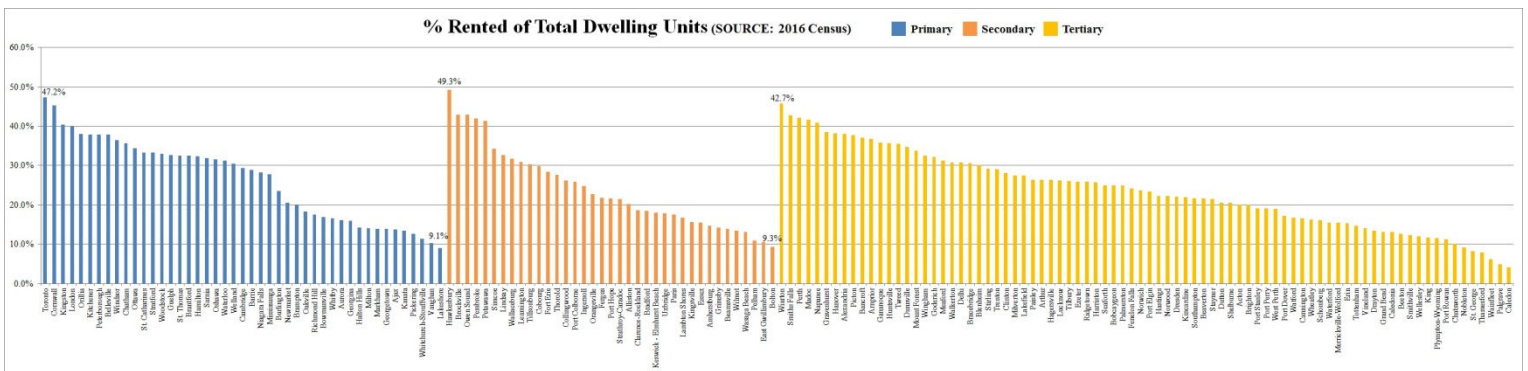
(2) Rent Upside equals the affordable monthly rent calculated from 1/3 of average total pre-tax household income minus average monthly housing cost for renters.

Of the 164 cities, towns, and population centres included in this study, 82 categorize as tertiary markets, and most of which will not be familiar to readers, unless they happen to live or work locally. These are Ontario's smallest towns and population centres, ranging from the smallest, Palgrave, with 1,044 people, to the largest, Caledonia, with 9,674 people. Despite being smaller than secondary markets, and often located some distance from larger cities and towns, tertiary markets show similar demographic and housing characteristics as secondary markets, including the percentage of dwelling units in multi-storey apartment buildings, the percentage rented dwellings, rental supply density, and (to a lesser extent) average incomes and rent upside. Broadly speaking, this indicates that even the smallest towns and population centres in southern Ontario offer depth-of-market and rent upside opportunities for developers.

## Discussion

This section reviews several main data points from the analysis above. Note that the comments in this section are preliminary and subject to refinement based on future research (see Future Research section at the end of this study).

The **percentage rented dwellings** in Tables 1, 2, and 3 is high in many secondary and tertiary markets, showing a similarly wide range from low to high as primary markets, and often higher than in some of the largest primary markets. For example, London has one of the largest rental supplies in Ontario and highest percentages of rented dwellings, but secondary markets such as Hawkesbury, Brockville, Owen Sound, and Pembroke, and tertiary markets such as Warton, Perth, Smiths Falls, and Madoc, each have higher percentages of rented dwellings than London. The chart below illustrates this point.



This means that renting is not just a 'big city' phenomenon—in fact, as the data shows, renting is highly prevalent in small towns and population centres too. This indicates that a huge depth-of-market for rentals exists in all markets in southern Ontario, including secondary and tertiary markets, which means opportunities exist for developers to tap into this 'culture of renting' by bringing new purpose-built rentals to these markets.

The calculated **rental supply density** ratios in Table 1, 2, and 3 show that the ratio of rentals to population is very low in many markets, which is true across primary, secondary, and tertiary markets. This indicates that many markets are under-supplied with

rental housing units and should be able to support additional rental supply, in many cases significant amounts of new supply. The table below summarizes the 25 markets with the lowest rental supply density ratio. Of these 25 markets, three are secondary markets and fourteen are tertiary markets.

TABLE 4 – Top 25 Markets with Lowest Rental Supply Density

Geography	Type	Nearest Major Primary Market	Est. Distance to Nearest Major Primary Market (1)	Total Population (2016)	Total Rented Dwelling Units	% Rented Dwellings	RENTAL SUPPLY DENSITY (2)
Caledon	III	Brampton	24 km	1,482	20	4.2%	13.50
Palgrave	III	Vaughan	35 km	1,044	20	4.9%	19.16
Wainfleet	III	Welland	15 km	6,372	150	6.2%	23.54
Nobleton	III	Vaughan	16 km	4,614	130	9.2%	28.18
Bolton	II	Vaughan	22 km	26,378	790	9.3%	29.95
Vaughan	I	-	-	306,233	9,765	10.4%	31.89
St. George	III	Brantford	20 km	3,255	105	8.3%	32.26
Lakeshore	I	Windsor	37 km	36,611	1,200	9.1%	32.78
Thamesford	III	London	19 km	2,116	70	7.9%	33.08
East Gwillimbury	II	Newmarket	5 km	23,991	850	10.5%	35.43
Whitchurch-Stouffville	I	Markham	18 km	45,837	1,750	11.4%	38.18
King	III	Vaughan	9 km	6,970	270	11.7%	38.74
Chatsworth	III	OwenSound	14 km	6,630	260	10.2%	39.22
Pelham	II	Welland	15 km	17,110	705	10.9%	41.20
Wellesley	III	Waterloo	19 km	3,246	135	12.0%	41.59
Pickering	I	-	-	91,771	3,895	12.6%	42.44
Ajax	I	-	-	119,677	5,165	13.8%	43.16
Markham	I	-	-	328,966	14,285	13.9%	43.42
Beeton	III	Newmarket	32 km	3,891	170	12.7%	43.69
Milton	I	-	-	110,128	4,840	14.1%	43.95
Drayton	III	Waterloo	38 km	2,111	95	13.5%	45.00
Plympton-Wyoming	III	Sarnia	28 km	7,795	355	11.6%	45.54
Smithville	III	Hamilton	32 km	5,489	250	12.4%	45.55
Kanata	I	-	-	117,304	5,515	13.5%	47.01
Caledonia	III	Hamilton	18 km	9,674	455	13.1%	47.03

SOURCE: Statistics Canada 2016 Census (income data for 2015). Table sorted by rental supply density. Average incomes and housing costs are weighted.

(1) Estimated Distance to Nearest Primary Market based on Google Maps driving directions.

(2) Rental Supply Density equals the total number of rented dwellings per 1,000 people (consultant's calculation).

The calculated **rent upside** in Tables 1, 2, and 3 shows that in all markets a gap exists between what households with the average household income could afford per month and what renter households are paying monthly for rentals on average. This gap, which varies by small to large amounts across all 164 markets but which is positive in all of them, indicates that opportunities exist in all markets to achieve higher rents than are currently being paid, at least on average. In other words, there exists a rent 'upside' opportunity in all primary, secondary, and tertiary markets in southern Ontario for developers to achieve higher rents. The table below summarizes the 25 markets with the largest rent upside. Of these 25 markets, five are secondary markets and thirteen are tertiary markets.

TABLE 5 – Top 25 Markets with Largest Rent Upside

Geography	Type	Nearest Major Primary Market	Est. Distance to Nearest Major Primary Market (1)	Total Population (2016)	AVG Total After-Tax Household Income	AVG Monthly Housing Cost: Renters	RENT UPSIDE (2)
Palgrave	III	Vaughan	35 km	1,044	\$120,797	(n/a)	\$3,355
King	III	Vaughan	9 km	6,970	\$129,459	\$1,551	\$2,045
Caledon	III	Brampton	24 km	1,482	\$138,037	\$1,799	\$2,035
Oakville	I	-	-	193,832	\$126,204	\$1,523	\$1,983
Nobleton	III	Vaughan	16 km	4,614	\$131,744	\$1,683	\$1,977
Lakeshore	I	Windsor	37 km	36,611	\$97,747	\$889	\$1,826
Aurora	I	-	-	55,445	\$113,594	\$1,345	\$1,810
Georgetown	I	-	-	42,123	\$103,748	\$1,176	\$1,706
St. George	III	Brantford	20 km	3,255	\$90,841	\$831	\$1,692
Pelham	II	Welland	15 km	17,110	\$95,520	\$968	\$1,685
Halton Hills	I	-	-	61,161	\$102,565	\$1,170	\$1,679
Wellesley	III	Waterloo	19 km	3,246	\$93,339	\$914	\$1,679
Plympton-Wyoming	III	Sarnia	28 km	7,795	\$90,742	\$894	\$1,627
Caledonia	III	Hamilton	18 km	9,674	\$89,381	\$906	\$1,577
East Gwillimbury	II	Newmarket	5 km	23,991	\$102,008	\$1,277	\$1,557
Wilmot	II	Kitchener	15 km	20,545	\$92,748	\$1,020	\$1,556
Whitby	I	-	-	128,377	\$97,877	\$1,168	\$1,551
Whitchurch-Stouffville	I	Markham	18 km	45,837	\$104,529	\$1,356	\$1,548
Amherstburg	II	Windsor	25 km	21,936	\$85,183	\$837	\$1,529
Port Elgin	III	Owen Sound	44 km	7,862	\$88,536	\$938	\$1,521
Erin	III	Georgetown	23 km	2,647	\$92,329	\$1,071	\$1,494
Kincardine	III	Owen Sound	81 km	8,315	\$87,948	\$951	\$1,492
Beeton	III	Newmarket	32 km	3,891	\$85,320	\$915	\$1,455
Uxbridge	II	Ajax	36 km	11,832	\$92,032	\$1,112	\$1,444
Thamesford	III	London	19 km	2,116	\$81,216	\$864	\$1,392

SOURCE: Statistics Canada 2016 Census (income data for 2015). Table sorted by rent upside. Average incomes and housing costs are weighted.

(1) Estimated Distance to Nearest Primary Market based on Google Maps driving directions.

(2) Rent Upside equals the affordable monthly rent calculated from 1/3 of average total pre-tax household income minus average monthly housing cost for renters.

Overall, based on the three calculated indicators described in this study and discussed in the previous page—percentage rented dwellings, rental supply density, and rent upside—it appears that significant opportunities exist in secondary and tertiary markets in southern Ontario for developers and lenders to increase local purpose-built rental supplies by developing new purpose-built rentals and to achieve higher rents than are being achieved by the current rental supply (on average). Although this study did not attempt to calculate projected depth-of-market figures, such as the number of new rentals needed in market A to match market B, the high percentage of dwellings being rented and the low ratio of rented dwellings to population in most secondary and tertiary markets suggests significant undersupply of rentals alongside significant demand for rentals.

## Future Research

This study sought to review demographic and housing data for secondary and tertiary markets in southern Ontario with the goal of helping developers and lenders see the opportunities smaller markets offer for the development of new rental housing. This goal has been accomplished to a preliminary standard. What future research should be conducted?

The consultant thinks the following additional research topics and approaches would be good next steps:

- Define market types in greater detail by incorporating additional variables such as the presence or absence of hospitals, schools, shopping malls, transportation links, and a variety of housing types. It is expected that secondary and tertiary markets with more amenities and easy access to primary markets are likely to offer greater opportunities for developing new rentals, both in terms of demand and achievable rents.
- Expand the demographic, economic, and housing analysis by adding more data points (including population and housing projections) and separating data points by housing tenure (owner and renter households). This will help assess the suitability of markets with a level of detail that would enable a ranking of priority target markets.
- Obtain detailed quantity, type, and rent data for purpose-built rental housing in smaller markets. CMHC tracks purpose-built rentals for primary markets and most secondary markets, but tertiary markets are not tracked. Measuring the supply of purpose-built rentals is important for calculating the number of non-purpose-built rentals—this can be used as a way of measuring potential depth-of-market for new rentals. Identifying purpose-built rentals in smaller markets will require significant fieldwork.
- Calculate the estimated amount of new rentals needed to meet supply benchmarks in secondary and tertiary markets in comparison with equivalent markets which already contain larger supplies of new rentals. Several methodologies can be used to accomplish this, one of which, Rental Supply Density, was used in this study.
- Calculate estimated absorption benchmarks (the number of new rental units likely to be absorbed per month) by using example projects, prospect ‘traffic’ data, and demographic analysis. Benchmarks will differ by market size.
- Conduct market surveys to obtain data on current rents being asked/achieved in purpose-built and non-purpose-built rentals in secondary and tertiary markets. This is used to identify potential achievable rents for new rental housing.
- Determine the development pipeline to help gauge future competition and depth-of-market.
- Determine vacant land availability.

Future research should be conducted by knowledgeable real estate consultants working closely with developers and other market participants. Once secondary and tertiary markets have been studied in greater detail and ranked by priority, then highly focused feasibility studies and market surveys should be conducted on individual target markets to provide developers with the market information and recommendations they need to begin the process of developing new rental projects.