

COMMENT

Rent Control: A Tale of Two Canadian Cities

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The rental housing experiences of Vancouver and Toronto serve almost as a laboratory test of the effects of rent control legislation.

Consider their histories. British Columbia enacted province-wide rent controls in 1972, under the N.D.P. government of then Premier Dave Barrett; the phasing out process began on July 1, 1983, and ended on July 1, 1984 at the behest of then Premier Bill Bennett and the Social Credit Party. Ontario began its experiment with government central housing planning in 1975 under the supposedly Progressive Conservatives of Bill Davis, and still retains them to this day with David Peterson and the Liberals at the helm.

What occurred in the two rental housing markets as a result? There are many possible ways to trace the effects: rent levels, units of new construction, housing maintenance or deterioration, homelessness, etc. But the easiest and best variable is that of vacancy rates. These are objective, easily calculated, and interact with all the others. E.g., the lower the vacancy rate, other things equal, the higher the rents, the greater the homelessness, etc. They are published twice annually, in April and October (in June and December up until 1974), so reasonable coverage for each year is provided.

Let us first consider the vacancy experience of the two cities from October 1984 to October 1988, the time during which Vancouver no longer had rent controls, but Toronto did. As the accompanying chart makes clear, for each and every one of the nine observations during this

epoch, Toronto had a lower vacancy rate than Vancouver. This indicates a tighter market in Ontario, with higher rent levels, more difficulty in finding an apartment suite to rent, less new rental construction, etc.

Nor are the differences only marginal. Over this short '84 to '88 time period as a whole, the average Toronto vacancy rate was a minuscule 0.34%. The comparable figure for Vancouver was a relatively healthy 1.53%, fully 350% higher.

Nor can it be objected that Vancouver "traditionally" has a higher vacancy rate than Toronto, or has always had one. A perusal of the earlier years shows a mixed record, with the vacancy rate sometimes higher in one city, and sometimes in the other. Over all, for the period June 1972 to April 1984, Toronto actually had a slightly higher vacancy rate at 1.18%, than Vancouver at 0.90%.

A wealth of evidence showing the dismal effect of controls on rental housing was presented in the Fraser Institute's best selling 1983 book, *Rent Control: Myths and Realities*. But as this study makes abundantly clear, rent controls are a subtle and invidious piece of legislation. For not only will the law itself lead to rental housing disarray, even the threat of it will tend to do the same, as would-be landlords seek greener, freer, less controlled options for their investment dollar. It is no accident, for example, that Vancouver's vacancy rate for October 1988, at 0.4%, was the lowest it had ever reached since controls were repealed. Given the inevitable time lags in such matters, this coincided with the fall from grace in the public opinion polls of Premier Bill Vander Zalm and his Social Credit government.

Why should this matter? Because those with money to invest in rental housing reasoned that if the Sacred government falls in the next election, the overwhelming probability is that Mike Harcourt and the N.D.P. will sweep in, bringing rent controls in their wake as they did in 1972. And who wants to put his hard-earned money up for ransom under such conditions?

This somewhat convoluted scenario may appear to some people as unlikely in the extreme. But consider the fact that we have just witnessed an ominous parallel on the federal scene. During the last federal election, every time John Turner and the Liberals rose in popularity, the Canadian dollar plunged. And when the Mulroney forces improved in the public opinion polls, the value of our dollar increased. This was attributable not to some sort of disembodied Capitalist System speaking out in favour of free trade, but rather to the trust, or lack of it, placed in the Canadian economy on the part of millions of investors from all around the world.

Investors in Canadian rental housing can also read the lips of the various political leaders.

VACANCY RATES

| | Vancouver | Toronto |
|----------|-----------|---------|
| 1988 Oct | 0.4 | 0.2 |
| Apr | 1.0 | 0.2 |
| 1987 Oct | 1.1 | 0.1 |
| Apr | 2.3 | 0.1 |
| 1986 Oct | 0.9 | 0.1 |
| Apr | 0.9 | 0.3 |
| 1985 Oct | 2.2 | 0.4 |
| Apr | 2.8 | 0.5 |
| 1984 Oct | 2.2 | 0.6 |
| Apr | 2.4 | 0.8 |
| 1983 Oct | 1.3 | 1.0 |
| Apr | 2.6 | 1.2 |
| 1982 Oct | 1.9 | 0.7 |
| Apr | 0.6 | 0.4 |
| 1981 Oct | 0.1 | 0.3 |
| Apr | 0.1 | 0.4 |
| 1980 Oct | 0.1 | 0.5 |
| Apr | 0.1 | 1.0 |
| 1979 Oct | 0.2 | 1.2 |
| Apr | 0.9 | 1.2 |
| 1978 Oct | 1.4 | 0.8 |
| Apr | 1.5 | 0.9 |
| 1977 Oct | 1.6 | 1.0 |
| Apr | 1.6 | 1.2 |
| 1976 Oct | 0.7 | 1.2 |
| Apr | 0.4 | 1.4 |
| 1975 Oct | 0.1 | 1.8 |
| Apr | 0.2 | 1.1 |
| 1974 Dec | 0.1 | 1.1 |
| June | 0.3 | 1.0 |
| 1973 Dec | 0.4 | 1.5 |
| June | 1.0 | 2.1 |
| 1972 Dec | 0.6 | 2.5 |
| June | 2.4 | 3.3 |