

2023 REALTOR® Recommendations



The Canadian Real Estate Association (CREA) is one of Canada's largest single-industry associations. Our membership includes more than 160,000 real estate brokers, agents, and salespeople working through 72 real estate boards and associations across Canada.

CREA proudly owns and operates Canada's No. 1 real estate platform, REALTOR.ca, and sets high standards of professional conduct for REALTORS®, helping to protect Canadians' rights and interests through the REALTOR® Code.

For more than 30 years, REALTORS® have advocated for policies that encourage access to housing for all Canadians, from emergency shelter to subsidized housing to social housing and homeownership.

REALTORS® meet regularly with Parliamentarians to discuss their local housing markets and policies that promote an affordable and accessible real estate industry. REALTORS® are experts on market conditions and consumer interests and are well positioned to contribute to discussions around housing policy. Above all, REALTORS® advocate for creative solutions and policies to increase housing supply in Canada, address current housing challenges, and allow Canadians to have access to safe, stable, and affordable housing options.

Learn more at [CREA.ca/MP](https://www.crea.ca/MP)

Economic Overview and Housing Market Landscape

In the years leading up to the COVID-19 pandemic, low interest rates, rising international immigration, and an increasingly middle-aged millennial cohort combined to fuel very strong household formation and first-time home buyer demand in Canada.

The large millennial demographic have now almost all passed from their 20s into their 30s and 40s, but many are not where they thought they would be with respect to housing at this point in their lives. Moreover, Generation Z are coming up right behind them to continue to rapidly grow the number of new households in Canada—a trend in play now for 50 years.

On top of that, international immigration has increased over the past year, making the previous records set just prior to the pandemic look minor by comparison.

Before any large numbers of Baby Boomer and Generation X households divest their homes, a massive and sustained building boom is required. We saw this coming out of the Second World War, then again in the 1970s, then again in the mid-to-late 1980s, and then once again in the early-2000s. But the last 15 years we have not kept pace.

CANADIAN HOME SALES (SEASONALLY ADJUSTED)



Source: The Canadian Real Estate Association

CANADIAN END-OF-MONTH ACTIVE RESIDENTIAL LISTINGS (SEASONALLY ADJUSTED)



Source: The Canadian Real Estate Association

To the extent new housing unit completions have picked up in recent years, particularly since 2020, these have mostly been purpose-built apartment units. This is a welcome re-addition to the housing stock that had been missing for decades.

That said, these often do not work for families, nor do they allow their occupants to achieve the dream of homeownership that most younger Canadians still aspire to.

The mismatch between the number and type of new units and the wants and needs of young buyers has led them to search for homes within the existing housing market. As a result, since 2015, available inventories have been steadily on the decline. Between the period of the financial crisis until around 2015, the number of properties listed for sale

hovered around 250,000. However, by the close of 2021, this figure had plummeted to a historic low of approximately 70,000, signifying a staggering 72% decrease.

Active listings have picked up as the market has slowed since early 2022, but even when combined with a below-average number of sales at the moment, it still indicates we're facing a seller's market. This is why prices have been able to recover about 40% of their peak-to-trough losses in 2022.

As of September 2023, home sales activity is running about 10% below an average of the last 10 years, while new listings have rebounded from a 20-year low this spring to much more average levels now.

This is causing overall supply to move slowly higher, but there are still only 3.4 months of inventory nationally, a month and a half below what a balanced market would be.

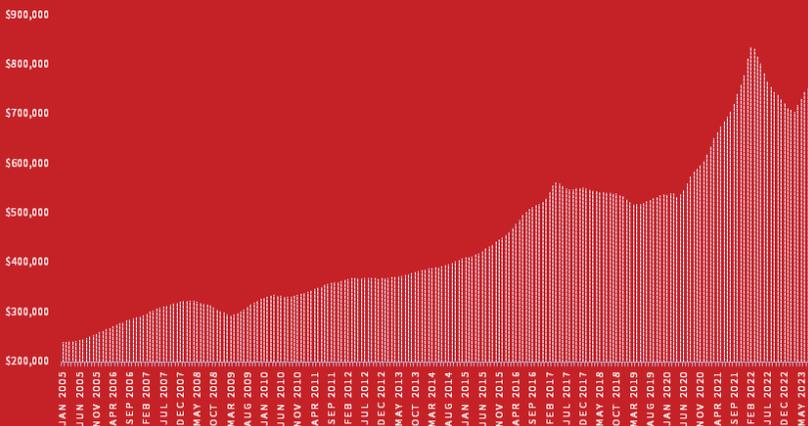
In addition, rapid interest rate hikes in 2022 caused the MLS® Home Price Index (HPI) seasonally adjusted national benchmark price to fall from a peak of \$836,700 in February 2022 to a low of \$706,600 in March 2023.

When the Bank of Canada indicated a pause this spring at the same time prices finally bottomed out, a jump in pent-up demand coming off the sidelines caused the national benchmark price to rebound to \$757,600 by August 2023 where it's looking like it will settle for now. This is about \$216,000 or 40% higher than it was at the start of the pandemic.

The biggest factor impacting the resale housing market right now is high interest rates which are curbing demand and offsetting the effects of low supply. The good news is financial markets currently seem to think the Bank of Canada is at the top this time. The bad news is they also think we may get stuck there for another year before seeing any cuts. It's all based on incoming data so that can and probably will change, but those are the current projections.

The battle against inflation is a temporary one. The fundamental imbalance between the number of people who need to live somewhere and the housing stock that currently exists across the country is a long-term issue that has been and is still worsening.

**MLS® HPI AGGREGATE COMPOSITE BENCHMARK PRICE
(SEASONALLY ADJUSTED)**



Source: MLS® Home Price Index

CANADIAN MONTHS OF INVENTORY (SEASONALLY ADJUSTED)



Source: The Canadian Real Estate Association

With interest rates likely to remain high for some time, the near-term existing home market may remain on the slow side at the expense of ongoing turmoil in the rental market. For that reason, a strong focus on purpose-built rentals at this time in addition to progress already made on that part of the housing continuum makes sense.

Further out, with homeownership rates already falling for more than a decade, a focus on building a lot more ownership housing, particularly the “missing middle” (duplexes, triplexes, quadplexes, townhomes, laneway homes, etc.), is required to keep homeownership, which has done so much for previous generations of Canadians, within reach.

We can't wait until interest rates fall and the market takes off again. The government needs to use the next couple of years to make up for lost time. Incentives and programs to create more housing, particularly attainable medium-density family-friendly housing, need to be part of the response to this crisis right now.

Recommendation 1: Permanent National Housing Roundtable

CREA recommends the establishment of a permanent national housing roundtable to bring together housing stakeholders to help address the housing crisis through an inclusive, holistic approach that emphasizes collaboration, innovation, and policy coordination.

The complexity and scale of Canada's housing crisis should be a national priority. It's clear the current approach taken by all levels of government is ineffective and the lack of coordination and collaboration is further exacerbating the crisis. The Canada Mortgage and Housing Corporation (CMHC) estimates 5.8 million new homes need to be built across the housing continuum to bring housing affordability into balance, but at the current rate of construction, Canada will be short 3.5 million homes by 2030.

The consequences of this crisis extend beyond the individual level. They affect the overall economy and social fabric of the country. Housing not only provides safety and quality of life to individuals and families, but it also helps improve social, psychological, and cultural well-being. Housing creates and shapes communities. Addressing our housing crisis requires a multi-faceted, inclusive, and collaborative approach with measures that

substantially increase the supply of housing across the continuum. This involves promoting construction, planning innovation, supporting vulnerable populations, as well as encouraging responsible lending practices.

Action Needed

CREA strongly believes the federal government needs to take a leadership role in convening a permanent, national housing roundtable, bringing together federal, provincial/territorial, and municipal authorities along with builders, real estate professionals, Indigenous partners and civil society organizations.

A combination of short-term and long-term strategies are necessary to make a substantial impact on Canada's housing supply. An inclusive and holistic approach that emphasizes collaboration, innovation, and policy coordination is critical to successfully addressing the housing crisis at hand.

Recommendation 2: Housing Supply and Infrastructure

CREA recommends leveraging federal infrastructure funding with municipal, provincial, and territorial partners requiring the creation of more housing supply.

International research indicates good infrastructure is crucial to addressing the shortage of housing supply. Through the *Investing in Canada Infrastructure Program* and the federal government's recent move to align the cabinet portfolios in charge of housing and infrastructure, the government has recognized that housing supply and infrastructure are inherently linked and help to build thriving, inclusive communities.

Action Needed

CREA recommends any new federal infrastructure funding, including but not limited to bilateral agreements, have conditions requiring the creation of new housing indexed to population growth.

Funding commitments should include clauses that incentivize provinces, territories, and municipalities to take action in the following areas:

- ◆ revising zoning bylaws;
- ◆ speeding up planning and approval processes;
- ◆ converting distressed properties into housing;
- ◆ aligning infrastructure funding with new housing commitments; and
- ◆ promoting construction innovation that could speed up housing development.

Recommendation 3: Immigration and Housing

CREA recommends developing a housing workforce immigration strategy to attract tradespeople from abroad, while streamlining the immigration process for qualified professionals willing to work in the construction industry.

One of the reasons the construction industry has struggled to keep up with the soaring demand for housing is a lack of labour needed to build homes. A shortage of workers in key construction trades, such as carpenters, electricians, plumbers, and masons, has resulted in delayed projects, increased construction costs and slower residential housing development.

CREA, in partnership with the British Columbia Real Estate Association (BCREA) and the Ontario Real Estate Association (OREA), recently commissioned a research paper by the Conference Board of Canada, which studied how good immigration policy can mitigate labour shortages in Canada's construction sector. According to the research findings, Canada's residential construction activity has slowed in recent months due to a tight labour market, which will further exacerbate the housing crisis. Canada needs immigration

programs that will expand the supply of workers with experience in the trades. Small-scale programs targeting the labour needs in residential construction can be a step towards addressing the housing crisis in Canada.

Action Needed

CREA recommends developing a housing workforce immigration strategy to attract tradespeople from abroad, while streamlining the immigration process for qualified professionals willing to work in the construction industry. By focusing on increasing immigration in the construction sector, we can effectively address the housing crisis, fill labour shortages, create jobs, and pave the way for sustainable housing growth. Implementing the proposed recommendations will not only alleviate housing pressures but also foster a more robust and resilient housing market for all Canadians.

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