



# Canada's Housing Crisis:

## Fueling the Boom in Multi-Residential Real Estate

### The Introduction & Key Highlights

This white paper affirms that Canada has a housing shortage and homeownership affordability crisis (the "Crisis") based on key metrics. It then examines the interplay between its two root causes:

1. Reliance on Immigration Policy for Economic Growth
2. Government Regulation, Development Charges and Taxes Imposed on Developers

These causes are structural, but in the early stages of being *addressed*. Even so, it is highly unlikely that these factors transform significantly

and rapidly enough to provide an affordable option for Canadians who are increasingly getting priced out of owning a home. This homeownership predicament raises the relative attractiveness for the other living option – renting. As a result, homeownership rates are likely to continue their structural decline as more Canadians enter the renter pool out of necessity. Fundamentally, there is a large runway for the Canadian multi-residential rental supply to catch-up with its burgeoning demand. The white paper conducts this math with generous assumptions and concludes ***Canada will still be over 500,000 rental units short of meeting its demand trajectory by 2040.*** This creates a lucrative opportunity for investors to capture outsized returns in the otherwise stable and steady multi-residential sector.

# The Key Contributing Factors to the Crisis

## Factor #1

### Reliance on Immigration Policy for Economic Growth

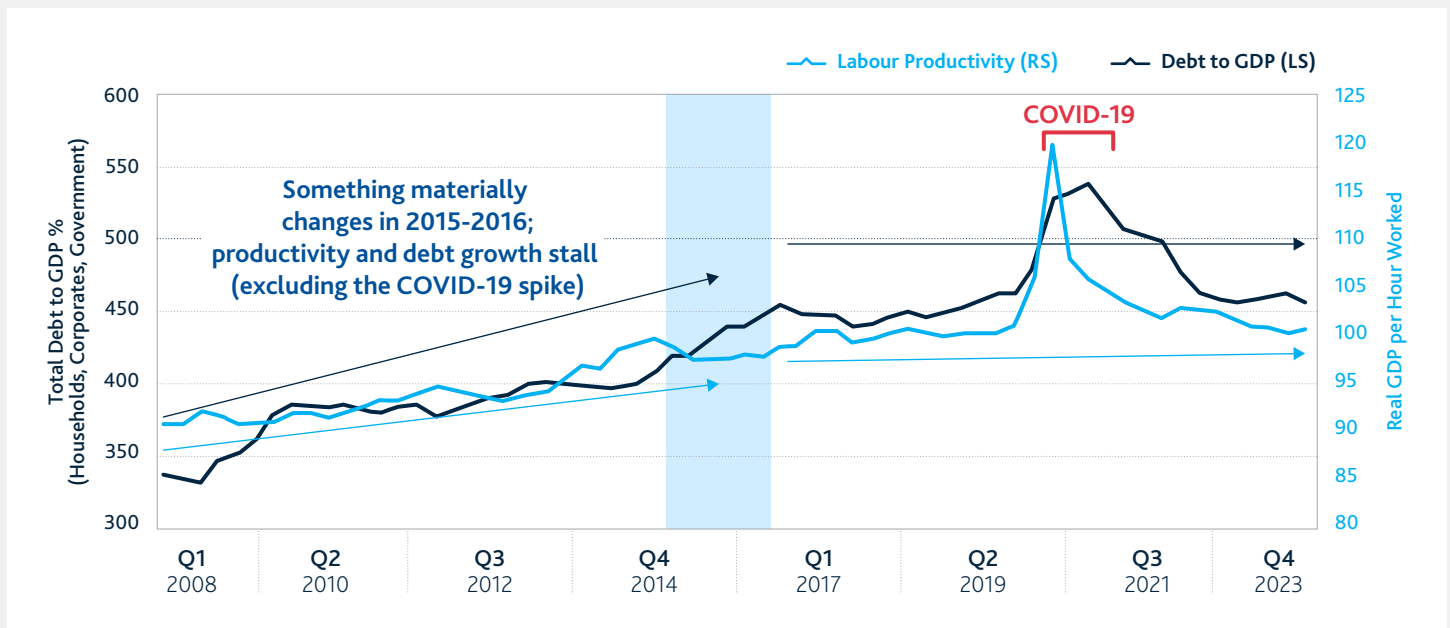
Every country wants to secure a sound and prosperous economy for its citizens. Economic growth, commonly measured by Gross Domestic Product ("GDP") can be produced through three primary factors:

$$\text{GDP Growth} = \text{Population Growth} + \text{Productivity} + \text{Debt Growth}$$

Emerging from the Global Financial Crisis ("GFC"), Canada was viewed as the responsible and prudent nation that side-stepped the banking problems which drastically affected its American neighbour and European economies. Domestic population growth was modest at a 1% pace or 350,000 people per year. Labour productivity and debt growth reliably climbed higher every year, contributing to much stronger GDP growth than the rest of the world. Then, productivity and debt growth measures began to stall around 2015-2016.

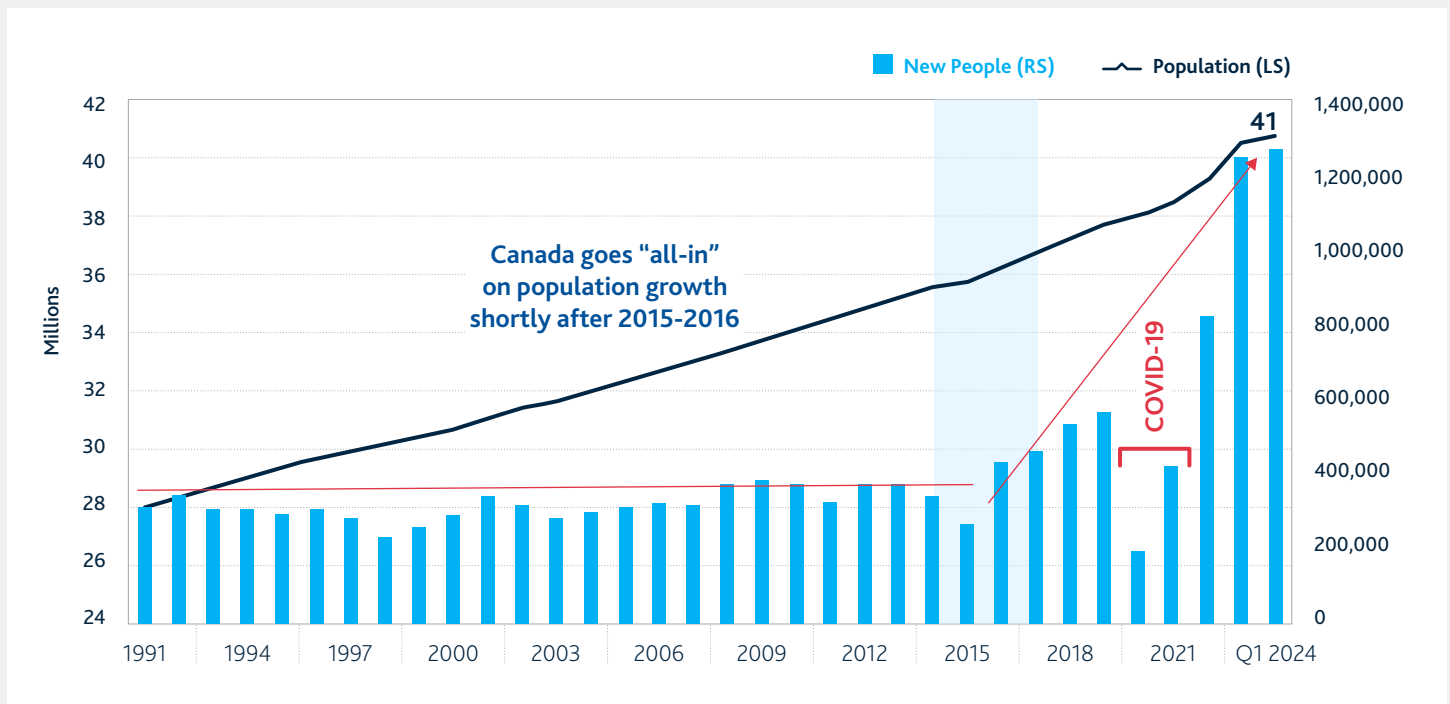
Figure 1 - Canadian Economic Trends<sup>1,2</sup>

#### Labour Productivity & Debt to GDP



To satisfy the GDP equation, Canadian policies became increasingly reliant on population growth.

Figure 2 – Canada's Population Growth<sup>3</sup>



For some historical context, Canada's immigration policy has always been a key driver in making it the fastest-growing G7 country. Initially focused on economic growth in the 1980s and 1990s, the policy evolved to prioritize skilled workers through Canada's Department of Immigration known as the "Points System." The 2000s saw further refinement with the introduction of the Provincial Nominee Program and the Canadian Experience Class, tailoring immigration to regional needs and facilitating the integration of temporary workers and international students. The 2010s brought a balance between economic criteria and the emphasis on family reunification and refugee resettlement, with the Express Entry system in 2015 streamlining the skilled immigration process.<sup>4</sup>

This approach has had a profound economic impact, filling critical skill gaps in the workforce, particularly in healthcare, technology, and trade. The policy's success is also attributed to Canada's multi-cultural philosophy, which has fostered an inclusive society, further attracting immigrants. The combination of stable economic opportunities, high living standards, and a welcoming social environment has not only bolstered Canada's economy, but also created a dynamic, culturally diverse society.

Canada has focused on this strategy because, like much of the developed world, it is battling aging demographics and low birth rates below the population replacement level.

Figure 3 – G7 Nations & China Demographic Profiles<sup>5</sup>

Country	Median Age	Birth Rate (children per women)	Current Population 2023 (millions)	Population Growth % Expected to 2040
Canada	41	1.5	41	12.4%
United States ("US")	38	1.7	341	7.5%
United Kingdom ("UK")	40	1.6	68	4.1%
France	42	1.8	65	2.0%
Germany	45	1.5	83	-2.5%
China	39	1.2	1,425	-3.4%
Italy	48	1.3	59	-6.0%
Japan	49	1.3	123	-9.5%

Figure 3 presents a comparison of Canada's key population metrics against those of other G7 nations and China, highlighting several important points. Firstly, Canada's birth rates are only slightly higher than the lowest figures observed in Italy, China, and Japan, all of which are grappling with significant population declines. Moreover, when compared to its English-speaking counterparts, the US and the UK, Canada's birth rates do not fare well, and its median age is higher, highlighting the nation's older demographic profile. Given these factors, it is clear why immigration has emerged as a crucial economic policy tool for Canada.

Resultingly, Canada's population was estimated at 40,769,890 on January 1, 2024, an increase of 1,271,872 people (+3.2%) in one year alone! The vast majority (97.6%) of the population growth was due to international migration. The rest of this gain (2.4%) was the result of natural increase.<sup>6</sup> This was the highest annual population growth

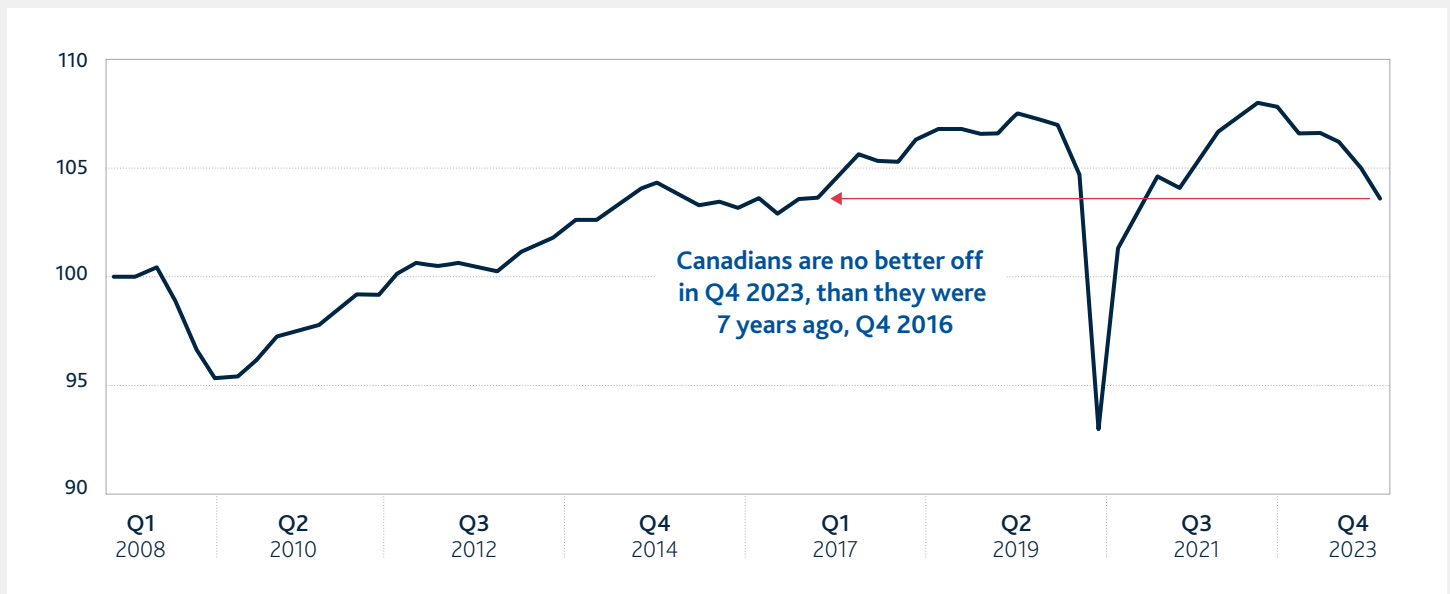
rate since 1957, clearly showcasing that 1% annual growth rates of the past are likely to be eclipsed by 2-3% future growth rates – Canada has gone “all-in” on population growth. Looking ahead, the Government of Canada’s Immigration Levels Plan for 2024-2026 calls for more of the same. Following the trajectory of the 2023-2025 Plan, Canada aims to welcome an astounding 485,000 new permanent residents in 2024, then 500,000 in both 2025 and 2026.<sup>7</sup>

Canada's tradition of embracing immigrants has brought numerous advantages, enriching the country culturally and economically. However, following the introduction of the Express Entry system around 2015-2016, there has been a noticeable shift. Policymakers have increasingly leaned on immigration as a primary strategy, perhaps to an excessive extent. A major indication that the economic benefits may not be accruing, can be examined through real GDP, adjusting for population growth (per capita).



Figure 4 – Real GDP per Capita<sup>8</sup>

Real GDP and Population Indexed to 100 at December 31, 2007



It appears that Canada is likely too reliant on population growth. More people are not translating to more growth per person or real wealth – just an increased need for housing and infrastructure. This excessive dependence threatens to overshadow the necessity for policies aimed at enhancing productivity and building infrastructure that can accommodate the influx of newcomers while generating sustainable economic prosperity for its citizens.

## Factor #2

# Government Regulation, Development Charges and Taxes Imposed on Developers

Canada's housing market has faced significant challenges in recent years, including escalating prices, affordability issues, and supply shortages. In addition to land and construction costs, some input costs to building housing units include direct costs levied by governments and indirect costs through prolonged development approval timelines. Permitting delays, rent control, development charges, and taxes on home building are among the factors contributing to these challenges. Each of these elements plays a critical role in the cost and supply of new housing developments and is directly related to the Crisis.

### Government Regulation – Permitting Delays

Permitting delays in many Canadian municipalities, attributed to lengthy approval processes, zoning restrictions, and bureaucratic challenges, significantly drive up the cost of development projects. The “Municipal Benchmarking Study” by the Canadian Home Builders’ Association and Altus Group highlights that among 20 municipalities, six have average permit approval times exceeding 20 months, with four in Ontario showing the longest waits.<sup>9</sup> The fastest Ontario city, London, still takes over 10 months. A C.D. Howe Institute report further reveals these delays can add thousands of dollars to housing costs in the most impacted areas.<sup>10</sup>

### Government Regulation – Rent Control

Unlike other property types, multi-residential landlords absorb the risk of operating expense increases because tenants are charged a *gross rent* – not *net*. Landlords of older properties (i.e., built before 2018 in Ontario) are also subject to allowable rent increases or rent controls every year. This effectively transfers profitability slippage risk to the landlord if they cannot grow their rents higher than the expense inflation.

Figure 5 – Provincial Rent Control Policy<sup>11</sup>

Province	Rent Control	2024 Increase
British Columbia	Yes	3.5%
Alberta	No	N/A
Manitoba	Yes	3.0%
Ontario	Yes	2.5%
Quebec	Yes	2.2% to 4.6%
Nova Scotia	Yes	5.0%

For Quebec new constructions, there is an exemption from the regular rent control rules for the first five years.

An economic mantra is that the cure for high prices is high prices. If the price of something goes up, it is signaling to the market that it may be time to make more of it. Rent controls, on the other hand, provide an artificial cap to prices (or rents, in this case), interfering with the market signal. By setting rents below their natural growth rate, rent controls dampen the economic viability of new developments, ultimately restricting new supply.



## Development Charges

Municipalities levy development charges on new housing projects to fund infrastructure like roads and water systems. While essential, these fees significantly inflate the costs of new developments and vary across Canadian municipalities, affecting developer costs. According to the previously referenced Municipal Benchmarking Study, four municipalities – Vancouver (\$157), Markham (\$139), Toronto (\$125), and Brampton (\$100) charge over \$100 per square foot for high-rise construction, highlighting areas most affected by housing unaffordability. Over two years, the average municipal charge for high-rise development surged by 34%, with these costs typically transferred to buyers, thereby escalating home prices.

## Taxes

Taxes on home building in Canada include the Goods and Services Tax ("GST") and, in some provinces, the Harmonized Sales Tax ("HST"), which applies to the sale of new homes. More recently, the 2024 budget has increased the "inclusion rate" from one-half to two-thirds on capital gains above \$250,000 for individuals. Additionally, property taxes and land transfer taxes can add to the cost of acquiring and owning a home. While the recently announced Federal GST/HST housing rebate provides some relief to buyers of new homes, taxes remain a significant component of the overall cost of home ownership.

## Impact on Housing Supply and Affordability

The combination of permitting delays, rent controls, development charges, and taxes can significantly deter new supply and impact housing affordability. At the upper end, government charges can represent more than 20% of the cost of building a home in major Canadian cities. In 2019, the Building Industry and Land Development Association ("BILD") reported on a study by Altus Group, which found government fees, taxes, and charges added \$222,000 to the cost of an average new single-family home in the Greater Toronto Area ("GTA"), three times higher than San Francisco, Miami, Boston, New York City, Chicago, and Houston. This is an unusual way to address a basic necessity.<sup>12</sup> Tackling these issues is critical for increasing the supply of homes and improving housing affordability.

# The Resulting Crisis

## Crisis #1

### Housing Shortage

As expected, targeting continued strong population growth and making it costly and difficult for building solutions to meet those needs relative to other competitive major markets in North America, Canada is experiencing a housing shortage. When comparing Canada to its developed peers (the G7 countries), Canada, along with the US, has limited housing stock for its population. Canada has 427 dwellings per 1,000 inhabitants, according to the OECD.

Figure 6 – G7 Countries: Dwellings per 1,000 Inhabitants (2020 or latest OECD data)<sup>13</sup>

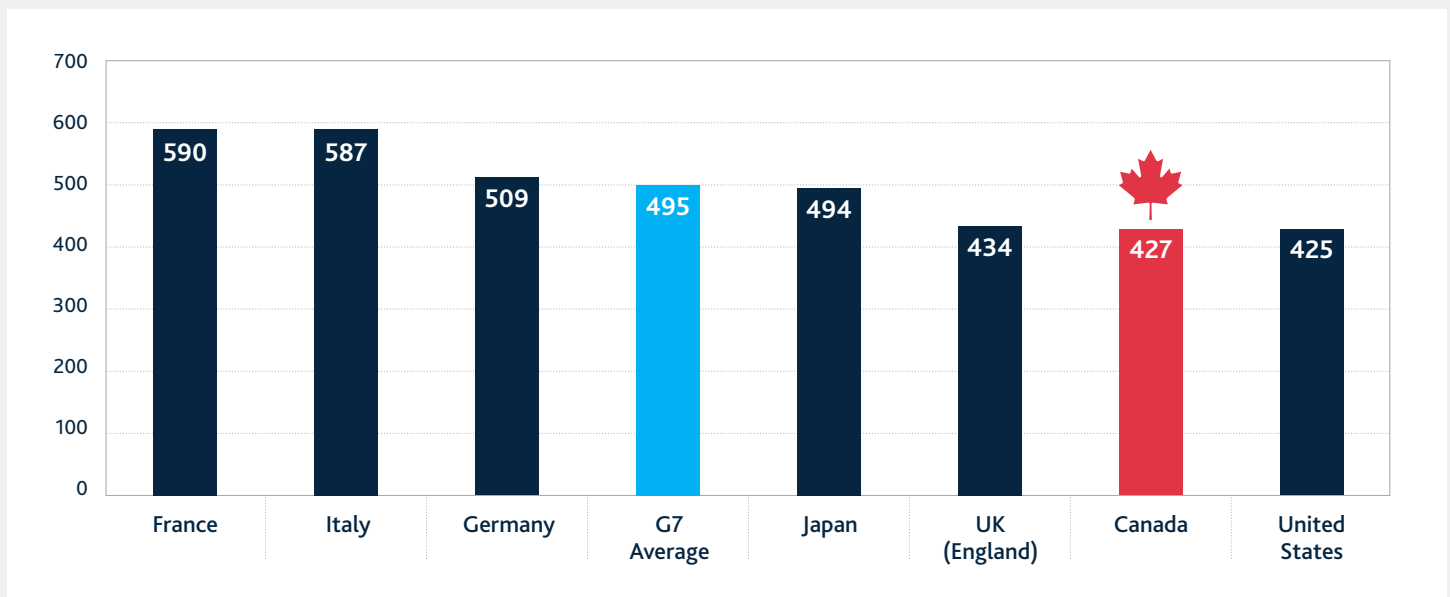
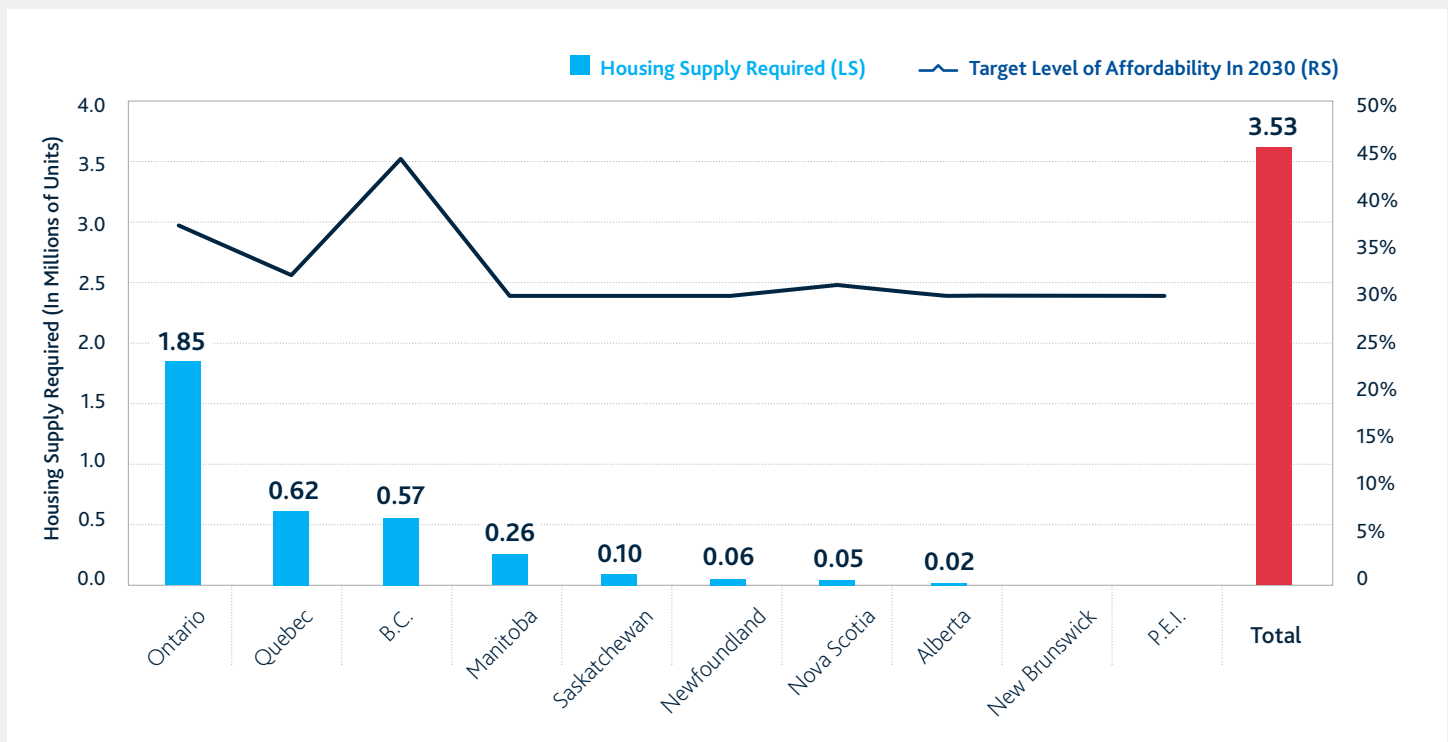


Figure 6 implies 2.3 Canadians per dwelling. Looking past the current stock measures, it is the flow that indicates a true issue with providing housing for Canada's continued population growth. With 500,000 permanent residents targeted and approximately 700,000 additional people through shadow inventory (implied by Canada's 1.2 million population boom in 2023), Canada will likely add another 1.2 million people in 2024. Extrapolating to the current average household formation of 2.3, this means that the country will need 522,000 new housing units per year. Canada Mortgage and Housing Corporation ("CMHC") is Canada's national housing agency that attempted to quantify the undersupply by province going out to 2030.

Figure 7 – Estimated Housing Undersupply in 2030 by Province<sup>14</sup>



If CMHC's math is correct, the conclusion here is similar to Fiera Real Estate, that *housing undersupply will reach 3.5 million units by 2030*. CMHC highlighted the reality of a skilled construction labour shortage in the residential housing market as the limiting factor in new housing completions. The nation will need to find a way to build an additional 600,000 units per year to keep up with the immigration influx. Canada's current housing start run rate of 255,000 completed units per year (implied in CMHC's report), is simply not enough.<sup>15</sup>

Modular and robotic building technology has potential to add more housing supply in a more expedient and less labour-intensive manner to help alleviate the Crisis. Office conversions to residential units is a difficult, but limited approach to address this; however, it is

insignificant and will not impact the supply-side of the equation in any meaningful way. An article from Gensler dives into the trends from assessing over 1,000 potential office-to-residential conversions since the onset of the pandemic. A data-driven approach was developed to evaluate the viability of converting office buildings into residential spaces, notably reducing the assessment period from months to days. Only 25% of assessed buildings were found suitable for conversion, with factors like context, building form, and location being key determinants.<sup>16</sup> This method was first tested in Calgary, backed by the city's Office Conversion Program, which set a goal of removing six million square feet of vacant office space by 2031.<sup>17</sup> An ambitious municipal government program like this only has the capacity to repurpose suitable office into 2,300 residential units (4.1% of Calgary's rental market universe) over a seven-year timeline.

## Crisis #2

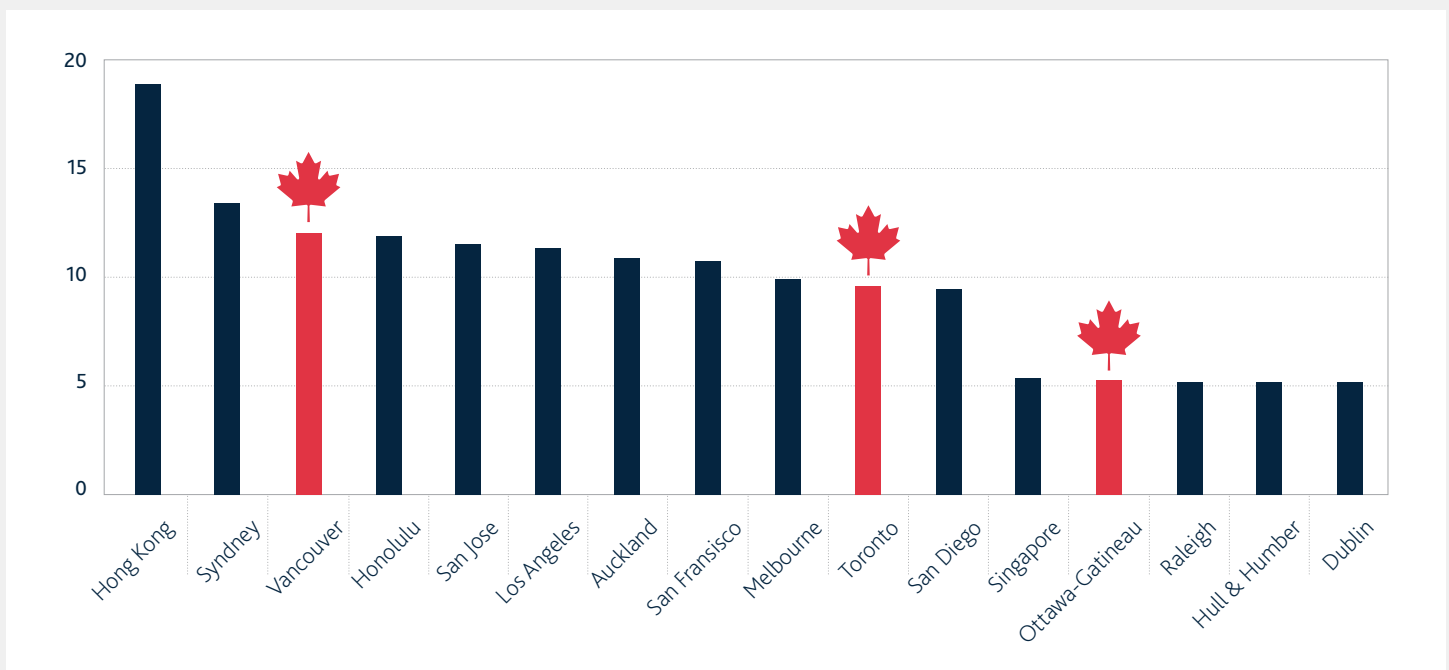
### Homeownership Affordability

The Canadian housing market has always been a topic of significant interest in global financial news. Several international analysts have proclaimed many times throughout the last 10 years that Canada's housing market was one of the largest bubbles in global real estate.<sup>18</sup>

Then COVID-19 materialized, and the "bubble" blew even larger. Nationally, median house prices that were 4.3 times larger than median household incomes in 2019,<sup>19</sup> inflated to 5.3 times larger after the historic fiscal and monetary policies, whereby the Federal Government and Bank of Canada coordinated actions to bridge the country out of the pandemic. In cities like Vancouver and Toronto, these multiples are now astronomically high at 12.0 and 9.5, respectively. Close to 60% of all households could afford to own at least a regular condo apartment in 2019 based on their income, but that share has declined to 45% in 2023. An even slimmer 26% could now afford a (relatively more expensive) single-family home.<sup>20</sup> A 2023 report by Demographia details further that three of the top 15 "Least Affordable Major Global Residential Markets" are Canadian.

Figure 8 – Least Affordable Major Global Residential Markets<sup>21</sup>

Ratio of Median Home Price to Median Household Income

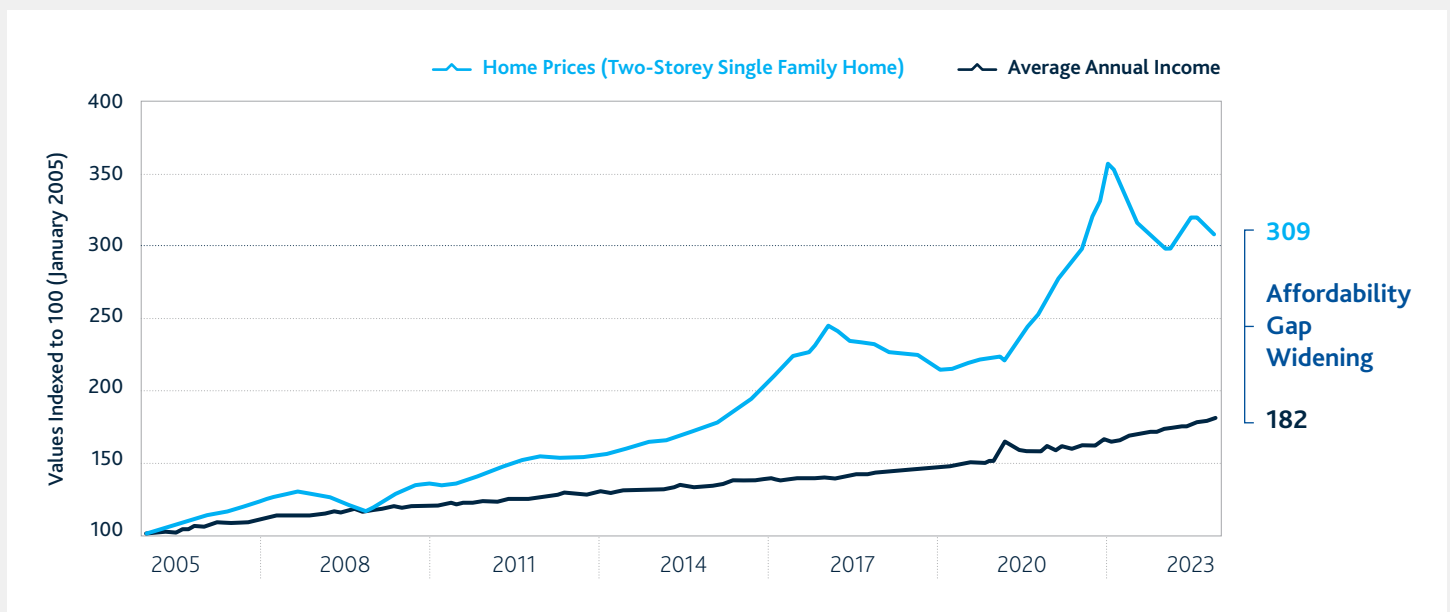


From this same report, Canada's key affordability metrics classify it as "Severely Unaffordable".

**The affordability issue is stemming from lack of new supply and the double-edged sword of being solely reliant on immigration:**

1. Strong immigration growth results in more demand for housing = ↗ home price growth momentum
2. Strong immigration growth results in more supply of labour = ↘ income growth momentum

**Figure 9 – Canadian Home Prices vs. Average Annual Incomes<sup>22, 23</sup>**



These factors have been diverging for nearly two decades, which in essence, has widened the gap between owning a home in Canada and earning enough income to support it. Average household incomes show a relatively more affordable picture than median incomes (although still acute), which suggests a rising level of income inequality is beginning to form across the country, as well. Although home prices have fallen since their peak in March 2022, the ownership costs are now at their highest percentage of median

household income on record (69.2% for single-detached) due to elevated interest rates.<sup>24</sup> If this truly was the case, a drop-off in homeownership rates would be expected. In fact, that's exactly what is playing out as the national homeownership rate in 2021 was 66.5%, falling 2.5% from 69.0% in 2011. What's more is that this move is broad – all 10 provinces experienced a decline in homeownership rates, with most Maritime provinces, Ontario, and British Columbia seeing the steepest declines.

Figure 10 – Canadian Homeownership Rates by Province<sup>25</sup>

Canadian Provinces	2011		2021		10 Year Change in Homeownership Rate
	Homeownership Rate	Average Home Price	Homeownership Rate	Average Home Price	
PEI	73.4%	\$158,000	68.8%	\$317,100	-4.6%
Nova Scotia	70.8%	\$194,500	66.8%	\$347,600	-4.0%
British Columbia	70.0%	\$506,100	66.8%	\$910,800	-3.2%
Ontario	71.4%	\$367,500	68.4%	\$865,100	-3.0%
Manitoba	70.1%	\$224,200	67.4%	\$331,800	-2.7%
Alberta	73.6%	\$342,100	70.9%	\$424,300	-2.7%
New Brunswick	75.7%	\$162,800	73.0%	\$239,900	-2.7%
Saskatchewan	72.6%	\$263,400	70.7%	\$314,500	-1.9%
Newfoundland	77.5%	\$241,400	75.7%	\$263,900	-1.8%
Quebec	61.2%	\$248,900	59.9%	\$430,400	-1.3%

## The Emerging Attempts at Solutions

### Reliance on Immigration Policy for Economic Growth

In light of the significant influx of newcomers, Canada is considering a more cautious approach to immigration. The latest Immigration Levels Plan aims to cap the number of permanent residents at 500,000 and international students post-2025, reflecting a strategic pivot. Starting September 2024, the issuance of international study permits will be limited to 364,000, a stark reduction from the 684,000 permits in 2023.<sup>26</sup> This decision, once possibly unpopular, now aligns with a growing recognition of the need to address the tangible costs associated with rapid population growth.

### Government Regulation, Development Charges and Taxes Imposed on Developers

The Federal Government is realizing that policy will need to incentivize developers to build new supply to alleviate the country's housing crisis. On September 21, 2023, legislation was coordinated to remove the the value-added tax of GST on new rental housing construction across the country. This represents a milestone of swift policy action needed to deal with the Crisis. Following on from this, Ontario introduced a bill to eliminate the provincial 8% portion of the HST on new purpose-built rental housing. This move, retroactive from September 14, 2023, aligns with federal initiatives and will make such projects more economically viable. To qualify, construction must start by the end of 2030 and finish by 2035. This tax cut aims to contribute to Ontario's goal of constructing 1.5 million new homes by 2031.<sup>27</sup>

**Other policies announced at the Federal Government's 2023 Fall Economic Statement relevant to the multi-residential rental sector included:**

- ▶ Adding another \$15 billion in new loans for new rental construction under the 'Apartment Construction Loan Program' starting in 2025-2026. This program has been renamed from the existing \$25 billion Rental Construction Financing Initiative ("RCFI") program.
- ▶ Adding another \$1 billion of funds over three years to spend on affordable housing, supporting non-profit, co-op and public housing providers.
- ▶ Increasing the Canada Mortgage Bond issuance limit by \$20 billion per year and designating the increased amount for funding mortgage loans on multi-unit rental projects insured by CMHC.
- ▶ CMHC is set to make further improvements by streamlining and simplifying requirements to speed up the application process.<sup>28</sup>

**More recently, at the Federal Government's Budget 2024 meeting,<sup>29</sup> additional policies were announced, which include:**

- ▶ **Public Lands for Homes Plan:** This initiative partners with developers to construct homes on federally leased land, aiming to produce 250,000 new affordable homes.
- ▶ **Canada Housing Infrastructure Fund:** A \$6 billion fund designed to support infrastructure like waterworks and waste systems, crucial for housing development. The first \$1 billion is earmarked for immediate municipal needs, with the remaining \$5 billion for long-term projects.
- ▶ **Housing Accelerator Fund:** A \$4 billion fund provided to cities to stimulate residential construction by modifying local rules and procedures to facilitate development.
- ▶ **Rental Housing Construction Incentives:** The budget includes measures like loan programs and GST tax relief to encourage the construction of rental housing.
- ▶ **Housing Design Catalogue:** An \$11.5 million initiative to create blueprints for 50 standard homes, which will help expedite the construction process by pre-approving designs.

- ▶ **Homebuilding Technology and Innovation Fund:** Allocates \$50 million to adopt new building materials and construction methods, with an additional \$50 million to support projects already using these techniques.
- ▶ **Training and Credential Recognition:** Initiatives to train more domestic tradespeople and recognize the credentials of foreign tradespeople to address labour shortages in the construction industry.

**Are these early emergent solutions enough?**

The shift in Canada's paradigm by limiting permanent residents to employ a more selective immigration approach is prudent, but it is still well-above the targets of recent years, which leaves residual pressure in the system. Similarly, the Points System should be strategically modified to award higher points to labour skills that are in short supply in the nation. A more selective immigration policy will be needed to target rising real GDP *per capita* – a measure Canada has been struggling with, as previously indicated.

In conjunction, reducing regulations and costs for rental housing development is likely to marginally encourage the private sector to innovate technological solutions for new supply. Likewise, Canada appears to be awakening to the need of bolstering infrastructure to support rapid population growth. Toronto, for instance, which accommodates 15.7% of Canada's total immigrants<sup>30</sup>, experiences some of the longest commutes in North America.<sup>31</sup> Funding such infrastructure projects through municipal bonds, willingly purchased by investors, presents a viable solution to bridge budget gaps at the provincial and municipal levels, offering an alternative, or at the very least reduction of development charges and taxes shouldered by developers. If the right infrastructure is invested in, over time the tax revenue payback through productivity growth should more than offset the initial cost. In addition, streamlining the permitting process, reviewing, and adjusting development charges to reflect the actual cost of infrastructure needs, and considering tax reforms are policies that are being reviewed to alleviate burdens on new housing development.

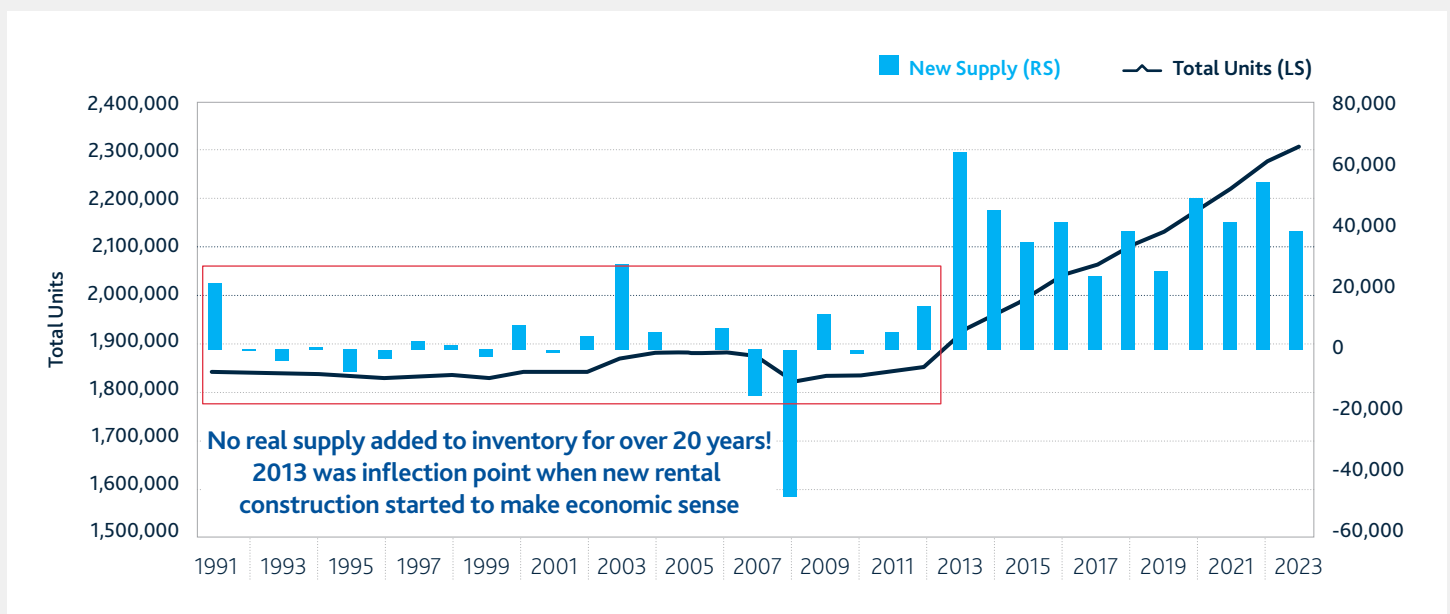
These strategy shifts offer an encouraging foundation, but further actions to substantially temper the pace of demand and open the supply tap need to be executed. Constructively, the public sector appears to be collaborating with private real estate participants to find solutions.

### The Alternative to Owning – State of the Canadian Multi-Residential Real Estate Market

So far, this white paper has addressed the home ownership side of the equation. It is now time to examine how these dynamics are likely to affect the rental side.

CMHC's 2023 Rental Market Report highlights an ongoing trend of declining vacancy rates across Canada's major cities, with Vancouver remaining notably low at 0.9%. Nationally, the vacancy rate for purpose-built rental apartments fell to its lowest since 1988, at 1.5%, alongside a notable rent increase due to a widening gap between supply and demand.<sup>32</sup> The chart below highlights the supply spigot for multi-residential rental apartments was essentially dormant during the 1990s up until the early 2010s.

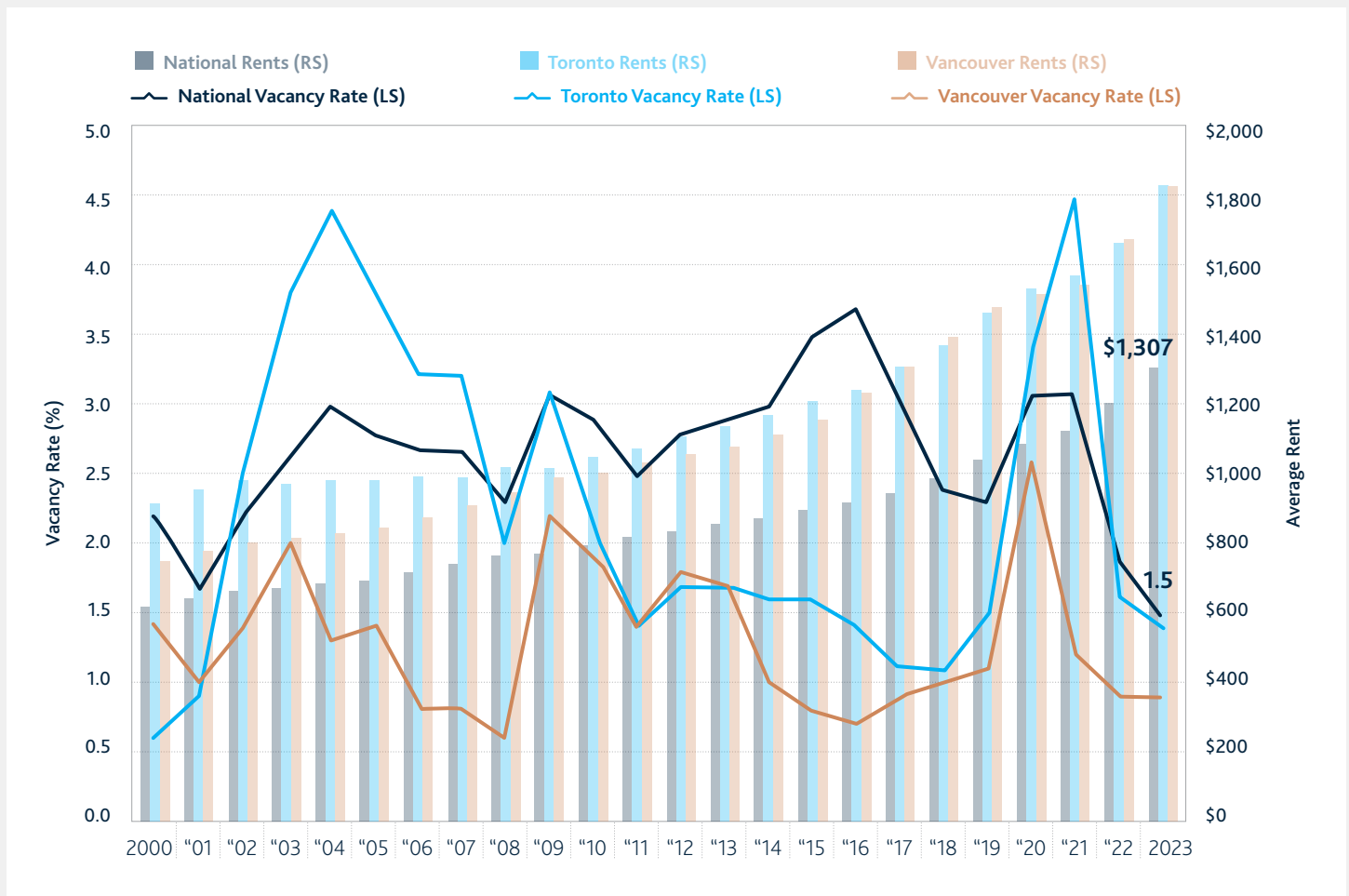
Figure 11 – Canadian Multi-Residential (Rental Apartment) Universe<sup>33</sup>



Rent controls, along with other explicit and implicit government charges, were described as the likely culprits to why limited supply was added to inventory. Consequently, most of the apartment supply in Canada's major markets has a vintage in the 1970s or 1980s. In 2013, recognizing the limitations of acquiring existing assets at low capitalization rates, major pension plans and developers shifted their focus towards multi-residential construction as a strategy to enhance real estate returns. Although this shift has resulted

in an increased supply (approximately 41,000 units per year), it remains inadequate in meeting the housing demand, evidenced by the current record low vacancy rate of 1.5%. The adoption of this strategy could have been economically beneficial earlier than 2013 if not for the constraints and additional costs imposed by governments. Without these interferences, the market could have responded more promptly, potentially avoiding the 20-year supply deficit it is now struggling to overcome.

Figure 12 – Canada Multi-Residential & Major Market Fundamentals<sup>34</sup>



Highlighting again that despite additional rental supply, it has not kept pace with demand spurred by immigration, young Canadians entering the housing market, and older households downsizing. This has led to an 8.4% annual increase in the average rent for an apartment, reaching \$1,307 per month. The secondary rental market (or “shadow” rental market) is confirming the tightened conditions, with rental condo vacancy rates dropping to 0.9% and rent for

these units rising. Challenges such as financing delays and labour shortages in construction are expected to continue, exacerbating the supply-demand imbalance. Figure 12 above shows the limited rental availability for Canada’s major markets where home affordability is the most severe (i.e. Toronto and Vancouver) – both markets have lower vacancy rates than the national average at 1.4% and 0.9%, respectively.

### The Math – Quantifying the Rental Supply Deficit

Given the above context, now is the time to attempt to quantify the structural supply-demand imbalance of Canada’s multi-residential sector up until 2040. Several assumptions are made, but overall, they are quite conservative.

Assuming homeownership rates continue to drop at a pace of 1% every five years, the renter universe will expand by a rate faster than population growth. If Canada moderates its population growth to 1.5% per year and Canada’s current housing start pace can grow at 3% per year through reduced “red tape” and technological advancements to overcome skilled construction labour shortages, then a 40% allocation of total units to the rental universe will nearly double the nation’s multi-residential stock. This is also a generous assumption as the multi-residential universe currently represents 14% of the total number of private households. The rental household formation is then assumed lower than Canada’s average (2.3 people per household) at two renters per unit.

Figure 13 – The Math – Quantifying the Rental Supply Deficit<sup>35</sup>

ASSUMPTIONS FOR FUTURE SUPPLY & DEMAND		THE MATH	
<b>DEMAND</b>			
Population 2023	40,769,890	New Renters from 2023 to 2040	5,509,130
Assume 1.5% Population Growth per Year	+11,673,002	/ Assume 2 Renters per Unit	/2
<b>Population 2040</b>	<b>52,512,447</b>	<b>New Demand</b>	<b>2,754,565</b>
Home Ownership Rate Today	66.5%	Current Rental Units Vacancy (1.5%)	34,614
Assume 1% Decline in Homeownership Rate Every 5 Years	-3.0%	New Rental Housing Units from 2023 to 2040	+2,219,682
<b>Homeownership Rate 2040</b>	<b>63.5%</b>	<b>New Supply</b>	<b>2,254,296</b>
Renter Pool 2040 [Population 2040 x (1-63.5% Homeownership Rate 2040)]	19,167,043	<b>SUPPLY DEFICIT</b>	<b>-500,269 units</b>
Renter Pool Today [Population x (1-66.5% Homeownership Rate Today)]	-13,657,913		
<b>New Renters from 2023 to 2040</b>	<b>5,509,130</b>		
<b>SUPPLY</b>			
Current Total Private Households (Units)	16,284,235		
Current Multi-Residential Universe (Units) – 14% of private household stock	2,307,577		
New Total Housing Starts (Units) per Year	255,000		
<b>Cumulative Housing Added to Inventory by 2040</b>			
Assume Housing Starts Grow at 3%/Year with Technology	5,549,205		
New <b>Ownership</b> Housing Units (60% of Total Starts)	3,329,523		
New <b>Rental</b> Housing Units (40% of Total Starts)	2,219,682		

*A doubling of residential stock, backed by a moderating reliance on immigration and removal of red tape across government layers, will still leave Canada with a 500,269 multi-residential unit deficit!* The result is a negative vacancy rate of 11.1%! This is clearly not possible, but indicates the supply will still fall around 11% short of where it needs to be. Under these shortage circumstances, it will clearly be a “landlords’ market,” resulting in accelerating rental growth for new vintage rental construction, exempt from rent controls. Rents will need to enter a period of price discovery, after decades of being artificially suppressed, to determine what level is needed to spur on innovative ways of accelerating new supply.

## The Conclusion

# Canada's Crisis Is Fueling the Boom in Multi-Residential Real Estate

This white paper identified the two primary factors contributing to Canada's Crisis. The long-term implications of having a labour force that feels shelter insecurity are far-reaching. The most vibrant age cohort of a workforce are those in their 20s and 30s, as they bring new energy and perspective, technological advancement, adaptability, and agility. If this particularly vulnerable segment can't afford the Canadian cost of living, they are less likely to stay in the country and have children. These actions, in and of itself, are population and GDP growth detractors, which only exasperates the situation and increases Canada's need to fill the gap with more immigration. "Wash, rinse, repeat" until the country enters a cost of living/housing crisis spiral.

Policymakers and urban planners must shift away from the myth that smart zoning alone can equitably distribute housing among the wealthy, middle class, and poor. The challenge of housing affordability cannot be resolved through intricate regulatory strategies or by imposing hefty subsidies funded by taxpayers or a

select group of affluent households. Efforts to address affordable housing often fall into the trap of trying to correct excessive regulation with more of the same. *The reality is that the most effective solutions are those fueled by free market forces.* Market-driven supply solutions can more efficiently and effectively address the complexities of housing affordability if free-market pricing signals are not tampered with by public policies.

While it is encouraging to see some headway into policymakers' line of thinking, the math is simply too foregone and glaring to balance in the coming decades. The delay of new rental market supply for over 20 years has left the nation saddled with a structural demand-supply imbalance. The solutions of slowing immigration growth rates and reducing red tape and costs for developers are just starting to gather momentum, but given these are primarily public sector catalysts, the evolution will likely drag on much longer than is needed.

Fiera Real Estate is convinced that new housing development has solid prospects as it continues to be part of the solution by focusing on the development of new rental housing across the country. We hope to help close the supply deficit by leveraging our real estate capabilities to provide attractive and affordable rental options for Canadians. *We estimate that equilibrium will not even be achieved by 2040, creating runway to contribute to the housing solution while driving value for our investors in multi-residential real estate, an otherwise stable and steady sector.*

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