



# The housing market in Canada

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**Balanced supply of housing  
workshop**

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## Twin crises

There are significant housing problems for low-income households and vulnerable communities.

But there is also an affordability problem in the market that creates risks for everyone

We need supply from both market and S&AH because the housing system is interconnected

Policy approaches will differ but need to reinforce/complement each other, not compete

# CMHC analysis (2018)

Housing demand increasing as incomes and population grow, and historically lower interest rates

... but supply slow to respond, particularly in Toronto and Vancouver



Examining Escalating House Prices in Large Canadian Metropolitan Centres

# Normal markets



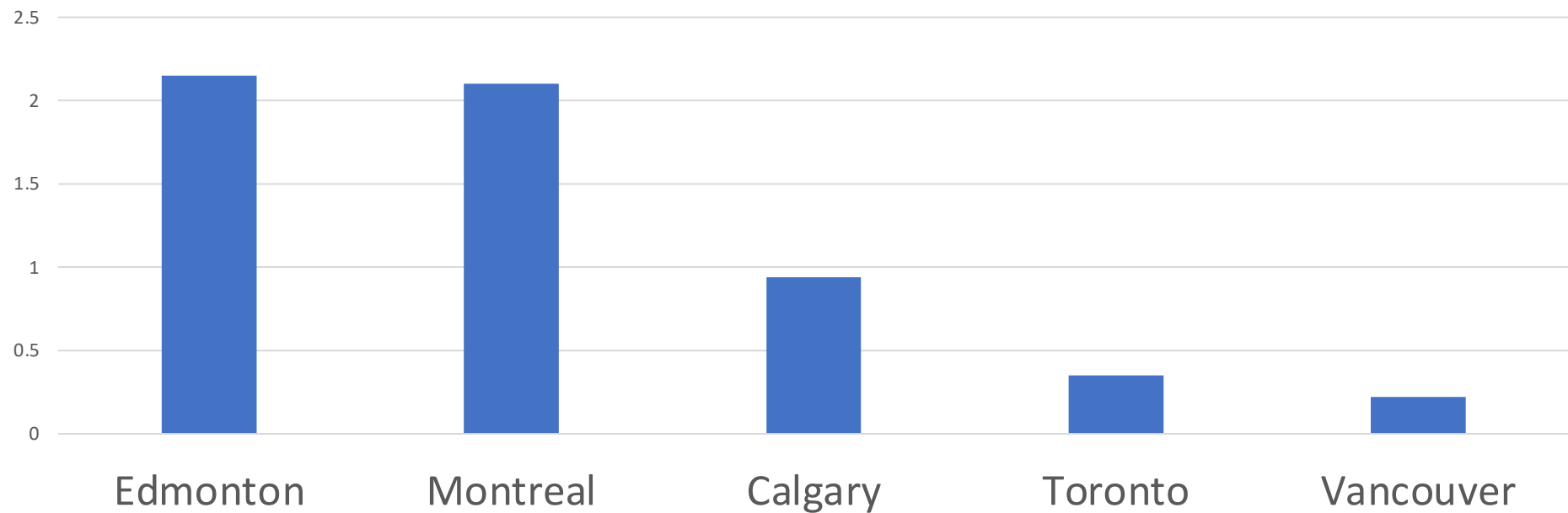
Normal markets: Demand up  $\Rightarrow$  Prices up  $\Rightarrow$  Supply up  $\Rightarrow$  price back down



Some housing markets: Demand up  $\Rightarrow$  Prices up  $\Rightarrow$  Small change in supply  $\Rightarrow$  demand up more

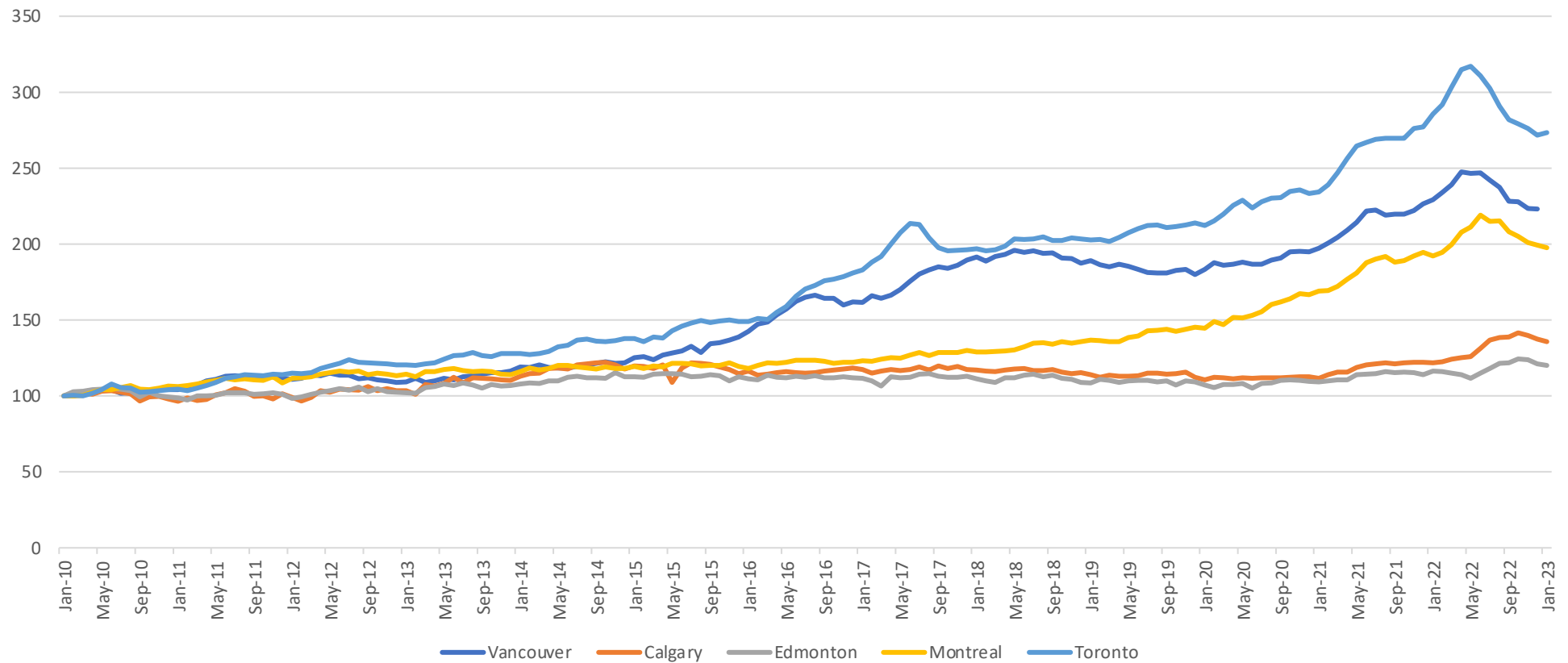
# Supply responsiveness was higher in Edmonton and Montreal

Supply response to price increases in Canada's largest metropolitan centres



# Price increases differ across CMAs

House prices by CMA, 2010=100



Source: Teranet House Price Index and CMHC calculations

# How much housing do we need?

- Proof of concept
- Updated this year



# Bottom line

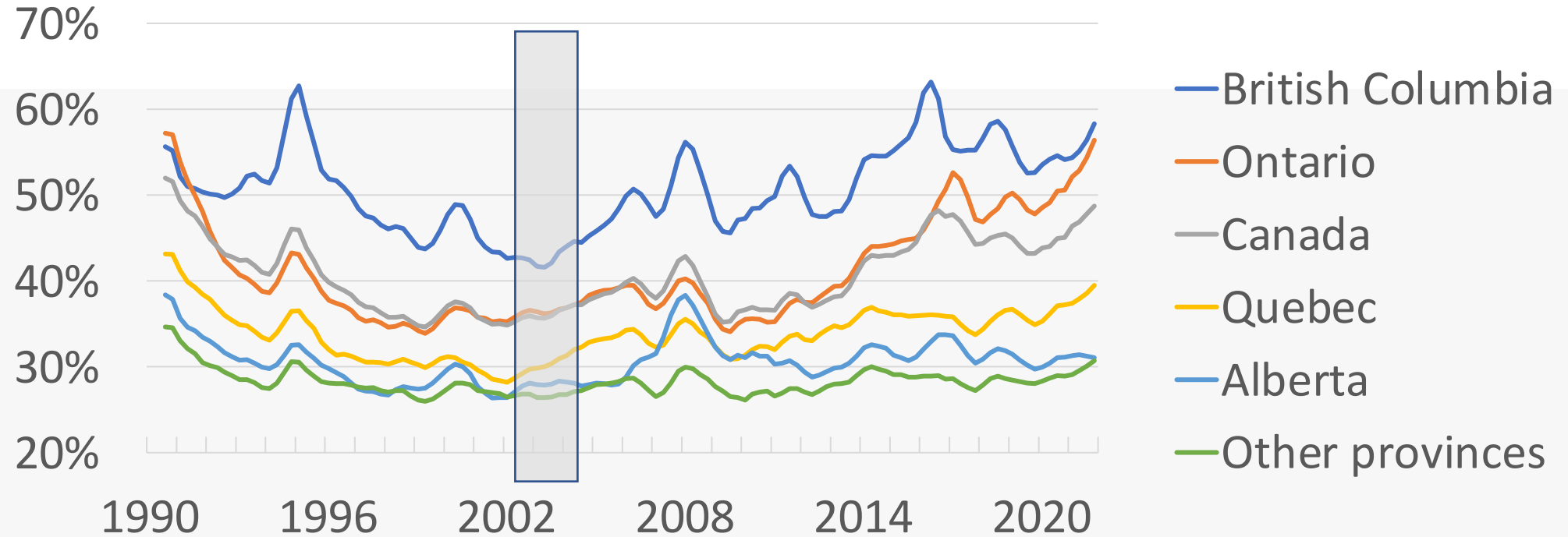
- We need to increase housing supply by 3.5 million homes beyond “business as usual” - roughly double housing starts
- This supply is needed mostly in Ontario and B.C.



# What differs in our approach?

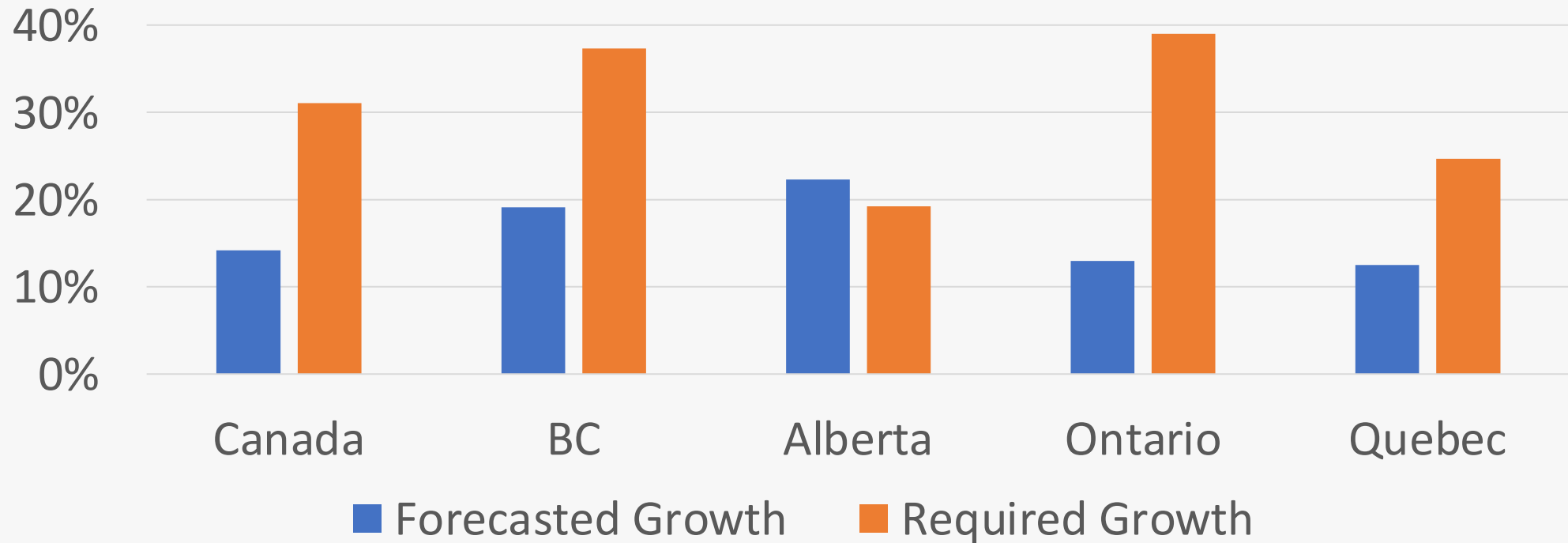
- Traditional approach has used demographic projections, which has under-predicted demand
- We add economics, and make affordability target explicit
- We will update our analysis with new immigration targets

# Affordability in history



	British Columbia	Alberta	Ontario	Quebec
Target	44%	30%	37%	30%

# Growth in supply for affordability vs. how much is expected (BAU), 2021-2030



# Implications

Government cannot fill supply gap on its own

We need partnerships and innovative thinking

Government(s) and the private sector need to rethink processes and technology on housing supply

Shift discussion to how to do it

# Conclusions

- There must be opportunities where increased supply of housing can help across the income distribution
- Lack of affordability for low-income and vulnerable groups is a clear problem
- But expensive market housing – including rental – creates risks as for households, including of macroeconomic instability that could harm everyone

# Thank you

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