

**Notes for Remarks by Kevin Lee to the  
House of Commons Standing Committee on Finance**

**May 15, 2019**

Thank you.

CHBA represents some 9,000 member companies from coast to coast, and is the national voice of the residential construction sector.

BILD Alberta is a constituent association of CHBA. And as Carmen has spoken to the specifics of Alberta, I will speak to the housing issues on a national basis that are found in Bill C-97.

From a guiding principles level, CHBA has one key amendment to recommend to the Committee regarding the Bill. Our recommendation relates directly to the issue of housing affordability, a top of mind issue for Canadians from coast to coast. As all of you know, inability to access home ownership affects the constituents in all of your respective ridings, especially young and new Canadians who aspire to realize the dream of homeownership. Deteriorating market-rate housing affordability also has severe impacts on housing initiatives for those in core housing need.

We therefore propose that the second paragraph of the preamble of the *National Housing Strategy Act* be amended from the current wording, which reads:

*Whereas access to affordable housing contributes to achieving beneficial social, economic, health and environmental outcomes*

And adjust it to capture the full housing continuum, including market rate housing, as follows:

*Whereas **both housing affordability and** access to affordable housing **by those in need** contributes to achieving beneficial social, economic, health and environmental outcomes.*

We feel that this amendment would better capture the true housing challenges facing Canadians, preventing a focus solely on social housing and instead also including addressing housing affordability for those seeking to join the middle class and homeownership. Indeed, without addressing housing affordability, Canada's social housing challenges will get worse. The inability of renters to access homeownership is clogging up the housing continuum, limiting rental unit availability, driving up rents, and causing more challenges for those in housing need, as well as those organizations seeking to provide it.

For the National Housing Strategy to be complete, it must also address market-rate housing affordability, especially for first-time buyers. This is particularly true given the affordability challenges now facing millennials and new Canadians. The Strategy and government actions should address: the issues driving up costs; smart mortgage rules that address risks without

locking too many Canadians out of homeownership; market-rate housing supply; transit-oriented development; and more.

Regarding smart mortgage rules, CHBA advises that the compounding effects of many mortgage rule changes have now gone too far. We are seeing those effects in job losses, weakening economies, and the financial challenges now facing millennials.

The proposed First-Time Home Buyer Incentive, is a potentially effective measure to expand both the affordability and market accessibility for some, particularly those stuck perpetually in rental. CHBA has provided CMHC with our initial design recommendations accordingly.

The problem is that this Incentive will not be in place until the fall at the earliest, leaving many markets with severe challenges this construction season, including having some buyers delay their purchase until the incentive is available. And even once in place, the incentive will still leave thousands of prospective and well-qualified first-time buyers on the sidelines because of the excessively stringent mortgage rules still in place, the impacts of which remain to play out.

We therefore continue to recommend two key additional steps to unlock the door to homeownership, *right now*.

- i. Adjust the stress test to reflect current economic conditions

- ii. Restore 30-year amortizations on insured mortgages for well-qualified first-time buyers seeking entry-level homes.

The stress test has excessively suppressed the market. Between it and rising interest rates, CHBA estimates 147,000 potential buyers have been knocked out of the market since it was introduced.

And while some suggest the impact of the stress test is now fading, our data tells us differently. The Bank of Canada's most recent forecast shows a 0.3% decline in Canada's GDP for 2019 directly associated with housing activity, amounting to a drop of about \$6.7 billion. What is worrisome is that this is the fourth downward revision recently by the Bank, based on greater than expected declining housing trends that were not anticipated by the Bank's model.

Our data confirms this, and points to the continuing slide caused by the compounding mortgage rule changes. Since the beginning of 2019, we have surveyed our members on two occasions on the effects the stress test.

In January, our members reported a 33 percent drop in first-time homebuyer activity this past year. This drop in buyers has yet to fully play out in terms of housing starts.

The second survey, in April, revealed that some 65 percent of the 300 CHBA member companies responding have already laid off staff and 40 percent expect to layoff more workers in the next few months. This at a

time when the government recognizes we need more, not less, housing supply.

Our recommendations to adjust the stress test and restore 30-year insured mortgages for first-time homebuyers—which like the incentive program could also have an income-to-price ceiling—would get the continuum and industry functioning properly again, without increasing risk excessively.

In short, it is time for the National Housing Strategy to address not only those in core housing need, but the housing aspirations of hundreds of thousands of well-qualified buyers currently locked out of the market. This affects not only their financial prospects, but those of the local economies and jobs across Canada.

Thank you.