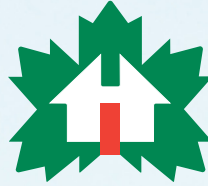


Canadian
Home Builders'
Association



UNLOCKING THE DOOR TO HOMEOWNERSHIP

2022 RECOMMENDATIONS ON THE FEDERAL ROLE



The Canadian Home Builders' Association (CHBA)

The voice of Canada's residential construction industry

A federation: one association, three levels local | provincial | national

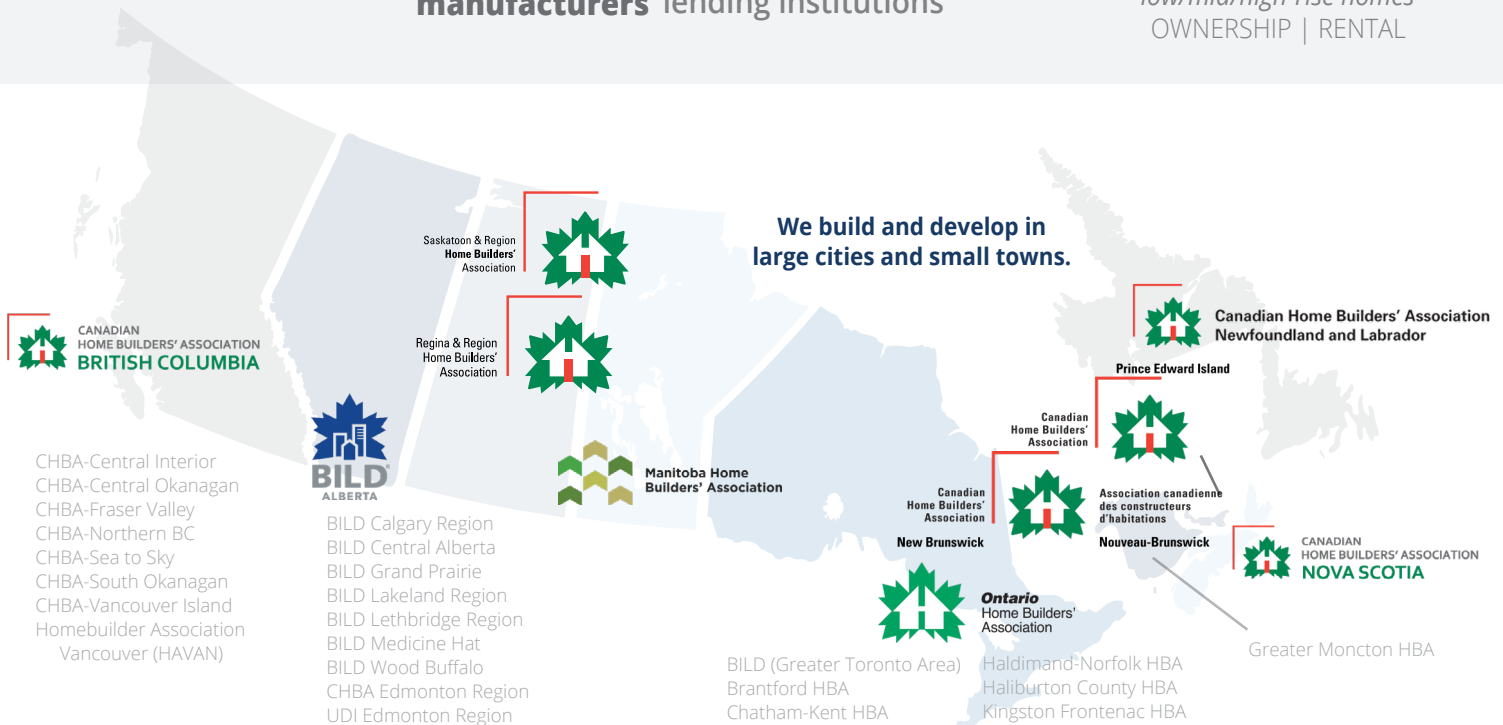
9,000
member firms

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

WE BUILD



low/mid/high-rise homes
OWNERSHIP | RENTAL



"CHBA's mission is to support members' ability to meet the aspirations of Canadians for housing affordability, quality and choice. Throughout the pandemic, we have seen how important home is to Canadians."



**CHBA CEO
KEVIN LEE**



**CHBA PRESIDENT
LARRY CLAY**

"Our industry has been there to respond, building, developing and renovating, creating much needed jobs and economic activity. But with huge demand and lack of housing supply, prices have skyrocketed. Housing affordability was front and centre in the election—we need more housing supply and government action to get there."

Residential construction and renovation is **a massive part of the Canadian economy** and provides jobs **in every community**.



1.2 million
jobs across Canada



\$81.1 billion
in wages



\$182.6 billion
in economic activity

Sources all: Statistics Canada/CMHC

2021 again showed how **the sector drives economic recovery** at the local, provincial, and national level.

Renovation, which makes up more than half of the sector, was stronger than ever.

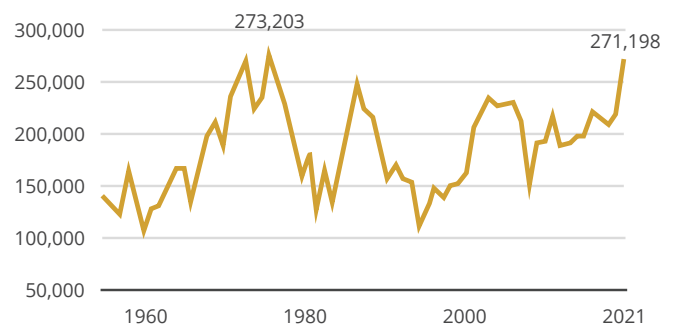
Strong housing starts made a start to making up for decades of under-building.

But Canada has fewer housing units per capita than any other G7 country – Scotiabank

271,000 housing starts in 2021 vs. previous high in 1976 of 273,000



Historical Housing Starts



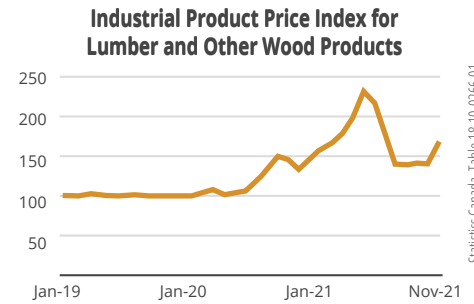
Statistics Canada, Table 34-10-0126-01

But one strong year of housing starts isn't nearly enough...

While 2021 was strong despite the challenges, **more headwinds are ahead** that will hamper industry and housing supply.

CHALLENGE #1 LUMBER

Surging lumber prices and shortages across the country continue to impact the home building industry, homebuyers, and homeowners.



CHALLENGE #2 SUPPLY CHAIN

Many other construction materials and products have faced shortages and major price increases, which has resulted in construction delays and people not being able to move into their homes. 64% of builders/developers have delayed their pre-sales of developments due to supply chain issues.



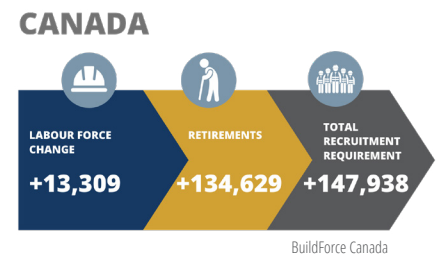
↑ **\$68,000** for a 2,500 sq. ft. home



10 WEEKS delay for home completions (nat'l avg)

CHALLENGE #3 LABOUR SHORTAGES

Labour shortages are causing delays in construction for 71% of CHBA's HMI panelists. On average, the cost of labour/trades has gone up 30% since the pandemic. Approximately 20% of the labour force is set to retire, which will make the problem worse over the next ten years.



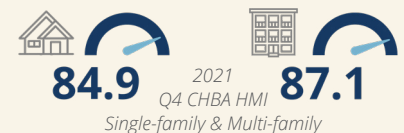
CHALLENGE #4 LAND SUPPLY SHORTAGES

Homes can't be built without land, yet 63% of HMI builders indicate that the overall supply of developed lots in their area is low to very low.

The industry needs a variety of actions by government to address these issues because more supply is critical....

WHERE IS THIS DATA COMING FROM?

Much of this data and insight comes from the new **CHBA Housing Market Index (HMI)**.



An 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.

Every quarter, an exclusive panel of homebuilders from coast to coast responds to a series of questions about market conditions.

Launched in Q1 2021, the CHBA HMI is already being used regularly by financial analysts, government policymakers, economic analysts, and the news media.

What's driving up house prices?



Lack of supply

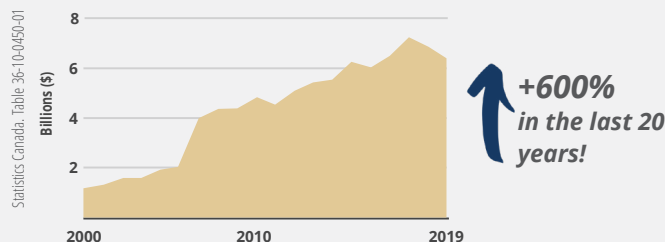
Canada's chronic lack of supply is now well documented, and with household formation continuing through strong demographics of the millennials coming online, plus immigration (which will now return and further fuel demand), an imbalance of supply and demand continues to drive up prices in both newly built and existing housing, and in new construction. *(See more on the supply shortage below.)*



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 25% of the sale price.

Municipal Fees Charged to New Developments



Red tape delays & NIMBY

The myriad of government processes and regulations, and at times inefficiencies or lack of capacity, 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 prices.



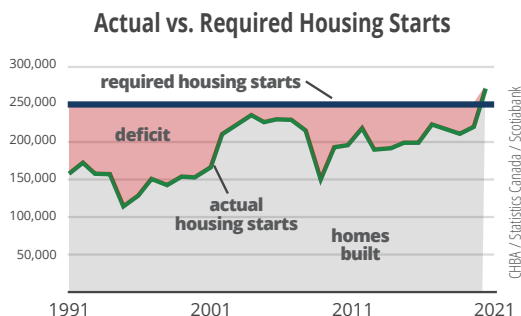
Expensive changes to codes and standards

Proposed 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 homebuyers.

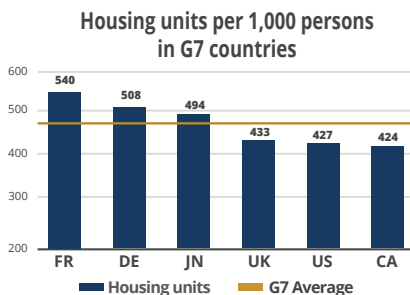
Not having enough supply is a key factor in high home prices, which is a major concern for many Canadians.

ONE STRONG YEAR OF HOUSING STARTS ISN'T NEARLY ENOUGH - IT WOULD TAKE AN ADDITIONAL 1.8M HOMES TO REACH THE G7 AVERAGE*

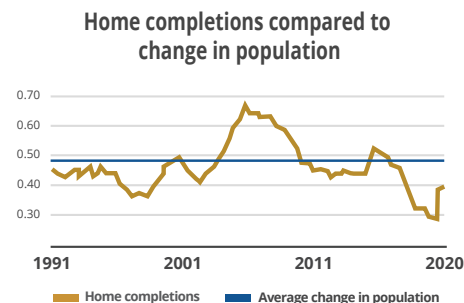
The housing supply shortage in Canada is chronic from decades of under building.



Canada has fewer housing units per capita than any other G7 country.



Our population continues to grow, but homes aren't keeping pace.



CHBA has called for the federal government to unlock the door to homeownership, and in so doing help all Canadians.



In the 2021 election, federal parties committed to addressing market-rate housing affordability. The new government reiterated that commitment.

It is critical now that all parties, and all levels of government, follow through on actions to fulfill that commitment to **Unlock the Door to Homeownership.**

ACTION 1: More Housing Supply to Address Market-Rate Affordability

- It is a critical time to make permanent change for market-rate supply and affordability. **Do not conflate housing affordability and affordable housing.**
- The government needs to initiate actions to **incent municipalities to address bottlenecks and accelerate more supply.**
 - Much of this can be accomplished through the **Housing Accelerator Fund.**
- Release federal lands for development, for both affordable housing & market-rate housing.
- **Leverage federal infrastructure funding** to increase market-rate housing supply.
- A national **NIMBY-to-YIMBY** campaign for market-rate housing of all forms should be launched to educate Canadians about the inclusive communities with housing of all forms that we need for the future.

Governments need to support the “missing middle” – medium-density low-rise mixed-income housing, in walkable communities with ready access to public transit.





Housing Accelerator Fund (HAF) – a huge opportunity

The proposed Housing Accelerator Fund is a **once-in-a-generation opportunity to address the market-rate housing supply crisis.**

- This \$4 billion fund is aimed at growing the housing supply of middle-class homes by 100,000 additional units over and above normal activity by 2025.
- If designed properly, the HAF can help municipalities eliminate barriers and speed up systems to get more housing supply online faster.

To help boost market-rate supply, the HAF can incent and support municipalities to:

- **Pre-zone for gentle densification**, including infill as well as mid-rise and high-rise height to increase density; and **rezone away from single-family-only** to include multi-family.
- Increase and enforce **as-of-right zoning**. This will help avoid process delays.
- **Address NIMBYism**, especially against higher density but also other housing forms and tenure (including rental).
- **Support improvements to municipal processes** such as permitting, zoning, inspection and approval systems, including implementing e-systems.
- **Support training of building officials**, including onboarding and curriculum development, and permanent e-learning systems (versus time-limited in-person training).
- Support moving to **third party inspection services** where municipal offices cannot handle load.

The HAF can also be used to **address high development taxes (charges, fees, levies) that are a large part of high house prices and slow development:**

- Educate local governments and the public of how development and home building happen including how **fees, charges, and taxes increase house prices.**
- Incent and support municipalities to look to the **tax-base and other fee-for-use services** rather than overtaxing new development – growth can pay for growth, but it can't pay for everything.
- Incent and support municipalities to create **fair and transparent development tax systems**, and to eliminate development taxes for infrastructure/amenities that support the community at large.



Inclusionary Zoning (IZ) – Caution is needed

- IZ is a tool that requires a certain portion of new developments to be made affordable to people with low incomes.
 - However, if done wrong, it can have unintended consequences.
- If the HAF is to support IZ, it must not reduce supply or increase costs of market-rate housing:
 - Ensure IZ does not cannibalize market-rate housing by reducing the number of market-rate units, thereby reducing supply (e.g. if a building is to have 100 units, and there is a 20% requirement for affordable units, 100 market-rate units should still be built, and an additional 20 affordable units should be built).
 - Ensure IZ does not increase housing costs by having market-rate housing subsidize “affordable” units directly or indirectly.

ACTION 2: Avoid more demand-side restrictions

Instead: tweak mortgage rules for first-time buyers and stability

Finding the right balance

- Finding the right balance of housing policy, fiscal policy and mortgage rules to maintain stability while also supporting the needs and goals of Canadians is essential.
- The right balance encourages movement along the housing continuum by creating vacancies in rental that others can fill. 80% of first-time buyers typically come from vacating rental units—the inability to become a first-time buyer puts pressure on rental.
- A healthy continuum includes robust market rate housing options, and diverse pathways to homeownership, supported by sound mortgage policies.

Housing Continuum > A successful housing system has people moving up



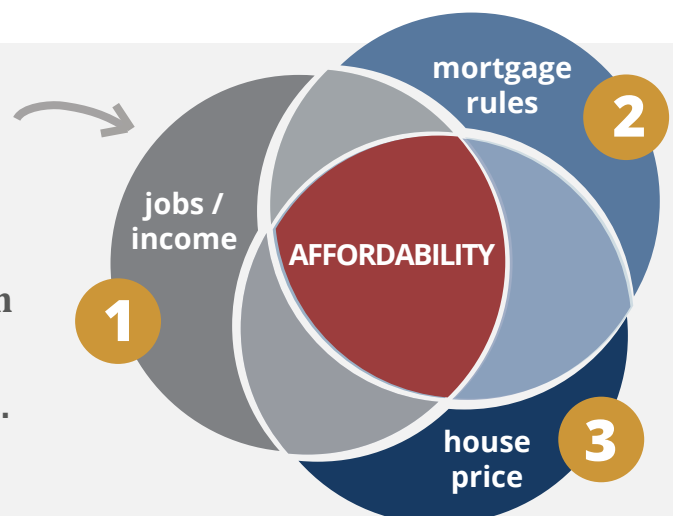
With interest rates set to rise, the following tweaks can help first-time buyers while improving stability:

- It is time to reintroduce **30-year amortization** for insured mortgages taken on by well-qualified first-time buyers.
- The stress test (for both insured and uninsured mortgages) should be modified to **reduce the stress test on a declining basis for 7- and 10-year mortgage terms**. This would improve market stability, as has been touted by the Bank of Canada.
- With the many mortgage rule tightening actions, including the stress test, **do not tighten rules still further** as the economy recovers. Mortgage arrears are already at record lows.
- Indeed, to avoid indebtedness, **actions to lower costs** (e.g. lower mortgage insurance fees) and enhance savings (e.g. homeownership savings plans) are a much better route.



There are three factors that determine affordability.

All three factors have been working against young Canadians in recent years.



ACTION 3: Avoid adding costs through codes and regulations

Solution: pursue innovation

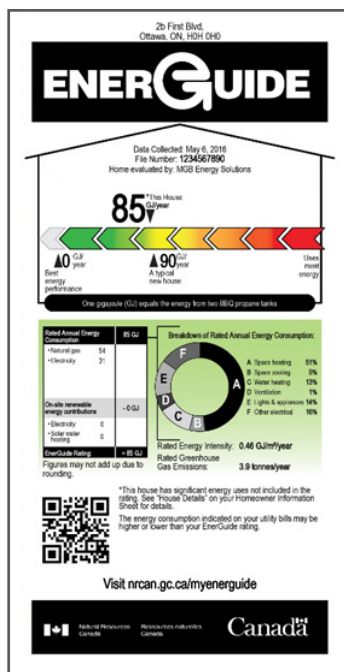
Many new policy directions that put pressures for more stringent codes and regulations are very important, e.g. climate change mitigation, resiliency, accessibility and others. Unfortunately, almost all short-term actions to address these policy priorities through regulation increase costs to housing. It is critical to innovate and find solutions to these challenges without driving up housing costs.

RECOMMENDATION: 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.

RECOMMENDATION: 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 and engaged in the pursuit of affordable solutions through its CHBA Net Zero Energy Home Labelling Program, and many other areas such as climate change adaptation.



The Existing Housing Stock

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.

RECOMMENDATION: Work with the provinces to have the EnerGuide Rating System (ERS) label on all houses at the time of resale to raise the energy literacy of Canadians, help home valuations truly reflect energy efficiency, and further encourage Canadians to make energy efficiency and retrofit investments on an accelerated pace in ways they can afford.

RECOMMENDATION: Further, the ERS should be expanded (and its software tools updated) and be promoted so that ERS becomes the backbone of all renovation incentives, tax credits, and other energy efficiency initiatives by governments, utilities, and other organizations. Consistency and clarity can help homeowners tackle climate change.

ACTION 4: Address skilled trades shortage

The construction industry continues to face chronic labour and skills shortages. To keep pace with retirements and demand, a significant portion will need to come from groups traditionally underrepresented in the current construction labour force, including women, Indigenous people, and new Canadians.

RECOMMENDATION: Continue all actions to **promote careers in skilled trades**, to support training, and to provide financial supports to companies and individuals with respect to skilled workers (e.g. the new Canadian Apprenticeship Service).

RECOMMENDATION: Improve the immigration system for skilled workers to respond better and more quickly to labour shortages in residential construction through permanent immigration solutions. Enhance the selection of immigrants with skilled trades credentials or construction experience to ensure that the residential construction sector will receive its proportionate share of newcomers. It is also **critical that skilled labour allocations for immigration be increased.**



148,000

new workers needed
in the next decade



support training

including financial support to
companies and individuals



improve immigration

it will fill the labour gap, and
contribute to the economy and
housing activity

CHBA is leading the way with voluntary programming

Tackling the Underground Economy

CHBA's *Get It In Writing!* campaign informs homeowners about the risks of hiring someone for cash without a written contract. CHBA RenoMark™ renovators are committed to always providing a contract. Government programs should reference RenoMark™.

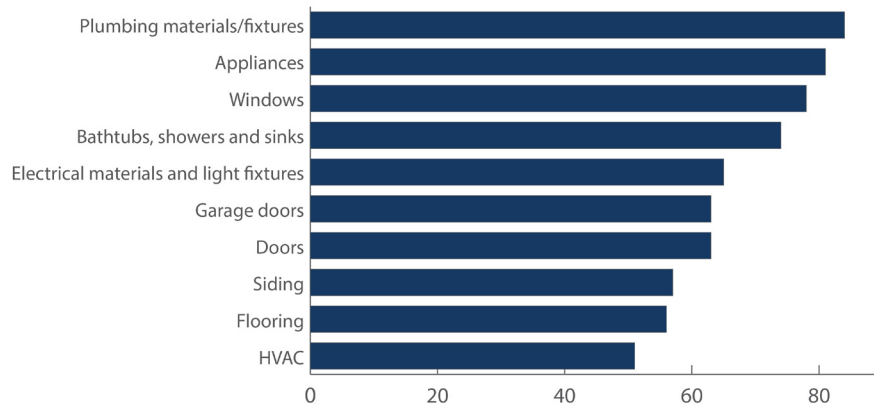


ACTION 5: Support supply chain

Rising consumer demand, changing consumer habits, factory shutdowns and shipping delays have greatly impacted the home building industry.

According to CHBA's Housing Market Index (HMI) panel, plumbing materials and fixtures are the most cited product to be impacted by supply chain disruptions, followed by appliances, windows and doors.

Top ten products or services affected by supply chain issues



RECOMMENDATION: Support the entire residential construction supply chain to maximize housing supply output and delivery. This would include forming a joint task force with business leaders to identify and implement solutions that can increase supply chain resilience, including transportation, and delaying the implementation of any non-essential regulations that would strain the supply chain.

RECOMMENDATION: Regarding lumber, the government should do all it can to **end lumber price volatility and secure lumber supply for Canadian industries**, including the following:

- Support the lumber supply chain to maximize supply output and delivery.
- Avoid and seek timely resolution to trade disputes.
- Work with domestic lumber producers to ramp up production by working with other levels of government to ensure more responsive and certain access to raw material.
- Address persistent transportation issues.

CHBA is leading the way with voluntary programming

Net Zero Home Labelling Program

A voluntary program to lead the way for Net Zero Ready and Net Zero homes.



Adaptiv Home Council

Connecting Canadians with qualified renovators to modify homes for aging in place (or persons with disabilities).



UNLOCKING THE DOOR TO HOMEOWNERSHIP

2022 RECOMMENDATIONS ON THE FEDERAL ROLE

- **CHBA** is a three-level organization with constituent associations at the local, provincial and national level.
 - We build low-rise and high-rise homes, for ownership and for rental.
 - CHBA has some 9,000 member firms from coast to coast in over 50 constituent local and provincial associations
- **Our industry** represents 1.2 million jobs and \$182.6 billion in economic activity.
- Industry Status: 2021 was a strong year for housing starts, but headwinds are ahead
 - Supply chain issues: continued material shortages and high prices
 - Labour shortages
 - Lack of land
 - Rising interest rates
- Affordability remains a challenge. What's driving prices:
 - Lack of market-rate housing supply is the number one driver
 - Development taxes
 - Red tape and NIMBYism
 - Over-reaching codes and standards

The **Government of Canada can unlock the door to homeownership** in a responsible fashion for more well-qualified Canadians through five key action areas:

ACTION 1 – More housing supply to address affordability, in collaboration with provinces and municipalities

ACTION 2 – Avoid more demand-side restrictions; tweak for first-time buyers and stability

ACTION 3 – Avoid adding costs through codes and regulations; pursue innovation

ACTION 4 – Address skilled workers shortage

ACTION 5 – Support the supply chain

