



Unlocking Private Capital to Accelerate Rental Housing Supply in Canada

Pre-Budget Submission to the Department of Finance Canada

September 2026

RECOMMENDATIONS

The Government of Canada should:

- 1. Reintroduce the Multi-Unit Residential Building (MURB) tax incentive for purpose-built rental housing that enhances capital cost allowances and supports investment in new supply.**
- 2. Establish a clear and stable tax framework for purpose-built rental housing, reduce structural cost burdens that undermine project feasibility, and ensure tax policy provides the long-term certainty needed to support sustained investment.**
- 3. Amend section 44 of the Income Tax Act to remove the rental-property exclusion for qualifying purpose-built rental housing and permit the deferral of capital gains where proceeds are reinvested in a qualifying replacement rental property within the existing section 44 time limits. The deferred tax would remain payable at terminal sale or deemed disposition, preserving final tax collection while improving liquidity and private-sector reinvestment in rental housing.**
- 4. Streamline application and approval processes for Canada Mortgage and Housing Corporation (CMHC) programs to reduce timelines and align with construction schedules. The Government should further ensure enhanced coordination among CMHC programs and establish regular, structured engagement with industry stakeholders.**

Executive Summary

Canada is experiencing a sustained and structural shortage of purpose-built rental housing. This shortage is contributing to rising rents, reduced affordability, labour market constraints, and broader economic inefficiencies.

While governments at all levels have introduced important housing initiatives in recent years, current federal policy tools are insufficient to mobilize the scale of private capital needed to meaningfully close the supply gap. The delivery of rental housing at scale depends on aligning federal tax policy, financing programs, and regulatory frameworks with the economic realities of development.

The National Apartment Council (the Council), representing Canada's leading purpose-built rental housing developers, owners, and operators, recommends a focused set of policy measures designed to unlock investment, improve project feasibility, and accelerate housing delivery.

The Council recommends four priority actions:

1. Modernize and relaunch a Multi-Unit Residential Building (MURB) style tax incentive.
2. Restore tax competitiveness and policy certainty.
3. Extend the existing section 44 replacement-property rollover to qualifying purpose-built rental housing.
4. Strengthen and streamline Canada Mortgage and Housing Corporation (CMHC) programs.

These measures are complementary and mutually reinforcing. Together, they would enable the private sector to deliver the scale of rental housing supply required to improve affordability and support Canada's long-term economic growth.

About the National Apartment Council

The National Apartment Council (the Council) is a national advocacy organization representing Canada's leading purpose-built rental housing developers, owners, and operators. Its membership includes many of the country's largest privately owned rental housing providers, with portfolios spanning Alberta, British Columbia, Manitoba, Ontario, and Quebec.

Private Canadian developers build approximately 90 per cent of rental apartment buildings in Canada. The Council represents organizations directly responsible for financing, developing, and operating a significant share of Canada's purpose-built rental housing. Its members are actively engaged in projects across the country and bring practical, implementation-focused expertise to housing policy discussions.

The Council's mission is to be the voice of Canadian private apartment developers and to promote thriving rental housing communities for all. We are focused on providing a national platform for private apartment developers to inform federal policy, contribute expert insight, and advance solutions that support the delivery of new rental housing across Canada.

The Council works collaboratively with federal decision-makers to:

- Support policy reforms that increase rental housing supply.
- Identify structural barriers that limit development and investment.
- Ensure federal programs and tax policy align with market realities.
- Contribute to policy outcomes that enable housing delivery at scale.

The Council's mandate is grounded in a simple objective: to ensure that federal housing policy enables the private sector to deliver rental housing at the scale and speed Canadians require.

Canada's Housing Challenge: A Structural Supply Gap

A structural supply imbalance fundamentally drives Canada's housing affordability challenges. Demand for rental housing continues to grow due to population growth, immigration, urbanization, and shifting household preferences. However, new supply has not kept pace.

Purpose-built rental housing plays a critical role in meeting this demand. Unlike other forms of housing, it provides long-term, professionally managed rental options that support labour mobility, economic participation, and community stability.

Despite this, multiple structural barriers continue to limit rental housing development:

- High construction and financing costs.
- Elevated interest rates and tighter lending conditions.
- Uncertainty in tax policy and treatment.
- Complexity and unpredictability in federal programs.
- Tax lock-in created by the exclusion of rental property from section 44 replacement-property rollover treatment, limiting the recycling of equity into redevelopment, upgrades and additional rental supply.

These factors collectively reduce project feasibility and delay or prevent developments from proceeding.

The result is a persistent gap between housing demand and supply. Without targeted federal action, this gap will continue to widen, placing increasing pressure on affordability, economic productivity, and social outcomes.

Recommendations

1. Modernize and Relaunch a MURB-Style Program

Canada has a proven track record of using tax policy to stimulate the supply of rental housing. The Multi-Unit Residential Building (MURB) program, introduced in 1974, was a federal tax incentive designed to attract private investment into rental housing during a period of severe shortage.

By improving after-tax returns through accelerated depreciation and related deductions, MURB successfully mobilized private capital into rental development at scale. Between 1974 and 1981, the program contributed to the creation of nearly 200,000 purpose-built rental units—one of the most significant expansions of rental supply in Canadian history.

Importantly, MURB was most effective when paired with complementary programs such as the Assisted Rental Program, demonstrating the value of coordinated policy design.

Today, Canada faces a similar supply challenge but lacks an equivalent tool to incentivize private investment at scale. We were pleased to see a commitment in the Liberal Party's 2025 campaign platform to reintroduce MURB to spur the construction of rental housing units, as it did in the 1970s.

A modernized MURB framework—updated to reflect current tax structures and market conditions—should be reintroduced as a central pillar of federal housing policy.

Recommendation:

Reintroduce the MURB tax incentive for purpose-built rental housing that enhances capital cost allowances and supports investment in new supply.

2. Restore Tax Competitiveness and Policy Certainty

Purpose-built rental housing is a long-term asset class that depends on stable and predictable policy conditions.

Uncertainty in tax treatment, particularly regarding GST/HST, and broader shifts in tax policy can materially affect project feasibility and investment decisions. Under subsection 191(3) of the Excise Tax Act, a builder of a new rental apartment complex is generally deemed to have sold and repurchased the property under the self-supply rules. The self-supply generally occurs on the later of substantial completion and the date possession or use of the first unit is given under a residential lease. The builder must account for GST/HST based on the fair market value of the residential complex, including the building and associated land, at that time. Eligible projects may qualify for a rebate of 100 per cent of the GST or federal portion of the HST under the purpose-built rental housing rebate, with provincial relief subject to applicable provincial rules. Clear and consistent Canada Revenue Agency guidance on valuation and rebate eligibility is important to project planning and investment certainty.

In a high-cost environment where margins are already constrained, even small changes in tax treatment can determine whether a project proceeds.

A more competitive and predictable tax framework is essential to attracting the long-term capital required for rental housing development. Federal action should focus on providing clear and stable tax treatment for purpose-built rental housing; reducing structural cost burdens that undermine project feasibility; and ensuring tax policy supports long-term investment and development certainty.

Recommendation:

Establish a clear and stable tax framework for purpose-built rental housing, reduce structural cost burdens that undermine project feasibility, and ensure tax policy provides the long-term certainty needed to support sustained investment.

3. Extend the Section 44 Capital Gains Rollover to Purpose-Built Rental Housing

Canada already provides replacement-property rollover treatment under section 44 of the Income Tax Act, but rental property is excluded from this treatment on voluntary sales. This exclusion creates a tax friction when an owner seeks to sell an existing rental property and reinvest the proceeds in another purpose-built rental asset.

By triggering capital-gains tax at the point of sale, the current rules reduce the equity available for reinvestment and encourage some owners to retain properties longer than would otherwise be economically efficient. This “lock-in” effect limits transaction activity and prevents capital from moving to sites and properties where it could support redevelopment, intensification, upgrades and additional rental supply.

The National Apartment Council recommends a narrow amendment to section 44 that would remove the rental-property exclusion for qualifying purpose-built rental housing. An owner that sells a qualifying rental property and reinvests the proceeds in a qualifying replacement rental property within the existing section 44 time limits would be permitted to defer the capital gain.

This would be a deferral, not tax forgiveness. The tax would remain payable when the replacement property is ultimately sold without a further qualifying rollover or upon a deemed disposition. Using the existing Canadian replacement-property timetable would also avoid importing the more complicated U.S. 45-day property-identification requirement.

The U.S. experience under Section 1031 demonstrates that rollover treatment can improve liquidity and increase the amount of equity reinvested in multifamily housing. According to research by Ling and Petrova, approximately 22 per cent of apartment transactions brokered by Marcus & Millichap between 2017 and 2019 involved a Section 1031 buyer. At the same time, only 12 per cent of exchange-acquired properties were subsequently sold through another exchange, indicating that deferral chains are generally limited and ultimately end in a taxable disposition.

Exchange buyers also invested more equity in their replacement properties. Added capital averaged approximately 18 per cent of property value. Applying this observed differential to C\$12.4 billion in Canadian apartment transaction volume in 2025 suggests that a Canadian rollover could mobilize approximately C\$2.2 billion in additional private capital annually. This estimate does not include any additional transactions that could be unlocked by reducing the existing tax lock-in or any resulting multiplier effects.

Extending section 44 would improve tax neutrality by treating purpose-built rental housing more consistently with other qualifying properties, including hotels. It would reduce lock-in, strengthen transaction liquidity and allow owners to carry more equity into replacement properties. Rather than layering another program or credit onto the existing tax system, the proposal would correct a structural asymmetry through a focused change to rules already in place.

Recommendation:

Amend section 44 of the Income Tax Act to remove the rental-property exclusion for qualifying purpose-built rental housing and permit the deferral of capital gains where proceeds are reinvested in a qualifying replacement rental property within the existing section 44 time limits. The deferred tax would remain payable at terminal sale or deemed

disposition, preserving final tax collection while improving liquidity and private-sector reinvestment in rental housing.

4. Strengthen and Streamline CMHC Programs

CMHC programs are essential to the feasibility of purpose-built rental development, particularly in the current economic environment characterized by high costs and elevated interest rates.

Programs such as MLI Select and the Apartment Construction Loan Program play a critical role by improving financing conditions, extending amortization periods, and supporting long-term project viability.

However, program complexity and administrative requirements can create barriers to timely project delivery.

Key challenges include:

- Lengthy and unpredictable approval timelines.
- Complex documentation and underwriting processes.
- Additional requirements such as bonding and compliance conditions.
- Lack of differentiation for experienced developers with strong track records.

At the same time, strong demand for these programs strains administrative capacity, further contributing to delays.

Improving the efficiency, predictability, and coordination of CMHC programs is essential to maintaining development pipelines and accelerating housing delivery.

Recommendation:

Streamline application and approval processes for CMHC programs to reduce timelines and align with construction schedules. The Government should further ensure enhanced coordination among CMHC programs and establish regular, structured engagement with industry stakeholders.

Why Action Is Needed Now

Housing is a foundational component of Canada's economic and social infrastructure. A well-functioning rental housing sector supports labour mobility and workforce participation, economic growth and productivity, affordability and cost-of-living stability, and inclusive and sustainable communities.

Conversely, housing shortages impose high economic costs. They constrain labour markets, increase household financial stress, and reduce overall economic efficiency.

Canada is at a critical juncture. Without decisive action, the current supply gap will continue to widen, and affordability challenges will intensify.

The federal government has an opportunity to implement targeted, high-impact reforms that leverage private sector capacity. By aligning policy with market realities, Canada can accelerate housing delivery and restore balance to the housing system.

Conclusion

The Council urges the federal government to adopt a coordinated, implementation-focused approach to rental housing policy.

The recommendations outlined in this submission are practical, evidence-based, and designed to unlock private sector investment at scale. Extending section 44 to qualifying purpose-built rental housing would be a narrow structural reform that unlocks capital already invested in the sector, preserves final tax collection and supports the movement of private equity toward more productive rental properties and development opportunities. These recommendations reflect the real-world conditions faced by developers and the structural changes required to increase housing supply.

National Apartment Council is seeking to establish ongoing, structured engagement with the federal government, including key departments and agencies such as CMHC and Build Canada Homes, to collaborate on shared priorities.

Through this engagement, the Council can support the federal government in:

- Aligning policy with development realities.
- Advancing targeted reforms that unlock supply.
- Providing long-term certainty for sustained investment.

A coordinated and collaborative approach between government and industry will be essential to delivering the housing Canadians need.