

The Time is Right for Bold Housing Policy to Avert Significant Construction Job Losses

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New home sales by home builders in the Greater Toronto Area and across Ontario have been falling off significantly, and 2025 is shaping up to be the lowest number of sales in the decades that Altus Group has been tracking the data.

The Federal government is addressing this growing problem nationally by implementing a temporary GST new housing rebate for first-time home buyers. The Ontario government has signaled that it will follow suit with respect to the provincial portion of the HST.

This research note illustrates the magnitude of the sales problem and its potentially devastating implications on the economy. The time is right for the Province to make a bold policy intervention to get the new home sales market back to life.

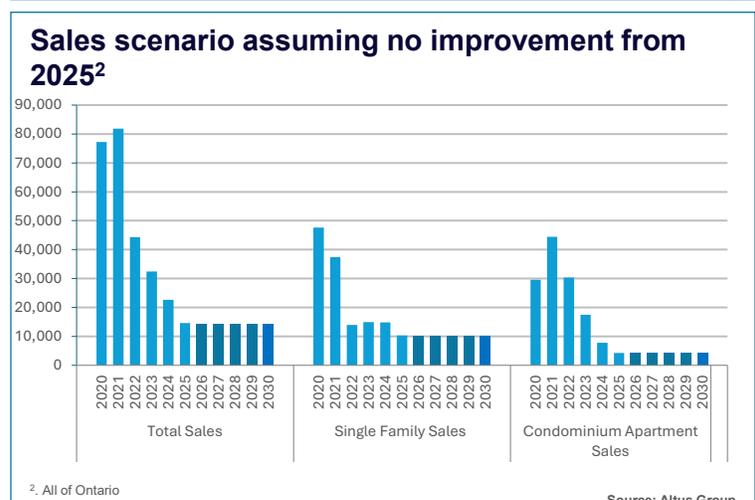
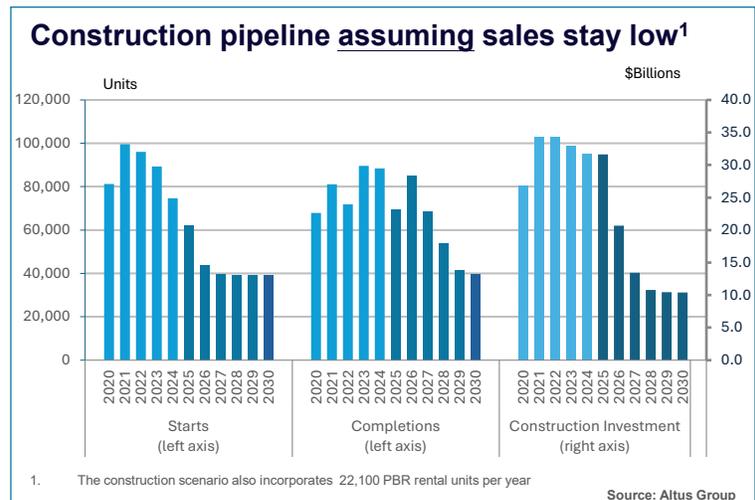
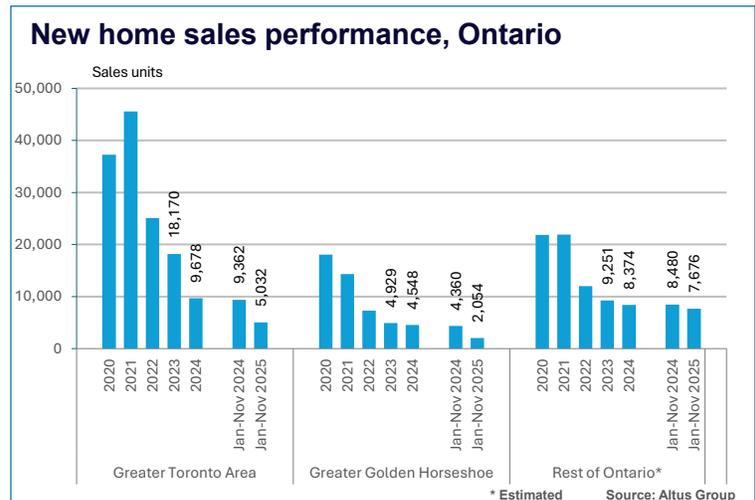
The right bold move is to provide a full rebate of the provincial portion of the HST on the first \$1 million of the purchase price for all qualifying new home buyers, not just first-time buyers.

New home sales are dismal

Altus Group tracks data in the GTA and across the Greater Golden Horseshoe, and sales in these areas are on track to be some 43% and 49% lower than last year respectively. Sales are also on track to be some 88% and 87% below their recent peaks in 2021 and 2020 respectively. We also used data from Brethour Research for Ottawa and estimated sales for centres across the rest of Ontario and find that there has also been a more modest decline in sales beyond the GTA/GGH.

The new housing sector operates on a “pipeline” that begins, typically, with a pre-construction ‘sale’, then follows with a construction ‘start’, then finally a ‘completion’ when the unit is ready for its owners or tenants to move in. There can be months and even years in between the various stages. For the time between a unit’s start and completion it is said to be under construction and the volume (in \$) of total construction activity underway at any given time is related to the number of units that are under construction.

The volume of construction activity drives the number of jobs in the construction sector directly related to housing.



In this research note, we've modelled out the potential effects on the construction pipeline from a prolonged period of low sales. Importantly, this is not a forecast or projection; there may be many reasons why sales will recover. This scenario shows the implications of sales that do not recover in the immediate years ahead, in order to better understand the urgency in addressing barriers to homeownership in the current environment.

Construction activity plummets if sales don't recover

In this scenario some key outcomes would be:

- By 2030 starts and completions across Ontario could bottom out at about 40,000 units (from recent averages of about 80,000 units per year)
- The total volume of construction activity would gradually fall to about \$10.4 billion in 2030 from \$31.7 billion in 2024

A trusted jobs engine may be stalling

New housing construction is an important generator of jobs. Given the volumes of new homebuilding activity recently we estimate that on average over the past five years (2020-2024) there have been some **222,730 jobs** supported in the economy from new home building alone. These estimates include:

- 104,420 direct jobs (generally construction)

And two categories of 'spin off' jobs:

- 72,750 indirect jobs (suppliers to construction)
- 45,560 induced jobs (those jobs dependent on the pay cheques and spending by the direct and indirect rounds)

However, the sharply lower volumes of construction activity that could come about from a prolonged weak sales period and drying up of the pipeline could mean that this trusted and important jobs engine will stall. In the scenario set out above with construction spending contracting over the next five years, the jobs implication would be:

- A loss of close to 50,000 direct jobs
- A loss of over 50,000 spin off jobs
- For a total decline of over 100,000 total jobs across the economy, potentially affecting some \$12.9 billion in wages and earnings

Key Housing Market Metrics, Ontario

	Single-family	Condo-minium Apartment	Purpose Built Rental Apartment	Total All Units
Annual Average 2020-2024				
New Home Sales (units)	25,424	24,528	n.a	49,952
Housing Starts (units)	38,797	35,038	14,326	88,162
Housing Completions (units)	38,318	27,823	13,663	79,804
Construction Investment Spending (millions\$)	\$18,763	\$9,820	\$3,392	\$31,975
Units, Q3 2025				
Housing units under construction	25,020	80,183	51,319	156,522

Source: Altus Group

Economic Impact of New Housing Construction, Ontario

	Direct Impacts	Spin-off Impacts	Total Impacts
Impacts related to average annual construction spending 2020-2024 (\$31.9 billion)			
Jobs	104,420	118,310	222,730
GDP	14,480	17,460	31,940
Wages and Earnings	12,440	15,760	28,200
Impacts related to scenario of 2030 construction spending (\$17.4 billion)			
Jobs	56,840	64,400	121,240
GDP	7,880	9,500	17,380
Wages and Earnings	6,770	8,580	15,350
Potential change in impacts by 2030			
Jobs	(47,580)	(53,910)	(101,490)
GDP	(6,600)	(7,960)	(14,560)
Wages and Earnings	(5,670)	(7,180)	(12,850)

Source: Altus Group

Financial Impact Estimates

Millions of dollars	New Home Sales Scenario		Impact from Lower Sales
	Baseline ¹	Distressed ²	
Provincial HST Revenue Net of Rebates			
Current policy environment	\$ 3,500	\$ 1,100	\$ (2,400)
Mirror of new federal FTB rebate	\$ 2,430	\$ 806	
Full rebate of 8% tax on first \$1 million in value	\$ 1,449	\$ 472	
Tax Expenditure Related to Programs			
Mirror of new federal FTB rebate	\$ (1,070)	\$ (294)	
Full rebate of 8% tax on first \$1 million in value	\$ (2,051)	\$ (628)	
Land Transfer Tax Revenue (Province)	\$ 1,028	\$ 323	\$ (706)
Municipal Development Fees Revenues	\$ 5,384	\$ 1,476	\$ (3,908)
Provincial Income Tax Revenue			
From jobs supported by residential construction	\$ 2,936.03	\$ 1,598.19 *	\$ (1,338)
			\$ (5,951)

Notes:

¹ Based on annual average new home sales 2020-2024

² Based on 2025 new home sales

* Relates to the 2030 scenario where sales stay at 2025 levels and construction investment values gradually fall to \$10.4 billion

Source: Altus Group

Labour market conditions are already softening

Construction employment (across all types of construction) has generally been trending down since its peak in 2023 and has fallen some 7.5% in the past year. Ontario's construction sector unemployment rate has been volatile but has improved in the past number of months, though only due to a reduction in the labour force. Meanwhile the number of vacant construction jobs (i.e., unfilled positions) in Ontario, which had been as high as 8% of all jobs in 2022 has fallen to a low of 2%; a sign of slackness in the market not seen for many years.

Ontario's labour market conditions in the construction sector are already strained and will become worse so with continued deterioration in jobs related to new residential construction being lost as the pipeline of new projects continues to dry up.

Impacts on the Ontario Treasury are significant and will compound

The treasury will incur a significant effect from recently lower new home sales in terms of reduced revenue from the provincial portion of the HST (down about \$2.4 billion on this year's sales from the recent baseline), and municipalities in reduced development charge, planning fees and building permit revenues (down \$3.9 billion a year).

A potential loss of up to 100,000 jobs and almost \$13 billion in wages and earnings by 2030 would have widespread implication including an estimated \$1.3 billion in lost personal and corporate income tax revenue annually.

Further negative implications may last for years

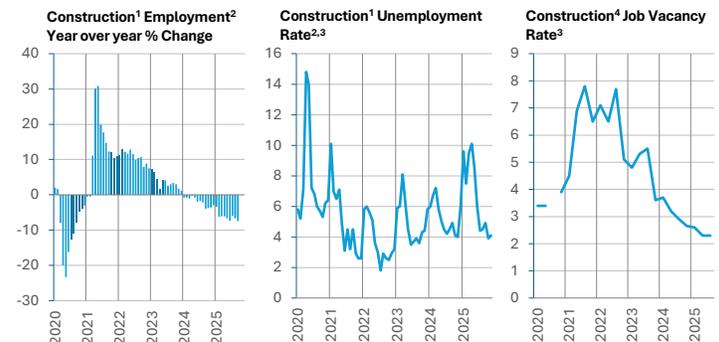
The collapse of new home sales in markets in Ontario, especially in the GTA, relate to barriers including the very high costs of construction making the new housing sector less competitive relative to resale housing.

Ontario's population growth is slowing which is making the affordability challenges more acute.

The implications of a near term future with dramatically slower residential construction activity could be devastating on Ontario's economy for reasons well beyond the Treasury:

- Loss of important skills and skilled workforce
- Inadequate provision of new housing to meet future population growth needs
- Lower land transfer taxes (approx. \$700 million per year), and building fees
- Further implication on sectors related to housing growth such as retail and home improvement

Construction Labour Market Conditions



¹. All sectors (residential – new and renovation, non-residential and infrastructure combined)
². Construction of residential buildings, SETH
³. Ontario ⁴. residential and non-residential buildings construction
 Source: Altus Group

Effective policy solutions now will mitigate against these losses

A full rebate of the provincial component of the HST on qualifying new home sales for first time and repeat buyers will provide a significant benefit by improving the competitiveness of the new home sector, attracting buyers and avoiding some of the negative implications ahead.

A tax rebate will be costly to the treasury on the surface, approximately \$628 million at current sales levels, but if it is successful in boosting sales and ultimately construction activity and jobs, those costs are more than offset by averting the risks to the economy and the shortfall in income tax revenues.

Concluding remarks

This analysis is not a forecast of future activity. New sales are currently very depressed and this analysis shows the implications on jobs if they do not improve materially over the next few years.

There is an array of barriers in the way of a more buoyant new home sales market, including elevated prices, an inappropriate mix of units currently in the approval pipeline and excessive government taxation.

The message from this analysis is to raise the urgency of addressing barriers now, especially through bold targeted measures like a meaningful HST rebate across all buyer types. Doing so needs to be done before these longer-term implications on the pipeline of construction and ultimately on jobs and the broader economy set in.

Data Sources

Altus Data Studio; CMHC starts and completions survey; Brethour Research, Statistics Canada tables 14-10-0467-01, 14-10-0022-01, 34-10-0286-01, 36-10-0595-01