

Results of 2016 rental housing survey released by the Urban Growth and Change research group at the University of Waterloo

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Executive summary

Xinyue Pi's thesis "Exploring Rental Housing Markets in Kitchener-Waterloo, Ontario" is now published and available for download at <https://uwspace.uwaterloo.ca/handle/10012/12431>. Xinyue Pi completed her Master's in Environmental Studies in the School of Planning under the supervision of Professor Dawn Cassandra Parker. Dr. Xiongbing Jin served as committee member and Professor Kevin Curtis as external reader. From June to November 2016, we mailed invitations to a random sample of 2912 households renting in Kitchener and Waterloo to participate in a survey on residential location choice, renting experience and behaviours and perceptions towards the upcoming LRT, after which a total of 290 survey responses were analyzed. After a descriptive statistical analysis of the survey results, a multivariate hedonic statistical model was also developed to investigate the relationship between rental housing prices and corresponding household, residential, neighbourhood and behaviour characteristics. Such models statistically distill the independent influences of renter household, dwelling, and neighbourhood characteristics on rent. Chapter 8 of the thesis summarizes the main findings and discusses policy implications. We highlight some of the most interesting results of our study here.

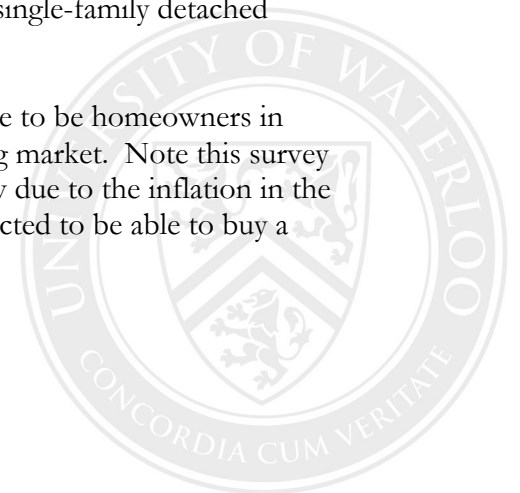
The first lesson is that K-W renters are a diverse group. Our survey identified three cohorts, which have diverse and unique rental needs and preferences:

- **Families with children** are a target market for medium-low density dwellings, having a strong preference towards single-detached houses with a small to medium yard. These families both were more likely to live in single detached rentals, and also more likely to consider single detached homes as ideal. Further, their ideal housing size and number of bedrooms is higher than other groups. They prioritize school quality and accessibility to school in their location choices.
- **Retired households** currently in the rental market could be considered a target market for high-density dwellings. Most retired households survey respondents were living in apartment buildings at the time of the study. Generally, they prefer apartments to houses, and a patio, deck or balcony instead of a yard. (It is important to note that our other research identifies demand for ground floor units with some private open space for downsizers looking to buy rather than rent.) Important as rental price is, retired households are more concerned with residential characteristics such as central air conditioning, availability of parking and ease of maintenance. Ease of walking and minimal traffic noise are also regarded as important by responding seniors. Most senior households consider accessibility to retail and services, open space, urban center and distance to family/friends as important in their location choice decision.

- Most **student households** are aged 18-24 and living with a group of roommates. Similar to senior households, students are a target market for high-density dwellings as well. They generally prefer apartments to houses. They also prefer a patio, deck or balcony and small yard. While most 5-bedroom residences in the survey are occupied by students, student households generally prefer 2-bedroom and 3-bedroom residences. Students find ease of walking, school quality, accessibility to school and accessibility to bus stops very important. Student's high valuation of accessibility to transit and school is reflected in the concentration of student renters in the "Columbia/Lakeshore Neighbourhood", close to where two universities are located. Different from any other resident group, students are more frequent movers, and they account for most surveyed subtenants.
- Different household types are paying differential rents. Our survey data allowed us to add household characteristics to our hedonic statistical models. Results showed that families without children paid the highest rents, followed by households of roommates, one-person households, and households with children. Student households pay the highest rent, followed by employed households, retired households and unemployed households.

Some interesting results were seen across all rental groups:

- Affordability and safety were stated as important by all rental groups.
- In spite of the stated importance of affordability, many respondents reported that their ideal rent was higher than the rent they currently paid—across income levels. These renters generally desired larger units with more access to open space.
- There was demand for 3-4 bedroom units across all demographic groups.
- Renters did not express a strong preference to be surrounded by people like themselves in terms of income, education, or ethnicity. These results bode well for development of diverse communities.
- Most renters expressed neutral views towards the pending LRT—although many planned to use it, with the most frequently stated planned use being "social activities."
- There is a good proportion of renters who rent for convenience and flexibility and prefer just a balcony or no open space. In general, preferences for private open space are less for renters than we found in an earlier survey of owners of single-family detached homes.
- Interestingly, the vast majority of renters in our survey aspire to be homeowners in future, indicating increasing internal pressure on the housing market. Note this survey was 2016. We know that pressure is likely much higher now due to the inflation in the local real estate market. Many people who had hoped/expected to be able to buy a home in this last year find themselves still renting.



Further results related rents follow expectations:

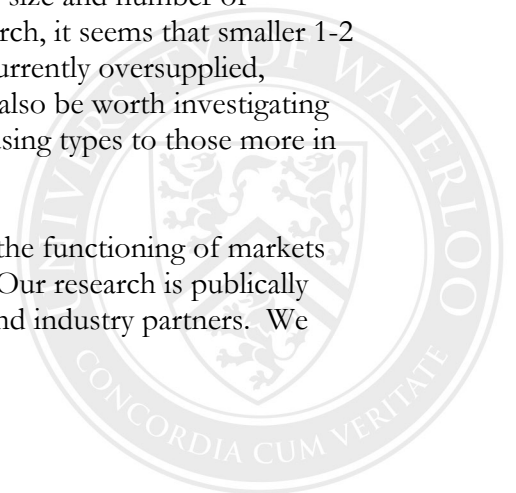
- Higher numbers of bedrooms and number of bathrooms are associated with higher rental prices.
- A high-rise apartment is the most expensive to rent, followed by houses (single detached to row houses) and low-rise apartments.
- Rents were higher in the CTC by more than 7%, controlling for all other factors.
- It is important to note that the rents reported in this survey are likely considerably lower than current rents, as realtors report substantial rental price appreciation in the last year.

Collectively, these results indicate that a “one size fits all” approach to rental housing may not be appropriate. They also suggest that there may be unmet market needs for renters—in particular, rental offerings in the “missing middle,” that provide affordable, family friendly rental units of sufficient size with access to open space. Many renters may be willing to pay a premium for these offerings. For those renters, mid-density town homes or row houses near the core may be highly attractive. However, other renting families may be better served by more affordable mid-density housing outside the core, provided the options still have good access to services and schools.

Students, retirees, and working couples may all want high quality apartments—but the locations and amenities sought by these groups are different. For example, access to transit is currently critical for students, but less of a priority for seniors. Affordability concerns also differ between these groups.

What do we consider to be some of the policy/planning implications of our research?

- While still striving to protect heritage assets and existing residential neighbourhoods, consideration should be given to identifying opportunities to revise existing policies and zoning to increase the availability of mid-sized rental units (around 1500 square feet) with some access to high-quality open space. These opportunities could come in many forms—from facilitating more high quality duplex/income units, to finding opportunities to repurpose under-utilized land in the core areas for medium density housing, such as stacked town homes with common open space. Inspired examples of these housing forms already exist, inside and outside the core areas.
- If data could be compiled, it would be useful to examine the size and number of bedrooms of units currently in production. Given our research, it seems that smaller 1-2 bedroom units with little or no private open space may be currently oversupplied, relative to larger units with good open space access. It may also be worth investigating opportunities to transform some currently oversupplied housing types to those more in market demand.
- Beyond policy, high quality information generally improves the functioning of markets and allows adaptation to the forces of supply and demand. Our research is publically funded and is conducted in consultation with government and industry partners. We



hope that the information we provide will help contribute to a well-functioning rental market.

- The new LRT will certainly improve the quality of transit experience for those living in the central transit corridor. However, newly implemented and planned express bus services routes are also increasing accessibility and quality of transit experience outside the core. The survey results support current efforts to develop higher-density mixed-use nodes outside of the CTC. We believe that rental markets should look toward these opportunities to balance affordability with demand for larger units.
- In Professor Parker’s view, although the research illustrates that many renters would ideally prefer to live in single detached housing, the results do not justify opening new lands for development. Separate studies by other authors show there remains sufficient buildable land, and the costs of further sprawl—high infrastructure costs, traffic congestions, and loss of agricultural land and ecosystem services—in her view far outweigh the benefits of new low-density housing.

It is important to note that our survey respondents had higher levels of education than average. “Less than high school” and “high school only” are underrepresented. This likely means that our survey does not reflect needs of the lowest-income renters. We know that our cities face a substantive rental housing affordability problem—but we direct the reader to other experts and studies to best shed light onto those issues.

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