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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





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Monday, January 24, 2022

• (1435)

[English]

**The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)):** I call this meeting to order.

Welcome to meeting number 14 of the House of Commons Standing Committee on Finance. Pursuant to the motion adopted in committee on January 12, 2022, the committee is meeting to study inflation in the current Canadian economy.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website. Just so you are aware, the webcast will always show the person speaking rather than the entirety of the committee.

Today's meeting is also taking place in a webinar format. Webinars are for public committee meetings and are available only to members, their staff and witnesses. Members enter immediately as active participants. All functionalities for active participants remain the same. Staff will be non-active participants. They can therefore view the meetings only in gallery view. I'd like to take this opportunity to remind all participants in this meeting that screenshots or taking photos of your screen will not be permitted.

Given the ongoing pandemic situation and in light of the recommendations from health authorities, as well as the directive of the Board of Internal Economy of October 19, 2021, to remain healthy and safe, all those attending the meeting in person are to maintain two-metre physical distancing and must wear a non-medical mask when they are circulating in the room. It is highly recommended that the mask be worn at all times, including when people are seated. Participants must maintain proper hand hygiene by using the provided hand sanitizer at the room entrance. As the chair, I will be enforcing these measures for the duration of the meeting. I thank members in advance for their co-operation.

To ensure an orderly meeting, I'd like to outline a few rules to follow. Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of floor, English or French. If interpretation is lost, please let me know immediately so that I can ensure that interpretation is properly restored before resuming the proceedings. The "raise hand" feature at the bottom of the screen can be used at any time if you wish to speak or to alert the chair.

For members participating in person, proceed as you usually would when the whole committee is meeting in person in the committee room. Keep in mind the Board of Internal Economy's guidelines for mask use and health protocols.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on the microphone icon to unmute yourself. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer. When you're speaking, please speak slowly and clearly. When you're not speaking, your mike should be on mute. I will remind you that all comments by members and witnesses should be addressed through the chair.

With regard to a speakers list, the committee clerk and I will do the best we can to maintain a consolidated order of speaking for all members, whether they are participating virtually or in person.

The committee agreed that during these hearings, the chair enforces the rule that the response by a witness to a question take no longer than the time taken to ask the question. That being said, I request that members and witnesses treat each other with mutual respect and decorum. If you think the witness has gone beyond the time, it is the member's prerogative to interrupt or ask the next question. To be mindful of other members' time allocation during the meeting, I also request that members not go much over their allotted question time. Though we will not interrupt during a member's allotted time, I'd like to keep you informed that our clerk has two clocks, to time our members and witnesses.

This meeting is scheduled for a longer duration. In consideration of the fact that our witnesses may not get an opportunity to leave their virtual set-up, at around the halfway duration mark I will be suspending the meeting for a five-minute health break.

I would now like to take this opportunity to welcome our witnesses. We have a number who are with us today.

From the Front d'action populaire en réaménagement urbain, we have Véronique Laflamme, organizer and spokesperson. Welcome.

From the Haider-Moranis Bulletin, we have Murtaza Haider, professor, and Stephen Moranis, real estate strategist and columnist.

From the Macdonald-Laurier Institute, we have Philip Cross, senior fellow.

From the National Right to Housing Network, we have Sahar Raza, project manager.

From Scotiabank, we have Jean-François Perrault, senior vice-president and chief economist.

Each organization will have five minutes for opening remarks before we move to members' questions. We are going to start in the order that I just ran through from our list of witnesses.

The Front d'action populaire en réaménagement urbain is first. Véronique Laflamme, you have five minutes.

[Translation]

**Ms. Véronique Laflamme (Organizer and Spokesperson, Front d'action populaire en réaménagement urbain):** Good afternoon, everyone. I will be giving my presentation in French.

Thank you for inviting me to appear before the committee.

We know that the increase in housing costs is an important component of current inflation. We are particularly concerned about the plight of renters, who are the most heavily represented among households already spending too much of their income on housing. In the last census before the pandemic, 795,000 renter households in Canada were spending more than 50% of their income on housing, far from the 30% standard. In Quebec, 195,000 renter households were in this situation.

Because the Front d'action populaire en réaménagement urbain, or FRAPRU, is a pan-Quebec grouping of 140 organizations supporting its mission to defend the right to housing, I'm going to talk about rising rents in Quebec, being well aware that tenants in other provinces are experiencing similar problems.

According to data from CMHC, Canada Mortgage and Housing Corporation reports, in 10 years, the average rent has risen by 31% in Quebec, and it has risen by 18.7% in the last five years. The increase in the average rent is therefore meteoric. The shortage of rental units obviously has an impact on rental prices, but real estate speculation, which has increased in some regions during the pandemic, is also contributing to this significant increase.

Vacancy rates are plummeting in several regions. In several smaller cities outside of the major centres, rents have been cheaper until now, but in recent months there have been significant increases in rental costs. These include Rimouski, Drummondville, St-Hyacinthe, Trois-Rivières and Sherbrooke, to name just a few. Available housing in these areas is extremely expensive.

One figure is very striking. In its latest report on the rental market, CMHC noted a 46% gap between a rented two-bedroom unit and an equivalent available unit. So available housing is 46% more expensive, leaving very few alternatives for tenant households who are forced to move, for example because of separation or because women are fleeing domestic violence, or because tenants are being driven out by often fraudulent evictions, which I will discuss again. This has particular consequences for low and moderate-income households, who are predominantly tenants.

According to Statistics Canada, the median income of these renter households, who are in core housing need, was only \$18,000 in Quebec at the last census, and \$24,775 in the rest of Canada. This is the income of renter households in core housing need. There

are 1.2 million of them in Canada. It is their plight that should be of primary concern when considering the rising cost of rent.

We must also be concerned about the impoverishment of lower middle class renters; their incomes also do not allow for home ownership, and they will increasingly be among the households that spend more than the standard 30% of their income on housing—they need alternatives.

However, first and foremost, we need to focus on those low and moderate-income households that have absolutely no room to manoeuvre and increasingly need to turn to food banks to make ends meet after paying their rent. With inflation and recent rent increases, which will certainly have worsened the situation and will add to the numbers in the next census, this is an issue that absolutely must be addressed.

Ottawa has an important role to play. The federal government has a central role to play in ensuring that there are alternatives for all of these households, which currently have none. In the past, the federal government has played a role in funding non-private-market social housing in the form of co-ops, non-profits, and low-income housing we call HLMs. The government's withdrawal from long-term funding has left a significant hole. Unfortunately, the partial return of the federal government through the national housing strategy has not produced the desired results, because this strategy relies too heavily on the private sector, and the initiatives funded by this strategy focus too heavily on affordable housing without dedicating money exclusively to social housing, as had been the case in the past.

At this time, the housing funded by several national housing strategy initiatives results in housing that is absolutely unaffordable for those households in core housing need. This also contributes to the rise in housing costs.

• (1440)

In our view, it is not by subsidizing the construction of rental housing by the private market, whose mission is to make a profit, that the federal government will help to end the current inflationary spiral. This objective would be much better achieved by introducing social and community housing projects and by allocating the money currently spent on housing affordability exclusively to non-private-market housing.

According to the latest report of the Parliamentary Budget Officer, \$3.3 billion per year is currently allocated to housing affordability. We believe that all of this money should be used to fund non-private-market initiatives and to fund social housing. Yet, at the moment, only one federal initiative is dedicated exclusively to non-private-market housing, the rapid housing initiative.

I thank you very much for your attention.

I would like to mention that we are members of the National Right to Housing Network. Finally, since I did not have time to speak about housing rights issues, I would like to say that I support what my colleague, Ms. Raza, will say later.

• (1445)

[English]

**The Chair:** Thank you, Madame Laflamme.

We will now move to the Haider-Moranis Bulletin for five minutes.

**Mr. Stephen Moranis (Real Estate Strategist and Columnist, Haider-Moranis Bulletin):** Thank you, Mr. Chairman and honourable members of the standing committee. My name is Stephen Moranis. I'm a former president of the Toronto real estate board and a former director of the Canadian Real Estate Association. I am here today with Dr. Murtaza Haider, a professor of real estate management at Ryerson University.

Together we write a weekly column for Postmedia, which is available as the Haider-Moranis Bulletin. The column appears weekly in the National Post and occasionally in newspapers across Canada, including the Ottawa Citizen. We are grateful for the opportunity to share our analysis and insights about the determinants of the rapid increase in housing prices since 2000 in Canada.

Housing prices have grown even more rapidly during the pandemic. The average housing price in Canada increased from \$164,000 in 2000 to \$502,000 in 2019. According to the data compiled by the Canadian Real Estate Association, the average housing price reached \$567,000 in 2020 and \$688,000 in 2021. While several factors have contributed to the rapid escalation of housing prices in Canada, including ultralow mortgage rates, we believe that the primary cause of the rapid house price escalation is the imbalance between demand and supply. In particular, the construction of new housing in Canada has not kept pace with the increase in the demand for housing.

The gap between the supply and demand for housing has not emerged overnight. We have traced data back to the early 1970s and found that the rate of construction, normalized by population, has declined considerably over the past five decades. To put things in perspective, in the early seventies, Canada was constructing over 10,000 new homes per million population each year. The rate of housing construction declined over the decades to nearly half—about 5,000 to 6,000 new homes built per million population in the past few years.

A temporary increase in housing starts might give a false impression that the housing supply is catching up. However, the housing deficit has accumulated over several decades, and a few thousand additional homes constructed in one year are certainly not sufficient to address the gap accumulated over decades. A recent research brief published by a major Canadian bank revealed that, if Canada were to have the same housing stock ratio relative to its population as is the average for G7 countries, Canada would require an additional 1,800,000 dwellings today. We estimated that if Canada had continued to build housing at the same rate as in the early seventies, over four million additional homes would have been built.

The predictable increase in housing demand, which is supported by a steady and predictable increase in population, requires a significant increase in the rate of housing construction to meet the housing needs of the growing population and address the housing deficit accumulated over the past few decades. Even in places, especially some large urban areas, where housing construction has strived to keep pace with the additional housing demand, the type of housing being built is essentially condominiums or small-sized dwellings that are not ideally suited to house growing families.

We would like to use this opportunity to highlight the need to accelerate the supply of new housing in Canada at rates far above the rates observed in the recent past. We recommend streamlining land development approval processes to consolidate decision-making under one roof, where all relevant stakeholders from local, provincial and national governments are represented, to reduce the approval processes that can take several years in some instances.

A national housing policy that brings together stakeholders from all tiers of government to increase the supply of housing, paired with an increase in combined-level government spending on affordable housing, financial guarantees and targeted support in regions of especially high demand, is a must to improve housing outcomes for all Canadians.

The construction of purpose-built rental housing took a nosedive in the early seventies when capital gains tax was first introduced. There is a need to reconsider the taxation regime, which might have served as a disincentive to constructing the purpose-built rental housing that is essential for the security of tenure and affordable rents of almost 30% of Canadians who live in rental housing.

• (1450)

We have submitted to the standing committee our report on the housing challenges published recently by the Macdonald-Laurier Institute. Again, we thank you for the opportunity and are available to answer any questions that you may have.

[Translation]

Thank you very much.

[English]

**The Chair:** Thank you very much, Mr. Moranis.

We'll now hear from the Macdonald-Laurier Institute. We have Mr. Cross with us.

**Mr. Philip Cross (Senior Fellow, Macdonald-Laurier Institute):** Thank you.

Most analysts discuss inflation with an air of precision and certainty. I would like to speak about the uncertainty and the unknown surrounding our understanding and measurement of inflation. I'm passing on note that I worked at Statistics Canada for 36 years, ending as its chief economic analyst.

For several reasons, we don't know what the current rate of inflation is, although it clearly is faster than before the pandemic. This is because, first, the coverage of the CPI is incomplete. For example, used cars are excluded from Canada's CPI but not the U.S. one, and shortages have raised used car prices substantially during the pandemic.

Second, more broadly, the CPI does not attempt to measure the impact of shortages, which are clearly a cost to consumers in terms of choice, convenience and price. The CPI was designed for an economy characterized by abundance and not shortages. For example, car companies will produce more expensive models due to chip shortage, but the CPI will miss this shift in production.

Third, statistical agencies measure the CPI differently. I just mentioned used cars. Housing, the largest part of the CPI, varies between countries and even within statistical agencies over time. The U.S. and Canada treat housing differently today, and both nations have changed their measure of housing prices since the 1980s. There is no wrong or right in this, but it reflects the—

**The Chair:** Mr. Cross, I apologize. Can you raise your mike a bit?

Mr. Clerk, is it better for the interpreters now? Okay.

Thank you. I apologize for the interruption.

**Mr. Philip Cross:** Thank you for the correction.

As I was saying, the U.S. and Canada treat housing differently, and both nations have changed their measure of housing prices since the 1980s. There's no right or wrong in this, but it reflects that a discretion of judgment is involved.

Fourth, the CPI itself is a limited measure of inflation. For years, the Bank for International Settlements has urged central banks to look at the price of financial assets and not just the CPI, partly because, rather mysteriously, much of the post-2008 stimulus appears mostly in the price of financial assets and not the CPI.

Statisticians don't know precisely what inflation is, nor can economists be sure where it is headed, although it seems likely to stay elevated for some time. Daniel Tarullo, former governor of the U.S. Federal Reserve board, wrote how economists don't have a working model of inflation. While inflation is clearly related to the money supply, defining the latter is difficult, and its relationship to inflation is imprecise and variable. The Phillips curve relating inflation to unemployment has been broken down for years, if not decades.

Finally, expectations have proven to usually react to and not predict inflation, although rising expectations today will help reinforce inflationary pressures as workers demand higher wages to compensate for lost purchasing power, making it harder to rein in inflation.

Kevin Warsh, also formerly with the U.S. Federal Reserve board, recently wrote in *The Wall Street Journal* that it is misleading to dismiss inflation as just “supply-chain bottlenecks”. Saying that consumer prices are higher because “prices are rising at the points of production, assembly and transportation” describes the manifestation of inflation but “not its source”, which is excessive fiscal and monetary stimulus. Monetary stimulus actually damages aggregate supply by discouraging investment.

Anyone who states they know precisely what inflation is and where it is heading is exaggerating. Unfortunately, economists routinely exaggerate or fail to acknowledge the limitations of their understanding of how the economy functions. This is especially true when it comes to price inflation.

I look forward to your questions.

Thank you.

• (1455)

**The Chair:** Thank you, Mr. Cross.

We're now moving to the National Right to Housing Network, with Ms. Raza for five minutes.

**Mrs. Sahar Raza (Project Manager, National Right to Housing Network):** Thank you.

Good afternoon, Mr. Chair and members of the finance committee.

My name is Sahar Raza. I am the project manager of the National Right to Housing Network, a network of over 350 organizations and experts from across the housing and homelessness sector, including FRAPRU, which we heard from earlier today. We are all dedicated to seeing the meaningful implementation of the right to adequate housing, which Canada has committed to in both domestic and international law.

In fact, it was this very committee that adopted key amendments to the National Housing Strategy Act in 2019 in order to recognize adequate housing as a fundamental human right, so it really is an honour to be here today to discuss how we can turn that transformational human rights commitment into practical solutions that can actually address this housing crisis.

As we know, financialization is a major driver of the housing crisis, because housing is being treated as a profit-making commodity rather than a social good and human right. While increasing supply is certainly important, particularly in rural, remote and northern areas, supply alone will not get us out of this housing crisis. We are losing affordable housing stock at a faster rate than we can possibly produce it, and that means we need to revamp ineffective housing programs and policies to better utilize our current housing supply. We need to close tax loopholes and increase investments in non-market housing, for which our stock is about half that of other OECD and comparable countries.

For starters, we know that large corporate landlords, such as real estate investment trusts, are huge drivers of financialization. They are known for buying up affordable housing stock, “renovicing” low- and middle-income tenants, and then jacking up home prices, which makes housing even more unaffordable. Yet, in a recent study by ACORN Canada, it was estimated that just over the last 10 years these real estate investment trusts have benefited from more than \$1.2 billion in tax exemptions, compared to if we were to just tax them like a normal corporation. If we look to international human rights guidelines, they actually tell us that we need to close these types of real estate loopholes and then reinvest that tax money in our national housing strategy. There's a huge opportunity here to simply use the tax money being left on the table to improve our housing supply, to repair our current homes and for programs for people in greatest housing need.

Along that vein, there's also an opportunity here to increase taxes on all private investments or investors who own multiple properties, because, as we've seen, existing homeowners and investors are seeing a major equity gain, which means that they are easily able to take that equity alongside low interest rates and buy even more investment properties or else pass that wealth on to their children, which makes it even more difficult for renters and first-time homebuyers to break into the market. We're even seeing disadvantaged groups experience that disadvantage multiplied generationally.

These are highly inequitable outcomes that violate the right to housing, but again, they can be easily addressed through regulatory and tax measures such as an incremental tax for each additional property beyond your primary residence, or through national speculation and vacancy taxes, all to disincentivize profit-hoarding in the housing market. Again, this money can be reinvested in our national housing strategy to improve supply and so on.

However, I will say now that our existing national housing strategy requires a major rights-based revamp, because its capital funds, like the rental construction financing initiative—which, by the way, holds the biggest price tag of all programs in the strategy—have extremely lenient and short-term affordability guidelines that simply do not target low-income households. Just to exemplify that, many NHS-funded projects are unaffordable for up to 90% of renters. This means that we are actually using government funds to drive the housing crisis instead of addressing the housing crisis.

This could easily be reformed if we just think of some new criteria for these capital funds. For example, we could require that a certain percentage of units be permanently affordable at rents geared to income for every new development. We can implement anti-displacement or anti-eviction regulations. We can implement rent controls. We can dedicate more funds from these capital initiatives to non-market housing.

I will end here, but these are just a few of the practical human rights-based solutions that we can implement today to ensure that every person in Canada has access to adequate and affordable housing, which I think is the goal that we all share here at this table.

Thank you for your time. I very much look forward to your questions.

• (1500)

**The Chair:** Thank you, Ms. Raza.

Now we are moving to our last witness. We have Scotiabank, with Monsieur Perrault, for up to five minutes.

**Mr. Jean-François Perrault (Senior Vice-President and Chief Economist, Scotiabank):** Let me start by thanking members of the committee for the opportunity to share my views with you. Though I am now the chief economist at Scotiabank, I spent the entirety of my career before that working in the policy world. I have deep respect for the role of public policy and the institutions of democracy in our country. With that, I hope that my perspective can be of some use to you as you consider the inflation and housing situation.

There is no doubt in my mind that inflation and housing affordability are key challenges to navigate for policy-makers. The diagnosis on housing-related challenges is a bit more straightforward to assess, given that much of the issue is made in Canada.

There's no doubt that the pandemic and the associated policy responses have contributed to the strength of the housing market. Low interest rates, generous income support programs, and the desire for households to move away from some cities or to look for larger homes in light of the pandemic have all clearly contributed to some of the strength we've seen.

That being said, the overwhelming cause of the deterioration in affordability lies in a structural imbalance between the number of residents versus the number of dwellings to house them. The very rapid pace of population growth observed since 2015 has not been matched by a commensurate increase in the supply of homes, resulting in a decline in the number of homes per capita since 2016.

Canada, as has been noted by another speaker, has the lowest number of homes per capita of any G7 country. That is an admittedly simplistic way of looking at things, but it would take nearly two million additional dwellings in Canada for us to have the same number of homes per capita as our G7 peers.

The solutions to this challenge are clearly multi-faceted and cut across all levels of government. The federal government sets immigration targets and macroprudential policy governing housing finance, but provinces and municipalities ultimately control the pace at which supply is built. In our view, we will not reverse course on affordability unless housing supply becomes much more responsive to demographic pressures.

We take much comfort from the fact that there seems to be a broad understanding of this reality in the public sector, and we're hopeful that policies will be put in place to increase the elasticity of supply. However, the hard reality is that even within the best of scenarios, it is likely to take years before there is a better alignment between the population's needs and what is available to them.

This means that upward pressure is likely to remain in the housing market, which will add to inflation pressure in Canada. There is no question that inflation is well outside the Bank of Canada's inflation control range. The question with inflation, rather, is what is likely to happen with it from here.

Our understanding of inflation has changed over the year. For a time last year, the rise in inflation was largely viewed as temporary as we thought, along with other central bankers around the world, that a major driver of the inflation surge was supply bottlenecks. Simply put, demand for goods had surged, and that was straining the global economy's ability to meet that supply because COVID impacted key producers, or because of transportation bottlenecks and a range of other factors.

Based on the accumulation of evidence since these assessments were made, it appears to be pretty clear that global production and transportation systems have responded aggressively to the strength of demand and that demand is a more powerful driver of inflation than we thought earlier. In our view, that means the inflation pressures are likely to be more persistent. This is a global phenomenon. Canadian policies likely had little influence on that broad outcome. That, of course, is of little comfort to firms and households that are managing the impact of inflation on their lives.

There is, nevertheless, a Canadian angle to inflation. The record number of job vacancies will put sustained upward pressure on wages in the year to come. This will keep inflation pressures up. The cost of new construction will continue to rise, owing to these capacity pressures in the construction sector but also because the cost of raw materials has increased dramatically owing to the global factors noted above.

Perhaps most importantly, it is very clear that Canadian firms and households believe higher inflation will last and remain uncomfortably high, given the Bank of Canada's inflation control mandate. The December survey by the Canadian Federation of Independent Business, for example, finds that small and medium-sized enterprises now believe they need to raise prices by 4.6% over the next 12 months. Recent readings of this survey are the highest, by far, in relation to history.

Inflation control is a pressing challenge that should see the Bank of Canada tighten rates substantially this year. The simple reality is that its real policy rate became more stimulative as 2021 progressed, even if its actual policy rate has remained unchanged. This is because inflation and inflation expectations rose as policy rates remained stable. Those settings need to change.

• (1505)

Thank you for allowing me these brief opening remarks. I look forward to the discussion and to your questions.

**The Chair:** Thank you, Mr. Perrault.

Thank you, witnesses, for joining us and for your opening remarks and statements.

Now we're moving to questions from members. In our first round, each party has six minutes to have their questions answered. We're starting with the Conservatives and Mr. Poilievre for six minutes.

**Hon. Pierre Poilievre (Carleton, CPC):** Thank you, Chair.

My questions will be directed to former Statistics Canada chief economic analyst Philip Cross.

Mr. Cross, when Mr. Trudeau took office, you could buy the typical house for \$434,000, according to the Canadian Real Estate Association. Now it's \$811,000. That's 85% housing inflation in just six years. Last year, home inflation hit 25%, which the Canadian Real Estate Association chief economist called "the biggest gain of all time".

Do you believe that the \$400 billion of newly created cash that the government, through the central bank, pumped into the financial and mortgage markets and the resulting negative real interest rates on variable rate mortgages had an impact on the record-smashing housing inflation Canada witnessed last year?

**Mr. Philip Cross:** I don't think there's any question that it had a contributing and large role. I think Mr. Perrault put his finger on part of the problem. In this country, the federal government operates a lot of the levers that control housing demand, notably through interest rates and immigration quotas, yet the supply of housing is controlled at the provincial and local level. We've had an enormous amount of stimulus go into housing. We've seen a big shift in consumer spending from services to goods. Obviously that has created a lot of inflationary pressures.

**Hon. Pierre Poilievre:** As Mr. Perrault said, housing inflation is homegrown. Bloomberg reports that Canada has the second-most inflated housing market in the world. Vancouver is the second-most unaffordable and Toronto the fifth-most unaffordable market on planet earth, according to Demographia. Obviously, this is bizarre, because Canada is among the countries with the most abundant supply of land on planet earth, so it's strange that we would have such difficulty housing our people or that we would be experiencing such inordinate house price inflation.

Can you blame the inflation in land prices, Mr. Cross, on supply chain bottlenecks?



**Mr. Philip Cross:** That's particularly a problem at the local level. It seems to be especially a problem in areas like Toronto and Vancouver, where land is constrained or contained to certain areas. The local governments have been reluctant to increase supply, but we've also seen demand increase sharply.

It's not just a matter of supply. We've seen demand increase sharply. This goes back to 2015, when the Bank of Canada first lowered interest rates. If you look at graphs of housing prices in Vancouver or in Toronto, they weren't doing anything exceptional before 2015. The minute we cut interest rates in 2015 and the oil boom stopped in Alberta, and immigrants coming to Canada stopped going through Toronto and Vancouver and then on to Calgary and just stayed in Toronto and Vancouver, we saw prices in those areas start to explode, and basically that's just continued ever since.

**Hon. Pierre Poilievre:** Right now you can get a variable rate mortgage for 1.6%, which is three points below inflation. In other words, we have negative real rates. We're paying people to borrow big sums at variable rates with very low down payments. Is this contributing to inflating the housing prices?

**Mr. Philip Cross:** Again, I don't think there's any question. There's been an attempt to tighten those rules, to increase down payments, to impose stress tests to see if people can afford their mortgages at higher interest rates. People have been able to find other sources of finance, particularly the bank of mom and dad, to easily circumvent these attempted regulations.

• (1510)

**Hon. Pierre Poilievre:** Right, and banking rules, mortgage insurance, monetary policy and money laundering are all federal. So is housing inflation; here and now, under this government, some people are calling it “Justinflation”.

I won't ask you to comment on that, but do you believe that the fact that we have discouraged energy development in Canada—and also meanwhile flooded the economy with extra cash—may have devalued what would otherwise have been a stronger Canadian exchange rate and therefore reduced what would have been stronger purchasing power for internationally priced goods?

**Mr. Philip Cross:** That's an interesting point. There was a lot of talk about Canada being a petrocurrency, particularly during the run-up of the dollar to parity in the 2000s. Over the last year, we've seen oil prices recover substantially, from record lows to \$85 or \$86 a barrel. Then you look at the dollar today, and it has sunk below 79¢ again. Clearly, the exchange rate has not demonstrated the linkage to commodity prices that we have seen in the past.

**Hon. Pierre Poilievre:** On that point, it used to be that the Canadian dollar to the U.S. would be about a penny to the dollar of the oil price. If oil was at a hundred bucks, you'd have parity. If oil was at ninety bucks, Canada's dollar would be at 90¢. That linkage has been broken, and we're no longer increasing the value of our dollar as oil prices go up, which means, of course, that when we buy internationally priced goods that end up on our grocery shelves or in our living rooms, we have a weaker purchasing power with which to do it.

Do you agree that this might be one of the reasons why Canada has 30-year highs in its inflation?

**The Chair:** We need a very short answer, Mr. Cross. You have 20 seconds.

**Mr. Philip Cross:** Yes, unquestionably. There's something like one third of the CPI that's imported, so there's going to be a direct impact there, particularly in highly visible areas like food and energy.

**Hon. Pierre Poilievre:** Thank you.

**The Chair:** Thank you.

That's your time, Mr. Poilievre.

We are moving to the Liberals and Mr. Baker for six minutes.

**Mr. Yvan Baker (Etobicoke Centre, Lib.):** Thanks very much, Mr. Chair.

Thank you to all our witnesses for being here today. I won't have enough time to ask questions of all of you, and I hope you'll understand, but I do appreciate all of your contributions to today's hearing.

I'd like to start with Monsieur Perrault.

First of all, Monsieur Perrault, it's good to see you. Once upon a time, I was a Scotiabanker, and it's good to see another Scotiabanker here offering his perspective in helping us to resolve these important issues. In your testimony, you spoke to some of these issues that I'm going to ask about, but I would just like to make sure they're clear, for my sake and for members of the committee.

Is the current rate of inflation experienced in Canada unique to Canada, or is this a global problem?

**Mr. Jean-François Perrault:** For the moment, a lot of it is global. You're dealing with supply chain pressures and commodity price pressures. A lot of that is coming from the strength we're seeing in the global economy. It's not exclusively that, but certainly much of it, as we see now, is global. As we go forward, we think more of that will become Canada-specific and less of it will be global.

**Mr. Yvan Baker:** Could you speak to how Canada's inflation rate right now compares to other peer countries?

**Mr. Jean-François Perrault:** For reasons that Mr. Cross indicated, it's a little bit of a mug's game, because you're comparing different things. For instance, our inflation is way lower in Canada than it is in the U.S., but that's because we don't have used car inflation in our inflation calculations. We are generally in the ballpark of a lot of these other countries, but there is a big definitional issue, which complicates things. For sure, inflation is well outside the Bank of Canada's inflation control range. There is absolutely no question about that.

**Mr. Yvan Baker:** Yes. I think that's fair. One of the reasons why we're studying this is that Canadians are facing the hardships that come with high inflation rates. There's no question that it's higher, but what I would love for you to speak specifically to is....

Let me take a step back. I have heard your testimony and the testimony from the others today about inflation, but also, I have a background as a management consultant at BCG and have spent a lot of time in business school economics classes and working with clients on such matters. From what I've read, there are a number of factors that people have cited—and you cited some of these in your testimony—that drive the current high inflation rate we're seeing today, things like supply chain bottlenecks and shortages of key materials. You spoke about labour shortages in your testimony. Others have written about gas prices and energy prices as a factor.

There's some discussion about increased consumer demand driven in part by the pandemic, because after economies reopened, we saw a bump in consumer demand, and there may be a little bit of a shift in the nature of the demand as well. I think some of the speakers today have spoken to that. Do you agree that these are the major drivers of the high rate of inflation we're seeing today?

• (1515)

**Mr. Jean-François Perrault:** Generally speaking, yes. The bottom line is that we think—and again, our assessment has changed over the year—that the majority of the strength we're seeing in inflation now—apart from weather-related effects that affected some crops and that are, of course, temporary by nature—whether in Canada, the U.S. or elsewhere, is simply the result of the fact that there is a tremendously strong appetite for goods globally right now, and firms haven't been able to produce enough of those to meet demand, so prices have been creeping up.

**Mr. Yvan Baker:** That's helpful. I appreciate that.

I'd also just like to point out that Mr. Poilievre said in his questioning that some people in Canada are calling the inflation we're seeing now “Justinflation”. To my knowledge, I haven't heard any of the folks speaking here today refer to it that way. To my knowledge, the only folks calling it that are members of the Conservative caucus. I don't hear that coming from anywhere else. I just want to point that out.

Mr. Perrault, I want to switch gears a little bit and speak to some of our economic indicators, if I could, or ask you to do that. During the pandemic, the Government of Canada took a number of measures to help people survive the pandemic, put food on the table, pay their rent, etc. The most notable examples of that were the CERB and the wage subsidy, but there were a number of other programs to support both businesses and individuals. Could you speak to what the result would have been for our economy had that not happened?

**Mr. Jean-François Perrault:** The counterfactual is always very difficult. Certainly we can say that the dramatic supports being provided to households and businesses in Canada and other parts of the world are one reason the global demand is as strong as it is now. It stands to reason that had those supports not been as generous, the economic consequences of the pandemic would have been much worse for a broad range of Canadian firms and households.

Would the recession have been more prolonged or deeper? I can conjecture and say yes, but the question, to my mind, is more whether something needed to be done. Something was done. Was the right amount or the right thing done, given our understanding of the situation now, relative to the understanding of the situation at the time? Of course, those aren't necessarily the same thing.

**Mr. Yvan Baker:** What I hear you saying is that those supports helped to protect a lot of people from significantly deeper hardship. Is that fair to say?

**Mr. Jean-François Perrault:** There's no question about that. If you look at StatsCan data on labour income, you'll see this very strange development, from a historical perspective, which was that as the pandemic hit there was a dramatic increase in the unemployment rate. The transfer from the government to households was so large, so generous, that you actually saw an increase in the labour income even though you had this jump in the number of unemployed people. Very clearly, those supports helped prevent a significant amount of hardship, no question about it.

**Mr. Yvan Baker:** Thank you very much.

**The Chair:** Thank you. That is your time, Mr. Baker.

We are moving now to the Bloc. Usually we have Monsieur Ste-Marie, but we have Monsieur Trudel with us.

Welcome.

[*Translation*]

**Mr. Denis Trudel (Longueuil—Saint-Hubert, BQ):** Thank you, Mr. Chair.

I want to thank the members of the committee; I am very pleased that the Standing Committee on Finance is addressing the terrible housing crisis. Right now, in Canada and around the world, there is a health crisis and a very serious climate crisis. In Quebec, there is a language crisis and a very serious housing crisis. A lot of numbers have been thrown around left and right. We're going to talk about it again, and that's a good thing.

My first question is for Ms. Laflamme, the FRAPRU representative. I know her quite well, since I've been talking to her for two years, as the Bloc Québécois housing critic. A lot of figures have been provided, and it is good to talk about them. Some people call my office to talk about the housing problem in Longueuil. We also have the figures for Montreal.

Longueuil is the fifth largest urban centre in Quebec. In Longueuil alone, 2,000 people are waiting for low-cost housing, known as HLMs. In Montreal, there are 23,000 people on the waiting list. At the moment, in Quebec, there are between 40,000 and 50,000 people waiting for an HLM, a low-cost housing unit. The housing crisis is very serious. I have quoted the figures, but we must not forget the people behind these figures.

Ms. Laflamme, as we know, FRAPRU is very close to various organizations located all over the territory. I would like to go beyond the numbers. Can you talk briefly about the impact of rising rents and the scarcity of rental units, particularly in recent years?

• (1520)

**Ms. Véronique Laflamme:** Certainly.

First of all, you are quite correct to say, Mr. Trudel, that behind the numbers there are human consequences. They are disastrous. Every day and every week, we hear from tenants all over Quebec who are experiencing the consequences of this housing crisis and who are unable to find housing that they can afford. Earlier, I gave some figures on the number of tenant households who, even before the recent increases, were spending more than half their income on housing.

People have to resort to food banks and cut back on basic needs such as clothing, food and clothing for children. They have to cut back on electricity consumption during severe cold weather such as we are currently experiencing. This has significant consequences and there is distress among tenant households.

It must be said that the housing crisis and rising rent prices also have extreme consequences. In Quebec, July 1 is moving day, because most leases end on that date. This allows us to see the effects of the housing crisis in concrete terms. This year, the day after July 1, more than 500 renter households in Quebec had not been able to sign a new lease. A significant proportion of these households had lost their homes, not by choice, but because they had been subjected to “renovictions” or other fraudulent evictions.

Currently, we see schemes being used to raise rents, often by new landlords, including more and more investment companies. We are now seeing multinationals, such as Akelius, which is known to have contributed to the explosion of rental costs in several European cities and is now buying up housing in Canada. Stratagems are used to get rid of tenant households that were still paying affordable rent. The law is therefore circumvented and fraudulent evictions are carried out under various pretexts, including “renovictions”. These households who had no problems are now facing problems because they cannot find housing they can afford.

As I said earlier, vacancy rates are very low. But even in Montreal, where vacancy rates increased during the pandemic because of the drop in tourism and immigration, among other things, the number of renter households that were unable to find housing was extremely high. In mid-July, there were 200 such tenant households. At the moment, not all of these households have been rehoused and some of them are being housed by the city. Let me therefore point out that the effects of the crisis are very concrete. We are talking about human distress, but also about an increase in homelessness, visible or hidden. This has very important consequences. It creates

social costs, but also financial costs that are much higher than they would be if we chose to invest in social housing.

**Mr. Denis Trudel:** That is very interesting.

The government says it's doing something, because in 2017 it launched the National Housing Strategy in which it is investing \$72 billion over 10 years. Still, there is confusion. Ministers are quick to say, in Ottawa and in the newspapers, that they are setting up programs to provide affordable housing. That is the goal of the strategy that the government has launched. But we know that when the strategy was launched in 2017, the government had stopped investing in this area 30 years ago.

FRAPRU has done a study that shows that, if the government had continued to invest as it did in the 1960s, 1970s and 1980s, 80,000 social housing units could have been built.

In addition, there is confusion between the terms “affordable” and “social”. Among other things, the government claims that it provides affordable housing through co-investment programs and the rental housing initiative.

The government spends millions of dollars and says it is providing affordable housing, housing people at a lower cost, but that is not what is actually happening.

Could you tell us about it?

• (1525)

**Ms. Véronique Laflamme:** That's an excellent question.

First I'll talk about the definitions of “affordable” and “social” housing, because that's crucial.

I would like to emphasize that, indeed, the federal government's withdrawal from funding social housing has contributed to this shortage of social housing, which is seen not only in Quebec, but throughout Canada.

In fact, the most recent report of the United Nations Committee on Economic, Social and Cultural Rights found a shortage of social housing in Canada. That contributes to this crisis, because there is no alternative for households that can no longer afford the cost of rent in the private market. If you don't pay your rent, you get evicted, and you have nowhere else to go, because the available housing is even more expensive. It's a spiral. The lack of social housing contributes to this housing crisis, which in turn fuels the homelessness crisis.

With respect to affordable housing, we have always deplored this approach, which unfortunately came from Ottawa, not only under this government, but also following its withdrawal from funding social housing. When Ottawa started talking about affordable housing in its programs, it always created confusion because, in some cases, the programs allowed for the funding of social housing, but also, in other cases, allowed for the funding of private market housing.

In theory, affordability can be assessed in terms of households' ability to pay...

**The Chair:** Thank you, Ms. Laflamme.

[*English*]

That's your time. Thank you, Monsieur Trudel.

We are now moving to the NDP and Mr. Blaikie for six minutes.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much.

I actually want to follow up on that point with Ms. Raza, in respect of the money that the federal government spends on trying to create housing. I believe she mentioned in her testimony that part of the issue right now is that, given the definition of “affordable”, it's not actually helping if the limited amount of federal money that's being spent is being spent to build units that are still out of reach for many of the Canadians who are in housing crisis.

Could you speak to that, including what you think the fix is? What would the government have to do in order to ensure that the money it's pumping into the national housing strategy is building social housing, ideally with rent secured to income, as opposed to units that meet a definition of “affordable” that is still out of reach for far too many people?

**Mrs. Sahar Raza:** Thank you, Mr. Chair and Mr. Blaikie.

Yes, that's a great point. If we dig into the affordability criteria of the capital funds in the national housing strategy—for example the RCFI, which I mentioned—only 20% of units are priced at 30% of the median family income—not individual income—and only for 10 years. That's not permanent affordability. We know that this far exceeds what is affordable for most low-income individuals, even mid-income individuals, and it's not a large percentage of units either. Just to expand on that, the national housing co-investment fund has very similar criteria.

These are the biggest, most expensive programs in the national housing strategy. If we want it to genuinely address the housing shortage in Canada, it would require more aggressive, permanent affordability guidelines, far exceeding 10 years, and it would require some funds earmarked for social housing so that this funding is not going back to real estate investment trusts and very expensive buildings that are really only affordable for about 10% of the population in some cases.

I think that answers your question.

**Mr. Daniel Blaikie:** Some of the upward cost pressure that is driven by the demand side of the problem, of course, makes it harder to meet the supply problem, because land and buildings become more expensive. I know you talked a little bit about this in some of your opening remarks, but I wonder if you could give the committee a sense of some of the things we should be recommending to government to try to cool down the market from the demand side of the equation, as opposed to simply supply.

**Mrs. Sahar Raza:** Yes, the demand side would be, I think, simply ensuring that we are implementing some speculation and vacancy taxes. I think that kind of measure would ensure that under-utilized housing is actually meeting the needs of people who are seek-

ing housing. I think that incremental taxes on investment properties are, again, a very human rights-based solution to ensure that we're actually leaving some properties on the table for first-time homebuyers. I can speak as a millennial. It is very difficult to get into this housing market, simply because I was born too late, so that kind of tax would address those issues.

We actually have a full research report—100 pages, very long—on exactly how we can address these issues through the national housing strategy, so I would really love to share that with the clerk afterwards.

• (1530)

**Mr. Daniel Blaikie:** Thank you very much.

I know that the current government has proposed a foreign buyers tax. I'm just wondering if your organization has taken a look at that and if you have an opinion on how effective that might be in terms of helping with pricing, or whether it may not actually provide that much help at all.

Could you give the committee some feedback on that?

**Mrs. Sahar Raza:** Across the board, civil society folks have agreed that this foreign investor tax is not going to be effective. First of all, when we're dealing with these corporate investors, we're dealing with global capital. It's very easy for them to establish a domestic corporation, and then suddenly that's a Canadian corporation, so the foreign investor tax will no longer apply.

I think we often use this shadowy “foreign investor” as a kind of shield to absorb widespread anger about Canada's housing market, when, as I demonstrated in my opening remarks, there are many things we can do right now to utilize the supply that we have and to just fix the programs that we already have in place, and not even spend a dime. Just by taxing people fairly and adequately, according to the human rights guidelines and obligations that we have agreed to in law, we can address a lot of these housing affordability and supply issues.

**Mr. Daniel Blaikie:** Thank you very much.

[*Translation*]

Ms. Laflamme, can you briefly tell us what your recommendations are for the federal government's affordability policies?

**Ms. Véronique Laflamme:** Yes. Thank you for the opportunity to talk about it.

We share the same view with regard to so-called affordable housing. As my colleague said, the housing isn't really affordable. It's funded by the rental construction financing initiative, for example. Sometimes, the rent can be \$2,000. These units are funded by the government, but they aren't affordable for households in core housing need.

I could provide other examples of initiatives intended primarily for the private market, since this was documented by the parliamentary budget officer.

We're proposing the following solution. Make sure to fund housing programs outside the private market and ensure that all initiatives prioritize social housing over so-called affordable housing.

Social housing can be public housing developed by municipalities, for example. In Quebec, municipal housing offices do this, but it can be done in different ways. It can also be co-operative housing or housing developed by non-profit organizations. The advantage of this type of housing is that, if the programs are properly funded, the rent for low-income tenants will be set according to their income. This ensures that the rent reflects their ability to pay. In addition, over time, the rent paid by other tenants will tend to fall behind the rates in the surrounding market. This is the opposite of the inflationary effect seen in private market construction.

We believe that this plays a key role in the solution.

Thank you for your question.

**The Chair:** Thank you, Ms. Laflamme and Mr. Blaikie.

[English]

We will now move to our second round of questions. The Conservatives are up.

Mr. McLean, you have five minutes.

**Mr. Greg McLean (Calgary Centre, CPC):** I'll start with you, Mr. Cross. Thank you for coming here today.

Mr. Cross, there are three types of inflation that we understand in economics: monetary inflation, asset price inflation and consumer price inflation. Of course, the starting point for all of these types of inflation is the monetary inflation. Would you agree that pumping half a trillion dollars into the Canadian economy in monetary inflation has led to asset inflation, principally landing in the housing market?

• (1535)

**Mr. Philip Cross:** As I mentioned at the beginning, there's no question that you can't have inflation without an expansion of the money supply. The problem is that it's not a one-to-one relationship. You can't say that if the money supply increases  $x$  per cent, you're going to get  $y$  per cent inflation, and you certainly have a lot of trouble saying you're going to get  $z$  per cent inflation in a sub-component of the economy like housing. But clearly there's a broad association there.

It's not just the monetary stimulus; it's also the fiscal stimulus, all this money that we transferred to people. It wasn't just low interest rates, and it wasn't just that we maintained incomes; we substantially increased people's incomes. That gave them the wherewithal to make down payments, to meet the criterion for buying a house.

So the two go hand in hand.

**Mr. Greg McLean:** That's correct, and if you think about it, the other financial assets have also increased significantly. Those people with financial assets, including houses, had no other place to go but to put more money into financial assets.

Specifically related to housing, when you look at the investment in housing, when the risk-free rate is 0.25% and people are racing towards what looks like an asset inflation environment, is housing the natural place for investments in Canada?

**Mr. Philip Cross:** First of all, let's go back to what I mentioned about the Bank for International Settlements. They've been warning about asset price inflation basically ever since the great financial crisis of 2008. That includes Canada. Housing prices in this country exploded when the Bank of Canada first lowered interest rates in 2015. We didn't have quantitative easing like a lot of other countries did at that time, so it's more complex than just saying we had QE and that all went into the housing market. Clearly there is an association there, but it's a lot more complex than that.

**Mr. Greg McLean:** Okay. Let's go back to asset price inflation, because some of the other economists we've heard from on this panel are talking about building an extra 1.8 million homes in Canada.

The problem with building 1.8 million more homes is that we already represent a larger percentage of our economy in residential construction in Canada, it being over 11% at this point, when historically that's about double the percentage of the economy that we should be occupying with residential construction. If you push more incentive into residential construction, are you not automatically pushing up the base price of those assets?

**Mr. Philip Cross:** Well, there's no question. Because of high immigration rates and historically low interest rates, we've done everything possible to boost demand, and we weren't conscious of whether supply could possibly adjust to meet that. The result has been this explosive increase in prices. Undoubtedly, that's—

**Mr. Greg McLean:** Let's jump into that a little more if we can, please.

We have an explosive increase in the products it takes to build a house, yet you look at timber prices and they haven't increased that much in Canada. Tell me where that disconnect is between the actual raw material increase and the actual construction material increase. Where is the value actually being escalated as far as inflation goes?

**Mr. Philip Cross:** I'm not sure I follow the question.

**Mr. Greg McLean:** We have timber that really hasn't.... It's the same thing in the food markets. You have beef costing more at the store, but cows on the hoof are not getting the same increase in price.

**Mr. Philip Cross:** Okay, I think I know where you're going with this.

Obviously, most of the value has been captured by people already owning existing homes. It's not going into the construction of new homes. It's not going into the value-added chain. It's been captured as higher prices by existing homeowners.

**Mr. Greg McLean:** So—

**The Chair:** Mr. McLean, that's five minutes. Thank you very much.

We are now moving to the Liberals and Madame Chatel for five minutes.

[*Translation*]

**Mrs. Sophie Chatel (Pontiac, Lib.):** Thank you, Mr. Chair.

I obviously want to find solutions to the housing inflation issue rather than inventing cute but useless nicknames.

Mr. Cross and Mr. Perrault, you both said that the core issue is population growth related to immigration. In some parts of the country, there's more immigration and therefore more demand for housing. This is a federal policy issue, but the policy to increase the supply of housing units in the market is a municipal issue. Recently, our Minister of Housing announced that a summit will be held next month involving the federal, provincial and municipal levels. The key is to coordinate our policies to ensure that the municipal level can create more housing.

My first questions are for Mr. Perrault.

What advice would you give us in relation to this summit? What barriers are preventing the municipal sector from creating the supply that Canadians need?

• (1540)

**Mr. Jean-François Perrault:** Good question. If there were an easy answer, we would have resolved the issue, or at least had some potential solutions in recent years.

I think that the root of the issue is largely political. As you said, the government determines how many people enter the country. However, ultimately, the cities, and particularly the city councils, have a great deal of power over where these people will be placed and what support they'll receive in the cities. We must find a way to change the incentive structure so that the interests of the council members and the people who live in the cities are more or less in line with the interests of the federal government, and therefore with national interests.

The solution may lie in the transfer of significant financial incentives to the cities. Various things can be done to try to balance the incentives. In my opinion, this is where the issue lies. Like it or not, the "not in my backyard" syndrome is a particularly powerful factor in holding back real estate development to some extent. Basically,

you end up with less housing, and both tenants and owners are paying more.

[*English*]

**Mrs. Sophie Chatel:** Mr. Cross, as you pointed out earlier, Monsieur Perrault was correct in mentioning that the core of the problem is really that federal policy and the demographic increase are not matched by the municipalities and their supply.

The government announced a summit in a month's time with the municipalities. What would be your recommendations to make sure that those policies align [*Technical difficulty—Editor*] and that we ensure that the municipalities are producing at the level of the [*Technical difficulty—Editor*]?

**Mr. Philip Cross:** I'm sorry. Your screen froze for a second.

Before I get to recommendations, I would add that the situation is even more complicated than we have portrayed it up to now, because of the pandemic. You may have noticed it was highly publicized in *La Presse* recently and some other papers that the population of our major urban centres, particularly Montreal, declined sharply during the pandemic. People are moving to Terrebonne and other areas outside of our large urban centres. An additional complication of matching supply and demand is that, geographically, demand has made yet another change over the last year. That's going to make things more complicated.

What are my recommendations? No matter what you do, it's going to take years to fix the supply response. As Mr. Moranis said, we're looking at a huge structural deficit. At current rates of building, it's going to take a decade just to put a dent in this problem, so there are not going to be any easy answers. Perhaps, rather than talking about supply, which is what most of the focus is on, maybe we should be talking about reining in demand, about slowing down immigration. What's the point of allowing immigrants into this country if there isn't a place to house them?

• (1545)

**The Chair:** Thank you. That is the time.

We are now moving to the Bloc and Monsieur Trudel for two and a half minutes.

[*Translation*]

**Mr. Denis Trudel:** Thank you, Mr. Chair.

Ms. Laflamme, thank you for your response earlier.

You and Ms. Raza made the case that the government is investing money supposedly to create affordable housing, when in fact it isn't only failing to house the most vulnerable people, it's helping to drive up current prices. It doesn't make sense.

However, two years ago, the government launched the rapid housing initiative, or RHI. This program isn't inherently bad. The initial funding was \$1 billion. An additional \$1.5 billion was invested later. A good feature of this program was that it helped develop rapid housing.

Ms. Laflamme, as you know, in social housing programs, federations and co-operatives, it can take five, seven, eight, or 12 years to build the units.

Do you think that the RHI is a good program and that it should be promoted and funded more? If not, what are the solutions for building social housing quickly in Quebec and Canada?

**Ms. Véronique Laflamme:** Thank you for your question.

The rapid housing initiative is different from the other national housing strategy programs. It's the only program whose affordability requirements are clearly based on the tenants' ability to pay rather than on current prices, which doesn't work, as we saw earlier.

In addition, this initiative is restricted to public or non-profit developers. It's the only one clearly geared towards housing that falls outside the private market and that's truly affordable. For us, it's a good initiative. It's appreciated throughout Quebec and Canada because it funds 100% of the development costs, which helps us to move forward much more quickly than when we must put together complex financial packages.

However, it's the only one-time initiative for which no 10-year funding has been announced. There was a phase 1 and a phase 2, and that's it. While this is the only initiative clearly intended for housing outside the private market and targeting the most vulnerable people, the program has no continuity, unlike the other initiatives. It would therefore be good to see this program renewed.

In addition, there's a lack of personal assistance. For example, in Quebec, the government must pay for the rent supplement to help low-income tenants, who often need support to pay the rent, even though the development costs are covered. Quebec must also pay for community support, because this program is intended for people who are homeless or in very vulnerable situations, such as senior tenants or indigenous people living in urban areas. Often, community support is also needed, and it isn't funded by Ottawa. This gap must be addressed.

As I said, this initiative is intended for people in very vulnerable situations. We've seen that the tenant households in Quebec and Canada in core housing need include modest-income households whose only issue is that they don't have enough income to pay rent. Social and community housing is needed for these people as well. Other programs require funding. This can be done, for example, through increased transfers to the provinces—

**The Chair:** Thank you, Ms. Laflamme and Mr. Trudel.

[*English*]

We're now moving to the NDP with Mr. Blaikie for two and a half minutes.

**Mr. Daniel Blaikie:** Thank you.

Mr. Perrault, I want to come back to something you mentioned in your testimony about the extent to which low interest rates, particu-

larly in an inflationary context, are encouraging certain kinds of investment in the housing market. You said that, in your opinion, if I understood you correctly, interest rates have to go up in order to defeat some of these incentives.

Do you have a sense of where you think interest rates have to get to in order to accomplish that? What do you think the impact would be for folks who currently own houses and are leveraged to the hilt in order to have acquired those houses? What would that mean for the Canadian economy?

**Mr. Jean-François Perrault:** Thanks, Mr. Blaikie, for the question.

There are a couple of points on that. We do think interest rates need to go up, but they need to go up principally to try to bring inflation back into the realm of the Bank of Canada's targets. That's the principal driver now. Of course, by raising interest rates, you are going to cool the housing market in principle. There's no question about that.

One way to think about where interest rates need to go is.... We estimate the neutral rate for the Bank of Canada at about 2.5%. Currently, those rates are 25 basis points, and at least 200 basis points or two percentage points of tightening is required, in our framework, for the Bank of Canada to no longer be stepping on the gas, if you will, and to just be in neutral and not stepping on the brakes either. You're looking at something like 200 basis points just to bring you closer to balance.

● (1550)

**Mr. Daniel Blaikie:** How confident are you in current homeowners' ability to absorb that kind of interest rate without having to sell their homes?

**Mr. Jean-François Perrault:** In principle, OSFI regulations require that when homeowners qualify for mortgages, they're qualifying at a rate of interest that is dramatically higher than what they're paying now. If, in fact, we're right and rates go up by about 200 basis points between now and, say, sometime next year or the end of this year, that is well within the qualifying rate that is used by banks and other financial organizations to figure out if households are going to be able to afford to continue paying or servicing their debt at a higher rate.

**Mr. Daniel Blaikie:** Are you confident that the real economy reflects what should be the case given the policy?

**Mr. Jean-François Perrault:** I'm not sure I get the question.

**Mr. Daniel Blaikie:** In a sense, people have that buffer. Are you satisfied that the buffer that's in the policy will act in the way that it should for most households and that interest rates could go up without causing serious stress on household finances to the point of people having to surrender their home?

**The Chair:** Could we have a very short answer, please, Mr. Perrault?

**Mr. Jean-François Perrault:** Yes.

**The Chair:** Thank you.

Thank you, Mr. Blaikie. That's time.

We're moving now to the Conservatives, with Mr. Chambers for five minutes.

**Mr. Adam Chambers (Simcoe North, CPC):** Thank you very much, Mr. Chair.

Thank you to all our witnesses for being with us today virtually.

Mr. Cross, you're currently at the Macdonald-Laurier Institute, but you mentioned that you were the chief economic analyst at Stats Canada and that you were there for a number of years.

We've seen through all parts of the business cycle a federal government that has spent through all stages and a central bank that has kept interest rates artificially low. You even referenced the kind of surprise interest rate cut in 2015, when the economy had record unemployment and things were going well. We had economic growth; we had record unemployment and we were spending money.

The government likes to point to really strong Q3 GDP growth, with a rosy outlook for next year. Do you think the economy requires additional government spending at this point?

**Mr. Philip Cross:** I don't think there's any question that we should be withdrawing both monetary and fiscal stimulus. Frankly, we should have started withdrawing it a long time ago.

It became pretty obvious fairly quickly after the pandemic began that it was not an economy-wide shock; the biggest shock was to specific industries providing face-to-face services. At that point, somewhere around May or June 2020, we should have started switching away from an economy-wide stimulus, especially monetary stimulus, and started channelling money targeted specifically at these people. We've just kept at it with the economy-wide monetary stimulus. In retrospect, it's now becoming increasingly obvious that monetary stimulus was not the way to go in this particular crisis.

**Mr. Adam Chambers:** Thank you very much.

We've also learned that stimulus typically is temporary, timely and targeted, but, at least in this circumstance, we got "timely" but missed the other two.

In your opinion, Mr. Cross, is deficit spending contributing to inflation?

**Mr. Philip Cross:** Well, it clearly has over the last year. It doesn't always, but in the last year there's no question.... The Bank of Canada has been purchasing government bonds. It has been monetizing that debt. It has been doing that to keep interest rates low and allow the government to continue to run large deficits, but

there's no question that the quantitative easing conducted by the Bank of Canada has been reflected in a substantial increase in the money supply.

By the way, there is a big difference between what we're seeing now, in the ongoing monetary stimulus and low interest rates, and after 2008, when we never saw the money supply and credit explode during that period as we have over the last year. Something is clearly different about stimulus since the pandemic began and, not surprisingly, inflation has taken off.

• (1555)

**Mr. Adam Chambers:** Thank you.

Our committee is looking in particular at inflation, but specifically also at housing. We see some of the effects of that stimulus in the housing market, with an 85% increase in housing prices since 2015. It follows an incredible amount of government spending and increase of the money supply, as you just mentioned. Bloomberg now says that we have the second-highest inflated housing market in the world.

Interest rates, government spending and money laundering, all these things are within the federal government's remit. You wrote a paper for the Macdonald-Laurier Institute about the increasing money supply and the incredible expansion of the monetary base. Is it a stretch to believe that this money ends up in the real estate market, as it does in other asset classes?

**Mr. Philip Cross:** You can't draw a one-to-one, necessarily, but there's no question that the low interest rates.... Part of that increase in the money supply was because the Bank of Canada was buying government debt. It was keeping interest rates low. Keeping interest rates low is going to feed into the housing market.

You can't trace dollar bills going from one to the other, but there's no question that the accommodative fiscal and monetary stimulus was the largest part in the sharp run-up in housing values that we've seen over the last two years.

**Mr. Adam Chambers:** Thank you very much.

I have time for one more question, Mr. Cross. Have you thought about or considered what would have happened to interest rates or the value of the dollar had the government run significant massive deficits and the Bank of Canada had not been the primary purchaser of the debt created by the federal government?



**Mr. Philip Cross:** It's an interesting question. There was a sort of period of panic there in March 2020 when the pandemic was just getting under way. We talked about how we lived in an era of low interest rates, but interest rates, for corporations especially, were starting to rise at that time. People were panicking. There was a flight from risk. We saw that even some provincial governments, notably Newfoundland, were having trouble raising money.

Clearly, there could have been.... Without the Bank of Canada's intervening in a lot of these markets, not just government markets but even corporate markets, we could have seen much higher interest rates. How long would that panic have lasted? How quickly would people have realized that this wasn't going to shut down our whole economy, that it was just going to be segments of it? That's a counterfactual that is impossible to answer.

**Mr. Adam Chambers:** Thank you, Mr. Cross.

**The Chair:** Thank you, Mr. Chambers. That's your time.

We're moving to the Liberals and Mr. MacDonald for five minutes.

**Mr. Heath MacDonald (Malpeque, Lib.):** Thank you, Chair.

Chair, it's interesting to hear this discussion, talking about housing and then bouncing back and forth to the economy. It's good to remind ourselves every once in a while that the pandemic came on within a very short time. Decisions were being made. There was a sense of urgency. There were a lot of people who required food on their tables. A lot of people were out of work. There were barriers after barriers after barriers for families out there who needed staples. I think the government had a short time to react to this, and it reacted immensely and in the right direction. As we've seen with Bill C-2, we have now scaled back the investments and started to target where those priorities are now for government.

As a reminder, in the years leading up to the pandemic, Canadian inflation was relatively stable and close to its formal target of 2%. As suggested by Trevor Tombe, a professor at the department of economics at the University of Calgary:

The pandemic was not only a public-health crisis but also the...sharpest economic contraction in Canadian history. The pace of recovery since those dark early months, however, has been nothing short of remarkable.

I want to ask Mr. Perrault if he can elaborate a bit on what sort of impact minimal action would have had on the economy, including housing, if we hadn't made those investments.

**Mr. Jean-François Perrault:** Could I just clarify that, Mr. MacDonald? Are you talking about the investments done in the context of the pandemic or things before the pandemic?

• (1600)

**Mr. Heath MacDonald:** I meant in the pandemic. Thank you.

**Mr. Jean-François Perrault:** Again, counterfactuals are always a little tricky, but it's almost certainly the case that the economic harm would have been significantly larger. Households' financial positions would have been impacted by a significant loss of income, which clearly was more than made up for by the government. It's the same on the business side, so there's no question that whatever was done helped support the Canadian economy.

Did we do the right amount? Did we do the right thing? All countries around the world tried various permutations around similar things, but it's very difficult, in my mind, to conceive of a world in which we came out of the pandemic in reasonably good economic shape and did not ascribe a significant portion of that to what was done by the federal government and provincial governments in Canada to try to keep us afloat in what was a tremendously turbulent time.

**Mr. Heath MacDonald:** Thank you.

We hear economists with various degrees of opinions relevant to the CPI. How much control does any one institution have on the distortion COVID has created? How much control does any institution, any government at any level, have over what COVID has done?

**Mr. Jean-François Perrault:** Is that question for me?

**Mr. Heath MacDonald:** Yes, it is.

**Mr. Jean-François Perrault:** Reasonably limited control.... That being said, when governments are in a position to shut down various parts of the economy, clearly that affects the pricing dynamics in that space. However, I'd like to think that much of the inflationary impulse that we are dealing with now in Canada is ultimately the reflection of policy by the Canadian government and other governments around the world to try to get us out of this. That additional firepower—there is strength in numbers—is more responsible for the inflation outlook now than any single thing any one government has done around the world.

**Mr. Heath MacDonald:** Thank you.

Mr. Chair, I'm going to move to Mr. Moranis. In his preamble, he talked about the rate of construction declining. I'm just wondering what caused the rate of construction to decline over the past number of years.

**Mr. Stephen Moranis:** Mr. MacDonald, I'm going to defer to my colleague, Professor Haider, to answer that.

**Mr. Heath MacDonald:** Certainly.

**Mr. Murtaza Haider (Professor, Ryerson University and Columnist, Haider-Moranis Bulletin):** Thank you.

If you look at the rate at which Canada was constructing homes in the 1970s, we were building about 12,000 new dwellings per million population. The rate since then has come down to about 5,000 to 6,000 new dwellings per million population. Not only that, even in absolute terms our construction numbers have been down. That's the primary reason we believe the imbalance between demand and supply is the primary cause of housing price inflation in Canada. It has not been for just five years or 10 years; it's fairly deep-rooted.

**The Chair:** Thank you.

Thank you, Mr. MacDonald. That is the time.

We just went over the halfway mark in this three-hour session. This is a good opportunity to suspend for five minutes so that witnesses can stretch their legs, take a bio break or whatever you like.

Be back in five minutes, everyone.

• (1600) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1605)

**The Chair:** Welcome back, everyone.

We're now moving into our third round. We'll start with the Conservatives.

Mr. Stewart, you're up for five minutes.

**Mr. Jake Stewart (Miramichi—Grand Lake, CPC):** Thank you, Mr. Chair.

I have a couple of questions for a few different panellists. I think the answers will be just yes or no, for the most part.

I'll start with you, Mr. Perrault. Scotiabank recently released a report that among all G7 countries, Canada came in dead last in housing supply per capita. Is that correct?

**Mr. Jean-François Perrault:** Yes.

**Mr. Jake Stewart:** Thank you.

How many homes do we need to add to our market just to catch up with the rest of the G7?

**Mr. Jean-François Perrault:** About 1.8 million.

**Mr. Jake Stewart:** Thank you.

I'm not an economist like you, but it's safe to say that when the supply is low and the demand is so high, the price of a home will be higher. Would you agree with that statement?

• (1610)

**Mr. Jean-François Perrault:** Absolutely.

**Mr. Jake Stewart:** This is just a point of clarification about a comment you made earlier in the discussion. When you began, you said that this problem was “made in Canada”, but near the end, when you were questioned by another member, it seemed that your stance changed a little bit. It seemed more that, you know, the opinion of economists changed over the last year or year and a half, which I believe you said, and I believe that to be true. I'm just wondering about the ballooning housing crisis here in Canada. It seemed like you told another one of the members here that it was a global phenomenon, but in your introduction you said that it was a made-in-Canada problem.

Could you clarify just how much of this is actually a made-in-Canada problem?

**Mr. Jean-François Perrault:** My apologies if I led anybody to confusion. On the housing thing, I think this is a uniquely made-in-Canada issue. The point about it being broader than a Canadian issue was related to inflation and some inflationary dynamics. On housing, I suppose you could argue that the decline in long-term interest rates around the world, which occurred in the pandemic, contributed to the housing situation here, but fundamentally, not building enough homes is our problem.

**Mr. Jake Stewart:** I appreciate that. Thank you.

Professor Haider, in comparison with the 1970s, how many homes are built in Canada today?

**Mr. Murtaza Haider:** I think around that time—

**The Chair:** Mr. Haider, I apologize, but could you raise your mike a little bit? Your voice is a little low and we want to be able to hear you.

Thank you.

**Mr. Murtaza Haider:** Thank you very much. I hope you can hear me correctly.

Earlier, we were building something around 300,000 homes—and not just any homes; even in Ontario, there were 40,000 residential rental units being built. Those numbers have declined over the years.

Right now we are in the range of 275,000 to 300,000 homes built every year, but given that we have a very large population base compared with the one in the 1970s, in relative terms this becomes a very slow or small supply.

**Mr. Jake Stewart:** Would you say that we're building about half as many homes as we did?

**Mr. Murtaza Haider:** Not in absolute terms, but in terms of the number of homes built per capita, yes, the rate of construction is almost half.

**Mr. Jake Stewart:** Thank you.

As well, Mr. Haider, when Justin Trudeau took power, the typical home cost \$434,500. Now it's \$811,700. With over 85% inflation in six years under the Trudeau regime, last year alone home inflation hit 25%. Is it fair to say that we have a housing supply crisis right now in Canada?

**Mr. Murtaza Haider:** We do have a housing supply crisis in Canada.

**Mr. Jake Stewart:** Thank you, Mr. Haider.

Finally, sir, how have ultralow mortgage rates impacted home sale prices in this country?

**Mr. Murtaza Haider:** With ultralow mortgage rates, the fact is that the monthly mortgage payment becomes smaller. This means that the homeowners or prospective homebuyers are able to purchase larger-value homes, because their monthly mortgage payments are low. That is the reason they move or gravitate towards higher-priced homes. That contributes a little to housing price inflation.

**Mr. Jake Stewart:** Thank you. I appreciate your answer.

Mr. Chair, how much time do I have remaining?

**The Chair:** You have about 25 seconds.

**Mr. Jake Stewart:** Housing inflation is homegrown in Canada. Bloomberg reports that Canada has the second-most inflated housing bubble in the world. The average family must spend two-thirds of their gross income in places like Toronto and Vancouver, which rank as the fifth and second on planet earth.

I'd like to say again—and thank you to Mr. Perrault for also chiming in—that this ballooning housing in Canada is homegrown and caused by the Trudeau government.

**The Chair:** Thank you, Mr. Stewart.

Now we're moving to Ms. Dzerowicz for five minutes.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Thank you so much, Mr. Chair.

I'm going to start off with a couple of statements. There was an earlier comment about why we don't just deal with the demand side and slow down immigration. I want to make three comments on that.

Immigration, as we know, is key to Canada's economic growth. It always has been. It's key because we have huge demographic challenges, with a huge number of people retiring and a very low birth rate. Especially right now, we have a huge labour shortage issue across this country. We really do need to keep the demand side up. I want to make sure I address that.

There was a comment that was made about more targeted versus widespread support during this pandemic. Starting last summer—it wasn't at Bill C-2—we started targeting the support more specifically. We did it very deliberately. We have continued to target our support as we move along.

I want to point out that even after we introduced our fall economic statement, we continued to have our AAA credit rating internationally confirmed. To me, that shows some confidence in terms of how we're going about spending and how we're proposing to continue to support our economy coming out of this pandemic.

Mr. Perrault, I'm going to address my first question to you. The narrative here is that over the last two and a half years, the actions of the Trudeau government in trying to urgently address and support the Canadian economy have led to the housing problem, the housing crisis and the housing inflation that we have today.

Would you say that the housing inflation that we have now, and maybe the housing crisis that we have right now, has been a 30- to 40-year problem in the making? It's been a number of things, whether it's tax changes, lack of coordination or efforts along all three levels of government, or the different levels of government not supporting some sort of national housing strategy. Would you say that statement is true?

• (1615)

**Mr. Jean-François Perrault:** It's fair to say that the housing challenge in the country is not new. It's been, perhaps, turbocharged the last number of years because of population growth. It is certainly not a new phenomenon and it is not unique to any level of government in the country.

**Ms. Julie Dzerowicz:** You mentioned population growth. Would you say that's over the last 10 to 20 years, or would you say it's more recent, like the last two to five years?

**Mr. Jean-François Perrault:** Since 2015, we've seen a tremendous increase in immigration, which I think is fantastic. I'm unreformed pro-immigration on that front. The challenge has been that the strength in immigration has led to very rapid population growth relative to what we've experienced in the last 20 years or so. That amplifies some of these stresses in the supply and the delivery of housing supply across the country.

**Ms. Julie Dzerowicz:** To that comment, Mr. Perrault, I believe there has been a shortage of attention given to housing, to rental housing and to more housing, at all three levels. That needs to be put on the record as well. It's not just the population growth. There were different levels of government not really focused on ensuring that we had an adequate amount of housing supply as we were growing our population. Would you say that's true?

**Mr. Jean-François Perrault:** Yes. If you go back to 2016, which is too early in the population boom, our level of housing in Canada, if you compare it internationally, was very low relative to the population. It's worse now, but it wasn't great five or six years ago.

**Ms. Julie Dzerowicz:** You mentioned that we may have to change the legislative structure because Nimbyism is definitely a problem. In your view, what are the main things that provinces and municipalities should do immediately to help overcome some of these Nimbyism problems and build some more housing?

**Mr. Jean-François Perrault:** That to me is a political question more than an economic question. I think the economics are pretty straightforward. It's in everybody's interest to make sure that we right-size housing and have proper densification and all that kind of stuff.

If there are financial constraints and considerations that are delaying that or making it more difficult in municipalities or provinces, I think those could be addressed, but I think at the heart of it is simply political challenges with how municipalities, and provinces to some extent, want to deal with the fact that populations are rising, thereby forcing some pretty difficult choices on the part of local politicians.

**The Chair:** Thank you, Ms. Dzerowicz. That is time.

We are moving to the Bloc with Monsieur Trudel for two and a half minutes.

• (1620)

[*Translation*]

**Mr. Denis Trudel:** Thank you, Mr. Chair.

Ms. Laflamme, we established that the government was investing money. However, it wasn't enough to house the most vulnerable people.

We spoke about the rapid housing initiative, or RHI. That program actually revealed the magnitude of the problem, the magnitude of the housing crisis. In the first phase of the RHI, \$1 billion in funding was available. However, the projects submitted totalled \$4 billion. The Federation of Canadian Municipalities alone was requesting \$7 billion from the program.

In my constituency of Longueuil—Saint-Hubert, the organization Le Repas du Passant provides meals every day. This organization has an extraordinary social diversity project: 30 mental health components, 30 components for homeless people and components for seniors. It's an extraordinary project. The representatives of the elected officials' table in Longueuil asked me why this project hasn't moved forward. I told them that there wasn't enough money. Today, we established that the federal government invests most of the money to build affordable housing that isn't really affordable. It only makes the rich richer. We must take care of the most vulnerable people.

Ms. Laflamme, is there a way to send the money for so-called affordable housing to the organizations on the ground? My point is that money should be sent to the organizations that know the needs. This could bring apartments out of the private market to ensure sustainability in terms of housing affordability.

**Ms. Véronique Laflamme:** That's right. This is part of the solution.

Today, we're talking about supply. In our opinion, we must be careful, because not all the supply can meet needs, especially the most urgent needs.

In Quebec, particularly in Montreal, the increase in rental housing construction is mainly driven by large real estate developers that sell very small and expensive apartments. These units are rarely suitable for large families. This hasn't resolved the issue. Some tenant households are still homeless despite the large supply of new housing.

There must be more investment in the rapid housing initiative, or RHI. More investment is needed in programs that fund housing outside the private market. The RHI showed the needs. It turns out there were too many projects given the funding available. This shows the importance of these types of programs. These programs help to quickly meet needs, by providing housing that will remain truly affordable.

In terms of social and community housing, the key is to fund housing that will remain truly affordable and that will have a structuring effect on communities. It's important not to respond to speculation, as is the case when you rely on the private market.

You asked a question about the acquisition by non-profit organizations—

**The Chair:** Thank you, Ms. Laflamme and Mr. Trudel.

[*English*]

We're well over the time, but thank you.

We're moving to the NDP with Mr. Blaikie for two and a half minutes.

**Mr. Daniel Blaikie:** Thank you.

We heard from CMHC the other day that in the decades leading up to the cancellation of the national housing policy in or around 1995 by the then Liberal government, CMHC was involved in delivering between 20,000 and 30,000 units of social housing every year. Even if you take the low number, 20,000, and multiply that by the last 25 years, that's about 500,000 units of social and affordable housing that didn't get built. That is in keeping with some estimates of the number of units we would need in order to get ourselves out of the housing crisis that we find ourselves in.

Mrs. Raza, I know that sometimes when people hear about the construction of social housing, they think, well, I'm not going to be in social housing, so that doesn't really make a difference to me, but when we look at the spectrum of housing and housing need, often serving one portion of the housing spectrum can have good effects for everyone on the housing spectrum.

Could you take my remaining time to talk about the housing spectrum and how investment in social housing can really help the overall housing market?

**Mrs. Sahar Raza:** Yes, absolutely.

You raise a good issue. As I mentioned, compared to other OECD countries, which are similar to Canada, we have far less social housing. We're at about 4% of the total housing stock, whereas the average is 7%. Countries like the United Kingdom are at 17%. There's a huge gap there that obviously a lack of investment over the past few decades has resulted in.

You're correct. For example, there's a huge rental arrears issue happening right now. A lot of low-income folks are getting evicted and have nowhere to go. If we start targeting more programs toward folks and their specific needs, we'll have less competition for these generic units that everyone seems to be competing for in the hot housing market.

To speak more to addressing people's specific needs, that's something we are not adequately doing right now through the national housing strategy. Yes, there's the opportunity to invest more in social housing, but there are also all of our other programs that claim to be addressing priority groups, for example low-income folks, indigenous people or persons with disabilities. There is no collection of disaggregated data to see if we're meeting these people's needs. There's no monitoring. Even for the rapid housing initiative, we claim that we want to invest 25% of all housing funds toward women and girls, but only five to 10 points out of 120 for the rapid housing initiative are actually given toward projects that meet the needs of women and girls. That's not 25%.

Yes, there's definitely a gap here in terms of addressing specific priority populations.

I'm sorry. Are we over the time?

• (1625)

**The Chair:** Yes.

Thank you, Mrs. Raza and Mr. Blaikie.

Now we are moving to the Conservatives and Mr. Poilievre for five minutes.

**Hon. Pierre Poilievre:** Thank you very much.

I have a question again for Mr. Philip Cross, who is Stats Canada's former chief economic analyst.

Do you think large deficit spending is contributing to inflation?

**Mr. Philip Cross:** There's no question in the current instance, especially because the Bank of Canada was monetizing that debt. Direct fiscal stimulus became monetary stimulus.

**Hon. Pierre Poilievre:** By “monetizing”, do you mean they created more cash and increased the money supply?

**Mr. Philip Cross:** Yes. They bought government bonds.

**Hon. Pierre Poilievre:** Right, and they buy those bonds in two ways. They either give the seller—the bank or the financial institution—a deposit at the central bank, or they convert it right into paper currency and literally print it. That means more dollars chasing fewer goods and raising prices.

The defenders of this money printing claim that there's nothing we can do about inflation. They say that everybody is suffering, but that is actually not true. There are many countries that are not experiencing inflation. I point, for example, to Switzerland. Switzerland is smack dab in the middle of Europe. It has the same supply chains, the same pandemic and the same geography, and yet I have the data here for Switzerland's inflation: it's 1.5%. Europe has inflation of 5%, which is three times higher.

Why is it that Switzerland has a third of the inflation of the surrounding countries? Do you think, Mr. Cross, that it could have anything to do with the fact that Switzerland's budget deficit is only one-third of the average eurozone budget deficit as a share of GDP?

**Mr. Philip Cross:** It's certainly a contributing factor. Another is.... I started the day today watching Bloomberg, as I always do, and they were talking about the sharp rise of the Swiss franc recently, compared to Europe. That obviously has helped keep prices down in Switzerland as well.

**Hon. Pierre Poilievre:** When you have a more powerful currency, you can outbid foreign countries in internationally priced commodities like energy, foodstuff, fertilizer and other things. Even things that are priced internationally are, again, repriced based on the power of one's currency. If you're printing lots of cash, your currency is less valuable than it would be.

I also note that supply chain-dependent countries—like the island of Singapore, Italy, South Korea, Australia, France, Indonesia, China, Switzerland, Saudi Arabia and Japan—all have lower inflation than Canada. Most of them have run smaller deficits and have printed less money as a share of their economy.

Finally, in the early fall, there proved to be a nearly one-for-one correlation between money supply growth in the G20 and inflation among G20 countries. Those that were printing more money to

fund their deficits had higher inflation; those that were printing less money, because they had small deficits, had much less inflation.

Isn't it basic economics, Mr. Cross, that if your money supply is outgrowing your economy, you're going to have higher prices?

• (1630)

**Mr. Philip Cross:** Broadly speaking, yes. The problem is, though, that when we tried to apply strict monetarism—this idea of Milton Friedman's that we can replace the central banks by a computer and we'll just increase the money supply by 5%—it didn't work. It ended up with tears in the early eighties when we tried it.

The precise relationship isn't there, but there's certainly a broad association.

**Hon. Pierre Poilievre:** Speaking of Switzerland, which has incredibly low inflation—and by the way, a lot of people think that tight monetary policy runs against the job creation goal—Switzerland has an unemployment rate of 2.6%, a third of the rate of the broader eurozone. By keeping inflation down, they're actually creating more job opportunities for their people.

Switzerland has a lower inflation target than Canada. They target 1% instead of 2%. It's interesting that a country that has done that actually has avoided the worst of the 2008 financial crisis and has had pretty much the best economic results throughout the COVID crisis, certainly among its neighbours.

What do you think about a more strict and lower inflation target?

**Mr. Philip Cross:** Probably in the current situation it's an uncertainty. It's a newness that people don't need to deal with; I think that just getting back to 2%....

The other problem, though—and I would generally go back to my opening statement—is that I'm not at all convinced that.... In fact, I'm sure that the inflation rate in Canada is much higher than 4.8%. If you just added in used car inflation, you'd be approaching 6%, but if you started taking account of shortages, you'd be way north of that.

How are shortages in Canada compared to Europe and Switzerland? I don't know. I think they're probably comparable to the United States. I'd just caution against using the printed inflation rate from statistical agencies.

**The Chair:** Thank you, Mr. Cross.

Thank you, Mr. Poilievre.

**Hon. Pierre Poilievre:** Agreed. Thank you very much.

**The Chair:** We are moving to the Liberals and Mr. Baker for five minutes.

**Mr. Yvan Baker:** Thanks very much.

I wanted to come back to something that Mr. Poilievre was talking about. I think it's okay to have different points of view after we've interpreted the facts, but facts are facts. Mr. Poilievre was speaking about Singapore. I will read from Trading Economics here:

Singapore's annual inflation rate rose to 4.0% in December 2021 from 3.8% in November and above market consensus of 3.75%, pointing to the highest figure since February 2013. Main upward pressure largely came from cost of food...housing...accommodation...healthcare....

It goes on, so Mr. Poilievre's assertion that Singapore has somehow mastered and avoided inflationary pressures is obviously incorrect.

From BNN Bloomberg, about Switzerland, which Mr. Poilievre was also speaking about, there's the following:

Surging property prices mean Switzerland's residential property market is close to a bubble, according to a UBS Group AG gauge.

The UBS Swiss Real Estate Bubble Index rose to 1.90 points in the second quarter. The cost of residential housing shot up by the most in eight years during the period, the bank said. Mortgage growth also accelerated.

I just wanted to make sure that we're operating in fact here as we're making assertions about what's happening around the world and how it compares to what's happening here in Canada.

Mr. Moranis, I'd like to come back to you, if I could. I listened with interest to your opening statement. During that statement, you said that the primary cause of the increase in housing prices in Canada is the lack of supply. Did I understand that correctly?

**Mr. Stephen Moranis:** Definitely we responded that one of the major contributing factors is lack of supply.

I would also like to add that the trading system of how Canadians buy and sell properties is completely contributing to inflationary prices. Last year, on the multiple listings services, which are run by, in essence, private clubs, provincially and/or locally, they are against.... The Prime Minister came out with a good point and said that he wanted to—and it may be extreme—criminalize blind bidding with multiple offers. Trading is legislated provincially, but just in Toronto this last week there was one property that had 65 offers. Over 70% of all properties are selling over asking price. You would not offer over asking price unless there were two or more bids on that particular property.

The industry and the multiple listings systems, and in fact the provincial associations, are against open bidding for multiple offers, which is in the consumer's best interest. Why should someone pay \$50,000 or \$100,000 more than the second-best offer on a property? It makes no sense.

Whether the industry is made into a Crown corporation or MLS is run by the regulator provincially.... The system is totally broken. It's contributing to inflationary price bidding on individual resale properties, which represent about 70% to 80% of all Canadian-owned residential properties that are sold annually.

• (1635)

**Mr. Yvan Baker:** Okay. I appreciate that.

I think I have only about a minute left. A number of you have spoken about the fact that to address the increase in housing prices, multiple levels of government need to be working together. If you

had to make a list of the things that need to be done at all three levels, what would be on that list?

**Mr. Stephen Moranis:** Well, there are definitely all three levels. There's supply. There's demand. There's trading. Real estate trading is governed by the province. Supply is determined by both the provinces and the municipalities. The federal government has the overview and purview....

I just want to say that history repeats itself. You guys may all be too young to know this, but there was the Wartime Housing Limited corporation, which was the precursor of CMHC. During the war, it built all these houses.

I mean, for goodness' sake, we have one of the biggest countries by land size. The federal government is sitting on tens of millions of hectares of land. Put that land out into the system and figure out what the program is. You could build a million houses a year and create all these new communities that make sense to improve social housing, affordable housing, that was created around World War II.

**Mr. Yvan Baker:** I really appreciate this. Thank you very much.

**The Chair:** Thank you, Mr. Baker. That is time.

We are moving into our fourth round. We have the Conservatives up for five minutes.

Mr. McLean, you have the floor.

**Mr. Greg McLean:** Thank you, Mr. Chair.

I will note in particular that in Canada—and I think we've heard this clearly from all of the witnesses here today—housing inflation is homegrown. Bloomberg reports that Canada has the second-most inflated housing bubble in the world. The average family must spend two-thirds of their gross income on monthly payments for the average home in Toronto or Vancouver, which, according to Demographia's calculations, are, respectively, the world's fifth and second most unaffordable housing markets.

I look at the papers we're getting. I have a deficit here as far as the actual numbers go. We're looking at the data here, which actually says we need 1.8 million more households in Canada.

Mr. Perrault, I'm going to ask you this question. I was at a housing conference you hosted some time ago, when you noted that 72% of Canadians own their homes. That was a very good thing, but then you jumped to the conclusion that we need more rental housing in Canada.

Well, let me give you a reality perspective on downtown Calgary, where we do have greater than 10% vacancy in our rental housing. We also have more towers going up, being funded by more money coming from we don't know where. This is part of what's building here. We do not have a shortage of housing; we have a shortage of certain kinds of housing, those being single-family homes.

If the solution is to build more houses and we're jamming a whole bunch of new construction costs and limited labour into building a product that is going to have to jump through a bunch of hoops here, including governmental hoops, are we not going to be contributing, in that case, to even more housing inflation?

• (1640)

**Mr. Jean-François Perrault:** It's a double-edged sword. We're caught between a rock and a hard place here. The simple reality, as you point out, is that there is at present.... Even if we could get municipalities and provinces, everybody, lined up and we said, "Build whatever you want and wherever you want", the reality is that, even in that world, there's a shortage of workers and a shortage of materials. If, in that system, you throw in "Let's build 500,000 more homes a year", currently doing that is inflationary. Sure, it would help over the long run.

The only way to restore some level of affordability, at the end of the day, is to have the right number of homes for the number of Canadians who are out there, and the right kinds of homes: rental or owned, it doesn't really matter. To get to that place—many years from now, probably—you're going to have an interim of stretched supply chains and a stretched construction industry that is going to create more problems.

**Mr. Greg McLean:** Let's look at the actual data that I have in front of me right now. The year-over-year change in the MLS home price index diverged between single-family homes and condos. Condos started to go down, in terms of the year-over-year increase, at the beginning of the pandemic. Single-family homes of course skyrocketed. We have a creation here of the wrong product on the market at the wrong time.

Does it mean we're short of housing units in Canada, when I have a 10% vacancy in condos in downtown Calgary?

**Mr. Jean-François Perrault:** We are. There's no way.... It is true that in certain markets supply and demand conditions are better met. That's true in Quebec, for instance. Quebec doesn't have nearly the same problem as some other provinces do on the housing side.

As a nation, there is clearly a deficit of supply relative to demand.

**Mr. Greg McLean:** To go back to that Vancouver and Toronto issue, where a single-family home costs more than \$1 million—\$1.1 million—you think that's really where the problem is focused in Canada. Are we looking at potentially the fact that every one of these sales that have happened during the pandemic...? Thirty per cent of these are actually second homes for families, so they're investing in these properties, as opposed to buying them to live in.

**Mr. Jean-François Perrault:** Presumably they're investing to rent. At the conference you're talking about.... One of the implications of decreasing affordability is that increasingly folks are going to have to rent as a living arrangement. If you can't afford to buy and you can afford to rent, you're going to rent.

In that world, unless you fix affordability, there will need to be de facto more investors in the marketplace, more people owning a number of units for them to be rented out.

**Mr. Greg McLean:** Exactly. If you drive up the cost of the affordability of a home, as the monetary and fiscal policies of the government over the last handful of years have done, you've effectively created a problem on your own.

This isn't something where you didn't see the lever ahead of time: "Let's spend a whole bunch of money and we won't create inflation." I think most economists would say that the insertion of half a trillion dollars into the Canadian economy—a \$2-trillion economy—is, by definition, going to create inflation. Would you agree?

**The Chair:** Give a short answer, please.

**Mr. Jean-François Perrault:** That was by design, though. When you stimulate, you're doing that to try to raise economic activity and raise inflation.

**Mr. Greg McLean:** Thank you.

**The Chair:** Thank you.

We are moving to the Liberals and Ms. Chatel for five minutes.

[*Translation*]

**Mrs. Sophie Chatel:** Thank you, Mr. Chair.

[*English*]

I have just a quick follow-up on Mr. McLean. I would like to hear Mrs. Raza's opinion on whether she believes the only shortage right now in housing is for single-family homes.

**Mrs. Sahar Raza:** Thank you for raising that.

As we have discussed, I think for social housing there's definitely a shortage. We are seeing shortages in single-family homes as well. I will say that the point made about how condos are being overdeveloped in place of single-family homes, that is a trend we're seeing. A lot of our community partners have mentioned that, for example, you'll see a family of new immigrants shoved into a one-bedroom condo—seven people living in one bedroom. You see that with folks who are renting and have to put over 30% of their income towards their rent and they're still sleeping in one-bedroom apartments.

I do think that the type of supply is a major issue that we're seeing. Again, that's why we tend to go to human rights guidelines. It sounds very airy-fairy, but it's all about looking at people's needs and then building housing according to those needs and creating guidelines and criteria for housing that address those needs directly.

• (1645)

[*Translation*]

**Mrs. Sophie Chatel:** Thank you.

I would like to turn to Ms. Laflamme, who could tell us whether the plan to manage supply and demand and ensure housing equity is on track.

We recently announced \$4 billion to remove procurement barriers at the municipal level in order to build more housing faster. It's called the housing accelerator fund. I gather from listening to Mr. Perrault that it's important to help municipalities build more housing.

We also announced \$2.7 billion to help affordable housing developers acquire land and buildings, in part to expand the co-operative model.

We also implemented a first-time homebuyer incentive. We announced that we would provide a break. Ms. Laflamme or Ms. Raza said that it was difficult for young people to purchase a home.

There's also a rent-to-own program. Obviously, measures are in place to prevent speculation. We're talking about an anti-flipping tax on residential properties, requiring properties to be held for at least 12 months in order to reduce speculative demand in the market.

Can these measures help address the issues that you raised?

My question is for Ms. Laflamme and Ms. Raza.

**Ms. Véronique Laflamme:** Thank you for the question, which is relevant and key to our current discussions on rising housing costs and assistance for tenants in core housing need. They're, in theory, the primary focus of the national housing strategy and the new announcements regarding home ownership assistance measures. These are two different issues that affect each other.

We must look at the big picture to ensure that more urgent needs aren't overlooked. We have the impression that the announcements made since the election campaign focus only on home ownership and that the many households in core housing need, according to Statistics Canada, are being forgotten. As I said earlier, this amounts to 1.2 million households across Canada. This figure goes back to before the pandemic. The new programs don't help these people. Across Canada, these people have incomes under \$25,000 and therefore can't afford to own a home.

That said, we must also keep in mind that, when we encourage home ownership, it isn't always easy. It can sometimes have a domino effect. For example, when people buy a duplex and reclaim possession of the unit, they drive out tenants. This causes issues for those tenants, who didn't have any before.

**Mrs. Sophie Chatel:** There are also issues with rental housing.

**Ms. Véronique Laflamme:** Exactly.

[English]

**Mrs. Sophie Chatel:** Madame Raza, did you raise this issue about new buyers, first-time buyers, having difficulty in buying houses? Do you think this new measure to help them will help?

**Mrs. Sahar Raza:** I'm honestly not particularly familiar with this measure. I could get back to you. I will say that what we have heard from our partners over and over again is that it won't be just one program that will solve this issue: It's the financialization of housing, the way our system operates. We're not regulating the ability for folks to still drive the market with profit-driven interest.

Even if a few folks are benefiting from these programs en masse, almost 50% of a whole generation of generation Zs and millennials—I've looked at surveys—have given up on the dream of home ownership. This program is not going to address this crisis, which is also upcoming, so I think there's a lot more to be done to meet people's needs.

• (1650)

**Mrs. Sophie Chatel:** As you said, it's a multi-angled issue—

**The Chair:** Thank you, Madame Chatel.

**Mrs. Sophie Chatel:** Thank you, Mr. Chair.

**The Chair:** Thank you. That's the time.

We are moving to the Bloc.

Monsieur Trudel, you have two and a half minutes.

[Translation]

**Mr. Denis Trudel:** Thank you, Mr. Chair.

I would like to respond to Ms. Chatel. She was talking about the first-time home buyers incentive. I don't know whether she is aware, but that government program has been a disaster.

The program was funded with millions of dollars, but the criteria were much too strict. Actually, I believe that they have been changed. But the program has not been used. There were millions of dollars in the fund—I don't know the exact amount. After three years of the 10 years considered, only 10% or 12% of all the money has been used. The criteria are too restrictive. They must be reviewed, because it's not working at all.

As Ms. Laflamme mentioned, this is not the main problem we have at the moment. I would actually like us to go back to Ms. Laflamme, because we did not have enough time. I always say that, in Parliament, we do not have enough time to discuss the most important matters.

We are now starting to talk about acquisition funds. Two and a half years ago, it would have been crazy to think that we would be putting \$400 billion into the system to deal with a health crisis. Everyone would have said that it made no sense and that we would never get it done. But we did get it done because there was a major crisis.

The major crisis at the moment is in housing. We do not have enough housing for the most vulnerable. That's the problem we are facing. We in the Bloc Québécois propose taking the amounts earmarked for affordable housing and for making owners rich, and putting it back into the system, for those building the houses that meet the needs of the people.

Could Ms. Laflamme talk to us about that?

**Ms. Véronique Laflamme:** Some municipalities are making that request. If I am not mistaken, the Federation of Canadian Municipalities is also making that request. They are asking for an acquisition fund to buy buildings and housing units on the private market that are still affordable. This is to protect them from speculation and to take them out of the market so that they can be used to set up not-for-profit organizations, cooperatives, or public housing.



Ms. Chatel mentioned that fund, but, to my knowledge, it has not yet been announced. It would certainly meet some important needs, but we need to make sure that the fund is used for housing units on the private market. That would also help to fight against the financialization of housing, to stop major investment funds from gaining access to housing. Getting out of the mindset of speculation would allow us to put the right to housing at the centre of everything we do. However, if we want that to be done quickly, there has to be major investment. This is already being done in Quebec. Small municipalities, even Montreal, have started to do it. But, without major financing from higher levels of government, the leverage effect can not be as big.

If that had been done earlier, hundreds of housing units could have been protected and we could have avoided the erosion of private rental housing that is still available for the average tenant.

That is another possible solution. We actually are asking for all the money intended for affordable housing to be redirected to housing outside the private market.

**The Chair:** Thank you, Ms. Laflamme.

**Mr. Denis Trudel:** I think my time is up.

**The Chair:** Thank you, Mr. Trudel.

[English]

We are moving to the NDP and Mr. Blaikie for two and a half minutes.

**Mr. Daniel Blaikie:** Thank you very much.

Mrs. Raza, you mentioned earlier in your testimony the idea of having tax measures that would essentially pile up, for lack of a better word, as people own multiple properties. In New Zealand, it's not a tax measure, strictly speaking, but they have required that people purchasing second, third and fourth properties pay an escalating percentage of the value of the property as a down payment in order to try to dissuade people from owning multiple properties.

I wonder if you want to speak a bit more to that issue, both on the types of taxation you were proposing in your own testimony and on the initiative in New Zealand to try to accomplish a similar effect through the amount of down payment required.

**Mrs. Sahar Raza:** New Zealand is definitely an example that a lot of international human rights experts tend to draw on. It's a good one.

What I am proposing is, frankly, any sort of disincentivizing action that would stop people from wanting to park their capital in additional investment properties. An incremental tax makes sense. I've been reading tons of articles about folks who own multiple properties and who say themselves that they should be taxed and that there should be more regulation. They're just utilizing a market that has made it easy for them to accrue huge amounts of profit very quickly by leveraging their previous equity and then reinvesting it.

If we genuinely believe in the human right to housing, this is an obvious space to intervene in some way. It could be taxes. It could be some other sort of regulatory measures, but if we truly want every Canadian to have access to housing, we cannot just let a few

people hoard wealth and property. Whether that's through a tax or something else is up to you folks.

• (1655)

**Mr. Daniel Blaikie:** Thank you.

Chair, how am I doing for time, in my two and a half minutes?

**The Chair:** You have a little more than half a minute.

**Mr. Daniel Blaikie:** Fair enough. That's not a ton of time, but I might just try to lay some foundation for my next question.

My question will have to do with the subject of non-profits, co-operatives, and so on, the folks who are trying to in effect build non-market housing. They're having a really hard time competing and snatching up land and buildings as they become available. I think one of the real virtues of the former national housing strategy in its heyday in the mid-nineties was that the regularity of funding allowed organizations to plan. They knew there was going to be funding available every year. They could hope to acquire land and then plan what they were going to build on it, as opposed to having to spot land available, come up with a plan and figure out how to fund it all on a very tight timeline.

I do want to speak a little bit to that—

**The Chair:** That will be in your next round.

**Mr. Daniel Blaikie:** —or ask some questions on that in the next round, Mr. Chair. I recognize that my time has elapsed in the current round.

Thank you.

**The Chair:** Thank you, Mr. Blaikie.

We're now moving to the Conservatives.

Mr. Chambers, you have five minutes.

**Mr. Adam Chambers:** Thank you very much, Mr. Chair.

Mr. Perrault, thanks for being here today. I'd like to thank all our witnesses, of course.

You mentioned in your opening statement “inflation expectations”. The Bank of Canada itself in October, in a monetary policy statement, said its outlook on risk of inflation included increased inflation expectations on behalf of businesses and consumers, as well as more persistent wage inflation. It was in the bank's own outlook survey with businesses just last week that two-thirds of businesses expect inflation to be over 3% in the next year, and 80% of businesses expect wages to be higher over the next 12 months.

Are we not thinking about inflation and expectations? We're kind of past this transitory supply chain narrative. Do you have any other observations on this point?

**Mr. Jean-François Perrault:** I think, quite honestly, people are a little bit spooked about inflation. Whether that's because there were supply chain issues last year, or weather effects or whatever it is, or a combination of all these things, the reality is that both households and businesses are starting to build that into their view of inflation over the next couple of years. That's the expectations challenge. That's what central banks try to keep in check, because it makes their job harder than if they were just dealing with traditional economic things.

There's no question that inflation expectations are going up, and that's making policy-makers' jobs much harder than they otherwise would be.

**Mr. Adam Chambers:** Right. Thank you. You're saying that when inflation expectations take hold, it's almost a self-fulfilling prophesy, if you will.

Government revenues are also impacted by inflation. Can you walk me through how that would work for, say, the federal government?

**Mr. Jean-François Perrault:** Yes. Quite simply, for all levels of government, revenue is collected on the basis of nominal income. Nominal income is basically real economic activity, plus a measure of inflation. In the case of the national economy, it's the GDP deflator. When nominal GDP rises more rapidly, government revenues, as a result, rise significantly more rapidly as well, so there is in some sense a beneficial impact, if you want to call it that, on public finances from higher inflation. As long as interest rates don't go up in consequence, then as inflation picks up, money pours in. We saw that effect in almost every province last year.

**Mr. Adam Chambers:** Thank you very much.

Very simply, then, inflation can increase government revenues. I won't put words in your mouth, but perhaps I'll make it a point to say that the government has been slow to recognize inflation as a problem. Perhaps it's because it's been increasing their revenues over the last year and potentially going forward.

This is my final question for now. Given where we are now, you also mentioned in your opening about this interesting situation in which we had high unemployment, but rates of transfers to persons increased. Given where we're at with inflation and deficits, is it possible that the government overshot a little bit on the stimulus side?

• (1700)

**Mr. Jean-François Perrault:** I think it's pretty clear now that governments around the world, including our own, overshot. Now, it was a game-time decision. I understand that. It was staring at the abyss and didn't know what to do, so the easy thing was to err on the side of doing more.

With hindsight, I think it's pretty easy to say that we did too much. Part of the fact that we are in the situation now with inflation reflects that—again, collectively—governments around the world just all erred on the side of caution, and all probably did more than what was required.

**Mr. Adam Chambers:** Thank you.

Do I have time for a final question, Mr. Chair?

**The Chair:** You have a minute.

**Mr. Adam Chambers:** Thank you. That's wonderful.

Mr. Haider, we've spent a lot of the time today talking about a lack of supply. Governments, including the current one, have made a few proposals to deal with demand. They have the first-time home buyer incentive that the government's proposing to double. They have a new tax-free savings account proposal for homebuyers. We have an incentivized structure whereby the government becomes a part equity owner in a home.

All of these things affect the ability of people to purchase homes and provide more funds to do so, but are they wise ideas?

**Mr. Murtaza Haider:** In the absence of a significant increase in housing supply, such measures would contribute to the inflationary pressure on housing prices, as they either encourage borrowers to borrow more or facilitate their borrowing. They would have an inflationary pressure.

**Mr. Adam Chambers:** Thank you. They will make things worse.

**The Chair:** Thank you, Mr. Chambers.

We are moving to the Liberals and Mr. MacDonald for five minutes.

**Mr. Heath MacDonald:** Thank you, Chair.

I want to go back. Mr. Moranis made a comment relevant to land. Presently, there is \$202 million through the national housing strategy initiative to transfer surplus federal lands and buildings. I wanted to make sure we have that on the record. There's also \$118 million going to co-op housing rental costs. With all the efficacy we're hearing today, we're moving in the right direction.

The other thing is that one size does not fit all housing remedies. We have seen it from comments made by the Alberta member. I want to ask Mr. Moranis if he has any specific proposals he could suggest relative to how we entwine municipal and provincial governments to ensure we're maximizing their co-operation and collaboration.

**Mr. Stephen Moranis:** That's a very difficult question to answer. Unless there's some way to force the three levels of government to work together on housing.... I'm not a politician or a lawyer. Because you have different parties that are controlling different provinces, it has to be non-partisan. There has to be some effort made in a non-partisan way to deal with housing, affordable housing and social housing, the supply problems and the trading problems so that everyone is forced to come together.

I don't have to answer for how that is done, but that's the only direction and result that will solve this problem.

**Mr. Heath MacDonald:** Thank you.

I'm a former MLA of Prince Edward Island. Housing has been an issue for a number of years with the growth of immigration and our population density. It is tough.

As a former government, we bought an apartment building that was going to be converted into a hotel and turned it over to the Canadian Mental Health Association. I feel that if there's a will, with co-operation and collaboration a lot can get done.

I want to go to Mrs. Raza now. How much responsibility relative to housing should be placed on the municipalities and provincial governments? In your advocacy, what barriers or impediments have you seen through your province of Quebec that we could learn from?

• (1705)

**Mrs. Sahar Raza:** I'm not from Quebec, but I can speak to the interjurisdictional element, because that's something we bump up against often when we're talking about human rights. Canada has made this commitment, but every level of government has the same human rights commitments, so we need all levels to come to the table.

There is an opportunity to use the bilateral agreements, for example, between different levels of governments to enforce certain criteria for the types of housing they build and so on. There are also these housing action plans that each province and territory is to develop. We could use our national leadership to encourage better use of those to build the kind of housing we need and invest in the way we need.

To me, the barriers are a failure to come to the table together and a lack of national leadership in terms of ensuring that every level of government is upholding those same human rights commitments that the federal government has made.

You may have wanted to pass this on to Véronique to speak about Quebec, so I can pass it to her now.

**Mr. Heath MacDonald:** Thank you. It would be great if she could respond.

[Translation]

**Ms. Véronique Laflamme:** If I understood correctly, the question was about the role and responsibilities of the cities.

That is an important question because the cities are now recognized as local governments. But they do not have the financial means of the higher levels of governments, the provincial and federal governments. In Quebec, a debate is currently going on about taxation for cities, which depend largely on property taxes. That brings us back to the problem of speculation that we are discussing today.

Cities have a role to play. As I was saying earlier, when higher levels of government do not play their part, cities can establish their own programs. We have actually seen that in the past in cities like Montreal. However, we cannot rely primarily on the cities to establish programs, because they have fewer means. That is why we are discussing the role of the federal government today. In the past, it played a major role in financing thousands of social housing units.

In Quebec, in some years, 8,000 social housing units were built whereas, at the moment, we are building fewer than 1,500 per year. This lack of social housing is primarily because the federal government withdrew. The cities are taking the lead in asking for more resources to meet those needs because they have front-row seats to

the housing crisis. They see a part of their population living in dreadful housing conditions and being in poverty as soon as they pay the rent. They have to be helped.

Provinces have a role to play, but Ottawa must provide the financial resources and ensure that those financial resources are sent first and foremost to where the needs are the most urgent, and that they are used to establish productive programs. If the programs are not productive and self-sustaining, at the end of the day, the cities may very well end up with problems in the medium term. That is why we need to think about the programs we are funding to make sure that they are productive. They must meet the needs but they must be viable on an ongoing basis.

**The Chair:** Thank you, Ms. Laflamme.

[English]

Thank you, Mr. MacDonald.

**Mr. Heath MacDonald:** Thank you.

**The Chair:** Members, we are moving into our fifth round. I am looking at the time. We won't have enough time to do a regular fifth round, so as I've done in previous sessions, I have divvied up the minutes among the different parties. I have seven minutes for the Conservatives, then seven for the Liberals, three and a half for the Bloc, and three and a half for the NDP.

We're going to start with the Conservatives. We have Mr. Stewart for the seven minutes.

**Hon. Pierre Poilievre:** Is it seven minutes?

**The Chair:** Yes, it's seven minutes.

**Hon. Pierre Poilievre:** Okay. I'll be taking Mr. Stewart's position. He had to step out of the meeting. Thank you very much, Mr. Chair.

**The Chair:** Okay, it's Mr. Poilievre for seven minutes.

**Hon. Pierre Poilievre:** Yes.

Mr. Baker said he was going to take issue with some of my facts, but then he didn't contradict any of them. He simply brought in different facts.

The Liberal member brought to my attention the UBS global real estate report and pointed to it as an example of high housing inflation in Switzerland. I want to know what they said, in the same report that Mr. Baker cites with such authority, about Canada. I have it right here from October 2021: "In 2019, another housing frenzy developed as buyers took advantage of declining mortgage rates. Imbalances and index scores have increased accordingly. Toronto ranks second"—that's in the world—"among all analyzed cities, and Vancouver has returned to bubble risk territory."

He also said that I shouldn't have mentioned that Singapore has lower inflation than Canada. Well, it turns out that it does. By Mr. Baker's own admission, inflation in Singapore is 4%, whereas in Canada it's 4.8%. If this supply chain explanation for high inflation made any sense, you would think that Singapore, which is the most supply chain-dependent nation on earth, would have higher inflation than we do. It has a trade-to-GDP ratio about two to three times higher than ours. Singapore has to import basically everything, including fresh drinking water, yet somehow it's kept its inflation lower than Canada's.

There is actually a fairly close correlation in the G20 between inflation rates and money supply increases. It was close to a one-to-one correlation in November. The more money countries print, the higher their inflation is.

I'd like to turn to Mr. Perrault.

You mentioned that in retrospect, the government spent too much during the pandemic, so let's look forward, then. If the government pursues a policy of persistently high deficits, all other things being equal, would that put upward pressure on inflation versus the inflation we would have absent those persistently high deficits?

• (1710)

**Mr. Jean-François Perrault:** Yep.

**Hon. Pierre Poilievre:** Well, that's a pretty clear answer. We're not used to getting such unequivocal responses as that.

**Mr. Jean-François Perrault:** I can equivocate if you want, but....

**Voices:** Oh, oh!

**Hon. Pierre Poilievre:** No. They say that economists have two hands for a reason—because they like to say “on the one hand” this and “on the other hand” that—but you were very direct, and it makes sense. When you have more dollars chasing fewer goods, it drives up prices.

Mr. Moranis, in the year leading up to fall 2021, there was an increase of \$200 billion, or 80%, in the dollar volume of housing purchases. The dollar volume went from the normal \$250 billion per year to suddenly, out of nowhere, \$450 billion. Now, this was during a time period when the economy was actually weak. The GDP was still smaller than it had been in 2019. Real wages were down. Immigration was down. All of the things that normally drive inflation were actually down, yet from somewhere we got 200 billion extra dollars to spend on real estate.

Now, put aside the debate about the underlying causes for Canada's high real estate prices for a moment. We all agree, though, that money did transact. It actually did. People did move money from the buyer's account to the seller's account, so 200 billion extra dollars found their way into housing. From whence did that money magically appear?

**Mr. Stephen Moranis:** I'm going to defer to Professor Haider to help me with this answer.

Go ahead, Murtaza.

**Mr. Murtaza Haider:** Thank you.

Unlike coffee or groceries that you buy with cash, housing purchases are financed by debt, and the residential market constitutes the largest segment of household debt that we have. If there is additional money that you see, it's most likely the money that is borrowed for the purchase of housing.

**Hon. Pierre Poilievre:** It was debt. Okay. Let's follow this back a little further and reverse-engineer this. We realize that the buyers got it by borrowing it, but everything comes from somewhere. Where did the banking system suddenly get an extra \$200 billion that it could lend out for five-year periods? It can't have come from deposits, because those of course are short term, and even short-term bursts in deposits can't be relied on for long-term loans.

Where would that \$200 billion have come from?

• (1715)

**Mr. Murtaza Haider:** I would defer to Mr. Perrault, who is the chief economist of a bank. He would know where that money came from.

**Mr. Jean-François Perrault:** I may be the chief economist, but I'm not the treasurer.

Listen, it comes from a number of sources. Banks borrow, just like everybody else. We borrow deposits, which have risen a tremendous amount during the pandemic. Both personal and non-personal deposits are up by several hundred billion dollars. We also borrow in credit markets and we use some of our own funds. That's, generally speaking, how that activity is financed.

**Hon. Pierre Poilievre:** Right, but given that the GDP was smaller and money really represents the underlying goods and services in the economy and we were producing fewer of those goods and services, and given that you already lent out your basic \$250 billion for mortgages, where did the extra \$200 billion come from? That's the mystery. It's not a mystery that you would have the normal funds that banks have in a given year from their deposits, but there's an extra \$200 billion that seemed to appear and to lead to inflating housing prices.

**Mr. Jean-François Perrault:** Yes, I'm sorry. I'm not 100% sure what you're getting at, and I'm not familiar enough with the bank's financing operations to be able to give you the right answer in conjunction with that—

**The Chair:** Thank you.

**Hon. Pierre Poilievre:** If I could conclude—thank you, Mr. Chair—it's just that the massive increase in lendings appeared right after the Bank of Canada began its money-printing quantitative easing program and the house prices began rising as well right after that occurred. Would that be a coincidence?

**The Chair:** Thank you, Mr. Poilievre. That's your time.

We are moving now to the Liberals and Ms. Dzerowicz for seven minutes.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Chair.

I'm going to focus a bit more on solutions. The first question is for Mr. Moranis.

Mr. Moranis, we have announced a \$4-billion housing accelerator fund. The idea, our goal, is to build 100,000 middle-class homes by 2025. That's in addition to everything else we've announced over the last few years. What we're trying to do is get the money to cities that are going to build more than what cities have historically planned, that are going to minimize approval times, that are going to tackle Nimbyism and establish inclusionary zoning.

How can it be designed to remove barriers for municipalities that want to create more housing stock more quickly? How do we design this fund so that we can get it to work right away?

**Mr. Stephen Moranis:** Well, let me refer to a couple of things. I'll start the answer and then I'm going to turn it over to Murtaza.

In 2014 and 2015 there was a pilot project in Ontario whereby when developers brought in proposed redevelopments. They had their architects and they had their engineers with their stamps, approvals and recommendations. The municipalities put in a pilot project, which was there and gone very quickly, and they would take the engineers' and architects' stamps as long as they got insurance and did not redo that work by municipal engineers and architects. There's been a complete bottleneck in the approval process at the municipal level.

In Ontario, it used to be that Tarion would give a home builder warranty. Now, as of February 2021, a new thing called an HCRA licence is required. This could delay builders by up to another nine months to a year. Everyone is trying to protect themselves, and we have these delays.

There's no simple solution, because we have three levels of government autonomously and independently operating. It's an incredible bottleneck and roadblock.

Murtaza, help me with the end of this answer, please.

**Mr. Murtaza Haider:** Thank you. I will if I may.

The challenge here is that the public anger is directed at the federal government and not at the local municipal governments. There is no Canadian housing market. They're all local housing markets, and your neighbourhood's prices go up and down. Nimbyism is local. People's reluctance and resistance to new development in their own neighbourhoods is a root cause.

We know about NIMBY—not in my backyard. There is also a thing called NIMTOO—not in my term of office. That is what happens with local governments when local councillors realize that their electorate is resisting new construction. They say, "It's a great plan to have a new building, but not in my term of office." Put NIMBYs and NIMTOOs together and you are in this situation.

The challenge can be resolved only if the federal government and provincial governments—because municipalities are creatures of the provinces—take a bigger role in the land development approval processes. The federal government and provincial governments are taking all the blame for housing prices. If that is the case, then they should take a bigger role or ask for a bigger role in land development processes to get rid of the bottlenecks that are creating this humongous challenge of not building enough houses.

• (1720)

**Ms. Julie Dzerowicz:** Thank you to both of you. That's very helpful, just because we are trying to get to some solutions as to how we should design this program so it's most effective.

Professor Haider, I'm going to continue with you. I know we started talking a little bit about blind bidding. Can you maybe talk about the government's proposed plan on blind bidding? What impact will that have on the housing market? Do you think it will be a positive impact?

**Mr. Murtaza Haider:** There are two ways of looking at it. One is the element of fairness. I think that addressing blind bidding will improve fairness, because the real estate industry owes fairness both to sellers and to buyers.

As far as its impact on housing prices goes, I'm afraid it would have a limited impact, if any, on the overall housing prices nationally. It may have a local impact, but that impact would not aggregate into a bigger noticeable impact on housing prices Canada-wide.

The principle of fairness is at play here. For that purpose, I think blind bidding has to be structured in a different way.

**Ms. Julie Dzerowicz:** So you do support our ban on blind bidding. You think that's a positive development moving forward.

**Mr. Murtaza Haider:** I'm not in favour of criminalizing it; I'm in favour of having stakeholders come together to address it, to look at the implications of continuing with it and to come up with a way to address it. I am in favour of eliminating it or reducing it, but not of criminalizing it.

**Ms. Julie Dzerowicz:** Okay. That's great.

I'm not sure who to address this one to. I'm not sure if it's you, Mr. Perrault. I think everybody knows this. I wonder if we also need to have a little bit of a shift in thinking as well within the marketplace. I'm not quite sure how we go about doing it.

We do see a lot of people buying property just for investment purposes. We see many people use their homes or condos as RRSPs, as a way for them to save for retirement. I think there's a big bias within our country that we have to buy homes versus finding affordable places to live over a certain period of time.

Do you think we need to have some sort of shift in thinking around housing? As we're moving forward, do you think we should also be thinking about how to ensure that everybody has a safe, accessible, affordable place to live?

Mr. Perrault, I'll start with you and then see if anyone else wants to respond to that.

**Mr. Jean-François Perrault:** Sure. Thanks for that question.

Yes, I totally agree 100%. When we look at home ownership rates in Canada relative to other countries, we are on the high end of things, particularly when you compare them to more expensive places. For whatever reason, we have this mentality, this desire to own homes. One of the reasons may be the tax advantages of owning a home versus renting. You are accumulating assets in a sheltered tax environment, so there is an undeniable financial incentive to want to own rather than rent.

You can get around that by thinking about the tax code. I wouldn't be in favour of changing the treatment of owned homes, but you can think about tax advantages to renters to try to equilibrate the home owning versus rental decision because, in my mind, we are going to go into that world. The simple reality is that people are being priced out of owning a place, but they have to stay somewhere, so they have to rent.

**Ms. Julie Dzerowicz:** Thank you so much.

**The Chair:** Thank you.

Thank you, Ms. Dzerowicz. That is the time.

We are moving to the Bloc and Monsieur Trudel for about three-plus minutes.

[*Translation*]

**Mr. Denis Trudel:** Thank you, Mr. Chair.

I am quite astounded to see my Conservative colleagues so obsessed by the inflation rate, and whether it's 4.1%, 4.8% or 5.1%, when people are freezing to death on the streets of Montreal. People are dying because, in the last 30 years, no one has managed to find them a place to live. Various federal governments have been faced with the problem. It's quite fascinating. Just a few days ago, a lady died because no one found housing for her.

There was an encampment on rue Notre-Dame; people put up tents. A number of homeless people do not want to go to shelters. They want housing but there is none, much less affordable housing. Why are we obsessed with numbers while people, human beings, are freezing to death because we haven't been able to do our job?

I would like to hear Ms. Laflamme speak about the topic once more. The result of the federal government's lack of investment, its lack of commitment, over the last 30 years is that Quebec has developed a social and community approach to homelessness.

Clearly, housing has to be found for the homeless. But if no one teaches them how to make a budget, to pay their bills and to buy groceries, and if they are not provided with psychological support, they will be back on the street in three months. That's a fact. Quebec has developed an approach for this, but it must be funded.

I would like Ms. Laflamme to talk to us about the importance of supporting communities as well as building housing. That would prevent cases like those we have seen in Montreal in recent weeks.

• (1725)

**Ms. Véronique Laflamme:** Thank you for talking about the homeless people who have died this year, in Montreal, but also in Toronto and in other places.

This highlights the failure of our social policies, especially with housing and homelessness. Likewise, we see the extent to which the right to housing is intertwined with the right to health, the right to security and the right to dignity. These are basic rights and Canada is committed to uphold them. Now the rights to adequate housing is recognized in federal legislation. We must have that approach in our minds as we deal with housing.

In Quebec, the comprehensive community approach to the fight against homelessness is specifically based on social housing with community support. We are seeing that demand appear elsewhere in Canada. The funding for community housing also includes community support provided by the Ministry of Health and Social Services. This provides a helping hand for the vulnerable and for those getting out of homelessness.

However, the approach also includes prevention. The comprehensive approach to homelessness does not simply address social housing or community support with the housing, it also includes prevention. So it is important to recognize the link between physical and mental health, security and the various needs of people who are homeless and of those who are at risk of becoming homeless. We also have to acknowledge that some live in invisible homelessness, often young people and women.

[*English*]

**The Chair:** Thank you.

Thank you, Monsieur Trudel. That is the time.

We are moving to our last questioner.

Mr. Blaikie, I know you teed up your last question. You are the last questioner and the floor is yours.

**Mr. Daniel Blaikie:** Thank you very much.

I might ask Mrs. Raza about the utility of a fund that might help co-operatives and non-profits. Because they are in such a reactive position with the way the current national housing strategy works, would a fund help them to be able to acquire land and buildings more quickly as they come onto the market? How might that work? What effect might that have on the ability of those organizations to build new social housing?

**Mrs. Sahar Raza:** Yes, that would be incredibly important. I'll pass this question to Véronique in a moment, but can I just address an earlier question that came up?

We were talking about how we need a change of mindset so that we don't think about just home ownership and so on. I agree to a certain extent, but we can't talk about mindset without thinking about how to actually offer renters and other folks security of tenure.

For example, we know that seniors are some of the people most impacted by homelessness, inadequate housing, evictions and so on. It's all well and good to say, "Oh, just rent; you don't need home ownership", but what do you do when the income sources stop and pensions are not very strong for most folks across Canada? If home ownership is their retirement plan, we need to think about other issues like that.

I will pass this over to Véronique to speak to the social housing question that Daniel raised.

[*Translation*]

**Ms. Véronique Laflamme:** Obtaining funds specifically for acquiring land and buildings for cooperatives, not-for-profit housing organizations, or even municipal housing services, is an important part of the solution in helping to enhance the supply of social and community housing, which is insufficient at the moment. For example, it helps groups of that kind to quickly buy a rental building that is for sale.

In Quebec, cities have established acquisition funds. Some cities, like Quebec City and Montreal, set aside funds in their budget to buy land to be handed over to cooperatives and not-for-profits. That is one way for cities to become involved. To become even more in-

involved, they must be assured that higher levels of governments will step up and fund those specific initiatives. Setting up a complementary fund specifically for not-for-profit organizations, cities and cooperatives with that goal would be a fine, positive action. It would be another response to enhancing the supply.

Mrs. Chatel was also talking just now about the housing accelerator fund, which the government has announced, but with details that are not yet known. Consultations are currently under way. From what we gather from those consultations, rather than looking at innovation, the fund is supposed to accommodate initiatives and requests that are already known and that communities have already made, as a way to encourage social and community housing.

• (1730)

**Mr. Daniel Blaikie:** Thank you very much.

[*English*]

**The Chair:** Thank you so much, Mr. Blaikie. That was a great question.

To all our witnesses, thank you so much for informing this committee with all your expertise on housing. On behalf of the committee members, the staff, the clerk, the interpreters and everybody who makes this happen, we really appreciate your coming before us and informing us for our report on inflation in the current Canadian economy, with the focus today on housing. Thank you.

Thank you, everyone. With that, members, this meeting is adjourned.

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