



## BOARD REPORT

REPORT No.: 2024-25

MEETING DATE: JUNE 20, 2024

SUBJECT: IMPACT OF SHORT-TERM RENTALS IN THE DISTRICT OF THUNDER BAY

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### RECOMMENDATION

For information only.

### REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with information regarding the issue of short-term rentals and the impact on access to housing throughout the District of Thunder Bay.

### BACKGROUND

Short-term rental properties, such as those offered through booking applications like Airbnb and VRBO, are typically located in residential and vacation areas and offer an alternate accommodation service to hotels and motels. The Government of Ontario has a flexible approach to short-term rentals that gives a great deal of leeway to cities and towns to establish rules and licensing requirements. Many communities across the province have enacted licensing requirements for this type of rental service.

The popularity of short-term rentals has grown largely in recent years due to their convenience and relative affordability. Short-term rentals can vary widely in terms of size and facilities, but a proper rental will have amenities like full kitchens, laundry equipment, cable or satellite television access, and internet access. Typical short-term rentals are an option for vacationers who want more space than a hotel room can provide. Guests have the option of preparing their own meals in short-term rentals which can help reduce costs.

However, in some communities, short-term rentals like Airbnb can have an impact on the overall availability of rental housing accommodations by reducing the number of units made available in the market for long-term housing.

Given the rise in popularity of the Airbnb model, landlords are increasingly looking towards offering short-term rentals rather than housing tenants on a long-term basis.

The Airbnb model is enticing for people as it is typically more profitable than renting the same unit to someone long-term and there is more flexibility and control over who can stay there and for how long. As there is no long-term lease agreement, there are less concerns with legislation such as the *Residential Tenancies Act, 2006*. As a result, Airbnbs (and similar) are creating competition for rental spaces in many housing markets. In larger cities such as Toronto, Montreal, and Vancouver, where over half of all Airbnb listings in Canada are located, short-term rentals have contributed to a housing crisis as they have caused a significant decline in available housing supply.

In Toronto, for example, the short-term rental market grew rapidly from 2018-2019<sup>1</sup>. In 2018, there were approximately 10,750 active short-term rental listings, which rose to 12,270 listings in 2019<sup>2</sup>. This surge in listings led municipal governments to develop regulations in 2021 to mitigate long-term effects on the housing market and create more housing options for residents. It is essential to determine whether these effects are similar for the District of Thunder Bay.

## COMMENTS

In the City of Thunder Bay, the rental market in 2023 consisted of 6,150 units<sup>3</sup>, with rent averaging \$1,237 per month. Rent costs have increasingly grown nationwide. In 2021-2022, average rent prices in Thunder Bay went up by 7.5% and another 7.6% the following year, 2022-2023<sup>1</sup>. These surges have created financial barriers for residents looking for affordable housing. Among the demand for units, one and two-bedroom units account for 84% of the total rentals in Thunder Bay, with average rent price for a one-bedroom unit being \$1,054, and \$1,322 for a two-bedroom.

Additionally, 2023 vacancy rates in the City of Thunder Bay amounted to 2.9%<sup>1</sup>, with a rate of 1.8% in 2022. This decline was likely impacted by the COVID-19 pandemic, with fewer people moving during this time. Thunder Bay rates sit above the Ontario average of 1.7%. The table below outlines the rental market trends over the last 4 years:

Year	# of Units	Average Rent	Vacancy Rate (%)
2020	5,931	\$ 1,028.00	4.0%
2021	6,020	\$ 1,053.00	3.5%
2022	6,237	\$ 1,100.00	1.8%
2023	6,150	\$ 1,237.00	2.9%

<sup>1</sup> Short-term Rentals in the City of Toronto. <https://www.toronto.ca/legdocs/mmis/2021/ph/bgrd/backgroundfile-166717.pdf>

<sup>2</sup> Data during the pandemic (2020-2021) showed a decrease in the number of available short-term rentals due to the lack of movement.

<sup>3</sup> CMHC Housing Market Information Portal. October 2023. <https://www03.cmhc-schl.gc.ca/hmip-pimh>

To determine the impact of short-term rentals in the District of Thunder Bay, Airbnb listings were collected based on the desirability of unit types from current housing and waitlist data<sup>4</sup>. Most TBDSSAB housing applicants seek out one-bedroom units (72.5%), followed by two-bedroom units (14.24%). From these insights, and feedback from front line staff, parameters were developed to record which units advertised through Airbnb could have an impact on the rental markets in which TBDSSAB operates.

Units considered to have an impact included private living arrangements with one – two-bedrooms, have a full kitchen and bathroom, be located within the urban area and close to a bus route (where applicable), and not be listed as a camp, cottage, or recreational property. Airbnb listings were searched in the District of Thunder Bay and selected data was recorded based on their fit within the pre-defined criteria, and the costs associated per unit.

### Rates of Airbnb Listings

Through the District, a search realized a total of 440 Airbnb properties listed, with the majority of these listings located in the City of Thunder Bay (87.5%). From the total, 129 units fit the defined parameters, 14% were one-bedroom, and 15% were two-bedroom. The table below outlines the amount of Airbnb units per location based on our parameters:

Location	Total Airbnbs	# of 1 Bdrm Units	# of 2 Bdrm Units	% of 1 Bdrm Units	% of 2 Bdrm Units
Thunder Bay	385	59	57	13%	13%
Geraldton	12	0	3	0%	1%
Kakabeka	1	0	0	0%	0%
Longlac	5	0	1	0%	0.2%
Manitouwadge	8	2	1	0.5%	0.2%
Marathon	12	0	4	0%	1%
Nipigon	11	0	1	0%	0.2%
Schreiber	6	0	1	0%	0.2%
<b>Total</b>	<b>440</b>	<b>61</b>	<b>68</b>	<b>14%</b>	<b>15%</b>

A preliminary search for future dates on one – two-bedroom listings in the summer and winter (the most popular months) showed a substantial amount of availability in the Thunder Bay listings. The immediate analysis of the availability points to the lack of demand of these types of units on Airbnb. Other listings in the district were defined as camps, cottages, and rentals on lakes that are outside urban areas or were entire houses with 3-5 bedrooms. Less popular listings were “hotel” type units that did not offer full kitchens or were one-bedroom units in a non-private rental (shared spaces). Overall, one - two-bedroom Airbnb units account for 29% of the total listings in the District of Thunder Bay.

<sup>4</sup> Power BI Housing Waitlist March 2024.

## **Airbnb Costs**

In terms of costs, the average price of a one-bedroom Airbnb unit in the District of Thunder Bay is \$113 per night, which sums up to \$3,379 per month (30 day stay-including fees, taxes, and discounts offered). For a two-bedroom unit the average price per night is \$132, with a monthly cost of \$3,892. When compared to the average market rent for the District of Thunder Bay, a one-bedroom unit is \$1,054 and a 2-bedroom unit is \$1,320. TBDSSAB seeks to access private market rental unit agreements with landlords at close to the average market rental rates, to maximize the use of resources. Support for tenants accessing private market rentals is typically provided through the Portable Housing Benefit (PHB) program, where tenants are provided a maximum of \$880 for a one-bedroom unit and a maximum of \$1,092 for a two-bedroom unit. With these amounts, an individual receiving support through the PHB program would not typically be able to afford to rent a unit seeking Airbnb rates.

### **Case Example: Kingston, Ontario**

An example of a similar city to Thunder Bay, in terms of population size, is Kingston, which has over 1,000 listings on Airbnb. In comparison to the District of Thunder Bay, they have 56% more Airbnbs. Both cities also differ in terms of geographic proximity, which is also a driving factor in the number of units. Kingston is located close to Toronto and Ottawa, and since people travel through there often, rates of short-term rentals are higher, causing a larger demand. Due to this, the municipality found that there was a need to develop short-term rental licensing<sup>5</sup> to regulate short-term rentals. In comparison, Thunder Bay does not have nearly as many listings or demand for Airbnbs.

As a result of these findings, it is identified that short-term rentals do not have a substantial impact on the typical rental market in the District of Thunder Bay. It is likely they do have an impact on hotel and motel usage in the area, however this falls outside of properties that TBDSSAB would normally seek to access for housing.

## **STRATEGIC PLAN IMPACT**

This report supports the TBDSSAB Strategic Plan vision of Dignified Housing through increased affordable housing system capacity.

## **FINANCIAL IMPLICATIONS**

There are no financial implications related to this report.

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<sup>5</sup> <https://www.cityofkingston.ca/residents/licenses-and-registration/short-term-rental-licensing>

**CONCLUSION**

It is concluded that this report provides the Board with information regarding the issue of short-term rentals and the impact on access to housing throughout the District of Thunder Bay and that there is not a significant impact on the potential private market units available for rent supplement or portable housing benefit programs.

**REFERENCE MATERIALS**

None

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