



## Housing Issues Briefing for the Minister Responsible for Housing, Province of New Brunswick

November 2, 2022

### Who We Are

The New Brunswick Real Estate Association (NBREA) represents nearly 1400 REALTORS® in the province, and partners in protecting the public interest through co-regulation with the Financial and Consumer Services Commission (FCNB).

### What We Do

New Brunswick REALTORS® are trusted advisors who guide their clients through one of the largest purchases of their lives. Our members are in the business of supporting communities, and not just selling homes. REALTORS® care deeply about the needs of their fellow New Brunswickers along the full spectrum of the housing continuum, from homeowners to renters, downsizers, non-profit housing, and particularly the vulnerable and houseless.

### New Brunswick Real Estate Market: A Crisis of Supply and Demand

We are not facing a future housing crisis; New Brunswick is in the depths of one. It has been triggered by a variety of factors including population growth and insufficient new construction. **This crisis directly affects the prosperity of New Brunswick: a shortage of appropriate housing and rapidly escalating housing costs will curtail inward migration and, in turn, curb our economic potential as a province.**

For decades, New Brunswick has failed to add enough to the supply of rental housing, in part because it has used differential tax treatment of owner-occupied property. New Brunswick has a high rate of owner-occupied housing compared to other provinces, but it also has lower investment in residential rental structures compared to other provinces (after adjusting for sizes of the population and GDP). New Brunswick's weaker investment is reflected in the lower construction of multi-unit versus single unit dwellings, compared to other provinces.

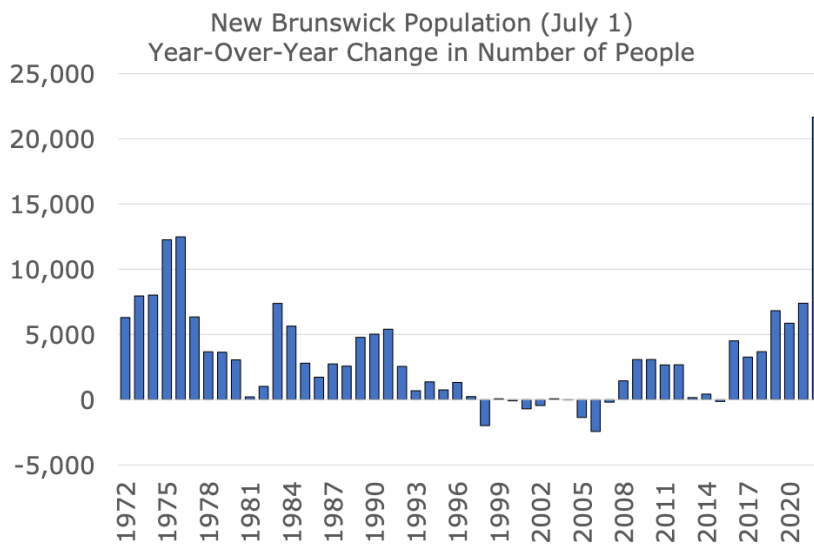
There's no silver bullet to restore housing affordability or expand inventory. However, there is "silver buckshot" – a comprehensive, multitargeted approach. Increasing housing supply, revamping tax policies, and protecting renters, are all important. But so is ensuring that accurate information drives our development of housing policy; those policies are critical because of their direct influence on home prices, affordability, and availability.

## New Brunswick Housing Market Statistics

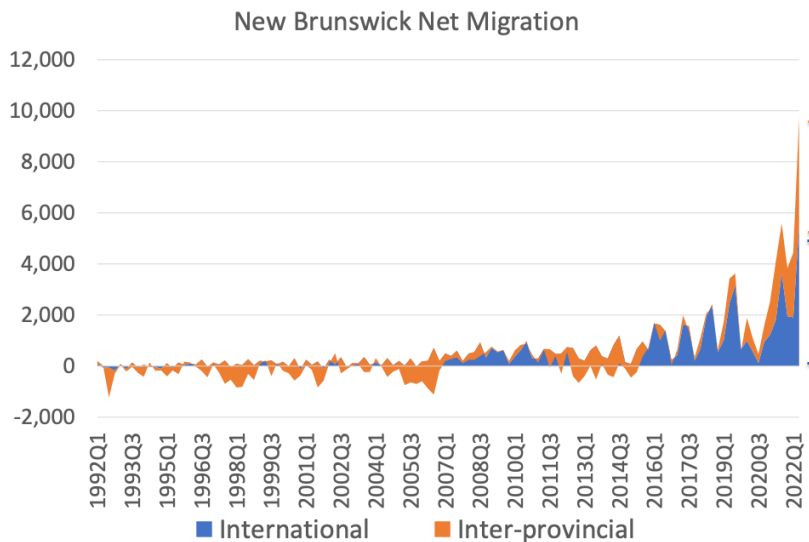
To create a clearer picture of the changes to our provincial housing market over the last few years that have led to our current supply problems, we provide the following statistical charts relating to population growth, housing availability, and pricing.

### Population Increase

As these two charts show, population in New Brunswick is growing due to international immigration and interprovincial migration. Record population growth occurred from 2021 and 2022 and these numbers continue to climb.



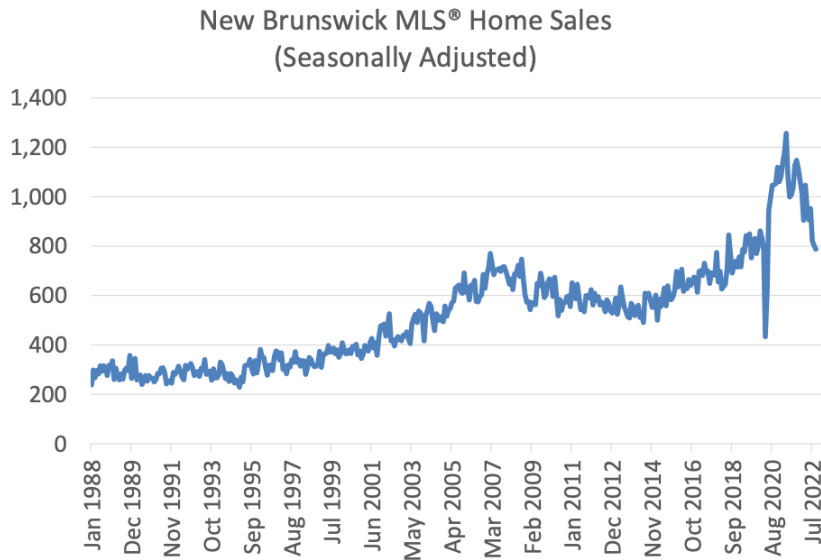
Source: Statistics Canada



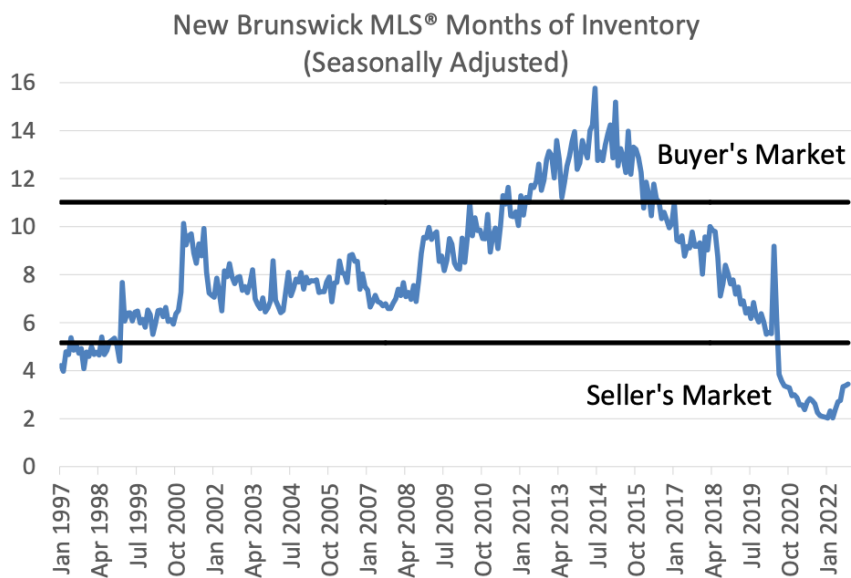
Source: Statistics Canada

### Sales & Housing Inventory

Although sales have recently dropped because of the rapid rise in borrowing costs, the number of months of inventory (active listings divided by sales) is still well entrenched in seller's market territory, creating ongoing challenges for buyers. In the last couple of years, housing inventory has been at its lowest point in recent history (over the last quarter century). **End-of-month inventory of homes on the market is currently down about 65% from seven or eight years ago.**



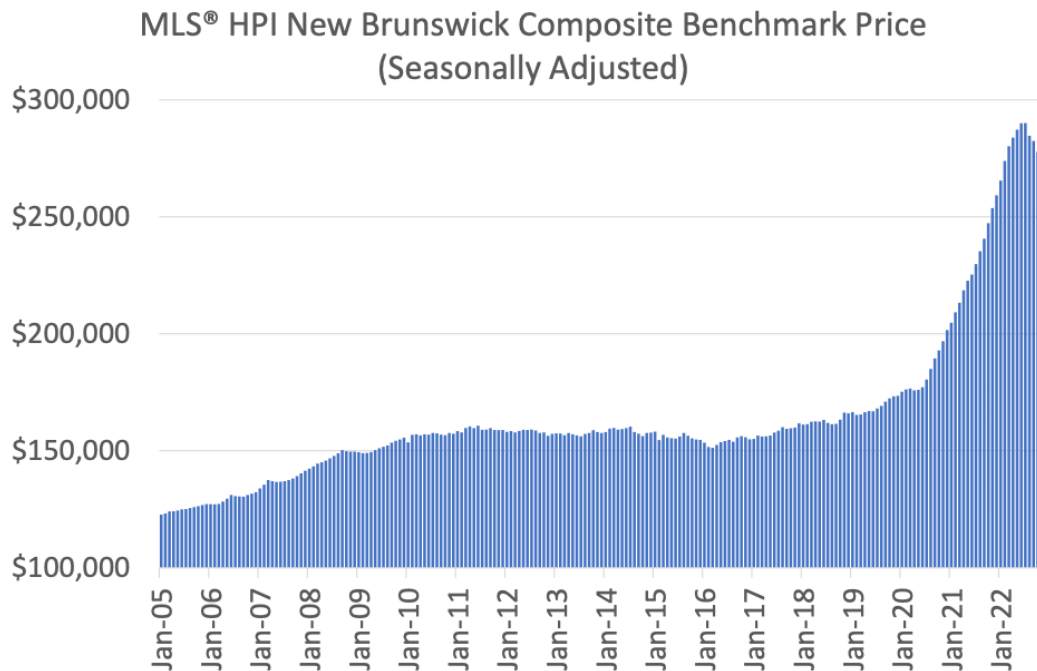
Source: CREA



Source: CREA

### House Prices

As a result of historic housing supply shortages, housing prices have continued to climb, rising 58% since the beginning of the COVID-19 pandemic in March 2020.



Source: CREA

## Recommendations & Solutions

- A. Addressing our Housing Supply: A Full-Spectrum Approach
- B. Property Assessments
- C. Rent Control

### **A. Addressing our Housing Supply: a Full-Spectrum Approach**

Housing supply shortages have had a tremendous impact, both on New Brunswickers and those attempting to move to the province. Industry analysts constantly comment on how difficult it is for first-time homebuyers to enter the market, and the bidding wars sparked by buyers forced to compete for available properties have further escalated housing issues.

NBREA has been studying this complex issue, seeking best practices and policies by some of our fellow provincial industry partners, and monitoring actions take by our neighbouring real estate boards and associations.



Our conclusion: we believe the New Brunswick government must come together with voices from across the full spectrum of the housing industry as soon as possible to clearly identify the challenges and the opportunities this market presents, and to work collectively on specific strategies designed to actively increase a quality supply of housing.

We acknowledge the province's New Brunswick Housing Strategy 2019-2029 document that suggests a number of strategies to increase housing supply. However, this document was researched and published prior to the significant housing market changes brought on since the COVID-19 pandemic. One of the guiding principles in this document champions "*Strong partnerships between all levels of government, the private and the non-profit sectors that will ensure the successful implementation of the Strategy*".

To this end, NBREA has initiated planning for a Housing Futures Summit, a two-phased project to develop actionable recommendations for a made-in-New Brunswick housing policy. Our intent is to draw on the expertise of all those involved in our housing sector – major market and rural, investors and not-for-profit, developers and tenants.

The first phase will be a virtual meeting of representatives from these various sectors to determine their potential level of contribution, incorporating factors such as available research, policy analysis, and expertise. This would be convened before the end of February 2023. In this format, we plan to bring together developers to discuss investment requirements with tenants who question their investment motives. It would bring together municipal representatives with property owners dealing with zoning issues. In other words, it will be a meeting ground for those with a vested interest in all types of housing in the province.

The second phase will be an in-person summit in Spring 2023, bringing together those housing stakeholders with policy proposals, as determined through participation in Phase One. The goal: to conclude with a vision for addressing New Brunswick's housing issues, built on a foundation of the expertise and experience of those directly involved in the housing spectrum.

**Because the economic wellbeing of our province is intrinsically tied to the housing market, we truly believe time is of the essence to build this foundation for policy development.**

We believe that everyone in New Brunswick deserves a roof over their head. There are many groups and individuals seeking to address our housing challenges; connecting them will enhance those efforts. No one group or individual has the answer; the solution to addressing the challenges begins with a conversation, which our **Housing Futures Summit** is designed to do.



**B. Property Assessments**

NBREA first called for the modernization of the property tax system in New Brunswick in 2010. At that time, and in submissions since, the Association has recommended that in a review of the assessment and property tax process, the priority be development of a system that is -and is perceived to be – fair for all property owners.

The Association defines "fairness" as meaning there is a statistical methodology for calculating assessment increases based on real market conditions. This means recognition in the system that prices can go down, or remain unchanged, and increases are not considered a "norm". Fairness refers to property owners and not to municipalities, as municipalities have access to alternative revenue sources, while property owners do not.

Property value assessments have been identified as being at the heart of the New Brunswick property tax issue, as they do not reflect real market conditions. As the primary driver of the system in New Brunswick, many owners believe there are problems with how those property value assessments are calculated. Transparency is an issue.

Real estate markets are based on supply and demand in determining the appropriate sale price for a property. There are motivated sellers and buyers who agree on a price, and that price reflects the current market value of the property. **We require an assessment system that reflects, as closely as possible, real market value.**

Tracking changes in home pricing is not a new challenge for REALTORS®. In 2009 the Canadian Real Estate Association (CREA) began development of the Canadian Housing Price Index (HPI). Altus Group developed the technology that powers the MLS® Home Price Index, which analyzes all of the sales data from a board or association's MLS® System. It applies a value to a "typical" home for various types of dwellings for each submarket and tracks the relative change in value over time. Through the timely access to data inputs directly from the real estate boards and associations, real estate transactions are captured on a real-time basis to ensure the index values capture market trends and activity – similar to the challenges facing the assessment system in New Brunswick.

A detailed HPI methodology booklet is available on the CREA web site:  
[www.crea.ca/housing-market-stats/mls-home-price-index/resources/](http://www.crea.ca/housing-market-stats/mls-home-price-index/resources/)

NBREA recognizes that adjustments to the assessment and property tax system cannot be done in a vacuum and cannot be done for short-term gains. We recognize the financial challenges the government faces in developing solutions to property taxation issues. However, one of the critical factors in encouraging people to move to New Brunswick, and to encourage investors in



rental housing in the province, is a transparent assessment system that has the basic confidence of property owners.

Piecemeal changes have been made to the New Brunswick Assessment Act, but the fact is the legislation is more than 50 years old and requires major updating. There are other “fairness” issues that could be addressed in an update. For example, there is currently no mechanism in place for a property owner to appeal an assessment based on the assessment of a similar property. There is a lack of recourse for tax classification issues. A missing equity provision is also a major deficiency of the existing assessment legislation in New Brunswick.

### **C. Rent Control**

The vacancy rate published by Statistics Canada for major centres in New Brunswick paints a clear picture of the challenges facing those who rent their housing. For example, the vacancy rate in Moncton in 2017 was 4.3%; by the end of 2021 it had declined to 1.5%. In Saint John in 2017, the vacancy rate was 4.1%; by December 2021 it had declined to 1.9%. This decline in rental housing availability was the result of a growing population, and a construction rate that did not keep up with market conditions.

While the 3.8% rent cap introduced for 2022 offered temporary relief to tenants, it created yet another obstacle to the development of additional rental units. It reduces the interest investors may have in our housing sector, reducing the opportunities to encourage private development in the rental housing part of the housing continuum. Without an increase in the supply of rental housing (other than a population decrease) there is no way that rents will fall, and vacancy rates will rise. There must be a balance between affordable solutions for renters, with consideration for increased operating and construction costs for landlords and investors. While the 3.8% cap addressed the concern of tenants, there was no corresponding consideration for the increased operating costs for landlords.

If we really care about renters and the economically vulnerable in our society, we need to increase the supply of rental housing. Rent controls do not do that.

Of particular concern, rents are rising abruptly for some properties creating stress for those who cannot afford to stay in their current residence at the higher rent. Because of the shortage of supply, there may be nowhere for them to move. This has led for calls, mostly from impacted renters, for regulation of any increase in rents. This ignores the real issue at hand, which is the increase in the supply of rental housing. There are other options; as UNB economist Herb Emery has suggested, the province should look at short term solutions to give the market the window to expand rental inventory. Those short-term solutions could be income supports or rent subsidies.



This would also provide an opportunity for the province to address property tax reforms that would also help increase the supply of rental housing. Research done on behalf of NBREA shows the negative impact of “double taxation” on the rental housing inventory in the province. If you compare the number of dwellings that are owner occupied and the number of dwellings that are available for rent in New Brunswick and Nova Scotia - where there is not a “double tax” - Nova Scotia has disproportionately more rental property and New Brunswick has disproportionately more owner-occupied inventory in its housing supply.

The research shows that if New Brunswick had developed rental properties at the same rate as Nova Scotia since 1971, there would be 6,100 more units in the rental supply today. That 15 percent shortfall in rental units constructed since 1971 coincides with New Brunswick’s over-expansion of owner-occupied properties after the owner-occupied property tax credit was introduced.

The focus should be on reducing the significant impediments to timely, affordable, and sustainable home building. The New Brunswick government has taken one positive step in that direction with the Nov 1 announcement of amendments to the Assessment Act that will introduce phased-in assessment values on newly constructed apartment buildings with two or more units and existing buildings being refurbished to add more rental units.