



CHRA Congress Session Series 2022

Unpacking the Financialization of Housing in Canada

SUMMARY AUTHOR

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SESSION PANELISTS

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Introduction

There is widespread recognition that Canada is in the midst of a housing affordability crisis (Hamill, 2018; Hayes, 2021), acknowledged most recently in the federal budget announcement on April 7, 2022. (Government of Canada, 2022). How did we get here and how is the financialization of housing causing this crisis to persist and worsen? During this CHRA Congress session, the panelists provided in-depth analyses of the financialization of housing, the scope of which varied from a broader international viewpoint to an analysis of real estate investment trusts (REITs) within Canada, and finally, more locally, to the impact of these issues on one community in Ottawa, Ontario. Starting with a wider lens and focusing in more closely provided the session viewer with a greater understanding of what we mean by the financialization of housing, as well as its implications within various contexts.

Panelists, Dr. Penny Gurstein, Dr. Martine August, and Andrew Crosby, PhD Candidate, presented on their areas of research looking at the lack of affordability in housing, specifically considering how the financialization and commodification of housing has led to housing instability for many tenants across the country.

This paper will summarize each panelist's presentation along with some of the key insights and potential ways to address the problems caused and exacerbated by the financialization of housing. The research shared in this session demonstrates the current problematic trends in Canadian housing and offers suggestions offered by the panelists on how the federal government can facilitate a policy environment beneficial to the needs of tenants instead of benefiting financial firms and their shareholders.

The Financialization of Housing, a Global Perspective

Dr. Penny Gurstein, Professor and Director of the School of Community and Regional Planning (SCARP) and the Centre for Human Settlements, UBC

Gurstein's research provides an overview of the financialization of housing, at both an international and national level, looking at the commonalities and differences across the global spectrum. Financialization of housing is defined by Gurstein as occurring "when housing is treated as a commodity – a vehicle for wealth and investment – rather than as a social good" (Gurstein, 2022, slide 2).

Gurstein took part of in a study that compares twelve cities across the world, identifying some of the changes impacting the populations living in these locations. The study looks at Auckland, Barcelona, Berlin, Copenhagen, Dublin, Lisbon, London, Miami, Singapore, Stockholm, Sydney, and Vancouver.

In looking at global patterns of housing, the supply of housing, influenced by the specific regulatory structures in any location, means there are a variety of outcomes. As such, how a country addresses housing issues has a real impact on its citizens. Gurstein outlines some of the common elements across countries, such as: decreasing state involvement in affordable housing since the 1990s; investors and global capital having a greater influence on housing being built than local residents, and a greater lack of affordability, especially since the 2007-2008 Global Financial Crisis.

There are also differences globally. Vancouver has seen more of a global institutional investment in single family homes and condo development. Toronto has also seen large institutional investments, in the form of REITs or investment funds, particularly in the rental market. In other cities, such as Barcelona, Berlin, Copenhagen, Lisbon, Stockholm, and Dublin, there have been institutional investments in rental housing. As a way to address institutional investors, some of the above European cities have started to encourage home ownership over renting as a public-private investment. Canada, Australia, and New Zealand are all countries that regulate and tax investors as a way to curb the extent of housing speculation and impact on residents.

In this global context, Gurstein suggests that, within Canada, national policies and regulations are needed to minimize predatory investment in housing. Provincial measures, or ad hoc approaches, are not sufficient to protect renters across the country and a national plan is needed to provide a unified approach. Gurstein also recommends that various governmental bodies work together to create plans to build, fund, or acquire affordable housing.

The Financialization of Rental Housing in Canada

Dr. Martine August, Assistant Professor, Faculty of Environment, School of Planning, University of Waterloo

August narrowed the lens from the global perspective to a national one, providing a Canada-wide review of the impact of financialization on rental housing across the country. Financialization is defined as a shift in how capitalism has been operating over the past few decades, demonstrated in how profits are made through financing items rather than by the trade and production of items (Krippner, 174). There are various types of housing that can be financialized, though the underlying premise remains the same – housing changes from a place to live to a tool for investors.

In this panel, August looks at the impact of REITs on housing in Canada. Since 1996, REIT-owned, multi-family units in Canada have gone from virtually non-existent to over 200,000 units, with only 17 financial firms owning the majority of these suites. The policy environment in the 1980s and 1990s created an interest in rental housing by investment firms. This was a time of deregulation of rent control and the total elimination of rent control between tenancies, creating the potential for landlords to profit off tenant turnover, dis-incentivising landlords from preferring long-term tenants with low rents that matched their tenure.

As REITs moved into the business of owning rental buildings, they have been able to generate profits in two ways: lowering expenses and raising rents. Lowering expenses is achieved by cutting down on maintenance and upkeep, investing in energy efficiency upgrades, as well as profiting from economies of scale with bulk purchasing and property management contracts. Increased revenue is achieved by raising costs and fees, such as laundry, parking, lockers and raising rent, which is the main way of creating a profit. Rents are raised with annual increases and with above-guideline increases which landlords can apply for when they invest in capital repairs for the building.

It should be noted that the purpose of these repairs is to raise rents and drive profit, not to improve the building for tenants. As financial firms, REITs exist to increase profits, which is prioritized over everything else, and security of tenant tenure is not prioritized or even desired, since the turnover of units is the most impactful way to maximize rents and increase shareholder profits.

In provinces with weak or no rent control, there is significantly greater investment by REITs whereas provinces with stronger tenant protection and rent control have fewer REITs. This clearly demonstrates the need for provincial governments to strengthen tenant protections and rent control. Without policy protecting housing rights for tenants, the purpose-built rental stock in Canada will continue to be bought up by investment firms with a focus on profit over everything.

Herongate: Tenant Organizing in Ottawa

Andrew Crosby, PhD Candidate in Sociology, Carleton University

Crosby narrowed the lens further, introducing us to Herongate, a neighbourhood in Ottawa transformed after being purchased by an apartment investment company. The negative impact on tenants is detailed, as well as their mobilization efforts to keep these affordable homes and their community intact.



The Herongate community was built in the 1960s by Minto and sold to the now-defunct Transglobe in 2007. Under this new ownership began what tenants have named “strategic or purposeful neglect” to justify later demolishing homes in disrepair (Crosby, 2002, slide 2). In 2012 the area was then sold to Timbercreek Asset Management leading to two mass evictions of 230 townhouses in 2016 and 2018 for the purpose of demolition (“demoviction”) to redevelop the two parcels of land into housing catered to upper-middle class households.

As a result of these mass evictions, 2018 saw the formation of the Herongate Tenant Coalition (HTC), formed with the purpose of fighting against further evictions in the community. One of their most successful endeavours was creating a large social media campaign that put a spotlight on the eviction issues the community was facing. This campaign was so successful that Timbercreek tried to silence the coalition group’s social media presence by sending HTC five cease and desist letters from July to October 2018, and also demanding that Twitter disable their @herongatetc handle. In these attempts to silence the tenants, Timbercreek described the coalition members in writing as “unstable, unhinged, and extremist;” a description which led to HTC suing for defamation.

Race is a key issue in this situation as Herongate is home to many newcomers to Canada and immigrant families; based on a survey by HTC of the houses targeted for demolition in 2018, people of colour accounted for 93% of the residents living in the 123 townhomes included in the study. Timbercreek has stated that its vision for the redevelopment is to “harmonize with surrounding communities” and this is notable in a recently completed development named Vista Local; the naming aligning with the Alta Vista neighbourhood to the north that is largely white, more affluent, and made up of single-detached homes. In this new proposed development, the rental price for a bachelor is \$1,305 – around the same price as one of the 4-bedroom townhomes from which tenants were demovicted in 2018.

Based on the price difference for the new development in comparison to what existing tenants have been paying, a shift towards the Alta Vista demographic would be an anticipated outcome. As such, the HTC has filed a complaint with the Human Rights Tribunal of Ontario (HRTO), asking the Tribunal “to determine whether a landlord has the right to displace a large group of residents of low-income, family-oriented, racialized and immigrant community in order to create a predominantly affluent, adult-oriented, white and non-immigrant community in its stead” (Yussuf et al v. Timbercreek, 2019).

In 2021, the City of Ottawa approved Timbercreek’s application to redevelop the entire neighbourhood with an agreement from the developer to include affordable housing in the new build and cease any further displacement of tenants. Since affordability is measured by average Ottawa-wide market rents, the affordable apartment units being promised would see rents approximately 1.5 times the rent currently paid by the existing tenants. As such, the HTC are still opposing the redevelopment and the result of the actions of this strong and impactful tenant organization remains yet to be seen.

Conclusion

This panel contrasted global, national, and local perspectives and definitions of the financialization of housing. With this better understanding of the financialization of housing, the question was then raised by moderator Sana Amjad on how best to tackle these issues in Canada. What follows are the recommendations by the speakers to effectively respond to the affordability crisis and the financialization of housing:

1. Better access to data is necessary for research purposes. Because property ownership can be put in various names or numbered companies, it becomes difficult to get a clear picture of who owns property in Canada. This has an impact on tenants’ ability to organize, but also impacts how the scope of this issue is understood by governments in order to make effective policy decisions.

Research is also important in helping to shape public opinion on the negatives of financialized housing, as public opinion can then influence policy.

2. The policy environment is key to changing the current housing landscape. This is, and needs to be recognized as, a national problem, and solutions to the problem cannot be found in ad hoc policies within different municipalities. Policy strategies need to focus on making housing more affordable across the country and ensuring that tenant rights are upheld through means such as strong rent controls and prioritizing security of tenure. Also needed is a policy environment supportive of building and acquiring existing housing stock to expand social, non-profit, and co-operative ownership. The creation of the federal Minister of Housing role, as well as the recent budget which put a lot into housing, shows there is starting to be a recognition that this is a country-wide problem that needs to be addressed as such.
3. The kinds of housing being built and the decisions being made need to be determined by the local culture and economy. This means the supply of housing must meet the needs of local populations who work and live in these communities, not the needs of investors and financial firms.

Starting with a wider lens then focusing more closely within Canada, this panel provided an understanding of the financialization of housing's impact, from the global to the local, and key ideas on how to mitigate the affordable housing problem we face as a country. These suggestions on how to tackle the affordable housing crisis in Canada could help create a government policy landscape that stops prioritizing a home ownership society, changing our whole system and how we think about housing as a country.

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