

# Outlook for Rental Market Development

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“Economists Don’t Predict the  
Future Because They Know;  
They Predict Because They’re  
Asked”

*John Kenneth Galbraith*

## Evolving Model Concludes...

- Rental construction driven by:
  - Level of rents
  - Interest rates
- Vacancy rates are irrelevant - directly
  - But important indirectly...
  - Affect rents and expectations about rent growth

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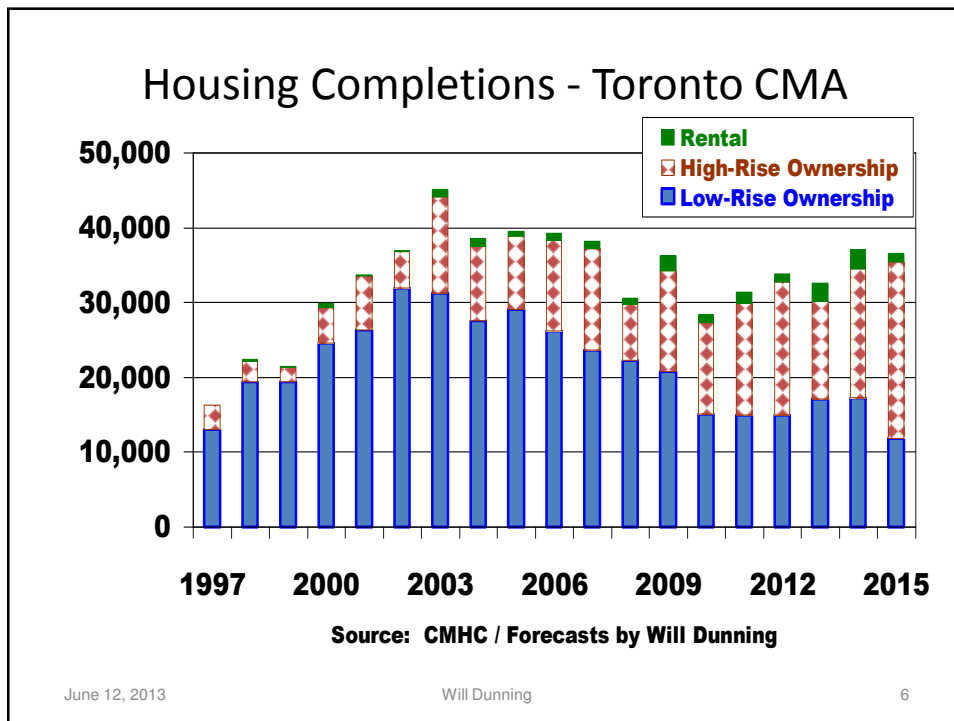
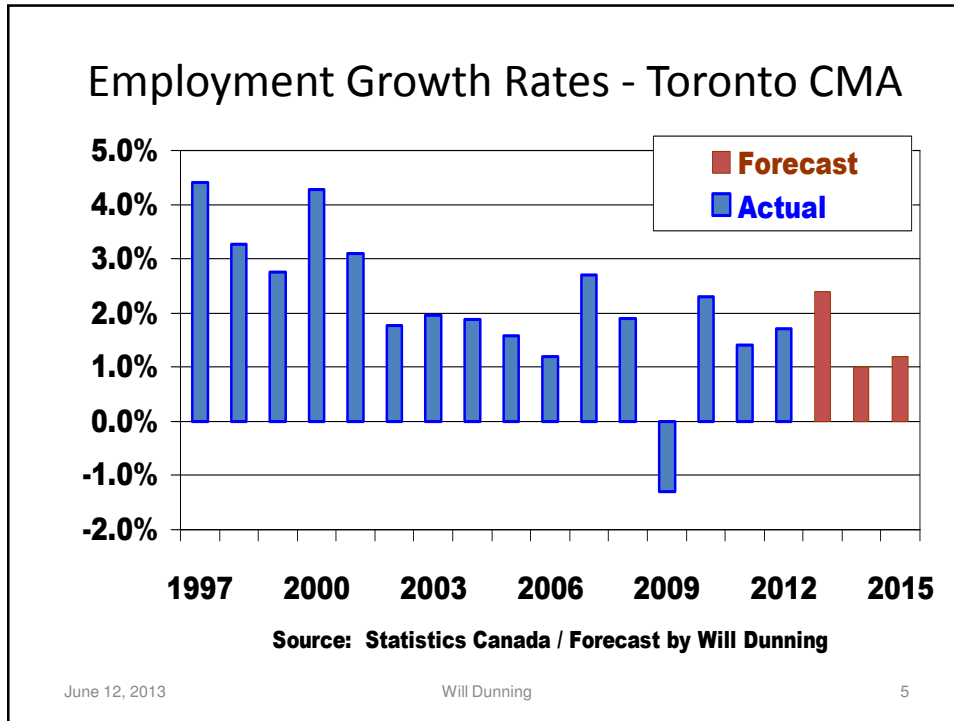
## Vacancy Rates Influenced by

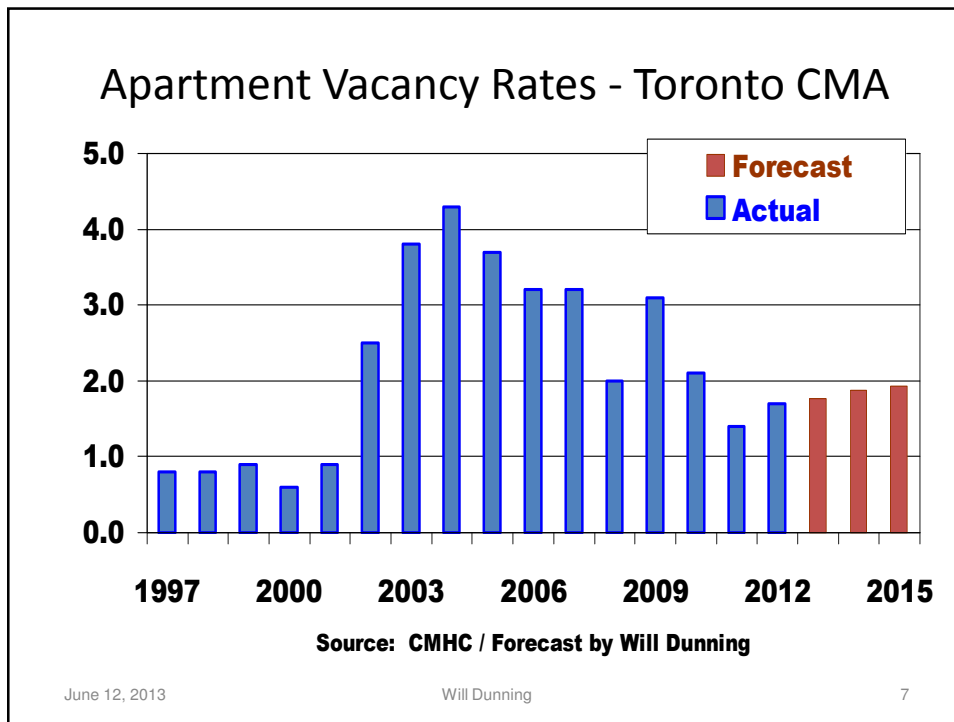
- Job creation
- Growth of the total housing inventory
- Other potential variables appear to have limited relevance

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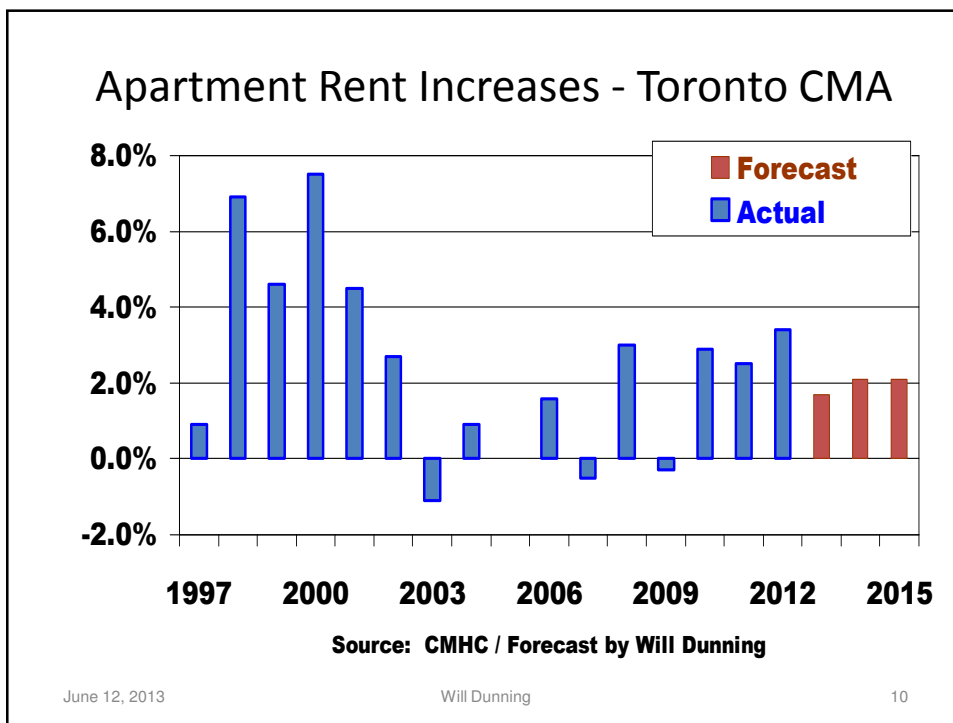
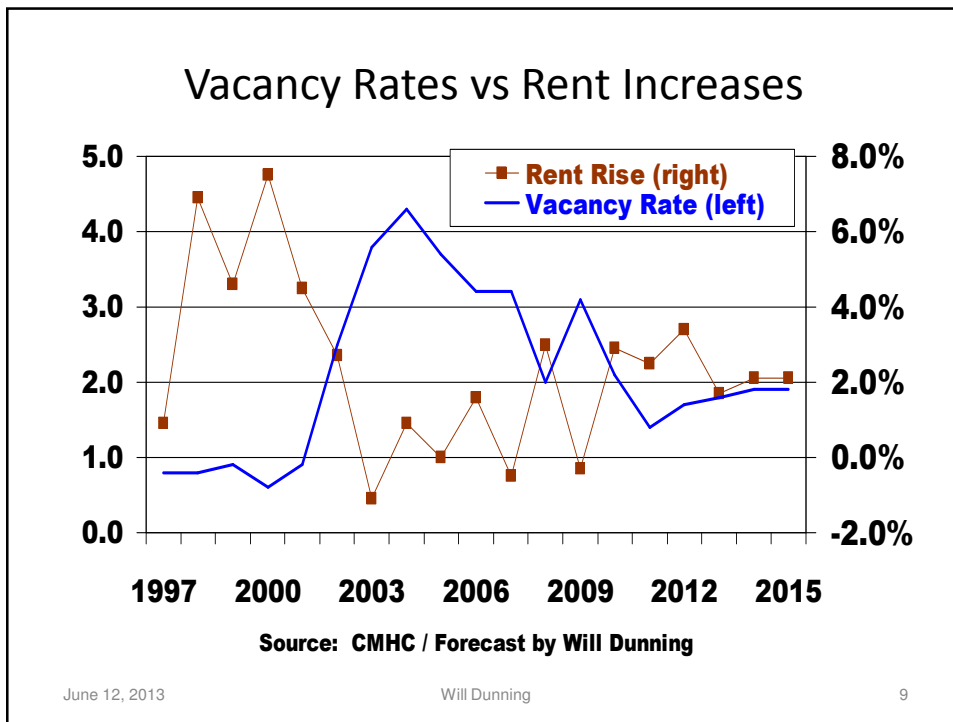




## Forecasting Rent Increases

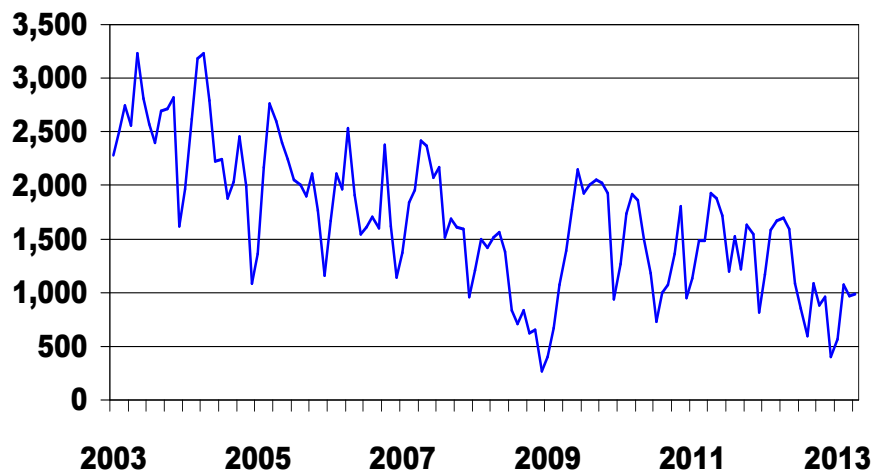
- Vacancy rates
- What is a balanced market?

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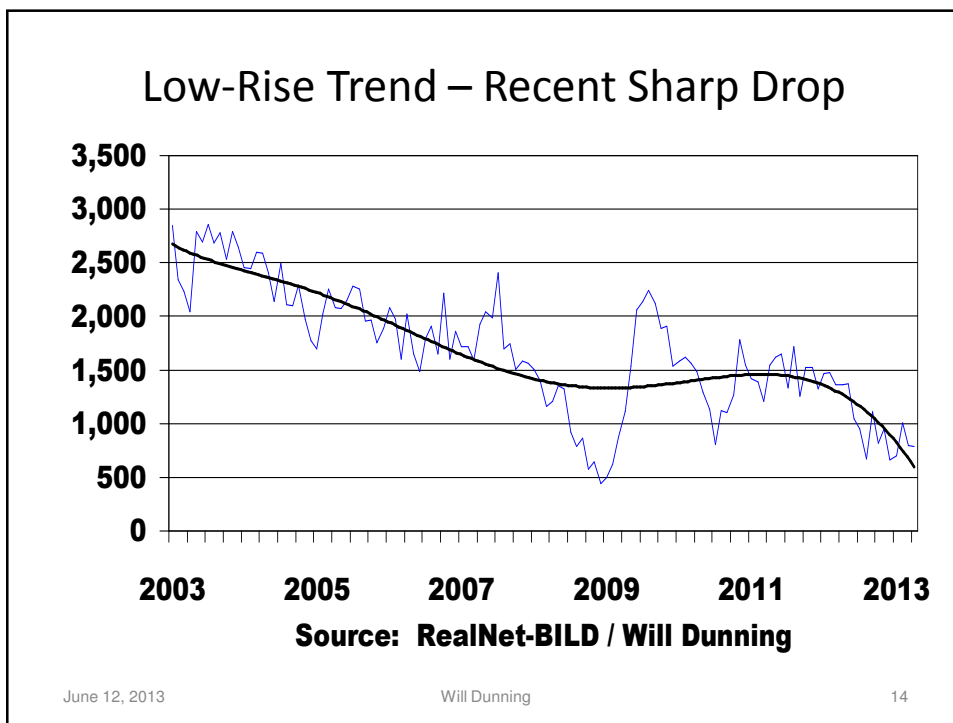
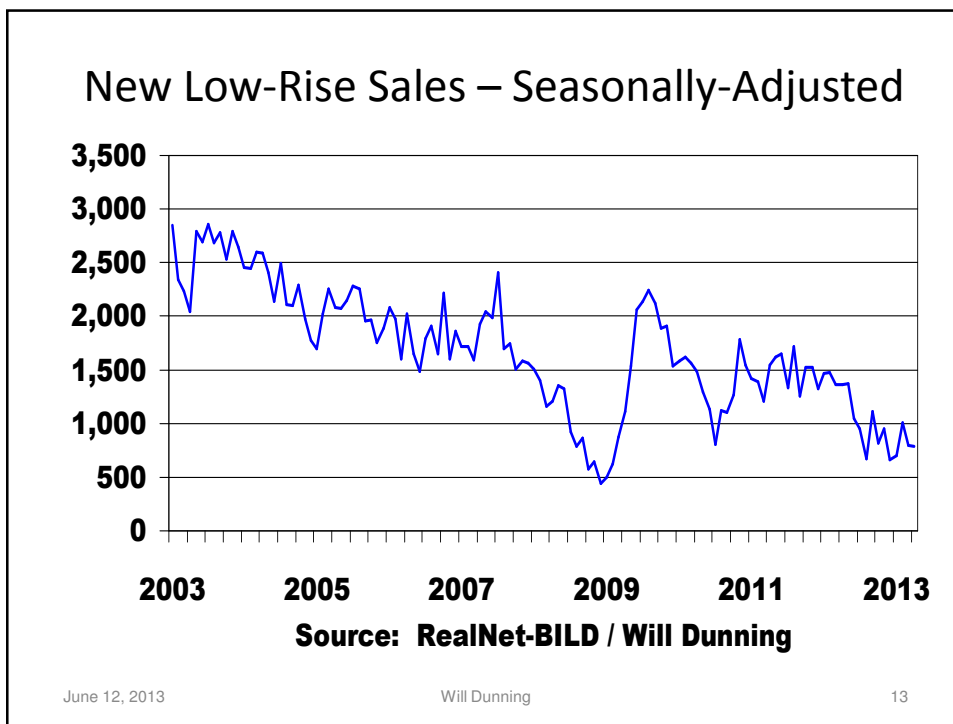


# GTA New Homes Market

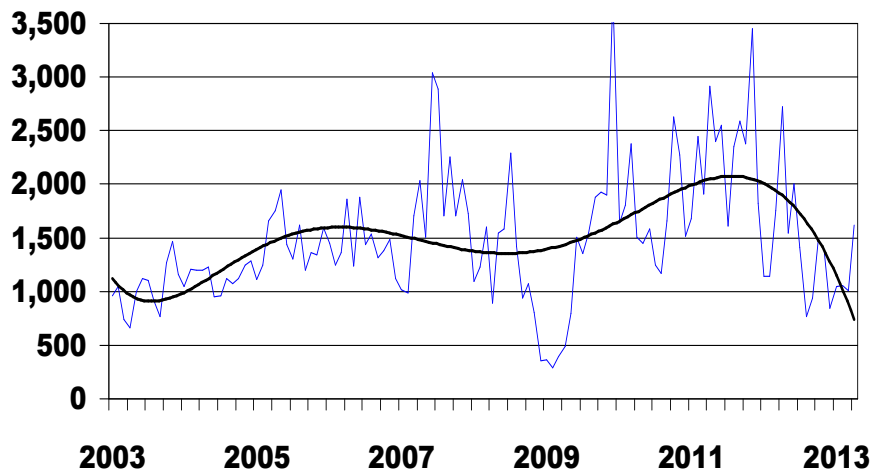
## New Low-Rise Sales – as Reported



Source: RealNet-BILD / Will Dunning



### High-Rise Trend – Also a Recent Sharp Drop



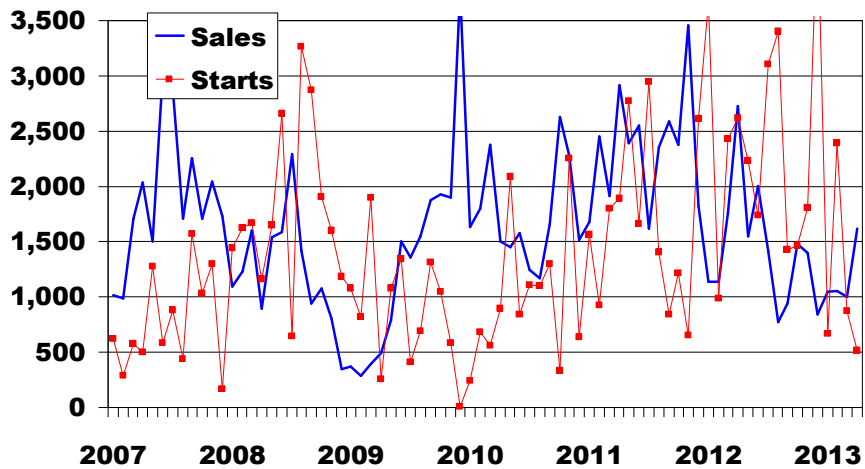
Source: RealNet-BILD / Will Dunning

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### High-Rise Housing Starts versus Sales



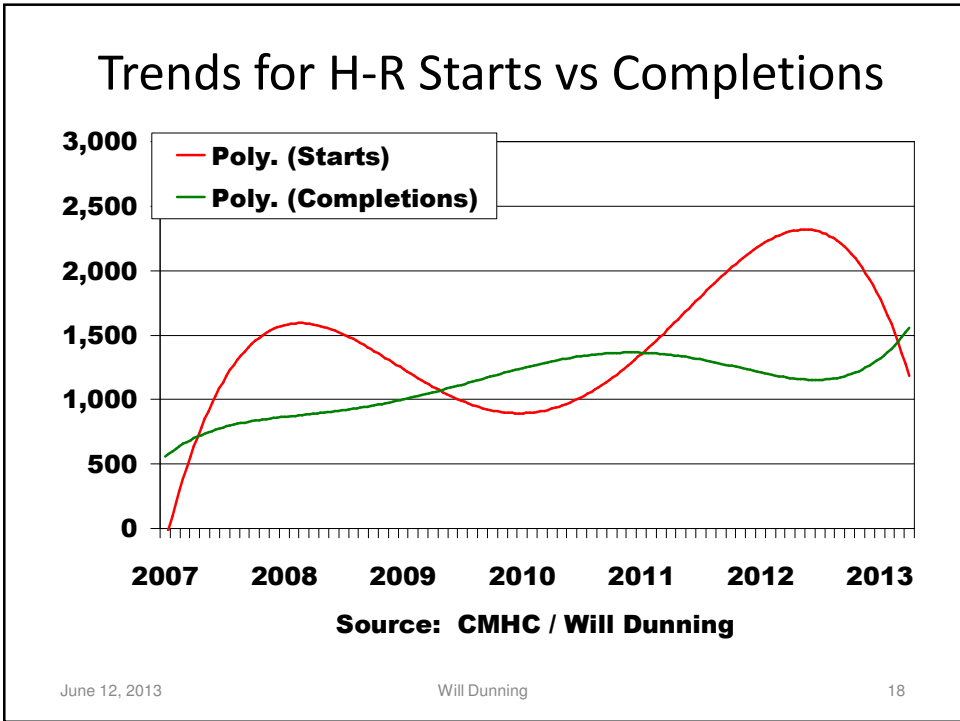
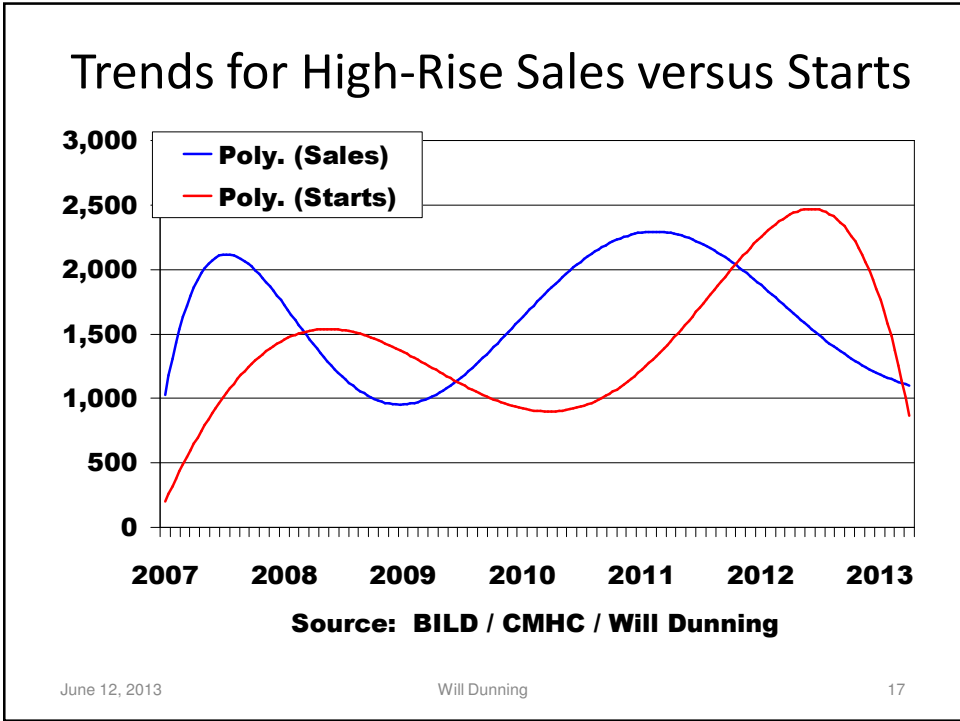
Source: BILD / CMHC / Will Dunning

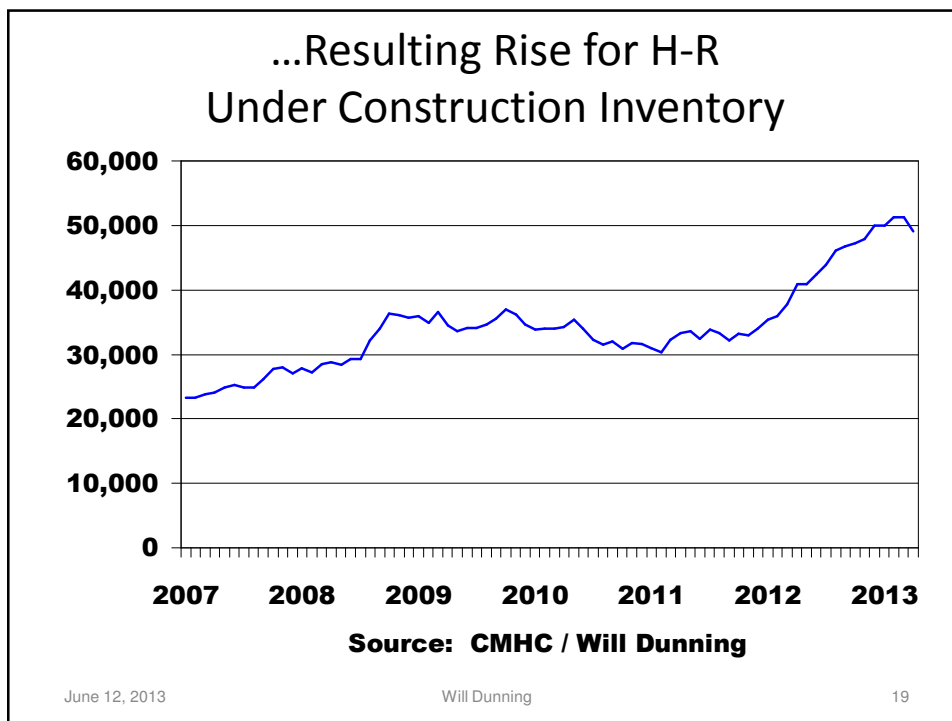
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## Final Thoughts

- Uncertainty about condo apt completions – major implications for rentals
- The housing market downturn will have significant impacts on the housing market, and the economy.
  - Reduced resale activity and housing starts will cost jobs.
  - Impact of slower growth of house prices (and risk of falling prices).
  - Much later, reduction in housing supply will mean lower vacancy rates for apartments, and higher rents.

## About Will Dunning

Consulting services by Will Dunning include:

- Custom research on economics and housing markets.
- Briefings and presentations.
- Expert witness testimony.

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- See "Housing Market Digest"