



## Winners and Losers in Ontario's New Rent-Control Laws

### Description

The Ontario government passed the Rental Fairness Act 2017 on May 18, less than one month after introducing legislation intended to protect renters in Ontario from exorbitant rent increases.

The major initiative of the legislation was expanding rent control to include private rental units occupied on or after November 1, 1991. Before April 20, the day the law retroactively took effect, rent control for any apartment built after 1991 did not apply. Other parts of the legislation make it more difficult for landlords to get above-guideline rent increases (more than 1.5% in 2017) for things such as higher utilities, etc.

Not surprisingly, real estate investors are against these rules, suggesting they will do little to improve the lack of new rental accommodations being built in real estate hotbeds like Toronto.

**RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.scribd.com/document/444444444/TSX:REI.UN)) CEO Ed Sonshine appeared on BNN just days before the legislation passed, providing his thoughts on the matter.

“They’re solving a problem that I’m not really sure existed,” Sonshine told BNN on May 15. “It can’t be helpful to what we’re doing because we really had to go back — and we’re in the process of doing that — and re-evaluate every project we have.”

So, you’d think by these words from Sonshine that RioCan is a loser as a result of the new legislation. You’d be wrong. He believes RioCan will benefit.

“There will probably be less competition,” he told BNN. “We’re able to take a long-term view of things and — more important[ly] — we already own the land. We’re typically only building by and large where we already own the property.”

### Less incentive to build rentals

Sonshine is saying if you want to do a purpose-built rental building in Toronto, you’d better already own the land, because if you don’t, the Rental Fairness Act 2017 pretty much puts the kibosh on your plans.

I don't necessarily agree with his views on this subject, although I understand where he's coming from. Here's why.

I'm friends with a couple who live in the centre part of Toronto [Leaside] and have owned a house in the area for more than 30 years. Now in their 70s, they're contemplating selling their house and either moving into a small condo that they purchase or a rental unit somewhere in the area.

Before these latest changes to the residential rental market in Ontario, I was mildly in favour of them renting, but it wasn't an overwhelming opinion. Now that all rental units are included in rent control, and rents can't be increased more than the annual rate set by the provincial government (1.5% in 2017), I'm bullish on affluent seniors renting rather than owning.

### **Cost certainty is worth something**

My friends now have cost certainty for the remainder of their natural lives. Yes, if major repairs to a building need to be done, a landlord can still apply for an increase up to 3% above the annual guideline for up to a maximum of three years in a row, but that's the extent of it.

So, if you're thinking of constructing an apartment building specifically for rental units, the changes in legislation make it more attractive, not less attractive, to own such a building because of the high cost of home ownership in Toronto.

Why buy a condo at \$1,000 or more per square foot and the associated maintenance fees that come with it when you can plunk yourself into a \$3,000 rental with cost certainty?

Although Sonshine is correct that more needs to be done to encourage new construction, I believe he's not very upset about the changes because he understands these rules will do little to affect RioCan's profits.

### **Who will win?**

The winners will be owners of multi-family real estate constructed after 1991.

Now, responsible landlords can say to prospective tenants, "Sign on the dotted line here in Ontario, and you gain peace of mind that you didn't have this time last year!"

That, to me, is a real selling tool.

And let's not forget that landlords can still raise rents as much as they want once a tenant moves out. That hasn't changed.

### **Who will lose?**

The losers will be those multi-family residential real estate owners who are doubling rent in Toronto simply because they can. That's been stopped dead in its tracks.

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