



# Pre-Budget Consultation

August 2024



# List of recommendations:

## Recommendation 1:

Stimulate prefabricated housing through funding streams that allow the industry to scale and ensure prefabricated housing is incentivized and increased under the Housing Accelerator Fund to improve supply across Canada.

## Recommendation 2:

Leverage federal infrastructure funding with municipal, provincial, and territorial partners requiring the creation of more housing supply.

## Recommendation 3:

Develop a housing workforce immigration strategy to attract skilled trade workers from abroad, which includes streamlining the immigration process for qualified professionals willing to work in the construction industry.

## Recommendation 4:

Extend the eligibility of 30-year mortgage amortization periods to all first-time home buyers regardless of down payment size and reduce the premiums charged by the Canadian Mortgage and Housing Corporation (CMHC) on mortgage insurance by at least 25%.

# Introduction

Canada is in a national housing crisis that has been decades in the making. As our population continues to grow, demand for housing continues to far outpace the rate of new construction and available inventory, resulting in reduced housing supply across the country. This has led to a sustained and historic rise in housing costs and severe affordability challenges, affecting the well-being and quality of life for millions of Canadians.

While the federal government has made notable efforts to begin addressing the enduring housing crisis, much more

remains to be addressed in collaboration with the other orders of government. While the crisis will ultimately be resolved over the long term through substantial structural policy changes, there nonetheless exist near-term policy options to enhance affordability and begin driving positive change.

REALTORS® support housing affordability for all Canadians, across the entire housing continuum. We look forward to working with the government to find solutions to address Canada's housing crisis.

## About CREA

The Canadian Real Estate Association (CREA) is one of Canada's largest single-industry associations. Our membership includes more than 160,000 real estate brokers, agents, and salespeople across Canada. CREA also proudly owns and operates Canada's No. 1 real estate platform\*, REALTOR.ca and sets high standards of professional conduct for REALTORS®, helping to protect Canadians' rights and interests during their real estate journey through the REALTOR® Code.

# **REALTOR®**

# **Recommendations**



# RECOMMENDATION No. 1:

## Embracing Innovation Through Prefabricated Housing

*CREA recommends stimulating prefabricated housing through funding streams that allow the industry to scale and ensure prefabricated housing is incentivized and increased under the Housing Accelerator Fund to improve supply across Canada.*

Given the housing shortage in Canada, rapid construction should be a priority in resolving the housing crisis. Unfortunately, an over reliance on traditional onsite construction is hindering Canada's ability to produce enough homes. Prefabricated housing solutions have numerous advantages over traditional construction techniques, particularly in construction efficiency and should be supported as it reaches scale. Specifically, Canada's housing crisis could benefit from government support for mass timber, panelized, and modular housing. Once scaled, the mass adoption of these innovative and sustainable building practices will help build additional supply faster and improve housing affordability.

Prefabricated housing offers two crucial benefits over traditional construction. First, being 20-50% faster to complete, prefabricated homes can help meet the need to build 5.8 million units by 2030. The design and manufacturing processes of prefabricated housing is more

predictable, efficient, and flexible. Second, it's expected that if the industry can reach scale, the high operating and capital cost requirements of manufacturing facilities would decrease, and the per unit costs may be lower than traditional housing units. Additionally, modern prefabrication methods have adopted sustainable building practices to reduce waste and produce homes that have superior air sealing and quality control thereby lowering emissions.

The government can stimulate the scaling of the prefabricated industry and, as a result, help rapidly increase housing supply in two primary ways. First, providing greater certainty to manufacturers through contracts and funding arrangements through various funding streams. For example, the government could help match interested developers who want to develop their land with prefabricated housing suppliers. A funding stream could be used to underwrite an initial period of production with accredited manufacturers,

who would have the confidence and certainty to invest and grow their production cycle, while lowering variable costs and improving productivity with greater experience. This guarantee could be backed by an underlying asset the government could temporarily acquire on its balance sheet before transferring it to an interested developer. Potential funding levers may include for example, expanding the Canada Infrastructure Bank's focus or employing the Strategic Innovation Fund for larger projects. The upcoming pre-approved home design catalogue presents an opportunity to further strengthen the prefabricated housing industry.

Government can also incentivize and bolster the prefabricated housing industry through the Housing Accelerator Fund (HAF). The current design of the HAF

disincentivizes municipalities from developing specific incentives to help developers and early adopters accelerate the use of prefabricated housing. The new pre-approved home design catalogue should be leveraged under HAF to further bolster the construction of prefabricated supply. Given the success of the HAF, CREA recommends that a component of its funding (up to 10%) be set aside to offer municipalities bonuses for timely permitting construction, which prefabricated housing is well situated to support.



## RECOMMENDATION No. 2: Housing Supply and Infrastructure

*CREA recommends leveraging federal infrastructure funding with municipal, provincial, and territorial partners requiring the creation of more housing supply.*

Infrastructure is crucial to addressing the shortage of housing supply across this country. Through the Investing in Canada Infrastructure Program and the federal government's recent move to align the cabinet portfolios in charge of housing and infrastructure, the government has recognized housing supply and infrastructure are inherently linked and build thriving, more inclusive communities. For many years, CREA has and continues to recommend that any new federal infrastructure funding, including but not limited to bilateral agreements, should have conditions requiring the creation of new housing indexed to population growth.

The scale of new funding commitments must be appropriate to assist in the development of services needed for housing development including municipal water,

wastewater, community infrastructure, and transportation. In addition, they must be leveraged and include clauses that incentivize provinces, territories, and municipalities to revise zoning bylaws, speed up planning and approval processes, convert distressed properties into housing, align infrastructure funding with new housing commitments, and promote construction innovation that accelerates housing development.

In this regard, the announcement in Budget 2024 of the Canada Housing Infrastructure Fund was encouraging. Similar to the Housing Accelerator Fund, the Canada Housing Infrastructure Fund's ultimate effectiveness will be largely dictated by the conditions it requires to boost housing supply.



## RECOMMENDATION No. 3: A Housing Workforce Immigration Strategy

*CREA recommends developing a housing workforce immigration strategy to attract skilled trade workers from abroad, which includes streamlining the immigration process for qualified professionals willing to work in the construction industry.*

One of the reasons Canada's construction industry has struggled to keep up with the soaring demand for housing is a lack of skilled labour. A shortage of skilled workers in key construction trades, such as carpenters, electricians, plumbers, and masons, has resulted in delayed projects, increased construction costs, and slower residential housing development. The slowdown being experienced in Canada's residential construction activity due to a tight labour market and high interest rate environment will further exacerbate the housing crisis if left unaddressed.

Without increasing immigration numbers and recalibrating our current system to focus on increasing skilled-based immigration in the construction sector, we can effectively address a key component of the housing crisis, fill labour shortages, create jobs, and pave the way for sustainable housing growth. Implementing the proposed recommendations will not only alleviate housing pressures but also foster a more robust and resilient housing market for all Canadians.





# RECOMMENDATION No. 4:

## Enhance Mortgage Policy

*CREA recommends extending the eligibility of 30-year mortgage amortization periods to all first-time home buyers regardless of down payment size and reducing the price charged by the Canadian Mortgage and Housing Corporation (CMHC) on mortgage insurance by at least 25%.*

Budget 2024 announced 30-year mortgage amortizations for first-time home buyers purchasing newly constructed homes. While the goal of this measure is encouraging—greater mortgage affordability for first-time buyers—its scope is too narrow. Restricting the eligibility to newly built homes constrains the positive effect of this policy.

In analyzing this policy change, BMO Economics noted, “As for affordability in this sliver of the market, a switch from 25 to 30-year amortization will add about 8% to buying power at a 5% mortgage rate with a fixed down payment.” While the change to purchasing power is notable, the subset of the market being affected is minimal. This is a missed opportunity to support first-time buyers as they continue to struggle in the current market.<sup>1</sup>

Budget 2024 noted, however, it would monitor whether housing inflation and supply conditions permit expanding access to 30-year insured mortgage amortizations more broadly. Given the enduring affordability crisis, it would be wise for the government to extend this same eligibility to all first-time home buyers to level the

playing field and support greater choice and affordability in housing.

Expanding eligibility to all down payment sizes and for existing stock as well as new builds would bring insured mortgages in line with uninsured mortgages, allowing lower-capitalized, first-time home buyers to enjoy the financial benefit of smaller monthly mortgage payments.

An additional way to enhance mortgage affordability would be to lower mortgage loan insurance premiums. Commonly referred to as CMHC insurance, mortgage loan insurance protects the lender against defaults and is required on all mortgages with down payments of less than 20%. Mortgage lenders pass the cost of this insurance to home buyers, with the premiums being lumped into the total cost of the mortgage.

According to the CMHC, the majority (59%) of first-time home buyers in 2024 procured mortgages with mortgage loan insurance (compared to 37% of repeat buyers).<sup>2</sup>

<sup>1</sup> <https://economics.bmo.com/en/publications/detail/f492c3c7-e420-46da-ad37-e2806f9bf29a/>

A buyer putting the minimum required down payment on the average Canadian home in June—estimated at \$696,179 by CREA—could expect to have roughly \$26,000 in premiums added over the total length of the mortgage.

The savings from a 25% reduction in CMHC premiums on the average home (as of June 2024) with the minimum required down

payment would be \$6,500 over the lifetime of the mortgage.<sup>3</sup>

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<sup>2</sup> <https://www.cmhc-schl.gc.ca/blog/2024/mortgage-consumer-trends-2019-to-today>

<sup>3</sup> <https://stats.crea.ca/en-CA/>



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