

# **Defending the castle:** *In defence of home ownership*

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**Real Estate Market Outlook Conference**  
Toronto, Ontario  
March 1, 2011



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# Agenda

- Home ownership in Canada: a history
- Public policy in Canada & the U.S.
- The 'dark side' of home ownership
- Factors influencing ownership rates
- Current attitudes towards home ownership
- Conclusion



# Canadians and their love affair with housing

- **91%** of homeowners believe a house is a good investment
- Highest confidence level in 12 years
- **26%** view house as a primary resource for retirement

*Is the pursuit of home ownership by the many good for Canada and Canadians?*

Source: RBC- Home Ownership Study, 2010

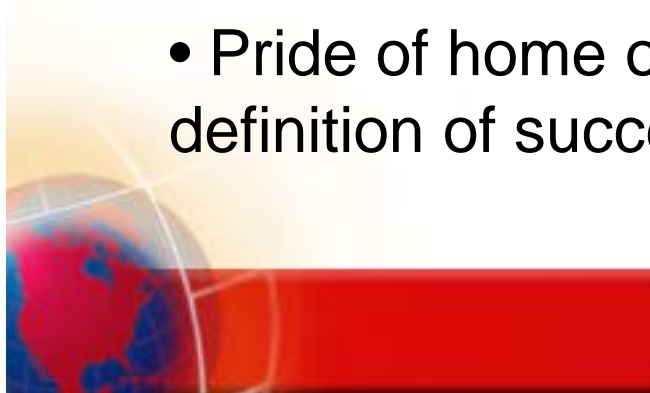
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# Home Ownership in Canada

## *Key to our history and culture*

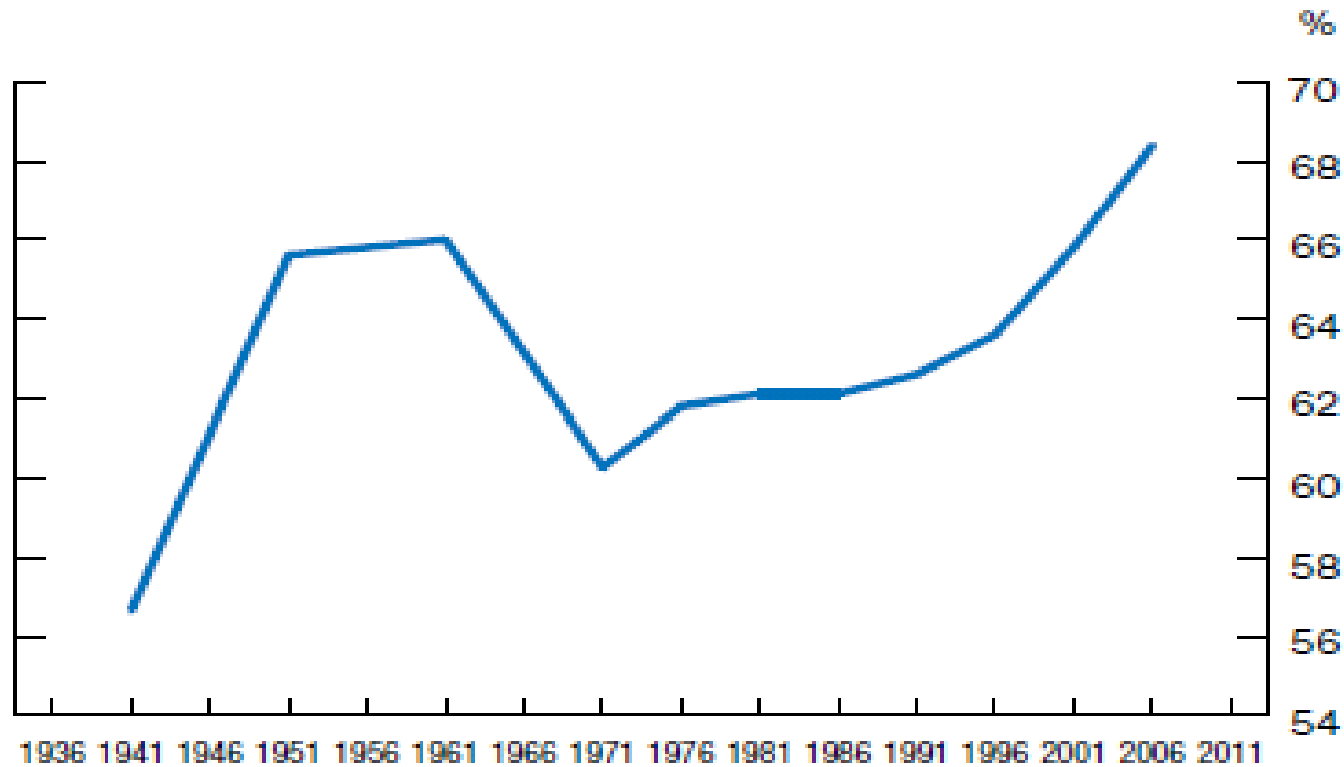
- ‘Canadian dream’ encouraged immigrant families by offering a piece of Canada
- Early baby boomers and post-WWII era - new opportunities tied tightly to real property ownership
- Notion of owning a home has been directly connected to securing equity for retirement
- Pride of home ownership key to a typical family’s definition of success



# Home ownership rates in Canada 1936- 2011

Chart 12: Home ownership rate

Percentage of homes owned by their occupants



Source: Canada Mortgage and Housing Corporation

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# Canadian Housing policy: Background

- Canadian Mortgage & Housing Corporation (CMHC) created in 1946
- Federal Mortgage Insurance Fund (MIF) in 1954
- 1940's - 1960's, most households obtained mortgage support through the federal government

*Many would view the regulation of housing related lending as one of the nation's greatest public policy successes*

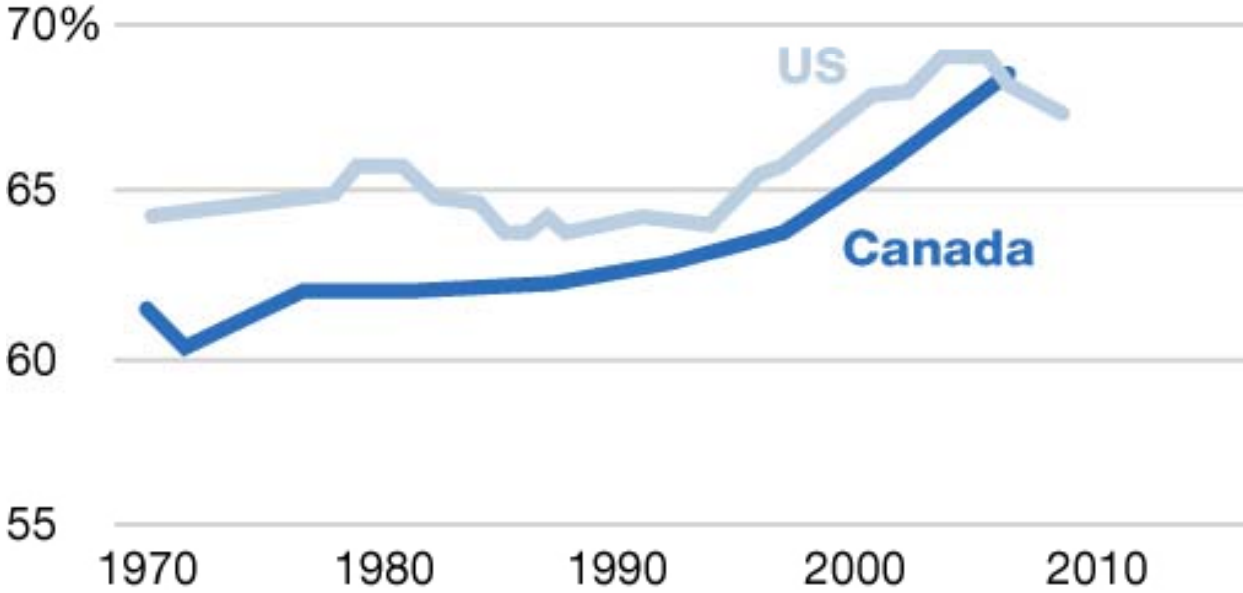


# America's Aggressive Home ownership strategy

- A central role in U.S. public policy
  - *Herbert Hoover: “change the very physical, mental and moral fiber of our children”*
  - *Franklin Roosevelt: “a nation of homeowners is unconquerable”*
- Clinton took it further; Bush stayed the course
  - pressured lenders to make ownership more affordable for lower-income families & those with poor credit history
  - encouraged riskier mortgage lending practices



# U.S & Canada - Home ownership rates



Source: US National Bureau of Economic Research & Bank of Canada



## Americans reflecting on the dark-side of government supported home ownership

- Zealous boosters claim residential real estate is the best investment; history doesn't support such a claim
- Labour migration may be impeded by families tied to difficult to sell houses
- High levels of home ownership have 'shut out' rental accommodation in key urban areas
- Young people with a high degree of mobility may be better served by renting

***Home ownership is consumption & investment***



# Factors influencing home ownership rates

- Inter-generational wealth transfers
- Maturation of the baby-boom population
- House price inflation & affordability
- Increased life expectancy
- Pace of household earnings growth
- Immigration



# Immigration & home ownership acquisition

- 2.2 million immigrants were admitted to Canada from 1991-2000, highest number in past 100 years
- More than half of newcomers owned homes four years after arrival
- Of those renting, 58% planned to buy their own home



## 2011: U.S. Attitudes About Home Ownership

- Vast majority of both home owners and renters say that owning a home is a smart decision over the long term
- **95%** of owners & **72%** of renters believe that it makes more sense to purchase a home
- Most renters in the U.S. still aspire to home ownership: **63%** say they are likely to purchase a home in the future

***Despite the longest post-Depression housing market downturn, American's remain wed to ownership***

*Source: NAR American Attitudes Report, Jan 2011*



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# Conclusion

- Canadian public policy support for home ownership has stood us well
- Culturally, North Americans highly value home ownership
- Heavy handed policies using home ownership to address poverty, crime or demographic issues show limited success
- The long-term building of home equity is a proven strategy in retirement planning

