

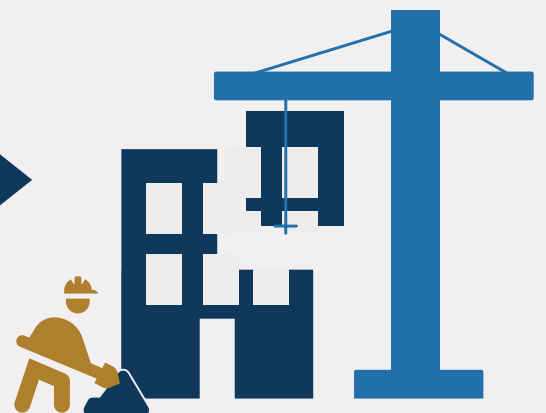
Canadian
Home Builders'
Association



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

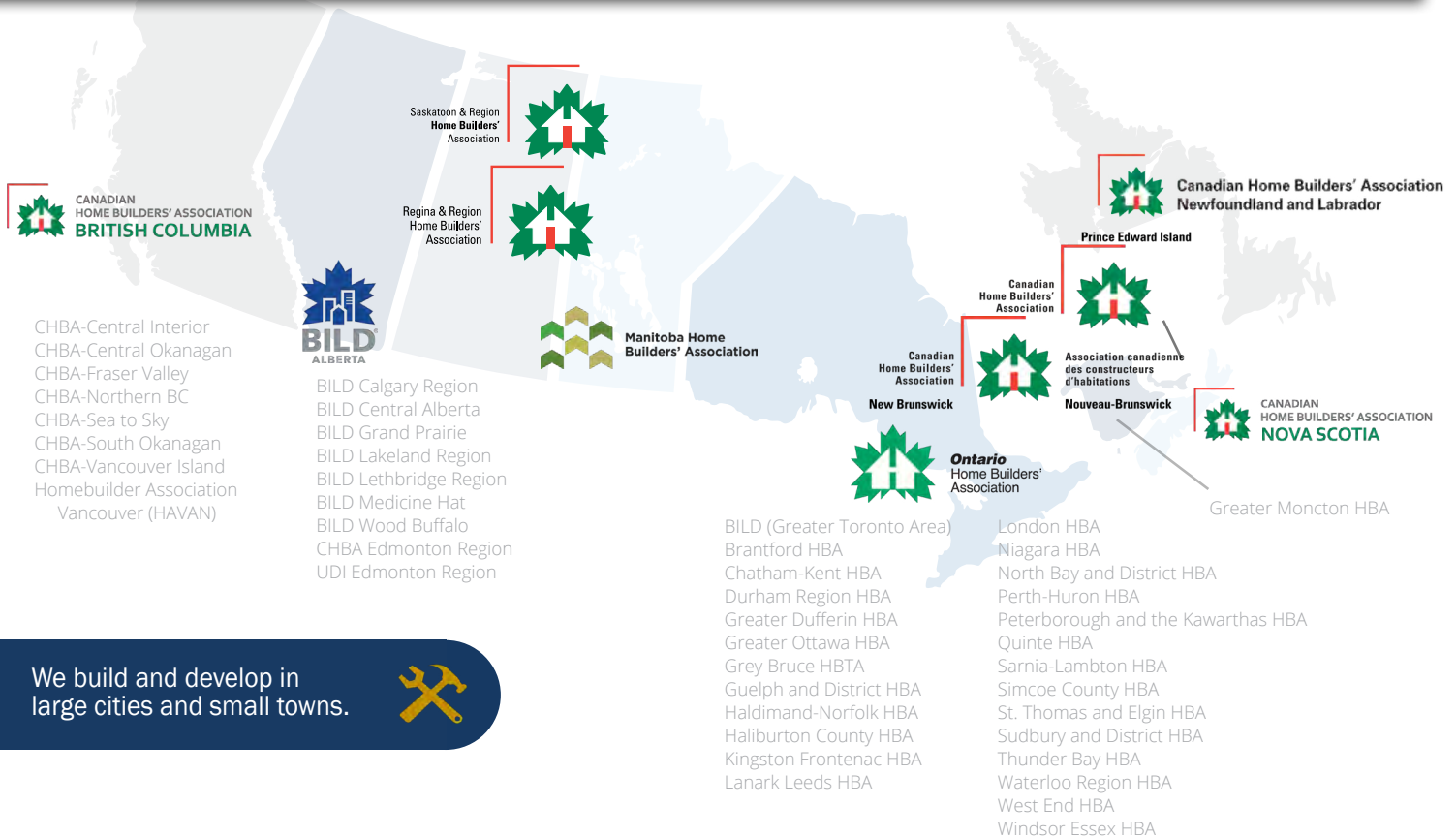


national

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

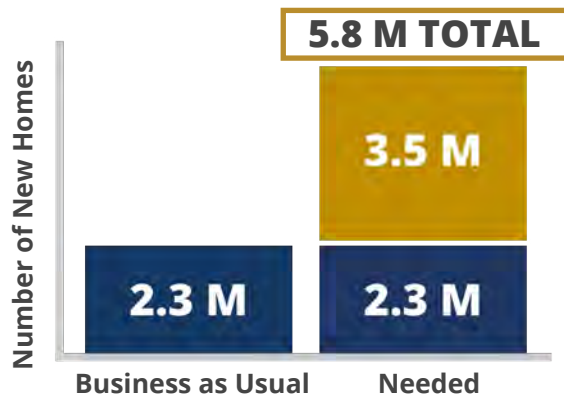
The sector is a key economic driver at the local, provincial, and national level.

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.**

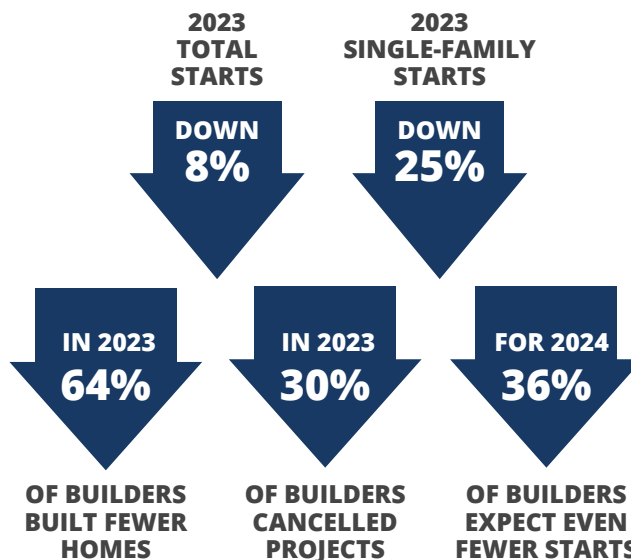
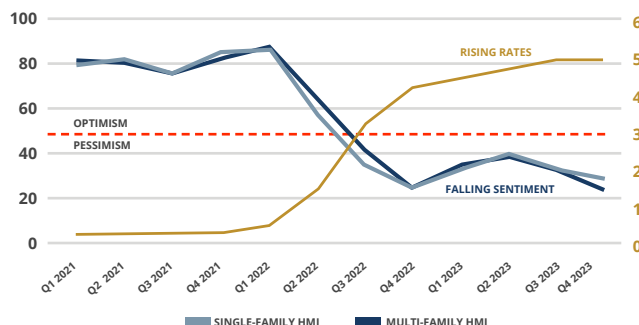
In 2023, overall housing starts were down, but not as much as they could have been since they were buoyed by previously approved high-rise developments in Canada's largest cities, which developers would have committed to in 2022 or earlier, when there were better lending conditions and there was still 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



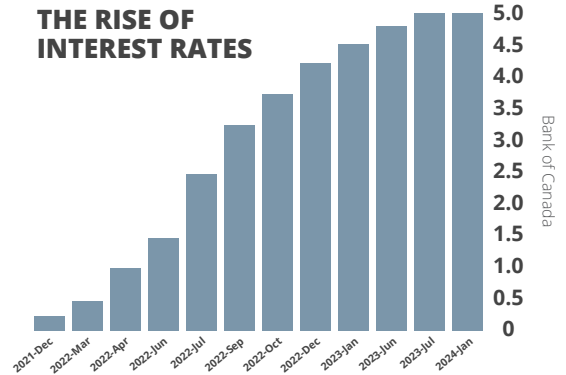
There are **many factors** negatively impacting **housing affordability and supply.**

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



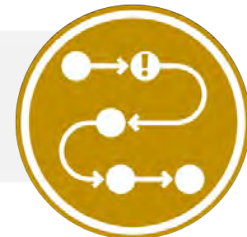
Continue federal leadership but ensure a holistic approach

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).

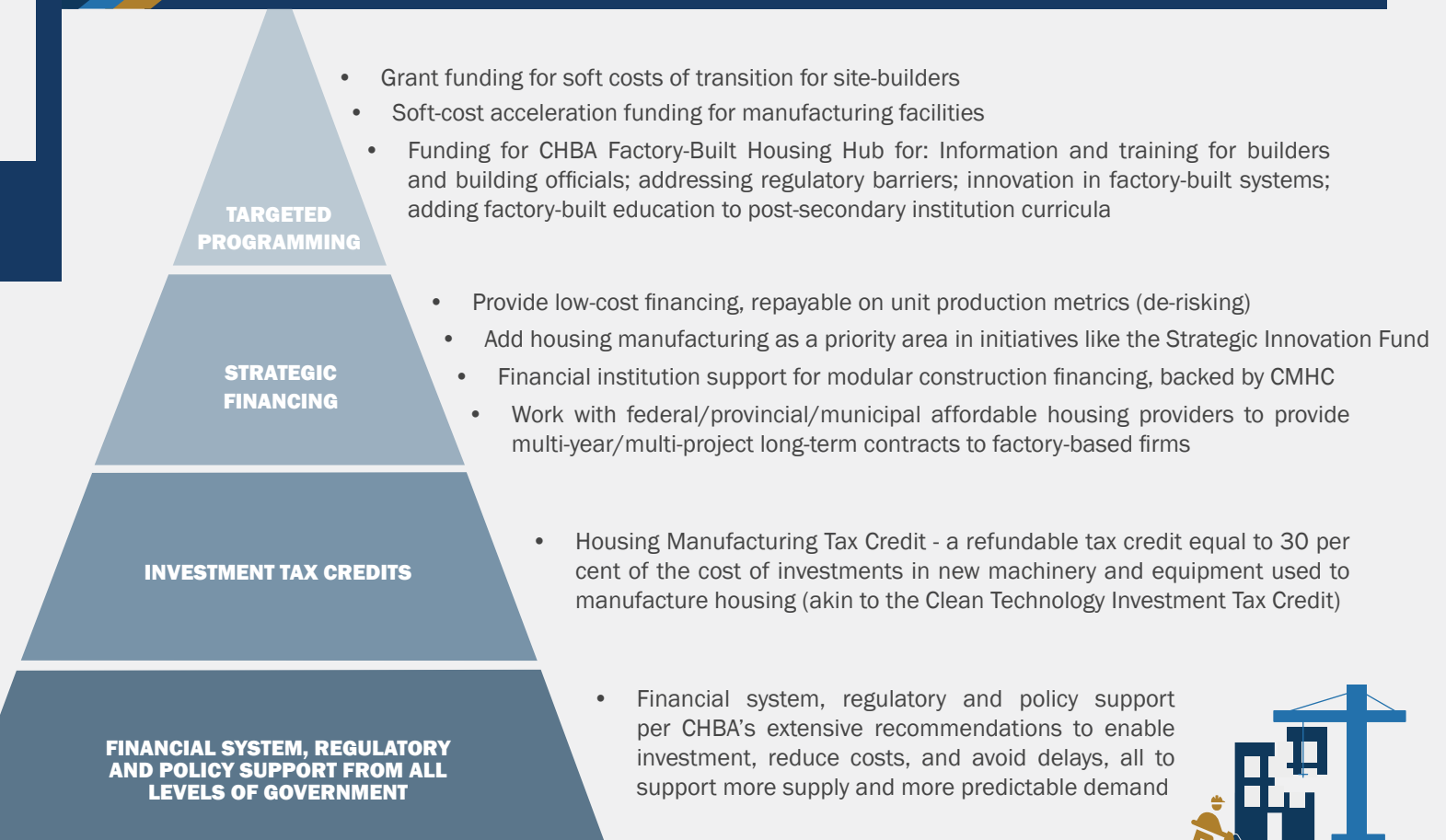
Just as the government stepped forward in Budget 2023 to address the climate crisis with a made-in-Canada plan for a clean economy, **Canada needs a made-in-Canada plan for housing supply**, using similar tools.

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*



Canadian
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Association



141 Laurier Avenue West, Suite 500, Ottawa, Ontario, K1P 5J3



(613) 230-3060



www.chba.ca



chba@chba.ca



@CHBANational