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# FAST FACTS

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## Rent Control in Manitoba - Challenging the Myths

**R**ecent reports about Manitoba's low rental vacancy rate have once again raised the rent control debate. Unfortunately, calls for removing rent control are often based on a lack of understanding about the residential rent regulations within Manitoba's Residential Tenancies Act.

Manitoba is one of the few provinces that continues to regulate increases in residential rents. The Residential Tenancies Act includes rent regulations to protect tenants from drastic rent increases, especially in tight rental markets such as the one we are currently experiencing. Arguments against rent control point to government regulation as the cause for low supply of rental housing. However, the fact that rental accommodation is in short supply across the country suggests that there are other factors at play.

To address private market concerns that regulations discourage private sector investment, the Manitoba government has integrated several exemptions to encourage the private sector to build rental housing, while maintaining regulations to protect tenants. Analysis of rent control must begin with an understanding of our local legislation rather than an examination of introductory economics textbooks that do not reflect the Manitoba situation. Here is how Manitoba's residential rent regulations work.

### Rent increase guidelines

Under most circumstances, landlords can increase rents once every 12 months at the rate set by the province each year. The rate in 2008 was 2%. The rate has recently been set at 2.5% for 2009.

### Exemptions to rent regulations

There are several situations where residential units are exempt from rent regulations. Measures have been put in place to respond to landlords and developers who have argued fervently against rent control. The long list of exemptions includes:

### New supply

Manitoba rent regulations do *not* apply to new developments. Rental complexes built and occupied after March 7, 2005 are exempt from the guideline for a period of 20 years, so developers who build new units can set their rental rates as they wish and raise them as they wish. After 20 years, they will be bound by the guidelines in place at that time.

### Rehabilitations

Landlords wishing to rehabilitate their units can apply for exemptions to allow them to boost their rents beyond the rent guidelines after improvements have been made. Many landlords have taken advantage of these exemptions.



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Thousands of units have been renovated or upgraded in Manitoba to various degrees. Some units have been completely overhauled while other landlords have received exemptions for very minor improvements. While there have been some significant improvements to the aging private rental stock, the problem is that it has also resulted in very high increases in rental rates and the displacement of many low-income households. Tenants can be moved out when renovations are being made, but after the completion of the renovations the landlord may be able to raise rents beyond levels that the original tenants can afford. The inner-city West Broadway neighbourhood is a prime example of a neighbourhood that has displaced many low-income renters because they are no longer able to afford to live there.

### **Exemptions for high-end rental units**

Rent regulations also do not apply to high-end units. For 2009, this means units renting at \$1,095 per month or higher. So if there is a market for this type of unit, it is not clear how rent regulations are deterring the private sector from building them.

Other exemptions include units owned by governments or agencies of the government; non-profit corporations; cooperatives; units funded under the Residential Rehabilitation Assistance Program; and rental units funded and operated in accordance with the Affordable Housing Program.

Rent controls have been abolished in most provinces yet virtually all provinces have a shortage of rental units for low and mid-income households. For example, current rental vacancy rate in Winnipeg is 1.0%. In comparison, the two major centres in Saskatchewan, a province without rent controls, also have very low vacancy rates. Regina's rate is 0.5% and Saskatoon's is 1.9%. Calgary's vacancy rate is a bit higher at 2.1%, however rental rates are among the highest in Canada as is homelessness. While the population increased by 13% in 2007, there was a 6% decline

in rental units--1,817 of which were lost to condo conversion in 2007 alone. Alberta does not have rent controls.

Rent controls have been under attack in Canada for a long time. The Canada Mortgage and Housing Corporation conducted a study in 1993 to test the impact of rent regulations in Canada. They found "no evidence to suggest that rent controls reduce the rate of increase of rents in the long run" and "no strong evidence that controls are accompanied by reduced vacancy rates".

The Ontario experience has confirmed these findings.

The Harris government in Ontario eliminated rent controls in 1998. The predictable argument presented was that rent regulations were a disincentive to development, and deregulation would allow the market to correct the shortage in supply. Rental rates would drop with vacancy rates. The theory proved to be wrong. Rental rates increased and options for low-income tenants were greatly reduced. In 2007 the McGuinty government reintroduced rent regulations.

In cities across the country, low- and mid-income families are struggling to find affordable rental housing both in rent control and non-rent control jurisdictions. The rental market need is in the medium and low-end markets and developers are not interested in this market. It is not profitable for them. Full de-regulation won't change this.

The recent calls for deregulation of rent controls and the selling off of public housing come at an interesting time. We have much to learn from the U.S., the most de-regulated nation in the western world, as it sinks further into economic crisis. The U.S. crisis is a result of the blind trust that has been placed in a de-regulated free market. Perhaps it is time that we consider the important and positive role that regulation has played in Canada.

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