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OPENING REMARKS TO THE HUMA COMMITTEE, June 6, 2023

The Financialization of Purpose-built Rental Housing

Good afternoon,

I am a director of the Eastern Ontario Landlord Organization (EOLO), which was founded in 1990. EOLO represents rental housing providers of all sizes, who together own and operate more than 40,000 rental units in the City of Ottawa.

EOLO is a member of the Canadian Federation of Apartment Associations (CFAA). I understand John Dickie, the President of CFAA, will be speaking on the next witness panel. Mr. Dickie provided me a copy of the CFAA's brief, which was made jointly with the Federation of Rental-housing Providers of Ontario ('FRPO").

I am also the Vice-President of the Ottawa Real Estate Investors Organization (ORIEO), established in 2002, which consists of small-scale real estate investors and people who provide expertise and services to them.

Both from my own rental holdings and small developments, and from OREIO colleagues, I am familiar with the issues facing small-scale landlords and developers. I and many of my colleagues develop and operate rental housing through small corporations, which is very common even for relatively small investors and rental housing providers.

I agree with CFAA that the reason market rents are rising is because supply has lagged behind the growth in the population and in rental demand. That is largely because of excessive government charges and taxes that raise the cost of new housing development, and also because of delays in approving new construction. I have experienced that myself in a number of developments, as have my colleagues.

CMHC recently estimated that Canada needs to increase the total housing supply by 3.5 million dwellings by 2030. That would be twice the recent annual new supply.

That strongly suggests that small investors, REITs and corporations of all sizes should be encouraged to provide more rental housing, rather than facing more or higher taxes or restrictions, which tends to discourage entry into any market, and thus tends to decrease the amount of rental housing supply from what it would be under the current rules.

The size and sophistication of rental housing providers varies greatly, but virtually all private rental housing providers want to earn a reasonable net income and raise the value of their buildings. We do that by providing good value for money, and efficiently managing costs.

Rental housing providers of all sizes seek to operate buildings at the optimum level of service and cost. That includes improving rental buildings to meet higher environmental and accessibility standards, and modernizing units when renters' demand for modernized units makes that productive.

If tax rules or CMHC mortgage rules are changed against rental developers, I would expect a flight of capital, both among large developers and small. I already see small-scale Canadian investors who used to develop in Canada, now investing in American states which are more development friendly. They look for locations with growing rental demand, fast approvals, modest government charges, and no rent control. In fact, there has already been a significant increase in the demand by Canadian investors for education on investing in US real estate.

Regulating against financialization and seeking to limit REITs and other for-profit rental housing providers would be counter-productive. It would reduce investment in new rental housing and in modernizing aging rental stock. In a very short time such restrictions would reduce rental supply, and rental availability, and drive up market rents. Indeed, we have seen this in the past.

I urge you to recommend against restrictions on REITs or corporations, and against new tax rules seeking to influence behaviour, especially in areas of provincial jurisdiction, like rental laws.