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At least \$1 trillion needed to achieve housing affordability, CMHC says

National housing agency says the private sector has a key role to play

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Canada Mortgage and Housing Corp. said more than 95 per cent of Canada's housing stock is privately-owned in some form or another. PHOTO BY COLE BURSTON/BLOOMBERG FILES

At least \$1 trillion in investment is needed to achieve housing affordability in Canada, and the private sector has a key role to play, according to a new study by Canada Mortgage and Housing Corp.

That amount of investment is needed to meet the estimated cost of building the millions of homes necessary to address the affordability crisis, the national housing agency said on Oct. 3. It said last month that Canada still needs 3.5 million more homes to close the affordability gap by 2030.

“The amount of money is so enormous that we really need the private sector involved,” deputy chief economist Aled ab Iorwerth said. “The government can’t do it alone.”

CMHC said more than 95 per cent of the housing stock is privately owned in some form or another. Thus, the private sector will be a big part of the solution, he said.

The agency said that while helpful, social housing, which is estimated to only be around four per cent of the overall housing stock, will not address the challenges within the housing system.

Both a range of government policies and investments and increased participation from the private sector are imperative, it said.

“The rental sector needs to be expanded a lot ... so in order to encourage that, we need a lot of private sector investment there,” ab Iorwerth said, adding that anything that damages or inhibits that incentive is going to worsen supply and therefore adversely affect affordability for everyone.

He said that while there is concern about profits, the CMHC doesn’t have any evidence there are abnormal profits.

A survey by the agency earlier this year showed that rents in Southern Ontario and Metro Vancouver can go up 20 per cent to 30 per cent on average when new tenants come in, “but to us this is a symptom of lack of supply,” ab Iorwerth said.

“If anybody is concerned about excess profits, the response to that has to be more supply,” he added.

The CMHC said it lacks the data to understand the scale of negative practices by private landlords and their impact on affordability. That data needs to be provided by municipalities and provinces to help the CMHC better understand any negative behaviours by landlords, it said.

“Given the positive role private ownership can bring, the activities of some bad actors need to be addressed through effective regulation rather than blaming the whole industry,” it said.