

August 11, 2011

Ed Holder
MP London West
200-390 Commissioners Rd. W.
London ON N6C 6A3

Dear Ed:

SUBJECT: LSTAR'S BUDGET SUBMISSION

The London and St. Thomas Association of REALTORS® would greatly appreciate your support for two initiatives, which we believe would both stimulate the economy and be of great benefit to Canadians, now and in years to come. Since the government is currently in the process of arriving at a budget, this seems an opportune time to ask for your assistance . . . and that of your colleagues in the London CMA.

The first initiative we would like to advance is the indexing of the Home Buyers Plan to CPI. As you are aware, this program has allowed over two million Canadians to save for both retirement and a home without needing to prioritize one over the other. Indeed, in 2009, more than 46,000 homes were purchased using the HBP, resulting in over \$1.9 billion in spin-off spending and more than 16,000 jobs.

However, over the existence of the HBP – close to two decades now -- the average house price in Canada has almost doubled. In the London CMA alone we have gone from an average price of \$137,252 in 1992 to an average price of \$233,388, Year to Date as of July 31, 2011. Budget 2009 wisely recognized the need to adjust the Plan for inflation and raised the limit by \$5,000, the first increase since 1992. That was great, but more is needed if the HBP is going to continue to help Canadians buy homes.

We recognize that the government is determined to get Canada's fiscal house in order and that, in order to do that, it will not entertain any measures that don't result in a net gain. We also know that the government projects a balanced budget for the year 2015. Mindful of these two considerations, we ask that, beginning in 2015 and using Budget 2009 as a starting point, the government consider adjusting the limit by \$2,500 in 2015 at a cost of \$7.5 million, with a further \$2,500 increase in 2020.

Of course, if the government should be inclined to commence indexation earlier or to extend the HBP so that it benefited move-up buyers as well as first-time buyers, we would have no objections.

Our second request is that the government allow the deferral of previously written off depreciation (Capital Cost Allowance) on an investment property when owners sell in order to reinvest. We know from our conversations with you that you have some issues with this initiative vis-à-vis net loss vs. gain and the potential for abuse by larger investors. Notwithstanding this, we strongly believe that allowing this deferral would remove a major reinvestment obstacle for over half of those individuals who stand to benefit from such a change – those whose incomes are below \$50,000. Real estate developers get tax advantages unavailable to small real estate investors, including the ability to defer tax, and a much lower tax rate, depending on their type of business. And, as you know, investment in property always triggers renovations, retrofits and

redevelopment, which accelerates the economy, greens the environment, and revitalizes communities. The average property investment generates \$287,850 in economic spin-off activity. In addition, more than one job is created for every two investments. Also to be taken into consideration is the other revenue which would be generated by more reinvestment activity, including Capital Gains Tax from property sales, and GST/HST and income tax from spin-off activity. And, of course, all deferred tax is ultimately collected when investors decide not to reinvest or later, through their estates.

Thank you for the opportunity to discuss these initiatives with you, Ed, and all the best, as always.

Sincerely,

Jack Lane, President
London and St. Thomas
Association of REALTORS®

Cc: Joe Preston, Susan Truppe, Randall McCauley