

2018 REALTOR® RECOMMENDATIONS:

PROTECTING HOMEOWNERSHIP



THE CANADIAN REAL ESTATE
ASSOCIATION (CREA) IS ONE
OF **CANADA'S LARGEST**
SINGLE-INDUSTRY
ASSOCIATIONS.

Our membership includes more than 125,000 real estate brokers, agents and salespeople, working with real estate boards and associations across Canada.



For over 30 years, our REALTOR® members have advocated on behalf of home buyers, property owners and communities. They meet with Parliamentarians, both in Ottawa and at home, to discuss their local housing markets and policies that promote a vibrant and sustainable real estate industry.



ECONOMIC OUTLOOK

OVERVIEW

“Where’s home?” is all about location. The same goes for housing market outlooks, which vary depending on where home is.

That said, this year’s newly tightened federal mortgage regulations, together with rising interest rates, will continue to curb home sales activity in every housing market across Canada over the rest of the year and beyond.

Under the newly tightened federal mortgage regulations, many prospective home buyers who previously qualified for mortgage financing now no longer do. Based on sales for the year to date, national activity is on track to hit a five-year low this year.

Further economic growth will support national home sale activity next year but outlooks vary by region. Even so, the mortgage stress test will become increasingly restrictive as interest rates rise—regardless of a housing market’s location or economic prospects.

The new mortgage stress test announced last fall was expected to boost home sales late in the year before it came into effect in January.

While the “pull-forward” of home sales came at the expense of weaker activity this year, the new policy’s impact was bigger than anticipated. Indeed, national activity surged to the highest level ever in December 2017 before tumbling sharply in early 2018.



PROJECTED NATIONAL AVERAGE PRICE FORECAST

Decrease by 2.1%
IN 2018 TO

\$499,100

Increase by 3.8%
IN 2019 TO

\$518,300



PROJECTED SPIN-OFF SPENDING AND JOB CREATION GENERATED VIA CANADIAN MLS® SYSTEMS:

2018 > **\$29.3 billion** | **+200,000 jobs**

2019 > **\$30.9 billion** | **+207,000 jobs**



HOME SALES BOOST THE ECONOMY 2018 SPIN-OFF SPENDING AND JOBS

\$64,000
PER HOME SALE



**One job for every
three home sale
transactions.**



RECOMMENDATION 1:

HELP CANADIANS REACH THEIR GOALS

ISSUE

Federal government policies and regulations have made accessibility to housing in Canada increasingly difficult for middle-class families and millennials. The dream of homeownership continues to be strong among millennials, but affordability is often out of reach. Many potential home buyers struggle to accumulate enough capital for a down payment, yet have an income stream that would allow them to manage monthly mortgage payments.

ACTION NEEDED

Providing financial support to help Canadians fulfill their homeownership goals and start building equity is critical at a time when house prices are at a record high across the country.

The Home Buyers' Tax Credit (HBTC) is an existing program that helps compensate for some of the costs associated with a home purchase. However, the HBTC needs to be enhanced in order to reflect the current costs facing home buyers in Canada more accurately.

REALTOR® PROPOSAL

We propose an increase to the existing tax credit to help first-time home buyers. An enhanced HBTC would provide meaningful assistance and enable more Canadians to enter the housing market.

We recommend the \$750 non-refundable tax credit be replaced with a \$2,500 non-refundable tax credit per qualifying home for first-time home buyers.



IN A SURVEY AMONG CANADIAN MILLENNIALS:

86% OF MILLENNIALS

who don't own a home want to, and **68%** are passionate about it.

41% say the federal government has made it more difficult for people to buy a home in Canada.

54% OF MILLENNIALS

say it has become more difficult to buy a house in the past year.

They identify the **increase in interest rates, limit of the borrowing amount and mortgage insurance** as factors that play a role in housing affordability.



Housing affordability is the top priority for millennials.

64% of respondents said the government should focus on ensuring housing is affordable as either a top or very high priority.



72% OF MILLENNIALS

want the government to make housing affordability a high priority.

64% OF MILLENNIALS

don't think the government is doing enough and prioritizing it as they should.

The survey was conducted online with 2,500 Canadian Millennials aged 18 to 38 from April 26 to May 9, 2018. A random sample of panelists was invited to complete the survey from a set of partner panels based on the Lucid exchange platform. These partners are typically double opt-in survey panels, blended to manage out potential skews in the data from a single source.

The margin of error for a comparable probability-based random sample of the same size is +/- 2.0%, 19 times out of 20.

The data were weighted according to census data to ensure that the sample matched the population according to age, gender, educational attainment, and region. Totals may not add up to 100 due to rounding.



RECOMMENDATION 2:

EVALUATE POLICIES THAT AFFECT HOMEOWNERSHIP

ISSUE

We acknowledge there is no simple strategy to make homeownership more accessible in some of Canada's most active markets. However, we are concerned certain federal government policies designed to cool these markets have had a negative impact on the homeownership goals of many Canadians outside of those markets.

ACTION NEEDED

The federal government should take regional differences into consideration when implementing nation-wide measures that affect home buyers. In particular, the "stress test" has had unintended consequences in many balanced markets across the country and driven millennials and middle-class families in stable markets further away from reaching their goal of owning a home.

These measures should be applied only in those markets the government has identified as requiring an intervention. There is precedent for national programs being tailored to address regional socio-economic factors. There are regional applications of the Employment Insurance Program that reflect the realities of local and regional labour and employment markets.

REALTOR® PROPOSAL

We recommend further coordination in housing-related policies between the Office of the Superintendent of Financial Institutions (OSFI), Finance Canada, the Bank of Canada and Statistics Canada. We also recommend that all levels of governments should engage in dialogue to gain a clear understanding of the impact any new measures could have on homeowners and home buyers.

We recommend evaluating policies that affect homeownership in Canada, including a review of the "one-size-fits-all" nature of policies that impact housing markets across the country.



STATS ON MARKETS



1 CALGARY

is on track for the fewest sales since the year 2000.

2 REGINA AND SASKATOON

are on track for the fewest sales since the year 2006.

3 ST. JOHN'S

is on track for the fewest sales since the 1990s.



On a year-to-date basis sales activity has declined in 2018 vs. 2017 in **75 local markets (out of 101)**, and

sales are down by more than 10% in 50 local markets.

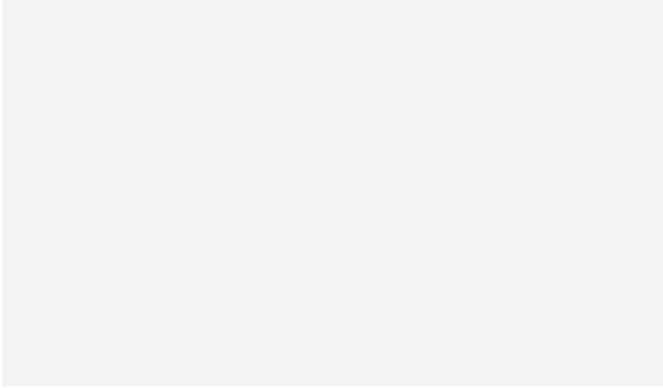


A report by **Mortgage Professionals Canada** from July 2018 estimates approximately

100,000 CANADIANS

(or **18%** of buyers) have been prevented from buying their preferred home since late 2016 because of new federal mortgage rules.

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