Appendix C:

RENTAL HOUSING MARKET ANALYSIS REPORT

A Foundation for the Public Good

Kina-maamweh we niimadziwiin

Recommendations to Increase Kingston’s Housing Supply for All
Mayor’s Housing Task Force
Rental Housing Market Analysis
City of Kingston
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1. Introduction

1.1 Terms of Reference

As part of the Mayor’s Housing Task Force, Watson & Associates Economists Ltd. (Watson) was retained to prepare a Rental Housing Market Analysis for the City of Kingston. The assignment has two key tasks:

- Assess recent trends in the local residential rental market, focusing on rental housing supply and demand, and current unmet rental housing need in Kingston; and
- Identify future short-term and longer-term rental housing needs in the City.

The rental housing market analysis presented herein serves as input to the Mayor’s Housing Task Force that will ultimately help the City proactively plan for both near- and longer-term needs across the rental housing spectrum.

The assessment builds on the findings of the Population, Housing and Employment Growth Forecast, 2016 to 2046 study, prepared for the City of Kingston by Watson, hereafter referred to as the 2019 Growth Study.¹

1.2 Context

To maintain a well-balanced, strong community and ensure long-term sustainability, it is vital that municipalities offer a wide range of housing options for a broad range of income groups, including a provision for rental housing and affordable housing. The availability of rental and affordable housing is a key factor in attracting and retaining people and businesses to a community.

Provincial policy direction requires that a community provide “an appropriate range and mix of housing types and densities to meet projected requirements of current and future residents,” as identified in section 1.4.3 of the 2014 P.P.S.² The City of Kingston has a key role to play in this as a provider of social and affordable housing in the community.

and through effective local planning which can facilitate and promote rental housing development through the private and non-profit sectors.¹

Kingston currently has a relatively low rental housing vacancy rate of 0.6%, as documented in City of Kingston Information Report to Council 19-065, which has constrained housing market choice and placed upward pressure on rents. Information Report to Council 19-065 identified a healthy vacancy rate in the rental market to be approximately 3%. Recognizing the need to increase the overall rental vacancy rate to 3%, a level considered appropriate to create more balanced conditions in the market, requires an expansion in rental housing supply to meet current unmet demand as well as future growth needs.

Demand for rental housing in Kingston comes from a range of market segments including both permanent residents and student population not captured in Census data. This includes more than 30,000 students attending local post-secondary institutions within the City, of which a large portion of this population is not recognized in the permanent population and housing base, as reported by the Statistics Canada Census.² As such, both permanent and student population trends have been considered in the rental housing analysis presented herein, in accordance with the 2019 Growth Study.

For the purposes of this assignment, the geographic context of rental housing demand and supply has been assessed both City-wide and through the lens of the City’s four quadrants – Central, West, East and North, as illustrated in Figure 1.

¹ The City of Kingston is one of Ontario’s 47 Service Managers responsible for delivering and administering social and affordable housing.
² There are three main post-secondary institutions in the City of Kingston, including Queen’s University, St. Lawrence College (Kingston Campus), and the Royal Military College of Canada.
Figure 1 – City of Kingston Quadrants Map
1.3 Long-Term Growth Outlook

As identified in the 2019 Growth Study, the City of Kingston is anticipated to experience moderate population, housing and employment growth over the 2016-2046 period, as summarized in Figure 2. Key observations include:

- The City of Kingston’s total population (permanent and non-Census student population) is forecast to grow from 151,300 in 2016 to 180,300 by 2046, an increase of 19% (29,000) over the period.
- Over the forecast period, the City’s total housing base is expected to grow by 13,700 units, including a 10,400 unit increase in permanent households and 3,300 non-Census student households. Demand for housing is expected to come from a broad range of demographic and socio-economic groups and market segments including working age families, empty-nesters/seniors, post-secondary students and indigenous people.
- Kingston’s employment base is estimated to expand from 74,800 in 2016 to 85,700 by 2046, an increase of 10,900 jobs. Of the incremental growth, about one-third (3,600 jobs) is anticipated within the institutional sector with a large share of employment growth generated by the City’s major institutional employers including Queen’s University, St. Lawrence College, Corrections Canada, Canadian Forces Base Kingston and Royal Military College of Canada.

Figure 2 – City of Kingston Population, Housing and Employment Growth, 2016-2046

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2046</th>
<th>2016-2046 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Population</strong></td>
<td>151,300</td>
<td>180,300</td>
<td>29,000</td>
</tr>
<tr>
<td>Permanent Population</td>
<td>127,700</td>
<td>146,300</td>
<td>18,600</td>
</tr>
<tr>
<td>Non-Census Student</td>
<td>23,600</td>
<td>34,000</td>
<td>10,400</td>
</tr>
<tr>
<td><strong>Total Households</strong></td>
<td>57,500</td>
<td>71,200</td>
<td>13,700</td>
</tr>
<tr>
<td>Permanent Households</td>
<td>53,500</td>
<td>63,900</td>
<td>10,400</td>
</tr>
<tr>
<td>Non-Census Student Households</td>
<td>4,000</td>
<td>7,300</td>
<td>3,300</td>
</tr>
<tr>
<td><strong>Total Employment</strong></td>
<td>74,800</td>
<td>85,700</td>
<td>10,900</td>
</tr>
</tbody>
</table>


Population growth in Kingston will drive demand for a broad range of housing, including rental housing. As noted in the 2019 Growth Study, long-term population growth in
Kingston will be heavily driven by net migration. To a lesser extent, natural increase (i.e. births less deaths) also contributes to population growth. Long-term net migration within Kingston is expected to be driven by the following factors.

**Kingston’s Growing Importance as a Regional Centre**

Kingston serves a large regional employment market within Eastern Ontario. Over the next several decades, the City of Kingston’s role as the second largest urban centre in the region, next to Ottawa, will continue to drive economic growth in education, health care services, manufacturing and retail trade, as well as other sectors related to the knowledge-based economy.

Kingston offers an unparalleled concentration of post-secondary and government institutions (e.g. Queen’s University, Royal Military College, St. Lawrence College, Canadian Forces Base Kingston, Corrections Canada) to serve as a catalyst for the continued growth of the “knowledge-based” and “creative-class” economy within the City.

As Kingston’s economic base continues to expand, local labour force needs will increase. Quality of community and place is considered increasingly important to attracting labour and this includes providing for market choice in housing, meeting the needs of a broad range of market segments.

**Working-Age Population**

The City of Kingston is anticipated to accommodate a growing share of young adults and new families (ages 25 to 44) seeking competitively priced home ownership and rental opportunities. This age group accounts for approximately 26% of household growth over the 2016-2046 period, as illustrated in Figure 3.

**Population Growth of the 55+ Population**

As noted in the 2019 Growth Study, the City of Kingston’s population base is older and is aging relatively faster than the Province as a whole. Future housing demand across Kingston generated by the 55+ age group is anticipated to remain strong over the next decade driven by the aging of the Baby Boom population. This will generate an increasing need to accommodate a growing number of seniors’ housing forms that offer a variety of services ranging from independent living for active lifestyles, to assisted
living and full-time care. Over the 2016-2046 period, household growth in the 55+ age cohort is forecast to account for nearly half (approximately 48%) of the City-wide household growth, as summarized in Figure 3, driven in large part by the 75+ age cohort.

**Post-Secondary Enrolment Growth**

As part of the 2019 Growth Study residential growth analysis, growth forecasts for the post-secondary student population not captured in the permanent population were prepared for the 2016 to 2046 period and are reflected herein. Full-time enrollment at Kingston’s three main post-secondary institutions is forecast to increase from 28,500 in 2016 to 40,000 by 2041, an increase of 40% (11,500 students) over the forecast period. The Growth Study identified that this will generate the need for approximately 3,300 off-campus dwelling units to accommodate post-secondary students not captured in the Census over the 2016 to 2046 period. This represents about one-quarter (24%) of overall household growth in Kingston over the forecast period, as illustrated in Figure 3.

Figure 3 – City of Kingston Forecast Household Growth by Age of Primary Maintainer, 2016-2046


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1.4 Stakeholder Consultation

Stakeholder engagement has formed an important component of this assignment. As a part of the study process, five phone interviews were held with key stakeholders during the fall of 2019 to solicit input to the rental housing market analysis presented herein. This included conversations with the Seniors Association Kingston Region, Canadian Forces Base Kingston, Queen’s University, St. Lawrence College, and Corrections Canada. Discussions with stakeholders focused on current and forecast trends in the local rental housing market as well as opportunities and challenges with respect to expanding rental housing supply in Kingston. The input received from those discussions is reflected in the market assessment and needs analysis presented herein.

1.5 Housing Data Sources

The rental market analysis presented herein relied on historical and forecast population and housing data prepared for the 2019 Growth Study as well as supplemental Statistics Canada Census data, CMHC rental housing market data, and available rental housing supply data and staff reports from the City of Kingston Planning & Development division.

The CMHC rental housing market data utilized in this analysis includes data through to October 2018. The October 2019 dataset was not available at the time of report preparation and is not reflected in the observations and findings of this study.

2. Rental Housing Market Profile and Recent Growth Trends

The following provides a market assessment with respect to current rental housing market in Kingston including recent trends in demand growth and supply opportunities.

1 Telephone discussions with Mr. Don Amos of the Seniors Association Kingston Region, Colonel Kirk Gallinger of Canadian Forces Base Kingston, Ms. Donna M. Janiec of Queen’s University, Mr. Glenn Vollbregt of St. Lawrence College, and Mr. Dave Finucan of Corrections Canada.
2.1 Rental Market Indicators

Vacancy rates and market rents in the local market context are key variables in understanding Kingston’s rental market health and the relationship between demand and supply. Market rents also provide insight into relative housing affordability. These are explored below.

2.1.1 Vacancy Rate Trends

Figure 4 provides a summary of average rental vacancy rates for 1-, 2- and 3-bedroom apartments over the past decade. Key observations include the following:

- As of October 2018, the overall vacancy rate is at 0.6% in Kingston, well below the 10-year average and the provincial average of 1.8% indicative of a tight rental market (note that a healthy rental vacancy rate is generally considered to be 3%).
- Kingston’s vacancy rate declined from a near 10-year high of 2.7% in 2016 to 0.6% in 2018.
- Over the past decade the City’s vacancy rate has generally been lower than the provincial average (10-year average of 1.6% vs. 2.4%).

Note: Data only captures primary rental market surveyed in October of each year.
Recognizing this low vacancy rate, there is a need to understand more detail into the breakdown of vacancy rate by unit size and location. As illustrated in Figure 5, 3-bedroom vacancy rates are the lowest (0.1%), followed by 0.5% for 1-bedroom and 0.6% for 2-bedroom units. The vacancy rate for bachelor units is 1.2%, moderately higher than the City-wide average of 0.6%.

Vacancy rates within the Central quadrant of the City are 0.5%, slightly lower than the City-wide average.\(^1\) In comparison, in suburban locations including the West and East quadrants, rates are also relatively low, estimated at less than 1%, respectively.\(^2\)

**Figure 5 – City of Kingston, Average Rental Vacancy Rates by Unit Size, 2018**

\[\text{Figure 5 – City of Kingston, Average Rental Vacancy Rates by Unit Size, 2018}\]

\[
\begin{array}{|c|c|}
\hline
\text{Unit Type} & \text{Vacancy Rate} (\%) \\
\hline
\text{Bachelor} & 1.2 \% \\
\text{1 Bedroom} & 0.5 \% \\
\text{2 Bedroom} & 0.6 \% \\
\text{3 Bedroom} & 0.1 \% \\
\hline
\end{array}
\]


### 2.1.2 Market Rental Rate Trends

Figure 6 illustrates the average annual increase in rental market rates over the 2006 to 2018 period by unit size. As shown, over the 2006 to 2018 period, annual rental cost increases averaged 2.5% for bachelor units, 3.2% for 1-bedroom units, 3.0% for 2-bedroom units and 5.2% for 3-bedroom units. The rental rate increases for all unit types were higher than the rate of inflation over the period, which averaged 1.7% over the

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\(^1\) Based on October 2018 vacancy rate data as derived from the CMHC Housing Portal by Watson & Associates Economists Ltd., reflects only primary rental universe.

\(^2\) Ibid.
same period. Appreciation in rental rates over the period has been notably higher than the rate of inflation over the period illustrating an erosion in housing affordability in the local rental market.

Figure 6 – City of Kingston Average Annual Rental Rate Increase by Unit Type, 2006 to 2018

<table>
<thead>
<tr>
<th>Apartment Unit Type</th>
<th>Average Annual Rental Rate Increase 2006-2018</th>
<th>Average Annual Change in CPI:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor</td>
<td>2.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>5.2%</td>
<td></td>
</tr>
</tbody>
</table>


### 2.2 Rental Housing Supply

Kingston’s rental housing supply is diverse, represented by a range of building typologies, dwelling unit sizes and geographic locations. Similar to other communities in Canada, Kingston’s rental market is characterized by both a primary and secondary market:

- **Primary rental market** – CMHC identifies the primary rental market as structures that have at least three rental units. These properties are typically operated by an owner, manager, or building superintendent.
- **Secondary rental market** – CMHC identifies rented condominiums, subsidized rental housing, and rentals in structures of less than three units as part of the secondary rental market. In fact, all rentals – except privately initiated, purpose-built rental structures of three units or more – are included in the secondary rental market.
It is estimated that the primary and secondary rental market supply in Kingston totals approximately 27,260 dwelling units as of 2018. This included approximately 13,980 (51%) units in the primary rental market and 13,280 (49%) units in the secondary rental market.¹

Approximately two-thirds (68%) of Kingston’s rental housing supply is comprised of high-density units (apartments) while medium-density dwellings (townhouses, duplexes) account for 15% and low-density dwellings (single and semi-detached) 17%, as shown in Figure 7.

Figure 7 – Rental Supply by Structure Type, 2016

<table>
<thead>
<tr>
<th>Density Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Density</td>
<td>68%</td>
</tr>
<tr>
<td>Medium Density</td>
<td>15%</td>
</tr>
<tr>
<td>Low Density</td>
<td>17%</td>
</tr>
</tbody>
</table>

Note: Based on 2016 data.

Kingston’s rental market experienced relatively strong supply growth, expanding from an estimated 21,270 in 2006 to 26,290 in 2016, as illustrated in Figure 8, representing an average annual growth rate of 2.1%. Over the 2016 to 2018 period, the growth in

¹ The total rental housing supply including estimate of Secondary Market is generally consistent with that reported in the 2019 Growth Study prepared by Watson & Associates Economists Ltd. and the City of Kingston Information Report to Council Report Number 19-065.
the rental supply moderated, with an average annual growth rate of 1.8%. Over the 2011 to 2018 period, the Secondary Rental Market has accounted for 68% of the rental supply increase while the Primary Rental Market accounted for 32% of total unit growth, as illustrated in Figure 9.

Figure 8 – City of Kingston Rental Housing Supply Growth Trends, 2006 to 2018

Over the 2011 to 2018 period, 1,590 purpose-built rental apartments have been constructed in Kingston, which is lower than what was constructed in the City of Waterloo over the same period (4,610 units) but higher than in the City of Guelph (1,030 units) and the City of Barrie (480 units), as illustrated in Figure 10.

**Figure 10 - Purpose-Built Rental Apartment Development (New Units) in Select Ontario Municipalities, 2011 to 2018**

2.3 Rental Housing Profile

Housing tenure falls under two categories – owner occupied, and tenant occupied. Within the City of Kingston in 2016, 60% of housing units are owner occupied and 40% are tenant occupied.\(^1\) Kingston has a notably higher share of renter households than the provincial average of 30% and a high share of renter households than a number of similar sized communities in the province including Barrie, Waterloo (City) and Guelph, as illustrated in Figure 11.

\[\text{Figure 11 – Tenant Occupied Dwellings – Kingston and Select Communities in Ontario, 2016}\]

![Graph showing rental household share of total private occupied dwellings in Kingston and select communities in Ontario, 2016.]

\(^1\) Based on 2016 Census Profile data. Excludes non-Census post-secondary student households.

Figure 12 and Figure 13 illustrate the concentration of tenant-occupied dwellings by City quadrant and by housing type, respectively. Key observations include the following:

- Two-thirds (67%) of occupied housing units within the Central quadrant are tenant occupied, compared to 20% in the West, 25% in the East and 10% in the North.
• A large share (89%) of high-density dwellings are tenant occupied. In comparison, 55% and 11% of medium- and low-density dwellings are tenant occupied, respectively. The majority of the medium-density units and all low-density units are provided through the Secondary Rental Market.

Figure 12 – City of Kingston Housing Tenure, 2016 by Geographic Area

Note: Includes non-Census households.
The City of Kingston has a diverse rental housing market totaling an estimated 25,600, comprised of Census households and Non-Census student households, as summarized in Figure 14. Of this, 21,600 (84% of total) are Census households, as identified in the 2016 Statistics Canada Census.

As previously mentioned, Kingston has a notable student population attending local post-secondary institutions within the City. This includes students who live on-campus,
off-campus with parents, as well as those residing off-campus in rental housing. A large portion of the post-secondary student population is not captured in Census data.\footnote{In accordance with Statistics Canada, unoccupied private dwellings, represent private dwellings, where usual residents are temporarily absent at the time of Census enumeration, which includes post-secondary student housing.}

In accordance with the 2019 Growth Study, it is estimated that in 2016 the City’s post-secondary students not captured in the Census occupied totaled approximately 4,000 dwelling units in off-campus locations. It is assumed that virtually all these units are rental units. These 4,000 units represent 16% of the total renter households in Kingston.

Of the City’s total tenant households, about four-fifths (79%) or 20,200 are located in Central Kingston, followed by 16% (4,000 households) in West Kingston, 4% (1,100 households) in East Kingston and 1% (300 households) in North Kingston, as summarized in Figure 15.

Figure 15 – City of Kingston Total Renter Households by Geographic Area, 2016

<table>
<thead>
<tr>
<th>Area</th>
<th>Renter Households</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>20,200</td>
<td>79%</td>
</tr>
<tr>
<td>East</td>
<td>1,100</td>
<td>4%</td>
</tr>
<tr>
<td>West</td>
<td>4,000</td>
<td>16%</td>
</tr>
<tr>
<td>North</td>
<td>300</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,600</strong></td>
<td><strong>17%</strong></td>
</tr>
</tbody>
</table>

Note: Includes both Census and non-Census households.

Figure 16 summarizes the composition of renter households in Kingston. As shown, 38% of renters are one-person households, while couple-without-children households account for 15%, lone-parent households 9%, couple-with-children households 15%. Non-Census student households account for 16% of total renter households in the City.
Figure 16 – Renter Households by Type, 2016

Figure 17 summarizes renter occupied dwellings within the City of Kingston by unit size in 2016 excluding non-Census student households. As shown, 44% are 2-bedroom units, 30% 1-bedroom units, 18% 3-bedroom units, 7% 4-bedroom+ units, and 1% bachelor units.

Note: Includes non-Census households.
Figure 18 illustrates the share of renter households by income category in Kingston in 2016 excluding non-Census student households. As shown, approximately half the renter households in Kingston have household incomes of less than $40,000 per year. This includes 21% with household incomes of less than $20,000 and 30% with household incomes of $20,000 to $39,999 per year. In comparison 21% and 12% of the renter households have household incomes of $40,000 to $59,999 per year and $60,000 to $79,999 per year, respectively. Renter households with incomes greater than $80,000 per year account for 14% of the total.

Note: Excludes non-Census households.
2.4 Rental Housing Demand Growth Trends

As illustrated in Figure 19, the number of renter households in Kingston increased from 20,800 in 2006 to 25,600 in 2016, an increase of 23% (average annual growth of 2.1%). Watson estimates that renter households in the City have increased to 27,100 as of 2018, representing an average annual increase of 2.8% over the 2016 to 2018 period.

Figure 20 illustrates renter household growth (excluding non-Census student households) by unit size in Kingston over the 2006 to 2016 period. As shown, two-bedroom rental dwellings accounted for 40% of the growth over the period, while one-bedroom and three-bedroom units accounted for 25% and 20% of the total, respectively. Four-bedroom units, in comparison, accounted for 15% of the units, while bachelor units experienced a slight decline in unit growth over the period.

Figure 20 – City of Kingston Renter Household Growth by Unit Size, 2006 to 2016

Note: Excludes non-Census households and excludes "no bedroom units" which experienced a decline in demand over the period.

Figure 21 and Figure 22 summarize 2006 to 2016 renter household growth by age of primary household maintainer and geographic location, respectively. Key observations include the following:

- Kingston experienced strong growth in renter households headed by those under the age of 35, with an increase of 29% and 25%, respectively, for those aged under 25 and 24-34, respectively. A large share of the renter household growth is attributed to post-secondary student households.
- Renter households headed by those aged 35-44 experienced a moderate contraction over the period, while households headed by those aged 45-54 experienced minimal change over the period.
Kingston experienced strong growth in renter households headed by those 55+, with particularly strong growth in households headed by empty-nesters/young seniors aged 55-64 and 65-74, which grew by 54% and 74% respectively, over the period.

Of City-wide renter household growth, over half (2,605 units) was located within the Central quadrant, followed by 1,510 units in the West, 580 units in the East and 25 units in the North. Within the Central quadrant, nearly 60% of renter household growth was located in the Downtown area.

The East experienced the strongest growth rate in renter households expanding by 120% over the 2006-2016 period, followed by the West (60%), Central (15%) and North (8%) quadrants.

Figure 21 – City of Kingston Renter Household Growth, 2006 to 2016 by Age of Primary Household Maintainer

Figure 22 – Renter Household Growth by Geographic Area, 2006 to 2016

![Figure 22](image)


Figure 23 summarizes 2006 to 2016 renter household growth by family structure including non-Census student households. Figure 24 illustrates renter household growth in 2006 through 2016 by household size excluding non-Census households. Key observations include the following:

- The majority of renter household growth comprised one-person households, non-Census student households and other Census Households.
- Renter household growth for couple-without-children households also experienced a moderate increase over the period.
- Renter households comprised of couple-with-children households experienced a moderate decline over the period, while lone-parent households experienced minimal change over the period.
- Nearly half (48%) of renter household growth was within one-person households, while two-person households accounted for 33%. Larger households accounted for a relatively small share of renter household growth. These observations exclude non-Census households.
Figure 23 – Growth in Renter Households by Type, 2006 to 2016

Note: Includes non-Census households.

Figure 24 – Rental Growth by Household Size, 2006 to 2016

Note: Excludes non-Census households.
2.5 Current Unmet Demand in Rental Housing

In section 2.1, it was noted that the vacancy rate in the City of Kingston is currently 0.6% (as of October 2018), the lowest rate the City has experienced in over a decade. As discussed in section 1.3, a higher vacancy rate is required to provide for more balanced conditions and market choice of rental housing in Kingston. Additional rental housing supply is required in Kingston to increase the current 0.6% vacancy rate to a 3% vacancy rate. As illustrated in Figure 25, in order to achieve a 3% rental vacancy rate, the City of Kingston would need to increase the rental housing stock by a minimum of approximately 700 purpose-built rental units in the near term.

It should be noted that this analysis does not consider additional pent-up market demand (delayed household formations due to the current lack of market choice/housing availability) not captured in the available market metrics. As such, the target of 700 units should be considered a minimum requirement.

The tightening of the rental market in Kingston has largely occurred over the 2016 to 2018 period, during which time the vacancy rate declined from a relatively balanced market of 2.7% to the current 0.6%. The two-year period is characterized by rental market demand growth that far outweighed new rental supply growth.

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Table: Additional Rental Housing Required to Increase Vacancy Rate

<table>
<thead>
<tr>
<th>Additional Rental Housing Required to Increase Vacancy Rate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Housing Inventory (^1) (2018)</td>
<td>27,260</td>
</tr>
<tr>
<td>Rental Housing Demand (current at 0.6% vacancy)</td>
<td>27,100</td>
</tr>
<tr>
<td>Rental Housing Inventory Required to Achieve 3.0% Vacancy</td>
<td>27,940</td>
</tr>
<tr>
<td><strong>Additional Units Required to Achieve 3.0% Vacancy</strong></td>
<td>680</td>
</tr>
<tr>
<td><strong>Additional Units Required to Achieve 3.0% Vacancy (ROUNDED)</strong></td>
<td>700</td>
</tr>
</tbody>
</table>


\(^1\) Reflects primary and secondary rental market.
It is estimated that rental housing demand in Kingston grew by approximately 1,400 units over the 2016 to 2018 period, as illustrated in Figure 26. The demand in rental housing growth was accommodated largely through the secondary market supply totalling an estimated 680 units. In comparison, 290 units were accommodated through new purpose-built rental unit supply. The gap between demand and supply growth was met through an absorption in existing vacant units, estimated at 470 units, resulting in a rental vacancy rate decline from 2.7% to 0.6% over the period.

![Figure 26 – City of Kingston Rental Housing Incremental Demand Growth, 2016 to 2018](image)

<table>
<thead>
<tr>
<th>Components of Rental Housing Demand Growth</th>
<th>2016-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Rental Market - New Units</td>
<td>290</td>
</tr>
<tr>
<td>Secondary Rental Market - New Units</td>
<td>680</td>
</tr>
<tr>
<td>Absorption of Vacant Units</td>
<td>470</td>
</tr>
<tr>
<td>Total</td>
<td>1,440</td>
</tr>
</tbody>
</table>


To provide insight into meeting the market gap and the additional units required to achieve a 3% vacancy rate, as identified in Figure 25, the following explores growth in the primary rental market occupancy over the 2016 to 2018 period to provide insights into unmet rental housing need.

### 2.5.1 Primary Rental Market Demand Growth Trends, 2016 to 2018

Growth in occupancy for rental housing provided through the Primary Rental Market over the 2016 to 2018 period by unit size and geographic area is illustrated in Figure 27 and Figure 28. As shown:

- Demand growth in primary rental market housing has been concentrated in 2-bedroom units, accounting for 54% of total growth. In comparison, 1- and 3-bedroom+ units have accounted for 23% and 19% of the total, respectively, while bachelor units have accounted for 5%.
- More than half (55%) of demand growth in the primary rental market has been in the Central quadrant of the City while the East and West have accounted for 27% and 18% of the total, respectively.
Figure 27 – City of Kingston Primary Rental Market Occupancy Growth by Unit Size (bedrooms), 2016 to 2018

![Pie chart showing occupancy growth by unit size]


Figure 28 – City of Kingston Primary Rental Market Occupancy Growth by Geographic Location, 2016 to 2018

![Pie chart showing occupancy growth by geographic location]

2.5.2 Observations

With respect to the minimum of approximately 700 purpose-built rental units required in the near term to raise the City’s vacancy rate to 3% (as identified in Figure 25), the following should be considered:

- Significant unmet need for 2-bedroom units along with some 1- and 3-bedroom units;
- Geographically, the greatest need for new rental housing is in Central Kingston;
- There is currently significant demand for 2-bedroom rental units by young seniors/empty-nesters across the urban area of the City of Kingston;
- For working-age families/households, greatest demand is by those aged 25-44 with a need for 1-bedroom units (largely for younger workers without children) and 2- and 3-bedroom units for families. Demand is strong throughout urban and suburban locations in the City;
- There is a need for a broad range of unit sizes including bachelor, 1-bedroom, 2-bedroom and 3-bedroom units within proximity to Queen’s University to accommodate post-secondary students enrolled at the institution; and
- For post-secondary students attending St. Lawrence College, the demand is greatest for larger units (3- and 4-bedroom units) located in proximity to the Kingston campus.

3. Assessment of Future Rental Housing Need

Based on the 2019 Growth Study, the following provides an expanded analysis of the City of Kingston forecast rental housing needs over the short-term (5-year) and longer term (through 2046) time horizon. This analysis is informed by historical local housing propensity rates/housing preferences and anticipated growth by age cohort, household formation patterns, future growth in the City’s post-secondary student population, and anticipated trends in household income.

3.1 Rental Housing Forecast, 2016 to 2046

Building on the 2019 Growth Study, a permanent population rental housing forecast was derived from the permanent housing forecast utilizing the 2016 household headship rate and propensity (demand) analysis developed by age group. Forecast non-Census post-
secondary student housing growth was “layered on” to identify total rental housing demand over the planning horizon.

Based on this analysis, the demand for rental housing in Kingston is expected to total approximately 10,100 units over the 2016 to 2046 period, representing an average of 335 units per year. This includes 6,700 permanent rental housing units as well as 3,300 non-Census student households. As shown in Figure 29, renter housing growth is expected to total 5,200 units over the 2016 to 2026 period, 3,200 units over the 2026 to 2036 period, and 1,600 units over the 2036 to 2046 time horizon.

Renter housing growth is expected to be highest over the 2016 to 2036 period largely driven by strong growth in the 55+ age group and the post-secondary student population. Rental housing demand is expected to be lower during the 2036 to 2046 period as a result of relatively slower population growth during this period.

Figure 29 – City of Kingston Rental Housing Forecast, 2016 to 2046

![Figure 29 - City of Kingston Rental Housing Forecast, 2016 to 2046](image)


### 3.2 Forecast Rental Housing Demand, 2020 to 2046

Based on the 2016 to 2046 forecast of 10,100 rental units identified above and estimated demand growth over the 2016 to 2020 period of 2,500 units, over the 2020 to 2046 period, rental housing demand in Kingston is expected to total approximately 7,600 units, as illustrated in Figure 30.
The following provides details on the rental housing forecast with respect to demand by dwelling type, unit size, market segment, and geographic location.

### 3.2.1 Forecast Rental Housing Demand by Unit Type

A forecast of renter household growth by dwelling type was generated, which is presented in Figure 31, based on the rental housing forecast presented in Figure 29 and the anticipated age structure of renter households and propensity rates by housing typology. As shown, 83% (6,270 units) of total renter household growth is anticipated to be in high-density dwellings (apartments). In comparison, low-density (single and semi-detached) and medium-density (townhouse) dwellings are expected to account for 10% (730 units) and 8% (600 units) of the total, respectively.

While the secondary rental market is expected to continue to supply the majority of ground-oriented rental housing, as the local rental market matures, it is recognized that an increasing share of renter household growth in higher density dwellings will need to be accommodated through the primary rental market in the form of purpose-built rentals. This analysis assumes that 75% (approximately three-quarters) of overall renter household growth during the 2020 to 2046 period will be accommodated through the primary rental market including the majority (90%) of high-density unit demand and 10% of medium-density unit demand. Reflecting this market capture share and overall forecast renter household growth, it is anticipated that the City of Kingston will require 5,700 additional purpose-built rental units to be constructed over the 2020 to 2046 period to meet forecast demand, as shown in Figure 31. This would include 5,640 high-density (i.e. apartment) units.
Figure 31 – City of Kingston Forecast Renter Household Growth by Dwelling Type, 2020 to 2046

<table>
<thead>
<tr>
<th></th>
<th>Low-Density</th>
<th>Medium-Density</th>
<th>High-Density</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020-2046</td>
<td>730</td>
<td>600</td>
<td>6,270</td>
<td>7,600</td>
</tr>
<tr>
<td>% Purpose-Built Rental</td>
<td>0%</td>
<td>10%</td>
<td>90%</td>
<td>75%</td>
</tr>
<tr>
<td>2016-2046 Purpose-Built Rental Need</td>
<td>0</td>
<td>60</td>
<td>5,640</td>
<td>5,700</td>
</tr>
</tbody>
</table>


3.2.2 Rental Housing Demand by Market Segment

Figure 32 summarizes the 2020 to 2046 rental housing forecast demand by primary age of household maintainer, including estimates for non-Census households. Figure 33 illustrates forecast 2020 to 2046 renter household growth by household size, excluding non-Census households. Key observations include the following:

- Households headed by those aged 55+ and older are anticipated to represent the largest share of renter household growth over the forecast period, accounting for more than one-third (35%) of the total, followed by those under 25 (28% of total), 25-34 (15%) and 35-44 (14%).

- One-person households are anticipated to represent over half (52%) the permanent renter household growth over the forecast period, followed by 2-person (31% of total), 3-person (9%), 4-person (5%) and 5-person+ (3%) households. The forecast of renter households by occupancy excludes non-Census households.
Figure 32 – Rental Housing Forecast by Primary Age of Maintainer, 2020 to 2046

Note: Includes non-Census households.

Figure 33 – Rental Housing Forecast by Household Size, 2020 to 2046

Note: Excludes Non-Census student households.
Forecast demand for rental housing in Kingston is expected from a broad range of market segments as discussed below and summarized in Figure 34. Households headed by those aged 55+ and older are anticipated to represent 36% of renter household growth over the 2020 to 2046 period. Post-secondary student households are anticipated to account for about one-third of forecast demand for rental housing over the period. Working-age households, headed by those under the age of 55 are anticipated to account for 33% of total renter household growth.

Figure 34 – Rental Housing Forecast by Market Segment, 2020-2046

<table>
<thead>
<tr>
<th>Households by Primary Age of Maintainer</th>
<th>2,500</th>
<th>2,700</th>
<th>2,400</th>
<th>7,600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Age Households under 55</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55+ Empty Nesters/Seniors</td>
<td></td>
<td>36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Secondary Student Households</td>
<td></td>
<td></td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,600</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**Seniors/Empty-Nesters**

As previously discussed, the City of Kingston’s population is aging. The 55+ age group in the City is expected to increase in both percentage and absolute terms over the next several decades. As the average age of the City’s population continues to increase, it is anticipated that the demand for higher density housing forms, including rental dwellings, will also continue to gradually increase.

The aging of the City’s population is also anticipated to drive the need for seniors’ housing and other housing forms geared to older adults (e.g. assisted living, affordable housing, adult lifestyle housing). Given the diversity of the 55-74 and 75+ population age groups, forecast housing demand across Kingston within this broad 55+ demographic group is anticipated to vary considerably.

Within the 55+ age group, housing demand related to the 55-74 age group is anticipated to be relatively strong for ground-oriented housing forms (i.e. single detached, semi-detached and townhouses), including a general preference for home ownership. This is particularly true for local residents who are “aging in place.” Having said that, a growing share of young seniors/empty-nesters are opting for apartment rentals as a “care free” and more flexible living arrangement that offers increased liquidity opportunities than home ownership. With relatively high mobility, young seniors/empty-nesters are generally placing less emphasis on access to public transit than older seniors and are
placing greater emphasis on access to broader community/recreational amenities and are amenable to residing in more suburban locations. Growth in the 55+ population, especially among young seniors/empty-nesters, is driving demand for 2-bedroom and larger rental units, including those in premium/luxury buildings that offer common area amenities.

With respect to the 75+ age group, the physical and socio-economic characteristics of this age group (on average) are considerably different than those of younger seniors, empty-nesters and working adults with respect to income, mobility and health. Typically, these socio-economic and physical characteristics represent a key driver behind the higher propensity from this age group for higher density housing forms (including rental housing and seniors’ housing) that are in proximity to urban amenities, public transit, health care services and other community facilities. The 75+ age group is anticipated to drive an increasing share of market demand for rental housing in Kingston, particularly in more central urban locations and focusing on 1- and 2-bedroom units across a broad range in the affordability spectrum.

**Working-Age Families**

As previously discussed, the City of Kingston is anticipated to accommodate a growing share of young adults and new families seeking competitively priced home ownership and rental opportunities. Population growth associated with young adults is anticipated to be primarily driven by net migration of both permanent and non-permanent residents. Growth is expected to be concentrated in the 25-44 age cohort, including couples with and without children with varying levels of income, generating demand for 2- and 3-bedroom units in both urban and suburban locations.

**Post-Secondary Students**

Future enrollment growth at the City’s three main post-secondary institutions will generate the need for approximately 2,400 off-campus rental dwelling units to accommodate post-secondary students not captured in the Census (i.e. non-Census households) over the 2020 to 2046 period. This represents a significant share of forecast renter household growth in households maintained by younger age cohorts including those under the age of 25.

The growth in student renter households is expected to be accommodated largely in neighbourhoods within proximity to Queen’s University and St. Lawrence College (i.e.
Central Kingston) within high-density dwellings of varying unit sizes and occupancy. A high-level assessment based on anticipated enrolment growth identified in the 2019 Growth Study, along with input from stakeholder interviews and anticipated occupancy trends by institution, suggests approximately 80% of student renter household growth over the forecast period will be driven by students attending Queen’s University and 20% by students attending the St. Lawrence Kingston campus. It is anticipated that the majority of units needed to accommodate student household growth will be provided through purpose-built student rentals.

It is recommended that a separate post-secondary student housing study be completed to assess in more detail the forecast demand and supply for student housing within Kingston.

### 3.2.3 Purpose-Built Rental Housing Need by Geographic Area, 2020 to 2046

Based on the housing forecast prepared by Watson in the 2019 Growth Study and anticipated demand by market segment identified above, a forecast of purpose-built rental housing needs over the 2020 to 2046 period by geographic area has been prepared, as summarized in Figure 35.

As illustrated in Figure 35, 64% (3,655 units) of the City-wide need for purpose-built rentals is required to be constructed in the Central area. Rental housing growth in Central Kingston is expected to remain strong given market attributes of the area catering to a broad range of market segments:

- Appeal for off-campus student rental housing due to proximity to Queen’s University and St. Lawrence College;
- Highly marketable for seniors due to urban amenities (e.g. hospitals/health care facilities and other community facilities) and lower need for automobile ownership than more suburban locations; and
- Urban environment and access to entertainment and cultural amenities as well as local employment opportunities attractive for younger working-age people.

Kingston West is anticipated to account for 26% (1,490 units) of purpose-built rental housing demand over the forecast period. The area will be marketable for a number of market segments including young seniors/empty-nesters and working-age families. The area has strong greenfield supply opportunities, which makes the area attractive for
residential development including rental apartments, and the area offers a range of employment opportunities.

Kingston East is anticipated to account for 10% (565 units) of total purpose-built rental housing growth over the forecast period. East Kingston has seen significant development activity over the past two decades and anticipated growth of the Canadian Forces Base will continue to drive demand for rental housing in the area. The third bridge crossing of the Great Cataraqui River currently under construction will expand access to the area, enhancing its market potential for a range of housing.

Renter household growth in North Kingston is expected to be minimal resulting in no demand for purpose-built rental housing in the area.

Figure 35 – City of Kingston Purpose-Built Rental Housing Need, 2020 to 2046 by Geographic Area

Note: Includes non-Census households.
3.3 Forecast Need for Affordable Housing

In Canada, housing affordability is often measured through the shelter cost-to-income ratio. A ratio of 30% is commonly accepted as the upper limit for affordable housing.\(^1\) Households spending more than 30% on housing are generally considered in need of more affordable housing alternatives. This measure is applicable to both owner-occupied and rental dwellings.

The Province of Ontario defines affordable rental housing\(^2\) as the least expensive of:

1. a unit for which the rent does not exceed 30 percent of gross annual household income for low- and moderate-income households; or

2. a unit for which the rent is at or below the average market rent of a unit in the regional market area.

In this analysis, the concept of rental housing affordability is reviewed in the context of provincial definition #1 and excludes non-Census student housing.

As identified in section 3.1, over the 2020 to 2046 period, the total number of permanent renter households in the City of Kingston is anticipated to grow by 5,165. Figure 36 summarizes the anticipated renter household growth by income group over the 2020 to 2046 forecast period, based on forecast trends in age structure, household formation and corresponding income potential of household maintainer. This analysis excludes non-Census households. Figure 37 summarizes the respective housing that each income group can afford, in accordance with the definition of affordable housing. Key observations include the following:

- Of the anticipated household growth, it is expected that 13% (680 households) will be in the low-income range (under $20,000).
- Approximately 34% of housing growth (1,735) will be in the low-moderate range, with a household income of $20,000 to $39,999.
- Based on the forecast renter household growth and composition by household income, the following is anticipated:

\(^1\) The dynamics of housing affordability, January 2008 Perspectives, Statistics Canada — Catalogue No. 75-001-X
- The City will require a minimum of 680 new rental units that have some rental assistance program for those households earning less than $20,000 per year;
- 1,735 households (income of $20,000 to $39,999) of which a portion may need some rental assistance depending on household size and family structure since household income limits their housing options; and
- The remaining households, those earning $40,000 and more, have wider rental options, and can rely primarily on the free rental market for housing, though some larger households may require some level of support.

Figure 36 – City of Kingston Forecast Renter Housing Growth 2020 to 2046 by Household Income ($2016 dollars)

Note: Excludes non-Census households.
3.4 Five-Year Rental Housing Needs

Based on the long-term rental housing forecast presented in Section 3.2, a short-term (five-year) rental housing growth forecast was prepared based on anticipated population growth and household formation patterns. This along with the current unmet need in the City for purpose-built rentals identified in section 2.5, was used to assess the City’s aggregate purpose-built rental housing needs over the next five years, as summarized in Figure 38. Key observations includes:

- Rental housing growth in Kingston is anticipated to total 2,400 units over the next five-years (2020-2025) of which approximately 75% (1,800 units) are anticipated to be accommodated within purpose-built rental units.
- Reflecting the need for 1,800 units to accommodate growth over the next five years along with the 700 units to address current unmet needs in the City, over the next five years (2020-2025), Kingston is anticipated to need collectively approximately 2,500 additional purpose-built rental housing units.
Over the past five years (2015-2019), purpose-built rental housing supply in Kingston has expanded by 960 units, as illustrated in Figure 39. With purpose-built rental housing need of 2,500 units (average of 500 units per year) identified over the next five years (2020-2025) as outlined above, City-wide rental housing development activity will need to be approximately two and a half times greater over the next five years than over the past five years to meet anticipated need.

### Figure 39 – City of Kingston Purpose-Built Rental Housing Development Activity, Historical vs. Forecast Need

The City of Kingston currently has approximately 5,446 purpose-built rental units that represent pending new rental housing supply to potentially meet the forecast need for the next five years, as illustrated in Figure 40. This includes:

- 346 units which are under construction and expected to be available for occupancy in 2020.
- 1,808 units which have received Official Plan and zoning approval but are unbuilt.
- 3,292 units which are pending Official Plan and zoning approval.

While the analysis suggests sufficient supply in the pipeline to meet short- to medium-term purpose-built rental housing needs on a City-wide basis, some gaps exist in meeting needs over the next five years:

- Of the 5,446 units of pending supply identified, only about 40% (2,154 units) are either under construction or approved for development, less than the 2,500 units needed over the next five years. The remaining 3,292 units are pending planning approvals.
- As identified in the City of Kingston Information Report to Council Report Number 19-065, it can take up to five years to obtain official plan and zoning approvals for site plan applications in the City of Kingston. The City will need to be proactive at moving these projects through the development approvals process to ensure sufficient supply is available for occupancy within the five-year period.
- East Kingston has no supply of units under construction or in development approvals to meet forecast need.
- Central Kingston has a somewhat limited number of units that are under construction or approved units in development approvals relative to market need.
- Units in development approvals appear to have lower share of larger units (i.e. two and three-bedroom units) than what the anticipated market analysis suggests is needed.
- The pending supply identified are market rentals and only indirectly address affordable housing needs in the City of Kingston.
4. Conclusions

Kingston has a higher share of renter households than the provincial average and market demand for rental housing in Kingston has been increasing, as indicated by relatively low vacancy rates and appreciation in rental market rates. This is due to a number of factors, including a growing population, the erosion in housing-ownership affordability and changing demographics. The post-secondary student population as well as the 55+ age cohort (i.e. young seniors, empty-nesters) have accounted for a large share of the recent increase in rental housing demand in Kingston.

Despite growing demand for rental housing, there has been a limited supply of new purpose-built rental housing development in the City. While the City has a diverse rental supply inventory, a significant share of recent rental housing supply expansion has come from the secondary rental market.

Kingston currently has a historically low rental vacancy rate of 0.6%, with similar rates exhibited across a broad range of unit types, sizes and geographic locations within the City. This level of vacancy limits market choice and erodes housing options and affordability for a broad range of market segments.
To meet current unmet need and provide for a more balanced rental market (with a target vacancy rate of 3%), it is critical that the City expand the supply of rental units in the near term by a minimum of approximately 700 units with a focus on 2-bedroom units along with some 1- and 3-bedroom units. Geographically, the greatest need for new rental housing is in Central Kingston, in proximity to the Downtown area, Queen’s University and St. Lawrence College.

Based on rental housing growth in Kingston, it is anticipated that 1,800 purpose-built rental units are needed in the City over the next five years. Reflecting this anticipated growth along with the 700 units to meet current unmet need, over the next five years (2020-2025), Kingston is anticipated to need collectively approximately 2,500 purpose-built rental housing units to be constructed over this period. To meet anticipated need, City-wide purpose-built rental housing development activity will need to be approximately two and a half times greater over the next five years than over the past five years.

The City of Kingston currently has approximately 5,446 purpose-built rental units that represent pending new rental housing supply to potentially meet the forecast need for the next five years. While the analysis suggests sufficient supply in the pipeline to meet short- to medium-term purpose-built rental housing needs on a City-wide basis, some gaps exist in meeting needs over the next five years.

Of the pending supply identified, only about 40% (2,154 units) are either under construction or approved for development, less than the 2,500 units needed over the next five years. Further, units in development approvals appear to have lower share of larger units (i.e. two and three-bedroom units) than what the anticipated market analysis suggests is needed and potential supply in Central and East Kingston are limited in relation to market demand. In addition, the pending supply identified are market rentals and only indirectly address affordable housing needs in the City of Kingston.

Over the longer term, the demand for rental housing is expected to total approximately 7,600 units over the 2020 to 2046 period. Renter housing growth is expected to be highest over the 2020 to 2036 period largely driven by strong growth in the 55+ age group and the post-secondary student population. Rental housing demand is expected to be lower during the 2036 to 2046 period as a result of relatively slower population growth during this period.
It is anticipated that the City of Kingston will require an estimated 5,700 purpose-built rental units to be constructed over the 2020 to 2046 period to meet forecast renter household demand. A large share (64%) of purpose-built rental will need to be constructed in Central Kingston, with the other 26% and 10%, respectively, in Kingston West and Kingston East.

Long-term renter household growth is anticipated across a broad range of income groups, requiring a range of market and non-market units to be constructed. This includes a minimum of 685 new rental units that have some rental assistance program to meet needs over the 2020-2046 period.

Meeting the short- and longer-term needs of rental and affordable housing requires emphasis be placed on expanding the purpose-built rental inventory to meet growing market demand. While the secondary market continues to be an important supplier of rental housing in the market, it is recognized that to significantly increase the supply of rental housing in the market will likely require greater participation by the private-sector development community and non-profit organizations to construct purpose-built rental housing.