URBANATION

Federation of Rental-housing Providers of Ontario

Ontario Rental Market Study Update

Rental Demand & Supply Outlook to 2036

August 2026

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ABOUT FRPO

Since 1985, the Federation of Rental-housing Providers of Ontario (FRPO) has been the voice of Ontario's rental housing industry and the leading advocate for quality rental housing. The Federation of Rental-housing Providers of Ontario is the largest association representing those who own, manage, build and finance, service and supply residential rental homes in Ontario. We have led the rental housing industry in Ontario for over 30 years, offering public advocacy, representation and promotion, industry research, standards and best practices, education and training along with marquee industry events and awards.

ABOUT URBANATION

Urbanation is a real estate research and consulting firm that has been providing market data, in-depth market analysis and advisory services to the condominium and rental housing industry since 1981. Urbanation uses a multi-disciplinary approach that combines empirical research techniques with first-hand observations and qualitative information gathered through relationships forged within the industry during the past 45 years. Urbanation's subscription-based reports monitor the new condominium and rental markets in the Greater Toronto Hamilton Area, the Greater Golden Horseshoe and the Ottawa Region. Urbanation actively conducts customized research and market feasibility studies across the country for new condominium and purpose-built rental apartment projects. Urbanation's clients include the province's largest developers as well as mid- and smaller-tier real estate organizations, institutional investors, major lenders, government agencies, and a variety of service providers.

1.0 INTRODUCTION

Since 2017, Urbanation has been working with FRPO to prepare market studies that provide a framework for measuring the demand and supply of rental housing in Ontario. The main goal of the studies is to estimate the supply gap in the marketplace for rental units and determine the current and future requirements for new purpose-built rental development across the province.

The previous study, completed in March 2025, projected that the gap between rental housing demand and new supply delivered from purpose-built rentals and secondary condominium rentals would total 207,000 units during the 10-year period ending 2034, adding to an estimated deficit of more than 200,000 units accumulated since 2016. That study cautioned that supply would continue to fall well short of demand without a significant improvement in the economic feasibility of building purpose-built rentals.

In the short time since, conditions in Ontario's rental market have shifted meaningfully. Federal policies aimed at reducing the non-permanent resident population moved population growth from record highs to an outright decline, temporarily cooling rental demand and pushing rents lower. At the same time, a series of government initiatives — including the full removal of HST on new rental construction, expanded low-cost CMHC financing, and deferrals and reductions of development charges — combined with lower interest rates and a sharp downturn in condominium activity to lift purpose-built rental construction to record levels.

Urbanation was again retained by FRPO to provide a current assessment of rental market conditions as of mid-2026, with updated demand and supply projections over the next 10 years to 2036. This update compares the latest projections against the previous study, examines the policy environment that has reshaped the outlook, and provides a regional breakdown of the supply gap covering the Greater Toronto Hamilton Area, the City of Toronto, Southwestern Ontario and Ottawa.

The intention of these studies is to raise awareness of the present and future expected factors impacting Ontario's rental market and rental housing needs, providing targets for new rental construction to meet the level of demand in the marketplace.

2.0 EXECUTIVE SUMMARY

Ontario's rental market is rebalancing. A temporary federal correction to non-permanent resident inflows has collided with the largest wave of apartment completions in over fifty years, providing some relief to renters after a prolonged and acute supply shortage. That population correction should prove short-lived and with the condominium sector now in a multi-year collapse, purpose-built rental must carry a far larger share of the province's housing needs. The recent acceleration in starts needs to be expanded, not merely celebrated, as the latest trajectory for supply and demand leaves a shortage of 121,000 rental units over the next decade.

- The purpose-built rental vacancy rate rose to 3.2% in 2025, its highest level in 16 years outside the pandemic, while asking rents have declined roughly 10% from their late-2023 peak. This reflects record new supply meeting a policy-driven, temporary pause in population growth. The resulting improvement in affordability is releasing pent-up demand built up over years, which is limiting improvements to the current supply gap.

- Federal reductions targeting the non-permanent resident population caused Ontario's population growth to slow from a record increase of over 500,000 in 2024 to a projected decline in 2026 — the first in the province's modern history. However, the population slowdown is a temporary corrective mechanism, not a lasting reversal, and may already be overstated. Population growth is projected to return to its long-term trend by the end of the decade.

- Purpose-built rental construction starts rose 37% in 2025 to a multi-decade high of 24,298 units and accelerated further to 32,147 units in the 12 months ending June 2026. Some of this reflects condominium developers redirecting stalled presale projects into purpose-built rental — a welcome but short-term boost that will fade. With the condominium sector no longer able to supply rental units at its former scale, sustaining today's pace is now the central challenge.

- Government incentives, including the full HST removal on new rental construction, CMHC's $55 billion Apartment Construction Loan Program, development charge relief and the rent control exemption for new supply, have been central to this turnaround.

- The condominium sector — Ontario's dominant source of new rental supply for 30 years — has effectively stalled. New condominium sales in the GTHA have fallen to their lowest level since 1990 and more than 90% below the norm of the past decade, resulting in condominium completions projected to fall from record highs to virtually zero by 2030-2031.

- Over the next 10 years, rental demand in Ontario is projected to increase by 399,000 households against 278,000 units of new supply — leaving a projected gap of 121,000 units that is heavily backloaded (36,000 units in 2026-2031, widening to 85,000 in 2031-2036). The gap sits on top of an estimated 249,000-unit deficit accumulated since 2016, and assumes today's incentive framework, much of which expires between 2029 and 2032, remains intact.

- The GTHA accounts for 74,000 units, over 60% of the provincial gap. The City of Toronto shows a modest net 10-year surplus of just 3,000 units, but this is heavily front-loaded and is sensitive both to an expected population undercount and to pent-up demand still being released from years of accumulated shortage. Southwestern Ontario (14,000-unit gap) and Ottawa (9,000-unit gap) are projected to remain in a supply deficit provided current construction levels are maintained.

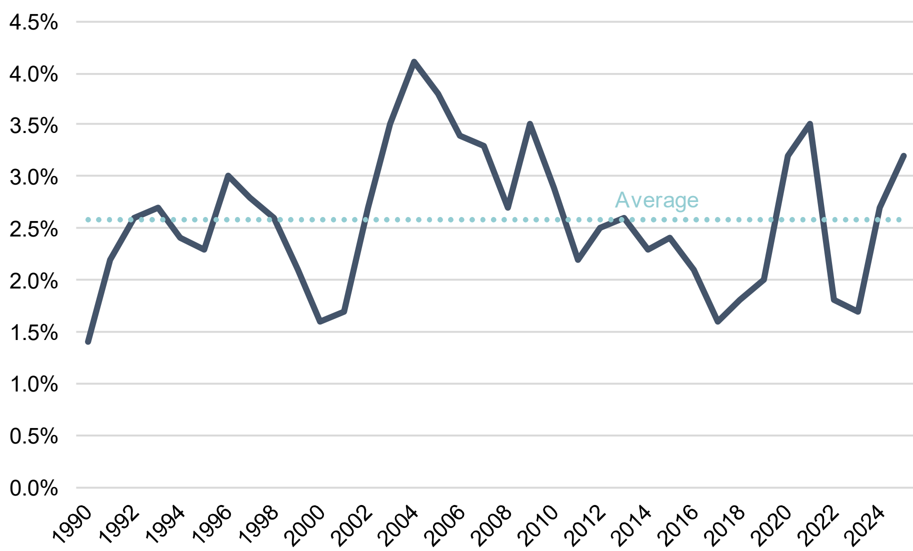
- Sustaining the outlook requires holding purpose-built completions near 25,000 units per year for a decade (more than doubling the pace of the past 10 years), which depends on extending the current incentive framework and reducing the policy uncertainty that deters development.

- The past couple years have proven that the industry will build at generational levels when the economics work, even if fragile. While the purpose of this report is not to provide specific policy recommendations, the evidence assembled here supports a broad conclusion: the framework that produced this turnaround should be treated as a foundation to build upon, not a temporary stimulus to be withdrawn. The job is not finished.

3.0 ONTARIO RENTAL MARKET UPDATE

The purpose-built rental apartment vacancy rate in Ontario rose to 3.2% in 2025, up from 2.7% in 2024 and 1.7% in 2023, reaching its highest level in 16 years outside of the pandemic period. After a decade in which vacancy rates held mostly below their long-run average of 2.6%, two consecutive years of strong supply growth combined with an abrupt slowdown in population growth have shifted the market into balanced territory. This is providing near-term relief to renters that is not expected to sustain against a projected demand recovery and supply slowdown in the coming years.

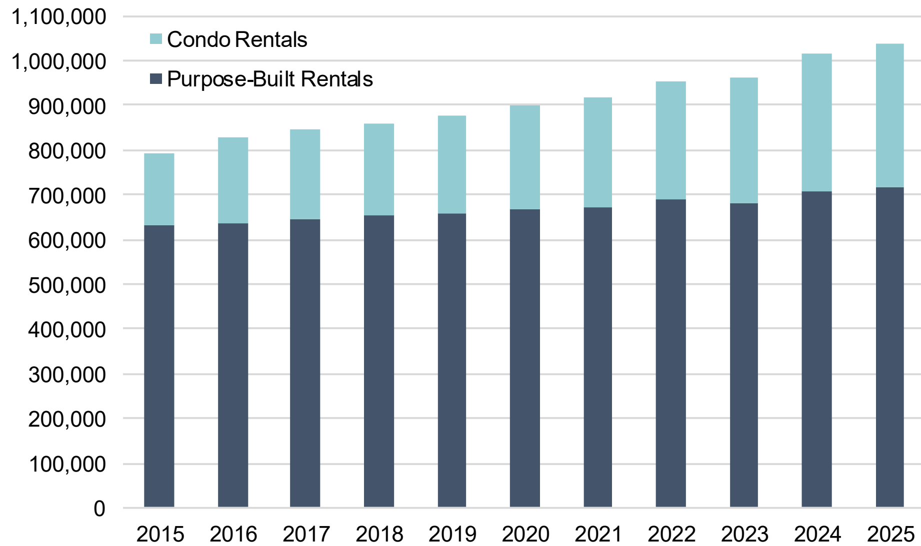
Figure 3.1: Purpose-built Rental Apartment Vacancy Rate, Ontario: 1990-2025



Source: CMHC

According to the latest CMHC survey, the purpose-built rental apartment universe in Ontario increased by 10,233 units in 2025 to a total of 718,086 units, following a record expansion of 25,206 units in 2024. Secondary rental supply from condominiums increased by an estimated 12,214 units to 319,626 units. Combined, the total rental apartment universe reached approximately 1.04 million units in 2025. The total combined net increase of 22,447 rental units in 2025 was roughly in line with the 10-year average, building on the record 53,118-unit increase recorded in 2024 and resulting in a two-year increase of 75,565 units, equal to 8% growth in the rental apartment stock in Ontario.

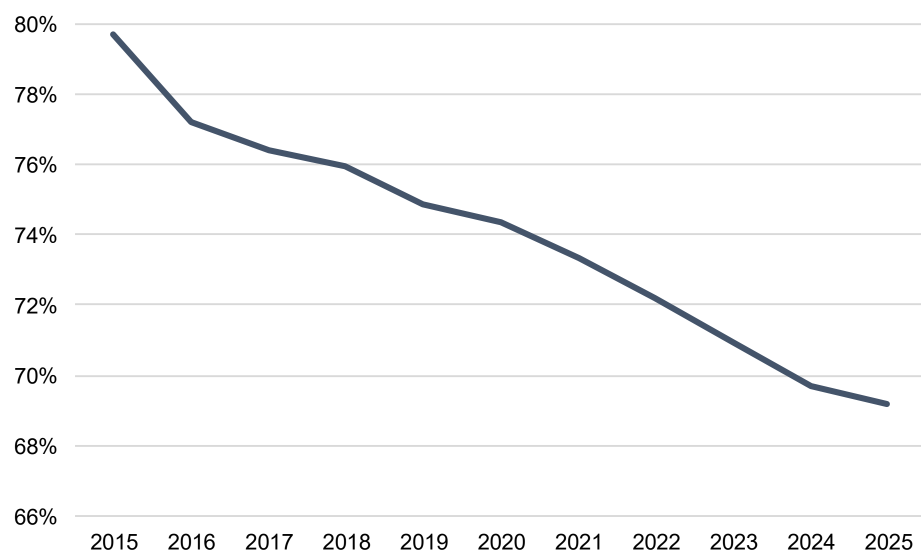
Figure 3.2: Rental Apartment Stock (Units), Ontario: 2015-2025



Source: CMHC, Statistics Canada, Urbanation

Purpose-built rentals represented a 69% share of Ontario's total rental apartment universe in 2025, down from an 80% share a decade earlier — a reflection of the market's reliance on condominium investors for the majority of new rental supply over that period. As detailed in Section 5, this dynamic is now reversing, a structural shift that places far greater responsibility on the purpose-built sector to meet future rental demand.

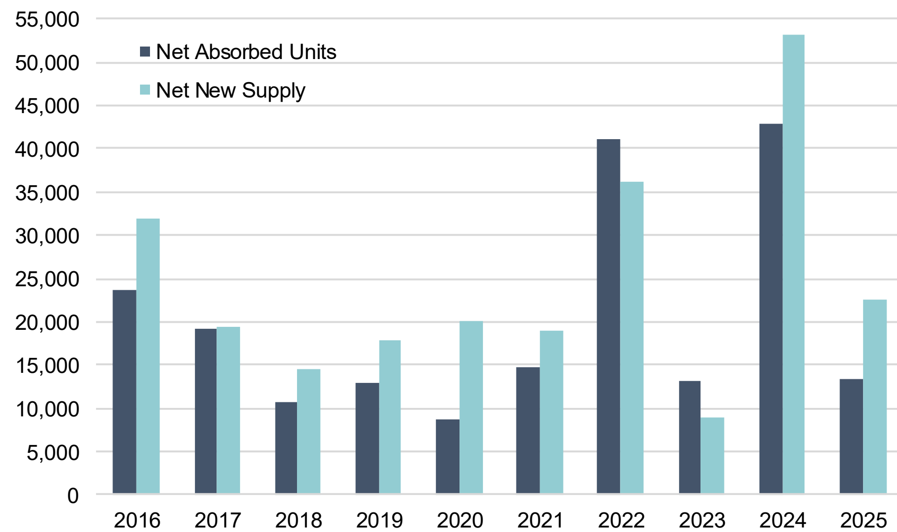
Figure 3.3: Purpose-built Share of Total Rental Apartments, Ontario: 2015-2025



Source: CMHC, Statistics Canada, Urbanation

Rental demand remained positive but slowed considerably in 2025. Net absorption across purpose-built and condominium rentals totaled an estimated 13,350 units, down from a record 42,971 units in 2024 and below the 22,447 units of new supply added — the widest supply-demand imbalance of the past decade and the direct cause of the rise in vacancy.

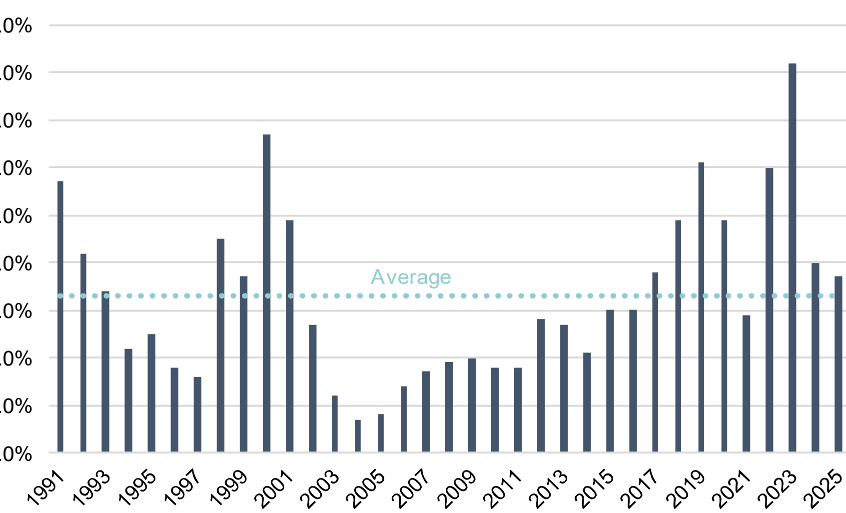
Figure 3.4: Net Rental Apartment Absorption vs. New Supply (PBR and Condo), Ontario: 2016-2025



Source: CMHC, Statistics Canada, Urbanation

Rent growth within the existing purpose-built stock has decelerated accordingly. In-place rent growth measured by CMHC slowed to under 4% in 2025 — roughly in line with its long-term average — after peaking at a record high of over 8% in 2023.

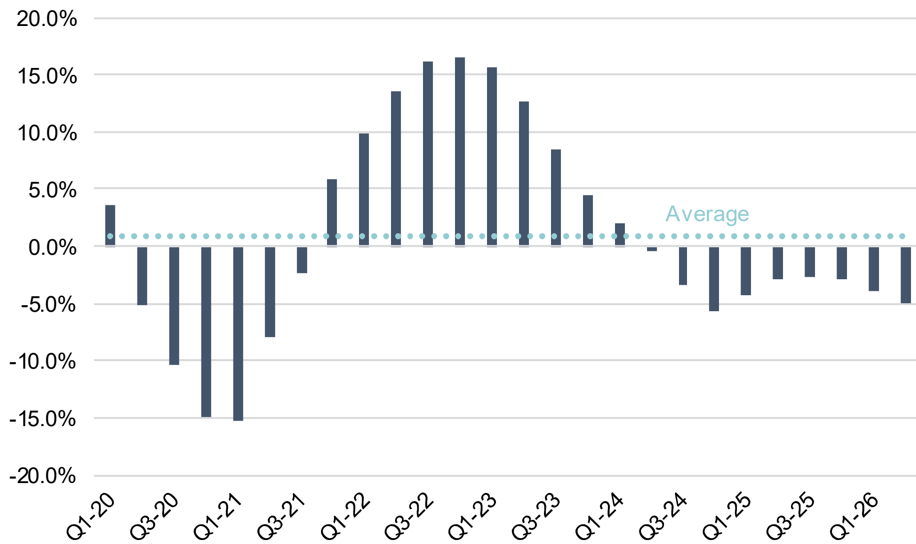
Figure 3.5: Annual Change in Purpose-built Rental Apartment Rents Ontario: 1991-2025



Source: CMHC

Market rents for available units have adjusted more sharply. Average asking rents for purpose-built and condominium apartments in Ontario have declined on an annual basis for eight consecutive quarters, falling approximately 5% year-over-year in Q2-2026 to an average of $2,219 — roughly 10% below the peak reached in late 2023. Declining asking rents reflect the elevated volume of new units in lease-up competing for a temporarily reduced pool of new renters, while compressing the revenue assumptions of projects in the planning stage and impacting future development.

Figure 3.6: Annual Change in Asking Rents for Apartments (PBR & Condo), Ontario: Q1-2021 to Q2-2026



Source: Rentals.ca, Urbanation

The recent shift in market conditions is the product of a deliberate, temporary reduction in population inflows colliding with the delivery of projects started during the 2021-2023 construction boom. As detailed in the sections that follow, both forces are expected to reverse in the second half of the decade, bringing the market back into a state of undersupply. Population growth is projected to return to trend while new deliveries, particularly from the condominium sector, will fall.

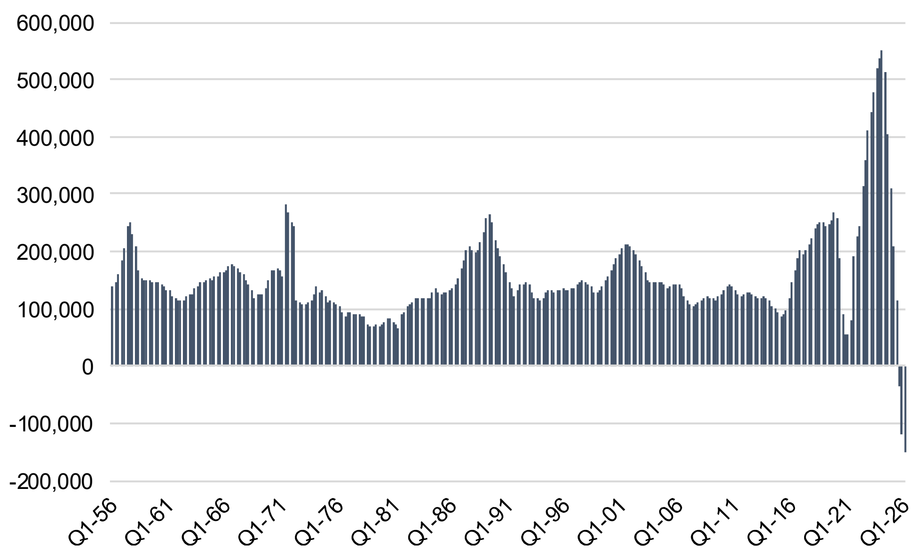
4.0 DEMAND TRENDS

Population Trends

Ontario's population dynamics have undergone the most abrupt reversal in the province's modern history. Annual population growth peaked at a record of more than 550,000 in mid-2024 — roughly double the pre-COVID highs — before slowing to 113,463 in the year ending July 2025 and turning negative thereafter, the first sustained decline in records dating back seven decades.

The quarterly data reveal how quickly the correction has unfolded. Ontario's population has now declined for three consecutive quarters, with the year-over-year change reaching -152,648 by Q1-2026 — the most recent quarter for which Statistics Canada has published data.

Figure 4.1: Annual Population Change (Persons), Ontario: Q1-1956 to Q1-2026

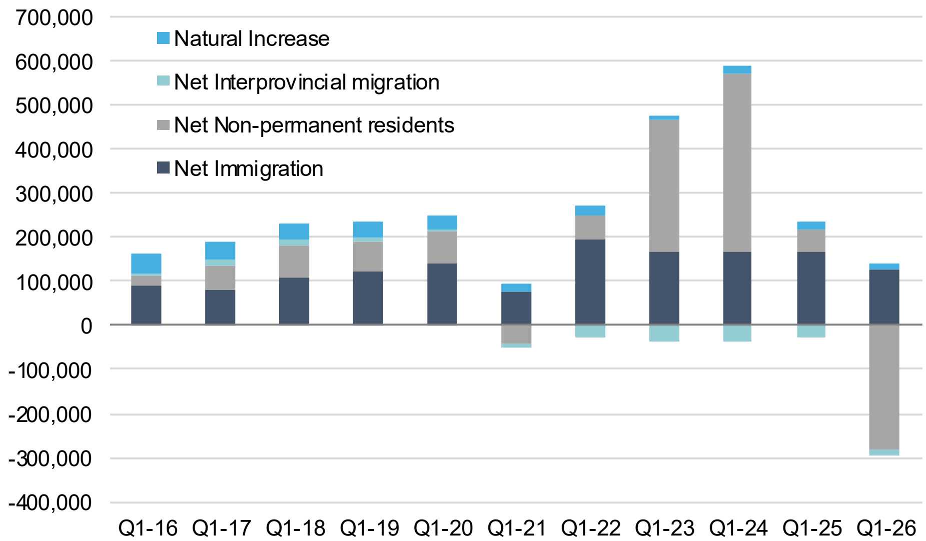


Source: Statistics Canada

The population reversal is almost entirely attributable to non-permanent residents. Net immigration of permanent residents remains strongly positive but the net change in non-permanent residents — the dominant driver of growth during 2022-2024 — turned deeply negative as expiring study and work permits exceed new arrivals.

Ontario has been the hardest-hit province in absolute terms. Canada's population declined in 2025 for the first time in the country's history, but the adjustment has been heavily concentrated in Ontario and British Columbia, the provinces with the largest non-permanent resident populations. Ontario is home to roughly 45% of Canada's non-permanent residents against 39% of its total population, making the federal policy reset disproportionately an Ontario event, even as the province continues to receive more than 40% of new permanent immigrants.

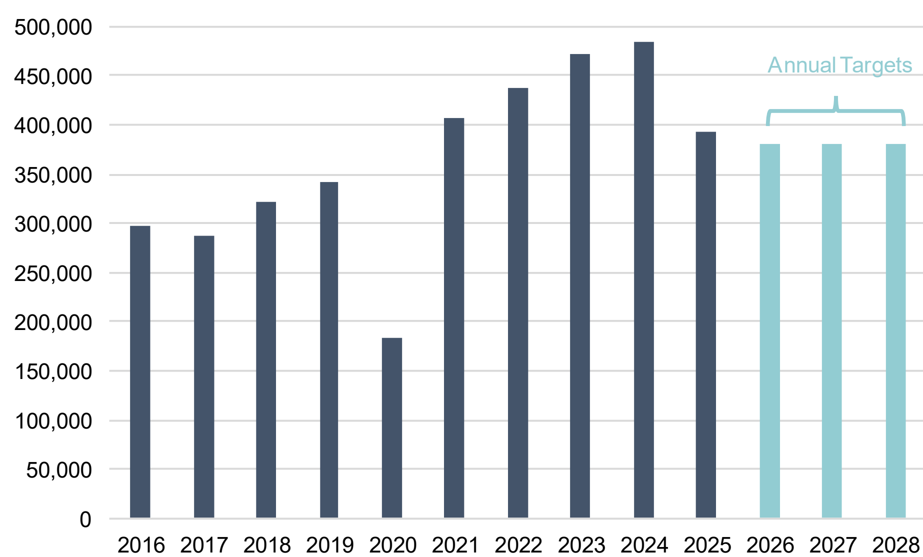
Figure 4.2: Components of Annual Population Change
Ontario: Q1-2016 to Q1-2026



Source: Statistics Canada

Federal immigration policy has directly impacted Ontario's population decline. Permanent resident admissions for Canada declined from a peak of nearly 484,000 in 2024 to approximately 394,000 in 2025, essentially in line with last year's 395,000 target, with the latest Immigration Levels Plan targeting 380,000 admissions annually for 2026 through 2028. While well below recent peaks, these targets remain above the pre-COVID high of just over 300,000 per year and are supportive of ongoing growth in rental demand.

Figure 4.3: Annual Immigration Totals and Targets, Canada: 2016 to 2028

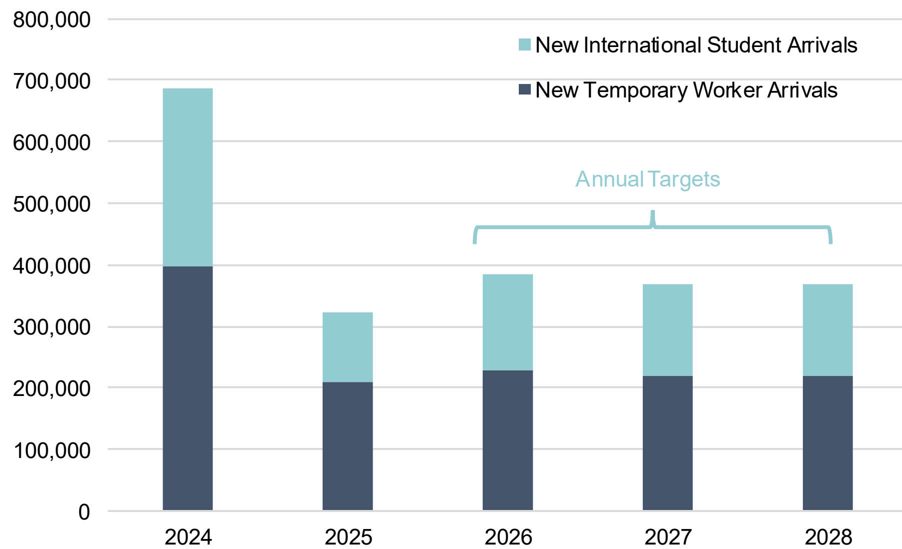


Source: Statistics Canada, Government of Canada

The sharpest cuts apply to temporary migration. Combined new international student and temporary foreign worker arrivals reached approximately 690,000 in 2024, against caps of 385,000 for 2026 and 370,000 annually for 2027 and 2028. In 2025, however, arrivals totaled only about 325,000, which was less than half of last year's 674,000 target and even below the 2026 cap. Student arrivals of roughly 115,000 came in at little more than a third of the 306,000 target, while worker arrivals of about 209,000 were more than 40% below target. Weaker demand to come to Canada, reflecting tighter post-graduation work permit rules, higher financial requirements and the reputational impact of abrupt policy shifts, is compounding the effect of the caps themselves.

The impact on the post-secondary sector, a major source of rental demand, has been highly uneven. Statistics Canada estimates Ontario will lose approximately 92,000 full-time international students in 2025-26 alone, a 36% decline from the 2023-24 peak and the largest drop in the country, with cumulative losses of roughly 107,000 over two years. International enrolment at Ontario's public colleges has fallen approximately 42% over two years, compared with a 17% decline at universities. Because college students were concentrated in suburban GTHA markets and mid-sized cities and rely almost entirely on rental housing, this shift has been an outsized driver of softening rental demand in those locations.

Figure 4.4: Annual New Arrivals and Targets, Canada: 2024 to 2028



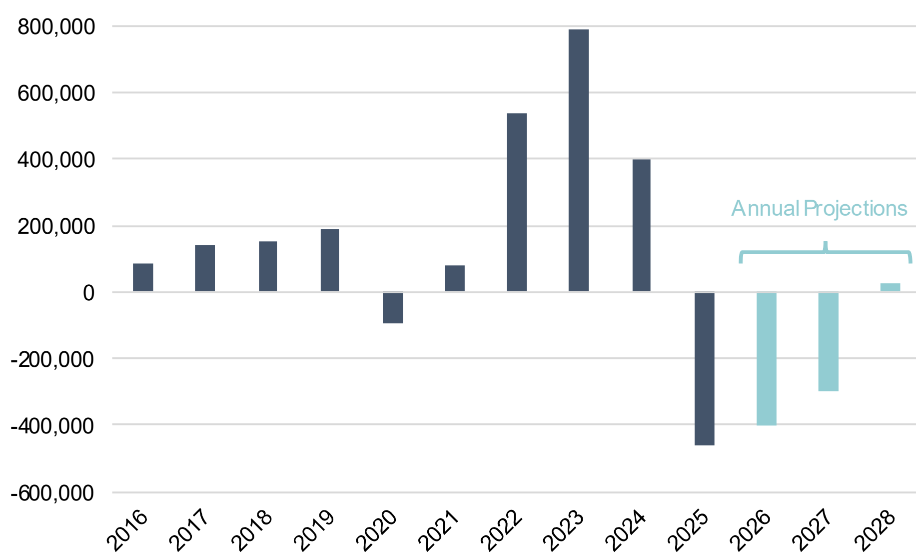
Source: Statistics Canada, Government of Canada

As a result, Canada's non-permanent resident population declined by an estimated 462,000 in 2025, following increases of 789,000 in 2023 and 397,000 in 2024. The Parliamentary Budget Officer projects further net declines of approximately 400,000 in 2026 and 300,000 in 2027 before small positive net inflows resume in 2028.

An important caveat accompanies recent population data in that the reported declines may be overstated. Statistics Canada has cautioned that its preliminary estimates are subject to larger-than-usual revisions given rapidly changing migration policy, noting that coming updates may be of greater scope than in past years. Its method can count a non-permanent resident as having departed when a permit expires, even if the individual remains in Canada awaiting a new permit, an extension or a decision on another application. Ultimately, there is no direct measurement of actual departures. Recent permit-extension measures could raise the estimated non-permanent resident counts for 2025 and 2026 when updated figures are published. As a result, it is plausible that Ontario's population is declining more modestly than reported or even stabilizing rather than shrinking.

A July 2026 CIBC Capital Markets analysis estimates actual population growth is running approximately 160,000 higher than published for 2025 and could run roughly 210,000 higher in both 2026 and 2027, enough to turn 2025's reported decline back into positive growth. Because this demand projection is built on the Ontario Ministry of Finance's reference population scenario, which itself incorporates the current, unrevised federal data, the risk to this study's demand outlook skews firmly to the upside. Ontario is especially exposed given its outsized share of the national non-permanent resident population, and the City of Toronto most of all.

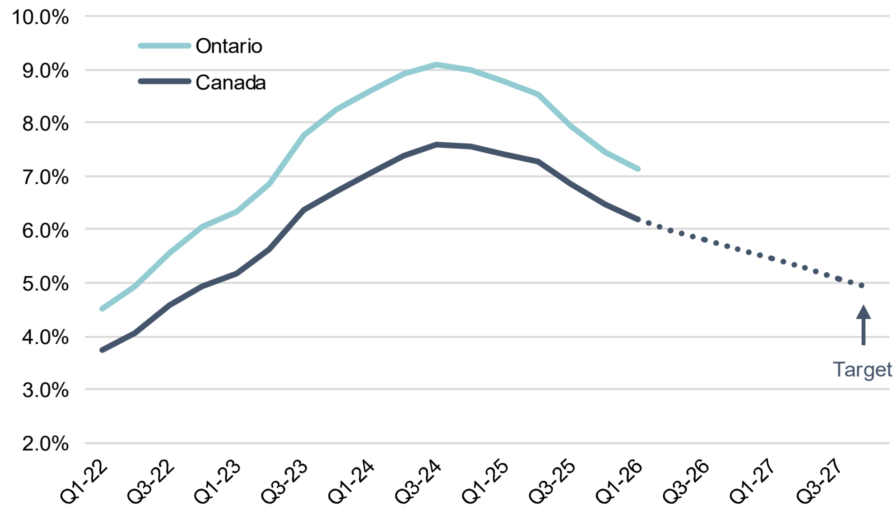
Figure 4.5: Annual Net Change in Non-Permanent Residents, Canada: 2016 to 2028



Source: Statistics Canada, PBO

Non-permanent residents peaked at 7.6% of Canada's population in late 2024 and had fallen to roughly 6.5% by the end of 2025, tracking toward the federal target of just under 5% by the end of 2027. With a higher concentration of non-permanent residents in Ontario than the national average — 88% of whom are renters according to the latest Census — the province's rental market is absorbing an outsized share of the demand impact.

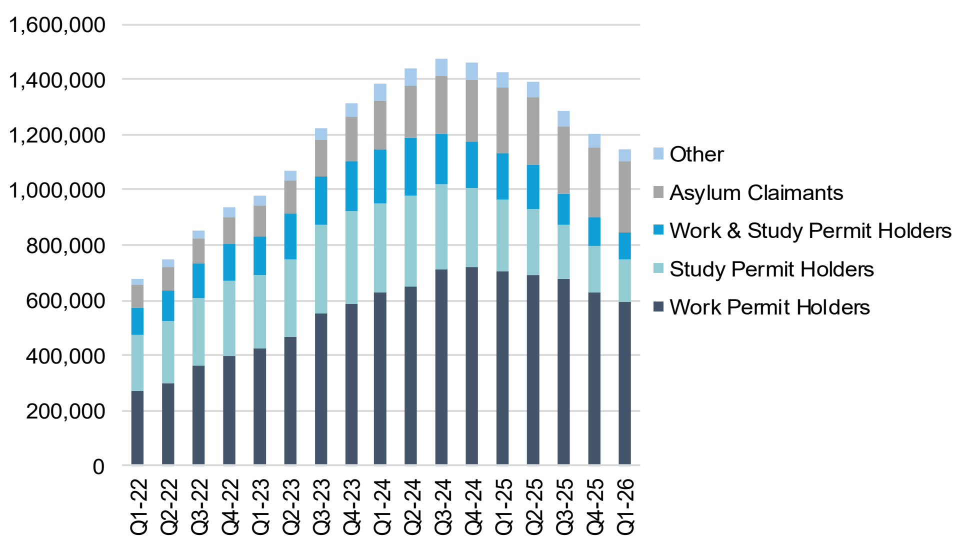
Figure 4.6: Non-Permanent Resident Share of Total Population, Canada and Ontario: Q1-2022 to Q4-2027



Source: Statistics Canada, Government of Canada

Study permit holders have been the fastest-shrinking category, falling from a peak of roughly 336,000 in early 2024 to 153,000 by April 2026, a decline of more than half, while work permit holders have fallen 17% from their early-2025 peak as post-graduation work permits expire. Asylum claimants are the only category still growing, rising every quarter to 254,000 as of Q1-2026 — up roughly 21,000 over the past year and 46,000 since late 2024. This growth partly reflects a documented shift of former permit holders into the asylum stream.

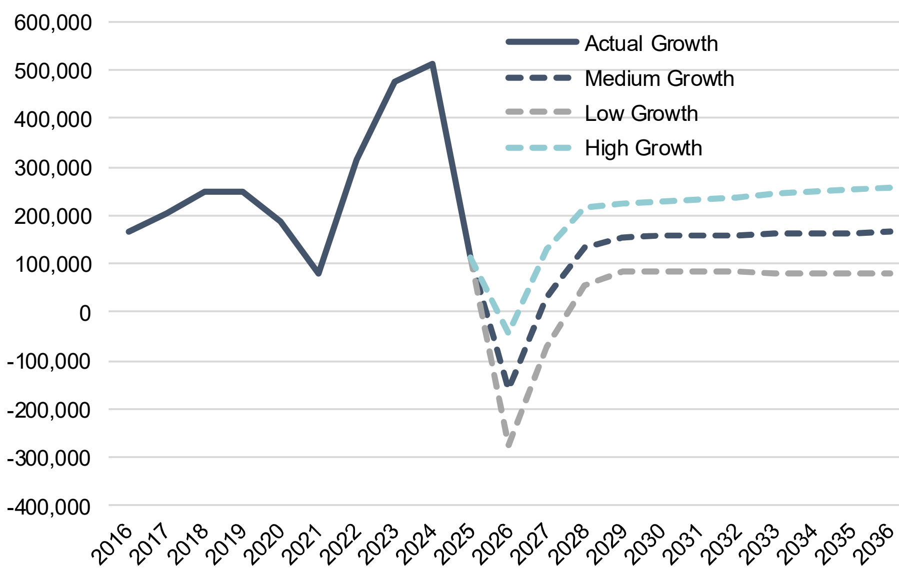
Figure 4.7: Non-Permanent Resident Population by Type Ontario: Q1-2022 to Q1-2026



Source: Statistics Canada

The Ontario Ministry of Finance's latest population projections, which incorporate the federal policy changes, form the demand basis for this study. Under the reference scenario, Ontario's population declines by approximately 1% in 2026 and remains essentially flat in 2027 before growth resumes, returning to a long-term pace of roughly 1% annually by the end of the decade. This produces a total population increase of approximately 1.4 million residents over the 2026-2036 projection period — down from 2.2 million during the past 10 years and below the 1.9 million increase assumed in the previous study. It is worth emphasizing that this projected decline is a temporary, policy-engineered outcome rather than a structural reversal. The federal government has been explicit that its non-permanent resident reduction targets are a short-term corrective mechanism intended to bring the temporary-resident share of the population back to a sustainable level, not a permanent ceiling on population growth. Once that objective is achieved (targeted for the end of 2027), the pressure to keep tightening admissions should ease, consistent with the resumption of growth built into the projection.

Figure 4.8: Annual Population Growth and Projections (Persons), Ontario: 2016 to 2036

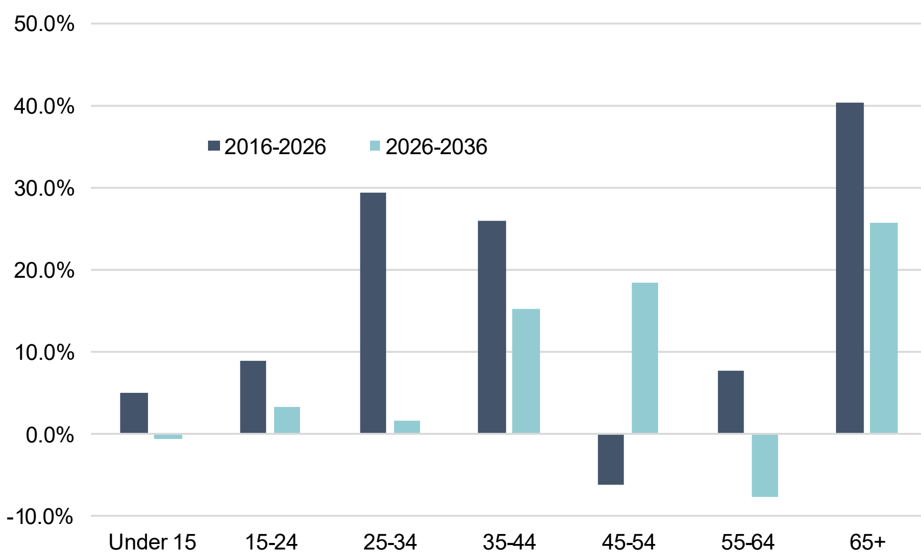


Source: Statistics Canada, Ontario Ministry of Finance

The composition of growth is also shifting in ways that matter for rental demand. Growth in the 25-34 age cohort — the prime renting years and the engine of rental demand over the past decade with an expansion of 29% — is projected to slow to just 2% growth over the next 10 years. Growth will instead concentrate in the 35-44 (+15%) and 45-54 (+18%) cohorts as the millennial generation ages, and in the 65-plus population (+26%). This suggests demand will gradually shift toward larger, family-suitable units and seniors-oriented rental formats, while renter household formation will depend increasingly on declining homeownership rates rather than youth-driven growth.

As non-permanent residents are overwhelmingly concentrated in the late teens through early thirties, the core renter formation years, the current outflow is disproportionately shrinking Ontario's young-adult population, while permanent immigrants, who skew toward their late twenties and thirties and increasingly arrive through economic streams, partially backfill the older end of that range. Outflows to other provinces work in the same direction as interprovincial migrants are typically young adults and young families. The net effect is a temporary decline of the 20-to-early-30s cohort, followed by renewed growth later in the decade as permanent immigration is sustained and temporary flows stabilize.

Figure 4.9: Population Growth Rates and Projections by Age Group
Ontario: 2016 to 2036



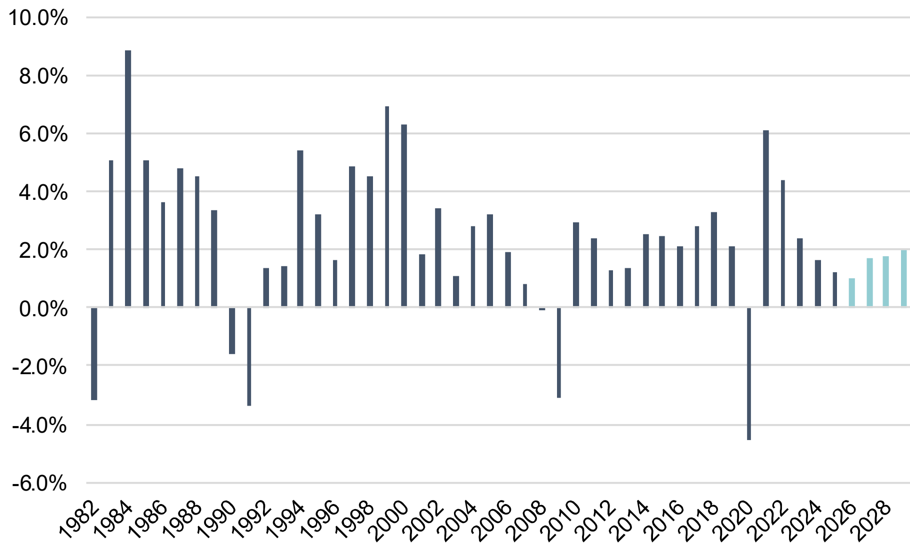
Source: Statistics Canada, Ontario Ministry of Finance

Economic Trends

Ontario's economy has slowed but avoided outright contraction. Real GDP growth moderated from 2.4% in 2023 to 1.6% in 2024 and an estimated 1.2% in 2025, with the 2026 Ontario Budget forecasting growth of just 1.0% in 2026 before a recovery to 1.7% in 2027 and 1.8% in 2028. The economic backdrop matters directly for rental demand as employment income drives household formation. Young adults will delay moving out, double up or leave the province when hiring stalls. However, rental demand has historically proven relatively defensive through downturns, as weaker economies delay transitions into homeownership and keep households renting longer — a pattern evident in both the 1990s recession and the 2008-09 downturn, when rental markets held up far better than ownership markets. The current cycle is unusual in that the demand shock is coming primarily from migration policy rather than from the economy itself.

The slowdown is concentrated in trade-exposed industries. U.S. tariffs on steel, aluminum, automobiles and parts, trucks, lumber and copper have hit Ontario's manufacturing base hardest. Statistics Canada estimates roughly 9% of employment is in industries dependent on U.S. demand, concentrated in goods production and in communities near the border, while services, health care and the broader public sector have continued to expand. The 2026 Budget leans against the weakness with a $210 billion 10-year capital plan, nearly $30 billion in announced tariff relief and liquidity support for business, a new $4 billion investment fund targeting high-growth industries, accelerated critical minerals and nuclear development, and a cut to the small business tax rate. Most forecasters see growth re-accelerating through 2027-2028 as trade arrangements stabilize, aligning with the projected timing of recovery in population growth later this decade.

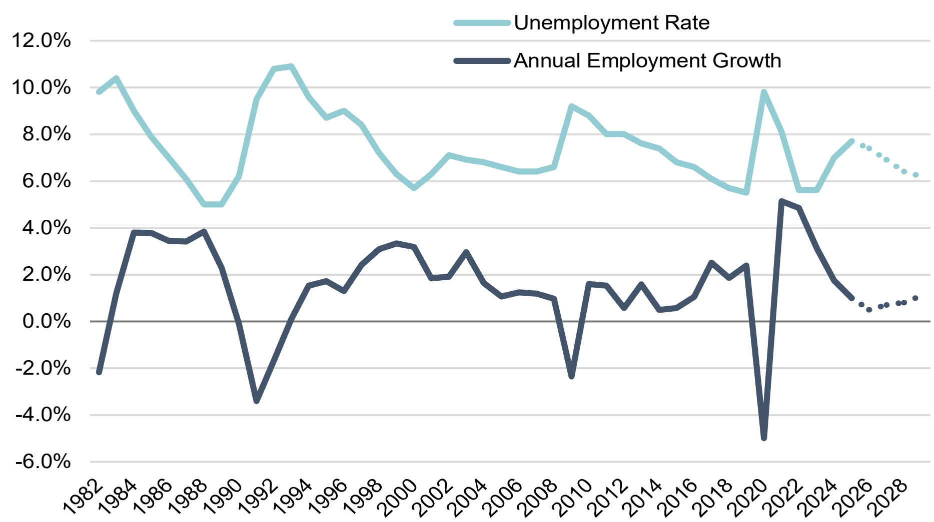
Figure 4.10: Real GDP Growth and Projections, Ontario: 1982 to 2029



Source: Statistics Canada, Ontario Ministry of Finance

Labour market conditions softened through 2025 but have shown early signs of stabilizing. Employment grew 1.0% in 2025 — roughly 81,000 net new jobs, nearly all in the private sector — while the annual average unemployment rate rose to 7.7%, its highest level in more than a decade outside of the pandemic. More recent monthly data point to improvement, with the unemployment rate declining from a peak of 7.9% in mid-2025 to 7.0% by May and June of 2026, aided in part by a shrinking labour force as non-permanent residents depart. The Budget projects the annual unemployment rate to ease to 7.4% in 2026, 6.9% in 2027 and 6.4% by 2028, with employment growth recovering from 0.5% in 2026 to roughly 1% annually by the end of the decade.

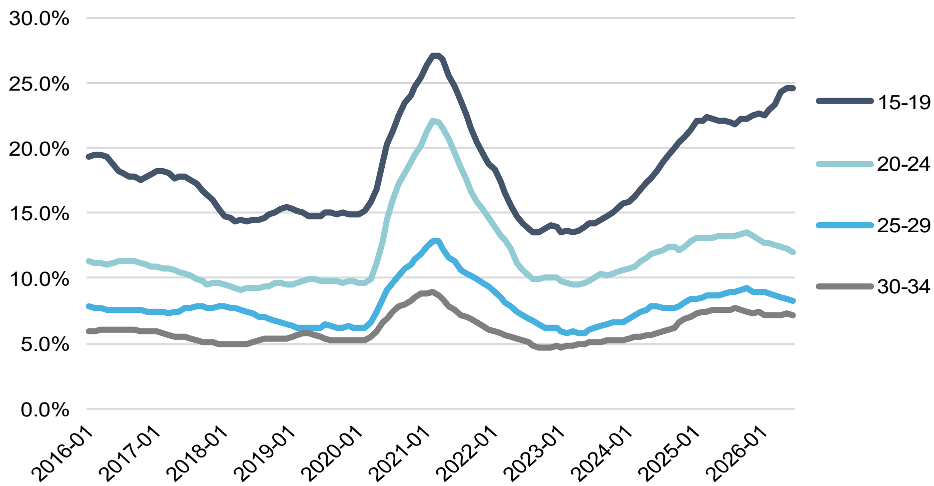
Figure 4.11: Employment Growth, Unemployment Rate and Projections, Ontario: 1982 to 2029



Source: Statistics Canada, Ontario Ministry of Finance

Labour market weakness has been concentrated among the youngest workers. The 12-month average unemployment rate for those aged 15 to 19, largely high-school students seeking part-time and entry-level work, has climbed to nearly 25%. The prime renter cohorts, by contrast, are experiencing improved labour market conditions. Unemployment among 20-24 year-olds peaked at 13.6% in late 2025 and has declined to 12.0%, the 25-29 rate has fallen from a peak of 9.2% to 8.3%, and the 30-34 rate, at 7.2%, sits below the all-ages average of 7.5%. As a result, the core renter demographics are faring comparatively well and improving, a more supportive backdrop for rental demand and for the lease-up of new supply than the headline youth figures would suggest.

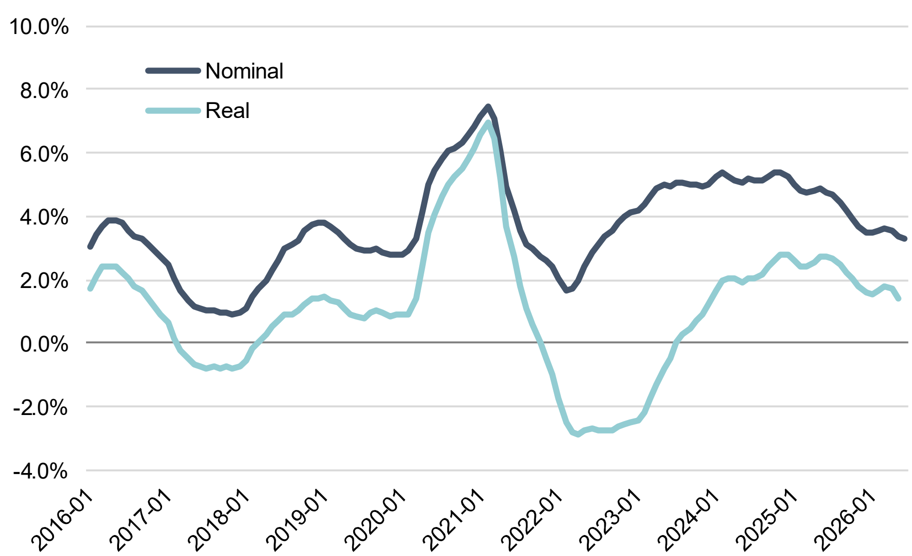
Figure 4.12: Unemployment Rates for Selected Age Groups, 12-month average
Ontario: Jan-2016 to Jun-2026



Source: Statistics Canada

One clear positive for the rental market is that with inflation back near 2%, real incomes are outpacing rents. Average hourly wages grew 3.3% over the year ending June 2026 on a 12-month average basis, translating into real gains of roughly 1.0-1.5%. Combined with asking rents that have declined about 5% over the past year, rising incomes are actively improving rental affordability and rebuilding the rent-paying capacity of tenant households after the erosion of the 2022-2023 inflation surge.

Figure 4.13: Average Hourly Wage Growth (annual), 12-month average
Ontario: Jan-2016 to Jun-2026

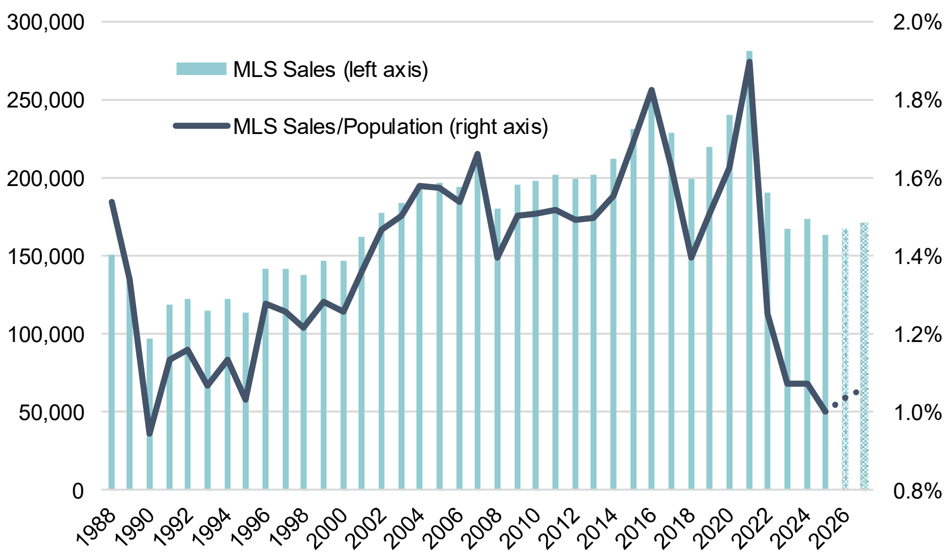


Source: Statistics Canada

Affordability Trends

Homeownership affordability, while improving, continues to redirect housing demand into the rental market. Resale activity in Ontario totaled approximately 162,000 transactions in the 12 months ending Q2-2026, which, on a per capita basis, was among the lowest levels recorded since at least 1988. Notably, sales have been stuck at these multi-decade lows for several years, holding well below the levels typical of the prior decade ever since interest rates began rising in 2022. CREA's latest forecast calls for only a modest recovery, with Ontario sales rising 2.6% in 2026 and a further 2.4% in 2027 to approximately 171,000 transactions — still among the weakest per capita levels on record.

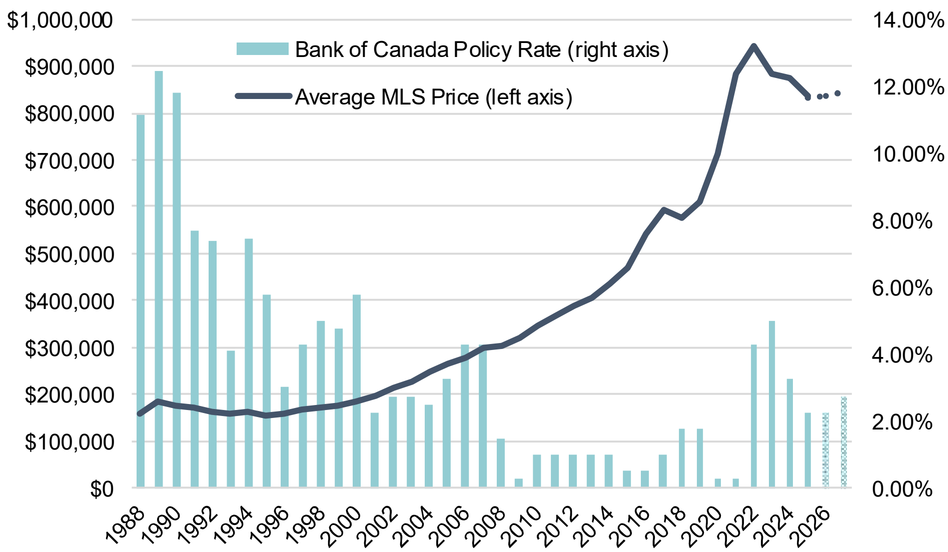
Figure 4.14: Annual MLS Sales, Units and Per Capita
Ontario: 1988 to 2027



Source: CREA

The average MLS price in Ontario was approximately $839,000 as of Q2-2026, still more than 20% below its early 2022 high, while the Bank of Canada has reduced its policy rate from a peak of 5.0% to 2.25%. Together, lower prices and lower borrowing costs have meaningfully improved affordability for homeownership — but not yet enough to restore historical norms. CREA forecasts Ontario's average price to be essentially flat in 2026 (+0.1%) with a modest 1.2% gain in 2027, while the consensus among forecasters is for the Bank of Canada — now at the bottom of its 2.25%-3.25% neutral range — to hold its policy rate at 2.25% through the end of 2026, with expectations tilting toward modest increases over 2027. With the era of falling borrowing costs over and prices expected to edge higher, further gains in ownership affordability will have to come mainly from income growth — a slow process that should keep ownership restrictive and housing demand directed toward the rental market throughout the projection period.

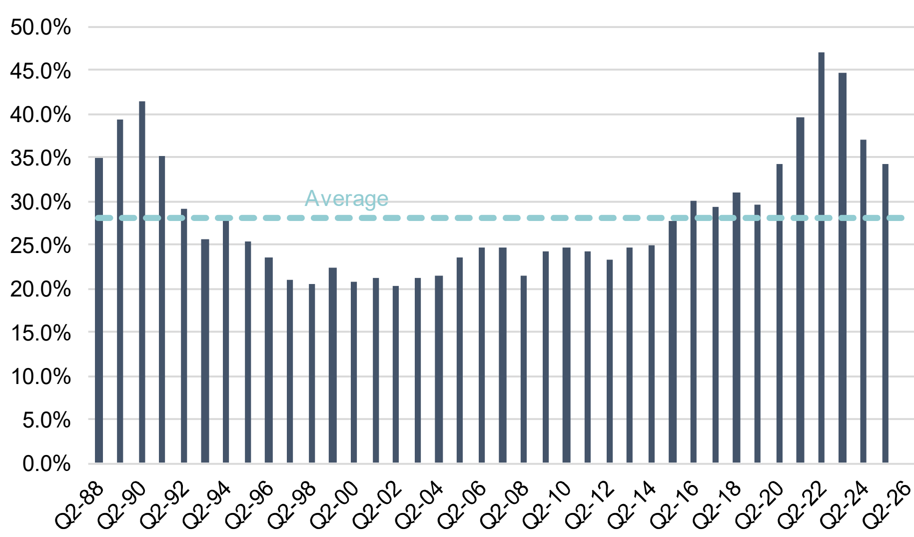
Figure 4.15: Annual Average MLS Price and Bank of Canada Policy Rate
Ontario: 1988 to 2027



Source: CREA, Bank of Canada

The mortgage payment on the average-priced Ontario home absorbed 34% of gross average household income as of Q2-2026, down sharply from a peak of 47% in 2023 but still above the long-run average of 28%. Ownership remains restrictive for first-time buyers, the large majority of whom rent prior to purchasing.

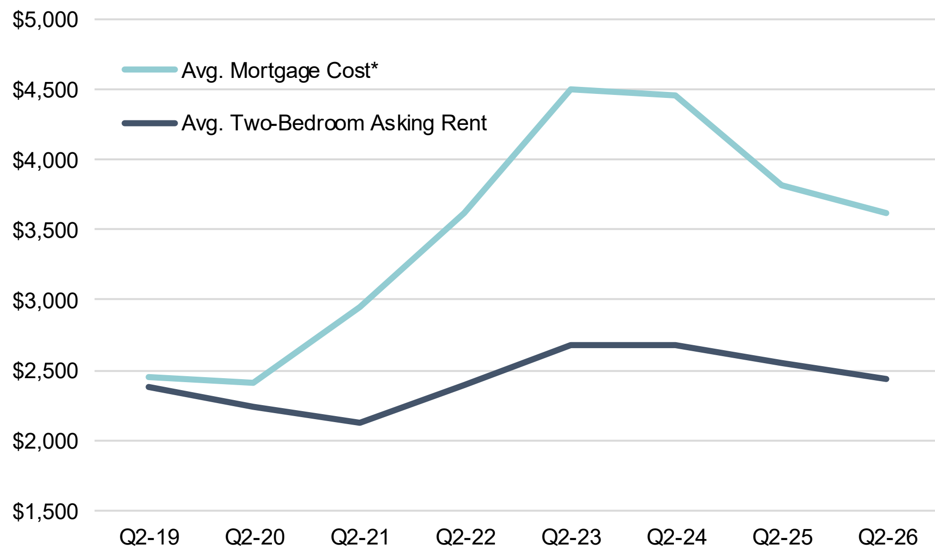
Figure 4.16: Average Mortgage Payment-to-Household Income Ratio
Ontario: Q2-1988 to Q2-2026



*Based on average MLS price, 20% down payment, 25-year amortization
Source: CREA, Bank of Canada, Statistics

The monthly cost gap between owning and renting also remains historically wide. As of Q2-2026, the mortgage cost associated with purchasing the average home (with a 20% down payment) was approximately $3,600 per month — 48% higher than the average two-bedroom asking rent of roughly $2,438. While the premium has narrowed from nearly 70% at its 2023 peak, it remains substantial against a marginal pre-pandemic gap, keeping the transition of renters into ownership suppressed and rental tenure durations extended.

Figure 4.17: Average Mortgage Cost Versus Average Two-Bedroom Apt Rent
Ontario: Q2-2019 to Q2-2026

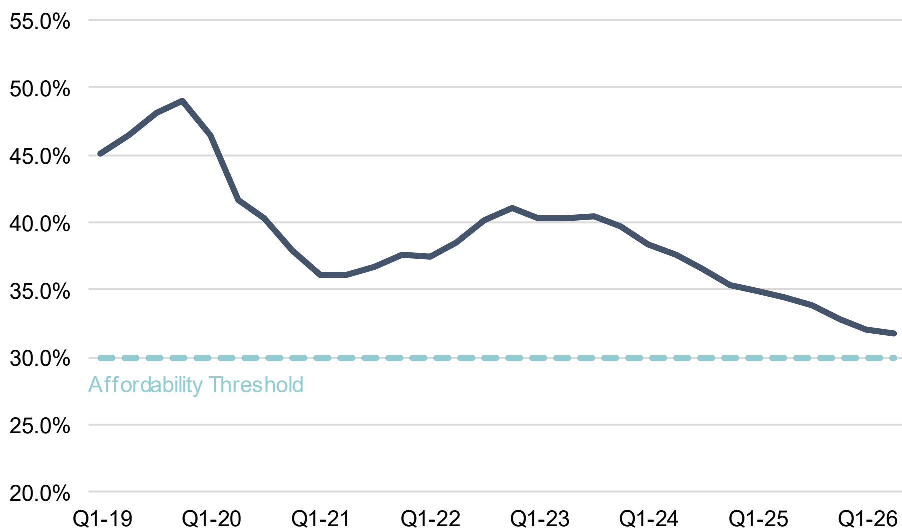


*Based on average MLS price, 20% down payment, 25-year amortization
Source: CREA, Bank of Canada, Statistics Canada, Rentals.ca

Rental affordability itself has meaningfully improved. The average asking rent for a two-bedroom apartment fell to 31.8% of average renter household income in Q2-2026 — narrowing to just above the 30% affordability threshold for the first time in years. Falling rents combined with rising incomes are restoring renters' capacity to absorb new supply, a critical support for the lease-up of the record volume of units now under construction.

This improvement is starting to release pent-up demand that years of unaffordability had suppressed. A 2021 Census-based Statistics Canada study found that 16.3% of Ontario millennials aged 25 to 39 were living with their parents, roughly double the 8.2% rate recorded for baby boomers at the same age in 1991 — a share that reached 26.1% in Toronto specifically. Separate research has documented a parallel rise in roommate households, up 54% nationally between 2001 and 2021, the fastest-growing household type over that period. With the rent-to-income ratio now close to its historical affordability threshold for the first time in years, more of these young adults are positioned to move out and form their own households, a factor supporting demand through the projection period.

Figure 4.18: Average 2B Asking Rent-to-Average Renter Household Income Ratio Ontario: Q1-2019 to Q2-2026



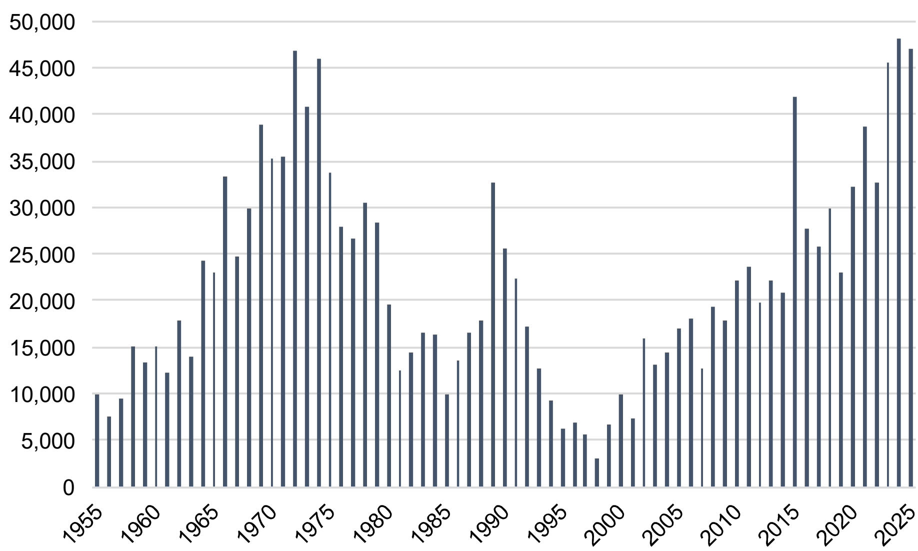
Source: Statistics Canada, Rentals.ca, Urbanation

The demand fundamentals indicate a deliberate, temporary, policy-driven cooling of population growth and a soft labour market for young adults in the near term, set against structurally restrictive homeownership, improving rental affordability, and a projected return to trend population growth in the second half of the decade.

5.0 SUPPLY TRENDS

Ontario is in the midst of its most intense apartment delivery wave in over five decades. Total apartment completions reached a record of approximately 48,000 units in 2024, surpassing the previous high set in 1972 and remaining near that level at 47,000 units in 2025, bringing the three-year total for 2023-2025 to roughly 141,000 apartments. The wave reflects the record volume of construction started during 2021-2023, with completions expected to remain elevated through 2026-2027 before receding. The previous apartment construction of the late 1960s and 1970s was heavily supported by federal tax incentives, most notably the Multiple Unit Residential Building (MURB) program of 1974-1981, along with earlier accelerated depreciation provisions, and CMHC assisted-rental and direct-lending programs, in an era that largely predated rent regulation in Ontario (introduced in 1975). When those supports were withdrawn, purpose-built rental construction collapsed for a generation — a cautionary precedent for today's policy-driven boom.

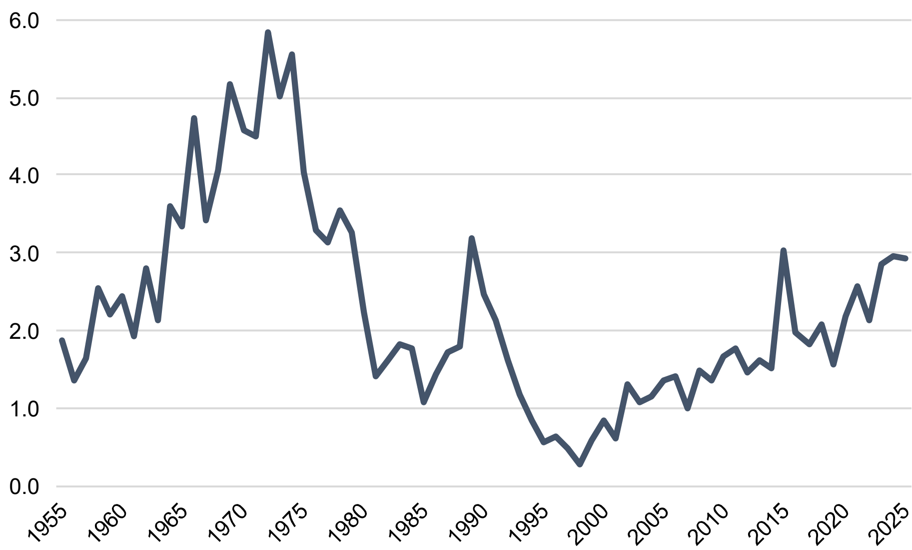
Figure 5.1: Annual Apartment Completions, Ontario: 1955 to 2025



Source: Statistics Canada, CMHC

Even so, at 2.9 completions per 1,000 residents, 2025 apartment output was only about half the per-capita volume achieved during the early-1970s apartment boom, the era in which most of the purpose-built rental stock that still houses Ontario's tenants was built.

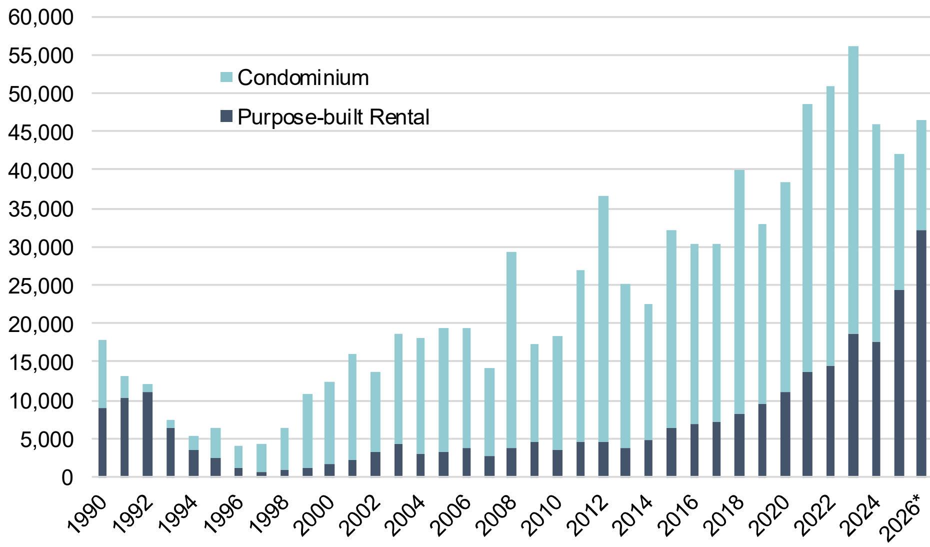
Figure 5.2: Annual Apartment Completions Per 1,000 Population
Ontario: 1955 to 2025



Source: Statistics Canada, CMHC

The composition of completions is shifting rapidly toward rental. Purpose-built rental apartment completions reached 17,784 units in 2024 and 17,868 units in 2025 — the highest levels in data back to 1990 — and 20,869 units in the 12 months ending June 2026, exceeding condominium completions (20,610 units over the same period) for the first time in three decades. The shift reflects the policy measures detailed later in this section that have helped restore the feasibility of purpose-built rental development at the same time as the collapse in condominium presales has cut off the financing for new condominium projects. With rental projects now dominating the construction pipeline, purpose-built completions are set to further overtake condominium completions.

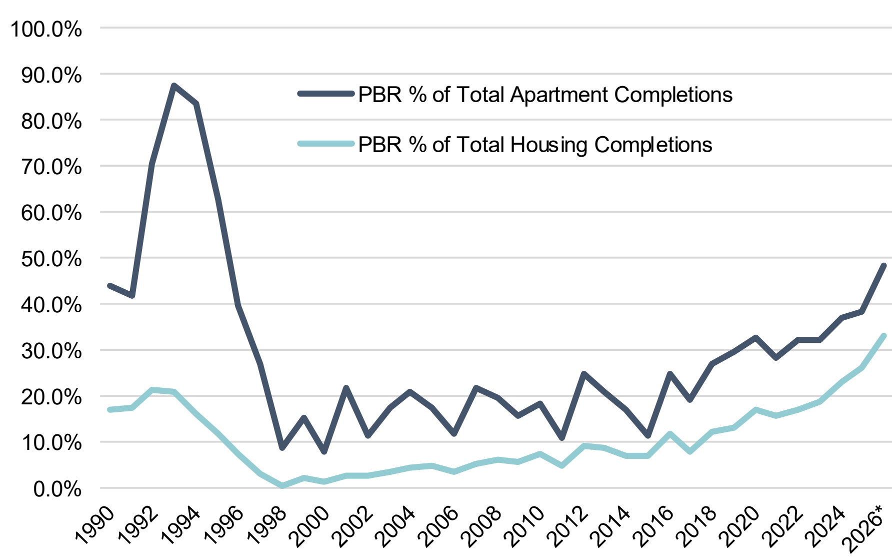
Figure 5.3: Annual Apartment Completions by Tenure, Ontario: 1990 to 2026



*12 months ending June 2026
Source: CMHC

Purpose-built rentals accounted for about half of all apartment completions in the 12 months ending June 2026, the highest share since the mid-1990s, and just over a third of total housing completions across all built forms — underscoring how central the rental sector has become to Ontario's overall housing output as condo development has slowed dramatically.

Figure 5.4: Purpose-built Rental Apartment Completions Shares
Ontario: 1990 to 2026

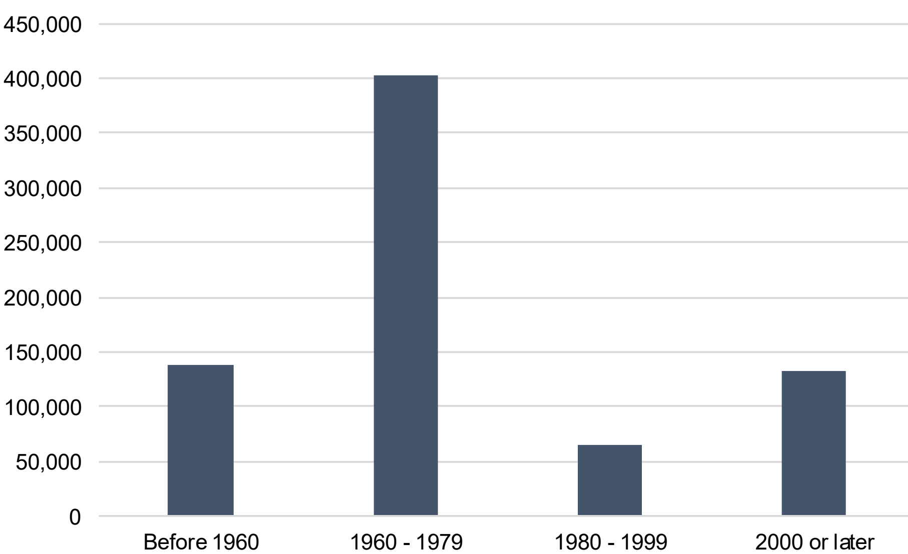


*12 months ending June 2026
Source: CMHC

The shift toward purpose-built rental also carries implications for the ownership structure of Ontario's rental supply. Over the past two decades, the province leaned heavily on individual condominium investors. According to a Statistics Canada study released in July 2026, small-scale individual investors — those owning five or fewer properties — held 52.6% of the assessed value of Ontario's rental properties in 2022, versus 23.6% for institutional investors. Purpose-built rental development, by contrast, draws disproportionately on institutional capital. Pension funds, REITs and dedicated rental developers build at scale, hold for the long term and professionally manages its buildings. The pivot toward purpose-built projects therefore represents not just more rental construction, but a structurally more secure and stable form of supply.

New supply is also needed to renew an aging stock. More than half of Ontario's purpose-built rental apartments (over 400,000 units) were built between 1960 and 1979, while only around 130,000 units, less than one-fifth of the stock, have been added since 2000. Over that post-2000 period, condominiums — not purpose-built rentals — supplied the majority of Ontario's new rental housing, as investor-owned units filled the void left by a purpose-built sector that had become uneconomic to build. That quarter-century pattern is now reverting toward purpose-built rental development, and the current construction cycle represents the first meaningful renewal of the province's rental stock in two generations.

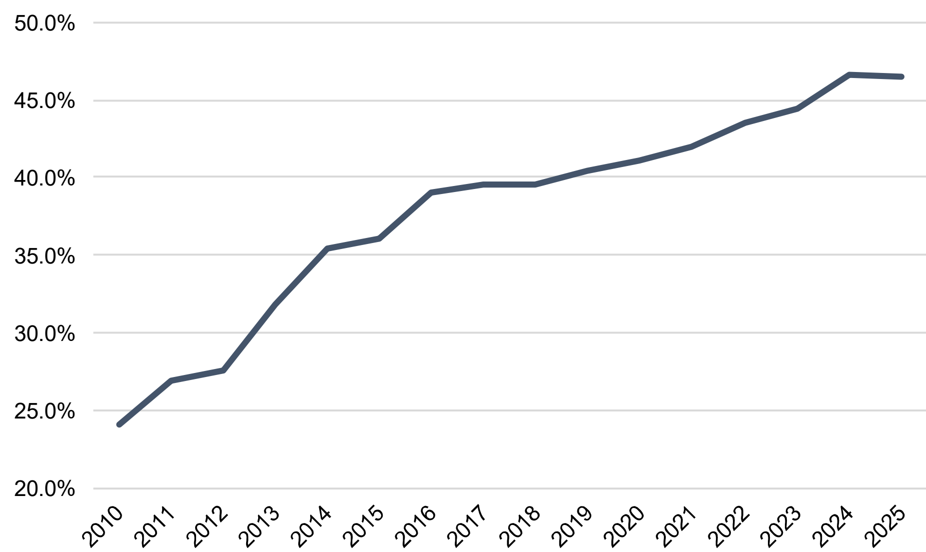
Figure 5.5: Purpose-built Rental Apartment Stock by Construction Period
Ontario: June 2026



Source: CMHC

The condominium sector tells the opposite story. The share of Ontario condominiums used as rentals climbed steadily from roughly a quarter in 2010 to a peak of 47% in 2024 as investors became the market's dominant buyers — then edged down to 46% in 2025, the first decline on record. However, the dip was small, and the share remained high, as most investors continued adding units to the rental pool while soft resale conditions made selling challenging. In the near term, the share could even rise as bulk purchasers of unsold condominium inventory convert more units into rental supply until resale prices recover. However, over time, the share is expected to decline. As for-sale conditions stabilize, more investors will look to exit the market, and with investors having effectively stopped buying new units, the flow of newly completed investor-held rentals will dry up, gradually reducing investor ownership in the rental market through the projection period.

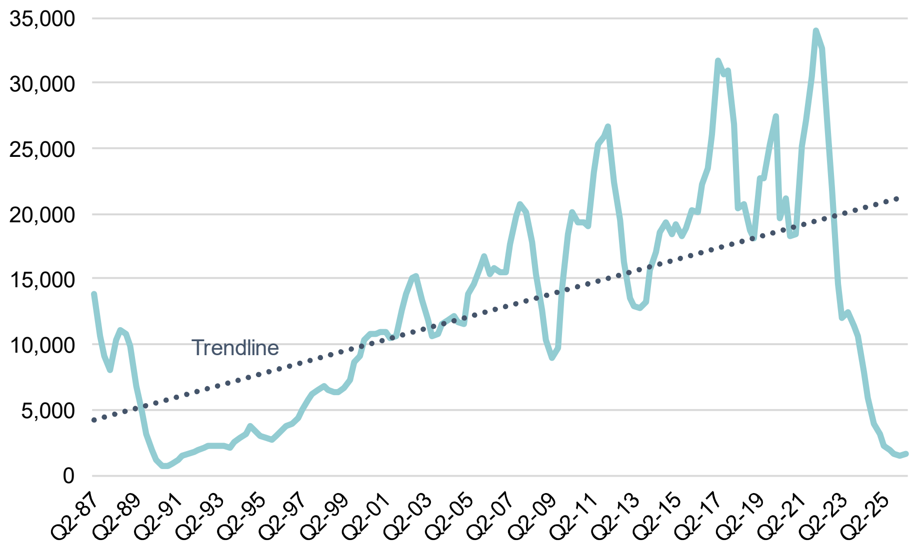
Figure 5.6: Share of Condominium Apartments Used as Rentals
Ontario: 2010-2025



Source: CMHC, Statistics Canada, Urbanation

The leading indicator for declining investor-owned supply is clear. New condominium apartment sales in the Greater Toronto Hamilton Area totaled just 1,633 units in the four quarters ending Q2-2026, among the lowest four-quarter totals since 1990 and more than 90% below the levels that prevailed over the past decade. As presale revenues finance condominium development, construction starts are being greatly reduced and so will future deliveries.

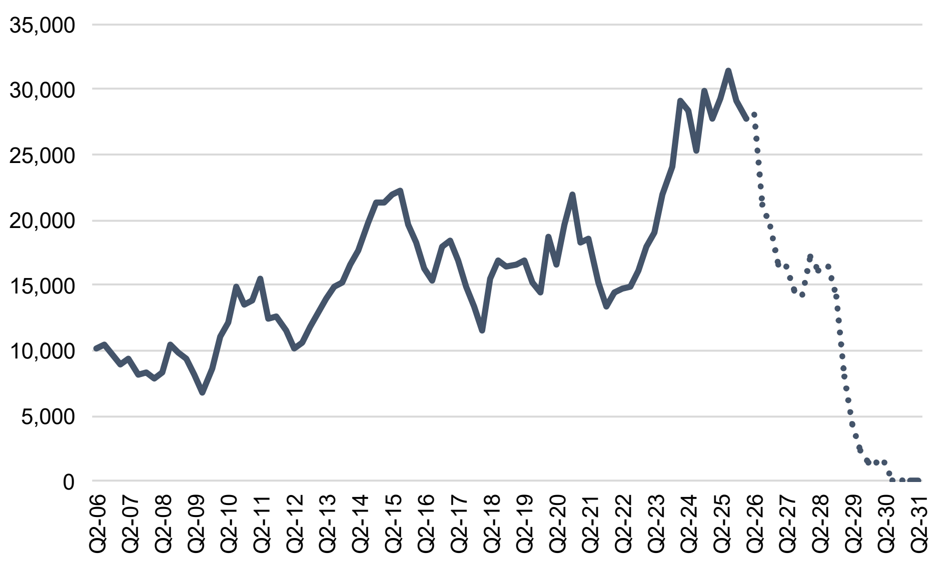
Figure 5.7: New Condominium Apartment Sales, 4-Quarter Totals
Greater Toronto Hamilton Area: Q2-1987 to Q2-2026



Source: Urbanation

The consequences for future supply are locked in. Condominium completions in the GTHA, which reached record levels in 2024-2025 as projects that were launched and sold during the market peak were delivered, are projected to collapse to minimal levels by 2030-2031 as the construction pipeline empties, removing what has been the region's primary source of new rental supply for three decades.

Figure 5.8: New Condominium Apartment Completions, 4-Quarter Totals
Greater Toronto Hamilton Area: Q2-2006 to Q2-2031

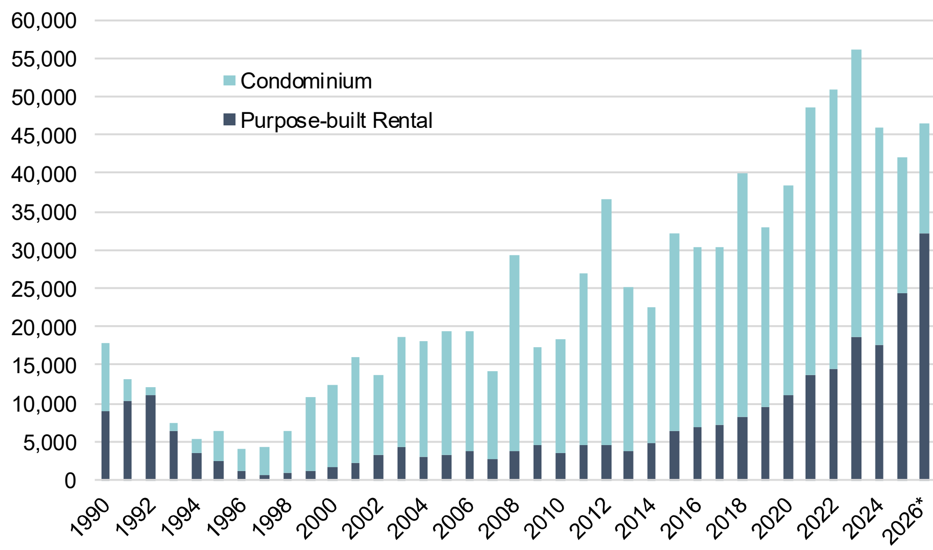


Source: Urbanation

Against this backdrop, purpose-built rental construction has broken out. Rental apartment starts in Ontario rose 37% in 2025 to a multi-decade high of 24,298 units, exceeding condominium starts (17,714 units, a 15-year low) for the first time since 1994, and accelerated further to 32,147 units in the 12 months ending June 2026 — more than double the pace of condominium starts over the same period. This divergence is set to continue. Condominium starts are trending sharply lower as the remaining presold pipeline is exhausted, while developers maintain their focus on purpose-built rental projects.

A meaningful share of the recent acceleration in rental starts is attributable to condominium developers redirecting stalled presale projects into purpose-built rental rather than to entirely new rental developments. Facing insufficient presales to proceed as condominiums, a number of builders have re-tooled projects already in the planning or approvals pipeline as rental, taking advantage of the same policy incentives (the HST removal, CMHC financing and development charge relief) that apply to any new purpose-built rental project. While this is a welcome source of supply in the near term, it is a short-term boost drawing down a fixed backlog of stalled condominium sites rather than a permanent new pipeline of rental starts.

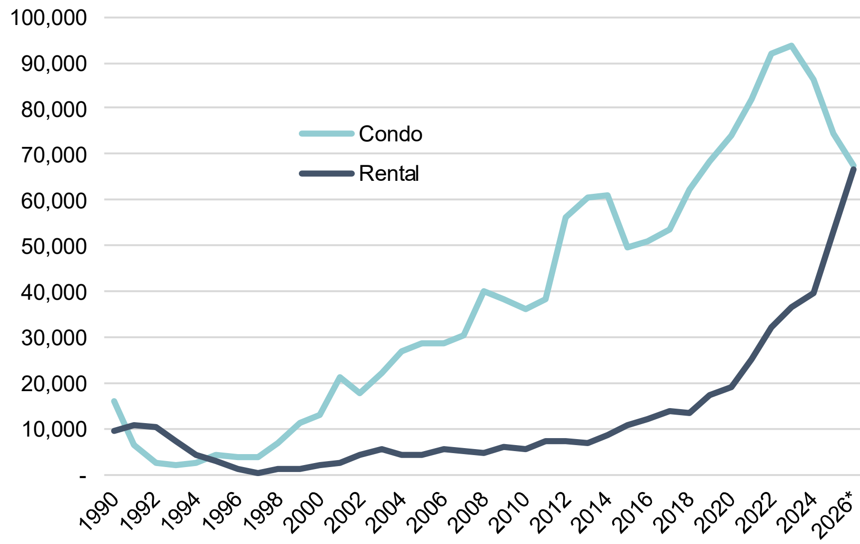
Figure 5.9: Annual Apartment Starts by Tenure, Ontario: 1990 to 2026



*12 months ending June 2026
Source: CMHC

A record 66,549 purpose-built rental apartments were under construction across Ontario as of June 2026 — up from 53,268 at the end of 2025, five times the level of a decade earlier and poised to surpass the volume of condominium apartments under construction (67,502) for the first time in more than 30 years.

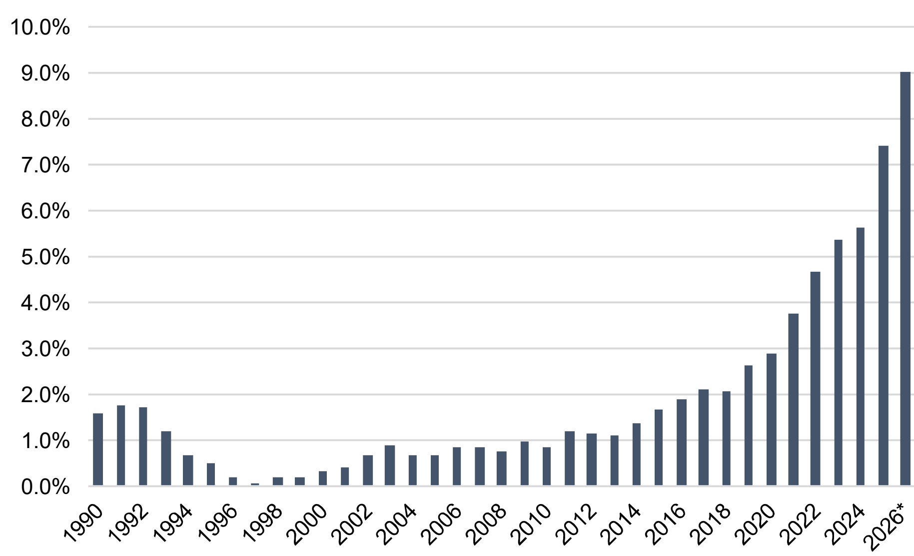
Figure 5.10: Apartment Units Under Construction by Tenure
Ontario: 1990 to 2026



*As of June 2026
Source: CMHC

Purpose-built rentals under construction now represent 9% of the existing rental stock, a multi-decade high and a dramatic reversal from the late 1990s and early 2000s, when the ratio hovered near zero and the stock effectively stopped growing. However, this growth in supply will arrive into the market just as supply contributions from the condominium sector fall away, particularly in markets like the GTA that have relied heavily on condominium investors for new rental supply.

Figure 5.11: Purpose-built Rentals Under Construction as a Share of the Stock
Ontario: 1990 to 2026



*As of June 2026
Source: CMHC

Student Housing

Purpose-built student accommodation (PBSA) is a fast-growing, if still small, complement to conventional purpose-built rental supply not previously captured in this study's supply-side analysis. Ontario is on track to deliver a record 6,313 student housing beds in 2026 according to Urbanation — about two and a half times the 2015-2025 annual average — with the GTA accounting for 43% of the total. Deliveries are expected to slow in 2027-2028 as tighter economics since 2024 works through the pipeline, with most of the proposed growth coming from private PBSA projects rather than universities.

Dedicated student housing supply equals only 20.6% of university enrolment provincewide (on-campus plus PBSA combined), and provision varies sharply by region — from 31.8% in the Western Greater Golden Horseshoe to just 11.8% in the GTA, where students have instead long relied on secondary condominium and conventional purpose-built rental. Provincial Bill 185 (2024) streamlines planning approvals on institutional land and is expected to move more on-campus supply forward.

Policy Drivers of the Rental Construction Boom

The purpose-built rental breakout reflects a deliberate, multi-government effort to restore the economics of rental development. The principal measures are summarized below.

Full removal of HST. In September 2023, the federal government introduced an enhanced GST rebate providing a 100% rebate of the 5% federal portion of HST on new purpose-built rental housing, and in November 2023 Ontario matched it by rebating 100% of the 8% provincial portion with no per-unit cap. Together, the measures eliminate the full 13% HST on qualifying projects — worth approximately $65,000 on a unit valued at $500,000 — for projects that begin construction by the end of 2030 and reach completion by the end of 2035. The HST removal directly reduces capital costs by roughly 10% and represents the single most significant improvement to purpose-built rental feasibility in decades.

Low-cost federal financing. CMHC's $55 billion Apartment Construction Loan Program (ACLP, formerly RCFi) provides below-market construction financing at up to 100% loan-to-cost with amortizations of up to 50 years and a guaranteed takeout to permanent financing; approximately $29 billion had been committed to more than 74,000 rental homes by the end of 2025. Alongside it, MLI Select mortgage insurance offers premium discounts of up to 30%, leverage of up to 95% and extended amortizations for projects committing to affordability, energy efficiency or accessibility outcomes. These programs have materially reduced both the equity requirements and the cost of capital for rental development, and the majority of projects now under construction utilize CMHC-backed financing.

Development charge deferrals and reductions. Provincially, rental housing development charges are payable in instalments beginning at occupancy rather than at permit issuance, and mandatory rental discounts of 15-25% by bedroom type were introduced under Bill 23 (2022). Bill 17, the Protect Ontario by Building Faster and Smarter Act (June 2025), went further by eliminating interest on deferred development charge instalments. Municipally, the City of Toronto froze development charges at 2024 levels through 2026, introduced an indefinite deferral of development charges for qualifying purpose-built rental projects alongside a 15% property tax rate reduction for new multi-residential buildings, and in June 2026 secured $1.5 billion through the Canada-Ontario Partnership to Build in exchange for reducing residential development charges by 40-60% from 2026 through 2029 — a template other municipalities are now being funded to follow.

Other supports. Additional measures include the exemption from rent control for units first occupied after November 15, 2018 — which remains essential to underwriting new supply — along with the release of public land for rental development and reduced or waived fees, charges and property taxes for affordable rental components.

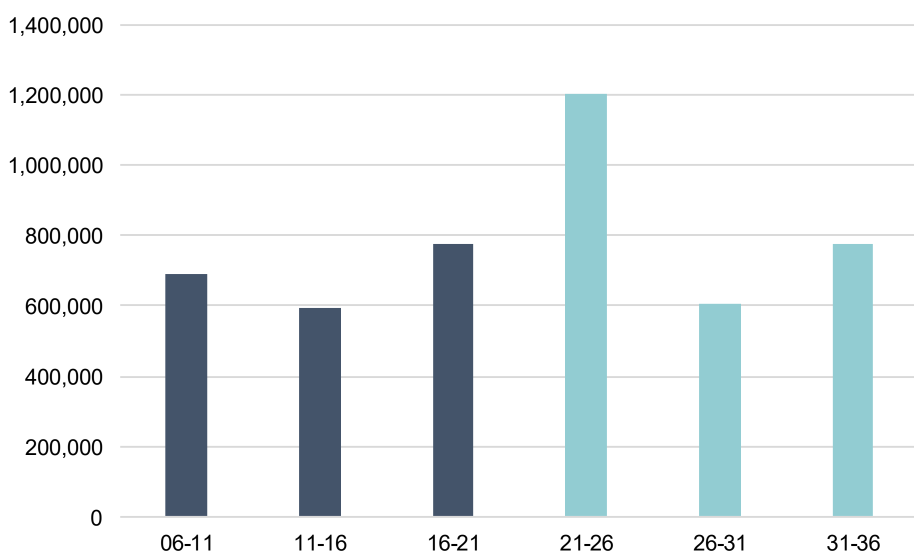
Collectively, these measures help explain why rental starts have set multi-decade highs even as the market rebalances by changing project economics. It is critical to recognize, however, that most are time-limited. The enhanced HST rebate requires construction to begin by the end of 2030, Toronto's development charge reductions run to 2029, and the ACLP allocation extends to 2031-32. The supply projections in the following section assume this policy framework remains in place. Its early withdrawal represents the single largest downside risk to the outlook, and even routine expiry on current schedules — rather than early withdrawal — would likely pull rental starts back down toward historical norms well before the projected supply gap has been closed.

6.0 SUPPLY GAP PROJECTIONS

Demand Outlook

The demand outlook applies the Ministry of Finance reference population projections to projected household formation patterns, demographic shifts and homeownership trends across five geographies. Provincially, population growth of 606,000 is projected for 2026-2031 — weighed down by the declines of 2026-2027 — recovering to 775,000 over 2031-2036. The combined 1.4 million increase compares with approximately 2.0 million during the past decade, a period that included the record 1.2 million surge of 2021-2026.

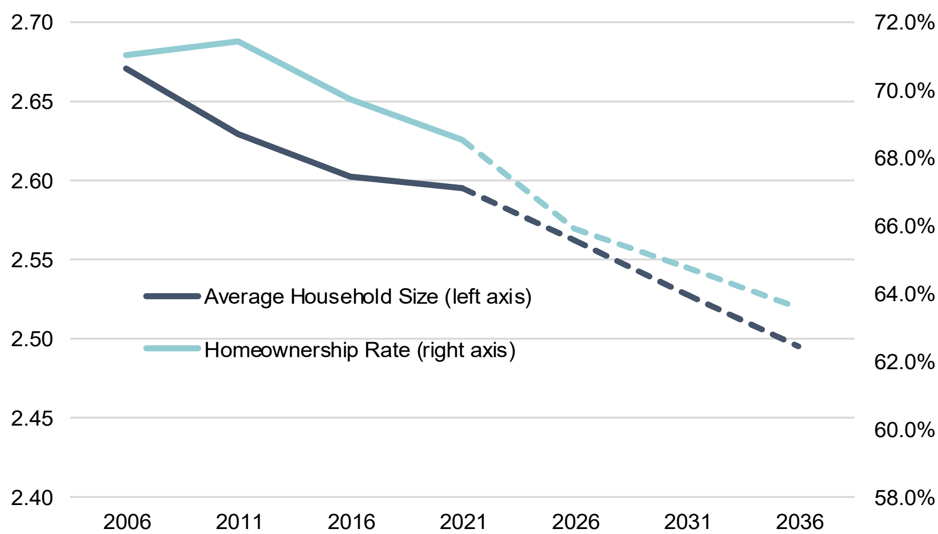
Figure 6.1: Five-year Population Changes and Projections (Persons)
Ontario: 2006 to 2031



Source: Statistics Canada, Ontario Ministry of Finance, Urbanation

Two structural trends continue to lift rental demand relative to population growth. Average household size is projected to keep declining, consistent with its long-term structural trend, from 2.60 persons in 2021 to approximately 2.50 by 2036, meaning more households form per unit of population. And the homeownership rate, which fell from a peak of over 71% in 2011 to under 69% in 2021, is projected to decline to approximately 64% by 2036 as ownership affordability remains restrictive — directing a growing majority of new household formation into rental tenure. The projections also assume a stable economy, which should restore the entry-level hiring that drives household formation among young adults, while the marked improvement in rental affordability is expected to release latent demand into the market as renters who doubled up or delayed moving out during the affordability squeeze form their own households.

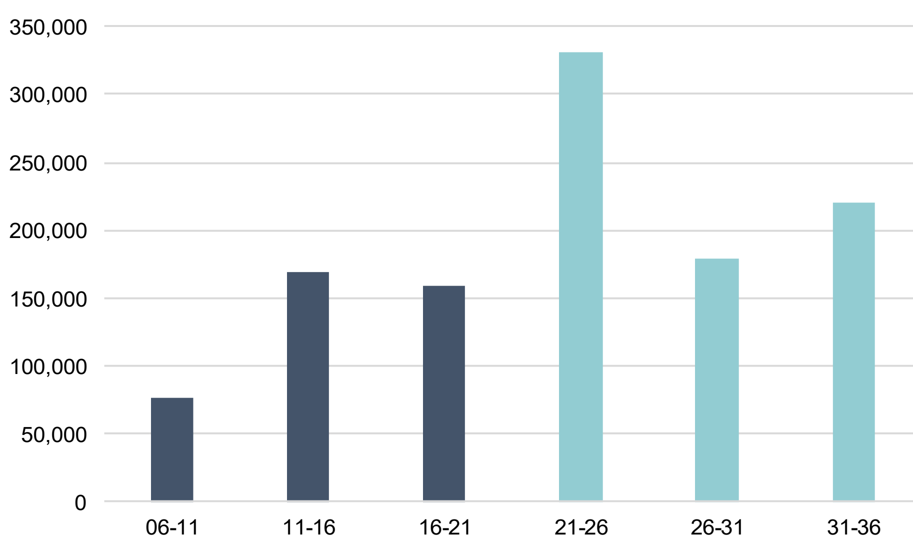
Figure 6.2: Average Household Size (Persons) and Homeownership Rate
Ontario: 2006 to 2036



Source: Statistics Canada, Ontario Ministry of Finance, Urbanation

The result is a projected increase of 399,000 renter households in Ontario over 2026-2036 — close to 179,000 in the first five years and nearly 221,000 in the second half as population growth normalizes. For perspective, renter demand reached a record 331,000 in just the past five years (2021-2026) and totaled 489,000 over the full 2016-2026 decade. Notably, that record five-year gain was achieved even though the period closed with the population in outright decline and the economy softening — underscoring the depth of structural rental demand in the province. More than half of all net new households formed in the province over the next decade are expected to be renters.

Figure 6.3: Five-Year Net Renter Household Formation and Projections
Ontario: 2006 to 2036



Source: Statistics Canada, Ontario Ministry of Finance, Urbanation

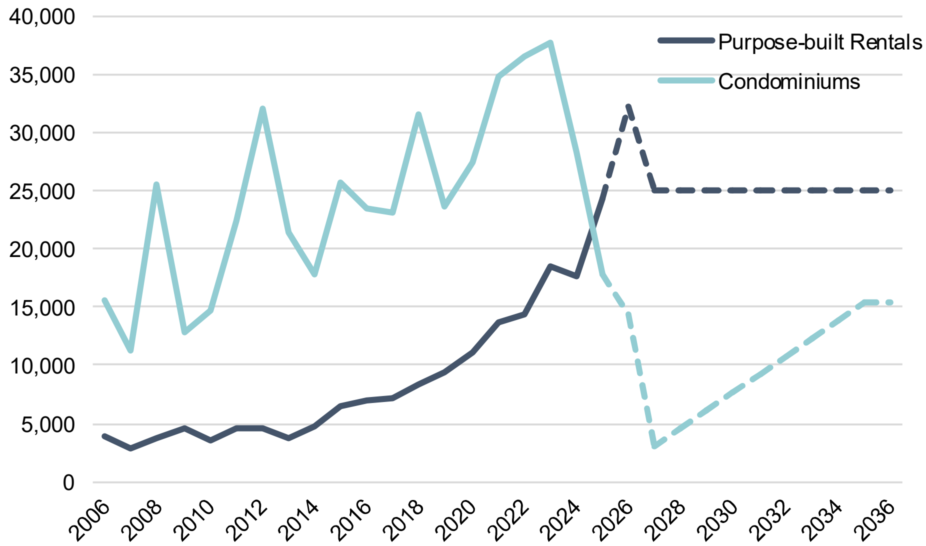
The 10-year demand projection of 399,000 renter households is approximately 5% below the 418,000 projected in the March 2025 study, reflecting the downward revisions to immigration and non-permanent resident levels. Demand risk is, however, tilted to the upside as the projection adopts the reference population scenario, and any reversal of temporary-resident policy, stronger interprovincial inflows, or a faster slide in homeownership would raise rental requirements above the base case. The likelihood of upward revisions to the population data itself adds to this upside risk. While the projections in this study are based on the best information currently available, that information base is unusually likely to shift, and most likely in the direction of more people, and more rental demand, than currently reported.

Supply Outlook

Purpose-built rental starts are projected using the latest trend level at approximately 25,000 units per year and are assumed to be held constant throughout the projection period. On this path, rental starts would total approximately 250,000 units over the next 10 years — nearly double the 131,000 recorded during the past decade, when they averaged about 13,000 per year. Condominium apartment starts are projected to fall much further before finding a floor — averaging fewer than 5,000 units annually in 2027-2029, the lowest since the early 1990s — before partially recovering to approximately 15,000 units by 2035-2036 as inventories clear and investor economics slowly repair. Even that recovered level would represent only about half the past decade's average of roughly 29,000 condominium starts per year and nearly 60% below the 2023 peak of close to 38,000.

The base case assumes rental starts plateau rather than continue climbing, for several reasons. Lenders are underwriting new projects against asking rents roughly 10% below their peak, CMHC program allocations are finite, there is uncertainty regarding future policy changes, and the consensus rate outlook has shifted from cuts toward potential increases in 2027. Some development capacity is also likely to shift back toward condominiums as that market slowly repairs. At the same time, there is little reason to expect starts to fall materially as the conditions that produced the current pace — the HST removal, low-cost CMHC financing, development charge relief and a deep pool of institutional capital seeking rental exposure — largely remain in place and building permit data suggest the pipeline is still being replenished.

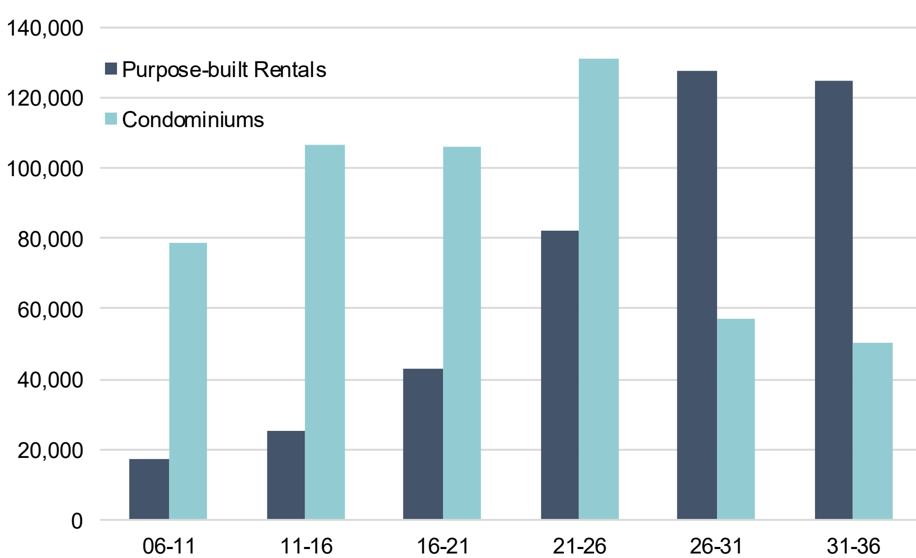
Figure 6.4: Annual Apartment Starts and Projections by Tenure
Ontario: 2006 to 2036



Source: CMHC, Urbanation

On this trajectory, purpose-built rental completions total approximately 253,000 units over 2026-2036 — 128,000 in 2026-2031 and 125,000 in 2031-2036, still more than double the 126,000 units delivered during the past decade. Condominium completions total approximately 107,000 units, a 55% decline from the 238,000 of the past 10 years, with deliveries concentrated in the early years of the projection period as the remaining pipeline is built out.

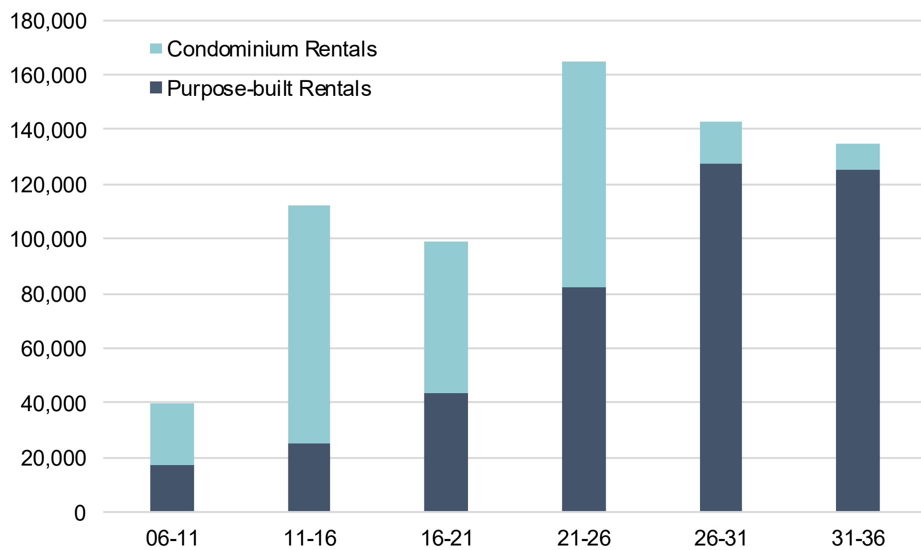
Figure 6.5: Five-Year Apartment Completions by Tenure, Ontario: 2006 to 2036



Source: CMHC, Urbanation

Combining purpose-built completions with the net change in condominium rentals — just 25,000 units over 10 years as investor selling picks up and newly completed investor-held supply dries up — total rental supply growth is projected at 278,000 units for 2026-2036, a 16% increase over the 240,000 units added during the past decade. Condominiums supplied 58% of Ontario's rental growth over the past decade but are projected to supply only about 9% over the next 10 years — placing virtually the entire supply burden on the purpose-built sector.

Figure 6.6: Five-Year Rental Apartment Supply Growth, Ontario: 2006 to 2036



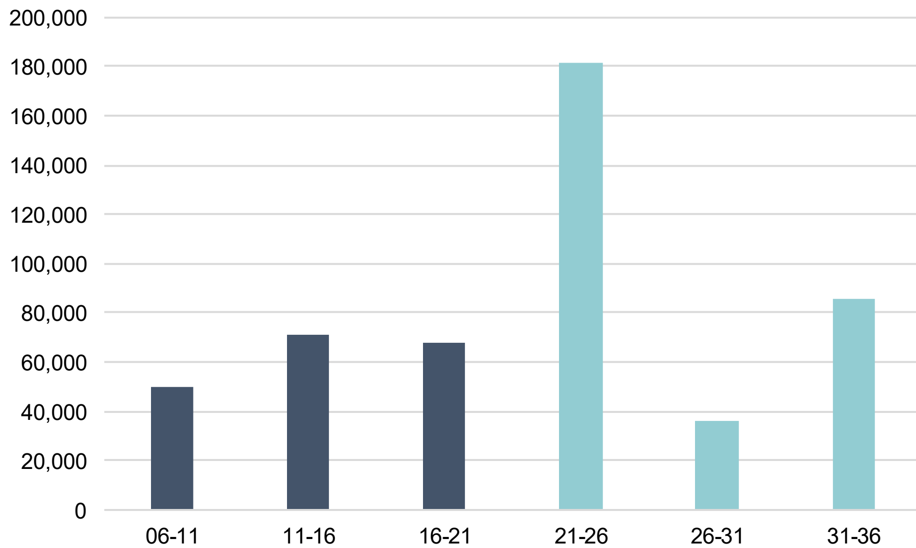
Source: CMHC, Urbanation

Supply Gap Outlook

The rental supply gap is estimated by subtracting the total increase in rental apartment supply from the total estimated growth in rental demand over a given period. It is important to note that the supply gap should be read as a conceptual and directional indicator rather than a definitive measure. Data limitations on rental supply delivered outside of purpose-built and condominium apartments — such as rented houses, secondary suites and other ground-oriented forms — mean that a complete picture of annual changes in the total rental stock across all property types is not available. The measure nonetheless provides a good indicator of the balance between rental demand and the primary sources of new rental supply. On this basis, the past five years produced the largest imbalance on record with demand outpacing supply by an estimated 182,000 units during 2021-2026. This accumulated shortfall — manifested in the record-low vacancy rates and double-digit rent growth of 2022-2023 — forms the backdrop against the current market rebalancing. The recent easing in rents and vacancy reflects that accumulated shortfall being worked down, not a reversal into oversupply.

Over the next 10 years, the projected supply gap totals 121,000 units — 36,000 during 2026-2031 and 85,000 during 2031-2036. The near-term gap is among the smallest five-year imbalances in two decades, reflecting the combination of record deliveries and temporarily reduced demand. The gap then widens substantially in the early 2030s as condominium completions largely disappear and population growth returns to trend.

Figure 6.7: Five-Year Rental Supply Gap Estimates and Projections
Ontario: 2006 to 2036



Source: Urbanation

Comparison with the previous study. The projected 10-year gap of 121,000 units is 86,000 units — or 42% — smaller than the 207,000-unit gap projected in the March 2025 study. The improvement is due to the supply outlook increasing by 67,000 units (+32%), while the demand outlook declined by 19,000 units (-5%). In other words, roughly four-fifths of the narrowing reflects the record surge in purpose-built rental construction — itself a direct response to the HST removal, CMHC financing expansion, development charge relief, condo market downturn, and lower interest rates documented in Section 5. The past couple years provide the first hard evidence that policy-driven improvements to development feasibility translate into rental supply at scale.

It is critical to point out that the projection assumes purpose-built rental output is sustained at roughly double its historical pace for a full decade — which in turn assumes the current incentive framework is at least maintained, even though several key programs expire between 2029 and 2032. Furthermore, the gap is back-loaded as the comparatively modest 2026-2031 imbalance gives way to an 85,000-unit shortfall in 2031-2036. Given development timelines of five or more years from application to occupancy, the projects needed to close that gap must enter the pipeline now. Finally, the risks are asymmetric: demand risks skew to the upside, while supply risks — trade-related cost escalation, labour constraints, financing program changes or policy withdrawal — skew to the downside.

Regional Breakdown

The updated study extends the supply gap analysis across four sub-provincial geographies: the Greater Toronto Hamilton Area, the City of Toronto, Southwestern Ontario and Ottawa. The regional results reveal that the provincial totals mask sharply different local balances.

The composition of population growth differs significantly across these regions. The GTHA, and the City of Toronto in particular, depend almost entirely on international migration. From 2021-2025, immigration and non-permanent resident inflows accounted for virtually all of the region's growth, while the GTHA lost residents to other provinces and a much larger number to other parts of Ontario. This makes GTHA rental demand the most sensitive in the province to federal migration policy — in both directions, including any upward data revisions. Southwestern Ontario has the benefit of substantial international inflows as well as a large number of net residents from elsewhere in the province (mainly the GTHA), which is largely affordability driven. Ottawa's growth is the most balanced, drawing on immigration, positive interprovincial and intraprovincial inflows, and the stability of public-sector employment.

Figure 6.8: Rental Demand and Supply Summary
Ontario: 2006 to 2036

	Ontario					
	Population Change	**Net Renter Household Growth**	Purpose-built Rental Supply Growth	Condo Rental Supply Growth	**Rental Apartment Supply Growth**	**Supply Gap**
5-Year Totals						
06-11	692,000	**77,000**	17,000	23,000	**27,000**	**50,000**
11-16	597,000	**168,000**	25,000	87,000	**98,000**	**71,000**
16-21	775,000	**159,000**	43,000	56,000	**91,000**	**68,000**
21-26	1,204,000	**331,000**	82,000	83,000	**149,000**	**182,000**
26-31	606,000	**179,000**	128,000	15,000	**143,000**	**36,000**
31-36	775,000	**221,000**	125,000	10,000	**135,000**	**85,000**
10-Year Totals						
06-16	1,288,000	**246,000**	42,000	110,000	**125,000**	**121,000**
16-26	1,979,000	**489,000**	125,000	139,000	**240,000**	**249,000**
26-36	1,381,000	**399,000**	253,000	25,000	**278,000**	**121,000**

Source: Urbanation

The GTHA accounts for the majority of the provincial shortfall. Renter household growth of 188,000 is projected against total rental supply growth of 114,000 units, producing a supply gap of 74,000 units — over 60% of the provincial total — following an estimated 87,000-unit gap during the past five years alone. The GTHA is uniquely exposed to the condominium downturn as condominiums supplied roughly three-quarters of the region's rental supply growth over the past decade, a source that is now largely disappearing.

Figure 6.9: Rental Demand and Supply Summary
Greater Toronto Hamilton Area: 2006 to 2036

	Greater Toronto Hamilton Area					
	Population Change	**Net Renter Household Growth**	Purpose-built Rental Supply Growth	Condo Rental Supply Growth	**Rental Apartment Supply Growth**	**Supply Gap**
5-Year Totals						
06-11	514,000	**52,000**	7,000	18,000	**18,000**	**34,000**
11-16	380,000	**94,000**	10,000	60,000	**63,000**	**31,000**
16-21	327,000	**89,000**	18,000	39,000	**53,000**	**36,000**
21-26	524,000	**178,000**	29,000	68,000	**91,000**	**87,000**
26-31	134,000	**72,000**	53,000	6,000	**59,000**	**13,000**
31-36	297,000	**116,000**	53,000	2,000	**55,000**	**61,000**
10-Year Totals						
06-16	894,000	**146,000**	18,000	78,000	**81,000**	**65,000**
16-26	851,000	**267,000**	48,000	107,000	**144,000**	**122,000**
26-36	431,000	**188,000**	105,000	9,000	**114,000**	**74,000**

Source: Urbanation

The City of Toronto is the exception, though with an increasingly large caveat. Record purpose-built deliveries of 85,000 completions projected over the decade, combined with near-term population declines concentrated in the young-adult and non-permanent resident groups that cluster in the city produce a projected 21,000-unit supply surplus in 2026-2031, offset by an 18,000-unit gap in 2031-2036, for a modest net surplus of just 3,000 units. Two factors suggest even this modest figure overstates the case for Toronto. First, the city's estimated population decline is concentrated in precisely the non-permanent resident counts most exposed to the data revisions discussed in Section 4. Second, the surplus follows years of extreme tightness, and a substantial amount of pent-up demand accumulated over those years of shortage is still working its way into the market — a release of demand that a projection treating each year independently and rooted in population growth will tend to understate. Recent rental data already point to stabilization, with market rents in the city beginning to level out as condominium completions fall. Taken together, the projected small supply surplus in Toronto is not evidence the city's rental market has moved into lasting surplus.

Figure 6.10: Rental Demand and Supply Summary
City of Toronto: 2006 to 2036

	City of Toronto					
	Population Change	**Net Renter Household Growth**	Purpose-built Rental Supply Growth	Condo Rental Supply Growth	**Rental Apartment Supply Growth**	**Supply Gap**
5-Year Totals						
06-11	112,000	**29,000**	4,000	13,000	**13,000**	**16,000**
11-16	117,000	**50,000**	6,000	46,000	**47,000**	**3,000**
16-21	63,000	**32,000**	12,000	28,000	**36,000**	**-4,000**
21-26	210,000	**103,000**	20,000	48,000	**66,000**	**36,000**
26-31	-34,000	**25,000**	42,000	3,000	**46,000**	**-21,000**
31-36	78,000	**65,000**	43,000	5,000	**47,000**	**18,000**
10-Year Totals						
06-16	228,000	**79,000**	11,000	59,000	**61,000**	**18,000**
16-26	273,000	**135,000**	32,000	76,000	**103,000**	**32,000**
26-36	44,000	**90,000**	85,000	8,000	**93,000**	**-3,000**

Source: Urbanation

Southwestern Ontario, which absorbed an outsized share of provincial population growth during the past five years, is projected to remain close to balance. Renter household growth of 99,000 is met by 85,000 units of supply growth — overwhelmingly purpose-built — for a modest 14,000-unit gap, still a marked improvement from the 66,000-unit deficit accumulated during the past decade. The region's rental construction boom, led by markets such as London and Kitchener-Waterloo-Cambridge, demonstrates a sustained development pipeline.

Figure 6.10: Rental Demand and Supply Summary
Southwestern Ontario: 2006 to 2036

	Southwest Ontario					
	Population Change	**Net Renter Household Growth**	Purpose-built Rental Supply Growth	Condo Rental Supply Growth	**Rental Apartment Supply Growth**	**Supply Gap**
5-Year Totals						
06-11	65,000	**11,000**	7,000	1,000	**9,000**	**2,000**
11-16	95,000	**39,000**	9,000	4,000	**9,000**	**30,000**
16-21	226,000	**38,000**	13,000	5,000	**17,000**	**20,000**
21-26	339,000	**83,000**	27,000	3,000	**37,000**	**46,000**
26-31	203,000	**48,000**	39,000	3,000	**43,000**	**5,000**
31-36	215,000	**51,000**	38,000	5,000	**42,000**	**9,000**
10-Year Totals						
06-16	160,000	**51,000**	16,000	6,000	**18,000**	**32,000**
16-26	565,000	**121,000**	40,000	8,000	**54,000**	**66,000**
26-36	418,000	**99,000**	77,000	8,000	**85,000**	**14,000**

Source: Urbanation

Ottawa follows a similar pattern, with projected renter household growth of 58,000 against 48,000 units of new supply producing a 9,000-unit gap, still down from 28,000 over the past decade, supported by one of the country's most active purpose-built rental pipelines relative to market size.

Figure 6.11: Rental Demand and Supply Summary
Ottawa: 2006 to 2036

	Ottawa					
	Population Change	**Net Renter Household Growth**	Purpose-built Rental Supply Growth	Condo Rental Supply Growth	**Rental Apartment Supply Growth**	**Supply Gap**
5-Year Totals						
06-11	71,000	**6,000**	1,000	2,000	**2,000**	**5,000**
11-16	51,000	**13,000**	2,000	5,000	**5,000**	**7,000**
16-21	83,000	**19,000**	7,000	1,000	**6,000**	**12,000**
21-26	133,000	**35,000**	19,000	1,000	**19,000**	**16,000**
26-31	116,000	**29,000**	24,000	1,000	**25,000**	**4,000**
31-36	118,000	**29,000**	23,000	1,000	**23,000**	**6,000**
10-Year Totals						
06-16	122,000	**19,000**	3,000	6,000	**7,000**	**12,000**
16-26	216,000	**54,000**	25,000	2,000	**26,000**	**28,000**
26-36	233,000	**58,000**	47,000	2,000	**48,000**	**9,000**

Source: Urbanation

The regional outlook implies that outside the GTHA, sustained record construction can hold markets near balance. However, within the GTHA, even record output leaves a substantial shortfall. Regional narrowing in the rental supply gap is conditional, not guaranteed, as each geography's supply projection assumes construction is maintained at or near record levels for a decade.

7.0 CONCLUSION

This update documents a rental market in transition and, for the first time in this study series, genuine progress. The projected 10-year supply gap has narrowed from 207,000 units to 121,000 units, driven overwhelmingly by the upward shift in the trajectory for purpose-built rental construction. The policy response of the past three years — removing the full HST from new rental construction, expanding low-cost CMHC financing, deferring and reducing development charges, and maintaining the rent control exemption for new supply — has demonstrably worked. The fact that Ontario's rental starts set a multi-decade high in a falling-rent environment is a clear win.

However, a 121,000-unit supply gap is not success — it is a smaller shortfall, and Ontario still needs considerably more rental supply than is currently in the pipeline. That figure sits on top of an estimated 249,000-unit deficit accumulated since 2016 that current construction has not begun to repay. It can be thought of as a best case, as it assumes purpose-built rental output roughly doubling its historical pace is sustained for a full decade, which in turn assumes today's incentive framework remains at least intact. Furthermore, the gap is back-loaded into 2031-2036, precisely when the condominium sector — the source of nearly 60% of the past decade's rental supply — will have ceased delivering meaningful supply. With the condominium sector no longer able to fill that role at anything like its former scale, purpose-built rental must permanently absorb a substantially larger share of Ontario's rental supply than it has carried at any point in the past three decades. Even a fully maintained policy framework only holds the shortage at 121,000 units, it does not eliminate it.

The supply projection is not a forecast of what will happen regardless of policy — it is a projection of what the current framework can deliver if maintained. Much of that framework is temporary: the enhanced HST rebate requires construction to begin by the end of 2030, Toronto's development charge reductions run through 2029, and CMHC's loan program allocation extends to 2031-32. Given that projects entering planning today will deliver units in the early 2030s — exactly when the supply gap re-opens — expanding upon, extending and entrenching these measures is the most direct available lever for closing the remaining gap. If these measures are allowed to lapse on their current schedules, rather than being extended, purpose-built rental starts should be expected to fall back toward the historical norms documented in Section 5, and the supply gap would widen well beyond the 121,000 units projected here.

With renters expected to account for more than half of Ontario's new household formation over the coming decade, and with the condominium investor model unlikely to return at its former scale, the purpose-built rental sector must carry an even larger share of the province's rental supply needs than it does today, for the foreseeable future. The magnitude of the condominium sector's retrenchment leaves no other source capable of filling the gap. The past couple years have proven that the industry will build at generational levels when the economics work, even if fragile. While the purpose of this report is not to provide specific policy recommendations, the evidence assembled here supports a broad conclusion: the framework that produced this turnaround should be treated as a foundation to build upon, not a temporary stimulus to be withdrawn. The job is not finished.

Data Limitations and Note to Readers

The analysis and projections contained herein have been prepared on the information and assumptions set forth in this report. However, components of this report were built on information and data from secondary sources and Urbanation cannot guarantee the accuracy of this data. Moreover, it is not possible to fully document all factors or account for all changes that may occur in the future.