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Preparing for Rising Immigration, the Demand for Affordable Rentals and Ownership Housing

January 2024 | A Loyalist Public Affairs Report





Executive Summary

This paper explores the complex interplay between Canada's housing crisis, immigration and its aging population. It focuses on how the lack of sufficient housing, exacerbated by rapid population growth due to immigration, is creating significant challenges in affordability and availability.

The paper will delve into how this crisis has evolved since 2010, particularly in Ontario and the Greater Toronto Area. It will examine the impact of Canada's aging demographics on the labour market and government spending, particularly in sectors crucial for addressing the housing shortage.

Additionally, the paper will investigate public perceptions of immigration and its effects on housing and the healthcare system, juxtaposed with its contributions to cultural diversity and the economy.

The overarching theme centers on finding sustainable solutions to balance the need for increased housing and accommodating a growing and changing population.

The paper concludes by arguing that resolving Canada's housing crisis and addressing its aging population demands urgent collaborative efforts to expand the housing supply while integrating a growing and diverse population.



Introduction

Canada is grappling with a housing supply and affordability crisis. A problem that's been many years in the making, new housing supply has not kept pace with population growth.

Canada also has an aging population. This is contributing to labour shortages in key sectors, including the skilled trades. An aging population also puts pressure on government budgets as retirees leave jobs and reduce the taxes they pay and then begin to enter a phase of life where they are likely to consume more health care and potentially other government services. (1)

That is why Canada is aggressively welcoming newcomers at a pace that will see Canada expand its population from approximately 39M in 2022 to approximately 45M by 2041.

And therein lies the conundrum: Canada lacks sufficient housing to house those who are already here, but it needs to grow its population to add workers who can build more housing and who can help grow the economy and tax base necessary to keep Canada economically and financially sustainable.

Political leaders of all stripes agree that these two challenges are intertwined and must be confronted simultaneously.

It seems that Canadians agree. (2)

75% Believe immigration is fueling the housing crisis and is putting pressure on our health care systems

75% Agreed that higher immigration contributes to the cultural diversity of the country

63% Agreed that the arrival of young immigrants contributes to the workforce and tax base, which supports older generations





Housing affordability has deteriorated quickly since 2010

A June 2022 CMHC ([Canada Mortgage and Housing Corporation](#)) study reported, "Around 2003-2004, an average household would have had to devote close to 40 per cent of their disposable income to buy an average house in Ontario. In 2021, such a household would have had to devote close to 60 per cent of their incomes to housing."⁽³⁾

Home Ownership and First-Time Buyers


Data from the Toronto Region Real Estate Board (TRREB) shows GTA homes sold for an average price of approximately \$430K in 2010. In 2023, the average GTA home was selling for nearly \$1.1M.⁽⁴⁾

Young Canadians are losing hope, with a 2021 poll showing 36% of non-homeowners under the age of 40 have given up on homeownership.⁽⁵⁾ Policy-makers should also be sure to not lose sight of the reality that younger Canadians are increasingly less likely to have defined-benefit pensions and housing wealth to rely upon to sustain themselves in retirement.

Housing affordability has deteriorated quickly since 2010

The following tables demonstrate how quickly and drastically the requirements to buy an entry-level detached home in the GTA.

Figure 1 – Changes in Toronto housing affordability 2010 – 2022/2023

	2010	2022/23	Difference
Figures do not include land transfer or other closing costs, or monthly carrying costs of property taxes, maintenance, and utilities etc.			Home is 12 years older
Cost to Buy	\$430K	\$1.1M	\$700K, almost 3X
Min Downpayment	\$21,5K (or 5%) -	\$220K (or 20%)	\$200K or 11X
Time to Save Downpayment	Likely 1-5 years	Likely 20-40 years	20-40 years (6) or 8-40X
Maximum Amortization	35-years insured mortgages readily available	On purchase, 30 years is the typical maximum amortization	5 years
Prevailing Mortgage Terms (contract)	1.85% on a five-year closed variable rate mortgage widely available	6.24% on five-year fixed (most competitive known rate from a Big 5 lender) in December 2023	439 bps
Mortgage Payment	Approximately \$1,322 per month	\$5,367 per month	\$4,137 or more than 4.4X
Minimum Income to Qualify assuming 36% income (based on 39% Gross Debt Servicing)	Approximately \$60K household income	Approximately \$250K household income (7)	Approximately \$190K or more than 4X

Note – Figures are approximate

Figure 2 – Toronto Private Rental Costs (Source: TorontoRentals.com)

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
2010 Private Apartment	\$779	\$950	\$1,135	\$1,354
May 2022 Private Apartment	\$1,626	\$1,956	\$2,584	\$2,996
Difference	\$847 increase or just over 2X	\$1,006 increase or just over 2X	\$1,449 increase or 2.28X	\$1,342 increase or 2.21X

Housing costs have outpaced earning gains

Data shows that a one-bedroom apartment in Toronto cost \$11,400 in rent per year in 2010.

For a renter trying to keep pre-tax housing costs to below 40% of their annual income, that renter required an income of a little over \$23K in 2010.

In 2022, a one-bedroom unit cost \$23,472 in rent per year, requiring an income of approximately \$60K to maintain the same ratio.

Incomes have not come close to rising at the same pace as housing costs, and that's part of why, by August 2022, 80% of Canadians reported being concerned about their financing amid rising cost-of-living, according to an EY survey.⁽⁸⁾

According to Statistics Canada: ⁽⁹⁾

- The average hourly wage rose from approximately \$27 per hour in 2010 to \$30 an hour in 2021, an increase of only 11.1%.
- The minimum wage rose from \$10.25 in 2010 to \$15 per hour in 2022, an increase of only 46.3%.
- At the same time, a one bed-room apartment rose from \$9,248 per year in 2010 to \$19,512 in 2022, an increase of 111%.



The rising problem of affordable housing & homelessness

For those in the GTA in need of support from government for shelter, [HomesFirst](#), an organization that receives funding from the City of Toronto and Province of Ontario, reports that 8,500 people in Toronto experience homelessness each day, or roughly 3 out of every 1,000 people living in Toronto.

They further report that 94 percent of those experiencing homelessness in Toronto want permanent housing but face barriers in securing it. [\(10\)](#)

A CBC story from July of 2023 pointed to housing affordability in Toronto, where the current wait for an affordable (subsidized) 1-bedroom unit is at least 14 years. [\(11\)](#)

"1.5% of all households across Canada were on waiting lists for social or affordable housing."

The same story cited a 2021 Statistics Canada Housing Survey that shows "1.5 percent of all households across Canada, more than 227,000 altogether, were on waiting lists for social or affordable housing.

Toronto alone had a wait list had 172,700 people as at the time of the study. [\(12\)](#)

The other challenge: An aging population

According to Statistics Canada, the country's birthrate fell to a record low of an average of 1.4 children per woman in 2020. (13) This falls well below the 2.1 rate that is necessary to maintain a population without immigration.

Canada's population is older than ever, with more than one in five working adults now nearing retirement. The Canadian population now has a larger share of people aged 55 to 64 than it does of those 15 to 24. The agency has characterized this trend as a "date with demographic destiny."(14)

As recently illustrated by Dr. Darrell Bricker of Ipsos, this is a trend that is being felt in other regions of the globe as "rapidly declining fertility rates and population aging are putting a halt to the future growth or replacement of humanity."(15)



"With populations aging and declining almost everywhere, countries may one day be competing for immigrants."

Dr. Darrell Bricker

Empty Planet: The Shock of Global Population Decline



The key problems presented by Canada's aging population

Retired workers typically pay less in taxes and consume more government spending in areas like healthcare than they would have while employed.

In 1995, 34% of Ontario's operating budget was earmarked for healthcare (16); that percentage grew to 42% in 2022 (not inclusive of one-time COVID measures). (17) An aging population is almost certain to put even more pressure on health care spending.

An aging population will also put pressure on governments to hire more people to care for the elderly. Ontario has an estimated population of a little over 15M people. Of those 15M people, according to the Financial Accountability Office of Ontario (FAO), approximately 6.3M have paying jobs. Of that 6.3M, the office estimates approximately 25% are government paid workers, who on average have higher incomes than private sector workers.

Retiring workers are fueling labour shortages.

In May 2023, Canada had 759,000 job vacancies.(18) A 2021 study of 510 Canadian hiring decision-makers found one in four employers reporting having hired someone they normally wouldn't have hired due to a shortage in workers.(19)

"By 2029, we will be short about 100,000 tradespeople if we don't do anything."

EllisDon Corporation
2021 Report (20)

Squaring up two inter-woven issues

For the last 15 years, governments at all levels have taken several actions to dampen escalating housing costs through demand-side measures. These include many actions to tighten mortgage lending rules, particularly in the insured lending space most relied upon by first-time buyers. They have also sought to reduce demand from foreign buyers and investors. Governments have also taken various actions on rent controls.

In 2022, the Government of Canada announced its plans to welcome approximately 1.5M newcomers over three years.

Since then, In October of 2023, the Government of Canada released [An Immigration System for Canada's Future: Strengthening our Communities](#). This document lays out Canada's projected population growth and projects that the number of immigrants in Canada will grow from a little over 8M people (or 23% of the total population) in 2021 to over 15M (or approaching 33% of the total population) by 2041.(21)

Canada needs an additional 3.5 million units to restore affordability.

A recent CMHC report stated, "We project that if current rates of new construction continue, the housing stock will increase to close to 19 million housing units by 2030. To restore affordability, we project Canada will need an additional 3.5 million units. Two-thirds of the 3.5 million housing unit gap is in Ontario and British Columbia where housing markets are least affordable."(22)

Some, including CIBC's Deputy Chief Economist Benjamin Tal, have recently suggested that CMHC's numbers are drastically understated due to a failure to count an estimated 1 million non-permanent residents who are presently living in the country.(23)

CMHC research suggests that to restore affordability while being mindful of incomes, the average new home price would have to range between approximately \$500K to \$550K by 2030, which compares to an average 2021 home price in Ontario of \$871K.(24)



Actions governments can take

Target Skilled Immigrants and Encourage Youth Participation

As Canada grows its population it must specifically target skilled workers able to participate in home building and construction. It must also continue to take action to encourage and support more young Canadians to choose careers in home building.

Actions could include supports for apprenticeships, investments in skilled trades college programs, prioritizing immigrants with home building skills, and helping foreign trained workers quickly obtain Canadian certifications.

Provide Wrap-Around Supports for Newcomers

Governments can increase supports like integration and employment services, language assessment and training, childcare, citizenship preparation, and more, to help newcomers successfully integrate into their new communities.

Support Home Renovations and Greater Density:

Encouraging initiatives such as building laneway homes and permitting the construction of secondary units and modular units on existing lots can significantly bolster supply. Implementing incentives, such as the federal multigenerational home renovation tax credit (MHRTC), can assist homeowners in renovating their properties to accommodate qualifying seniors.

Lower the Cost of Construction:

Government charges can represent over 31% of the total cost of building a home in major cities, according to CANCEA. While efforts have been made to reduce costs, there is a compelling need for additional measures to expedite and reduce the cost of construction of more housing units that are affordable.

Ensure New Housing Supply Is Responsive to the Needs of Canada's Evolving Population:

Accessibility and affordability are key factors for everyone, including newcomers. Governments should ensure that development is diversified, including mixed rentals, subsidized housing, co-operative housing, and modular units, all while continuing to support homeownership. A diversified approach is necessary to cater to the diverse needs of all Canadians. Policy-makers should ensure new supply includes responsiveness to aging Canadians, the housing preferences of newcomers who are changing Canada's cultural diversity and living preferences, to how Canadians work, and to overall affordability.

Continue to Work Across Governments and With Industry Professionals to Find Ways to Expedite Home Building:

Opportunities like the Federal Government's recent plan to pre-approve housing designs hold promise and stakeholders should work quickly to expedite decisions and actions.

Home building involves policies and or approvals that cut across all levels of government. Approvals involve multiple ministries and departments, as well as Conversation Authorities, utilities, Land Registry Offices, other agencies. Consistent with efforts like the Ontario Government's consultation on the Provincial Planning Statement.

Governments at all levels are blocking too many housing projects while significantly delaying and increasing the cost of almost all new homes. This must end.



Conclusion

1. Canada's sustainability is dependent on attracting immigrants to address our demographic challenges and adding more housing supply.
2. Policymakers must link these two priorities. That will require urgent collaboration between all levels of government.
3. As Canada replenishes and grows its workforce it must ensure that a key pillar of that strategy includes the welcoming and training of both Canadian and foreign-born workers with the skills necessary to build homes and supporting infrastructure.
4. Governments must also work together, and with industry leaders, to reduce the cost, red tape, and time necessary to quickly bring new housing supply online.
5. Policymakers must also ensure that the housing and supporting infrastructure that gets built is responsive to the evolving needs of the changing population – both in terms of affordability, and in terms of the varying needs and desires of Canada's people.

References

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Having worked in partnership since 2006, first within the federal government and later in business, Chris and Dan bring decades of experience helping clients understand and influence public policy decision-making in Canada.

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