

Investors for Affordable Cities

Responsible Investment in Housing
Disclosure Framework

DRAFT FOR DISCUSSION



Introduction

Most institutional investors incorporate environmental, social and governance (ESG) considerations into their investment decision-making as a way to better manage risk and generate sustainable long-term returns. Responsible investment practices can contribute to social equality and the long-term sustainability of the rental housing market while mitigating risks to investors – risks that have grown as housing affordability has deteriorated.ⁱ In addition to mitigating social and investment risks, investing responsibly in housing can be a means for investors to generate positive impacts consistently with their fiduciary duties.

This set of disclosures is based on [SHARE's progressive framework for responsible investment in residential real estate](#). It supports investors in conducting due diligence as they seek to meet their investment return objectives while mitigating the risks that arise from property management practices that are less aligned with responsible investment frameworks. It is oriented towards improving market transparency.

The residential real estate investment chain has multiple layers. Depending on the security or asset, investors can use this tool to engage their managers and/or building operators in public and private markets, including Real Estate Investment Trusts (REITs) and/or private equity fund managers. Investors can use this framework to ask for disclosures for specific buildings, in selected regions or across portfolios.

ⁱ See for instance: New York City Comptroller Brad Lander & For the Long Term (2024), Responsible Property Management Standards, <https://comptroller.nyc.gov/wp-content/uploads/2024/07/Responsible-Property-Management-Standards.pdf>; SHARE (2021), Investors for Affordable Cities: Responsible investment and affordable rental housing in Canada, <https://share.ca/wp-content/uploads/2021/10/SHARE-InvestorsForAffordableCities-2021.pdf>



Core Principles

This framework is structured to facilitate an assessment of three interrelated conditions that the [UN Office of the High Commissioner for Human Rights](#) (UN OHCHR) defines as necessary for housing to be adequate:

1. AFFORDABILITY

Principle: Housing costs should not interfere with households' other human rights. Rents should be well regulated so that rent increases are moderate and predictable, both throughout and between tenancies.ⁱⁱ

This framework defines "affordability" as consistent with the Canada Mortgage and Housing Corporation (CMHC) definition: housing that costs less than 30% of a household's before-tax income. The CMHC has a long history of using income categories based on income quintiles (low, moderate, median, higher, highest) to analyse housing need and develop programs. Because of regional variations in median income, we suggest using 'area median income' as the basis for calculating income categories, with 'area' meaning either municipality (CSD) or region (CD).

2. SECURITY OF TENURE

Principle: Housing is not adequate if its occupants do not have tenure security which guarantees legal protection against forced evictions, harassment and other threats.

All provinces have legislation governing notices for evictions, and legal recourses.

3. HABITABILITY

Principle: Housing providers should maintain rental homes in a state of good repair, ensure renters have access to all necessary services, and protect renters from health, structural, and other safety hazards, including as it relates to the changing climate.

All provinces have basic maintenance standards for rental housing.

ⁱⁱ All definitions of principles are from Canadian Centre for Housing Rights, based on *National Housing Strategy Act* (2019) and UN guidelines.

Housing Affordability Disclosure Framework: Core Disclosures

Disclosures can be requested for a building, area, and/or total portfolio, and for new and acquired buildings as well as existing portfolio.

Disclosures	Rationale	Sources of Data	Tool																																										
Affordable rent Rent by number of bedrooms, as compared to area median income categories.	Understanding affordability of assets and portfolios is important to understanding and mitigating investment risks related to housing unaffordability.	Property managers have information on rents by number of bedrooms. Rent ranges by income category are provided for CD (region such as county) and CSD (municipality) on the HART website (census data/ every 5 years).	<table><tr><td></td><td>0 br</td><td>1br</td><td>2br</td><td>3+br</td><td>TOTAL</td></tr><tr><td>Very low income</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Low income</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Moderate income</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Median income</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Higher income</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>TOTAL</td><td></td><td></td><td></td><td></td><td></td></tr></table>		0 br	1br	2br	3+br	TOTAL	Very low income						Low income						Moderate income						Median income						Higher income						TOTAL					
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Annual rent increases Annual rent increases by building, area and portfolio, as compared to annual national income increases.	Annual rent increases provide investors with insight into the affordability of assets and portfolios. Human rights guidelines suggest measuring rent in relation to income rather than market rates or consumer price index.	Property managers should have data on annual rent increases by building, region and portfolio. Annual household income increases are provided by Statistics Canada .	<table><tr><td>A. Rent increase (%)</td><td>B. Household income increase (%)</td><td>Difference (%) [A-B]</td></tr><tr><td></td><td></td><td></td></tr></table>	A. Rent increase (%)	B. Household income increase (%)	Difference (%) [A-B]																																							
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Disclosures	Rationale	Sources of Data	Tool
Number of tenant moves over a one-year period	Optimizing tenant stability decreases turnover costs and long-term investment risks. A high turnover rate may be symptomatic of problems with building maintenance or precipitous rent increases. ⁱⁱⁱ	The information should be readily available from managers, in relation to notices to end tenancy.	Total number of rental turnovers
			Percentage of tenants
Annual rent increases in turned-over suites Change in monthly rents for turned-over suites over a one-year period.	In rent-controlled jurisdictions, governments set maximum rent increases for tenant lease renewals and allow landlords to increase rents at their discretion between tenancies.	The information should be readily available from managers, in relation to notices to end tenancy.	Turnover rate percentage (total suites turned over/total suites)
			Change in monthly rent – lease renewals
			Change in monthly rent – turned over suites

iii This is required by the NYC Responsible Property Management Standards (<https://comptroller.nyc.gov/wp-content/uploads/2024/07/Responsible-Property-Management-Standards.pdf>). The information should be readily available from landlords, in relation to notices to end tenancy.

Annual rental turnover rates in Canada are [high](#): 12.4% in 2023, a decline from 13.6% in 2022. The average tenant length of stay in [Germany](#) is 11 years, a function of a culture with high tenant rights, varied rental choices, and long leases. In contrast, the average tenant length of stay in Canada is [a little over two years](#). This creates problems for landlords in terms of units having to be remarketed and being vacant between tenancies (a shorter period when vacancy rates are low). It is relevant to affordability because of the link to rent increases between tenancies: in Canada, rents increased 24% with turnovers and 5% without turnover.

A high turnover rate may be symptomatic of problems with building maintenance or precipitous rent increases. On the other hand, a low turnover rate may be symptomatic of fewer options being available (unaffordable rental and ownership market). In Canada, turnover rates in Vancouver and Toronto are about a third of what they are in Regina and Saskatoon.

Disclosures	Rationale	Sources of Data	Tool						
Rent increases in repositioned suites Changes in monthly rents for suites that are renovated between tenancies over a one-year period.	<p>In rent-controlled jurisdictions, governments set maximum rent increases for tenant lease renewals and allow landlords to increase rents at their discretion between tenancies.</p> <p>Monitoring rent increases in repositioned suites over time enables investors to better assess whether and how investment strategies incorporate tenant evictions for major renovations.</p>	Managers have this data. Most publicly listed real estate companies include this data in their existing regulatory disclosures.	<table><tr><td>Percentage of suites repositioned (total repositioned suites over one year/total suites)</td><td></td></tr><tr><td>Change in monthly rent – lease renewals</td><td></td></tr><tr><td>Change in monthly rent – repositioned suites</td><td></td></tr></table>	Percentage of suites repositioned (total repositioned suites over one year/total suites)		Change in monthly rent – lease renewals		Change in monthly rent – repositioned suites	
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Change in monthly rent – repositioned suites									
For assets in rent-controlled jurisdictions^{iv}: Rent increases above allowable annual provincial/territorial guidelines and limits Above Guideline Increases (AGIs) and Additional Rent Increases (ARIs) are permitted when landlords incur costs related to eligible capital expenditures. ^v	AGIs have been the subject of tenant unrest and rent strikes in Ontario, and may raise associated investment risks for companies and their investors.	Managers have this data. At least one publicly-listed real estate company has included this data in its regulatory disclosures.	<table><tr><td>Percentage of units with AGIs/ARIs</td><td></td></tr><tr><td>Average rent increases in for AGIs/ARIs</td><td></td></tr></table>	Percentage of units with AGIs/ARIs		Average rent increases in for AGIs/ARIs			
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iv Applicable to assets in provinces and territories where rent increases are regulated. See <https://housingrightscanada.com/resources/rent-control-policies-across-canada/>

v In certain rent-controlled jurisdictions, such as Ontario and British Columbia, landlords can impose rent increases on tenants above annual allowable rent increases when they incur costs related to eligible capital expenditures, including those related to maintenance and upkeep.



Disclosures	Rationale	Sources of Data	Tool		
Number and rationale of evictions Number of tenant evictions over past year per reason drawn from the Canadian Housing Survey. ^{vi}	Minimizing evictions and optimizing tenant stability decreases turn costs and long-term investment risk. High eviction rates may raise reputational risks for companies and their investors.	This information should be readily available from managers.	Reason Given	Number of Tenants	Percentage of Tenants
			Nonpayment of rent		
			Tenant behavior (including disruptive or illegal acts, damage to unit or building)		
			Overcrowding		
			Demolition		
			Renovation		
			TOTAL		
Maintenance Number of maintenance requests received by building and average response times, as well as the results of any building inspections by municipal or regional officials.	Maintaining habitability standards can positively impact property values and lower risk.	This information should be readily available from managers.	Number of requests		
			Average response time (days)		
			Number of infractions		
			Percentage of suites and/or buildings with infractions across a portfolio		

^{vi} Leading practice: In all cases where 'reno-victions' or 'demo-victions' have taken place, landlords should disclose why renovations were not able to be done with tenants on site, and whether temporary housing of the same price, size, and neighbourhood was provided OR adequate compensation to cover six months of rent.

In all cases of 'tenant fault' evictions, landlords should disclose what measures were taken (e.g., for nonpayment of rent, referring tenants to rental assistance and other services that support stable tenancy, including information on rental assistance and services in late payment and pre-filing notices, providing a late notice within the first two weeks of the month in which a tenant has failed to pay rent, providing 30 days pre-filing notice before filing for eviction of tenants who are in arrears on rent and allow an opportunity to cure of at least 14 days).



Additional Disclosures

Disclosures	Rationale
Tenant union The landlord should disclose whether there is a tenant association or union in each building and provide contact information.	Fostering positive landlord/tenant relationships may optimize tenant stability and reduce investment risks.
Legal Rights and Recourse The landlord should disclose whether the name of the landlord of the building is posted in a prominent location such as the entrance, near the elevators and/or in a shared laundry room, and whether there is posted information on tenant rights, including maximum and minimum unit temperatures, and external supports such as a Legal Aid Clinic and local building inspections unit.	Fostering positive landlord/tenant relationships may optimize tenant stability and reduce investment risks.
Tenant Satisfaction Survey The landlord should provide the results of an annual tenant satisfaction survey.	Fostering positive landlord/tenant relationships may optimize tenant stability and reduce investment risks.