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## **Breakenridge: Rent control bill won't fix the lack of supply**

*If we want to keep rent under control, then we need more supply*

**Rob Breakenridge || December 12, 2023**



A suites for rent sign outside an apartment building in Edmonton, Monday, Jan. 30, 2023. PHOTO BY DAVID BLOOM /Postmedia

The idea of rent control is likely still a political non-starter in Alberta, but that hasn't yet discouraged its proponents from trying.

The latest attempt to force the issue comes in the form of Bill 205, tabled last week by the Alberta NDP. The Opposition surely knows that this bill is doomed to fail, but maybe this is just their way of getting the government on the record siding with what the NDP sees as the wrong side of this issue.

However, despite the NDP's newfound enthusiasm for this idea (if it's not newfound, then it's puzzling as to why they ignored this while in government), it's not at all clear that they've landed on the right side of this debate. In fact, there are many ways the NDP's approach could prove to be counterproductive.

The main thrust of Bill 205 is to impose a cap on rent increases: two per cent for the first two years and then linked to the rate of inflation for the following three years. This would apply to both occupied and vacant units.

That would undoubtedly come as welcome news to many renters. It is certainly true that Calgary — not unlike many cities across the country — has seen steep rent increases over the last year. But while the concern is understandable, the approach misses the mark. Rent control and rent caps misdiagnose the source of the problem and can pose an obstacle to the necessary solution.

It's quite clear that the driving force behind higher rent — and higher overall housing prices — is an imbalance between supply and demand. If we want to keep rent under control, then we need more supply.

The implied premise of rent control is that landlords are to blame due to their greedy pursuit of profits. While the caricature may fit in some instances, there is no ability to be greedy when supply is abundant. More supply means more options and more options mean more leverage for tenants. That's what we need to strive for.

First of all, rent caps do nothing for those who are unable to find a home to rent or are unable to afford what's currently available and can potentially exacerbate that situation.

The reality is that those who own property for rentals are under considerable financial pressure themselves, between high mortgage rates, insurance costs, utility costs, taxes, and so on. We should not fool ourselves into thinking that this is such a lucrative venture that they will not sell their property and walk away. Nor should we fool ourselves into thinking that this will have no impact on those considering adding to the rental supply.

Given the situation we find ourselves in, it seems wise to avoid anything that might remove existing supply from the market or discourage the creation of new supply.

It should also be noted that the most expensive rental markets in the country are found in provinces that have such rental protection policies in place. According to the latest national rent report from Rentals.ca, 19 of the 20 most expensive rental markets are in either B.C. or Ontario (Calgary and Edmonton are 23rd and 30th, respectively). Markets like Burnaby, Markham, Halifax, and Montreal all saw higher year-over-year increases than Calgary for November.

There is one other aspect to the NDP plan that seems more useful and more likely to garner support. The bill calls on the government to set and publish clear minimum targets for new affordable and social housing units each year. That's certainly an area where the government has a big role to play.

What the bill overlooks, surprisingly, is the ability of the government to provide additional targeted assistance to those struggling to put or keep a roof over their head. That could also make an immediate difference without negatively affecting the market.

The impulse to fix the problem is laudable, but that can't justify bad policy.