

As the demand for housing increases exponentially due to the growing population, it is imperative that local governments establish sustainable measures to ensure a stable future for the Canadian housing market. The housing market has seen the highest annual rate of growth since June 2017, with an average home price increase of 80 percent.<sup>1</sup> In 2020, the Ottawa City Council declared an “affordable housing and homelessness emergency” due to rapidly rising housing prices. According to RBC Economics, housing affordability in Vancouver and Toronto “remain at crisis levels”.<sup>2</sup> While the government has attempted to intervene in this crisis, these efforts are clearly not enough and local governments must take stronger steps in increasing housing supply to meet the demand; otherwise, the consequences could be drastic.

The strength of Canada’s economy is largely dependent by the number of people working and paying taxes to fund public services. As a result, Canada is known for its huge emphasis on immigration, welcoming 0.9 percent of its population in immigrants, which is three times higher than the per capita newcomer intake in the United States.<sup>3</sup> While immigrants contribute to our economy by adding to the labour force and paying taxes, the increase in Canada’s population contributes to the demand for housing. A report released in January 2021 by the Bank of Montreal highlights the possibility of the immigration-driven increase in the Canadian population as one of the driving forces for increasing housing prices.<sup>4</sup> Due to the demand for

---

<sup>1</sup> Rozworski, Michal. “Governments Created the Housing Crisis. Here’s How They Can Fix It.” *The Tyee*. 1 Aug 2019.

<https://thetyee.ca/Analysis/2019/08/01/Gov-Created-Housing-Crisis-Now-Fix/>

<sup>2</sup> Shawn Taylor, Peter. “Want More Affordable Housing In Canada? Build More Houses.” *Goodman*. 1 Apr 2020.

<https://goodmanreport.com/market-insights/want-more-affordable-housing-in-canada-build-more-houses/>

<sup>3</sup> El-Assal, Kareem. “Canada to target over 400,000 immigrants per year.” *CIC News*. 30 Oct 2020.

<https://www.cicnews.com/2020/10/canada-to-release-2021-2023-immigration-levels-pla-1016133.html#gs.x5fn61>

<sup>4</sup> Porter, Douglas. “Unbreakable Canadian Housing?” *Bank of Montreal*. 22 Jan 2021.

<https://economics.bmo.com/en/publications/detail/9b7433d3-ae19-4687-a26f-747e309335b/>

housing resulting from robust population growth, the pace of Canadian new home building has been persistently above the pace of the United States for several years.

Another factor that has greatly contributed to the increase in housing prices involves the increasingly strict local government regulations, which include zoning constraints and land use restrictions. These constraints aim to achieve various safety-related and environmental goals, however the regulations have also resulted in a reduction of supply for housing. Land use and zoning regulations control the development of private land through use, density, design, and historic preservation requirements.<sup>5</sup> The growing number of constraints on urban land usage stems from well-intentioned efforts to promote environmentalism and public safety, but it has also resulted in major deterrents to construction and housing supply. With a reduced supply, Canadians suffer from housing affordability challenges as home developers attempt to cut their losses by increasing prices.

In order to address the housing crisis, the federal government has made multiple, yet futile attempts to create programs that challenge the affordability of housing in Canada. For example, in 2011, the federal government announced the creation of the Investment in Affordable Housing (IAH), a program in which the primary purpose is to improve the living conditions of households in need by improving access to affordable housing. The IAH is used by provinces and territories to increase the supply of affordable housing across Canada through initiatives such as new construction, renovation, homeownership assistance, rent supplements, and more.<sup>6</sup> While this program may seem impressive at first glance, several reports provide

---

<sup>5</sup> Brown Calder, Vanessa. "Zoning, Land-Use Planning, and Housing Affordability." *CATO Institute*. 18 Oct 2017.

<https://www.cato.org/policy-analysis/zoning-land-use-planning-housing-affordability#introduction>

<sup>6</sup> CMHC. "Investment in Affordable Housing (IAH)." 26 Mar 2021.

<https://www.cmhc-schl.gc.ca/en/developing-and-renovating/provincial-territorial-agreements/investment-in-affordable-housing>

evidence that these types of initiatives have done little to create more affordable housing in Canada. For example, in a publication that looked at the results of the first three years of funding under the IAH in Ontario, around 14,500 households were assisted so they no longer meet the criteria for “housing need”.<sup>7</sup> However, at the time in which this study was conducted, the most recent count of core housing needs in Ontario was around 630,000. This means that after three years, roughly 2 percent of households with core housing needs were assisted. This demonstrates how the level of funding and design of housing programs, such as the IAH, are completely insufficient and ineffective in addressing the issue of core housing needs.

Despite the fact that the federal government is currently spending an estimated \$233 million per month on social and affordable housing programs, this level of funding is inadequate to address the country’s housing needs.<sup>8</sup> When you compare this to the amount of money spent on residential housing construction during January 2021, which comes to over \$10 billion, the \$233 million in federal spending represents only 2 percent of total spending in the housing market.<sup>9</sup> This amount would suffice if the amount of Canadians requiring financial assistance with getting a home was equally as small. However, this is not the case, given that according to a study done by Harvard University, nearly half of renter households spent over 30 percent of their income on rent in 2017, which is an increase of 40 percent of households from 2001.

Additionally, households that have little income leftover after paying rent struggle with affording

---

<sup>7</sup> Pakeman, Kyle. “Canada is failing those in housing need.” *HomelessHub*. 03 Feb 2015.

<https://www.homelesshub.ca/blog/canada-failing-those-housing-need>

<sup>8</sup> Segel-Brown, Ben. “Federal Program Spending on Housing Affordability.” *Office of the Parliamentary Budget Officer*. 18 Jun 2019.

<https://www.pbo-dpb.gc.ca/en/blog/news/federal-program-spending-on-housing-affordability>

<sup>9</sup> Statistics Canada. “Investment in Building Construction.” *Government of Canada*. Updated monthly. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410017501>

other necessities, such as food, clothing, and transportation.<sup>10</sup> As a result, the need for stronger government programs that address housing affordability is clearly demonstrated.

The government is accountable for the welfare of its citizens, hence, the solution to affordable housing must come through public policy. One way in which local governments can tackle this issue is by implementing a vacancy tax. In December 2020, the Toronto City Council approved the motion to implement a tax on vacant homes beginning in 2022.<sup>11</sup> This tax will aim to increase the housing supply in the market by encouraging homeowners to sell or rent their unoccupied homes. If they choose to continue to keep the home vacant, a tax is levied. The money gained from this tax will then be invested into affordable housing projects from the government. This tax will address concerns such as speculative property investors, who intentionally keep their properties vacant as an investment to resell at a higher price as the demand for housing increases. Hence, the idea behind this tax is to reduce price by introducing supply from existing homes. According to Toronto Mayor John Tory, there are an estimated 66,000 vacant homes in Toronto.<sup>12</sup> However, this number is calculated based on census data, which refers to people that did not answer their doors on census day or on two follow-up visits over the next six months. If this vacancy tax is expected to have an impact, it is critical that more accurate measures are taken to determine whether or not a home is vacant; such as measuring Toronto Hydro and Toronto Water data and using this to measure feasibility. Otherwise, it will be

---

<sup>10</sup> Schuetz, Jenny. "How can government make housing more affordable?" *Voter Vitals*. 15 Oct 2019.

<https://www.brookings.edu/policy2020/votervital/how-can-government-make-housing-more-affordable/>

<sup>11</sup> City of Toronto Media Room. "City Council approves an implementation plan for a tax on vacant homes in Toronto." 16 Dec 2020.

<https://www.toronto.ca/news/city-council-approves-an-implementation-plan-for-a-tax-on-vacant-homes-in-toronto/>

<sup>12</sup> Gray, Jeff. "Toronto eyes vacancy tax to rein in real estate speculation." *The Globe and Mail*. 30 Mar 2017.

<https://www.theglobeandmail.com/news/toronto/toronto-mayor-tory-open-to-vacant-house-tax-on-speculators/article34491369/>

unclear whether or not the vacancy tax will be truly helpful, or a waste of time. Additionally, one very crucial aspect of implementing this tax will be defining what it means to be “vacant”. For example, if a home is used for renting for only short periods of time, such as an Airbnb vacation spot, will this be considered vacant? Furthermore, domestic students who travel abroad for the sole purpose of their studies and intend to return upon completion, should they be taxed for their temporarily vacant homes as well? There are many ways in which one can define “vacant”, hence it is crucial that the government is able to do this in such a way that is clear and does not harm its Canadian citizens.

Currently, there is a vacancy tax implemented in Vancouver, where registered owners of residential property in designated taxable regions are required to complete an annual declaration that reports their residency status and how their property has been used.<sup>13</sup> This declaration will be used to determine if their property is subject to this tax. The decision to put forth a vacancy tax in Toronto was inspired by Vancouver’s lead in this area. However, according to Thomas Davidoff, an associate professor at the University of British Columbia’s Sauder School of Business, it is too early to conclude what effect Vancouver’s vacancy tax has had on the housing market. However, he does mention that the rapidly increasing rents in the city appear to have flattened out since.<sup>14</sup> Nonetheless, the vacancy tax is but a temporary solution that does not fully address the challenge of meeting the demand for housing in Canada. If this were the case, housing affordability in Vancouver would not be at “crisis levels”.<sup>15</sup>

---

<sup>13</sup> Government of British Columbia. “How the speculation and vacancy tax works.” 26 Mar 2021.

<https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax/how-tax-works>

<sup>14</sup> Gray, Jeff. “Toronto eyes vacancy tax to rein in real estate speculation.” *The Globe and Mail*. 30 Mar 2017.

<https://www.theglobeandmail.com/news/toronto/toronto-mayor-tory-open-to-vacant-house-tax-on-speculators/article34491369/>

<sup>15</sup> Shawn Taylor, Peter. “Want More Affordable Housing In Canada? Build More Houses.” *Goodman*. 1 Apr 2020.

<https://goodmanreport.com/market-insights/want-more-affordable-housing-in-canada-build-more-houses/>

To address the housing needs of a growing population, local governments must turn to developers, landlords, and other housing suppliers. Given the Canadian economy's dependence on immigration and population growth, the only way to truly address this issue is by building more housing. Frank Clayton is a senior research fellow at the Centre for Urban Research and Land Development at Ryerson University. According to his research, there is currently an imbalance of housing supply-demand, as demand is increasing exponentially with immigration and Millennials reaching their peak home-buying ages. He argues that the demand for housing is expected to continue at a pace of more than 50,000 units per year in the GTHA.<sup>16</sup> However, only 42,000 new homes were built annually over the last five years in the region. Given the upward pressure on home prices and rents due to land use restrictions and zoning, this imbalance is only expected to continue rising. The shortage of ready-to-build-on sites is the main obstacle in the way of increasing the supply of new housing in the GTHA. As such, land-use measures that prioritize the supply of housing are desperately needed to help alleviate housing prices and rent pressures. Once this standard is set in place, other initiatives such as incentivizing development in low-density neighbourhoods and low priority employment lands will follow.

To conclude, the Canadian housing market is quickly approaching unreasonable housing prices as the population increases at alarming rates. While the government has made attempts at addressing the housing needs of the country, housing affordability will progressively worsen unless significant steps are taken to increase the supply of land to meet the demand. If careful consideration and a course of action are not taken to create a system in which housing supply is not prioritized, the housing crisis will continue to devastate families across Canada.

---

<sup>16</sup> Clayton, Frank. "Upbeat Outlook for the GTHA Economy to Continue to Stoke Home Prices and Rents." *Ryerson University*. 6 Feb 2020.  
[https://goodmanreport.com/app/uploads/2020/04/CUR\\_Upbeat\\_Outlook\\_for\\_GTA\\_Economy\\_to\\_Continue\\_to\\_Stoke\\_Home\\_Prices\\_and\\_Rents.pdf](https://goodmanreport.com/app/uploads/2020/04/CUR_Upbeat_Outlook_for_GTA_Economy_to_Continue_to_Stoke_Home_Prices_and_Rents.pdf)

## Works Cited

Brown Calder, Vanessa. "Zoning, Land-Use Planning, and Housing Affordability." *CATO Institute*. 18 Oct 2017.

<https://www.cato.org/policy-analysis/zoning-land-use-planning-housing-affordability#introduction>

City of Toronto Media Room. "City Council approves an implementation plan for a tax on vacant homes in Toronto." 16 Dec 2020.

<https://www.toronto.ca/news/city-council-approves-an-implementation-plan-for-a-tax-on-vacant-homes-in-toronto/>

Clayton, Frank. "Upbeat Outlook for the GTHA Economy to Continue to Stoke Home Prices and Rents." *Ryerson University*. 6 Feb 2020.

[https://goodmanreport.com/app/uploads/2020/04/CUR\\_Upbeat\\_Outlook\\_for\\_GTA\\_Economy\\_to\\_Continue\\_to\\_Stoke\\_Home\\_Prices\\_and\\_Rents.pdf](https://goodmanreport.com/app/uploads/2020/04/CUR_Upbeat_Outlook_for_GTA_Economy_to_Continue_to_Stoke_Home_Prices_and_Rents.pdf)

CMHC. "Investment in Affordable Housing (IAH)." 26 Mar 2021.

<https://www.cmhc-schl.gc.ca/en/developing-and-renovating/provincial-territorial-agreements/investment-in-affordable-housing>

El-Assal, Kareem. "Canada to target over 400,000 immigrants per year." *CIC News*. 30 Oct 2020.

<https://www.cicnews.com/2020/10/canada-to-release-2021-2023-immigration-levels-pla-1016133.html#gs.x5fn61>

Government of British Columbia. "How the speculation and vacancy tax works." 26 Mar 2021.

<https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax/how-tax-works>

Gray, Jeff. "Toronto eyes vacancy tax to rein in real estate speculation." *The Globe and Mail*. 30

Mar 2017.

<https://www.theglobeandmail.com/news/toronto/toronto-mayor-tory-open-to-vacant-housing-tax-on-speculators/article34491369/>

Pakeman, Kyle. “Canada is failing those in housing need.” *HomelessHub*. 03 Feb 2015.

<https://www.homelesshub.ca/blog/canada-failing-those-housing-need>

Porter, Douglas. “Unbreakable Canadian Housing?” *Bank of Montreal*. 22 Jan 2021.

<https://economics.bmo.com/en/publications/detail/9b7433d3-ae19-4687-a26f-747e309335b/>

Rozworski, Michal. “Governments Created the Housing Crisis. Here’s How They Can Fix It.”

*The Tyee*. 1 Aug 2019.

<https://thetyee.ca/Analysis/2019/08/01/Gov-Created-Housing-Crisis-Now-Fix/>

Schuetz, Jenny. “How can government make housing more affordable?” *Voter Vitals*. 15 Oct 2019.

<https://www.brookings.edu/policy2020/votervital/how-can-government-make-housing-more-affordable/>

Segel-Brown, Ben. “Federal Program Spending on Housing Affordability.” *Office of the Parliamentary Budget Officer*. 18 Jun 2019.

<https://www.pbo-dpb.gc.ca/en/blog/news/federal-program-spending-on-housing-affordability>

Shawn Taylor, Peter. “Want More Affordable Housing In Canada? Build More Houses.”

*Goodman*. 1 Apr 2020.

<https://goodmanreport.com/market-insights/want-more-affordable-housing-in-canada-build-more-houses/>

Statistics Canada. "Investment in Building Construction." *Government of Canada*. Updated monthly. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410017501>