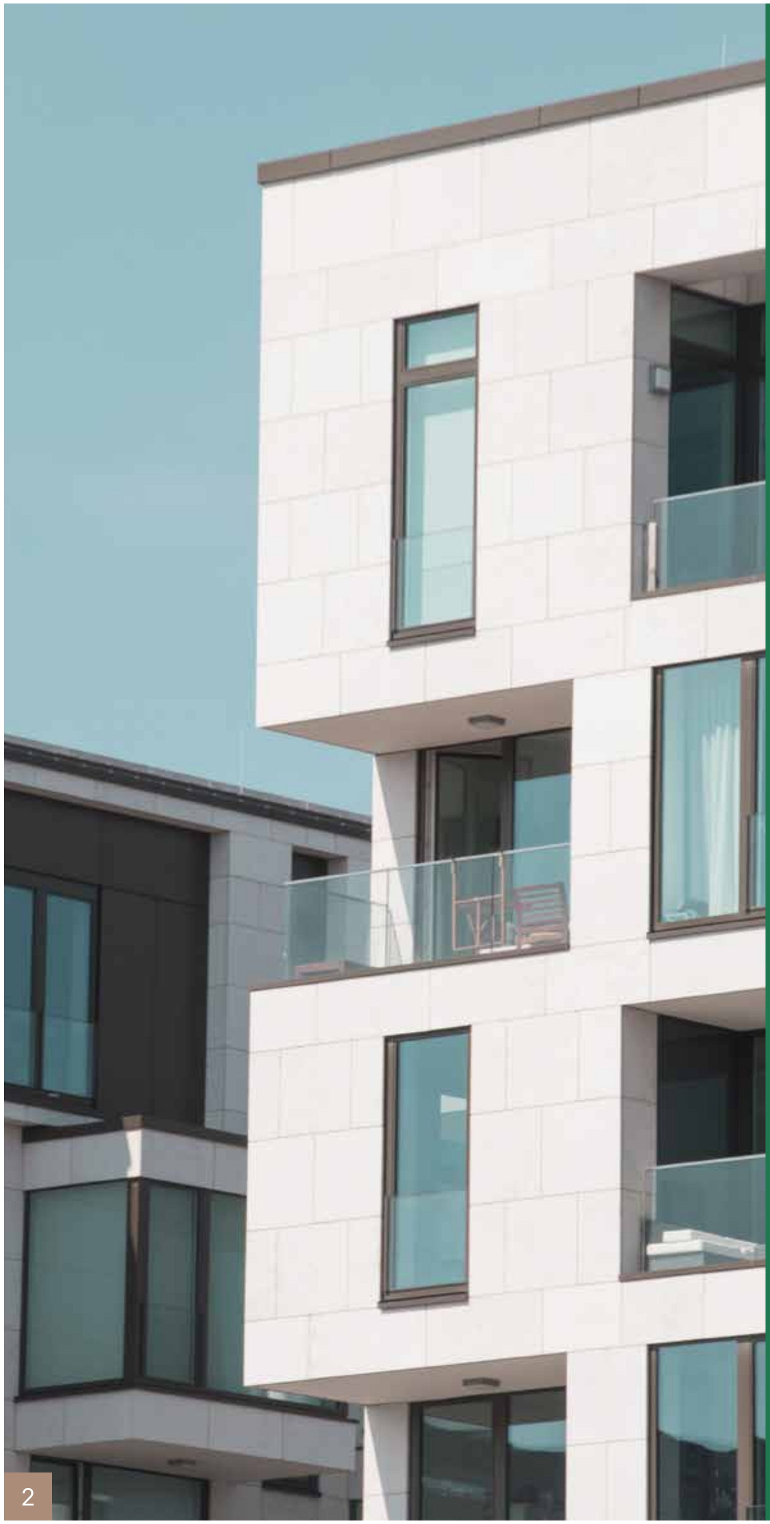
A CAGBC POLICY BRIEF ↗ AUGUST 2026

Building Better Value

How Build Canada Homes Can Drive Long-Term Housing Performance

CAGBC Canada Green Building Council



01. INTRODUCTION

Building Better Homes, Not Just More Homes

Build Canada Homes aims to unlock millions of new homes that will be accessible to a diverse range of incomes and life stages, and at a pace and scale commensurate with this moment.

But it is not enough to simply deliver units to the market. The new homes must not only put a roof overhead but also do right by the Canadians who will live in them for decades to come. They must be better-performing homes that support improved outcomes for quality, resilience, public health, and comfort.

Housing affordability does not begin and end with the monthly rent or mortgage payment. Energy bills, maintenance and retrofit costs, indoor environmental quality, and durability all influence what a home truly costs over its lifetime. Better-performing homes reduce those costs and improve affordability for Canadians while protecting public investment.

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01. INTRODUCTION

Many of the features that deliver this long-term value require a modest additional investment early in the development process. In practice, the incremental cost is often small relative to other housing-cost drivers, including lengthy approval processes, government fees and charges, and the financing penalties associated with project delays.

The government chartered Build Canada Homes to finance, build, and industrialize housing delivery. The first of those three priorities, financing, provides a means to incentivize better-performing quality homes by supporting investments that improve long-term affordability.

This brief recommends how Build Canada Homes can use its financing tools to plan better, build better, verify, and reward performance.

Key Recommendations

These actions can be incorporated into Build Canada Homes' financing and reporting processes without creating undue administrative burden.

1. Plan Better

Fund early analysis.

Provide forgivable contributions or low-interest financing for energy modelling, climate analysis, commissioning, and other pre-development studies.

2. Build Better

Finance measures that lower lifetime costs.

Create financing that covers the incremental cost of high-performance envelopes, heat pumps, geothermal, district energy, and similar measures through recyclable financing rather than one-time grants.

3. Verify Performance

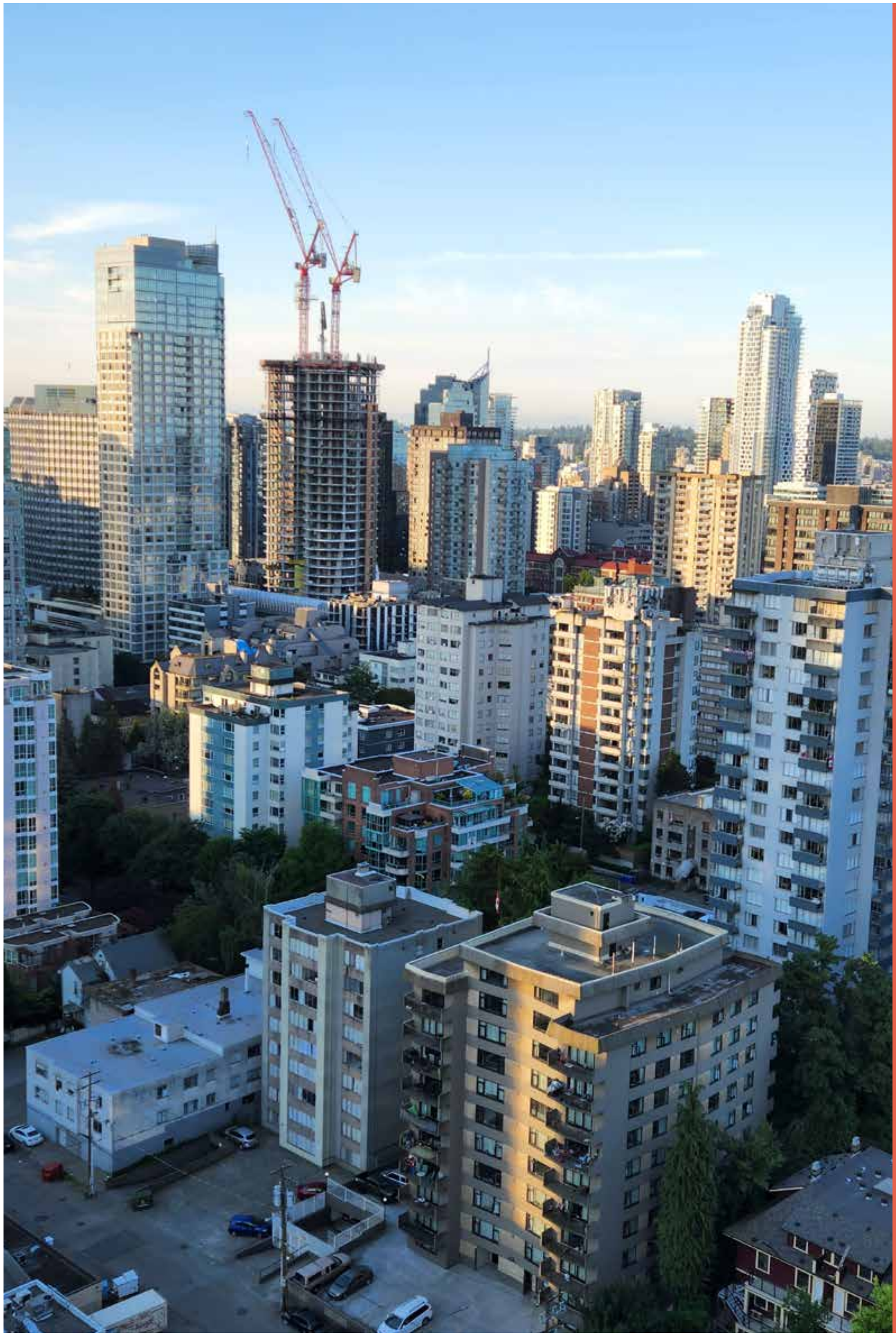
Measure outcomes after occupancy.

Establish a common post-occupancy verification framework using energy reporting, utility data, and standardized benchmarking.

4. Reward Performance

Use verified results to improve financing.

Develop an energy performance-backed financing product that uses verified outcomes to inform underwriting, improve financing terms, and enable federal funds to be reinvested in additional housing projects.



02. THE CHALLENGE

The Market Doesn't (Yet) Reward Long-Term Performance

Many of the features that improve a home's long-term affordability, resilience, health, and quality require a modest additional up-front investment. Although these investments often reduce operating costs and improve long-term value, conventional financing typically evaluates projects primarily on upfront capital costs rather than lifetime performance.

As a result, housing providers often have little financial incentive to invest in better-performing homes, even when those investments will benefit future occupants while reducing operating costs and protecting public investment.

Build Canada Homes can help address this gap by linking financing to measurable outcomes. It can incentivize projects to deliver lasting value — not simply the lowest initial cost — while maintaining the speed and scale of housing delivery that Canadians need.

03. THE OPPORTUNITY

Financing Can Change the Equation

Build Canada Homes' financing function provides an opportunity to encourage homes that cost less to operate, are more resilient to climate change, and provide healthier, more durable places to live.

Rather than treating better building performance as an added cost, Build Canada Homes can recognize it as an investment that improves long-term affordability. Financing that rewards measurable outcomes can help ensure that federal support delivers lasting value for homeowners, renters, taxpayers, and governments alike.

Affordable and mixed-income housing should be treated not as a recurring government expense, but as an investment vehicle: federal capital deployed as performance-linked instruments that preserve the public dollar, mobilize private co-investment, and compound delivery over time. A forthcoming companion report will provide further details on implementation and costing.

Why Performance Matters

Evidence from Canadian housing projects and federal programs shows that better building performance can improve affordability, protect public investment, and deliver measurable results.

Energy Costs Are Stretching Canadians

According to recent Abacus Data polling commissioned by CAGBC, more than a third of Canadians (38%) have had to make trade-offs between paying their energy bills and covering other essential household expenses.[1] Cost of living now dominates household decision-making, Abacus concludes, and energy bills have become a core affordability issue.

Housing Performance is Also a Public Health Issue

Numerous studies have established links between energy poverty, inadequate housing, and poorer physical and mental health. They also show that improving housing performance can support better public health.[2] Heatwaves also represent a growing risk. Health Canada guidance states that too much time spent inside in temperatures above 26°C could lead to heat related illness and even death, especially among those older than age 60.[3]

Better Performance Can Deliver Meaningful Savings

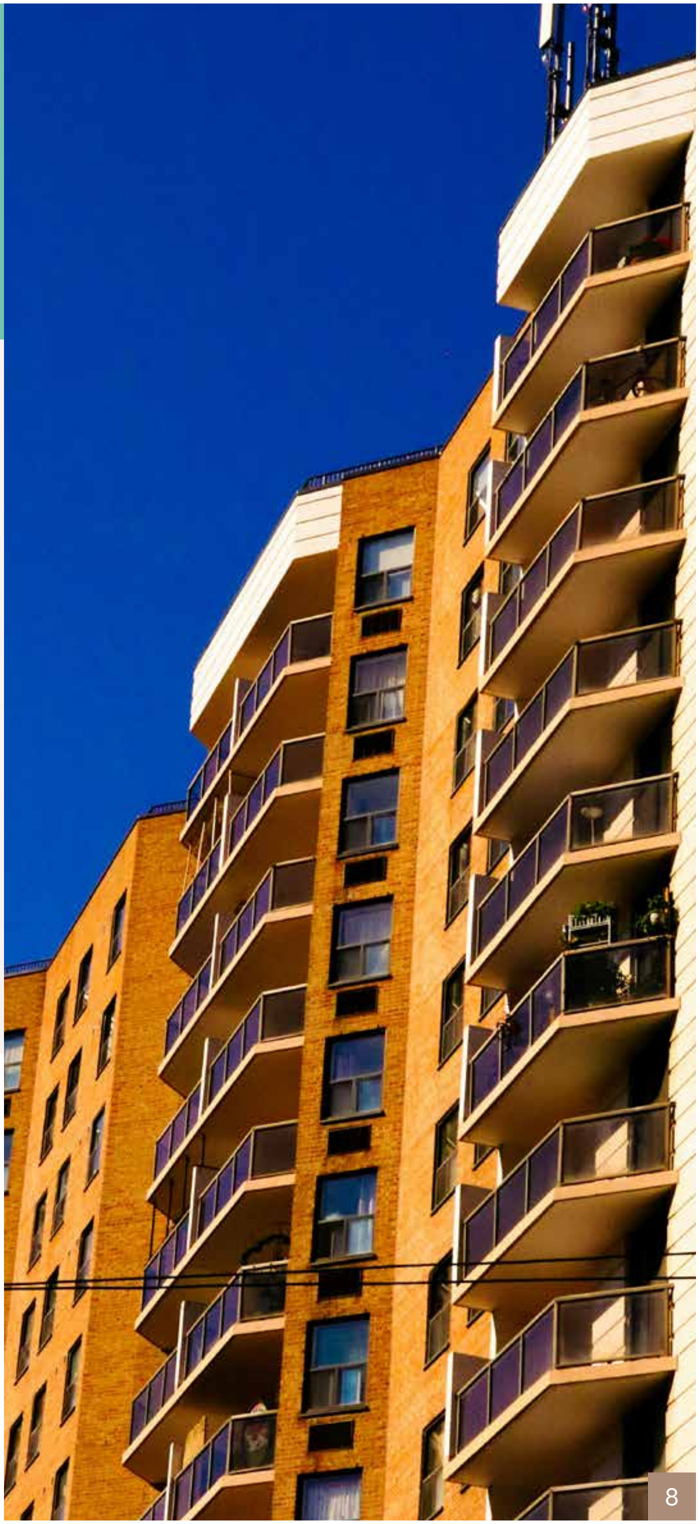
A recent CAGBC study of four green-certified multi-unit residential buildings identified operating savings of 17-37 percent relative to conventional buildings. Many projects demonstrated that sustainability measures can be achieved with upfront cost premiums as low as 1-3 percent when integrated early in the design and development process. [4]

Federal Housing Investments Are Already Delivering Results

A 2025 CMHC evaluation of 1,453 National Housing Strategy projects found that they committed, on average, to a 25.6 percent improvement in energy efficiency and a 33.6 percent reduction in greenhouse-gas emissions. [5] Across nearly 229,000 homes and shelter beds, CMHC estimated annual energy savings of approximately two million gigajoules.

Energy Efficiency is a "Made in Canada Resource"

Reducing the amount of energy needed for Canadian homes makes more of it available elsewhere (e.g., manufacturing and industry) while reducing our reliance on imports. The Montreal Action Plan flags the power of efficiency "to build longer-term economic competitiveness and resilience at the national and global level, improve people's lives by reducing energy bills, [and] increase energy security." [6] Similarly, the National Electricity Strategy references energy efficiency as a core asset.



Canadians Support Action on Housing Performance

Canadians already view energy efficiency and lower operating costs as important housing priorities. In the Abacus Data survey noted above, 54 percent of Canadians associate energy-efficient housing with lower utility bills, while 65 percent agree that living in an energy efficient building would improve their quality of life. An overwhelming majority of Canadians (91%) think Build Canada Homes should aim to build more energy efficient and resilient housing.

The recommendations that follow outline practical ways Build Canada Homes can use its financing tools to encourage better performance, verify outcomes, and reward projects that deliver measurable long-term value.

05. RECOMMENDATIONS

Affordable Homes Don't Begin and End at the Job Site

Build Canada Homes can improve the return of public investment by supporting high-performing housing at every stage of development.

1. Plan Better

Support better decisions before construction begins

Early analysis identifies the lowest-cost path to affordability, resilience, and building performance before expensive decisions are locked in.

- **Provide forgivable contributions or low-interest financing for energy modelling, climate analysis, commissioning, and other pre-development studies.**

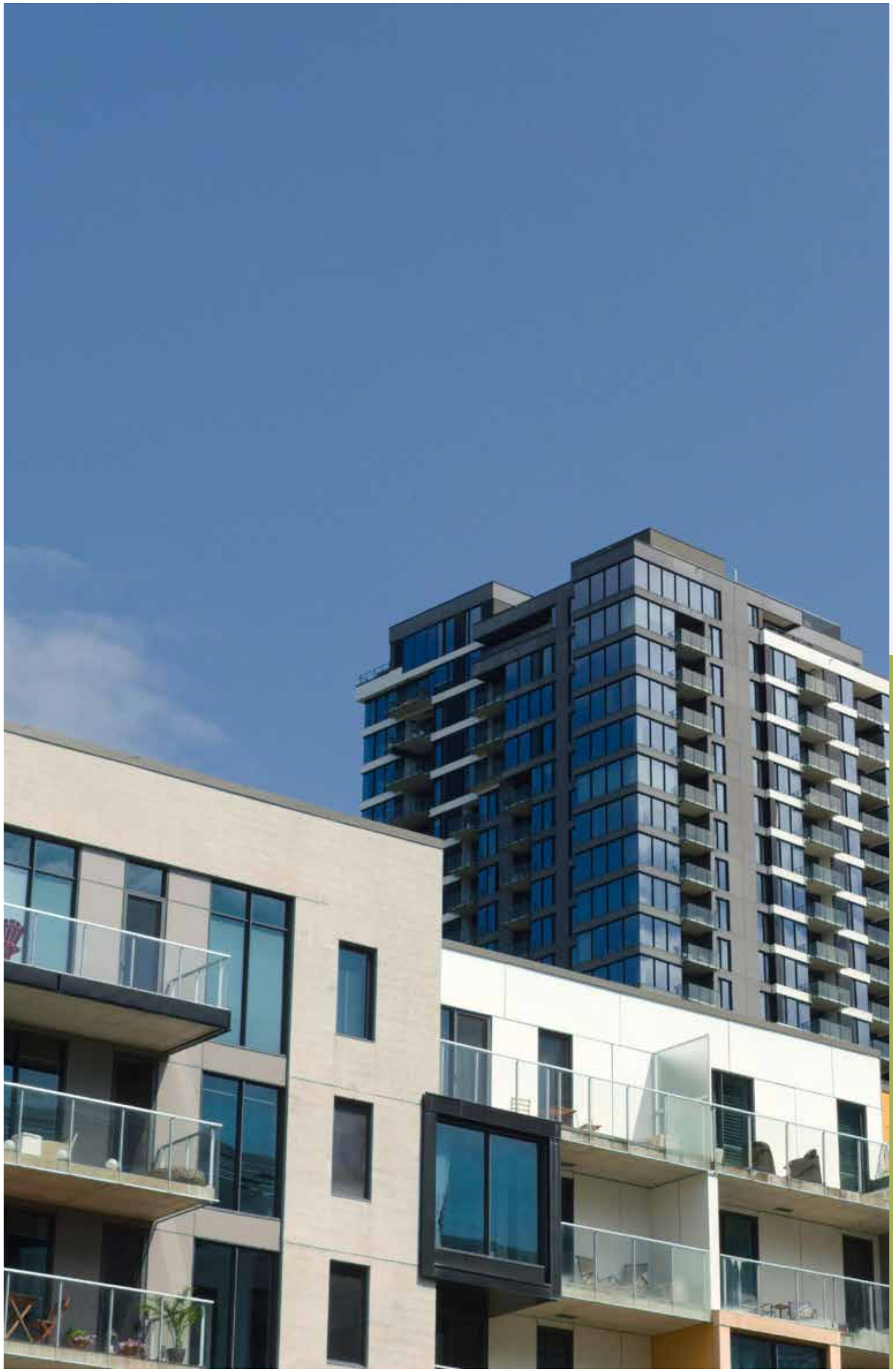
2. Build Better

Finance the investments that lower lifetime costs

Conventional financing often overlooks investments that reduce operating costs and improve long-term affordability.

- **Create financing that covers the incremental cost of high-performance envelopes, heat pumps, geothermal, district energy, and similar measures through recyclable financing rather than one-time grants.***

**Modern methods of construction (MMC) can help housing projects get built faster with improved energy efficiency. Mass timber enables precision off-site prefabrication, high-quality material properties, and digital design workflows.*



3. Verify Performance

Confirm outcomes after occupancy

Public investment should be judged against a set of performance metrics and by how buildings actually perform to provide returns to occupants and operators — not simply by how they were designed to perform.*

↗ **Establish a common post-occupancy verification framework using energy reporting, utility data, and standardized benchmarking. ENERGY STAR® Portfolio Manager® provides existing infrastructure to leverage.**

**As options for performance metrics, the federal government could either adopt Tier 2 of the 2025 National Building Code or the CMHC's MLI select targets.*

4. Reward Performance

Use verified results to improve financing

Verified building performance reduces investment risk and creates confidence for lenders and governments.

↗ **Develop an energy performance-linked financing product that uses verified outcomes* to inform underwriting, improve financing terms, and enable federal funds to be reinvested in additional housing projects.**

**In a 2024 assessment of the sustainability provisions in the National Housing Strategy, the CMHC concluded that that reliance on modelled performance limited the government's ability to determine whether projects achieved their promised results after occupancy. Similarly, linking financing to verified performance would allow Build Canada Homes to reward successful projects, improve future underwriting, and demonstrate the long-term return on federal investment.*

6. CONCLUSION

A Lasting Legacy

Build Canada Homes exists to finance, build, and industrialize housing delivery. Financing gives it the opportunity to ensure those homes also deliver value for decades. By rewarding measurable improvements in housing performance rather than simply minimizing upfront costs, the federal government can deliver homes faster and reduce operating and cost-of-living expenses. It can also ensure that those homes provide better long-term value for Canada.

REFERENCES

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[7] *Canada Mortgage and Housing Corporation. (2024). Evaluation of environmental sustainability in the National Housing Strategy. https://assets.cmhc-schl.gc.ca/sites/cmhc/about-cmhc/corporate-reporting/program-evaluation/2025/evaluation-of-environmental-sustainability-in-the-nhs-en.pdf*

***COVER:** BC Housing's 123-unit Vienna House project nears completion in Vancouver. The building makes extensive use of modern methods of construction — including mass timber and prefabrication — and delivers exceptional energy performance.*

Next step.

CAGBC welcomes the opportunity to discuss how these recommendations could be incorporated into the design and implementation of Build Canada Homes.

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