



Thursday, August 31, 2023

National Housing Council Secretariat
Canada Mortgage and Housing Corporation
700 Montreal Road
Ottawa, ON
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RE: Financialization of Purpose-Built Rental Housing

We are writing to help provide recommendations to strengthen the government's ability to pursue evidence-based solutions to solve the current housing crisis in Canada. We do so on behalf of The Canadian Real Estate Association (CREA), and its membership of more than 160,000 REALTORS® in every community across the country.

For several years, REALTORS® have advocated in support of drastically increasing the supply of housing across the entire housing continuum. Housing is first and foremost shelter that provides a safe, sustainable, and quality living environment for families. It also helps improve their social, psychological, and cultural well-being. It helps create communities.

We are encouraged by the National Housing Council's decision to undertake a written hearing on the financialization of purpose-built rental housing. As Budget 2022 and 2023 acknowledged, a range of initiatives are required to ensure all Canadians can find a home they can afford to live and thrive in. The financialization of purpose-built rental housing can exert negative impacts on individuals and place stress on the well-being of communities. However, financialization and its detrimental influence can be countered at the federal level through policy change and programs.

CREA believes it is important that Canadians and governments alike treat houses as homes first and foremost. This is the cornerstone of housing as a human right, a principle that the Government of Canada included in the 2019 Housing Strategy Act. The current housing market is in an affordability crisis, and we should be concerned that this is increasing inequality in housing. This is further exacerbated by financialization, where private equity firms, pension funds, and real estate investment trusts (REITs) are increasingly acquiring, operating, and developing housing as an investment strategy, with the aim of maximizing returns for shareholders.



Research indicates that financialization is a key driver of social inequality and has a negative impact on the right to adequate housing in Canada. Financial firms drive value for investors using strategies that can reduce affordability and increase evictions in rental housing. Financialization not only drives housing prices out of reach for renters, but it also especially affects the right to housing for racialized communities, low-income tenants, seniors, people with disabilities and single parent families.

Recommendation 1: Improved Data and Beneficial Ownership Registry

Studies conclude that there is a lack of data on rental ownership, practices, and affordability.¹ To counter this, more information needs to be collected by governments at all levels. We agree with the Canadian Centre for Housing Rights on the following: “given that provinces and municipalities have a responsibility to document various property and tenancy related information, the federal government must work with other orders of government to create guidelines and incentives to develop this much needed evidence base”.² Collaboration and communication between governments is essential to effectively mitigate the effects of financialization.

Statistics Canada does provide housing statistics, but additional investor profile data would be beneficial in understanding financialized investor demographics.³ Conducting research and creating mechanisms to obtain a complete view of the ownership distribution for all financialized landlord types should be a priority. Once the distribution of rental stock between financialized landlords is found, unique industry practices and affordability levels can be further examined to gain a complete understanding of the issue. Furthermore, complete data will allow for informed policy that can employ a proportional response. The government’s previous commitment to create a beneficial ownership registry would help shed some light on this information gap. CREA recommends that the government create the registry to increase transparency in the rental housing sector and to allow for trends to be tracked accurately and responded to effectively.

Recommendation 2: Non-Profit Acquisition Fund

Non-profit housing providers play an important role in preserving affordability in communities by removing properties from the speculative market.⁴ Unfortunately, as Senior Research Fellow for the Centre for Urban Research and Education at Carleton University Steve Pomeroy identifies, few non-profits have the necessary funds to pursue acquisition to help maintain affordable rents.⁵ To acquire

¹ Centre for Social Innovation, Housing Lab Report: [Financialization and Housing](#).

² Canadian Centre for Housing Rights, [Financialization of Housing](#).

³ Statistics Canada, [A profile of residential real estate investors in 2020](#).

⁴ Steve Pomeroy, [Augmenting the National Housing Strategy with an affordable housing acquisition program](#).

⁵ Steve Pomeroy, [Review and options to strengthen the National Housing Strategy](#).



properties, “potential purchasers must be able to act quickly with few or no conditions on the offer. Without this assurance, they cannot compete with unconditional private offers”.⁶ These two challenges may guide the structure of a non-profit acquisition program that could be offered by the federal government.

CREA agrees with Pomeroy’s suggestion to create an acquisitions stream within the existing National Housing Co-investment Fund (NHCF). Funding could be reallocated from the Housing Repair and Renewal Stream to enable the creation of a dedicated acquisitions fund.⁷ The NHCF has valuable environmental efficiency and accessibility requirements that should be maintained in the creation of the new fund. However, it is important to ensure that non-profits have the flexibility and speed required to compete with private funds in the acquisition of purpose-built rental. To ensure this, environmental and accessibility requirements could be fulfilled through retrofits after an acquisition is completed.⁸ Furthermore, non-profits could seek retrofit funding through the CMHC Canada Greener Affordable Housing – Retrofit Funding to help cover costs associated with meeting NHCF requirements.

Recommendation 3: GST/HST Refunds

When combatting financialization, incentivizing the development of purpose-built rental should be the primary objective of the federal government. Increasing supply will provide a needed boost to the existing stock and alleviate pressure exerted on the housing system. Increased development, in combination with preservation policies, will ensure financialization is countered on both fronts. To incentivize development, CREA recommends refunding GST/HST on the development costs of purpose-built rental housing. This refund would greatly incentivize developers to construct new units by making conditions more attractive for new investment. The development cost refund would be available to all developers contributing to the housing stock.

Thank you for the opportunity to provide input on the written hearing. We are heartened by the council’s interest in this topic. We have provided three recommendations to help guide the council as it determines the impacts of financialization and appropriate solutions. Building from these recommendations should aid in reducing the negative influence of financialization on purpose-built rental. REALTORS® will always focus on helping Canadians find homes and look forward to presenting the National Housing Council with input that will help make housing more affordable in the future.

⁶ Steve Pomeroy, [Augmenting the National Housing Strategy with an affordable housing acquisition program.](#)

⁷ Steve Pomeroy, [Review and options to strengthen the National Housing Strategy.](#)

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