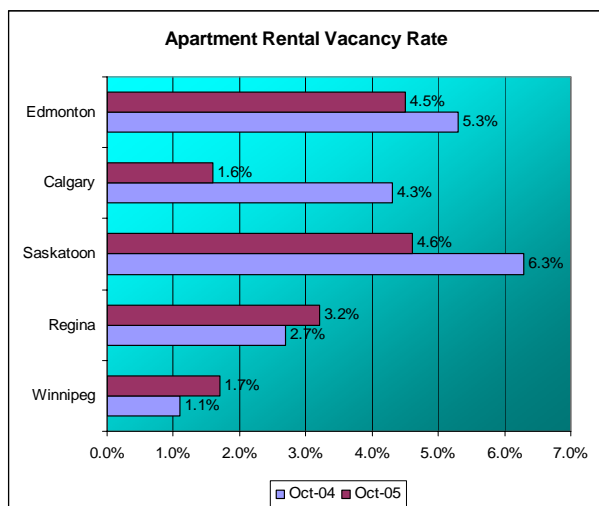


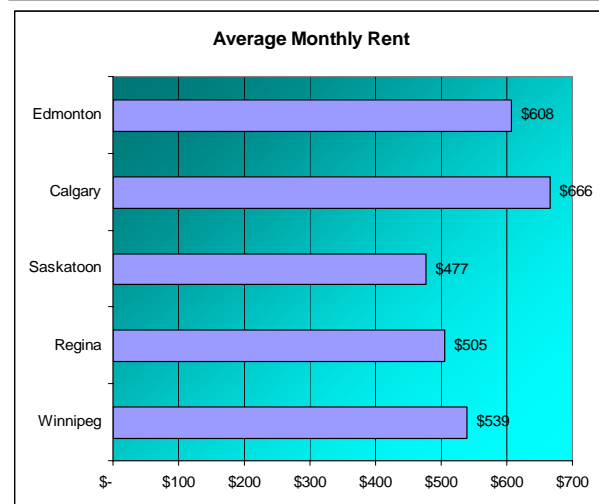
Higher Prices, Fewer Choices – Manitoba’s Rent Control Failure



A Brief History—Manitoba’s most archaic and dysfunctional policy, rent controls were originally imposed by the NDP government of Edward Schreyer in 1976 as a temporary, inflation-control measure. In 1977, a Conservative government under Sterling Lyon defeated the NDP, and his housing minister, Gary Filmon, led the charge to remove rent controls. Rents spiked upwards, and that contributed to that government’s loss of power in the 1981 election. When the Tories returned to power under Filmon’s leadership in 1988, his government was so frightened by this history that it left the controls untouched. The present NDP government, elected in 1999, has made minor fiddles to the rent control policy, with little amelioration of its negative effects.

Analysis—Over time, controls on rents had predictable effects on Winnipeg’s supply of rental units. Confirming economic theory, they curtailed supply, as landlords and investors simply stopped investing in additional apartment units. No affordable units were added by the private sector for years and many existing ones were withdrawn from the market. Subsidized public housing programs have been the only source of new units in the low-to-medium price range. Despite some recent construction, the total supply of apartment units continues to decline due to condominium conversions and the condemnation of unfit units. Between 1998 and 2005, the stock in Winnipeg declined from 54,924 units to 53,046, a fall in supply in the range of 4%.

Rent controls delay and defer investment in upgrades and normal maintenance, by keeping the return on apartments below normal market returns. The result has been an increasingly ramshackle stock of apartments in Winnipeg. As most North American cities experience a centre-city renaissance with the construction of thousands of housing units, Winnipeg, whose downtown has arguably one of the highest potentials for residential redevelopment, has been left sitting on the housing sidelines. At the same time, governments have frantically poured millions in subsidies into downtown arenas and government office buildings, in a desperate and ineffective attempt to stop downtown decline. One of Manitoba’s relatively few success stories—more immigration—is also under pressure because of the lack of rental housing stock.



What would happen if the policy were terminated? In 1992, Saskatchewan’s NDP government quietly passed amendments to the province’s Residential Tenancies Act that ended rent control in that province. Rents did not skyrocket; average rents held flat as supply grew. The most recent information on apartment rents and vacancy rates on the Prairies provides sufficient evidence that the best friend of tenants is the free market:

- Winnipeg has had the lowest apartment vacancy rate on the Prairies for almost a decade. Only a supercharged economy has recently pushed Calgary’s vacancy rate slightly below Winnipeg’s.
- Both Regina and Saskatoon have about the lowest rental rates in Canada (only Saguenay, Québec is lower at \$385), significantly lower on average than Winnipeg’s. Saskatoon’s average rents are 12% lower than Winnipeg’s; Regina’s are 7% lower.
- Both Regina and Saskatoon have substantially higher vacancy rates, reflecting a higher supply of available apartments. Regina has about twice as many apartments available as Winnipeg. Saskatoon, with the lowest average rent, has three times as many apartments available. Edmonton also has about three times Winnipeg’s vacancy rate.
- In 2004, the average rent increase in Saskatchewan was 1%, compared to 2.9% in Winnipeg. Price controls have lowered the availability of apartments which has led to higher costs.

Conclusion—Manitoba’s rent control policies strangle the supply and quality of available apartments and unnecessarily increase their price. Saskatchewan, with no controls, enjoys lower rents and substantially more supply. It is time to learn from Saskatchewan and end rent control in Manitoba.

SOURCE: Canada Mortgage and Housing Corporation

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