

FINDINGS: ACORN CANADA SURVEY

IMPACT OF FINANCIALIZATION OF HOUSING ON TENANTS

2022



Financialization of rental housing has seen a massive growth over the last few years and is intensifying Canada's affordable housing crisis, affecting hundreds of thousands of tenants across the country.

Financialization of housing happens when housing is treated as a commodity and not a home or a right. Real Estate Investment Trusts (REITs), Asset Management Companies, Private Equity Funds, Pension Funds, Hedge Funds are aggressively buying up massive stock of apartment buildings that were once affordable to transform them into a financial investment.

Priority of these firms: maximum profit, flipping units and/or renovating tenants to take advantage of weak rent control laws, repositioning the units by adding fees and extra charges, cutting costs by not doing repairs.

Thousands of ACORN members live in apartment buildings owned by financialized landlords. We undertook a national survey to understand the impact of financialization of housing on low- and moderate-income tenants. This survey focused on how financialized landlords compare with other landlords when it comes to issues such as repair and maintenance and rent increases. A total of 606 renters responded to the survey.

Out of 606 tenants who responded to the survey, we were able to categorize the landlord for 385 tenants. **For 23% of tenants, the information about the landlord could not be located because of lack of transparency about the landlord.** For some of the tenants, the address was not complete.

For analysis, landlords were classified as following categories - financialized landlord, large - private/family-owned/corporate landlord, small - private/family-owned landlord and non-profit / co-op housing/ social housing. Financialized landlords constituted 17% of the total data collected through this survey.

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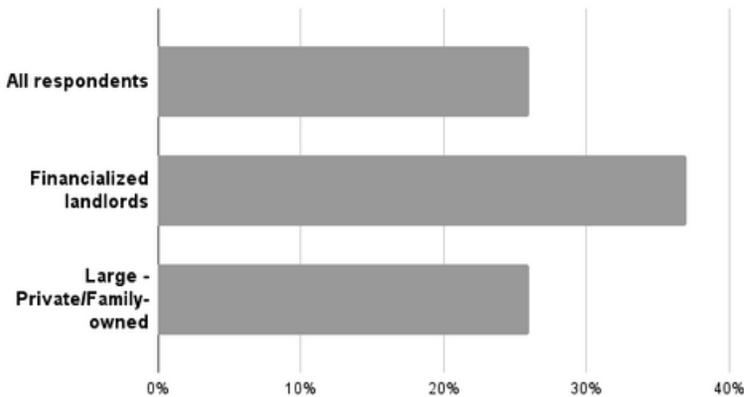
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ACORN CANADA SURVEY

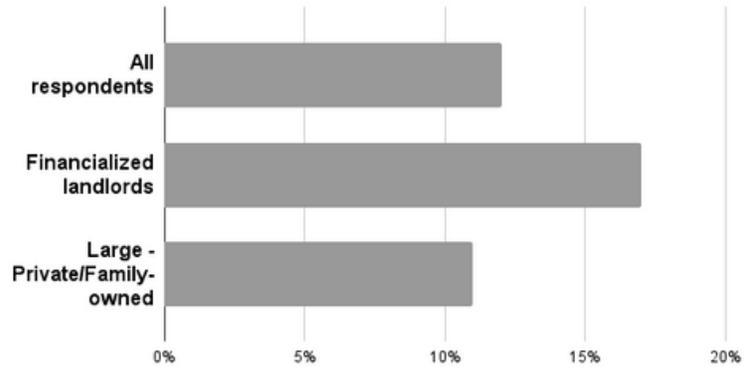


Many tenants in financialized housing saw their landlord change in the last 5 years and the condition of the unit declining.

Tenants (%) who have seen their landlord change in the last 5 yrs

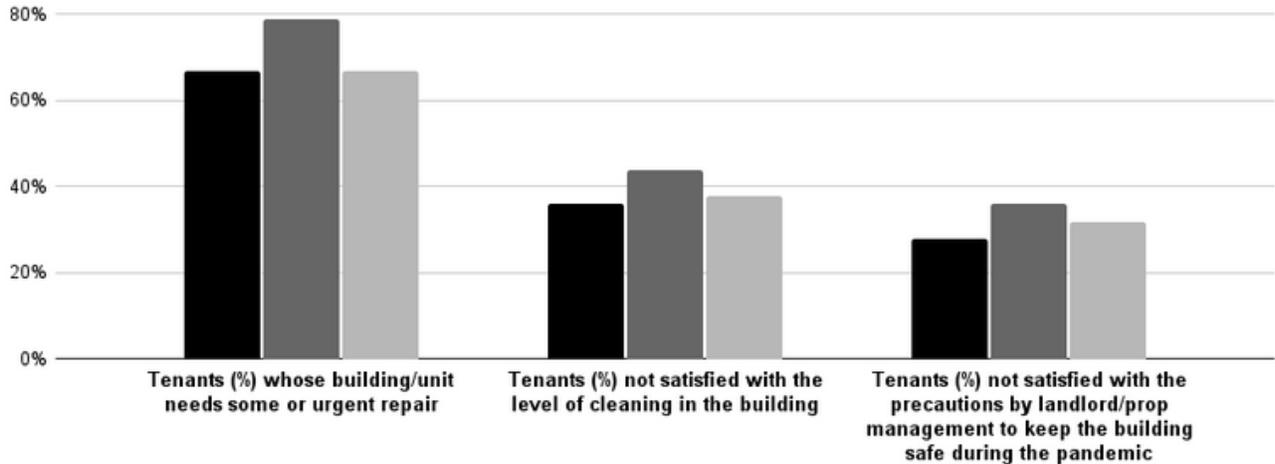


Tenants (%) who saw the unit condition going worse where the landlord changed

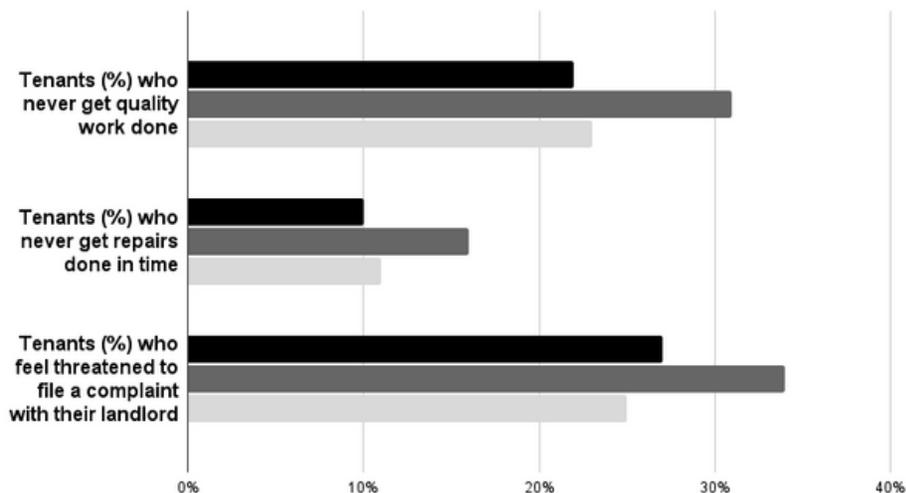


Higher % of tenants in financialized housing are facing repair and maintenance issues.

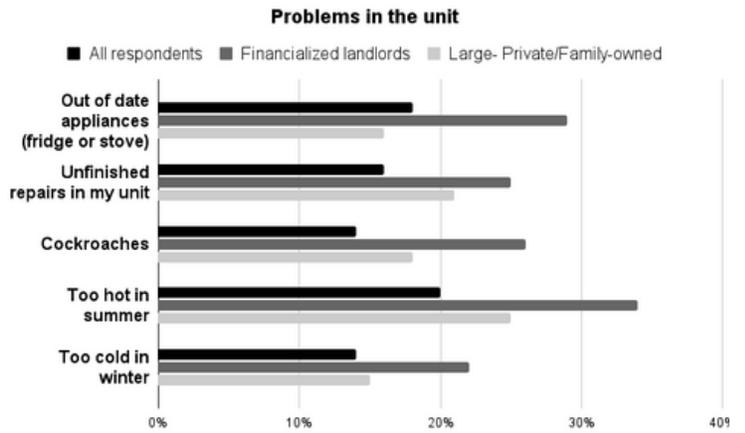
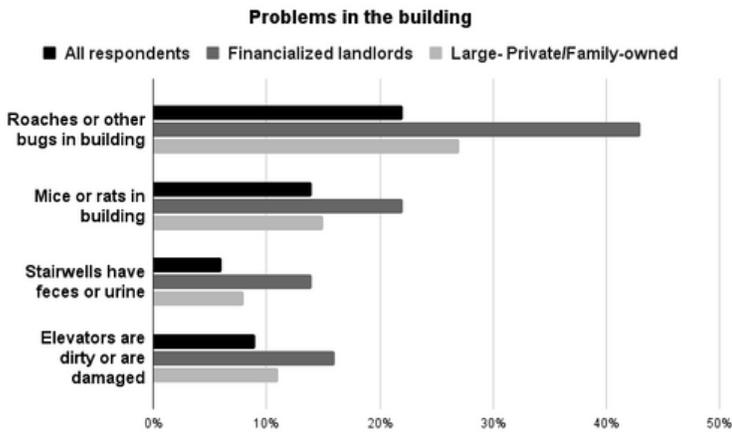
■ All respondents ■ Financialized landlords ■ Large- Private/Family-owned



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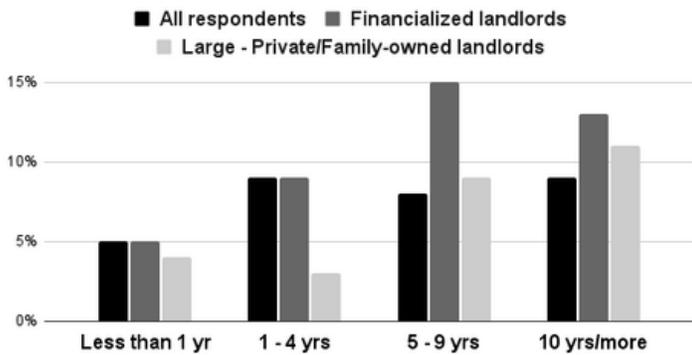


! Higher % of tenants in financialized housing face pest problems in the building & the unit.

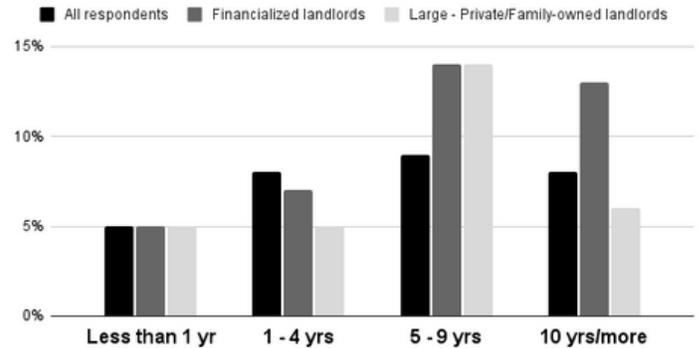


! The longer a tenant lives in a unit, harder it gets to get any repair work done. This is especially the case for those with financialized landlords.

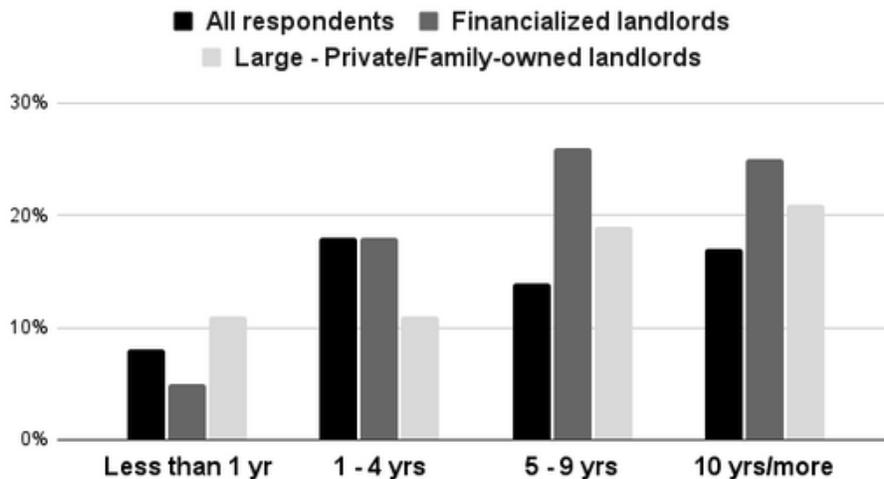
Tenants (%) who feel threatened to file a complaint by duration of stay in the unit



Tenants (%) who never get quality work done by duration of stay in the unit

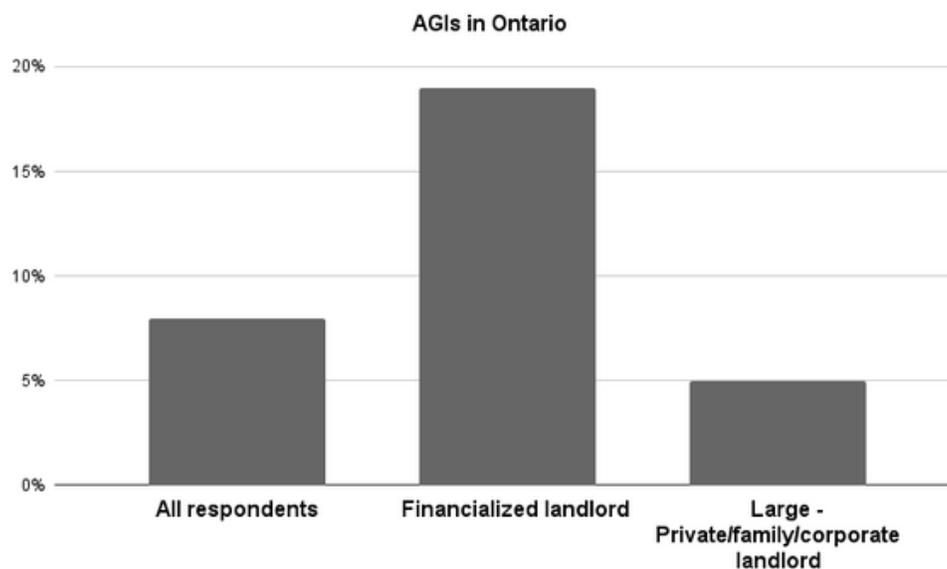


Tenants (%) need some/urgent repair by duration of stay in the unit

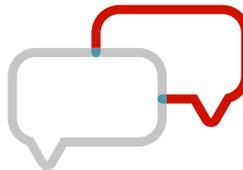


ONTARIO - Tenants in financialized housing much more likely to get rent increases or AGIs

- In Ontario, landlords are allowed to raise the rent above the provincial guideline for capital expenditures and property taxes. Above Guideline rent increases (AGIs) have become a common tactic for big corporate landlords to extract more money from tenants. Last year, the Ontario Government brought the Rent Freeze legislation but AGIs were exempted.
- 19% of tenants with financialized landlords mentioned getting AGIs as compared to tenants with any other type of landlord where the percentage varied between 8-5% for the rest of the tenants and those with large-private/family landlords.



ACORN MEMBERS' EXPERIENCES WITH FINANCIALIZED HOUSING



“ My landlord - Timbercreek (now Hazelview) - was bullying me because they refused to repair anything in my house. I had mice, there were big holes in the wall, bedbugs, the toilet was broken, and they wouldn't fix anything. In 2016 I was evicted from Herongate because they said the houses were beyond repair. But they purposely let them fall apart. I wasn't compensated - they instead moved me across the street to Baycrest where my family was evicted again in 2019 (**Former Hazelview tenant, Ottawa**).

Starlight bought the building last year. My rent was \$1,230 and suddenly it changed to \$1,310. I told them it was \$1,230 but they ignored me. They said they raised the rent, but I was completely unaware of it. I have been renting this apartment since 2015 and have always paid \$1,230, they are railroading me. They are sharks, they have big lawyers, we are fighting against a giant. It is not a fair fight (**Starlight Investments tenant, Toronto**).

“ Since yesterday, my bathroom has been dysfunctional. I can't flush my toilet. I have been trying to get someone to fix it, but it's been a day and nothing! I have disabilities, so I can't even go anywhere else. A year or two ago I spoke to the landlord to move me to a unit that is on the ground floor, but they asked me to pay \$1,550 per month. Right now I pay \$975! Despite the regulation by the province, they evicted people during the pandemic who couldn't pay rent (**Mainstreet Equity tenant, Calgary**).

CAPREIT is extremely bad with work orders and getting anything done. When it rains, all the rainwater collects on the patio and every floor gets flooded. You can see bubbles from the floor. Now they are charging more money to renovate the units. It took them 8 months to fix the screen of our patio door. A lot of people pay \$1,200 in rent, it's a lot of money to pay when you have pest and structural issues. There's garbage in the hallways. Security is a joke, it's there for the sake of it. The staff changes too many times, it's too disorganized (**CAPREIT tenant, Halifax**).

“ The day I was putting the bedding on, and I noticed that the floor was soaked. The blanket box had water. I immediately called the management to say there was water. Four days later they sent someone, and they said it was condensation. I asked if nothing can be done to prevent this water? I went to the tribunal. They gave Killam 48 hours to correct the issue. I waited for a week and then went to the media. Then it took them a month to fix it. I had to take everything out of the two rooms, including the bed (**Killam REIT tenant, Saint John**).

ACORN'S RECOMMENDATIONS TO REIN IN FINANCIALIZED HOUSING

Disclosure of property ownership

Every tenant should have the right to know who their landlord is. There needs to be total transparency of land ownership. As this study shows, it was often difficult for tenants to understand who their landlord is. The federal government should mandate disclosure of property ownership across all provinces. Countries like the United Kingdom and Sweden require information about ownership to be included in publicly accessible databases. To prevent money laundering, the EU member states have set Ultimate Beneficial Ownership (UBO) disclosure as a requirement.

Moratorium on acquisition of properties by financialized landlords - It is critical to ensure that financialized landlords are stopped from buying more affordable housing.

- This can be done by banning financialized landlords from acquiring residential housing (apartment buildings or single family homes).
- Setting limits to how much housing can financialized landlords acquire. In Berlin, corporations cannot own more than 3000 apartment suites.
- Montreal has implemented a bylaw to give the city the right of first refusal on property sales involving rental units with rents at affordable levels as a way to capture and preserve this important stock. This should be nationalized.

Non-profit acquisition strategy

The federal government must create a non-profit acquisition strategy. The government should set up a CMHC non-profit acquisitions fund. CMHC should supplement the National Housing Strategy's Co-Investment Fund with an Acquisitions Fund that would enable non-profit, co-op and land trust organizations to purchase at-risk rental buildings when they come on the market.

Stop tax exemptions to REITs

Real Estate Investments Trusts, unlike other income trusts in Canada, enjoy preferential tax treatment provided by the Federal Income Tax Act that exempts REITs from paying any tax at the corporate level or the entity level. The federal government should immediately close this tax loophole. It makes no financial sense for the federal government to invest in affordable housing on one hand and then incentivise the reduction of it on the other. Alternately, the federal government should re-evaluate this and make the tax rate for REITs based on how much affordable housing they are providing / or destroying.

Stop financing financialized landlords or make it conditional

- CMHC must stop financing financialized landlords. The Canada Mortgage and Housing Corporation (CMHC) - Canada's national housing agency aids and abets the process of financialization by offering its insured mortgage products to assist capital funds and REITs to secure the financing required to facilitate their acquisition programs.

- CMHC must stop these enabling activities as the housing that is built and acquired by financialized landlords is not affordable. Any CMHC backed financing/ federal funding to financialized landlords should be tied to certain conditions such as:
 - A No Displacement Guarantee to providing any insurance to entities such as REITs.
 - Affordability criteria - Housing should target those people who are in core housing need. All public money supporting the creation of "affordable housing" must support tenants who are in core housing need. Most people in core housing need have an income below \$30,000/year. As per recent data, 18% of all Canadian households have income below \$30,000. Hence, their monthly rent at 1/3 of income should not exceed \$750/month. OR atleast 30% of the development should provide units at or below 80% Average Market Rent.
 - The units should be kept affordable for perpetuity.
 - Minimum maintenance and energy efficiency standards
- Further, the federal government needs to regulate banks to not provide financing for acquisitions when the purchaser intends to increase rents beyond the guideline amount.