Are rental rates really too high in Toronto?

SABINE GHALI
PROPERTY MANAGEMENT

There is a lot of talk that rental rates are much too high in Toronto, but a look at how the city compares to other international cities reveals exactly why rent is so high here. Other factors have also served to drive rental rates sky high over the years.

For example, the Toronto rental market was significantly underpriced and undervalued in the early 2000s. Since then, the market has seen a major run that has lifted prices dramatically.

Perhaps one of the most significant factors influencing rental rates in Toronto is immigration. Canada and especially Toronto have become the new melting pot of the world. On average, 250,000 new immigrants enter Canada every year, and many of those immigrants settle in the Greater Toronto area. About 100,000 immigrants move to Toronto every year, and the housing supply is just barely able to keep up with the increase in demand. This is one reason rental prices keep skyrocketing.

People move to Toronto for various reasons. Many Chinese nationals are trying to move money outside their country to serve as a hedge in case something happens in China, a practice known as capital flight.

Various wars in the Middle East have caused the affluent part of the population as well as refugees to immigrate to a stable country where they can raise their family.

The U.S. is also sending its share of immigrants to Toronto, especially since Donald Trump was elected president. The changes he has made to immigration policy in the U.S. have also diverted people who would otherwise immigrate to the U.S. and sent them into Canada. For all of these reasons, top talent is moving from the U.S. to Canada.

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There are also other reasons to expect rental rates in Toronto to be as high as they are. The city's universities compete with the best North American universities at a fraction of the cost, which means many people move here to attend university. Additionally, major companies like Microsoft, Google and Amazon are now setting up shop in Canada.

The health system in Canada is also stellar, and in Toronto, the hospitals are second to none. Many people need this high quality of service and expertise because their lives depend on it. Between the health care, the universities and entry of major companies, Toronto has become a world-renowned city of similar calibre to New York City, Los Angeles, San Francisco and London. However, for now, Toronto is still more affordable than these other prominent cities.

As long as Canada remains a beacon of inclusion and diversity, we will continue to see international families and professionals looking to move here and raise their families. The eastern side of the city still has plenty of open land for development, so the future of the city will be moving to the east. COVID-19 slowed down the condominium market, and the influx of Airbnb units hasn't helped, but we see these as temporary adjustments.

Sabine Ghali, Managing Director at Buttonwood Property Management and an entrepreneur at heart who endeavors to help investors create wealth over time in the Greater Toronto Area. Visit her at www.buttonwood.ca

WHEN THERE'S A WILL, THERE'S A WAY

What would happen to your house if you die intestate?

LINDA WHITE
Special to Postmedia Network

The real estate market has been busy playing catch up after the COVID-19 pandemic brought the spring market to its knees, with record-breaking sales posted in many regions.

But a new study reveals a troublesome find: most Canadians are blissfully unaware of what will happen to their home in the event of their death.

"As the housing market continues to grow, especially with many first-time millennial homebuyers entering the market, Canadians need to be aware of the consequences of purchasing a home without a will in place," says Erin Bury, CEO and co-founder of Willful, a Toronto-based online estate planning platform.

Dying intestate could result in a large tax bill on your estate and less money in your beneficiaries' pockets. According to an Angus Reid study commissioned by Willful, 80 per cent of Canadians don't know what happens to their home – and its associated debt – when they die.

Also, according to the study, 74 per cent of homeowners under the age of 35 don't have a will, compared to 36 per cent of homeowners overall.

Other key findings: 48 per cent of Canadians incorrectly believe their home automatically goes to their spouse or child when they die and one in 10 Canadians think their mortgage simply disappears. (FYI: In Canada, the mortgage stays with the home, not the person, so if you're the sole owner of the property and you die, the mortgage must be paid from your estate.)

"Buying a home is one of the main inflection points that may lead you to getting a will, since when you purchase a large asset you want to protect it," Bury says. In fact, home purchase is the second most popular life event Willful users cite for creating a will. The No. 1 reason is the birth of a child.

By preparing a valid will, you determine how your estate will be divided and distributed. Your estate includes what you own (called 'assets') and what you owe (called 'liabilities'). If you don't have a will, the laws in your province or territory will determine how your estate is divided.

In Ontario, when a person dies without a valid will, the Succession Law Reform Act sets out how an estate is distributed. Generally, the first $200,000 is given to the deceased person's spouse and anything above that is shared between the spouse and children.

Things get more complicated if you die without a will and have a common-law spouse and/or a blended family because common-law spouses don't have estate rights here.

When you purchase a large asset like a home, you wnat to protect it, says Erin Bury, CEO and founder of Willful.

How your property is owned dictates whether it is governed by your will. If you're the sole owner of a property, your property is governed by your will and would pass through your estate.

Real estate owned by two or more people 'in joint tenancy with a right of survivorship' isn't governed by a will and doesn't pass through the estate of a deceased joint tenant. The surviving joint tenant automatically becomes the sole owner of the property (except where the joint tenant is an adult child of the parent co-owner).

Real estate owned by two or more people 'in joint tenancy in common' doesn't include a right of survivorship. If an owner dies, that owner's interests pass on to his or her heirs. A tenant in common can transfer their property interest via a will.

Having assets pass directly to named beneficiaries is a common strategy for reducing probate taxes and executor fees. Consider, for example, Bury is the sole owner of a vacation home in Prince Edward County.

If she passed away, the house would flow through her will instead of being automatically transferred to her husband and because it's not a primary residence, her estate would be required to pay capital gains tax – an amount determined by the fair market value of a property right before a person's death – before her husband could inherit it.

"This can be very punitive to an estate since it may mean coming up with hundreds of thousands of dollars in taxes," Bury says. However, if the house was owned jointly by Bury and her husband, it would pass directly to him if she died and he would pay capital gains only when he sold it.

What does this mean for the average homeowner? For starters, you should know what type of ownership you have, Bury advises. If it isn't what you want, change it with a real estate lawyer and amend your mortgage accordingly.

You should also understand whether your property is governed by your will, so you can appreciate potential tax implications in the event of the unimaginable. You may want to revisit your will if you move, especially if you move to a different province governed by different estate laws.