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When Your Landlord Is a Billion-Dollar Corporation

Real estate trusts are sending rents soaring and reshaping Canada's cities

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When Syed Noman Ali opened the new lease papers from his landlord in May, it was yet another rent increase, the second in as many years. In 2022, Ali had been paying $1,425 a month, plus $50 for parking, for his low-rise three-bedroom unit. When Avenue Living, the Calgary-based real estate owner and operator, took over the building that same year, it raised his base rent to $2,125. It now wanted $2,450.

Ali was also paying additional costs the previous owner never billed. Avenue Living wanted $60 per month for parking, a $15 environmental recovery fee, and a $30 security fee. *For what?* Ali asked. The security guards who used to protect the complex were gone since Avenue Living took over, and the security cameras on the property had been a fixture long before the ownership change, he said.

Finding something cheaper elsewhere is its own challenge. Alberta has no rent control. Ali would downsize to a two-bedroom if he could, but as he has three school-aged children, landlords are saying no. After he pays rent, "plus my bills, buying groceries, it's above $3,000," Ali said over Zoom as he pointed to the lease papers. "So I have no idea what I have to do."

Avenue Living is a real estate investment trust—REIT—that has almost $6 billion in assets and operates close to 16,000 residential rental units in Canada. The company told The Walrus that while it was committed to balancing affordability and residents' needs, the costs of operating and updating properties have "significantly increased" in recent years. The environmental fee, it argued, helps offset surcharges related to garbage, recycling, water, and wastewater removal. The security charge helps ensure cameras function properly, tenant requests are followed up on, work orders are completed promptly, and there is a round-the-clock call centre for maintenance and emergencies.

That's not much reassurance for tenants like Ali who, across many parts of Canada, are feeling squeezed by financialized landlords. Essentially, the financialization of housing refers to the process of turning housing into a tool primarily for profit. Deep-pocketed entities, like REITs, amass cheap housing stock. Their investors, in turn, expect high returns on that investment, which is why these landlords deploy strategies that squeeze out higher rents from tenants.

"These firms are compelled to maximize the profit that they get out of their properties and to do so in a way that's more intense than other types of firms," said Martine August, an associate professor with the School of Planning at the University of Waterloo and the author of "The Financialization of Housing in Canada," a Canadian Human Rights Commission report.

Disruptive renovations and neglectful upkeep are used as weapons to drive tenants out, enabling landlords to hike rents and degrade the living standards and health of residents. This ruthless approach isn't just hurting renters—it's rippling across the housing sector, particularly as these landlords also buy up retirement homes, long-term care facilities, and student housing.

The bottom line: REITs are helping tear apart the very fabric of housing stability.

Financialized landlords have expanded their footprint dramatically over the years, particularly during the pandemic. They spent billions acquiring older apartment buildings in lower-income neighbourhoods, upgraded and renovated vacated apartments, then “repositioned” the properties for new tenants at much higher rates.

These tactics help drive gentrification, making the overall community even less affordable for long-time residents, many of whom are low- or fixed-income tenants, like seniors. The surge in rent also impacts the broader rental market, because in provinces with weak or no rent control, it encourages individual private landlords to raise prices. Overall average asking rent in Canada has jumped some 20 percent, or the equivalent of roughly $450 a month, since September 2021, according to a recent *Rentals.ca* report.

Financial firms today control 20 to 30 percent of Canada’s “purpose-built” rentals—meaning homes built specifically to be rented, according to the human rights commission report. And they keep growing. “REITs are just merging and acquiring, merging and acquiring. The name of the game in the real estate industry is a lot of leverage,” said Ricardo Tranjan, a political economist and senior researcher with the Canadian Centre for Policy Alternatives. Even when financial firms build new rental properties, they fail to add to the supply of affordable housing, because starting rents are set high.

The largest companies own tens of thousands of units each. Starlight Investments, for example, is a global real estate investment and asset management firm that expanded its reach through REIT acquisitions and now owns more than 66,000 residential units. Meanwhile, the government-owned Public Sector Pension Investment Board, which manages retirement pension money for federal workers, including the Royal Canadian Mounted Police and the Canadian Armed Forces, owns a number of properties with thousands of units, managed by Starlight. The Canadian Apartment Properties Real Estate Investment Trust, or CAPREIT, the country’s largest publicly traded residential REIT, owns approximately 44,900 residential suites domestically.

REITs have drawn scrutiny because they are effectively exempt from paying corporate taxes. Over the course of a decade, this translates to hundreds of millions in forgone government revenue—tax dollars that could be put toward affordable housing. To maintain this preferential status, REITs must derive most of their income from rent, mortgage interest, or property sales and distribute their taxable income among investors. REITs are, in fact, legally obligated to maximize the income investors receive, and investors can actually sue if they’re not getting returns. Rent increases are thus key, further incentivizing practices that undermine housing affordability.

But at least REITs have to disclose their finances. Nemoy Lewis, an assistant professor at the School of Urban and Regional Planning at Toronto Metropolitan University, says asset management and private equity firms, which operate with little transparency, are overtaking REITs in influence. With private entities, the lack of transparency means a lack of accountability. It becomes difficult to know who really owns or controls a property, how much of the market they control, or how they are being invested in. Are they being left vacant on purpose, for example? This lack of information means policy making becomes harder.

To understand how financialized landlords came to wield such significant influence over Canada's rental market, we need to look back several decades—to a series of regulatory and policy shifts at both the federal and provincial levels that made real estate an attractive investment option. The 1986 Income Tax Act laid the groundwork for the eventual creation of REITs, envisioned as a way for average individual investors to share in the benefits and opportunities of commercial real estate. The first REIT in Canada was launched in June 1993.

Around the same time, Canada was dealing with massive debt. Affordable housing, health care, and foreign aid were among the many government programs that took a hit. Ottawa's involvement in social housing came to a halt with the February 1992 budget, when the Brian Mulroney government ended the federal co-operative housing program that had built almost 60,000 homes for low- and moderate-income Canadians. In the budget the following year, the government pulled back further, freezing expenditures on social housing altogether for the first time in half a century.

Another trend emerged in the 1990s: the construction of rental buildings declined sharply. Drawn by the promise of faster returns, developers shifted their focus to condominiums, with individual buyers snapping up units as investment properties. These shifts in construction also meant Canada's rental apartments were showing their age, with more than 80 percent built before 1980. "We saw a big boom in the '50s, '60s, and '70s, and then it kind of went off a cliff," said Tony Irwin, interim president of the Canadian Federation of Apartment Associations, representing the owners and managers of more than a million rental units across Canada.

In provinces like Ontario, where strict rent control was in place, developers were arguably hesitant to sink money into apartment buildings if they couldn't increase rents. To spur construction, in the 1990s, the province introduced five-year exemptions from rent caps for newly built units. Landlords were allowed to evict tenants for "no fault" reasons, like renovations. Tenant protection laws were also rolled back, with key measures that allowed landlords to increase rents to whatever level they wanted when a tenant moved out, as well as "above guideline increases"—

or AGIs—which allowed landlords, if they incurred major expenditures, to apply for hikes that exceeded control caps.

In sum, over the course of a few decades, REITs grew from owning zero rental units to approximately 200,000 by 2021. Today, according to Irwin, the country's five largest publicly traded residential REITs—Boardwalk, Killam, Minto, CAPREIT, and InterRent—represent approximately 120,000 rental apartments across Canada.

According to Irwin, this accounts for only 2.5 percent of all rental apartments. But critics say that figure does not tell the whole story, nor does it convey the outsized effect of financialization on housing affordability. REITs are far from the only players. Regulatory changes at the federal level have also allowed pension funds to invest further in the real estate market, while asset management companies and private equity firms also jumped into the fray, further commodifying housing. As August estimated in her report, the total figure of rental units controlled by financialized landlords is likely over ten times greater than Irwin's current estimates.

Nearly 48 percent of households in Canada's largest city are renters, according to the 2021 Statistics Canada census, with many living in apartment units owned and operated by financialized landlords. They include row houses nestled inside quiet single-family neighbourhoods and high-rises in bustling multi-ethnic neighbourhoods next to shopping malls, plazas, and Costcos.

In one of these buildings, in the Scarborough neighbourhood of Woburn, Khadijah Al-Maqdisy has been dealing with unresponsive landlords for years. The building she's lived in since 1996 has changed hands a number of times and is now part of Golden Equity Properties, which owns more than a dozen other mostly low- to mid-rise buildings in the city. On their website, rent for a one-bedroom unit in Al-Maqdisy's building starts at $1,800, excluding hydro, hot water, and parking.

Thanks to rent control, Al-Maqdisy pays only $1,456.97, which includes $100 for parking and hydro, for her two-bedroom apartment. Ontario landlords are allowed a 2.5 percent annual increase in rent, but Al-Maqdisy says Golden Equity has been pressing for more consistently—asking for as much as a 5.5 percent bump. But her home has been plagued by issues, many of which have gone unresolved or taken a long time to be addressed. They include water seeping in on the rainiest days. Her balcony, which has been upgraded, did not drain properly, she says. The paint and plaster around her windows, which have been replaced as part of a government energy-efficiency initiative, continued to peel and crumble from the moisture. Water started to drip under the sink of her newly redone kitchen, while the sealing between the countertop and walls is cracking.

“All of us, we thrived and worked hard to achieve, but we were not able to buy a house,” said Al-Maqdisy, who came to Canada as a refugee, went back to school, graduated, and became an early childhood educator while raising four children. “Unfortunately, in Canada, to buy a home, it’s a dream, and to rent is a nightmare. I am sixty-eight, and I can’t afford to retire. If I retire, I don’t know how I will pay my rent.”

Al-Maqdisy is not alone. August says financialized firms often neglect maintenance, particularly for long-time tenants paying lower rents. Together with renovations and upgrades that would reposition the property for higher rent, these tactics can make tenants feel harassed and pressured to leave. “A lot of this is associated with things like increased stress and anxiety for people who are living through that and might be pushed out of their homes,” August said, noting property managers may apply different approaches within the same property. “Tenants see renovations happening in their building, lobby construction, lobby upgrades, landscaping outside, that kind of thing. And meanwhile, they are putting in requests for improvements in their own unit that go unrecognized or dealt with.”

Simultaneously, high inflation and rents rising faster than incomes have resulted in an increasing number of households owing back rent, according to Canada Mortgage and Housing Corporation data. Nationally, the figure rose to nearly 8 percent in 2023 among purpose-built rentals, with Toronto seeing the largest increase, at almost 20 percent—twice the national average.

Along with these numbers is the rate of evictions rising to pre-pandemic levels. Lewis said a high number are happening in predominantly Black neighbourhoods, with over 70 percent of the evictions conducted by financialized landlords. Because of the growth in these types of landlords throughout the city, tenants who are evicted can’t simply move to another building nearby, he added. “These folks are being expelled from the city,” said Lewis, but they still work in Toronto, so they are spending more time commuting and less time with families.

According to Lewis, families will skip meals to afford rent, and the elderly have been forced out of retirement to make ends meet. “These landlords are helping to create more income-polarized cities. What’s being lost is the vibrancy that folks at the other end of the spectrum contribute to make this city special, a history and culture that make communities special.” In the US, financialized landlords use eviction as a revenue-generating tool, evicting tenants at a higher rate than other types of owners do, according to research cited in August’s report.

Housing experts and community and tenant unions, like the Association of Community Organizations for Reform Now, or ACORN, which represents low- and moderate-income people across Canada, are pushing for a range of recommendations. They include attaching conditions, which would protect vulnerable tenants from being displaced, to public money given to developers and firms; more ownership transparency; strengthening rent control across Canada; better protections against renovictions; stronger measures to prevent landlords from making cosmetic upgrades as a pretext for applying for AGIs; eliminating AGIs altogether; and axing preferential tax treatment for REITs.

ACORN's advocacy has sparked tensions. Al-Maqdisy, an ACORN member, recounted that Golden Equity sent a letter to tenants—also displayed in the building—threatening eviction for associating with the group, despite tenant organizing being a legally protected right in Ontario. She further alleged that when she raised these issues with Golden Equity, a spokesperson called her a "terrorist." (Golden Equity did not respond to requests for comment.)

Financialized landlords argue that solving the housing shortage requires different strategies than those proposed by ACORN and similar groups. High rental prices, they argue, are a supply-and-demand problem that requires government intervention. A CMHC report showed that rental supply hit a record low last year, with vacancy rates plummeting to 1.5 percent as demand outpaced availability. REITs, for their part, claim they are lobbying for policies to fund more affordable housing and to improve financing for co-operatives and nonprofits to acquire such housing. This will level the playing field by making rental projects more competitive with the highly profitable condominium market.

The Liberal government allocated billions to new housing development in the 2024 federal budget, but a policy brief from the Canadian Centre for Housing Rights warns this won't solve affordability issues. New builds typically command high rents—rates influenced by REITs that, driven by their legal duty to maximize profits, will keep prioritizing their bottom line.

Financialized landlords operate in an environment that fosters inequity and harms tenants, said Marie-Josee Houle, who was appointed as Canada's first federal housing advocate in 2022. A National Housing Council report from May underscored this point, likening access to adequate housing to access to health care—both critical determinants of overall well-being.

"They're causing harm to people without having to look at people in the face," Houle said, referring to REITs. "Housing is a human right in Canada, and governments have to have regulations in place to ensure those rights are respected."