

Pre-Budget Consultation

August 2023



List of recommendations:

Recommendation 1:

Establish a permanent national housing roundtable to bring together housing stakeholders to help address the housing crisis through an inclusive, holistic approach emphasizing collaboration, innovation, and policy coordination.

Recommendation 2:

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

Recommendation 3:

Commission an in-depth review of the financialization of housing in Canada to develop evidence-based measures that will help protect the rights of Canadians.

Recommendation 4:

Institute a cost-free, phased approach for EnerGuide labelling of homes, not at time of sale.

Recommendation 5:

Develop a housing workforce immigration strategy to attract skilled trade workers from abroad, which includes streamlining the immigration process for qualified professionals willing to work in the construction industry.

Introduction

Canada is in a national housing crisis that has been decades in the making. The demand for housing is outpacing the rate of new construction and available inventory, resulting in reduced housing supply across the country. This has led to a rise in housing costs and severe affordability challenges, affecting the overall well-being and quality of life of millions of Canadians. 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. It's crucial for all levels of government, politicians, and policymakers to come together to find solutions to this crisis, ensuring all Canadians have access to safe, stable, and affordable housing options.

The consequences of Canada's housing supply crisis extend beyond the individual level, affecting the overall economy and social fabric of the nation.

Housing not only provides a safe, sustainable, and quality living environment for families, it also helps improve social, psychological, and cultural well-being. It helps create and shape 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, promote construction and planning innovation, support vulnerable populations, and encourage responsible lending practices.

Canada's housing challenges have been building over many years and require all levels of government to make sustained efforts to make housing more affordable and accessible. A comprehensive, national approach would provide opportunities to address supply issues across the entire housing continuum. REALTORS® support access to housing, from emergency shelter to subsidized housing to social housing and homeownership. We look forward to working with the government to find solutions to address Canada's housing crisis.

About CREA

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.

CREA also proudly owns and operates Canada's No. 1 real estate platform¹, REALTOR.ca, and sets high standards of professional conduct for REALTORS®, helping to protect Canadians' rights and interests through the REALTOR® Code.

¹ ComScore.

REALTOR®

Recommendations



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 emphasizing collaboration, innovation, and policy coordination.

Given the complexity and scale of Canada's housing crisis, tackling it should be a national priority. It's becoming increasingly clear our current piecemeal approach at all different levels of government is not working and this lack of coordination and collaboration is further exacerbating our housing crisis. For instance, while the Ontario government's 2022 housing affordability task force recommendations appeared promising, residential construction is slowing down, with nearly 20,000 fewer units expected to be built in Ontario this year compared to 2022. According to the provincial government, this trend is projected to continue until 2026.² Unfortunately, this is a development that we're seeing across the country and is the opposite of what Canada needs at this critical juncture. To address the housing crisis, we must prioritize increasing housing supply rather than reducing it.

We strongly believe the federal government needs to take a leadership role and convene 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. This permanent roundtable could be modeled on the recent, successful Federal Secretariat on Early Learning and Child Care (ELCC). Ultimately, a combination of short-term measures 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.³

² <https://budget.ontario.ca/2023/chapter-2.html#s-8>

³ Our internal research shows that over 42 different stakeholders and 37 different housing/policy experts are calling for this type of whole-of-government approach to our housing crisis.

As the housing needs of Canadians vary across regions and population groups, there's a need to not only increase housing supply, but to increase the right type of housing supply in the right areas. As members of the roundtable, housing industry stakeholders can identify the type of housing and locations where supply is needed the most, allowing governments to develop targeted policies.

A national housing roundtable could also encourage innovation in homebuilding and processes (zoning restrictions, density limits, etc.) as a solution to the housing crisis so more homes can be built quickly,

cost-effectively and to modern standards. It could also highlight best practices across different jurisdictions and encourage their implementation. It would enhance understanding of government programs and regulations that can increase innovation in the housing sector, promote efficient alignment among all levels of government and mandate a unified strategy for growing supply across the entire housing continuum.



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 housing supply and infrastructure are inherently linked and help build thriving, inclusive communities. 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.

With government expected to roll out extensive new infrastructure spending this fall, these new funding commitments must be leveraged and 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:

Review Financialization of Housing

CREA recommends an in-depth review of the financialization of housing in Canada to develop evidence-based measures that help protect the rights of Canadians.

CREA believes it's important Canadians and governments alike treat houses as homes first and foremost. The current housing market is in an affordability crisis, and we're concerned 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.

We're encouraged by the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (HUMA) decision to undertake a study on the financialization of housing. Creating evidence-based policy requires a complete view of the issues at hand and unfortunately there's limited information available in Canada on the scope and mechanisms of financialization and its impacts. Therefore, there are several lines of inquiry that need to be pursued and researched with regards to large institutional investors before informed and effective policy can be developed:

- i) It's important to determine who owns what in the financialized space, given there is no comprehensive dataset that tracks ownership shares for institutional investors. ⁴
- ii) Research should be conducted into the use of 'not-owner occupied' properties to determine the distribution and uses of housing stock. ⁵
- iii) Determine the extent to which financial firms contribute to overall housing supply. ⁶
- iv) Explore any tax mechanisms that could be employed or removed to create and maintain affordability in units owned by financial firms.

The government needs to take a holistic, evidence-based approach to evaluating the effects of large institutional investors on society and determine their place in a well-functioning housing market. Do they provide societal benefits or detract from them? Financialization is a human rights issue and tackling the issue of housing affordability and supply cannot be done without an in-depth look at financialization as one of the key drivers of Canada's housing crisis.

⁴ Centre for Social Innovation, Housing Lab Report: Financialization and Housing.

⁵ Ibid

⁶ Martine August, The Financialization of Multi-Family Rental Housing in Canada.



RECOMMENDATION 4:

Climate and Housing

CREA recommends a cost-free phased approach for EnerGuide labelling of homes, not at time of sale, to empower consumers to make informed choices while ensuring current and potential Canadian homeowners are not faced with further affordability and supply challenges.

Along with a housing crisis, we recognize Canada—along with the rest of the world—is facing a climate crisis. Reducing the carbon footprint of residential housing is essential if Canada is to reach its 2030 and 2050 environmental emission goals. CREA supports the governments’ efforts to improve energy efficiency, address climate change in the housing sector and help increase housing affordability. Given the serious affordability challenges related to a lack of housing supply in Canada, it’s important any new regulations/initiatives are not a disincentive to the creation of new housing.

CREA is particularly concerned about the unintended consequences of “making energy labelling mandatory at time of sale” as stated in *The Canadian Green Building Strategy* and the Minister of Natural Resources’ mandate letter. Any additional regulations applied at the time of listing a house for sale could frustrate the onboarding of resale housing supply as there’s not an adequate supply of energy auditors to practically implement this idea.

Currently, homeowners are waiting up to a year to obtain the EnerGuide evaluation needed to obtain a voluntary label. This delay will especially impact homeowners who find themselves in vulnerable situations, such as selling a home due to sickness, divorce, or moving due to job loss. When faced with the cost of an audit or the cost of improvements an audit may recommend, some homeowners may decide not to sell their homes; and for those who need to sell their homes quickly, mandated audits and disclosure requirements could delay transactions. Over-regulation of the housing sector is one of the reasons we find ourselves in this affordability crisis and this proposal would just further exacerbate it by reducing supply and making the home buying and selling process even more expensive for Canadians.

To better understand the challenges and determine what principles could help make this initiative a success, CREA commissioned a study from an independent think tank, the Smart Prosperity Institute (SPI). [The SPI study](#) identified five principles that must be met for a successful EnerGuide label initiative which are highlighted in our [submission](#) on *The Canada Green Building Strategy*. More importantly, the research highlights the perils of technological solutions that focus on keeping costs low but damage the accuracy of labels and their ability to drive energy efficiency renovations.

CREA does not recommend mandatory energy labelling at the time of sale and instead recommends a cost-free, phased approach for EnerGuide labelling that would allow all Canadians, regardless of income bracket, to participate and identify the energy efficiency improvements that can be made to their home. This approach would ensure that properties are not stigmatized at point of sale but more importantly could spark an energy retrofit revolution. If mandatory labelling is to be implemented, it must be a robust system that drives real change and ensures the right outcomes, at the right time for consumers.



RECOMMENDATION 5:

Immigration and Housing

CREA recommends developing a housing workforce immigration strategy to attract skilled trade workers 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 skilled labour needed to build those homes. A shortage of skilled 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. As highlighted earlier, we're seeing Canada's residential construction activity slow in recent months due to a tight labour market and this is going to further exacerbate the housing crisis.

By focusing on increasing skilled-based 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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