Independent Economic Intelligence

Enhanced HST Rebate Policy Impact Assessment (Q3)

Prepared by Norman Economic Strategies Inc. For BILD-GTA

Ontario's Enhanced HST Rebate Continues to Deliver Strong Results as New Home Sales Surge in the Third Quarter

Ontario's new home sales recovery continued through the third quarter of 2026, providing further evidence that the enhanced HST rebate is delivering on its objectives of stimulating demand, reducing excess inventories and rebuilding the province's housing development pipeline.

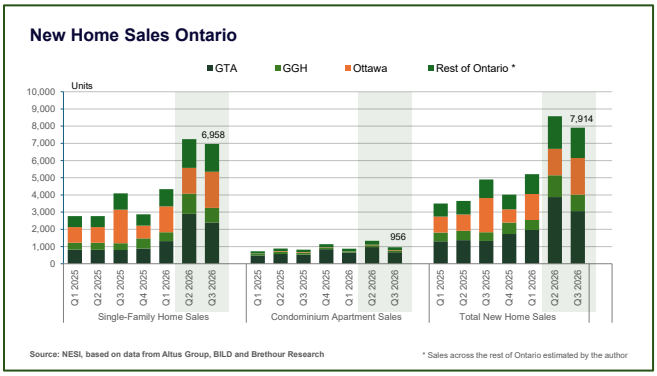
New home sales in Ontario reached an estimated 7,914 units in the third quarter, an increase of 61% over the same period in 2025. Both single-family and condominium apartment sales recorded gains, extending the strong recovery that began in the second quarter following the introduction of the enhanced HST rebate in April.

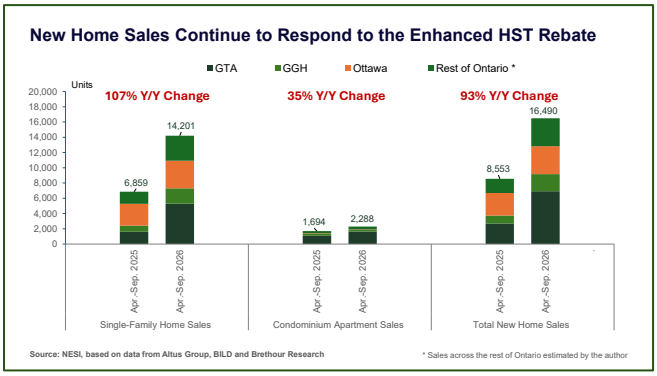
The cumulative results are particularly encouraging. Between April and September 2026, Ontario recorded approximately 16,490 new home sales, up 93% from 8,553 sales during the same six-month period in 2025. Single-family home sales more than doubled, increasing by 107%, while condominium apartment sales rose by 35%.

Together, these results represent almost 8,000 additional new home sales compared with the 2025 baseline, a substantial improvement for a sector that had experienced an extended period of exceptionally weak market conditions.

A Policy Delivering on Its Objectives

In April 2026, the federal and Ontario governments introduced the enhanced HST rebate, providing a full rebate of the HST on qualifying new home purchases. An important objective of the measure was to stimulate new home sales, reduce elevated





inventories and encourage builders to bring forward new housing supply, helping to restore stability to a sector that had been severely disrupted by the prolonged downturn.

The economic importance of restoring Ontario's new home market cannot be overstated.

Earlier this year, our analysis of the economic risks associated with the housing downturn found that a prolonged continuation of 2025 sales levels could put as many as 100,000 construction and related jobs at risk, reduce provincial GDP by up to $14 billion and

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result in annual government revenue losses of up to $8.3 billion. These losses included municipal fees, provincial land transfer taxes and as much as $1.3 billion and $2.4 billion in provincial and federal income tax revenues, respectively.

That analysis also identified substantial upside potential from targeted policy measures to improve new housing affordability and accessibility and unlock pent-up demand. Specifically, the enhanced HST rebate, together with proposed temporary reductions in municipal development charges, was estimated to generate between 18,000 and 23,000 additional new home sales annually, preserving jobs, economic activity and government revenues.

With almost 8,000 incremental sales recorded in just six months, the market recovery is making meaningful progress toward that objective.

This performance is particularly significant given the deterioration in the broader macroeconomic environment since the onset of the Iran war, including rising mortgage interest rates and continued economic uncertainty. Despite these headwinds, new home sales have recorded a substantial improvement over 2025 levels.

Significant Economic Benefits Are Already Emerging

The economic implications of the sales recovery are substantial.

Based on the estimated incremental sales recorded in the third quarter alone, the associated housing construction activity is expected to support approximately 10,500 jobs in Ontario, preserve $1.7 billion in GDP and generate approximately $400 million in income tax revenues.

For the full six-month period since the introduction of the enhanced rebate, the approximately 8,000 additional new home sales represent an estimated **27,800 jobs supported, $4.4 billion in GDP preserved and $1.0 billion in income tax revenues protected.**

These estimates illustrate the considerable economic leverage associated with measures that restore demand in the new housing market. Beyond the direct benefits to purchasers, stronger sales help sustain construction employment, support the broader supply chain and protect important sources of government revenue.

Incremental Sales From 2025 Baseline and Economic Impact

	2026 Q2	2026 Q3	Total Program To Date
Single-family	**4,473**	**2,869**	**7,342**
Economic Activity Preserved			
Jobs	15,657	10,042	25,698
GDP	2,505	1,607	4,112
Income Tax Revenue	599	384	983
Condominium Apartment	**451**	**143**	**594**
Economic Activity Preserved			
Jobs	1,579	500	2,079
GDP	253	80	333
Income Tax Revenue	38	12	50
Total Sales	**4,925**	**3,012**	**7,936**
Economic Activity Preserved			
Jobs	17,236	10,542	27,777
GDP	2,758	1,687	4,444
Income Tax Revenue	636	396	1,032

Source: NESI

Early Signs of a Supply-Side Recovery

Importantly, the benefits of the enhanced HST rebate are extending beyond the immediate improvement in sales. Other market indicators suggest that the recovery is beginning to translate into healthier inventories and renewed development activity.

Builder inventories are declining. Inventories of unsold new homes increased sharply through 2024 and 2025 as sales weakened and market conditions deteriorated. Since the introduction of the enhanced rebate in April, single-family inventories have declined by approximately 38%, while condominium apartment inventories have fallen by 20%. Although inventories remain elevated by historical standards, the reductions represent meaningful progress toward restoring a healthier balance between supply and demand.

New project launches are recovering. The improvement in sales conditions is also encouraging builders to bring new projects to market, particularly in the single-family sector. Approximately 90 new single-

family projects were launched across the Greater Toronto Area and Greater Golden Horseshoe during the six months following the introduction of the enhanced rebate, compared with just 44 during the corresponding period in 2025.

This more than doubling of new project launches is an encouraging early indication that the recovery in sales is beginning to rebuild the development pipeline, which had been severely weakened by the collapse in new project activity during 2024 and 2025.

Sustaining the Recovery

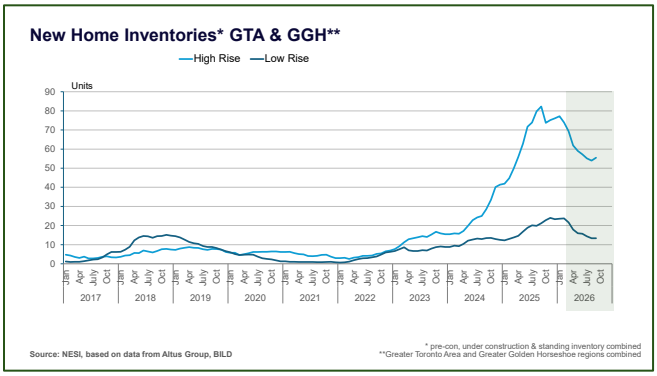
The third-quarter results provide compelling evidence that Ontario's enhanced HST rebate is contributing to a meaningful recovery in new home sales and making progress toward its underlying policy objectives.

In just six months, the market has generated nearly 8,000 additional sales compared with the previous year's baseline, supported substantial economic activity, reduced excess inventories and begun to stimulate renewed project launches.

The recovery remains at an early stage, and market conditions continue to face significant economic headwinds. Nevertheless, the evidence increasingly suggests that targeted measures to improve new housing affordability can produce a meaningful and relatively rapid market response.

Maintaining this momentum will be important not only for restoring stability to Ontario's new housing industry, but also for rebuilding the development pipeline needed to support future housing supply, construction employment and economic growth.

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Technical Appendix

All sales, inventory and project launch data were provided to the author by BILD-GTA and attributed as follows:

- GTA and GGH: **Altus Group Limited**
- Ottawa sales: **Brethour Research**
- Sales for the rest of Ontario were estimated by the author

The economic impact results were all estimated by the author using Statistics Canada's input output model of the Canadian economy, 2022.

References to "Job" refers to a person year of employment. "Jobs" and other economic impact quantities attributed to a new home sale in this analysis are to be understood to occur over the lifespan of the development process related to that home.

AUTHOR

This report was prepared by Peter Norman, MA, PLE. Peter Norman is a recognized leader in land economics and strategic market insights. With over 30 years of experience as a partner with Clayton Research, VP & chief economist with Altus group and now as founder and principal at Norman Economic Strategies Inc., Peter combines a deep understanding of economic principles with a talent for communicating complex concepts clearly and persuasively.

Peter has led hundreds of consulting assignments for private and public sector clients in Canada across a broad range of economic, demographic and real estate disciplines, including demographic, economic, policy, and public finance impact studies; institutional and commercial real estate consulting assignments; due diligence support for property acquisition or development; construction industry forecasts (short and longer term); population, employment and household projections; downtown and community revitalization studies; economic and financial feasibility research; economic impact and economic benefits; urban growth management studies; economic development studies; macroeconomic forecasting; microeconomic modelling; and economic forecasting

Mr. Norman has provided testimony as an expert witness before the Ontario Land Tribunal (formerly Ontario Municipal Board), the Ontario Farm Products Marketing Board and Alberta Court of King's Bench. He has provided professional deputations on economic and land matters before numerous municipal bodies.

Mr. Norman has a MA in economics from the University of Guelph and a BA in economics from Trent University.

Based in Toronto, Peter's work fosters innovation and complex problem solving in urban and land economics.

The data collection, analytical methodology, data and economic analysis, findings, opinions and conclusions contained in this report are the original work of Peter Norman. Generative AI tools were used to assist with the drafting and editing of portions of the narrative text. All analysis, findings, opinions and conclusions were independently developed and reviewed by the author.