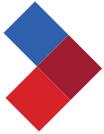




PAC DAYS
2018





Talking Points

Recommendation #1: Help Canadians reach their goals

State the Issue

The dream of homeownership continues to be strong among millennials, but affordability is often out of reach. As housing costs rise and housing availability declines in many Canadian cities, the goal of homeownership is increasingly difficult to achieve for many Canadians. Home prices in some areas have surged past the capacity of local incomes.

Explain REALTOR® Proposal

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 more accurately reflect the current costs facing home buyers in Canada.

We propose an increase to the existing tax credit to provide meaningful assistance and enable more first time home buyers to enter the housing market and start building equity. The current \$750 non-refundable tax credit should be replaced with a \$2,500 non-refundable tax credit per qualifying home.

Provide Rationale

- Providing financial support to help Canadians fulfill their homeownership goal at a time when house prices are at a record high across the country is critical.
- Research commissioned by CREA highlights that millennials in particular are feeling shut out.
- They identified three issues in particular as having affected affordability: increase in interest rates, the stress tests introduced in 2016, and mortgage insurance.
- Our REALTOR® proposal can help offset a more realistic portion of housing costs.
- Currently the HBTC is \$750. (The formula used multiplies the lowest personal income tax rate for the year (15% in 2018) by \$5,000 for a tax free return of \$750.)
- The increase to \$2,500 would be a non-refundable tax credit for first time home buyers per qualifying home without the necessity of the current formula.
- This adjustment would provide meaningful help in defraying closing costs for first time home buyers.
- Each home sale plays a significant role in supporting the Canadian economy. In 2018, MLS® home sales and purchases will add an estimated \$29.3 billion to the economy and create more than 200,000 jobs.



Recommendation #1: Help Canadians reach their goals

Q: Who qualifies for the HBTC?

A: Someone who is a first-time homebuyer, or who has not owned a home for four years, and who purchases a qualifying home (see below)
Someone who has a disability or purchasing a home for a related person with a disability.

Q: What is a qualifying home?

A: The CRA provides a definition for a qualifying home. Essentially it is any home purchased after 2009, that a buyer intends to occupy or that will be occupied by related person with a disability.

Q: What is the cost of the program?

A: We estimate the revised program would cost the federal government an additional \$500 million per year.
Approximately 700,000 homes are sold in Canada per year, 40% of those homes are purchased by first time home buyers

Current investment by the federal government	Proposed investment to support first time home buyers
$280,000 \times \$750.00 = \$210,000,000$	$280,000 \times \$2,500 = \$700,000,000$

It is important to remember that each home sale plays a significant role in supporting the Canadian economy. In 2018, MLS® home sales and purchases will add an estimated \$29.3 billion to the economy and create more than 200,000 jobs.



Talking Points

Recommendation #2: Evaluate policies that affect homeownership

State the Issue

We are concerned that federal government policies designed to cool a few of the most active housing markets in Canada have had a negative impact on the homeownership goals of many Canadians outside of those regions. A recent report estimates that fully 18% of potential buyers across the country have been sidelined by recent government actions aimed at cooling the Toronto and Vancouver housing markets.

Explain REALTOR® Proposal

The federal government should take regional differences into consideration when implementing nation-wide measures that affect home buyers. There is precedent for regionalized application of policies. For example, the Employment Insurance (EI) program uses regionalized labour and employment data to tailor the implementation of the program across the country.

We also recommend that all levels of governments engage in dialogue to gain a clear understanding of the impact new measures could have on homeowners and home buyers. Further coordination of housing related policies between the Office of the Superintendent of Financial Institutions (OSFI), Finance Canada, the Bank of Canada and Statistics Canada, may help ensure that the unintended consequences of housing policies are minimized.

Provide Rationale

- The mortgage stress test (Guideline B-20) was implemented to ensure Canadians don't take on more debt than they can afford, particularly in the most active markets in Canada.
- But the regulations have 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.
- A report by Mortgage Professionals Canada in July 2018, estimates about 100,000 Canadians (or 18%) have been prevented from buying their preferred home due to new federal mortgage rules.
- Housing policies should be applied only in markets the government has identified as requiring an intervention.
- Policies that affect homeownership in Canada, including the "one-size-fits-all" policies that impact housing markets across the country, should be re-evaluated for their effectiveness. All real estate is local and just as real estate markets vary across the country, so should the policies and programs that affect these housing markets.
- Housing policies should take into consideration the housing market activity and employment levels and allow for the implementation policies that would better fit with markets across the country.
- Moreover, greater coordination between different levels of government, as well as organizations within the federal government, will allow for more effective housing policies that address affordability and other concerns.



Recommendation #2: Evaluate policies that affect homeownership

Q:

Do you have any evidence of the stress test's alleged negative impact in balanced real estate markets?

A:

On a year-to-date basis, sales activity has declined in 2018 compared to 2017 in 75 local markets (out of 101) and sales are down by more than 10% in 50 local markets.

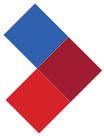
- Calgary is on track for the fewest sales since the year 2000
- Regina and Saskatoon are on track for the fewest sales since the year 2006
- St. John's is on track for the fewest sales since the 1990s

Q:

Why is CREA calling for greater coordination of housing policy between levels of government, as well as between the various federal agencies?

A:

It is critical for the government to understand the impact a new policy will have on Canadians across the country before it is implemented. All levels of government have the ability to influence housing in their jurisdiction and it would be beneficial for them to have ongoing dialogue about the effect of regional differences. We have seen over the last year housing policies implemented at the municipal, provincial and federal levels that were not coordinated which resulted in unpredictable environment for homebuyers.



FAQs

Additional FAQs

Q: Why are you no longer advocating for the Home Buyers' Plan (HBP)?

R: We continue to support the Home Buyers' Plan. It is an effective program to help first time home buyers get into their first home. The modernization of the program was included in the mandate letter of two Ministers (Minister of Finance, Minister of Families, Children and Social Development), therefore we will continue to follow up with their offices to ensure this program remains useful for Canadians impacted by sudden and significant life changes.

Q: Are you not concerned with the consequences of household debt in Canada?

A: Yes of course. A REALTOR® can help a prospective home owner choose a property they can afford. Aspiring to own a home is part of our culture and widely held goal for Canadians. We continue to believe that owning a home is an investment and an important asset during retirement planning.

Q: Did CREA make a submission to the House of Commons Standing Committee on Finance?

A: CREA submitted a pre-budget submission in early August that included the recommendations we have just discussed. CREA'S CEO, Michael Bourque, appeared before the House of Commons Standing Committee on Finance on September 27, 2018 to present and defend the REALTOR® proposals.

Q: What is CREA's position on the Cannabis Act (Bill C-45)?

A: CREA was an active part of the conversation around Bill C-45 earlier this year. We expressed concerns about the legislation focused on home cultivation of cannabis and recommended a complete ban which was not approved by the House. On October 17, 2018, Canadians will be able to grow four cannabis plants in their home. At this point, how the law is implemented is at the discretion of provincial governments.

CREA will continue to monitor developments on the legalization of cannabis, and provide insight to the government during the mandatory three-year review of the Cannabis Act in 2021.

Q: Is CREA involved in the National Housing Strategy led by the Canadian Mortgage and Housing Corporation?

A: Yes. CREA has participated in various consultations and attended a series of workshops with CMHC officials. We look forward to working closely with the Federal Housing Advocate and the National Housing Council to be announced this fall. CREA can provide significant support and offer in-depth knowledge on real estate challenges and priorities across the country.





CREA'S GOVERNMENT RELATIONS TEAM

200 Catherine Street, 6th Floor Ottawa, ON K2P 2K9
Tel: 613.237.7111 • Fax: 613.234.2567 • www.crea.ca

Linda Kristal

Vice-President (Interim), Advocacy
lkristal@crea.ca

Dina McNeil

Director, Government Relations
dmcneil@crea.ca

Dil Puar

Manager, Government Relations
dpuar@crea.ca

Pascal Chan

Policy Advisor
pchan@crea.ca

