URBAN
DEVELOPMENT
INSTITUTE

SUITE 650
1050 W PENDER STREET
VANCOUVER, BC V6E 3S7

August 27, 2025

The Honourable Christine Boyle
Minister of Housing and Municipal Affairs
Government of British Columbia
Parliament Buildings
Victoria, BC V8V 1X4

Re: Annual Rent Cap for 2026

Dear Minister Boyle,

Further to our letter of July 30, 2025, I am writing to express our strong objection to the Province's decision to limit the 2026 annual allowable rent increase to 2.3%. While we respect the intent of protecting renters, this policy ignores the financial realities of operating and maintaining purpose-built rental housing in British Columbia and continues to send the sector down an unsustainable path.

Although rents have eased over the past year and vacancy rates are rising, it remains critical that the Province pursue policies supporting 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. These developments were approved and commenced construction years ago, when market conditions were quite different than they are today. This new supply, in combination with a slowdown in population growth and heightened economic uncertainty, has driven the shifts being observed in the existing rental market.

Operating costs for rental buildings – insurance, property taxes, utilities, maintenance, and regulatory compliance – have risen far beyond inflation for years. The increases are not marginal; they are compounding at rates well in excess of what a 2.3% rent adjustment can absorb.

As an example, the City of Vancouver's property tax increases from 2020 – 2025 have all exceeded the annual allowable rent increase:

Year	Increase
2020	7.0%
2021	5.0%
2022	6.3%
2023	10.7%
2024	7.5%
2025	3.9%

For older buildings, the situation is especially dire **(see Appendix A.)** Without adequate revenue, owners cannot reinvest to meet evolving energy and safety standards. This policy effectively forces deferred maintenance and accelerates the deterioration of BC's already aging rental stock.

This rent cap also comes on the heels of years of restrictive policies. Rent increases were cancelled outright in 2020 and 2021 and capped below inflation in 2023 and 2024. How are operators supposed to make up this difference? The cumulative impact has left the rental sector with no ability to recover costs already incurred, creating a structural deficit that weakens existing operations. This also disincentives future investment in both existing housing stock and the creation of new rental housing, at a time when both are needed most.

The result is predictable and deeply concerning: fewer new rental projects will move forward, older buildings will decline faster, and tenants will ultimately face less choice, poorer-quality housing, and rising instability. In short, a rent cap that ignores real cost growth undermines affordability rather than protecting it.

The private sector is committed to providing housing, but it cannot carry the financial burden of public policy decisions that make rental operations economically unviable. If government continues to suppress rental incomes while costs soar, the options for tenants will shrink, not grow.

We urge the Province to reconsider and adopt a more balanced framework and consider the potential offsets that UDI recommended on June 17, 2024. If the government has no intention of moving away from this model – there is an urgent need to look at offsets such as:

1. Reducing the property tax burden on rental buildings
2. Creating a fairer assessment process for rental buildings
3. Slowing the rise of utility costs through caps or rebates
4. Offering competitive insurance rates for existing rental buildings
5. Reinforcing a consistent approach to rental regulation through the *Residential Tenancy Act*
6. Providing support and/or tax incentives to make buildings environmentally and financially sustainable

We would welcome the opportunity to meet with you to discuss these options in further detail.

Anne McMullin
President and CEO
Urban Development Institute

Appendix A: **Case Study**

Location: Victoria, BC
Building type: 4 storey wood-frame, 21 units
Year of construction: 1969

With operating costs increasing, if any major repairs or upgrades are required for an existing rental building, total expenses are pushed far over net operating income. In a year without any major repairs or upgrades, total operating expenses are still barely keeping pace with net operating income, which leaves no room for any non-operating expenses.

For this property, an engineering assessment determined the balconies were rotten, posing a safety risk to residents, and thus requiring replacement. It is important to note that this building is professionally managed, so the balcony replacement is a function of 50-60 years of exposure to the elements, as opposed to lack of management. The estimated cost to replace all the balconies was about $300,000-$350,000. In addition, the water main to the building has broken, requiring demolition of the concrete walkway to replace it.

When the property owner went to the bank to pull equity out of the property to fund these major repairs, this was rejected by the bank because the property has been unable to get the revenues up such that the Debt Service Ratio would satisfy the bank's requirements. Due to the Province's own restrictions on the Annual Allowable Rent Increase, the bank won't lend the property owner money for this life safety repair. The property owner will now have to find other sources of capital and contend with the ARI process, which won't even enable cost recovery of the bulk of this expense.

The building has been running at a negative net operating income, and it is becoming increasingly unsustainable to keep up with the capital expenditure required to maintain the building.

	2022 Total Amounts	% of Revenue	2023 Total Amounts	% of Revenue	2024 Projected Amounts	% of Projected Revenue
Revenue	$377,181	100%	$406,611	100%	$418,431	103%
Operating Expenses						
Payroll	$12,810		$13,181		$12,989	
Administrative	$1528		$1246		$1429	
Marketing	$2649		$2900		$4900	
Utilities	$25,383		$35,700		$36,630	
Operating	$1316		$1017		$1030	
Routine Repairs & Maintenance	$51,843		$65,740		$51,340	
Management Fee	$19,785		$21,238		$21,855	
Insurance	$22,144		$25,352		$26,620	
Property Tax	$28,109		$27,909		$29,304	
Total Operating Expenses	$165,612	44%	$194,281	48%	$186,097	44%
Non-Operating Expenses						
Capital Expenditure (Major Repairs)	$74,198		$15,744		$192,763*	
Mortgage	$163,000		$163,000		$163,000	
Total Non-Operating Expenses	$237,198	63%	$178,744	44%	$355,763	86%
Net Operating Income Dedicated to Expenses	$402,810	107%	$373,025	92%	$541,860	130%