

FEATURE Push is on to stiffen rental legislation as costs rise, investors flee and property values plummet

Landlords squeezed

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WESTERN INVESTOR

A motion from the new Vancouver city council to tighten restrictions on rental apartment renovations comes as city landlords are facing rising costs and a plummeting property values.

Despite an extremely tight apartment vacancy rate of 0.7 per cent, investments in apartment buildings have fallen, and the price "per door" has plunged.

In Vancouver's West End, for instance, average prices have fallen by nearly \$50,000 a door – from \$239,000 in 2007 to \$183,534 as of October of 2008 – and sales dropped nearly 50 per cent, from 13 in all of 2007 to seven in the first 10 months of last year, according to a report from **Avison Young**, Vancouver.

The scenario is similar in Victoria, where apartment building sales fell 60 per cent in 2008 – to just seven – and the average price per rental suite dropped to \$111,000, down from \$125,000 in 2007, says the **Rental Owners and Managers Association of B.C. (ROMA)**.

In December, during the first meeting of Vancouver's new left-leaning council, a "first right of refusal" motion was put forward to request a change to the provincial Residential Tenancy Act to allow tenants displaced for renovation work to return to their homes and pay the same monthly rent.

"There would be no incentive for a landlord to do renovations if this became law," said **Ron Schuss**, president of **Dorset Realty Ltd.** and chair of the legislative and public affairs committee with the **B.C. Apartment Owners and Managers' Association**. Schuss, whose company owns and manages more than 1,200 suites, mostly in Vancouver, said, "We can't do renovations for free. The work wouldn't get done."



Sign rare in Vancouver, where rental vacancy rate has hit a 20-year low of 0.7 per cent.

Schuss notes that most of the apartment buildings in Vancouver are at least 35 years old, many more than 50 years old.

There is little chance of the provincial government amending the Residential Tenancy Act as recommended by Vancouver council, according to **Al Kemp**, ROMA's executive officer. He notes that a private member's bill, submitted by an NDP MLA last spring, with similar recommendations, was voted down.

Kemp said that landlords have enough financial pressure without what he called the "ridiculous" Vancouver proposal. B.C. landlords, he said, are facing higher insurance and utility costs, and higher taxes this year.

Under current rental legislation, 2009 rent increases in British Columbia are restricted to 3.7 per cent, but rents can be raised to market levels if a tenant vacates.

The B.C. apartment vacancy rate was one per cent in October 2008, unchanged from 2007, according to **Canada Mortgage and Housing Corporation**.

"Strong demand for rental housing kept the provincial apartment vacancy rate low," noted **Carol Frketich**, CMHC's B.C. regional economist. "People moving to the province, the high cost of homeownership, and a lack of new rental supply kept downward pressure on vacancy rates."

Vacancy rates were very low in the province's large centres: Vancouver, Victoria and Kelowna. Significant vacancy declines in centres such as Dawson Creek, Kitimat, Prince Rupert and Terrace offset increases in vacancies in more than half of the 27 centres surveyed. Campbell

Rental snapshot, Western Canada

City	Vacancy Rate	Average Rent*
Saskatoon	1.9%	\$761
Winnipeg	2.2%	\$769
Edmonton	2.4%	\$1,034
Calgary	2.1%	\$1,148
Metro Vancouver	0.5%	\$1,131

* Two-bedroom apartment
Courtesy: Canada Mortgage and Housing Corporation

River, Port Alberni and Prince George reported noticeably higher rental vacancy rates.

Province-wide, the average rent for a two-bedroom apartment increased 5.3 per cent compared with a year ago, about double the general rate of inflation.

Renters are turning to investor-owned condominium, CMHC says. Vacancy rates for rented condominiums are also low, at 0.6 per cent in Vancouver and 2.0 per cent in Victoria.

Rest of the West

Rental legislation is mixed in the rest of Western Canada, with no rent controls in Alberta or Saskatchewan but tighter rules coming to Manitoba.

Under Alberta legislation passed in 2007, landlords are allowed to increase rents only once a year instead of twice.

Those wanting to evict a tenant in order to make major renovations have to give at least a year's notice and won't be allowed to increase the rent during that time.

Saskatchewan has very low vacancy rates. Regina's rate is 0.5 per cent and Saskatoon's is 1.9 per cent.

Pet law in Manitoba

The Manitoba government is preparing to introduce legislation to encourage landlords to allow tenants to bring their dogs and cats into their apartments.

Chief among the proposed amendments to the Residential Tenancies Act is a provision that will enable landlords to charge pet owners a special deposit, similar to a damage deposit, to cover replacement costs if Fido claws up the carpeting.

Greg Selinger, minister of consumer and corporate affairs, said there is plenty of evidence to suggest that pet ownership has significant health benefits, particularly for older people.

Selinger said landlords will not be forced to let all pets in. The ultimate decision will be in the hands of individual landlords. Under the current system, landlords have no fallback position if a pet causes damage to an apartment, Selinger explained.

Bill McDonald, executive director of the **Winnipeg Humane Society**, has been one of the biggest proponents of adopting something similar to the "Fluffy Law."

The Ontario law, named after a cat, was the product of a group of concerned pet lovers that convinced a judge that it was discriminatory for landlords to advertise apartments as "no pets allowed."

McDonald said he's not optimistic, however, that the Manitoba government's proposed amendments will be as broad as the "Fluffy Law."

"That was an across-the-board piece of legislation that said no landlord can discriminate against a pet owner in regards to tenancy. [In Manitoba], they're looking more at how can we open it up on a voluntary basis," he said.

Any proposed changes regarding pets in apartments will be independent of the province's rent guidelines, which were released last fall.

The recommendation for rent increases was set at 2.5 per cent for 2009, and applies to most residential rental properties, including apartments, single rooms, houses and duplexes. ♦

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