

Rent Controls

These two words often create spirited dialogue and debate between landlords and tenants as people consider how these provincially legislated tools impact them. What's good about rent control regulation are the benefits of affordability, livability, and rent stability with established processes that govern a wide variety of rules and procedures including for example the process of increasing rental rates, to eviction processes, to the ability of landlords to invest in properties and see a reasonable return on their capital over time. What's interesting, however, is how these rent controls vary quite substantially from province to province in Canada and are creating nuances city to city. Let's investigate.

In the end, being cheap doesn't mean better living conditions or better access to apartments.

In Manitoba, rental regulations are governed and managed by the Residential Tenancies Branch (RTB). Rental rates in Manitoba are permitted to be increased once every twelve (12) months with three (3) months notice provided that they only be increased by the established (RTB) guideline that is set annually by the Province of Manitoba. For reference, the rent increase guideline that has been set for 2020 is 2.4 per cent with this rental in-



crease applicable to all rental units in every registered property with the RTB whether occupied or not at the time the increase is applied. Furthermore, in order to encourage the development of new rental properties, rent controls on newly constructed multi-unit residential rental buildings in Manitoba do not take effect for a period of 20 years. This allows developers to let the market adjust to and set rents in

newer stock notwithstanding this new supply being only roughly 15 per cent of the total Winnipeg rental market as per the latest statistics published by CMHC. Likely the most debatable part of Manitoba's rent control system is that rental rates are registered or applied to the unit, and not the tenant, meaning that on voluntary vacate or move-outs, the rent must remain at the current amount for the next tenant.



Other markets in Canada with rent control regulations similar to that of Manitoba include British Columbia and Prince Edward Island. In provinces such as Saskatchewan, Alberta, and New Brunswick for example, there are no limits on the amount landlords can increase the tenant's rent; that is, there are no rent controls per se. Ontario's system is generally similar to Manitoba's, except that, on voluntary vacate by a tenant, landlords are able to move the rent to "market" with the next tenant then also enjoying or benefiting from annual legislative increases or rent controls so long as they remain in possession of the unit and in good standing with their landlord. This process is sometimes referred to as "vacancy decontrol". In our opinion, this subtle but very important market difference between Ontario and Manitoba's rules helps grow the broader rental stock in Ontario while provinces like Manitoba suffer from not having this market adjustment opportunity which inhibits the growth of overall affordable rental supply in major cities such as Charlottetown, Vancouver, Victoria, and Winnipeg.

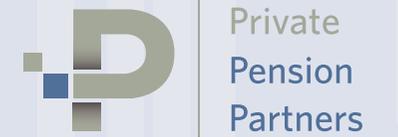
Why? Because broader average market rental rates remain unnecessarily depressed in provinces where landlords can't move their rents to market levels on voluntary vacate by tenants as rent controls are applied to the unit and not the tenant (e.g. MB., B.C., and P.E.I.). This in turn means the development community has a much more difficult time assessing if the broader market can afford and manage rental rates that new rental

properties require given the costs of building new; so as a result, fewer than required properties are built – meaning lower vacancy and therefore fewer affordable units available for rent in the broader market. The inability to test the market for higher rents on voluntary vacates leads to fewer properties under construction, and therefore tighter rental conditions which is neither good for citizens seeking affordable housing nor the development community seeking to invest and create jobs in cities like Winnipeg.

Other negative effects of full rent controls in provinces like Manitoba also include a reluctance of landlords to re-invest in their properties provided the allowable rent increases have ranged between only 1.0 per cent and 2.4 per cent over the past 10 years meaning most people are likely living in lower quality homes. Rent controls also mean that landlords may also become choosier in a lower vacancy environment resulting in existing tenants staying in properties longer than necessary for their housing needs and thus further exacerbating the shortage of units rent controls can create.

In the end, being cheap doesn't mean better living conditions or better access to apartments. Only new supply will provide more choices and a broader range of rental rates that can better appeal to the renter pool as a whole meaning vacancy decontrol must find its way to Manitoba! ■

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