

**Toronto Star – October 12, 2023**

## **Canada's gap between homebuilding and population growth has never been wider**

Since 1972, Canada has accelerated population growth while homebuilding has stagnated. Hence the historic gap between supply and demand.

Josef Filipowicz



“Put simply, Canada has accelerated population growth while homebuilding has stagnated. Hence the historic gap between supply and demand,” writes Josef Filipowicz. Adrian Wyld / THE CANADIAN PRESS

The high cost of housing is one of Canada's most pressing policy concerns. It affects economic, physical and mental well-being, and jeopardizes Canada's status as a prosperous, upwardly mobile society.

At its heart, declining housing affordability is driven by a large widening gap between the number of people wanting to rent or buy homes (demand) and the number of actual homes available (supply). The number of homebuyers and renters continues to increase at a pace well in excess of the number of homes available to buy or rent, which continues to drive up prices and rents.

According to a new study published by the Fraser Institute, between 1972 and 2022, the latest period of available data, Canada's population increased by 1.9 people (each year, on average) for every new home built (single-detached houses, townhouses, condos). More specifically, since 2016 the average rose every year (except for a dip in 2020) from 2.3 people per home built to peak in 2022 at 4.7 people, the highest number on record. In other words, the gap between the number of homes produced and the number needed has never been so wide.

Of course, this gap could reflect changes in either homebuilding or population growth. Over the entire 50-year period, 189,137 housing units (each year, on average) were completed, ranging from a low of 117,834 in 1991 to a high of 257,243 in 1974. Meanwhile, population growth averaged 342,623 people per year, ranging from a (non-COVID era) low of 222,386 in 1978 to a high of 1,050,110 in 2022.

Again, we see relatively small variations in housing completions year to year, but far larger variations in population growth. Put simply, Canada has accelerated population growth while homebuilding has stagnated. Hence the historic gap between supply and demand.

Policymakers at all levels of government and of all political stripes are feeling pressure to respond to this housing crisis. But while more political attention to this long-standing problem is welcome, there's also a risk that policymakers look in the wrong places for quick wins. For example, they may introduce new tax subsidies for first-time homebuyers, which would increase demand without increasing supply. Or implement restrictive rent controls, which would stunt the growth of purpose-built rental housing.

Instead, policymakers should concentrate primarily (if not solely) on the gap between supply and demand, and focus efforts on closing it. Of each policy proposal we should ask — does it stoke demand? Does it restrict supply? If the answer to either is “yes,” it will not solve Canada's housing woes. In fact, it will likely make them worse.

Beyond new policies, there's also the (arguably harder) task of identifying and removing existing policies that either stoke demand or restrict supply. As tempting as it may be to introduce fresh new ideas, it's important to remember that policy choices led us to where we are today, and that rethinking some of these choices will be necessary to close the demand-supply gap.

Many of these reforms will be difficult or politically sensitive, and reforms must be well-conceived and transparent (unlike recent attempts by the Ford government to increase the housing supply in Ontario). But Canadians elect their representatives to make difficult choices with the greater good in mind.

Canada faces a historic gap between the number of homes needed and the number being built. Until meaningful efforts are made to close this gap, affordable housing will remain out of reach to an ever-greater share of our population, with predictably negative results for living standards across the country.