



Pre-Budget Consultation

Spring 2024



List of recommendations:

Recommendation 1:

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

Recommendation 2:

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

Recommendation 3:

Commission an in-depth review of the financialization of housing in Canada to develop evidence-based measures that will help protect the rights of Canadians.

Recommendation 4:

Institute a cost-free phased approach for EnerGuide labelling of homes, not at time of sale, to empower consumers to make informed choices while ensuring current and potential Canadian homeowners are not faced with further affordability and supply challenges.

Recommendation 5:

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.

Introduction

Canada is in a national housing crisis that has been decades in the making. The demand for housing is outpacing the rate of new construction and available inventory, resulting in reduced housing supply across the country. This has led to a rise in housing costs and severe affordability challenges, affecting the well-being and quality of life of millions of Canadians. The Canadian Mortgage and Housing Corporation (CMHC) estimates 5.8 million new homes need to be built 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 by 2030. It's crucial for all levels of government, politicians, and policymakers to come together to find solutions to this crisis, ensuring all Canadians have access to safe, stable, and affordable housing options.

The consequences of Canada's housing supply crisis extend beyond the individual level, affecting the overall economy and social fabric of the nation. Housing not only provides a safe, sustainable, and

quality living environment for families, it also improves social, psychological, and cultural well-being, and creates and shapes communities. Addressing our housing crisis requires a multi-faceted, inclusive, and collaborative approach with measures that substantially increase the supply of housing across the continuum, promotes construction and planning innovation, supports vulnerable populations, and encourages responsible lending practices.

Canada's housing challenges have been building over many years and require all levels of government to make sustained efforts to make housing affordable and accessible. A comprehensive, national approach would provide opportunities to address supply issues across the entire housing continuum. REALTORS® support access to housing, from emergency shelter to subsidized housing to social housing and homeownership. 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 platform¹, REALTOR.ca, and sets high standards of professional conduct for REALTORS®, helping to protect Canadians' rights and interests through the REALTOR® Code.

¹ComScore.

REALTOR®

Recommendations



RECOMMENDATION 1:

Prefabricated Housing

CREA recommends stimulating prefabricated housing through funding streams that allow the industry to scale, and ensuring that prefabricated housing is incentivized and bolstered under the Housing Accelerator Fund to improve supply across the housing continuum.

Given the housing shortage in Canada, rapid construction should be a priority in resolving the housing crisis. Unfortunately, a reliance on traditional onsite construction is hindering Canada's ability to produce enough homes. Prefabricated housing has 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 adoption of these innovative and sustainable building practices will help build additional supply faster and improve housing affordability.

Prefabricated housing offers greater certainty on build times and costs. This is highly valuable to builders who face uncertainty when determining the viability of a project. Furthermore, since prefabricated units are prepared indoors, there are minimal to no delays associated with extreme weather. Precise manufacturing equipment is used to assemble components, resulting in more sustainable building practices that generate less waste and

produce homes that have superior air sealing and quality control. Prefabricated construction may also produce fewer emissions than traditional construction. 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. Second, it is expected that if the industry can reach scale, the high operating and capital cost requirements of manufacturing facilities would be overcome, and per unit costs may be lower than traditional housing units.

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 industry.

The second way the government can also incentivize and bolster the prefabricated housing industry is through the Housing Accelerator Fund. The current design of the Housing Accelerator Fund disincentivizes municipalities from developing specific incentives to help developers and early adopters accelerate the use of prefabricated housing. Given the success of the Housing Accelerator Fund, the fund should be expanded or renewed. CREA recommends that a component of funding (up to 10%) be set aside to offer municipalities bonuses for timely construction, which prefabricated housing is well situated to compete.

Overall, better collaboration between government, industry, and labour is needed to develop innovative construction processes and determine how changes can be supported. CREA recommends the creation of a Construction Innovation Strategy Table, to be led with participation across ministries, including Housing and Infrastructure, Industry, Employment, and Immigration.



RECOMMENDATION 2: Housing Supply and Infrastructure

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

International research indicates good infrastructure is crucial to addressing the shortage of housing supply. 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 help build thriving, inclusive communities. For many years, CREA has and continues to recommend any new federal infrastructure funding, including but not limited to bilateral agreements, have conditions requiring the creation of new housing indexed to population growth. It is encouraging to see this direction pursued in the 2023 Fall Economic Statement.

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.



RECOMMENDATION 3:

Review Financialization of Housing

CREA recommends commissioning an in-depth review of the financialization of housing in Canada to develop evidence-based measures that help protect the rights of Canadians.

CREA believes it's important Canadians and governments alike treat houses as homes first. The current housing market is in an affordability crisis which could increase inequality in housing. This is further exacerbated by financialization, where private equity firms, pension funds, and real estate investment trusts (REITs) are increasingly acquiring, operating, and developing housing as an investment strategy, with the aim of maximizing returns for shareholders.

We're encouraged by the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities' (HUMA) decision to undertake a study on the financialization of housing. Creating evidence-based policy requires a complete view of the issues at hand and, unfortunately, there's limited information available in Canada on the scope and mechanisms of financialization and its impacts. There are several lines of inquiry that need to be pursued and researched regarding large institutional investors before informed and effective policy can be developed:

- i) Determine who owns what in the financialized space, given there is no comprehensive dataset that tracks ownership shares for institutional investors.²
- ii) Research the use of 'not-owner occupied' properties to determine the distribution and uses of housing stock.³
- iii) Determine the extent to which financial firms contribute to overall housing supply.⁴
- iv) Explore any tax mechanisms that could be employed or removed to create and maintain affordability in units owned by financial firms.

Financialization is a human rights issue and tackling housing affordability and supply cannot be done without an in-depth look at financialization as one of the key drivers of Canada's housing crisis. The government needs to take a holistic, evidence-based approach to evaluating the effects of large institutional investors and determine their place in a well-functioning housing market.

²Centre for Social Innovation, Housing Lab Report: [Financialization and Housing](#).

³Ibid

⁴Martine August, [The Financialization of Multi-Family Rental Housing in Canada](#).



RECOMMENDATION 4:

Climate and Housing

CREA recommends a cost-free phased approach for EnerGuide labelling of homes, not at time of sale, to empower consumers to make informed choices while ensuring current and potential Canadian homeowners are not faced with further affordability and supply challenges.

We recognize Canada—along with the rest of the world—is facing a climate crisis. Reducing the carbon footprint of residential housing is essential if Canada is to reach its 2030 and 2050 environmental emission goals. CREA supports the governments’ efforts to improve energy efficiency, address climate change in the housing sector, and help increase housing affordability. Given the serious affordability challenges related to a lack of housing supply in Canada, it’s important any new regulations/initiatives do not disincentivize the creation of new housing.

CREA is particularly concerned about the unintended consequences of “making energy labelling mandatory at time of sale”, as stated in The Canadian Green Building Strategy and the Minister of Natural Resources’ mandate letter. Any additional regulations applied at the time of listing a house for sale could frustrate the onboarding of resale housing supply due to an inadequate supply of energy auditors to practically implement this idea. Homeowners are currently waiting up to a year to obtain the EnerGuide evaluation

needed to obtain a voluntary label. This delay will impact homeowners who find themselves in vulnerable situations, such as selling a home due to sickness, divorce, or moving due to job loss. When faced with the cost of an audit or the cost of improvements an audit may recommend, some homeowners may decide not to sell their homes; and for those who need to sell their homes quickly, mandated audits and disclosure requirements could delay transactions. Over-regulation of the housing sector is one of the reasons we find ourselves in this affordability crisis and this proposal would further reduce supply and make the home buying and selling process more expensive for Canadians.

To better understand the challenges and determine what principles could help make this initiative a success, CREA commissioned a study from an independent think tank, the Smart Prosperity Institute (SPI). The [SPI study](#) identified five principles that must be met for a successful EnerGuide label initiative which are highlighted in our [submission](#) on The Canada Green Building Strategy. More importantly, the research



highlights the perils of technological solutions that focus on keeping costs low but damage the accuracy of labels and their ability to drive energy efficiency renovations.

CREA does not recommend mandatory energy labelling at the time of sale and instead recommends a cost-free, phased approach for EnerGuide labelling that would allow all Canadians, regardless of

income bracket, to participate and identify the energy efficiency improvements that can be made to their home. This approach would ensure properties are not stigmatized at point of sale, but instead create an opportunity for an energy retrofit revolution. If mandatory labelling is to be implemented, it must be a robust system that drives real change and ensures the right outcomes, at the right time for consumers.



RECOMMENDATION 5:

Immigration and Housing

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 the 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. As highlighted earlier, we're seeing a slowdown in Canada's residential construction activity due to a tight labour market that's further exacerbating the housing crisis.

By focusing on increasing skilled-based immigration in the construction sector, we can effectively address 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.



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