

**Statement by Kevin Russell
Executive Director
Investment Property Owners Association of Nova Scotia
Standing Committee on Law Amendments
Bill 419 – Financial Measures Act**

March 25, 2024

Thank you Chair, members of the Law Amendments Committee.

As many of you would know from my previous appearances over the years at Law Amendments Committee, the Investment Property Owners Association of Nova Scotia represents private sector rental housing providers in Nova Scotia.

IPOANS has been the voice of responsible investment property owners in Nova Scotia since 1978.

Our approximately 160 members manage more than 50,000 rental property units across the province.

Our members are urban, suburban, and rural.

Our members pay taxes, employ Nova Scotians with good salaries and give back to their communities in many ways.

Our members are also the number one source of providing affordable housing for Nova Scotians.

And many of our members are suffering because of government policies like rent control and lack of action by successive governments – PC, Liberal and NDP.

The parties you represent have created the housing crisis and policies like rent control are making the housing crisis worse and resulting in more homelessness.

When government makes things worse for rental housing providers, they make things worse for tenants.

There is nothing in Bill 419 that addresses this reality.

Rent control continues.

There is no investment in a compliance and enforcement unit for residential tenancies.

There is no support for rental housing providers who are losing money because of government policies.

With 97 per cent of rental housing income coming from rents, the government's current rent control program has crippled the ability of many rental housing providers to stay in operation, let alone make a profit.

Anybody who claims that government policy is based on some mythical right to profit doesn't know what they're talking about. It is also false to claim that the majority of rental housing providers are large corporate entities. Here are the facts.

In 2021, IPOANS commissioned an economic impact assessment report by Gardner Pinfold. The report noted:

"Most rental property owners are small scale, often individuals, making lower profit in Nova Scotia than the national average. Expenses are rising . . . so there is little if any room for businesses to succeed on lower revenues."

Since 2021, the costs to own and operate rental housing have shot up thanks to:

- Inflation
- Interest rates
- Insurance costs
- Energy prices
- Carbon taxes (both the Ottawa version and the one we pay in Halifax Regional Municipality)
- Property taxes
- Mortgage rates

As money-losing rental housing providers sell their properties, new owners are either moving in or renovating their properties.

Both result in displacing existing tenants.

The majority of rental properties in Nova Scotia were built before the mid-1990s.

They require renovations to be safe and modern.

Renovations require money. That's another economic reality.

Here's more data to consider.

According to CMHC, before the reintroduction of rent control in 2020, Nova Scotia rents increased at a lower rate than in rent-controlled jurisdictions in British Columbia, Ontario, Manitoba and Prince Edward Island.

Since rent control has come back to Nova Scotia, rents are skyrocketing as new units being built are charged out at higher rents to mitigate the effects of rent control on existing units.

As the association warned politicians at the legislature's Law Amendments Committee in 2021, rent control in Nova Scotia will result in more homelessness and higher rents.

Sadly, our warnings came to pass.

Nova Scotia's rent control has led to more homelessness, existing housing supply taken off the market and the highest rent increases in Canada.

I hope all members read recent public comments from CMHC, which were recently published by Saltwire.

I quote the following for the record:

CMHC senior analyst Kelvin Ndoro says the rental cap has created a spinoff consequence — with which Cape Breton in particular is struggling.

That problem is small property managers and landlords deciding to stop renting properties because of rising costs.

"With the recent financial difficulties, we've been facing in the country — increased inflation, higher cost of living, increased operational costs and stuff like that — it's affecting small property managers," he said.

In Cape Breton's case, Ndoro said it's unique for its large "secondary rental market" — loosely defined as rentals in buildings with fewer than three units such as converted townhouses. That contrasts with a typical apartment building, which may have several units.

But unlike in many other Canadian cities, Ndoro said CBRM's rental market is made up of mostly these secondary rentals. His estimate was that out of more than 12,000 rental units in CBRM, around 80 per cent of them are secondary rentals, most of which are owned by small landlords or property owners.

That's where the recent rising costs come in. Ndoro said those costs are starting to reflect on the supply of these units because small owners are being hit the hardest.

"This increasing trend is pushing small property owners into possibly selling properties due to rising costs. This affects the supply and brings down the vacancy rate."

According to CMHC, in the fall of 2020, when rent control was introduced, the vacancy rate in rental housing in CBRM was more than 8 per cent. Since rent control was introduced, the vacancy rate was just above 0 per cent.

What is the answer? It's not more bad ideas that attack and punish the private sector, which is the number one source of affordable housing in Nova Scotia.

Doubling down on rent control will create more homelessness.

Getting rid of, or restricting, fixed term leases will mean less housing for students, newcomers, seniors and vulnerable Nova Scotians.

It will mean less housing through supportive housing organizations like Adsum.

While time does not permit me, I invite all MLAs to read and reflect on the IPOANS fixed term lease survey recently sent to all three political parties.

Bad ideas like more rent control and restricting fixed term leases aren't solutions to the housing crisis.

They're just more bad ideas that will create more homelessness.

The answer to our housing crisis is to ensure there is a home for everyone.

That means maintaining the existing rental housing supply, which is overwhelmingly in the private sector by small operators, while building new homes.

It means getting rid of rent control, so we can spread costs over the marketplace and bring down the pressure in setting rates on new buildings.

It means extending the Capped Assessment Program to include apartments.

This will protect rental housing providers – and our tenants – the same protection from big property tax hikes as single family homes and mobile homes.

It means creating a financial support program for rental housing providers to offset increased energy costs.

Many rental housing providers – not tenants – have to pay energy prices, the carbon tax – and in HRM two carbon taxes – but there is no rebate or assistance program.

This needs to change.

This crisis can't be solved by only the public and not-for-profit sectors.

There aren't enough dollars in the world to expect them to build and operate the tens of thousands of new homes required to house our growing population.

We need the private sector at the table as a respected partner with government policies that recognize this fundamental reality.

While Bill 419 is a failure in helping the rental housing sector, we hope government will finally listen and act on our concerns.

Thank you.

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