Economics

THE WEEK AHEAD

July 28 - August 1, 2025

The return of the MURB

by **Benjamin Tal** benjamin.tal@cibc.com

"The projected weakness in (the housing) sector of our economy troubles me a good deal. It threatens to reduce employment, raise production costs and increase housing prices and rents. Even more important, a reduction in the supply of new housing could lead to a lower standard of accommodation than Canadians deserve. The government is determined not to let housing construction drop to unduly low level."

Quick, who you think said that? The answer is not Trudeau or Carney, it was John Turner in his 1974 budget speech. The more things change, the more they stay the same.

In that budget, Mr. Turner introduced the MURB (Multi Unit Residential Building tax provision) that was aimed at injecting private capital into the rental segment of the housing market. That provision was in effect between 1974 and 1981 and is credited with encouraging the construction of about 200,000 units. Adjusted for population size, that means close to 100,000 units a year in today's environment. Not bad.

Today the Carney government is looking to revive the MURB program, and is in consultation with industry players regarding the design of the new/old program.

Simply put, the MURB allowed investors in new rental apartments to lower their personal (corporate) taxes by claiming depreciation and other soft costs associated with the rental unit/s.

The main idea behind the MURB program is to align private money with public economic agenda by using tax incentives to draw potential investors into the purpose-built construction market to create much-needed rental housing.

In fact, the move in the 2024 budget to increase the capital cost allowance rate on purpose-built rentals from 4% to 10% might have been in preparation for the eventual revival of the MURB program.

So if it was such a great program, why was it scraped in 1981? The official government line was that the main beneficiaries of the MURB provision from the supply side of the market have been the developer/promoters and investors with high marginal tax rates. The concern was that some promoters may have overvalued projects. Investors, who lack basic understanding of the economics of real estate, were purchasing the asset solely on its tax shelter aspect with no recognition of possible poor investment prospects due to inflated purchase price. But the most significant factor, in our opinion, was that the MURB program was a victim of its own success. Simply put, the accelerated pace of construction linked to MURB was too costly in terms of forgone tax revenue — $2.4 billion according to some estimates.

Now, let's call it as it is. The new MURB will not be the silver bullet we are all looking for to solve our housing affordability issue. There are significant differences between the construction and development landscape today versus what it was in the 1970s. Construction costs today are significantly higher by any measure, approval timelines are much longer and polices are much more fragmented.

But if the MURB incentive is designed for today's market, with simplicity regarding the CCA provision, clear eligibility, efficient approval process, zoning reform, pre-approved templates and/or modular incentives, it could still be an important factor adding to the stock of rental units in the country.

Can the MURB and the condo market coexist? After all, MURB could be an interesting alternative to condo investing given the tax advantage. Note that when MURB was cancelled in 1981 we have seen a gradual increase in condo activity to fill the vacuum. Can the opposite happen? We think yes, but only to an extent. The condo market of the future will be less speculative with more focus on end-users, but price appreciation will still play a significant role in the decision to invest in that market.

The revival of the MURB is a major signal to the market that the government is committed to purpose-built rental as an important component in its goal to improve housing affordability. Combined with other measures such as lower development charges and deeper CMHC rental financing, aimed at attracting institutional investors into that space, we might see the needle actually moving.

Week Ahead Calendar And Forecast—Canada

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, July 28	-	-	-	-	-	-	-
Tuesday, July 29	-	AUCTION: 3-M BILLS $15.2B, 6-M BILLS $5.4B, 1-YR BILLS $5.4B	-	-	-	-	-
Wednesday, July 30	9:45 AM	BANK OF CANADA RATE ANNOUNCE.	(Jul 30)	(H)	2.75%	2.75%	2.75%
Thursday, July 31	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(May)	-	-	-	-6.2K
Thursday, July 31	8:30 AM	GDP M/M	(May)	(H)	-0.1%	-0.1%	-0.1%
Friday, August 1	-	-	-	-	-	-	-

Week Ahead Calendar And Forecast—United States

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, July 28	-	AUCTION: 2-YR TREASURIES $69B	-	-	-	-	-
Monday, July 28	-	AUCTION: 5-YR TREASURIES $70B	-	-	-	-	-
Tuesday, July 29	-	AUCTION: 7-YR TREASURIES $44B	-	-	-	-	-
Tuesday, July 29	-	AUCTION: 2-YR FRN $30B	-	-	-	-	-
Tuesday, July 29	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Jun)	(H)	-$97.0B	-$98.0B	-$96.4B
Tuesday, July 29	8:30 AM	WHOLESALE INVENTORIES M/M	(Jun P)	(L)	-	-	-0.3%
Tuesday, July 29	8:30 AM	RETAIL INVENTORIES M/M	(Jun)	(H)	-	-	0.3%
Tuesday, July 29	9:00 AM	HOUSE PRICE INDEX M/M	(May)	(M)	-	-	-0.4%
Tuesday, July 29	9:00 AM	S&P CORELOGIC CS Y/Y	(May)	(H)	-	-	3.4%
Tuesday, July 29	10:00 AM	JOLTS Job Openings	(Jun)	-	7300K	7350K	7769K
Tuesday, July 29	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Jul)	(H)	96.0	95.9	93.0
Wednesday, July 30	7:00 AM	MBA-APPLICATIONS	(Jul 25)	(L)	-	-	0.8%
Wednesday, July 30	8:15 AM	ADP EMPLOYMENT CHANGE	(Jul)	(M)	-	80K	-33K
Wednesday, July 30	8:30 AM	GDP (annualized)	(2Q A)	(H)	2.2%	2.5%	-0.5%
Wednesday, July 30	8:30 AM	GDP DEFLATOR (annualized)	(2Q A)	(H)	2.6%	-	3.8%
Wednesday, July 30	10:00 AM	PENDING HOME SALES M/M	(Jun)	(M)	-	0.0%	1.8%
Wednesday, July 30	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(Jul 30)	(H)	4.50%	4.50%	4.50%
Wednesday, July 30	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(Jul 30)	(H)	4.25%	4.25%	4.25%
Wednesday, July 30	2:00 PM	FOMC INTEREST ON RESERVE BALANCES RATE	(Jul 31)	(H)	-	-	4.40%
Wednesday, July 30	2:00 PM	FOMC REVERSE REPO RATE	(Jul 30)	(H)	-	-	4.25%
Thursday, July 31	8:30 AM	INITIAL CLAIMS	(Jul 26)	(M)	-	-	217K
Thursday, July 31	8:30 AM	CONTINUING CLAIMS	(Jul 19)	(L)	-	-	1955K
Thursday, July 31	8:30 AM	PCE DEFLATOR Y/Y	(Jun)	(H)	2.5%	2.5%	2.3%
Thursday, July 31	8:30 AM	PCE DEFLATOR Y/Y (core)	(Jun)	(H)	2.7%	2.7%	2.7%
Thursday, July 31	8:30 AM	PERSONAL INCOME M/M	(Jun)	(H)	0.1%	0.2%	-0.4%
Thursday, July 31	8:30 AM	PERSONAL SPENDING M/M	(Jun)	(H)	0.4%	0.4%	-0.1%
Thursday, July 31	8:30 AM	EMPLOYMENT COST INDEX	(2Q)	(M)	-	0.8%	0.9%
Thursday, July 31	9:45 AM	CHICAGO PMI	(Jul)	(M)	-	-	40.4
Friday, August 1	8:30 AM	NON-FARM PAYROLLS	(Jul)	(H)	120K	101K	147K
Friday, August 1	8:30 AM	UNEMPLOYMENT RATE	(Jul)	(H)	4.2%	4.2%	4.1%
Friday, August 1	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(Jul)	(H)	0.3%	0.3%	0.2%
Friday, August 1	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(Jul)	(H)	-	34.3	34.2
Friday, August 1	8:30 AM	MANUFACTURING PAYROLLS	(Jul)	(H)	-	-	-7K
Friday, August 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Jul)	(L)	-	-	49.5
Friday, August 1	10:00 AM	ISM - MANUFACTURING	(Jul)	(H)	49.3	49.5	49.0
Friday, August 1	10:00 AM	CONSTRUCTION SPENDING M/M	(Jun)	(M)	-	0.1%	-0.3%
Friday, August 1	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Jul)	(H)	-	-	61.8

Week Ahead's market call

by Ali Jaffery and Andrew Grantham

In the **US**, it will be a very busy week. In terms of data, there is a long list: GDP, payrolls, JOLTS, ECI, ISM and the June core PCE report. We're slightly below consensus on GDP, but above on payrolls. The main theme of the data will be an economy that is slowly bending but far from breaking, while inflation grinds higher. We should see a couple of dissents at the FOMC meeting, but Powell should hold the line in what will be a press conference likely more about building renovations and politics than economics. Friday also represents the President's self-imposed deadline for trade negotiations, meaning we shouldn't be surprised to see some announcements of deals, or unilateral tariffs being applied.

In **Canada**, the central bank is widely expected to keep interest rates on hold again, although we suspect that it will keep the door open to future cuts should core measures of inflation ease back again. Updated forecasts are likely to show a further modest build up of slack in the economy in the near term followed by a gradual recovery. While June's advance estimate for GDP (released a day after the BoC meeting) may show a modest rebound in activity, the economy still appears likely to have stalled during Q2 as a whole.

Week Ahead's key Canadian number: GDP—May, June/Q2 advance

(Thursday, 8:30 am)

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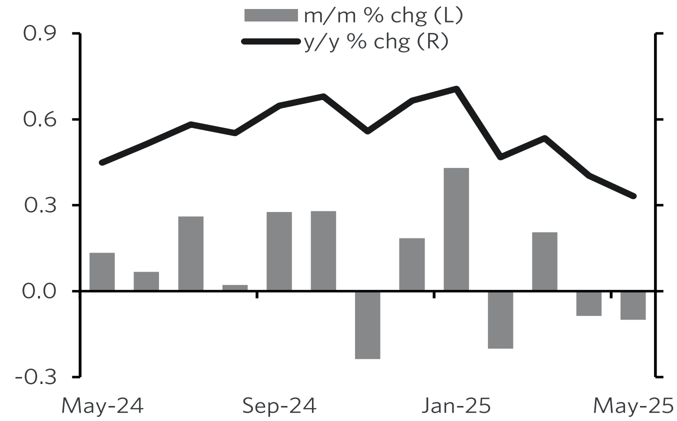
Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	-0.1	-0.1	-0.1

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

The Canadian economy likely took a further step backward in May, albeit partly due to one-off factors in areas not linked to trade tensions. While manufacturing may have remained a drag on growth this month, industry data suggests that the decline was only marginal and actually less severe than may have been included in the advance estimate. Pull backs in mining, oil & gas (possibly linked to wildfires) and public administration (following a temporary boost in April from the Federal election) will likely be the largest negatives for the economy in May.

Assuming a slight positive for June, the advance estimate for Q2 as a whole is likely to show a modest annualized contraction of -0.2%, which would leave growth averaging about 1% for the first half of the year.

Forecast implications — Even though the economy likely contracted slightly in Q2, it would still be tracking closer to the Bank of Canada's less-severe scenario from the April MPR. A trade deal that brings some clarity for businesses (even if a deal occurs after Friday's deadline and some tariffs remain in place) should held spur some investment/hiring in the second half of the year and see the economy return to growth.

Week Ahead's key US number: Employment situation—July

(Friday, 8:30 am)

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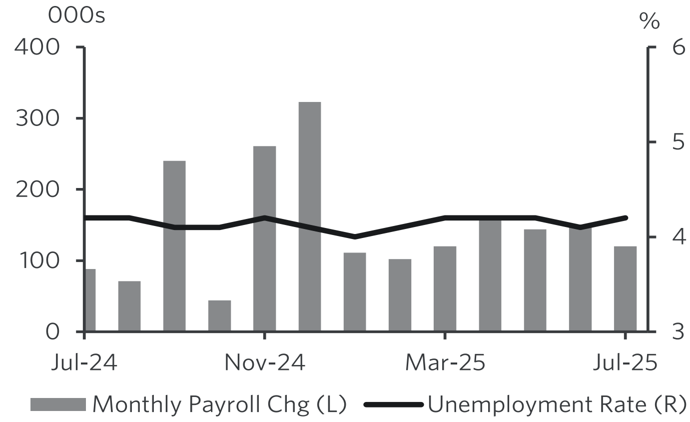
Variable	CIBC	Mkt	Prior
Employment (m/m)	120K	101K	147K
Unemployment rate	4.2%	4.2%	4.1%
Avg hourly earnings	0.3%	0.3%	0.2%

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

Payrolls will be the main attraction in what will be another big week for the US. We expect a healthy report, with job gains of 120K in the month above the consensus. Initial claims fell, sentiment improved, PMI's improved and other high frequency data point to the economy moving along at a decent pace in July. That will be a slowdown, however from almost 150K in the prior month, mainly due to a pullback in state and local government hiring after a surprise hiring surge in the prior month. In the household survey, the jobless rate should rise by one tick to 4.2% after the level of unemployment dipped in June following four consecutive months of increase.

Forecast implications — The pace of hiring and wage growth is likely to continue to cool this quarter, crimping labor income and keeping a lid on consumption growth.

Market impact — Our views are slightly more upbeat than the consensus on payrolls, and the market might reduce some bets on Fed cuts but the wild card that could get the market's attention is revisions, which have been systematically negative this year again.

Other US Releases: GDP—Q2 (advance)

(Wednesday, 8:30 am)

We will get a temperature check on the economy with the advance Q2 GDP report. We expect growth of 2.2%, a few ticks below the consensus of 2.5%. Consumption growth should rebound to 1.5% but elsewhere, the underlying detail should be soft, as headline GDP growth will be flattered by sharp decline in imports and inventory mismeasurement. Residential and business investment will also be weak.

Personal income & outlays—June

(Thursday, 8:30 am)

We expect the Fed's preferred inflation gauge to come in at 0.3% m/m in June, as core goods prices show the impact of tariffs and services ex. shelter costs rose. As shelter prices continue to drop, that will depress core CPI readings more than core PCE and we expect a modest gap to emerge between the two underlying measures of inflation.

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