Why the GST/HST New Housing Rebate is <u>NOT</u> having any impact getting more homes built

In the spring, the federal government announced a **GST rebate for first-time buyers** on new homes up to $1 million and a reduced rebate on new homes between $1 million and $1.5 million, effective May 27, 2025. It needs to be passed and implemented immediately, and the exemption should be **expanded to all buyers**.

While this measure should be positive for new housing construction, its slow rollout and limited reach is having massive knock-on effects for the residential construction industry. **The situation is most critical where more homes are needed** (i.e. in Ontario and British Columbia), and falling housing sales are resulting in layoffs which will result in permanent labour loss and could even lead to a housing-led recession. This all flies in the face of the government's supposed goal of doubling housing starts.

Reason #1: The policy should be expanded to all buyers (and renovations that create housing)

By focusing only on first-time buyers, the existing policy does not go far enough. To truly incent more home construction, all buyers need access to GST relief on new homes. This will also allow move-up buyers to free up entry-level homes for first-time buyers, and support those looking to down-size, thereby freeing up more family-oriented housing. And while the relief applies to "substantial renovations," expanding the GST relief to renovations that add additional living units, like Accessory Dwelling Units (ADUs) and secondary suites will provide more needed housing supply.

The result: Without quick action, the **federal government will not be able to meet its housing target of 500,000 new homes per year, and the industry will continue losing labour capacity permanently.**

Reason #2: The new policy, which is not yet finalized, is actually holding back new home construction

Bill C-4 *still* has not been given Royal Assent. This means that **the GST New Housing rebate <u>has not</u> been implemented**, since potential buyers still cannot access the rebate for any home purchased on or after May 27, 2025.

The result: Buyers are sitting on the sidelines as they wait for GST relief. This has caused a **serious slowdown** in sales, and in turn, new housing construction – at a time when new housing supply is desperately needed to help restore affordability for Canadians.

Home builders cannot increase housing starts when buyers aren't buying.

CHBA Recommendations

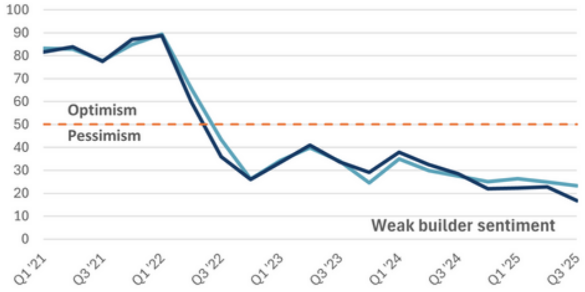
If the federal government truly wants to support housing affordability, it should:

1. **Broaden the GST relief to *all* buyers of new construction homes.**
2. **Make the GST relief applicable to renovations that add an additional unit of housing, like Accessory Dwelling Units (ADUs) and secondary suites.**
3. **Swiftly pass Bill C-4 (and any new legislation) to prevent a further drag on new home construction.**

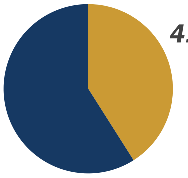
Housing Crisis: Canada’s residential construction industry

The situation is critical where the most new homes are needed

- The home construction sector is **in dire shape**, particularly in Ontario and British Columbia – the two areas provinces that CHMC statistics show need the greatest number of new homes.
  - CHBA’s Housing Market Index (HMI) shows that home builder sentiment for both single-family and multi-family homes is at record lows. The multi-family HMI in Ontario was an abysmal 4.4 (out of 100) in the third quarter of 2024. **The HMI points directly to significantly fewer housing starts ahead.**



- Builders are **increasingly concerned about the wellbeing of their businesses over the next 12 months.** [Source: CHBA Housing Market Index]
  - In Q3, 41% of builders had to layoff workers, with no plans to rehire – up considerably from 27% this time last year.
  - Recent layoffs were reported by **64% of Ontario builders** and **39% of B.C. builders**.



***41%** of builders have laid off workers*

- The last three months of residential construction employment data for Ontario show the **largest year-over-year declines on record** – outside of the 2020 pandemic disruption – going back to 2001. The HMI results indicate that these employment declines will accelerate.

- Meanwhile, the government is not placing the same urgency on passing and expanding the GST relief on new housing as it is on other pieces of legislation.

- Until governments prioritize the residential construction sector, the housing crisis will only get worse. Otherwise, the sector will see **mass layoffs across the country** – which is already happening in some regions of Ontario and B.C.

- To achieve more housing supply and better affordability, **all levels of government** need to treat the home construction sector as a partner.
  - That means **creating conditions that enable home builders to deliver the supply needed to help restore affordability and unlock the door to homeownership for Canadians – starting with extending the GST exemption to all buyers immediately.**

Read more of CHBA’s recommendations to help address Canada’s housing challenges at **affordability.ca**.

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