



## **MEDIA RELEASE**

Nov. 21, 2018 *For Immediate Release*

### **BUILDERS WARN MORE RENT CONTROLS COULD PUT THOUSANDS OF NEW RENTAL HOMES AT RISK**

VANCOUVER, BC — Over 12,000 new rental homes, which are crucial for British Columbians, could be at risk of delay or cancellation before they are built, if the B.C. government imposes restrictive new policies on rental properties, suggests a comprehensive survey of leading rental home builders.

A new [Urban Development Institute survey](#) of 30 rental builders finds that **12,631** rental homes which are currently planned for communities across B.C., will be at significant risk if restrictive policies are imposed. This number represents nearly two-thirds of the **19,972** rental homes that respondents reported are currently in development.

Thirty of B.C.'s leading rental home builders are warning against the introduction of more prohibitive rent controls specifically "vacancy control," in which the rent on a unit is strictly regulated by government. This would further reduce the already low vacancy rate, which remains below 1% in many communities across the province.

"British Columbians desperately need more rental homes," said UDI President & CEO Anne McMullin. "This is not the time for new restrictions that could result in the cancellation of important rental home projects in communities across British Columbia."

Specific projects that may be jeopardized are included in the attached background.

In September, the provincial government reversed a previous decision and reduced the maximum allowable rent increase. This sudden policy change was the first of an anticipated 30 recommendations from the government's Rental Housing Task Force. In advance of further recommendations, UDI surveyed 30 leading rental builders to determine how current and potential government policies impact their rental projects. While some builders said they would still deliver rental homes because they were already well under construction, they were unequivocal in their opposition to potential vacancy control policies.

"This would be the single, most significant impediment to the construction of rental apartments," said McMullin. "With record low vacancy rates, British Columbians need new rental homes but this proposal puts those in jeopardy."

Vacancy control would tie rent controls to a unit rather than the tenant. Currently, rental owners have the flexibility to adjust rents between tenants to account for building and unit upgrades and other increased costs like property taxes, insurance and utilities. Vacancy control would remove this ability. If rent is tied to the unit, the incentive for a rental owner to ensure necessary upgrades, including seismic and energy efficiency standards are completed to aging buildings is severely compromised.

"Rental home builders agreed that vacancy control would be the death knell for rental home construction. Government would be going in the wrong direction, further exacerbating this housing crisis," said McMullin. "If strict limits are placed on rent, building owners simply won't be able to afford upgraded elevators, new appliances or replaced carpets. Buildings will fall into disrepair and that's not what British Columbians deserve."

The survey also identified other factors that inhibit the building of new rental apartments including rapidly rising construction costs, increasing interest rates and taxes, and lengthy municipal approval processes that can take as long as seven years.

"We need to remove the countless government barriers to increasing supply," said Dr. Andrey Pavlov, finance professor at Simon Fraser University's Beedie School of Business. "Rent controls feel good for the moment, but hurt everyone, including renters, in the long-term."

"Our builders are looking for creative ways to address the housing crisis. If governments commit to proven, specific solutions and incentives, our local builders will be enabled to provide more purpose-built rentals that help deliver more home options," McMullin said. "Our government offers other industries tax incentives to attract more investment to B.C.; we need similar tax rebates on rental homes, plus a streamlined municipal permitting process with red tape reduction to stimulate rental home building and generate savings that can be passed on to renters."



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“Ultimately, local builders want to build more rental homes. They recognize the growing need for these in every community, for every budget. We are eager to work with government to help solve this rental crisis.”

However, amidst the regulatory uncertainty, many UDI members have already moved investments to other areas of Canada and the U.S.A., which has led to losses of rental units and jobs.

In recent years, Seattle has built a surplus of rental homes which drove up overall vacancy rates from 6 percent a year ago to 7.5 percent now and decreased monthly rents, with many tenant incentives. “Seattle built many new, rental apartments, enabling those in the older units to trade up, freeing space for new tenants. That’s how you replenish aging rental stock. Our industry is ready to build more affordable, rental home choices. We believe that communities are stronger when young people, families, workers and seniors can all find good homes.”

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*UDI is an 850-member association and partner in community building. Our members are builders of homes, offices and institutional buildings, supporting more than 220,000 BC jobs plus billions in economic activity. Through municipal fees and contributions, our members fund and build daycares, social housing, parks, public art, museums, schools and community centers throughout BC.*