

Canadian  
Home Builders'  
Association



# UNLOCKING THE DOOR TO HOMEOWNERSHIP



*Here's  
The Key*



**RECOMMENDATIONS ON THE FEDERAL ROLE**  
2023

# The Canadian Home Builders' Association (CHBA)

The voice of Canada's residential construction industry

A federation: One association, three levels

LOCAL

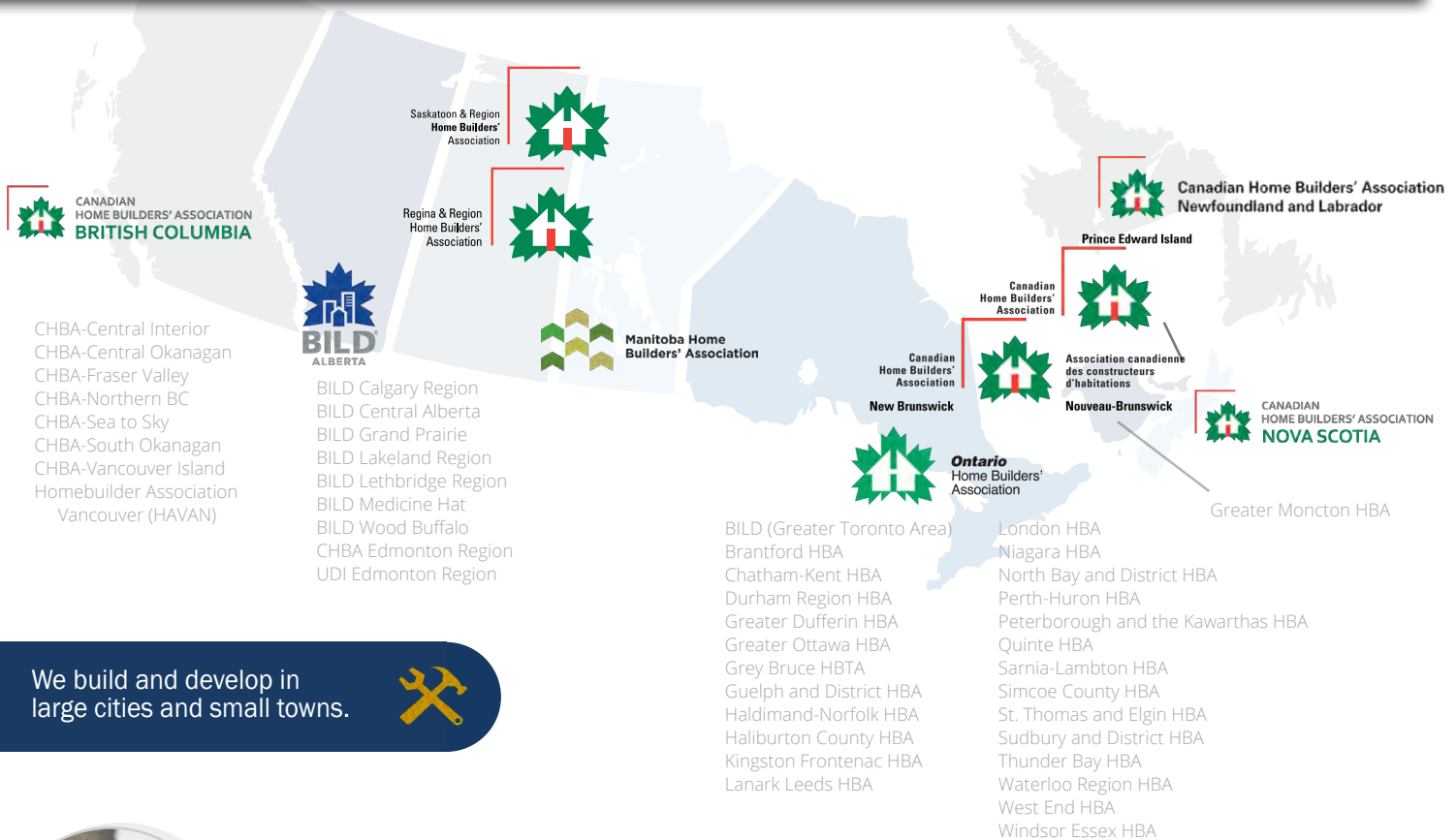
PROVINCIAL

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 CEO  
KEVIN LEE

*"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."*



CHBA PRESIDENT  
SUE WASTELL

*"Our industry is here to respond. We were building, developing, and renovating even more through the challenges of the past few years, creating much-needed jobs and economic activity. But with many supply chain and cost challenges still remaining, labour shortages growing, and high interest rates having a major impact on sales, housing starts are falling rather than increasing. To improve affordability and increase supply, policy changes are needed to unlock the door to homeownership."*

# 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

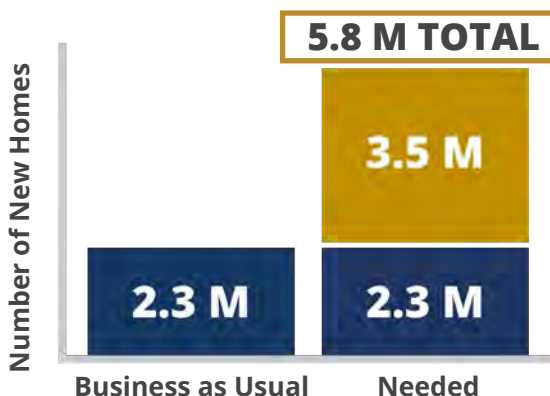
In 2022, the sector again showed how it drives economic recovery at the local, provincial, and national level.

## 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...



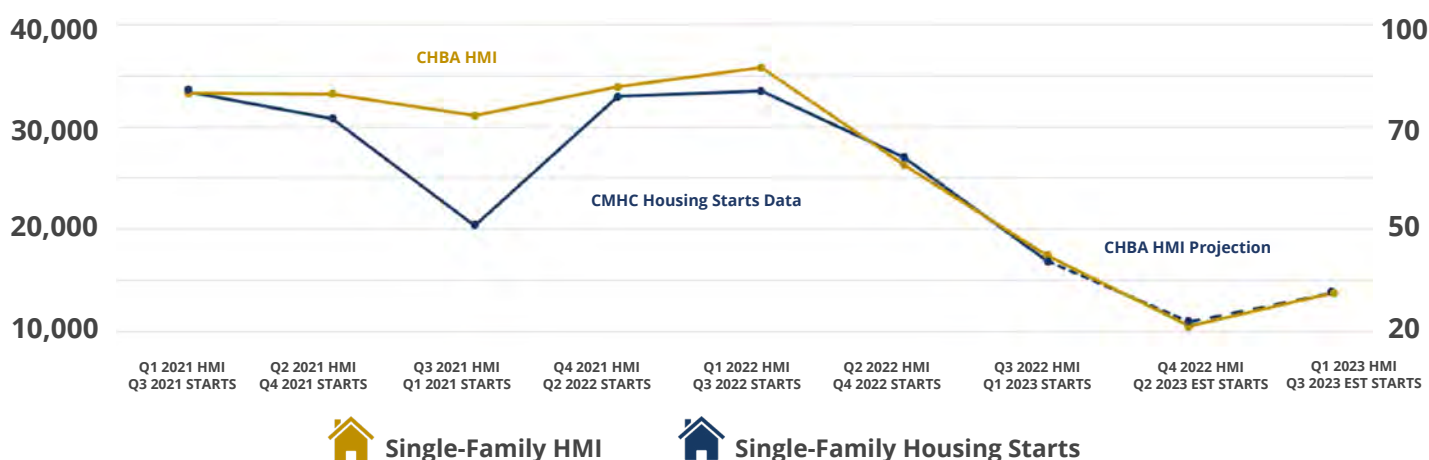
# WE CANNOT GET TO 3.5 MILLION ADDITIONAL HOUSING STARTS WHEN...

**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 interest rates through 2022 had a devastating impact on new construction sales, especially in the second half of 2022. CHBA's Housing Market Index (HMI), which reflects industry sentiment through sales and sales centre traffic, was tracking this and pointing ahead to the slowing in starts – which is now here in early 2023. Housing starts dropped by 10,000 units in 2022, and **a much more substantial drop can be expected in 2023**. CMHC data is showing monthly housing starts drops (e.g. down 16% in March for singles, 11% down for multis), and CHBA's HMI suggests starts could be down as much as 30% moving forward.

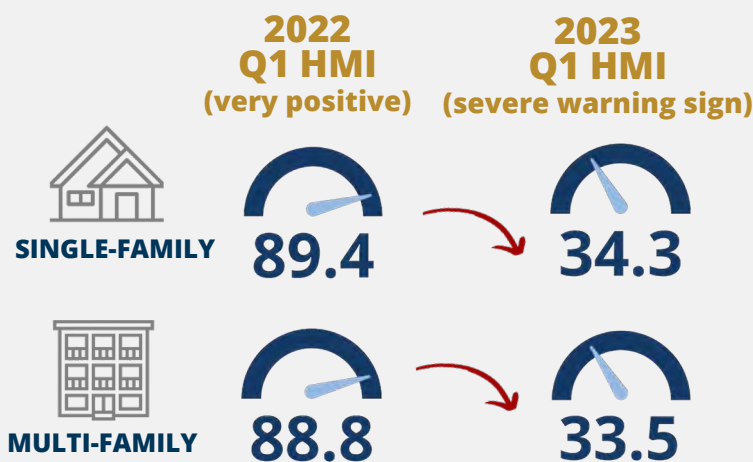
## CHBA'S SINGLE-FAMILY HMI DATA CORRELATING TO HOUSING STARTS 6 MONTHS LATER



### CHBA's Housing Market Index (HMI)

CHBA's HMI is 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. The CHBA HMI is being referenced and tracked by financial analysts, government policy makers, economists and the media.

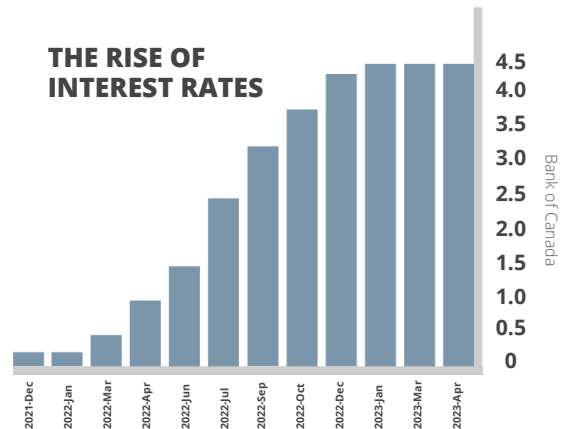


# There are many factors negatively impacting housing affordability.

1

## HIGHER INTEREST RATES

Higher interest rates have increased the carrying costs for mortgages, reducing affordability and knocking many buyers out of the market. Financing costs for construction are also higher, which increases overall construction costs. Delays in municipal processes, and delays in materials and labour, are further extending financing periods at these high rates, compounding the impact.



2

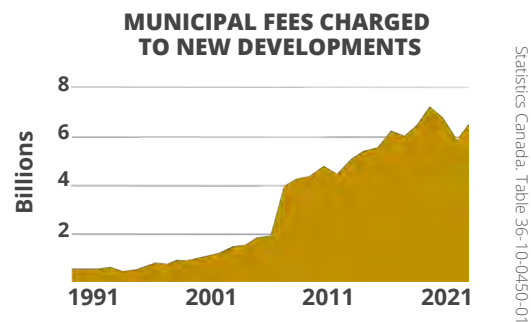
## LACK OF SUPPLY

Canada's chronic lack of supply is now well documented. The need for more homes continues to be driven by a large millennial cohort household formation and increased immigration levels (which are now the highest in the G7 and needed to fill the labour shortage). 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 25% of the sale price.



4

## RED TAPE DELAYS & NIMBY

The 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

## 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.

6

## HIGHER LABOUR AND MATERIAL COSTS

Construction costs increased substantially through the pandemic and have not receded. While lumber has come down from record highs, other materials are still much more expensive. According to CHBA's Housing Market Index, labour costs are up 28% and the construction material costs for a typical 2,400 sq.ft. home are still up \$70,000.

SO WHAT CAN BE DONE?

# THE PATHWAY: GETTING ON TRACK TO BUILD 3.5 MILLION ADDITIONAL HOMES



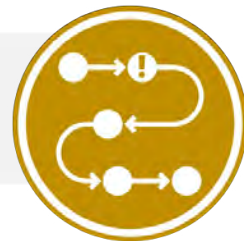
**Continue federal leadership but ensure a holistic approach**

**Remove barriers to homeownership for first-time buyers**



**Lower government-imposed costs that add to affordability challenges**

**Remove barriers within the home building process**



**Address labour shortages**

**Support increased productivity**



**Avoid adding costs through codes and regulations**



# Continue federal leadership, but with a holistic approach



## RECOMMENDATIONS:

- The government analyses 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 underwriting, 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



Rising interest rates and ever-tightening mortgage rules have made access to homeownership for first-time buyers more and more difficult, which in turn reduces the industry's ability to build homes. We need to help young people overcome today's obstacles to homeownership.

## RECOMMENDATIONS:

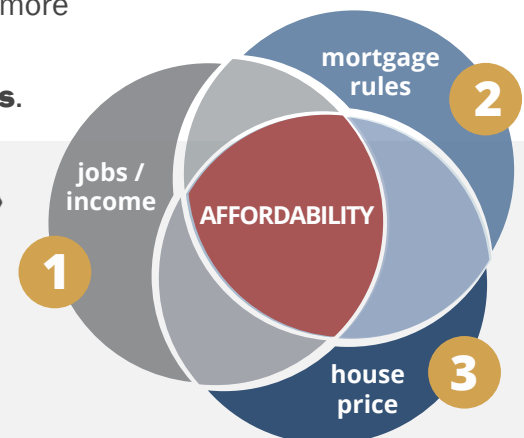
- **Lower interest rates as soon as possible.**
- **Lower the overall stress test** and have it further ratchet-down for longer-term (7- & 10-year) mortgages.
- Do not make changes through the **OSFI B20** consultation (for uninsured mortgages) that make it still harder to buy a home. Mortgage arrears rates are already at historic lows of 0.16% (Canadian Bankers' Association).
- Bring back **30-year amortization periods for first-time buyers.**
- Increase the home price upper limit for insured mortgages in more expensive markets to \$1.25 million.
- 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).



There are three factors that determine affordability.

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





# 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.

## FIX TAXATION ON PURPOSE-BUILT RENTALS

We need more purpose-built rentals, but the tax system undermines the business model.

### RECOMMENDATIONS:

- Zero-rate purpose-built rental housing for GST/HST (at least for development costs, if not also operating costs).
- Defer Capital Gains Tax and Recaptured Capital Cost Allowance on the sale of rental housing if reinvesting in rental housing.
- 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 infrastructure and transit investments** (to lower municipal development costs which get passed on to developers and—ultimately—homebuyers), and tie them to housing supply outcomes.





## Remove barriers within the home building process



### RECOMMENDATIONS:

- Continue with the roll-out of the **Housing Accelerator Fund** and increase its funding to support municipal process improvements tied to housing supply outcomes (e.g. addressing inefficiencies in zoning, bylaws, approval/permitting delays, NIMBYism).
- Fix the **Underused Housing Tax** regulations, which are creating unnecessary burdens, so that home builders and developers are excluded completely (as are REITs and publicly traded companies).

## Address labour shortages



### RECOMMENDATIONS:

- Update the **immigration system** to proactively attract much-needed skilled workers in residential construction.
- 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 jobs, and we need to support the people who choose to work in them.



### PROMOTING CAREERS

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

Scan Me



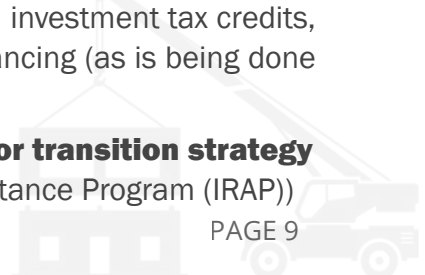
## Support increased productivity



There are currently not enough people to double housing starts, so increasing productivity in the industry is one of the necessary solutions—but we need support to do it.

### RECOMMENDATIONS:

- Prioritize and support **investment in modular and other factory-built technologies** through investment tax credits, an innovation fund, and strategic financing (as is being done for clean energy).
- **Support CHBA efforts for its sector transition strategy** (e.g. through Industry Research Assistance Program (IRAP))



# Avoid adding costs through codes and regulations



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.

## 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 1,000+ homes, and many other areas, such as climate change adaptation.



## CHBA IS LEADING THE WAY WITH VOLUNTARY PROGRAMMING

### ... AND EDUCATIONAL MATERIALS

#### TACKLING THE UNDERGROUND ECONOMY

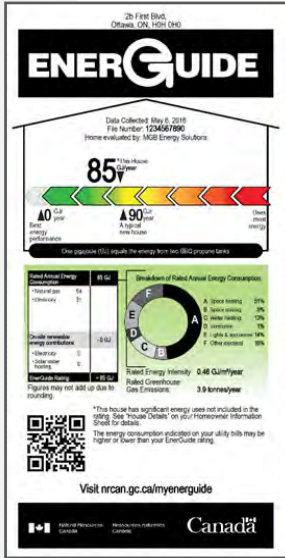
CHBA's *Get It In Writing!* campaign informs homeowners about the risks of hiring someone for cash without a written contract. CHBA RenoMark™ renovators are committed to always providing a contract. Government programs should reference RenoMark™.



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.



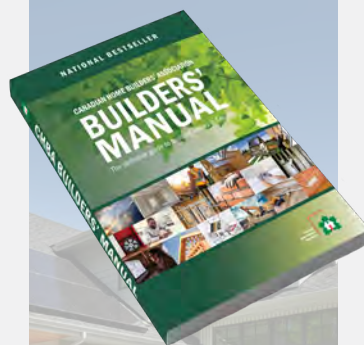
### RECOMMENDATIONS:

- 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.
- 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.

CHBA's Net Zero Home Labelling Program has expanded to include renovations. The program provides a clearly defined and rigorous two-tiered technical requirement that recognizes Net Zero and Net Zero Ready homes, giving Canadians confidence their home's energy performance.

### NET ZERO HOME LABELLING PROGRAM

A voluntary program to lead the way for Net Zero Ready and Net Zero homes, both new and renovated.



### ADAPTIV HOME COUNCIL

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



# UNLOCKING THE DOOR TO HOMEOWNERSHIP

## 2023 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:

- 2022 was a strong year for housing starts, but rising interest rates had a severe effect on sales
- As a result, 2023 is seeing a significant drop in starts
- Labour shortages persist

### AFFORDABILITY IS WORSENING THANKS TO:

- Higher interest rates
- 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  
*Fix stress test; avoid more mortgage rule tightening; reintroduce 30-year ams*
3. Lower government-imposed costs that add to affordability challenges  
*Fix GST Rebate thresholds; fix taxation on purpose-built rentals*
4. Remove barriers within the home building process  
*Roll out HAF; exclude industry from Underused Housing Tax requirements*
5. Address labour shortages  
*Increase skilled worker immigration; support skilled workers*
6. Support Increased productivity  
*Support modular and factory-built construction*
7. Avoid adding costs through codes and regulations  
*Ensure affordability is a core code objective; innovation before regulation*

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