

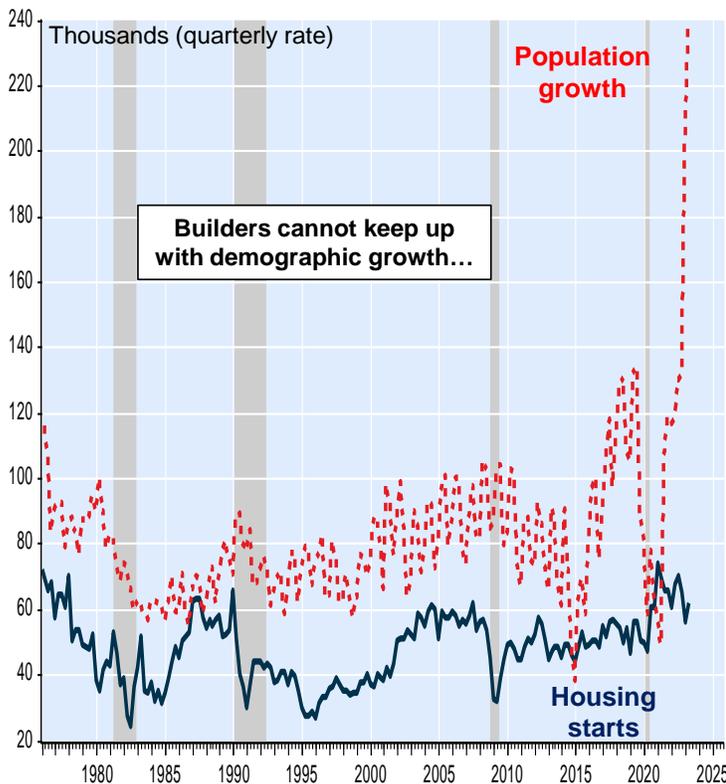
Canada Watch

By Stéfane Marion

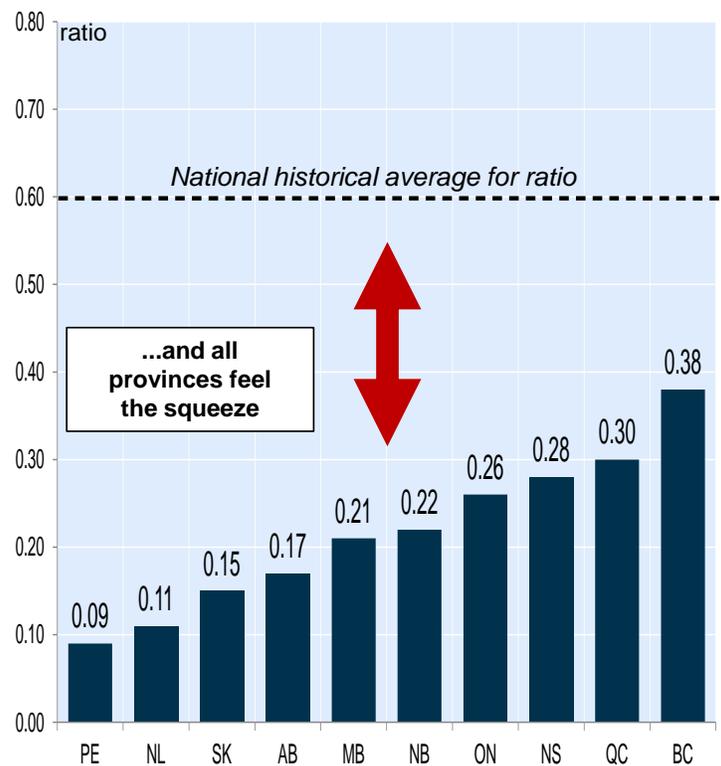
The federal government's decision to open the immigration floodgates during the most aggressive monetary tightening cycle in a generation has created a record imbalance between housing supply and demand. According to Statistics Canada, the working-age population surged 238,000 in Q2. That was the largest quarterly increase on record and 6.8 standard deviations from the historical norm of 82,000 per quarter. Unfortunately, Canadian homebuilders can't keep up with this influx. Housing starts for Q2 2023 stood at 62,000 units (or 247,000 annualized). At just 0.26, the ratio of housing starts to working-age population growth fell to a new and stands at less than half its historical average of 0.61 (the ratio is normally below 1 to account for the fact that there is more than one person per household). To meet demand, builders would need to break ground on 144,000 units per quarter (or 576K annualized), double the best performance ever! As today's Hot Chart shows, all 10 provinces are feeling the housing imbalance, with PE faring the worst with less than 0.1 starts per population growth. Among the Big 4 provinces, AB has the most depressed ratio at 0.17. As housing affordability pressures continue to mount across the country, we believe Ottawa should consider revising its immigration targets to allow supply to catch up with demand.

Canada: A housing affordability Armageddon?

Quarterly change in population aged 15+ vs. quarterly residential home starts



Ratio of housing starts to working-age population growth



NBF Economics and Strategy (data via Statistics Canada)

Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Alexandra Ducharme

Economist
alexandra.ducharme@nbc.ca

Matthieu Arseneau

Deputy Chief Economist
matthieu.arseneau@nbc.ca

Daren King, CFA

Economist
daren.king@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Jocelyn Paquet

Economist
jocelyn.paquet@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich

Rates Strategist
taylor.schleich@nbc.ca

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