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### **1. Economic Indicators show growth at a standstill**

The Canadian economy unexpectedly stalled in April, ending eight months of continued growth. Statistics Canada reported that Gross Domestic Product (GDP) was unchanged during April, failing to reach analysts' predictions of growth of 0.2%. The news was especially disappointing given last month's figure, the biggest one month increase in a decade. While some economists cautioned not to put too much stock in one month's figure, others warned the economy could be entering a period of "less robust" growth. Consumer prices increased 1.4% in the 12 months to May 2010, following an increase of 1.8% to April 2010.

In June 2010, the Bank of Canada increased its overnight lending rate by 25 basis points, to 0.5%. This is the first Bank of Canada interest rate hike since April 2009 and the first in a G8 country since the start of the global downturn.

### **2. Energy Incentive Program Status – apply soon or miss out**

The ecoEnergy Retrofit Incentive Program for BUILDINGS is being wound down. CFAA's latest information is that no more money will be available for that program after October 2010. However, depending on the number and size of the new applications received, the cut off date could change to an earlier or later date. Rental housing providers who want to take advantage of that program should act fast to apply. However, remember that under the BUILDINGS Program a property owner cannot begin the actual retrofit work until *after* the grant agreement has been entered into. Therefore, the application needs to be completed in full, and accepted by means of the contract with the federal government before the retrofit work begins. For the latest information, visit the "Energy Subsidies" section of the CFAA website [www.cfaa-fcapi.org](http://www.cfaa-fcapi.org).

Recently, the federal government ended the ecoEnergy Retrofit Incentive Program for HOMES, which offered grants, for buildings under four stories that carried out energy-saving improvements. The program had been slated to end March 31, 2011. Those with bookings for pre-retrofit evaluations made before April 2010, who have completed the evaluation or applied for re-entry, have until next year to apply for the retrofit grant. Launched in 2007, the program paid out \$91 million for more than 85,000 retrofits.

### **3. GST/HST not to apply to mortgage commissions**

In March, reports emerged of preliminary plans to apply GST/HST to previously exempt items such as the commissions which borrowers or lenders pay to mortgage brokers. This would have a substantial negative impact on the rental housing industry, which borrows about \$40 billion a year as mortgages roll over. The change could mean a double digit increase in the up-front cost of obtaining mortgage financing. The government and Canada Revenue Agency recently released a revised notes which seem to clarify that mortgage commissions will continue not to attract GST/HST. CFAA is pleased that the government listened to us and to the Canadian Association of Accredited Mortgage Professionals (CAAMP).

### **4. Immigration remains brisk**

Immigration rates in the first quarter of 2010 increased from the same time last year. For the quarter ending March 2010, Canada welcomed 57,997 immigrants, up almost 8,000 people from 50,784 during the same period in 2009. The Western provinces continue to attract new immigrants with Alberta and British Columbia experiencing the biggest growth. Steady immigration should support demand for rental housing in many parts of the Canada.

### **5. Liberals open to tax reform for rental housing**

In a recent interview with reporters, Opposition Leader Michael Ignatieff said CMHC must start incentivizing the construction of affordable housing. He also mentioned the current income tax rules as a barrier to affordable housing. Ignatieff said, "The other thing to look at is the tax code. Are there ways we can incentivize people who construct apartment dwellings, give them a capital gain rollover if they build more housing?" The comments came after 175 BC Liberal delegates voted to approve a resolution calling for a national housing strategy that would include low-income rental housing, as well as use of the "federal tax policy to encourage the building and maintenance of affordable housing."

For several years CFAA has been calling for a tax rollover on the sale and reinvestment in rental housing as a means of encouraging the construction and maintenance of rental housing. CFAA is glad that Opposition Leader Ignatieff and the delegates agreed that tax reform for rental housing is needed. While the resolution is not yet a part of the Party platform, CFAA will continue to monitor its status and reach out to Opposition officials.

### **6. 2010 CFAA Rental Housing Conference a great success!**

The CFAA Rental Housing Conference was a great success. Over 170 delegates, speakers and suppliers attended the conference from across Canada. Speakers such as CAPREIT's Tom Schwartz and Mark Kenney, Scott Ulrich of Gateway Properties, Paul Sander of Hollyburn Properties, Rob Hunter of Devon Properties, David Horwood of Effort Trust, Minto's John Stang and Boardwalk's David McIlveen joined with engineers and energy experts, economists, marketing specialists and suppliers to discuss a wide range of topics. The next CFAA conference will be held in June 2011 in Toronto.

*The Canadian Federation of Apartment Associations (CFAA) is the sole national organization representing the interests of Canada's \$40 billion private rental housing industry, which provides homes for more than seven million Canadians. Through our 17 member associations, CFAA represents the owners and managers of close to one million rental units from coast to coast.*