



Perfect Storm in the Housing Sector: Taking Action to House Canadians

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Advance of the Upcoming
Federal Budget

By the Association des professionnels
de la construction et de l'habitation
du Québec (APCHQ)






We are currently witnessing a perfect storm in Quebec's housing sector. In the rental segment, vacancy rates are at their lowest in two decades. Rents are surging, and renovations are increasing. For homeowners, home prices have skyrocketed since the pandemic; affordability is at its worst in more than three decades, and the ownership rate is falling. The rapid rise in interest rates in recent months has exacerbated the situation. Not only have increased interest rates made affordability out of reach, they have also slowed down new home construction at a time when housing starts should be on a sharp rise.

Add to that soaring construction costs, a construction labour shortage, and demand spurred by record-high net migration, and we have the perfect recipe for a prolonged housing crisis.

We must not lose sight of the fact that the problem has, first and foremost, structural causes: a significant housing supply deficit that increases year by year because of construction levels that are systematically too low to meet demand, all while demand is increasing, mainly because of a net migration rate that is on a steep rise to meet federal objectives.

In this context, the Association des professionnels de la construction et de l'habitation du Québec (APCHQ) urges the federal government to implement new measures that will help build more new housing, improve affordability and reduce approval times.

We are therefore pleased to share with you our 2024-25 pre-budget recommendations.



■ **Summary of the recommendations of the**
■ **Association des professionnels de la**
■ **construction et de l'habitation du Québec**
(APCHQ)

R1 **Provide better funding for the construction and renovation of social and affordable housing**

R2 **Substantially increase the GST rebate for new housing**

R3 **Extend the maximum amortization period for insured mortgages to 30 years**

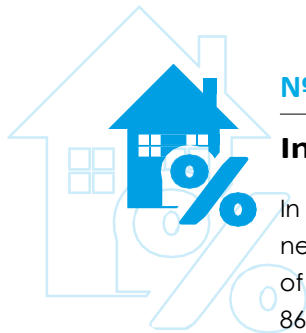
R4 **Allow a maximum 35-year amortization period for mortgages to purchase a new home that is certified energy efficient**

R5 **Expand the scope of certain programs intended to boost energy-efficient retrofits to also include large rental properties**

R6 **Combine the terms and conditions of some CMHC programs for funding new rental projects**

R7 **Make the HBP or the FHSA intergenerational plans to allow parents to contribute to their child(ren)'s down payment and increase the maximum allowable withdrawals**

A Snapshot of the Situation: Housing Issues



Nº 1

Increase the housing supply

In Quebec, according to the APCHQ, at least 100,000 housing units of all types were needed at the end of 2021 to restore balance in the market.¹ If the more ambitious goal of restoring affordability in the housing market is pursued, according to CMHC, up to 860,000 additional housing units should be added in Quebec, beyond current trends, by 2030.²

Residential construction will need to triple over the next decade to meet the housing needs of Quebecers, and similar issues are being seen across the country. Unfortunately, unfavourable conditions are leading us in the opposite direction, as we expect housing starts to fall by 35% overall this year, and, more particularly, by 40% in the rental sector.



Nº 2

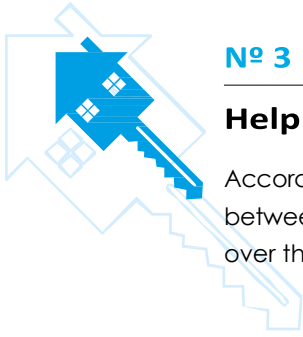
Make housing more affordable for everyone

According to the RBC Royal Bank's Affordability Index, affordability is at an all-time low in Canada and close to its worst level in 32 years in Quebec.³ Young people today can scarcely imagine being able to afford a home like their parents could. This creates significant intergenerational inequity. An aging population, more immigrants (including non-permanent residents), and home ownership becoming more difficult will only increase pressures on rent in the coming years.

¹ Source: [Quelle est l'ampleur du déficit de logements au Québec ?](#) [How large is the housing deficit in Quebec?], APCHQ, 2022.

² Source: [Pénurie de logements au Canada, Mise-à-jour sur la quantité de logements nécessaire d'ici 2030](#) [Canada's Housing Shortage, 2030 Housing Requirement Update], CMHC, September 2023.

³ Source: [Housing Trends and Affordability](#), RBC, June 2023.



N° 3

Help Canadians buy their first home

According to the latest census, the ownership rate (at 66.5%) declined further across Canada between 2016 and 2021⁴. In Quebec, the ownership rate decreased by 1.4 percentage points over the same period to 59.9%, giving it the lowest rank among all Canadian provinces.

It is, of course, young households that are most affected. The ownership rate of households aged 25 to 34 decreased by 2.9 percentage points and 1.8 percentage points in Canada and Quebec respectively.

Many surveys show that the main obstacle to homeownership remains garnering the necessary funds for the minimum down payment.

We need to help today's young people who want to own a home as their parents were able to do. Otherwise, we will see significant intergenerational inequity.



N° 4

Make our housing stock greener

In Quebec, 53% of housing units were built before 1980.⁵ This means that they have much greater heating needs.

Accelerating energy-efficient retrofits to the current housing stock and building new, sustainable homes are critical to achieving net-zero emissions by 2050.

⁴ Source: 2016 and 2021 Censuses, Statistics Canada.

⁵ Source: 2021 Census, Statistics Canada

Recommendations



R1 Provide better funding for the construction and renovation of social and affordable housing

According to Statistics Canada's latest census, nearly 600,000 Quebec households spend more than 30% of their income on housing costs.

Among these, there are over 37,000 households waiting for a public low-cost housing or regular rent supplement on the official waiting lists of the Société d'habitation du Québec (SHQ).⁶ Since the private market supply cannot adequately meet this demand, public funding for social housing commensurate with the needs is necessary.

Addresses the following issues:

- Increasing the housing supply
- Making housing more affordable

R2 Substantially increase the GST rebate for new housing

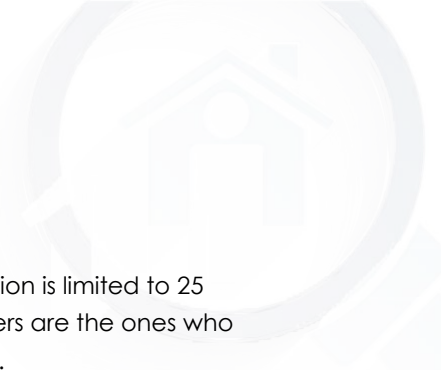
Price limits and the reimbursement percentage should be increased. The current GST rebate rates are outdated given the current prices for new housing,⁷ which have skyrocketed since the pandemic.

Addresses the following issues:

- Increasing the supply of housing

⁶ Source: SHQ.

⁷ According to CMHC data, the average price of single and semi-detached homes in 2022 was \$913,945 in Canada and \$521,682 in Quebec.



R3 Extend the maximum amortization period for insured mortgages to 30 years

While an uninsured mortgage can be amortized over 30 years in Canada, amortization is limited to 25 years for an insured mortgage. This seems unfair to us, especially since first-time buyers are the ones who could use a longer amortization period in order to reduce their mortgage payments.

Addresses the following issues:

- Helping Canadians buy their first home



R4 Allow a maximum 35-year amortization period for mortgages to purchase a new home that is certified energy efficient

First, new properties cost significantly more than existing ones, especially if they meet the latest energy-efficiency standards. Second, bear in mind that sales taxes artificially widen the price gap between new and existing housing. We suggest making new, sustainable homes more accessible by allowing for longer amortization for all types of mortgages (insured and uninsured).

Addresses the following issues:

- Increasing the supply of housing
- Making new housing more affordable
- Making our housing stock greener



R5 Expand certain programs intended to boost energy-efficient retrofits to also include large rental buildings

We applaud the two programs announced in Budget 2021 that provide homeowners with support for energy-efficient retrofits: the Canada Greener Homes Grant and the interest-free loan for major energy-efficient retrofits.

However, these programs only cover single-family homes and small multi-unit residential buildings of three floors or less with a floor area of 600 m² or less. Eligibility for these programs needs to be expanded to include rental buildings of all sizes because, without incentives, very little investment will be made to improve the environmental performance of these buildings.

Addresses the following issue:

- Making our housing stock greener



R6 Combine the terms and conditions of some CMHC programs for funding new rental projects

To encourage rental construction, which is currently greatly hampered by rising interest rates, terms and conditions of some CMHC programs with favourable financing conditions should be combined. The first two that should be combined is the ASF Select Program, which has been very successful since its inception, and the Rental Construction Financing Initiative, which provides low-cost financing.

We propose that 50-year amortization, a debt coverage ratio of 1.1, and limited recourse become the norm for all new rental projects insured by CMHC. As with existing programs, the submitted project would be scored according to its affordability, accessibility and energy efficiency. This score would make a project eligible for insurance premium reductions.

Projects that achieve the maximum score on an enhanced affordability target could be provided with low-cost construction funding by the federal government. Only interest would be payable during construction and until the occupancy permit is obtained. Repayment of principal and interest would begin after 12 months of stabilized effective gross income. The option of obtaining a ten-year fixed-interest-rate loan that was frozen at the time of first payment should also be retained.

Addresses the following issues:

- Increasing the supply of housing
- Making our housing stock greener



R7 Make the HBP or the FHSA intergenerational plans to allow parents to contribute to their child(ren)'s down payment and increase the maximum allowable withdrawals

Many parents are willing to help their child(ren) buy a home by lending or giving them money. However, doing so may result in them incurring a tax penalty if their savings are tied up. We propose to develop a mechanism that would allow parents to contribute to their child(ren)'s down payment through the Home Buyers' Plan (HBP) or the new Tax-Free First Home Savings Account (TFSA) while increasing withdrawal limits. This would also facilitate intergenerational wealth transfer.

Addresses the following issue:

- Helping Canadians buy their first home

