



2024 REALTOR[®] Recommendations



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 working through 65 real estate boards and associations across the country.

CREA 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 through the REALTOR® Code.

For more than 39 years, REALTORS® have advocated for policies that encourage access to housing for all Canadians, from emergency shelter to subsidized housing to social housing and homeownership.

REALTORS® meet regularly with Parliamentarians—in Ottawa and in their constituencies—to discuss their local housing markets and policies that promote an affordable and accessible real estate industry. REALTORS® are experts on market conditions and consumer interests and are well positioned to contribute to discussions around housing policy. Above all, REALTORS® advocate for innovative solutions and policies to increase housing supply in Canada, address current housing challenges, and allow Canadians to have access to safe, stable, and affordable housing options.

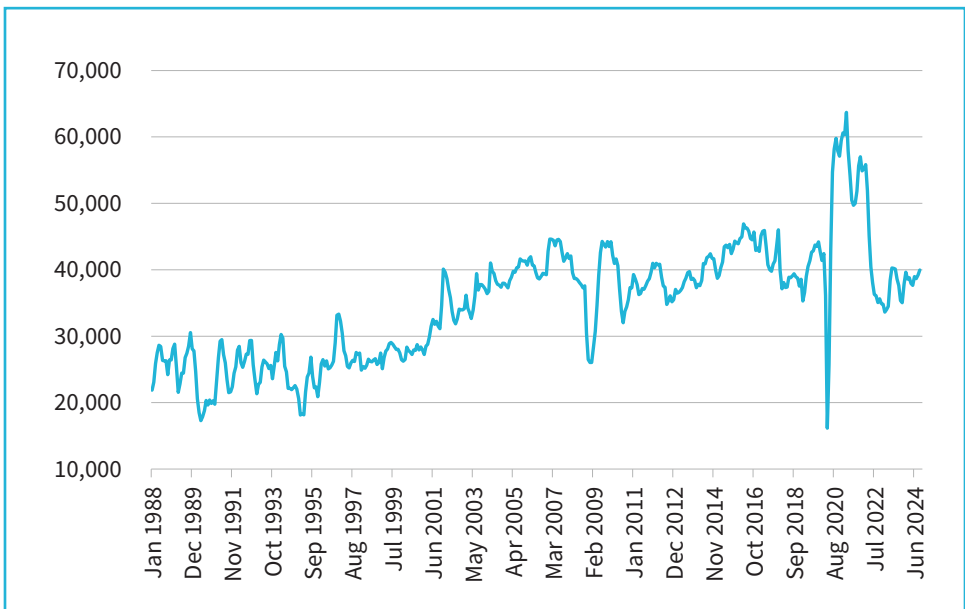
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Economic Overview and Housing Market Landscape

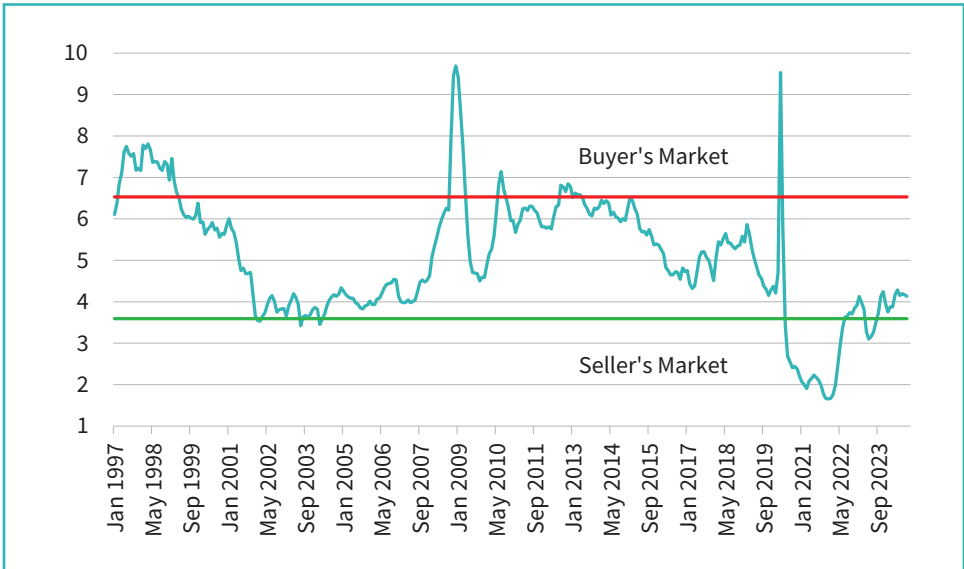
Following record setting activity during the height of the COVID-19 pandemic, activity across Canada's housing markets began slowing dramatically in 2022. This was a combined response to the Bank of Canada's interest rate tightening in its battle against inflation and home prices that had become considerably more expensive. Since then, national home sales have been running below average.

Canadian Home Sales (Seasonally Adjusted)



Source: The Canadian Real Estate Association

Canadian Months of Inventory (Seasonally Adjusted)



Source: The Canadian Real Estate Association

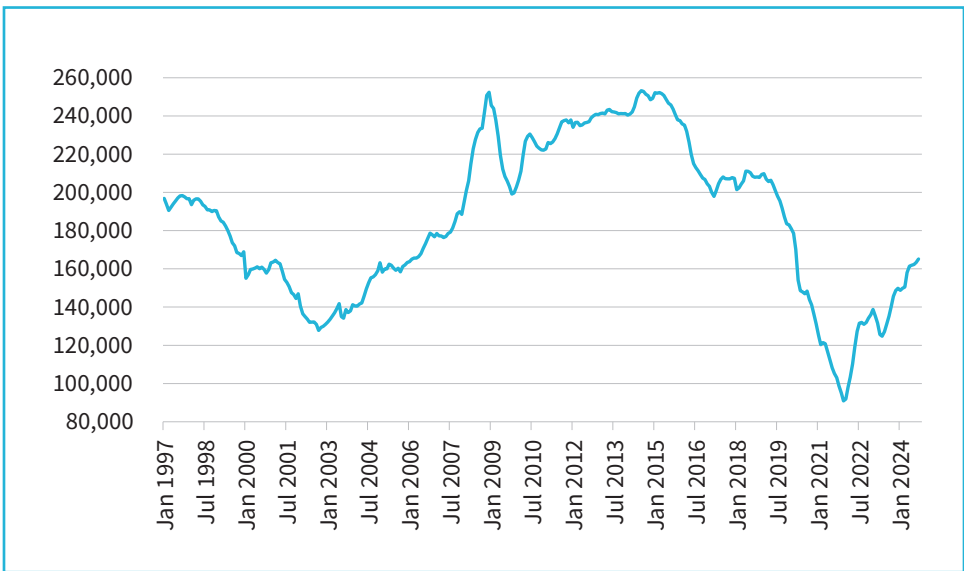
The market appears to have found an equilibrium during the first half of 2024, with national measures of demand, supply, market conditions and prices essentially holding steady.

For most of the past year, market expectations around the pace of interest rate cuts by the Bank of Canada have been conservative. This changed with the Bank's second consecutive rate cut on July 26, 2024. If the continued pace of cuts plays out as currently expected, there will be a significant impact on how fast demand returns to Canada's housing markets, both new and resale.

In addition to interest rates, recent changes to mortgage rules by the federal government are anticipated to help more first-time buyers access the dream of homeownership in the resale market, while also directing more demand toward the new home space.

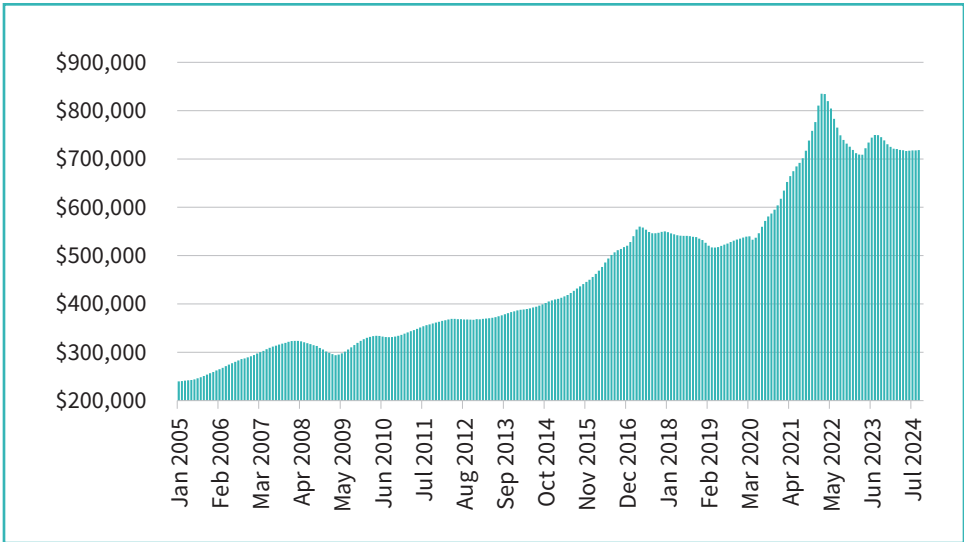
When many households found themselves shut out of homeownership beginning in 2022, they predictably concentrated in the rental market. As we have seen, this put significant upward pressure on rents.

Canadian End-of-Month Active Residential Listings (Seasonally Adjusted)



Source: The Canadian Real Estate Association

MLS® HPI Aggregate Composite Benchmark Price (Seasonally Adjusted)



Source: MLS® Home Price Index

Fortunately, most of the growth in new housing unit completions in the last decade has been in purpose-built rentals, which likely served to blunt the impact on rent growth from the ultra-low vacancy rates of the last few years. The rapid growth of purpose-built rentals should serve as an inspiration for other housing categories of the scale of growth needed across the continuum.

2025 will likely be a year where housing demand shifts back into the ownership space, putting renewed pressure on home prices while also opening up rental vacancies. The government needs to remain focused on addressing Canada's housing supply crisis by implementing programs and incentives that not only create new supply but supply where it's needed most.



REALTOR[®]
Recommendations



REALTOR® Recommendations

REALTOR® Recommendation No. 1:

Stimulate supply across the housing continuum by embracing innovation through offsite construction technologies.

CREA recommends stimulating offsite construction technologies through various funding streams that allow the industry to scale, including incentives under the Housing Accelerator Fund (HAF) and the new Homebuilding Technology and Innovation Fund to improve supply across the entire housing continuum.

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. Offsite construction technologies offer numerous advantages over traditional methods, particularly in efficiency, and should be supported as the industry scales up. Canada's housing crisis could benefit from government support for offsite construction technologies, including mass timber, panelization, and modular home construction. Once scaled, the mass adoption of these innovative and sustainable building practices will help build supply across the housing continuum faster and improve housing affordability.

In Budget 2024, the government committed \$50 million through a new Homebuilding Technology and Innovation Fund to spur the development of innovative housing technologies, and an additional

\$50 million through Canada's Regional Development Agencies to support local innovative housing solutions. Though these investments are a step in the right direction, the government must increase the funding of these new programs and support a shift from traditional construction to rapid construction through offsite construction technologies, which will stimulate the creation of housing supply across the continuum.

Offsite construction technologies offer two crucial benefits over traditional construction:

- They are 20% to 50% faster to complete and can help meet the need to build 5.8 million units by 2030.
- High operating and capital cost requirements of manufacturing facilities would decrease as the industry reaches scale, and the per unit costs may be lower than traditional housing units.

Additionally, modern offsite construction methods have adopted sustainable building practices to reduce waste and produce homes that have superior air sealing

and quality control, thereby lowering emissions. The design and manufacturing processes are more predictable, efficient, and flexible.

Action Needed

The government can stimulate the scaling of offsite construction technologies and, as a result, help rapidly increase housing supply across the continuum in two primary ways:

- 1. The government can provide greater certainty to manufacturers through contracts and funding arrangements through various funding streams.** For example, 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. This guarantee could be backed by an underlying asset the government could temporarily acquire on its balance sheet before transferring it to the developer. Potential funding levers may also include 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 offsite construction industry and help rapidly build supply across the housing continuum.
- 2. The government can incentivize and bolster offsite construction technologies through the Housing Accelerator Fund (HAF) and the Homebuilding Technology and Innovation Fund.** The current design of these programs does not encourage municipalities to develop specific incentives to help developers and early adopters accelerate the use of offsite construction. Given the success of the HAF, CREA recommends a component of its funding be set aside to offer municipalities bonuses for the use of offsite construction technology and timely construction. The new pre-approved home design catalogue could be another tool that is leveraged under the HAF and the Homebuilding Technology and Innovation Fund to further incentivize and bolster the construction of offsite-built housing supply.

REALTOR® Recommendation No. 2:

Establish a permanent mechanism to collaborate and coordinate housing policy and development, such as a national housing secretariat.

CREA recommends the establishment of a permanent mechanism that brings together all levels of government with housing stakeholders. This would help coordinate housing policy and development across the housing continuum and address the housing crisis through an inclusive, holistic approach that emphasizes collaboration and innovation. This could take the form of a permanent national housing roundtable or a national housing secretariat.

Given the complexity and scale of Canada's housing crisis, it should be a national priority, with an all-hands-on deck, whole-of-government approach. The Canada Mortgage and Housing Corporation (CMHC) estimates 5.8 million new homes need to be built by 2030—across the housing continuum—to bring housing affordability into balance, but at the current rate of construction Canada will be short 3.5 million homes. Moreover, regardless of all the housing commitments, initiatives, targets, and programs introduced in the last several years—at the national, provincial and local level—CMHC continues to report that when adjusted for population size, combined housing starts across the country are below or near historical averages and are not enough to meet growing demographic demand.

Though the government has recognized the importance of intergovernmental dialogue, there is a clear need for leadership

to address affordability challenges, coordinate policy, and build the housing supply that Canada needs. The lack of coordination and collaboration between all levels of government is further exacerbating the housing crisis. The consequences of this extend beyond the individual level as it affects the overall economy and social fabric of the country. Housing not only provides shelter, safety, and improved quality of life to individuals and families, but it also stimulates broader economic growth and stability.

Addressing our housing crisis requires a permanent mechanism to facilitate a long-term, ongoing, multi-faceted, inclusive, and collaborative approach to substantially increase the supply of housing across the continuum. A permanent housing roundtable or national housing secretariat could provide the framework, support and resources needed to coordinate housing policy and development with other governments, stakeholders and jurisdictions. To further support

this idea, we can look to the recent successful secretariat model of the Federal Secretariat on Early Learning and Childcare (ELCC). This secretariat proved to be consequential on delivering on the federal government's marquee commitment to childcare in Canada, which required intimate collaboration with provinces and

territories, and buy in from industry stakeholders. This secretariat has been responsible for carrying out a range of policy, research, and other activities to implement a Canada-wide ELCC system that has successfully negotiated and managed bilateral agreements with all other levels of government.

Action Needed

Ultimately, a combination of short-term measures and long-term strategies are necessary to make a substantial impact on Canada's housing supply. An inclusive and holistic approach that emphasizes collaboration, innovation, and policy coordination is crucial to successfully addressing the housing crisis.

A national housing secretariat can explore ways in which we can increase supply across the housing continuum and address the housing crisis. It would be uniquely resourced to coordinate housing policy and development with other governments, jurisdictions, stakeholders and organizations. The secretariat would be responsible for delivering clearly articulated expectations within its specific mandate and carry a high level of accountability. More importantly, it will provide a sustainable, long-term,

permanent solution to prevent future crises and create a more systematic and resilient housing system for all future generations.

A national housing secretariat would:

- bring together federal, provincial/territorial and municipal authorities along with builders, real estate professionals, Indigenous partners, and civil society organizations to identify key strategies and policies that can address Canada's housing crisis;
- ensure greater alignment across all levels of government and create a unified approach that would provide economic growth and increase housing supply across the continuum;

- coordinate, strategically implement, and manage funding arrangements for housing enabling infrastructure;
- promote construction innovation, skills training, and planning modernization;
- support vulnerable populations and encourage responsible lending practices;
- ensure government programs consider the housing and construction sectors for proactive policy development, including transit infrastructure and clean energy transitions;
- identify the type of housing and locations where supply is needed most, allowing governments to develop targeted policies;
- encourage innovation in homebuilding (offsite construction technologies) and processes (zoning restrictions, density limits, etc.) so more homes can be built in quick, cost-effective and modern ways;
- highlight best practices across different jurisdictions and encourage their implementation across the housing continuum and country;
- allow stakeholders and experts to bring their expertise to generate well-researched and evidence-based reports on priority issues; and
- offer advice to governments on how to best reconcile and integrate the divergent challenges of the entire housing continuum.

REALTOR® Recommendation No. 3: HST/GST relief for non-profit affordable ownership housing.

CREA recommends the federal government extend the current HST/GST relief for purpose-built rental to include non-profit affordable ownership housing.

Homes built by affordable homeownership providers are taxed the same as other newly constructed houses, even though they're meant for lower-income families with affordable mortgages. For market home sales, those tax costs are embedded in the sale price. However, non-profit organizations that sell homes to lower-income families, including charities like Habitat for Humanity, must either absorb the tax costs or pass them on to the family in need of housing.

In September 2023, the federal government announced an HST/GST exemption for purpose-built rental housing. This policy is intended to

boost the construction of rental units by lowering costs for developers, thus helping to meet the growing demand for affordable housing options. Despite this progress, non-profits like Habitat for Humanity—who play a vital role in providing affordable homeownership for vulnerable working families—are still subject to HST/GST. This tax burden hinders its ability to maximize its impact. Habitat for Humanity estimates if HST/GST relief were extended, it could build 13 additional homes for every 100 it currently delivers, significantly expanding its capacity to address the affordable housing crisis in Canada.

Action Needed

The federal government clearly recognizes the impact of removing the HST/GST from specific types of homebuilding. Since September 2023, it has given HST/GST relief to purpose-built rental apartments, student housing, long-term rentals for seniors and co-op housing, but not to affordable homeownership units provided by non-profits. We believe this to be a regrettable oversight, that can and should be fixed by regulatory change. Offering a 100% rebate, or an exemption to paying HST/GST

on new homes built by organizations like Habitat for Humanity would resolve the issue.

HST/GST creates a significant barrier to affordable homeownership providers being able to support low-income families. In some cases, provincial and federal sales tax costs on newly built housing are as high as \$80,000 per unit, depending on the fair market value of the property. This policy change would enable affordable homeownership providers to expand their impact and address the housing crisis more effectively.



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