CANADIAN FEDERATION OF APARMENT ASSOCIATIONS

HUMA COMMITTEE for presentation June 6, 2023 at 4:30 pm

JOHN DICKIE OPENING REMARKS

Good afternoon:

I am the President of the Canadian Federation of Apartment Associations. CFAA represents 15,000 owners and managers of over 1.5 million rental homes across Canada, though 13 member associations and direct memberships.

My main professional qualifications are a First Class Honours BA in Economics, and a long career acting as a lawyer in rental housing. Starting 40 years ago, I acted for renters for 6 years. Since then, I have acted for rental housing providers of all sizes.

Many people picture rental housing as apartments in large buildings, such as one can see in any big city. However, many other apartments are found in walk-up buildings of 3 stories, or in 3, 4 or 5-unit buildings. Over 300,000 rental homes are rowhouses. All of that together is the purpose-built rental market. It totals 2.5 million homes.

Besides that, there are a little over half million rental homes in social housing, and then there are 2 million more rental homes that many people are unaware of, or ignore. Those are the rental homes in the secondary rental market. They are rented single-family homes, duplexes, doubles, accessory apartments, and rented condos, whether in condo towers or ground-oriented complexes.

Anyone can drive or walk down many city streets and not realize that those homes are rented; but there are 2 million of them across Canada. That includes Toronto, where there are more than 200,000 of them.

The total rental supply across Canada is 5 million homes.

Most rented homes of all types are good substitutes for many others. Apartments in towers compete with low rise apartments and rented condos, as well as the rest of the secondary market.

Because of this widespread competition, and the fragmented nature of the rental housing industry, large rental providers have no power to set rents above the levels determined by supply and demand.

Another key issue is how much money rental providers make. Some people picture all or most of the rent money going into the landlord's pocket, but the truth is far from that.

At page 3 of our brief, you will find a pie graph showing where a typical dollar of rent goes: fourteen cents to property taxes, 12 cents for utilities, an 19 cents for other operating costs. That makes 45 cents, leaving 55 cents as the net operating income.

But we're not done with the expenses. On average, another 36 cents goes to pay the mortgage, and 11 cents goes to pay for major repairs and building modernization. That leaves just 8 cent as the pre-tax return on each dollar of revenue.

To make its report, this Committee will have to choose between two very different views of REITs, rental housing corporations, and indeed all rental housing providers.

CFAA condemns any action to push people out of their homes. However, under our Constitution it is up to the provinces to regulate and prevent such action.

In addition, CFAA believes that such action takes place only in very isolated cases; and that federal income tax law is not a suitable tool to address that isolated behaviour.

Instead, tax changes such as those proposed could easily have widespread and serious negative impacts on the supply of rental housing.

Excluding REITs, or corporations, from CMHC mortgage insurance or other housing programs would also risk widespread and serious negative impacts on the supply of rental housing.

In conclusion, financialization is not nearly as significant an issue as it is said by some to be, and the proposed "cures" being suggested to this Committee are much worse than the alleged "disease".