
SUBJECT

RIISING COSTS IMPACTS ON HOUSING PROJECTS

ISSUE

What is the impact of rising inflation on the viability of NHS projects?

RESPONSE

- **Mr. Speaker, unprecedented increases in project costs due to rising inflation, interest rates, labour shortages and supply chain disruptions have put pressure on National Housing Strategy (NHS) project viability.**
- **End of program target achievement is also a challenge based on the current pace of business and economic conditions.**
- **Higher construction costs, combined with an overall changing housing landscape from when NHS programs were launched, may impact originally anticipated outcomes.**
- **Many projects require increased equity, prompting clients to request higher contribution amounts resulting in project delays as providers defer projects.**
- **Many issues are magnified in rural, remote, and northern parts of Canada where there are smaller projects, and access to materials, contractors and labour is limited or requires high freight costs.**
- **Borrower cash requirements may also be a barrier to a more robust take-up of rental construction as costs and interest rates put more stress on the viability of projects and Return on Investment.**
- **The changing economic environment has also negatively affected industry interest in purpose-built rental development.**
- **CMHC expects to continue to observe an increase in requests for additional funding or re-assessment due to cost escalations.**
- **CMHC is monitoring medium and long-term trends to plan for and mitigate impacts to NHS projects and their targets.**