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Thursday, August 14, 2025

CMHC Underscores Tax Plan

Only the private sector can solve Canada's housing crisis, CMHC said yesterday in a report. It followed Prime Minister Mark Carney's promise to revive a 1974 tax shelter for builders.

"Private sector investment in rental construction is critical," said the CMHC report *Accelerating Rental Supply*. "Governments do not have the resources to meet overwhelming demand."

"Over a period of a decade across all Canada the federal government invested about \$43 billion," said *Rental Supply*. "Compare that with the value of condominiums held only by small investors in Toronto alone, estimated by Statistics Canada to be worth roughly \$40 billion in 2021. The contrast is stark. The scale of private investment is vastly greater than that of government."

CMHC sought to dispel complaints that private landlords gouged tenants – "Our research found no firm evidence private sector ownership led to undue increases in rents," it wrote – or resorted to wholesale evictions. "Based on recent surveys the annual eviction rate for renters is estimated at between 1 and 3 percent," it said.

Rent controls and public ownership were no solutions, said Canada Mortgage and Housing Corporation. "Rent control policies in San Francisco led to a decrease in supply of rental units by 15 percent that in turn led to a five percent increase in city-wide rents," said the report by Aled ab Iorwerth, deputy chief economist.

"Sweden has tight rent controls and long wait lists for rental apartments while Tokyo has limited rent control, strong tenant protection and plentiful rental supply," said *Rental Supply*. "There are legitimate concerns about the private rental housing system but addressing them requires evidence-based and appropriate policy tools. Without these, we run the risk of unnecessarily undermining incentives for investors to build more rental housing."

Back To 1970s

CMHC noted Canada has yet to meet levels of construction that peaked at 273,200 starts in 1976, 11 percent more than last year. "The current rate of rental construction is still only half the rate of the 1970s," said *Rental Supply*. "The scale of this supply shortage is too large for governments to address on their own. More private investment is needed in rental housing. Historically lower rental construction was driven by the absence of large investors."

Prime Minister Carney on April 8 proposed that Parliament reintroduce the 1974 *Multi-Unit Residential Building Tax Incentive* that allowed investors to write-down new apartment buildings under depreciation and capital cost allowance rules. "I am here to get things done," he said.

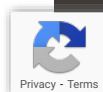
"We will bring back the *Multi-Unit Residential Building Tax Incentive* which, when it was first introduced in the 1970s, spurred tens of thousands of rental housing units across this country," said Carney. "As you can see, our government will be ambitious but we will also be pragmatic. We are going to double down on what is already working."

In the period from 1974 to 1981 a total 563,000 apartments were built in Canada, by CMHC estimate. It was unclear what portion were built as a direct result of the tax incentive, said a 1981 CMHC report *Tax Expenditures: Housing*.

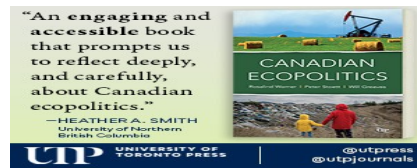
"The main beneficiaries of the MURB provision from the supply side of the market have been developers, promoters and investors with high marginal tax rates," said *Tax Expenditures*. "There is evidence some promoters may be overvaluing projects."

CMHC at the time put the cost of the tax program at \$3,200 per apartment, the modern equivalent of \$11,000. "Investors who tend not to be conversant with real estate matters generally are purchasing the asset solely on its tax shelter aspect with no recognition of possible poor investment prospects due to inflated purchase prices," said *Tax Expenditures*. "The MURB provision is not considered to be an efficient mechanism for promoting rental investment."

By Staff  







OFFICIAL FIGURES	
Inflation	1.7%
National Debt	\$1.7 trillion
Unemployment:	
Nfld. & Labrador	10.5%
P.E.I.	8.8%
Nova Scotia	7%
New Brunswick	7.5%
Québec	5.5%
Ontario	7.9%
Manitoba	5.5%
Saskatchewan	5%
Alberta	7.8%
British Columbia	5.9%

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