

# Why private investment doesn't solve housing issues

by Shauna MacKinnon

*Originally published in the Winnipeg Free Press on December 19, 2025*

On Nov. 22, National Housing Day, the *Free Press* featured a story — ‘She’s that kind of unicorn’ — about the Business Council of Manitoba’s Collaborative Housing Alliance.

It reveals how far off course we are from solving the housing crisis. It also reveals how politicians continue to ignore evidence showing where we have gone wrong, and what we must do to solve a problem that has been escalating for decades.

The primary concern is the continued erroneous belief that the private sector has the answers, when it has been the overreliance on the private sector that has led to extreme housing inequality globally. The primacy of housing as an asset has long overtaken housing as a social right.

The only way to ensure the right to housing is through government investment in the expansion of deeply affordable non-market housing and supports for those in greatest need.

Premier Wab Kinew demonstrated his trust in the market last year when he announced a \$10 million investment in

the CHA Real Estate Investment Trust. Last month, Tessa Blaikie Whitecloud, the premier’s senior adviser and lead on the implementation of the provincial homelessness strategy, announced she would be leaving the Kinew government after nine months to join the CHA as its CEO.

Blaikie Whitecloud explains in the *Free Press* story that she will have a greater impact in her new position, which presumably includes convincing more investors to buy into the no/low-return model that the CHA is pitching to help finance the development of affordable housing. Paul Mahon recently invested \$2 million through the Mahon family foundation. True North Entertainment invested \$5 million, bringing the total invested to \$17 million. Kinew is featured in a CHA video calling on business leaders to invest in the REIT.

It seems unusual for an elected leader to invest millions of public dollars in a private enterprise that says it will “own, operate, or finance income-generating real estate,” and then use his position to influence additional investments that will generate financial returns.

A more appropriate role for the premier would be to explain to business leaders and the public how we got into this mess and how resolving it will require significant government investment in non-market expansion of deeply affordable supply.

Although he doesn’t rule out deeply affordable housing, Mahon says the

CHA's mandate is to develop what Blaikie Whitecloud describes as "regular" affordable housing, which is not affordable to the lowest-income households. They say this will allow people to move to the "next step on the housing ladder."

That's fine. But the province first has a responsibility to address the needs of those unable to reach the first step, and it has yet to do so. Blaikie Whitecloud, Housing Minister Bernadette Smith and Kinew claim the provincial homelessness strategy is a success — on target to end chronic homelessness by 2031.

It's not clear what metrics they are using. Despite Kinew's stated commitment to scale up deeply affordable social housing, only a fraction of the units needed have been added. Although the *Free Press* article claims that 100 new affordable units are "opened monthly," no evidence confirms this.

Government investment in the CHA is troubling given the vast evidence that shows the private sector won't create housing for low-income renters.

Recent research published by the Canadian Housing and Renewal Association reiterates that "it is simply not financially feasible for the private market to produce homes at low or even moderate rents." It explains that the post-2000 government practice of incentivizing the private sector to create so-called affordable housing has not worked.

In part, this is because incentives have typically been conditional on time-limited affordability agreements, where rents can increase after agreements expire. We don't know if the CHA will enter into time-limited affordability agreements. The CHA website describes a mandate that is common of REITs, including "acquiring and renovating underperforming properties, converting them into affordable rental housing."

But advocates for low-rent non-market housing are skeptical, as research into REITS shows that they typically increase profitability through various fees and rent increases. Researchers assert that while investment funds may create rental housing slightly below market rates in the short-term, this won't be sustainable.

Given the evidence, the expansive need for deeply affordable housing and the government's goal to end chronic homelessness, why is the Kinew government choosing to direct millions of public funds to a private investment trust that is unlikely to create housing at the bottom of the so-called housing ladder? Mahon says it "isn't the alliance versus the government," but \$10 million to CHA is \$10 million unavailable for social housing development and homelessness prevention.

Solving the housing crisis will require large-scale government investment in what advocates have long called for. This includes a comprehensive and intergovernmental plan to expand and maintain the social housing supply with

24-hour supports where needed, implement strong rent regulations to ensure low-income renters don't fall into homelessness and far more investment in mental health and addiction services.

Implementation of a comprehensive plan will only happen if our premier follows the evidence and makes this a priority. Kinew has been trying to manage expectations by reminding us that the government can't do everything. He's right

But what it can and must do is allocate public funding to the things that matter most. The CHA will not focus on the housing needed most. That's the government's job.

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