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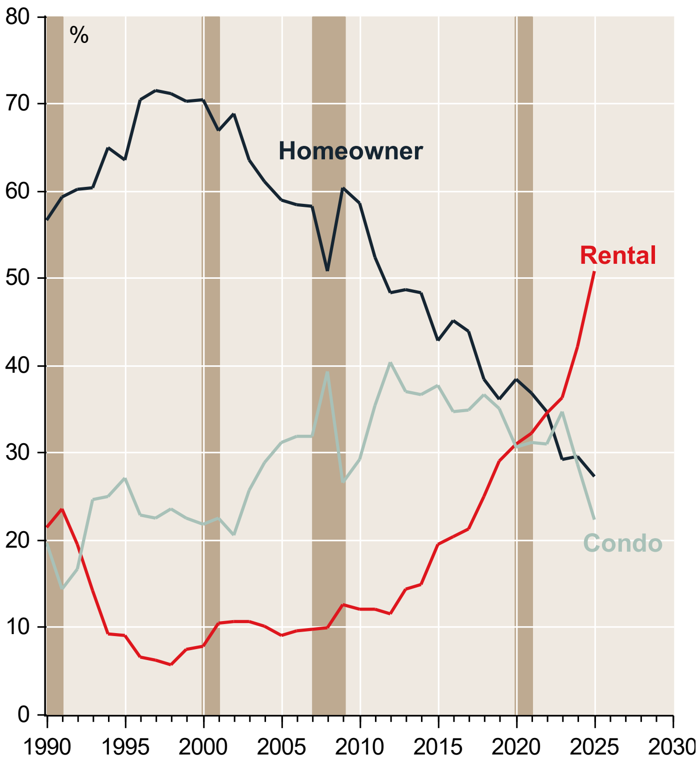
Canada Watch

By Daren King and Matthieu Arseneau

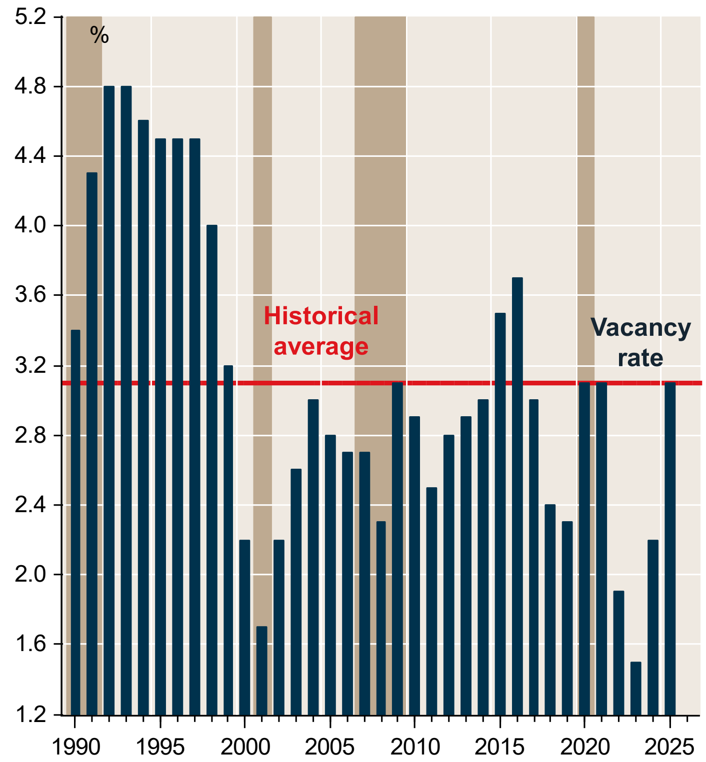
Data released this morning by CMHC on housing starts in December show an increase to 282,400, well above economists' consensus of 260,000. For the year as a whole, housing starts reached 259,000 units, up 5.6% from 2024. While this figure is well below the federal government's ambitious, even unrealistic, goal of reaching 500,000 housing starts per year within 10 years, it is still the third-best year on record. As today's Hot Chart shows, for the first time, more than 50% of units were intended for the rental market, leading to record construction in this segment. This helped ease the market, as evidenced by the record increase in the vacancy rate, which returned to its historical average. This is good news because, even though asking rents are currently falling, rents as a whole continue to rise at a faster rate than average wages (4.7% year-over-year in November). For affordability to improve, construction projects must remain profitable in order to get off the ground, despite high interest rates and exorbitant construction costs. Already, a significant portion of rental construction benefits from a government program through CMHC (88% in 2024), and policymakers will need to ensure that these programs continue to support activity.

Canada: A record year for the construction of rental units

Share (%) of housing starts by intended market. Municipalities with at least 10,000 people



Rental vacancy rate and historical average



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