Still Not Enough Places to Live

Housing Production in Canada Has Fallen Far Short of the Needs of Our Growing Population

Will Dunning Inc.

Update Report

January 26, 2022

Introduction

During the past 15 years (ending June 30,2021) Canada has produced less new housing than is required by our growing population. Across the 10 provinces, total housing completions were about 65,000 units less than the calculated ("demographic") requirement. The shortfall of about 4,300 dwelling units per year is relatively small (about 2%). But, there is also a need to replace dwellings lost by demolition (currently in the area of 16,000 per year). This brings the production shortfall during the past 15 years to about 20,000 units per year (a large total of 300,000 units).

Most of the housing deficit was accrued during the last five years. Housing production was 96,000 units less than the demographic requirement. Adding the replacement requirement of 16,000 units per year brings the total shortfall for the five-year period to about 175,000 (35,000 per year, or about 15% less than the required amount).

For the final year in this analysis, population growth slowed sharply (due to reduced migration into Canada) and so did the requirement for new housing. For the year ending June 30, 2021, there was a surplus: housing completions exceeded the demographic requirement by 46,700 units. Incorporating the adjustment for demolitions, the surplus for the year was in the area of 30,000: during 2021, there was a small reduction in the overall housing shortage in Canada.

Housing shortages are now resulting in dire consequences across Canada, in both the home ownership and rental sectors.

This report has not projected future population growth or housing requirements. But, with population growth now rebounding, the future demographic requirement is likely to be in the range of 225,000 to 240,000 new dwellings per year. With the additional need to replace demolished dwellings, Canada needs to build about 250,000 new homes and apartments per year, just to keep up with the needs of our growing population, and there is an additional requirement to reduce the shortages that already exist.

A few years ago, there were complaints that Canada was producing too much housing (more than 200,000 starts per year since 2017, whereas the demographic requirement was believed to be in the area of 180,000 per year). Now, most of us agree that we have a lot of work to do (see the last sentence of this report).

This report is an update of a report that I published in May 2021.

Starting with Statistics Canada population estimates that covered the period 2006 to 2020, the original report used demographic modeling to calculate how much housing should have been built to accommodate the growing populations for 36 Census Metropolitan Areas ("CMAs"), as well as the "rest of" area for the 10 provinces[1]. Those estimates were compared to how much housing was actually built. The analysis found that there were shortfalls of housing production in most of the 36 CMAs.

Moreover, the mix of housing types that has been constructed has differed from what should have been expected: in almost all of the communities, supplies were much lower than the calculated requirements for "low density" (single-detached and semi-detached) dwellings, while construction of apartments was much larger than should be expected based on historical housing preferences.

[1] This analysis excludes the territories, because CMHC does not provide housing construction data for them.

The author of this report has been analyzing Canadian housing markets since 1982. Until 1997, I worked in various position in housing market analysis for Canada Mortgage and Housing Corporation, and since then as a consultant. This includes 21 years as the sole employee of my own company. My clients have covered a very wide range of interests, including industry associations, governments, the private sector (in construction and finance), and non-governmental organizations.

Other reports on Canadian housing markets can be found on my website:
https://www.wdunning.com/

I often comment on housing market issues on Twitter:
https://twitter.com/LooseCannonEcon

The original report and this update report are "unsponsored research".

Methodology

The analysis starts with population and housing data from the 2006 Census of Canada, by age group. Calculations are made to profile housing choices by age group. The analysis then assumes that for each age group, those choices will be unchanged over time, to create a "what if" scenario.

Steps in the calculations are:

Firstly, household formation rates are calculated for each age group. These are applied to the annual population estimates by age group, to calculate how many households might exist in each of the years.

Secondly, for each age group, what percentages of households live in each of the three types of dwelling? Applying these shares from 2006 to the future estimates of households produces estimates of how many dwellings of each type will be needed in each year.

Then, the growth in the required numbers of dwellings indicates how many new dwellings need to be added in each year (again, by type of dwelling).

The estimated requirements are compared to actual housing production, using data from Canada Mortgage and Housing Corporation on housing completions.

These steps are completed for 36 major urban areas in Canada (Census Metropolitan Areas, or "CMAs"). For each province, the same calculations are made for the combined "rest of" area.

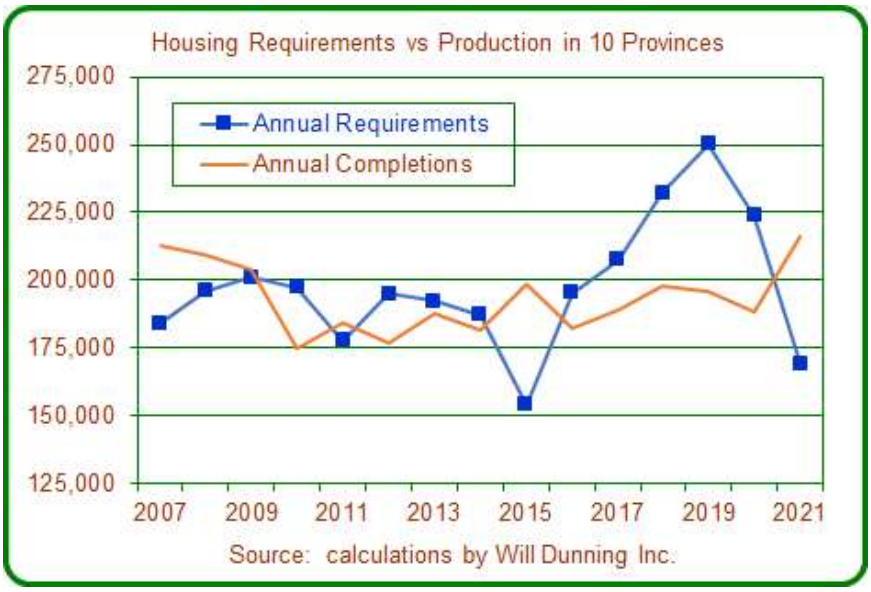
The estimates for the individual areas (36 Census Metropolitan Areas plus the "rest of" areas) are summed to generate national totals. Because CMHC does not provide the construction data for the Territories, they are excluded from the calculations of national requirements and production.

Since the estimates of population are as of July 1st each year, the housing completions data is for the same July-to-June periods (eg. the year labelled as 2007 covers the period July 1, 2006 to June 30, 2007. The final period is July 1, 2020 to June 30, 2021).

In 2006, there were about 12.4 million occupied dwellings in the 10 provinces, including just under 8.5 million within the 36 CMAs and just over 3.9 million in the "rest of" areas.

The Estimates

Recently (on January 13) new data became available, providing population estimates for the CMAs for 2021, as well as revising the previously-released estimates for 2020. The updated estimates of housing requirements versus supply (measured by housing completions) are shown in this chart. Broadly speaking, three different periods can be seen. During the first 10 years (up to 2016) total production was relatively close to the total requirements (however, as is discussed later, there was a pronounced shortage of low-density housing). Then, there were four years with extreme shortfalls (up to 2020). Finally, in the last year, there was a large surplus.

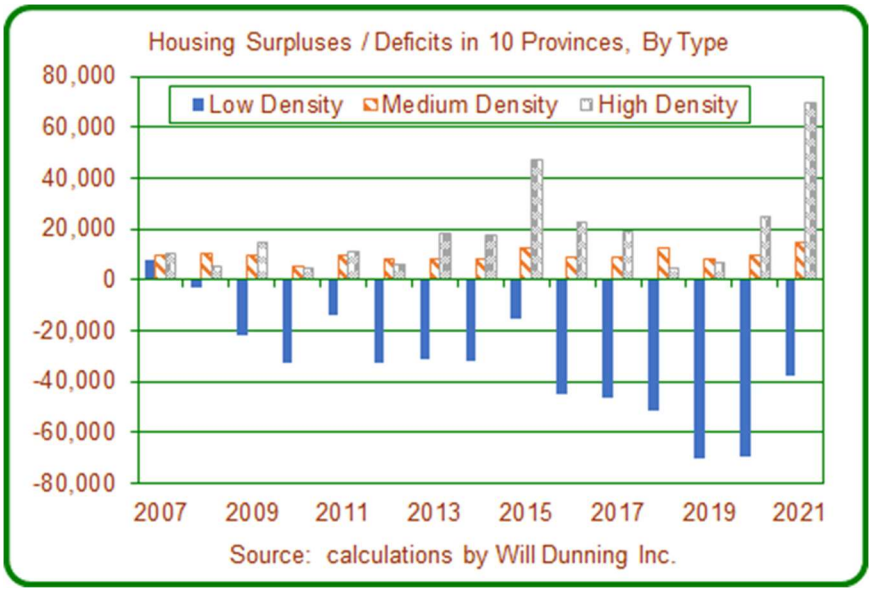


These charts (and the tables and the associated comments) contrast housing supply versus the demographic requirements. They do not incorporate the additional requirements that result from demolitions.

For the 15 years covered in this analysis, the total requirement is estimated at 2.96 million units, while total housing completions were 2.90 million (in both cases, the data excludes the territories). For the 10 provinces housing completions were only slightly below the estimated requirements (by a total of about 65,000 dwelling units, or about 4,300 per year). Compared to the total housing inventory (12.4 million occupied dwelling units as of 2006), the estimated total shortfall is small. However, as is discussed below, the distribution of the shortfall matters. Moreover, as is discussed in the sections on “Principal Residences” and “Demolitions”, the actual shortfall is larger than is indicated by these estimates.

The chart shown earlier provided the estimates of housing requirements and completions. This chart shows the differences – the surpluses and deficits. These estimates indicate that in 4 out of the first 5 years, additions to supply exceeded the requirements. Then, there were shortfalls in 8 of the 10 years. For 2018 to 2020, the requirements were quite large due to rapid population growth, and housing completions did not keep up with the increased requirements. During the final year, requirements fell sharply due to the reduced rate of population growth, but housing completions increased.

This chart looks at the details, the annual surpluses and shortfalls for the three dwelling types (low density, medium density, and high density). The estimates show:



- For low density housing there was a small surplus in the first year, followed by deficits in each of the remaining 14 years. The total deficit for the 15 years is 493,000 (or close to 33,000 per year). Compared to the total inventory (8.3 million occupied low-density units as of 2006), and the estimated growth requirement (1.88 million), the accumulated shortfall is quite large.
- For medium density, there were estimated surpluses in every one of the 15 years, for a combined total surplus of 144,000 units, or about 9,600 per year. This is very large compared to the inventory (691,000 dwelling units in 2006) and the estimated growth requirement (178,000).
- For high density, there were also surpluses in every year, for a total of 284,000 units (almost 19,000 per year). This is a substantial surplus compared to the inventory (3.4 million dwellings in 2006). The supply was about one-quarter larger than the estimated growth requirement (1.19 million).

More details are provided below, in three tables that start on Page 6. Table 1 shows the estimates for just 2021, Table 2 shows the results for the total 15-year period, and Table 3 shows the results

for the past five years, when population growth was strongest and housing deficits accumulated quite rapidly. In addition, several charts are used to illustrate the estimates.

For the entire period covered in this analysis, population growth in Canada averaged 1.1% per year. The final data point in the charts above show an overall surplus, reflecting that for the year up to July 1, 2021, the rate of population growth slowed to 0.5%, versus 1.4% in both 2018 and 2019. Recent estimates indicate that population growth is rebounding – in the year ending October 1, 2021, the growth rate is 1.1%. By mid-2022, the growth rate is likely to be back to the pre-Covid level (in the area of 1.2% to 1.4%).

The estimates shown in Table 1 indicate that the Covid-19-induced slowing of population growth (due to sharply lower movements into Canada) has provided some respite: for the year that ended June 30, 2021, housing production exceeded the estimated requirements by about 46,700 dwelling units (as was noted earlier, if an adjustment is made for demolitions, the surplus for the year is reduced to about 30,000 units). But, this only partially alleviated the shortages that exist in most of Canada.

Moreover, even though there was an overall surplus of production for 2021, the mix of that supply was still wrong, as low density housing was once again under-produced by a large margin and the supply of apartments was much larger than required.

For the 36 Census Metropolitan Areas, 21 had overall surpluses and 15 had overall deficits in the final year. The “rest of” area had an overall surplus. In total, new supply during the year (215,800 units) was larger than the requirement (169,100), resulting in a calculated surplus of 46,700 units.

Looking at the results by type of dwelling:

- For low density homes, most of the CMAs (28 out of 36) had deficits, as did the “rest of” area. For the 36 CMAs in combination, the accumulated shortfall of low density homes was almost 30,000 for the year, and there was an additional shortfall of 7,900 in the “rest of” area. The total supply was just 74,000 new units versus the requirement for 111,000 units, resulting in a large shortfall of 37,500 units.
- For medium density (town homes) there were surpluses in most (29 out of 36) CMAs and the “rest of” areas, and where there were shortfalls, the amounts were quite small. The total supply (almost 25,000 units) was more than double the estimated requirement (10,000 units), resulting in a surplus of almost 15,000 units.
- Similarly, for high density (apartments), there were estimated surpluses in most of the CMAs (30 out of 36) and in the “rest of” area. The total new supply (117,000 units) was far above the calculated requirement (48,000) resulting in a very large combined surplus for the CMAs and “rest of” areas (69,300 units).
- The last column in the table also shows the combined totals for low density plus medium density, since “substituting” from a single-detached or semi-detached home to a town home may be a relatively easy choice for many of us. This data shows that there were shortfalls in 23 out of 36 CMAs and in the “rest of” area. There were surpluses in 13 of the 36 CMAs. The new supply (99,000 units) was less than the requirement (121,000), resulting in a large combined shortfall (22,500 units). Replacement of demolished homes would have created additional requirements and added to the shortfalls.

Table 1 Estimated Housing Surpluses and Shortfalls, by Location, During the Year That Ended June 30, 2021 (in Dwelling Units)					
Location	*Low Density*	*Medium Density*	*High Density*	*Total*	*Subtotal: Low + Medium*
St. John's, Newfoundland and Labrador	-382	-40	-134	-556	-422
Halifax, Nova Scotia	-2,127	-34	45	-2,116	-2,161
Moncton, New Brunswick	-857	17	108	-732	-840
Saint John, New Brunswick	-82	-20	54	-49	-103
Saguenay, Quebec	137	12	112	261	149
Québec, Quebec	198	168	2,952	3,318	366
Sherbrooke, Quebec	-246	28	639	422	-217
Trois-Rivières, Quebec	-72	-1	92	20	-73
Montréal, Quebec	3,181	1,511	20,506	25,198	4,691
Ottawa - Gatineau, Quebec part	78	90	1,116	1,284	168
Ottawa - Gatineau, Ontario part	-539	1,416	-285	592	877
Kingston, Ontario	-153	74	110	31	-79
Belleville, Ontario	103	83	-117	69	186
Peterborough, Ontario	50	-1	212	261	48
Oshawa, Ontario	-2,149	409	-368	-2,108	-1,740
Toronto, Ontario	-7,793	2,213	16,971	11,391	-5,579
Hamilton, Ontario	-1,945	260	359	-1,327	-1,685
St. Catharines - Niagara, Ontario	-18	736	8	726	718
Kitchener/Cambridge/Waterloo, Ontario	-1,788	357	427	-1,004	-1,431
Brantford, Ontario	-91	143	-189	-137	52
Guelph, Ontario	-618	-33	279	-372	-651
London, Ontario	-509	369	309	170	-139
Windsor, Ontario	401	216	364	981	616
Barrie, Ontario	-919	-2	167	-754	-921
Greater Sudbury, Ontario	-230	6	-76	-300	-224
Thunder Bay, Ontario	183	21	107	311	204
Winnipeg, Manitoba	-32	404	2,735	3,106	372
Regina, Saskatchewan	-292	133	152	-7	-159
Saskatoon, Saskatchewan	-792	213	207	-372	-579
Lethbridge, Alberta	-317	23	108	-186	-294
Calgary, Alberta	-2,142	809	2,589	1,255	-1,334
Edmonton, Alberta	-418	896	3,141	3,618	477
Kelowna, British Columbia	-1,641	120	762	-760	-1,521
Abbotsford - Mission, British Columbia	-487	93	611	217	-395
Vancouver, British Columbia	-5,694	1,399	7,856	3,561	-4,295
Victoria, British Columbia	-1,582	18	1,735	171	-1,564
Subtotal (36 Census Metropolitan Areas)	-29,583	12,103	63,664	46,184	-17,480
Other Areas	-7,893	2,841	5,611	559	-5,052
Canada Total	-37,476	14,944	69,276	46,744	-22,532
Source: calculations by Will Dunning Inc, using data from Statistics Canada and Canada Mortgage and Housing Corporation.					

Table 2 summarizes the results for the entire period of 15 years.

This data shows that overall, there was an extremely large shortfall for low density housing. There were deficits in 33 out of 36 CMAs, although there was a small surplus in the “rest of” area. The total shortfall of just under 500,000 units amounted to an average of 32,900 per year.

However, there were surpluses for medium density housing in most of the CMAs (34 out of 36) plus the "rest of" area (totaling 144,000, or 9,600 per year). For the combination of low density and medium density, there was a deficit of almost 350,000, or an average of 23,300 per year.

For high density (apartments), there were surpluses in most of the CMAs (23 out of 36) plus the "rest of" area, for a combined total of 284,000, or 18,900 per year.

Table 2
Summary of Estimated Surpluses and Shortfalls, by Location, During 15 Years (2006/07 to 2020/21)

Location	*Low Density*	*Medium Density*	*High Density*	*Total*	*Subtotal: Low + Medium*
St. John's, Newfoundland and Labrador	765	-705	1,479	1,538	60
Halifax, Nova Scotia	-11,626	592	4,243	-6,791	-11,034
Moncton, New Brunswick	-3,203	338	1,847	-1,018	-2,865
Saint John, New Brunswick	-570	106	610	146	-464
Saguenay, Quebec	2,175	155	1,332	3,662	2,330
Québec, Quebec	-2,725	1,704	20,863	19,842	-1,021
Sherbrooke, Quebec	-346	899	1,523	2,076	553
Trois-Rivières, Quebec	-179	122	2,309	2,251	-58
Montréal, Quebec	-58,919	8,242	66,510	15,833	-50,677
Ottawa - Gatineau, Quebec part	-3,424	1,092	7,161	4,829	-2,331
Ottawa - Gatineau, Ontario part	-18,196	9,975	-9,024	-17,245	-8,221
Kingston, Ontario	-1,495	824	73	-598	-671
Belleville, Ontario	-331	684	-1,335	-982	353
Peterborough, Ontario	-1,117	698	-698	-1,116	-419
Oshawa, Ontario	-11,791	2,723	-3,425	-12,494	-9,068
Toronto, Ontario	-137,612	27,400	51,317	-58,896	-110,213
Hamilton, Ontario	-14,416	7,602	-5,409	-12,222	-6,813
St. Catharines - Niagara, Ontario	-4,623	4,171	-3,205	-3,657	-452
Kitchener/Cambridge/Waterloo, Ontario	-16,989	2,729	4,995	-9,266	-14,261
Brantford, Ontario	-2,694	1,311	-1,266	-2,649	-1,384
Guelph, Ontario	-5,421	1,702	1,175	-2,544	-3,719
London, Ontario	-5,840	1,316	-477	-5,001	-4,524
Windsor, Ontario	-1,192	1,310	-2,730	-2,612	118
Barrie, Ontario	-6,618	1,290	397	-4,931	-5,328
Greater Sudbury, Ontario	-250	316	-702	-636	65
Thunder Bay, Ontario	853	120	-109	864	973
Winnipeg, Manitoba	-13,594	2,252	1,736	-9,606	-11,341
Regina, Saskatchewan	-9,024	1,567	2,468	-4,989	-7,457
Saskatoon, Saskatchewan	-11,887	1,742	-1,591	-11,736	-10,145
Lethbridge, Alberta	-2,489	561	-766	-2,693	-1,927
Calgary, Alberta	-41,221	4,799	13,415	-23,008	-36,422
Edmonton, Alberta	-17,085	2,823	3,661	-10,600	-14,262
Kelowna, British Columbia	-10,049	1,359	6,100	-2,590	-8,690
Abbotsford - Mission, British Columbia	-8,060	538	1,156	-6,366	-7,522
Vancouver, British Columbia	-78,550	16,869	62,949	1,268	-61,681
Victoria, British Columbia	-13,476	-217	5,390	-8,303	-13,693
Subtotal (36 Census Metropolitan Areas)	-511,220	109,009	231,972	-170,238	-402,211
Other Areas	17,742	35,297	51,903	104,942	53,039
Canada Total	-493,478	144,306	283,876	-65,296	-349,172

Source: calculations by Will Dunning Inc, using data from Statistics Canada and Canada Mortgage and Housing Corporation.

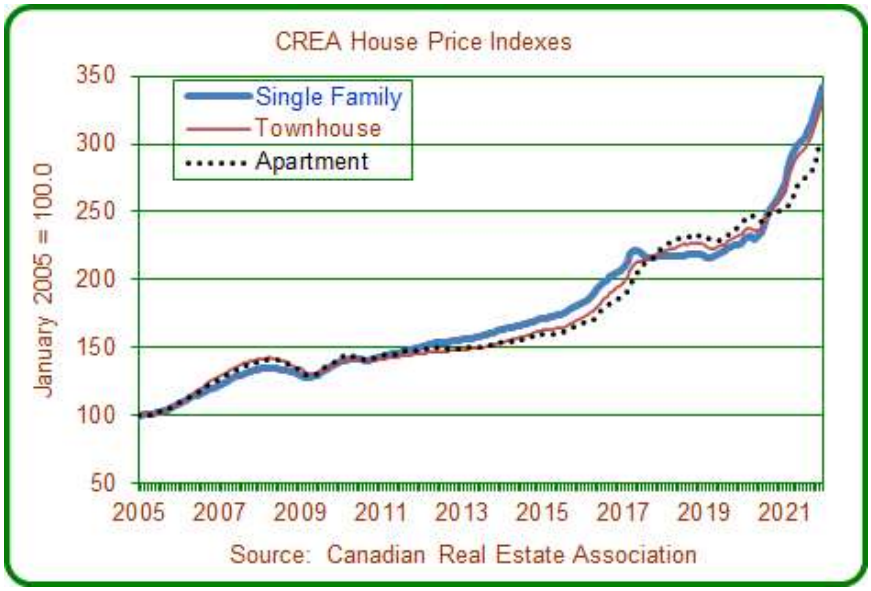
Table 3 looks at the results for just the last five years. As shown, during this period there was a very large deficit of low density housing (274,000 units), which was only partially offset by medium density (a surplus of 53,800) and high density (just under 125,000 units). There were low density deficits in 35 out of the 36 CMAs as well as the "rest of" area. For all types of dwellings combined, the deficit during the five years was about 96,000. Most of the CMAs (31 out of 36) had overall deficits, and the "rest of" area had a small overall surplus. Adding an adjustment for demolitions, the shortfall is in the area of 175,000 dwelling units (a significant average of 35,000 per year).

Table 3
Summary of Estimated Surpluses and Shortfalls, by Location,
Last 5 Years (2016/17 to 2020/21)

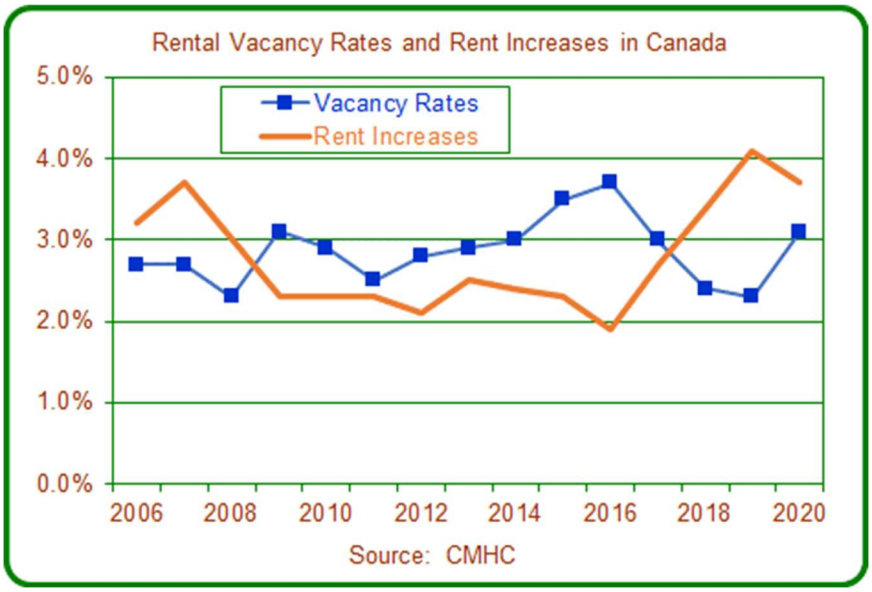
Location	*Low Density*	*Medium Density*	*High Density*	*Total*	*Subtotal: Low + Medium*
St. John's, Newfoundland and Labrador	-512	-29	-334	-874	-541
Halifax, Nova Scotia	-10,017	-224	-142	-10,383	-10,241
Moncton, New Brunswick	-3,148	116	193	-2,839	-3,032
Saint John, New Brunswick	-677	-91	-71	-839	-769
Saguenay, Quebec	615	68	-101	582	683
Québec, Quebec	-2,491	570	11,181	9,259	-1,921
Sherbrooke, Quebec	-1,065	205	244	-616	-860
Trois-Rivières, Quebec	-765	16	-32	-780	-749
Montréal, Quebec	-30,540	4,034	29,717	3,211	-26,506
Ottawa - Gatineau, Quebec part	-2,586	64	3,499	977	-2,522
Ottawa - Gatineau, Ontario part	-10,749	1,660	-7,627	-16,716	-9,089
Kingston, Ontario	-2,025	296	-527	-2,256	-1,729
Belleville, Ontario	-591	334	-791	-1,049	-258
Peterborough, Ontario	-945	187	-368	-1,125	-758
Oshawa, Ontario	-7,804	1,337	-571	-7,038	-6,467
Toronto, Ontario	-61,973	9,464	16,354	-36,155	-52,509
Hamilton, Ontario	-10,088	1,959	-1,670	-9,799	-8,129
St. Catharines - Niagara, Ontario	-2,718	2,449	-1,570	-1,838	-268
Kitchener/Cambridge/Waterloo, Ontario	-10,369	288	2,503	-7,577	-10,081
Brantford, Ontario	-1,597	634	-670	-1,633	-963
Guelph, Ontario	-3,249	463	1,184	-1,602	-2,786
London, Ontario	-6,175	640	-2,111	-7,646	-5,535
Windsor, Ontario	-1,368	586	-1,305	-2,087	-782
Barrie, Ontario	-3,932	541	556	-2,835	-3,391
Greater Sudbury, Ontario	-1,017	76	-539	-1,480	-941
Thunder Bay, Ontario	-99	44	-64	-119	-55
Winnipeg, Manitoba	-6,760	1,390	3,030	-2,339	-5,369
Regina, Saskatchewan	-3,802	611	778	-2,414	-3,192
Saskatoon, Saskatchewan	-6,908	382	-234	-6,760	-6,526
Lethbridge, Alberta	-1,502	250	-49	-1,301	-1,252
Calgary, Alberta	-18,787	2,718	9,466	-6,604	-16,070
Edmonton, Alberta	-9,755	3,063	4,089	-2,603	-6,692
Kelowna, British Columbia	-4,913	757	3,702	-454	-4,156
Abbotsford - Mission, British Columbia	-3,151	634	857	-1,661	-2,518
Vancouver, British Columbia	-23,494	6,623	34,455	17,584	-16,870
Victoria, British Columbia	-6,376	-55	4,313	-2,118	-6,431
Subtotal (36 Census Metropolitan Areas)	-261,336	42,063	107,346	-111,927	-219,273
Other Areas	-13,097	11,744	17,008	15,655	-1,353
Canada Total	-274,433	53,807	124,354	-96,272	-220,626

Source: calculations by Will Dunning Inc, using data from Statistics Canada and Canada Mortgage and Housing Corporation.

Housing Market Impacts



Now, in a time when consumers have become more interested in re-organizing their housing situations (partly in response to changing work arrangements), the housing supply shortages are contributing to extreme price growth: during the past year (up to December 2021), the House Price Index calculated by the Canadian Real Estate Association has increased by 27%. During the past two years, the total rise in the index is 43%. Price rises are largest for single family homes (50% during the past two years). But, even though there have been larger amounts of supply for medium density (townhouses) and high density (apartments), the overall shortages of housing have resulted in pressures in those market segments as well: during the past two years townhouse prices are estimated to have increased by 41% and for apartments the increase is estimated at 25%.



Housing shortages have also affected the rental sector. The most recent data is for October 2020. It shows falling vacancy rates during 2017 to 2019. Reduced employment during 2020 caused the vacancy rate to rise for October 2020. Rents are increasing more rapidly: for the three years to 2020, CMHC data shows that rents have increased by an average of 3.7% per year. And, these are increases for occupied units (meaning that increases have been constrained by rent regulations and by landlords' tenant-retention decisions). For available (vacant) units, rents are often considerably higher and appear to be rising much more rapidly.

When the CMHC data for October 2021 becomes available, it might show that rent increase moderated during the year, but I expect that will be a temporary event.

If Canada had produced enough new housing to accommodate our growing population, Canadian housing markets would be much less heated than they are.

"Principal Residences"

Strictly-speaking, the estimated housing requirements are for "principal residences" (dwellings permanently occupied as the main residence, by a home owner, renter, or as band housing). Other dwellings (including second residences, such as vacation properties) and short-term rentals are not principal residences and shouldn't be counted against the requirements. Therefore, the housing completions data over-estimate the supply of new principal residences.

Consequently, the "true" production shortfalls for low-density dwellings are larger than estimated, to some degree. And, the surpluses for medium and high-density housing are over-estimated to some degree. I'm not expressing an opinion here on how large the resulting errors might be. The message, tentatively expressed, is that the total shortfall of housing production in Canada has very likely been larger than is estimated here, to some unknown degree.

Demolitions

Housing is removed from the existing inventory by demolition (which is often done to make way for increased density). According to Statistics Canada data, which begins as of 2018, demolitions have removed housing at an average rate of 16,366 units per year. In calculating the surpluses and deficits of housing supply, a further adjustment should be made for replacement of these losses. Over the 15 years covered in this report, demolitions might have added 225,000 to 240,000 units to the calculated shortfall (therefore resulting in a total in the area of 300,000 for the 15-year period).

For the past five years, demolitions might cause the actual shortfall to be 80,000 units larger than has been calculated (about 96,000), which would result in an adjusted total shortfall of about 175,000 dwelling units.

Other Housing Flows

Other events affect the total supply of housing, including abandonments (especially in small towns and rural areas), altering numbers of units within structures (especially adding or removing a basement apartment), conversions between residential and non-residential uses (converting commercial buildings to residential use or on the other hand converting homes to business uses). In theory, the estimates of surpluses or shortages should be adjusted for these events, but unfortunately, we don't have data that is complete and reliable. This research assumes that these other processes don't materially alter the outcomes.

Factors Inhibiting Housing Supply

This report is not intended to explain the reasons for the production shortfalls, to measure the effects of the causes, or to argue for solutions for enhancing supply. That said, here is a quick list of factors that I think are involved. I have no doubt that I've missed some.

- Naturally-occurring physical constraints.

- Land-use plans that limit uses of land that has development potential.
- Delayed approvals.
- Delayed installation of infrastructure.
- Costs imposed by governments on new construction (from a large list of fees and charges), which have increased very rapidly over time. Builders have to delay, so that attainable prices can catch-up to their increased costs.
- Decisions by land owners about whether to sell.
- Mortgage regulations that suppress home buying: these reduce sales of new housing, which impairs future supplies.

Higher prices provide incentive for builders to offer more supply, which is badly needed now, and for which there will be continuing large requirements in future. Will the environment be conducive to that expansion?

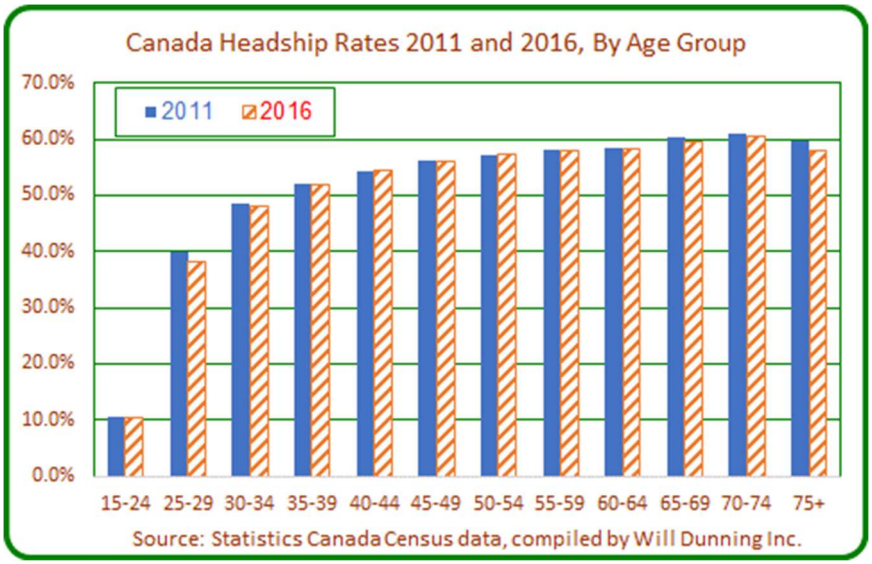
What will be the mix of that future housing supply? The recent data is not encouraging on that score. As is shown in the table below, total housing starts surged in 2021 (the total of 271,198 units was significantly higher than the average of 203,857 per year during the prior 10 years). Most of the increase was for apartments (to 147,212 units, versus a requirement that might be in the area of 75,000 to 80,000). Low density starts (singles plus semis) totaled just 95,392, while the requirement is likely to be in the area of 135,000 to 140,000. Once again, town house starts (28,594) were above the requirement (perhaps 15,000). The total supply of ground-oriented housing (less than 125,000 starts in 2021) is, once again, well below the combined requirement, which exceeds 150,000 units.

Table 4
Annual Housing Starts in Canada

Year	*Single-detached*	*Semi-detached*	*Row*	*Apartment and other*	*Total*
2000	92,184	11,530	15,247	32,692	151,653
2001	96,026	11,883	15,166	39,658	162,733
2002	125,374	13,584	18,482	47,594	205,034
2003	123,227	13,644	20,343	61,212	218,426
2004	129,171	14,297	22,067	67,896	233,431
2005	120,463	13,477	22,134	69,407	225,481
2006	121,313	14,358	20,963	70,761	227,395
2007	118,917	14,432	23,281	71,713	228,343
2008	93,202	12,651	20,868	84,335	211,056
2009	75,659	11,114	13,908	48,400	149,081
2010	92,554	13,006	19,857	64,513	189,930
2011	82,392	12,570	19,447	79,541	193,950
2012	83,657	14,285	20,976	95,909	214,827
2013	76,893	12,544	19,993	78,493	187,923
2014	75,515	13,407	21,448	78,959	189,329
2015	68,125	11,047	21,611	94,752	195,535
2016	74,089	10,830	22,653	90,344	197,916
2017	76,843	12,291	28,046	102,583	219,763
2018	65,940	10,992	23,510	112,401	212,843
2019	55,869	10,018	25,147	117,651	208,685
2020	59,954	11,397	23,506	122,945	217,802
2021	82,116	13,276	28,594	147,212	271,198

Source: Canada Mortgage and Housing Corporation, via Statistics Canada

Falling Household Formation Rates



If housing supply doesn't keep up with the requirements, some people who want to form new households are unable to do so, meaning that the calculated household formation rates will fall. Inadequate supply is materially affecting the ability of Canadians to organize and live their lives the way they want. During 2011 to 2016, household formation rates fell for young adults (especially for the 25 to 29 age bracket, but also for 30 to 34 year olds), due in part to the housing market pressures that existed during that period. Housing data from the 2021 Census is expected to be released in September. At this juncture, it seems quite likely that there will be further drops in household formation rates, signaling that housing shortages are making it increasingly difficult for Canadians to get on with their lives.

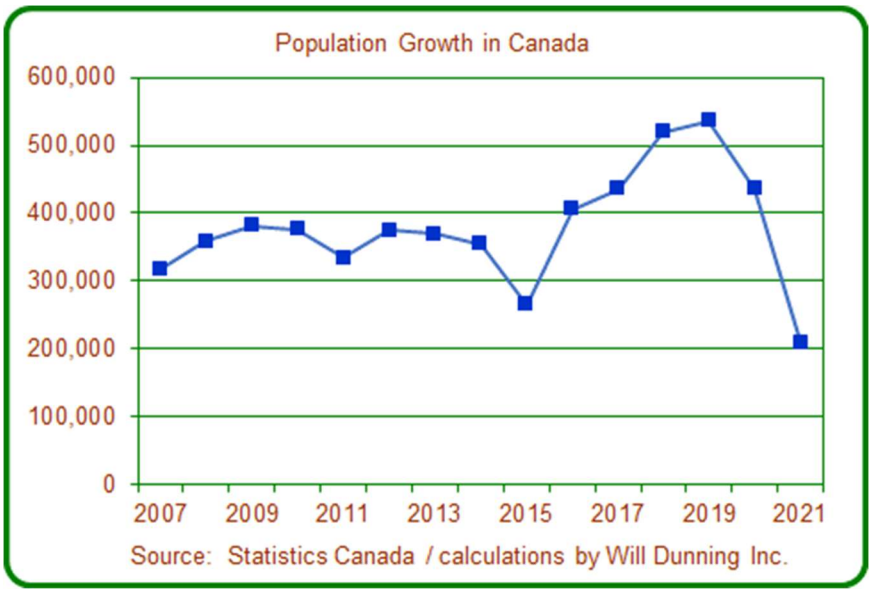
Changing Consumer Choices, Including "Substitution"

To varying extents, people today will make different choices compared to other people in earlier times. Housing production has shifted away from low density forms towards medium density, and especially to high density. In part, that reflects changing preferences: reduced child-bearing, as an example, will cause more people to want to live in apartments rather than in larger homes. Also, desires to be closer to work have supported movement to apartments. In some cases, substitution occurs due to economic necessity (especially the shift to town homes, away from single-detached and semi-detached homes). It is similarly possible that there has been some substitution from low and medium densities to apartments, due to economic pressures rather than to preferences: the increasing share of apartments, for some of the newer occupants, meant giving up on a first choice, to make the best of a very challenging situation.

Current events in housing markets across the country show that many consumers are re-assessing their preferences and revising their choices, which is causing them to compete aggressively in under-supplied segments of local housing markets.

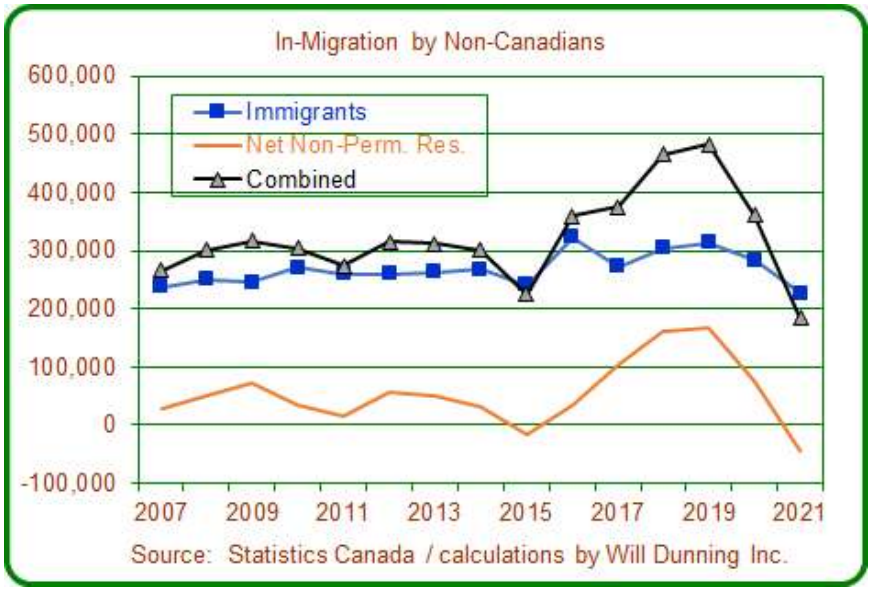
The Key Driver of Population Growth (and Housing Requirements)

Among first-world countries, Canada has relatively rapid population growth. Our rate of growth became even faster after 2016. As was noted earlier, our population grew by 1.4% in both 2018 and 2019. There was a pronounced dip in 2021 (for the year up to June 30th). Quarterly data is now showing a resurgence: during the first three quarters of 2021 (up to October 1), the population grew by an estimated 367,565 and the total for the year is quite likely to exceed 450,000 (a growth rate of at least 1.2%).



There are several components to population growth. At the national level, the three major components are "natural growth" (births minus deaths), movements by Canadians across the border, and movements by non-Canadians across the border. Sub-nationally, movements within Canada (between provinces, as well as within provinces) make further contributions to growth of local populations.

The third major component of population growth (movements by non-Canadians across the border) has the most variation and has the biggest impact on the growth rate for the population of Canada. In the data, this consists of two components: immigrants and the change in the number of non-permanent residents who are residing in Canada (this includes people on work and educational permits as well as refugees). This chart shows the annual data for those two components and the combined result. The elevated rates of population growth during 2016 to 2020 are due to this, and the dip in population growth for 2021 is due to the sharp drop-off for international migration. The recent rebound for population growth is likewise the result of a resurgence of migration into Canada.



The federal government has set a target for 411,000 immigrants this year (and higher amounts subsequently). This can be expected to result in a sustained rate of population growth in the area of 450,000 per year and total housing requirements in the area of 225,000 to 240,000 per year. Adding about 16,000 new units per year to replace demolished housing, the total requirement is about 250,000 dwellings per year. On top of this, there is a need for surpluses, to reduce the accrued housing deficits across Canada (which now total about 300,000 dwelling units).

In order to meets those housing needs, Canada will need to produce housing at rates that are far above historical levels, on a sustained basis.

We need at least five years of housing starts in the area of 300,000 dwelling units per year.