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July 30, 2025

The Honourable Christine Boyle  
Minister of Housing and Municipal Affairs  
[hma.minister@gov.bc.ca](mailto:hma.minister@gov.bc.ca)

**RE: 2026 Annual Allowable Rent Increase**

Dear Minister Boyle,

As the Province prepares to announce the 2026 Annual Allowable Rent Increase (AARI), we recognize the complexity of the decision ahead. British Columbians, particularly renters, are feeling the strain of rising inflation, and so are the providers of the rental homes they rely on.

While rents have begun to ease over the past year and vacancy rates are increasing, it is critical that the Province continue to push for policies that support the delivery of new housing supply. The downward trend in rents and increasing vacancy rates are the direct result of new purpose-built rental housing supply being completed, which was approved a handful of years ago. This, in combination with a slowdown in population growth and heightened economic uncertainty, has driven the shifts being observed in the existing rental market.

There is plenty of evidence to demonstrate that market activity is in decline:

- The [Canada Mortgage and Housing Corporation \(CMHC\)](#) estimates that between 2022 and 2030, the country “... *needs about 3.5 million additional housing units by 2030 to restore affordability.*” They have also projected Canada would miss this target by 1.4 million homes. The gap has since grown to 1.8 million homes due to the “... *the current shortfall in housing construction.*”
- Housing starts in Metro Vancouver declined by over 15% in 2024 compared to 2023. In the City of Burnaby, which had emerged as a leader in new housing delivery, starts fell by 52% and to their lowest level since 2015.
- Residential building permits in Metro Vancouver dropped by 8.1% in 2024, according to BC Stats. Several municipalities experienced declines over 40%, including Delta (-85.9%), Maple Ridge (-57.7%), Coquitlam (-53.2%), and the City of North Vancouver (-43.6%).

Purchasers and renters have “*hit a wall*” in terms of what they can afford to pay for housing, as our members can no longer deliver new housing at purchase prices or rents that British Columbians can afford. The industry is in a cost of delivery crisis when it comes to new housing supply.

It is also worth noting that financing from CMHC and private lenders is becoming increasingly challenging to secure for projects, especially those with a rental component. Investment in rental housing is heavily premised on projecting the longer-term income of a project, which includes rents. Therefore, the AARI historical increases are important not only to support a sustainable operating environment for existing rental, but to demonstrate revenue in order to attract institutional investment in future rental supply.

To prevent another period of rent inflation in the future, it is critical to support the continued delivery of new rental housing supply, alongside a stable and predictable operating environment for existing rental. Despite easing of rents and increasing vacancy rates, the development industry must be empowered to continue delivering more housing supply, faster. ***UDI asks that the Province restore the AARI formula to CPI +2% for 2026.***

Since 2019, the AARI has deviated from a consistent and transparent formula (*Table 1*). This prolonged unpredictability has undermined confidence among rental housing providers and created operational challenges. The operating expenses associated with maintenance, insurance, financing, property management, and property taxes (to name a handful), are all increasing at a faster rate than rents can support. As documented in our previous submissions (*Appendix A*), this approach has eroded the financial sustainability of existing rental stock.

Given that the AARI has lagged below inflation for multiple consecutive years, the sector now faces a compounded gap that CPI alone cannot close. Without a more realistic increase in 2026, many rental providers will continue to struggle to operate and reinvest in existing units.

**Table 1: Historical Annual Allowable Rent Increase Rates**

Year	Date Announced	Formula Rate	Actual Rate	Notes
2026	TBD	TBD	TBD	TBD
2025	August 26, 2025	5.00%	3.00%	Rent increase capped at 3%
2024*	Sept 11, 2023	+/- 5.6%	3.50%	Rent increase capped at 3.5%
2023*	Aug 29, 2022	5.40%	2.00%	Rent increase capped at 2%
2022	Sept 8, 2021	1.50%	1.50%	Rent increase at CPI
2021	Sept 3, 2020	1.40%	0.00%	Rent increase cancelled
2020	Sept 4, 2019	2.60%	0.00%	Rent increase cancelled

2019	Sept 7, 2018	4.50%	2.50%	+2% addition to formula rate removed, CPI only
2018	Aug 21, 2017	4.00%	4.00%	Rent increase at CPI (2%), +2%
2017	Aug 22, 2016	3.70%	3.70%	Rent increase at CPI (1.7%), +2%

A return to the CPI +2% formula is about signaling stability. Without this, the Province risks discouraging the private sector from investing in both current rental operations and new purpose-built rental housing. Maintaining rent growth below inflation serves as a disincentive, particularly when paired with regulatory uncertainty. These conditions are increasingly prompting investors and developers to redirect resources to other jurisdictions with clearer, more supportive frameworks.

New housing targets and legislative reforms have rightly prioritized new supply, but without policies to stabilize existing rental stock, these efforts risk falling short in supporting affordability goals. Older purpose-built rental homes remain a vital part of the housing continuum, especially as renters move into newer units or transition to home ownership. This natural turnover is essential to freeing up affordable units for households most in need.

UDI and its members are committed to being partners in addressing the cost-of-delivery crisis. Both new construction and the stewardship of existing rental are essential to improving affordability and availability across British Columbia. With that in mind, **UDI is urging the Province to adopt a CPI +2% AARI formula for 2026.** This is a necessary step toward establishing more balanced and sustainable rental housing ecosystem.

We welcome continued collaboration with the Province to confront the escalating cost-of-delivery crisis, that is limiting the ability of homebuilders to deliver much-needed, attainable housing for British Columbians.

Yours sincerely,



Anne McMullin  
President & CEO, Urban Development Institute

#### **Appendix A: UDI correspondence on the Annual Allowable Rent Increase**

- [2022 Memo on Impact of Changes to the Maximum Allowable Rent Increase Framework](#)
- [2023 Letter on the 2024 AARI](#)
- [2024 Letter on the 2025 AARI](#)
- As follow up to UDI's 2024 AARI correspondence, UDI submitted an additional memo on ["Improving the Operating Environment for Existing Rental"](#) in June 2024
- This was followed up another memo, ["Discussion Summary & Recommendations - Modernizing Existing Rental and Accelerating New Rental Housing Supply"](#) in September 2024