# THE GREAT SELL OFF

## How Our Homes Became Someone Else's Business

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TORONTO REAL ESTATE NEWS, DATA & INSIGHTS

## ABOUT THE AUTHOR

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# In this Report

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# Executive Summary

Every election, we hear the same promises: more housing, more affordability. But for the next generation, homeownership is slipping further into fantasy.

I've been in the real estate business for over twenty years, and in that time, I've seen young homebuyers lose hope—and parents wonder why their children can't afford what once seemed attainable. For decades, the benchmark for affordability was simple: a home should cost no more than four times a household's income. Today, that number is closer to ten in Toronto and twelve in Vancouver—a level once considered unthinkable.

We're told this is just "basic economics"—a supply problem easily fixed by building more homes. But this narrative oversimplifies the issue and masks a more fundamental transformation. Homes are not like widgets from a factory. They're a basic human need and a financial asset that appreciates over time. When a good becomes both a necessity and a financial investment, the usual rules of supply and demand begin to break down.

Contrary to what many suggest, home prices in Canada didn't explode because cities stopped building. In fact, many metropolitan areas have seen a steady pipeline of new housing. What's changed is the role that housing plays in our financial system. We've moved from one economic reality to another—a full paradigm shift.

In the old housing paradigm, home prices were anchored by incomes. Households saved for a down payment, qualified for a mortgage based on what they earned, and bought homes to live in. That world was governed by an internal logic: prices couldn't rise far beyond what people could reasonably afford.

But in the new paradigm, that anchor has been severed. Housing is no longer just about shelter—it's a financial instrument. Prices are no longer constrained by income but driven by capital flows. Homes are bought not just by Canadian households but by investors—some domestic, some global—whose purchasing power is shaped not by salaries but by access to wealth, credit, and leverage.

This shift began in the 1990s when the federal government, grappling with a fiscal crisis, encouraged households to borrow against home equity to stimulate spending. What started as a strategy to support consumption and home renovations soon evolved into a means of financing the purchase of additional properties. Then came the 2008 financial crisis and, more recently, the COVID-19 pandemic—both marked by ultra-low interest rates. As yields on traditional investments dried up, real estate emerged as a safe and lucrative store of value.

Today, investors account for nearly one in three home purchases in Canada. As their presence has grown, so too has the disconnect between home prices and the real economy. A house is no longer just a place to live—it's a wealth-generation tool, often wielded by those who already hold significant financial advantages.

This has created two serious challenges. First, it has pushed housing further out of reach for younger Canadians, many of whom no longer see a realistic path to ownership. Unlike earlier generations, they are not just up against peers with similar means—they are up against capital-rich investors whose buying power is unconstrained by income. Second, it has distorted the allocation of capital across the economy. Money that could be funding innovation, productivity, and job creation is instead being poured into the ownership of multiple properties.

Canada has built an economy where the best way to get rich isn't to invent, create, or build anything—it's to own houses and wait for prices to rise.

Recognizing this paradigm shift is the first step toward real reform. If we continue designing housing policy for a system that no longer exists, we'll keep getting the same results: higher prices, deeper inequality, and a generation locked out.

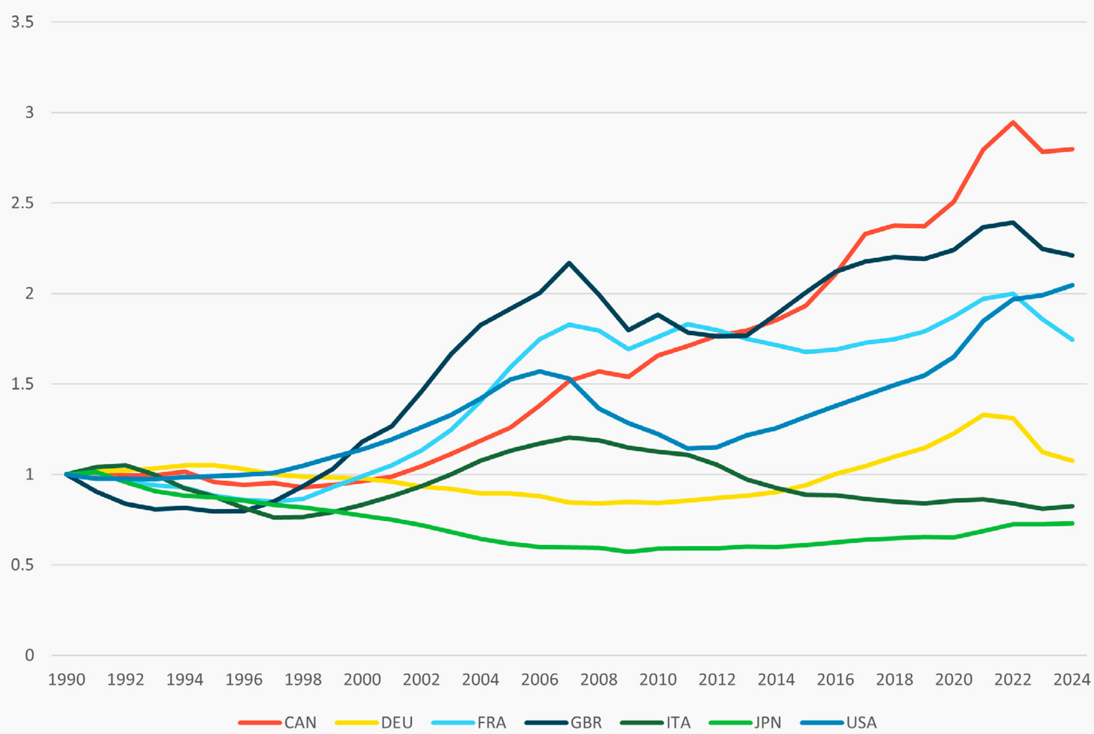
If we want a resilient economy and a housing market in which the next generation has a real shot at owning a home, just as previous generations did, we must rethink what we reward. That means redirecting capital toward sectors that drive innovation, competitiveness, and good jobs instead of propping up a system that treats housing as a shortcut to easy wealth.

# Homes are Not Widgets

Canada is in a housing affordability crisis with wide-ranging social impacts.

Home prices in Canada have accelerated rapidly since the Global Financial Crisis (GFC) in 2007/2008, a trend many countries worldwide have also experienced, but Canada's growth in house prices has surpassed all other G7 countries.

### CHART 1: REAL HOUSE PRICE INDEX FOR G7 COUNTRIES




Source: OECD and author's calculations

In its largest market, a median-priced home in the Toronto area costs 4.4 times the median household income in 2006. Fifteen years later, home prices reached 10 times the median household income. Home prices relative to income have grown more rapidly in Canada than in any other G7 country.

Politicians and economists have largely blamed surging housing costs on one factor—a lack of supply. They argue that cities restrict new housing supply through onerous zoning laws and red tape. If these barriers were removed, builders would rapidly increase the number of homes they build each year, driving down the price of homes and rents for all.

But this view that homes are no different than widgets in a factory is misleading.

> *"When faced with a difficult question, we often answer an easier one instead, usually without noticing the substitution."*
> *— Daniel Kahneman*

A closer look at Canada's crisis instead reveals that it is an erroneous assumption about the nature of housing, one held by politicians and experts alike and usually touted as “common sense” — that homes are a good like any other. From this, we are taught to look at existing economic theories and policies to explain the housing market.

Politicians and housing advocates have contributed to this knowledge gap by relying on simplistic but incorrect explanations for how our housing crisis has reached its boiling point. Specifically, by incorrectly assuming that the economics underpinning our housing market are no different than the economics of building widgets and that the challenges facing Canada's housing crisis are simply an issue of "basic economics" and the "law of supply and demand."

This narrative could not be further from the truth — the relationship between demand, supply, and housing prices behaves quite differently compared to any other consumable or durable good.

# Housing’s Dual Role

Housing is unlike any other good that is produced for two main reasons

Firstly, housing is a human necessity. When the price of housing increases, the demand for housing does not fall because shelter is a human necessity. It doesn't matter how high the cost of housing is; people will always be forced to pay for shelter. The shelter conditions they are paying for may be deplorable or require 75% of their take-home pay; but people will still pay because they have no other option. Shelter is not an optional expense.

Secondly, unlike most durable goods that depreciate over time, homes and the land they sit on are a financial asset that generally appreciates over time.

With virtually all other goods, when the price of the good increases, the demand for that good falls due to the higher cost. However, higher home prices don't necessarily lead to a decline in demand — and not just because shelter is a human necessity. The "laws of supply and demand" do not hold up as well for a financial asset as they do for other goods. When home prices rose rapidly in the Toronto area in both 2016/2017 and 2022, home sales increased in response to rising prices because housing was seen as a lucrative and safe investment. This belief promotes more to buy a house to capitalize on rapidly rising house prices.

Additionally, the need and demand for homes results in government policies that affect how homes are financed. Our governments aren’t generally involved in determining how banks lend money for things like cars, boats, or even non-housing financial investments. However, it plays a very active role in the financing of homes. As we will see in some detail later in the paper, the federal government in Canada is a very active financial player in the mortgage market through, among other things, setting the underwriting guidelines for insured mortgages, homes purchased with less than a 20% down payment and helping banks to ensure they are able to free up their capital to conduct more mortgage lending. This means that the demand for housing is heavily influenced by the supply of credit (debt) for housing. The more credit available to buy homes, the higher the demand for houses. There is no other good or asset in our society for which governments play such a central role in its financing.

Housing's dual role as a human necessity and a social right, coupled with its role as a financial asset for the individual or corporation that owns it, is a tension that exists in every country and has important implications for all households. No country falls exclusively on one side of this spectrum or the other but instead leans towards one end or the other, a balance that can change over time.

This paper tells the story of how Canada shifted from treating housing as an affordable right for households to enabling its transformation into a financial asset for investors. Government policies have helped create a market where rising home prices and rents are not just unintended consequences—they're the predictable outcome of a system designed to favour investment returns. As a result, an entire generation is being shut out of homeownership while investors increasingly shape the housing landscape.

But this isn't just a housing crisis—it's an economic one. Canada has built an economy where immense amounts of capital are being parked in residential real estate, not to create new value, but to extract it. Instead of fueling innovation, productivity, and job growth, investment is being funnelled into assets that generate private wealth without producing broader economic benefits.

This paper explores how we got here, why political solutions keep falling short, and what must change if Canada wants housing to be a source of stable shelter and long-term security for households—not just another asset in a wealthy investor's portfolio.

## The Changing Role of Homes in Canadian Society

Before discussing how Canada's housing crisis reached its current state, we need to better understand the role that housing played in Canada in the past and how this role has gradually changed over time.

This is an important step because when you spend your entire life in one country and see how our housing market has evolved over several decades, many of us will likely assume that this evolution was inevitable rather than the result of government decisions in response to changing financial and social conditions. Furthermore, we have a hard time imagining how the rules, theories, and ideas that underpin our understanding of today's housing market might be very different from those of generations ago.

# From Confederation to the 1980s

If we could go back to the early 1900s to see how Canada's federal government dealt with its citizens' housing needs, we might be surprised to learn that it did very little.

Former Canadian Mortgage and Housing Corporation (CMHC) President George Anderson describes why housing was not a national priority at confederation and in the decades that followed:

> *"There were two reasons that there was no national housing policy in 1867. One was that we shared roughly the same housing circumstances. People reflecting on a youth of poverty often remark that they did not realize they were poor because everyone around them was poor too. Our housing situation at Confederation was like that; we were a rural people spread over a very vast land. We shared the same - if you will excuse the expression - crummy housing: sod huts, log houses, shacks. Everybody being roughly in the same circumstance, few thought they were disadvantaged.*
>
> *Governments of the day, of course, were nowhere as interventionist as they are now. Until they discovered income tax, they had no money. So they weren't inclined to poke around in areas where it could cost money to rectify problems.*

> *Culturally, we didn't believe we should help the less fortunate. At Confederation if people were in financial trouble, there was a common moral feeling that their plight had nothing to do with the socio-economic system; it had nothing to do with the class system. They were moral degenerates if they were out of work or unemployed or unable to take care of their family.*
>
> *So in simple terms we didn't have a national housing policy because no one thought we needed it."*
>
> *— George Anderson*

However, by the First World War, the federal government started intervening in the housing market when the social and political pressure became strong enough, with their policies seen as a necessary measure to assist households impacted by the war. In the years after the war, government intervention in housing was seen as a way to stimulate the economy and create more jobs. However, these interventions were done very reluctantly, and the federal government often made it clear that they were temporary measures.

It wasn't until 1938 that the federal government began to acknowledge its role in providing adequate housing for Canadian citizens with the introduction of the first National Housing Act (NHA). The NHA's purpose was to encourage the construction of new housing, work with lending institutions to help buyers with home financing, repair and modernize existing housing stock, and construct affordable rental housing.

This marked a significant turning point in how the federal government approached housing in Canada, as former CMHC president George Andersen wrote: *"from a hands-off policy relying on the private market to a growing federal intervention."*[1]

But just as the federal government decided to take a more active role in housing, the Second World War broke out, forcing the government to pivot all housing policies to ones that supported the war.

By the end of World War II, Canada had a much bigger housing problem than it had ever experienced. Hundreds of thousands of Canadians lived in slums, many of which did not have adequate plumbing. It was estimated that 175,000 new dwellings were needed to replace the substandard and slum dwellings.

1 (Anderson, 1992)

Adding to this pressure was the more than one million Canadian soldiers and civilian personnel returning from the war, many of whom required housing.

Public sentiments gradually started to shift, and what people expected from their government regarding housing as a social right was at odds with the role that the government wanted to play. The federal government was still a reluctant minor player when it came to housing policies, and it often viewed housing from an economic lens as a way to stimulate employment and economic growth rather than as a social right.

However, reform-minded Canadians inspired by social reforms in the United Kingdom after World War II encouraged the Canadian federal government to view the housing needs of Canadians differently — as a human necessity that plays a key role in the current and future welfare of its citizens.

Not everyone was convinced, with Prime Minister Louie St. Laurent saying, *"No government of which I am a part will ever pass legislation for subsidized housing."*[2]

At the time, many Canadian politicians had a strong aversion to investing in subsidized housing because of, as previously mentioned, cultural attitudes that ascribed poor decision-making and lack of strong work ethic to those struggling. This was very different from many European countries that had invested substantially in government housing before and after the Second World War.

What emerged from this mix of cultural views and changing social conditions is something we recognize today, that is, Canada being a country that prioritizes home ownership over renting, with the belief that the former resulted in better citizens than the latter. The reality that many couldn't buy a home was not due to a lack of effort, but because the barriers to purchasing a home were too high, was yet to be acknowledged.

In the early 1950s, the down payment required for a home ranged from 20% to 25% for urban homes and as high as 50% for homes in small and rural communities, then comprising a large part of Canadian society. There was also a shortage of mortgage funds to finance home purchases, adding another barrier for potential buyers.

2 (Anderson, 1992)

In 1954, the federal government reduced the minimum down payment requirement to 10% and allowed chartered banks to lend directly to households, making more money available to finance mortgages. At this time, the most common type of home built was single-detached bungalows. They were easier to build and affordable for the current generation of home buyers looking for their first home. These policy changes promoted homeownership, contributing to Canada's homeownership rate climbing from 40% in the 1940s to 60% by 1970.

Alongside these developments was a changing view of the responsibilities owed to renters. In the 1960s, the federal government offered several tax incentives to apartment building builders, which saw a surge in the construction of rental housing in Canada. In the 1970s, the federal government shifted gears and focused more heavily on building subsidized and non-market affordable housing like co-ops and not-for-profit rental housing that is rented at below-market rates for low- and moderate-income households.

In 30 years, Canada's approach to housing policies had completely reversed, with policies that encouraged home ownership, offered tax incentives to builders of rental buildings, and invested money in the housing needs of the poorest Canadians by building non-market and social housing.

But Canada's approach to housing was about to take another gradual but equally dramatic turn.

# The Federal Government Stops Investing in Housing

While the late 1980s were a booming period for Canada's economy and housing market, they were challenging for federal finances.

When the Mulroney government took federal office in 1984, one of its top priorities was to reduce the federal deficit, which had ballooned under the outgoing government of Pierre Trudeau to $38 billion, from $700 million at the start of the Trudeau administration. But the Mulroney government had made few inroads by 1993, pushing Canada to the verge of a debt crisis when the new federal government of Jean Chretien came in. In response, the Chretien government dramatically cut government spending, including slashing federal investments into housing, cuts that had already begun under the Mulroney government. Measures included ending support for the construction of affordable housing in Canada and removing the financial incentives that encouraged the construction of purpose-built rental housing.

With Canada's economy slumping and housing construction plummeting, the real estate industry pressured the government to do something to stimulate the housing market. In their 1992 budget, the federal government introduced the Home Buyers' Plan, which allowed home buyers to use up to $20,000 from their tax-sheltered Registered Retirement Savings Plans as a down payment on a home. This was the easiest and most cost-effective way for the federal government to stimulate the housing market because it didn't cost them a cent.

# Homes as Retirement Investments

Canada's decision to deprioritize rental housing in favour of homeownership had another purpose.

With the baby boomers in their peak working years, the federal government needed to start considering the income and welfare needs when one of the biggest population cohorts would approach retirement in 20 to 30 years. If the federal government were to act to pursue a subsidy-based program that would take an active role in supporting the financial needs of seniors, they would have to start acting immediately, but with Canada in a debt crisis resulting in years of austerity budgets, investing in such programs wasn't possible.

Instead, the federal government encouraged households to take more responsibility for their future retirement rather than relying on state-funded support programs.

> *"Rather than relying on state-managed social transfers to counter the risks of poverty, individuals accept greater responsibility for their own welfare needs by investing in financial products and property assets which augment in value over time"[3].*
>
> *— John Doling and Richard Ronald*

3 (Doling & Ronald, 2009)

Policies that encourage residents to save for their retirement and to be less dependent on government transfers are referred to as asset-based welfare, and as UofT professor Alan Walks notes:

> *"The government of Canada effectively and incrementally adopted, without explicitly name it, the asset-based welfare approach to social policy from the late-1980s onwards."*[4]

Senior retirees with a mortgage-free home-would have monthly housing costs at a fraction of what it would cost to rent and would have an asset to sell should they need to move into assisting living facilities. Within a few decades, the effectiveness of these initiatives resulted in Canada's homeownership rate increasing from 62% in the 1980s to 69% in 2011.

# Securitization of Mortgages

Canada's government insures and guarantees all mortgages with less than a 20% down payment and sets the underwriting guidelines for these mortgages.

But just as important as the underwriting guidelines is the bundling of mortgages into products called Mortgage Backed Securities, which allow lenders to take these mortgages off their books to free up capital to lend to even more home buyers and investors looking to buy a home.

As the federal government continued to look for ways to stimulate the housing market at little cost to them, the National Housing Act (NHA) Mortgage-Backed Securities (MBS) program was introduced in 1987.

A mortgage-backed security (MBS) is a financial product that bundles multiple mortgages into a single investment vehicle backed by homeowners repaying mortgages and sells it to institutional investors. The NHA-MBS program only included government-insured mortgages, ensuring a higher level of security for investors. In turn, banks offloaded the credit risk associated with the mortgages they held by selling MBS to third-party investors, freeing up their capital reserves, allowing them to expand their lending capacity, and increasing overall access to housing credit.

4 (Walks, 2016)

Initially, the NHA-MBS program only experienced moderate success in Canada, with a recession and rising interest rates dampening investor demand. The program then gained traction in the late 1990s and early 2000s due to two pivotal developments[5]. The introduction of Bill C-66 enabled the Canada Mortgage and Housing Corporation (CMHC) to insure higher-risk mortgages, such as zero-down-payment loans and mortgages for self-employed borrowers. This broadened the pool of eligible borrowers, making the NHA-MBS more attractive to investors.

Furthermore, to address the prepayment risk and lack of certainty regarding future interest payments with NHA-MBS, the federal government also established the Canada Housing Trust (CHT), a special-purpose trust that became a major purchaser of bank NHA-MBS, effectively removing these assets from bank balance sheets and enabling banks to lend more. The CHT funds its operations by issuing Canada Mortgage Bonds (CMBs) to large investors, such as pension funds.

The federal government insured and fully guaranteed both CMBs and NHA-MBS, making it an active financial participant in the housing market, with a direct financial interest in ensuring home prices don't decline.

It's worth noting that the insured mortgages that qualified to be bundled by banks into NHA-MBS and sold were not just high-ratio mortgages with less than a 20% down payment. Banks were able to bulk insure low-ratio mortgages and bundle them into NHA-MBS. The lender would pay the bulk insurance premiums, and the borrower would generally be unaware that their mortgage had been bulk insured.

One important consequence of this bulk insurance program is that it allowed banks to transfer the risk of some of their riskier mortgages, including those on luxury homes and investment properties, by transferring the credit risk to CMHC. The federal government was no longer just backstopping mortgages for first-time buyers but quietly backstopping mortgages for luxury homes and investment properties.

5 (Walks & Clifford, 2015)

As we've just seen, the evolution of Canada's housing market policies in today's era has come to deeply intertwine government actions and financial markets, with securitization at the heart of the system.

## Homes as a Perpetual ATM

The pressures of the 1990s fiscal crisis also introduced another key federal measure — to use the equity people had in their homes to help stimulate the country's economy.

During economic downturns, when the demand for goods and services from households and the private sector is low, governments typically borrow money to start spending to stimulate economic growth. For example, when the federal government invests billions of dollars in a public infrastructure project, this investment has a multiplier effect because it doesn't just create the jobs needed to support that infrastructure project; it also creates jobs for all the suppliers of the additional services required to complete the project. Furthermore, creating jobs during an economic downturn helps to increase consumer spending, which increases the demand for goods and services from other businesses.

Running federal budget deficits during recessions to stimulate the economy is often referred to as Keynesian economics, after the economist John Maynard Keynes, whose writings and ideas shaped this type of policy response.

However, as we discussed earlier, Canada faced a debt crisis in the early to mid-1990s and aggressively slashed public spending to balance its budget. Canada was not in a position to reverse course and stimulate its economy through deficit spending, but it identified a new source of stimulus spending,

All of the equity Canadians had been building in their homes, which was initially viewed as a way to secure their retirement costs, now had another purpose — a source of economic stimulus.

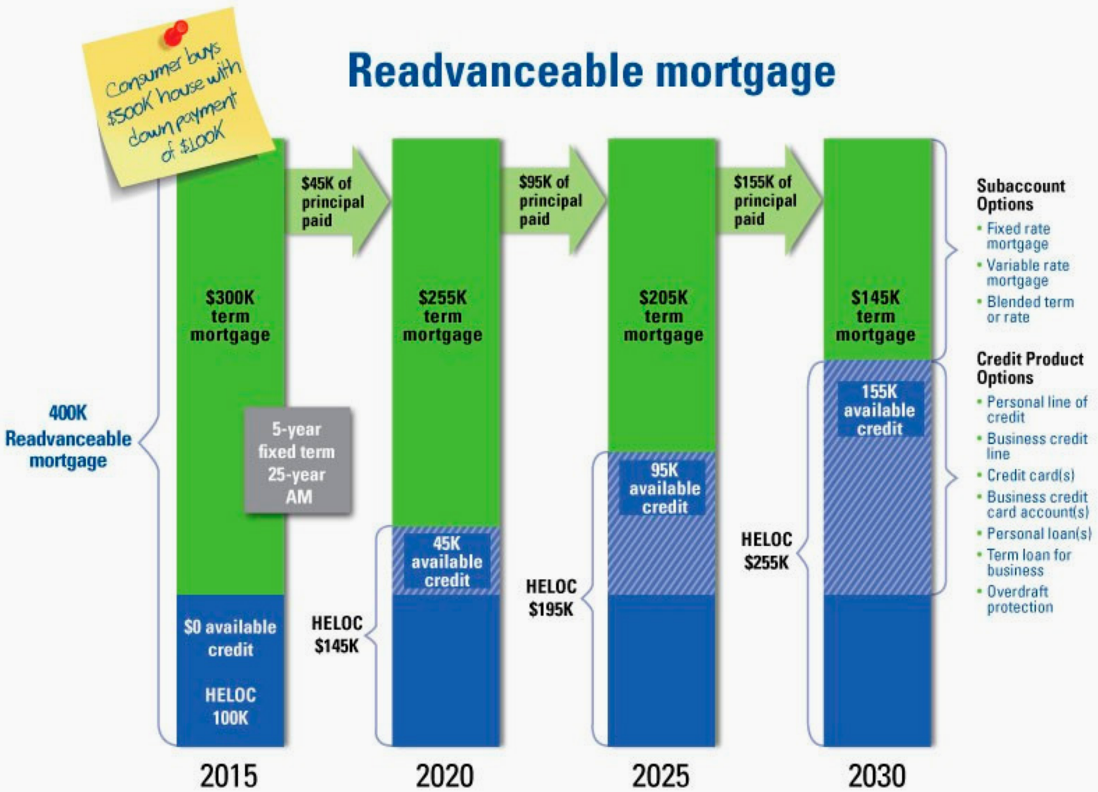
This policy approach, which has private citizens rather than governments taking on debt to stimulate the economy, is referred to as privatised Keynesianism[6].

6 (Crouch, 2009)

To achieve this goal, the Canadian federal government encouraged households to borrow against their homes through Home Equity Lines of Credit (HELOCs). A HELOC is a revolving line of credit secured by the borrower's home, offering a key advantage: significantly lower interest rates compared to other forms of credit, such as credit cards or unsecured loans. Today, most HELOCs are sold as readvanceable mortgages, which bundle a traditional mortgage and a HELOC into a single, flexible borrowing product.

The following figure from Statistics Canada unpacks how a readvanceable mortgage works.

FIGURE 1: READVANCEABLE MORTGAGE EXAMPLE




Suppose you buy a $500K home with a $100K down payment and structure your mortgage so that $300,000 is in a traditional mortgage while $100,000 is in a HELOC.

After 5 years of paying down your mortgage principal by $45K, you now have $45K more in available credit in your HELOC.  If you pay down your mortgage balance by another $50K after 5 years, you would now have $95K in available credit in your HELOC.

It’s key to note that homeowners don't need to wait five years to access additional credit as most readvanceable mortgages adjust their available credit every month as they pay down your mortgage. If you contribute $1,000 to your mortgage principal each month, your HELOC's available credit grows $1,000 monthly. More credit becomes available as you pay down your mortgage — and, of course, when your bank invites you to refinance your mortgage at renewal if your home value has increased.

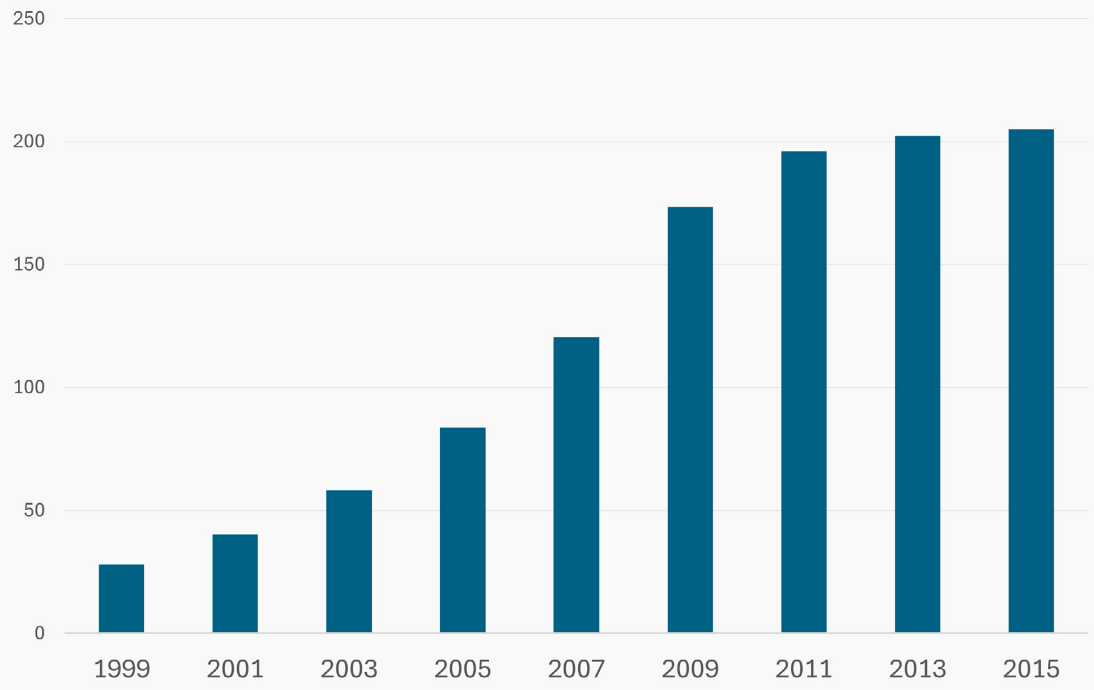
For example, in our above example, if the home's value increased from $500K to $600K after 5 years, the homeowner may qualify to have 80% of the increase in value or $80K, added to their HELOC available credit. This would mean that after 5 years, this homeowner, simply by owning a home, paying down their mortgage and benefiting from the appreciation in house values, would have access to $125K in debt they did not have access to when they first bought their home.

While HELOCs had been around since the 1970s, banks started to market them more aggressively in the 1990s, likely tied to the federal government's push to securitize mortgages under the NHA-MBS program, which made this product more attractive to lenders. While these mortgages would tend to be low-ratio mortgages (home buyers with at least a 20% down payment), banks could still bulk insure low-ratio mortgages, including HELOCs, making them even more attractive for banks. These loans were secured against the owner's home and fully insured by the federal government, which guaranteed their return on investment[7].

The federal government's push to use Canadian household debt to stimulate Canada's economy paid off. HELOC balances in Canada were $35 billion in 2000 and $186 billion in 2010, with an average annual growth rate of 20% they grew far more rapidly than the growth of house values and incomes.

7 (Canada, 2023)

CHART 2: HELOC BALANCE OUTSTANDING IN CANADA (BILLIONS)




Source: Financial Consumer Agency of Canada, Home Equity Lines of Credit: Trends and Issues, 2022.

How did Canadians spend all of this money? According to Statistics Canada:

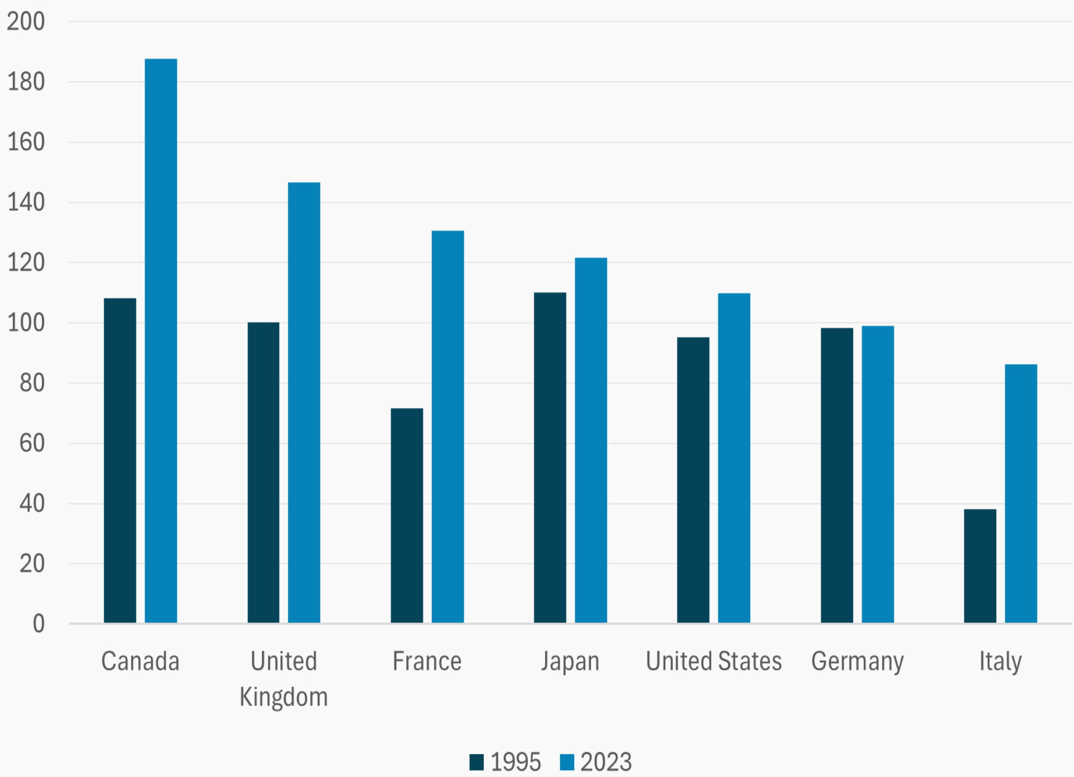
> *"Consumers borrowed against their home equity to consolidate debt, finance home renovations, fund vacations and purchase big-ticket items such as cars, rental properties, cottages and financial assets (e.g., securities), using leveraged investment strategies."*[8]

The final reference to leverage investment strategies is worth unpacking. Homeowners who borrow money from their HELOC to invest in taxable investments, such as buying investment properties or stocks, could deduct their HELOC interest from their income taxes. This tax benefit makes borrowing against your home to invest an attractive option.

8 (Statistics Canada, 2017)

While Canada was not the only country pursuing a privatised Keynesian economic policy in the 1990s, it saw the sharpest increase in household debt compared to other G7 countries. In 1995, Canada's household debt relative to net disposable income was in line with most other G7 countries, including the UK, Japan, the US, and Germany. Since then, however, Canada's household debt has significantly outpaced income growth, and its household debt-to-income ratio is the highest in the G7.

### CHART 3: HOUSEHOLD DEBT AS A % OF NET DISPOSABLE INCOME




Source: OECD

In just over a decade, homes had become a perpetual ATM in Canada, allowing homeowners to borrow against their home equity to fund their consumption and home renovations and invest in other assets, including buying more houses[9].

9 (Schwartz and Seabrook, 2009)

The last significant side effect of Canada's decision to use equity in homes to stimulate Canada's economy is that it also enabled many home owners to become home investors. When HELOCs first started to gain popularity in the 1990s, Canada's housing market was still quite sluggish. But by the 2000s, the market started to gradually turn around.

As home prices started to appreciate again, homeowners suddenly found that they had a lot more equity in their homes that they could use, and many decided to start buying homes strictly as an investment. Those who started buying investment properties early enough would now benefit from the increase in value of their principal residence and investment properties. Over time, they could refinance both properties to use the equity in both to buy yet another investment property.

Canada's initial plan to use mortgage securitization, rising credit growth, and rising home prices to stimulate its economic growth during the 1990s gradually transformed over the next two decades.

**The equity in Canadian homes was no longer seen as an ATM to help fund renovations or household consumption but rather as a financial springboard into buying more and more homes, which would be used as financial assets for the wealthiest households in Canada. As Statistics Canada observed in 2022:**

***"Real estate and homes are no longer just a place to live—instead, Canadians are in the business of real estate."*** [10]

Collectively, these policy changes have dramatically reshaped our housing market by making it easier to obtain credit in the form of mortgages and use existing housing capital for spending.

10 (Statistics Canada, 2022)

As we have seen, the demand for housing is heavily influenced by the availability of credit. The more money available to finance home purchases, the greater the demand for housing, including from investors. This feedback loop drives up home prices, intensifying affordability challenges as the roles of homes change in Canada from being primarily a source of shelter for individuals and families, and, in particular, a source of security in retirement years, to a prized financial investment, particularly for the wealthiest individuals and corporations, as we will see next.

# The Role of Monetary Policy in Reshaping Housing Markets

Any discussion of Canada's housing crisis is not complete unless we consider the outsized impact of another demand side factor — the role of monetary policy.

Monetary policy refers to the actions taken by a central bank—such as the Bank of Canada or the U.S. Federal Reserve—to influence the economy by managing interest rates and the money supply. The primary objective of the Bank of Canada is to maintain price stability, typically by targeting a low and predictable inflation rate. While price stability remains its central focus, monetary policy decisions also take into account broader economic conditions, such as growth and employment. By adjusting interest rates or using tools like quantitative easing, central banks can influence borrowing, spending, and investment across the economy.

In 2008, as financial markets collapsed and the global economy faltered, central banks—including the Bank of Canada and the U.S. Federal Reserve—slashed policy rates to near-zero levels in an effort to stabilize the economy and support recovery. The resulting low cost of credit encouraged both individuals and investors to enter the housing market, driving up demand and home prices. In the U.S., the Federal Reserve launched an unprecedented program of Quantitative Easing (QE), purchasing long-term government bonds and mortgage-backed securities to push down long-term interest rates. While the Bank of Canada did not implement QE at the time, the spillover effects from

U.S. monetary policy influenced global capital flows, including investment in Canada's housing sector.

The outcome was a decade of historically low interest rates, during which housing markets became increasingly financialized. Low borrowing costs not only made homeownership more accessible but also attracted institutional investors seeking higher returns than those available from bonds or other traditional fixed-income assets.

In 2020, the COVID-19 pandemic-induced economic shutdown precipitated an even more aggressive monetary policy response. Once again, central banks around the world, including the Bank of Canada and the Federal Reserve, took extraordinary measures to mitigate the economic fallout. Policy rates were slashed to effectively zero to support households and businesses during the crisis. Both the Bank of Canada and the Federal Reserve launched large-scale QE programs, purchasing government and corporate bonds to inject liquidity into financial markets. This drove down yields on longer-term debt, further reducing borrowing costs and stimulating demand for real estate.

The combination of these policies created an environment of abundant liquidity and cheap credit. Investors, faced with historically low yields on bonds and other interest-bearing investments, increasingly turned to housing as a "safe asset" offering the potential for both capital appreciation and rental income. This surge in demand drove a synchronized global housing boom, with home prices reaching record levels in many markets, including Canada.

Since the 2008 financial crisis, housing emerged as a global financial asset attracting capital from investors of all sizes across the world. Small and large investors alike sought refuge in housing markets, with some moving their wealth out of less stable and secure economies into those perceived as more stable, such as Canada and the United States. This international flow of capital further drove up demand and prices, especially in major urban centers, transforming housing into a global repository for wealth and intensifying competition for local buyers.

**With fixed-income investments offering negligible returns, both individual and institutional investors turned to housing as a higher-yielding alternative. This capital flight into real estate created upward pressure on prices, even in markets with relatively stable supply dynamics.**

Monetary policy over the past two decades has fundamentally reshaped housing markets, turning them into key sites of financial activity. While low interest rates and QE were necessary to stabilize economies during periods of crisis, they also had unintended consequences, fueling investment into houses and contributing to a global real estate boom.

In Canada, these dynamics were particularly pronounced. The combination of low interest rates, strong investor demand, and a population boom resulted in rapid price appreciation. Homeownership increasingly became a vehicle for wealth accumulation, further reinforcing the perception of housing as a financial asset rather than solely a place to live.

# A Nation of Investors

A couple in Vancouver buying a detached house to live in after their wedding decides to keep the condo the bride owned while single and rent it out.

A nurse in North Bay, Ontario works overtime to invest in rental houses and now earns $120K a year from rental income, almost as much as they make annually as a nurse.

A global pop superstar living in one of Toronto's richest neighbourhoods decides to buy his custom-built mansion through a holding company rather than his personal name.

A former Bank of Canada governor sits on the board of a company that allows renters of their homes to co-own them as minority investors.

What do all of these Canadians have in common?

They, like so many of us today, are all investors in Canada's housing market.

Investors, as opposed to what the industry refers to as "end-users," are individuals or entities that own properties they do not occupy themselves. This includes those who live in homes owned through holding companies or other business structures. Together, they form a large and diverse group in Canada.

From a family purchasing a home near a university for their child—renting it out when it's not in use—to foreign investors buying condo units on speculation, and billion-dollar corporations acquiring low-rise houses to rent out in communities across Canada and the U.S.—all fall under the broad category of investors.

It's important to recognize that not all investors and their activities are equal when it comes to the negative effects that we are concerned about.

Every housing market requires investment to build new housing. In capitalist economies like Canada's, investors are one of the key actors who take financial and construction risks to create housing; individuals and companies that own and run permanent rental housing are another example of investors that have long been involved in the Canadian housing market.

This report refers to investors who buy homes, low-rise houses, and condominium units to rent them out. These investors buy homes that were originally built to be owner-occupied and convert them to financial investments for their portfolios.

To borrow a term from economist John Maynard Keynes, these are the 'functionless investors' in our society today. They are functionless because they are not investors who create and add value to our society or communities by creating new housing. They earn profits by hoarding single-family homes already in short supply in Canada and renting them out to the families who have been shut out of owning that home as their principal long-term residence.

# Measuring the Impact of Investors

It has been challenging to measure the scope of investor purchases in Canada's housing market because policymakers have not been measuring the number of homes owned by investors and how their market share has changed until recently.

As investors have come to play a far more dominant role in the housing market, both the Bank of Canada and Statistics Canada have started quantifying their activities. According to Statistics Canada, as of 2022 investors now own over a third of homes in the Maritimes, 24% in Ontario and Manitoba, and 25% in British Columbia.

## How Has Investor Activity Changed Over Time?

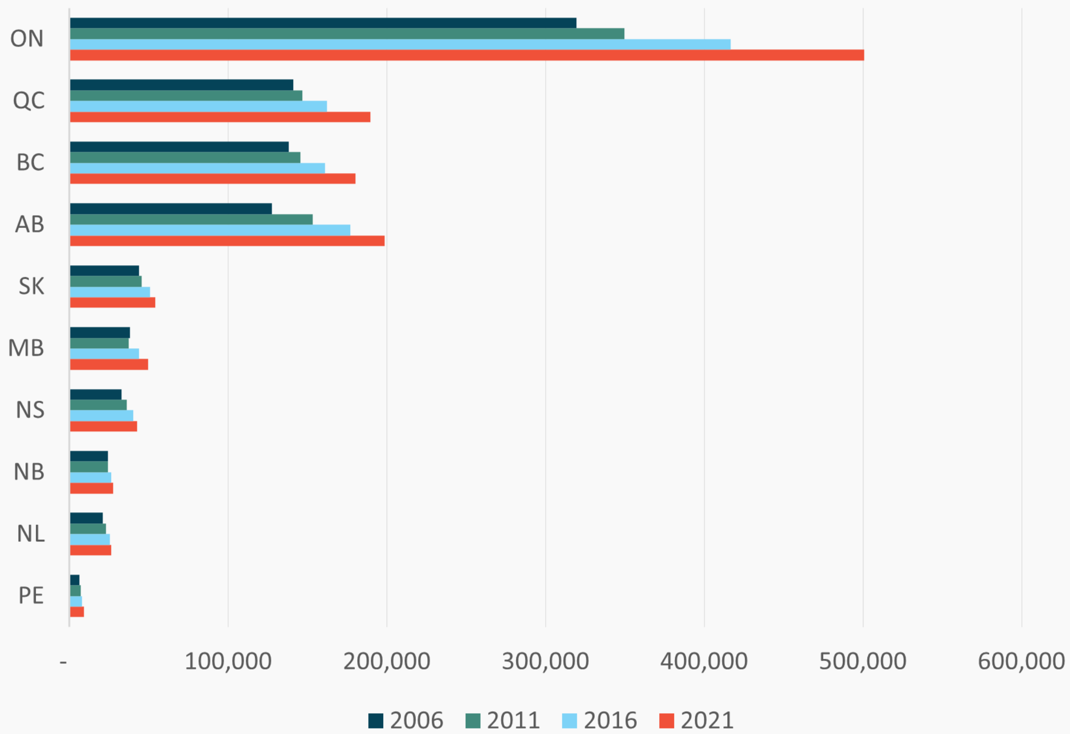
Since 2006, Statistics Canada's Census has tracked the number of houses (detached, semi-detached, townhouses and row houses) that are rented rather than owner-occupied, and in 2011, they began including condominiums in their analysis.

Using the number of houses and condos rented out is a good, but not perfect, proxy measurement for the number of homes investors own as it undercounts the total number by not including homes not rented out during the given census period under study or rented out as short-term rentals on platforms like Airbnb.

According to analysis by University of Toronto PhD candidate Jeremy Withers:

> *"Between 2006 and 2011, the number of houses rented out as investment properties across Canada increased by a modest 8.5 percent, growing at roughly the same pace as the overall stock of occupied houses. Between 2011 and 2021, the number shot up by 31 percent, from 980,000 to 1.3 million, growing at a rate 3.4 times faster than the total stock of occupied houses."*[11]

**CHART 4: NUMBER OF HOUSES RENTED OUT BY PROVINCE**



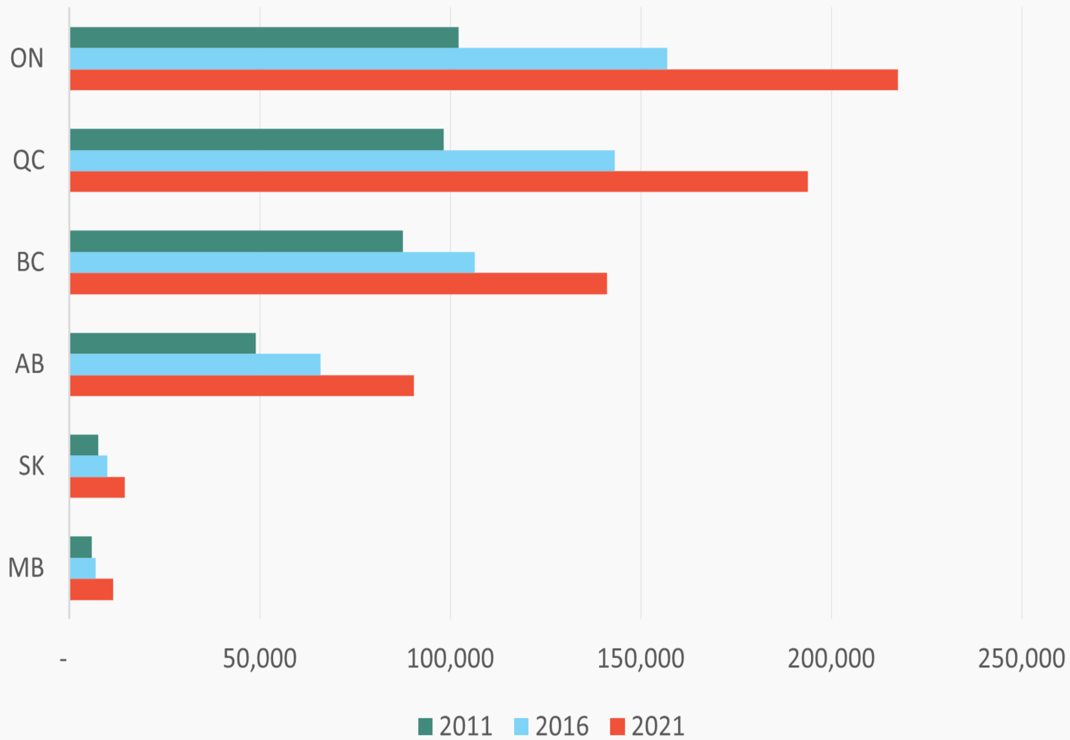

Source: Statistics Canada prepared by Jeremy Withers

11 (Withers, 2024)

Withers notes:

> *"Between 2011 and 2021, the number of condo apartment units rented out as investment properties across Canada nearly doubled,[14] from 378,000 to 681,000, growing just under twice the rate of the overall stock of occupied condo apartments."*

CHART 5: NUMBER OF CONDO APARTMENTS RENTED OUT BY PROVINCE

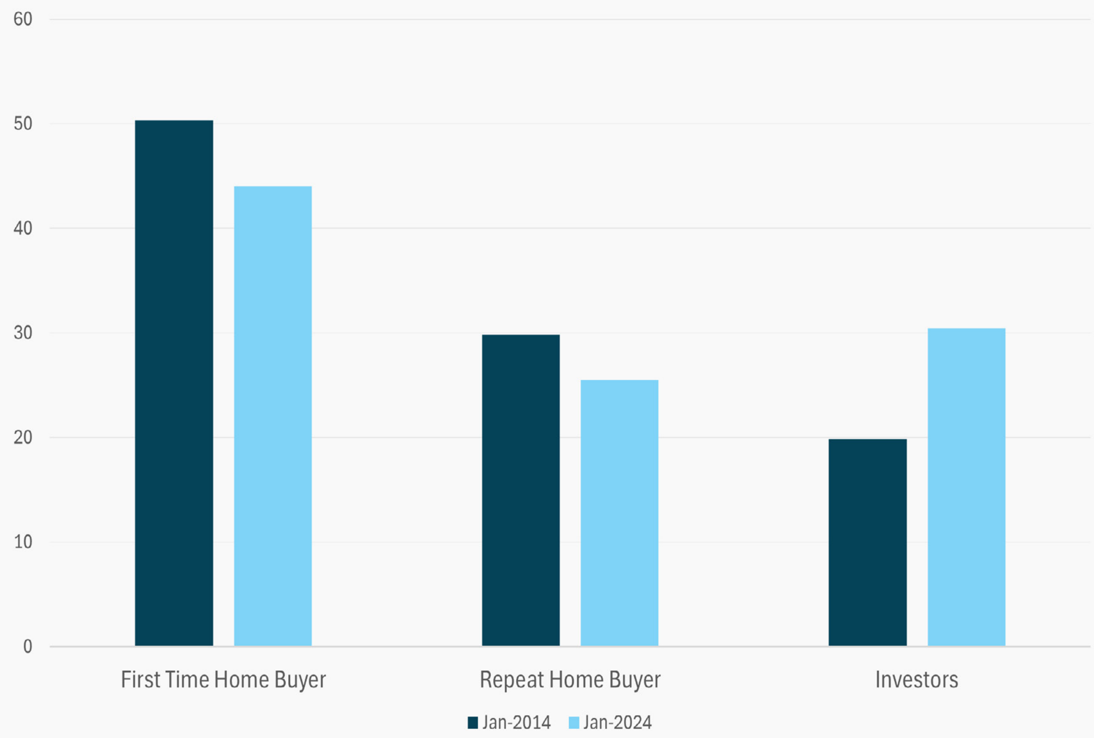



Source: Statistics Canada prepared by Jeremy Withers

These trends are also evident in data published by the Bank of Canada (BOC), which compares the share of homes with a mortgage bought by three types of buyers: first-time buyers, repeat buyers (i.e., upsizers and downsizers), and investors.

The chart below shows that since 2014, the share of homes bought by repeat and first-time buyers has declined, while the share of homes purchased by investors has increased from 20% to 30% of the market.

### CHART 6: SHARE OF HOME PURCHASES BY TYPE OF BUYER




Source: Bank of Canada

## What Types of Homes are Investors Buying?

Investors play a dominant role in Canada's condo market, particularly in Ontario and British Columbia. In Ontario, investors own 43% of all condo units and 57% of those built after 2016. In British Columbia, the numbers are slightly lower but still significant, with investors owning 37% of all condo units and 49% of those built after 2016[12].

As we've seen, the role that investors have come to play in the condo market has been driven by policy changes introduced by Canadian governments

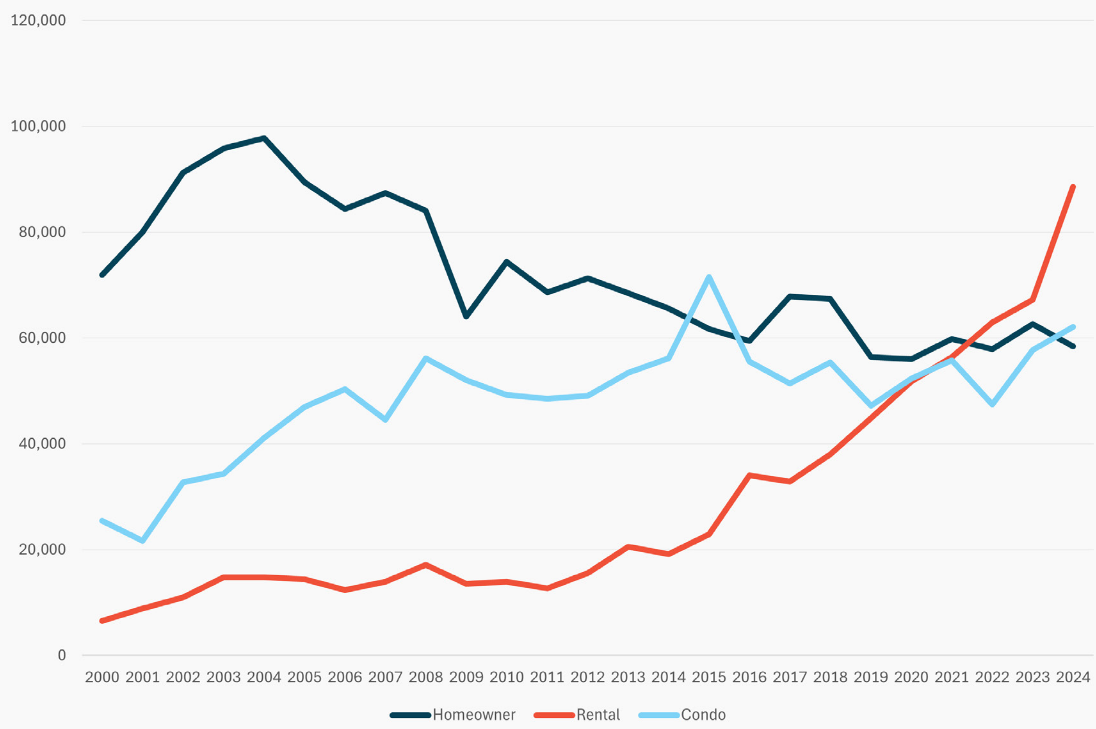
12 (Withers, 2024)

which reduce their role in funding and financing permanent rental housing, instead relying on individual investors to fill the gap by buying units and renting them out, adding to the rental supply stock. However, this approach has significant drawbacks.

Investors tend to drive up condo prices beyond what they would be in a more balanced market because of their better access to capital than end-users. Equally as important, investors have come to shape the projects that developers build — small units that offer the highest returns. This has effectively excluded many families from urban living in Canada, as condos, which are family-friendly living options in many other countries, are too small and not designed to serve this purpose in Canada.

As a result, Canada's families are largely left with one primary housing type option — low-rise single-family homes, such as detached, semi-detached, and row houses. However, this reliance on low-rise housing poses challenges. Over the past two decades, the construction of low-rise homes in Canada has significantly declined, dropping from nearly 100,000 units annually in 2003 to approximately 60,000 today.

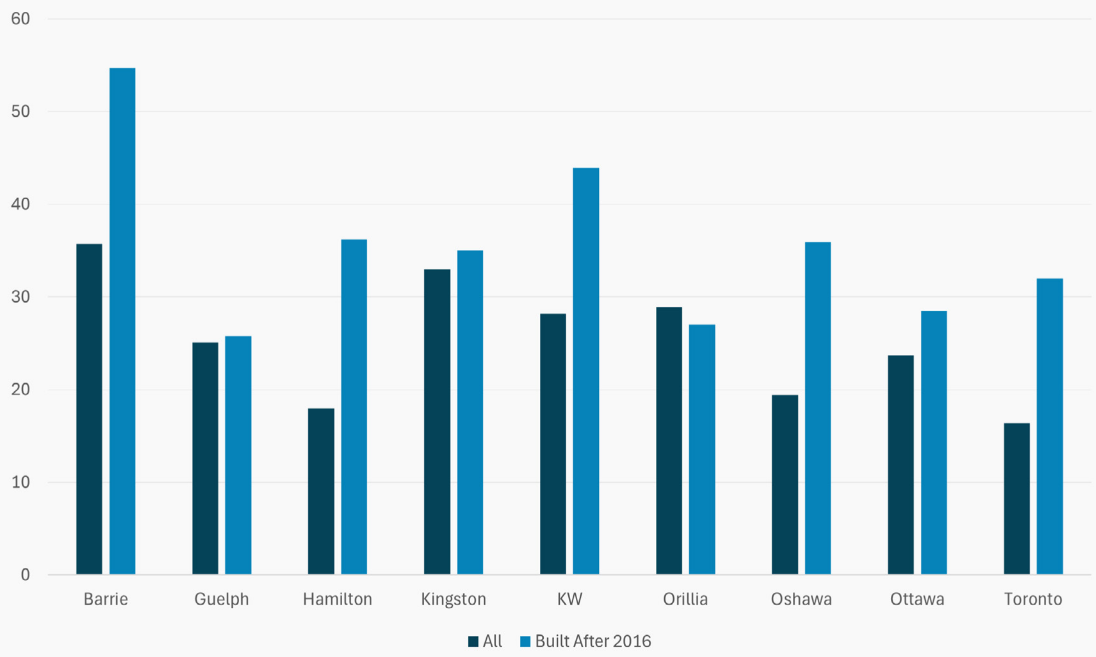
### CHART 7: NUMBER OF COMPLETIONS BY HOUSE TYPE




Source: CMHC

Not only is Canada building fewer low-rise houses today, but more of what we are building is being bought by investors rather than families. The chart below shows the percentage of all row houses owned by investors along with their share of row houses built after 2016 for several Ontario cities. Row houses are typically the most affordable type of low-rise home, and we can see that investors are buying up a much higher percentage of the new row houses built in Ontario, which has been crowding out first-time buyers.

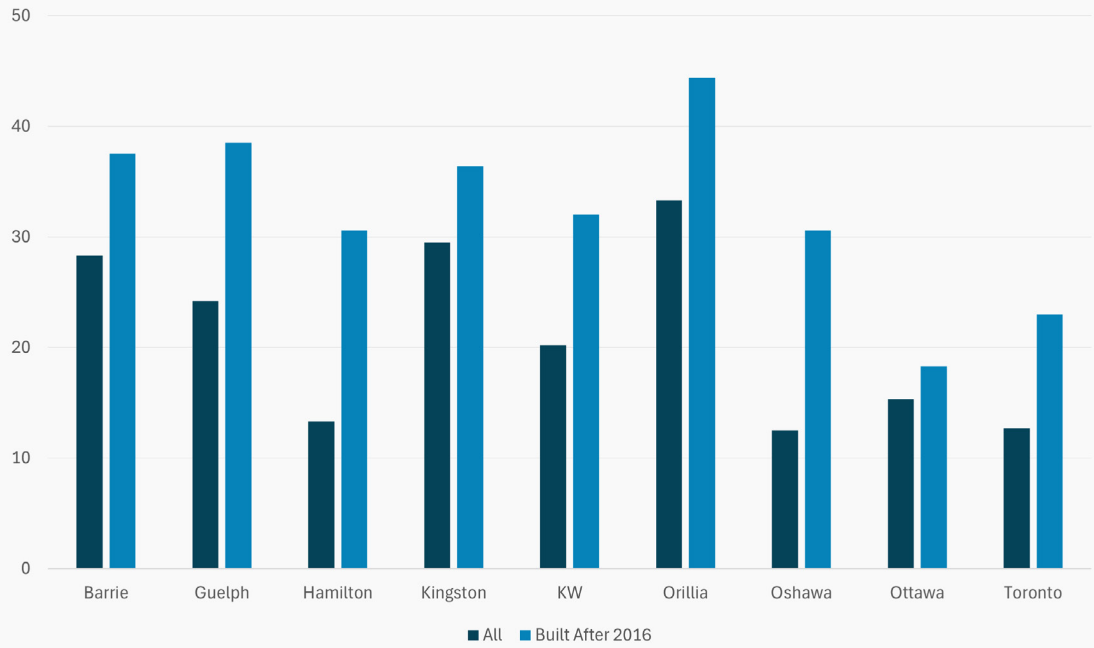
### CHART 8: PERCENT OF ROW HOUSES OWNED BY INVESTORS - ONTARIO CITIES




Source: Statistics Canada

A similar trend is occurring with semi-detached homes in Ontario.

### CHART 9: PERCENT OF SEMI-DETACHED HOUSES OWNED BY INVESTORS - ONTARIO CITIES




Source: Statistics Canada

# The Downsides of an Investor-Dominated Market

There are several negative side effects when investors begin to dominate a country's housing market.

## Investors Drive Prices and Fuel Market Instability

One of the most consequential effects of an investor-driven housing market is the upward pressure it places on home prices. Unlike end-users, who are typically constrained by their household income when purchasing a home, investors often have access to significantly more capital. This gives them far greater buying power, allowing them to outbid regular buyers and purchase multiple properties. As investor demand grows, it doesn't just increase competition—it reshapes the entire pricing dynamic, pushing home values higher and making it even harder for first-time buyers to enter the market.

Investor demand surged between 2014 and 2024, even as federal mortgage rules became more stringent. The most significant change was the introduction of the mortgage stress test, which made it harder for households to qualify for loans. While these policies cooled demand from end-users, they did little to deter investors, whose share of home purchases rose from 20% to 30% over that period, according to Bank of Canada data.

Nowhere has this been more visible than in Toronto's pre-construction condo market, where investors regularly paid 30–40% more than what similar resale units were selling for. These pre-construction projects appealed to investors not just because of anticipated appreciation but also because of the financial flexibility: deposits could be made in stages over several years, and no mortgage or tenants were required until the unit was complete. This structure allowed investors to stretch their dollars further and build larger property portfolios.

The psychology of the investor also plays a key role. As economists Karl Case and Robert Shiller have shown[13], housing investors are often driven less by rational calculations and more by optimism—especially during a boom. When prices are rising, word-of-mouth stories about easy profits fuel a sense of urgency and belief that prices will continue to climb. This mindset causes investors to bid even higher, not because the property is worth more today but because they expect it will be tomorrow.

This phenomenon has repeatedly driven housing bubbles in Canada. In the Toronto region, prices surged by over 30% annually at the peak of the 2016–2017 boom, fueled largely by investor demand in suburban low-rise markets[14]. A similar surge occurred during the COVID-19 pandemic, when historically low interest rates triggered another wave of investor activity, again pushing prices up by 31% annually at the peak.

But housing bubbles don't inflate forever. As the gap between resale prices and pre-construction prices widened—sometimes reaching hundreds of thousands of dollars—underlying market fundamentals became increasingly distorted. Many investors who purchased pre-construction units for $1 million are now finding that similar resale units are worth just $700,000. With resale prices flat since 2020, the logic behind many of these investments has collapsed, and pre-construction sales have plummeted.

While some argue that investors have helped expand the rental supply, particularly in places like Toronto, where governments failed to fill that gap, it's important to recognize that building investor-owned condos was a policy choice. For nearly 30 years, governments prioritized investor-led supply over purpose-built rental housing. That's now starting to change as federal and provincial governments introduce incentives like GST relief and low-cost financing to encourage the construction of dedicated rental units.

Taken together, the speculative activity of real estate investors has not only driven home prices higher—it has also fueled bubbles, created systemic risks, and distorted the role of housing in Canada from a place to live into a vehicle for wealth extraction. And as history shows, it's not families with strollers who cause housing bubbles—it's the flood of capital from investors chasing easy profits.

13 (Shiller, 1998;2003)
14 (Bank of Canada, 2018;2019) (Pasalis, 2017)

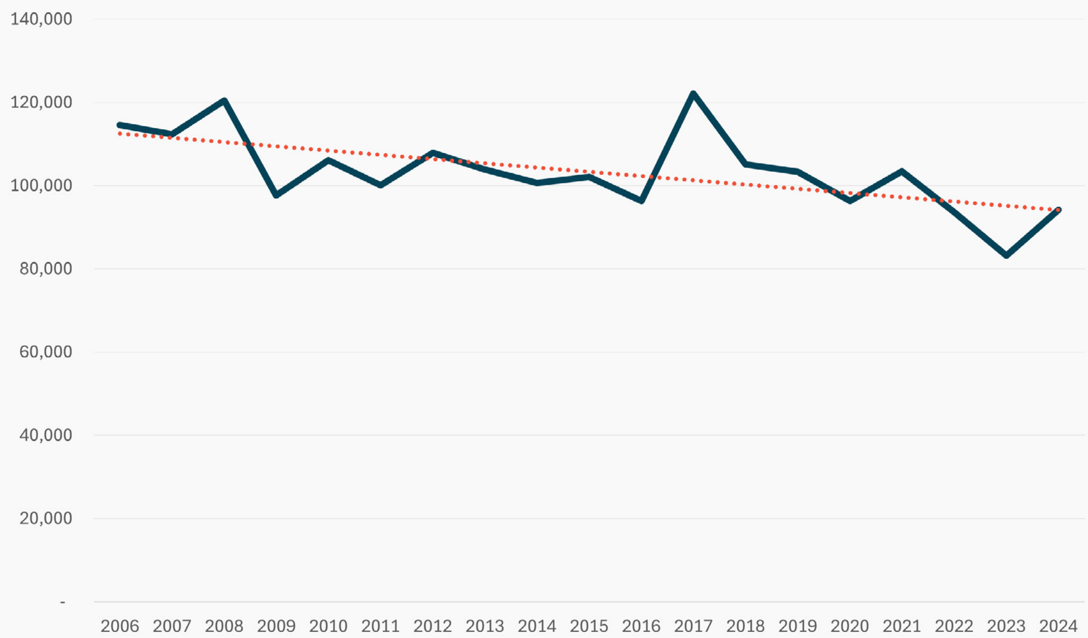
## Investors Are Shutting Out an Entire Generation from Home Ownership Today

The federal government's decision to prioritize housing as a financial investment rather than as affordable shelter has concentrated more of Canada's housing stock in the hands of a wealthy few, deepening wealth inequality across the country.

A closer look at the data reveals the toll of these policy choices on one of the biggest losers in Canada's housing affordability crisis—alongside renters and those experiencing homelessness: an entire generation of young people and families who can no longer afford to buy a home as their parents and grandparents once could.

The chart below shows the number of low-rise homes listed for sale in the Greater Toronto Area each year starting in 2006 as reported by the Toronto Area's MLS system.

**CHART 10: NUMBER OF LOW-RISE HOUSES LISTED FOR SALE - GREATER TORONTO AREA**



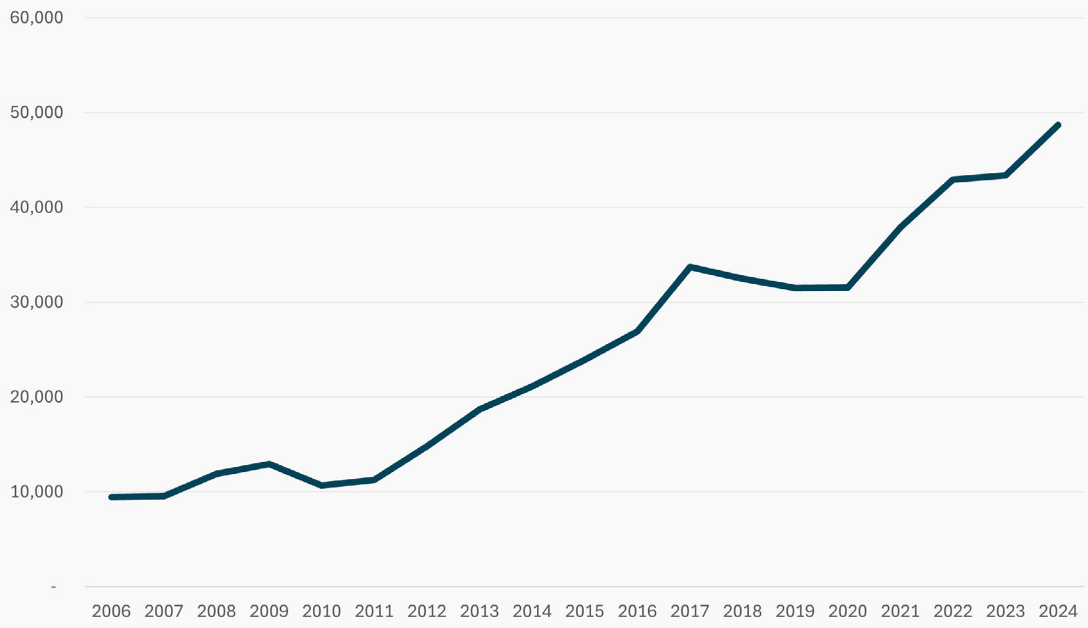

Source: Toronto Regional Real Estate Board MLS System & author's calculations

The dashed red line represents the trendline of the data series, which clearly shows that the number of homes listed for sale each year has been declining since 2006. At first glance, this is a puzzling trend because the Toronto area built more than a quarter million new low-rise homes over that period. Despite the increase in our low-rise housing supply, home buyers today have less supply to choose from compared to previous years.

We have seen that the reason for this is that though Toronto has been building more supply, when demand from investors is growing faster than our housing stock, more of our housing stock ends up being owned by investors making them unavailable to be bought by end-users including first-time home buyers.

The chart below shows the number of low-rise houses listed for rent (lease) on the MLS each year, which has dramatically increased as more of Toronto area homes are bought by investors.

**CHART 11: NUMBER OF LOW-RISE HOUSES LISTED FOR LEASE - TORONTO AREA**



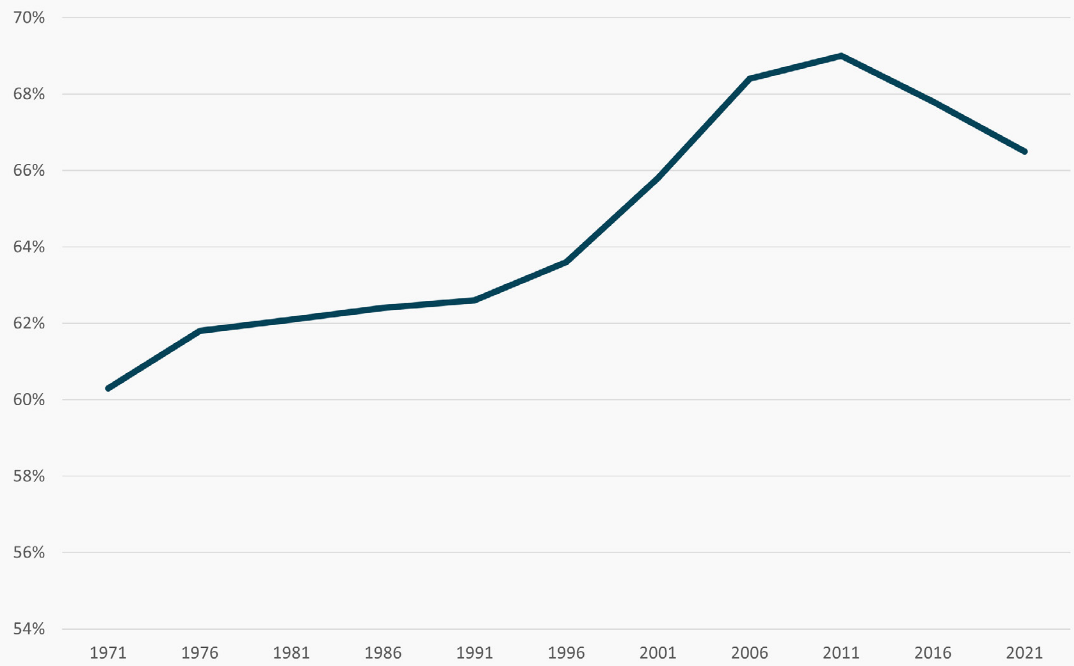

Source: Toronto Regional Real Estate Board MLS System & author's calculations

The Toronto area's population has increased by over 1 million since 2006, which means in 2024, we have more buyers competing for fewer homes because more of our housing stock has been converted to financial assets by investors, shutting out many would be end-users including an entire generation of today's younger people and families.

The decision of our federal government to prioritize homes as financial investments has benefited older generations who owned homes earlier and were able to invest more in housing. Not only were home prices relative to incomes much lower when these earlier generations originally bought, but we've seen that the barriers to getting a mortgage were also much lower as home buyers could buy a home with no down payment and a 40-year mortgage and did not have to be stress-tested when getting a mortgage[15].

As house values outpaced income growth, these owners were able to reinvest their capital gains from existing homes into buying more houses to accumulate a substantial amount of housing wealth, creating a "generation of landlords"[16]. And as the share of homes bought by investors accelerated, Canada saw its homeownership rate decline after 2011.

**CHART 12: HOMEOWNERSHIP RATE IN CANADA**




Source: Statistics Canada

15 (Aalbers et al, 2020)
16 (Ronald and Kadi, 2018)

Today's younger generations are less likely to be homeowners than previous generations,which not only impacts their lives today but will have a material impact on their overall welfare for the rest of their lives.

When a country prevents younger generations from owning homes due to unaffordability, it restricts the control and freedom that younger generations have over their housing needs and security, reducing their ability to make life choices such as leaving their parental homes and starting their homes and relegating many to renting for life, furthering the wealth of older home owning and landlord generations and increasing wealth inequality.

These younger generations will also not have that one long-term investment that has helped so many previous generations in retirement — a mortgage-free home.

As discussed, homeownership has been a cornerstone of Canada's asset-based welfare-state, but this no longer holds true today as Ronald, Kadi and Lennartz note:

> *"It has been argued that as the 'social project' of the property-owning democracy has faded —in which a broad distribution of homeownership as a social and economic buffer was a goal —a more 'neoliberal project', in which the maximisation of profits from individual property ownership, has taken hold"*[17]

**This raises a fundamental question: if younger generations can no longer rely on homeownership as a path to long-term security, what is the federal government's plan to support them in retirement? Without change, we may soon be forced to adopt large-scale public subsidies, as seen in parts of Europe—a direct consequence of choosing to concentrate housing wealth in the hands of the few rather than the many.**

17 (Ronald, Kadi, Lennatz, 2015)

# The Rise of Corporate Investor

One class of investors that requires particular scrutiny in our society are corporate or large institutional investors that buy existing family homes to rent them out. These companies earn profits by hoarding single-family homes already in short supply in Canada and renting them out to the families who have been shut out of owning a home as their principal long-term residence due to lack of affordability.

Before the Global Financial Crisis (GFC) of 2008, which was spurred by a US housing market collapse due to its subprime mortgage market bubble, small mom-and-pop investors typically dominated investment purchases of single-family homes. Big institutional investors were not yet active buyers of single-family homes for several reasons.

Firstly, operationally, it was a challenge for larger corporations to acquire an extensive enough portfolio of homes across multiple regions. If an institutional investor wanted to acquire 1,000 homes, a detailed financial analysis of tens of thousands of potential homes would be required to determine each property's market value, potential rental income, and overall financial viability. Furthermore, managing the operation and maintenance of thousands of homes in multiple different locations was also a barrier for large institutional investors.

However, in the years following the GFC, institutional investors became active buyers, often bulk-purchasing the many foreclosed properties arising out of the subprime mortgage market collapse in the US. As the number of foreclosed properties declined, institutional investors began buying non-distressed homes listed for sale on the Multiple Listing Service (MLS) systems, which realtors use across the US and Canada.

While the opportunity to scoop up homes at distressed prices was a big driver of institutional investors' decision to buy homes in bulk following the GFC, technological advances made their decision to begin buying single-family homes possible. In his paper *How and Why U.S. Single-Family Housing Became an Investor Asset Class*, Brett Chistophers outlines how one company uses technology to analyze properties in bulk, allowing them to easily zero in on the ones that might be a good fit:

> *"One of the most revealing descriptions of what is involved has been given by Amherst Capital, which owns and manages a portfolio of SFR homes through its property arm, Main Street Renewal. According to Amherst, in the region of five hundred homes newly for sale are listed daily within its target geographic markets. Its 'market surveillance tool,' Amherst Data Explorer, filters these listings and delivers automated valuations.*
>
> *It does so by running all properties through an underwriting model—which estimates potential rents, refurbishing costs, taxes, insurance, and other expenses to calculate an estimated net operating income and capitalization rate for each property—and joining these outputs with census-tract-level information such as population, homeownership rates, vacancy levels, incomes, crime indices, school quality, mortgage delinquencies, and so forth.*
>
> *'Thus each morning,' Amherst explains, 'we have a bid list of targeted properties with projected returns automatically run'—before anybody has even had time to put on the coffee."*[18]

**These are the hidden dynamics that are reshaping housing markets in the US, Canada and throughout the world. Large corporations with access to billions of dollars in capital use sophisticated algorithms to help them target the best homes as soon as they hit the market for sale — long before any young family has even had a chance to see them.**

Canada's business and housing markets lag behind those of the US, and institutional investors have only recently begun purchasing homes in Canada. In 2021, Toronto-based Core Development Group announced plans to buy $1B in single-family homes and convert them to rental properties. In 2023, they announced plans to add another 10,000 homes to their portfolio.

I've seen many housing economists argue that such corporate investors buying homes is not a problem policymakers should concern themselves with. But before we consider their potential growing impact on Canada's housing market, let's consider the impact these companies are having in the US market, where data and research into their impact are far more abundant.

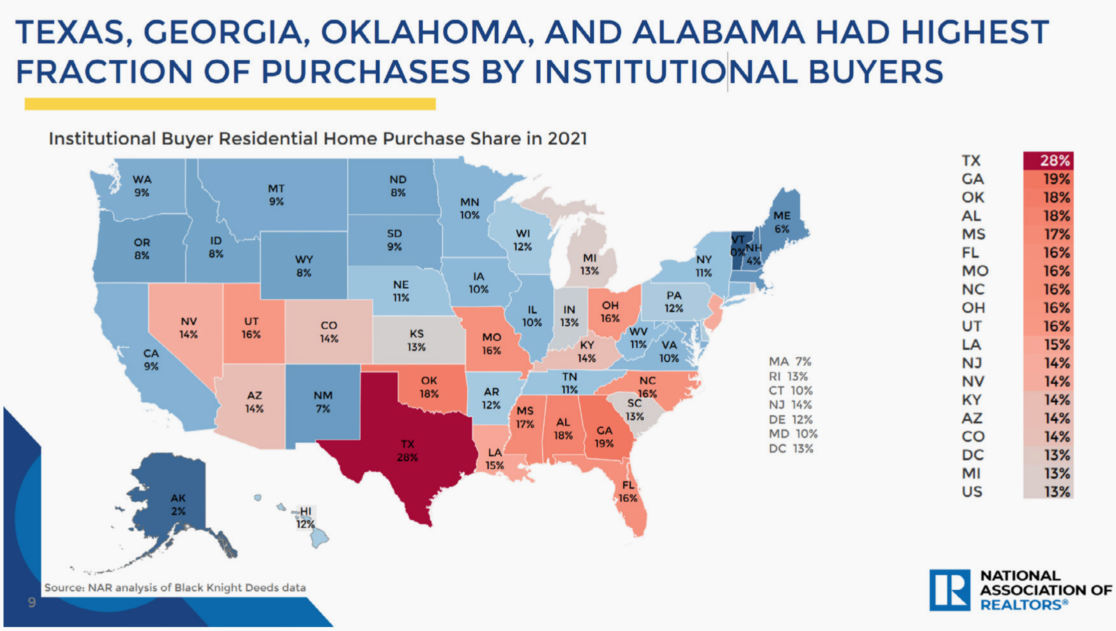
18 (Christophers, 2023)

## Corporate Housing Investors Quickly Corner Their Markets

Institutional investors own about 450,000 single-family homes in the US—a small share of the total housing stock and around 3% of the single-family rental market.[19] Supporters often downplay their impact, pointing to these modest national figures. But real estate is deeply local, and national averages obscure how concentrated these investors are in specific markets. To truly understand their influence, we need to examine the areas where their presence is most heavily concentrated.

The National Association of Realtors of the US (NAR) calculated the share of homes purchased by institutional investors in 2021 and found that the states of Texas, Georgia, Oklahoma and Alabama saw the highest share of institutional investor purchases at 28%, 19%, 18% and 18%, respectively, as seen in the figure below.

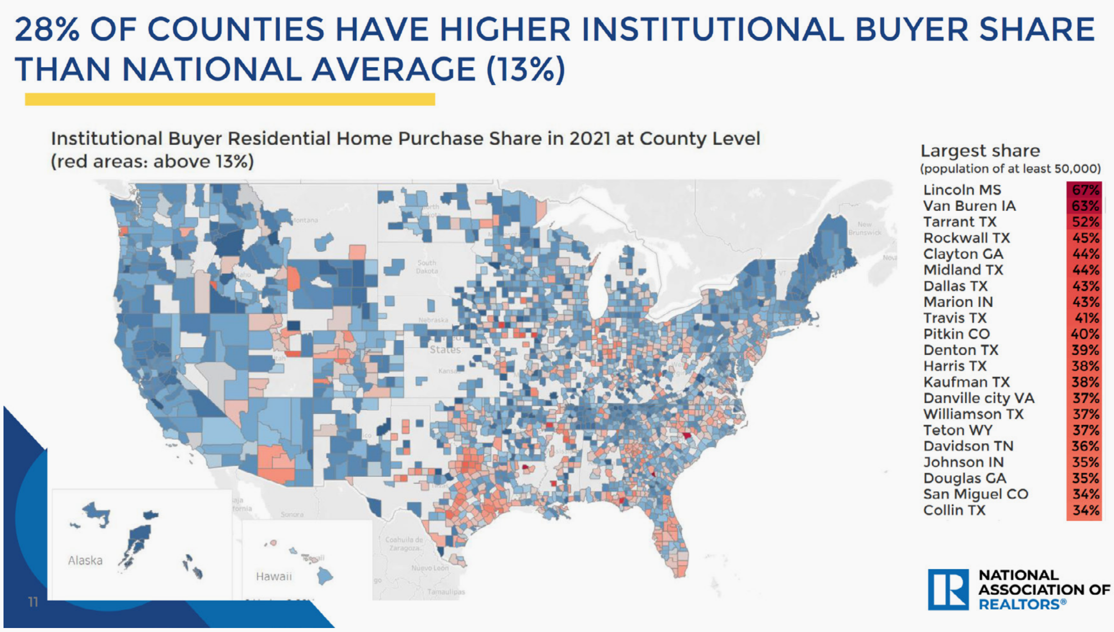
FIGURE 2: SHARE OF PURCHASES BY INSTITUTIONAL INVESTORS - BY STATE




19 (GOA, 2024)

While the relatively high market share of transactions in the states that these large corporate investors operate in is alarming, these state-level statistics also mask the fact that in some of the specific counties in these states, the market share of these investors can surpass 50% of all transactions as we can see in this chart below.

FIGURE 3: SHARE OF PURCHASES BY INSTITUTIONAL INVESTORS - BY COUNTY




When we consider the share of these investors in the single-family house rental segment of a given market, Atlanta, Jacksonville, and Charlotte showed the highest concentration at 25%, 21%, and 18%, respectively. This is critical because research has shown that in areas where institutional investors have a high concentration of the single-family rental market, they can use their market power to increase tenants' rents[20].

This is not surprising because many institutional investors use a rental analytics platform called RealPage that forces landlords to share their rental information with other landlords so that RealPage's algorithms can determine the rent each landlord should charge. In some cases, their algorithms encourage landlords to leave rentals vacant because it will enable them to charge a higher rent on their

20 (GOA, 2024)

occupied units, and this higher rent will offset the lost rental income on any vacant units.

> **In this environment, rents are not set by the free market but by institutional landlords, who collude and use their market dominance to maximize their rent.**

The United States Department of Justice, along with eight state attorney generals, filed a lawsuit against RealPage earlier this year. The US federal government conducted an analysis to determine the additional rent tenants are paying as a result of RealPage's pricing algorithm. They found that Atlanta saw the biggest increase, at $181 per month.

## Corporate Investors Enter the Canadian Market

When news broke that a large institutional investor planned to buy 10,000 homes in Ontario in 2023, the response from leading Canadian housing economists and housing supply advocates was interesting. They argued that governments don't interfere with small mom-and-pop investors buying single-family homes or when institutional investors decide to buy 10,000 purpose-built apartments, so why should our government get in the way of a company that wants to buy 10,000 single-family homes? What makes single-family homes special and deserving of any extra protection from policymakers?

I found these arguments to be misleading.

Firstly, all purpose-built rental apartment buildings are owned by investors who operate as businesses that provide permanent rental housing in their cities; when an apartment building owner decides to sell their property, the buyer is another investor, usually a large institutional investor. More importantly, when an institutional investor decides to buy a portfolio of 10,000 apartment units, this has absolutely no impact on the price of owner-occupied homes because these are two completely different housing types. This additional demand for apartment buildings may put upward pressure on the price of apartment buildings (and, in return, downward pressure on their return), but it does not impact the market for owner-occupied homes.

But when an institutional investor decides to buy 10,000 single-family homes in Ontario, this has an immediate effect on prices because this one large, well-capitalized corporation is now competing for the same homes that end-users, including first-time buyers, are trying to buy. This investment doesn't just impact home prices today — it has a lasting impact by reducing the number of homes that can be owner-occupied in the future, permanently reducing the housing stock available for purchase.

When thousands of smaller mom-and-pop investors buy 10,000 homes, some will eventually be sold again and may be purchased by end-users. In some cases, the investor is flipping the property; in other cases, the small investor may lose interest in being a landlord.

However, when an institutional investor buys 10,000 homes, those homes are permanently removed from the market of homes that may one day be owner-occupied. That's because when the institutional investor decides to get out of the single-family rental business, they do not list 10,000 homes for sale on the open market, allowing end-users to buy them. To ensure they are able to exit in the most cost-effective manner possible, they look to sell the entire portfolio of homes to another institutional investor in a single deal.

Housing economists and activists often argue that these investors provide a valuable service by "creating rental supply," but this, too, is a misguided argument because these investors are not creating any new housing. They are simply converting 10,000 homes that used to or otherwise would belong to individuals and families for use as shelter and long-term investment for their retirement into corporate-owned assets that enrich their institutional investors.

When large corporate investors buy tens of thousands of homes in Canada, they aren't limited by income like regular homebuyers. Instead, they draw on hundreds of millions in capital from institutional investors on Bay Street and Wall Street. In contrast, end-users must save for down payments through personal, after-tax income—essentially trying to compete in a race they have no chance of winning.

How can today's generation of home buyers compete with an institutional investor, raising hundreds of millions of dollars?

They can't!

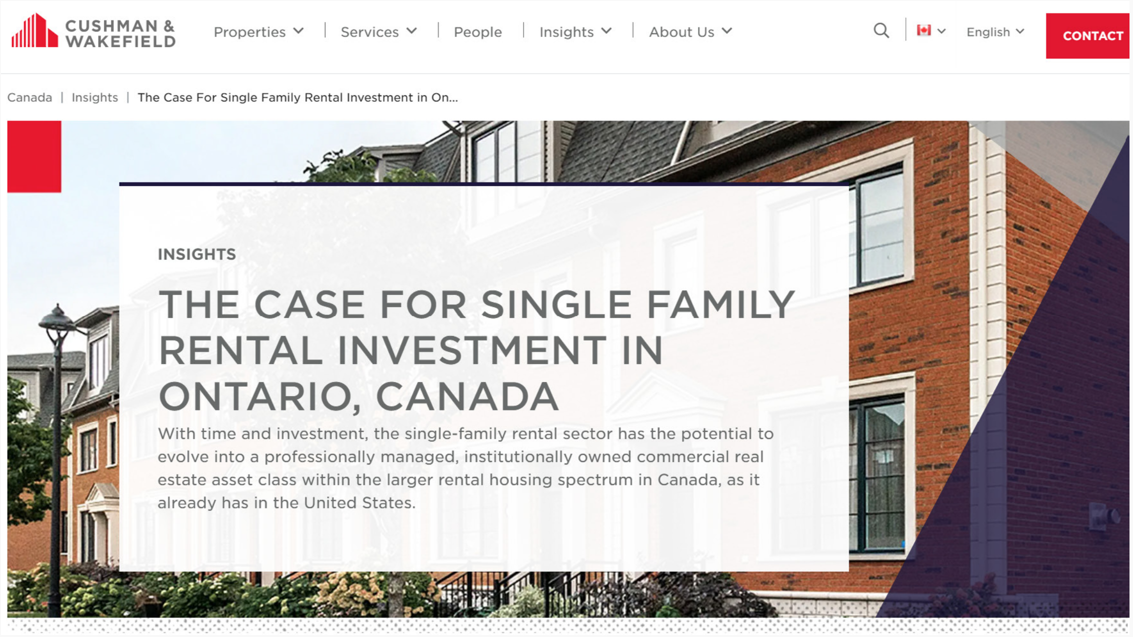
End-users and institutional investors view homes from a completely different lens.

End-users are concerned about how affordable a home is relative to their income, being able to make their monthly mortgage payments and having enough money to make any emergency home repairs that may be needed.

In contrast, institutional investors are focused on maximizing their return on investments funded. This is precisely how we can arrive at this strange dichotomy in Canadian housing — at a time when housing feels incredibly unaffordable for many first-time buyers and young families, a commercial real estate brokerage like Cushman & Wakefield can promote single-family homes as a lucrative financial investment given their relatively low cost to high potential earning ratio!

**This is what the market looks like when home prices are no longer constrained by income because large corporate or institutional investors are fuelled by access to corporate capital.**

FIGURE 4: CUSHMAN WAKEFIELD THE CASE FOR SINGLE FAMILY INVESTMENT IN ONTARIO



## The Small Corporate Investor

While there has been some, albeit not enough, discussion and scrutiny of larger corporations buying up homes, people are ignoring the small- and medium-sized businesses buying houses in Canada and the negative impact this has on our housing market and economy as well.

This issue is much harder to examine because there is very little data showing how many of these types of corporations are buying homes in Canada, how many homes they own, and who the beneficial owners of the corporation actually are. With all that said, anyone who spends some time searching the ownership records of houses and condos will find that a significant number of properties are purchased by small corporations each year, which I will define for the purposes of this discussion as those that own fewer than 10 homes.

Just who are all these small corporate investors buying up houses?

In most cases, they are professionals who earn their income through a corporation they own and control, such as small business owners, independent consultants, real estate agents, lawyers and doctors. These professionals often earn income through a corporation so that the owner can take advantage of the fact that small corporations are taxed at a much lower tax rate than the income tax that individuals and families pay in most Canadian jurisdictions.

This gives  a significant benefit when buying real estate through a corporation because saving a down payment is easier when you are taxed at such a low rate. And it should be noted that this tax advantage is not limited to small corporations that buy investment properties as many entrepreneurs buy their principal residence through a holding company for this exact reason.

Let us consider a simple example of one entrepreneur who decided to buy his home through a holding company rather than personally: Canadian rapper Drake, who bought a property in Toronto's luxurious Bridle Path neighbourhood in 2015, which he eventually tore down to build a new custom home. Let's assume he bought the initial home for $6 million and could buy it in cash with no mortgage to keep our example simple.

If Drake had instead decided to buy the home personally after withdrawing the funds from his corporation, he would need to withdraw the $6 million from his corporation and pay personal income tax, which would leave him with roughly $3.5 million for his home purchase.

While buying a home through a corporation means he will eventually have to pay capital gains tax on any gain in the value of the property, a tax that he would avoid if he bought the home personally as his principal residence, a run through the numbers likely shows that it still makes more financial sense for him to buy the house through his corporation which is why so many high-end homes are held by the corporations of their owners.

While the above example is extreme because very few people can afford a home in the Bridle Path, I used it because it highlights how significant the tax advantages of buying through a corporation can be. It illustrates why so many small to medium business owners and entrepreneurs will forgo the only tax-free capital gain allowed in Canada, the gain in value realized on your principal residence because the advantages outweigh the disadvantages.

## Contributing to Canada's Productivity Problem

By making mortgage credit cheaper and more accessible, public securitization programs encourage banks and lenders to prioritize housing loans over more productive investments like small business financing. This dynamic has fueled Canada's housing affordability crisis, contributed to the country's highest household debt-to-income ratio in the G7, and undermined overall economic productivity.

For years, Canadian economists have been sounding the alarms about Canada's falling labour productivity. Recently, the Bank of Canada's Deputy Governor Carolyn Rogers gave a speech titled, "*Time to break the glass: Fixing Canada's productivity problem*." Labour productivity sounds like an abstract theoretical issue that only interests policy wonks, but in reality, Canada's falling labour productivity impacts all of us through lower overall income growth in Canada. Here is how Rogers defines labour productivity and why it matters to all Canadians:

> *"Most people, when they hear that we need to improve productivity, think they're being told they have to work harder or work longer hours to produce more, or maybe take less time off.*
>
> *That's not the case. Labour productivity measures how much an economy produces per hour of work. Increasing productivity means finding ways for people to create more value during the time they're at work. This is a goal to aim for, not something to fear. When a company increases productivity, that means more revenue, which allows the company to pay higher wages to its workers without having to raise prices. Ultimately, higher productivity helps the economy generate more wealth for everyone.*
>
> *Back in 1984, the Canadian economy was producing 88% of the value generated by the US economy per hour. That's not great. But by 2022, Canadian productivity had fallen to just 71% of that of the United States. Over this same period of time, Canada also fell behind our G7 peers, with only Italy seeing a larger decline in productivity relative to the United States."*[21]

As Rogers notes, Canada's productivity has plummeted over the past 30 years, falling well behind other G7 countries.

So why are Canadian businesses investing less in their companies to improve productivity than US companies? While there isn't one single cause for Canada's decline in productivity, one factor is that banks today are less inclined to lend to businesses than they were in the past. In a paper titled "*Residential Mortgage Securitization in Canada: A Review",* Bank of Canada economists highlighted one important implication of Canada's government-supported mortgage securitization program.

> *"Since lenders can securitize mortgages under the public securitization programs in a cost-effective manner, they may overextend mortgage credit and underinvest in other productive assets (such as small business loans). The latter may occur because mortgage-backed funding for FIs through public securitization is more cost-effective and stable than non-mortgage-backed*

21 (Bank of Canada, 2024)

> *funding, creating an incentive to extend more mortgage credit than would occur without public securitization. An increase in mortgage credit could lead to more leveraged households and elevated house prices."*[22]

In short, Canadian banks have a greater incentive to lend more aggressively to anyone who wants to buy a home and far less incentive to lend money to businesses that are trying to improve their productivity.

In the book *The Politics of Housing Booms and Busts*, economist Herman Schwartz discusses the difference between the classic processes of how lower interest rates flowed through to wealth and job creation during the Bretton Woods era (the period after WW2) and the current era:

> *"In the Bretton Woods era, lower interest rates mostly flowed through the economy via increased investment in the manufacturing sector that in turn led to higher levels of employment and wages. The broad increase in wages then validated ex post facto the original increase in investment. Growth rested on broad and equitable increases in income.*
>
> *During the 1990s boom, increased consumption flowed not from increased investment percolating through economywide wage increases. Instead, falling interest rates boosted the value of marketable assets, including the newly marketable value of domestic housing. Financial deregulation enabled households to capture and sell that increase in assets, especially housing values, and thus expand consumption. Because housing equity is highly unequally distributed, growth magnified existing inequities by endowing housing market insiders with huge amounts of potential consumption and/or wealth. Meanwhile, those without a foot in the housing market at the time prices began rising were shut off from wealth formation. As other chapters note, this implies widening intergenerational inequities and the kinds of financial pressures mentioned above when we consider our typical young family."*[23]

Over the past twenty years, Canada has experienced this dynamic firsthand. Falling interest rates are no longer a primary driver of business investment but rather of mortgage growth and investments in homes.

22 (Bank of Canada, 2015)
23 (Schwartz, 2008)

# Supply Matters, But It's Not Only About Supply

My own observation about why Canada's politicians, policy makers and economists have failed to identify why homes as investments are as problematic as I've been setting out in this paper is because they believe that enabling investors in our housing market is complimentary to their own view that Canada's housing affordability is almost exclusively due to one factor — our lack of housing supply.

The supply side argument sets out that municipalities and communities that restrict new housing supply through onerous zoning restriction laws, costly and cumbersome red tape that thwarts builders and a failure to stop citizens who do not want to see new housing built that they feel would change the nature of their own existing communities (so-called "Not in My BackYard" or NIMBY protesters). If these barriers were removed, they argue that builders would be able to rapidly increase the number of homes they build each year, increasing supply and driving down the price of homes and rents for all.

The quote below from a paper by economist Christopher Mayer[24] offers a succinct summary of this academic theory, citing papers from leading housing economists.

> *"In markets in which there are few zoning requirements, Glaeser & Gyourko (2005) show that house prices are determined by construction costs, even when growth in demand is high. In some fast-growing Southern markets such as Houston, Atlanta, or Charlotte, the easy availability of land explains how population can grow yet house prices can remain flat. When demand rises, builders acquire land and build new houses. Construction costs determine the price of housing in those markets (Gyourko & Saiz 2004)."*
>
> — Christopher Mayer (2011)

24 (Mayer, 2011)

The economists and housing advocates behind the pro-supply housing movement often self-identify as YIMBYs, which stands for “Yes In My BackYard.” YIMBYs advocate for more housing development and usually fight against many of the restrictive zoning policies in municipalities that limit the types of homes that builders can build.

Their ideas are driven by a free market capitalist ideology that believes that if governments remove all restrictions on the supply and demand for housing, the free market will most efficiently allocate inputs and generate the correct number of outputs — homes — at the right prices to solve Canada’s housing affordability crisis. Unsurprisingly, builders fund many YIMBY organizations and economic think tanks because builders often stand to benefit the most from the policies they advocate for.

As we will see, in this view, investors are not a problem at all, but rather part of the supply side solution as capital providers for all this new building. YIMBYs believe that if you make housing a more lucrative financial investment for builders and investors buying homes, the private sector will have an incentive to unleash so much supply that it will eventually lead to lower housing costs. For this reason, YIMBY economists and advocates are typically against any restrictions on investors buying homes, including large corporations, and are against any restrictions on converting homes to short-term rentals (like Airbnbs), vacant home taxes, and rent control.

But I’m not convinced.

**If this theory were correct, it would mean that housing over the past 20 years has become increasingly unaffordable in cities around the world simply because they all decided—somehow, at the same time—to restrict new supply. That seems extremely unlikely.**

The fact is that cities have always regulated the types of houses that can be built; these restrictions are not new. In fact, over the past twenty years, there has been a significant movement to remove many of these barriers, which means there are fewer restrictions today than there were twenty years ago.

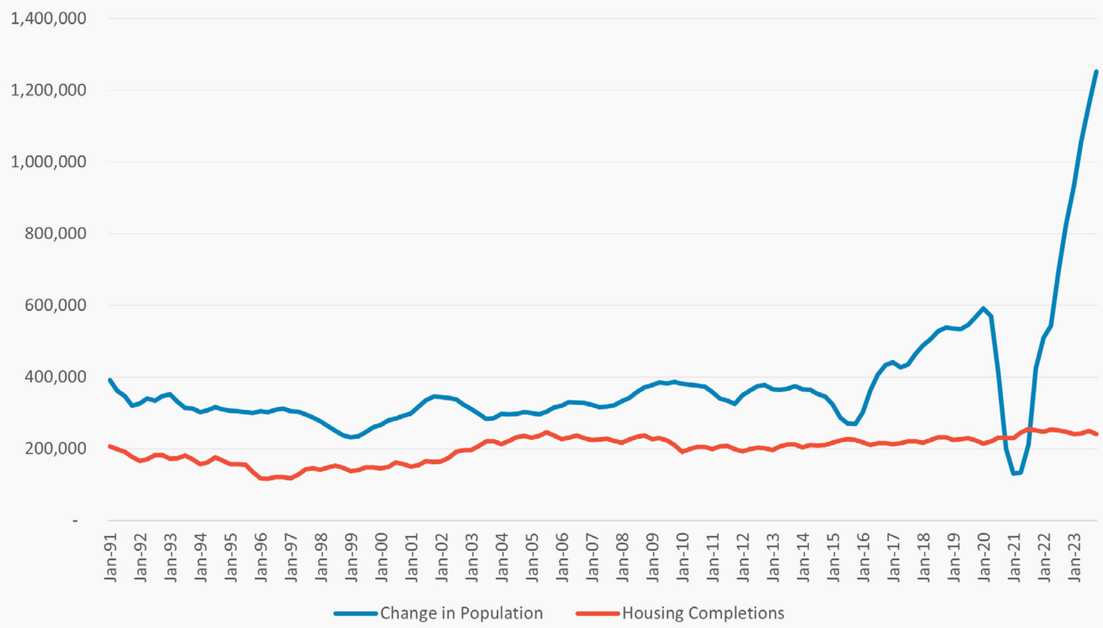
While I agree that any solution to Canada's housing crisis must continue to address the many barriers that limit the supply of housing, particularly higher-density housing in existing neighbourhoods, the narrative that a lack of supply is the main factor causing unaffordability is misleading. Furthermore, this insistence on the lack of supply explanation obscures other factors that the data demonstrates to be more contributive to rising home prices in Canada.

I'll discuss a couple of noteworthy examples that help explain why I feel that the advocacy of YIMBYs has instead contributed to Canada's housing crisis more recently.

# The Myth of the Supply Side Surge

For decades, Canada's population has grown by roughly 350,000 people per year, a manageable growth from a housing perspective, given the 200,000 homes built each year. However, Canada's population growth rate began to accelerate rapidly after 2015, and by 2024, Canada was growing by 1.3 million newcomers per year while we continued to build just over 200,000 homes per year.

**CHART 13: ANNUAL CHANGE IN POPULATION VS HOUSING COMPLETIONS IN CANADA**




Source: Statistics Canada and CMHC

Suddenly, Canada was now facing a very acute housing shortage. In 2022, the Canada Mortgage and Housing Corporation (CMHC) concluded[25] that to restore affordability, Canada needed to triple the number of homes it builds yearly for the next ten years; instead of 200,000 homes yearly, we had to build 600,000 to keep up with demand fuelled by this population growth. In presenting this solution, the CMHC was, in fact, suggesting that this surge in supply would gradually put downward pressure on home prices and rents as builders would continue to flood the market with new homes in a period of falling home prices and thus solve our housing crisis.

However, the long-understood reality of Canada's homebuilding industry is that it has struggled to scale up due to labour shortages and other constraints. An initiative to triple supply would take years. More problematically, housing starts in Canada typically decline during periods of falling home prices—it's not common for builders to ramp up construction when the market is cooling.

These simple facts should have raised alarm bells that Canada could not achieve housing affordability by focusing exclusively on supply-side policies — it would also need to take its foot off the gas on its booming population growth to relieve some of the pressure on rapidly rising home prices and rents and give the home building industry time to increase the supply of housing as needed. But this is not what CMHC and other housing experts concluded.

Instead, for years, virtually every housing economist concluded that Canada's surging home prices and rents had very little to do with the country's population growth and everything to do with Canada's municipalities restricting the housing supply. According to the experts, Canada's population growth rate would be sustainable if cities just got out of the way and let builders build, build, build.

These experts concluded that CMHC’s goal of tripling housing completions in the short term was achievable—and that the only thing needed to restore affordability was sweeping deregulation. They published report after report offering hundreds of supply-side policy recommendations for provinces and municipalities, assuming that if adopted nationwide, these changes would trigger a construction boom across the country.

25 (CMHC, 2022)

**Federal politicians of all stripes, such as Liberal Prime Minister Justin Trudeau and his official opposition Conservative Pierre Poilievre, were eager to adopt the narrative that our housing crisis was strictly due to a lack of supply. It took a national crisis and magically transformed it into a very local issue, with municipal mayors and councillors somehow to blame for this national problem.**

> *"We are facing a shortage of housing right now, and that's why prices of homes have become far too high. It's not fair to young people, who feel that cities are turning their backs on them. When housing is that expensive, young people feel like cities don't want them."*
>
> — Justin Trudeau

> *"Government gatekeepers prevent us from building.... Now, these gatekeepers are local, but the federal government sends the infrastructure money, and it's time to crack down on the gatekeepers. Enough sending big fat cheques to municipal politicians who are causing homelessness and poverty by blocking homebuilding."*
>
> — Pierre Poilievre

But the housing supply narrative was dramatically challenged in April 2024 when the Trudeau federal government, in a complete 360 after years of denying it, responding to growing voter discontent, finally acknowledged the impact Canada's immigration strategy was having on our housing market.

Our government committed to move towards a *"More Sustainable Immigration Strategy"*, saying that:

> *"Our ability to successfully welcome new Canadians depends on having the physical capacity to do so properly—in particular having enough homes. That is why current housing pressures mean that Canada is taking a careful look to make sure immigration does not outpace our ability to supply housing for all."*[26]

26 (Canada, 2024)

In the months that followed, the Trudeau government introduced significant changes to immigration policy—most notably, a plan to reduce the number of non-permanent residents in Canada. The net effect is that Canada's population is now projected to decline in 2025 and 2026, a dramatic reversal from 2024, when it grew by 1.3 million—the fastest rate in the G7.

This shift marked a notable departure from years of official messaging, which emphasized that population growth was entirely sustainable and that supply constraints alone were responsible for rising home prices. In effect, the federal government acknowledged that the earlier narrative didn't fully reflect the complexity of the situation.

A well-rounded housing analysis considers both supply and demand, weighing which factors are most significant in the short and long term. Had Canada's leading housing economists and policy advisors taken this broader view earlier, they might have recognized that tripling housing completions in the near term was unrealistic—and that slowing population growth would be necessary to ease upward pressure on prices and rents.

To be fair, some economists—particularly those focused on immigration and labour—did raise concerns about the pace of population growth. But among many housing economists, the dominant view remained that supply constraints were the primary driver of affordability challenges, with less attention paid to the role of demand.

**The federal government's dramatic shift on housing and immigration policy came only after the public stopped believing the experts—trust in their explanations gave way to the reality many Canadians were living: being priced out of the housing market.**

# YIMBYs & Real Estate Investors

As we've seen, from an ideological point of view, the YIMBYs are advocates of free markets and believe that all barriers to supply should be removed, and they believe the same of demand side barriers. Accordingly, they argue against speculation taxes, restrictions or taxes on foreign buyers, vacant home taxes, and restrictions on short-term rentals. They fully support corporations of any size buying up as much of our housing stock as they see fit.

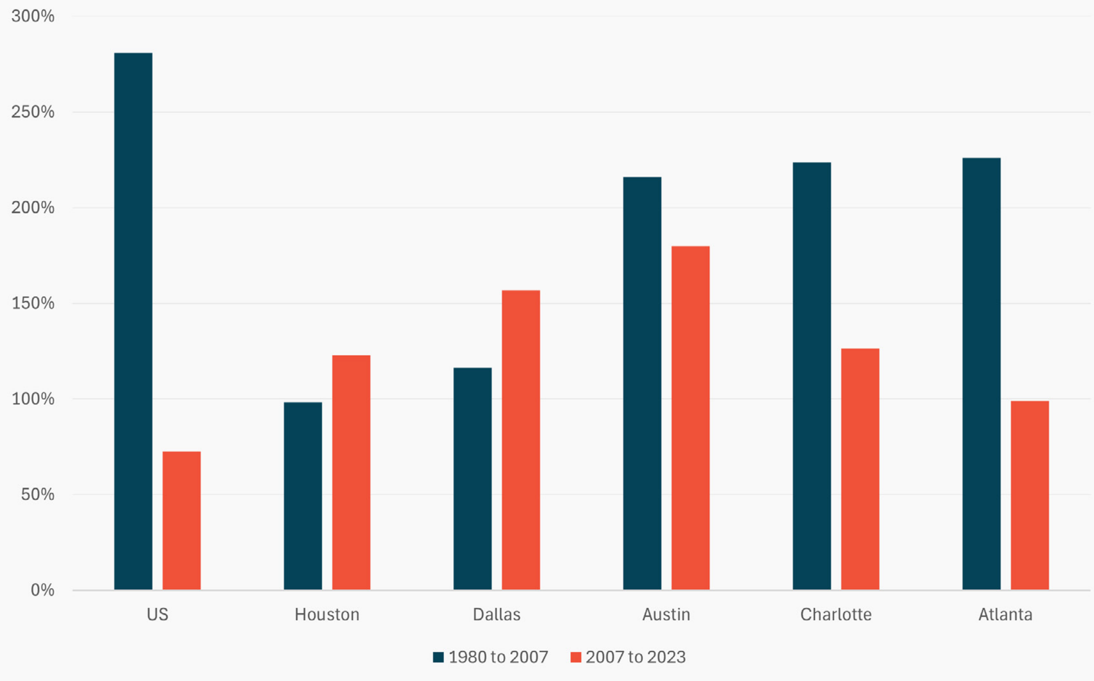
Recall that YIMBYs hold that if governments remove all the barriers to building homes, builders will unleash so much housing on the market that prices will no longer appreciate, aside from the inflation on construction costs. Because housing will be so abundant, investors will no longer be interested in buying houses. Houses and the land they sit on will have little long-term value to any investor, and demand for end-use buyers and families could be fully satisfied at affordable prices.

**But this belief that we can build so many homes so quickly that we'll reach a housing market in which homes and the land they sit on have no long-term investment value is a theoretical academic utopia — one not borne out by the data.**

If we look at the home price growth in many of the US cities and states that have flexible zoning regulations that allow builders to rapidly increase the supply of housing, just as YIMBYs advocate for, such as Houston, Dallas, Austin, Atlanta and Charlotte, we see that home prices appreciated at a slower rate than the US national average in the more than 25 years leading up to the US subprime mortgage crisis in 2007. This is in line with the YIMBY expectation.

However, since the US subprime mortgage crisis and the global financial crash, home prices in many of these so-called "elastic supply" cities have grown faster than the national average. Notably, these are also the regions where institutional investors have been most active.

CHART 14: PERCENT CHANGE IN HOUSE PRICES




Source: FRED Houes Price Index

**Institutional investors tend to buy in markets where they expect prices to rise. If Wall Street doesn't believe the academic theory that homes in these cities will see only modest price growth because they're easy to build in—why should we?**

YIMBY advocates often present a vision of how they believe the housing market should work in theory. But they pushed this idealistic narrative during Canada's recent population boom, and the outcomes didn't match the promises.
Now, they're offering the same story again—this time, downplaying the role of investors, including large institutional players, in driving up housing costs.

The evidence is increasingly clear: affordability cannot be restored through supply-side policies alone. Canada's housing crisis illustrates the risks of relying too heavily on one side of the equation for too long.

# A Paradigm Shift Hits Housing Theory

I have spent the better part of my adult life working in and studying housing markets, and during that time, I have been left with a strong sensation that the way economists and politicians talk about housing, their theories and stories, are fundamentally disconnected from and at odds with the world we experience for ourselves.

Consider what Noble Prize winning economist Robert Shiller says about real estate as an investment vehicle as recently as 2013:

> *"Housing traditionally is not viewed as a great investment. It takes maintenance, it depreciates, it goes out of style. All of those are problems. And there's technical progress in housing. So, the new ones are better....So, why was it considered an investment? That was a fad. That was an idea that took hold in the early 2000's. And I don't expect it to come back. Not with the same force. So people might just decide, 'yeah, I'll diversify my portfolio. I'll live in a rental.' That is a very sensible thing for many people to do.*
>
> *...From 1890 to 1990 the appreciation in US housing was just about zero. That amazes people, but it shouldn't be so amazing because the cost of construction and labor has been going down.*
>
> *...They're not really an investment vehicle unless you want it for your personal reasons."*
>
> *— Robert Shiller, Bloomberg 2013*

While Shiller is correct that for much of the hundred years following 1890, owning a home was not seen as a high-return investment but rather as a necessary cost of life, this view feels increasingly disconnected from today's reality. In Canada, home prices have continued to appreciate far more rapidly than our incomes, and we are seeing an increasing number of investors of all types buy houses as an investment. If, as Shiller suggests, owning homes is a terrible investment, why are Wall St and Bay St companies doing it? Are these billion-dollar companies bad at finance and economics, or are they adapting more quickly to actual market realities than academics are?

As we've seen, housing academics across North America have also been arguing for years that a lack of supply rather than any demand side issue, investors or other, is the real driver of housing unaffordability. But in reality, Texas, held up as the supply side example to follow due to its lax zoning restrictions is where institutional investors are most active, buying up 28% of all homes sold in 2021. Many of its largest cities have seen home prices appreciate faster than the national average since 2007.

This significant disconnect between what leading economists tell us about how the housing market should work and what the data shows is actually happening today brings to my mind Thomas Kuhn's seminal book, *The Structure of Scientific Revolutions*, in which he describes how traditional scientific paradigms break down over time.

Kuhn begins by describing how "normal science" operates within an accepted framework of rules, theories, and assumptions that guide scientific inquiry. This paradigm helps scientists interpret their observations and make sense of the world. Over time, however, anomalies—observations that don't fit the established model—begin to emerge. Initially, these are dismissed or overlooked, but as they accumulate, they start to challenge the validity of the existing paradigm.

According to Kuhn, such anomalies can't usually be resolved with minor adjustments. Instead, they often lead to the emergence of an entirely new paradigm—one that offers a fundamentally different way of understanding the same phenomena. Kuhn referred to these major shifts in scientific thought as "scientific revolutions."

Just like in the natural sciences, the social sciences are shaped by paradigms—frameworks that influence how we understand, analyze, and attempt to solve the issues we observe. Two of history's most influential economists, Adam Smith and David Ricardo, wrote extensively on housing and land economics. Yet, any student reading their work today would find it difficult to apply their ideas to the modern housing market. Their theories were developed in the 18th century, in a largely agrarian society where land value was tied primarily to agricultural productivity. Moreover, the ways land was owned, financed, taxed, and traded were fundamentally different from today. The paradigm that shaped their understanding of housing and land bears little resemblance to the one we operate within now.

While it would seem obvious to most that we can't compare today's housing market to the 18th century, it's less obvious to most that we cannot compare today's housing market to the one our parents grew up in after the Second World War.

Part of the reason this comparison persists is human nature: we tend to learn about the world from those who came before us—our parents, grandparents, and teachers. So when they say that buying a home was difficult and required sacrifice in their day, it's easy to believe that today's challenges are similar. Adding to this, housing economists and politicians often draw parallels to the postwar period, suggesting that the issues we face now—and the solutions—aren't all that different. At first glance, this argument seems reasonable.

**If today's housing market is fundamentally very different from the housing market of a generation ago, what has changed? As I've shown throughout this paper, it is the transition from the role of homes primarily as shelter and retirement investments to a global financial asset that has fundamentally changed the role that housing plays in our society and economy.**

Since the Global Financial Crisis, wealthy investors, both individuals and corporations, in search of higher-yielding investments during a period of low interest rates have turned to single-family homes as low-risk and high-return investments. This acceleration in homes purchased by investors, which leads to declining homeownership rates, is a trend that is happening around the world, including in Australia, New Zealand, the United States, Ireland, Spain, Belgium, the UK and the Netherlands[27].

27 (Aalbers, Hochstenbachb, Bosma & Fernandez, 2020)

**Under the old housing paradigm, home prices were constrained by household income so there was an upper limit to high home prices could increase, but we've been cut off from that anchor for some time.**

In Canada, households can only borrow roughly 4.5X their income, but home prices in our major cities are roughly 10X a household's income.

I have met countless people who have been reluctant to buy a home because they assume that with home prices so high relative to incomes, the housing market is a bubble about to burst. But again, these people are trying to apply old ideas to a housing market that is fundamentally very different — our household incomes have become severed from home prices through government actions beginning decades ago.

**The housing paradigm we live in today is different from the past. Our parents' generation did not compete with wealthy investors who were easily able to leverage their existing housing wealth to buy even more homes. Our parents' generation did not see the majority of all new homes built being purchased by investors rather than families. Our parents' generation did not have to compete for a home against billion-dollar companies using sophisticated algorithms that enabled them to cherry-pick the best homes as soon as they hit the market.**

We can see this paradigm shift when former Bank of Canada Governor Stephen Poloz describes his vision of the future of our housing market.

> *"Right now we still have a depression mentality around housing. You're supposed to have a big down payment, you're supposed to take 25 or 30 years to pay for your house and then you own it and then you retire. If the house is $1.5M as opposed to $500K those two plans don't look the same to the average worker. And that's what happens today between a place like Moncton vs Toronto, just to take an example. So what we need is investors who are prepared to allow those folks in Toronto to own a share of their home while the investor owns the rest of the home and then they can build the same*

> *amount of equity as the family down in Moncton. I think that's the sort of life plan we should be able to achieve."*
>
> *— Stephen Poloz, The Agenda*

Poloz is unhappy with the old "depression mentality" paradigm, in which families owned their own homes, paid them off over 30 years, and had a mortgage-free home for their retirement. Instead, he is striving for a world where housing in Toronto is so expensive that corporations primarily own homes, and families can only buy into owning a small fraction of their corporate landlord's house. Poloz did not mention in this interview that he is an advisor to a company trying to make his dystopian vision a reality.

When I looked into this company, Key, and its predatory practices in 2022, it worked with large corporate investors who raise capital on Bay St to buy up blocks of condos in downtown Toronto. Since landlord tenancy laws strongly favour tenants in Ontario, this company devised a creative scheme to protect their institutional landlords. Key pitches to their tenants that they could "co-own" a tiny share of a condo if they provided a larger deposit, which they called a down payment, and encouraged tenants to do their own repairs and renovate their landlords' units as "co-owners." In reality, the tenants don't own anything.

**Poloz's vision is not about increasing homeownership. It's about replacing homeownership with a model where corporations own more homes and individuals own less. It's a future where families have less autonomy, less financial security, and less control over their living conditions. And it's the path we are currently on.**

Realizing this brings us to another one of Kuhn's arguments about scientific revolutions — that they are akin to political ones:

> *"Political revolutions are inaugurated by a growing sense, often restricted to a segment of the political community, that existing institutions have ceased adequately to meet the problems posed by an environment that they have in part created. ...*
>
> *In both political and scientific development the sense of malfunction that can lead to crisis is prerequisite to revolution."*

But the political transformation of Canada's housing market has not been a revolution by or for the people. What began as a shift toward privatized Keynesianism—where homeowners were encouraged to use the equity in their homes to stimulate the economy through renovations and consumer spending—has been overtaken by a system designed to build wealth for the richest individuals and corporations. These actors are now investing in and acquiring Canada's housing stock primarily for financial gain, not for shelter.

Today, governments in Canada and the US have allowed our housing crisis to get so out of control that corporations like Google, Meta, Tesla and Disney are building housing for their employees. While housing advocates are eager to celebrate any new supply, this future where our employers have direct influence over our housing is leading us to a future where individuals have less control over their lives and future. A tension highlighted by conservative economist Friedrich Hayek:

> *"What our generation has forgotten is that the system of private property is the most important guaranty of freedom, not only for those who own property, but scarcely less for those who do not. It is only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals can decide what to do with ourselves."*
>
> *— The Road to Serfdom, Friedrich Hayek*

Friedrich Hayek warned of the dangers that arise when ownership becomes overly concentrated—particularly in the hands of the state. He believed that private property was essential to preserving individual freedom because it prevented any one entity from having total control over the means of production. But the threat we face today is not state ownership. It is something far less acknowledged, yet no less consequential: the growing consolidation of housing in the hands of corporations and investors.

**Across many advanced economies, fewer families own homes, while a growing share of residential property is being acquired by institutional investors and high-net-worth individuals. Ownership is concentrating, not through government intervention, but through the financialization of housing. And if this trend continues, we risk moving toward a system that increasingly resembles feudalism—not socialism.**

Historically, the last time we witnessed this kind of concentration of land and property was during the Middle Ages. In that era, land was controlled by a small elite of aristocrats, while the vast majority of the population lived as tenants. They had no ownership stake, no long-term security, and no real freedom. The parallels are not exact, but the underlying dynamics are disturbingly familiar.

Today's version of aristocracy is made up of wealthy individuals, asset managers, and corporate landlords—entities whose business model depends on extracting maximum value from residential property. This transformation has redefined what housing is and who it's for. Homes are no longer primarily places to live—they are financial assets, income streams, and speculative instruments. As ownership consolidates, opportunities for individual households to build equity and stability decline.

**This is not the loss of freedom through government overreach. It is the quiet erosion of freedom through market dynamics—through policies that have prioritized investment returns over housing security, and commodification over community.**

## The Solution

# Are Homes Worth Protecting for Canadian Households?

Having explained what I hold to be one of the primary causes of Canada's housing affordability crisis, a series of government policy changes to first allow Canadians to invest in homes for their long-term economic needs and security to enabling the sell off of so many of our homes to investors today, a process that is often termed "the finanalization" of housing.

Is this financialization the single cause of our housing crisis, and if we can reverse it, will Canadian homes become affordable again in the short term?

Unfortunately, the answer to both of these questions is no.

There is never a single cause behind rapidly rising home prices in any given market. As discussed throughout this paper, housing is not like other goods—homes serve a dual role as both a basic human necessity and a store of wealth in an appreciating asset. Managing a housing market is not just an economic issue, but also a deeply social and political one.

The future trajectory of home prices in a country like Canada depends on a complex interplay of factors. These include demand from both end-users and investors, interest rates, mortgage securitization, credit availability, and population growth. On the supply side, key influences include labour capacity, regulatory frameworks, zoning restrictions, building fees, and access to construction financing. Each of these elements interacts in ways that shape the housing market's direction—there is no one-size-fits-all explanation.

Once a housing market becomes unaffordable, it's difficult to unwind the forces keeping prices high—unless there's a catastrophic collapse triggered by unsustainable speculation, commonly referred to as a housing bubble burst.

But in Canada's case, while home prices are extremely high, the cause isn't simply rampant speculation. Instead, we're witnessing a broader shift in the housing market—one where prices are no longer anchored to average incomes, and demand comes not just from local buyers but from a global network of investors.

While very few housing policy changes can make homes more affordable in the short-term, we can undertake actions to try to move our housing market towards a better future. Reforms to municipal zoning policies to allow more high-density housing in existing neighbourhoods will not have an immediate impact on our housing market, but the hope is that over the long-term, it will result in more housing for Canadians. Similarly, any attempt to cool real estate investor dominance in our housing market is not about fixing our market today, but about charting a better future for Canada from here out.

If we want the next generation to be able to use their homes as longer-term investments for retirement - just like previous generations, then we will need to consider some benchmarks we consider reasonable for home ownership. Not every household will be able to afford a home, but Canada should strive towards a world where the average family, earning an average income and saving at an average rate, should be able to afford an average-sized home.

How would we achieve this goal?

By jealously protecting our stock of owner-occupied homes.

In 1987, the former head of CMHC George Anderson talked about *"jealously protecting"* Canada's affordable housing stock and argued that:

> *"Only government intervention could ensure that all Canadians, regardless of where they lived, had the same rights, privileges and living standards. And that's what my corporation is all about today: pursuit of that public policy purpose."*[28]

As we've seen, Canada has not been as interventionist in its housing market as Anderson suggests in decades. But should our government step in to do more to protect homes for the next generation?

Should homes be shielded from investor speculation through higher taxes or other regulatory measures?

28 (Anderson, 1987)

Such actions would undoubtedly be viewed as government interventions in the free market. But it's worth remembering that Canada's publicly funded healthcare system also began as a bold government intervention after the Second World War. Before then, healthcare was privately delivered, and Canadians faced a choice: continue treating health as a private good accessible by income, or redefine it as a social right guaranteed to all.

Today, Canada faces a similar crossroads—this time with housing.

My own ideological biases lead me to believe the only way to reverse our current trend is for governments to intervene and jealously protect our stock of homes for the next generation. Young Canadians deserve the same opportunities for homeownership and housing security that previous generations enjoyed. Any gains in housing value should benefit the many, not the few—flowing into the hands of Canadian households to support their long-term well-being, not simply inflating the wealth of investors.

## How Not to Protect Our Homes

When I discuss these issues with people who share my concerns about Canada's housing affordability crisis, their typical reaction is to encourage governments to ban any type of investor from buying single-family homes, but this is another example of how careful policy solutions, not easy ones need to be considered instead. Not only are such bans impossible to enforce, there are many reasons an end-user may want to be able to rent out their home.

Remember if home ownership increases our personal freedoms, then it should allow end-users to relocate for work without selling a home because they plan to return to their home city in a few years. The moment that family rents their home out, they will have become investors.

In some urban areas, a builder may be buying single-family homes over time as part of a land assembly that will one day become a larger, more dense housing development about to house more residents, thus meeting the aim of densification that many are calling for. In some instances, single-family rentals have an important place in every well-functioning housing market and it would be incumbent on our governments to carefully think through all such instances.

# How To Protect Our Homes

There are two main approaches to ensuring that more of Canada's homes are owned by households rather than investors: making it harder for investors to buy homes and making owning homes less profitable.

## Making It Harder to Buy Investment Properties

One way to make it harder for investors to buy homes is to make it more challenging to qualify for a mortgage by increasing the down payment requirement from 20% to 35% of a home's value. This small change will make it harder for investors to qualify for a mortgage, which will naturally reduce the demand for homes from investors. Furthermore, the rate of return on a rental property typically increases as the owner's leverage (debt on the property) increases. By reducing the amount of debt an investor can take on, this policy also reduces the rate of return investors can expect on their rental property investment.

Another approach some countries take is to charge an additional land transfer tax for any property that is not the buyer's primary residence. Charging an additional land transfer tax increases the amount of money investors need on closing, making it harder for them to buy and less profitable even if they do purchase the home. Cottages would typically be exempt from such a tax. Neither of these policies is intended to eliminate investors from buying homes altogether but rather to make it a bit harder for them to buy a home as an investment.

Finally, Canada's housing industry has been lobbying governments to lower taxes on new housing in an effort to stimulate construction. If federal and municipal governments choose to offer short-term tax breaks, these incentives should benefit first-time buyers—not investors. Public funds should not be subsidizing investor purchases. Instead, policy should focus on making it easier for first-time buyers to enter the market, and harder for investors to compete with them. Ideally, these tax breaks could be extended to any end user planning to live in the home. However, in practice, many real estate investors falsely claim personal use in order to access these incentives—making it nearly impossible to enforce without narrowing eligibility to first-time buyers.

## Making Homes a Less Profitable Investment

The best way to fight the investor's market dominance is to make single-family homes less lucrative. There are two ways investors profit from houses and condos. The first is from the rental income they earn each year, and the second is from the capital gains they realize when they eventually sell the property.

The United Kingdom, facing similar challenges with investors buying homes, decided in 2020 to no longer allow investors to deduct the interest they pay on their mortgage from their annual rental income. Instead, investors can claim a 20% tax credit on their mortgage interest payments.

The above policy will not end investors buying homes, but it makes owning a single-family home less lucrative. An investor who buys a home in cash would not be impacted by this policy, but buying a home in cash is a far less lucrative way to invest in single-family homes. While I used the United Kingdom's mortgage interest policy as an example, the key takeaway is that governments can do more to make the rental income from a single-family home less lucrative.

The other way investors profit from single-family homes is through the increase in the home's value over time, referred to as capital gains. Today, capital gains from real estate are taxed at a lower rate than income. The solution is to remove this preferential tax treatment and tax any capital gains from single-family homes used as investment properties at the same rate as income.

NYU professor and serial entrepreneur Scott Galloway is one prominent commentator who has argued that the preferential tax treatment on capital gains benefits older, wealthier citizens at the expense of the young:

> *“Through incentives like capital gains tax and mortgage tax deductions, we make it so owners (usually older people who own stocks and real estate) get taxed at lower levels.*
>
> *For some reason, in the US we’ve decided the money money makes should be taxed lower than the money sweat makes.*
>
> *A slew of incentives to own vs. work amount to a transfer of wealth from the young to the old, and from the poor to the rich.”*
>
> — Scott Galloway

Taxing the capital gains on investment properties at the income tax rate makes them less lucrative and gives the younger generation a better chance of eventually owning a home.

## This Isn’t Just About Housing—It’s About Canada’s Economy

The financialization of housing is not only distorting access to homeownership—it’s also undermining Canada’s long-term economic potential. Real estate remains one of the easiest and most reliable ways to accumulate wealth, diverting capital away from more productive areas of the economy.

When investment flows into housing instead of businesses, innovation, or industry, overall productivity suffers. Among 38 OECD countries, Canada ranks near the bottom in GDP per capita growth—a key indicator of national prosperity.

**In many peer countries, wealth creation is tied to invention, entrepreneurship, and value-added production. But Canada has built an economy where the best way to get rich isn’t to invent, create, or build anything—it’s to own houses and wait for prices to rise.**

If we want a more dynamic, resilient economy, we need to reorient investment toward sectors that drive innovation, improve competitiveness, and create jobs—rather than reinforcing a system that rewards passive investment in housing.

# Common Critiques

Before concluding this report, I want to address some of the most common critiques that readers may encounter in response to the policy ideas I've proposed. I include this section for the people this report is written for: the younger generation shut out of homeownership, and the parents watching their children struggle to afford a place of their own.

Politicians, economists, business leaders, and even your peers may dismiss the idea that bold change is needed. It's important to understand why many of these critiques are not serious economic arguments—but rather a defense of the status quo.

## More Taxes Are Never the Solution

As an entrepreneur, I understand the instinctive resistance to raising taxes. I share it. But what I'm proposing is not another government cash grab—it's a targeted policy designed to discourage unproductive investment in housing and redirect capital toward sectors that contribute more meaningfully to the economy.

This report has shown that as more of Canada's investment capital flows into residential real estate, it not only shuts younger buyers out of the market but also drags down the country's productivity. Higher taxes on homes used as investment properties are a way to correct these imbalances. These taxes are not about punishing success—they're about realigning incentives. Just as taxes on cigarettes or alcohol are used to discourage harmful behaviours, taxing housing speculation is a tool to address an increasingly damaging economic trend.

Redirecting capital from passive property speculation to productive business investment will help level the playing field for first-time buyers—and support broader economic growth.

## Free Markets Are the Solution

Housing is not—and never has been—a free market.

Governments have long played a central role in shaping the housing market through mortgage insurance, tax incentives, low-interest financing, and zoning regulations. The idea that housing operates within a purely free-market framework is a myth.

Worse, the people most vocal in defending "free markets" are often the first to call for government intervention when it benefits them. They want government-backed loans at below-market interest rates, generous tax write-offs, and policies that protect investor returns. Today, we are even seeing implicit bailouts through bank appraisals that preserve investor equity in overvalued condos.

This isn't a principled defense of free markets—it's a defense of policies that prioritize investor interests. But when policies shift to support Canadian households instead? Suddenly, the same people decry "government interference."

This is not a debate about free markets. It's a debate about which interests our public policies should serve: those of housing investors, or those of Canadians seeking a home.

## Government Restrictions on Housing Are Socialist

Some critics will inevitably claim that any government intervention in housing is "socialist." But that misunderstands both the term and the policy.

True socialism involves the collective ownership of private property. That's not what this report is advocating. While it does critique certain outcomes of capitalism, it does so not from a socialist perspective—but from concern over how far profit-driven thinking has come to dominate how we treat housing.

**The financialization of housing has created a market where homes are primarily treated as investment assets. When our homes become someone else's business, we've taken capitalism to an unsustainable extreme.**

In fact, the current trajectory—where housing ownership consolidates among a small number of corporate and wealthy investors—bears more resemblance to centralized control than many would like to admit. It's not state socialism, but private-sector feudalism.

**A political and economic system that excludes the next generation from homeownership, while asking them to accept it with a smile, is not functioning as it should. It's not radical to say we need to change direction—it's necessary.**

## Housing Is Just a Supply Problem

One of the most persistent narratives in the housing debate is that affordability will be solved simply by building more homes. While increasing supply is necessary, it is not sufficient—and by itself, it won't restore affordability.

There are two key points to keep in mind:

First, building more homes does not guarantee that those homes will be available to Canadian households. While supply is increasing, a growing share of new housing is being purchased by investors, not end users. Many of the voices calling for more supply are not focused on increasing homeownership for the next generation—they are focused on expanding housing in general, regardless of who ends up owning it.

Second, the flow of capital into real estate faces few barriers, while increasing supply comes with numerous constraints: labour shortages, infrastructure requirements, and environmental limits. The idea that we can build homes faster than global capital can buy them is wishful thinking.

As long as politicians and housing economists insist that "more supply" is the only solution—ignoring the financial dynamics driving demand from investors—we will continue to fall short. This is not just a supply problem. It's a financialization problem, and solving it requires more than cranes on the skyline.

## Now is The Time, But Will We See Change?

There is reason for hope. Canada is currently seeing a rise in purpose-built rental construction—driven not just by market forces alone, but by deliberate government action. Policies like removing the GST on new rental housing and offering lower-cost financing to developers show that when governments choose to act, they can reshape the housing market in the public interest.

But we are at a crossroads. For too long, we've operated under the assumption that today's housing market is simply a more expensive version of the one our parents knew. It isn't. We are living through a paradigm shift—one in which homes are no longer primarily bought by local families, but by global investors. Housing has become a financial asset unbound from local incomes, and policy has yet to catch up.

Recognizing this shift is the first and most important step toward meaningful reform. If we continue designing policy for a market that no longer exists, we will keep getting the same results: rising prices, worsening inequality, and a generation shut out of homeownership.

If we want a resilient economy—and a housing system that works for the next generation—we need to rethink what we reward. If we want housing to be affordable for the next generation, it must become a less attractive investment for this one. There are no shortcuts—only choices.

If you believe housing should be a home first, not a business, this is the moment to push for change. Because if we don't fight for it now, we may not get another chance.

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