



Advocacy Centre  
for Tenants Ontario

Tenant Duty  
Counsel Program

# Tenant Protection and Rent Regulation in Ontario





## **Renters and homeowners have the right to live in safe, adequate and affordable homes.**

In Ontario, 30% of households are renters. In the city of Toronto, nearly half of households are renters.

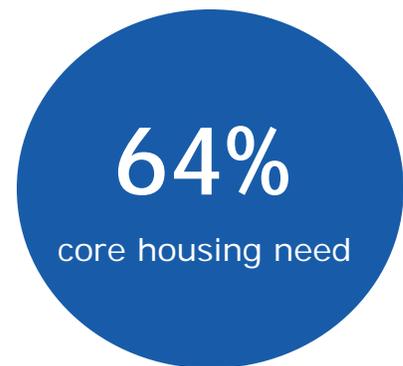
Housing has multiple social and health impacts, including educational outcomes, exposure to environmental contaminants and access to healthy food. Housing is not just another commodity. It is a fundamental human right. Without access to secure, adequate and affordable housing, people cannot live healthy lives with dignity.



## CORE HOUSING NEED

A household is in core housing need if it falls below at least 1 of the adequacy, affordability, or suitability standards. The household would have to spend 30% or more of its total before-tax income to pay the median rent of housing that meets all three standards.

Based on the 2016 Statistics Canada Census, while renter households accounted for 29% of all Ontario households in 2016, they comprised 64% of households in core housing need. This is a significantly disproportionate share.





## HOUSING AFFORDABILITY

Rents have risen across Ontario over the past 20 years. However, incomes have not kept pace with rising housing costs over the same period. Very few primary rentals have been built in Ontario. In fact, since 1990, less than 9% of all new units built in Ontario were rentals. What has been built are high-end rentals that are out of reach for tenants living on low to moderate incomes.

The majority of Ontario tenants living on lower incomes rent their home in the private rental market. The waiting list for social housing continues to grow while the majority of Ontario's social housing stock is in a state of disrepair.



**46%** of Ontario renters spend over **30%** of their income on housing.



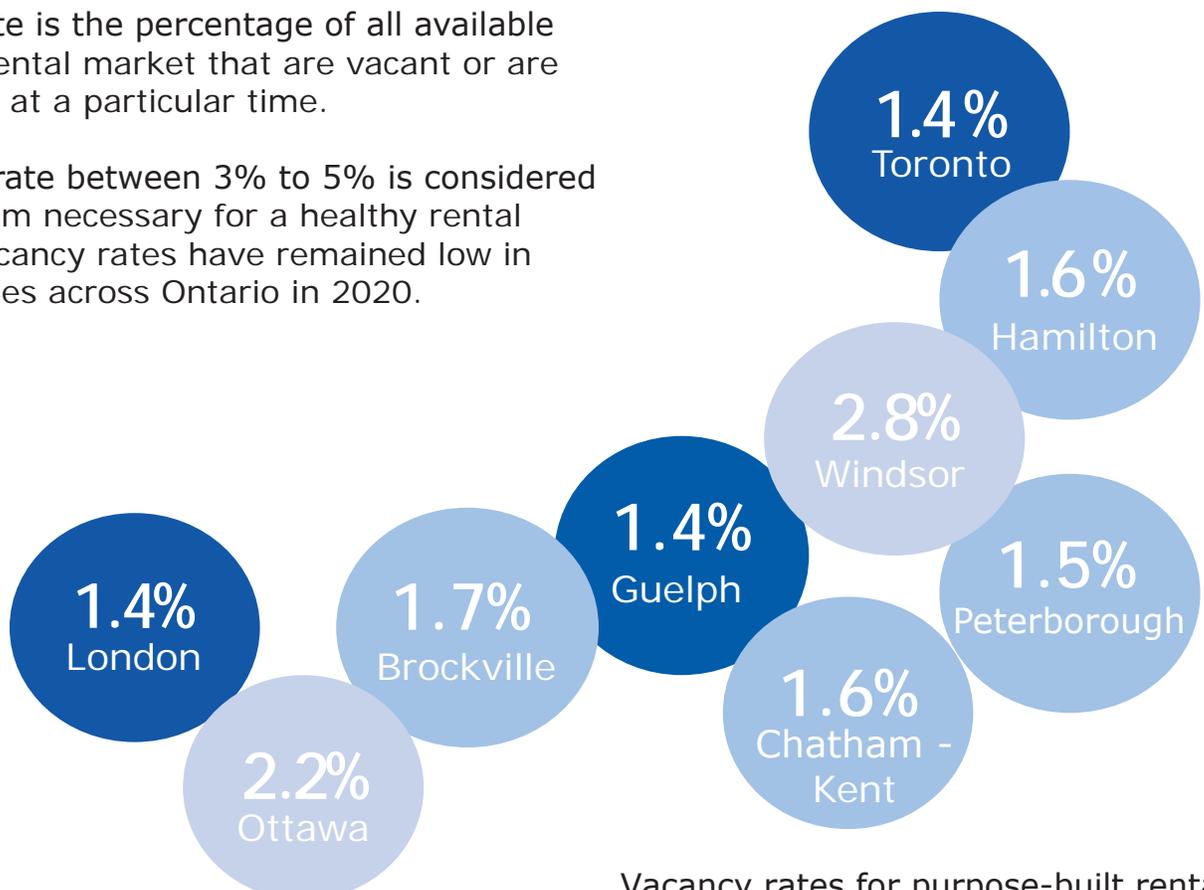
**21%** of Ontario renters spend over **50%** of their income on housing.



## VACANCY RATE

Vacancy rate is the percentage of all available units in a rental market that are vacant or are unoccupied at a particular time.

A vacancy rate between 3% to 5% is considered the minimum necessary for a healthy rental market. Vacancy rates have remained low in municipalities across Ontario in 2020.



Vacancy rates for purpose-built rentals  
(rents ranging from \$750 - \$999)



## AVERAGE RENTS

There are two types of private rental housing: primary and secondary rentals. The primary market consists of purpose-built rentals of 3 units or more. The secondary rental market includes condominiums, basement apartments, duplexes, granny flats, etc.

Due to the lack of new purpose-built rental housing, secondary units like condos have become an important part of the rental market but are not sufficient to accommodate increasing demand for rental housing Ontario. In Toronto for instance, 1/3 of all condo units are being rented. However, secondary rentals are not a long-term solution for tenants as there is less security of tenure because they can be evicted with just 60 days of notice if the property owner wishes to occupy the unit or sell it.

Condo rents are also much higher than rents in purpose-built rentals. The average rent in 2020 for a condo unit in Toronto was \$2,323 compared to the average rent of \$1,536 for rental apartments. Average rents include all rents that sitting tenants pay irrespective of how long they have been renting the unit. According to the Canada Mortgage and Housing Corporation (CMHC), from 2011 to 2020, the average rent for condo units in Toronto increased by 54% compared to 43% increase for apartments.

Asking rents are usually higher than average rents, but in 2020 asking rents were tempered by the impact of the COVID-19 pandemic. According to PadMapper's February 2021 report, asking rent for a 1-bedroom in Toronto is \$1,770, \$1,650 in Barrie, \$1,400 in Ottawa, \$1,390 in Kitchener, and \$1,370 in Hamilton.



## AFFORDABLE RENTS

Affordable rent is when a tenant household is not forced to pay more than 30% of their income on rent (and utilities).

In recent years, there has been some increase in the development of new purpose-built rental properties. But, these tend to be luxury apartments where new units have high rents. Building luxury purpose-built rentals will not address the need for new affordable rental housing.

With rising rents and low availability of affordable rental units, renters are forced to move out of their rapidly-gentrifying neighbourhoods - displaced from their communities, local services and support systems - and potentially increasing their commuting time to work.

## Vacancy Decontrol

Ontario has a policy called vacancy decontrol, which overtime has led to a reduction of the number of rental units that are affordable.

Vacancy decontrol means that a landlord in Ontario can charge any amount of rent to a new tenant, once a rental unit is vacated. This policy has created an economic incentive for landlords to rent gouge.

A bachelor that currently rents for \$800, will not have the same rent for the next tenant that moves into that same unit. With low vacancy rates, tenants can expect to see the same bachelor unit going for \$1200+ a month without upgrades or repairs to the unit.



## COVID-19 PANDEMIC AND RENT ARREARS

Renters living on lower incomes are particularly impacted by the pandemic crisis because they work in industries hardest hit by the crisis such as hospitality and food services.

Many renters earn low pay as incomes have remained stagnant for more than 30 years while the cost of necessities have continued to rise. For many, their paycheques cannot be stretched to save for an emergency fund. According to a March 2020 report by the Canadian Centre for Policy Alternatives, close to half (46%) of working renters (employed or self-employed) in Canada did not have enough savings to pay their bills for more than a month if they lost their job. In Ontario, 521,000 renter households did not have enough savings to get through the month without working.

If these renters get sick during the pandemic they will struggle because many do not have paid sick days, as the provincially mandated minimum paid sick days in Ontario was scrapped in 2018 by the Ontario government.

### Rent Arrears

The CMHC's 2020 Rental Market Report shows the growing levels of rent arrears (rent not paid in full) nationally, and particularly in Ontario:

- > In rental apartment structures where most low to moderate income renters live, there was a reported increase of 58% in rent arrears.
- > Ontario posted the highest rent arrears rate in Canada as of October 2020.
- > Toronto recorded the highest arrears rate amongst Canada's cities.



## RENT FREEZE

Ontario has regulated rents since 1975. Rent regulation protects tenants from arbitrary rent increases and sets a guideline for what landlords can raise the rent on a unit that is occupied by a tenant.

The annual rent increase guideline is based on the Ontario Consumer Price Index (CPI) and capped at 2.5%. In 2020, the annual rent increase was 2.2%.

The government of Ontario amended the law in October 2020 to freeze rent increases between January 1, 2021 and December 31, 2021, although there are significant exceptions. This freeze means that private landlords are not allowed to increase the rent by the annual rent guideline for that time frame. The rent freeze also applies to units exempt from rent guideline increases (the 2018 exemption as discussed later in this factsheet). Rent-gear-to-income tenants' rents will also be kept at the same 2020 level.

However, above-guideline rent increases (AGIs) are still allowed, which is a significant exemption benefitting large corporate landlords that most frequently apply for AGIs (as reported by RenovictionsTO).

Rents will also continue to increase between tenants as vacancy decontrol remains unchanged in 2021, encouraging rent gouging and incentivizing the eviction of long-standing tenants from their homes.



## RENT REGULATION - 1991 EXEMPTION

In 1996, the Government of Ontario introduced the exemption from rent regulation for units built on or after November 1, 1991, to encourage the construction of new rental units. However, after 26 years it became clear that this exemption had failed as an incentive for developers to build the new affordable rental units that Ontario needed.

Based on population growth and household formation for Ontario, we need to build about 10,000 new rental units annually to meet demand. From 1995 to 2016, only an average of 3,452 rental housing units per year was completed in Ontario - less than half the number of units needed to fulfill demand.

This failed policy created two classes of tenants in Ontario; those protected by rent regulation and those living in post-1991 units that were not protected by rent regulation.

## Bill 124 Rental Fairness Act

In 2017, the Government of Ontario listened to the grievances of thousands of tenants in Ontario and introduced Bill 124 to end the unfair 1991 exemption and extended protection to 250,000 tenant households from arbitrary rent increases and economic evictions.



## RENT REGULATION - 2018 EXEMPTION

In November 2018, the newly elected Government of Ontario re-introduced the exemption from rent regulation for units occupied for residential purposes on or after November 15, 2018.

Despite evidence of the failings of the 1991 exemption, any new form of rental housing built or first occupied as a residential purposes after November 15, 2018, is exempt from the annual rent increase guideline. This means that a landlord renting a new basement unit, new purpose-built rental or other forms of rental housing will be able to increase rents to any amount they wish on an annual basis for a sitting tenant.

Once again, there are two classes of tenants in Ontario; those protected by rent regulation and those living in post-2018 units that are not protected by rent regulation.

### Tax and Land-Use

The major reason why developers stopped investing in rental properties was the removal of government incentives in the 1980s. Taxes and land-use regulations are a stronger incentive to encourage building rental housing.

Rent regulation is meant to protect tenants and should not be used as an incentive for developers to build rental housing.

Removing rent regulation will not solve Ontario's problem with inadequate supply of rental housing and has only off-loaded the cost of unaffordable rents onto tenants.



## **RENT REGULATION - DISPELLING MYTHS**

Some have argued that rent regulations limit landlords' resources to make necessary investments in repairs.

This is not true.

Increases in utilities and taxes are covered because they are taken into account in calculating the Consumer Price Index (CPI), which forms the basis for the annual rent increase guideline in Ontario.

The basis of this argument is also not true as it assumes that landlords are willing to allow their major investment to fall into disrepair and therefore lose value and appeal to renters. In fact, landlords have pointed out that well-maintained properties are an important investment in attracting and retaining tenants, therefore contributing to continued growth and profitability.

Additionally, under rent regulations, landlords can ask for rent increases above the guideline in order to cover larger capital expenditures.



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