

January 29, 2026

The Honourable Peter Bethlenfalvy  
Minister of Finance  
c/o [MOFconsultations@ontario.ca](mailto:MOFconsultations@ontario.ca)

**Re: 2026 Budget Consultation**

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**THE ONTARIO HOME BUILDERS' ASSOCIATION**

The Ontario Home Builders' Association (OHBA) is the voice of the residential construction industry in Ontario, representing 4,000 member companies organized into 26 local associations across the province, from Niagara to Thunder Bay and Windsor to Ottawa. Members include builders, developers, professional renovators, trade contractors, suppliers, and manufacturers serving the residential construction industry. Residential construction is a cornerstone of Ontario's economy, supporting jobs, small businesses, and communities in every region of the province while delivering the homes that Ontarians rely on. However, the industry is currently facing a severe downturn, with declining housing activity leading to job losses, reduced investment, and growing economic uncertainty. A strong and stable homebuilding sector is essential to sustaining employment, supporting regional growth, and ensuring that Ontario can meet its housing needs now and in the future.

Please accept the following as the OHBA submission to the Ministry of Finance as part of the consultations informing the 2026 Ontario Budget.

This submission is provided on behalf of OHBA and its 28 local associations across the province, including but not limited to the Building and Land Development Association (BILD), Greater Ottawa Home Builders' Association (GO HBA), West End Home Builders' Association (WE HBA), London Home Builders' Association (LHBA), and Waterloo Region HBA (WRHBA). Together, our members represent the full spectrum of Ontario's residential construction industry, including new home builders, renovators, land developers, professional consultants, and industry suppliers.

**OVERVIEW**

Ontario's housing sector is both a cornerstone of the provincial economy and a critical component of community wellbeing. The challenges currently facing the housing market intersect directly with the government's stated consultation priorities, including protecting Ontario's economy and workers, creating more jobs, keeping taxes low and costs down, delivering better services, and getting critical infrastructure projects built.

As outlined in this submission, Ontario's new housing market is experiencing a severe contraction that is affecting affordability, employment, municipal finances, and provincial economic growth. Budget 2026 represents an important opportunity for the province to provide leadership through fiscal and policy measures that restore housing production, reduce the cost of building, and ensure that public policy supports rather than constrains the delivery of new homes.

OHBA's recommendations are grounded in the practical experience of builders and developers working in communities across Ontario. We respectfully offer the following observations and proposals to help ensure that the 2026 Budget supports both housing supply and the broader economic health of the province.

## STATE OF THE MARKET

Ontario's new housing market is in a severe and prolonged downturn. This is not a typical market correction or a short-term cyclical slowdown. It is a structural contraction driven by years of rising government-imposed costs, regulatory layering, and economic pressures that have pushed the cost of new housing beyond what most Ontarians can afford.

New home construction activity has deteriorated sharply over the past five years, with steep declines in sales, housing starts, and completions. New home sales in 2025 fell to approximately 14,000 units, compared to roughly 80,000 homes annually during the 2020 to 2021 period and well below the five-year average of 50,000 sales per year. This represents an unprecedented reduction in market activity and a dramatic signal that the province's housing supply system is not functioning.

Housing affordability has reached its worst level on record in Ontario, rivaling the crisis levels seen in the late 1980s. For most Ontario families, homeownership is now out of reach. At the same time, rental housing construction is also under pressure, with many projects unable to proceed due to escalating costs and thin financial margins.

The consequences of this slowdown are not limited to homebuyers. The collapse in new home construction is already having serious, material, and measurable fiscal and economic impacts across the province. In 2025 alone, Ontario saw billions of dollars in lost provincial and municipal revenues tied directly to reduced housing activity, alongside nearly 20,000 construction sector job losses<sup>i</sup>. If current trends continue, Ontario is projected to lose up to 100,000 direct and indirect construction jobs by 2030, with major impacts on provincial GDP and household incomes.

Combined provincial and municipal revenue losses linked to reduced housing activity are now estimated at approximately \$8.3 billion annually. In 2025 alone, Ontario collected an estimated \$2.4 billion less in Provincial Sales Tax revenue as a direct result of lower new home sales, alongside a further \$700 million decline in land transfer tax revenues. These are significant losses to public revenues that would otherwise support essential services and infrastructure.

The employment impacts are equally serious. The nearly 20,000 construction sector jobs lost in Ontario in 2025 reduced provincial income tax revenues by approximately \$1.3 billion and weakened local economies across the province. At the municipal level, governments have experienced a \$3.9 billion reduction in development related revenues in 2025 alone, undermining their ability to fund infrastructure and support growth. If current conditions persist, the up to 100,000 direct and indirect construction jobs Ontario is projected to lose by 2030 will result in annual wage and earnings losses of \$12.8 billion and a further \$14.5 billion annual reduction in GDP.<sup>ii</sup>

Perhaps most concerning is what lies ahead. New housing starts in 2025 fell to less than half of recent historical averages, which means future supply is already being constrained. Without immediate and meaningful intervention, modelling shows that by 2030 new home sales could remain below 30 percent of recent norms, and housing starts could be cut by roughly half, pushing Ontario toward the lowest levels of homebuilding in modern history.

This is the context in which the Ontario Home Builders' Association is bringing forward its pre-budget recommendations. The current housing market is not self-correcting. It is stalled, fragile, and shrinking. Without decisive provincial leadership to reduce the cost of building, unlock infrastructure, and realign fiscal policy with housing supply goals, Ontario risks entrenching a long-term housing shortage that will undermine affordability, economic growth, and community stability for years to come.

## OHBA RESPONSE

### Policy Priorities to Restore Housing Supply and Economic Stability

Against this backdrop, the province's fiscal and policy decisions in the 2026 Budget will play a defining role in determining whether Ontario's housing market stabilizes or continues to contract. The current downturn is not self-correcting. Without targeted government action, housing supply will remain constrained, affordability will worsen, and the economic and fiscal impacts outlined above will deepen.

Restoring housing production requires a coordinated approach that reduces the cost of building, unlocks infrastructure, supports industry capacity, and ensures that government policy aligns with the province's housing supply objectives. The Ontario Home Builders' Association recommends the following priority areas for provincial leadership in Budget 2026.

#### 1. Lower the Tax Burden on New Housing

Ontario cannot meaningfully improve housing affordability while continuing to layer new and existing taxes onto the cost of building a home. Every tax applied during the development and construction process ultimately flows through to the final purchase price or rent. Housing is a basic human need, yet new homes continue to carry a heavy tax burden that is not applied to other essentials such as groceries, health care, or education. Public policy should not treat shelter as a revenue source. Reducing taxes on new housing is not a subsidy to builders, it is a direct reduction in costs faced by Ontario families and renters.

#### **Key areas for provincial leadership include:**

- *Removing the Provincial Sales Tax from all new homes and substantial renovations*
  - This should be framed as a housing supply measure rather than a buyer rebate. The recent introduction of a partial Provincial Sales Tax exemption for first time home buyers reflects an important acknowledgement by the government that housing affordability has reached crisis levels. However, the current measure is expected to impact fewer than five percent of new home sales in Ontario and this limited relief is not sufficient to meaningfully improve affordability or restore housing production.
  - OHBA is calling on the Ontario government to extend PST relief to all new home sales and substantial renovations, with the rebate applied on the first \$1 million of the purchase price, and to make this relief retroactive to May 27, 2025. Broad based PST relief is one of the most powerful affordability tools available to the province and would directly reduce costs for Ontario families while supporting the recovery of housing supply across all market segments and allow existing homeowners to renovate their homes to reflect their changing lifestyle needs.<sup>iii</sup>
- *Ensuring tax policy does not penalize newly built supply*
  - New homes that are completed but not yet sold are part of the normal market absorption cycle, not speculative vacancies. Applying vacant home taxes to unsold new inventory increases carrying costs at the most financially vulnerable stage of a project and discourages future housing starts. Tax policy should support the delivery of new supply, not undermine it.
- *Modernizing the Land Transfer Tax framework*
  - Land Transfer Tax continues to be a significant transactional barrier in the housing market. Adjusting thresholds or exploring relief mechanisms tied to newly built homes would help improve market mobility and the absorption of new supply.

- *Reviewing the overall stacking of provincial taxes and fees on new housing*
  - Provincial taxes and fees layer on top of municipal charges, development fees, and regulatory costs. A comprehensive review of how these costs accumulate on new housing would support better alignment between provincial housing supply goals and the fiscal framework surrounding homebuilding.

## 2. Reform Development Charges and Growth Funding

Municipal growth-related charges now represent one of the fastest growing components of the cost of a new home. While infrastructure must be funded, the current system places an unsustainable share of those costs on new housing and, by extension, new homebuyers and renters. Governments at all levels have a fundamental role in ensuring that infrastructure is treated as a shared public investment, with the costs of building, maintaining, and expanding core systems not borne solely by new homebuyers but supported through broader public funding tools that reflect the long-term community wide benefits of growth.

### **Key areas for provincial leadership include:**

- *Reducing the reliance on development charges to fund broad community infrastructure*
  - Essential infrastructure such as major roads, transit connections, and regional water and wastewater systems benefit entire communities and future growth. Funding tools should better reflect this shared benefit rather than concentrating costs on the first occupants of new homes.
- *Supporting targeted relief for housing types that the province is seeking to encourage*
  - Purpose built rental, attainable ownership housing, and gentle density forms are especially sensitive to upfront charges. Aligning growth funding tools with provincial housing supply goals would help bring more of these projects forward.
- *Improving predictability and stability in municipal charge frameworks*
  - Frequent and significant increases in development charges create uncertainty that delays projects and raises financial risk. Continued investment in relief mechanisms that would ensure greater stability would support more consistent housing production.

## 3. Invest in Housing Enabling Infrastructure

In many parts of Ontario, housing development is no longer constrained by land supply or planning permissions, but by the availability of servicing capacity. Water, wastewater, and transportation infrastructure are now critical bottlenecks preventing approved housing from proceeding. Infrastructure that supports growing communities delivers benefits far beyond the boundaries of new developments, and it requires sustained provincial leadership, investment, and modern delivery models. Addressing servicing constraints cannot be a long term or incremental exercise. The province should also continue exploring alternative servicing and delivery models to help finance, build, and manage critical infrastructure in a way that supports growth while maintaining strong public oversight. Unlocking housing supply depends on accelerating both funding and implementation of infrastructure solutions now.

### **Key areas for provincial leadership include:**

- *Expanding provincial investment in growth-related infrastructure*
  - Strategic provincial funding can unlock large volumes of housing that are otherwise stalled due to servicing constraints. These investments should be viewed as economic infrastructure that supports jobs, productivity, and long-term tax base growth.

- *Prioritizing projects that enable near term housing delivery*
  - Infrastructure programs that focus on areas with approved or planned housing can deliver faster supply results and maximize the return on public investment. Prioritizing projects that unlock existing development approvals helps ensure that infrastructure funding translates into homes on the ground in the shortest possible timeframe.
- *Recognizing the scale of regional infrastructure needs*
  - Some servicing systems are too large and capital intensive to be funded primarily through municipal charges on new development. A stronger provincial partnership role is essential to keeping housing projects viable. Without broader cost sharing, the financial burden placed on new housing can make otherwise needed and approved projects unfeasible.
- *Exploring alternative delivery and servicing models*
  - The province should move beyond pilots and advance the broader use of models such as municipal service corporations and public utility style structures to help finance, deliver, and manage critical water and wastewater infrastructure. These approaches have proven effective and can accelerate delivery, improve asset management and ensure servicing capacity keeps pace with housing growth across more municipalities.
- *Allow municipalities to reallocate stranded DC reserve funds to housing enabling infrastructure*
  - Current estimates place municipal development charge reserve funds at more than \$12 billion, with a portion effectively stranded after being collected for specific services under formulas that can over collect, including due to high land costs embedded in the calculation. Despite recent legislative updates, municipalities still cannot redirect excess or unallocated reserves toward priority housing enabling infrastructure such as water and wastewater systems.
  - Allowing this flexibility would unlock existing capital, accelerate housing delivery, and ensure funds already collected from growth are used where they have the greatest impact. This recommendation is supported by the Association of Municipalities of Ontario through joint work with OHBA that informed Bill 17.

#### 4. Invest in Skilled Trades and Industry Capacity

Meeting Ontario's housing supply goals requires not only land and approvals, but also the skilled workforce needed to build homes. Labour shortages continue to affect construction timelines and costs, limiting the industry's ability to respond even when projects are approved. Meanwhile, the current downturn is already driving job losses that are eroding industry capacity at the very moment Ontario will need it most to restore housing supply. Without action to both stabilize the market and support workforce development, Ontario risks losing the very talent it will need to meet future housing targets.

#### **Key areas for provincial leadership include:**

- *Expanding skilled trades training linked directly to residential construction*
  - Apprenticeships, training programs, and micro credentialing initiatives can help grow the workforce required to deliver housing at scale. Targeted investments that align training with the specific skills needed in residential construction will help ensure that workforce development efforts translate into increased housing supply on the ground.
- *Supporting pathways into the construction workforce*
  - Reducing barriers to entry, supporting career transitions, and promoting careers in the skilled trades will help strengthen long term industry capacity and economic resilience. Encouraging participation from youth, underrepresented groups, and workers

transitioning from other sectors can broaden the talent pool and help address persistent labour shortages in homebuilding.

- *Stabilizing construction employment to preserve industry capacity*
  - Sharp swings in housing activity push skilled workers out of the sector, making it harder to scale up production when the market recovers. Measures that support steady housing production and reduce project uncertainty will help retain skilled labour and protect Ontario’s long term construction capacity.

A stronger construction workforce is essential not only for housing supply, but also for supporting the broader economic growth objectives of the province. Expanding access to training and apprenticeship opportunities in communities across Ontario, including smaller and rural markets, will help ensure that that workforce growth keeps pace with housing needs across the province.

### 5. Improve Transparency Around Government Imposed Housing Costs

A clear understanding of how taxes, fees, and regulatory requirements affect the cost of housing is essential to informed policy making. At present, the cumulative impact of government-imposed costs is not well understood by the public and is often underestimated in policy discussions. Greater transparency is needed so that homebuyers and renters can see where their money is going, and so governments can be more accountable for how policy decisions affect housing affordability and supply. Clear reporting on these costs would support better decision making and stronger alignment between fiscal policy and housing goals.

#### **Key areas for provincial leadership include:**

- *Improving data and reporting on government-imposed housing costs*
  - Consistent reporting on how taxes, fees, and regulatory charges contribute to the cost of new housing would improve public transparency and support better policy decisions. Understanding how these costs accumulate and affect project viability would help governments assess the affordability impacts of future fiscal and regulatory measures.
- *Aligning fiscal policy with housing supply objectives*
  - Greater transparency around housing cost drivers should be used to guide fiscal decisions across government. New taxes, fees, or regulatory requirements can have significant impacts on project feasibility and housing supply if introduced in isolation. A more coordinated approach that considers housing supply impacts when designing fiscal and regulatory measures would help ensure that government actions consistently support affordability and the delivery of new homes.
- *Improving consumer transparency around government-imposed housing costs*
  - Homebuyers should be able to clearly see how government charges contribute to the cost of a new home. The province should advance measures that require municipal development charges and similar government-imposed fees to be disclosed as distinct, clearly identifiable line items on purchase and sale agreements for new homes to improve public understanding of housing cost drivers, support more informed consumer decisions, and reinforce accountability for how government policies affect affordability.

### 6. System Efficiency, Market Integrity, and Ongoing Partnership

In addition to the fiscal and infrastructure priorities outlined above, there are several system level measures that would further support housing delivery, protect consumers, and improve confidence in Ontario’s homebuilding sector. These measures complement the province’s affordability and supply objectives by improving how the system functions in practice.

- *Advancing digital modernization and faster municipal approvals*
  - Increasing housing supply is not only about how quickly homes can be built, but how quickly they can be approved. Construction innovation cannot compensate for slow and unpredictable approval processes, which add costs and keep needed housing off the market. The province must move quickly to implement a common, province wide online platform for planning and building approvals to support modernization, transparency, and improved timelines. Faster, more certain approvals are one of the most effective ways governments can support affordability and increase housing supply.
- *Addressing illegal building activity and market fairness*
  - Illegal building undermines consumer protection, distorts competition, and creates financial risks that are often borne by legitimate builders and, ultimately, homebuyers. Continued action to curb illegal construction activity and ensure a level playing field will help protect consumers and prevent additional costs from being pushed onto compliant industry participants.
- *Exploring balanced regulatory approaches for the renovation sector*
  - The province has an important role to play in addressing the growing underground renovation market, which creates risks for consumers and unfair competition for legitimate businesses. Working collaboratively with industry to develop balanced measures that improve accountability and professionalism can help protect homeowners while ensuring that responsible renovators are not burdened with disproportionate or poorly targeted regulatory requirements.
- *Continuing collaborative, multi sector approaches to housing reform*
  - Recent progress on housing policy has demonstrated the value of collaboration between the province, municipalities, and industry. Continuing to work in partnership with the homebuilding sector and other stakeholders will help ensure that future reforms are practical, evidence based and aligned with the shared goal of improving housing affordability and supply.
  - There is also significant value in strong coordination across provincial ministries, as housing outcomes are shaped by decisions related to finance, infrastructure, energy, labour, environment, and consumer protection alike. A coordinated, cross-ministerial approach continues to ensure policies are aligned and that efforts to improve housing supply are not undermined by siloed decision making.

## CONCLUSION

Ontario's housing market is at a turning point. Without decisive action, housing supply will continue to decline, affordability will worsen, and the economic and fiscal impacts already being felt across the province will deepen. Budget 2026 presents a critical opportunity for the province to change course by reducing the cost of building, investing in enabling infrastructure, strengthening industry capacity, and aligning fiscal and regulatory policies with the goal of delivering more homes.

The recommendations in this submission are practical, targeted, and grounded in the experience of those building housing across Ontario. Together, they offer a path to restoring market confidence, supporting workers and local economies, and ensuring families have access to homes they can afford. OHBA and its members remain committed to working collaboratively with all levels of government and our partners to advance solutions that improve housing affordability and supply. With strong provincial leadership and coordinated action, Ontario can stabilize its housing market and lay the foundation for long term economic growth and community wellbeing.

## Key Asks

- Reduce the tax burden on new housing by extending Provincial Sales Tax relief to all new home sales and substantial renovations, and by ensuring tax policy supports rather than penalizes new supply.
- Reform development charge and growth funding frameworks so that the cost of essential community infrastructure is shared more broadly and does not fall disproportionately on new homebuyers and renters.
- Accelerate provincial investment in housing enabling infrastructure, particularly water and wastewater systems, and expand the use of modern delivery models to unlock stalled housing supply.
- Strengthen Ontario's construction workforce through expanded training, improved pathways into the skilled trades, and measures that help retain industry capacity during market downturns.
- Improve transparency and accountability around government-imposed housing costs so that policy decisions across government align with the goal of increasing housing supply and improving affordability.
- Modernize system performance by advancing faster municipal approvals, addressing illegal building activity, supporting a fair renovation marketplace, and maintaining strong cross ministerial collaboration on housing.

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<sup>i</sup> CHBA Housing Market Index, Dec 2025

<sup>ii</sup> Altus Group, Dec 2025

<sup>iii</sup> Abacus Research, Dec 2025