

Pre-Budget Consultation Submission to the August 2025 Federal Budget for the Department of Finance



Introduction and Industry Overview

Since 1943, the Canadian Home Builders' Association (CHBA) has been the national voice of Canada's residential construction industry. Representing one of the largest industry sectors in Canada, our membership is made up of over 8,500 member firms from coast to coast, including home builders, renovators, land developers, trade contractors, product and material manufacturers. CHBA members are largely comprised of small- and medium-sized businesses and build low-rise, mid-rise, and high-rise homes for both ownership and rental.

The Canada-wide residential construction industry in 2024 supported 1,020,308 on- and off-site jobs across both new home construction and residential renovation and repair. This provided \$73.8 billion in wages across the country. The value of the work, through investment, was \$199.4 billion.

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, has recently released the 2025 Q2 results, showing extremely poor sentiment at near record lows, pointing to falling housing starts for ownership moving forward. CHBA's single-family HMI is 24.9 for Q2 2025 (out of 100). The multi-family HMI is 22.8. Ongoing lack of sales has nearly one out of five builders extremely concerned about the wellbeing of their business over the next 12 months, and 35% have had to make layoffs. The continued decline in the sentiment of Canada's homebuilding industry, particularly in Ontario and British Columbia, points to further housing start reductions next year and beyond. This means supply will not meet demand which is desperately needed to overcome affordability challenges and the government's goal of reaching 500,000 new housing starts per year will not be achievable unless action is taken.

The recommendations contained in this submission are a roadmap that the government should follow to ensure that the proper policies are in place to help create conditions for getting more homes built and addressing affordability challenges.

Tariffs

The ongoing trade war with the U.S. is adding to the sector's uncertainty and stifling investment and sales. The top objective must be to end the trade war as quickly as possible, on fair and acceptable terms for Canada. CHBA recognizes that all efforts will be made by the federal government to do so, and that retaliatory tariffs have been deemed a necessary part of the response. CHBA is pleased to see the Phase I measures being lifted in what will hopefully lead to a positive settlement. However, should retaliatory tariffs return, and the measures of Phase II become necessary, CHBA urges the government to

adjust those tariffs per [CHBA's submission](#) to avoid undue harm to housing affordability and the industry. Meanwhile, during this trade war, there are federal actions that can help offset the damage to housing affordability and supply.

- Avoid Canadian retaliatory tariffs on construction materials, with an eye to getting new construction ramped up.
 - Where tariffs are necessary, target U.S. imports that will have the least impact, e.g. product categories where there is ample supply from within Canada and/or other countries. See CHBA's submission on Phase II tariffs.
- Pass Bill C-4 immediately (more on this below) to remove the GST on new home construction to offset increased construction costs, incentivize the purchase of newly constructed homes and thus increase housing supply. Expand eligibility from first-time buyers to all home buyers, as well as to substantial renovations that result in the creation of new housing supply, such as accessory dwelling units and secondary suites.
- Continue to pressure municipalities to reduce development taxes (and find alternative funding models) – reducing these can more than offset increased construction costs from tariffs (more on this below).

Better and Faster Policy Action and Tax Reform Needed

It is important to understand that the home construction industry cannot build houses unless there are buyers to purchase the homes. At this time, housing starts are being propped up by purpose-built-rental and affordable (social) housing construction, as lack of affordability is seeing a trade-off from construction of units for ownership to units for rental. To get to 500,000 housing starts, we need many more units for ownership, through improved affordability. Affordability is determined by three factors: house price; income; and mortgage rates and rules. To reduce house prices, we need more supply, yet we cannot get more supply if people cannot qualify for a mortgage.

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, including diverse pathways to homeownership, supported by sound mortgage policies.

Furthermore, we need to better support renovation, including the creation of secondary suites, accessory dwelling units, units for aging in place, and housing that is less expensive to operate. We can create many more units for extended families and/or affordable rent through secondary suites and accessory dwelling units. There is also a growing desire from retirees to age comfortably and safely in their homes. Canada's ambitious greenhouse gas reduction targets also align with supporting energy retrofits that make a home less expensive to operate. Supporting renovation for all of these reasons and more is an important part of the mix to getting to 500,000 housing starts per year of the type of housing Canadians want and need.

GST Rebate (GST Rebate)

While the announcement of the new GST Rebate was positive news, the delay in implementation is keeping prospective buyers, and those homeowners who want to renovate to create additional dwelling units through substantial renovation, on the sidelines. This has created an even worse drag on new homes sales. While first-time buyers are eligible for the new rebate for any home purchased after May 27, 2025, until that legislation passes, there is no mechanism for homebuyers to action the rebate, and this has caused a slowdown in the market.

CHBA implores that Bill C-4 *An Act respecting certain affordability measures for Canadians and another measure*, the bill encompassing the rebate, be passed on an urgent basis when Parliament returns in September. Delaying this legislation will delay the creation of much-needed housing supply and will further add to affordability challenges.

Additionally, the GST rebate would have significantly more impact on boosting housing supply and addressing affordability challenges if it **included all buyers of new homes, increased thresholds to \$1.5 and \$2.0 million in more expensive markets, was indexed for inflation in the future, and was made applicable to substantial renovations that create additional housing units, such as accessory dwelling units and secondary suites.**

CHBA also recommends that the GST rebate apply to Net Zero and Net Zero Ready home retrofits and accessibility retrofits, such as Adaptiv Home Renovations, by considering them substantial renovations. This should be a priority of this government to accomplish its combined goals of restoring housing affordability, addressing climate change, and improving accessibility for Canadians.

First-time Home Buyer Renovation Tax Credit

As the existing housing stock continues to age, there is a growing list of upgrades that are needed to bring older homes up to date in terms of health and safety, energy efficiency requirements, and other livability requirements of today. In fact, according to CIBC, nearly 5 million homes across Canada are in need of major or minor repairs that are unrelated to cosmetics. First-time home buyers are disproportionately impacted by this, as home price and mortgage constraints may lead them to purchase older homes.

Further, renovators across the country are under enormous cost pressures as labour and material prices continue to climb and the U.S. tariffs threat creates an additional source of uncertainty, causing consumer confidence to wane and avoid investments in major renovations. This has also left the door open for underground operators to thrive, with Statistics Canada reporting that unpermitted and cashed-based renovations and additions continue to make up a larger share of the overall underground economy in residential construction – which has doubled to 32.7% since 2000.

To combat this, **CHBA recommends the federal government implement a First-time Home Buyer Renovation Tax Credit** to alleviate the cost constraints faced by first-time buyers, while also incentivizing much-needed upgrades to Canada's aging housing stock and the use of reputable renovators in place of underground operators. Tax credits require homeowners to get receipts, and this is a tried and tested means of curbing the underground economy.

Build Canada Homes (BCH)

While still under development, CHBA has consulted on the many proposed facets of BCH. As it stands, BCH will oversee several activities mostly for affordable (social) housing on public lands. Creating yet another federal entity does not seem a good use of resources. Irrespective of how BCH roles out, critical oversight on efficiency and effectiveness will be needed to ensure positive outcomes, as will working with industry to actually develop the land and build the housing. If this process leads to more government-supported affordable housing – and in turn helps to avoid inclusionary zoning (given inclusionary zoning usually drives up the cost of market-rate housing), sticks to crown lands, avoids competition with private-sector developers, and engages the private sector in construction – there is potential to help alleviate some of the strain on the affordable housing sector.

However, it is crucial to point out that even if there is some success with BCH, it will only be a small fragment of what will be required to achieve the government's 500,000 homes per year target. To lead Canadians to believe that the sole work of BCH will reach 500,000 homes is misleading. Efforts to break down the barriers preventing market-rate home

building from scaling up is critically needed to reach government targets and help restore affordability along the entire housing continuum.

For more on CHBA's recommendations with respect to BCH, see CHBA's [submission](#) to the consultation process.

Adjust the Stress Test

A major remaining barrier to homeownership is the stress test. It has been excessively locking out many well-qualified buyers for the past 15 years, which has resulted in declining homeownership rates since 2011. In the 2024 Fall Economic Statement, the government committed to review the stress test. **This commitment must be honored. The stress test should be eliminated for uninsured mortgages and made dynamic for insured mortgages.** A dynamic stress test for insured mortgages that reflects the market would reduce minimum qualifying rate (MQR) during normal and high-interest rate periods, but increase at very lower interest rate times, providing more stability to the financial system, while also avoiding rapid price increases when interest rates fall. A dynamic stress test would then decouple the housing market to a degree from the interest rate cycle, reducing booms (and price acceleration) in very low-interest rate environments and lessening slowdowns in higher interest rate times, better supporting the industry and homebuyers, while also enabling more housing supply.

In order to support well-qualified homebuyers access homeownership, the federal government should also **modify the stress test to eliminate or at least reduce it on a declining basis for 7- and 10-year mortgage terms**, given the reduction in risk with longer mortgage terms for both Canadians and the financial system. The *Interest Rate Act* should also be adjusted to better facilitate mortgage terms longer than 5 years. As it currently stands, financial institutions must price the risk of a mortgage redemption into mortgage terms longer than 5 years. Due to a statute in the *Interest Act* passed in 1880, the redemption prepayment penalty is capped at 3-months' interest at any time after the fifth-year anniversary of the mortgage. By amending this statute to eliminate this requirement, lenders would no longer need to charge this prepayment risk premium on 7- and 10-year term mortgages. Improving the competitiveness and uptake of longer-term mortgages versus traditional mortgage terms lowers the overall renewal risk of the mortgage market - a longstanding concern of regulators.

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, 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).

CMHC Construction Financing

The tightening of underwriting practices both regulated and voluntary within financial institutions' own practices is making it more and more difficult to build housing, especially multifamily housing which is so important for more affordable units, higher density neighborhoods, and infill development. While CMHC has construction financing for rental housing, there is no such support for construction financing for housing for homeownership, and that is now needed. **CHBA recommends both low-interest financing for market-rate housing for ownership from the government, plus a new construction loan insurance program for financial institutions** to unlock more private capital for the construction of market-rate housing.

CHBA is also deeply concerned about recent changes to the CMHC MLI Select Program and the increased costs that are placing upon the development of purpose-built rental units. This includes greatly increasing the premium schedule and introducing additional surcharges for longer amortizations—one of the original main benefits of the program. Further, some of the largest premium increases are applied to those who score high on affordability, accessibility, and energy efficiency criteria. **CHBA asks that these changes be reversed, and that more CMHC financing be devoted to both MLI Select and the Apartment Construction Loan Program** (for standard rental housing) to increase the supply of purpose-built rental units. It is also important to increase the funding allocations for the ACLP. CHBA also **recommends that greater notice be given to developers about any future changes to CMHC financing programs** as rapid successive changes to the program's criteria adds to builder uncertainty, on top of reduction of project viability.

It is important to recognize that investors play an important role in financing the development of adequate supply of housing in Canada. CMHC estimates that to fill the 3.5 million housing unit gap will take an investment of at least \$1 trillion and recognizes that the vast majority of that must come from the private sector. Efforts to limit investment in housing run counter to the goal to get much needed supply built, and this includes the excessive regulation on foreign investors. It is time to **revisit the myriad of regulations**

that have practically eliminated the foreign investment needed in our larger centres, and to adjust this regulation to enable foreign investment to support more housing supply without driving up house prices through excessive speculation or simply parking of foreign funds in real estate – this can be done through smart regulation, which is needed to get markets like the GTA and GVA moving again.

More Action on Development Charges

Development charges (DCs) have gone up some 700% over the past 20 years and now in Ontario, for example, government-imposed charges account for 31% of the cost of a new home on average. While it's positive that the recent federal housing plan called for a three-year freeze on increasing DCs through the new Canada Housing Infrastructure Fund and has committed to reduce DCs on multi-unit housing for a period of five years, much more needs to be done to reduce DCs. DC relief should be provided for all forms of housing.

Very importantly **CHBA recommends developing new funding models as alternatives to development charges, in collaboration with provinces and municipalities, for housing supportive infrastructure and transit.** It is critical that DCs be reduced across the board, and that DCs remain at lower rates after the federal government offsets end. Such models should spread the cost of the amenities from which all citizens benefit across the broader tax base, and not just buyers of new homes. This is how it was done in the past, and ever-increasing development taxes are part of the reason for the generational unfairness for those trying to buy a home now versus those who bought 20 years ago.

Alternatives to DCs can include:

- Allow municipalities to borrow infrastructure money and pay it back over the life of the infrastructure itself (which can be 50 years or more). At the moment, buyers of new homes absorb the cost of DCs through their mortgages, at higher rates of interest than those available to municipalities, and repayable on the shorter mortgage periods of their loans.
- Include new infrastructure costs in user charges for water and wastewater or include costs of new roads in user charges for roads. Both options would require more borrowing, perhaps by new municipality-owned corporations, third parties, or P3s.
- Grants from federal and/or provincial governments for new infrastructure, or the province grants revenue sharing or new taxation powers to its municipalities.
- Small increases in property tax on the many existing properties would also go a long way, versus very high and unfair taxes on only the few new builds.

- Land Value Capture (LVC) is a financial strategy used to recover a portion of the increase in land value that results from public investments, infrastructure projects, or changes in land use regulations. Rather than excessively taxing new housing, LVC avoids private landowners from gaining all the benefits of rising land prices due to public actions and ensures that some of these gains are reinvested into public services or infrastructure, while keeping DCs in check.

Invest In Housing Supportive Infrastructure Connected to Housing Outcomes

In support of new funding models for municipalities, increased funding for housing supportive infrastructure and transit is needed. This funding should continue to be tied to housing outcomes, like increased density around transit nodes, changing zoning to allow multiplexes, and requiring reductions in DCs.

Remove Barriers and Red Tape within the Home Building Process

While the federal government is rightly looking to municipalities to cut red tape, it is at the same time introducing red tape that is needlessly getting in the way of building more homes. The industry has been severely impacted by the lack of understanding of the sector, the insufficient pre-consultation with industry, or the blatant disregard for how policies will negatively impact the building of more housing supply.

To correct this, **CHBA recommends putting every federal policy and program through a small business and housing supply and affordability lens.** It is vital that the government ensures its own economic policies do not run counter to efforts to increase housing supply and that all federal departments and agencies work in close consultation to make sure that they do not stifle housing supply.

The following are some recent examples of federal policies that have caused undue red tape and cost increases that slow down home building: Underused Housing Tax, Bill S-211 (Forced Labour in Supply Chains Reporting Requirements), trust reporting requirements duplicative of FINTRAC, Pileated Woodpecker Nests and Other Species at Risk Regulations, Proposed Vacant Land Tax.

With the government target of 500,000 starts per year, end the departmental silo approach and implement **a government directive that all departments and agencies remove excessive red tape and avoid adding new red tape to residential construction.**

Avoid Adding Costs through Codes and Regulations

Many new policy directions that result in more stringent codes and regulations have good intent, but almost all increase costs to housing. CHBA was encouraged by the federal

election pledge to simplify the Building Code to speed up approvals and streamline regulations, yet this will require a reversal of the current trend in national building code development. A change in the development system must be made a top priority. **CHBA recommends the adoption of affordability as a core objective of the National Building Code and all related standards** to ensure we are building better, more efficient houses for the same price moving forward. Every building code change currently proposed for upcoming code publication should be revisited for its impact on cost; a total cost analysis of all changes should be undertaken, and no changes that increase cost should be included at this time. It is also imperative that the building code process return to a better focus on housing (rather than combining all construction together), and that the true impacts on affordability be assessed and made a key part of the decision process, with changes that erode affordability delayed until cost effective solutions can be found. To complement this, **CHBA also recommends dedicated funding for R&D to reduce the cost of construction.**

CHBA also recommends the following:

- **Establish a National Building Code Interpretation Centre with interpretations that are binding for all municipal building officials.**
- **Avoid spreading limited housing resources across the new 13 committees on the National Code** and return to a model similar to the **Standing Committee on Housing and Small Buildings** (NBCC Part 9) **to better focus on the very different requirements of housing.** Housing is currently included with commercial and institutional construction, and this is driving up costs and complexity for housing.
- **Work with provinces to harmonize all building and development related municipal regulations to eliminate and prevent barriers to rapid deployment of housing.**
- **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.
- **Begin a new, dedicated funding R&D stream within government and in partnership with industry to reduce the costs of housing construction.**
- **Do not regulate until cost-neutral innovations are available.**
- **Provide incentives for Net Zero Ready Homes and Renovations, to reduce costs and accelerate technology development and adoption.**

The key to addressing climate change within home construction is to improve the existing housing stock. Today's new houses are already very efficient and will continue to become even more efficient. In order to address climate change in the sector, it is critical to

address existing housing. Therefore, **CHBA recommends that the government supports EnerGuide labelling at the time of resale on homes, including investing more to support the EnerGuide system (including its software platform), and continue to provide incentives for home retrofits.**

Address Labour Shortages & Support Productivity

Labour shortages in the residential construction, for both new construction and renovation industry, are well-documented. However, government measures designed to support the construction sector's workforce, including those proposed during the election campaign, focus solely on union funding and apprenticeships. However, 90% of the industry outside of Quebec operates in a non-unionized environment and many roles in residential construction do not require full apprenticeship qualification to perform the job. While CHBA acknowledges a role of apprenticeship and unionized workers within parts of our industry, CHBA stresses that to build the homes Canada needs to restore housing affordability the government must look beyond this narrow focus to properly bolster residential construction.

As such, CHBA recommends the following:

- Continue activities to **support careers in residential construction** but recognize this does not mean focusing exclusively on Red Seal trades. Provide education and training funding for residential construction beyond unions and Red Seal trades.
- **Update the National Occupation Classification System** to properly reflect occupations in residential construction, including factory-built construction (separate from the needs of institutional, commercial, and industrial construction).
- Enhance the trades category-based selection for Express Entry to **support the specifics of residential construction**, including bringing in TEERs 3- 5 workers, including construction helpers, framers, and labourers.
 - This will be crucial for the ramping up factory-built efforts, as jobs in this space have lower barriers to entry for new immigrants.
- **Invest in CHBA's proposed "Talent Pipeline Concierge Service for Employers"** to significantly ramp up workforce capacity, better match qualified workers with jobs in the sector, and respond to labour market needs.
- Increase the viability and hence the capacity of factory-built construction systems to **support productivity** through supportive policy that removes barriers to their use and de-risks investments, **as outlined in [CHBA's Sector Transition Strategy](#)**, including **support for CHBA Factory-Built Housing Hub**.
 - Importantly, factory-built approaches like modular construction offer opportunities to increase productivity and alleviate pressure on the labour

force, only if they receive adequate financial, regulatory and policy support, removing barriers common to increasing housing supply and affordability for all forms of housing construction.

Conclusion

In order to tackle Canada's housing crisis head on, there needs to be key policies supporting better housing affordability and more supply for market-rate housing. The government will never achieve its target of building 500,000 homes per year without that. In this submission, CHBA, representing the people who actually build Canada's homes, has put forth recommendations that are needed to ensure better programming and policies. In order to achieve more housing supply and better affordability, all levels of government need to treat the home construction sector as a partner and help create the conditions in which the industry can build the supply needed to help restore affordability and to unlock the door to homeownership. The federal government has an important leadership role to play to that end. Should Finance Canada have any questions or would like to have more information, please contact Nicole Storeshaw, Director, Government Relations at nicole.storesshaw@chba.ca.