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How the Airbnb ban led to lower rental prices in Canada's major cities

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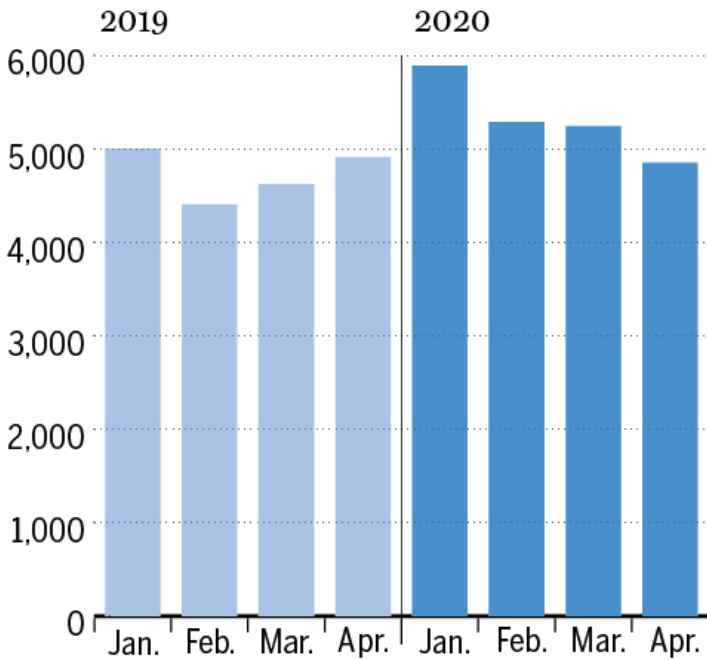


Condos frame the CN Tower in Toronto. ERNEST DOROSZUK/TORONTO SUN/POSTMEDIA FILES

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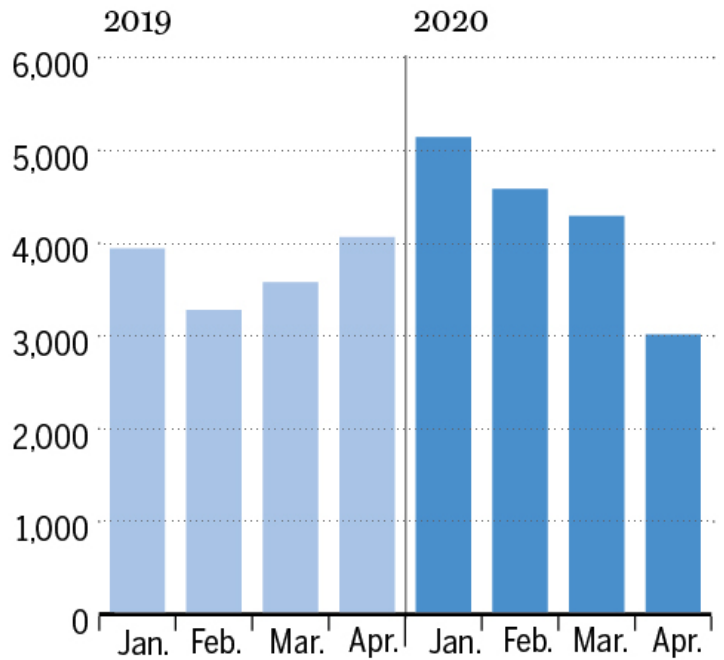
BOOKINGS FALL FOR AIRBNB RENTALS

TOTAL AVAILABLE LISTING - VANCOUVER



SOURCE: AIRDNA

TOTAL BOOKED LISTINGS - VANCOUVER



GIGI SUHANIC / NATIONAL POST

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Once seen as safer than gold, Canadian real estate braces for the 'Great Reckoning'

But the pandemic and Ontario's subsequent ban on short-term rentals has led to such a sharp decline in the number of Airbnb bookings in major urban centres that those furnished units have migrated to the long-term rental market, according to data obtained by the Post from various condo rental sites and a real estate analytics company.

"We are seeing an incredible new amount of inventory of furnished units come onto the long-term rental market over the last few months," said Andrew Harrild, co-founder of Condos.ca. "At Ice Condos, for example, there are now 147 units available for rent, which is unbelievable."

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There's been a sharp decline in Airbnb bookings in major urban centres. LIONEL BONAVENTURE/AFP VIA GETTY IMAGES FILES

Condos.ca data show that the number of Ice Condos units available on the long-term rental market increased by a remarkable 234 per cent between February and June 2020.

In February, there were a total of 44 units available for rent at 12 and 14 York St., but that number had ballooned to 147 by June 12. By comparison, there were just 19 units available for rent in June 2019.

At 155 Yorkville Ave., another popular Toronto Airbnb building, Condos.ca had listings for 75 long-term rental units on June 12, while there were just 14 listings in February. Over at 300 Front St., listings grew to 71 from 14 during the same time period. Both buildings had substantially fewer listings in June 2019 at three and 14, respectively.

“The 2020 numbers are for the first 12 days of June. The 2019 numbers are for the entire month of June 2019. So, as you can see, there has been an explosion of listings (on the long-term rental market) in the first 12 days this year compared to the full month of last year,” said Bayan Qandil, Condos.ca’s chief technology officer.

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Joyce Lim, a tenant at the Ice Condos in downtown Toronto, observed in late May how strangely clean and quiet the lobby of her building had become.

At first, she thought it was due to both enhanced cleaning protocols related to COVID-19 and people not leaving their units unless absolutely necessary, but then it occurred to her that the lack of activity in the narrow lobby was because the random visitors hanging out with suitcases had disappeared.



“Almost every day there would be people just waiting, with bags and suitcases, for someone to quietly enter the building and slip them keys to Airbnb units they were renting for a few days,” Lim said. “It definitely felt like a hotel. That did not really bother me, but now I just feel good because it’s much cleaner and quieter.”

Ice Condos, twin high-rises that are a prominent Toronto landmark, is one of the three most popular sites for Airbnb Inc. bookings, according to data gathered by Fairbnb, a non-profit coalition of labour organizers, tenants, tourism groups and homeowners advocating for fairer home-sharing policies.

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There has been an explosion of listings (on the long-term rental market)

BAYAN QANDIL

Data from AirDNA, an analytics company focused on the short-term rental market, also showed a clear decline in the number of available listings on Airbnb sites in Toronto, Vancouver and Montreal, according to numbers provided to the Financial Post.

In Vancouver, there were 4,328 listings for entire units on Airbnb in January 2020, and just 3,651 by April 2020, an 18.5 per cent decrease. In the same period a year ago, the number of listings was essentially unchanged.

The same trends bore out in Toronto and Montreal, with declines of roughly 20 and 22 per cent, respectively — again, a pattern that was unique only to this year.

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In Vancouver, there were 4,328 listings for entire units on Airbnb in January 2020, and just 3,651 by April 2020, an 18.5 per cent decrease. JENNIFER GAUTHIER/BLOOMBERG FILES

Shaun Hildebrand, president of Urbanation Inc., points out that Airbnb listings might have declined in conjunction with an increase in available units on the long-term rental market, but that does not necessarily imply correlation.

“The data indicate that there has been a very large percentage year-over-year increase in new listings of long-term furnished units — 62 per cent, to be precise — but, in absolute terms, an additional 213 new listings compared to last May is not very dramatic given the thousands of units that were estimated to have been operating as short-term rentals,” he said.

Urbanation’s data point towards a rise in both furnished and unfurnished rental listings across the Greater Toronto Area. Furnished listings in the city rose by 12 per cent, which Hildebrand said is significant compared to previous years.

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“It’s hard to gauge Airbnb conversion without knowing how many of these units would have otherwise been long-term rental units,” he said. “The question that needs to be answered is how many, out of the number of Airbnbs that are secondary residences, would the owner have otherwise offered as a long-term rental? That, we don’t know.”

But Airbnb has long argued that the rapid rise in the number of short-term rentals on sites such as Airbnb and Vrbo have eaten away at the long-term rental market, creating a supply shortage and pushing up rents.

An extensive report published by David Wachsmuth, a professor in urban studies at McGill University, last June found that the popularity of listing on Airbnb effectively removed 31,000 units from Canada’s long-term rental market.



A sign advertising condos for rent in Montreal. DARIO AYALA/THE GAZETTE FILES

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short-term rental sites, instead of the long-term rental market.

Fairbnb Canada spokesperson Thorben Wieditz said his calculations indicate there are currently 8,000 Airbnb units in Toronto operating in contravention of city bylaws that banned short-term rentals because of the pandemic (that ban was lifted in Ontario on June 4).

“In April, we still saw a significant number of listings being booked,” Wieditz said. “There were almost 7,000 homes being booked in Toronto and most of those 7,000 units were not being used as principal residences, so they were dedicated to short-term rentals only.”

Airbnb has said it is providing free housing to frontline workers during the COVID-19 crisis, specifically members of the Service Employees International Union, but Wieditz is skeptical that all bookings made during the pandemic months can be attributed to this initiative.



The Airbnb logo is shown on a smartphone. CARRY JONES/BLOOMBERG FILE

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“Airbnb should have volunteered to close down this platform in Ontario to prevent people from illegally booking units against the ban,” he said. “They have done that in the U.K.”

The unintentional impact the ban on short-term rentals has had on the long-term rental market is also showing up in rent prices.

Urbanation’s data show that average rents of furnished rentals in the Greater Toronto Area fell 8.7 per cent year over year in May, while Condos.ca estimates that rents of both furnished and unfurnished listings have declined by about 10 per cent since the pandemic began.

Harrild, who has worked as a realtor for years in Toronto’s ever-pricier downtown core, said he is noticing a consistent decline in condo rents for the first time in six years.

“Before the pandemic, a one-bedroom condo in the downtown would probably not go for less than \$2,200 per month, but now you’re seeing them being advertised for about \$1,800,” he said. “It is a correction that was much needed, and we’re seeing a return to a more balanced market.”

Beyond short-term rentals, the other factor that might keep rent prices in Toronto at lower-than-expected levels is the flood of brand new units that are set to enter the market in 2020.

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Condos under construction in Toronto. TYLER ANDERSON/NATIONAL POST FILES

“Heading into 2020, our predictions were that upwards of 29,000 new condos were coming onto the market,” Urbanation’s Hildebrand said. “Of course, that was slowed down by the pandemic, but this is the biggest addition in new condo units since 2014.”

He points out that most of those units will end up on the rental market if rents do not significantly decline, simply because most new condos are pre-sold to investors.

“The big picture of this pandemic is that for urban renters, things are looking up. Supply is coming in, conventional demand is declining because immigration levels are falling,” Hildebrand said. “Obviously, with job losses, there is less appetite to go out and rent a new condo, but I think you’re going to see this trend play out for a few months, and things will pick up in 2021.”

Financial Post

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