

Condo Smarts September 14th-17th, 2017

Are rental bylaws good for a strata?

Dear Tony: Our strata is considering a rental bylaw that limits the number of rentals to 10 out of 100 units. We are slowly seeing the number of rentals and Air BnB's increase to the point where less than 50% of the residents are owners and their families. An owner brought a realtor to our last general meeting who advised rental bylaws would harm our property values and prevent buyers from looking at our property. On a side note this person also acts as the agent for a number of the rentals so his opinion was entirely self-serving. Is there any data that indicates rentals have an impact on property values or use of property? Neil

Dear Neil: A rental bylaw restricting the number of rentals may not by itself impact value or use of property either positively or negatively. Like all housing affordability issues there are layers of conditions that combined may result in either a negative or positive outcome. In my experience, regardless of the type of bylaws and restrictions, if your strata corporation is well managed, well maintained, well-funded and operates under an enforceable set of bylaws, your community can be assured of the best property values and demands. CHOA has many members across the province that meet those conditions with buyers on waiting lists. Before you adopt a rental bylaw, look at your disclosure statement. Your strata was filed in August 2010 so I suspect there is a rental disclosure exemption on your strata lots anyhow.

In 2016 CHOA undertook a direct survey of 16 buildings in Vancouver to identify if there was any impact on housing affordability, occupancy and rental bylaws. Eight of the buildings were constructed since 2010 with no rental restrictions and 8 buildings were constructed before 2010 with 7 out of eight with rental bylaws. 2010 was selected as the legislation changed permitting the developer to adopt a rental disclosure that essentially prevented rental bylaws. The results were rather surprising. The buildings constructed since 2010 or with no rental bylaws had the highest vacancy rates between 19 and 39% and the highest turnover of sales. From the information volunteered by owners, they also boasted the highest rental rates and the highest use by Air BnB and other short term services. The buildings constructed before 2010 that had rental restrictions and limited the number of rentals (none prohibited rentals) had the lowest vacancy rates of 1-4%. They provided stable affordable housing to both owners and tenants and had the lowest turnover of owners of market sales and the lowest use by Air BnB and short term accommodations. From the data it was evident the difference was rental bylaws are limiting real estate speculation in communities with rental bylaws. In comparison to market sales for both classifications of properties, neither type of property experienced negative impact on property values or market sales. A 2017 update of the data has not indicated any substantial shift in the data but there is one significant impact that several strata councils identified. By maintaining their rental bylaws they have built communities with lower transiency in both tenancy and ownership and have been capable of maintaining the integrity of the nature of their communities. As one council also pointed out, "the rental bylaw discouraged an investor speculator from dropping in and buying out 25% of our units as they would not be able to rent while having to maintain the expenses on vacant units." Do rental bylaws affect property values? Possibly, but they may also protect your properties from speculators and ensure predictable affordability. No two strata communities in BC are identical. Adopt bylaws that are relevant to the interests of your community, and don't be pressured by external self-interested parties.

Sincerely,

Tony Gioventu, Executive Director
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