Pre-Budget Consultation Submission to the 2026 Federal Budget for the Department of Finance

Canadian Home Builders' Association

Introduction

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.

In 2025, more than 1.2 million jobs were supported by new home construction, renovation services, and repairs—either directly or through jobs that closely support construction. This highlights the residential construction industry's role as a leading employer in Canada. This provided $90.1 billion in wages paid nationwide. The value of the work, through investment, was $213.7 billion.

Housing Outlook

As the government knows, Canada is in a severe housing supply and affordability crisis. The sector continues to deal with many challenges including high material costs. CHBA's Housing Market Index, a leading industry sentiment indicator, is a measure of homebuilder confidence in new home sales conditions. Bound between 0 and 100, a neutral score of 50 means an equal share of positive and negative sentiment held by builders. In the second quarter of 2026, the indicator for single-family homes (which includes detached, semidetached, and row homes) was 30.1. Meanwhile, the HMI among multi-family sales was 15.0 (which includes high and row rise, as well as missing middle developments). These pessimistic readings indicate that Canada should continue to expect strong downward pressure in the number of housing starts slated for freehold and condominium markets.

U.S. Tariffs and Canadian Countervailing Tariffs

The home and renovation construction sector is extremely concerned about the current tariff war. While CHBA supports the Government of Canada's efforts to secure a fair agreement and resolve this dispute as quickly as possible, the continued uncertainty of tariffs is having real consequences on the sector which will impact Canadian housing. The negative impact from this dispute on Canada's overall economy means slowing housing starts, which will have expansive repercussions on housing supply, Canada's residential construction industry, and long-term affordability (on all types of housing – from market-rate to social housing.)

CHBA has asked that the government avoid Canadian retaliatory tariffs on construction materials. Tariffs on construction materials will cause delays and increase costs for both housing/renovation and the infrastructure and community building needed to accommodate new housing supply. In cases where counter tariffs are deemed necessary, CHBA asked that Canada target U.S. imports with the minimum impact on Canadian businesses and construction costs, e.g., by looking at product categories where there is ample supply from other countries to turn to.

Lack of focus on homeownership

Canada remains in a housing crisis, and homeownership rates are falling. Canada needs a clear plan to protect what the crisis has put at risk: the ability to own a home. The federal government deserves credit for acting with greater urgency on housing, including through initiatives like Build Canada Homes. Those efforts matter. But urgency is not the same as direction, and the federal government still lacks a clear plan to restore homeownership.

The federal government needs to refocus its attention on the whole housing continuum, including on housing affordability for middle-income Canadians. Support for non-market housing is important, but it should not come at the expense of measures to improve market-rate housing affordability; both can be improved. According to an Abacus Data study for CHBA in 2025, 67% of Canadians say the federal government should be putting more focus on homeownership affordability. When you drill down into the data, 31% say "much more" focus should be placed on it, compared to 17% for non-market housing.

If the government truly wants to address the housing supply and affordability crisis, much more needs to be done on policy improvement supporting market-rate housing and homeownership. An inability to buy a home will mean much less housing gets built and will intensify pressure on rental and social housing, all while increasing the wealth and inequity gap between those who can access homeownership and those who cannot.

Homeownership used to be the foundation of middle-class security in Canada, providing many well recognized socio-economic benefits. It is central to stability, family formation, and wealth. Sadly, that aspiration, while still very prevalent, is becoming increasingly out of reach for many Canadians. Homeownership has and should continue to be a cornerstone of middle-class Canadians, but that will take expansive policy change. If the government wants to restore that promise to the middle class, it needs a comprehensive approach that will truly support building far more homes. This will require the full inclusion, participation, and ability of young and new Canadian households to make the investment in homeownership they wish to pursue but currently cannot due to affordability challenges. To that end, CHBA recommends:

More Formalized Policy Action Needed

While the market-rate housing announcements contained in the Spring Economic Update were a step in the right direction, there needs to be a more comprehensive suite of measures, especially for homeownership, with starts dropping consistently for homes for purchase. **With the current 10-year National Housing Strategy winding down, CHBA calls for the next iteration of the strategy to include a full suite of formalized policies and programs to address homeownership, so that it is a strategy that covers the full continuum, versus the old version that is really just a national social housing strategy**.

Over the last several years, housing starts intended for ownership have declined sharply as a share of total construction. In 2021, 69 per cent of housing starts were intended for ownership. By 2025, that share had fallen to 49 per cent, with purpose-built rental housing now accounting for the majority of new starts. That's a drop of 50,000 units for ownership per year. The Spring Economic Update rightly acknowledged that while housing starts were decent, that was driven by record levels of purpose-built rental construction, while ownership is sliding. Rental supply is needed, and CHBA strongly supports it, along with federal action that has helped projects pencil out in recent years. However, **rental housing should not be replacing homes for ownership; we need both, and much more on the ownership side**. CMHC states that to make up the housing gap, 75% of the homes to be built must be for ownership.

Recent Government Announcements Need to be Finalized and Expanded

The government's commitment to provide $1.7 billion to provinces and territories through Bill C-26 the *Improving Housing Supply Act* is positive. CHBA supports any action that will bring down costs, cut red tape, and build more homes quickly. However, it is important that these funds actually get used for their intended purpose – to be put towards measures that support housing supply and affordability for homeownership. The total tax burden on new housing construction can make up to 30% of the price of a new home in some communities. Targeting both sales tax and development charges have been at the top of CHBA's list to address housing affordability. It will be important for other provinces to follow in Ontario's footsteps to ensure that their allocations of federal funding directly and meaningfully improve ownership housing supply and affordability for Canadians. Removing tax is the single most efficient way to do that.

Given the affordability crisis, **the rebate of the full GST currently applying only to first-time buyers should be expanded to apply to all buyers**. **CHBA also recommends including renovations that result in additional housing, like accessory dwelling units (ADUs) and secondary suites in the eligibility criteria, given they are important forms**

of new housing units. This, combined with other measures, can have significant impact on creating more housing supply. We need owners of entry-level homes to be able to move to their next new home and free up those entry-level homes. We also need downsizers to be able to move into new housing that meets their needs while freeing up family-oriented homes. All of this will be made more possible with proper GST treatment. Announcements for infrastructure and to offset development charges through the Build Communities Strong fund will be very helpful too, but again, outside of Ontario, British Columbia, and Alberta no other provincial deals have yet been signed. Announcing similar agreements with all the other provinces is critical to support housing-enabling infrastructure and enable more housing to be built in timely fashion**. It will also be critical that there be plans for municipalities to find alternative funding models for infrastructure to permanently lower DCs once federal funding winds down**.

Fix 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. Mortgage rules have been so overtightened that homeownership rates have been falling severely since 2011. In 2011, the homeownership rate in Canada was 69% but in 2021, that fell to 66.5%. The 2.5% drop in homeownership equates to 1 million more Canadians now renting instead of owning.

This has been done in the name of financial sector stability, yet mortgage arrears of 0.28% continue to be near historic lows, well below their long-term average of 0.33%, and 6 times less than the current US rates of 1.61%. That means more than 99% of mortgage holders at a bank in Canada are not considered seriously delinquent, and Canada's arrears (90 days and over) rate remains one of the lowest among advanced economies.

The 2024 Fall Economic Statement said the government would be launching consultations to improve the structure of the stress test on insured mortgages, yet changes have not been made.

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). Mortgage rules have been so overtightened that homeownership rates have been falling severely since 2011. Meanwhile, Canada's mortgage arrears rate of 0.25% continues to be near record historic lows and well below its long term-average of 0.33%. **CHBA has also long called for adjusting the Interest Act to facilitate 7- and 10-year mortgages and remove the stress test on them**.

Skilled Trades

While the Spring Economic Update placed a big emphasis on supporting skilled trades, the emphasis on Red Seal trades and unions will limit its applicability to residential construction. 90% of the industry outside of Quebec operates in a non-unionized environment and most roles in residential construction do not require apprenticeship qualifications to perform the job—it is estimated that only about 25 percent of residential skilled workers are in the apprenticeship system, and many of those will not complete their apprenticeship as it is not required to have successful careers in the industry. **Therefore, 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, the government must look beyond union models and the Red Seal trades to the other 75 to 90 percent of workers that actually build Canada's homes and need more support and recognition.**

As such, CHBA recommends the following:

- **Update the National Occupation Classification (NOC) System to properly reflect occupations in residential construction** to enable government funding to properly flow to support residential trades and enable the immigration system to bring in the right workers to build and renovate Canada's homes.
- **Work with CHBA (and other stakeholders) to redevelop the education, training and recognition system for skilled workers in residential construction to properly reflect the realities of this part of the sector.**
- With an updated NOC system, **enhance category-based selection for Express Entry to support the specifics of the residential construction sector**, including bringing in TEERs 3, 4, and 5 workers, such as installers, framers, and general labourers and helpers, and factory-built construction workers (none of these can currently enter Canada due to immigration policy). Please also note that the home construction sector does not tend to make use of the Temporary Foreign Worker program, other than factory-built companies. The industry needs immigrants who wish to come to Canada to work in an in-demand, well-paying industry that will grow their skills and allow them to put down roots.

Support Increased Productivity

Factory-built construction offers many opportunities to increase productivity. However, it is not the magic bullet answer. Some of these approaches are substantially more expensive (e.g. 3D printing), and others face other barriers to adoption (e.g. risks of investment in factories that stand idle during housing downturns). And while CHBA is very supportive of more modular construction, the factories in CHBA's Modular Construction Council will be the first to advise that modular construction is not less expensive. It has many other great attributes, like speed and ability to produce more homes with less workers, but modular homes are not less expensive than site-built homes. Home builders across the country already know the costs and challenges of adopting such systems, which is why these methods have not yet been adopted at scale. Many are interested in adopting more factory-built approaches, but this is more due to the key issue of shortage of trades than cost savings.

CHBA's Sector Transition Strategy was developed in response to the challenges and opportunities to move to more factory-built approaches within the sector. It is a blueprint for how to overcome the barriers to scaling up and de-risking this type of housing.

Therefore, CHBA recommends that the government fulfil recommendations from The Strategy (see the document for full details) by implementing:

- Financial system, regulatory and policy support from all levels of government to create a conducive business environment for all types of homes.
- Targeted programming for the transition for factories and builders.
- Strategic financing to de-risk investments and support modular construction financing.
- Investment tax credits to accelerate investment.

Support Housing Affordability and Supply Through Renovation Measures

Renovation is a critical part of our sector. It can lead to more housing affordability and supply. However, it is an area which often gets overlooked by federal policy makers. **CHBA continues to push for the following recommendations to introduce renovation tax credits for:**

- First-Time Home Buyers to support their entry to homeownership and upgrading to today's standards;
- The labour component of all renovations to fight the underground economy;
- Energy Efficiency Retrofits (including applying the New Housing GST Rebate to Net Zero renovations), because to reach the government's climate change goals, it is the existing stock that is most important to tackle.

Renovation tax credits are proven to fight the underground economy, creating a level playing field for honest businesses while increasing tax revenue (including income tax) for the government.

As the federal government continues to advance accessibility standards for housing, it is important to understand that such changes can come with a cost that will impact housing affordability. Therefore, **CHBA is requesting that the association be a part of any consultations and changes to these standards** to help inform potential unintended consequences to such changes.

More Action on Building Codes

CHBA has been pleased to see the government announce it will take action on the building code to address affordability and complexity, in line with CHBA recommendations, but it is time to turn announcements into action. It is vital that the government understand that pausing the 2025 codes adoption – something CHBA has called for – can help solve the housing and affordability crisis while also properly address problems with the new code development system. CHBA estimates that the new 2025 National Model Code will add over $100,000 to the cost of a typical new home. **CHBA continues to recommend**:

- to provincial/territorial governments, that they pause the adoption and implementation process of the 2025 National Construction Codes, and assess them, with a plan to only put forth for adopting cost-neutral changes for housing in the 2025 national codes;
- to the Federal government that it pause all 2030 code development until critical reforms are made to the development approach, such as:
    - Restoring transparency, accountability, and meaningful stakeholder engagement within the codes system;
    - Reducing the priorities for the 2030 code cycles, focusing only on essential, cost neutral requirements;
    - Make housing affordability a core principle in code development along with a robust structured process to assess and limit individual-change and cumulative costs for each future code edition.
    - Do not allow code changes that are more expensive unless that expense is removed somewhere else in the code
    - Establish a National Building Code Interpretation Centre to achieve consistent local application of harmonized national construction codes, and work with the provinces to make published solutions binding.
    - Invest in new R&D to reduce the cost of construction for housing – there are many R&D programs funded by the government and they all increase the cost of housing. Focused R&D on reducing costs is essential.

Conclusion

Should you require more information, please contact Nicole Storeshaw, Senior Director, Public Affairs at nicole.storeshaw@chba.ca.