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# Introducing GST rebates for first-time home buyers



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

Bill C-4 (45<sup>th</sup> Parl. 1<sup>st</sup> Sess.) proposes to introduce a new GST rebate for first-time home buyers. This analysis provides our estimate of the cost of that proposal and outlines the underlying model. The underlying model is the same model used for Election Platform Costing Estimates [EL-45-1025502-P](#) and [EL-45-1034656-P](#).

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**Parliamentary Budget Officer**

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# Highlights

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The new GST rebate for first-time home buyers is expected to cost \$1.9 billion over 6 years.

# Summary

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Bill C-4 proposes to introduce a new GST rebate for first-time home buyers. The Bill would provide for a rebate of 100% of the GST on new homes valued up to \$1 million, with the maximum benefit amount linearly phased out between \$1 million and \$1.5 million.

This new rebate is expected to cost \$1.9 billion over 6 years.

## Difference from other estimates

Tax data indicates that the number of houses and apartments receiving the GST/HST New Housing Rebate is significantly lower than the number of houses and apartments completed each year intended for the homeownership and condominium markets. This difference is primarily due to the purchase of new homes by investors ineligible for the current or proposed rebates.

In addition, we estimate the share of new homes purchased by first-time home buyers using data provided by the Canadian Housing Statistics Program. This data suggests that a smaller share of new homes is purchased by first-time homebuyers than other data sources which look only at mortgage consumers.

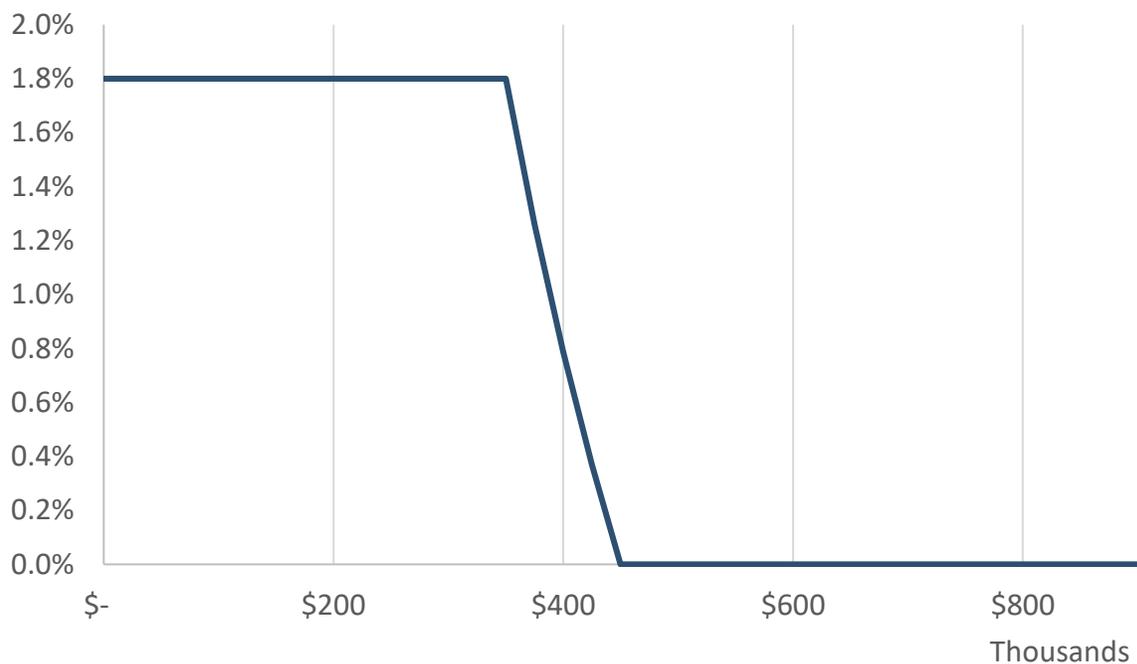
# The Current GST/HST New Housing Rebate

Under current law, the sale of newly constructed and substantially renovated residential housing is subject to a 5% federal sales tax through the goods and services tax/harmonized sales tax (GST/HST).

The GST/HST new housing rebate allows citizens and permanent residents to recover some of the GST/HST paid for a new or substantially renovated house or apartment that is intended for use as a primary place of residence for the buyer or their relative. The rebate is usually claimed by the builder on the buyer's behalf, with the rebate appearing as a credit on the purchase price of the home. For houses and apartments valued at or below \$350,000, the rebate is 36% of the total GST paid to a maximum of \$6,300. The maximum rebate is linearly phased out for houses valued between \$350,000 and \$450,000, and there is no rebate for houses valued at \$450,000 or more.<sup>1</sup>

**Figure 1**

Current Rebate for New Homes as share of Home Value, by Home Value



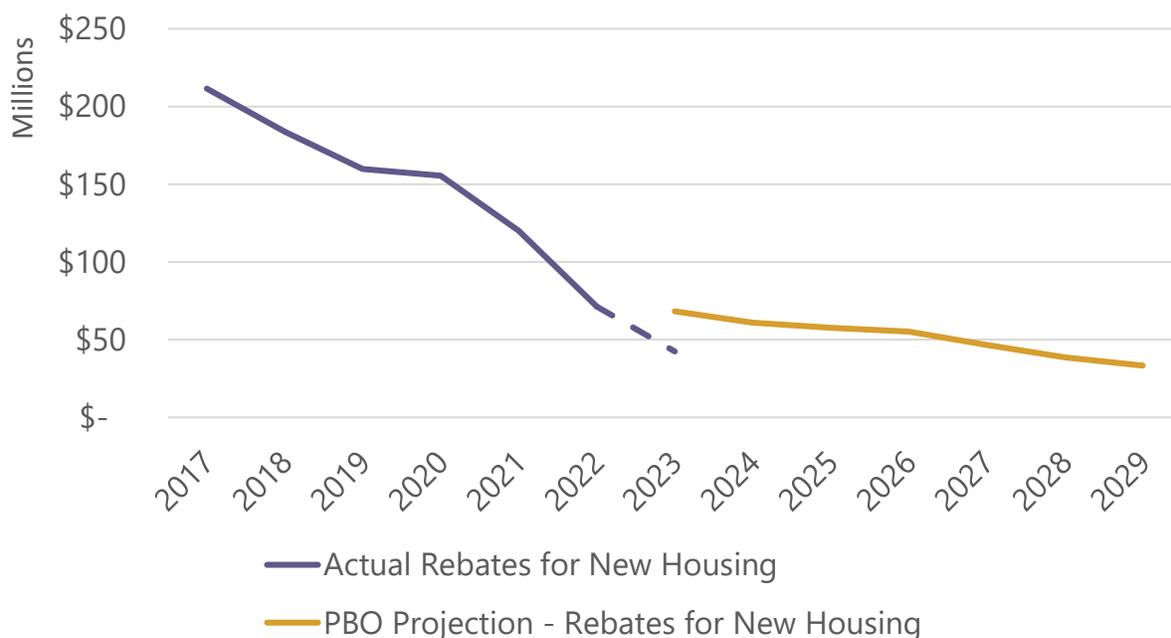
Source:

Office of the Parliamentary Budget Officer.

The price thresholds for the rebate for new housing are not indexed. As a result, as home prices have risen a declining number of sales of new homes are eligible for the rebate. The value of rebates has declined accordingly, from \$212 million in 2017 to \$71 million in 2022.

**Figure 2**

Total value of rebates for new housing by completion year



Source:

Office of the Parliamentary Budget Officer based in part on data provided by Canada Revenue Agency.

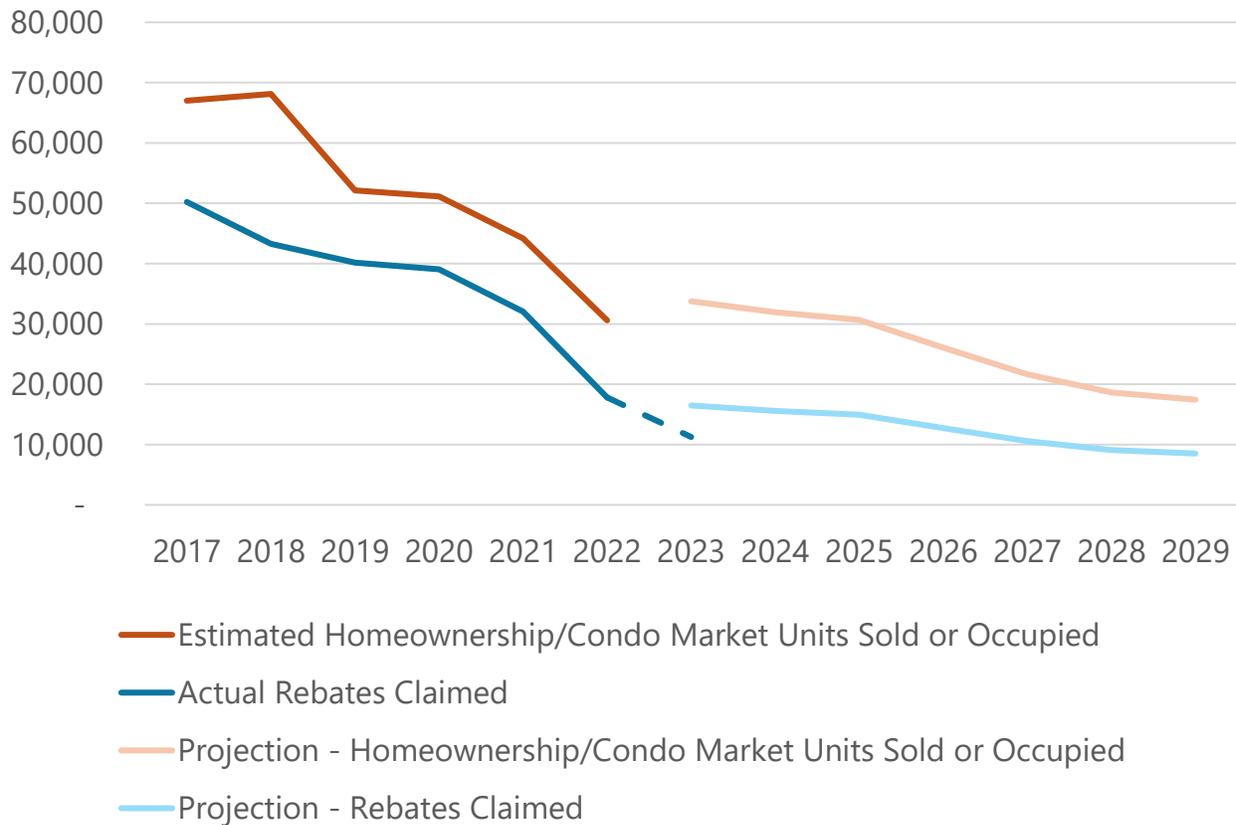
Note:

Dates reflect the base date for the rebate claim (usually the date of substantial completion). Actual data reflects claims received as of 1 January 2025 and the rebate can be claimed up to two years after the base date, so data for 2023 may be incomplete. The projection methodology is outlined later in this report.

Houses and apartments constructed for the homeownership and condo market are eligible for the rebate for new housing if they're used as a primary residence for the buyer or one of their relatives.<sup>2</sup> Across 2018 to 2022, the number of sales of houses and apartments that received the rebate for new housing declined from 43,280 to 17,810. Across those years, actual rebates claims averaged 70% of the number of houses and apartments valued at below \$450,000 and sold into the ownership or condominium markets.

**Figure 3**

Number of Houses and Apartments receiving rebates and Homeownership/Condo Market Units Sold or Occupied priced under \$450,000 by completion year



Source:

Office of the Parliamentary Budget Officer based in part on data provided by Canada Revenue Agency and Canada Mortgage and Housing Corporation (CMHC) [Absorbed Units by Price Range](#).

Note:

As actual data reflects claims received as of 1 January 2025 and the rebate can be claimed up to two years after the base date, data for 2023 may be incomplete. Due to data limitations, determining the exact number of condos and houses valued under \$450K sold each year requires some imputation for unpriced houses and apartments and houses and apartments outside of CMAs/CAs with populations over 50K.<sup>3</sup> The projection methodology is outlined later in this report.

# Proposed Changes to the GST/HST New Housing Rebate

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Bill C-4 (45<sup>th</sup> Parl. 1<sup>st</sup> Sess.) proposes to amend the *Excise Tax Act* to introduce a new GST rebate for first-time home buyers. The Bill would provide for a rebate of 100% of the GST on new homes valued up to \$1 million, with the maximum benefit amount linearly phased out between \$1 million and \$1.5 million.<sup>4</sup> The existing New Housing Rebate would continue to be available for new home purchases that do not qualify for the increased rebate.

This proposal differs slightly from the election platform costing proposal costed in [EL-45-1034656-P](#). Specifically,

1. the proposal would apply to homes sold after 27 May 2025 and before 2031, instead of homes sold after 20 March 2025; and
2. the recent breakdown of a marriage or common-law partnership is not a sufficient ground to be an eligible first-time homebuyer and individuals are ineligible if they or their spouse or common-law partner have previously claimed the Rebate.

Estimating and projecting the cost of this proposal requires several steps:

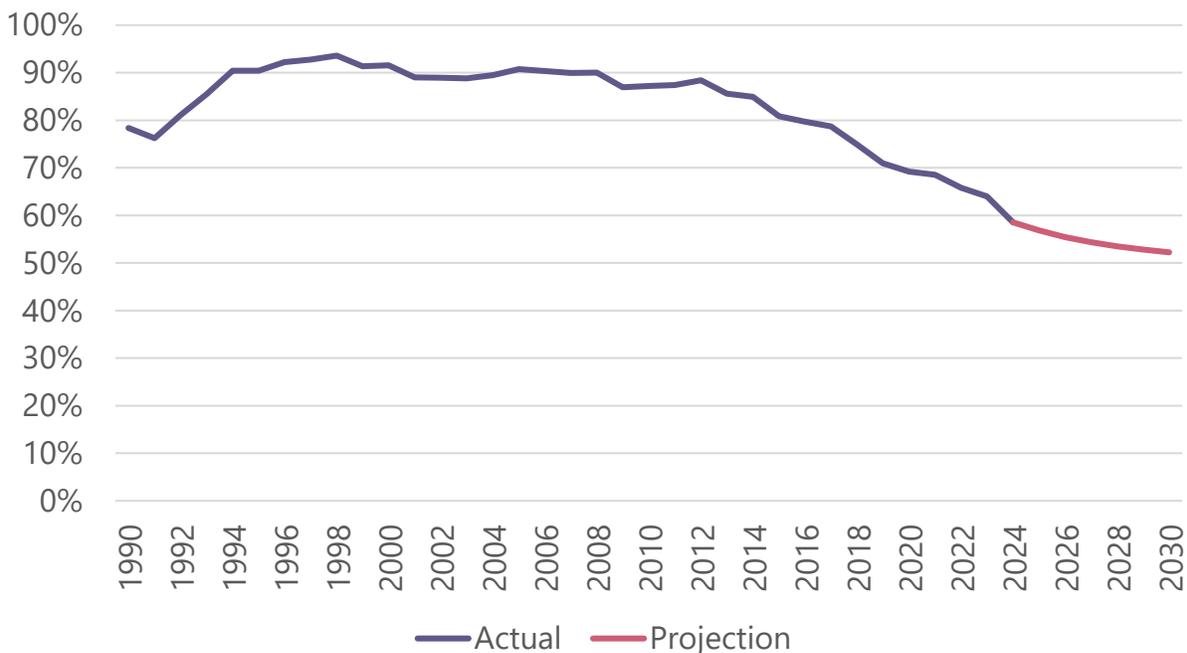
1. Projecting house and apartment completions intended for the homeownership and condominium markets,
2. Projecting the value distribution for those new homes,
3. Discounting to match actual rebate claims,
4. Determining the subset of new home purchased by first-time buyers, and
5. Applying rebate rates to determine costs.

Our model does not incorporate any behavioural responses. We adopt the simplifying assumption that agreements of purchase and sale are signed upon the completion of a home; accounting for the timing of purchases relative to completions would shift the cost profile slightly into the future, excluding some uncompleted homes purchased before the effective date and adding some homes purchased prior to 2031 but not completed prior to that date.

# Step 1: Projected House and Apartment Completions Intended for the Homeownership and Condominium Markets

We assumed that the declining trend in the share of housing starts intended for the homeownership and condominium market continues but slows.

**Figure 4**  
 Projected share of starts intended for the Homeownership and Condominium Markets

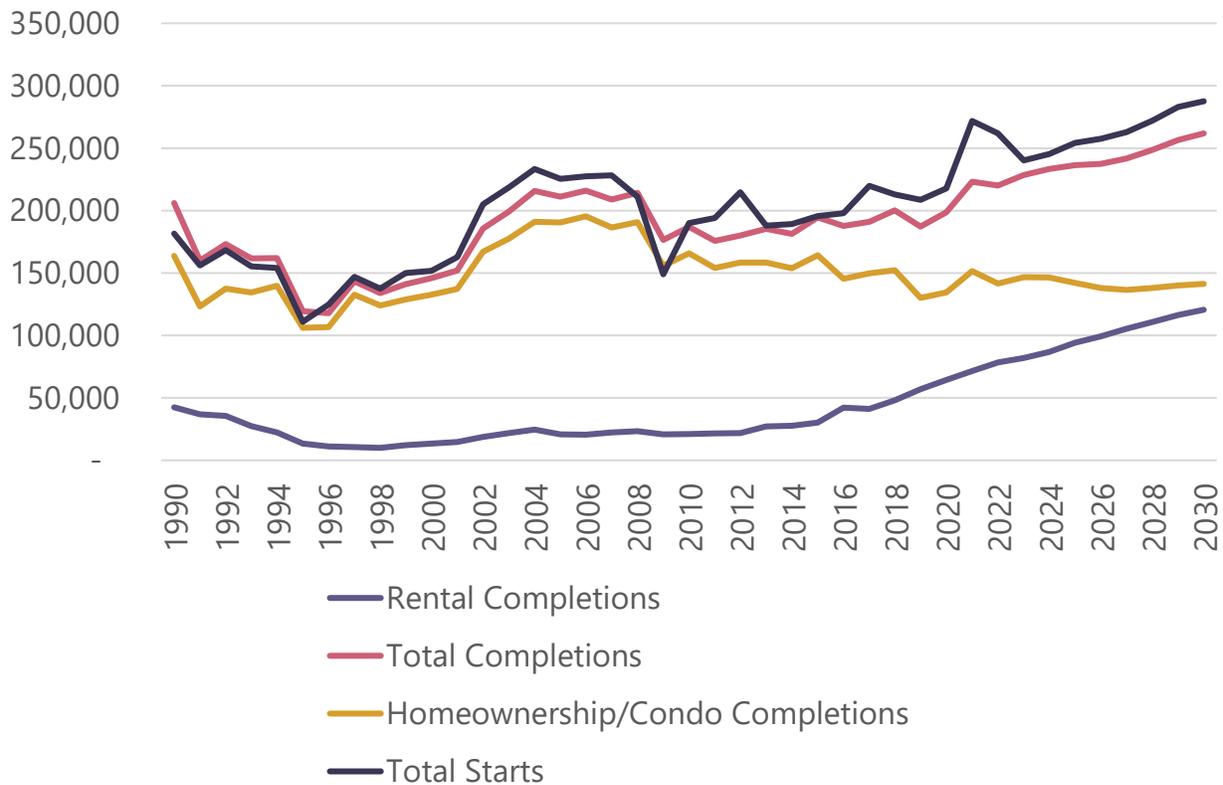


Source:  
 Office of the Parliamentary Budget Officer based in part on data published by Canada Mortgage and Housing Corporation.

We constructed a projection of total housing starts based on the relationship between changes in housing starts and changes in investment in residential real estate, as applied to the projected investment in residential real estate under the PBO election proposal costing (EPC) baseline. Together, projected starts and the share of starts intended for the homeownership and condominium markets provide a forecast for starts in those markets. Completions in those markets were modelled as a function of lagged starts,

and absorptions were assumed to be equal to completions. On net, we estimate that around 140,000 new homes and apartment will be sold each year across our projection period.

**Figure 5**  
Starts and Completions by Intended Market



Source:

Office of the Parliamentary Budget Officer based in part on data published by Canada Mortgage and Housing Corporation.

## Step 2: Projecting the Value Distribution for New Homes

Due to differing data availability, we separately modelled the distribution of home values for three geographic groupings by CMA/CA size.

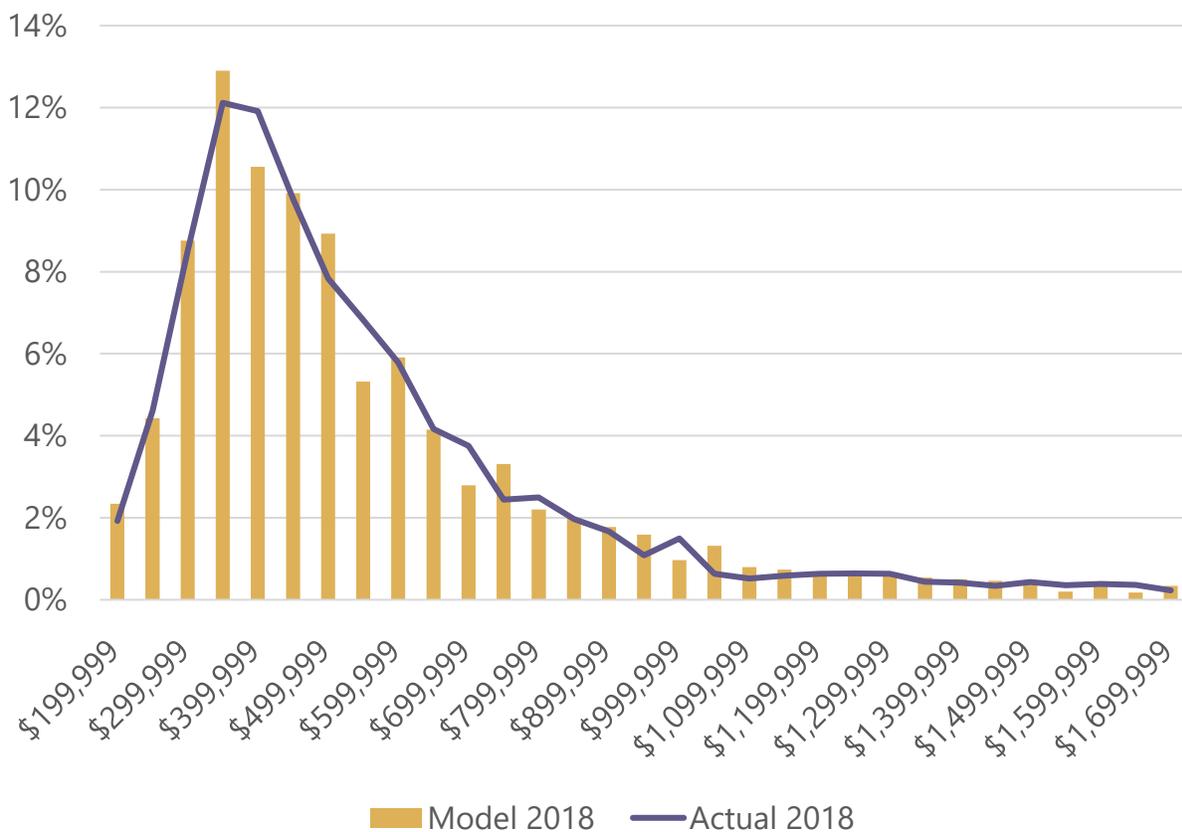
1. Canada's 17 largest CMAs were modeled using a CMHC custom tabulation of the value of homes sold by price range across 2018 to 2024.

2. Other CMAs/CAs with populations over 50K were modelled using published CMHC data tables available up to 2022 to calculate the residual number of houses and apartments by price range across 2018 to 2022.
3. The rest of Canada was modelled using a 2021 Census custom tabulation of owner estimated values for recently constructed homes.

For each geography, we fit a skewed generalized t distribution across the available data, allowing for a linear relationship between all distribution parameters and home prices.<sup>5</sup>

**Figure 6**

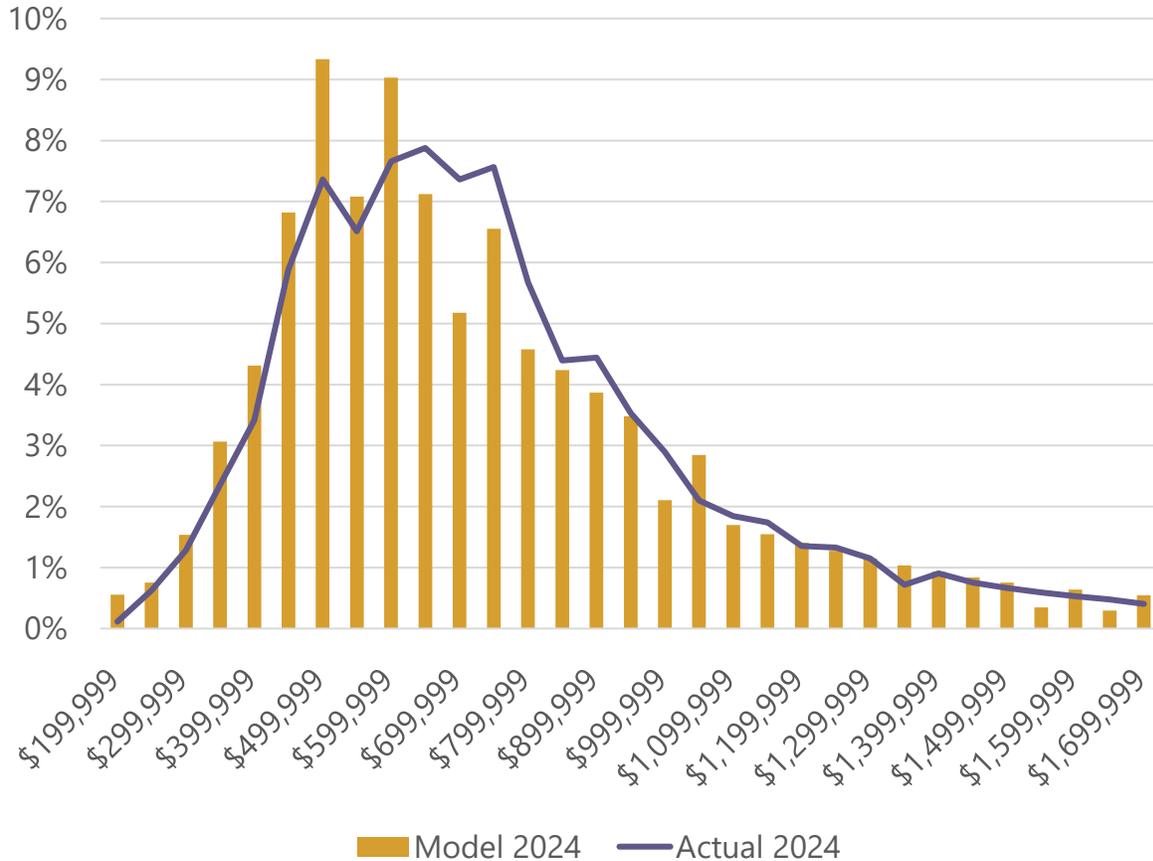
Homeownership and Condo Market Units Completed in 17 Largest CMAs by price range, Model and Actual, 2018



Source:  
Office of the Parliamentary Budget Officer based in part on data provided by Canada Mortgage and Housing Corporation.

**Figure 7**

Homeownership and Condo Market Units Completed in 17 Largest CMAs by price range, Model and Actual, 2024



Source:

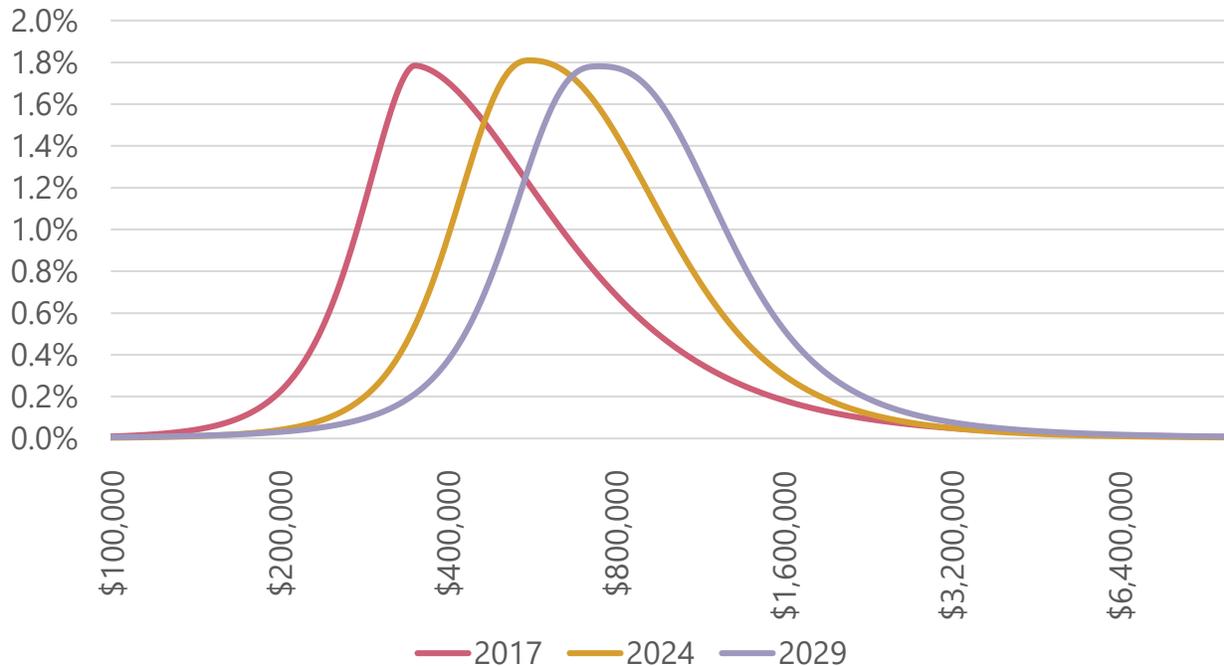
Office of the Parliamentary Budget Officer based in part on data provided by Canada Mortgage and Housing Corporation.

Note:

Actual includes imputed unpriced units. Model estimate volatility is due to where the cut-offs for the ranges used in the actual data fall relative to the points at which the density function was solved, which resulted in some houses and apartments being lumped into a higher or lower category in this comparison.

The same linear relationship between all distribution parameters and home prices was applied to the PBO’s EPC Baseline projected home price to estimate the future distribution of unit values.

**Figure 8**  
 Distribution of Homeownership/Condo Unit Values for Selected Years for 17 Largest CMAs



Source:  
 Office of the Parliamentary Budget Officer.

Note:  
 This figure presents the share of units in narrow price ranges defined using a log scale, resulting in larger price ranges at higher price points. Figures represent the cut-off for the top of the house price range.

## Step 3: Discounting to Match Actual Rebate Claims

Combining the projected number of Homeownership and Condo Unit completions with the projected value distribution for those completions provides a projected number of houses and apartments completed by price range.

However, not all units sold in the homeownership/condo markets would be eligible for sales tax rebates.

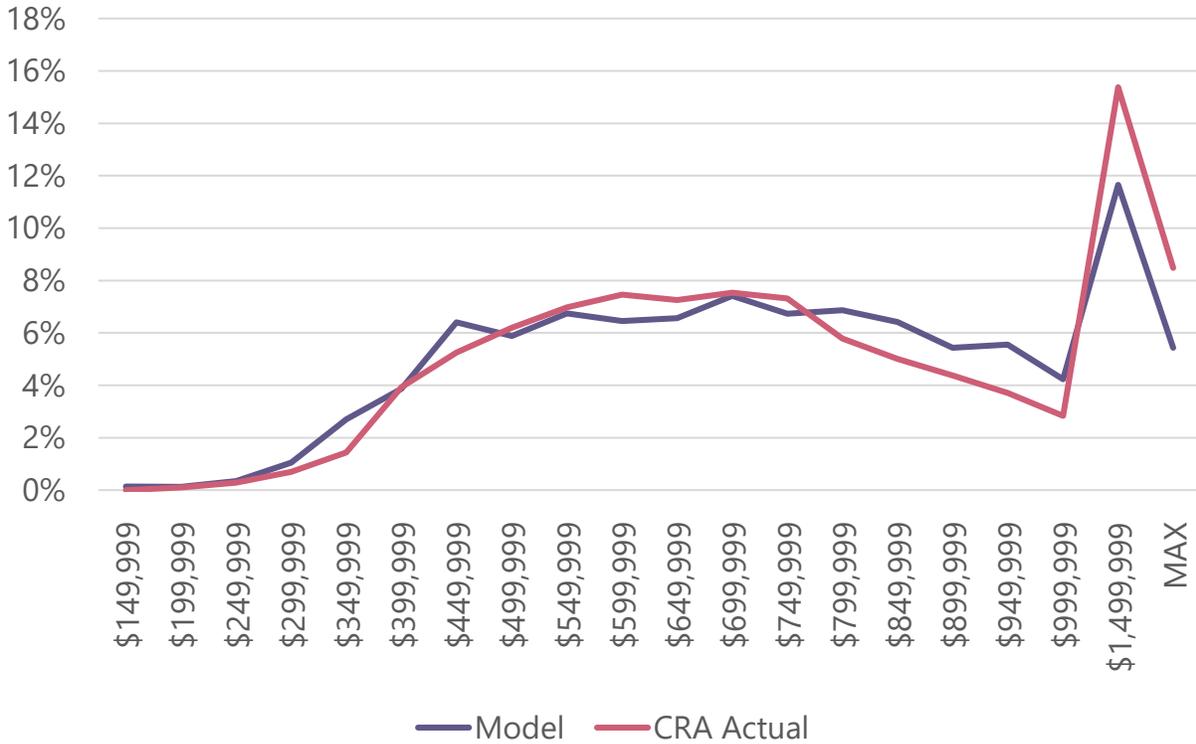
Some of these houses and apartments are not being purchased as a primary residence for the buyer or a relative. Corporate homebuyers would not qualify for the new or proposed rebate and even individual homebuyers would not qualify if the unit is initially intended for use as a rental property, a vacation property, or to be held vacant as a speculative asset. Temporary residents and non-residents purchasing new homes would also not be eligible for the rebate, as it is only available for citizens and permanent residents. Some additional gap might also be attributable to uptake – i.e. buyers and builders not claiming rebates even though they are eligible.

As noted above, across 2018 to 2022 the proportion of homes that received the existing federal rebate averaged 70% of the estimated total number of homeownership/condo houses and apartments valued at under \$450,000. However, houses and apartments valued at under \$450,000 likely differ from other houses and apartments in their likelihood of being purchased as a primary residence. For example, higher-value condos in urban centres may make more appealing investment properties.

We instead opted to calibrate our distribution against claims for Ontario's sales tax rebate for new homes which, unlike the federal rebate, does not have any eligibility limit based on the value of the home. Applying the same methodology<sup>6</sup> to Ontario-specific data, we constructed an expected distribution of unit values in Ontario and compared it to the distribution of values under actual rebate claims. This approach showed good fit with respect to the distribution of value across price ranges, but the actual number of houses and apartments in relation to which a rebate was claimed was just 49% of the number of completed units for 2021 and 2022.

**Figure 9**

**Distribution of Homeownership/Condo Unit Values for Ontario in 2022**



Source:

Office of the Parliamentary Budget Officer based in part on data provided by Canada Revenue Agency and Canada Mortgage and Housing Corporation.

**Table 1**  
**Completions in Homeownership and Condo Markets v Rebate Claims in Ontario**

Year	2021	2022
<b>CMHC Count (Population centres with populations 10K+ only)</b>	55,583	64,100
<b>Estimated Total (All areas)</b>	59,642	68,348
<b>New Housing Rebate Claims for Dwellings Completed in Year</b>	28,550	34,000
<b>Claims as Share of Completions</b>	48%	50%

Source:

Office of the Parliamentary Budget Officer based in part on data provided by Canada Revenue Agency and Canada Mortgage and Housing Corporation [Provincial Dwelling Completions by Intended Market](#).

Note:

Intended market is not available for units outside of population centres with populations of 10,000 or more. Our estimated total assumes that 83-84% of these were intended for the ownership/condo markets, based on the share of units intended for the ownership/condo markets population centres of populations between 10,000 and 50,000. Completions outside of population centres with populations of 10,000 or more are based on the difference between CMHC's [Provincial Dwelling Completions by Intended Market](#) and Statistics Canada.

On the basis of this comparison to Ontario new housing rebate claims, we assume that the number of new home purchases which would actually be eligible for the rebate claims will be 49% of the total units completed across all price ranges.

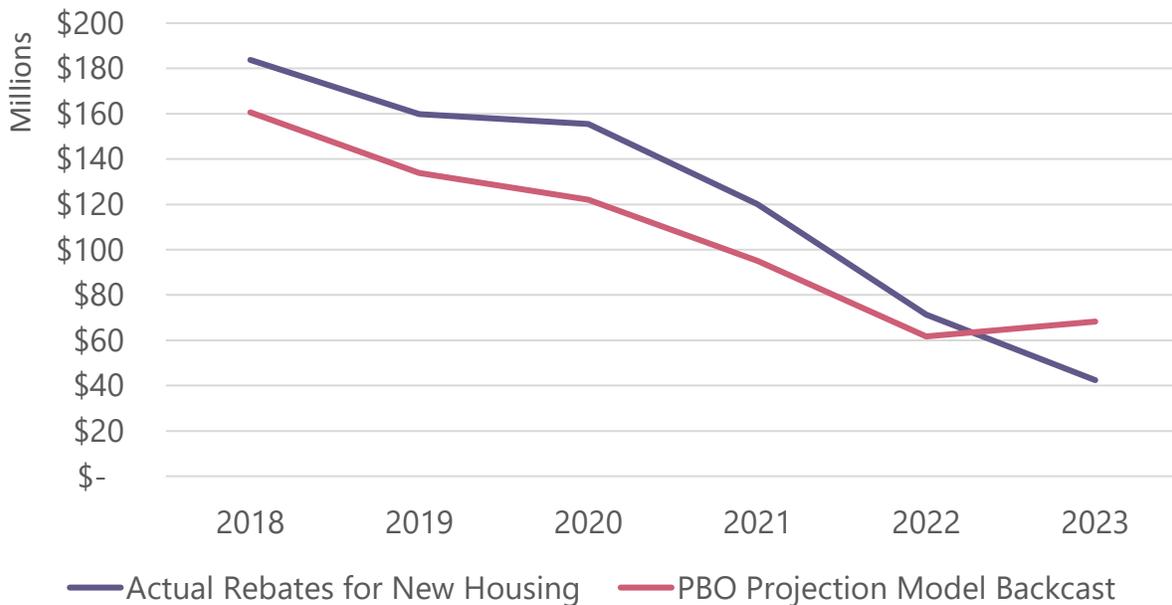
The tax data we used is based on all assessed New Housing Rebate Applications (GST190 and GST191) as of 1 January 2025.<sup>7</sup> Our model assumes that data for 2021 and 2022 is mature by that date, i.e. the number of units receiving the rebate as of that date is close to what the final number of units receiving the rebate will be after any subsequent assessments, audits or voluntary adjustments. To test our model's sensitivity to data maturity, we calculated claims as a share of completions back to 2017. Rebate claims as a share of completions varied from 48% to 61% with no clear trend over time. For 2017, the most mature tax data we received, claims represented 59% of ownership and condo completions in Ontario. If we had instead assumed that claims are 59% of ownership and condo completions, the number of eligible first home purchases and consequent cost of this policy would be 20% higher. However, this may reflect market changes rather than data maturity.

While Ontario accounts for more than a third of total ownership and condo completions, using Ontario-specific data to discount completions for all of Canada runs a risk of not capturing differences between the types of new homes being constructed in Ontario and the rest of Canada.

We used data from the Canadian Housing Statistics Program available for 2020 for British Columbia, New Brunswick, and Nova Scotia to look at the share of sales of recently constructed homeownership/condo properties which were investment properties. This data showed that 28.4% of recently constructed homeownership/condo houses and apartments sold were purchased as investment properties. A further 7.2% were units in owner-occupied investment properties where one but not all units would be eligible for a rebate. The share of recently constructed homeownership/condo houses and apartments sold that were investment properties was 22.8% in Nova Scotia and 23.3% in New Brunswick.

To further validate this adjustment, we compared the estimated value of federal rebates after this discount to the actual value of federal rebates on units valued under \$450,000. This comparison shows our model is largely consistent with actual rebates, underestimating actual rebates by an average of 12% across 2018 to 2023.

**Figure 10**  
Historical Fit for Value of Rebates



Source:  
Office of the Parliamentary Budget Officer based in part on data provided by Canada Revenue Agency.

## Step 4: The Subset of New Homes Purchased by First-Time Home Buyers

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Only a subset of new home buyers will be eligible first-time home buyers.

“First time home buyer” is defined differently in different programs and data sources, and rarely refers exclusively to individuals purchasing a home for the first time. One common definition is that used by the [home buyers' amount](#), often called the First-Time Home Buyers' Tax Credit, which defines a first-time home buyer as a person who did not live in another home anywhere in the world that was owned by the individual (or their spouse or common-law partner) in the year of purchase or any of the four preceding years. However, a slightly broader definition is used for the [First-Time Home Buyer's Incentive](#), which adds individuals who have experienced a recent relationship breakdown. The proposal introduced on the May 27, 2025, by the Minister of Finance and National Revenue adopts the definition used by the home buyer's amount, whereas the election platform costing proposal costed in [EL-45-1034656-P](#) adopted the definition of the First-Time Home Buyer's Incentive.

We estimated the share and relative value of rebates on new homes purchased by first-time homebuyers using data from the Canadian Housing Statistics Program for 2020 in British Columbia, New Brunswick, and Nova Scotia. This data showed that of market sales of non-investment properties constructed since 2016:

- 20% of sales involved a purchase where at least one buyer was a first-time homebuyer as defined by the [home buyers' amount](#),<sup>8</sup> and
- The average value of the homes purchased by those first-time homebuyers was 83% of the average value for all new home sale transactions.

As a validation, we compared the number of families that claimed the home buyer's amount against the total housing transactions (approximated by homeownership/condo completions plus Multiple Listing Service® sales) finding that the number of families with a home buyer's amount was 30% of the number of property transactions. However, this is not specific to new homes.

## Comparison to Other Measures of First-Time Homebuyers

These figures are not comparable to estimates of the share of mortgage consumers who are first-time homebuyers because while many homebuyers do not have mortgages, first-time homebuyers are disproportionately likely to require mortgages. CMHC estimates that 55% of 2024 mortgage consumers were first-time home buyers, while Bank of Canada Staff Analytical Note 2022-1 estimates that on average 50% of individuals receiving a mortgage were receiving their first mortgage. While CMHC's methodology is unclear, the Bank of Canada Staff Analytical Note only considers whether buyers have a prior Canadian mortgage, so immigrants would be counted as first-time homebuyers even if they owned a home in their country of origin that would disqualify them from the GST/HST Rebate for New Housing.

These figures are also not comparable to the Canadian Housing Survey, which counts homeowners as first-time homebuyers if they rented immediately prior to purchasing their home. Homeowners, and especially immigrant homeowners, may choose to rent for a period before acquiring or moving into a new home but their recent prior homeownership would disqualify them from the GST/HST Rebate for New Housing.

Source:

CMHC, 2024 CMHC Mortgage Consumer Survey Results; Bank of Canada, Housing demand in Canada: A novel approach to classifying mortgaged homebuyers; Statistics Canada, [Canadian Housing Survey](#).

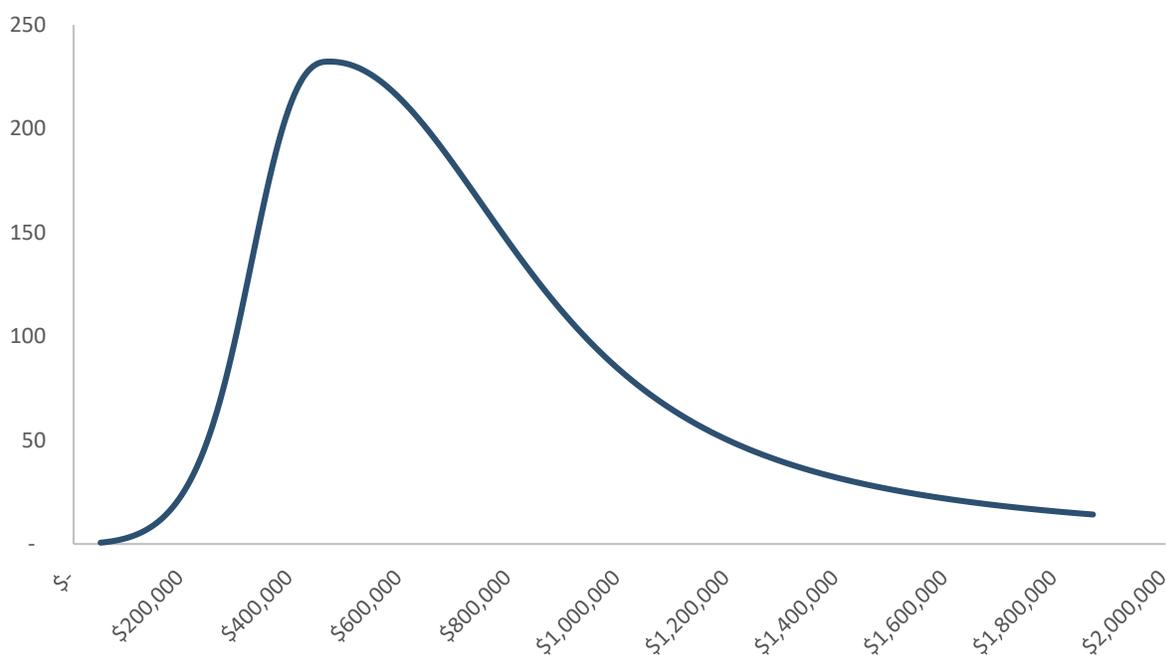
As noted above, unlike the current proposal, the election platform costing proposal costed in [EL-45-1034656-P](#) included individuals who have gone through the breakdown of a marriage or common-law partnership in the current year or the prior four years. The difference between our estimate for the current proposal and proposal [EL-45-1034656-P](#) is due to the exclusion of this group and the difference in effective date.<sup>9</sup>

## Step 5: Applying Rebate Rates to Determine Costs

We produced an estimated distribution of the number of houses and apartments sold by price range combining the projected number of homeownership/condo completions, the projected distribution of the value of new homes, the discount needed to match actual tax data, the share of houses and apartments purchased by first time buyers, and the relative value of houses and apartments purchased by eligible first-time home buyers.

**Figure 11**

Estimated Houses and Apartments Purchased by First-Time Homebuyers by Value Range for 2025



Source:  
Office of the Parliamentary Budget Officer.

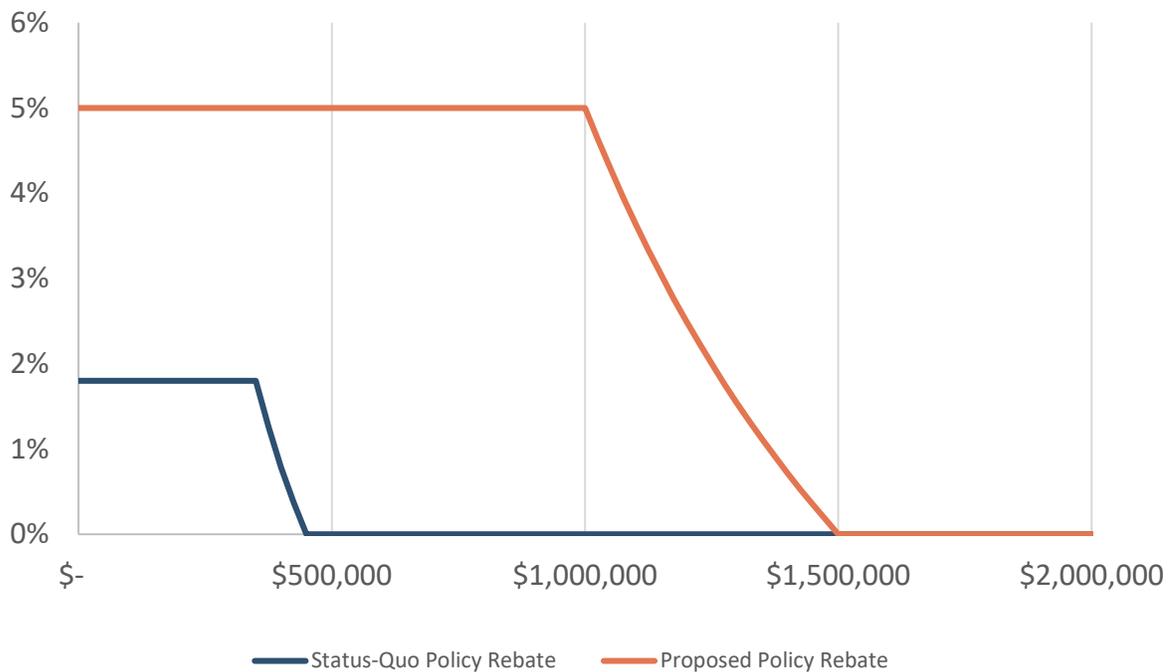
Note:  
This figure presents the number of units in narrow price ranges.

Home buyers up to the \$1 million price threshold are assumed to receive a rebate equal to 5% of the purchase price of their home up to a maximum of \$50,000. The maximum rebate amount is phased-out linearly between \$1 million and \$1.5 million. The

incremental cost of the policy represents this new rebate less the existing rebate for new housing where applicable.

### Figure 12

#### Rebate of Federal Sales Taxes as Share of Home Value, by Policy and Home Value



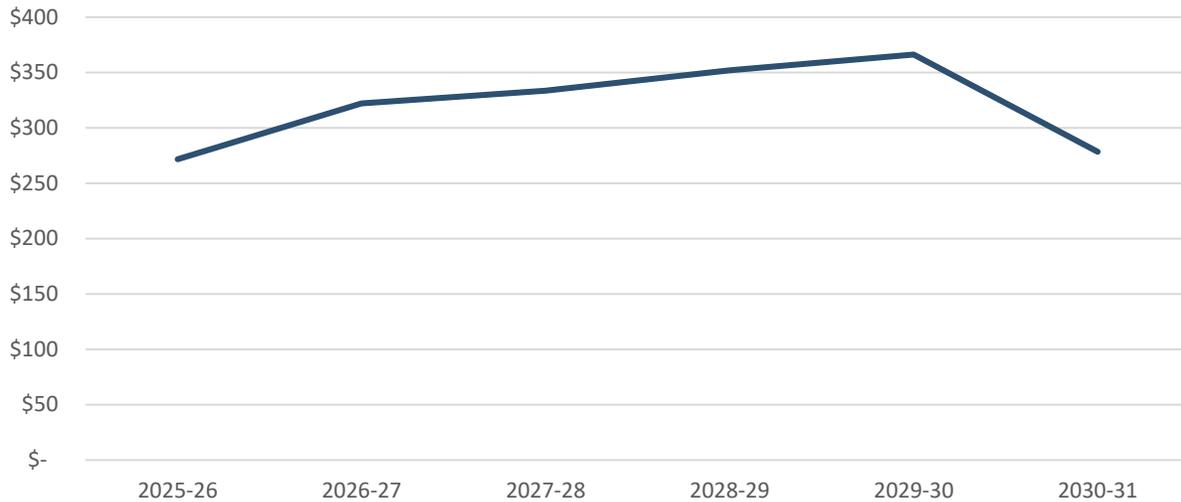
Source:  
Office of the Parliamentary Budget Officer.

Applying the above rebate rates to the above distribution of houses and apartments by price range produces our estimate of incremental sales tax rebates by calendar year, which are blended to produce estimates for each fiscal year. Unlike the election platform costing proposal costed in [EL-45-1034656-P](#), the current proposal is effective for purchases after 26 May 2025 and before 2031, reducing the expected number of eligible home purchases and associated costs in both 2025-26 and 2030-31.

In total, the new rebate is expected to cost \$1.9 billion across the six-year projection period.

### Figure 13

#### Estimated Incremental Cost of Proposed Increase to the GST/HST New Housing Rebate by Fiscal Year



Source:  
Office of the Parliamentary Budget Officer.

Across its term, we project that the proposed rebate will provide rebates for about 71,711 purchases of new homes by first-time homebuyers purchasing homes valued under \$1.5 million. This represents a subsidy averaging \$26,832 for 4.8% of housing completions over this period.

**Table 2**  
New Home Purchases by Eligibility Step

Year	2025	2026	2027	2028	2029	2030	Total
<b>Projected houses and apartments completed</b>	236,466	237,324	241,761	248,638	256,397	261,820	1,482,406
<b>Of which: intended for the ownership, condo, and co-op markets</b>	142,174	137,956	136,413	137,943	140,146	141,252	835,884
<b>Of which: Purchased as primary residences by citizens and permanent residents</b>	69,388	67,329	66,576	67,323	68,397	68,935	407,948
<b>Of which: Purchased by first-time buyers</b>	13,802	13,393	13,243	13,391	13,605	13,712	81,146
<b>Of which: Valued under \$1.5M</b>	13,301	12,903	12,711	12,756	12,806	12,776	77,253
<b>Of which: Purchased after effective date</b>	7,759	12,903	12,711	12,756	12,806	12,776	71,711
<b>Share of completions subsidized</b>	3.3%	5.4%	5.3%	5.1%	5.0%	4.9%	4.8%

Source:

Office of the Parliamentary Budget Officer.

Note:

The number of units “purchased as primary residences” reflects the discounting required to arrive at actual rebate claim volumes. While this difference is primarily attributable to the purchase of units for purposes other than primary residences, this may not be the only contributing factor.

# Notes

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<sup>1</sup> *Excise Tax Act*, s 254(1); Finance Canada [2024 Report on Tax Expenditures](#).

<sup>2</sup> Throughout this report, the rebate data includes both homes purchased from a builder and owner-occupied homes. The data also includes rebate claims arising from substantial renovations and additions.

<sup>3</sup> CMHC's count of units completed by price range only includes priced units in CMAs/CAs with populations of 50,000 or more. Unpriced houses and apartments are usually owner-built structures and were assumed to have the same value distribution as other houses and apartments of the same dwelling type in the same CMA/CA in the same year.

While counts of completions by intended market are historically available for population centres of 10K+, intended market for population centres below that price threshold had to be estimated based on the share of houses and apartments which are rentals in population centres with populations between 10K and 50K.

The value distribution for houses and apartments outside of major CMAs for 2021 reflects a 2021 Census custom tabulation of the distribution of owner-estimated home values for recently constructed homes in those areas. The value distribution for other years assumes a similar transformation over time to properties in CMAs/CAs with populations 50K+ but excluding the largest 17 CMAs.

<sup>4</sup> Finance Canada, [Notice of Ways and Means Motion to introduce a bill respecting certain affordability measures for Canadians and another measure](#) (2025).

<sup>5</sup> For the rest of Canada, a distribution was only available for 2021, so we assumed the same relationship exists with respect to the parameters for that distribution and the parameters for other CMAs/CA with populations of 50K+.

<sup>6</sup> As noted earlier, determining the exact number of Homeownership/Condo houses and apartments valued under \$450K sold each year requires some imputation for unpriced houses and apartments and houses and apartments outside of CMA/CA's with populations over 50K. Unpriced houses and apartments were assumed to have the same value distribution as other houses and apartments of the same dwelling type in the same CMA/CA in the same year. The value distribution for houses and apartments

outside of major CMAs for 2021 reflects a 2021 Census custom tabulation of the distribution of owner-estimated home values for recently constructed homes in those areas. The value distribution for other years assumes a similar transformation over time to properties in CMAs/CAs with populations 50K+ but excluding the largest 17 CMAs. While counts of completions by intended market are historically available for population centres of 10K+, intended market for population centres below that price threshold had to be estimated based on the share of houses and apartments which are rentals in population centres with populations 10K to 50K.

<sup>7</sup> These applications are required for all rebate claims and this data is updated to reflect any changes after initial filing, such as the results of audits. It includes applications submitted by both buyers and builders who paid/credited buyers, and for builders it includes both separate rebate applications and those submitted through the builder's GST34 return. However, where an amount is claimed on the builder's GST34 return but not supported by the required documentation, it would be omitted from our data. GST34 return data are not necessarily more reliable. For example, GST34 return data may not be updated if a new housing rebate application was submitted in support of a builder's GST34 return but ultimately rejected due to ineligibility, requiring a repayment.

<sup>8</sup> Canadian Housing Statistics Program, [Variables: First-time home buyer status of person](#).

<sup>9</sup> Unfortunately, there is no solid data regarding home purchases by individuals who have recently experienced a relationship breakdown. Using the General Social Survey – Family (GSS) and a collection of assumptions, we estimate that these households account for about 25,000 annual home purchasers, representing about 3% of all homebuyers and the same share of new home purchases, but the strong assumptions required to arrive at that figure leave significant uncertainty.

Based on the GSS - Family, about 950,000 individuals had a relationship breakdown within the last five years and currently own their home. Based on general homeownership rates, we assume that 75% previously owned a home, 60% did not remain in that home following a relationship breakdown, 30% moved into a home owned by their new partner, and 20% of those are purchasing a home in a given year. The resulting annual purchases was expressed relative to total real estate transactions, as estimated based on CMHC absorption plus MLS® sales. We assume this group has the same propensity to purchase new homes as all other home buyers.

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