

OPINION

To build a better housing market, stop taxing housing like cigarettes

The first thing governments need to do, collectively, is address the fact that housing is taxed at double the rate of the rest of the economy. Sin-taxing housing drives down the rate of homebuilding, just as cigarette taxes have driven down smoking rates.

Mark
Kenney

Opinion



Canadian leaders in the purpose-built rental market were pleased by the ambition of the Liberals' 2025 election platform, but with trepidation that the government is missing the forest for the trees when it comes to getting the housing we need built at prices Canadians and their treasury can afford. Today, more than 96 per cent of the housing in Canada is provided through the private sector (the forest), with the remaining about 3.5 per cent representing social and other non-profit housing (the tree).

The Liberal government has pledged \$35-billion to finance



Grand old row houses pictured along Queen Elizabeth Drive in Ottawa. Canada's new housing minister has an opportunity to challenge the provinces to get tough on housing taxes, and make lowering them a condition for federal funding of local infrastructure, writes Mark Kenney. *The Hill Times* photograph by Kate Malloy

new affordable and middle income housing projects. That's welcome, but we need an order of magnitude more capital—\$2-trillion to \$3-trillion—to build the millions of new homes required to close the housing gap. But instead, we're seeing capital move away from new construction, putting 170,000 jobs at risk at a time when Canada can least afford it.

How can we possibly achieve that? We need a full-court press to drive down the cost of new housing to make more projects viable, alongside a taxation policy that catalyzes—the prime minister's favourite word, rather than discourages, global capital to finance the housing we need.

Don't get me wrong, the type of housing that gets built matters, and there will always be a need for the government and the non-profit sector to help those in the greatest need to access housing. REITs are contributing by selling

existing affordable buildings to non-profits to lock in long-term affordability, through programs like the Canada Rental Protection Fund. But most Canadians aspire to either own their own home or rent a home on their own in the private housing market, where the vast majority of housing is created. Currently, that is unaffordable for many, especially young people, and that, as the PM has acknowledged, holds people back from opportunity, both economic and social.

The first thing governments need to do, collectively, is address the fact that housing is taxed at double the rate of the rest of the economy. Sin-taxing housing drives down the rate of homebuilding, just as cigarette taxes have driven down smoking rates.

When a new home is built, the full impact of government taxes and fees can now total a third of the overall cost, more than the

cost of land or more than 50 per cent of the hard costs of construction! Even just streamlining the way these taxes are administered could save tens of thousands of dollars, without governments losing a penny of revenue.

These added costs have hit a wall, with the cost of new construction—including fees—bumping up against Canadians' ability to pay a rent that would cover the costs. This is driving down housing starts at a time when the government and Canadians need them to double.

The government's intention to halve development charges for multi-family housing by supporting municipalities on hard infrastructure like water, sewer and electrical costs is welcome, but will mean nothing if the provinces allow municipalities to keep adding more charges for soft infrastructure that should instead be funded through general revenues.

While the minister is passionate about building the affordable housing needed by those in most acute housing need, he must also build a better housing market for the 96 per cent of Canadians who just want to find a place that they can afford and be proud to call home.

Canada's new housing minister has an opportunity to challenge the provinces to get tough on housing taxes, and make lowering them a condition for federal funding of local infrastructure.

My business, Canadian Apartment Properties REIT, alongside Canada's four other largest publicly-traded apartment REITs (Boardwalk REIT, InterRent REIT, Killam Apartment REIT and Minto Apartment REIT), which collectively comprise less than three per cent of the rental market, formed Canadian rental housing providers for affordable housing and have advocated since 2022 for policies to drive rental housing abundance and affordability.

The Canadian rental housing market of five million homes is large, diverse and highly competitive. The government should leverage this professional capacity to grow the housing supply, and reduce taxes on housing in half-in-line with the rest of the economy, or lower still, to drive more capital to provide more housing to more Canadians. Only the private market can provide the capital required for Canada to meet its housing goals. Shouldn't the government's priority be to ensure housing providers representing 96 per cent of the sector secure the capital to reach that goal?

Canada's professional housing providers can and will deliver more housing at affordable prices, but to do so we need to stop taxing homes like cigarettes, and start lowering housing costs for all Canadians.

Mark Kenney is CEO of Canadian Apartment Properties REIT (CAPREIT).

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Space: the critical link to Canada's defence, sovereignty, and economic growth

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Canada's GDP. With the global space economy projected to reach \$2-trillion over the next decade or two, Canada should aim to be among the leading contributors to that growth. According to Deloitte Canada, with enhanced investment and strategic policies, our nation's space sector could grow to \$40-billion by 2040.

To meet this moment, the government will need to be a key partner to industry and will require focused investment in innovations being developed

here at home, such as sovereign Canadian low Earth orbit satellite communications, Earth and space observation, robotics, and even launch capabilities. Experience shows that every dollar invested in space generates a multiple return in economic output, strategic capability, and highskill employment.

While Canada leads in space technology, our country's procurement mechanisms have not kept pace. The government has been unable to access breakthrough commercial space innovations due to the long

procurement cycles that make government space programs outdated by the time of deployment. Both established firms and emerging ventures need a streamlined, accelerated pathway from lab to launchpad. As outlined in a recent Novaspace whitepaper, "Canadian space companies are at a clear disadvantage in the global market, where international competitors benefit from far greater and more favourable forms of government support."

We are hopeful that the government's proposed Defence Procurement Agency, Defence

Industrial Strategy, and made-in-Canada procurement strategy will close this gap and convert Canadian ingenuity into deployable capability at the speed of relevance. We agree with the Liberal Party's recent platform, "leveraging the government's purchasing power to drive Canadian innovation, solving Canadian problems in new ways" is exactly what we need at this moment. Prime Minister Carney laid out the challenge even more bluntly: "We should no longer send three-quarters of our defence capital spending to America."

Moreover, Space Canada strongly believes that the previously announced commitment to create a National Space Council will ensure a whole-of-government approach to prioritize space-related investments in solving our biggest challenges. The time to create this internal body in order to move nimble on the opportunities space represents is now.

Looking ahead, the outlook for Canada's space sector is exceptionally bright. Canadian firms are ready to deliver advanced capabilities to the Government of Canada and to export them to the world—all while creating good-paying jobs for Canadians.

At this moment of geopolitical transition and economic uncertainty, the Canadian government must lead boldly. We cannot afford to miss this moment, and Canada's space ecosystem is ready to build, deliver, and make Canada Strong.

Brian Gallant is CEO of Space Canada.

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