



January 25, 2022

Executive Committee
City of Toronto
100 Queen Street West
Toronto, Ontario M5H 2N2

RE: Executive Committee Agenda Item EX29.8

Dear Executive Committee Members,

On behalf of the 64,000 Members of the Toronto Regional Real Estate Board (TRREB), I am writing with regard to Executive Committee Agenda Item EX29.8 and an associated potential request to the provincial government to impose a “Home Speculation Tax”.

While TRREB appreciates the desire to address housing affordability challenges in Toronto, we urge the Executive Committee and City Council to be cautious with any potential consideration of a “Home Speculation Tax” as this could primarily impact small-scale “mom and pop” investors who also happen to be a key source of supply for an already tight rental market. This would be on top of an existing substantial federal capital gains tax on these properties.

TRREB strongly believes that public policy targeted at the housing market should be evidence-based. In this regard, it is not clear that another speculation tax on the sale of non-principal residences will have any sustainable benefit with regard to housing affordability, and in fact, could create numerous unintended consequences that would cause new challenges for homeowners, buyers, and renters.

Public Policy Efforts Should Focus on Supply

TRREB, along with numerous other housing market experts, has consistently informed governments at all levels that the most significant reason for housing affordability challenges in Toronto is an inadequate supply of homes for sale and rent. We are encouraged that the federal and provincial governments have recently acknowledged this reality and have begun taking steps to facilitate the creation of new ownership and rental housing. In addition, we applaud Toronto City Council for the current efforts to expand and diversify housing supply under the Expanding Housing Options in Neighbourhoods initiative.

Past government efforts that focused on demand-side policies have shown to be ineffective at addressing Toronto's housing affordability challenges, for example:

- The provincial Non-Resident Speculation Tax has had no significant impact on housing affordability over the last five years since it was implemented;
- Housing prices and demand have continued to increase despite changes to tighten qualification rules for federally-insured mortgages in recent years; and
- The sale of non-principal residences already face substantial taxes through the federal Capital Gains Tax.

Unintended Consequences

TRREB urges City Council to exercise caution with considering a speculation tax due to the high potential for unintended consequences that could have serious negative impacts on the ownership and rental housing markets. City Council should consider the following:

- Investor-owned housing represents a significant portion of Toronto's tight rental-housing supply. With average rents in Toronto already high (average rent for a one-bedroom condominium apartment is currently \$2,080 per month, and \$2,885 per month for a two-bedroom condo apartment), City Council should avoid any policies that reduce rental housing supply and drive up rents further. Another speculation tax on the sale of non-principal residences would create a significant disincentive for the creation of small-scale investor-owned rental housing, which ultimately will put further pressure on rents.
- Past experience with the provincial Speculation Tax in 1974 indicates that such a tax could have ripple effects that would negatively impact not just investor-owned homes, but also the value and equity of other homeowners.
- Taxation on housing typically worsens affordability, rather than improving it. There are numerous examples of this, including substantial municipal and provincial land transfer taxes, which often act as a disincentive to moving and thereby suppress the inventory of homes available on the market and create upward pressure on prices. It is possible that a speculation tax could act as a similar disincentive to property sales and suppress housing inventory further.

In closing, TRREB strongly believes that the only long-term and sustainable solution to housing affordability challenges is for all stakeholders, including

municipal, provincial and federal governments, to work together to find ways to increase the supply of ownership and rental housing. From the perspective of the City of Toronto, the best option would be to accelerate implementation of actions under the Expanding Housing Options in Neighbourhoods initiative, and we urge City Council to do so.

We hope you find our views on this issue helpful. We are here to help and encourage you to contact us if we can be of further assistance.

Sincerely,

A handwritten signature in blue ink that reads "Kevin Crigger". The signature is written in a cursive, flowing style.

Kevin Crigger
President