

RE/MAX Canada Media Statement: Government intervention via taxes are not the answer to fixing
Canada's heated housing market

Toronto, ON and Kelowna, BC, April 6, 2021 – Long-term industry-wide changes to improving housing affordability and making the market more transparent, such as increasing our national housing supply, making all purchases conditional on financing to reduce financial overextension of buyers, and regulations concerning listing price thresholds, might be the answer to cooling the exuberance enveloping Canada's housing market. Defaulting to conventional changes in tax and/or mortgage policies, as has been deployed unsuccessfully in the recent past, are not recipes for success, as they do not address the root causes.

Yes, Canada, we have a housing problem with the unprecedented levels of activity – from soaring price increases across virtually all markets spurred-on by overwhelming demand to profound challenges in housing affordability. While COVID-19 has made this significantly more pronounced, the issues facing Canada's housing market were brewing long before the pandemic struck.

There have been many unintended consequences of previous government interventions that have, in fact, exacerbated our current predicament. In many ways, Canadian real estate is still reeling from the pent-up housing demand of 2017, when cooling measures such as the foreign buyer's tax and the mortgage stress test pushed many homebuyers to the sidelines. People bided their time and, in many instances, saved their money with the aim of getting back in at a later date.

That time hit with a bang as a result of COVID-19. The country's collective self-reflection of all things quality of life related, coupled with record household savings and the abundance of 'cheap money' created the problem we have today.

The data does show that the cooling measures leveraged by the federal government in 2017 (confirm date) certainly offered short-term relief. But these measures failed to address the core problem of supply, particularly supply of affordable housing in Canada's larger metropolitan markets. Without helping cultivate a much healthier balance between supply and demand, all other interventions by the government will be mere band-aid remedies.

The question then becomes, how can we cool this overheated market, if not through policy or taxation? Here are a few options:

1. Add more housing supply. This is the most critical solution to our housing crisis. We need to incentivize more development of affordable, family-sized housing like three-bedroom condos, and allow for more detached housing beyond our existing urban centres. Realistically, we can't continue to fight urban sprawl while simultaneously expecting housing prices to cool. It's not feasible. What we're seeing in the market right now is simple economics – low supply and high demand. We need more homes to meet Canadians' current needs, while anticipating the housing needs of the 1.2 million people who are expected to immigrate to Canada through 2023. Maybe now is the time to consider expanding the boundaries of developable land.
2. Add a mandatory condition to every offer, making the purchase conditional on receiving financial or legal approval on the purchase. In multiple offer situations, this would reduce buyer's remorse and would help to ensure that people can afford what they are buying.

3. Provincial regulators need to get more involved. For example, review transactions where homes are sold well over asking price. This would ensure fair listing prices, and prevent homes being listed well below market value to create bidding wars. Agents who are found to be contravening these rules would be forced to face fines.

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