

Housing starts in Canada fail to meet demand as costs and demand soar: report

By Isaac Lamoureux, True North Wire - April 1, 2024



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While Canada's largest cities saw historic apartment construction, their overall housing starts decreased, according to new data from the Canadian Mortgage and Housing Corporation.

The housing agency's latest [supply report](#) examined Canada's six largest cities – Vancouver, Calgary, Edmonton, Toronto, Ottawa, and Montreal.

Total housing starts in the six municipalities dropped by 0.5% between 2022 and 2023 due to a decline in building single-detached, semi-detached, and row homes, despite a 7% rise in apartment builds to a record 98,774 units.

"Single-detached starts registered the most significant decline of 20%," read the report.

Apartment construction, including condominiums and purpose-built rentals, reached record levels in Toronto, Vancouver, Calgary, and Ottawa, with Ottawa seeing its highest level since the 1970s. However, apartment construction fell to an eight-year low in Montreal, decreasing by 34.9% between 2022 and 2023. Edmonton's apartment builds decreased by 10.1% over the two years.

Apartments were the only housing type to see increased housing starts, last year.

Record condo starts were largely due to favourable borrowing rates secured before 2023. Apartment building starts are expected to moderate in 2024, reflecting current demand conditions and financial challenges, according to the report.

Despite the increase in apartments being built, 2023 saw unprecedented rental demand, amplified by low vacancy rates, which decreased from 1.4% to 0.6% for rental apartments, and increased costs of rent, which rose 8.8% for two-bedroom apartments.

"Ongoing challenges on the supply side suggest that demand will continue to outpace supply," read the report.

Canada Mortgage and Housing Corporation's chief economist, Aled ab Iorwerth, said the supply gap could not be addressed without ramping up housing construction.

"We need to fill that supply gap that we have, in order to get back to affordability," he said.

The report said ground-oriented homes, specifically single-detached properties, have become "increasingly unaffordable for homebuyers."

Despite reaching a record low, the expectation is that it will not improve in the near term.

Long construction timelines for each dwelling type also amplified the supply shortage. In 2023, all six municipalities averaged to build single-detached and semi-detached homes in 10.7 months, row properties in 12.8 months and apartments in 22.7 months.

The report analyzed the housing starts per 1,000 people in the six cities in the last ten years. Calgary, Edmonton, and Montreal all saw decreases, while

Vancouver, Toronto, and Ottawa saw increases in housing starts per 1,000 people when comparing 2014 to 2023.

Purpose-built rentals as a share of apartments built have increased in all six jurisdictions. None of the six municipalities saw a larger increase in rentals' share of apartment starts than Montreal, when comparing 2014 to 2023, which saw an increase of 45%. Calgary followed at 44%, then Edmonton at 32%, Ottawa at 21%, Toronto at 14%, and Vancouver at 13%.

"Supply barriers stemming from rising costs, growing project sizes, and labour shortages have resulted in extended construction timelines," the report said.

The report highlighted that various levels of government have implemented programs to stimulate the supply of rental housing. The federal government's National Housing Strategy, introduced in 2016, has committed \$14.77 billion for 41,105 units.

The feds have earmarked \$15 billion for new loans starting next year to build rental apartments more quickly. They also cut the GST from new rental housing construction last fall.

The Canada Mortgage and Housing Corporation concluded that Canada would require an additional 3.5 million units by 2030, on top of what is already projected to be built, to restore affordability to levels seen around 2004.

"Under our high-population growth scenario, which assumes current immigration trends continue until 2030, the need for additional housing units would increase to four million," read the report.

The United States, which has a population of almost 300 million more people than Canada, only builds **1.521 million homes** annually. If Canada can match the rates of a country with almost tenfold its population, it can build enough homes to meet demand.

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