

**Flipping the Script on Vacancy Control:  
A Critical (Re)evaluation of Rent Control Literature and Policy in  
the Struggle for Housing Security in B.C.**

by

Daniela Aiello, Ph.D.

Assistant Professor  
Department of Geography  
The Pennsylvania State University

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## Overview

### *Purpose and summary outline*

This policy brief aims to reposition vacancy control as an effective and necessary policy tool to address the extremity of the housing affordability crisis facing renters in B.C. today. With the goal of informing future policy and housing campaigns, it is intended to be a reference to better understand the existing literature, thematic debates, most recent evidence and significant historical and ongoing precedents of rent regulation in Canada and elsewhere. First, this brief examines the current landscape of intersecting crises of increased precarity and severe erosion of affordability in B.C., and the role disinvestment, deregulation, financialization and ultimately a failed policy of *vacancy decontrol* in these processes. Situating this in contrast to the convoluted and discordant nature of rent control debates, I outline key lessons to draw from the past and present rent control literature. In an effort to address the effects of what Tom Slater and Hamish Kallin (2018) have called the “production of ignorance”,<sup>1</sup> these lessons are critical for untangling the orthodoxy underpinning mainstream economics that continues to shape how knowledge is produced in academic spheres and beyond. Next, I examine a series of thematic debates in more detail, specifically the issues of supply and demand, filtering, housing repairs and policy implementation, as they relate to the existing evidence and consensus (or lack thereof) around vacancy control. Following thematic debates, I provide historical political-economic context for Canada-wide experiments with vacancy control throughout the 1970s and 80s, and the broader global political-economic trends that importantly contextualize negative effects ostensibly attributed to vacancy control. Focusing on four case-studies in B.C., Manitoba, Ontario and PEI, I provide brief overviews of their characteristics, implementation, and effects. Case studies are followed by a short summary of the social potential of rent control, drawing from most recent heterodox research that highlights its benefits, followed by policy recommendations for a broader framework for an effective and meaningful approach to vacancy control for renters in B.C.

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<sup>1</sup> Kallin, H., & Slater, T. (2018). The Myths and Realities of Rent Control. In N. Gray (Ed.), *Rent and its Discontents: A Century of Housing Struggle* (pp. 139–152). Rowman & Littlefield.

# 1. Introduction

## 1.1 *Rent control discourse*

For almost four decades, the housing discourse around rent control has been mired in what seem to be inconclusive debates, confounding misconceptions, and logical fallacies that are a central feature of mainstream discourse and everyday knowledges on the subject.<sup>2</sup> A whole confluence of reasons are owing to this controversy. Rent control policies have and continue to emerge from diverse contexts, always embedded within complex market landscapes alongside other forms of housing regulation, making analysis of rent control per se, or comparison across jurisdictions challenging.<sup>3</sup> Often, cases of rent control are relatively understudied leading to uneven available data and a limited number of existing examples that allow researchers to draw substantive empirical or generalizable conclusions. Underwriting all this is a context of knowledge production that assigns an overwhelming and entirely inappropriate reliance on econometric modelling to explain housing market dynamics more generally.<sup>4</sup> The widely received and deeply held belief in the “efficiency” of the market has had perhaps the greatest influence on rent control debates and the orthodox solutions to housing crises that are often proposed by policy makers and landlord interests. A more detailed discussion of how these beliefs are divided across orthodox and heterodox world views which shape the knowledge production on rent control appears in the literature overview (*Sec. 2*) below.

## 1.2 *Dominant ideas and their effects*

Altogether, the uneven presence of robust data, challenges of generalizability, and most importantly, the wide-spread acceptance of econometric modelling to explain the impacts of rent regulation have specific, real life consequences on our social and political terrain in addressing housing inequality. Landlords and their lobby interests benefit from a firm grip on the notion that rent control is harmful to tenants, and can count reliably on assumptions made by non-specialists that experts in fields like Economics have conclusively settled these debates many years ago. Government actors and policy makers are far less likely to be presented with meaningful alternative accounts outside of this dominant narrative, and instead too often interpret proponent approaches to rent regulation as fringe or radical in nature. Meanwhile, civil society organisations and grassroots groups are left doing the heavy lifting to combat misconceptions and presumptive messaging that become confused with meaningful debate about addressing precarity and affordability. In their recent global review of public policy on rent regulation,

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<sup>2</sup> Kallin, H., & Slater, T. (2018). The Myths and Realities of Rent Control. In N. Gray (Ed.), *Rent and its Discontents: A Century of Housing Struggle* (pp. 139–152). Rowman & Littlefield.; August, M., & Walks, A. (2018). Gentrification, suburban decline, and the financialization of multi-family rental housing: The case of Toronto. *Geoforum*, 89, 124–136.

<sup>3</sup> Marsh, A., Gibb, K., & Soaita, A. M. (2022). Rent regulation: Unpacking the debates. *International Journal of Housing Policy*, 1–24.

<sup>4</sup> Teresa, B. F. (2015). *The new tenement landlord? Rent regulated housing and the financialization of urban change*. Rutgers The State University of New Jersey-New Brunswick: Chicago.

Marsh et. al. (2022) found that policy is far more directly influenced by this wider discourse than by evidence-based studies of rent control, or approaches that incorporate a substantive social (and descriptive) analysis.<sup>5</sup> Undoing this policy influence is critical for reshaping the discourse toward an ethical and moral framework that takes as its starting point that housing should not be wholly defined as a commodity, and that rent regulations are a basic and broad-based social protection that can and have had protective *and* therefore positive effects.

### 1.3 Rent deregulation and heavy affordability losses in B.C.

In recent years, vacancy control has firmly returned to mainstream conversation and the public imagination in B.C., most recently in SROs of Vancouver’s Downtown Eastside, but also generally among civil society groups and policy researchers.<sup>6</sup> This is in large part due to **a housing crisis that has reached uncharted proportions, producing an unprecedented terrain of extreme housing exploitation, here and across North America.** Decades of wage stagnation, amid ever increasing rents in all metro areas have led to the steady rise in deep rent-burden for a majority of renters.<sup>7</sup> Today up to 30% of Canadian and U.S. households spend more than 50% of their income on rent.<sup>8</sup> Average rents in B.C.’s major metro areas have seen a meteoric rise amid soaring inflation, with increases between 10-23% year over year since 2019.<sup>9</sup> With existing annual caps normally set at 2% (CPI), such increases can only be attributed to those achieved on turnover, in addition to increases in luxury supply. Runaway rents are having profound effects on the wider labour force, particularly public and service workers (i.e., teachers, health care workers, tourism and construction industries) who are being routinely priced out from the communities where they work.<sup>10</sup> Meanwhile, the growing presence of unhoused residents<sup>11</sup> are shown to be directly tied to the price of land and multi-family sector rent increases.<sup>12</sup>

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<sup>5</sup> Marsh, A., Gibb, K., & Soaita, A. M. (2022). Rent regulation: Unpacking the debates. *International Journal of Housing Policy*, 1–24; See also: Foye, C. (2022). Framing the housing crisis: How think-tanks frame politics and science to advance policy agendas. *Geoforum*, 134, 71–81.

<sup>6</sup> Klein, S., Director, B., & Ivanova, I. (2018). *CCPA-B.C. Submission to the Rental Housing Task Force*; Denis, J. S. (2021, November 18). Rent Control for Private SROs Passes in Vancouver. *The Tyee*. <https://thetyee.ca/News/2021/11/18/Rent-Control-Private-SROs-Passes-Vancouver/>; Condon, P. (2022, September 13). Should ‘Vacancy Control’ Be a Ballot Issue? *The Tyee*. <https://thetyee.ca/Opinion/2022/09/13/Vacancy-Control-As-Ballot-Issue/>

<sup>7</sup> Moore, E., & Skaburskis, A. (2004). Canada’s increasing housing affordability burdens. *Housing studies*, 19 (3), 395-413.

<sup>8</sup> Pitingolo, R. (2015). Rent burden high in low-and high-cost metros alike. *Urban Institute*. Retrieved April, 7, 2018; Carliner and Marya (2016). “Rental Housing: An International Comparison.” Working paper, The Harvard Joint Center for Housing Studies.; For Canadian data see the recently updated Canadian Rental Housing Index on overspending here: [https://www.rentalhousingindex.ca/en/#overspending\\_cd](https://www.rentalhousingindex.ca/en/#overspending_cd)

<sup>9</sup> See “Housing Market Information: Rental Housing Report” (Jan 26, 2023). Canada Mortgage and Housing Corporation. Retrieved from: <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/market-reports/rental-market-reports-major-centres>

<sup>10</sup> Macdonald, D. (2019). Unaccommodating: Rental Housing Wage in Canada. Canadian Centre for Policy Alternatives. Retrieved from: <https://policyalternatives.ca/unaccommodating>; *Workers are being priced out of Victoria*. (2022 Mar 22). Capital Daily. Retrieved Dec 17, 2022, from <https://www.capitaldaily.ca/news/workers-are-being-priced-out-of-victoria> For American examples and stats see Montojo, N., Barton, S., & Moore, E. (2018). *Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California’s Renters*. <https://escholarship.org/uc/item/7w8961dk>

<sup>11</sup> 8,665 individuals at last official count in British Columbia. See The Homelessness Services Association of B.C. (2021). 2020/21 Report on Homeless Counts in B.C. Prepared for B.C. Housing. Burnaby, B.C.

<sup>12</sup> Lima, V. (2020). The financialization of rental housing: Evictions and rent regulation. *Cities*, 105, 102787.

B.C.'s current rent regulation, *vacancy decontrol*, which controls rents throughout the duration of a tenancy only, was implemented through annual rent caps tied to inflation in 2004. This singular regulatory attempt to directly address affordability through rental rates in the last 20 years has in turn generated a significant structural shift ushering in a renovictions industry, as shrewd investors and owners worked to obtain vacant possession for unnecessary or minor renovations to acquire the turnover needed for steep increases.<sup>13</sup> Indeed, the lack of rent regulations between tenancies have afforded landlords with powerful economic incentives to find aggressive and novel pathways to evict tenants and continue to contribute to insecurity of tenure despite the NDP government's efforts to address renovictions 'after-the-fact'.<sup>14</sup> This loophole created by the *lack* of vacancy control has placed immense pressure on rental rates, contributing to the severe erosion of affordable units in B.C. and across Canada. In his recent analysis of the lower rental stock, Steve Pomeroy estimates an annual rate of 46,000 units (under 1000\$/mo) across Canada have been lost, largely to runaway rents between 2016 - 2010.<sup>15</sup> **Vancouver alone lost 47,055 units of affordable housing under \$1000 in the last 7 years, a rate of loss outpacing any added affordable stock by orders of magnitude.**<sup>16</sup> These stark circumstances suggest that development industry solutions (ie: increasing supply, generating upward 'filtering' between differentially priced units, etc) are not going to result in meaningful nor immediate improvements without also returning to broad social protections afforded by regulationist approaches to housing affordability.

#### 1.4 *Intersecting drivers of deregulation and disinvestment*

The glaring human suffering that housing inequality marks upon the landscape today, are symptoms of a convergence of multiple intersecting trends of deregulation and disinvestment, followed by later waves of reinvestment through housing financialization. Broadly stemming from the erosion of post-war welfare state social policies in favor of market-based approaches to housing since the early 1970s<sup>17</sup>, alongside social housings' precipitous decline since<sup>18</sup>, and steady waves of attrition in tenants rights and protections<sup>19</sup>, each of these multi-scalar forces

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<sup>13</sup> Brais, H. (2018). *Policy and the Corporate Landlord: The Geography of Private Rental Housing in Canada* [Masters, Concordia University]. <https://spectrum.library.concordia.ca/id/eprint/983822/>; Ross, S. (2022). *Resisting Renovation and Displacement through Cultural Land Trusts: Art and Performance Spaces, Pop-Ups, DIYs, and Protest Raves in Vancouver* (SSRN Scholarly Paper No. 3847500) <https://papers.ssrn.com/abstract=3847500>; Crosby, A. (2020). Financialized gentrification, demoviction, and landlord tactics to demobilize tenant organizing. *Geoforum*, 108, 184–193; Reassessing Rent Control: Its Economic Impact in a Gentrifying Housing Market. (1988). *Harvard Law Review*, 101(8), 1835–1855.

<sup>14</sup> Brais, H. (2018); See also recent research showing strong correlations between vacancy decontrol and predatory evictions: Geddes, E., & Holz, N. (2022). *Rational Eviction: How Landlords Use Evictions in Response to Rent Control* (SSRN Scholarly Paper No. 4131396).

<sup>15</sup> Pomeroy notes that rent increases are the most likely driver for the majority of this loss, but also cites absolute loss through demolition and conversion to short-term rentals as concomitant pressures (p. 2).

<sup>16</sup> Pomeroy, 2022, p. A-1; see also Pomeroy, 2020.

<sup>17</sup> Peck, J. (2012). Austerity urbanism: American cities under extreme economy. *City*, 16(6), 626-655.; Pierson, P. (1994). *Dismantling the welfare state?: Reagan, Thatcher and the politics of retrenchment*. Cambridge University Press.

<sup>18</sup> Walks, A., & Clifford, B. (2015). The political economy of mortgage securitization and the neoliberalization of housing policy in Canada. *Environment and Planning A: Economy and Space*, 47(8), 1624-1642.

<sup>19</sup> McQueen, J. (2013). *Landlord and Tenant Law*. Straightforward co Ltd.

have come together to shape over four decades of rental housing policy which has been defined by *state-led abandonment*. Even as policy and state actors have at times attempted to introduce regulatory measures,<sup>20</sup> the broader processes of economic restructuring under 40 years of neoliberalization has ensured that market and quasi-market based solutions for housing production are a dominant and determining force.

The historical political economy of housing markets prior to the 1970s provides important context to deregulation. It was major federal institutions, and substantial public investments that led to the massive growth, a near doubling, of the Canadian housing stock throughout the 1950s and 60s, which make up the majority of the existing purpose built rental stock today.<sup>21</sup> An era defined by both suburbanization and urban renewal, the construction of private purpose-built rentals was such a robust feature of housing production during this time due to significant federal investment through rental incentive programs, such as Assisted Rental Program (ARP), the Canada Rental Supply Program (CRSP), the Multi Unit Residential Building (MURB) tax incentives, and the Residential Rehabilitation Assistance Program (RRAP).<sup>22</sup> Indeed, the entire foundation of our housing market, including the policy mechanisms marshalled toward its maintenance, rested then and now on major public investments and substantial regulation, a basic fact often elided by anti-regulation proponents. Markets are not entities independent from the state – the state has always invested, intervened, and directed values and priorities through regulation.<sup>23</sup>

The post-war ‘social democracy’ era of housing construction and rehabilitation which saw such significant government investments came to a definitive end on the heels of the inflation crisis and global recession that emerged by the 1970s.<sup>24</sup> Leading to what Barbara Carroll called the “financial control phase”<sup>25</sup> of fiscal restraint in Canadian housing policy, many of the policies and subsidies for building rental housing were systematically withdrawn, and developers in turn directed their investment attention to condominium construction.<sup>26</sup> The near total contraction of rental housing during this time indicated clearly that government intervention was the main mechanism propping up the bursts of post war rental construction of the 20th century. This lack

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<sup>20</sup> i.e., Empty condos policy; foreign buyers tax; land transfer or value tax

<sup>21</sup> Carroll, B. W. (1989). Post-War Trends in Canadian Housing Policy. *Urban History Review*, 18(1), 64–74; Sewell, J. (1994). *Houses and homes: Housing for Canadians*. James Lorimer & Company.; The Canadian Mortgage and Housing Corporation (CMHC) was created during this time to administer the 1946 National Housing Act.

<sup>22</sup> Smith, L. B. (1981). Canadian housing policy in the seventies. *Land Economics*, 57(3), 338-352.; Wicks, A. P. (1982). *An analysis of the effects of MURB legislation on Vancouver’s rental housing market* (Doctoral dissertation, University of British Columbia).; Falkenhagen, D. (2001). *The history of Canada’s Residential Rehabilitation Assistance Program (RRAP)* (p. 206). Canada Mortgage and Housing Corporation.; Van Dyk, N. (1995). Financing social housing in Canada. *Housing Policy Debate*, 6(4), 815-848. For a lay summary of the RRAP program, see The Right to Remain Collective. (2019). *The Downtown Housing Program: Governmental and Community Leadership in Privately-Owned SRO Renovation in Vancouver through the 1970s and 1980s*. Manuscript in preparation, copies available upon request.

<sup>23</sup> Montojo, N., Barton, S., & Moore, E. (2018). *Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California’s Renters*. <https://escholarship.org/uc/item/7w8961dk>

<sup>24</sup> Brenner, N., Peck, J., & Theodore, N. (2010). Variegated neoliberalization: geographies, modalities, pathways. *Global networks*, 10(2), 182-222.; Harvey, D. (2007). *A brief history of neoliberalism*. Oxford University Press, USA.

<sup>25</sup> Carroll, B. W. (1989). Post-War Trends in Canadian Housing Policy. *Urban History Review*, 18(1), 64–74.

<sup>26</sup> At the time, condominium investment was also incentivized away from detached homes by changes to Canadian tax codes in the late 1980s. See also: Harris, D. (2011). Condominium and the City: The Rise of Property in Vancouver. *Law & Social Inquiry*, 36(3), 694-726; Rosen, G., & Walks, A. (2015). Castles in Toronto’s sky: Condo-ism as urban transformation. *Journal of Urban Affairs*, 37(3), 289-310.

of incentive did not simply result in less building – historical reviews of data have indicated significant rental housing losses to outright demolition and condo conversions throughout the 1980s and 90s, as investors responded to market shifts led by state disinvestment.<sup>27</sup>

### 1.5 *Financialization, speculation and policy loopholes*

If market-based solutions via 1980s neoliberalization writ large is the wider trajectory in which the story of rental housing precarity unfolds, the institutional restructuring that accelerated a role for finance in the production and consumption of rental housing by the 2000s decidedly filled the vacuum created by the states withdrawal.<sup>28</sup> After decades of deep disinvestments, the late 1990s saw investor interests aimed anew at the rental housing sector. Martin August's (2020) work on rental sector financialization in Canada tells the story of the “newly reinvigorated” multi-family sector at the hands of private equity funds and asset management firms which have characterized the last two decades.<sup>29</sup> In contrast to mainstream understandings of ‘finance’ as having always been a feature of housing, the concept of financialization points instead to a systemic transformation where housing is increasingly not owned by so-called ‘housing providers’, but is instead primarily a financial asset, subject to financial tools, techniques, and analyses designed solely to furnish investment returns often to disparate investors.

Importantly, August points out that it was parallel government policies of disinvestment and deregulation that created the conditions for a devalued landscape of multi-family stock ripe to receive reinvestment because of its potential to generate major returns.<sup>30</sup> As a steady driver of growing speculative interest and profitability in the first decade of the 2000s, the private multi-family rental sector saw even more growth after the global financial crisis. The meteoric rise of corporate landlords, in great part predicated since 2008 on post-crisis property acquisitions, especially among single-family homes in the US,<sup>31</sup> has mirrored similar shifts happening in Canada. **Today, rentals in the multi-family sector are now the strongest driver of profitability, and have consistently outperformed all other sectors of the real estate market since 2010.**<sup>32</sup> We have arguably fully entered into a new era of global restructuring, where the

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<sup>27</sup> Shapcott, M. (2002). *Profiting from a manufactured housing crisis*. Canadian Centre for Policy Alternatives.

<sup>28</sup> Wijburg, G., Aalbers, M. B., & Heeg, S. (2018). The financialisation of rental housing 2.0: Releasing housing into the privatised mainstream of capital accumulation. *Antipode*, 50(4), 1098-1119.; See also Teresa, B. F. (2015). *The new tenement landlord? Rent regulated housing and the financialization of urban change*. Rutgers The State University of New Jersey-New Brunswick: Chicago; Madden, D., & Marcuse, P. (2016). In defense of housing. *The politics of crisis*.; Aalbers, M. B. (2017). The variegated financialization of housing. *International journal of urban and regional research*, 41(4), 542-554.

<sup>29</sup> August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975-997.

<sup>30</sup> *Ibid.*, p. 989.

<sup>31</sup> Raymond, E. L., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2016). Corporate landlords, institutional investors, and displacement: Eviction rates in single family rentals. *FRB Atlanta community and economic development discussion paper*, (2016-4); See also Fields, D., & Vergerio, M. (2022). Corporate landlords and market power: What does the single-family rental boom mean for our housing future? Retrieved from: <https://escholarship.org/content/qt07d6445s/qt07d6445s.pdf>

<sup>32</sup> Lobo, D. (2013). Canada's new apartment construction boom is beginning. REXX.ca Real Estate News Exchange. Retrieved from <https://renx.ca/canadas-new-apartment-construction-boom-is-beginning/>; August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975-997.



lure of multi-family speculation generates a wide-spread yet intimately connected global institutional investor landscape in the rental sector that did not exist even 15 years ago.<sup>33</sup>

At the local level, rental market pathways for corporate landlords have (perhaps ironically) been supported in part through supplant municipal policies intended to address growing affordability problems by encouraging rental housing construction (ie: tax breaks, fee exemptions).<sup>34</sup> More recently garnering attention, the growth of REITs alone moved from zero to 10% ownership interest in multi-family stock throughout the aughts. August estimated in 2020 the top 25 financialized landlords own 18% of all Canadian multi-family structures.<sup>35</sup> More recent data released early this year from Statistics Canada indicates this trend continues not only in multi-family but across all housing stock: currently an estimated 32% of Vancouver CMA<sup>36</sup> is institutional investor owned.<sup>37</sup> Given the ongoing systemic problems with the collection of ownership data and tracing financial investors in property and their interconnections, it is highly likely that both of these figures are underestimated.

Understanding these seismic shifts across the multi-family rental sector is central to considering the policy context for vacancy control in B.C. today. The provincial implementation of *vacancy decontrol* in 2004, a singular regulatory response to runaway affordability, has in turn *created* the conditions where this new asset class in housing is entirely predicated on reliable tenant turnover.<sup>38</sup> August's 2020 and 2021 research shows that REITs in particular target assets from "poorly managed, distressed operators", at the same time they maintain a keen focus on "landlord-friendly legal environments" to more efficiently reposition properties for high returns.<sup>39</sup> B.C.'s current policy of *vacancy decontrol* is just that friendly legal environment. This is evident in the 15 year drawn out struggle of tenants confronting the renovictions industry, a now well acknowledged crisis which provincial policy makers have attempted to mitigate with limited success.<sup>40</sup>

In short, the story of our current rental affordability crisis begins with widespread state disinvestment, which created the conditions for heightened speculative interest. This is followed by a trivial regulatory response that produced a deleterious *loophole*, whereby tenant turnover by any means necessary became the name of the speculation game. Conducive to displacement and

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<sup>33</sup> Ibid., August, M. (2020); Madden, D., & Marcuse, P. (2016). In defense of housing. *The politics of crisis*; Farha, L., & Schwan, K. (2021). The human right to housing in the age of financialization. In *Research Handbook on Human Rights and Poverty* (pp. 385-400). Edward Elgar Publishing.

<sup>34</sup> Crompton, N. (2014, February 12). Rental housing: The new engine of real-estate profitability in Vancouver. *The Mainlander*.

<sup>35</sup> Counting any structures over 6 units.

<sup>36</sup> Census Metropolitan Area which includes cities of Vancouver, Surrey, Burnaby, Richmond, Coquitlam, Langley, Delta, North Vancouver, Maple Ridge, New Westminster, Port Coquitlam, West Vancouver, Port Moody, White Rock, Pitt Meadows, Greater Vancouver A, Bowen Island, Capilano 5, Anmore, Musqueam 2 and 4, Burrard Inlet 3, Lions Bay, Tsawwassen, Belcarra, Mission 1, Matsqui 4, Katzie 1, Semiahoo, Seymour Creek 2, McMillan Island 6, Whonnock, Barnston Island.

<sup>37</sup> Fontaine, J & Gordon, J. (2023). Residential real estate investors and investment properties in 2020. *Housing Statistics in Canada*. Statistics Canada. Released Feb 3, 2023.

<sup>38</sup> Ibid., August, M. (2020); See also August, M. (2021). Financialization of housing from cradle to grave: COVID-19, seniors' housing, and multifamily rental housing in Canada. *Studies in Political Economy*, 102(3), 289-308.

<sup>39</sup> Ibid., p. 988.

<sup>40</sup> Wong, J. (2011). *Thrown Out: Fight Grinds on Against "Renovictions."* The Tyee; (2018) British Columbia Rental Housing Task Force: *Rental Housing Review - Recommendations and Findings*.

precarious tenure as they were, if the intention was to stem runaway rents and protect tenants, vacancy decontrol has arguably amounted to a form of policy failure.<sup>41</sup> It is in this wider historical economic context that the case for vacancy control is most convincing. Opponents and landlord interests would have us believe that vacancy control is a radical or extreme response to affordability issues that are the natural outcome of urban land scarcity and missing supply. In light of the deliberate and willful processes that have shaped the present, **vacancy control is better understood as the *natural and necessary progression* of a policy pathway that can and should be responding to the rapidly changing market forces that produce housing precarity and economic harm.** Such forces have been reshaping the housing landscape for over three decades now. The extreme forms of housing insecurity and homelessness we see in our communities daily are the predictable and entirely preventable effects of that reshaping.

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<sup>41</sup> There is good evidence to make an argument that vacancy decontrol has created loopholes that amount to a policy failure. Characteristics such as insufficient knowledge of the policy context (ie. the rise of institutional investors), poor understanding of the problem (ie. potential for loophole abuse), non existing collaboration with other levels of government (ie. in early meaningful responses to renovations), would seem to point in this direction. For further discussion and study of policy failures see: Bovens, M., & Hart, P. (2016). Revisiting the study of policy failures. *Journal of European Public Policy*, 23(5), 653-666; Nair, S., & Howlett, M. (2017). Policy myopia as a source of policy failure: adaptation and policy learning under deep uncertainty, *Policy & Politics*, 45(1), 103-118. For local analysis, see: Masuda, J., & Right to Remain Research Collective. (2021). Abandoning the SRO: Public Health Withdrawal from Sanitary Enforcement in Vancouver's Downtown Eastside. *Journal of Urban History*, 00961442211018795.

## 2. The Rent Control literature

### 2.1 Overview

Mainstream debates surrounding rent control have been entrenched for decades now in a powerful discourse shaped in great part by opponents to regulation – those that argue rent control is a harmful policy. These arguments have been heard from the landlord and development industry, and academic researchers, namely economists, since the late 1970s and 80s. **Despite a substantial amount of academic research that strongly suggests such claims of widespread harm are unfounded, the idea that *rent control is bad* continues to persist as an ostensibly long established, conclusive, and even scientific claim.** Understanding how knowledge about rent control is produced is a critical aspect of stemming these contentious debates and the ideological assumptions that fuel them. The following section intends to provide a non-specialist understanding of this knowledge production. Drawing from concepts of ‘orthodoxy’ and ‘heterodoxy’ in economic research, I use this analytical framing to outline the differences between traditional economic analyses that have distorted ideas about rent control, and the more diverse alternative approaches that have aimed to unsettle this received knowledge. The mantle of scientific methods, peer-review, and the prestigious academic institutions they emanate from, has long furnished opponents of rent control with an authoritative voice that can be difficult to dispute. Unravelling the orthodoxy at the heart of conservative arguments ultimately entails making sense of the differences across academic disciplines, and an understanding of how methodological and theoretical choices shape divergent claims to expertise. I conclude this section with a list of six key lessons to draw from the orthodox literature, in an effort to unsettle some of its most common misconceptions.

### 2.2 Orthodoxy and Heterodoxy

Describing the ‘rent control literature’ is a serious challenge for any reader aiming to come to conclusive understandings about it. Spanning a wide breadth of diverse orthodox and heterodox approaches across many academic disciplines, hundreds of quasi-public and private policy research centres, citizen and government publications, *thousands* – nearly 70 years worth – of publications exist on the topic. This includes peer-reviewed and non-peer reviewed scholarly research among academics from economics, urban planning, geography, urban sociology, legal scholars and adjacent schools of business or policy, in addition to a whole suite of governmental, non-profit, private, and quasi-public policy institutes that generate a large amount of primary and secondary studies. Due to their non-traditional academic pathways for review and distribution, writing from this latter arena is often referred to as “grey literature”<sup>42</sup>. The academic and grey literatures make key contributions in their own right, though both can vary widely in their quality, and forms of bias – namely their sources of public or private funding and the background

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<sup>42</sup> Schöpfel, J., & Farace, D. J. (2015). Grey Literature. In *Encyclopedia of Library and Information Sciences* (3rd ed.). CRC Press.

and training of authors. In assessing any source, the overall rigour and credibility of the research is contingent upon these factors.

Though peer review from publicly funded scholars is widely considered to be a gold standard for authoritative and scientific claims, not unlike private interests, public academic research is also greatly influenced by ideological positions on the housing question under capitalism. In this sense, while readers may seek scientific ‘truths’ or objective claims within any of the writing, it is all, entirely shaped by varying sets of assumptions and underlying theories about our social worlds. Rather than being concerned with the academic or ‘non-academic’ nature of research, it is far more useful to consider how it may be characterised as either orthodox or heterodox in approach. That is, either adhering to historically conventional analyses emerging from classical economic theory and methodology, or having a tendency to challenge dominant modes of inquiry through pluralism in research, such as descriptive statistic and qualitative approaches, or more diverse social or political economic theory.<sup>43</sup>

In the context of rent control research, the difference between orthodox and heterodox approaches is not a simple juxtaposition, nor should it be understood as “both sides” of a debate. Rather, it represents a systemic one-sidedness whereby a set of orthodox theoretical assumptions and methods have shaped so much of the produced knowledge that they now dominate both entry level study (ie. Econ 101 textbooks) and mainstream discussion. This orthodoxy holds as its central tenet that the market possesses inherent and natural efficiency, and that there is great peril in interfering with it. Alongside the adage that ‘the market knows best’ is a long-standing devotion to econometric and mathematical modelling. Among mainstream economists these are well established norms in the discipline – undisputed reliable methods for demonstrating, even predicting, how price, commodities, markets, and actors function together. This adherence to market efficiency and econometric methods has shaped much of the rhetorical underpinnings of opposition and anti-regulation arguments. As a discourse, this is not even limited to the question of rent control, but is a distinguishing feature of wider price control debates. The problem of inflation, and even price gouging, no matter the commodity or sector, is regularly met with the utmost conservative monetary policy response, whereby control measures are typecast as counterproductive or harmful.<sup>44</sup>

**The sheer persistence of historically orthodox theories both within specialist academic and wider policy debates have led to a number of key myths and misunderstandings about econometric modelling, data certainty, causal empiricism, the role of social theory, scientifically ‘objective’ knowledge, and even the state of the rent control literature itself.** Any reader that does even a cursory review of the peer-reviewed research will readily find what appears to be conclusive scientific evidence that rent control is demonstrably harmful. That ‘evidence’, narrowly construed by an economic world view, is taken up again and again by secondary studies to argue, often convincingly, that price controls in housing is bad policy.

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<sup>43</sup> Debates between ‘heterodox’ and ‘orthodox’ within the discipline of economics are long standing throughout the latter half of the 20th century to today, as heterodox economists have pushed back on neoclassical and mainstream theories, methodologies. While this brief will not delve into the much broader disciplinary debates, using these categories provides an important framing to understand diverging claims about rent control.

<sup>44</sup> Of course, there is a singular exception to this which are the controls we place on the price of money itself. This is a contradiction of monetary policy that has recently been taken up more critically by heterodox economists. See Weber, R. (2021). “Could Strategic Price Controls Help Fight Inflation?” *The Guardian*, 29 Dec 2021.

Hamish Kallin and Tom Slater have described this as the “production of ignorance”<sup>45</sup> whereby theories, concepts, even data, become so powerful and widely reinforced, that the long-standing ideas they cosign tend to remain intact, regardless of the presence of new or conflicting information.<sup>46</sup> All along the way, our belief in scientifically objective knowledge *and* our desire for simple or elegant explanations, reinforce an already existing blindness to the original set of assumptions and methods that construct that knowledge in the first instance. In an effort to provide a roadmap for how to confront this production of ignorance, I outline six key lessons below to be drawn from the effects of economic orthodoxy on the rent control debate.

### 2.3 *Six Key Lessons Toward Heterodoxy in the study of Rent Control*

#### ***No consensus exists, historically or now, even among orthodox economists***

Opponents of regulation will often cherry pick research studies to support their position that the contentious debates regarding rent control were decisively concluded long ago. This claim is repeated ad nauseum, among orthodox researchers, in introductory economics textbooks, on social media and throughout the business literature of free-market proponents, though the reality of the literature is very different. Despite some economists’ assertions of an unrivalled consensus, rent control research among them and analysts in cognate disciplines has always been mixed and inconclusive. **As far back as the late 70s, researchers have been raising key questions about the utility of econometric modelling and standard commodity market theories like supply and demand in the study of housing and land markets generally.** Following these questions, there were extensive and unsettled debates about the need to reevaluate their position on rent control, particularly in light of the highly ‘imperfect’ context of land and housing markets.<sup>47</sup> Throughout this whole time period, orthodox economists themselves had shifting and at times nuanced views on the subject, even if the conclusion that rent control may lead to market ‘inefficiencies’ was more common among them.<sup>48</sup> If there ever existed anything approaching consensus, it was only among those most conservative and neoclassical in their views of economic research.

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<sup>45</sup> Kallin, H., & Slater, T. (2018). The Myths and Realities of Rent Control. In N. Gray (Ed.), *Rent and its Discontents: A Century of Housing Struggle* (pp. 139–152). Rowman & Littlefield.

<sup>46</sup> See also Slater’s discussion of agnotology or the ‘production of ignorance’ here: Slater, T. (2020). Rent control and housing justice. *Finisterra*, 55(114), 59-76.

<sup>47</sup> Arnott, R. (1988). Rent control: the international experience. *The Journal of Real Estate Finance and Economics*, 1(3), 203-215; Arnott, R. (1995). Time for revisionism on rent control?. *Journal of economic perspectives*, 9(1), 99-120. See also: Hulchanski, D. (1984). Market Imperfections and the Role of Rent Regulations. *Commission of Inquiry into Residential Tenancies, Research Study No. 6*; Miron, J. R., & Cullingworth, J. B. (1983). Rent control: impacts on income distribution, affordability and security of tenure (Centre for Urban and Community Studies, University of Toronto, Toronto); Whitehead, C. M. (1999). Urban housing markets: theory and policy. *Handbook of regional and urban economics*, 3, 1559-1594.

<sup>48</sup> Frankena, M. (1975). Alternative Models of Rent Control. *Urban Studies*, 12(3), 303–308. doi.org/10.1080/00420987520080561; Olsen, E. O. (1988). What do economists know about the effect of rent control on housing maintenance?. *The Journal of real estate finance and economics*, 1, 295-307; Klappholz, K. (1989). Rent Control. *Social Economics*, 219-224; Jenkins, B. (2009). Rent control: Do economists agree? *Econ Journal Watch*, 6(1), 73.

Beyond the confines of neoclassical and mainstream economics, conclusions about rent control from the remaining literature are highly mixed.<sup>49</sup> Owing in part to disciplinary differences, and the growth of heterodox economics in recent decades, particularly among housing specialists, the so-called consensus today is even more limited than before. Two recent large literature surveys describe a wide diversity of rent control studies, arguing that contradictory findings are in large part a result of the assumptions and choices authors make in their modelling approaches.<sup>50</sup> Depending on those assumptions, Gibb et al.'s comprehensive review found studies concluding that rent control can have negative, neutral *and* positive effects.<sup>51</sup> Their review, and others like it,<sup>52</sup> highlight how researchers that incorporate qualitative and descriptive statistical methods are far more likely to argue that rent controls should be carefully included among an array of other housing regulation measures targeting affordability, rather than implemented in isolation. While I discuss underlying problems with orthodox methodologies below, the key point here is that such a wide array of conclusions and positions have emerged across the disciplines because those outcomes are ultimately shaped by data and method.

Lastly, changing policies of rent control have also influenced literature outcomes. Two recent reviews of the private rental market in Europe suggest that the increasing presence of mixed evidence relates to the policies being studied: traditional or 'first generation' forms of rent control which most early studies were based on are now very uncommon in the policy landscape.<sup>53</sup> Instead, forms of rent stabilisation, where rates are often linked to economic indices, and subject to cost-pass through options are most prevalent. This has in turn resulted in more net benefits and positive outcomes that are captured in the literature. Whitehead and Williams point out that the increasingly diverse status of the rent control literature ultimately highlights the complexity of the regulatory systems and policies being implemented.<sup>54</sup> Also signalling to the importance of heterodox approaches, multiple authors have found that as more and more diverse theories and methods are embraced, alongside later generation policies, researchers have significantly expanded their views on rent control.<sup>55</sup>

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<sup>49</sup> Gilderbloom, J. I. (1981). Moderate Rent Control: Its Impact on the Quality and Quantity of the Housing Stock. *Urban Affairs Quarterly*, 17(2), 123–142. <https://doi.org/10.1177/004208168101700201>; Rea, L. M., & Gupta, D. K. (1982). The Rent Control Controversy: A Consideration of the California Experience. *Glendale L. Rev.*, 4, 105; Miron, J. R., & Cullingworth, J. B. (1983). Rent control: impacts on income distribution, affordability and security of tenure (Centre for Urban and Community Studies, University of Toronto.); Keating, W. D. (1983). Rent Control in California: Responding to the Housing Crisis. Berkeley, California: Institute of Governmental Studies, University of California.

<sup>50</sup> Whitehead, C. & Williams, P. (2018). *Assessing the evidence on Rent Control from an International Perspective*. Report commissioned by the Residential Landlords Association, London, UK; Marsh, A., Gibb, K., & Soaita, A. M. (2022). Rent regulation: unpacking the debates. *International Journal of Housing Policy*, 1-24

<sup>51</sup> *Ibid.*, Marsh, et al. (2022).

<sup>52</sup> *Ibid.*; See also Tre, S., & Chew, Amy. (2019). Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities. *Policy Link, Right to the City, The Center for Popular Democracy*, 56.

<sup>53</sup> Whitehead, C. & Williams, P. (2018). *Assessing the evidence on Rent Control from an International Perspective*. Report commissioned by the Residential Landlords Association, London, UK.

<sup>54</sup> *Ibid.*

<sup>55</sup> Appelbaum, R. P., Dolny, M., Dreier, P., & Gilderbloom, J. I. (1991). Scapegoating rent control: Masking the causes of homelessness. *Journal of the American Planning Association*, 57(2), 153-164; Kholodilin, Konstantin; Kohl, Sebastian (2022) "Rent control reduces economic inequality at a price", *DIW Weekly Report*, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, Vol. 12, Iss. 12.; Kholodilin, Konstantin A. and Kohl, Sebastian, "Rent Price Control – Yet Another Great Equalizer of Economic Inequalities? Evidence from a Century of Historical Data" (January 2021). *DIW Berlin Discussion Paper No. 1927*.

### ***Long standing challenges with reliable data limit all rent control research***

The diversity of rent control literature is owing in great part to the unique jurisdictions policy emerges from, the wider uneven regulatory context in which they are already nested, and the relative lack of robust and longitudinal data. Case study wise, for second generation rent controls alone, hundreds of examples exist across cities in North America and throughout over 30 countries in Europe.<sup>56</sup> Frequently, rent control is implemented alongside or following other forms of housing regulation, such as inclusionary zoning,<sup>57</sup> affordable housing covenants,<sup>58</sup> protective building codes, progressive tax policies, and so on. In addition to housing specific regulations that coincide with rent control, wider economic factors such as social welfare regimes, land value, use, and ownership patterns, and whatever unique characteristics of the local and macro economies that exist are also well entangled with rent control policies.<sup>59</sup> **Such diverse contexts and ongoing social and demographic processes within them which are shaped by multiple political and economic forces, make an exercise of trying to isolate specific effects of regulation very difficult.**

On top of all of these context considerations, researchers have long commented on the very limited “adequate performance data” for cases of rent control.<sup>60</sup> Hulchanski has argued that it is virtually impossible to collect enough data that is capable of “covering the essential variables”, even if researchers could agree on how to define those. While access to certain forms of housing and market data has improved in some respects,<sup>61</sup> the quality of data specifically associated with rent control is entirely reliant on mechanisms of implementation and to what extent those allow for monitoring. The often lauded county-run rent control boards of California are an excellent example of the great benefit of maintaining long-term rental stock data, however such sources of data remain rare. In the absence of robust data, researchers who want to avoid modelling approaches must instead rely on combinations of census and ownership data, government, local community, and even grassroots surveys.<sup>62</sup> Despite some success with these sources, key

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<sup>56</sup> Hanna Kettunen & Hannu Ruonavaara (2021) Rent regulation in 21st century Europe. Comparative perspectives, *Housing Studies*, 36:9, 1446-1468.

<sup>57</sup> Tucker, W. (1991). *Zoning, rent control, and affordable housing*. Cato Institute. While Tucker’s 1991 book (published by libertarian think-tank The Cato Institute) is an excellent example of methodological shortcomings of mainstream economics, it well describes the integration of progressive zoning and other housing policies alongside rent control in San Francisco. See Appelbaum et. al (1991) for a thorough intervention of Tucker’s methods.

<sup>58</sup> Sazama, G. W. (2000). Lessons from the history of affordable housing cooperatives in the United States: A case study in American affordable housing policy. *American Journal of Economics and Sociology*, 59(4), 573-608.

<sup>59</sup> Gilderbloom, J. I. (1981). Moderate rent control: Its impact on the quality and quantity of the housing stock. *Urban Affairs Quarterly*, 17(2), 123-142; Appelbaum, R. P., & Gilderbloom, J. I. (1983). Housing supply and regulation: A study of the rental housing market. *The Journal of Applied Behavioral Science*, 19(1), 1-18.

<sup>60</sup> Miron, J. R., & Cullingworth, J. B. (1983). Rent control: impacts on income distribution, affordability and security of tenure (Centre for Urban and Community Studies, University of Toronto, Toronto); Hulchanski, D. (1984). Market Imperfections and the Role of Rent Regulations. *Commission of Inquiry into Residential Tenancies, Research Study No. 6*

<sup>61</sup> As government run census and housing surveys have become more sophisticated and detailed over time, researchers have been able to get at previously unknown or hidden data. The *American Community Housing* survey, for example, did not contain any questions about eviction until 2012.

<sup>62</sup> For examples of studies that do so see Gilderbloom, J. I., & Ye, L. (2007). Thirty years of rent control: A survey of New Jersey cities. *Journal of Urban Affairs*, 29(2), 207-220.

phenomena such as true rental rates, economic or informal evictions, data on construction, building repairs and maintenance, remain difficult to quantitatively track or study through observation. Almost no standardised data sets across jurisdictions exist when it comes to housing, particularly for understanding or measuring investor and landlord behaviour.<sup>63</sup>

All of these variables and data issues make land, ownership, and housing research challenging on the whole. **Not only does a dearth of meaningful data make generalizability questionable, but the wider economic contexts which shape housing market outcomes makes isolating or controlling for the effects of rent control a challenging and speculative task.** As Hulchanski and others have long pointed out, the lack of meaningful data is precisely what has forced economists to use inadequate proxies, and make numerous assumptions and shortcuts that, “all too often seriously compromise the reliability of [their own] conclusions”.<sup>64</sup> In light of the many contextual factors and fundamental data limitations, readers should be sceptical of studies that conclude with blanket certainty any ‘obvious’ or incontrovertible results from available rent control data.

### *Econometric approaches are predicated on inappropriate methods*

The challenges in obtaining and relying on empirical evidence are a major factor in explaining the strong dominance of econometric modelling studies. In their comprehensive review, Marsh et al. estimate that nearly 67% of studies over the last four decades owe their analysis and conclusions entirely to modelling. While the recent growth of heterodox approaches has seen more qualitative and diverse methods included, hypothetical modelling since the post-Keynesian turn in economics has legitimised complex mathematical analysis in favour of social theory. As mentioned above, there are long standing debates even among mainstream economists about whether modelling is an appropriate tool for understanding real world housing market dynamics. Though they may be sophisticated, incorporating many variables and controls, they are nevertheless hypothetical scenarios conducted in isolation from social and political analysis – and namely from the grounded realities of everyday life in communities.

A key confounding feature of economists’ analyses are the characteristics they ascribe as internal to the housing market which suggest that housing is a normal market commodity like any other. This is largely why mainstream approaches insist on market efficiency as a natural and unquestioned view. Numerous wide-ranging literature reviews have found that **a great deal of economic models begin with the assumption that housing markets are perfectly competitive, that all actors in that perfectly competitive market operate under the same motivations, or they assume landlord monopoly power in housing markets – though none**

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<sup>63</sup> DiPasquale, D. (1999). Why don't we know more about housing supply?. *The Journal of Real Estate Finance and Economics*, 18(1), 9-23.

<sup>64</sup> Hulchanski, D. (1984). Market Imperfections and the Role of Rent Regulations. *Commission of Inquiry into Residential Tenancies, Research Study No. 6*, p. 14.



**of these characteristics about housing are true.**<sup>65</sup> Many researchers, economists and otherwise, have rightly pointed out that rental housing is an extremely complex good, where so many factors internal and external to the market influence supply, demand, investment, disinvestment and so on.

While both the Gibbs and Marsh et al. reviews acknowledge that modelling approaches have become highly sophisticated since earlier iterations of their use in studies throughout the 80s and 90s, they note a strong tension between that increasing sophistication and the continued assumptions built into them all the same. Assumptions that attempt to take into account data limitations, bias, and testing of interventions, though on the surface may appear highly fine-tuned, still have significant faults. After reviewing hundreds of more advanced modelling approaches from the last two decades, Gibbs et. al. conclude: “Struck by the lack of recent progress in developing theories about rent controls... we are left in the unsatisfactory position where different modelling assumptions can generate all manner of outcomes and this does not, in the end, take us very far forward”.<sup>66</sup>

Despite the rigid orthodoxy of mainstream econometric methods, economist’s assumptions about price controls have been wrong before. It is worth noting that the growing shift toward more favourable research on rent control mirrors a similar unravelling of orthodoxy regarding the minimum wage. For years, economists argued that price controls on wages would be harmful to workers by creating widespread contractions in job markets, insisting that even moderate increases would result in ‘de-employment’ effects.<sup>67</sup> These arguments were based on rudimentary understandings of price floors in labour markets: The assumption that if the price of something rises, people will buy less of it, including those who purchase the labour power of others. Later research found little relationship between increased price floors and unemployment outcomes.<sup>68</sup> Previously received beliefs, based largely on economic modelling, became unsettled as economists were forced to contend with the *social realities* that contradict their mathematical models: that high-paid workers could be more motivated, and would possess more money to reintegrate into their local economy, and so on.<sup>69</sup> Similar economic and social outcomes are a key element of the potential benefits researchers today have pointed to with rent control.

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<sup>65</sup> Ibid., Hulchanski, D. (1984).; Andersen, H. S. (1998). Motives for investments in housing rehabilitation among private landlords under rent control. *Housing Studies*, 13(2), 177-200; Gibb, K., Soaita, A. M., & Marsh, A. (2022). *Rent Control: A review of the evidence base*. UK Collaborative Centre for Housing Evidence.

<sup>66</sup> Gibb, K., Soaita, A. M., & Marsh, A. (2022). *Rent Control: A review of the evidence base*. UK Collaborative Centre for Housing Evidence, p. 50.

<sup>67</sup> Zell, S. P. (1978). The Minimum Wage and Youth Unemployment. *Federal Reserve Bank of Kansas City Economic Review*, 3-16.

<sup>68</sup> Card, D., & Krueger, A. B. (1995). Time-series minimum-wage studies: a meta-analysis. *The American Economic Review*, 85(2), 238-243; Dolado, J., Kramarz, F., Machin, S., Manning, A., Margolis, D., & Teulings, C. (1996). The economic impact of minimum wages in Europe. *Economic policy*, 11(23), 317-372; Card, D., & Krueger, A. B. (2015). Myth and measurement. In *Myth and Measurement*. Princeton University Press; Arindrajit Dube, T. William Lester, Michael Reich (2010). “Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties.” *The Review of Economics and Statistics*, 92 (4): 945–964.

<sup>69</sup> Pastor, M., Carter, V., & Abood, M. (2018). Rent Matters: What are the Impacts of Rent Stabilization Measures?. *Los Angeles: USC Dornsife Program for Environmental and Regional Equity*; See also Kwak, J. (2017, January 14). *The Curse of Econ 101*. The Atlantic. <https://www.theatlantic.com/business/archive/2017/01/economism-and-the-minimum-wage/513155/>.

### ***There is no evidence that unregulated markets are the most efficient providers of housing***

As long as one believes that market efficiency can and should work, and that housing is a commodity like any other, econometric analysis that follows this will almost always be limited by the view that every scenario that cannot be represented within a model is an *exception* – a result of some kind of externality, asymmetric market information, something economists refer to as “market failure”. A central argument for believers in the market is that if they are sufficiently competitive, they will allocate resources *efficiently* – that is – in a way where the highest and optimal use of commodities is obtained with minimal waste and costs to producers. We are told to believe in the free market’s potential to provide us housing, at the same time that there exists almost no evidence that this is or has ever been truly possible. Not even the unprecedented global financial crisis of 2008, predicated as it was on widespread systemic housing and finance *deregulation*, has managed to disrupt mainstream market theories among orthodox economists. **Taking into account the growing entrenchment of housing inequality and market crises at nearly every index of measurement over the last forty years,<sup>70</sup> if anything, there exists evidence only to the contrary: unregulated markets are not capable of providing housing to all members of our society in meaningful ways.**

Perhaps the most unquestioned assumption of orthodoxy in economics, the ideal of efficiency, rests on the notion that markets are generalised phenomena – produced through universal and intrinsic human tendencies where rational actors exert human agency in predictable (modelable) ways as the only relevant causal force in these processes. But we know this is simply not how our social worlds operate. Stemming from this is another fatal assumption – that housing is a commodity like any other. Slater, Hulchanski, Gilderbloom and others have pointed to the fundamental problem in ignoring that housing is entirely constrained by lack of choice. Not one of us has a choice about needing to be housed. Nor are we all rational actors in a free market able to choose where to live, especially those of us not resourced by wealth and whiteness. A practice of social science that makes these assumptions can only depend on the theory-language of mathematics and statistical inferences, because accounting for the messy complexity of social life is not well accommodated by modelling.

Even if an unregulated market was desirable, the idea of a market functioning in isolation to allocate housing resources is a falsehood. Opponents to regulation argue against state interference, in spite of the obvious fact that markets exist in close relation with and even as a result of state programs, subsidy and large scale investments, taxation, labour market inputs and regulation, finance and bank regulatory systems, public works and infrastructure, and so on. Hulchanski notes that anytime ‘inefficiencies’ appear within the rental market, mainstream economists have often argued that it is not the market itself that ‘fails’ but rather government regulation that promotes such outcomes.<sup>71</sup> Yet markets under capitalism have never existed in isolation, nor without some forms of regulation. As far as housing markets go, rental housing in

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<sup>70</sup> i.e., Heavy rent burden, widening debt to income ratios, increasingly widespread homelessness, increasing racial and social segregation, and deepening housing precarity.

<sup>71</sup> Hulchanski cites numerous examples of this anti-interventionist position among academic economists and government analysts in Canada throughout the 1980s, which had a significant effect on the overall discourse. For a local example see Goldberg, M. (1983). *The Housing Problem: A Real Crisis? A Primer on Housing Markets, Policies, and Problems*. Vancouver, British Columbia: UBC Press.

particular stands out as an example of extensive and wide ranging government intervention, both since its creation and in its ongoing characteristics.<sup>72</sup>

### ***A culture of theory separates orthodox and heterodox approaches***

A sixth and final lesson that emerges from unpacking orthodoxy at the heart of mainstream economic analysis comes down to the narrowly construed theoretical perspectives therein. These differences between orthodoxy and heterodoxy are not just methodological – they come down to fundamental differences in worldview – the theoretical perspectives on how power relations shape our social worlds.

In his recent discussion of heterodoxy and orthodoxy in economics<sup>73</sup>, political economist Eric Sheppard describes a divergent theory culture that separates neoclassical and mainstream orthodox economics on one hand, and the heterodox approaches which fall under the umbrella of *political economy* – a highly interdisciplinary branch of the social sciences that studies economic processes through the lens of social and political power relations that shape them. Political (ie: heterodox) economists have built a critique of the strong tendency among mainstream classical traditions toward a complete inattention to social theory, whereby their entire rhetorical underpinnings have been constructed to remove any ideas of political or social power from an analysis of economic activity. Simple, abstracted explanations, Sheppard asserts, are possible within that ‘theory culture’ because of their core propositions about market efficiency and housing as a commodity.

In the study of economic and political processes, political economy instead takes as its starting point that these two things cannot be separated. That social and political power, which people exercise in non-economic ways, is the most important aspect of analyses that economists cut out, and these are sets of social relations that are very difficult to reduce to mathematical measurement. In outlining this difference in theory culture, Sheppard describes how political economists understand the economic markets as multi-sectoral constructs constantly mitigated by state intervention, calling into question the potential to model input, output, supply and demand, or highest and best-use principles of land via market mechanisms. Similarly, they reject the notion that markets have a tendency toward “equilibrium” or “efficiency”, but instead are defined by crisis, contradiction, and non-economic norms.

These insights put forward by heterodox political economy have seriously complicated today what are in retrospect quite narrow debates about rent control historically. Social and political theory does not just afford us a better understanding of the problem, but a more firm grasp of the moral arguments at hand. Miron, Cullingworth, Hulchanski, Gibbs, March, and many other scholars have argued that mainstream economics assumes that our only goal is efficiency,

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<sup>72</sup> In addition to Carrol (1989) and Smith (1981) cited in *Sec 1.4*, see also Hamilton, S.W. (1981). “Regulation and Other Forms of Government Intervention Regarding Real Property”, *Regulation Reference, Technical Report, No. 13*. Ottawa: Economic Council of Canada; Selby, J. L. (1985). *Urban rental housing in Canada, 1900-1985: a critical review of problems and the response of government* (Doctoral dissertation, University of British Columbia).

<sup>73</sup> Sheppard, E. (2018). Heterodoxy as Orthodoxy: Prolegomenon for a Geographical Political Economy. *The New Oxford Handbook of Economic Geography, Chapter 8*, 159–178.

ignoring that many other societal goals exist beyond this. Placing value on social questions and benefits, leads one to ask whether rental housing markets should remain the purview of investment portfolios as an asset class. The theory culture that distinguishes heterodox from traditional mainstream analysis likewise calls into question the lens of “expert knowledge” through which these debates have historically been so heavily framed. While we must first contend with the ideological beliefs that shape knowledge production, expert knowledge still only gets us part of the way to making the case for rent control. One must also hold the position, as Madden and Marcuse put it, that: “One person’s inefficiency is another person’s home”.<sup>74</sup>

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<sup>74</sup> Madden, D. and Marcuse, P. (2016). *In Defense of Housing: The Politics of Crisis*. London, UK: Verso.

### **3. Thematic Debates: Myths and Realities**

Taking into account the influence of orthodox approaches in rent control research, and understanding the methodological and theoretical aspects of more diverse heterodox approaches allows for more nuanced inquiry when examining different aspects of the rent control debates. While the data limitations and flaws of econometric modelling are significant, this does not in turn mean that insightful and high quality research does not exist. Rather, it means that summary literature reviews to examine available evidence must be focused on accounts that are broadened to include qualitative methods, descriptive statistics, and are grounded in social theoretical understandings of how these policies impact the experience and agency of tenants and landlords in the communities where they live.

The following section works to incorporate a heterodox lens in analysing key thematic debates relevant to rent regulation generally, and specific examples of vacancy control where the research exists. The most prominent thematic debates centre around development industry myths that have come to dominate the discourse on all forms of rent control. Upon closer examination, each of these myths is clearly rooted in many of the same orthodox ideologies discussed above: the efficiency of the market in providing housing, the myth that markets operate with exclusively rational actors in a vacuum, and that regulationist policies can be both causally linked and separated from the complex macro-economic inputs that shape the political economy of housing.

### 3.1 Housing Supply

*Development industry myth: The main problem with the housing crisis is the lack of supply of available rental units to meet demand, evidenced by low vacancy rates. Affordability can only be addressed with market and policy strategies that increase supply across all rental submarkets for all levels of income. Regulations on rents would ultimately scare investors away from the purpose built rental sector thereby constraining our already low supply. This hurts tenants in the short and long run, resulting in an even more severe housing crisis.*

It is difficult to overstate the predominance of supplyist arguments in debates about the housing crisis and among opponents of rent control. Not only is it a central aspect of academic and mainstream debates, but the potential of increased supply in curing housing inequality and the belief that this is threatened by price controls of any kind is not just an orthodox discourse, but firmly ensconced as an ideology in government<sup>75</sup> and policy circles<sup>76</sup>. Two key features of this myth are supported by the same assumptions underlying mainstream economic theory discussed above: a) that housing markets demonstrate price elasticity responses to supply (and demand) inputs like any other market, and b) that market efficiency is the most important factor in determining the so-called ‘health’ of the housing market. The majority of orthodox modelling on the supply question is premised of course on the false idea of a homogenous market, than what is in reality a highly heterogeneous set of interrelated submarkets.<sup>77</sup> Section 2.3 above already addresses how classical supply and demand theory is not appropriate to apply to land and housing markets, but another element to unpack here is the overdetermining role landowners and developers possess in controlling the very supply they decry as constrained.

Research has shown that landmarkets, particularly in urban contexts, are not nearly as competitive as they are often believed to be, and have shown strong indicators of becoming increasingly oligopolistic over time.<sup>78</sup> While there exists no direct empirical research of landowner oligopolies in B.C., supply control strategies have been well documented by economists as a key mechanism for keeping real estate prices as high as possible.<sup>79</sup> Historical accounts in Canada and elsewhere demonstrate that developers are prone to constrain supply by working together in carefully coordinated markets to produce artificial scarcity to their own

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<sup>75</sup> Premier, O. of the. (2022, November 21). *New premier delivers action to expand housing supply within first days* / B.C. Gov News. <https://news.gov.B.C..ca/releases/2022PREM0065-001745>

<sup>76</sup> Green, K. P., Filipowicz, J., Lafleur, S., & Herzog, I. (2016). *The Impact of Land-Use Regulation on Housing Supply in Canada*. <https://policycommons.net/artifacts/420678/the-impact-of-land-use-regulation-on-housing-supply-in-canada/1391319/>

<sup>77</sup> Hulchanski, D. (1984). Market Imperfections and the Role of Rent Regulations. *Commission of Inquiry into Residential Tenancies, Research Study No. 6*.

<sup>78</sup> Coiacetto, E. (2009). Industry structure in real estate development: is city building competitive?. *Urban Policy and Research*, 27(2), 117-135; Saracho, A. I., & Usategui, J. M. (n.d.). *Policy Coordination in an Oligopolistic Housing Market*; Cosman, J., & Quintero, L. (2018). Market Concentration in Homebuilding. *SSRN Electronic Journal*.

<sup>79</sup> Brueckner, J. K. (1995). Strategic control of growth in a system of cities. *Journal of Public Economics*, 57(3), 393-416.; Huang, Y. K., Wang, X. C., & KW, C. (2010). *Effect of Housing Supply Control Strategy* (No. 2010-323). European Real Estate Society (ERES).

benefit, using techniques such as land assembly and slow release.<sup>80</sup> Analysis from political economy has likewise shown how such real estate supply controls in turn provide landlords with remarkable monopoly power over rent levels in contexts of scarce supply and limited housing resources.<sup>81</sup> Given the strong incentives the development industry has to maintain tight supply, their and policy makers' insistence that an increase in supply would be irreparably hampered by price regulations is disingenuous at best.

While the notion that rent control is harmful to supply is prominent among neoclassical orthodox economists, the wider community of housing policy scholars and heterodox economists have long established that there are a myriad of interconnected macro market and submarket conditions that have a far greater influence on supply, and that rent control alone is unlikely to present a major catalyst factor in supply response. This key point was first demonstrated by John Gilderbloom and Richard Appelbaum in a series of research articles<sup>82</sup> and books<sup>83</sup> published throughout the 80s and 90s,<sup>84</sup> and later again by economist Richard Arnott in 1995.<sup>85</sup> Their studies, and others that have more recently followed,<sup>86</sup> have repeatedly found that new housing supply was far more influenced by regional and local economies, and characteristics specific to local housing stock. Importantly, most of these researchers have noted that previous studies which ostensibly demonstrated significant declines in multifamily construction during earlier eras of rent control did a poor job of controlling for crucial variables, including the fixity and availability of land, macro-shifts in the global and regional economy, foreclosures as a proxy for abandonment, and the role of previous government inputs and interventions.<sup>87</sup> This last point is most salient for the Canadian context, which experienced a marked structural shift of government disinvestment (and subsequent disincentives) in the multi-family sector, a determining factor in the development industries' turn toward condominium construction (*See Sec 1.4*).

More recently, opportunities for longitudinal studies have allowed researchers to get a much longer lens on the relationship between rent controlled housing stock and proxies for supply such as construction and housing completion rates, as well as labour market indicators. As a result,

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<sup>80</sup> For Canadian context see: Barker, G. E., Penney, J., & Seccombe, W. (1973). Highrise and superprofits: an analysis of the development industry in Canada. Kitchener, Ont.: Dumont Press Graphix; Lorimer, J. (1978). *The Developers*. James Lorimer & Company; International examples include: Lai, N., & Wang, K. (1999). Land-supply restrictions, developer strategies and housing policies: the case in Hong Kong. *International Real Estate Review*, 2(1), 143-159; Sanfelici, D., & Halbert, L. (2016). Financial markets, developers and the geographies of housing in Brazil: A supply-side account. *Urban Studies*, 53(7), 1465-1485.

<sup>81</sup> Harvey, D. (1974). Class-monopoly rent, finance capital and the urban revolution. *Regional studies*, 8(3-4), 239-255; Park, J. (2014). Land Rent Theory Revisited. *Science & Society*, 78(1), 88-109.

<sup>82</sup> Gilderbloom, J. I. (1981). Moderate Rent Control: Its Impact on the Quality and Quantity of the Housing Stock. *Urban Affairs Quarterly*, 17(2), 123-142.;

<sup>83</sup> Gilderbloom, J., & Appelbaum, R. P. (1987). *Rethinking Rental Housing*. Temple University Press.

<sup>84</sup> Gilderbloom, J. I., & Markham, J. P. (1996). Moderate rent control: Sixty cities over 20 years. *Journal of Urban Affairs*, 18(4), 409-430.

<sup>85</sup> Arnott, R. (1995). Time for revisionism on rent control?. *Journal of economic perspectives*, 9(1), 99-120.

<sup>86</sup> Collins, T. L. (2003). *Rent Regulation in New York: Myths and Facts*. New York State Tenants & Neighbors Information Service; Baar, K., Burns, P., & Flaming, D. (2016). San José ARO Study: A Study of the Apartment Rent Ordinance of the City of San José. Available at SSRN 3380034; Kadi, J. (2015). Re-commodifying housing in formerly "Red" Vienna?. *Housing, Theory and Society*, 32(3), 247-265.

<sup>87</sup> Pastor, M., Carter, V., & Abood, M. (2018). *Rent Matters: What are the Impacts of Rent Stabilization Measures?* Program for Environmental and Regional Equity. <http://dornsife.usc.edu/pere/rent-matters>

multiple detailed longitudinal reviews that draw on diverse statistical methods from case studies where substantial data has emerged,<sup>88</sup> have found compelling cases where second generation rent controls<sup>89</sup> in particular have had very little short or long term impact on construction rates.<sup>90</sup> In what might be the most impressive example of data quality, and careful analysis, Ambrosius et. al.'s extensive examination of New Jersey's rent control policies is notable for its comparison of both controlled and non-controlled effects of over 10,000 units of housing over forty years.<sup>91</sup> Their study also stands out as they found no statistically significant effect of rent controls on property values or foreclosure rates, noting that most landlord profits were generated through property appreciation, not on monthly rates of rent. One other highly detailed study from Lyon, France of 64 rent controlled buildings over a period of 50 years also found no evidence that real estate and landowner profitability declined throughout the time period of controls.<sup>92</sup>

Considering the development industry's narrative that construction will be severely constrained by rent control, some of the best indicators from the research that call this into question are shown when researchers examine market effects after a rent control policy has ended. An important study in Massachusetts focused on rent control data from the greater Boston area before and after the removal of controls, across a time span of ten years.<sup>93</sup> Sims found that in the mid-90s, Massachusetts' elimination of rent control did not at all lead to the boom in construction that the development industry so often narrates. In the years following the law change, the removal of rent control had little if any statistically significant effect on new construction, both supporting the theory that supply is instead far more influenced by wider economic and market factors, and calling the bluff of the development industry that it will purposefully respond to regulation by contracting.<sup>94</sup>

Outside of North America, more recent and extensive research examining the end of rent controls across numerous cities in Italy, Spain, Portugal and Greece over five decades similarly found that widespread decontrol did not result in the flood of supply the landlord industry

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<sup>88</sup> This includes the US cities of New Jersey, Massachusetts, New York, Berkeley, and San Jose.

<sup>89</sup> Again, sometimes referred to as "moderate rent control", these are policy schemes that normally do not apply to new construction, have luxury decontrol (NYC), or cost-pass through provisions.

<sup>90</sup> Sims, D. P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? *Journal of Urban Economics*, 61(1), 129–151; Gilderbloom, J. I., & Ye, L. (2007). Thirty Years of Rent Control: A Survey of New Jersey Cities. *Journal of Urban Affairs*, 29(2), 207–220; Ambrosius, J. D., Gilderbloom, J. I., Steele, W. J., Meares, W. L., & Keating, D. (2015). Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession. *Cities*, 49, 121–133; For extended discussion of construction impacts see also: Parker, M., & Chapple, K. (2019). Revisiting Rent Stabilization in the Neighborhood Context: The Potential Impact of Rent Regulation on Community Stability and Security in the New York Metropolitan Region Symposium: One Hundred Years of Rent Control: An Examination of the Past and Future of Rental Housing. *Fordham Urban Law Journal*, 46(5), 1137–1182.

<sup>91</sup> Ambrosius, J. D., Gilderbloom, J. I., Steele, W. J., Meares, W. L., & Keating, D. (2015). Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession. *Cities*, 49, 121–133;

<sup>92</sup> Bonneval, L., & Robert, F. (2019). The Limits of the Accepted Orthodoxy on Rent Control

<sup>93</sup> Sims, D. P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? *Journal of Urban Economics*, 61(1), 129–151

<sup>94</sup> Interestingly, Sims found that Boston's modest second generation controls had a rent decrease effect not only on the controlled-areas, but also spill over effects with slight decreases to non-controlled areas, contradicting a basic assumption of classical economic theory that price controls will drive up rents in uncontrolled units. To my knowledge, this is the only empirical study that has produced this finding.



portends.<sup>95</sup> Pointing to the significance of moderate and second generation controls upon the changing positions of economists in the late 80s, the Harvard Law Review concluded then that “there is no empirical evidence that a rent control regime permitting pass-through of maintenance costs and exempting new construction has a chilling effect on future supply”.<sup>96</sup>

The argument that vacancy control specifically would universally discourage new construction completely ignores the fact that new rental stock is not likely to be subject to any type of controls, and free to set market or even above-market rates. That B.C.’s current market rates are at such unprecedented highs indicates that there is indeed strong incentive to continue building<sup>97</sup> – an incentive all the more reinforced by existing data on how the multi-family sector is currently outperforming all others.<sup>98</sup> While the major increase in multi-family speculation in the last two decades has been predicated on a rent gap that owners can close through tenant turnover, the potential of profitability in land-value increases is still so significant, a major withdrawal in that sector is not likely even with price controls implemented. Some research has shown that rent control affects multi-family stock negatively when landlords are able to remove units through condominium conversion, or owner-occupation (a practice confirmed currently in Canada<sup>99</sup> as landlords use these to get around the vacancy decontrol that currently exists).<sup>100</sup> In their study of San Francisco, Diamond, et. al, most recently seemed to confirm a reduced rental supply (15%) through conversion and redevelopment upon being subject to new rent control laws, though such reductions were far greater in stock owned by institutional landlords, highlighting the great need to implement wider regulation on multi-family corporate owners.<sup>101</sup>

Some of the best and more recent evidence on supply shows quite conclusively that new construction is not causally responsive to singular policies such as rent control, though some owners have been shown to respond to rent control through conversions and in some cases demolition. Though in some cases across studies results can be mixed, the more recent research nevertheless unsettles dominant theories that price controls have universally negative effects on housing markets. Any evidence that landlords respond to controls with efforts to skirt them, or threats of withdrawing from the business of multi-family housing altogether, does not detract

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<sup>95</sup> Arbaci, S. (2019). *Paradoxes of Segregation: Housing Systems, Welfare Regimes, and Ethnic Residential Change in Southern European Cities*. Oxford: Wiley-Blackwell.

<sup>96</sup> Reassessing Rent Control: Its Economic Impact in a Gentrifying Housing Market. (1988). *Harvard Law Review*, 101(8), 1835–1855.

<sup>97</sup> CMHC. (2023). *RENTAL MARKET REPORT*. (Jan 2023 Edition). Retrieved: <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/market-reports/rental-market-reports-major-centres>

<sup>98</sup> Statistics Canada. (2022). “To buy or to rent: The housing market continues to be reshaped by several factors as Canadians search for an affordable place to call home.” *The Daily*. September 21. Statistics Canada Catalogue no. 11-001-X. <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/dq220921b-eng.htm>; For statistics on the institutional investor landscape by province see: Fontaine, J., & Gordon, J. (2020). *Residential real estate investors and investment properties in 2020*. Housing Statistics in Canada Catalogue no. 46280001, Feb 3, 2023.

<sup>99</sup> Webber, C., & Zigman, P. (2023). *Renovictions: Displacement and Resistance in Toronto*. <https://renovictionsto.com/reports>; Crosby, A. (2020). Financialized gentrification, demoviction, and landlord tactics to demobilize tenant organizing. *Geoforum*, 108, 184–193.

<sup>100</sup> Fetter, D. K. (2016). The Home Front: Rent control and the rapid wartime increase in home ownership. *The Journal of economic history*, 76(4), 1001-1043; Note some similar findings in Sims, D. P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? *Journal of Urban Economics*, 61(1), 129–151.

<sup>101</sup> Diamond, R., McQuade, T., & Qian, F. (2019). The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco. *American Economic Review*, 109(9), 3365–3394.

from the utility and effectiveness of rent control per se, but instead indicates a great need to have strong policies in place that disincentivizes such market practices from occurring. Each threat that the landlord lobby makes of construction contraction, or unit conversion – and evidence that there are examples of when landlords make good on those threats<sup>102</sup> – is an even stronger argument for more robust policy to prevent such reactionary measures from impacting the effectiveness of rent control.

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<sup>102</sup> Brand, D. (2023, August 21). “More than 13K rent-stabilized units in NYC are sitting empty for multiple years, report finds.” *Gothamist*. Retrieved from: <https://gothamist.com/news/more-than-13k-rent-stabilized-units-in-nyc-are-sitting-empty-for-multiple-years-report-finds>

### 3.2 Rental Filtering

*Development industry myth: Increases in supply of any kind (high-market rentals or even owner-occupied stock) will ease vacancy rates and usher in a process of consumer 'filtering', whereby those who can afford new units will vacate their current more affordable units for the benefit of down-market tenants.*

A theory developed mid-century among neoclassical economists,<sup>103</sup> the concept of filtering rests on the assumption that when newer (market-rate, higher-end) units are added to the market through supply liberalisation, tenants across the income spectrum will move up the housing commodity chain, thereby vacating other more affordable units to middle or lower-income renters. Unlike some of the research findings on supply responses to rent controls, the existing heterodox research on the theory of rental filtering is unequivocal: there is no evidentiary basis for the claim that filtering will significantly increase housing availability nor affordability for those on the lower end of the housing market.

Most prior orthodox approaches to filtering theory are focused on hypothetical modelling<sup>104</sup>, therefore results across different studies are highly contradictory. Early reviews of filtering among more heterodox economists were surprisingly critical for their time, asserting filtering as theoretically unsound and having “little empirical validity”.<sup>105</sup> Canadian scholar David Hulchanski noted in 1984 that lower income households far outnumbered higher income households in the multi-family sector, that both the amount of supply required to facilitate it, and the persistent “breaks in the filtering chain” through demolitions, conversions, and gentrification foreclosed any guarantee that units would filter as they theoretically should.<sup>106</sup> Hulchanski, along with others, were sceptical of the speed at which filtering could happen, suggesting it is a protracted and slow process at best.<sup>107</sup> Later on, Galster’s 1996 review of five prominent modelling approaches concluded that filtering was a “market-dominant” policy regime, whereby construction is focused on higher-submarkets, and unlikely to bring benefits to lower income renters. Galster argued that the heterogeneity of many intersecting submarkets of housing call nearly all the modelling approaches into question, as proper analysis would require an, “implicit partitioning of the housing market into several distinct segments among which households move in interplay with new construction”,<sup>108</sup> a type of analysis which is impossibly hindered by complexity and available data.

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<sup>103</sup> For a historical literature analysis see Lowry, I. S. (1960). Filtering and Housing Standards: A Conceptual Analysis. *Land Economics*, 36(4), 362–370;

<sup>104</sup> Ratcliff, R. (1949). Filtering Concept. *Urban Land Economics*, 321-333.

<sup>105</sup> Boddy, M., & Gray, F. (1979). Filtering theory, housing policy and the legitimization of inequality. *Policy & Politics*, 7(1), 39-54.

<sup>106</sup> Hulchanski, D. (1984). Market Imperfections and the Role of Rent Regulations. *Commission of Inquiry into Residential Tenancies, Research Study No. 6*. For further discussion on ‘breaks’ in the filtering chain see: Lansley, S. (1979). *Housing and public policy*. Routledge.

<sup>107</sup> Collard, D. A. (1972). *Prices, markets and welfare*. London: Faber and Faber.

<sup>108</sup> Galster, G. (1996). William Grigsby and the Analysis of Housing Sub-markets and Filtering. *Urban Studies*, 33(10), 1797–1805 (p. 1800).

Early detractors of filtering have only been supported by ongoing research on the subject since. The clear consensus among heterodox economists and critical urbanists is that even if filtering does occur to some degree, it does not unfold on any time horizon short enough to make meaningful inroads on the affordability crisis: Multiple studies suggest that it could take up to 30 or 40 years for the benefits of filtering to be statistically significant.<sup>109</sup> A now highly cited and well known Canadian study by Skaburskis et al. examined filtering in the rental market between 1970s and 90s, only to find that the process was so slow and had so little effect on passively providing housing to lower income tenants that it could not be pursued as a serious policy strategy.<sup>110</sup> Similar to hypotheses from earlier decades, Skaburskis found that a major excess of high-end supply would need to be sustained over long periods of time in order for filtering to occur. They acknowledge that there were indeed historical periods in Canadian rental housing history that demonstrated some signs of this, but that a similar intervention could not be afforded by present day market conditions.

While researchers have been long pointing to the problem of reverse filtering in urban in-town gentrifying neighbourhoods, recent studies have benefited from more longitudinal and empirical data to demonstrate these effects. Skaburskis found the outright reversal of the direction of filtering in all major Canadian census metropolitan areas since 1981, almost entirely due to widespread upscaling and gentrification that worked to steadily pull affordable units away from lower income renters in the last four decades. Their findings suggest that not unlike the forces that likewise shape supply, that macroeconomic trends influencing sub-market movement are too strong a factor, and greatly limit the effect of any filtering taking place. In central neighbourhoods of major cities where the affordability crisis is most acute, Skaburskis finds that “filtering is now contributing to housing problems, not solving them”.<sup>111</sup>

In a wide ranging survey of the national distribution of rental price data across households sampled in the American Housing Survey from 1989 to 2013, McCarthy et. al (2015) much more recently found that rent inflation was consistently far higher for lower-cost housing units.<sup>112</sup> Contrary to many orthodox assumptions of filtering theory, they found that new construction did not actually result in an increase of affordable units “downstream”, and that instead new construction in higher-end markets lead to higher overall prices in lower tiers of housing. Looking at a time span from 1989 to 2013, not only did they find broad rent appreciation across all housing submarkets, but that the lower tiers increased at much faster rates. Another similar 30 year scan of real median incomes and rental rates of multiple US cities has had similar findings – that filtering alone is not a meaningful method for producing affordable rental housing.<sup>113</sup>

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<sup>109</sup> Skaburskis, A. (2006). Filtering, City Change and the Supply of Low-priced Housing in Canada. *Urban Studies*, 43(3), 533–558; Bazzle, J., & De Lira, J. (2016). *Filtering Effects and Real Housing Affordability* [Honors Thesis]. Department of Economics, University of Oregon.

<sup>110</sup> Skaburskis, A. (2006). Filtering, City Change and the Supply of Low-priced Housing in Canada. *Urban Studies*, 43(3), 533–558.

<sup>111</sup> Ibid., p. 554.

<sup>112</sup> McCarthy, J., Peach, R., & Ploenzke, M. (2015). The Measurement of Rent Inflation. *The Federal Reserve Bank of New York*.

<sup>113</sup> Bazzle, J., & De Lira, J. (2016). *Filtering Effects and Real Housing Affordability* [Honors Thesis]. Department of Economics, University of Oregon.

Some economists have more recently developed sophisticated modelling regimes that suggest filtering does happen, though the rates at which it occurs in relation to affordability leaves a lot to be desired. Rosenthal's 2014 analysis concluded that on average across the United States, filtering rates for lower income households are approximately 2.2% annually.<sup>114</sup> The same study, however, found that the rents for those same households declined only 0.3% per year. Such an incredibly low rate would seem to reinforce previous findings that there is a much higher cost burden for renters at the lower end of the market. Zuk and Chapple, in their detailed review of the California data reinforced that the timing and affordability elements of delivering housing stock through filtering is questionable as a strategy, particularly in dense urban areas with geographic limitations to building and historic housing stock.<sup>115</sup> They note that regions with rapidly rising housing prices have far slower filtering rates than Rosenthal's calculated national average, and that it could take multiple generations for filtering to have any significant effect on the overall housing crisis.

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<sup>114</sup> Rosenthal, S. S. (2014). Are private markets and filtering a viable source of low-income housing? Estimates from a "repeat income" model. *American Economic Review*, 104(2), 687-706.

<sup>115</sup> Zuk, M., & Chapple, K. (2016). *Housing Production, Filtering and Displacement: Untangling the Relationships*. Institute of Governmental Studies, Research Brief, UC Berkeley.

### 3.3 Landlord Repairs

*Development industry myth: Purpose built rental housing is very challenging already for owners to maintain, particularly among small landlords. Rent controls already limit how much income landlords can generate, and vacancy control would severely constrain their ability to sustain regular maintenance and make major capital upgrades that are much needed in our ageing rental stock. Those investments will not occur under vacancy control, and the health and safety of tenants will be put at risk.*

In comparison to the debates on supply and filtering, there is less heterodox research focused on the question of landlord maintenance and repairs. As would be expected, a great deal of orthodox research has existed (and continues to be published) for decades now, much of which constructs seemingly complex models that are nevertheless rooted in the usual assumptions of a homogenous housing market, where landlords coexist as rational economic actors under perfect competition. Under these assumptions, economists conclude that in the absence of regulations, landlords will only maintain a level of housing quality that maximises the value of their profits. But their most obvious and ultimately fatal error with this reasoning, is that it is assumed that landlords maximise profit by actively *improving* the quality of their housing. Such assumptions run entirely contrary to some of the most basic theories of political economy, which describe a process of uneven development – wherein periods of disinvestment are well documented corollaries to periods of reinvestment in order to produce returns.<sup>116</sup> In other words, research from political economy shows that profitability in real estate unfolds through boom and bust cycles which are entirely predicated on disinvestment as a feature – not a bug.<sup>117</sup>

Of course, the claim from the development industry that housing maintenance will suffer implies that owners maintain their buildings to adequate standards of habitability already. Reports of structurally inadequate housing and habitability problems among renters would suggest that a significant portion of the private rental market has lagged for many years, most especially for renters on the low end of the spectrum.<sup>118</sup> In B.C. and across Canada, a great deal of the purpose-built multi-family stock was constructed prior to 1972,<sup>119</sup> during periods of considerable government investment and a policy landscape that encouraged such construction (*See Sec 1.4*). The major original components of that stock (electrical, heating, plumbing, building envelope)

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<sup>116</sup> Smith, N. (1982). Gentrification and uneven development. *Economic geography*, 58(2), 139-155; Werner, M. (2016). Global production networks and uneven development: exploring geographies of devaluation, disinvestment, and exclusion. *Geography Compass*, 10 (11), 457-469.

<sup>117</sup> Marcuse, P. (1985). Gentrification, Abandonment, and Displacement: Connections, Causes, and Policy Responses in New York City. *Washington University Journal of Urban and Contemporary Law*, 28, 195–240; Wyly, E. K., & Hammel, D. J. (1999). Islands of decay in seas of renewal: Housing policy and the resurgence of gentrification; Newman, K., & Wyly, E. K. (2006). The right to stay put, revisited: Gentrification and resistance to displacement in New York City. *Urban studies*, 43(1), 23-57; Rankin, K. N., & McLean, H. (2015). Governing the commercial streets of the city: New terrains of disinvestment and gentrification in Toronto's inner suburbs. *Antipode*, 47(1), 216-239.

<sup>118</sup> Rana, K., Shrestha, V., & Chimoriya, R. (2020). The effect of housing on health and challenges of demographic changes. *Glob. J. Sci. Front. Res*, 20, 75-82.; See basic tabulation summary from Stats Canada here: <https://www150.statcan.gc.ca/n1/pub/46-28-0001/2021001/article/00017-eng.htm>; See also Slater, T. (2020). Rent Control and Housing Justice. *Finisterra*, 55(114), Article 114.

<sup>119</sup> 52% of PBR was built between 1950-1970.

are frequently cited as a looming problem as they have well exceeded intended lifespans. This issue is a central framing for opponents of rent control in their warnings that landlords will be unable to meet those costs under regulation.

Yet these claims sit in stark contrast to the astronomical rent increases of the last two decades, coupled with basic census tabulations about the state of housing suitability and dwelling conditions for the 4.8 million renter households across the country. At a steady rate since 2018, just over 10% of households report housing in need of major structural repairs, while a staggering 67% of households report their basic maintenance needs are not being met by property owners.<sup>120</sup> Meanwhile, research shows that institutional landlords are far more likely to engage in profit-seeking behaviours that erode housing suitability, and neglect basic maintenance until compelled by tenants or authorities.<sup>121</sup> In light of the expanding influence of institutional investors in the multi-family sector, and their record gains throughout the pandemic, it is clear that major capital upgrades to ageing buildings would not be a part of their wider strategy for securing asset class profits.

Heterodox approaches to the research on landlord responses to rent controls have, not unlike the question of supply, found that market context played a greater determining factor in shaping maintenance and repair behaviour in spite of rent control. Similar to the early research on filtering, multiple studies of both first generation and second generation rent controls did not find major repair and maintenance reductions,<sup>122</sup> and numerous housing economists at the time concluded that the relationship between rent control and maintenance expenditures was “theoretically ambiguous” at best.<sup>123</sup> In their review of quality change of rental units in New York, Moon and Stotsky found that property values and real estate booms in dense urban settings were a strong factor in landlords being induced to maintain their units despite any constraints placed on them by rent control, which they hypothesised was due to the promise of future profitability.<sup>124</sup>

Findings from studies of second generation rent controls, which typically include cost-pass through provisions, were far less likely to find statistically significant reductions in landlord maintenance. Olsen’s 1988 review noted that most orthodox approaches at the time were based on overly simplistic models and causal empiricism, which ignored key features of rent control ordinances. Similarly, Kutty found that most discouraging effects of rent control were mitigated by ordinance provisions that rewarded landlords for improvements, or had meaningful

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<sup>120</sup> Statistics Canada. [Table 46-10-0059-01 Housing suitability and dwelling condition, by tenure including social and affordable housing](https://doi.org/10.25318/4610005901-eng); [doi.org/10.25318/4610005901-eng](https://doi.org/10.25318/4610005901-eng). These numbers actually increase slightly for B.C. alone.

<sup>121</sup> Andersen, H. S. (1998). Motives for Investments in Housing Rehabilitation among Private Landlords under Rent Control. *Housing Studies*, 13(2), 177–200; August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975–997.

<sup>122</sup> Moon, C. G., & Stotsky, J. G. (1993). The effect of rent control on housing quality change: a longitudinal analysis. *Journal of Political Economy*, 101(6), 1114–1148; Arnott, R. (1995). Time for Revisionism on Rent Control? *Journal of Economic Perspectives*, 9(1), 99–120.

<sup>123</sup> Olsen, E. O. (1988). What do economists know about the effect of rent control on housing maintenance? *The Journal of Real Estate Finance and Economics*, 1(3), 295–307; Kutty, N. K. (1996). The Impact of Rent Control on Housing Maintenance: A dynamic analysis incorporating European and North American rent regulations. *Housing Studies*, 11(1), 69–88.

<sup>124</sup> Research on profitability over time in rent controlled units in Europe and New Jersey confirms this as well.

enforcement and compliance already present in their housing code.<sup>125</sup> According to Olsen, orthodox modelling's most serious deficiency is that it fails to account for tenant maintenance and therefore made the false blanket conclusions that housing units universally deteriorate over time. Other findings during this time echoed this key point, showing that tenants in controlled units were much more likely to stay longer, and those that stay longer are also more likely to be more proactive in maintaining their dwellings.<sup>126</sup> Much more recent reviews have supported these, suggesting that security of tenure plays an important role in tenant incentives for self-maintenance.<sup>127</sup>

Sims' extensive study of rent controls in Boston, which reviewed data before and after deregulation across 10 years, did find some evidence that property quality did deteriorate, though they were only in minor cases and they found no examples of major capital or structural issues. The authors attribute this to the already existing housing code, and the enforcement mechanisms that curtail major landlord disinvestment from the multi-family stock.<sup>128</sup> Meanwhile, their findings supported the argument that regional and macro-economic upscaling processes played a greater influence in landlord behaviour: after rent control was withdrawn, the lack of regulation only fueled gentrification largely through cosmetic building improvements, rather than any major capital repairs that theoretically would have been afforded by the jump in rent appreciation. Similarly, Whitehead et. al's assessment of four European countries showed strong evidence that rent deregulation did not provide the conditions for stimulating increased investment through renovation or repairs of purpose built rentals.<sup>129</sup>

A final key point with respect to maintenance responses to controls, which is often ignored by orthodox assumptions about tenant behaviours, is that tenants are far more likely to alert landlords to the need for repairs when they have the security of tenure provided under rent control. An early study of rent control in Washington, DC showed the number of units with reported habitability problems actually declined after controls, and that nearly 61% of tenants surveyed reported they were more willing to shed light on the need for repairs with their landlords.<sup>130</sup> Such findings are not surprising, and they are even more stark alongside other findings on landlord motivations toward repairs. A Danish study which carried out extensive interviews and surveys with landlords, found that most only undertook maintenance until they received complaints.<sup>131</sup> The strategy of over 40% of respondents was to do nothing, until either

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<sup>125</sup> Kutty, N. K. (1996). The Impact of Rent Control on Housing Maintenance: A dynamic analysis incorporating European and North American rent regulations. *Housing Studies*, 11(1), 69–88.

<sup>126</sup> Clark, W. A., & Heskin, A. D. (1982). The impact of rent control on tenure discounts and residential mobility. *Land Economics*, 58(1), 109-117; Linneman, P. (1987). The effect of rent control on the distribution of income among New York City renters. *Journal of Urban Economics*, 22(1), 14–34.

<sup>127</sup> Gibb, K., Soaita, A. M., & Marsh, A. (2022). *Rent Control: A review of the evidence base*.

<sup>128</sup> Sims, D. P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? *Journal of Urban Economics*, 61(1), 129–151.

<sup>129</sup> Whitehead, C., Scanlon, K., Monk, S., Tang, C., & Haffner, M. (2016). *Understanding the Role of Private Renting a Four-Country Case Study*. Delft University of Technology.

<sup>130</sup> Turner, M. A. (1990). *Housing market impacts of rent control: the Washington, DC experience* (Vol. 90). The Urban Institute as cited in Marsh, A., Gibb, K., & Soaita, A. M. (2022). Rent regulation: Unpacking the debates. *International Journal of Housing Policy*, 1–24.

<sup>131</sup> Andersen, H. S. (1998). Motives for Investments in Housing Rehabilitation among Private Landlords under Rent Control. *Housing Studies*, 13(2), 177–200.



tenants or the local authorities compelled them, and the more institutionalised the landlord, the far greater the chances that they only performed repairs on demand. As Slater points out, those that argue that price controls will universally worsen housing quality “cannot have it both ways”, when research demonstrates that contexts of deregulation do not produce a significant increase in either supply or the much needed responsiveness from landlords for ongoing maintenance and capital upgrades to their stock.<sup>132</sup>

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<sup>132</sup> Slater, T. (2020). Rent Control and Housing Justice. *Finisterra*, 55(114), Article 114.

### 3.4 Small or ‘Mom and Pop’ Landlords

*Development industry myth: Rent control will place an unfair burden on small or ‘mom and pop’ landlords who make up a significant portion of the private market housing providers. Rent controls will scare away this important segment of the landlord community from participating in the market and further decrease the number of units available.*

Despite having undergone such significant transformations with respect to financialization in the last three decades,<sup>133</sup> a strong narrative of the plight of the small landlord persists, and is regularly propped up by the development and landlord industry in the face of any kind of regulationist discourse – most notably with the recent eviction moratoria across North America throughout the pandemic.<sup>134</sup> Though there is somewhat limited data compared to the United States, in the context of Canada, it is now well established that REITS and other similar large institutional investors have accomplished unprecedented multi-family acquisitions in recent years, with a relative concentration in large urban centres, and a documented preference for provincial jurisdictions with limited regulation on rents, weak tenant protections, and loopholes for above guideline increases.<sup>135</sup> South of the border, the evidence of financialization in rental housing has now been well documented, particularly in the arena of the single family rental market.<sup>136</sup> Institutional investors in the rental asset class have been connected with eviction seeking business models, far higher rates of above guideline increases, and higher rates of rent appreciation.<sup>137</sup>

Given the increasing strong hold that institutional investors have over wider swaths of the multi-family stock, it is no wonder that they seek to maintain the current framework of weak regulations concerning price and tenure security. However, the debate over who would be most impacted by regulation continues to be mired in the myth that the vast majority of landlords are individual owners. Much was made of recently released Statistics Canada research that examined tax filing data to show a significant increase in the number of homeowners reporting rental income across the country, wherein the authors suggested that “artisanal” ownership is on the

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<sup>133</sup> Please see Sec 1.5 for previous discussion, and in addition to earlier citations see also: Lima, V. (2020). The financialization of rental housing: Evictions and rent regulation. *Cities*, 105, 102787; Walks, A., & Clifford, B. (2015). The political economy of mortgage securitization and the neoliberalization of housing policy in Canada. *Environment and Planning, A*, 47(8), 1624–1642

<sup>134</sup> For just a few examples see: Vesoulis, A. (2020, June 11). *Eviction Moratoriums Are Crushing Small Landlords* / Time. <https://time.com/5846383/coronavirus-small-landlords/>; and Chang, C., Rosenthal, T., Rosenthal, T., Martin, N., Martin, N., Kaiser-Schatzlein, R., Kaiser-Schatzlein, R., Segers, G., Segers, G., Stewart, K., Stewart, K., Tomasky, M., Tomasky, M., Cox, A. M., & Cox, A. M. (2021, July 16). The Problem of the Small Landlord and Other Pandemic Relief Traps. *The New Republic*. <https://newrepublic.com/article/162991/eviction-moratorium-small-landlords-rent-debt-pandemic>

<sup>135</sup> See especially Brais, H. (2018). *Policy and the Corporate Landlord: The Geography of Private Rental Housing in Canada* [Masters, Concordia University]; and more recent work by August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975–997.

<sup>136</sup> Fields, D., & Uffer, S. (2016). The financialisation of rental housing: A comparative analysis of New York City and Berlin. *Urban Studies*, 53(7), 1486–1502; Fields, D., & Vergerio, M. (n.d.). Corporate Landlords and Market Power: What does the single-family rental boom mean for our housing future? *UC Berkeley*; Seymour, E., & Akers, J. (2021). Building the eviction economy: Speculation, precarity, and eviction in Detroit. *Urban Affairs Review*, 57(1), 35–69.

<sup>137</sup> Seymour, E. (2022). Corporate Landlords and Pandemic and Pre-pandemic Evictions in Las Vegas. *Housing Policy Debate*, 1–22.; Raymond, E. L., Miller, B., McKinney, M., & Braun, J. (2021). Gentrifying Atlanta: Investor purchases of rental housing, evictions, and the displacement of black residents. *Housing Policy Debate*, 31(3-5), 818–834.

rise.<sup>138</sup> Though such increases would seem instead to be a strong indication that the huge pressures of inflation, tax, and interest rates on both new and amortised homeowners are pushing them increasingly to seek ‘mortgage helper’ tenants. Interestingly, the IRS income data likewise shows a marked increase in individual owners reporting rental income, particularly post-crisis.<sup>139</sup>

While the intense pressures of the housing crisis for renters and owners would likely explain such shifts, any increase in individual owners is still far outsized by the growing expansion and extent of holdings among corporate investment vehicles in rental housing. There is a notable challenge in quantifying just how many small landlords exist, because of varying definitions of what constitutes “small”, “artisanal” or “mom and pop” in the context of a heterogeneous multi-family and single-family rental landscape. Across researchers, and most importantly, governmental statistical bureaus, definitions range from fewer than 20 properties, fewer than 10 properties, fewer than 5 properties, or only owning an average of 1 or 2 units, and so on. It is reasonable to assume that a large number of actors are too often included in the category of ‘mom and pop’ given such definitional issues.

Accounting for and tracing the activities of medium and small landlord groups is admittedly challenging, particularly in the light of the major constraints that corporate networks of interlinked limited liability companies (LLCs) place on data accessibility and analysis, and is one of the reasons that comparably little research exists on this topic.<sup>140</sup> If we narrow analysis to small landlords who own one rental unit, or to households that report rental income from a portion of their only owned property, even the most basic tabulations of the available data suggest this is an exceedingly small allotment of rental sector ownership. A recent examination of 2016 data from the Statistics Canada Survey of Financial Security, showed that of the 7.6 million homeowners that only own their residence and no other property, only 340,000 households were reporting rental income.<sup>141</sup> Data analysed by researchers at HUD (Housing and Urban Development) in the US also indicates that how we count corporate versus individual owners, versus their actual share of the housing inventory is key to understanding the landscape. Drawing from American Housing and Rental Housing Finance Survey data, as well as IRS income reporting, showed that out of 48.5 million rental units, only 10 million of them housed tenants with individual landlords who reported income on either one or two units.<sup>142</sup>

Some of the most recent research on rental housing financialization in the US, from major metropolitan areas such as New York and Los Angeles, as well as the limited research in Canada, all suggests that ownership distribution for institutional landlords likely skews toward large urban settings. In their corporate owner mapping project, JustFix.nyc found that less than 10% of renters in the greater New York area rented from small landlords with one or two

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<sup>138</sup> Number of ‘artisanal landlords’ is up—And so are the profits. (2022, November 9). *The Globe and Mail*. Retrieved from: <https://www.theglobeandmail.com/real-estate/article-number-of-artisanal-landlords-is-up-and-so-are-the-profits/>

<sup>139</sup> Richardson, T. (2018, June 11). Landlords | HUD USER. *Landlords: A Message from HUD Senior Leadership*. Retrieved from: <https://www.huduser.gov/portal/pdredge/pdr-edge-firm-asst-sec-061118.html>

<sup>140</sup> However see Shelton, T., & Seymour, E. (Forthcoming). Horizontal Holdings: Untangling the networks of corporate landlords. *Annals of the American Association of Geographers*.

<sup>141</sup> Tranjan, R. (2020, March 31). “Struggling homeowners not your typical landlord: The case for rent forgiveness.” *The Monitor*. <https://monitormag.ca/articles/struggling-homeowners-not-your-typical-landlord-the-case-for-rent-forgiveness/>

<sup>142</sup> Richardson, T. (2018, June 11). Landlords | HUD USER. *Landlords: A Message from HUD Senior Leadership*. Retrieved from: <https://www.huduser.gov/portal/pdredge/pdr-edge-firm-asst-sec-061118.html>

units.<sup>143</sup> Meanwhile Ferrer’s work in Los Angeles found that corporate entities now own a shocking 43% of all rental units in the city, and that landlords owning fewer than five units only accounted for less than a third of rental properties.<sup>144</sup> In both cases, the concentration of large landlords (who were also found to be more likely to own rent-regulated buildings) increased significantly in the downtown cores, which strongly suggests that a geographical approach to regulation could prove useful in curbing institutional landlord behaviours.

Lamentably, the heterodox academic literature has little to say about the impact of rent controls on small landlords. One fifteen year old study found that ‘amateur’ landlords were more likely to charge lower rents, as well as engage in negotiated rent payments with tenants, which some have suggested may make them less likely to be impacted by rent control.<sup>145</sup> In their wide ranging review of the rent control literature, Pastor et. al. contend that the vast majority of second generation rent control policies are normally implemented with provisions to support small owners, which they note would not be difficult to implement. At the same time, a very recent study examining landlord tenant screening and property management practices has shown how even small landlords are increasingly outsourcing their management to larger scale corporatized consulting businesses – perhaps raising an altogether different question about the relationships and linkages across ownership subgroups, and further complicating the much needed progress on characterising and defining “small landlords” as a whole.<sup>146</sup> Indeed, the fact that so much of the existing research on rent control and housing regulation does not delineate clearly between institutional and individual owners points to the great need for much more research in this area.

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<sup>143</sup> Rabiya, S. (2020, June 28). Examining the Myth of the “Mom-and-Pop” Landlord. *JustFix*. Retrieved from: <https://medium.com/justfixorg/examining-the-myth-of-the-mom-and-pop-landlord-6f9f252a09c>

<sup>144</sup> Ferrer, A. (2021). *Beyond Wall Street Landlords: How Private Equity in the Rental Market Makes Housing Unaffordable, Unstable, and Unhealthy*. (The Just Recovery Series). Strategic Actions for a Just Economy.

<sup>145</sup> Gilderbloom, J. I., Ye, L., Hanka, M. J., & Usher, K. M. (2009). Intercity rent differentials in the US housing market 2000: Understanding rent variations as a sociological phenomenon. *Journal of urban affairs*, 31(4), 409-430.

<sup>146</sup> Rosen, E., Garboden, P. M., & Cossyleon, J. E. (2021). Racial discrimination in housing: how landlords use algorithms and home visits to screen tenants. *American Sociological Review*, 86(5), 787-822

### 3.5 Policy Implementation

*Development industry myth: That rent control will require significant administrative resources to create a meaningful system for compliance and enforcement, and large amounts of onerous bureaucracy that would be high cost to staff and maintain. Such a system also comes along with significant privacy risks.*

There are few research studies or case study examples that review in detail the administrative nature of implementing rent control, let alone their associated costs, however the well documented costs of housing precarity and homelessness which directly implicate vacancy decontrol are likely to outweigh policy implementation by orders of magnitude.<sup>147</sup> Likewise, the costs associated with other housing policies, such as rent subsidy or building affordable housing also far outweigh any administrative costs of rent control.<sup>148</sup> The current vacancy decontrol in B.C. has arguably produced a significant loophole that not only erodes already existing protections, but demonstrably increases their costs of enforcement to the tune of over \$15 million in increased spending commitments so far by the provincial government.<sup>149</sup> Meanwhile, the landlord lobby has been known to block implementation of rent control through protracted and costly legal challenges that attempt to weaken or eliminate regulations altogether – fulfilling their own prophecy that implementation is an inevitable drain on government resources.<sup>150</sup>

Numerous policy reviews of rent control contend that it is far and beyond the most effective housing policy in its protective effect on low income renters and its ease and relatively low cost or cost neutral implementation.<sup>151</sup> The rent boards of cities in California are perhaps the best

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<sup>147</sup> For analysis of the economic costs of housing inequality in Canada see Gaetz, S., Gulliver, T., & Richter, T. (2014). *The state of homelessness in Canada 2014*. Canadian Homelessness Research Network. This more recent study estimates the average annual cost per person in British Columbia is \$53,144: Latimer, E.A., Rabouin, D., Cao, Z., Ly, A., Powell, G., Aubry, T., Distasio, J., Hwang, S.W., Somers, J.M., Stergiopoulos, V. and Veldhuizen, S., 2017. Costs of services for homeless people with mental illness in 5 Canadian cities: a large prospective follow-up study. *Canadian Medical Association Open Access Journal*, 5(3), pp. E576-E585.

<sup>148</sup> See PolicyLink's analysis that estimates the typical costs of needed rent subsidy in dense coastal communities like California to be upward of \$20 million annually for only 2,220 low-income households: Tre, S., & Chew, Amy. (2019). *Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities*. *Policy Link, Right to the City, The Center for Popular Democracy*, 56.

<sup>149</sup> B.C. Government News. (2022, December 28). *Improved processes will help renters, landlords*. <https://news.gov.B.C..ca/releases/2022HOUS0071-001946>; The Canadian Press. (2022, December 28). *B.C. boosts funding for Residential Tenancy Branch to address long wait times*. *CBC News*. <https://www.cbc.ca/news/canada/british-columbia/b-c-boosts-funding-for-residential-tenancy-branch-to-address-long-wait-times-1.6698914>

<sup>150</sup> See three separate cases here in New Westminster, Vancouver, B.C. and Kingston, ON: B.C. landlords mount legal challenge to New Westminster's rental-only zones, call unique bylaw unfair. (2019, February 26). *The Globe and Mail*, Retrieved <https://www.theglobeandmail.com/canada/british-columbia/article-landlords-challenge-new-westminsters-rental-only-zones-in-court/>; CBC News. (2022, August 6). *B.C. Supreme Court quashes Vancouver bylaws limiting rent increase between single occupancy housing tenancies*, *CBC News*. Retrieved <https://www.cbc.ca/news/canada/british-columbia/vancouver-bylaws-limiting-sro-rent-increases-between-tenancies-quashed-1.6543413>; Gilson, R. H. (2022, November 1). *Landlords sue Kingston over rent control*. *Times Union*. Retrieved <https://www.timesunion.com/hudsonvalley/news/article/Ulster-County-Housing-Board-landlord-lawsuit-17514115.php>.

<sup>151</sup> Pastor, M., Carter, V., & Abood, M. (2018). *Rent Matters: What are the Impacts of Rent Stabilization Measures?* Program for Environmental and Regional Equity; Gibb, K., Soaita, A. M., & Marsh, A. (2022). *Rent Control: A review of the evidence base*. UK Collaborative Centre for Housing Evidence.; Marsh, A., Gibb, K., & Soaita, A. M. (2022). *Rent regulation: Unpacking*

exemplar to look to for implementation, compliance, and robust data gathering on real rental rates and housing inventory since their inception, some which date back to the late 70s. According to Inglis and Preston, municipal rent boards in California typically have between 5-9 board members, who may be either elected by the public or appointed.<sup>152</sup> They maintain historical annual data on rent increases, release yearly reports on the state of rental housing, and also maintain accurate and accessible data on evictions. Multiple sources maintain that this well established infrastructure in California is not only modest in cost, but can often be cost-neutral, as the funding from rent boards does not come from municipal general funds or the local tax base, but are furnished by “per unit fees” upon landlords. These are subsequently allowed to be partially passed through to tenants in a regulated process of twelve monthly equal portions in addition to base rent.<sup>153</sup>

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the debates. *International Journal of Housing Policy*, 1–24; Tre, S., & Chew, Amy. (2019). Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities. *Policy Link, Right to the City, The Center for Popular Democracy*, 56.

<sup>152</sup> Inglis, A., & Preston, D. (2017). *Communities Thrive with Rent Control: A guide for California cities*.

<sup>153</sup> For more detail on and other examples of rental registries and similar tools across the US, see Policy Link’s tool mapping kit here: <https://www.policylink.org/resources-tools/tools/all-in-cities>; For a more indepth review of rental board data and reporting see also Gordon, L. (2018). *Strengthening Communities Through Rent Control and Just-Cause Evictions: Case Studies from Berkeley, Santa Monica, and Richmond*. Urban Habitat.

#### 4. Case Studies in Canada

Though it may be a more arcane form of rent control, and there is a relative lack of academic research on specific case studies, vacancy control is certainly not a radical nor untested intervention in the context of Canadian jurisdictions.<sup>154</sup> Amid the now widespread and complex legal histories of second generation rent controls across the provinces, there are a few notable examples of provincial and municipal interventions using vacancy control since the 1970s which offer important insights into its historical precedents and future potential – including B.C., Manitoba, Ontario, and Prince Edward Island.

Gaining a meaningful understanding of the political economic context of housing in Canada during the historic inflationary period and global recession of the 1970s and 80s is essential for interpreting the history and so-called impacts of rent controls throughout this period. *Sections 1.3 through 1.5* already describe the mutually reinforcing and multi-scalar processes of disinvestment and deregulation that characterized the wide-spread state-led abandonment of the rental housing sector in Canada over the last fifty years. These processes of urban economic restructuring are also a well known feature of the history of housing across the Global north since the 1980s.<sup>155</sup> Then and now, they are not separable from the broader economic forces that have shaped them, and which shape the state of rental housing markets with far more force than any meso or local scale policy interventions against an unfettered property market.

Orthodox economists insist that periods of withdrawal or disinvestment are merely the outcome of “market inefficiencies”, or inappropriate government intervention in a market that is best left alone. However, both of these characterizations entirely misunderstand the structural nature of uneven development, and the state’s indelible influence over capital. In reality, periods of decline and periods of growth are a central feature of the crisis cycles endemic to commodified housing. Due in great part to the post-build delay in financial returns inherent to purpose built rentals, in the case of rental housing in particular, these cycles are significantly shaped by the nature of state investment, policy incentives, and the wider macro-economic dynamics therein. Ultimately, property market booms and busts – investment and disinvestment – are a contradictory and yet totalizing feature of the political economy of housing.<sup>156</sup>

This is well illustrated by the long-term story of Canadian rental housing which has unfolded in the wake of such cycles. Beginning with the post-war period of state-facilitated rental housing expansion, this boom was followed by global oil and energy crises throughout the 1970s, which

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<sup>154</sup> Hulchanski, D. (1984). Market Imperfections and the Role of Rent Regulations. *Commission of Inquiry into Residential Tenancies, Research Study No. 6*; Grant, H. (2011). *An Analysis of Manitoba’s Rent Regulation Program and the Impact on the Rental Housing Market*. 43; See especially Lazzarin, C. (1990). *Rent Control and Rent DeControl in British Columbia: A study of the Vancouver Rental Market 1974–1989*. University of British Columbia; and Yorke, B. (2012, November 9). The Tenant Movement in B.C. from 1968 to 1978. *The Mainlander*. <https://themaine.com/2012/11/09/the-tenant-movement-in-b-c-from-1968-to-1978/>

<sup>155</sup> Jäger, J. (2003). Urban Land Rent Theory: A Regulationist Perspective. *International Journal of Urban and Regional Research*, 27(2), 233–249.

<sup>156</sup> Christophers, B. (2011). Revisiting the Urbanization of Capital. *Annals of the Association of American Geographers*, 101(6), 1347–1364.

marked the earliest beginnings of the shift toward broad based neoliberalization strategies.<sup>157</sup> New policy directions from the federal government beginning in the mid to late 1970s signalled toward the near total disengagement from stimulative programs for rental housing to come over the next decade.<sup>158</sup> Meanwhile, the 1970s period provided the backdrop for an unprecedented global economic recession beginning in 1980.<sup>159</sup> Conservative monetary and fiscal policies that were rolled out in response to both led to double digit inflation and historic unemployment rates as governments moved increasingly toward fiscal control.<sup>160</sup> Not only did the federal government withdraw financial investment from rental housing construction, it instituted tax reforms throughout the two decades to follow that profoundly disincentivized purpose built-construction, and instead introduced strong incentives for the condominium market.<sup>161</sup>

The development industry responded in turn, setting into motion concomitant and extended periods of broader urban restructuring via property booms,<sup>162</sup> epitomised by the first waves of 1980s gentrification across all major Canadian cities during this time.<sup>163</sup> These broader processes have of course dramatically altered housing supply dynamics throughout the 80s and 90s, and are a visible trend well into today.<sup>164</sup> Alongside this timeline, enduring cycles of state-led disinvestment from the rental sector produced a decline which set the stage for subsequent speculative reinvestment, displacement, and now the institutional investor-led processes of financialization in multi-family housing we are seeing now. In light of this context, it is more clear why heterodox researchers make the case that housing supply and construction are far more influenced by the confluence of many interconnected and multi-scalar economic dynamics, than any one specific policy intervention.

Despite this, within the development industry, the discourse about the history of rent controls – and mid-1970s vacancy control specifically – points to the devastating withdrawal of developers from rental housing as evidence of the impact that rent control universally exerted.<sup>165</sup> Such

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<sup>157</sup> Harvey, D. (2005). *Spaces of neoliberalization: towards a theory of uneven geographical development* (Vol. 8). Franz Steiner Verlag; Harvey, D. (2007). Neoliberalism and the City. *Studies in Social Justice*, 1(1), 2-13; Rossi, U. (2016). Neoliberalism. In *Urban theory: New critical perspectives* (pp. 205-217). Routledge. For Canadian context see: Zhu, Y., Yuan, Y., Gu, J., & Fu, Q. (2021). Neoliberalization and inequality: disparities in access to affordable housing in urban Canada 1981–2016. *Housing Studies*, 1-28; Dalton, T. (2009). Housing policy retrenchment: Australia and Canada compared. *Urban Studies*, 46(1), 63-91.

<sup>158</sup> For longer and more detailed discussion of the lead up to this see: Oberlander, P. H., & Fallick, A. (1992). *Housing a Nation: The Evolution of Canadian Housing Policy*. Centre for Human Settlements - University of British Columbia; Smith, L. B. (1977). *Anatomy of a Crisis: Canadian Housing Policy in the Seventies*.

<sup>159</sup> Tapia, J. A. (2013). From the Oil Crisis to the Great Recession: Five crises of the world economy. *Institute for Social Research, University of Michigan, Ann Arbor*.

<sup>160</sup> Carroll, B. W. (1989). Post-War Trends in Canadian Housing Policy. *Urban History Review*, 18(1), 64–74.

<sup>161</sup> Mendonça-Vieira, P. (2018). *Actually Rent Control Is Great: Revisiting Ontario's Experience, the Supply of Housing, and Security of Tenure*. 39.

<sup>162</sup> Ball, M. (1994). The 1980s property boom. *Environment and Planning A*, 26(5), 671-695.

<sup>163</sup> Ley, D. (1980). Liberal ideology and the postindustrial city. *Annals of the Association of American geographers*, 70(2), 238-258; Ley, D. (1992). Gentrification in recession: social change in six Canadian inner cities, 1981-1986. *Urban Geography*, 13(3), 230-256.; Slater, T. (2004). Municipally managed gentrification in south Parkdale, Toronto. *Canadian Geographer/Le Géographe Canadien*, 48(3), 303-325.

<sup>164</sup> August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975–997.; Harris, D. C. (2011). Condominium and the City: The Rise of Property in Vancouver. *Law & Social Inquiry*, 36(3), 694–726.; See also Metro Vancouver Housing Data Book, 2002.

<sup>165</sup> Kim, J., & Mathur, G. (2019). *Policies Getting Out of Control*. BMO Nesbitt Burns Inc.; No Author. (2019). *Understanding BC's History of Rent Controls and Tax Policy to Improve Today's Rental Housing Crisis*. Landlord BC.



assessments routinely ignore a great deal of relevant historical context, while the few orthodox studies often cited by opponents likewise failed to adequately control for many of the aforementioned features of the housing market context, specifically – inflation, interest rates, unemployment, demographic profiles, immigration, global recession, and so on.<sup>166</sup> Of course, that the mid 1970s timing of experimentations with vacancy control coincides with historic inflation, the impending impacts of a global economic recession, and never-seen-before government disinvestment is no accident. Policy makers were responding to protect renters during a time of serious economic crisis.

As rental housing construction began to collapse in the first half of the 1970s, along with it dropped the vacancy rate in cities across Canada, which reached a historic low of 0.2% in B.C. by 1974. Rather than using its broad legislative powers as it did with war time measures to institute rent control in 1941,<sup>167</sup> the federal government instead requested the provinces enact rent controls via an ‘Anti-Inflation Programme’ in 1975.<sup>168</sup> This request was more characteristic of the federal government's then growing tendency to download the responsibility for housing onto the provinces and their municipalities. This was true too of major juridical transformations in the late 1960s, that shifted the adjudication of landlord-tenant law from court to provincial tribunal systems we have today.<sup>169</sup>

In part as a response to the federal government's early renegeing on a national housing strategy, the early and mid 1970s saw major changes in legislation for landlord-tenant law across all provinces. Much of these legislative changes were focused on security of tenure, a basic protection frequently lacking in many jurisdictions.<sup>170</sup> Alongside anti-inflation efforts, most provinces instituted some form of rent control including vacancy control in at least five cases.<sup>171</sup> Developers successfully lobbied provincial governments to remove almost all forms of rent control in B.C., Ontario, and Manitoba by 1984, drawing from the rationale that deregulation would usher in more private rental stock, though the data clearly shows they directed their investment toward condominiums and setting much higher rents in the existing affordable stock.<sup>172</sup> Though vacancy control was relatively short-lived in most examples, a few key studies have since debunked the claims that tying rent to the unit had both a causal and negative impact.

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<sup>166</sup> For orthodox studies see: Smith, L. B. (1988). An economic assessment of rent controls: The Ontario experience. *The Journal of Real Estate Finance and Economics*, 1(3), 217-231.; and earlier Smith, L.B. (1983). *The Crisis of Rental Housing: A Canadian Perspective*. *The Annals of the American Academy of Political and Social Science*, 465(1), p. 3-4, 58-75. For critical discussion see Lind, H. (2003). Rent regulation and new construction: With a focus on Sweden 1995-2001. *Swedish Economic Policy Review*, (10), 135-167; as well as Mendonça-Vieira, P. (2018). *Actually Rent Control Is Great: Revisiting Ontario's Experience, the Supply of Housing, and Security of Tenure*. 39.

<sup>167</sup> The majority of controls in Canada were removed by the 1950s, and multiple provincial governments responded to federal legislative withdrawal of war time measures with their own legislation in order to fill this vacuum. See Bray, et. al. (1973). “Report on Landlord and Tenant Relationships (Project No. 12).” *The Law Reform Commission of British Columbia*.

<sup>168</sup> Smith, L. B. (1977). *Anatomy of a Crisis: Canadian Housing Policy in the Seventies*.

<sup>169</sup> This occurred via a 1968 Supreme Court of Canada decision. For a much more extensive discussion of landlord-tenant law reform in Canada see: Bray, et. al. (1973). “Report on Landlord and Tenant Relationships (Project No. 12).” *The Law Reform Commission of British Columbia*.

<sup>170</sup> At the time in many jurisdictions, tenants could be evicted without cause, or landlords could elect to not renew leases.

<sup>171</sup> This includes, B.C., Manitoba, Ontario, Quebec, and Prince Edward Island.

<sup>172</sup> No Author. (2019). *Understanding BC's History of Rent Controls and Tax Policy to Improve Today's Rental Housing Crisis*. Landlord BC.

The following four sections will look briefly at the specifics of implementation and the results of a few examples of heterodox research in those contexts.

## 4.1 British Columbia

The early 1970s in B.C. was a time of significant legislative change with respect to the landlord-tenant relationship. On the heels of a previous Law Reform Commission, provincial legislators introduced the *Landlord and Tenant Act* which came into force in 1970.<sup>173</sup> The new act would provide B.C. with just cause eviction for the first time – prior to this, it was common for tenants to only have month to month tenure, and landlords were free to terminate with only 72 hours notice with no framework for cause.<sup>174</sup> Landlords at the time anticipated the possibility of regulation with the 1970s act and amended versions that followed it in 1975, particularly given growing inflation, and in some cases they were successful in rolling out dramatic 25% increases as a reactionary response.<sup>175</sup> During the time, Vancouver’s city council was also pursuing home-rule efforts, by passing a resolution limiting rent increases to inflation (vacancy decontrol).<sup>176</sup>

After a great deal of advocacy and pressure from tenant organising groups in the years following the introduction of the 1970 *Landlord and Tenant Act*, the relatively new NDP government took steps to respond to the inflation crisis prior to the federal government's own efforts, being one of the only provinces to do so.<sup>177</sup> In the Spring of 1973, the NDP introduced the *Residential Premises Interim Rent Stabilization Act* as an emergency measure to protect renters which modified the 1970s act by tying rent to the unit. The following year, the federal government imposed wage and other broad price controls, and requested the provinces to develop rent control measures through their ‘Anti-Inflation Programme’. In his reflective writing, tenant activist and city councillor Bruce Yorke described a series of steps taken by the NDP following this as effectively weakening the interim act as soon as it was passed. In an effort to address enforcement and compliance of new rent controls, the government assembled another Law Reform Commission to outline rent setting policy in more detail.<sup>178</sup> Though the commission’s findings came out strongly in favour of numerous important tenant protections, its conclusions on rent control were ambiguous and commissioners recommended the establishment of the Rentalsman Office to adjudicate rent increases rather than have the commission take a strong position on the matter.

In February of 1974, an amended *Landlord and Tenant Act* was passed, which created the Rentalsman Office and gave it the power to set rental increases. Though the new controls

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<sup>173</sup> Previously in 1954, the province responded to the federal withdrawal of war time measures with the Rent Control Act (following an example set by Ontario) which gave municipalities the power to create rental authorities, revoke, amend, or remake the original war time measures from the federal government. For a very detailed and interesting history of the Rent Control Act, and how the 1970s Landlord and Tenant Act provided a direct legal contradiction to this, please see: Bray, et. al. (1973). “Report on Landlord and Tenant Relationships (Project No. 12).” *The Law Reform Commission of British Columbia*.

<sup>174</sup> Bray, et. al. (1973). “Report on Landlord and Tenant Relationships (Project No. 12).” *The Law Reform Commission of British Columbia*.

<sup>175</sup> Yorke, B. (2012, November 9). The Tenant Movement in B.C. from 1968 to 1978. *The Mainlander*. <https://themainlander.com/2012/11/09/the-tenant-movement-in-b-c-from-1968-to-1978/>

<sup>176</sup> The municipality of Surrey, BC used the 1954 Rent Control Act which gave them these powers to similar ends, implementing just cause eviction policies in the spring of 1973.

<sup>177</sup> Yorke, B. (2012, November 9). The Tenant Movement in B.C. from 1968 to 1978. *The Mainlander*. <https://themainlander.com/2012/11/09/the-tenant-movement-in-b-c-from-1968-to-1978/>

<sup>178</sup> Bray, et. al. (1973). “Report on Landlord and Tenant Relationships (Project No. 12).” *The Law Reform Commission of British Columbia*.

enjoyed broad support across the province politically, the Social Credit Party which came into power the following year, made further moves to weaken rent control by 1977 after caving to pressure from the landlord lobby. While opting to maintain controls tied to tenancy (and inflation), the Social Credit Party kept these until 1984, when they abolished rent controls completely following broader trends across the country of fiscal restraint and deregulation. B.C. would not have any regulation upon rents again for a twelve year period, until 1996 when the BC NDP reintroduced a rent increase dispute model similar to the one used in Quebec today, whereby a landlord must justify a rent increase with evidence. In 2004 our current regime of vacancy decontrol with annual increases tied to inflation was introduced.

Powerful orthodox discourses at the time suggested that the elimination of rent controls was intended to encourage new rental construction that had altogether collapsed in the wake of state-led disinvestment. However, despite the removal of rent controls, we know that multi-family purpose built rental construction only continued a precipitous decline throughout the 1980s and 90s. In her detailed dissertation-based study of rent controls in B.C., Cecilia Lazzarin examined the effects of vacancy control and its weaker formulations that followed upon rental supply, in addition to condominium conversions, reduced maintenance, and demolitions across over a decade of rental market data from 1974 to 1989.<sup>179</sup> Her analysis was rooted in the importance of understanding the wider economic context, and especially that the government was responding to poor economic conditions (and development industry pressure) in its elimination of controls. Ultimately, echoing many other heterodox findings, she argued that rental development industry behaviour was far more shaped by the wider economic context and that there was no discernable relationship between the continued decline in supply and the presence or removal of rent controls.

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<sup>179</sup> Lazzarin, C. (1990). *Rent Control and Rent DeControl in British Columbia: A study of the Vancouver Rental Market 1974—1989*. University of British Columbia.

### 4.3 Ontario

Ontario's implementation of vacancy control follows a very similar story to B.C.'s, enacting its own *Residential Premises Rent Review Act* in 1975 as a response to increasing provincial responsibilities with respect to housing regulation and the federal government's anti-inflation policy.<sup>180</sup> Though Ontario had a conservative government at the time, Hulchanski points out that its own rental housing construction collapse that began in the early 1970s, had likewise caused vacancy rates to fall dramatically while inflation surged, leaving the conservatives with "no choice but to respond with regulations".<sup>181</sup> Similarly, condominium legislation was introduced in 1967, which trended upward throughout the decade to follow, dominating multi-residential construction ever since.

Ontario's rent control framework has taken many different forms throughout its many iterations, and could perhaps be considered one of the most developed (and regularly modified) rent control regimes in North America. In particular, the system centred around robust government built administration through the Rent Registry, which monitored and carried out enforcement on increases, in addition to conversions, demolitions and constructive evictions.<sup>182</sup> Following Ontario's own Law Reform Commission in 1968, provincial legislators worked almost in lock-step with B.C. to redevelop Landlord and Tenant law, but did not enact any controls until 1975 in response to the inflation crisis and the federal government's programme.

In the first ten years, all rent controls were enforced only on rental housing built prior to 1975, presumably in an effort to prevent the development industry from withdrawing from construction on new builds. New builds were exempt from control for 5 years post-construction until 1979 when exemptions on new builds were extended indefinitely, whereas multi-family stock prior to 1975 was permitted to raise rents annually, but only by using cost-pass through aspects of the policy.<sup>183</sup> Smith's examination of Ontario rent control, though critiqued for not controlling for basic economic and demographic indices, is nevertheless helpful in understanding how the dual nature of controls created a two-tiered rental system.<sup>184</sup> Smith noted that one-bedroom average rents decreased on buildings built prior to 1975, which worked effectively to preserve affordable units – while uncontrolled units (both new builds and conversions) experienced run-away rents producing a significant split in the market.

Despite the considerable effect of significant decreases and affordability preservation, multiple policy modifications and attempts to 'fine-tune' the regime through exemptions were phased in and out throughout 1975 to 1986. In 1986, the overall formula for rent control was again

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<sup>180</sup> Hulchanski, D. (1997). *The Economics of Rental Housing Supply and Rent Decontrol in Ontario*. 11.

<sup>181</sup> Hulchanski, D. (1997). *The Economics of Rental Housing Supply and Rent Decontrol in Ontario*. 11; Mendonça-Vieira, P. (2018). *Actually Rent Control Is Great: Revisiting Ontario's Experience, the Supply of Housing, and Security of Tenure*. 39.

<sup>182</sup> Smith, L. B. (1988). An economic assessment of rent controls: the Ontario experience. *The Journal of Real Estate Finance and Economics*, 1, 217-231.

<sup>183</sup> Smith, L. B. (1988). An economic assessment of rent controls: the Ontario experience. *The Journal of Real Estate Finance and Economics*, 1, 217-231. See also Smith, L. B. (2003). Intertenant Rent Decontrol in Ontario. *Canadian Public Policy / Analyse de Politiques*, 29(2), 213–225.

<sup>184</sup> Smith, L. B., & Tomlinson, P. (1981). Rent Controls in Ontario: Roofs or Ceilings? *Real Estate Economics*, 9(2), 93–114.

restructured to inflation, thereby eliminating vacancy control partially imposed on pre-1975 units. Though Smith found controls preserved affordability, Hulchanski points out that even in the mid 90s, many renters were paying above 30% of their income on housing, which raises questions about how well cost-pass through features of the constantly changing policy worked to protect renters.<sup>185</sup> Rent controls were brought to an end with the election of the Progressive Conservatives in 1995, who introduced the new landlord-friendly *Tenant Protection Act* in 1997 which introduced vacancy decontrol for all multi-family units regardless of their year built. The *Tenant Protection Act* created the strong incentive for rent increases predicated on tenant turnover, and the now long-critiqued loophole of “above-guideline increases” (AGIs) which allowed landlords to download significant amounts of their repair costs onto tenants.<sup>186</sup> In her work on the financialization of Canada’s rental housing stock, August points to this moment of deregulation as key for drawing institutional investors toward speculation practices in the multi-family industry.<sup>187</sup>

Tracking with all other national and continental trends, rental housing starts were already in steep decline in the early 1970s, and in Ontario fell by almost half in 1975 when the first controls were introduced. In his excellent market analysis of Ontario’s history with rent controls, particularly the vacancy control period, Phillip Mendonça-Vieira (2018) outlines how disinvestment was so intertwined with the institution of controls that reviewing the historical data points again to the impossibility of separating out the effect of controls to make causal inferences.<sup>188</sup> Examining later data on housing starts in the years following decontrol showed that new rental starts continued to remain severely depressed all the way to the 2016 period, a full twenty years after the removal of vacancy control. Indeed, as in every other example, the development industry did not deliver the growth in construction after the removal of what they claimed was the primary factor inhibiting them.

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<sup>185</sup> Hulchanski, D. (1997). The Economics of Rental Housing Supply and Rent Decontrol in Ontario. 11.

<sup>186</sup> Mahoney, E. (2001). The Ontario Tenant Protection Act: A trust betrayed. *Journal of Law and Social Policy*, 16, 261-278.; Truemner, M. (2009). A Closer Look at Seemingly Pro-Tenant Provisions in the Residential Tenancies Act. *Journal of Law and Social Policy*, 22(1), 27–42; August, M., & Walks, A. (2018). Gentrification, suburban decline, and the financialization of multi-family rental housing: The case of Toronto. *Geoforum*, 89, 124–136.

<sup>187</sup> August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975–997.

<sup>188</sup> Mendonça-Vieira, P. (2018). *Actually Rent Control Is Great: Revisiting Ontario’s Experience, the Supply of Housing, and Security of Tenure*. 39.

#### 4.4 Manitoba

Broadly similar to Ontario, the province of Manitoba introduced rent regulation as a result of the federal inflation measures in 1976, and applied retroactively to 1975. Specifically they implemented vacancy control for buildings with three or more units, with a cost-pass through element on units built after 1976 which would be exempt from regulation for five years after their completion date.<sup>189</sup> After two years, Manitoba modified the policy to tie annual increases to inflation and tenancy turnover increases to average rents for comparable units in the same complexes. By 1980, all previous regulations were removed and replaced with a rent arbitration system, whereby tenants and landlords could apply for binding arbitration if they could not agree on a general annual increase amount. Following this in 1982, basic annual regulations were reintroduced with maximum allowable amounts set by the government, and wide-ranging cost-pass through options – a system that has largely remained in place ever since.

Despite the newer regimes being less strict, Manitoba's rent control has arguably stood as a form of vacancy control since its implementation. A regulatory limit between tenancies based on comparable units in the same complex, suggests that over time rent gaps will stay narrow by being tethered together. Perhaps more-so than any other province, Manitoba's cost-pass through policy was and continues to be very wide-ranging, which include not just capital inputs and repairs, but minor changes in operating expenses and even financial loss.<sup>190</sup> Even the legislation's annual increase regulations since 1982 have not applied to newly constructed buildings for 20 years. The few studies that have examined Manitoba's second generation rent controls have found that rental housing construction was not deleteriously affected during this time, particularly after the 90s. A much earlier study from Lyon in 1986 similarly confirmed positive market responses to controls, though did not attempt to separate out analysis for vacancy control specifically.<sup>191</sup> Notwithstanding the lack of data on market responses, it is worth noting that after several decades of this policy, CMHC data consistently shows Winnipeg as having lower average rents and average rent increases across all major metropolitan centres nationally.<sup>192</sup>

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<sup>189</sup> Grant, H. (2011). *An Analysis of Manitoba's Rent Regulation Program and the Impact on the Rental Housing Market*. 43.

<sup>190</sup> Notably, Grant mentions that though administering a program with so many provisions is complex, the government's cost was very small in 2011 – only 1.7 million annually, which Grant at the time estimated at less than 2\$CAD per capita.

<sup>191</sup> Lyon, D. and Carter, T. (1986). *Housing in Manitoba: Seminar Summary*. Research and Working Paper No. 25. Institute of Urban Studies and Canada Mortgage and Housing Corporation.

<sup>192</sup> CMHC. (2023). *RENTAL MARKET REPORT*. (Jan 2023 Edition). Retrieved: <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/market-reports/rental-market-reports-major-centres>, p. 48.

## 4.5 PEI

Prince Edward Island stands out as the most remarkable example of vacancy control in Canada, both for its long-standing provisions that have gone largely unchanged since their implementation, and as a warning to other jurisdictions about the pitfalls of failing to develop rigorous mechanisms for compliance. As a result of both federal policy and pressure from tenant's groups, P.E.I. introduced rent controls province-wide in 1975, allowing an annual rent increase set by the Island Regulatory and Appeals Commission (IRAC), but which are nevertheless tied to the unit and not tenancy.

While such a long standing policy of vacancy control is completely unprecedented, it has operated on an honour system for nearly the entirety of its existence. The complete lack of compliance and data collection is obvious in a cursory glance at current housing market indices. Despite the rent control, P.E.I.'s affordability crisis is somewhat comparable to other provinces, particularly with respect to rent burden as nearly 36% of renters are paying more than 30% of their income on rent. Meanwhile, average rent increases for 1 bedroom apartments increased a shocking 60% between 2017 and 2023. While on paper, vacancy control is in effect, in reality, and with increasingly few housing options, tenants have very little leverage. Only after strong pressure and advocacy on the part of renters groups, did a Green Party-led motion to create a free and public rent registry pass in 2019.<sup>193</sup> Though the motion passed unanimously, action to implement the system has been extremely slow, certainly in great part as a result of the pandemic.<sup>194</sup> More recent moves to delay the registry while P.E.I. considers altogether new rental legislation also significantly threatens the effectiveness of their vacancy control.<sup>195</sup>

Though there is no peer reviewed or grey literature conducting longitudinal analysis, nearly forty-five years of rent control has not appeared to have a deleterious effect on rental housing supply. The P.E.I. provincial governments own housing and poverty reduction reporting does not at all attribute the presence of vacancy control for its present day housing woes, instead citing lagging government investment in affordable housing, increased immigration, sharp increases in tourism and short-term rental accommodations, as well as gentrification as core reasons for their rental housing pressures, especially in recent decades.<sup>196</sup> Robust longitudinal analysis of rental housing starts, conversions, demolitions, rental rates, among other factors would give key insights into the overall responses of the market to controls, though given the complete lack of enforcement, P.E.I. may not provide the most meaningful case study on the question of vacancy control specifically.

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<sup>193</sup> Hansard. (2019). *Prince Edward Island Legislative Assembly—Session 1—66th General Assembly*. PEI Legislative Assembly.

<sup>194</sup> Yarr, K. (2021, March 5). "Tenants want to see action": P.E.I. rental registry taking too long, says tenant. *CBC News*. CBC.

<sup>195</sup> Campbell, K. (2022, April 5). *Rental registry may not be required under new law: Housing minister*. *CBC News*. CBC.

<sup>196</sup> No author. (2018). *Housing Action Plan for Prince Edward Island*. Government of Prince Edward Island; No author. (2018). *PEI: Housing Data and Trends: Poverty Reduction Action Plan Background*. The Province of Prince Edward Island.



## 5. The Potential in Vacancy Control

Examining the available evidence about the housing crisis writ large in cities all across North America, we are presented with a very stark picture of intensified racial,<sup>197</sup> gendered,<sup>198</sup> and economic inequality,<sup>199</sup> amid severe impacts on people's psychological, physical and social wellbeing.<sup>200</sup> A great deal of scholarship has unequivocally demonstrated that housing instability<sup>201</sup> and involuntary displacement<sup>202</sup> has become a severe epidemic with devastating effects for people's health and social attainment, and which has the potential for long-term effects stretching across generations.<sup>203</sup> Study after study has also shown that involuntary displacement is a deeply gendered and racialized phenomenon, with far more severe impacts for women, non-white, and immigrant communities.<sup>204</sup> Research also points to the serious effects of forced moves on educational attainment among children and young people.<sup>205</sup> We also know that

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<sup>197</sup> Bayer, P., Charles, K. K., & Park, J. (2021). *Separate and unequal: Race and the geography of the American housing market*. Mimeo., Duke University.; Wyly, E., Ponder, C. S., Nettling, P., Ho, B., Fung, S. E., Liebowitz, Z., & Hammel, D. (2012). New racial meanings of housing in America. *American Quarterly*, 64(3), 571-604.

<sup>198</sup> Parker, B., & Leviten-Reid, C. (2022). Pandemic precarity and everyday disparity: gendered housing needs in North America. *Housing and Society*, 49(1), 10-37; Goldenberg, S. M., Buglioni, N., Krüsi, A., Frost, E., Moreheart, S., Braschel, M., & Shannon, K. (2023). Housing Instability and Evictions Linked to Elevated Intimate Partner and Workplace Violence Among Women Sex Workers in Vancouver, Canada: Findings of a Prospective, Community-Based Cohort, 2010–2019. *American journal of public health*, 113(4), 442-452.

<sup>199</sup> Cooper, V., & Paton, K. (2021). Accumulation by repossession: the political economy of evictions under austerity. *Urban Geography*, 42(5), 583-602.

<sup>200</sup> Tsai, J., & Huang, M. (2019). Systematic review of psychosocial factors associated with evictions. *Health & social care in the community*, 27(3), e1-e9.; Hatch, M. E., & Yun, J. (2021). Losing your home is bad for your health: Short-and medium-term health effects of eviction on young adults. *Housing Policy Debate*, 31(3-5), 469-489.; Hoke, M. K., & Boen, C. E. (2021). The health impacts of eviction: Evidence from the national longitudinal study of adolescent to adult health. *Social Science & Medicine*, 273, 113742.; Bowen, E. A., & Mitchell, C. G. (2016). Housing as a social determinant of health: Exploring the relationship between rent burden and risk behaviors for single room occupancy building residents. *Social work in public health*, 31(5), 387-397.; Baker, E., Bentley, R., & Mason, K. (2013). The mental health effects of housing tenure: causal or compositional?. *Urban Studies*, 50(2), 426-442.

<sup>201</sup> Farrell, M. (2005). Responding to housing instability among newcomers. *Canadian Issues*, 119.

<sup>202</sup> Kaufman, D. (2022). Expulsion: A type of forced mobility experienced by homeless people in Canada. *Urban Geography*, 43(3), 321-343.; Leon, S., & Iveniuk, J. (2020). *Forced out: Evictions, race, and poverty in Toronto*. Wellesley Institute.

<sup>203</sup> Burd-Sharps, S., & Rasch, R. (2015). Impact of the US housing crisis on the racial wealth gap across generations. *Social Science Research Council*, 124-51.; Christophers, B. (2018). Intergenerational inequality? Labour, capital, and housing through the ages. *Antipode*, 50(1), 101-121.

<sup>204</sup> Leon, S., & Iveniuk, J. (2020). *Forced out: Evictions, race, and poverty in Toronto*. Wellesley Institute.; Hepburn, P., Louis, R., & Desmond, M. (2020). Racial and gender disparities among evicted Americans. *Sociological Science*, 7, 649-662.; Xuereb, S., & Gurstein, P. C. (2021). *Understanding Evictions in Canada through the Canadian Housing Survey*. Balanced Supply of Housing Research Cluster, University of British Columbia.; Desmond, M. (2014). Poor black women are evicted at alarming rates, setting off a chain of hardship. *Chicago: MacArthur Foundation*.; Tesfai, R., & Ruther, M. (2022). Immigrant neighborhoods and eviction: Hidden housing crisis?. *Cities*, 131, 104033.; Goldenberg, S. M., Buglioni, N., Krüsi, A., Frost, E., Moreheart, S., Braschel, M., & Shannon, K. (2023). Housing Instability and Evictions Linked to Elevated Intimate Partner and Workplace Violence Among Women Sex Workers in Vancouver, Canada: Findings of a Prospective, Community-Based Cohort, 2010–2019. *American journal of public health*, 113(4), 442-452.

<sup>205</sup> Bures, R. M. (2003). Childhood residential stability and health at midlife. *American Journal of Public Health*, 93(7), 1144-1148.; Adam Voight, Marybeth Shinn, and Maury Nation, "The Longitudinal Effects of Residential Mobility on the Academic Achievement of Urban Elementary and Middle School Students," *Educational Researcher* 41, no. 9 (December 1, 2012): 385–92.

in the context of Canada, Indigenous people are severely and disproportionately impacted by structurally inadequate housing, insecure tenure, and especially homelessness.<sup>206</sup>

The interlocking circumstances of severe rent burden, insecurity of tenure, and involuntary moves, and their intimate connection with racial and economic inequality, suggests that a policy that can meaningfully stem such crises is one directed toward and generative of racial and economic justice. Indeed, that is the flip side – the potential that rent control *possesses*, and in the context of B.C., *vacancy control in particular*. Not only have the many research studies demonstrated that rent control is not in fact a singular causal force of market-failure, they also show that many forms of rent control are very effective at slowing displacement, preserving already existing affordability, and that they work to keep lower income and racialized residents in their communities.

A significant number of research studies across heterodox and orthodox persuasions show that even moderate second generation rent controls ultimately decrease residential mobility<sup>207</sup> and housing stability in many metropolitan areas across a diversity of demographic groups.<sup>208</sup> Since the 1980s and well into the most recent decade of research, the studies show that among those most vulnerable to forced moves, rent control is strongly correlated with a reduced likelihood of instability.<sup>209</sup> Rent controls have also been shown to have a protective effect against upscaling and gentrification in high-value and dense urban metropolitan areas; in one case, they increased the ability for renters to stay in their units for more than 3 years.<sup>210</sup> Though some findings do suggest that more careful implementation is needed in some jurisdictions to ensure that those

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<sup>206</sup> Buhler, S., & Barkaskas, P. (2023). The Colonialism of Eviction. *Journal of Law and Social Policy*, 36(1), 23-43.; Anderson, J. T., & Collins, D. (2014). Prevalence and causes of urban homelessness among indigenous peoples: a three-country scoping review. *Housing Studies*, 29(7), 959-976.; Kidd, S. A., Thistle, J., Beaulieu, T., O'Grady, B., & Gaetz, S. (2019). A national study of Indigenous youth homelessness in Canada. *Public Health*, 176, 163-171.

<sup>207</sup> Frequently, orthodox economists cite decreased mobility (ie: less residential moves) as an example of a negative causal effect of rent control. This is largely due to another dominant discourse regarding the ostensible negative effects of residential immobility, which is partly a legacy of important mid-century research on racial segregation, but also closely tied to the idea of the “culture of poverty”. This is a thesis that emerged from Chicago school Urban Sociology in the 1960s that suggests poverty causally persists as a result of a ‘culture’ among poor people in concentrated urban areas. It has unfortunately contributed to the received assumption that immobility is therefore always a negative outcome. For a history and thorough debunking of the ‘culture of poverty’ thesis see: Bourgois, P. (2001). Poverty, culture of. *International encyclopedia of the social and behavioral sciences*, 17.; McDermott, R., & Vossoughi, S. (2020). The culture of poverty, again. *Diaspora, Indigenous, and Minority Education*, 14(2), 60-69.

<sup>208</sup> Ambrosius, J. D., Gilderbloom, J. I., Steele, W. J., Meares, W. L., & Keating, D. (2015). Forty years of rent control: Reexamining New Jersey’s moderate local policies after the great recession. *Cities*, 49, 121–133.; Clark, W. A. V., & Heskin, A. D. (1982). The Impact of Rent Control on Tenure Discounts and Residential Mobility. *Land Economics*, 58(1), 109–117.; Munch, J. R., & Svarer, M. (2002). Rent control and tenancy duration. *Journal of Urban Economics*, 52(3), 542-560.; Ault, R. W., Jackson, J. D., & Saba, R. P. (1994). The effect of long-term rent control on tenant mobility. *Journal of Urban Economics*, 35(2), 140-158.

<sup>209</sup> Clark, W. A., & Heskin, A. D. (1982). The impact of rent control on tenure discounts and residential mobility. *Land Economics*, 58(1), 109-117.; Newman, K., & Wyly, E. K. (2006). The right to stay put, revisited: Gentrification and resistance to displacement in New York City. *Urban studies*, 43(1), 23-57.

<sup>210</sup> Ned Levine, J. Eugene Grigsby, and Allan Heskin, “Who Benefits from Rent Control? Effects on Tenants in Santa Monica, California,” *Journal of the American Planning Association* 56, no. 2 (1990).; Diamond, R., McQuade, T., & Qian, F. (2019). The effects of rent control expansion on tenants, landlords, and inequality: Evidence from San Francisco. *American Economic Review*, 109(9), 3365-3394.

who most need rent control will receive it,<sup>211</sup> the improved affordability in both the short and long term in the many jurisdictions it has been studied is undeniable.<sup>212</sup> This is also evident in case studies that allowed for analysis after the sudden end of regulations, where multiple studies found that their repeal was followed by significant rent appreciation for all previously controlled units.<sup>213</sup>

Some of the most recent research from economists released just this year has perhaps the most encouraging findings to date. In their meticulous statistical analysis of wealth-to-income ratios cross-tabulated with over 4000 unique rent control policies for 16 countries across a 116 year time span, Kholodilin and Kohl's (2023) research shows that rent controls contributed to significant declines in inequality. Providing the most comprehensive review of rental regulation policies to date, they show that controls are strongly associated with smaller capital-wealth ratios due to reduced landlord incomes and increased post-housing disposable income among tenants.<sup>214</sup> A promising study for vacancy control specifically, the authors compared different forms of rent control, and found that "softer" types – most commonly associated with the cost-pass through provisions of decontrol – had a far lower impact on inequality, and that their macro effects overall were of "rather low magnitude, and outside of war contexts, mostly not significant".<sup>215</sup> Indeed, they found that "rent-recontrol" (ie: vacancy control) had the greatest impact on reducing inequality as measured by capital-wealth ratios. They conclude that if politicians are genuinely invested in decreasing the macro inequality effects of the affordability crisis, that employing the "fine-grained comparative rent measures of soft control" would not be in the interest of that pursuit.

In addition to its potential for economic justice, a number of studies have shown that rent control can contribute to the racial diversity and inclusiveness of historically marginalised residents under displacement pressure in their communities.<sup>216</sup> This seems to be especially true in at least one case of vacancy control. In their study on four cities with vacancy control in California throughout the late 1970s, Heskin et. al's (2000) findings complement others in showing a significantly reduced rate of increase on rents, decreased tenant turnover, and an increased length of residency for many long term tenants.<sup>217</sup> Most compellingly, however, they found that

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<sup>211</sup> Gyourko, J., & Linneman, P. (1989). Equity and efficiency aspects of rent control: An empirical study of New York City. *Journal of urban Economics*, 26(1), 54-74; Glaeser, E. L., & Luttmer, E. F. P. (2003). The misallocation of housing under rent control. *American Economic Review*, 93(4), 1027-1046.

<sup>212</sup> Clark, W. A., & Heskin, A. D. (1982). The impact of rent control on tenure discounts and residential mobility. *Land Economics*, 58(1), 109-117.; Sims, D. P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? *Journal of Urban Economics*, 61(1), 129-151.

<sup>213</sup> See Sims (2007) as well as Autor, D. H., Palmer, C. J., & Pathak, P. A. (2014). Housing market spillovers: Evidence from the end of rent control in Cambridge, Massachusetts. *Journal of Political Economy*, 122(3), 661-717.

<sup>214</sup> Kholodilin, K. A., & Kohl, S. (2023). Rent price control – yet another great equalizer of economic inequalities? Evidence from a century of historical data. *Journal of European Social Policy*, 33(2), 169-184.

<sup>215</sup> Ibid, p. 181.

<sup>216</sup> Gilderbloom, J., & Appelbaum, R. P. (1987). *Rethinking Rental Housing*. Temple University Press; Appelbaum, R. P., Dolny, M., Dreier, P., & Gilderbloom, J. I. (1991). Scapegoating Rent Control: Masking the Causes of Homelessness. *Journal of the American Planning Association*, 57(2), 153-164; Pastor, M., Carter, V., & Abood, M. (2018). *Rent Matters: What are the Impacts of Rent Stabilization Measures?* Program for Environmental and Regional Equity.; Wells, D. (2022). The Price of Diversity: Rent Control and Desegregation of Urban Areas. *Suffolk UL Rev.*, 55, 155.

<sup>217</sup> Heskin, A. D., Levine, N., & Garrett, M. (2000). The Effects of Vacancy Control: A Spatial Analysis of Four California Cities. *Journal of the American Planning Association*, 66(2), 162-176.

vacancy control encouraged ethnic and racial diversity through a substantial increase in the share of Black and Hispanic renters, particularly among elderly, and lower income female-headed households in the jurisdictions they studied.

These are remarkable findings for a study that did not focus on decontrol or second generation contexts, but instead on examples of controls geared to increases on turnover. Their findings are not surprising given the many economic and racial justice “ripple effects” that grassroots policy work has been pointing to for some time.<sup>218</sup> In their extensive report on the economic and racial justice potential in establishing stronger and more expansive rent controls in California, Treuhaft and Chew (2019) point to the value of rent control in supporting lower income households from historically Black and immigrant communities – who have so often actively built those communities – to achieve more secure economic futures. When afforded the security of long term tenure, people are able to plan long term, and to have more income that contributes to the value and thriving state of their neighbourhoods.<sup>219</sup> Such potential for achieving racial and economic justice through the conduit of housing is likewise confirmed by recent academic literature.<sup>220</sup> The potential for vacancy control to furnish more meaningful economic security, thereby addressing well documented problems of structural racism and housing inequality in B.C. and Canada more widely, should be a key feature of arguments and efforts to pursue it.<sup>221</sup>

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<sup>218</sup> Samara, T. (2014). *Rise of the Renter Nation*. Homes for All Campaign of The Right to the City Alliance.; Inglis, A., & Preston, D. (2017). *Communities Thrive with Rent Control: A guide for California cities.*; Tre, S., & Chew, Amy. (2019). Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities. *Policy Link, Right to the City, The Center for Popular Democracy*, 56.

<sup>219</sup> Tre, S., & Chew, Amy. (2019). Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities. *Policy Link, Right to the City, The Center for Popular Democracy*, 56, p.24.

<sup>220</sup> Margareta, Dan Lindheim, and Minkah Eshe-Smith (2017). “Housing is Essential: A Commonsense Paradigm Shift to Solve the Urban Displacement and Racial Injustice Crisis,” *Berkeley Planning Journal*, 29(1), pp. 79-99.

<sup>221</sup> Walks, R. A., & Bourne, L. S. (2006). Ghettos in Canada's cities? Racial segregation, ethnic enclaves and poverty concentration in Canadian urban areas. *The Canadian Geographer/le géographe canadien*, 50(3), 273-297; Osberg, L. (2008). A quarter century of economic inequality in Canada: 1981-2006. *Canadian Centre for Policy Alternatives.*; Hiebert, D. (2009). *Exploring minority enclave areas in Montreal, Toronto, and Vancouver*. Ottawa: Citizenship and Immigration Canada.; Yu, J., Dwyer-Lindgren, L., Bennett, J., Ezzati, M., Gustafson, P., Tran, M., & Brauer, M. (2021). A spatiotemporal analysis of inequalities in life expectancy and 20 causes of mortality in sub-neighbourhoods of Metro Vancouver, British Columbia, Canada, 1990–2016. *Health & place*, 72, 102692; Zhu, Y., Yuan, Y., Gu, J., & Fu, Q. (2021). Neoliberalization and inequality: disparities in access to affordable housing in urban Canada 1981–2016. *Housing Studies*, 1-28.; Tuyisenge, G., & Goldenberg, S. M. (2021). COVID-19, structural racism, and migrant health in Canada. *The Lancet*, 397(10275), 650-652; Hainstock, M., & Masuda, J. R. (2019). “We have a roof over our head, but we have to eat too:” Exploring shifting foodscapes from homelessness into Housing First in Kingston, Ontario. *Health & Place*, 59, 102197.

## 6. Recommendations

### *Approach rent control as the evidence-based social policy that it is*

For far too long, rent control has been relegated to a framework of thinking that assumes the only relevant causal forces or effects to be documented are economic in nature. That the inclusion of diverse methods and relevant social realities into heterodox research should yield so much evidence that detractors have been wrong about rent control tells us our thinking needs to change too. If we are in dire need of asserting housing as a rightful dwelling and not a commodity – then rent control is not an economic policy. Rather than being unduly influenced by discourse (or landlord-lobby interests) policy makers must approach rent control as a social policy which has a broad evidence-base, and the clear capacity to be protective and address serious social problems. The severe issues shaping our housing crises are not intractable – but they require an ideological shift in our thinking that recognizes that whatever negative market implications may exist are fundamentally outweighed by the meaningful evidence-based social benefits therein. Likewise, progressive housing policy around rent control must also place its emphasis on those that are most harmed by housing inequality – this is a hallmark of what makes a policy *social*.

### *Enact interventions directed against institutional investors*

The rise in influence of institutional investors in the rental stock that Canada has seen since the turn of the century has reached uncharted proportions, especially since the pandemic.<sup>222</sup> Tenants and those that want to mitigate rent burden and bring an end to the heavy affordability losses of the last twenty years stand to be in a losing battle without addressing the harmful effects of corporate ownership. While vacancy control is one policy that could limit exploitative behaviour of corporate management, policy makers need to get serious about examining ownership disclosure, property data transparency, and finding meaningful ways to limit the speculative expansion of rental housing's ongoing financialization.<sup>223</sup> Provincial legislators can enact stronger tenant protections and price controls tailored to tenant turnover to disincentivize financialized landlords from targeting the multi-family inventory, while lobbying the federal government to curb favourable CMHC-backed lending, or make lending and lending rates contingent on tenant protections.<sup>224</sup>

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<sup>222</sup> CAPREIT Reports Fourth Quarter and Year-End 2022 Results. (n.d.). Retrieved Mar 9, 2023, from <https://ir.capreit.ca/news-market-information/press-releases/press-release/2023/CAPREIT-Reports-Fourth-Quarter-and-Year-End-2022-Results/default.aspx>; See also August, Martine, and Alan Walks. "Gentrification, suburban decline, and the financialization of multi-family rental housing: The case of Toronto." *Geoforum* 89 (2018): 124-136; August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975-997.

<sup>223</sup> For a much more in depth analysis and recommendations from other jurisdictions see: Ferrer, A. (2021). *Beyond Wall Street Landlords: How Private Equity in the Rental Market Makes Housing Unaffordable, Unstable, and Unhealthy*. (The Just Recovery Series). Strategic Actions for a Just Economy.

<sup>224</sup> For examples from Germany see August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975–997; and Vasudevan, A. (2021, September 29). Berlin's vote to take properties from big landlords could be a watershed moment. *The Guardian*. <https://www.theguardian.com/commentisfree/2021/sep/29/berlin-vote-landlords-referendum-corporate>

### ***Nest regulatory approaches alongside complementary policies***

Vacancy control is not a silver bullet, and no proponent of rent control has ever attempted to argue it is. As a broad social protection, it is designed to provide tenants' security of tenure and protect the affordability of the multi-family inventory. In light of the great potential for the outsized power of the development and owner industry to exploit policy loopholes, any single policy on its own is likely to be destined for failure. They must be designed in ways that create strong incentives for compliance, while running alongside complementary policies that are well proven to be effective at targeting housing inequality at the same time. Those include, but are not limited to: mechanisms that hold landlords accountable for basic maintenance and major capital upgrades, meaningful penalties for eviction-seeking behaviour and other forms of retaliation, and significant supports for the most marginalised tenants who are much more likely to be targeted for eviction. Meanwhile, progressive income and wealth tax schemes, and social assistance increases that reflect inflationary pressure, are two other obvious and evidence-based measures that would augment the effectiveness of any regulationist approach.<sup>225</sup>

### ***Eliminate cost-pass through and above guideline provisions***

The evidence is clear that many landlords respond to regulation with eviction-seeking behaviour, particularly if significant cost-pass through and above guideline provisions are integrated into rent control policy, and thereby the only mechanism available to them to secure their asset profits.<sup>226</sup> This is especially true for contexts with institutional investors. In light of recent research that suggests that vacancy control provisions have the greatest chance of reducing inequality and providing tenure protection for renters, cost-pass through or above guideline provisions should be eliminated and instead supported through federal investment programs. Historically, there are examples of federal policy that embedded strong incentives for landlords to provide vacancy control, in exchange for low or interest free loans and investment into their properties that allowed them to meaningfully recover maintenance and capital upgrade expenditures.<sup>227</sup>

### ***Multijurisdictional legislation and enforcement mechanisms***

Both the province and local municipalities need to be actively working together across jurisdictions to build policy and enforcement infrastructure that is responsive to and engaged with the needs of people on the ground. Strong evidence from California's model of rent control

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<sup>225</sup> Kholodilin, K. A., & Kohl, S. (2023). Rent price control – yet another great equalizer of economic inequalities? Evidence from a century of historical data. *Journal of European Social Policy*, 33(2), 169–184.

<sup>226</sup> Geddes, E., & Holz, N. (2022). *Rational Eviction: How Landlords Use Evictions in Response to Rent Control* (SSRN Scholarly Paper No. 4131396) Gardner, M. (2022). The Effect of Rent Control Status on Eviction Filing Rates: Causal Evidence From San Francisco. *Housing Policy Debate*, 0(0), 1–24.

<sup>227</sup> While the federal and provincial governments' failure to provide meaningful oversight resulted in serious issues with implementation and compliance, the history of the RRAP program in Canada nevertheless showed how readily owners were willing to embrace vacancy control alongside supportive investment. For extended discussion see Falkenhagen, D. (2001). *The history of Canada's Residential Rehabilitation Assistance Program (RRAP)* (p. 206). Canada Mortgage and Housing Corporation.

and ordinance boards suggests that local efforts are far more well positioned to address the specific needs of place-based tenant populations and unique aspects of local housing stock for tailored responses, meaningful oversight, accountability, and high-quality data collection. When it comes to broad legislation or granular policy construction, history and geography matter, and how regulation is implemented and improved over time is path dependent and must be responsive to local needs.<sup>228</sup> At the same time, broad based provincial (and even federal) legislation is crucial to support municipalities in effective interventions, where they have latitude to tailor in responsive ways but are able to rely on a protective regulatory backdrop.

### ***Centre those most impacted and with the least power***

So many crucial questions are key to the development of a policy like rent control: How will allowable increases be decided and by whom? Which buildings are excluded and for what reasons? Will a just cause for eviction need to be redefined? Such particulars must be developed with meaningful input from those most impacted by them, and specifically, those most impacted by the inequality of rent burden and housing precarity. There are already strong precedents for the importance of including most impacted individuals in the development of policy and interventions that implicate their livelihoods.<sup>229</sup> Tenants have long been active in articulating practical and compelling applications of policy to address the housing crisis,<sup>230</sup> and should have far more influence over formal spaces of policy creation.<sup>231</sup>

### ***Tax landlord and developer wealth to build our housing ourselves***

Not only is vacancy control not a policy silver bullet, it will be a policy failure if it is not also accompanied by an end to the long-standing disavowal of the federal government from meaningful public investment in non-market housing everywhere. A serious consideration of strengthening rent control cannot ignore that social or subsidised housing rentals comprise an abysmal 6% of the multi-family inventory in Canada, almost all of which was built in the postwar boom.<sup>232</sup> In the context of what we know about the little relief that market-rate supply via filtering will ultimately provide to low income renters, research clearly shows that subsidised housing has more than double the impact in reducing displacement pressures and providing real affordability.<sup>233</sup> If the development industry takes a retaliatory stance to regulation by refusing to build, there is no reason to not tax their wealth to get it done.<sup>234</sup>

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<sup>228</sup> Whitehead, C., & Williams, P. (2018). *Assessing the evidence on Rent Control from an International Perspective*. London School of Economics.

<sup>229</sup> Hunt, N., Albert, E., & Sánchez, V. M. (2010). User involvement and user organising in harm reduction. *MONOGRAPHS*, 333; Chang, J., Shelly, S., Busz, M., Stoicescu, C., Iryawan, A. R., Madybaeva, D., & Guise, A. (2021). "Peer driven or driven peers? A rapid review of peer involvement of people who use drugs in HIV and harm reduction services in low-and middle-income countries." *Harm Reduction Journal*, 18(1), 1-13.

<sup>230</sup> Purdy, S. (2004). By the people, for the people: Tenant organizing in Toronto's Regent Park housing project in the 1960s and 1970s. *Journal of Urban History*, 30(4), 519-548; Huron, A. (2018). *Carving out the commons: Tenant organizing and housing cooperatives in Washington, DC* (Vol. 2). University of Minnesota Press.

<sup>231</sup> Foye, C. (2022). Framing the housing crisis: How think-tanks frame politics and science to advance policy agendas. *Geoforum*, 134, 71–81.

<sup>232</sup> August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975–997.

<sup>233</sup> Zuk, M. (2019). Preventing Gentrification-Induced Displacement in the U.S.: A Review of the Literature and a Call for Evaluation Research. In *The Routledge Handbook of Housing Policy and Planning*. Routledge.

<sup>234</sup> Davies, J. B., & Di Matteo, L. (2021). Long Run Canadian Wealth Inequality in International Context. *Review of Income and Wealth*.

## 7. Conclusion: Flipping the Script

*“Next to bombing, rent control seems in many cases to be the most effective technique so far known for destroying cities...”*

(Lindbeck, 1972)<sup>235</sup>

There is no better method for understanding the extent of rental housing inequality in B.C., and just how much the development industry continues to gain from the status quo, than paying close attention to the landlord lobby discourse on the housing crisis. When the newly elected NDP government convened the Rental Housing Task Force (RHTF) in 2018, it travelled to eleven cities across B.C., bringing tenants and landlords together in a consultation process expressly geared toward better understanding the landlord-tenant relationship and the legislative body that governs it, and what elements therein could be improved to address the crisis. The discourse of the RHTF facilitators at these meetings was that tenants and landlords are two sides to a relationship that can and should come together to find solutions. And yet, the submissions of landlord lobbyists to the task force are so revealing in how they argue for no regulation, rather than any substantive solutions to housing affordability problems. Landlord BC’s submission in its entirety makes explicit arguments against goals of popular change among tenants, specifically vacancy control.<sup>236</sup> Reading their submission closely they argue the Residential Tenancy Branch works well for all, and ultimately, they proposed to change very little. They are not asking for special regulations or substantive changes to the current circumstances, *because they already have everything they need.*

Khologilin and Kohl’s comprehensive research reveals a great deal about the exigent historical moment we are in. They trace a comparison of the indices between controls and real rents covering over a century of historical housing crises and regulationist responses to them – most interestingly, the gap between the presence of current controls and the unprecedented increase in rents are significantly bigger now than when rent controls were first introduced during the first world war. Their research shows conclusively that household rent is today the most dominant expenditure above all others on a global scale. In other words – the need for rent control has never been this great.

Beyond being an effective tool for curbing displacement and runaway rents, the flip side of such a profound rent burden is the incredible economic potential that *our collective excess spending on housing contains.* Recent statistical analysis on the rental index in California showed that the volume of tenants spending above 30% of their income on rent was limiting their spending

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<sup>235</sup> Lindbeck, A. (1971). “Political economy of the new left.” Harper & Row.

<sup>236</sup> (No Date). *British Columbia Rental Housing Task Force: A Submission from LandlordBC* (pp. 1–7). LandlordBC. Retrieved from: <https://engage.gov.bc.ca/app/uploads/sites/121/2021/03/LandlordBC.pdf>



power to the tune of 4.4 billion annually.<sup>237</sup> Such preposterously high inflationary pressures in rental housing are not going to be controlled through the weak tools of so-called filtering, marginal increases in supply, expanding the capacity of the Residential Tenancy Board, or even through the rental tax credits currently on offer. Taking assertive and effective action with vacancy control entails flipping the script on the development industry's narrative, because there is no longer, nor has there ever really been, a fulsome evidentiary basis for the claim that an unregulated rental housing market has any chance at bringing our communities meaningful affordability.

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<sup>237</sup> Treuhaft, S., & Chew, A. (2019). Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities. *Policy Link, Right to the City, The Center for Popular Democracy*, 56.