



Law Amendments Committee

April 3, 2023

Bill 262

Interim Residential Rental Increase Cap Act (amended)

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Executive Director**

Mr. Chair and members of the Law Amendments Committee:

Thank you for the opportunity to speak today on Bill 262.

Before I begin my comments about Bill 262, I would like to acknowledge the Minister of Service Nova Scotia and Internal Services and his departmental staff for their work.

I recognize that it is not easy finding a balance – especially when the decisions that government makes will often attract criticism.

As Executive Director of the Investment Property Owners Association of Nova Scotia, it is an honour to represent responsible private sector rental housing providers.

The people I represent are the largest provider of affordable housing in this province.

And from 2000 to 2019, the people I represent kept rental increases in this province lower than jurisdictions that had rent control.

That's not opinion.

It is fact.

Data from Canada Mortgage and Housing Corporation – CMHC – showed that over a 20-year period, jurisdictions that had rent control – Ontario, British Columbia, Manitoba and Prince Edward Island – saw rents for apartments increase at a higher rate in those places than in Nova Scotia.

If these words seem familiar, it's because I shared this data with Law Amendments Committee in 2021.

Since the rent cap was put in place, rents have gone up in our province at a higher rate than in other jurisdictions.

That is a fact – according to CMHC data.

Since the rent cap was put in place, homelessness has gone up in our province.

That is a fact.

Rent control is making our province's housing crisis worse.

And Bill 262 perpetuates the failed policy of rent control.

Rent control is an unbalanced solution.

Every MLA was warned of the negative consequences of rent control in 2021.

I remind MLAs of what the independent Affordable Housing Commission concluded almost two years ago.

The independent Commission recommended that the rent cap imposed by the previous Liberal government be lifted at the end of the COVID-19 State of Emergency.

As I did at Law Amendments 18 months ago, I quote from page 28 of the Affordable Housing Commission report:

“Operating models that build on projects with uniformly low rents are unsustainable and organizations will face the hard choice of displacing tenants who can't afford the needed increased rent, or delay critical maintenance work on their buildings, two scenarios that should be avoided.”

Despite this evidence-based conclusion by the independent Affordable Housing Commission, MLAs have embraced populist schemes like rent control that are making our housing crisis worse.

Why have rents gone up in Nova Scotia, despite the rent cap?

There are several reasons.

First, capping rents on existing units means that as developers build new rental apartment buildings, they are charging higher rents, knowing that they need to factor in higher costs before they rent control applies.

Higher costs they won't be able to recover through increasing rents at a future date.

Rent control makes our new housing supply more expensive.

To quote this 2019 report from BMO Capital Markets:

“Under rent control restrictions, developers are disincentivized to build affordable rental units and tend to build high-end apartments and condos.”

Of course, we already knew this market reality in Canada, because rent controlled jurisdictions like Vancouver and Toronto have long been more expensive than Nova Scotia.

Thanks to rent control coming to this province, our market is therefore catching up to historically more expensive markets.

The second reason that rent control is failing is that many smaller rental housing providers are leaving the sector.

They are selling their properties, because they can't afford to lose money on their rental units.

And when properties are sold, many tenants end up having to find a new place to live.

Because many new owners either move in themselves...

Or they renovate or replace rental units to recover their costs.

Last week, we surveyed more than 460 rental housing providers in our database – many are IPOANS members.

More than 160 responded to the survey.

Here is what the survey told us.

First off, in the year 2022, 27% of rental property owners sold their units – with more than 40% of those sales going to new owners who planned to move in.

For the year 2023, 29% plan to sell their properties, with an additional 36% considering selling their properties.

For the year 2024, 24% plan to sell their properties in 2024, with an additional 41% considering selling their properties.

We asked those who have sold in 2022 and or planning to sell in 2023, why they were selling their properties?

39.8% said the financial impact of the province's rent cap;

23.15% said increased costs to own and operate rental properties; and

10.2% said the unfair residential tenancies system to rental property owners.

This is data that supports what we hear from rental housing providers.

There are some who believe there's a difference between the government's rent cap and comprehensive, permanent rent control.

Rental housing providers don't differentiate between the two.

They're both flawed, populist policies that have failed in every place they have been tried.

I have already pointed out the Canadian experience with rent control – namely that jurisdictions with rent control have higher rent increases than those without.

I could spend all day pointing out the jurisdictions where rent control has failed.

I could cite the problems of rent control in Switzerland, Germany, Ireland.

Many of the most expensive cities on the planet have rent control.

New York, Washington, DC, Los Angeles, San Francisco, Toronto, Vancouver, Boston.

All have a form of rent control. All are among the most expensive cities on the planet.

In New York City, there are tens of thousands of vacant apartments – thanks to decades of rent control.

There are other flaws in Bill 262 that mirror the flaws that have been in place since the previous Liberal government imposed the rent cap and the current PC government extended the rent cap.

These were flaws that we identified at Law Amendments in the fall of 2021.

Flaws that the government has failed to address.

First, the rent cap is not targeted to tenants in need. The 2% rent cap on a \$700/month unit is the same one that's applied on a \$6,000/month unit on the Halifax waterfront.

Shouldn't government focus its attention on renters in core housing need, as defined by CMHC?

Second, rental housing providers have no ability to apply for an above cap rent increase to offset documented increases in operating expenses?

Every MLA in this House supports an electricity system where Nova Scotia Power can pass along their energy costs to its customers.

If Nova Scotia Power is allowed to have a fuel adjustment mechanism – with the support of the PCs, Liberals and NDP – why don't rental housing providers get the same support?

Third, in Ontario, the rent cap for older buildings is 10%.

Older buildings are more expensive to operate and maintain.

Buildings constructed before 1996 represent the majority of rental housing in the province.

The low rent cap in Nova Scotia is forcing more sales of buildings, more renovations by the new owners and more tenants having to find new places to live.

Rental housing providers have been making these suggestions for years.

The day Bill 262 was tabled, I received 60 emails from rental housing providers.

They are tired of being ignored by government.

They are tired of being scapegoated by politicians.

They are tired of a broken residential tenancies system that too often allows tenants to live rent free, without consequences or enforcement.

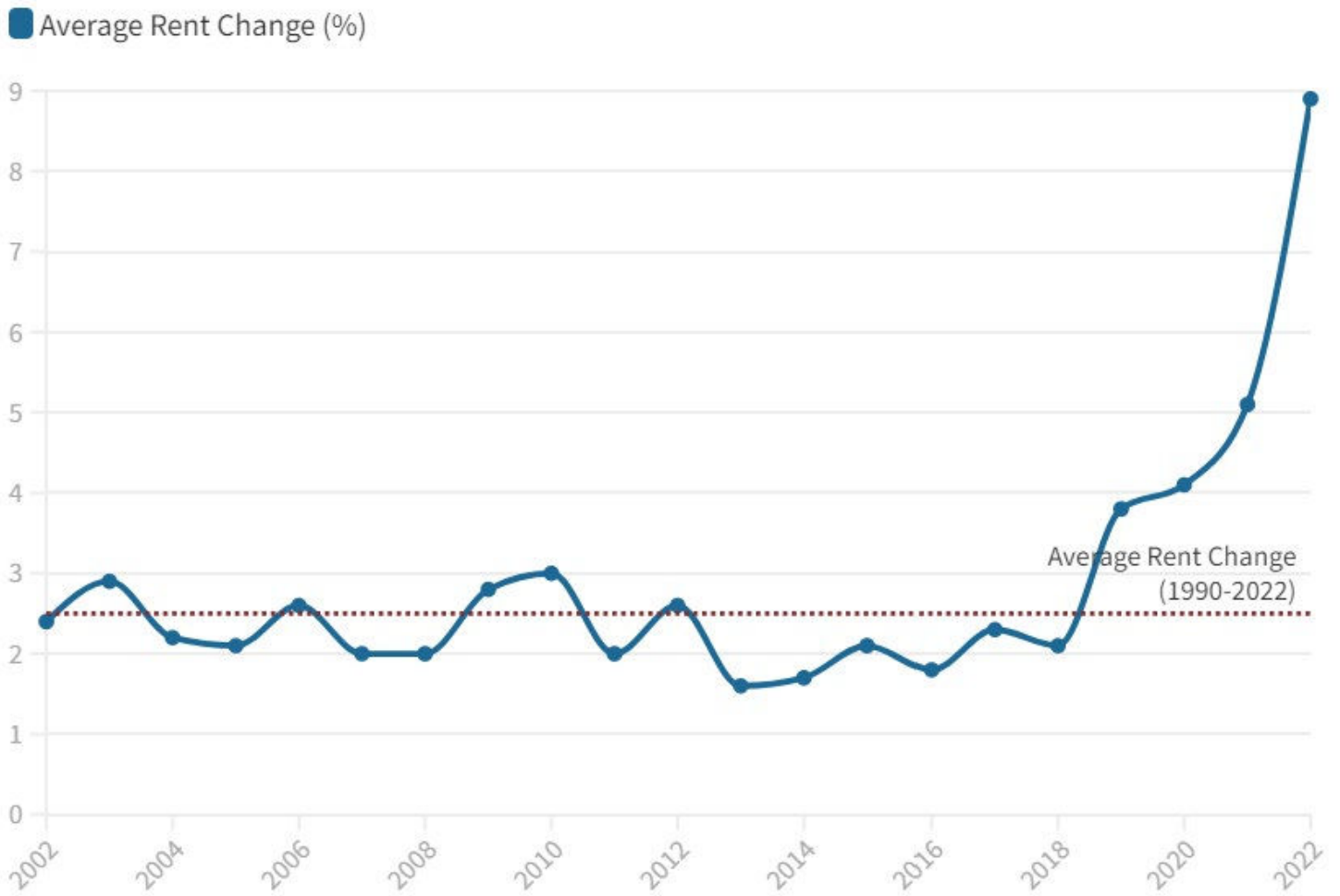
Rental housing providers are tired of losing money, worried about how they're going to pay their mortgages

They are tired of being accused of being the problem with housing, when they should be embraced and supported as part of the solution.

Please work with us, or the housing crisis will continue to get worse, thanks to the actions of elected officials who support rent control.

Thank you.

HRM Rents 2002 - 2022



Source: [Rental Market Report, CMHC \(January 2023\)](#).