Canadian Federation of Apartment Associations –
Fédération Canadienne des Associations de Propriétaires Immobiliers

CFAA REPORT TO RESIDENTIAL LANDLORDS November 3, 2010

In this report:

1. Economic indicators show long road to recovery
2. A new bed bug product and bedbug issues
3. CFAA appearance at the federal Finance committee
4. New Energy and Building Code for New Construction
5. Immigration to Canada remains steady

1. Economic indicators show long road to recovery

Any hopes of a strong and rapid recovery for the Canadian economy seem to be evaporating quickly. While Statistics Canada reported gross domestic product **(GDP)** grew at a modest 2% annualized rate during the second quarter of 2010, the July figures show a 0.1% decrease in GDP, the first monthly decline since August 2009. By August, the economy had rebounded slightly with an increase of 0.3%.

Canada's annual **inflation** rate also climbed in September to 1.9%. The increase, which came after a slight drop in August, was an expected result of an increase in energy costs. Core inflation, which the Bank of Canada uses when setting interest rates, and excludes volatile items such as energy, actually fell to 1.5% in September from 1.6% in August.

There was little good news in the September **employment** numbers. A net 6,000 jobs were lost in September, pushing the unemployment rate in Canada to 8%, down 0.1% from August. Much of the decrease was attributed to workers returning to school or ending their job search. The employment rate, a calculation of the number of working people compared to the working age population, also decreased 0.1% to 61.9% in September.

Based on these weak numbers, it is no surprise in the Bank of Canada decided to hold **interest rates** steady at 1% in October, after three consecutive quarter-percentage-point increases. The central bank signalled it is ready to freeze interest rates until the economy is back at full strength, which may not be until 2012. Analysts pointed to global and domestic influences, especially a sluggish US recovery as a reason for the rate pause.

The Bank of Canada also downgraded its **long term forecast** for the Canadian economy. The Bank now says the economy will grow about 3% this year, instead of the 3.5% projected in July. The Bank predicts growth of 2.3% in 2011 and 2.6% in 2012. The central bank said it expects the economy to return to full capacity in 2012, a year longer than originally predicted. "The economic outlook for Canada has changed," said the Bank in a statement. "This more modest growth profile reflects a more gradual global recover and a more subdued profile for household spending."

2. A new bed bug product and bedbug issues

A new bed bug product, "Demand CS", has just been approved for use in Canada. It apparently has a much longer residual effect than most current products. Applied thoroughly, it may eliminate bed bugs in one treatment as opposed to the two treatments needed with pesticides lacking in residual effect.

On October 27, CFAA met with Dr. Richard Aucoin, the head of the Pest Management Regulatory Agency (PMRA), and two of his deputies. CFAA advocated for faster and less expensive approvals for new pesticides to address bed bugs. We have also asked PMRA to revise its bed bug fact sheet to encourage tenants to report bed bugs to their landlords.

3. CFAA appearance at federal Finance committee

On October 19, CFAA President John Dickie presented CFAA's proposal for tax deferral on sale and re-investment at the federal Finance Committee's public consultations for the 2011 federal budget. After the presentation, several MPs asked CFAA substantial questions. Thanks to the high level of interest by MPs, CFAA was able to address the following key issues at length with the Finance committee members.

- the benefits of tax deferral on rental property;
- the positive impacts of levelling the playing field between owning and renting property;
- how so much benefit is available for the modest cost of tax deferral;
- the enormous subsidies and tax benefits received by homeowners as compared to renters;
- the negative impacts of providing too much incentive for home ownership;
- that the bulk of people on welfare live in private rental housing rather than social housing, so that private rental housing needs a better tax position for their sake.

The transcript of CFAA's portion of the committee meeting can be accessed through the CFAA website, www.cfaa-fcapi.org/submissions.php/. CFAA's two submissions are also posted there.

4. New Energy Code for New Construction

The joint federal-provincial Canadian Commission on Building and Fire Codes is working on a new National Energy Code for Buildings (NECB) for new construction. The Canadian Home Builders Association (CHBA) is quite concerned about the implications of the new NECB. Developers should deal with CHBA about the issue if they are CHBA members, or contact president@cfaa-fcapi.org.

5. Immigration to Canada remains steady

Immigration rates in the second quarter of 2010 increased slightly from the same time last year. For the quarter ending June 2010, Canada welcomed 84,795 immigrants, up from 83,173 during the same period in 2009. The Canadian government recently announced plans to keep immigration targets between 240,000 and 265,000 immigrants per year.

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.