

**Pre-Budget Consultation Submission for the  
2025 Federal Budget for the Standing Committee on  
Finance**

**Canadian  
Home Builders'  
Association**



## Introduction

Canada remains amid a housing crisis. Lack of supply and affordability challenges are the norm across the country. Policy choices at all three levels of government have locked millions out of homeownership and driven up rental costs.

The federal government has a goal to build 500,000 new houses per year. The Canadian Home Builders' Association (CHBA) supports this aspirational target, but more policy change is needed to overcome the many barriers to achieving that number. CHBA, representing the people and firms who actually build the homes in Canada, has realistic and achievable recommendations that will help address these barriers.

## Housing Outlook

CHBA's 2025 Q2 [Housing Market Index \(HMI\)](#) shows builder confidence remaining overtly pessimistic about sales conditions. CHBA's single-family HMI is 24.9 for Q2 2025 (out of 100). The multi-family HMI is 22.8. Both are at near-record lows. 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. CHBA's HMI is a proven indicator of housing starts expected six months and beyond, signaling that future housing starts, especially for ownership, will not be increasing to meet the supply needed to overcome affordability challenges.

## Better and Faster Policy Action Needed

### *First-Time Home Buyers' GST Rebate (GST Rebate)*

While the announcement of the new GST Rebate was positive news, the delay in implementation is keeping prospective buyers on the sidelines, creating 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.

**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.** Additionally, the GST rebate would have significantly more impact on boosting housing supply if it included all buyers of new homes, increased thresholds to \$1.5 and \$2.0 million in more expensive markets and was made applicable to Accessory Dwelling Units and secondary suites. This should also be a priority of this government; however, at minimum, **it is imperative that the bill is passed**

**with the utmost urgency as it stands for now.** Delaying this legislation will delay the building of much-needed housing supply and will further add to affordability challenges.

### ***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 and rental on public lands; this will be helpful but it is only a small fragment of what will be required to pursue the 500,000 homes per year target. Much more focus on market-rate housing policy will be required (see other CHBA recommendations). Creating yet another federal entity does not seem a good use of resources, but 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 IZ 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.

But it is action to address market-rate housing that is required to get to 500,000 housing starts per year, as follows.

### ***Adjust the Stress Test***

A major remaining barrier to homeownership is the stress test. It has been unnecessarily 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 (which can support system stability in low-interest environments while avoiding unnecessary burden in high-rate times; the same could be achieved with a lower fixed-rate minimum qualifying rate).

The Liberal Party election platform also promised to make mortgage payments more affordable by reviewing Canada's mortgage market, including looking at barriers to longer interest rate terms on mortgages. **CHBA has long called for adjusting the Interest Act to facilitate 7- and 10-year mortgages and removing the stress test on them.**

### ***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, more needs to be done to reduce development charges. DC relief should be provided for all forms of housing.

Very importantly CHBA recommends developing a new funding model as an alternative 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 a model 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.

### ***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 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 pressure for more stringent codes and regulations are important, 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, but 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. 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 change 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.**

### ***Address Labour Shortages & Support Productivity***

Labour shortages in the residential construction industry are well-documented. Measures to support the sector's workforce, including those proposed during the election campaign, focus solely on union funding and apprenticeships even though 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 is supportive of the roles of apprenticeship and unionized workers within the industry where appropriate, CHBA stresses that to build the homes Canada needs to restore housing affordability, the government must look beyond union models and the Red Seal trades and reform the immigration system to attract the right newcomers with the skills and affinity for home building.

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 (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, 4 & 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**.
  - NOTE: 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.

## ***Tariffs***

The ongoing trade war with the U.S. is adding to the sector’s uncertainty. 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 are part of the response. However, should 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 to remove the GST on new home construction to offset increased construction costs, while also incentivize the purchase of newly constructed homes, thus increasing housing supply. Expand eligibility to all home buyers, 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.

## **Conclusion**

CHBA CEO Kevin Lee would be pleased to provide further information through testimony at committee; please contact Nicole Storeshaw, Director, Government Relations at [nicole.storeshaw@chba.ca](mailto:nicole.storeshaw@chba.ca).