

Pre-Budget Consultation Submission for the 2024 Federal Budget for the Department of Finance



Introduction and Overview of the Industry

On behalf of the of the Canadian Home Builders' Association (CHBA), we are pleased to submit recommendations to the Department of Finance ahead of Budget 2024.

Since 1943, CHBA has been the voice of Canada's residential construction industry. Representing one of the largest industry sectors in Canada, our membership is made up of some 8,500 member firms from coast to coast, including home builders, renovators, land developers, trade contractors, product and material manufacturers, building suppliers, warranty and insurance providers and related services. CHBA members are largely comprised of small- and medium-sized businesses.

Residential construction, for both new housing and renovation, accounts for 1.5 million jobs across the country—jobs in every community—representing \$107.2 billion in wages, and \$211.3 billion in economic activity. Our members build low-rise, mid-rise, and high-rise homes for both ownership and rental.

The latest CHBA Housing Market Index (HMI), which is a leading indicator about the current and future health of the residential construction industry in Canada, shows that industry conditions continue to deteriorate, and that housing starts will be further repressed in 2024.

The HMI, which is measured between 0 and 100, reached an all-time low for single-family builder sentiment, at 24.6—surpassing the previous low recorded of 26.2 in Q4 2022. The multi-family HMI declined to 29.1. And reflective of the falling HMI previously, 2023 saw 64% of builders surveyed build fewer homes because of the high interest rate environment and 30% said they canceled projects.

Looking ahead, 36% of builders anticipate still fewer starts in 2024 compared to 2023. Builders are also experiencing widespread concern about closing difficulties on past sales; around one third reported having to make closing accommodations for buyers or reported buyers seeking alternative lending solutions. These persistent problems with closing previously sold builds will also influence builder decisions about going ahead with developments in 2024.

Canada needs a course correction through policy and financial/mortgage systems changes in order to create an environment conducive to building more, much-needed housing supply. CHBA's 2024 Pre-Budget Submission will outline the pathway to build the 5.8 million homes the government is targeting to be built over the next decade, with recommendations for financial system change, policy change, labour system change, and productivity change.

Recommendations

Housing Affordability - More policies aimed at the first-time home buyer

Housing affordability and the increasing inability to afford a home are serious issues impacting all parts of the country. CHBA welcomed Budget 2022's assessment that Canada will need 3.5 million additional new homes over the next decade. This is over and above the 2.3 million the sector would normally build. In order to meet this goal, it is absolutely crucial that the government implement policies to help the first-time home buyers. Rising interest rates, tightening mortgage rules, and lack of supply are all contributing to barriers to homeownership – particularly for first-time buyers. There will be no way to build 5.8 million new homes over the next decade if Canadians cannot afford them.

CHBA is very pleased with the government waiving the GST on purpose-built rental. This addressed a long-standing issue that prevented the construction of more rental housing for decades. This is something CHBA has called on the government to do as purpose-built rental is an important part of the housing continuum. However, Canadians, including younger Canadians, still believe in the dream of homeownership.

The introduction of the First Home Savings Account can be a tool by which first-time buyers can save towards a downpayment. However, saving for a downpayment can take years especially when faced with current inflationary challenges and other barriers to homeownership such as high interest rates.

It is essential to find the right balance of housing policy, fiscal policy, and mortgage rules to maintain stability while also supporting the needs and goals of Canadians. The right balance encourages movement along the housing continuum by creating vacancies in rental that others can fill. Historically, 80% of new rental supply typically comes from people becoming first-time home buyers and vacating rental units. When would-be buyers cannot buy homes, as is now the case, they stay in their rental units, causing stress on the rental market as well. A healthy housing continuum includes robust market-rate housing options, and diverse pathways to homeownership, supported by sound mortgage policies.

CHBA has long called for a return to 30-year amortization periods for insured mortgages for well-qualified first-time buyers. However, there has been reluctance by some within the Department of Finance to re-introduce something that might be perceived as increasing demand in a supply-constrained market. **Therefore, CHBA is recommending that the government introduce 30-year amortizations for insured mortgages only for new construction.** By definition, this measure would not create demand in a supply-constrained market, since it would only be applied to new supply. This focus on creating new supply, which is so badly needed, will have no impact on prices in the existing housing market. In fact, it may very well slow price acceleration in the existing housing market. This measure would go a long way to enabling the industry to respond to the government's goal of getting 5.8 million new homes built over the next decade, because while the number is laudable, and one which the home building industry supports, unless better policy is in place to enable first-time buyers to access mortgages to purchase more homes, there will be no means by which to build the 3.5 million homes needed above what the sector is already building.

Introducing 30-year insured mortgages for new construction – not for all buyers, but for well-qualified first-time buyers – will address growing inequities in mortgage access and will deliver financial benefits to younger Canadians and Canada as a whole.

If the government is concerned with risk in re-introducing 30-year amortizations for the Canada Mortgage and Housing Corporation (CMHC), Finance Canada could allow private-sector insurers to partake in the insurance for 30-year amortization mortgages. **It is very important to stress that this measure will not cost a fiscally constrained government any money.** In fact, it will add to CMHC assets through mortgage insurance.

In order to support well-qualified homebuyers access homeownership, the federal government should also **modify the stress test for both insured and uninsured mortgages to reduce the test rate on a declining basis for 7- and 10-year mortgage term**, given the reduction in risk with longer mortgage terms for both Canadians and the financial system. Currently, the stress test reduces the buying power of those at the margins of qualifying by approximately 4 percent. The stress test is a significant barrier to the purchase of homes – longer term mortgages can both increase access to homeownership while lowering risk to the financial system. Adjustments to the stress test will provide more purchasing power for

Canada's next generation and address growing inequities in mortgage access, and deliver financial benefits to younger Canadians and Canada as a whole, without causing undue risk. By the time their first 5-year term is up, most first-time buyers have a higher household income than when they applied for a mortgage, lowering risk. Further, most Canadians do not take their entire amortization period to pay off their mortgage (the average for 25-year mortgages are that they are actually paid out in much less time – about 18 years).

Between the 2011 and 2021 census, homeownership rates fell 2.5 percentage points to 66.5%. The ownership rate fell materially in every province and fell by over 3 percentage points in British Columbia and Ontario. While existing home prices rose considerably over this time, the introduction and subsequent revisions to the stress test within the Office of the Superintendent of Financial Institutions (OSFI)'s Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures, as well as CMHC's mirroring of those practices, has contributed significantly to the downward trend in homeownership rates. Meanwhile, mortgage arrears rates have fallen to historic lows, still only at 0.17%. The cost of overtightening mortgage rules has been falling homeownership rates. We can reverse this trend without causing undue risk in the financial system. The time to do it is now. And while the government can only recommend to OSFI what it does about the B-20 stress test for uninsured mortgages, it can change stress testing for insured mortgages independently, which it should do immediately to support first-time buyers.

In order to help first time buyers, CHBA also **recommends lowering government-imposed costs that add to affordability challenges. This includes lowering the GST on new homes.** The GST New Housing Rebate provides a refund of 36% of the GST paid on new homes priced below \$350,000. The rebate is decreased for new homes priced between \$350,000 and \$450,000. There is no rebate for new homes priced above \$450,000. The \$350,000-\$450,000 thresholds have remained unchanged since the GST was introduced in 1991. At that time, the federal government made a commitment to adjust the thresholds “at least every two years” to ensure that they continued to reflect changes in housing prices, and thus to protect housing affordability over time, in all parts of Canada. Yet the rebate has never been adjusted. It is important to reinforce that it is only purchasers of new homes who are disadvantaged by the lack of indexation of the GST thresholds, further hampering the construction of new housing supply. House prices have increased dramatically since the introduction of the GST, and in many markets, there are almost no homes available in the threshold range. Adjustments are long overdue.

CHBA further **recommends that Net Zero Ready retrofits should qualify for the GST/HST New Housing Rebate.** The GST/HST New Housing Rebate allows an individual to recover some of the GST or the federal part of the HST paid for a new or substantially renovated house. According to the Rebate rules, “If a house has been substantially renovated, it is generally treated as a newly built house. Only certain major changes will meet the definition of a substantial renovation. For a substantial renovation, the interior of a house is essentially gutted. Generally, 90% or more of the interior of an existing house is the minimum that has to be removed or replaced to qualify as a substantial renovation (90% test).” Given the Government of Canada's drive towards Net Zero and given that to renovate a house to meet Net Zero or Net Zero Ready levels of performance is a very major renovation entailing very high costs, it is recommended that all renovations of homes to this level of performance be considered “substantial renovations” and qualify for the GST/HST New Housing Rebate. This rebate should clearly fall within the “substantial renovation” classification, and also supports the government's pursuit of a net zero future.

Immigration/Labour

The home construction industry continues to face chronic labour and skills shortages. Ongoing labour challenges, combined with nearly 20% of the residential construction industry's labour force set to retire over the coming decade, means that boosting the number of tradespeople in the sector is paramount to increase housing starts. Currently, Canada does not have enough workers to double housing starts. Therefore, it is vital that the federal government ensure the immigration system is accepting new Canadians who are eager to build houses. These are good-paying jobs within an industry keen to share its knowledge and skills expertise with those willing to learn.

There are two areas in which CHBA recommends increased government action in order to ensure that enough homes can get built over the next decade to address affordability challenges: address labour shortages and support increased productivity.

Labour shortages

CHBA recommends that the federal government update the immigration system to proactively attract much-needed skilled workers specifically for residential construction. This can be done by:

- Further enhancing the trades category-based selection for Express Entry to support the specifics of the residential construction sector, including bringing in TEERs 4&5 construction assistants and labourers.
- Modernize the Temporary Foreign Worker Program to facilitate better use by the residential construction sector (with pre-arrival language/safety training and better pathways to permanent residency).
- Investment in employer-based concierges, such as that proposed by CHBA, to liaise with non-profit organizations, individuals and employers to ramp up labour capacity in the sector.
- Encourage more Canadians to consider a career in the skilled trades and support the apprenticeship system. As a country, we need leadership to demonstrate these are good and valued careers, and we need to support the people who choose them.

Support Increased Productivity

Recently there has been a lot of talk surrounding modular and panelized construction as being the answer to Canada's housing supply deficit. While factory-built construction offers many opportunities to increase productivity, there are many barriers to overcome to industrialize the sector. CHBA has developed a Sector Transition Strategy (STS) to explain the current situation, the challenges and opportunities, and provides the recommendations to get there.

Moving the industry towards factory-built construction offers many benefits, but there are risks and barriers that have prevented the industry from transitioning to factory-built construction. The site-built housing industry has evolved to successfully weather boom and bust cycles of the market/economy. Conversely, factory-built construction requires high capital investment, high overhead, a steady workforce, and steady demand/throughput, which means it's not inherently well suited to boom and bust cycles.

However, CHBA's STS outlines a comprehensive action plan for housing supply. This includes targeted programming, strategic financing, investment tax credits, and financial system, regulatory and policy support from all levels of government. Just as the government stepped forward in Budget 2023 to address the climate crisis with a made-in-Canada plan for a clean economy, Canada needs a made-in-Canada plan for housing supply, using similar tools. Full details of the STS, which is receiving very positive feedback in governmental meetings, can be found in *Appendix A*.

Remove Barriers and Red Tape within the Home Building Process

While the federal government has indicated that more housing supply is needed to address affordability challenges, it is also, at the same time, introducing policies and regulations that are needlessly getting in the way of building more homes while also unnecessarily driving up house prices. CHBA members are largely comprised of small- and medium-sized businesses in the construction and development industry who have been severely impacted by the lack of understanding of the sector, the insufficient pre-consultation with industry, or frankly the blatant disregard for how policies will negatively impact the building of more supply.

CHBA continues to ask for changes to the **Underused Housing Tax** regulations so that home builders and developers are excluded completely (as are REITs and publicly traded companies), including for the 2022 taxation year.

At the same time, the federal government needs to address **Bill S-211** (Forced Labour in Supply Chains Reporting Requirements) by recognizing the different legal treatment between real property and goods, so that builders/developers are not erroneously caught up in legislation squarely aimed at risks related to manufactured products.

The Association continues to call on the federal government to **fix the red tape surrounding trust reporting requirements** so that condo pre-construction deposit trusts are excluded, since the trusts are held by lawyers in accordance with real estate consumer protection laws and the information is already available through FINTRAC.

These examples of red tape further delay construction and increases housing costs for consumers. CHBA's some 8,500 members are the firms the federal government needs to depend upon to achieve the goal of building more homes. The sector can no longer be the target of poorly thought-out policies that take away from building more supply. Furthermore, home buyers should not be the ones who ultimately pay for these poorly thought-out policies.

Avoid Adding Costs Through Codes and Regulations

While there is a role that housing can play in addressing climate change, it is important to ensure that addressing climate change does not exacerbate housing affordability challenges along the continuum, driving homeownership further out of reach for more individuals and families, and reducing the number of social housing units that can be built. Many new policy directions that put pressures for more stringent codes and regulations are important, such as climate change mitigation, resiliency, accessibility, and others. Unfortunately, almost all short-term actions to address these policy priorities through regulation increase costs to housing. It is critical to innovate and find solutions to these challenges without driving up housing costs. Therefore, CHBA recommends:

- **Invest in innovation and R&D for lower- or neutral-cost solutions** that promote energy efficiency, climate adaptation and resilience, accessibility, and health and safety. Before regulating, cost-neutral innovations are required.
- **Adopt affordability as a core objective of the National Building Code, and all related standards,** to ensure that we are building better, more efficient houses for the same price or less moving forward, as we continue to seek to address new challenges through code and other means.
- Improving the existing housing stock is key to addressing climate change as today's new houses are already very efficient. To address climate change within the sector, it is critical to address existing housing. Therefore, CHBA recommends **EnerGuide labelling at the time of resale on homes.**

Conclusion

In order to achieve more housing supply, the federal government needs to treat the home construction sector as a partner and help create the conditions by which the industry can build 5.8 million homes over the next decade. The recommendations contained within this submission are also outlined with additional details in *Appendix B – Unlocking the Door to Homeownership: Recommendations on the Federal Role 2024*. Should Finance Canada have any questions or would like to have more information, please contact Nicole Storeshaw, Director, Government Relations at nicole.storeshaw@chba.ca or 613-230-3060 ext. 241.



Photo courtesy of Wastell Homes, London, ON

SECTOR TRANSITION STRATEGY

Solutions to the barriers preventing Canada
from building 5.8 million homes



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INTRODUCTION

Canada is facing a housing crisis. Chronic undersupply of market-rate housing has led to a shortage of all types of homes, driving up prices of available homes for sale and for rent, and putting still more pressure on affordable housing. The housing shortage has greatly impacted housing affordability, preventing many younger Canadians and new Canadians from buying a home. When it's too expensive to buy a home, we have more renters. And more people competing for the same number of rental units drives up rent prices, which puts more people in core housing need and places undue pressure on the social housing system.

With the chronic lack of supply driving up house prices, the federal government has determined that Canada must build 5.8 million homes over the next decade to address the housing deficit and tackle housing affordability. This means we need to build 3.5 million more housing units over and above the 2.3 million we would normally build during that timeframe, which means we need to more than double housing starts. However, there are currently many challenges that will make it impossible to reach that target without substantial systemic change to how we finance and build homes in this country.

The Canadian Home Builders' Association (CHBA) has been the voice of Canada's residential construction industry since 1943, and seeks a strong and positive

role for the housing industry in Canada's economy and in the life and development of our communities. Our expertise and insights come from over 8,500 member firms from coast to coast, including the members of our Modular Construction Council. CHBA's Sector Transition Strategy presents solutions to the challenges our country is facing in communities from coast to coast.





GETTING TO 5.8 MILLION HOMES

Accomplishing the goal of doubling housing starts is a complex matter that is not achievable with the current status quo. To do it, we need a whole-systems approach by all governments at the local, provincial and federal level.

Canada's housing industry cannot build 5.8 million homes without the government supporting systemic change in four areas: financial, policy, labour, and productivity.

CHBA's Sector Transition Strategy builds on and relies on enactment of CHBA's recommendations to address housing affordability and supply to create the environment where housing production can actually increase. It then focuses on supporting and de-risking an industry transition to incorporated more factory-built systems in order to increase productivity with the goal of addressing Canada's 3.5 million housing unit supply deficit.



Continue federal leadership but ensure a holistic approach



Remove barriers to homeownership for first-time buyers



Lower government-imposed costs that add to affordability challenges



Remove barriers within the home building process



Avoid adding costs through codes and regulations



Address labour shortages



Support increased productivity

FINANCIAL SYSTEM CHANGE

If Canadians can't buy homes – and in particular, if young and new Canadians can't buy their first home – then we will not see an increase in housing starts. Why? Builders need buyers to keep building. There is a need for more homes, but if no one can afford to buy them or if people are waiting for better conditions to buy, builders cannot keep building homes. And yes, we need more rental properties too – we need to unlock investment from private buyers to buy their own homes, bringing billions of dollars to spur construction of housing for ownership, plus billions of private dollar investment in purpose-built-rental housing.

We need changes to our financial systems that enable Canadians to buy homes. We also need to create change that enables investment in purpose-built rental, which is a critical housing option for many, but is currently very cost-prohibitive for developers.

POLICY CHANGE

While the lack of supply is driving up prices, many other factors are as well. Construction and carrying costs keep rising, which in turn is making the cost to build homes rise. More and more red tape is adding to costs and causing delays, which further amplifies construction costs. Additions to the building codes, which are made for a variety of broad policy goals (sometimes good, and sometimes excessive), also continually add to the cost of construction, further eroding affordability. Development taxes (development fees, lot levies, amenity fees, etc.) have risen some 700% over the past two decades and can now be as high as 25% of the sale price.

There are many changes needed to fast-track development and lower construction costs if we're to double housing starts.



SOME KEY FINANCIAL SYSTEM AND POLICY RECOMMENDATIONS:

- Ensure government's own policies do not run counter to increasing supply (e.g. interest rates, mortgage rules (incl. stress test), taxation, codes and standards)
- Re-introduce 30-year amortization periods for insured mortgages for new construction and increase upper limit to \$1.25M
- Address the stress test and avoid further underwriting tightening
- Increase thresholds on GST New Housing Rebate
- Continue emphasis on doubling starts, providing analysis on cities with shortages & supply barriers
- Continue Housing Accelerator Fund investments to support change in municipal systems and processes
- Increase infrastructure and transit investment & tie to housing outcomes
- Adopt affordability as a core objective of National Building Code
- Invest in R&D for lower or cost-neutral solutions that must be pursued before regulation that increases costs.

LABOUR CHANGE

The Canadian residential construction industry is facing a major labour shortage and does not have the capacity to double housing starts, should financial and policy system changes enable the market to trend in that direction. According to BuildForce Canada, 22% of the residential construction workforce is set to retire over the coming decade. To replace them, over 158,000 workers would need to be hired – but Canada doesn't have the projected domestic workforce capacity to replace the workers to maintain the status quo, let alone double housing starts. Additionally, there is increased demand for renovations and energy retrofits to achieve Canada's net zero emissions targets by 2050, which draws on the same labour pool.

Changes to the labour system are needed to provide enough workers (current Canadians and new Canadians through immigration) to counter the retirement wave and meet increased demand in new home construction and renovation/retrofit.



PRODUCTIVITY CHANGE

On top of the labour shortfalls, new BuildForce Canada data is projecting that building 5.8 million homes over the next decade will require almost half a million additional workers in the industry. This means that Canada's residential construction industry will need more workers from domestic sources and immigration, but we will also need productivity gains, since over three-quarters of a million more workers will be all but impossible to secure.

So if the financial and policy challenges change sufficiently to allow much more housing production in order to double housing starts, there needs to be a fundamental shift in how homes are built in this country to increase productivity, given the people we will have available. Incorporating more factory-built homes has the potential to greatly improve Canada's housing supply, and many are rightly looking to modular and panelized construction, but there are many barriers to making that shift.

Increasing industry productivity through factory-built construction will require substantial capital investment that must be incented and de-risked. CHBA's Sector Transition Strategy shows how this can be done.



See the full list of CHBA's recommendations at chba.ca/recommendations2024

CHBA'S SECTOR TRANSITION STRATEGY

In modular construction, the home is built in one or more 3-dimensional modules in a factory and then shipped to the site. Panelized systems – where 2-dimensional wall and floor panels are pre-built in factories and shipped to site – are also an option for making use of factory-built construction. Both approaches can be used for all forms of housing, from small homes to large homes to multi-family buildings.

Moving the industry towards more factory-built construction offers many benefits, but there are costs, risks, and barriers that have prevented the industry from transitioning to factory-built construction thus far.

WHY AREN'T WE ALREADY BUILDING ALL HOMES IN A FACTORY?

The residential construction industry has made some increases in productivity over the years, from introducing tract-built homes (designing a floor plan/model and building duplicates of them), to productivity gains achieved through innovation in building materials and tools. In fact, according to Statistics Canada, productivity in residential construction climbed 14% from 2012 to 2022. But the site-built approach remains labour intensive. So why haven't builders already made the move to factory-built homes?

The answer lies in the housing industry's historically dramatic economic cycles. Builders and developers have evolved to expertly and efficiently weather boom and bust cycles of the market/economy; their efficiency is often underestimated. The following factors contribute to the flexibility and resilience of the industry:

- Most companies are micro/small businesses who employ just a few people; most of the construction work is subcontracted out as needed.
- As a result, there has been limited unionization within the industry.
- Site-built construction, with its mobility of trades and subcontracted structure, moves trades from site to site in an assembly line. This often means that builders “share” the same tradespeople.
- The skillsets needed for residential construction allow for fluidity between new construction and renovation – when times are slow, many builders and their trades focus on the renovation side of the business.
- Likewise, there is fluidity between residential construction and commercial construction, further allowing those tradespeople to stay active in varying conditions.



Photo courtesy of Big Block Construction, Saskatoon, SK

All of these factors combined allow businesses to function with very low overhead/capital costs, making it easy to downsize during slow economic times.

Conversely, factory-built construction requires high capital investment, high overhead, a steady workforce, and steady throughput, which means it's not inherently well suited to boom and bust cycles. And

while it's certainly efficient in its productivity, it's not efficient enough to offset the current barriers. Those barriers will need to be addressed so that more homebuilders will be able to make the transition, and factories can expand capacity.



BARRIERS TO FACTORY-BUILT CONSTRUCTION

In addition to the high capital investment, high overhead, and steady workforce and consistent throughput needed to embark on and sustain factory-built home construction in a financially feasible fashion, there are a variety of other hurdles that need to be addressed, including but not limited to:



Photo courtesy of Triple M Housing Ltd., Lethbridge, AB

- Homes built in factories need to be transported to site, and transportation restrictions (which are often inconsistent between provinces and industries) make this a logistical challenge that sometimes results in the inability to transport homes.
- There are regulatory challenges, including among building officials (e.g. different interpretations of building code).
- There can be duplication of inspections (in the factory and then again on site – the latter shouldn't be needed), taking away from one of the advantages of factory-built.
- Most financial institutions don't offer proper construction-financing products for factory-built homes, increasing the financing costs and challenges for factories.
- Labour shortages affect factory-built as well.
- There are costs and risks to completely changing how a builder does business, especially when the business is set up to weather downturns, as discussed above.

Given how the housing market functions in Canada and the barriers to factory-built construction, government support will be needed to substantiate the business case and de-risk the investments to make such a transition.

THE BENEFITS OF FACTORY-BUILT CONSTRUCTION

If there are so many barriers, why should the industry transition to more factory-built homes? In addition to our need to overcome Canada's permanent labour challenges through increased productivity, the benefits of factory construction are extensive, and a scaled factory-built industry could indeed have the capacity to double housing starts and address Canada's chronic supply shortage and affordability crisis.

Factory construction is more efficient from a time, labour and material perspective, which gives it an edge over on-site construction. It's also shown to create less greenhouse gas emissions and construction waste.

And although factory-built approaches can build any form of housing from small homes to large homes to multi-family buildings, it is ideally suited for low-rise multi-unit construction (up to 4 storeys) – housing types that are much in demand and make up the “missing middle” of housing architectural types. Factory-built construction can also easily be used for infill housing (e.g. laneway housing and other accessory dwelling unit forms), and rural/remote housing, including housing for indigenous communities. It also lends itself very well to rapid housing and affordable housing.

There is a lot of opportunity for the industry to shift to factory-built construction. According to CHBA's Housing Market Index

(chba.ca/hmi), only 2% of respondents are using modular construction, and 25% used some form of panelization in the last year. However, 90% are considering using some form of factory-built construction in the next one to three years.

Clearly, builders are seeing the advantages of the reduction in on-site construction time and reduced labour requirements. Now they need the support to make the transition.

TOP BENEFITS OF FACTORY-BUILT CONSTRUCTION

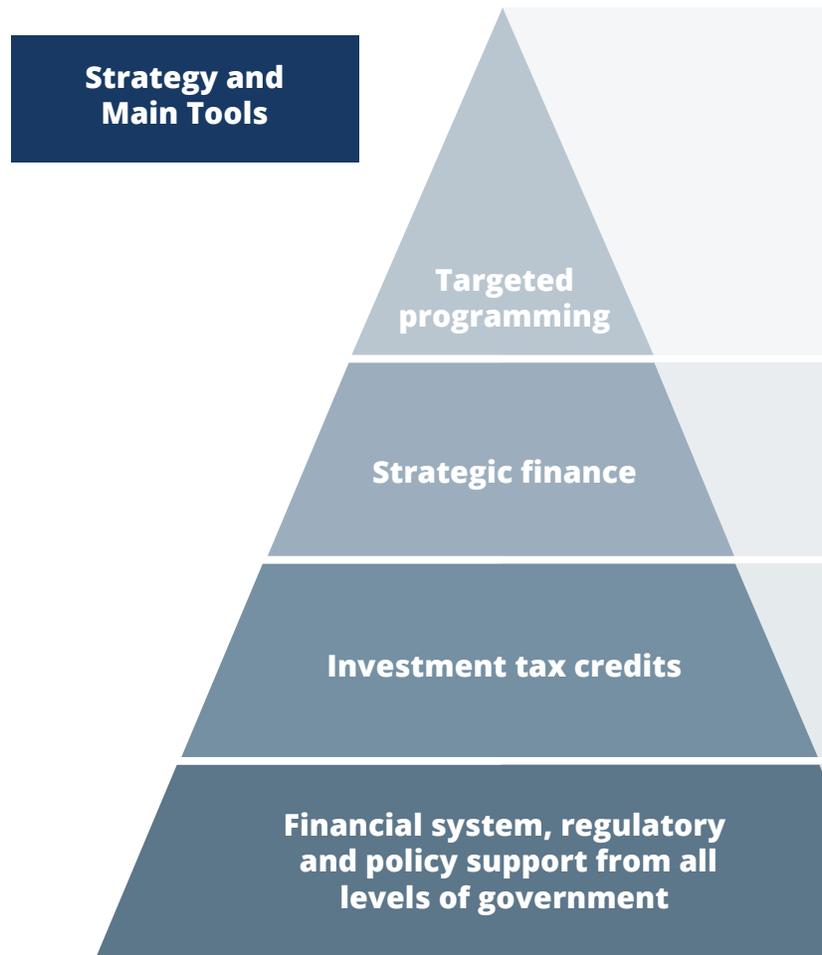
- **Faster construction with fewer delays**
- **Year-round work with limited weather issues**
- **More energy efficient and less waste**
- **Increased output with less labour**
- **Easier to get labour (fewer barriers to entry, appealing conditions, good for immigration, including temporary foreign workers)**



HOW GOVERNMENT CAN SUPPORT CHBA'S SECTOR TRANSITION STRATEGY FOR HOUSING SUPPLY

There are concrete steps the government can take to help to address Canada's housing crisis and improve housing affordability through the increased productivity of factory-built solutions. The actions on this page came from input and feedback from builders across the country, including critical insight from CHBA's Modular Construction Council, which is made up of representatives from many of Canada's current factories.

The pyramid on this page and the next is a made-in-Canada plan that will allow for the residential construction sector to transition to more factory-built homes to increase housing supply and build 5.8 million homes to close the supply deficit. It is modelled after *Canada's Plan for a Clean Economy*, as clean technology faces similar market penetration challenges. Just as the government stepped forward in Budget 2023 to address the climate crisis with a made-in-Canada plan for a clean economy, Canada needs a made-in-Canada plan for housing supply, using similar tools.





- Grant funding for soft costs of transition for site-builders
 - Soft-cost acceleration funding for manufacturing facilities
- } *Akin to Canada Digital Adoption Grant (CDAP)*
- Add housing manufacturing as a priority area in initiatives like the Strategic Investment Fund
 - Contribution Agreement Funding for CHBA Factory-Built Systems Hub for: information and training for builders and building officials; addressing regulatory barriers; innovation in factory-built systems; concierge service for government transition funding
- Low-cost financing, repayable on unit production metrics (de-risking), from the Canada Infrastructure Bank
 - Financial institution support for modular construction financing, backed by CMHC
- Housing Manufacturing Tax Credit – a refundable tax credit equal to 30% of the cost of investments in the new machinery and equipment used to manufacture housing (akin to the Clean Technology Investment Tax Credit)
- Financial system, regulatory and policy support per CHBA’s extensive recommendations to enable investment, reduce costs, and avoid delays, all to support more supply and a more predictable demand

STEP 1: SET THE STAGE THROUGH FINANCIAL SYSTEM, REGULATORY & POLICY SUPPORT

Financial system, regulatory and policy support will be required from all levels of government, per CHBA's recommendations for a holistic approach, to enable investment, reduce costs, and avoid delays, all to support more supply and a more predictable demand. Federally, this includes:

- Continue federal leadership when it comes to housing, but ensure a holistic approach
- Remove barriers to homeownership for first-time buyers
- Lower government-imposed costs that add to affordability challenges
- Remove barriers within the home building process
- Avoid adding costs through codes and regulations

SPECIFIC ACTIONS THE FEDERAL GOVERNMENT SHOULD TAKE TO SET THE STAGE TO SUPPORT MORE SUPPLY

- Ensure government's own policies do not run counter to increasing supply (e.g. interest rates, mortgage rules (including the stress test), taxation, codes and standards)
- Introduce 30-year amortization periods for insured mortgages for new construction and increase the upper limit to \$1.25M
- Address the stress test and avoid further mortgage underwriting tightening
- Increase the thresholds on the GST New Housing Rebate
- Continue emphasis on doubling starts, providing analysis on cities with shortages and supply barriers
- Continue Housing Accelerator Fund investments to support change in municipal systems and processes
- Increase infrastructure and transit investment and tie it to housing outcomes
- Adopt affordability as a core objective of the National Building Code
- Invest in R&D for lower or cost-neutral solutions that must be pursued before regulation that increases costs
- And much more (see the full list of CHBA recommendations in its Policy Infoguide, *Unlocking the Door to Ownership: Recommendations on the Federal Role 2024*).

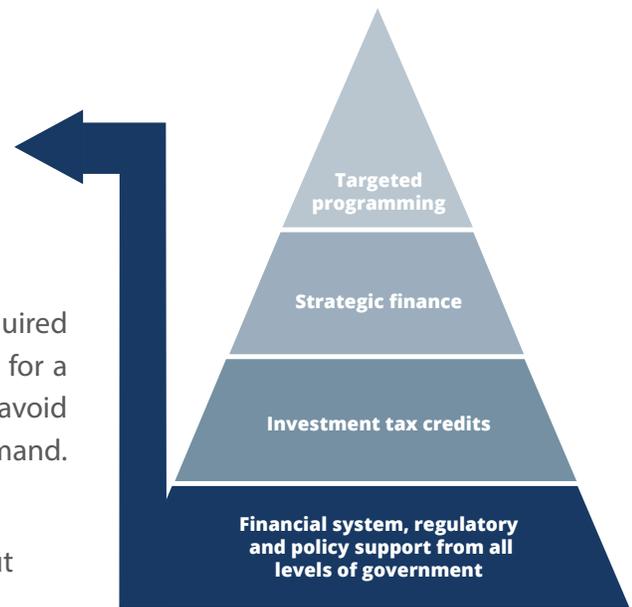
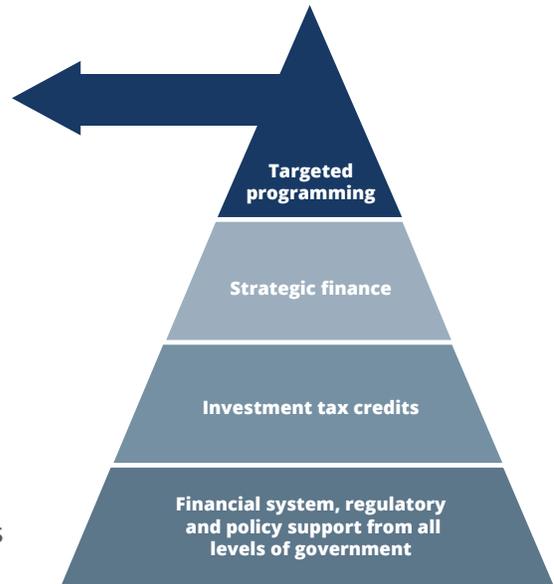


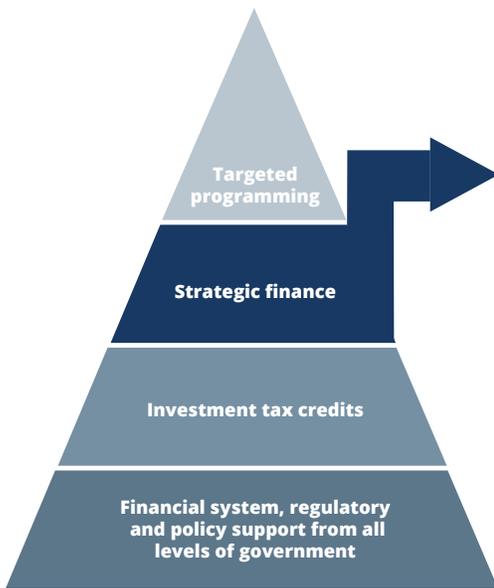
Photo courtesy of Hayer Builders Group, Surrey, BC

STEP 2: INFORM AND INCENT THE TRANSITION THROUGH TARGETED PROGRAMMING

The federal government can help inform and incent the industry transition to more factory-built homes through several targeted programming actions to kick-off the transition for the industry and individual companies. These actions include:

- Grant funding for soft costs of transition for site builders
 - Needs assessments for making the transition
 - Training on starting with factory-built from the outset (during the design phase)
 - Process-change funding for site builders (all decisions and timing are determined up front, especially with modular)
 - Conversion of builders' existing catalogue of home designs to factory-built versions
- Soft-cost acceleration funding for manufacturing facilities
 - Opportunity assessments
 - International investigations/learning
 - Training (software, robotics)
- Contribution Agreement Funding for CHBA Factory-Built Housing Hub for:
 - Information and training for builders, developers, factory owners, product manufacturers, engineers, architects, designers, trades;
 - Training for new/prospective factory-built workers (including ESL residential construction training);
 - Information and training for municipal officials, planners, building inspectors;
 - Modular-specific education and training for inclusion in post-secondary institutions' curricula
 - Addressing regulatory barriers at all three levels of government (codes, standards, permitting, transportation, etc.);
 - Standardizing connections (for panelized and modular systems; design for disassembly);
 - Collaborative innovation in factory-built systems (e.g BIM, robotics);
 - International investigations/learning collaboration and partnership establishment;
 - Concierge service for government transition funding for industry firms;
 - Industry/data benchmarking and progress tracking;
 - Assessment and measurement of GHG benefits of factory-built approach vs. site-built (e.g. waste reduction, transportation emissions reduction, etc.)





STEP 3: INCENT AND DE-RISK THE INVESTMENT THROUGH STRATEGIC FINANCE ACTIONS

There are high upfront investment costs when moving to factory-built construction. The federal government can help incentivize builders and de-risk their investment so that more builders transition to factory-built home construction.

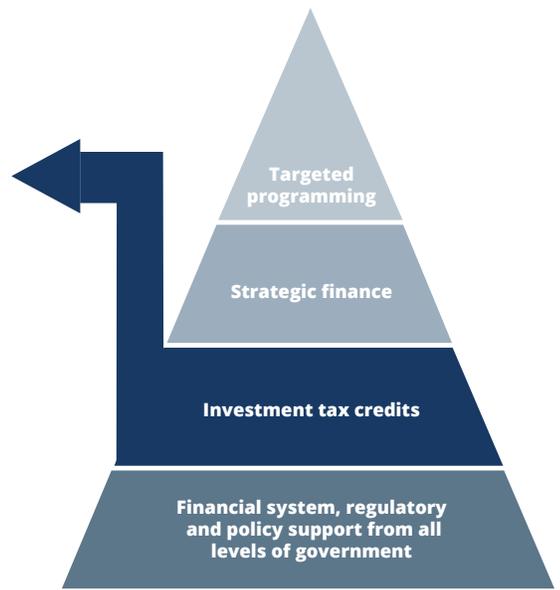
Through consultation with industry, CHBA has put together a list of strategic finance actions:

- Housing Manufacturing Finance Program: Provide low-cost financing, repayable on unit production metrics (de-risking)
 - Financing is repayable based on timing of achieving goal (e.g. 10,000 units over 10 years; if market slows, repayment slows; if market booms, repayment accelerates)
- Housing Manufacturing Retention Wage Subsidy
 - To maintain qualified workers during slow periods, connected to output (per above) to maintain capacity as market turns
- Work with federal / provincial / municipal affordable housing providers to provide multi-year/multi-project long-term contracts to factory-based firms
 - Creating long-term certainty for projects can create the certainty needed for investments
- Financial institution support for factory-built construction financing, backed by CMHC.
 - Financial institutions have difficulty with construction draws given units are built off-site
 - This currently adds extensive financing costs to factories, and therefore homes
 - A CMHC insurance product could help initiate improved construction financing products from financial institutions
- Add housing manufacturing as a priority area in funding initiatives like the Strategic Innovation Fund (or create a Housing Innovation Fund) to lower investment costs.



STEP 4: SUPPORT INVESTMENT THROUGH TAX CREDITS

Building a modular housing factory requires considerable investment in new machinery and equipment. In addition, to further increase the productivity gains from factory-built construction, we need more investment in new and emerging technologies. A clear and predictable tax credit would support and accelerate investment in modular factories.



Photos courtesy of Big Block Construction

HOUSING MANUFACTURING TAX CREDIT

A tax credit to provide a refundable tax credit equal to 30% of the cost of investments in new machinery and equipment used to manufacture housing (akin to the Clean Technology Investment Tax Credit). This would support technology such as:

- Robotics
- Automation
- Assembly lines
- Cranes
- Transportation
- Computers
- Building Information Modelling (BIM) Software
- Health & Safety Equipment
- Low-Carbon Equipment (including for factory itself e.g. HVAC)





Photo courtesy of Brookfield Residential, Calgary, AB

CONCLUSION

CHBA's Sector Transition Strategy, if supported by government, will enable a fundamental shift in how most homes in the country are currently built – an essential shift if we are to close the housing gap and create housing affordability for all Canadians as our population grows in the coming decades. As we've seen, failure to build enough homes results in an affordability crisis and more Canadians reliant on social housing, which is not only unsustainable, but not what Canadians want. Investing in the future of housing construction capacity now, per CHBA's Sector Transition Strategy, will prepare us for generations to come.

Canadian
Home Builders'
Association



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@CHBANational

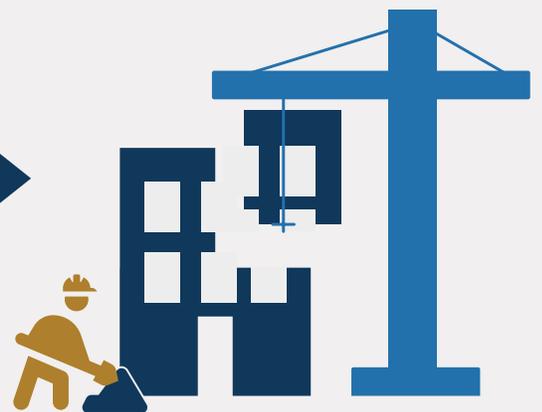
Canadian
Home Builders'
Association



UNLOCKING THE DOOR TO HOMEOWNERSHIP



**RECOMMENDATIONS
ON THE FEDERAL ROLE**
2024



The Canadian Home Builders' Association (CHBA)

The voice of Canada's residential construction industry

CHBA: One association, three levels



local



provincial



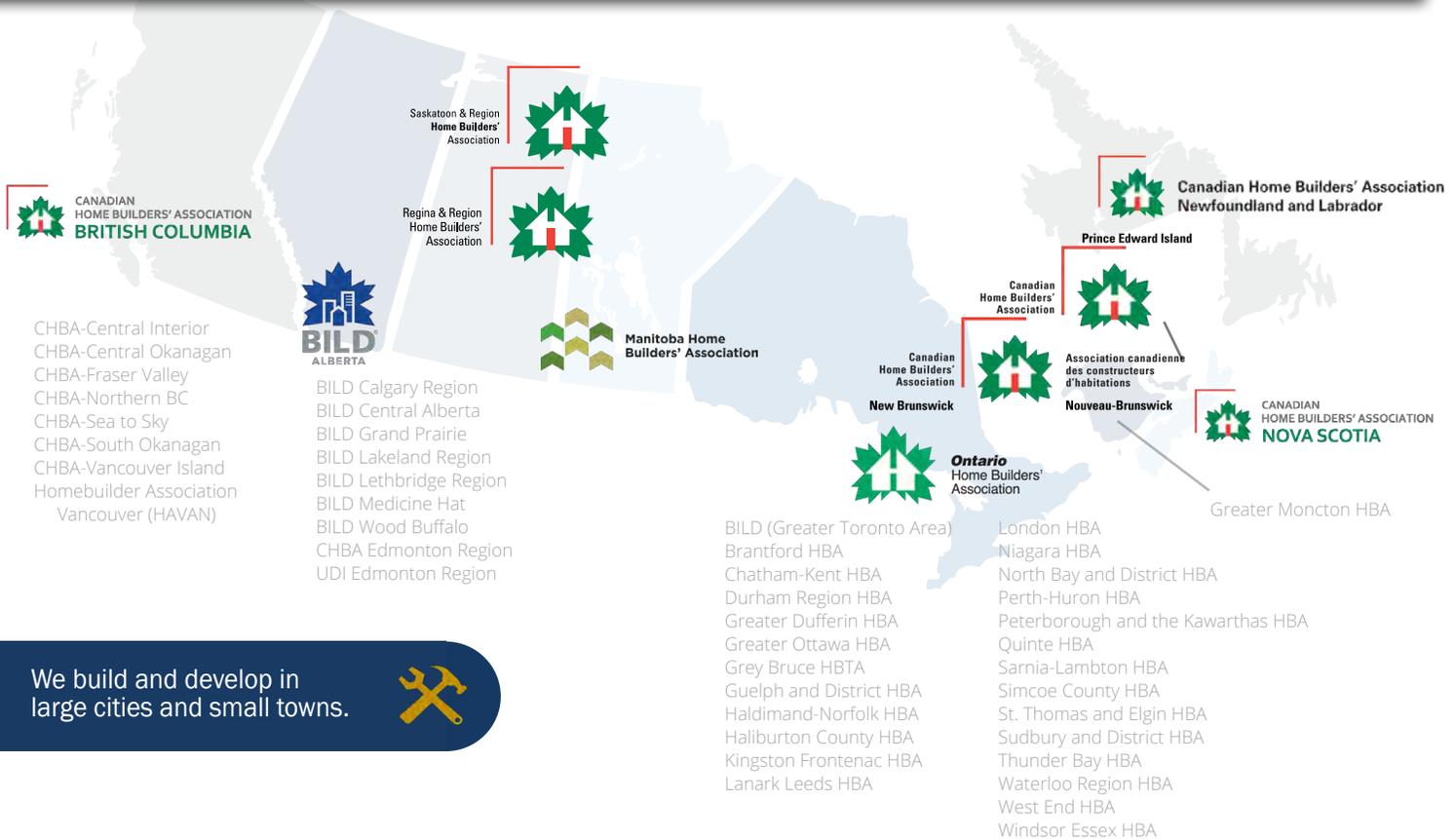
national

8,500
member firms

BUILDERS trade contractors service professionals
lending institutions **RENOVATORS** manufacturers
suppliers **DEVELOPERS** insurance providers

We Build

low/mid/high-rise homes
OWNERSHIP | RENTAL



We build and develop in large cities and small towns.



"CHBA's mission is to support members' ability to meet the aspirations of Canadians for housing affordability, quality and choice. With 3.5 million additional homes needed over the next decade over and above the 2.3 million we would normally build, our industry stands ready to respond, but policy changes are needed to make that possible – and we have recommendations."

– Kevin Lee, CHBA CEO



"Interest rates are having a major impact on sales, construction costs are still up, labour is increasingly hard to find, and housing starts are falling rather than increasing. To improve affordability and increase supply, policy changes are needed to unlock the door to homeownership."

**– Sue Wastell, CHBA President
Builder/Developer, Wastell Homes, London, ON**

RESIDENTIAL CONSTRUCTION AND RENOVATION IS A MASSIVE PART OF THE CANADIAN ECONOMY AND PROVIDES JOBS IN EVERY COMMUNITY.



1.5 million
jobs across Canada



\$107.2 billion
in wages



\$211.3 billion
in economic activity

Sources all: Statistics Canada/CMHC

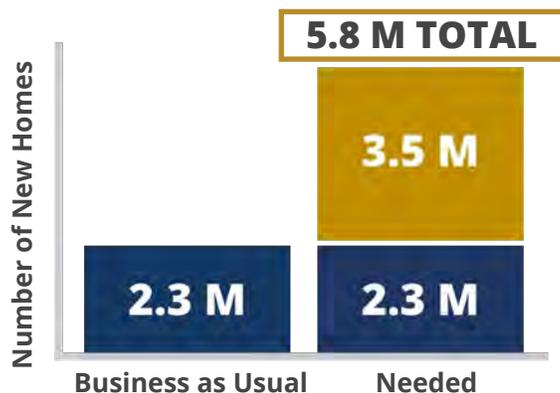
The sector is a key economic driver at the local, provincial, and national level.

The Federal Government has recognized **we need to build 3.5 million additional homes in the next 10 years** to house Canadians and address affordability

That's over *and above* the 2.3 million we would normally build!
To get there, we need to **more than double annual housing starts.**



HOUSING SUPPLY OVER THE NEXT DECADE



But starts are slowing at a time when the opposite is needed to increase housing supply...

There are many **policy barriers (that have solutions)** preventing us from getting there...



"Without buyers, and with the uncertainty of where interest rates will go, companies can't invest in building more homes."

**– Miles Kohan, Builder
Milestone Builder Group, Edmonton, AB**

WE CANNOT GET TO 3.5 MILLION ADDITIONAL HOUSING STARTS WHEN...

Rising interest rates have **crippled new housing sales**, challenging the industry and **slowing starts**.

While tackling inflation with interest rates may be necessary, it means the federal government must work harder to address housing affordability where it can.

Rising and sustained interest rates have had a devastating impact on new home sales and are slowing housing starts. CHBA's Housing Market Index (HMI) for single- and multi-family builders, which reflect industry sentiment through sales and sales centre traffic, has been negative for six consecutive quarters. In Q4 of 2023, the single-family HMI fell to its lowest level in three years. The deterioration of sentiment is directly linked to the Bank of Canada's policy rate path. **Low HMI numbers correlate directly to lower housing starts for the year ahead.**

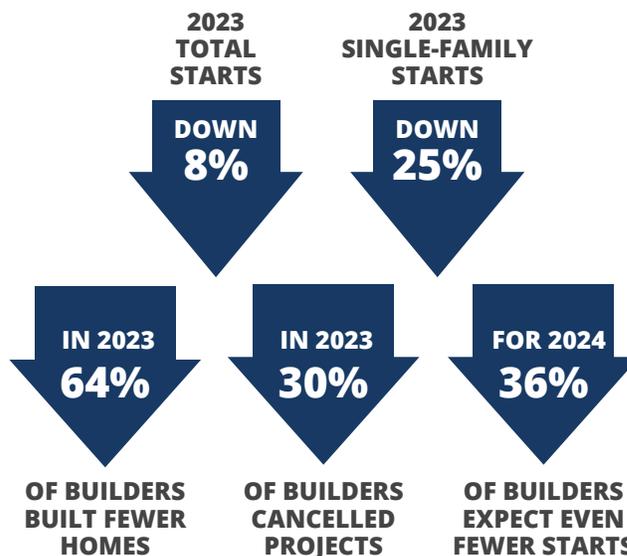
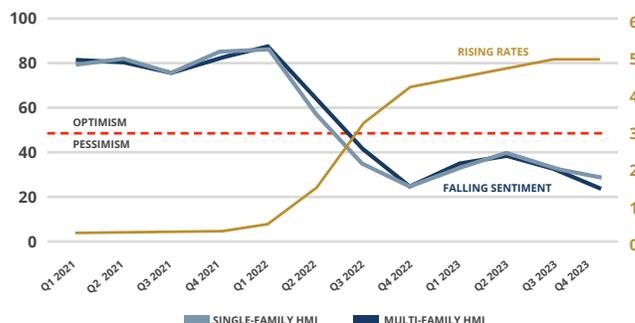
In 2023, overall housing starts were down, but not as much as they could have been since they were buoyed by previously approved high-rise developments in Canada's largest cities, which developers would have committed to in 2022 or earlier, when there were better lending conditions and there was still ample qualified demand. As these prior project commitments work through monthly housing start tallies, **CHBA expects total housing starts to begin trending downward even more severely in 2024.**

Like home buyers, high interest rates restrict builders' access to capital and increase the carrying cost of the debt they already have. This caused builders to be more risk adverse about both current projects and future plans. **As a result of high interest rates, fewer units are being built and projects are being cancelled.**

CHBA's Housing Market Index

CHBA's HMI is a quarterly industry sentiment survey that provides a much-needed leading indicator about the current and future health of the residential construction industry in Canada, which is so important to the overall economy.

PESSIMISTIC HOME BUILDER SENTIMENT A RESULT OF EFFECTS OF RISE IN INTEREST RATES



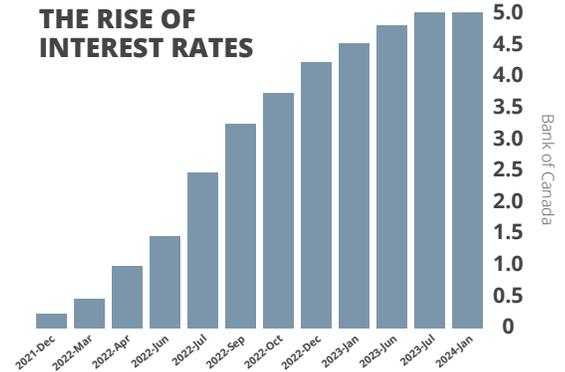
There are **many factors** negatively impacting **housing affordability and supply.**

Without affordability, Canadians can't buy homes, which is severely hampering the production of more supply.

1

HIGHER INTEREST RATES & RESTRICTIVE MORTGAGE RULES

Higher interest rates have knocked many buyers out of the market. Financing costs for construction are also higher, which increases overall construction costs. Meanwhile, more restrictive mortgage rules like the stress test and a lack of 30-year amortization periods for insured mortgages are keeping thousands of well-qualified buyers from accessing the market and spurring more supply.



2

LACK OF SUPPLY

Canada's chronic lack of supply, which is worsening with slowing starts, is well documented. This imbalance of supply and demand continues to drive up prices in both new construction homes and existing housing.



3

DEVELOPMENT TAXES

Development taxes (development charges, lot levies, amenity fees, etc.) have risen dramatically in recent years. Total government-imposed taxes on houses now can be as high as 31% of the sale price.

4

RED TAPE DELAYS & NIMBY

The large number of government processes and regulations, as well as inefficiencies or lack of capacity, habitually delay projects, slow down development and significantly increase costs. Often, development that aligns with municipal plans is delayed or derailed by local resident opposition (NIMBYism), driving up housing prices.

5

HIGHER LABOUR AND MATERIAL COSTS

Construction costs increased substantially through the pandemic and have not receded to pre-COVID numbers. While lumber has come down from record highs, other materials are still much more expensive. According to CHBA's Housing Market Index, relative to prior to the pandemic, labour costs are up over 33% on average and the construction material costs for a typical 2,400 sq ft. home are still up by over \$65,000.

6

EXPENSIVE CHANGES TO CODES AND STANDARDS

Code changes, for a variety of broad policy goals—sometimes good, sometimes excessive—continually add to the cost of construction, and this is reflected in higher prices for new home buyers.

SO WHAT CAN BE DONE?

THE PATHWAY: SYSTEMIC CHANGE TO TO BUILD 3.5 MILLION ADDITIONAL HOMES

FINANCIAL
SYSTEM CHANGE

POLICY
CHANGE

LABOUR
SYSTEM CHANGE

PRODUCTIVITY
CHANGE



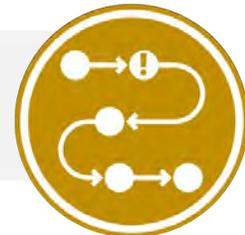
Continue federal leadership but ensure a holistic approach

Remove barriers to homeownership for first-time buyers



Lower government-imposed costs that add to affordability challenges

Remove barriers within the home building process



Avoid adding costs through codes and regulations

Address labour shortages



Support increased productivity



Continue federal leadership, but with a holistic approach



RECOMMENDATIONS:

- The government analysis and goal-setting of doubling housing production to make up the 3.5 million unit housing deficit in the next decade has been very helpful and needs to continue.
- Continued action at the federal level to support building more homes is required, including **ensuring the government's own economic policies do not run counter to efforts to increase housing supply** (e.g. interest rates, mortgage rules, red tape, taxation, codes and standards).
- The federal government and its related institutions (CMHC, the Bank of Canada, OSFI) should work in close consultation to ensure their collective actions support more housing supply and do not inadvertently stifle growth.

Remove barriers to homeownership for first-time buyers



Canadians still deeply want to own their own homes, and enabling first-time buyers to enter the market is critical for getting more supply built and reducing pressure on rental. We need to help Canada's youth overcome the obstacles preventing a generation from achieving the dream of homeownership.

Mortgage rules have been so tightened that homeownership rates have been falling severely since 2011, especially for people under 30 (Statistics Canada). This has been done in the name of financial sector stability, yet mortgage arrears are at historic lows of 0.17%, well below their long-term average of 0.34% (Canadian Bankers Association), and 5 times less than the current US rates of 0.98%!

The cost of over-tightening mortgage rules has been a **severe drop in homeownership rates**, with a 2.5% drop since 2011 (likely more by now), equating to 1 million more Canadians now renting instead of owning.

RATE OF 3-MONTH ARREARS ARE STILL AT HISTORIC LOWS



FALLING HOMEOWNERSHIP RATES

2011 69%

2021 66.5%

-2.5%

\$\$\$\$\$



RECOMMENDATIONS:

- **Lower interest rates as soon as possible.**
- Introduce **30-year amortization periods for first-time buyers for new construction.**
- **Lower the overall stress test** and ratchet it down for longer-term (7- & 10-year) mortgages.
- Ensure any future proposed changes to **OSFI B20** guidelines (for uninsured mortgages), which make it still harder to buy a home, take a balanced approach to regulation.
- Increase the home price upper limit for insured mortgages in more expensive markets to \$1.25M.
- Introduce a **renovation tax credit for first-time home buyers.**

The key issue of housing supply should be considered in all monetary and regulatory policy (e.g. Bank of Canada, Finance/CMHC and OSFI action).

Lower government-imposed costs that add to affordability challenges



LOWER GST ON NEW HOMES

House prices have increased substantially since the GST was introduced in 1991. The New Housing Price Index, which measures the change in newly constructed house prices over time, was 56 in 1991. It's now 125—more than double.

RECOMMENDATIONS:

- **Increase the thresholds of the GST/HST New Housing Rebate** to reflect the increased price of housing today.

The thresholds for the GST rebate are currently \$350,000 for the full rebate, reducing to \$0 for anything over \$450,000. Since the New Housing Price Index has more than doubled since 1991, the rebate thresholds should therefore be doubled as well, to \$700,000 and \$900,000.



Make **Net Zero Energy and Net Zero Energy Ready retrofits** eligible as “substantial renovations” to qualify for the GST/HST New Housing Rebate.

When the GST was introduced in 1991, the federal government made a commitment to adjust the GST New Housing Rebate thresholds every two years to reflect changes in housing prices, and thus to protect housing affordability over time. (See *Technical Paper on the GST, 1989, pg. 19*).

Those thresholds have never changed.

SUPPORT PURPOSE-BUILT RENTALS

We need more purpose-built rentals, but interest rates and taxes undermine the business model.

RECOMMENDATIONS:

- Expand removal of GST on purpose-built rental to projects that were not yet substantially complete as of September 14, 2023, and encourage provinces to follow suit.
- Provide more and easier-to-access low-cost financing for purpose-built rental.
- Introduce a “Rental Retention Vendor Tax Credit” for private owners selling to not-for-profit groups and reinvesting in new purpose-built rental.

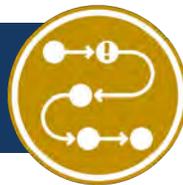
ASSIST MUNICIPALITIES IN LOWERING THEIR IMPOSED COSTS

RECOMMENDATION:

- **Increase housing-supportive infrastructure and transit investments** (to lower municipal development costs which get passed on to developers and—ultimately—home buyers), **and tie them to housing supply outcomes.**



Remove barriers & red tape within the home building process



RECOMMENDATIONS:

- Continue the successful roll-out of the **Housing Accelerator Fund** and its funding to support municipal process improvements tied to housing supply outcomes (e.g. addressing inefficiencies in zoning, bylaws, approval/permitting delays, NIMBYism).
- Fix unnecessary federal red tape on:
 - The **Underused Housing Tax** regulations, so that home builders and developers are excluded completely (as are REITs and publicly traded companies).
 - **Forced Labour in Supply Chains Reporting Requirements** by recognizing the different legal treatment between real property and goods, so that builders/developers are not erroneously caught up in legislation squarely aimed at risks related to manufactured products.
 - **Trust Reporting Requirements**, so that condo pre-construction deposit trusts are excluded, since the trusts are held by lawyers in accordance with real estate consumer protection laws and the information is already available through FINTRAC.



Avoid adding costs through codes and regulations



Many new policy directions that put pressures for more stringent codes and regulations (e.g. climate change mitigation, resiliency, accessibility and others) are very important, but expensive.

Unfortunately, almost all short-term actions to address these policy priorities through regulation increase costs to housing. It is critical to innovate and find solutions to these challenges *without* driving up housing costs.

RECOMMENDATIONS:

- **Invest in innovation and R&D for lower- or neutral-cost solutions** that promote energy efficiency, climate adaptation and resilience, accessibility, and health and safety. Before regulating, cost-neutral innovations are required.
- **Adopt affordability as a core objective of the National Building Code, and all related standards**, to ensure that we are building better, more efficient houses for the same price or less moving forward, as we continue to seek to address new challenges through code and other means.



CHBA is actively driving innovation. We're engaged in the pursuit of affordable solutions through our CHBA Net Zero Energy Home Labelling Program, which has labelled 1,700+ homes and renovations, and many other areas, such as climate change adaptation.

"We need more government innovation support and a focus on affordability if we are going to truly move to net zero ready in codes."

**- Alex Miller,
Net Zero Modular
Builder/Developer,
Big Block Construction,
Saskatoon, SK**



Did you know?

IMPROVING THE EXISTING HOUSING STOCK IS KEY TO ADDRESSING CLIMATE CHANGE

Today's new houses are already very efficient (and will continue to become even more efficient). But to address climate change in the sector, it is critical to address existing housing.

- **Support EnerGuide labelling at the time of resale on homes.**

Canada does not have enough workers to double housing starts.

If all the recommended financial system and policy changes listed so far are addressed, it will create the environment to allow for increased supply, a critical element to addressing housing affordability.

If the financial and policy environments change to enable much more production, we will not have enough workers to double housing starts. We also need changes to the immigration system and productivity to make it happen.



Address Labour Shortages

RECOMMENDATIONS:

- Update the **immigration system** to proactively attract much-needed skilled workers specifically for residential construction.
 - Further enhance the trades category-based selection for Express Entry to support the specifics of the residential construction sector, including bringing in TEERs 4&5 construction assistants and labourers.
 - Modernize the Temporary Foreign Worker Program to facilitate better use by the residential construction sector (with pre-arrival language/safety training and better pathways to permanent residency).
 - Invest in employer-based concierges, such as that proposed by CHBA, to liaise with non-profit organizations, individuals and employers to ramp up labour capacity in the sector.

“We need to invite to Canada not just people who dream of owning a home, but also those who dream of building homes.”

**– Matt McCurrach,
Builder/Developer,
Homex Dev’t Corp., Kamloops, BC**



- Encourage more Canadians to consider a **career in the skilled trades and support the apprenticeship system.** As a country, we need leadership to demonstrate these are good and valued careers, and we need to support the people who choose them.



PROMOTING CAREERS

CHBA is doing our part to promote the skilled trades. Check out our careers in residential construction info.



Support increased productivity



“Modular construction holds a lot of promise, but to reach it, government needs to implement the recommendations of CHBA’s Sector Transition Strategy”
– Rick Weste, Modular Factory President/CEO, Triple M Housing Ltd., Lethbridge, AB

TOP BENEFITS OF FACTORY-BUILT CONSTRUCTION

- Faster construction with fewer delays
- Year-round work with limited weather issues
- Applicable to all forms of construction, but especially good for low/mid-rise multi-family – the missing middle
- Increased output with less labour
- Easier to get labour (fewer barriers to entry, appealing conditions, and good for immigration, including temporary foreign workers) when increased capacity is needed

Factory-built construction offers many opportunities to increase productivity, but there are many barriers to overcome to industrialize the sector. CHBA’s Sector Transition Strategy explains the current situation, the challenges and opportunities, and provides the recommendations to get there.

CHBA'S SECTOR TRANSITION STRATEGY

can help Canada build more homes faster and more efficiently.

Moving the industry towards factory-built construction offers many benefits, but there are **risks and barriers that have prevented the industry from transitioning to factory-built construction**.

The site-built housing industry has evolved to successfully weather boom and bust cycles of the market/economy. Conversely, factory-built construction requires high capital investment, high overhead, a steady workforce, and steady demand/throughput, which means it's not inherently well suited to boom and bust cycles.

And while it's certainly more efficient in its productivity, more substantial gains will require more substantial investment in automation, robotics, BIM, etc.

Other barriers also exist (e.g. transportation restrictions, regulatory issues, mortgage challenges, and more).

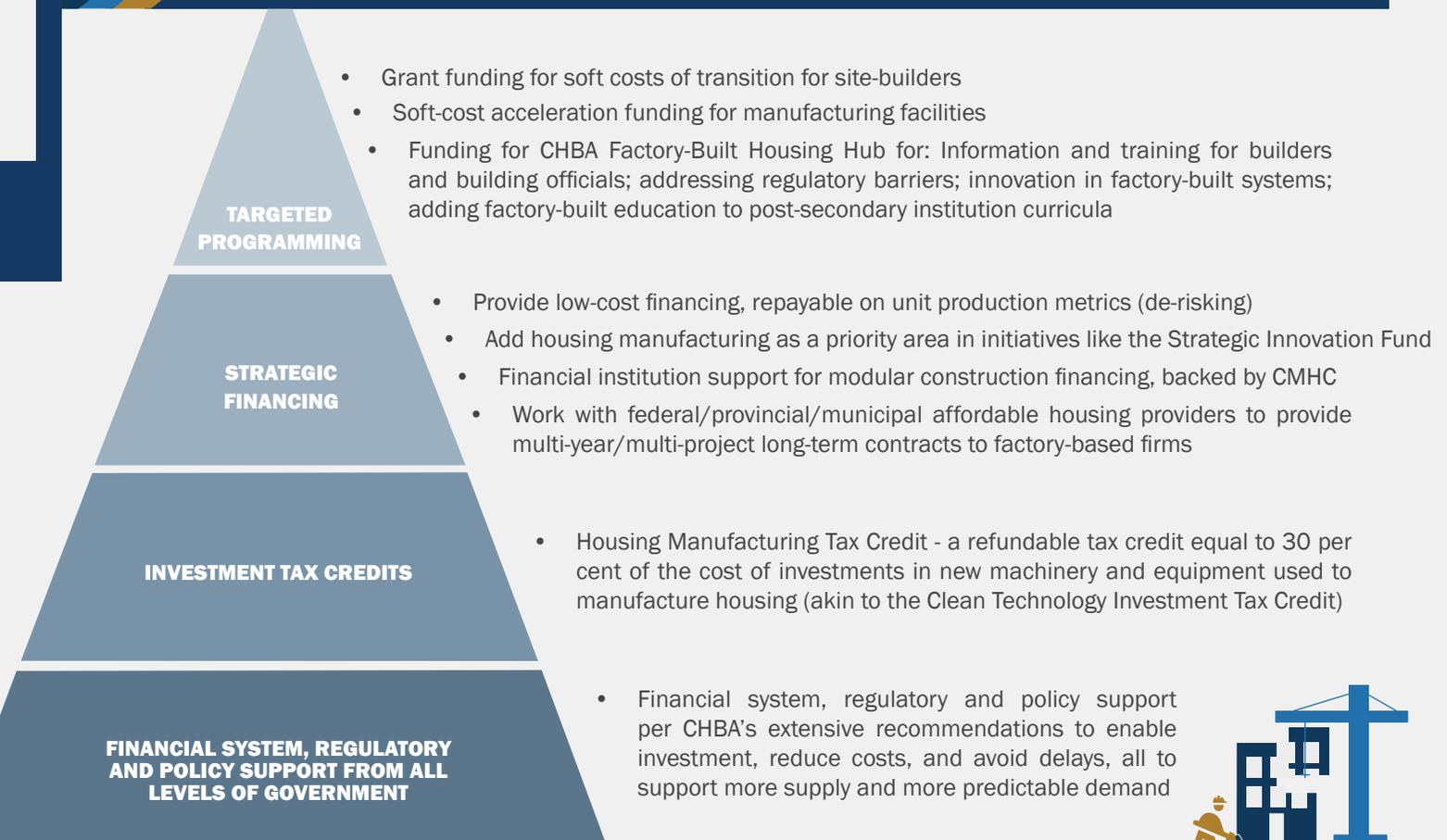
Just as the government stepped forward in Budget 2023 to address the climate crisis with a made-in-Canada plan for a clean economy, **Canada needs a made-in-Canada plan for housing supply**, using similar tools.

Scan Me



See CHBA's full Sector Transition Strategy here.

CHBA'S SECTOR TRANSITION STRATEGY FOR HOUSING SUPPLY



UNLOCKING THE DOOR TO HOMEOWNERSHIP

2024 RECOMMENDATIONS ON THE FEDERAL ROLE

CHBA IS A
THREE-LEVEL
ORGANIZATION:



8,500
member firms

from coast to coast in over
50 constituent local and
provincial associations

WE BUILD:



low/mid/high-rise homes
OWNERSHIP | RENTAL

OUR INDUSTRY
REPRESENTS:



1.5M

jobs across Canada



\$211.3

billion in economic activity

INDUSTRY STATUS:

- High interest rates and overly-tight mortgage rules are severely affecting sales
- As a result, housing starts are falling when we need more homes
- Labour shortages persist, and the housing industry needs support to transition

AFFORDABILITY IS WORSENING THANKS TO:

- Interest rates & restrictive mortgage rules
- Lack of housing supply
- Development taxes
- Red tape delays and NIMBYism
- Expensive changes to codes and standards
- Higher labour and material costs

PATHWAY TO GETTING ON TRACK TO BUILD 3.5 MILLION ADDITIONAL HOMES (AND ADDRESS HOUSING AFFORDABILITY):

1. Continue federal leadership, but ensure a holistic approach
2. Remove barriers to homeownership for first-time buyers – *Lower interest rates; introduce 30-year ams for new construction; fix stress test; avoid more mortgage rule tightening*
3. Lower government-imposed costs that add to affordability challenges – *Fix GST Rebate thresholds; support purpose-built rentals; increase housing- supportive infrastructure investment & tie to housing outcomes*
4. Remove barriers within the home building process – *Keep rolling out HAF; exclude industry from Underused Housing Tax requirements; remove other federal red tape*
5. Avoid adding costs through codes and regulations – *Ensure affordability is a core code objective*
6. Address labour shortages – *Increase residential construction skilled worker immigration; support skilled workers*
7. Support increased productivity – *Support modular and factory-built construction by actioning CHBA's Sector Transition Strategy*



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