**The arrival of highly skilled immigrants spurred a rise in Toronto's rental rates.**

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According to year-end data from Urbanation, a Toronto-based real estate research organization, and Rentals.ca, Canadians faced an average yearly rent increase of 10.9 percent in 2022, with another five percent increase anticipated for 2023. Toronto ranked second in terms of most expensive monthly rent in Canada only next to Vancouver with a 21.3 percent ($2,457) year-over-year increase for a one-bedroom unit and an 18.1 percent ($3,215) increase for a two-bedroom home.[1]. Despite studies and real estate experts blaming a lack of availability, housing costs, rising interest rates and immigration, the data tells a different story. Table 1 displays the total number of listed units as well as leasing information. If demand is high and rentals are affordable, these units have been rented. This is because landlords look for prospective renters who are willing to accept their terms and the quoted price.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| TRREB Area | Year | All Apartments | | Bachelor | | One-Bedroom | | Two-Bedroom | | Three Bedroom | |
| Total Listed | Total Leased | Leased | Avg.  Lease Rate | Leased | Avg.  Lease Rate | Leased | Avg. Leased Rate | Leased | Avg. Lease Rate |
| Toronto West | 2022 | 1811 | 981 | 12 | $1,829 | 523 | $2,452 | 405 | $3,008 | 41 | $3,531 |
| 2014 | 873 | 420 | 1 | $850 | 222 | $1,521 | 183 | $2,103 | 14 | $2,186 |
| Toronto Central | 2,022 | 8,855 | 5,108 | 293 | $2,113 | 3,045 | $2,566 | 1,627 | $3,455 | 143 | $5,047 |
| 2,014 | 7,028 | 3,272 | 101 | $1,351 | 2,049 | $1,681 | 1,077 | $2,415 | 45 | $3,315 |
| Toronto East | 2,022 | 741 | 480 | 13 | $1,904 | 270 | $2,291 | 174 | $2,800 | 23 | $3,223 |
| 2,014 | 478 | 250 | 5 | $995 | 134 | 1,403 | 102 | $1,637 | 9 | $1,802 |

**Table 1 Rental rates in Toronto in 2014 and 2022 (Data Source TRREB 2014 and 2022 Quarter 4 rental reports)**

Landlords are becoming choosier, causing some renters to rush for available rentals, and even super-qualified candidates are having difficulty competing with other extremely qualified applicants. The lower-income individuals are having a hard time.[2]

**High-skilled Workers**

According to the Census 2021, Toronto is the home to 1,286,140 immigrants or 46.6 percent of the population [3]. And this increased by 1.1% in the year 2022 as per the data available in Simply Analytics, a web-based analytics application. The record number of new immigrants admitted to Canada from 2016 to 2021 is driving the country's demographic increase.[4]. People come as immigrants to Canada in either of 4 categories:[5]

1.Economic Immigrant

2.Family Sponsorship

3. Refugee

4. Other programs which are not included in the above categories

However, an evaluation study by IRCC revealed that Express Entry principal applicants generally outperform their non-Express Entry counterparts. 95% of Express Entry principal applicants have become established economically, and the incidence of employment is high across the four immigration categories.[6]. This needs further study.

In January 2015, Express Entry was introduced to manage the application process for some of Canada's economic immigration programs, including Federal Skilled Worker Programs, Federal Skilled Trades Programs, Canadian Experience Classes, and Provincial Nominee Programs. Because they are chosen using a point system and have the necessary skills and education for their intended occupation, their employment rate is high. Since the Covid epidemic, many immigrants have settled in cities, and many are computer professionals (see Table2) who work from home. If they come as a family, they rent an apartment with at least two bedrooms to set up their home office. This increased demand for apartments is causing rental prices to rise. These highly qualified immigrants prefer condos over large residences in the suburbs because they have shorter commutes and easier access to amenities. In addition, most condos come with some basic appliances.

**Top 10 Express Entry Immigrants' Profession with NOC code from 2015 -2022 (** [**Data source: IRCC**](https://data.ontario.ca/dataset/7b3152eb-879a-4545-b5f9-fb52dc42cf65)**)**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Top 10 Express Entry Immigrants' Profession** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **Total** |
| 1 | 2174 - Computer programmers and interactive media developers | 80 | 190 | 1245 | 1110 | 1275 | 2120 | 2655 | 555 | **9230** |
| 2 | 6311 - Food service supervisors | 20 | 80 | 435 | 465 | 560 | 1690 | 5810 | 150 | **9210** |
| 3 | 2171 - Information systems analysts and consultants | 105 | 205 | 1120 | 970 | 1095 | 1725 | 2080 | 605 | **7905** |
| 4 | 2173 - Software engineers and designers | 60 | 145 | 915 | 735 | 840 | 1540 | 2275 | 835 | **7345** |
| 5 | 1241 - Administrative assistants | 20 | 50 | 620 | 655 | 635 | 1410 | 2860 | 140 | **6390** |
| 6 | 2282 - User support technicians | 20 | 65 | 550 | 470 | 475 | 1075 | 2035 | 190 | **4880** |
| 7 | 6211 - Retail sales supervisors | 15 | 45 | 305 | 265 | 300 | 785 | 2185 | 65 | **3965** |
| 8 | 1215 - Supervisors, supply chain, tracking and scheduling co-ordination occupations | 25 | 100 | 370 | 290 | 345 | 750 | 1670 | 90 | **3640** |
| 9 | 1221 - Administrative officers | 20 | 70 | 435 | 420 | 430 | 780 | 1380 | 105 | **3640** |
| 10 | 1123 - Professional occupations in advertising, marketing and public relations | 25 | 95 | 390 | 380 | 380 | 620 | 730 | 220 | **2840** |
|  | **Total** | **390** | **1045** | **6385** | **5760** | **6335** | **12495** | **23680** | **2955** | **59045** |

From 2015 to the end of 2022, the rental rated escalated approximately 1.5-2.0 times, especially bachelor apartments doubled the rates as per TRREB 2014 and 2004 fourth Quarter reports [7]. So, if the Average Household expenditure spent on Rent is analyzed, we can see if there are traces of high rent, where these immigrants live. Later we can analyze further with variables like recent immigration percentage, their occupation, their place of dwelling and so on.

**Hypothesis:**

**Null hypothesis**: Reduced supply and increased demand from immigration escalated the Toronto rental prices.

**Alternate hypothesis:** High-skilled immigrant preferences and opportune landlords increased Toronto rentals.

**Key variable:** Average household expenditure on rent (Dissemination area level – The city of Toronto; data source: Simply Analytics)

Firstly, the dependent variable must be analyzed if there is any pattern. For this purpose, Moran’s I Spatial Autocorrelation test was conducted using ArcGIS on the dependent variable.

Diagram

Description automatically generated with low confidence

The result came with the likelihood of clustering with a Moran’s index of 0.5. The P value is less than 0.05 and the z-score is positive with greater chances of rejecting the null hypothesis. However, it needs further analysis.

Graphical user interface, application, table

Description automatically generated with medium confidence

To analyze the pattern spatially, Cluster and Outlier Analysis (Anselin Moran I) was conducted on the variable at the 3702 Dissemination Areas of the city of Toronto. It is evident that there is some clustering. Map

Description automatically generated

As expected, the old Toronto is an expensive area to lease like cabbage town, University and neighbourhoods in Downtown Toronto and they came in the high-high area. The nearby Bayfront Islands waterfront area came as an outlier. This is a developing neighbourhood which includes Villiers Island, so the rents are still in the transition stage. Besides Downtown, some neighbourhoods like Lansing-Westgate, in the North York area came as a high-high zone. This Neighbourhood is like a hotspot for the high-skilled new immigrants, and the rents are high. The older settlements like Scarborough and Markham where the Srilankan refugees settled between the mid-1950s and 1980s are in the low-low zone. However, the neighbourhoods like Bendale, Guildwood and Agincourt came as high-rent outliers in low-low zones. The northwest area like Humber neighbourhoods, Rexdale and Kipling didn’t show any patterns, and they came as outliers. But the West-Minster neighbourhood came as a low-high neighbourhood. This study demands further insight into the current market. As of now, a dataset with around 60 to 80 variables have been prepared; which can further be studied, and suitable variables can be selected for the market segmentation process.

**References:**

[1] <https://financialpost.com/real-estate/average-rent-increased-10-9-per-cent-2022>

[2] Prices are rising in Toronto’s rental market again - and so is the competition. (May,2022). The Toronto Star (Online) Toronto star article. (Source: TMU library)

[3] <https://www.toronto.ca/wp-content/uploads/2022/11/8f69-2021-Census-Backgrounder-Immigration-Ethnoracial-Mobility-Migration-Religion-FINAL.pdf>

[4] <https://www150.statcan.gc.ca/n1/daily-quotidien/221026/dq221026a-eng.htm>

[5]<https://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=323293&CVD=323294&CLV=0&MLV=4&D=1>

[6] <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/reports-statistics/evaluations/eval-express-entry-economic-outcomes-system-management.html>