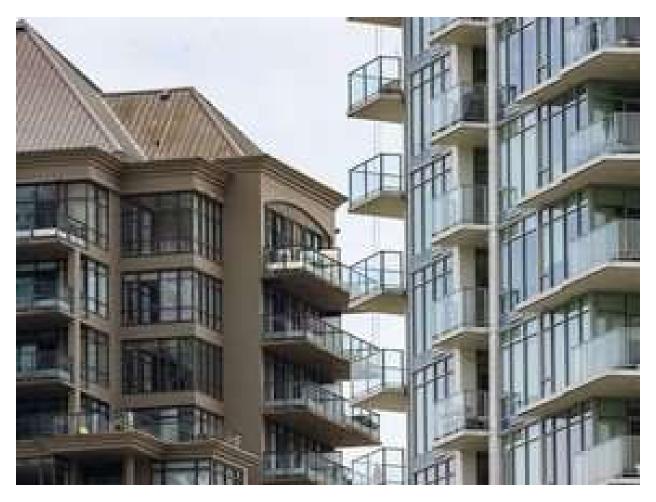
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## Stop bashing housing investors. Canada desperately needs them

*If not the investors, who will pay to maintain and own housing for millions of Canadians?* 

Murtaza Haider and Stephen Moranis || Published Jul 03, 2023



Millions of Canadians live in housing provided and maintained by investors. PHOTO BY JASON PAYNE/POSTMEDIA

Canada's population grew by a million people last year, an increase in magnitude and pace that is unprecedented, and one that will place more demand for essential services such as housing, transport and health, as well as leisure.

The increased demographic pressure will likely worsen housing affordability unless significant investments are made in building new and maintaining existing housing.

Most Canadians would welcome more investment in housing, but some seem apprehensive. Examples of investor-skeptic comments are often found in academic publications, government reports and the news media.

But housing investors are critical for the health and growth of housing stock. For one thing, large-scale housing developments may not be possible without them because they provide the risk capital for the prolonged period when housing is being built.

A typical condominium takes years to build and plan. In Ontario, reports suggest it may take 500 days or more to secure planning approvals for high-density residential development. Construction may take another two to five years. Thus, a potential buyer may have to wait five years or more to set foot in a completed dwelling after making the initial deposit.

In addition to time, new housing construction is a capital-intensive process requiring hundreds of millions of dollars in investments. If investors are excluded from the process, there aren't many others ready to step in with the money needed for construction, the necessary risk appetite (some construction may not start or be complete on time or on budget) and the patience to wait for years.

The end-users who occupy the finished product, a condominium or a house in a new subdivision, would like to avoid the long waits, cost and price uncertainties and many other risks that are part and parcel of large-scale construction. Investors assume those risks and deserve the rewards that come with it.

Taking investors out of the construction equation will further slow the already sluggish rate of new housing supply, eventually hurting the same people the investor-bashing housing advocates say they want to help. The road to hell, they say, is paved with good intentions.

Some housing advocates object to investors owning multiple dwellings in Canada. They argue that investors restrict homeownership opportunities for <u>first-time homebuyers</u> by owning multiple dwellings. This argument would hold merit if there were no rental households in Canada.

But almost one-third of all Canadians, and even a higher share in cities, live in rental housing. Stated differently, millions live in housing provided and maintained by investors. Those arguing to diminish investors' role should first answer the following question: If not the investors, who will pay to maintain and own housing for millions of Canadians?

A partial portrait of housing investors became available in February when the Canadian Housing Statistics Program (CHSP), an initiative of Statistics Canada, reported on who invested in residential properties in Nova Scotia, New Brunswick, Ontario, Manitoba and British Columbia.

Surprisingly, owner investors were (relatively) far more prevalent in Nova Scotia (32 per cent) than in Ontario (20 per cent). Nova Scotia, unlike Ontario, does not contribute to headlines accusing investors of exorbitant housing prices. The likely reason is that ownership of vacant land is more frequent in the Maritime provinces.

CHSP said condominium apartments were more likely to be investment properties than other housing types, such as detached or row housing. For example, almost 42 per cent of condominium apartments in Ontario were investment properties. Furthermore, 112,220 households in the City of Toronto rented condominiums and another 53,000 rented ground-oriented housing from investors in 2020.

Some might see condominium investors as a concern, but we see them as necessary housing service providers who assume all the risks of homeownership and provide rental condominiums to (often young) workers who are not ready for or interested in homeownership. The choice to rent or own for millions of Canadians is essentially enabled by investors.

Let us not ignore that the ownership risks could be significant for investors. A recent report by CIBC Economics and Urbanation said most pre-construction condominiums that investors bought with a mortgage and rented in 2022 were cash-flow negative. This means leveraged investors collected rents that did not cover their mortgage costs, condo fees and property taxes.

It is far more convenient to bash investors and not appreciate the risks they assume and the costs they absorb while providing high-quality new rental housing that would otherwise not exist. For Canada to address the housing deficit, which runs into several million dwellings, investments and investors need to be welcomed, not ostracized.

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