2025 Update to Two Million Green Homes

Build Fast, Build Better

GEO Park, Kingston, ON. Render courtesy of Lemay.

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About CAGBC

The Canada Green Building Council® (CAGBC) provides the products and services the building sector needs to construct and manage buildings that are easier on resources, healthier for people, and more cost-effective. We work with the sector to influence standards, develop best practices, and educate the market on the benefits of green buildings.

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Introduction

Canada's Housing Plan states that "Canada needs to build more homes, faster." **The Canada Green Building Council (CAGBC) would add that "Canada needs to build more homes, faster – and better."**

Since publishing its November 2024 paper, *Two Million Green Homes: Ensuring Canada's Needed New Housing Is Affordable, Attainable, and Sustainable*, the media and political focus on housing supply and cost has persisted. Today, housing remains a pressing concern for Canada's government, communities, and building sector.

In the first half of 2025, Canada saw some progress around housing supply, yet challenges remain. As a result, CAGBC is updating its assessment of critical challenges, opportunities, and the actions it plans to take to support industry's ability to build the homes Canadians need and deserve.

In its report, CAGBC identified three critical focus areas for advancing sustainable housing: technology, policy, and financing. In this update, CAGBC revisits these areas and how as an industry-centric organization, it will contribute actions that advance better-quality housing.

During this update, and as Canada's government invests billions to increase housing supply, a new theme emerged that impacts each focus area. What came across was the pressing need for governments and industry to consider the challenges and risks inherent in only building to code – and missing the opportunities that only come from sustainable, quality housing. **CAGBC and its partners will explore how to help public and private stakeholders shift to a sustainable housing development approach for Canada to address this critical insight.** Given the continued rise in rental housing starts, this is where CAGBC's efforts will be placed.

What is "sustainable" housing?

Sustainable homes are green buildings – designed, constructed, and operated to minimize environmental impact and enhance the well-being of the people living there. There are four essential components of sustainable rental housing. It must:

- Minimize operational emissions
- Support occupant health and well-being (i.e., through improved ventilation and air quality, and quality materials)
- Support resilience from the impacts of extreme weather and climate change
- Ensure energy and water efficiency, which go hand-in-hand with affordability

What is at stake?

With a new federal government, Canada will advance multiple new investments to support sustainable and affordable housing. While final investments are still being determined, the Liberal platform provides an outline of likely investments and approaches, including:

- $25 billion for prefabricated homebuilding
- $6 billion for Build Canada Homes, which builds on the Rapid Housing Initiative
- $10 billion in financing for affordable housing
- The MURB tax incentive
- Plans to cut municipal development charges
- A priority focus on sustainable materials

Most of these investments provide an opportunity to incorporate sustainability commitments to support the four components of sustainable rental housing. All levels of government can play a role in encouraging new sustainable housing. For example, Canada will advance a new building code in 2025, and provinces will have the flexibility to determine which "tier" they will adopt. At the municipal level, many local green standards may apply as projects are initiated through federal investments.

Importantly, the federal government should consult with industry to ensure that it leverages best practices and turn-key technologies as it seeks to advance its investments in housing and ensure there is a system for verification. Failing to do so risks wasting investments on low-quality housing and missing the opportunity to create quality, sustainable homes.

Photo credit: ArtistGNDphotography.

Focus areas

Below, CAGBC outlines critical updates to the context of its work on housing. These updates stem from conversations with industry regarding the barriers and opportunities to sustainable rental housing. The actions CAGBC will take are listed in the subsequent table.

Technology, energy, and workforce:

- Industry must consolidate and share knowledge on verifying sustainability with policymakers – so that new federal sustainability investments can have a tangible impact on tenants' well-being.
- Access to data on whole-building energy use through utility bills is a persistent obstacle that prevents owners from understanding how to improve efficiency and cut costs and can be addressed through greater transparency from utilities.
- To reduce carbon emissions, owners need more access to clean electricity.
- Continued investment in the building workforce is critical. Industry-driven solutions such as CAGBC's Low Carbon Training Program, and Zero Carbon Building Micro-Credential, help industry build knowledge of sustainable housing.

Policy:

- Policymakers are focusing attention on gentle density and the role of small and mid-sized multi-unit buildings in increasing the housing supply. These additional housing types – including Part 9 buildings, also need support to ensure they are built sustainably.
- Developers, construction companies, and investors/owners frequently cite the number of green building standards as an obstacle to scaling up housing, as municipalities have different standards. This variability can make planning and leveraging best practices across regions challenging and demonstrates the need for consistent approaches to policy.

Financing:

- Although financing mechanisms are available, the most frequent obstacles cited by developers are around "making the math work" across bank and government financing, expected rents, development charges, and up-front costs for energy efficiency and sustainability solutions. Understanding how owners address the business case for sustainable housing now and improving understanding of the challenge among financial institutions and policymakers will support the development of financing tools.

Building our way forward

To address barriers and to seize the opportunities presented by new government investment in housing, CAGBC will focus on the following areas of work. Information on what's working, challenges, and CAGBC actions are presented as an update to *Two Million Green Homes*. *Information on "What's Working" and "Challenges" are carried over from the original Two Million Green Homes report, with updates on 2025 Work Advanced by CAGBC and 2025-26 Priorities for CAGBC.*
↗ *indicates an additional line added to the table.*

	What's Working	Challenges	2025 Work Advanced by CAGBC	2025-2026 Priorities for CAGBC
Cross-cutting	Industry leadership, and some jurisdictions, have demonstrated the impact and potential of sustainable rental housing. ↗	Building only to code, for the lowest cost, creates risks: housing will not provide affordable energy bills, lack resilience to extreme weather, and be less desirable if unable to fulfill the promise of healthy, affordable places to live.	To advance a sustainable housing development approach for Canada, CAGBC has/is: Developed the *Two Million Green Homes* whitepaper Partnered with REALPAC for advocacy on decarbonization priorities, including energy & data, workforce, and financing. Engaged industry on sustainability best practices, tools and resources. Engaged policymakers on the positive impact of sustainable housing.	Continue efforts to **shift to a sustainable housing development approach** for Canada through industry collaboration, innovation, and research and development. Advance and expand **partnerships** across industry and further engage policymakers to ensure that industry knowledge contributes to tangible sustainable outcomes for Canada's rental housing supply.
Technology, Energy and Workforce	**Proven solutions** like heat pumps, improved building envelopes, and demand-side management systems are readily available. Water efficiency measures and solar photovoltaics show strong results. Prefabrication, modular building, and "designed for resilience" are gaining traction.	Many developers remain reluctant to adopt new technologies due to inertia, ease and cost of using natural gas technologies. Limited investment in capacity building and skills development hampers the broader adoption of sustainable solutions.	Expanded training and capacity-building programs to ensure more workers have skills to use sustainable technologies Launched the Zero Carbon Building Micro-Credential to support understanding of sustainable energy tech across asset classes. Developed and executed the Low Carbon Training Program, training building industry professionals on low carbon concepts.	Continue to **develop training resources**, specifically addressing the skills for sustainable housing construction and retrofits.

	What's Working	Challenges	2025 Work Advanced by CAGBC	2025-2026 Priorities for CAGBC
Technology, Energy and Workforce	**Government investment** in affordable housing will support greater housing supply, with opportunities to incorporate sustainable technologies and processes. ↗	Without clear guidance from industry on best practices, government investments risk failing to address key requirements for quality, sustainable housing.	Used industry engagement to consolidate and prioritize technology solutions and understand challenges/ opportunities for scaling sustainable housing Held two housing forums to understand industry barriers and opportunities to advancing sustainable housing at scale.	Advance **industry knowledge for policymakers** through roundtable discussions with technology providers and experts on turnkey technology solutions, as well as sharing methods for validating energy and emissions savings.
	A growing number of tools (ENERGYSTAR, building automation systems) support **energy efficiency**. Options for **clean energy** are available. ↗	The grid varies across regions and not all housing can access clean energy. Building owners lack access to whole-building data on energy usage to make decisions that will enable efficiency.	Launched the Building Efficiency Technology Accelerator (BETA) to advance industry collaboration on sustainable technologies. Engaged policymakers and advocated for owners' access to energy data to enable decision-making around energy efficiency.	**Support recommendations on infrastructure for energy transitions** in CAGBC and REALPAC's decarbonization report, including growing capacity and conservation, and providing choices for electricity procurement. Continue BETA and advocacy to support improved access to clean energy.
Policy	**Programs** such as CMHC's MLI Select and Apartment Construction Loan support sustainable PBR housing. **Regulations** such as BC's Zero Carbon Step Code create a level playing field and drive capacity building. **Voluntary advanced sustainable building standards** and systems drive innovation in the industry and provide proof of concept.	Federal program reliance on a "reference building" approach can constrain innovation. Some programs have deprioritized energy efficiency. Many developers incorrectly consider voluntary standards cost-prohibitive, do not understand the value of sustainability investments, and lack in-house capacity to build more sustainably.	Advanced a policy guide and engaging a range of policymakers on sustainability priorities and the importance of sustainability outcomes. Engaging with key government departments/ agencies including Housing, Infrastructure and Communities Canada; Canada Mortgage and Housing Corporation; Canada Lands Company, to ensure that housing policies prioritize sustainability.	**Continue to engage with key government** departments/agencies about the importance of sustainable housing and specific outcomes such as energy use intensity targets. **Raise awareness of the benefits of a consistent policy approach** to sustainable housing that leverages voluntary and credible third-party standards such as LEED, ZCB-Design and ZCB-Performance.

	What's Working	Challenges	2025 Work Advanced by CAGBC	2025-2026 Priorities for CAGBC
Policy	Many municipalities are permitting more small-scale multi-unit housing to **promote density** as they seek to scale up housing. ↗	There is a risk of more low- and mid-rise multi-unit buildings failing to incorporate energy efficiency and/or broader sustainability measures.	Scoped and engaged in industry consultations to launch the ZCB-Design v4 – Part 9 Pilot to support emissions reductions in small and mid-sized multi-unit housing.	**Certify small and mid-sized multi-unit housing** for ZCB–Design and share case studies to support industry knowledge and capacity building.
Financing	Growing investor interest in **Environmental, Social, and Governance (ESG)** criteria supports investment in sustainable housing. New International Valuation Standards are considering ESG factors, with potentially positive impacts on valuations in the future. **Private and public funding and financing** models are beginning to emerge.	Traditional real estate financing models overlook the value of energy and sustainability measures. Private sector examples of innovative financing mechanisms for sustainable housing remain scarce.	Launched a Sustainable Finance Accelerator to consolidate industry best practices and identify critical challenges and opportunities to advance sustainable finance, especially for sustainable buildings.	Work with financial institutions to convey the risk mitigation and value offered by sustainable buildings. Continue to advance the Sustainable Finance Accelerator and **engage with financial institutions** about risk mitigation and the value of sustainable buildings, including housing.
	Leading developers and owners have been able to develop a **business case** to build sustainable rental housing. ↗	Addressing the business case remains the most frequently cited challenge to scaling up sustainable housing.	Developing case studies and information on financing green building, including for purpose-built rental.	**Advance clear research on the business case** for sustainable housing that consolidates information from market and non-market rental owners on actual business case development, addressing construction costs, up-front premiums for sustainability, as well as planned returns, rents, and incentives – and share with financial institutions and policymakers to improve awareness of industry needs for scaling housing.

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