ACTO

Submission to the National Housing Council on the Financialization of Purpose-Built Rental Housing

Advocacy Centre for Tenants Ontario

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Contents

Introduction: Canada's rental housing crisis

Renters are in crisis. In Ontario, 31.4% of residents rent their homes, and almost 4 in 10 of these renter households pay unaffordable rents.[1] The vast majority of renters live in the private market, which includes 724,457 purpose built rentals in Ontario.[2] The disastrous effects of rising costs of living, the financialization of housing[3], and corporate profiteering are not borne equally among Ontarians. It is renters that struggle most acutely, with 24.9% of renter households in core housing need compared to just 6.4% of homeowners.[4]

Over the past 20 years, rents have risen far above what tenants can reasonably afford. Based on the most recent Census, in Toronto, average rents increased from $878 in 2001 to $1264 in 2016, and then jumped to $1618 in 2021. Likewise, in Ottawa, average rents increased from $773 in 2001 to $1146 in 2016, and then jumped to $1412 in 2021. According to the most recent Canada Mortgage and Housing Corporation (CMHC) Rental Market Survey, average rents in these cities as of October 2022 are $1660 and $1461, respectively.[5] However, incomes are not keeping up with rising rents. The hourly wage needed for rent to be affordable in Ontario's urban centres is far above the minimum wage. In Toronto, a renter needs to earn $33.62 an hour for rent to be affordable for a 1 bedroom, and $40.03 for a 2 bedroom.[6] In Ottawa, the "housing wage" would be $26.68 an hour for a 1 bedroom and $32.37 for a 2 bedroom.[7]

Vacancy decontrol driving the financialization of housing

The rents charged for available units, "asking rents", are significantly higher than average rents. This is because once a unit is vacant the landlord can charge any amount of rent that the market will bear, enabled by Ontario's policy of "vacancy decontrol". In August 2023, average asking

[1] Statistics Canada. 2023. (table). Census Profile. 2021 Census of Population. Statistics Canada Catalogue no. 98-316-X2021001. Ottawa. Released March 29, 2023. https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/index.cfm?Lang=E

[2] CMHC. 2022. (table). Rental Market Survey. Retrieved from https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market/urban-rental-market-survey-data-number-units

[3] Defined by the Federal Housing Advocate as ""Financialization is a term used to describe how housing is treated as a commodity – a vehicle for wealth and investment – rather than a human right and a social good for people and communities." https://www.housingchrc.ca/en/financialization-housing#what

[4] Ibid.

[5] CMHC. (2023). Rental Market Survey. https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market/rental-market-report-data-tables

[6] D. Macdonald & R. Tranjan. 2023. "Can't Afford the Rent: Rental Wages in Canada 2022." Canadian Centre for Policy Alternatives.

[7] Ibid.

rents were $2592 in Toronto, $2364 in Mississauga, and $1951 in Ottawa.[8] This means that in Toronto, a renter must now earn $103,680/year to adequately afford a 1-bedroom rental.[9] According to the 2021 Census, the median total income of renter households in Toronto was $65,500.[10] Asking rents have been increasing even faster in the COVID-19 recovery period, with year to year increases of up to 32% in Kitchener, 21% in Toronto, and 19% in Ottawa, and are expected to increase further as demand for rentals surge with rising interest rates.[11]

Vacancy decontrol creates a strong incentive for landlords to remove long-term renters and replace them with an incoming tenant who is charged much more in rent. Thus, vacancy decontrol is driving higher rates of eviction and the loss of existing affordable housing units en masse. Indeed, between 2016-2021, the number of private rental apartments affordable to GTA households earning less than $60,000 per year decreased by 27%.[12] While, in this same period, units with rents under $1500 decreased by 134,020, and units with rent greater than $1500 increased by 199,710.[13]

Vacancy decontrol also increases the cost of housing far above inflation, and discourages renters from moving when necessary due to unaffordable asking rents elsewhere. CMHC's Rental Market Report illustrates the impact of vacancy decontrol on the rental market. The report noted that, in 2022, vacancy decontrol sharply increased rents for two bedroom apartments that had turned over by 26% in Hamilton, 17% in Ottawa, and 29% in Toronto; compared to 1.2% for existing renters who were protected by rent control provisions.[14]

A 2022 Statistics Canada survey found that almost half of respondents in Ontario reported being very concerned with their ability to afford housing or rent. Younger Canadians were more likely to be concerned: 58% of people aged 15 to 24 years reported being very concerned, followed by 56% of those aged 25 to 34 years. People aged 65 years and older (27%) reported the least concern. Younger Canadians were not the only ones concerned with rising housing prices.

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[8] Rentals.ca, (2023). "Rentals.ca August 2023 Rent Report" https://rentals.ca/national-rent-report

[9] Singh, A., Grundig, T., & Dhanraj, T., (2023). "Soaring rents in Toronto, Vancouver force residents on modest incomes into 'deplorable' conditions." CBC. https://www.cbc.ca/news/business/marketplace-rental-units-1.6758477

[10] Statistics Canada, (2023). (table). "Shelter-cost-to-income ratio by tenure: Canada, provinces and territories, census metropolitan areas and census agglomerations." Statistics Canada Catalogue no. 98-10-0252-01. Release date: 2022-09-23. Table 98-10-0252-01 Shelter-cost-to-income ratio by tenure: Canada, provinces and territories, census metropolitan areas and census agglomerations

[11] Gibson, V., (2023)." Hoping to see GTA rents drop with home prices? Experts say you're out of luck." The Star. https://www.thestar.com/news/gta/2023/02/10/hoping-to-see-gta-rents-drop-with-home-prices-experts-say-youre-out-of-luck.html

[12] Sheppard, C., & Balasubramaniam, A. (2022). *Erosion of Affordable Rental Housing in Toronto: Findings from the 2021 Census.* Wellesley Institute. Retrieved from https://www.wellesleyinstitute.com/housing/erosion-of-affordable-rental-housing-in-toronto-findings-from-the-2021-census/

[13] Ibid.

[14] CMHC. (2023). Rental Market Report. https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2022-en.pdf?rev=fc1865db-acac-4be3-979a-e3074b4eb521

Among Black Canadians, 74% reported being very concerned over the cost of housing, as did 65% of South Asians.[15]

ACTO commissioned EKOS to conduct a province-wide poll of Ontario renters in 2022.[16] The poll results confirm that renters are being squeezed in an extreme affordability crisis that affects them in every single part of their lives, and very little is being done to help them. Housing costs are the largest expenses for most households, and rising rents are placing pressure to cut back on other essentials. No one should have to choose between food and shelter. Yet 60% of renters polled said they have had to cut back on food to afford their rents. 74% had to cut back on their other spending to afford their rents.

Given the increasing rents and low vacancy rates, it is unsurprising that renters experience strong concerns around the possibility of being evicted. They know that if they are evicted, they are unlikely to find another affordable unit in their neighbourhood of choice. Almost half (46%) of renters in Ontario are concerned about their landlord wanting to evict them for some reason. This is particularly true among more vulnerable segments of the population, such as lower income renters and disabled renters. Over half of renters whose household incomes are less than $30,000 (52%) or between $30,000 and $60,000 (55%) are concerned about being evicted and nearly six out ten (58 %) renters who identify as disabled are concerned.

Of those who have been evicted themselves over the last 10 years, one in three (32%) have been evicted due to the landlord or a landlord's family member wanting to move into the unit. These landlord's own use evictions are the biggest reason given for being evicted. A further 22% of renters evicted cited the unit being sold and the new owner wanting to move in as the reason for an eviction. Landlord's own use and renovations clearly come across as two of the largest drivers for evictions. When including evictions of themselves and their friends or families, over a third (35%) had experienced evictions because of a landlord or family member moving into the unit, one quarter (26%) because the unit was sold, and one quarter (26%) because the landlord wanted to do renovations.

Financialization and increasing challenges to security of tenure

The lack of strong regulations for residential real estate investment has been another key factor in the growth of financialization of housing. Increased real estate investment in the 1990s was the result of deregulation and legislative reform regarding pensions, which removed restrictions on the type and location of assets that pension plans could hold and the amount of risk they could

[15] Statistics Canada, (2023). "One in four Canadians are unable to cover an unexpected expense of $500" https://www150.statcan.gc.ca/n1/daily-quotidien/230213/dq230213b-eng.htm?CMP=mstatcan
[16] ACTO, (2023). "Housing Hardship: How Ontario's Renters Struggle to Keep a Roof Overhead." https://www.acto.ca/documents/housing-hardship-how-ontarios-renters-struggle-to-keep-a-roof-overhead/

take on. They also added statutory requirements to maximize shareholder returns.[17] Lack of transparent ownership data is a defining feature of real estate investment in Canada, and one of the major constraints on efforts to understand patterns of ownership and investment. Canada has no registry of beneficial owners that tracks and makes available information on the ownership of real estate investments. Current regulations allow beneficial owners to remain anonymous through companies, trusts, or nominees. Opaque ownership of real estate investments is also one of the most important factors behind money laundering in real estate. [18]

We have seen an increase in institutional investors in the rental housing market, including private equity firms, asset managers, publicly listed companies, real estate investment trusts (REITs) and financial institutions. The largest 25 financial landlords (REITs and other types of firms) owned approximately 330,000 units in 2020. This constitutes nearly 20 per cent of the country's private, purpose-built stock of rental apartments.[19] These businesses must by their nature maximize profits and therefore pursue ever-increasing rental income. This view of housing as a profit-maximizing investment is in direct conflict with the notion of housing as a basic need and human right. The financialization of housing is the main reason for the loss of affordable rental housing, which has seen 15 units lost for every new affordable rental unit created.[20]

REITs and private equity firms are part of the overall growth of investors as the major purchasers of residential real estate. Rising demand for rental housing combined with vacancy decontrol "has transformed rental housing from an unattractive to an increasingly attractive asset class. And this is attracting a wide range of investors – both small scale individual as well as large financial firms and institutional investors".[21]

Investors have become the largest group of purchasers of housing, overtaking first-time buyers. From 2017 to 2021, buyers with more than one property were the biggest segment of residential real estate purchasers, accounting for 22% of purchases of Ontario residential properties. In 2021, multi-property owners made the highest number of property purchases in Ontario. As of April 30, 2022 multi-property owners had an ownership rate of 24.6% of all Ontario residential

[17] August, M., (2022). "The Financialization of Multi-Family Rental Housing in Canada" Office of the Federal Housing Advocate, Canadian Human Rights Commission. https://www.homelesshub.ca/sites/default/files/attachments/august-financialization-rental-housing-ofha-en.pdf

[18] Sanger, T., (2019). "Report: Opacity – Why Criminals Love Canadian Real Estate and How to Fix it" Tax Fairness. https://www.taxfairness.ca/en/resources/reports/report-opacity-why-criminals-love-canadian-real-estate

[19] August, M., (2021). The rise of financial landlords has turned rental apartments into a vehicle for profits." Policy Options Magazine. https://policyoptions.irpp.org/magazines/june-2021/the-rise-of-financial-landlords-has-turned-rental-apartments-into-a-vehicle-for-profit/

[20] Pomeroy, S., (2020). "Why Canada needs a non-market rental acquisition strategy." Focus Consult. http://www.focus-consult.com/why-canada-needs-a-non-market-rental-acquisition-strategy/

[21] Pomeroy, S., (2023). "Examining the financialization of rental housing." Our Commons. https://www.ourcommons.ca/Content/Committee/441/HUMA/Brief/BR12459654/br-external/PomeroySteve-e.pdf

properties.[22] The same trend has been observed across Canada. According to Statistics Canada, the share of purchases by investors has increased in 2017 and in 2021. In contrast, the share of purchases by first-time homebuyers has declined since 2015, reaching a new low in 2021.[23] Condominium apartments were used as an investment more often than houses (single-detached houses, semi-detached houses, row houses, and mobile homes). Ontario topped the list with the highest rate of condominium apartments used as an investment, at 41.9%.[24]

The growing prevalence of investors is affecting smaller cities in Ontario and BC, not just the GTA and Vancouver. A recent article from the Globe and Mail examined data from Statistics Canada that showed that in Windsor, Belleville, Sudbury and St. Catharines-Niagara in Ontario, more than 80% of the condos used as an investment property were owned by an individual or business with a minimum of three condos. In Hamilton, Kingston, Kitchener-Waterloo region and Thunder Bay, more than 70% of condos used as an investment property were owned by these larger-scale investors.[25] These larger-scale investors can easily outbid first-time buyers, who increasingly find themselves priced out of the market. Investors being the largest segment of buyers also has implications for the notion that increased supply will lead to reduced housing prices. Instead, it is likely that increased supply will simply attract more investors as long as housing is seen as a profit-making opportunity.

What we heard- Financialization of Housing Forum November 2022

In November 2022, we brought together researchers, tenant advocates, and community organizations to discuss the impacts of the financialization of housing, as well as strategies to combat these harmful impacts.

Experts framed the growing financialization of housing in the context of political and economic policies over the past 30 years. Governments ended their programs to build housing in the 1990s, letting the private market take over the provision of housing. Comparisons between Toronto and Vienna highlighted the impact of continuing government investment in housing. Toronto and Vienna have very similar GDP per capita, but rent in Toronto is more than twice as high. This is largely because Vienna has a much more regulated housing market, with 62% of rentals being social housing. Ontario gutted the province's rent controls in the early 1990s – including the elimination of vacancy control. This facilitated landlords, including institutional investors, being able to raise rents anytime a unit became vacant—and set in place substantial financial incentives

[22] Teranet, (2022). "Teranet Market Insight Quarter 2 – 2022." https://www.teranet.ca/wp-content/uploads/2022/06/Teranet-Market-Insight-Quarterly-Report-Q2-2022.pdf

[23] Khan, M., Xu, Y., (2022). "Housing demand in Canada: a novel approach to classifying mortgaged homebuyers." Bank of Canada. https://www.bankofcanada.ca/2022/01/staff-analytical-note-2022-1/

[24] Statistics Canada, (2023). "Canadian Housing Statistics Program: residential real estate investors in 2020." https://www150.statcan.gc.ca/n1/daily-quotidien/230203/dq230203a-eng.htm?CMP=mstatcan

[25] Younglai, R., (2023). "Larger investors dominate condo ownership in smaller cities in Ontario and B.C." The Globe and Mail. https://www.theglobeandmail.com/business/article-large-investors-condo-ownership-ontario-bc/

to evict longstanding tenants. Federal policies made it easy to borrow for homeownership developments, and difficult to borrow for rental developments. CMHC guarantees mortgages, and therefore takes on the risk of lending. Meanwhile, financial actors such as REITs receive preferential tax treatment.

The landlord-tenant relationship has always been unequal. The entry of large financialized landlords into the market has exacerbated these inequalities. Financialized firms are designed to maximize profit to the greatest possible extent, and have shown a higher level of aggressiveness to pursue profits than other types of landlords. Research shows that financialized landlords are filing for eviction at higher rates than other actors, and charging higher rents for similar units. Large financial landlords over the past 12 years have accounted for nearly 50% of all above guideline rent increases (AGIs)[26] in Toronto. In addition, large financialized landlords have more financial and legal resources to pursue AGIs and other rent increases than small landlords or even small corporations. The disparity in resources makes it even harder for tenants to fight back. Legal clinics and other support systems are increasingly overwhelmed with cases and sometimes have to turn tenants away.

ACTO and other community legal clinics see first hand the rise in evictions and displacement of lower income and vulnerable tenants in our municipalities. Displacement can affect entire neighbourhoods and communities, whose homes are acquired by financialized firms. One example is the Herongate neighbourhood in Ottawa. After Timbercreek's acquisition of the site, the subsequent redevelopment converted existing townhomes into much smaller and more expensive units. The largely racialized, low and moderate income community faced mass evictions and demovictions for a total of 230 homes. Ongoing tenant organizing and pushback includes a case before the Ontario Human Rights Tribunal, asking the tribunal "to determine whether a landlord has the right to displace a large group of residents of a low-income, family-oriented, racialized and immigrant community in order to create a predominantly affluent, adult oriented, white and non-immigrant community in its stead."[27]

Financialized firms are also increasingly active in different types of housing, including seniors housing and long-term care homes. The rise of financialized seniors housing occurred through a process of consolidation, facilitated by real estate capital market expansion. As of 2020, financialized companies owned 33% of seniors housing and made up 15 of the 20 largest owners of seniors housing. Financialized firms cut costs through cutting down on labour expenses,

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[26] AGIs give landlords whose buildings are subject to rent control the ability to increase rents up to a maximum of 3% each year above the annual provincial rent guideline amount for each year up to a maximum of three years. These applications are granted where a landlord can demonstrate that they experienced extraordinary municipal tax increases, the building underwent major capital expenditures, or conducted work for maintenance or energy efficiency. The increases are tied to the tenancy until the useful life of the capital expenditure expires or the taxes are lowered.

[27] Submission for Yussuf et al. v. Timbercreek 2019, p. 4 https://herongatetenants.ca/human-rights/.

which has impacts on health and quality of care for seniors. Financialized firms have also expanded their operations into long-term care homes. Ontario has the largest proportion of financialized long term care beds (32%) in Canada. There is a pattern of inferior care at for-profit long-term care homes compared to public and non-profit homes, including: fewer hours of direct care and lower staffing levels, greater prevalence of pressure ulcers, higher mortality and hospitalization rates. Financialized long-term care companies depend on government subsidies for both day-to-day care and new home construction, which allows them to minimize costs and maximize returns, in contrast to public and non-profit operators, which reinvest all profits in their homes.

At the federal level, the majority of housing programs target homeownership. This is part of the larger policy problem of focusing on homeownership being what all Canadians are supposed to aspire to. The National Housing Strategy (NHS) sets out to build new homes, including affordable rental homes, but it still focuses on market-based solutions. There is a need to focus outside the market-oriented and homeownership boxes. The federal government should shift its focus to include alternative forms of housing, and use the NHS to support construction and maintenance of non-market housing instead of financialized actors. The NHS should establish an acquisitions fund to preserve existing affordable rentals by removing them from the market and maintaining long-term affordability. Examples of non-market housing include neighbourhood land trusts. These membership-based, community-controlled organizations remove land and housing from the private market and stewards it on behalf of the community to assure that it is used to provide community benefits. In Toronto, the Parkdale Neighbourhood Land Trust currently stewards 84 properties with a total of 205 affordable rental units[28]. The government should also consider measures such as: limiting the number of units that a corporation can own through heavy taxation for ownership of over a certain number of units, reviewing the favourable tax treatment of investment firms, and an anti-flipping tax on residential properties. The government exited the housing market in the 1990s but failed to set in place any framework to ensure housing as a human right, and the result has been the current housing crisis affecting an increasing number of residents.

Experiences from clinics

The following is a snapshot of the effects of financialization of housing in different communities across the province. They were shared with ACTO by the frontline workers from several community legal aid clinics located in the different regions of the province.

[28] Parkdale Neighbourhood Land Trust (n.d), http://www.pnlt.ca/

Algoma Community Legal Clinic, Sault Saint Marie

Northern Ontario is witnessing the disproportionate impact that the financialization of housing is having on the region's most vulnerable tenants. In recent years, in Sault Ste. Marie, the clinic has seen hundreds of affordable rental properties bought by corporate landlords with little to no connection to the community in which they operate.[29] Driven by their desire to return value to shareholders, the sharp rise in rents since the COVID-19 pandemic has priced out the lowest income tenants from the rental market. CMCH data shows that in 2019 the average rent in Sault Ste. Marie was $849, and by 2022, it increased to $1043.[30] The long-term tenants who remain in affordable units are then hard pressed to obtain repairs from landlords who are hundreds of kilometers away, and who employ substandard property management companies that fail to provide adequate services to tenants. Every month, the clinic receives dozens of calls from tenants regarding the state of disrepair of units owned by the same corporate landlords.[31] The high cost of repairs in Northern Ontario communities is a disincentive for landlords to address tenants' maintenance concerns, leading to the deterioration of the region's affordable housing stock.[32] The inability to obtain timely remedies from the Landlord and Tenant Board due to wait times for hearings has meant that low-income tenants, who cannot afford to move, are forced to live in dangerous housing situations often at great personal cost.

Rexdale Community Legal Clinic, North Etobicoke, Toronto

Large, financialized landlords (real estate investment trusts, private equity funds, asset management companies or pension fund landlords) increasingly operate in North Etobicoke and are known to either increase rents as much as possible for sitting tenants, through things like above-guideline increases, or by turning over units by various means so that higher rents can be charged to new tenants.

The buildings housing the tenants the clinic serves are being bought by large financial vehicles. Then these buildings are being renovated. Walking through the clinic's catchment area, it is easy to see the superficial improvements that have been made to balconies, lobbies and entrances meant to attract new tenants from higher income brackets. Meanwhile, the maintenance requests from long-term tenants who pay relatively low rent-controlled rents go unaddressed – including

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[29]Hopkin, J., (2022). "Southern Ontario investor buying up homes in the Sault." Soo Today. https://www.sootoday.com/local-news/southern-ontario-investor-buying-up-homes-in-the-sault-5773130

[30] CMHC, (2022). (table). "Rental Market Statistics Summary by Metropolitan Cities." Retrieved from https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/Table?TableId=2.1.31.2&GeographyId=35&GeographyTypeId=2&DisplayAs=Table&GeograghyName=Ontario#Total

[31] Hopkin, J., (2022). Exclusive: Out-of-town landlords causing headaches in the Sault." Soo Today. https://www.sootoday.com/local-news/exclusive-out-of-town-landlords-causing-headaches-in-the-sault-5703474

[32] ACTO, (2021). "North at Home" https://www.acto.ca/production/wp-content/uploads/2021/05/North-at-Home-final-March-2021.pdf

mould, electrical issues, pest infestations, and serious structural concerns. Tenants may also receive above-guideline rent increases that are difficult and complex to fight at the Landlord and Tenant Board.

Tenants may be harassed, coerced or incentivized to leave their homes so the units can be renovated and re-rented at a much higher price point. Tenants are also being served with eviction notices for any and all reasons – often for minor infractions of the law that traditionally may have meant a brief warning letter or simple negotiation.

For many tenants, these processes often mean being displaced from their long-term communities where they may be paying affordable rent – which CMHC defines as 30% of one's income. Long-term tenants are clearly more targeted in an effort to capitalize on increased rents suite by suite. Knowing this, long-term tenants will tolerate awful maintenance conditions, fearing any kind of retribution from their landlords because of the real threat of the loss of their affordable homes and possibly ending up in the rental market with significantly higher asking rents.

The clinic is seeing an unprecedented number of "no fault" evictions where private landlords claim they, a family member or purchasers intend to move into tenants' units for their own residential use. Often, these claims are spurious but unfortunately frequently successful at the Landlord and Tenant Board. While the RTA provides tenants with remedies if such an eviction happens in bad faith but, the reality is even if a tenant brought an application, by the time it is heard, the tenant's affordable home has been lost; they likely had to leave their community. Most tenants are focused on survival in an unaffordability crisis, which does not leave much capacity to wage a legal battle.

Community Legal Services of Ottawa

Access to affordable rental housing for low-income tenants in Ottawa has been an issue that is increasing in severity in recent years, and most markedly in the past one to two years. Rental housing seems to be increasingly unaffordable and tenancies more unstable for the clients that the clinic serves. For example, the clinic has seen an increase in landlords that are Real Estate Investment Trusts (REITs) and landlords focused exclusively on maximising revenue-generation. The clinic has also seen average rent costs skyrocket.

Now, the clinic is seeing a new trend of rental buildings changing hands rapidly in succession from one landlord to another, sometimes after only minimal cosmetic changes to the buildings. The clinic did not previously see this pattern of rapid changeover of ownership within a short span of time. Further, many of these changes in ownership seem to be companies that are related or affiliated. Additionally, tenants are reporting that landlords are trying to push out what they see to be 'undesireable' long-term tenants in order to increase rents through new tenancies and make rental units look more profitable; they do this by offering buyouts or through pressure and intimidation tactics. The tenants who are targeted are typically vulnerable and low-income individuals.

The clinic previously saw landlords valuing long term tenants who paid regular and reliable rent and who valued their rental units as their homes and treated them with pride. The clinic no longer see landlords valuing such tenants, and in fact, the clinic now sees long-term tenants with lower rent being targeted for evictions so that the landlord can bring in a new sitting tenant at a rent well beyond the rent increase guideline. The clinic sees these long-term tenants targeted in efforts to evict them, including: increased frequency of N12s with landlords reporting that they or a family member will move in after 12 months, increased frequency of N12s related to sale of rental buildings, increased frequency of N13s.

The clinic also heard from tenants that their landlords are undertaking repeated renovations and upgrades to support regular, even yearly, applications for Above Guideline Increases (AGI) in rent. The concern for tenants in these situations is that they are facing compounding rent increases making their housing increasingly unaffordable as a result of being subject to both the predictable annual guideline rent increases and frequent additional AGIs.

The re-development of the Heron Gate community in Ottawa, Ontario, is one example of how the financialization of housing displaces low-income families from affordable multi-room homes and from their communities. The Heron Gate community is located in the South-end of Ottawa. The properties located in the area of development are privately owned and managed by a multi-national, publicly traded investment corporation, Hazelview.

Prior to the initial re-development of Heron Gate, rentals in this community were multi-room townhomes. As many of the renters in those units lived there for many years, the rents were relatively affordable to low-income families. In 2016, Timbercreek/Hazelview proceeded with a re-development project to demolish the buildings and replace them with a “luxury” rental apartment complex with bachelor, 1 and 2 bedroom units (“Vista Local”). Currently, the “Vista Local” that replaced these townhomes are renting bachelor apartments at $1589 per month, 1-bedroom units between $1939 and $2059 per month, and a 2-bedroom unit for $2389 per month[33] These rents are unaffordable for the low-income multi-generational families that used to live in that community.

[33] Website for Vista Local Suites https://www.vistalocal.com/suites

Recommendations

Tie public funding to security of tenure and human rights

When in the 1990s, governments decided to get out of housing market, it inevitably left the private market to assume provision of housing. This was done without any framework that required private actors to treat housing as a human right rather than an investment.

Governments needs to return to building affordable housing, specifically social housing, and significantly boost their proportion of the rental market. They should also provide the supports and incentives for non-profit housing providers to build or acquire the affordable housing desperately needed.

Additionally, access to government funding, public lands and other incentives and supports must prioritize the long-term sustainability and affordability of housing to ensure the security of tenure and the protection of tenant rights for the residents in these units. Stringent conditions should be attached to any agreement to ensure that the affordable housing remains permanently affordable and adheres to human rights principles. For example, rental units should be subject to rent control and have vacancy controls, even in jurisdictions without full rent controls; and affordability be defined by income. Furthermore, large government infrastructure projects (particularly transit) should also include a government priority for development of affordable housing in that community.

Make use of surplus publicly-owned land to develop affordable housing

It is clear that market-based solutions alone are not enough to build a robust supply of deeply affordable housing. The Federal lands Initiative (FSI) as part of the National Housing Strategy exists to support the transfer of surplus federal land and buildings for the purpose of increasing the supply of affordable housing.[34] However, the affordability requirement for this initiative only mandates that 30% of units must be less than 80% of Median Market Rent for a minimum of 25 years.[35] This approach does not guarantee that units are kept affordable in perpetuity.

A coordinated approach across each level of government is needed to increase the role governments play in the development and administration of social housing. Governments should retain ownership of surplus publicly owned lands while working with the private and non-profit sectors in order to develop deeply affordable housing.

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[34] CMHC, (undated). "Federal Lands Initiative." https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/federal-lands#:~:text=The%20Federal%20Lands%20Initiative%20is,for%20use%20as%20affordable%20housing
[35] Ibid.

NHS to establish an acquisitions fund to support non-market interventions

The National Housing Strategy continues to prioritize market-based solutions to a crisis created by market-based logics, overlooking opportunities beyond homeownership and market-oriented frameworks. Rather than continuing to privilege financialized actors, the federal government must consider alternative forms of housing by establishing an acquisitions fund as part of the NHS to support the construction and maintenance of non-market housing. In addition to increasing the supply of affordable units, the fund should preserve existing affordable rentals by removing them from the market and maintaining long-term affordability.

Reform CMHC, mortgage lending system and public pensions

CMHC should be reformed to prohibit the funding, and other supports, being offered to private investment entities that maximize their profits from residential real estate investments. In addition, mortgage lending systems should also be reformed to address lending decisions that favour financialized housing and disadvantages rental housing, and other practices in support of financialized housing, including phasing out the Canada Mortgage Bonds program. Greater transparency is needed in the system to identity the owners of these financial vehicles.

Furthermore, public pension funds should divest from financialized residential real estate entities.

Request that provinces remove vacancy decontrol

Vacancy decontrol incentives financialized actors by encouraging unlawful evictions and depleting the supply of affordable rental housing for greater profits. Without legislation to prevent substantial rent increases between tenancies, the opportunity for renters to secure affordable housing continues to diminish. The federal government must request that provinces remove vacancy decontrol and implement measures to prevent rent gouging in order to stabilize asking rents; and include this as a condition with any federal housing funds transferred to the provinces.

This would not be the first time the federal government has requested that provinces intervene in the private rental housing market. The majority of provinces implemented rent control in 1975 at the request of the federal government as part of the nation's *Anti-Inflation Act*.[36] As rents continue to rise, it is clear that changes must be made to legislation governing rental housing. Removing vacancy decontrol is just one step in protecting an existing supply of affordable units.

[36] Smith, Lawrence B. "Canadian Housing Policy in the Seventies." *Land Economics* 57, no. 3 (1981): 338–52. https://doi.org/10.2307/3146015.

Taxation Reforms

The preferential tax treatment financialized landlords enjoy needs to end. There are numerous opportunities to tax residential real estate investor and put those proceeds back into affordable housing. For example, all investment properties should be subject to a capital gains tax. The record profits generated by REITs should be subject to corporate income tax. The non-resident speculation tax should be expanded to include domestic investors and large corporations. Progressively higher taxes should be applied to second, third and subsequent properties; and any units that are flipped should also be taxed on those gains. Properties left vacant should also be taxed. Land transfer taxes could be applied to investors at a higher rates than those buy a property as a primary residence. Taxation should also be reformed to extend benefits to non-profit housing providers and other entities creating and maintaining true affordable housing.

Regulate the financialization of non-purpose built rentals and other forms of housing

Although this review is focused on the financialization of purpose-built rentals, financialization by small investors and financialization of other forms of housing should also be regulated.

Investors in other forms of housing have a significant impact on low-income and vulnerable tenants. Short-term rentals should be strictly regulated and should not be permitted in non-primary residences. Long-term care homes, senior homes and student housing are increasingly being provided by private investors, whose inherent focus on profits over the well-being of residents can produce dire consequences. In addition, several corporations operating in North America are purchasing large number of single family homes in suburban communities, denying access to first time homebuyers.