



Ontario homebuilders call for action in light of grim outlook for residential construction

Nov. 12, 2024, Vaughan, Ont. – Housing starts over the next few years will likely weaken and the already-dire supply shortage could get even worse, warns a comprehensive [report](#) released by the [Residential Construction Council of Ontario](#) (RESCON), which represents new home builders.

Alarming, the report also indicates that employment in new residential construction has peaked and will probably fall quite a lot in the years ahead. The scenario is worrying as many people rely on the industry for employment and there could be significant economic repercussions.

The report, titled Housing Market Outlooks in Ontario, was prepared for RESCON by a Toronto-based economic research firm led by Will Dunning who has been analyzing housing markets for more than 40 years for clients in the private, public and not-for-profit sectors. It provides an overview of the housing market and develops forecasts covering 2024 to 2028 for Ontario, as well as municipalities in the Census Metropolitan Areas of Toronto, Hamilton and Oshawa.

The report provides two sets of scenarios. In both, a further weakening of employment and new housing starts continues well into 2025, followed by a slow recovery of the economy and housing activity during 2026 to 2028. By the end of 2028, conditions will not have fully recovered.

“The findings of this report are particularly worrisome for builders as they point to a weakening residential construction market at the very time we need to build more housing,” explains RESCON president Richard Lyall. “Equally concerning, the outlook envisions a scenario whereby reduction in residential construction employment and job losses in associated industries could become a second substantive issue weighing on the broader economy.

“With a critical need for new housing, it is imperative that all levels of government take immediate action to boost construction by lowering the taxes, fees and levies and reducing the red tape and bureaucracy which slows the industry and adds to the cost of housing. To

spur the market, we need conditions that allow builders to build houses that people can afford. Otherwise, we may be in dire straits as new home construction stalls and unemployment in the industry rises.”

The report notes that housing price increases have largely been absorbed by hikes in land values and government-imposed costs such as development charges. Due to the higher costs, the viability of building new low-rise housing, in particular, does not make financial sense.

Removing government-imposed costs from the prices of new homes would impact prices. In the GTA, the average municipal charge for new homes is \$164,920 – about \$42,000 higher than in 2022. For apartments, the current figure is \$122,387 – about \$32,000 higher than in 2022. The costs of delays in approvals varies by municipality within the GTA from \$2,672 to \$5,576 per month. When applied to the typical delay period, it can add \$43,000 to \$90,000 per unit.

For new home sales to recover, the report notes that affordability needs to be returned to prior levels via a combination of interest rate decreases and reduction in government-imposed costs and land prices, although both scenarios seem unlikely to happen. The report cites other factors that need to be addressed, such as delays in land use approvals and infrastructure, the amount of developable land available for purchase by builders, and escalation of mortgage regulations which have reduced mortgage amounts that can be obtained by buyers.

“The bottom line is that all governments need to get their act together and work in unison to tackle the problems that are affecting construction of new homes,” adds Lyall. “Governments have made some inroads and the recent plan floated by the federal Conservatives to remove the sales taxes on new housing sold for under \$1 million is a good start. We hope the province follows suit, and we need to reduce the bureaucracy associated with getting new homes built. If we don't take these steps the consequences could be catastrophic for our industry and the economy.”

[Click here](#) for a copy of the report.

RESCON is the province's leading association of residential builders committed to providing leadership and fostering innovation in the industry.

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