Rising New Home Sales Across Ontario Will Preserve Jobs and Generate Economic Benefits

By Peter Norman, Principal, Norman Economic Strategies Inc.

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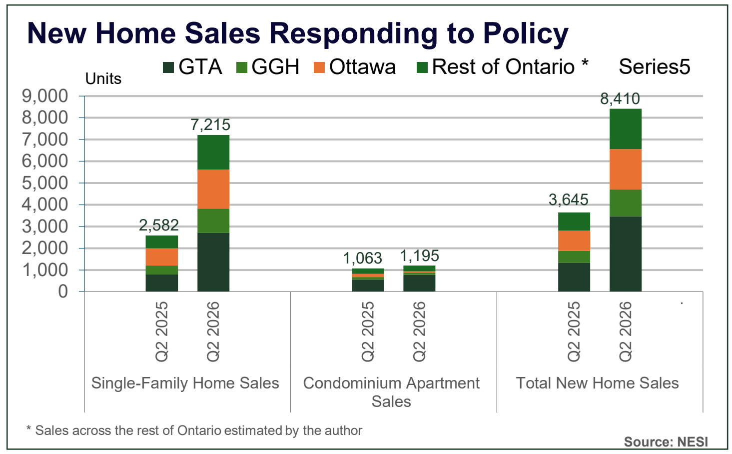
Following several quarters of extraordinarily weak new housing sales in Ontario, a collapse in activity risking a significant crisis in the housing sector, the Ontario and federal governments responded with policy providing critical, temporary, investment in the affordability and accessibility of new homes in Ontario. This investment aimed to quickly stimulate a more functional level of sales and ultimately preserve important jobs in the housing sector that were at risk.

Those measures were introduced and came into effect at the beginning of the second quarter.

According to data tracked by BILD-GTA provided by Altus Group and Brethour Research (and further estimates by Norman Economic Strategies Inc. for those parts of Ontario not tracked), there has been a significant pick up in new home sales in the second quarter. The government incentives, especially the HST rebate on qualifying new homes, very likely are responsible for the observed improved sales.



New homes sales surged in the second quarter rising some 130% from the same period last year. Nearly all the rise, which saw an additional 4,765 home sales, was found in the single-family sector.

The HST rebate and other government policies are already having a positive economic impact

Earlier this year we prepared an analysis setting out the economic risks from the housing downturn showing that if sales remained at 2025 levels for a prolonged period, Ontario could see a loss of up to 100,000 jobs related to the construction industry, a loss of up to $14 billion in GDP and a loss of up to $8.3 billion a year on government revenues including an array of municipal fees and provincial land transfer taxes and up to $1.3 billion and $2.4 billion in provincial and federal income tax revenues respectively.

That analysis also pointed to a significant upside potential from policy measures focused on improving new housing affordability and accessibility that could unlock significant pent-up demand. Specifically, the HST rebate alongside proposed temporary cuts to municipal DCs were expected to induce between 18,000 and 23,000 net new home sales per year, preserving jobs, GDP and government revenues.

To that end, the additional 4,765 home sales in the second quarter alone suggest we are well on track for the estimated policy impacts.

Moreover, the additional sales in the second quarter alone are responsible for inducing or preserving (through the course of their development cycle):

- 17,300 total jobs related to the construction industry;
- Some $2.8 billion in GDP; and
- Approximately $1.4 billion in gross government revenues before the policy costs.