

## Fact Sheet | Tenant Protection and Rent Regulation in Ontario

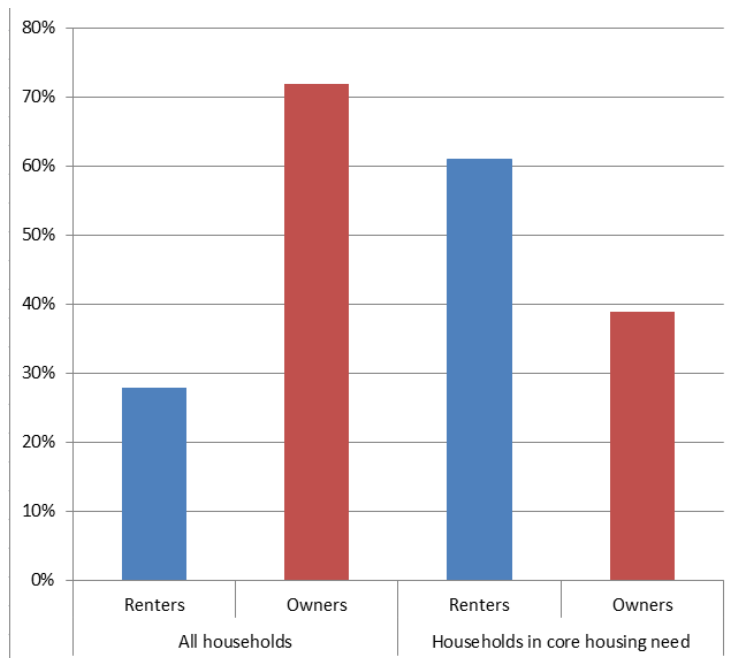
Both renters and homeowners have the right to live in safe, adequate and affordable homes.

- ❖ In Ontario, 30% of households are renters.
- ❖ In Toronto, 47% of households are renters.

### Housing is not just another commodity; it is a fundamental human right.

Housing also has multiple social and health impacts, including educational outcomes, exposure to environmental contaminants, and access to healthy food.

While renter households accounted for 28% of all Ontario households in 2011, they comprised 61% of households in [core housing need](#) – a significantly disproportionate share. Housing affordability is the predominant cause of core housing need.



Ontario has regulated rents since 1975. Rent regulation protects tenants from arbitrary rent increases and sets a guideline for what landlords can raise the rent on a unit occupied by a tenant.

- ❖ The annual rent increase guideline is based on the Ontario Consumer Price Index (CPI) and capped at 2.5%.

- ❖ For example, in 2016 the allowable annual rent increase was 2% and 1.5% in 2017. This means, if you were paying \$1,100 rent in 2016, your rent could only increase by \$16.50 in 2017 for a total of \$1,116.50.

In 1996, Ontario's Progressive Conservative government introduced the exemption from rent regulation for units built on or after November 1, 1991 in order to encourage the construction of new rental units. However, after 26 years it became clear that this exemption had failed to incentivize developers to build the new affordable rental units that Ontario needed.

- ❖ Based on population growth and household formation for Ontario, we need to build about 10,000 new rental units annually to meet demand.
- ❖ From 1995 to 2016, only an average of 3,452 rental housing units per year was completed in Ontario, which is less than half the number of units needed to fulfill the demand.
- ❖ This failed incentive created two classes of tenants in Ontario; those protected by rent regulation and those living in post-1991 units that were not protected by rent regulation.

The major reason why developers stopped investing in rental properties was the removal of government incentives in the 1980s. Tax and land use regulations are a stronger incentive to encourage building rental housing.

- ❖ Rent regulation is meant to protect tenants and should not be used as an incentive for developers to build rental housing.
- ❖ Removing rent regulation will not solve Ontario's problem with inadequate supply of rental housing and has only off-loaded the cost of unaffordable rents onto tenants.

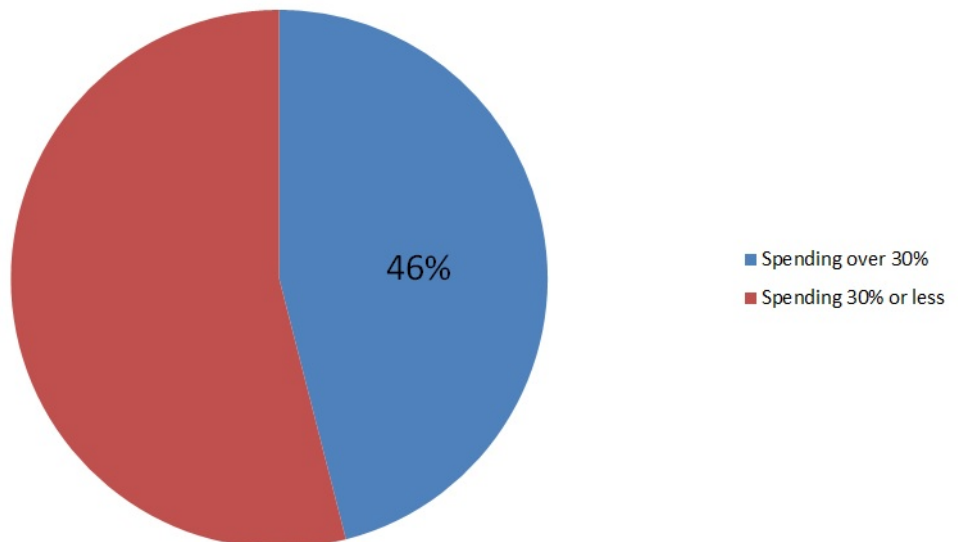
In 2017, the Ontario government listened to the grievances of thousands of tenants in Ontario and introduced the **Rental Fairness Act** (Bill 124). Bill 124 ended the unfair 1991 exemption and extended protection to 250,000 tenant households from arbitrary rent increases and economic evictions.

Some have argued that rent regulations limit landlords' resources to make necessary investments in repairs. This is not true:

- ❖ Increases in utilities and taxes are covered because they are taken into account in calculating the Consumer Price Index (CPI), which forms the basis for the annual rent increase guideline in Ontario.
- ❖ Under rent regulations, landlords can ask for rent increases above the guideline in order to cover larger capital expenditures.
- ❖ This argument assumes that landlords are willing to allow their major investment to fall into disrepair and therefore lose value and appeal to renters. In fact, landlords have pointed out that well-maintained properties are an important investment in attracting and retaining tenants, therefore contributing to continued growth and profitability.

A household is said to be in [core housing need](#) if it falls below at least one of the adequacy, affordability, or suitability standards and it would have to spend 30% or more of its total before-tax income to pay the median rent of housing that meets all three standards.

- ❖ 46% of renters in Ontario are spending over 30% of their income on housing (rent and utilities).



- ❖ 21% of renter households in Ontario spend over 50% of their income on rent and utilities.

Vacancy rate is the percentage of all available units in a rental market that are vacant or unoccupied at a particular time. A vacancy rate between 3-5% is considered the minimum necessary for a healthy rental market. Vacancy rates have remained low in municipalities across Ontario in 2017:

- |                                   |                                     |                                |
|-----------------------------------|-------------------------------------|--------------------------------|
| ❖ Toronto's vacancy rate: 1.1%    | ❖ Oshawa's vacancy rate: 2.0%       | ❖ Ottawa's vacancy rate: 1.7%  |
| ❖ Guelph's vacancy rate: 1.2%     | ❖ Peterborough's vacancy rate: 1.1% | ❖ Windsor's vacancy rate: 2.4% |
| ❖ Huntsville's vacancy rate: 2.0% | ❖ Bracebridge's vacancy rate: 1.9%  | ❖ London's vacancy rate: 1.8%  |

Because of the lack of new purpose-built rental housing, condos have become an important part of the rental housing market in Toronto (a third of all condo units in the City of Toronto are being rented). However, condo rentals are not a long-term solution for tenants:

- ❖ Condo rents are much higher than rents in purpose-built rental housing. The average rent for a condo unit in 2017 was \$2,124 compared to the average rent of \$1,313 for apartments.
- ❖ From 2011 to 2017, the average rent for condo units in Toronto increased by 41% compared to a 22% increase for purpose-built rental units.
- ❖ Condo rentals have less security of tenure; tenants in rented condominium apartments can be evicted with just 60 days of notice if the owner wishes to occupy the unit or sell it.

In recent years, there has been some increase in the development of new purpose-built rental properties. However, these new units are characterized by high rents and will not address the need for new affordable rental housing.

With rising rents and low availability of affordable rental units, tenants are often forced to move out of their rapidly-gentrifying neighborhoods, displacing them from their neighbourhoods, local services, social networks and support systems, while potentially increasing their commuting time to work.

Ontario currently has vacancy decontrol, which means that a landlord can charge any amount of rent to new tenants when moving into vacant units. Over time, this leads to a reduction of the number of rental units that are affordable.