

ANNUAL PRESIDENT'S REPORT TO MEMBERS

July 2006

Industry Changes, 1970-2006 p.1
 Importance of CFAA-FCAPI's Representation p.2
 CFAA-FCAPI's Work During 2005-2006 p.2
 Conclusion p.3

Introduction

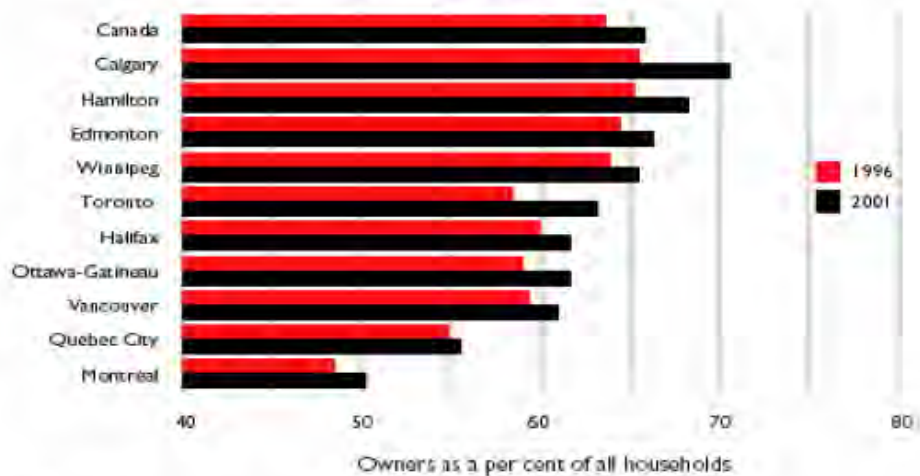
In this President's report to members, we have tried to set out the context in which CFAA-FCAPI works, namely the long term trends in the demand for and supply of rental housing, and what they mean for our industry. After the discussion of the long term trends, we report on the results of CFAA-FCAPI's work in the year past and our priorities for the year ahead.

Industry Changes, 1970-2006

Construction of new rental housing has declined across the country, and home ownership rates have risen from 60.3% in 1971 to 67% in 2005, with more than half of that increase taking place between 1996 and 2005.

For Canada as a whole, 33% of people now rent their homes, down from 40%.

OWNERSHIP RATES, CANADA AND SELECTED URBAN CENTRES, 1996 AND 2001



Source: CMHC, adapted from Statistics Canada (Census of Canada)

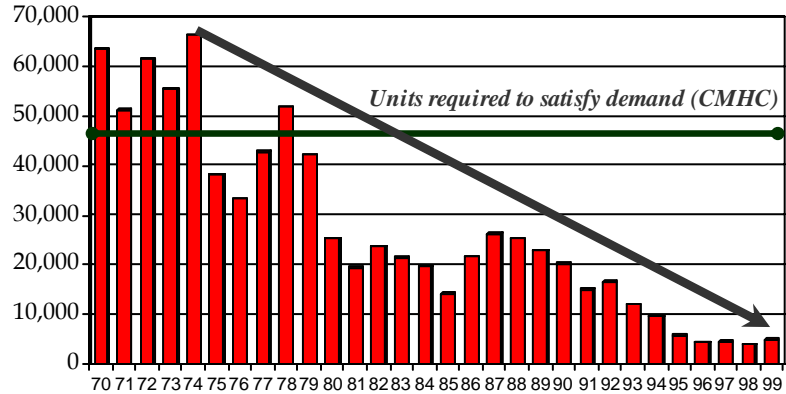
During the 1970's federal and provincial tax initiatives for housing tended to off-set the impact on the industry of provincial rent controls, very high mortgage rates, rapidly rising construction costs and the new capital gains tax on real estate investments.

However, by the late-1970's, the development of new rental housing across Canada began to decline sharply as federal and provincial governments discontinued their housing stimulus programs and removed the tax shelter arrangements that had been available to real estate investors. Private rental

completions dropped to less than 10,000 units annually throughout the late-90's, whereas CMHC estimates that 46,000 new units are needed each year to meet the growth in demand.

In fact, other rental units are provided by investors who buy and rent out condominiums. However, **we face a significant decline in the relative importance of the purpose-built rental stock and the landlords who own and manage that sector.**

National Private Rental Supply in Decline



Importance of CFAA-FCAPI's Representation

To reverse the decline of the rental housing industry we need to improve the climate for rental investment. That includes reforms on provincial and municipal issues like rent control, property taxes, regulation and licensing, and housing policies. **Improving the climate for rental investment also requires reforms on federal issues like income and capital gains taxes, the GST, and federal housing policies.**

Canada's private rental sector is still facing barriers in meeting Canada's rental housing needs. Canada is losing out on rental housing jobs and investment. Old style methods of addressing housing affordability are very expensive. Fair taxation of rental housing and direct assistance to low-income households is the best national housing strategy.

When the private rental housing industry was not organized and active, our industry was negatively affected. **When we are organized and active, we can at least mitigate any damage, and hopefully improve the investment climate for rental housing.**

CFAA-FCAPI's Work During 2005-2006

CFAA-FCAPI has become much more active in recent years. Over the past year we have continued to raise the profile of CFAA-FCAPI significantly among our members, and within government. We expect our relationships with the Minister responsible for housing, the Department of Finance, and CMHC to continue to grow in the year ahead.

In 2005-2006, we promoted the use of federal funds for housing allowance programs. Our work led to CMHC obtaining a study, "Housing Allowance Options for Canada", conducted by Abt Associates, which was released in June 2006. The research highlight is available at www.cmhc-schl.gc.ca/en/inpr/rehi/index.cfm in the 2006 Socio-Economic Series, product #65086. (You can obtain a full copy and CFAA-FCAPI's summary from president@cfaa-fcapi.org.)

In conjunction with CFAA-FCAPI's Annual Conference in June 2006, CFAA-FCAPI and the Eastern Ontario Landlord Organization held a Housing Conference in Ottawa to explain and promote housing allowances. 67 people attended, including Lisa MacLeod, MPP for Nepean-Carleton. The material presented at the Conference will be available shortly on the CFAA-FCAPI website at www.cfaa-fcapi.org/housingconfer.html. The Conference was a great success, and the CFAA-FCAPI Board decided that it wants another Housing Conference in June 2007.

At the Annual Conference and AGM in June 2006, the CFAA-FCAPI Board reviewed CFAA-FCAPI's priorities for 2006-2007. Due to the current federal political environment, the CFAA-FCAPI Board has decided to re-orient CFAA-FCAPI's greatest efforts toward the various tax issues facing landlords.

The CFAA-FCAPI Board also expressed its approval of the work Dickie & Lyman LLP has done for CFAA-FCAPI, and renewed the President's contract with an increase in services to be provided. The budget and CFAA-FCAPI dues were approved with minor amendments.

The Board is pleased with CFAA-FCAPI's current governance structure, namely the directors meeting one month out of every two, with the Government Relations and Communication Committee and the Membership, Fundraising and Finance Committee meeting during the alternate months. We will continue with that structure.

CFAA-FCAPI also decided to create two short term Task Forces, one on the issue of bed bugs and pesticides, and one on tenant and credit reporting. Any member with a particular interest in those areas, or in CFAA-FCAPI's committees, is invited to contact president@cfaa-fcapi.org

CFAA-FCAPI looks forward to continuing to advance the interests of the rental housing industry at the federal level. We work closely with provincial associations since rental housing and tax policies interact in many ways.

Conclusion

CFAA –FCAPI is working hard at the Federal level to improve the climate for rental investment. We thank you for your continued support and participation in CFAA-FCAPI.

Prepared by:

**John Dickie,
President, CFAA-FCAPI
president@cfaa-fcapi.org**