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November 7, 2025

The Hon. François-Philippe Champagne
Minister of Finance
House of Commons
Ottawa, ON K1A 0A6

Subject: Federal Budget 2025 – Failure to Address the Cost-of-Delivery Crisis

Dear Minister,

The Urban Development Institute (UDI) is deeply disappointed by Budget 2025. Despite repeated warnings from our industry, there was no acknowledgment of the cost-of-delivery crisis that has driven housing starts to their lowest levels in more than a decade.

Instead, the Budget painted an overly optimistic picture, relying on backward-looking CMHC housing start data—often 12 to 18 months out of step with market realities—while ignoring the collapse in current project economics and access to capital.

Equally concerning, the Budget framed Canada's housing crisis as a productivity issue within the development sector rather than a structural cost problem. None of the key housing measures your government committed to last year were delivered. There was no meaningful progress on:

- Development Cost Charge (DCC) relief;
- A new MURB program; or
- A capital-gain rollover (similar to the U.S. 1031 exchange) to allow reinvestment in new rental housing.

These omissions—combined with ongoing uncertainty surrounding the Apartment Construction Loan Program (ACLP) and MLI Select—have left thousands of projects at risk of cancellation and further eroded confidence across the development and construction sectors.

The federal government's continued inaction appears rooted in an unrealistic belief that the public sector—through the Build Canada Homes program—can replace private-sector housing delivery at scale and with greater efficiency. This is a dangerous assumption. The Build Canada plan also rests on an outdated notion that land remains the dominant cost driver in a project's pro forma. That is no longer true. Financing costs, taxes, fees, and regulatory compliance have far surpassed land values in determining project viability.

The Canada Mortgage and Housing Corporation (CMHC) estimates that between 2022 and 2030, the country "*… needs about 3.5 million additional housing units by 2030 to restore affordability*." They have also projected Canada would miss this target by 1.4 million homes. The gap has since grown to 1.8 million homes due to the "*… the current shortfall in housing construction*." This underscores the scale of the crisis and the urgency of addressing the delivery barriers that have not been acknowledged in the Budget. Rather than recognizing the growing shortfall between housing needs and actual housing delivery, federal policy continues to overlook the structural cost pressures that are the real barrier preventing projects from proceeding.

Further, CMHC reports that condominium project cancellations in 2024 were five- to ten-fold higher than in 2022 in Toronto and Vancouver. In Metro Vancouver alone, 2,500 completed condo units remain unsold, a figure expected to climb to 3,700 by year-end. These are not isolated statistics; they are indicators of an industry under severe strain, weighed down by compounding layers of fees, policies, and regulatory requirements from all levels of government. The BC Financial Services Authority *"...is monitoring the challenging environment impacting the development industry as a consequence of economic uncertainty and rising construction costs*." Instead of relying on misleading housing start figures, these are the indicators that more accurately reflect the true state of the industry.

Across Canada, and especially in major urban centres where the housing need is greatest, new housing economics have broken down. Purchasers and renters have reached their affordability limits, while developers can no longer deliver homes at attainable prices due to escalating costs and policy burdens. These are structural, not temporary, conditions, and they were neither acknowledged nor addressed in the Budget.

The private sector has built the vast majority of homes in Canada for decades. Replacing that capacity, even partially, would be prohibitively costly, slow, and ultimately unsuccessful. In British Columbia alone, construction directly employs more than 229,000 people—roughly 9 percent of the provincial workforce—while generating billions in local wages and tax revenues. Every stalled or cancelled project threatens those livelihoods and undermines the economic stability of communities already struggling with affordability.

Our members are alarmed. Many have suspended projects that would have delivered much-needed homes, and layoffs are increasing across the construction and professional-services supply chain.

We urge the federal government to act immediately by:

1. Re-committing to implement the housing-supply measures promised in your platform, including DCC relief, MURB, and a capital-gain rollover mechanism.
2. Restoring access to CMHC financing programs, with eligibility criteria that reflect current market realities.
3. Expand GST rebates to all new homebuyers – not just first-time buyers.

We were encouraged, however, by the decision to repeal the Underused Housing Tax (UHT), which had unintentionally penalized foreign investment in new supply. We hope this signals a willingness to reconsider the foreign buyers ban and restore access to the capital that has long helped finance Canadian housing.

Canada cannot solve its housing crisis without restoring private-investment confidence. The federal government must enable—not replace—the sector that builds homes and sustains hundreds of thousands of good-paying jobs across the country.

Sincerely,

Rick Ilich
Board Chair, Urban Development Institute