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April 2023

Housing Supply Report

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Welcome to the Housing Supply Report

This report positions housing supply as an important element in efforts to advance housing affordability. It supports CMHC's aspiration that everyone in Canada has a home that they can afford and that meets their needs.

What is the Housing Supply Report?

The *Housing Supply Report* provides regular insights on new housing supply in Canada's major cities and urban areas. These insights can help us understand the supply responsiveness that we know contributes to price escalation and housing affordability challenges.

What you'll find in this report

In this edition, we examine new housing construction trends in Canada's 6 largest Census Metropolitan Areas (CMAs) — Vancouver, Calgary, Edmonton, Toronto, Ottawa and Montréal. We examine trends within and across markets using analysis themes such as:

- housing starts in 2022 by housing type;
- number of units per building and height of buildings;
- changes in the number of unsold new homes.

The primary data source for this work is CMHC's Starts and Completions Survey, which collects data on monthly residential construction activity. In this edition we discuss housing supply in terms of new construction, as this is necessary to expand the housing stock.

Understanding the gaps between housing supply trends and future needs

We believe this analysis will help identify characteristics, approaches and innovations in new housing supply that will best contribute to a diverse, abundant, and affordable supply of housing.

More homes and a diversity of housing options to meet current and future households needs (size, amenities, style, etc.) are key elements to reduce the upward pressures on prices and rents.

These insights will allow industry participants to better understand the gaps between housing supply trends and future needs. This will help make precise decisions to help improve housing affordability.

Providing useful insights to the housing industry

The *Housing Supply Report* is designed to provide useful insights to various audiences:

- Policymakers at different levels of government will find the comparison across CMAs useful in enhancing their perspective on the different ways housing supply is delivered across Canada.
- Builders and developers will find these topics of interest in identifying current housing needs and future opportunities.

Link to ongoing work on housing supply

The *Housing Supply Report* aims to increase understanding on the state of housing supply before providing insights on the gaps and opportunities. We'll continue to share new data, indicators and insights exploring different aspects of the provision of housing supply in Canada.

Your feedback

We want this publication to be a critical tool in providing data and analysis to support a diverse and abundant supply of housing in Canada. This can't be done without your feedback.

Let us know what you want to see. Please email the authors.

Overview of residential construction in Canada's largest CMAs

"Growth in residential construction was mixed across Canada's 6 largest CMAs in 2022. Developers pursued more purpose-built rental developments and fewer condominiums, except in Toronto."

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HIGHLIGHTS

Growth in residential construction was mixed across Canada's 6 largest CMAs in 2022. Housing starts increased in Toronto, Calgary, Edmonton and Ottawa, remained unchanged in Vancouver, and decreased in Montréal.

Significant increases in interest rates influenced the activities of both developers and homebuyers as the year progressed. The full impact of the increase in interest rates is not yet reflected in our housing starts statistics.

Housing starts in Toronto rose 7.7% to reach their highest level since 2012. The increase was driven by higher condominium apartment construction resulting from strong presales over the past 2 years (presales are an important source of financing for condominium apartment construction). In contrast, total starts declined 25.3% in Montréal to return to recent average levels following record starts in 2021.

Low vacancy rates and rising rents increased developer interest in the rental segment across all CMAs except Toronto. In Vancouver, a decline in condominium construction was offset by a surge in rental starts.

The proportion of mid-rise apartment buildings (4 to 6 storeys and 7 to 20 storeys) increased in 2022 in the Toronto area. The proportion of apartment buildings with 21 or more storeys, meanwhile, decreased. Mid-rise buildings have shorter construction times. As a result, they could help increase the number of units on the market more quickly.

Inventories of new and unabsorbed homeownership units (houses and condominiums) are currently at a historic low. Because of the resulting limited options on the market, households in large CMAs may find it harder to access housing that meets their needs.

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Full impact of interest rate increases on new construction yet to come

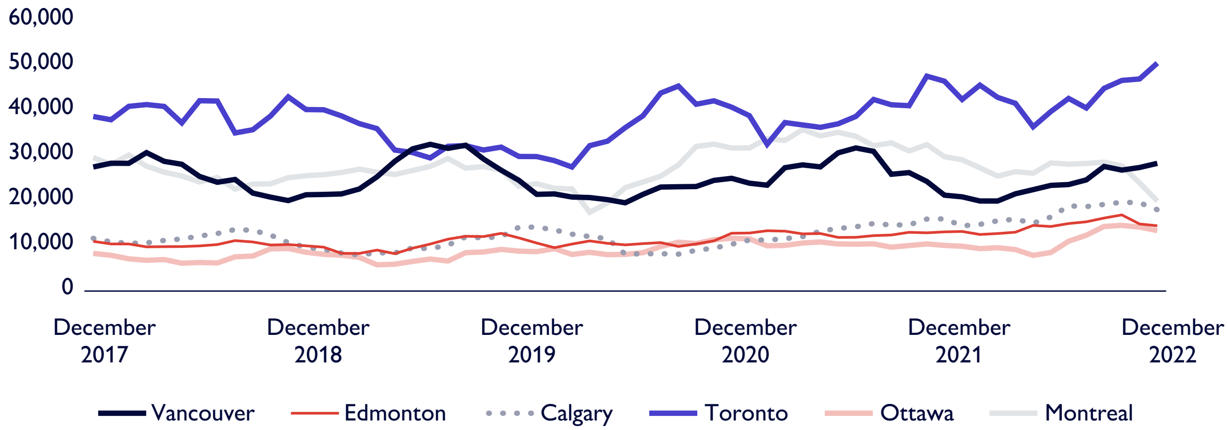
Following strong growth in 2021, residential construction was mixed across Canada's 6 largest CMAs in 2022. Housing starts increased in Toronto, Calgary, Edmonton and Ottawa, remained unchanged in Vancouver, and decreased in Montréal. Large increases in interest rates in 2022 influenced the activities of both developers and homebuyers as the year progressed.

Low mortgage interest rates in the first quarter of 2022 saw home prices reach record highs in many centres. As rates increased and homebuyer purchasing power deteriorated over the remainder of the year, prices decreased slightly in most markets. This led many developers to take a more cautious approach to bringing new projects forward.

Rising interest rates also increased costs for developers and homebuilders. However, the full impact of interest rate increases hasn't yet been observed in our housing starts data. Most projects started in 2022, even those from the third and fourth quarters, were financed while lower interest rates were still available earlier in the year.

In some centres, seasonally adjusted housing starts began moving lower in the fourth quarter of 2022 (figure 1). The higher interest rate environment will likely slow construction activity in more centres in 2023. Some projects may become unviable at current financing rates, or construction financing will become harder to obtain. We will be publishing our complete analysis and outlook for residential construction in our upcoming *Housing Market Outlook* this spring.

Figure 1: Housing starts — seasonally adjusted at annual rates*, select CMAs



*Seasonally adjusted annual housing starts, 6-month average.
Source: CMHC

New housing construction mixed across major cities in 2022

As shown in table 1, the amount of new supply started in 2022 differed by centre and dwelling type:

- The strongest expansions in housing starts were in Calgary (+15%) and Edmonton (+16%). These markets have home price levels that remained affordable for many homebuyers, despite higher mortgage rates. This relative affordability, combined with strong migration to Alberta, made developers confident in starting new projects, particularly apartments. In that segment, both markets also saw an increase in the construction of secondary suites. (You can find further details on the registry of such units in the Edmonton and Calgary sections of this report.)
- Housing starts in Toronto rose 7.7% to reach their highest level since 2012 and the fourth highest annual total on record. This was primarily due to higher starts of condominium apartments following elevated presales activity over the past 2 years. Presales are an important source of funding to finance construction of condominium buildings. Among ground-oriented dwellings, row home construction surged, because developers and municipalities increasingly favoured this denser form over single- and semi-detached structures.
- Montréal was an outlier and recorded a 25.3% decrease in housing starts in 2022. This follows from record-high starts in 2021 and represents a return to the average pace for recent years. Construction activity normalized across all dwelling types, since many homebuilders remain occupied with projects already underway.
- Housing starts in Vancouver maintained an elevated pace and were unchanged from 2021. While apartment starts held steady overall, a significant decline in condominium apartment construction was offset by a surge in starts of rental apartment units. Low vacancies and rising rents increased developer activity in the rental segment, though higher interest rates could weigh on future rental starts.

Table 1: Housing starts by dwelling type, select CMAs, 2022

Total number of housing starts by dwelling type, 2022

	Single-detached		Semi-detached		Row	
Region	Units	% change vs. 2021	Units	% change vs. 2021	Units	% change vs. 2021
Vancouver	3,392	12.5	1,038	60.2	2,265	-22.0
Calgary	5,752	4.4	1,560	14.7	2,244	22.6
Edmonton	6,173	8.3	956	-24.4	1,747	4.5
Toronto	6,329	-8.5	514	-34.6	5,648	42.8
Ottawa	2,559	-21.9	240	-5.9	2,572	-8.9
Montréal	1,833	-36.8	514	-32.0	826	-40.5

Total number of housing starts by dwelling type, 2022

	Apartment		Total	
Region	Units	% change vs. 2021	Units	% change vs. 2021
Vancouver	19,288	-0.8	25,983	-0.1
Calgary	7,750	22.7	17,306	15.2
Edmonton	5,710	46.0	14,586	16.3
Toronto	32,618	7.9	45,109	7.7
Ottawa	5,661	46.4	11,032	7.9
Montréal	20,976	-23.2	24,149	-25.3

Source: CMHC

Apartments continue to increase their share of total starts

Apartment construction – whether purpose-built rental or condominiums – continued to grow in importance across Canada's 6 largest centres. Among dwelling types, apartment starts as a share of total starts in 2022 exceeded the 5-year average in each urban area examined (table 2).

In Canada's 3 largest centres, apartment construction represented over 70% of total starts, including nearly 87% in Montréal. Growing developer interest led apartments to represent more than 50% of all starts in Ottawa in 2022. This figure was well ahead of the average share of 36% over the past 5 years.

With greater housing demand from a growing population, Canada's cities need to deliver more housing units on limited and expensive developable land. Apartments are increasingly being developed even in cities like Calgary and Edmonton, which have traditionally grown by expanding their urban periphery. This growing trend toward densification is an important tool for improving housing affordability and lowering the energy footprint of the housing stock.

Table 2: Percentage of housing starts by dwelling type, select CMAs, 2022 and most recent 5-year period

	Share (%) of housing starts by dwelling type							
	Single-detached		Semi-detached		Row		Apartment	
Region	2022	Average 2017–2021	2022	Average 2017–2021	2022	Average 2017–2021	2022	Average 2017–2021
Vancouver	13.1	15.1	4.0	2.1	8.7	11.3	74.2	71.5
Calgary	33.2	35.4	9.0	10.3	13.0	14.0	44.8	40.3
Edmonton	42.3	42.3	6.6	13.1	12.0	12.8	39.1	31.8
Toronto	14.0	17.6	1.1	2.3	12.5	12.0	72.3	68.1
Ottawa	23.2	32.0	2.2	3.6	23.3	28.4	51.3	36.0
Montréal	7.6	9.7	2.1	2.9	3.4	4.9	86.9	82.5

Source: CMHC

Rental apartment starts expand in Vancouver and other centres, but not Toronto

In every centre except Toronto, developers pursued more purpose-built rental apartment developments and fewer condominium apartments in 2022 (table 3). As discussed in our recent *Rental Market Report*, lower vacancies and rising rents are driving construction activity in the rental segment across major Canadian cities.

Building on several years of strong rental starts, construction activity in the segment reached nearly half of all apartment starts in Vancouver in 2022. This compares with rentals representing an average of 30% of apartment units started over the past 5 years. Higher interest rates are leaving prospective homebuyers with smaller budgets. As a result, some developers are also taking a more cautious approach to condominium development in the region and are turning to rental instead.

Growing rental demand also contributed to significant increases in the share of apartment starts accounted for by rentals in Calgary, Edmonton and Ottawa. This share also increased in Montréal, despite lower apartment starts overall in that city following a record number of units getting underway in 2021.

The notable exception was Toronto. There, the share of apartment starts accounted for by rentals fell. Meanwhile, condominium apartments continued to dominate, with an 86% share of apartment starts. During the real estate boom of 2020 and 2021, presales of condominium apartments in Toronto were especially strong. Such presales finance the construction of these units. Those projects are now getting underway, diverting construction activity from other sectors. Given the activity of investors in the Toronto condominium market, it's likely that more than a third of these units will be rented to tenants upon completion.

In addition to differences in the tenure of apartments constructed, these structures can vary significantly in building size and height. These parameters impact construction time and, ultimately, housing affordability, and we'll examine them in the next section.

Table 3: Percentage of apartment starts by tenure type, select CMAs, 2022 and most recent 5-year period

Region	Share (%) of apartment starts by tenure type: Condominium 2022	Condominium Average 2017–2021	Rental 2022	Rental Average 2017–2021
Vancouver	51.4	69.8	48.6	30.1
Calgary	54.5	73.7	45.2	26.3
Edmonton	16.2	51.6	83.8	48.4
Toronto	86.1	82.2	13.9	15.6
Ottawa	50.9	56.5	49.1	42.5
Montréal	29.4	35.4	68.4	63.3

Source: CMHC

Note: The sum of the percentages may not add up to 100%, since some apartments have a different tenure type.

Toronto still dominates high-rise building construction

In the first edition of the *Housing Supply Report*, we analyzed housing starts for apartment buildings by size (number of units) and height (number of storeys).

The construction cost and time can vary greatly depending on size and height, making these aspects interesting to analyze. For example, a 6-storey wood and brick building with 150 units won't have the same construction cost as a 20-storey concrete building with the same number of units.

On top of various land sizes and costs, material and labour costs for these 2 types of buildings will vary as well. Construction time will also be shorter for a building with fewer storeys, as shown in the findings from the second edition of the *Housing Supply Report*.

In most CMAs, data on the average number of units and storeys per building in 2022 generally show little difference compared to 2021.

Calgary, Edmonton, Ottawa and Montréal are still the CMAs where newly constructed buildings tend to have few units and, usually, few storeys (tables 4 and 5). These buildings have a shorter construction time and therefore allow new supply to be put on the market faster.

Table 4: Average number of units per building and distribution of apartment structures started by building size, select CMAs, 2022

Region	Share (%) of apartment structures started by building size, 2022: 3 to 5 units	6 to 20 units	21 to 60 units	61 to 100 units	More than 100 units	Average number of units
Vancouver	6.4	24.3	19.8	18.3	31.2	84.4
Calgary	19.0	41.2	9.8	17.0	13.1	46.1
Edmonton	48.4	9.7	7.5	11.8	22.6	51.4
Toronto	1.1	12.3	21.9	8.0	56.7	174.4
Ottawa	11.9	39.3	15.5	8.3	25.0	67.3
Montréal	35.7	36.6	12.1	5.0	10.6	32.3

Source: CMHC

Table 5: Average number of storeys per building and distribution of apartment structures started by building height, select CMAs, 2022

Region	Share (%) of apartment structures started by building height, 2022					Average number of storeys
	3 or fewer storeys	4 to 6 storeys	7 to 20 storeys	21 to 30 storeys	More than 30 storeys	
Vancouver	21.8	46.5	15.3	6.4	9.9	10.9
Calgary	58.2	37.3	3.9	0.0	0.7	3.6
Edmonton	60.2	32.3	5.4	2.2	0.0	3.4
Toronto	17.1	24.1	36.9	5.3	16.6	14.9
Ottawa	53.6	16.7	19.0	9.5	1.2	7.3
Montréal	74.3	15.1	9.2	1.2	0.2	3.9

Source: CMHC

However, 2022 data for Edmonton and Ottawa stand out a bit from 2021 data. Indeed, on average, buildings in these CMAs had about 20 additional units. In both CMAs, the percentage of buildings that had more than 100 units increased by about 10 percentage points in 2022 compared to 2021.

In Ottawa, this was partially the result of an increase in the share of buildings started that had 7 to 20 storeys and 21 to 30 storeys.

In Edmonton, however, the increase was most pronounced for structures with 4 to 6 storeys. This is a sign that more structures were built with units arranged lengthwise rather than as towers.

Once again, our data indicates that the construction time for buildings with many units is shorter when units are arranged lengthwise rather than as towers.

Toronto is still the city where buildings have the highest average number of units. In 2022, the average number of units was 174 — 6 more than in 2021. This is due to last year's larger share of housing starts for buildings with 61 or more units.

Interestingly, however, a smaller percentage of starts in Toronto were of buildings with 21 or more storeys in 2022 (compared with 2021). Growth was instead recorded in mid-rise buildings (4 to 6 storeys and 7 to 20 storeys).

In Toronto, this type of building could therefore help increase the number of units on the market more quickly and at a lower cost.

Few unabsorbed new units in large urban centres

The latest CMHC Rental Market Survey indicates that vacancy rates were low in most urban centres across the country. In other words, few rental units were available.

The conditions are more or less the same on the new home market (houses and condominiums): current inventories are at a historic low.

Let's not forget that, during the pandemic, housing demand was very high across the country. While housing starts were also strong during this period, this new supply was not enough to meet demand. As a result, the number of newly completed and unsold homes has dropped significantly.

In the CMAs under review, there was a 25% to 65% decrease in the inventory of unabsorbed new units between the 5 years before the pandemic (2015 to 2019) and 2022 (table 6).

Table 6: Number of unabsorbed new units*, select CMAs

Region	Average 2015–2019	2022	% change
Vancouver	1,886	1,059	-43.8
Calgary	1,734	680	-60.8
Edmonton	2,246	1,711	-23.8
Toronto	1,175	530	-54.9
Ottawa	638	229	-64.1
Montréal	2,509	763	-69.6

*Freehold and condominium units.

Source: CMHC

Note: Data for December represents the annual data.

In Montréal, we would have to go back to at least 1990 to see such a low inventory of unsold new units.

A similar analysis by housing type indicates that inventories of both new condominiums and new houses were low. Looking more closely at houses, inventory was especially low for 2 types that are more affordable than single-detached homes: semi-detached and row units.

Because of these limited options on the market, households in these CMAs may find it harder to access housing that meets their needs. A supply shortage on the new home market can also shift demand to the resale market, and even to the rental market.

This shift puts upward pressure on prices in these markets, which ultimately erodes affordability.

Proximity to amenities: considerations for where we build new housing supply

To help address housing affordability challenges, CMHC has identified that an additional 3.5 million housing units beyond what would normally be constructed will be needed across Canada by 2030 (see Housing Shortages in Canada: Solving the Affordability Crisis[1]). A crucial consideration is where these new homes should be constructed.

Location matters: we need to build in regions where affordability challenges are greatest. Additionally, we need to ensure that residents of new housing have access to amenities and services within a region. Building new housing close to amenities like health care and public transit — or ensuring they're developed together — would contribute to the quality of the communities created.

The link between housing affordability and proximity to amenities is potentially complex. Areas that are close to more amenities may have higher land prices, which raises the cost of providing new housing in these areas. However, these areas may lower the cost of living for residents in other ways, despite potentially higher housing costs.

In a recently published report,[2] researchers at the University of British Columbia examined the quality of the location of new housing being created in Canada. The study used data from CMHC's *Housing Supply Report* and Statistics Canada's *Proximity Measures Database* to classify the amenity richness of the new housing supply added in Canada's 6 largest urban centres between 2016 and 2021. Highlighted insights from the analysis include:

- Almost 80% of housing starts in Canada's 6 largest metropolitan areas were in low-amenity neighbourhoods, and fewer than 10% were in high-amenity neighbourhoods.
- The Toronto CMA had the highest level of starts in high-amenity census tracts (21%), while Calgary and Edmonton didn't have any areas with a high amenity value under the scoring method employed.
- Apartment units tend to be more optimally located, with 36% constructed in medium- and high-amenity areas. New single-detached, semi-detached and row units were located almost exclusively in low-amenity census tracts (95% to 98%).

1 https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-research/research-reports/accelerate-supply/housing-shortages-canada-solving-affordability-crisis

2 Katrina Tarnawsky and University of British Columbia Housing Assessment Resource Tools (HART) project team (2023). "Growing towards 'complete communities? Analyzing locational quality of housing in Canadian CMAs by amenity density." (https://housingresearchcollaborative.scarp.ubc.ca/2023/01/25/growing-towards-complete-communities/)

It's critical that a larger percentage of the nation's future housing starts be delivered in areas that provide a higher quantity and quality of amenities. We invite interested readers to review the report to further consider the proposed policy recommendations, which include:

- ensuring that regional growth plans include and track amenity proximity measures; and
- focussing on delivering higher-density housing.

As we look to grow Canada's housing supply, we see the location of housing starts as an area with great potential for further research. We will continue to pursue this work at CMHC and through collaborations with external partners.

VANCOUVER

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"Rental construction accelerated in Metro Vancouver in 2022, but higher financing costs may limit additional starts in the coming years."

HIGHLIGHTS

- Overall residential construction maintained an elevated pace and was unchanged in 2022, despite several construction sector challenges.
- Purpose-built rental apartment starts surged as developers took a more cautious approach to condominium apartment development in the higher-interest-rate environment.
- Municipalities are reporting that increasing numbers of approved projects have delayed proceeding to construction because of higher financing costs and softer market conditions.

Housing starts maintain an elevated pace in 2022

Metro Vancouver housing starts maintained a steady pace and totalled 25,983 in 2022, nearly unchanged from the 26,013 recorded in 2021. The stability on the surface masked several important shifts over the course of the year among both tenure types and geographies (figure 1):

- Apartment starts were split nearly equally between purpose-built rental and condominium units, following several decades during which condominiums dominated. Changes in financing conditions and a strong outlook for rental demand were the main drivers of this shift.
- Starts in Coquitlam more than doubled from their pace in 2019 to reach 3,608 units, as transit-oriented development and growth in the municipality continued.
- Fewer projects got underway in Surrey and Burnaby following an elevated number of starts in recent years.

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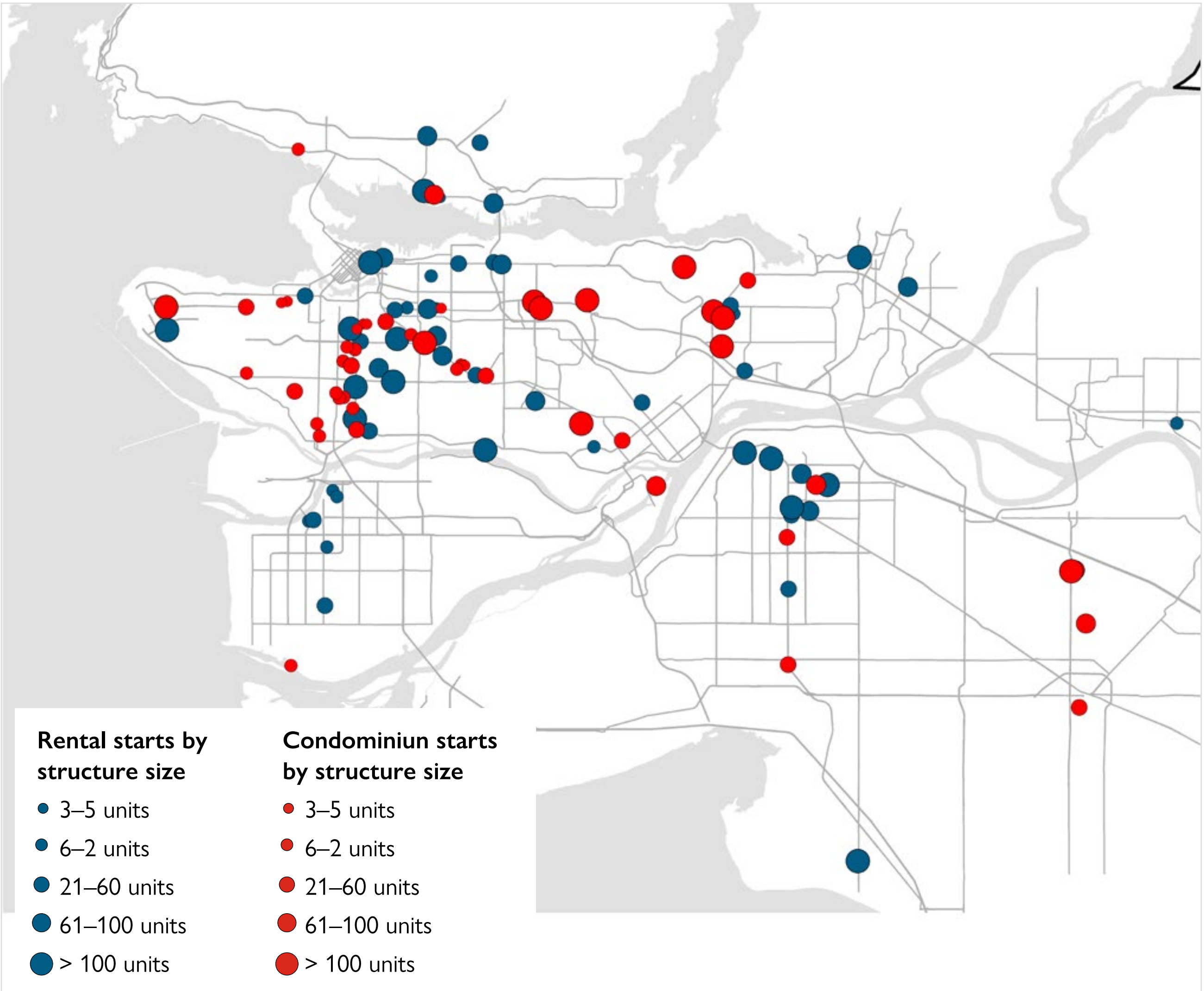
Figure 1: Map of Vancouver CMA, Locations of Apartment Rental and Condominium Housing Starts in 2022



Source: CMHC Starts and Completions Survey

Construction industry faces headwinds despite record activity

The pace of new construction continues to be restrained by shortages of building supplies and labour. Several events in the local concrete industry also impacted the entire construction sector in 2022:

- In the middle of the year, a labour disruption for concrete truck drivers and an electrical fire at a key manufacturing plant combined to interrupt concrete deliveries for 1 month.
- Three very large projects, 2 of which are public (Broadway Subway and St. Paul's Hospital), entered the main phase of their concrete demand at the same time. This resulted in delays of 3 to 4 months at many other projects, due to slower concrete deliveries.

Many industry participants expect shortages of materials to continue until the second half of 2023. Such shortages would create further headwinds for the sector.

The number of units under construction reached an all-time high of 49,221 at the end of 2022. Over 90% of these units were apartments. This meant builders continued to operate near capacity, posing heightened risks to construction schedules.

The number of units under construction expanded about 10% over the course of the year. This was due to both additional starts getting underway and longer construction times for projects already underway, delaying completions.

Starts of purpose-built rentals expand, while condominium construction slows

Developers continued to demonstrate growing interest in rental apartment construction. Starts of purpose-built rentals surged 49% in 2022 to 9,369 units, the highest annual total in over 3 decades. Meanwhile, condominium apartment starts slumped 25% to 9,917 units, a pace similar to that of 2015.

A variety of factors drove this shift toward purpose-built rentals. The most significant were changes in financing conditions:

- Higher mortgage interest rates decreased the purchasing power of potential homebuyers, leading to softer market conditions for presale condominiums.
- Backed by government incentives, financing for rental projects remained more readily available in the rising interest rate environment.
- A strong outlook for rental demand due to rising migration and homeownership being increasingly unattainable is making rental development more attractive.

In this context, a number of projects that were no longer viable as condominiums were able to pivot to rental apartments. This pivot further contributed to starts in the rental segment.

Secondary suites and laneway homes continue to represent an important source of new rental supply for the region. Starts of these 2 housing types totaled 2,726 units in 2022, a 22% increase over 2021. However, their share of total rental starts fell to 28% from 33% the year before due to higher starts of purpose-built rental apartment buildings.

Full impact of interest rate increases not yet reflected in housing starts data

Many projects that started in Metro Vancouver this year, particularly rental apartments, were financed earlier in the year, when interest rates were lower. Housing starts typically follow several months after financing arrangements have been made. This means that we haven't yet seen the full impact of the increases in interest rates over the course of 2022 on construction starts.

An early indication of a potential slowdown in future starts is the growing number of projects that are paused in the development process. Municipalities report that it's increasingly common for the proponents of approved projects to choose to delay proceeding to the final steps of permitting. Typically, these final steps involve the payment of development fees or other expenses that require project financing to be in place. Some developers are also likely looking to time the market to ensure the project is viable or achieves desired returns.

The emerging slowdown in housing construction, particularly for large multi-family projects, poses further risks to housing affordability in the region. New supply is necessary in order to meet current and future demand for housing. To support its creation, municipalities can continue to reduce approval timelines, re-evaluate planning features and increase the certainty of government charges. Other levels of government can ensure financing options remain available. Together, these efforts can increase the likelihood of more new housing choices being made available to households in the region.

Inventories of completed and unsold units remain low

Developers taking a more cautious approach to new projects in 2022 were able to direct buyers to existing inventories. The supply of completed and unsold units declined 35% over the course of the year to reach 1,059 by year end. Inventories of condominiums led the way, with a 57% decline, while those of single- and semi-detached homes rose. The comparatively lower price point of condominium units likely contributed to these units being more popular as homebuyer budgets became constrained by rising interest rates.

With lower condominium apartment starts this year and some planned developments paused, it's unlikely that inventories will increase in a meaningful way in the coming quarters. The current practice of preselling condominiums means that it's very unlikely that significant unsold inventories would accumulate in Metro Vancouver. Despite high housing demand, fewer projects move ahead when buyers are unable to afford the asking price.

EDMONTON

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"Housing starts in Edmonton increased significantly in 2022 with notable increases in both traditional purpose-built rental apartment projects as well as secondary and garden suites."

HIGHLIGHTS

- Overall new construction activity increased for the fourth year in a row as improvements in economic conditions and population drove gains in housing demand.
- New purpose-built rental apartment construction increased significantly in 2022. The increase was spurred by projects concentrated near the downtown core and in newly developing neighbourhoods on the periphery.
- Greater flexibility in zoning has been driving gains in construction of new secondary and garden suites. Still, estimates of the total stock of these unit types is one third the size of the rental condominium segment.

New construction activity picks up with improving economic conditions and strong migration

Housing starts finished 2022 strongly with over 14,500 units started, an increase of 16% from the previous year. Challenges related to the increasing cost of inputs and the retaining of skilled labour remain front-of-mind among builders. But these factors don't appear to be holding back the pace of construction. In fact, the pace of housing starts recorded in 2022 hasn't been seen since 2013. It's the result of strengthening demand driven primarily by the following factors:

- improved labour-market conditions
- strong international and interprovincial migration
- the relative affordability of the Edmonton area when compared to other large CMAs

Increases in housing starts were observed across dwelling types and tenures over the past year. Semi-detached units were an exception and saw a 24% decline relative to 2021. Single-detached housing starts and townhome starts saw gains of 8.3% and 4.5%, respectively, given higher demand and lower inventories in these segments.

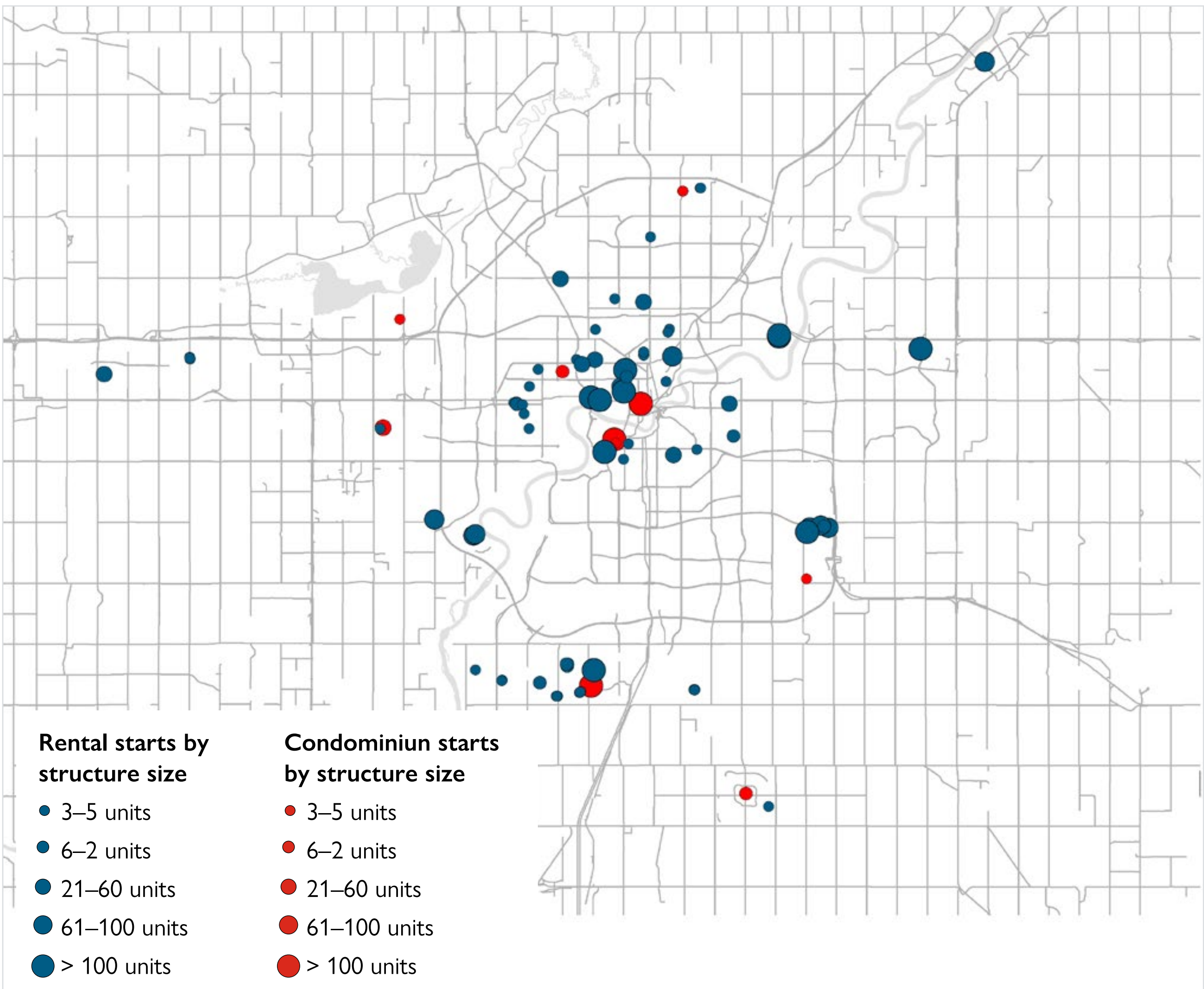
There were particularly notable gains in apartment construction in 2022. These units accounted for 46% of total housing starts for the year. Around 84% of apartment units started over the past year were purpose-built rental apartments. The other 16% were condominium apartments. This compares to the 5-year average share accounted for by rental apartments of 46%.

This change shows a significant shift in developers' focus in response to record-high estimates of growth in rental demand over the past year (see CMHC Rental Market Report (January 2023 release), Edmonton CMA[1]). Meanwhile, inventory levels in the condominium apartment segment haven't yet been drawn down enough to encourage a higher volume of new projects.

There was some diversity in the locations where rental apartment projects were started over the past year (figure 1). Projects tended to cluster in neighbourhoods closer to the downtown core and the University of Alberta, and in newly developing neighbourhoods on the periphery. Condominium apartment projects, while fewer in number, also tended to cluster in the same areas.

The vast majority of new purpose-built rental projects were small or low-rise (94%). However, there were a few larger projects of this type as well (6%). While smaller in number, these larger projects accounted for 24% of the total number of units started in 2022.

Figure 1: Map of Edmonton CMA, Locations of Apartment Rental and Condominium Housing Starts in 2022



Source: CMHC Starts and Completions Survey

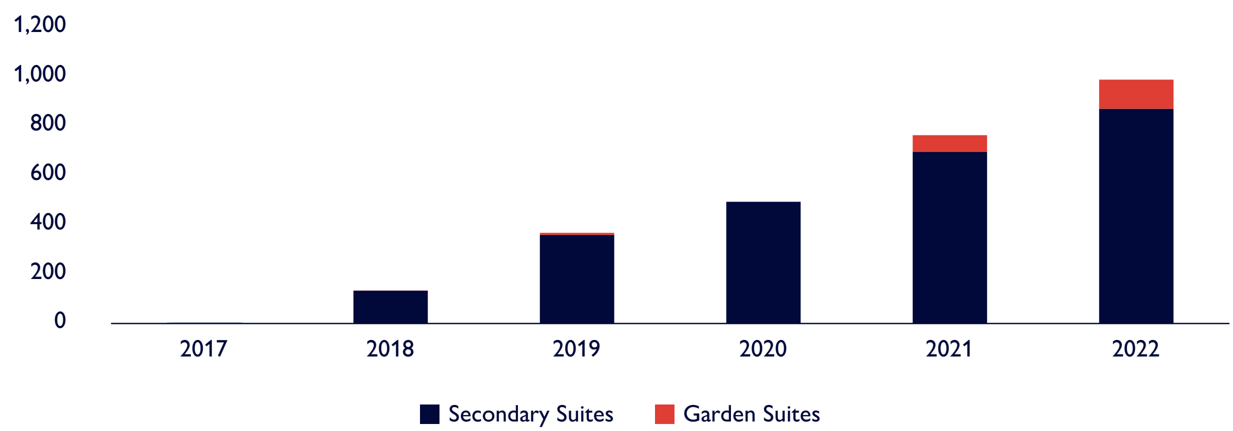
[1] https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2022-en.pdf?rev=fc1865db-acac-4be3-979a-e3074b4eb521

Steady upward trend in starts of secondary and garden suites provides new rental supply

Over the past 2 editions of the *Housing Supply Report*, we highlighted the City of Edmonton's efforts to intensify urban land. The goal is to promote density and affordability through a more flexible approach to zoning. Specifically, changes to RF1 zoning (Single-Detached Residential Zone) allowed for duplexes and semi-detached units as a permitted use. This was on top of previous changes that allowed secondary suites and garden suites (laneway homes) in single-detached, duplex and row housing (see CMHC Housing Supply Report (May 2022 release), Edmonton CMA[1]).

As a result, any redevelopment to higher-density housing forms in formerly single-detached-only zones could also include accompanying suites. These suites would provide additional density and, importantly, alternative rental options. As these changes were implemented, the popularity of secondary suites and garden suites has continued to grow. As a result, annual starts of these 2 rental options reached almost 1,000 in 2022 (figure 2). Moreover, other creative housing forms that include 3 or 4 suites have also become quite popular.

Figure 2: Housing Starts — Secondary Suites and Garden Suites, Edmonton CMA



Source: CMHC, Starts and Completions Survey

An interesting change happened at the same time as suites were being allowed in 2018. The City created a registry to track legal secondary suites (or garden suites) (see City of Edmonton – Secondary Suite Registry[2]). The registry was launched as a way for the public to ensure that the suites in their communities were legal and safe to occupy.

In many CMAs across Canada, the number of secondary/garden suites in the area is often unknown or under-estimated. As a result, it's difficult to know precisely how big the overall rental stock is. This has been a persistent data gap complicating rental market analysis.

We now have a better idea of the size of this segment of the rental market, thanks to:

- the creation of the secondary suite registry in 2018; and
- the temporary waiving of all fines for those who voluntarily chose to seek permits for their existing suites.

[1] https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/housing-supply-report/housing-supply-report-2022-05-en.pdf?rev=e66a4117-594f-4b3e-8477-c33fbe1e7766

[2] https://data.edmonton.ca/Urban-Planning-Economy/Secondary-Suites-Completed-Permits-/q3qs-7g3d

The segment comprises an estimated 8,084 units — roughly one third of the size of the rental condominium stock (table 1). This is not an insignificant number. Secondary suites and garden suites could be an important source of new rental supply as the population continues to grow and demand for rental options increases.

Table 1: Estimated Size of the Rental Stock by Type, Edmonton CMA

Type	Single-detached	Semi-detached	Townhome	Apartment	Total
Number of Secondary Suites by Parent Dwelling Type	6,593	1,004	241	-	7,838
Garden Suites	246	-	-	-	246
Size of the Purpose-Built Rental Universe	-	-	9,036	78,791	87,827
Size of the Rental Apartment Condo Universe	-	-	-	23,444	23,444
Estimated Size of the Rental Stock	6,839	1,004	9,277	102,235	119,355

Source: CMHC Rental Market Survey, City of Edmonton
Note: 'Parent Dwelling Type' refers to the primary type of dwelling that the secondary suite exists in.

CALGARY

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"Housing starts in Calgary increased for the fourth year in a row and hit an all-time record in 2022 based on data going back to 1961."

HIGHLIGHTS

- Overall new construction activity increased for the fourth year in a row as low inventories, population growth and improvements in economic conditions spurred activity.
- Construction of both purpose-built rental and condominium apartments increased significantly in 2022 with projects concentrated near the downtown core and in newly developing neighbourhoods.
- Greater flexibility in zoning in low-density neighbourhoods drove gains in the construction of secondary and backyard suites in 2022. Starts for these unit types were 4 times higher than in 2021.

New construction activity picks up with improving economic conditions and strong migration

New residential construction in Calgary hit a record in 2022, with 17,306 housing starts, slightly outpacing the previous record seen in 2014. The pace of housing starts in 2022 reflected improvements in the economy and the pace of population growth. Some of the factors that helped drive housing starts to their new high include:

- the strongest improvement in employment conditions among Alberta CMAs;
- an unemployment rate at a cyclical low and strong growth in average weekly wages;
- record international migration and interprovincial migration on par with levels seen in the mid-2010s;
- The relative affordability of the Calgary area when compared to other large CMAs.

Like in other Alberta markets, the resilience of demand to higher mortgage rates, and attracting and retaining skilled labour remain primary concerns for builders. Meanwhile, supply-chain issues are less of a concern relative to 1 year ago.

Increases in housing starts were seen across all housing types and tenures in 2022. Townhome and apartment starts, in particular, saw the strongest gains: each increased by 23% relative to 1 year earlier.

This was the second year in a row where housing starts increased across all dwelling types. The market has recovered strongly as the pandemic has waned. This recovery has driven inventories down to levels not seen since 2013. At the same time, the pattern of growth in the supply of new housing has shifted relative to previous peak years for residential construction (table 1). There is much less emphasis, for example, on single-detached starts and growth on the periphery in 2022, relative to 2006. Instead, there is now greater diversity in starts across housing types.

Table 1: Housing Starts by Type Based on Past Peaks in Residential Construction, Calgary CMA

Type Based	Single-detached	Semi-detached	Townhome	Apartment	Total
Housing Starts in 2006	10,482 (61%)	1,132 (7%)	1,021 (6%)	4,411 (26%)	17,046
Housing Starts in 2014	6,494 (38%)	1,506 (9%)	2,397 (14%)	6,734 (39%)	17,131
Housing Starts in 2022	5,752 (33%)	1,560 (9%)	2,244 (13%)	7,750 (45%)	17,306

Source: CMHC Starts and Completions Survey

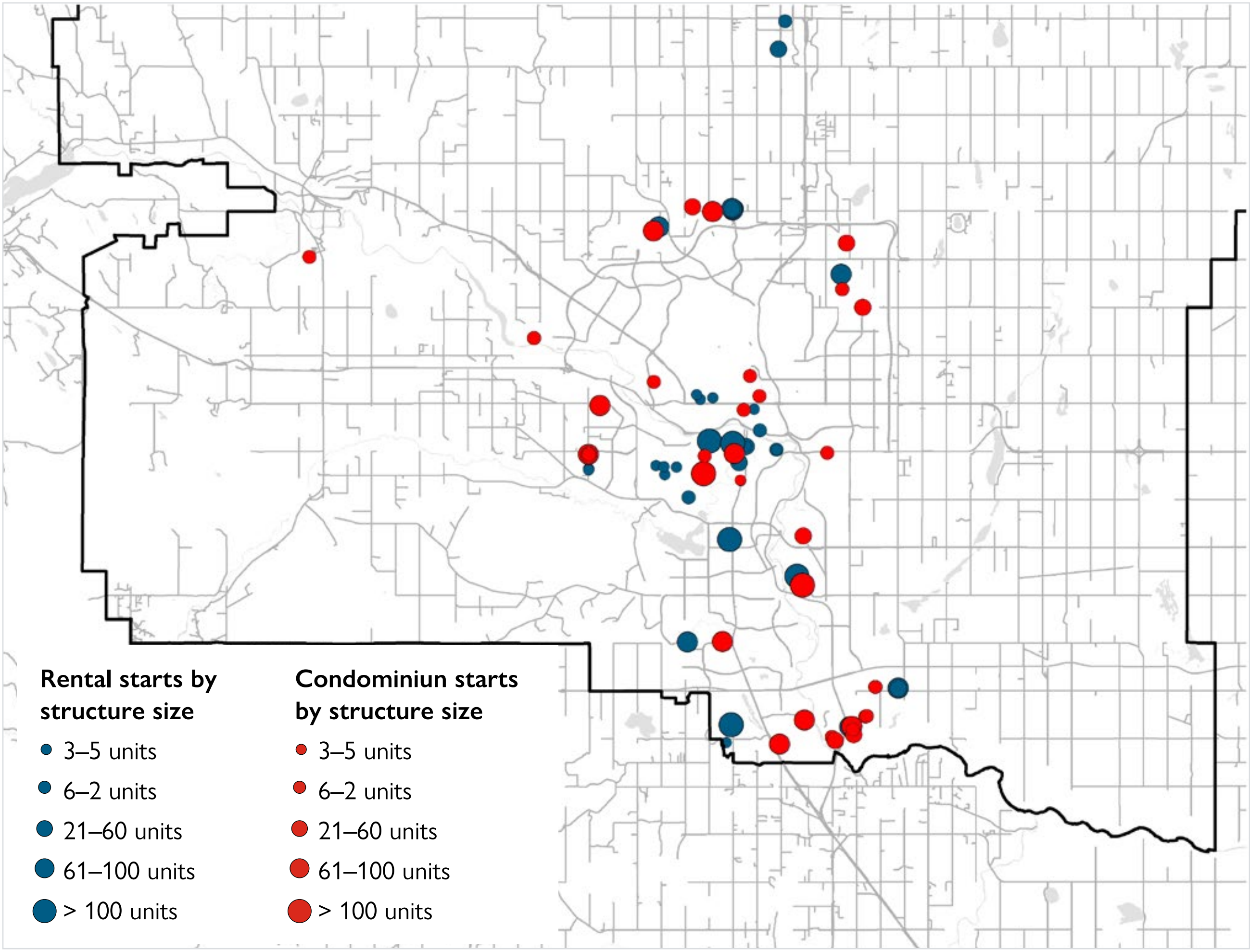
Growth in the share of apartment starts has been particularly notable. In 2022, apartments accounted for 45% of total housing starts, relative to just 26% in 2006. Over half of the apartment starts over the past year were in the condominium apartment segment. The segment has seen a rebound from the pandemic low reached in 2020. New projects getting underway have reflected rapidly improving market conditions that have driven condominium apartment inventory levels down to cyclical lows.

Purpose-built rental apartments also accounted for a sizable share (45%) of total apartment starts in 2022. In fact, based on data going back to 1990, rental starts were at the highest level on record (3,505 starts) over the past year. The number of units under construction was also at a record high (6,500 units). This renewed focus on the rental segment is reminiscent of the 1970s. It also comes at a time when rental demand is very strong in Calgary, with a vacancy rate of just 2.7%, based on CMHC's latest estimates (see CMHC Rental Market Report (January 2023 release)[1], Calgary CMA).

Rental apartment structures started in 2022 tended to cluster near the downtown core and in newly developing neighbourhoods on the periphery (figure 1). Roughly 23% of units started were in a few high-rise projects, while the remaining 77% of units were in low-rise structures.

[1] https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2022-en.pdf?rev=fc1865db-acac-4be3-979a-e3074b4eb521

Figure 1: Map of Calgary CMA, Locations of Apartment Rental and Condominium Housing Starts in 2022



Source: CMHC Starts and Completions Survey

Secondary suites and laneway homes are a new source of rental supply

Like the City of Edmonton, the City of Calgary has taken steps in recent years to promote density, affordability and new sources of rental supply. The City has focused on both existing and newly developing neighbourhoods.

Since 2018, the City has altered zoning rules in low-density neighbourhoods. The goal: to more easily accommodate the creation of secondary suites and backyard suites (garden suites) as a source of new rental supply. In particular, the City has taken steps to make secondary/backyard suites either a permitted use or discretionary use across a number of zoning classifications (see City of Calgary, Secondary Suites development permit requirements[2]).

Since these changes were implemented, the popularity of secondary suites and backyard suites has grown significantly. There was, however, a slight pause in starts in 2020 and 2021 due to the pandemic. Combined, there were over 392 secondary/backyard suites started in 2022, compared with zero in 2017.

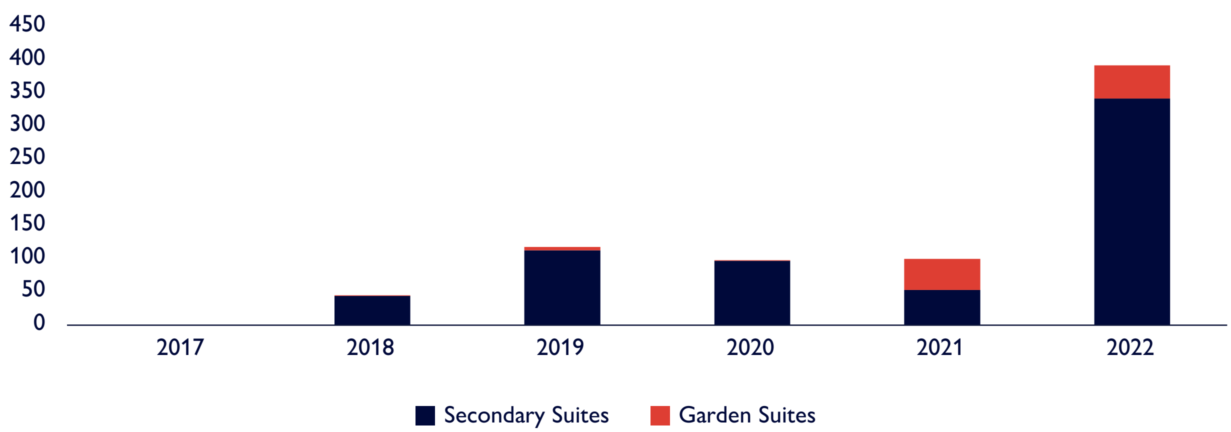
[2] https://www.calgary.ca/development/home-building/secondary-suite-permits.html#backyard

The City has also created its own secondary suite registry. The public can use the registry to ensure suites are legal, up to code and safe to occupy (see City of Calgary, Secondary Suite Registry[3]). Existing suite owners still have until the end of 2023 to bring their suites up to code and get permitted and registered without penalty. Since the inception of the registry, it has grown significantly. This growth seems to be stabilizing and can give us a better estimate of the size of the rental stock including these unit types.

In Calgary, there are an estimated 9,108 secondary/backyard suites. This is roughly one third of the size of the rental condominium universe and one tenth the size of the purpose-built rental universe (table 2).[4] Still, most of the existing secondary/backyard suite stock is made up of formerly illegal suites, and housing starts for secondary/backyard suites appear to be accelerating. As a result, these units may help provide much-needed rental options in the future.

The outlook for the Calgary area has improved significantly over the past year. Consequently, any new ways to create additional housing supply for the growing population will be of great importance.

Figure 2: Housing Starts — Secondary Suites and Garden Suites, Calgary CMA



Source: CMHC, Starts and Completions Survey

Table 2: Estimated Size of the Rental Stock by Type, Calgary CMA

Type	Single-detached	Semi-detached	Townhome	Apartment	Total
Number of Secondary Suites in Registry	9,108	-	-	-	9,108
Size of the Purpose-Built Rental Universe	-	-	4,358	48,285	52,643
Size of the Rental Apartment Condo Universe	-	-	-	29,003	29,003
Estimated Size of the Rental Stock	9,108	-	4,358	77,288	90,754

Source: CMHC Starts and Completions Survey

[3] https://secondarysuites.calgary.ca/

[4] Note: The City of Calgary Secondary Suite Registry does not distinguish between the type of dwelling and, therefore, suite estimates are lumped into the single-detached category in table 2.

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"While housing starts increased, completions pulled back, as labour disruptions and supply-chain issues prevented many projects from being completed in 2022."

HIGHLIGHTS

- The inventory of completed and unsold new homes was 530 units at the end of 2022 – the second lowest level on record.
- Total housing starts increased despite completions failing to keep up the pace. The increase was driven by strong condominium presales over the past 2 years.
- Fewer purpose-built rental apartments broke ground, since rising financing costs likely prevented some projects from getting started.
- The total number of units under construction in 2022 surpassed 100,000 – an all-time high. Condominium and rental apartments accounted for 85% of these units.

Inventories at second lowest level on record in 2022

While housing construction activity increased last year, the supply of newly completed homes available for purchase was at the second lowest level on record. The inventory of units that remained unsold following completion was just 530 units at the end of 2022 (figure 1).

At any given time, developers will have only a limited number of homes available for sale after a project reaches completion. This is mainly because projects won't start construction until at least 80% of their units have been sold at the pre-construction stage.

In 2022, that inventory was exceptionally low, mainly due to an overall decline in housing completions. This decline only exacerbated the housing supply crunch felt across the Toronto CMA. Strong population growth, due to rebounding immigration, meant that more households were looking for homes that were move-in ready.

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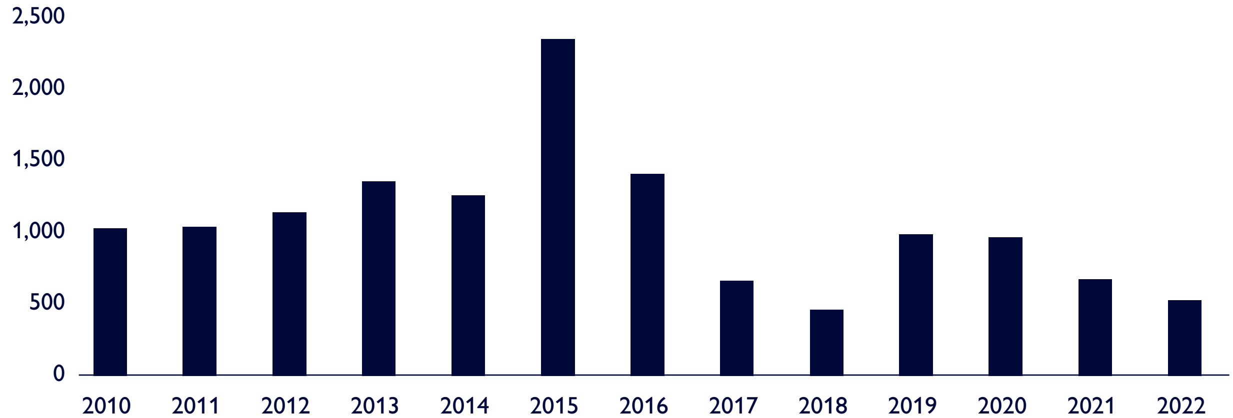
Figure 1: Inventory of completed & unabsorbed units at year end, all dwelling types, Toronto CMA



Source: CMHC

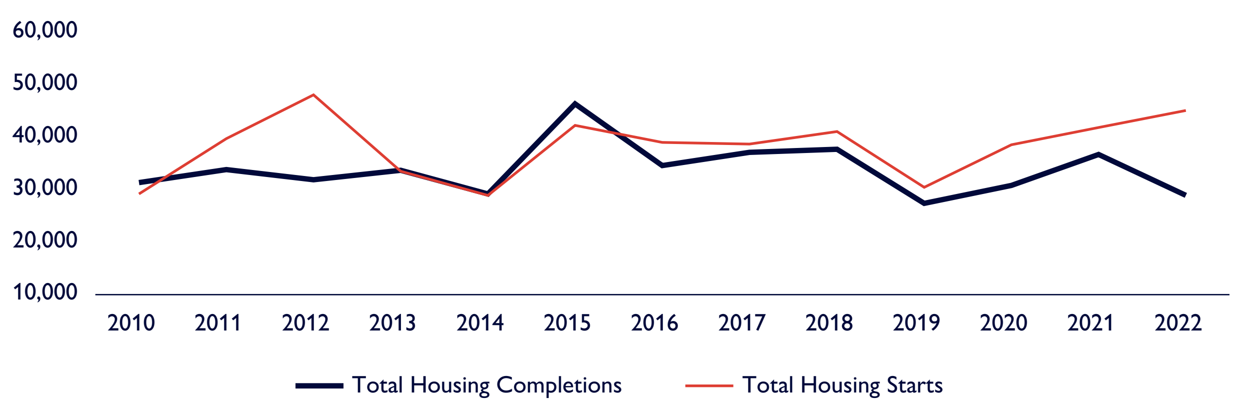
Housing starts increased despite a fall in completions

Total housing starts in the Toronto CMA rose by more than 7% in 2022 from the previous year, with apartments leading starts activity. This strong increase in housing starts in 2022 was due to strong sales of pre-construction units before the start of the pandemic in 2022. Projects that were supposed to start in 2020 and 2021 had to be delayed due to various pandemic-related restrictions and labour shortages.

In line with typical construction patterns in the Toronto CMA, most units that broke ground in 2022 were apartments (72%). Only 14% of units were single-detached homes. Most apartment starts were within the city of Toronto, but notable increases were recorded in Peel and York regions. High house and land prices have encouraged developers to build condominium apartments in suburban neighbourhoods. Often, the price of an average condominium apartment is significantly lower in areas surrounding the city of Toronto.

While housing starts increased last year, total completions in 2022 were below their historical 20-year average of 34,000 units. The Ontario construction labour strike in mid-2022, supply-chain delays and skilled-trade labour shortages disrupted building activity during the year. This contributed to a 20% drop in housing completions, which totaled about 29,000 in 2022 compared to 37,000 in 2021 (figure 2).

Figure 2: Annual housing starts & completions, Toronto CMA



Source: CMHC

Rental apartment starts and completions go against the trend in 2022

Contrary to the growth in other segments, total starts of purpose-built rental apartments decreased by 7% to about 4,500 units in 2022. This was the second year in a row in which rental apartment starts declined. Rising financing costs due to higher interest rates likely played a role in preventing some rental projects from being started.

Like in the ownership market, labour disruptions and supply-chain delays played major roles in preventing rental-market projects from reaching completion. Rental apartment completions dropped by nearly 20% (to 3,440 units) in 2022 compared to the previous year.

Construction activity was widespread across the region, even though fewer rental apartments were completed in 2022. While a large share was completed within the city of Toronto, notable additions were made in Peel Region (Brampton & Mississauga). Proximity to Toronto's downtown core and good public transit systems between the major cities within Peel Region continued to attract many renters to that region.

An all-time high number of units under construction in 2022

The total number of units under construction reached a record at over 100,000 units by the end of 2022. Most units under construction were apartments (85%). Most apartment projects started within the city of Toronto in 2022 tended to be large in scale, comprising many stories and 175 units, on average, per building.

These large buildings often spend a long time under construction (table 1). For instance, the average time to complete an apartment building in the city of Toronto and Mississauga was just over 2 years in 2022. (The city of Toronto and Mississauga are the areas with the highest concentrations of apartment buildings.) Additionally, the labour disruptions and supply-chain issues that characterized much of 2022 likely played a role in delaying project completion.

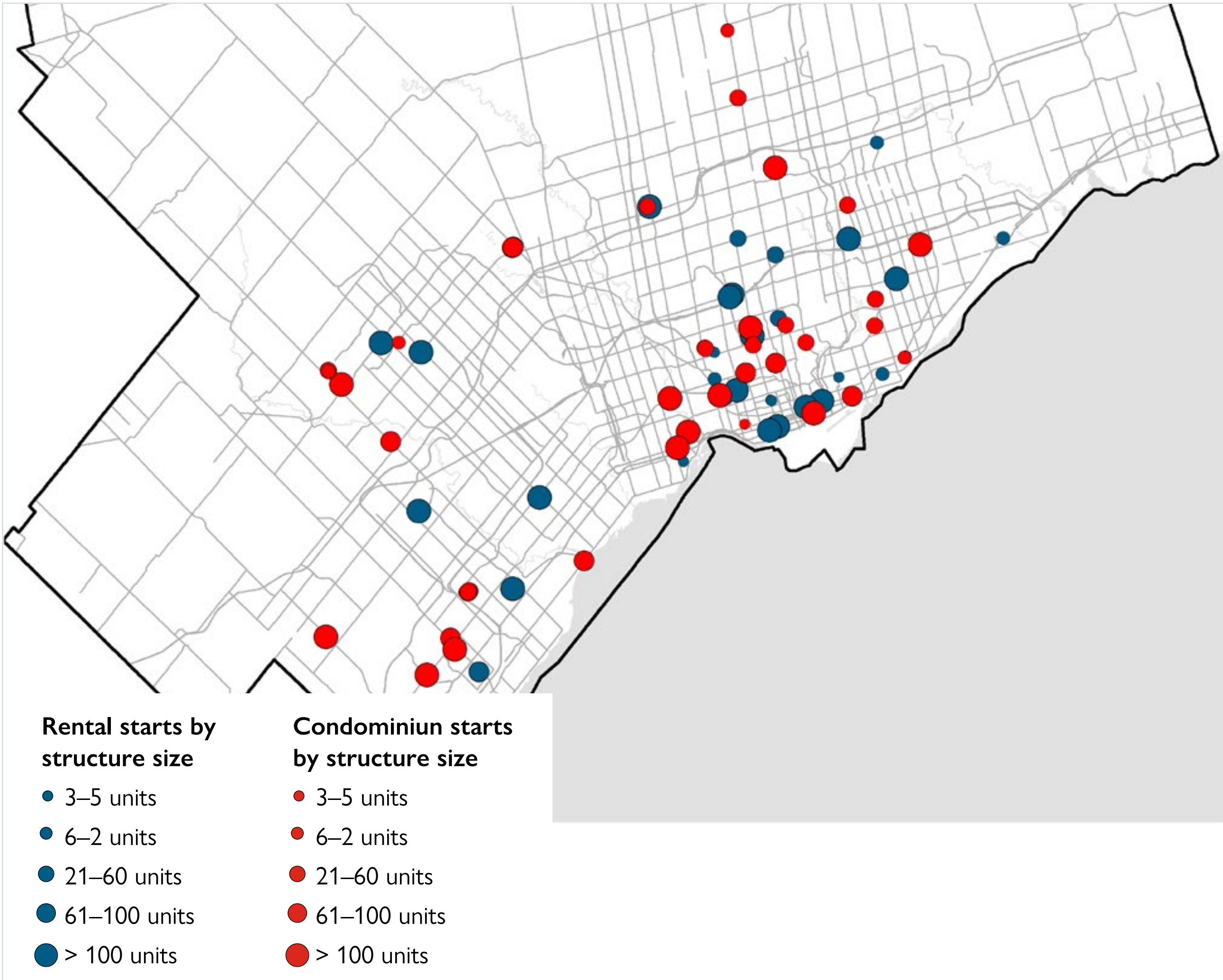
Table 1: Average number of units started per structure (apartment buildings)

	Avg number of apt units per structure		Avg months of construction	
Municipality	**2021**	**2022**	**2021**	**2022**
Vaughan	280.1	393.1	19.4	18.0
Markham	210.6	258.0	35.2	18.0
Toronto City	134.2	179.9	26.2	24.9
Mississauga	417.9	176.5	30.6	26.1
Oakville	212.6	141.6	16.3	16.5

Source: CMHC

As more high-rise projects take longer to reach completion, fewer resources will be available for starting new projects in the future. There's a limited amount of labour and capital that can be assigned to new projects in the Toronto CMA. Construction backlogs must be cleared to allow new projects to break ground to further increase housing supply.

Figure 3: Map of Toronto CMA, Locations of Apartment Rental and Condominium Housing Starts in 2022



Source: CMHC Starts and Completions Survey

OTTAWA

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"High prices and rising interest rates led to greater demand for condominiums and rental units, which has driven construction in these market segments."

HIGHLIGHTS

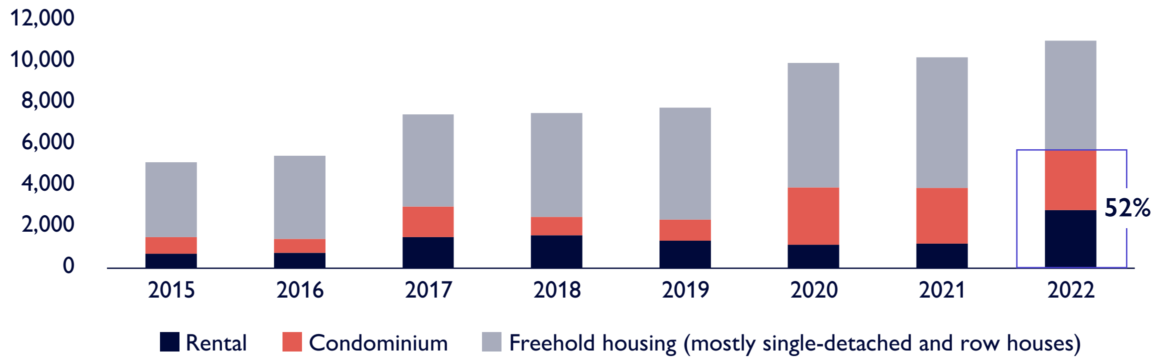
- Residential construction exceeded the high reached last year, thanks to a strong rental and condominium market.
- Starts of single-detached and row houses declined significantly, reflecting slower demand caused by the rising costs of buying a home.
- The inventory of completed and unsold single-detached and row houses remained close to the average of recent years. Builders have adjusted to reduced demand for these housing types.
- Densification continues in the area: It's the first time in more than 20 years that the share of starts accounted for by apartments surpassed that accounted for by single-detached and row homes. Activity was concentrated in the central sectors, where larger and larger buildings are being built.

Construction reached a new high in 2022

In 2022, residential construction set a new record in the Ontario part of the Ottawa-Gatineau CMA (hereafter referred to as the Ottawa area). Housing starts reached 11,032 units, up 8% from the peak recorded last year. This increase was due to a jump in the rental segment and strong activity in the condominium segment.

In fact, this is the first time in more than 20 years that the share of starts accounted for by purpose-built rental and condominium apartments surpassed that accounted for by single-detached and row houses. Together, both types of apartments accounted for more than 50% of housing starts in 2022 (figure 1).

Figure 1: Apartments account for a growing share of housing starts
Housing starts — Ottawa area



Source: CMHC

A surge in rental construction

Rental starts more than doubled compared to 2021. This construction activity reflects strong rental demand driven by:

- limited transition of renter households to homeownership due to high costs of buying a home;
- strong immigration; and
- students returning to campuses.

As a result, in 2022, the vacancy rate on the rental market decreased to 2.1%, and rents increased considerably. The pandemic also delayed starts of a number of large-scale projects, which were finally shovel-ready in 2022. All of these factors led to an unusually high level of activity on the rental market.

Strong activity in the condominium segment

Condominium starts reached a new high in 2022, exceeding the peak recorded in 2021 by 7%. With rising interest rates and high housing prices, the costs of buying a home increased. As such, a portion of demand shifted to less expensive homes, such as condominiums.

In terms of condominium inventory, only 17 new units remained unsold in the Ottawa area in December 2022. This number is similar to what we saw in 2021, but is significantly below the average for the last 5 years. Despite recent strong construction levels, this low stock reflects sustained demand for this housing type in the area.

However, activity for both condominiums and rental units could slow down in the coming years as funding for new projects is affected by rising interest rates (see Overview of residential construction in Canada's largest CMAs).

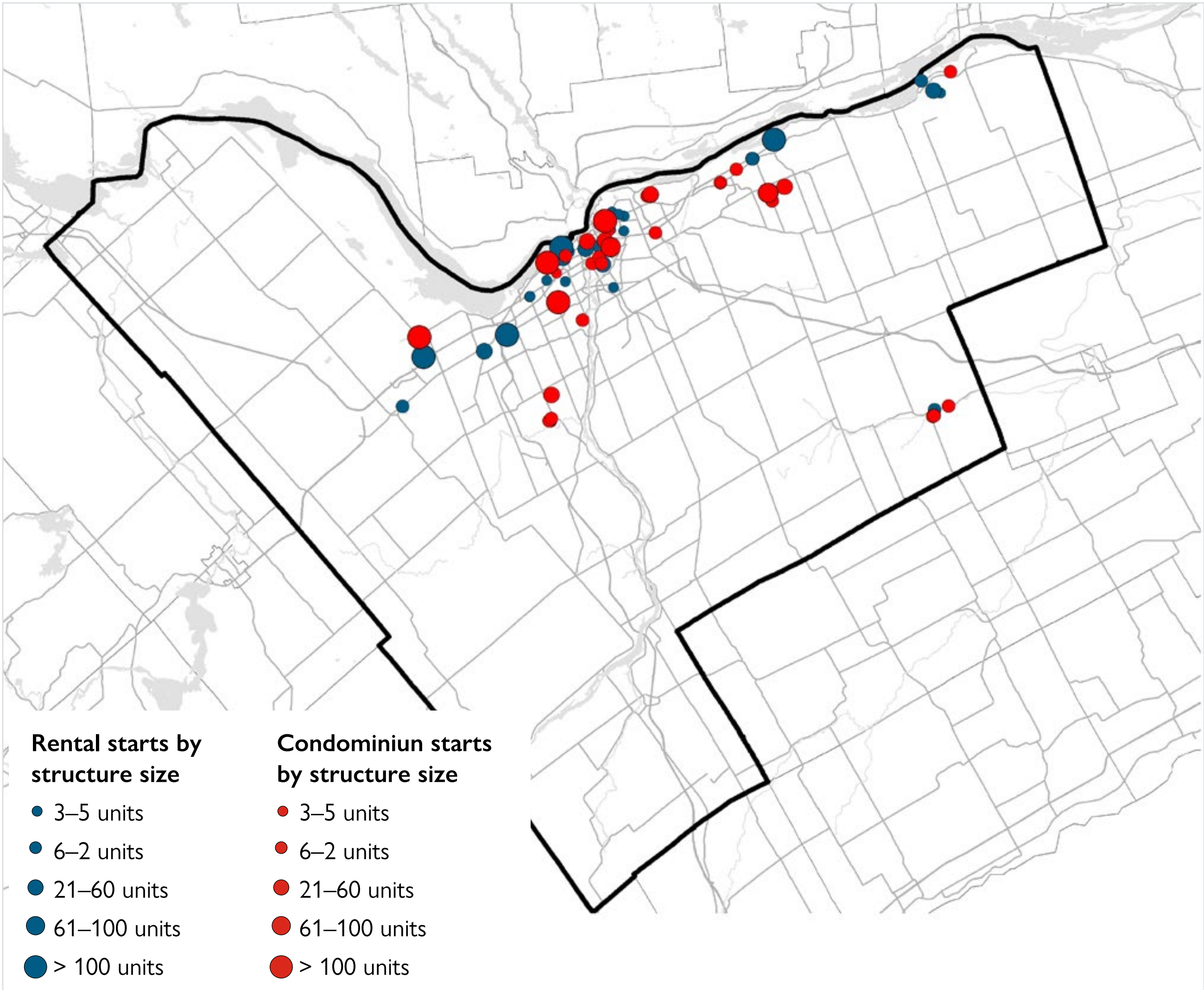
Densification continued to increase in both central sectors and suburbs

Apartment construction continued to increase at a higher rate inside the Greenbelt than outside it. Indeed, many starts of large rental and condominium buildings were in Ottawa's central neighbourhoods (see figure 2), especially along existing and future O-Train lines. They were concentrated in the following sectors:

- Westboro North / Tunney's Pasture (rental and condominium units)
- West Centretown / Fisher Park (rental and condominium units)
- Iris/ Queensway Terrace / Whitehaven (rental and condominium units)
- Lowertown (condominiums)
- Downtown (rental and condominium units)

Densification is also happening outside the Greenbelt, where apartment construction also increased in 2022.

Figure 2: Map of Ottawa CMA, Locations of Apartment Rental and Condominium Housing Starts in 2022



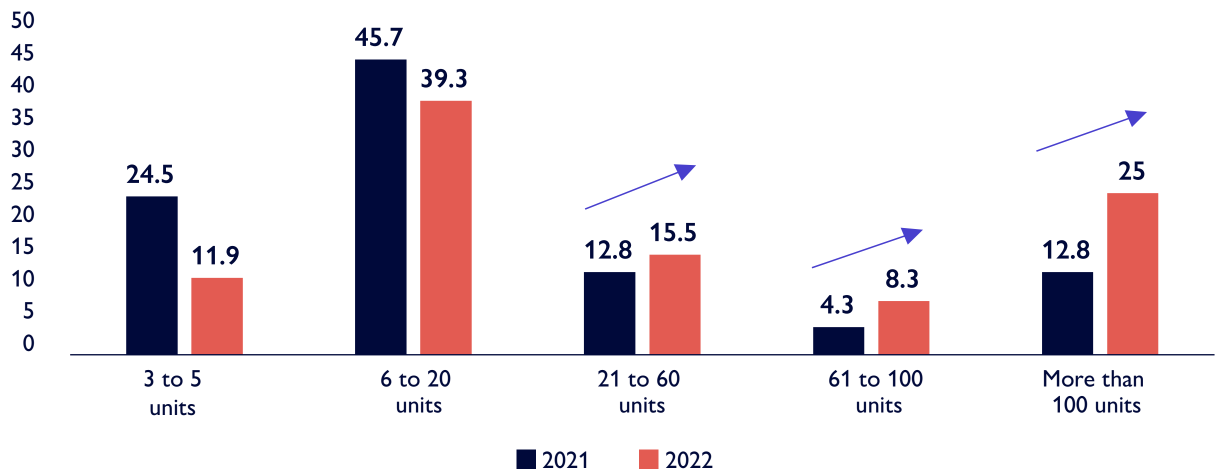
Source: CMHC Starts and Completions Survey

Densification also reflected by increasingly large size of new buildings in the area

The upward trend in building size, based on height and number of units, continued in 2022. Once again, apartment building construction was concentrated in particularly dense central areas where land is generally more expensive. In such contexts, builders tend to increase the number of storeys and units to make their projects more profitable. Along with the desire for densification in the area, this helps explain the increase in building size in 2022.

Indeed, the share of starts accounted for by buildings with more than 20 units rose significantly, particularly for those with more than 100 units (figure 3). We also saw an increase in the average building height from 5.1 storeys in 2021 to 7.3 storeys in 2022. In 2022, about 10% of buildings started had more than 20 storeys — a significantly higher proportion than in 2021.

Figure 3: Larger and larger buildings
Share (%) of apartment structures started by building size — Ottawa area



Source: CMHC

Slowdown in single-detached and row home construction

During the pandemic, demand for single-detached and row homes soared on both the resale and new home markets. As such, housing starts reached a record level in 2021. In 2022, higher homebuying costs caused demand to slow.

Although row houses had long been affordable when compared to condominiums, the price gap between these housing types has widened. As a result, demand has shifted to condominiums or the rental market.

In this context, single-detached housing starts decreased by 22%, falling slightly below the average for the past 5 years. Row house starts, meanwhile, decreased by 9%, but remained above the average for the past 5 years. However, together, they continue to account for nearly half of all units started in the Ottawa area.

Still, the inventory of completed and unsold single-detached and row homes remained close to the average of recent years. This indicates that builders have adapted to the reduced demand for these products.

Single-detached and row home starts remain concentrated in the suburbs

In 2022, most of single-detached and townhouse housing starts were still concentrated in urban areas located on the outer edge of the green belt, namely:

- Barrhaven
- Gloucester/ West Orléans
- Kanata/Stittsville

Construction activity for these dwelling types was also significant in the rural areas of Ottawa West and Clarence-Rockland.

There was a widespread slowdown in single-detached housing starts in these areas in 2022. Activity for row homes increased only in the eastern outlying sector. Housing starts in the other sectors either declined or remained stable.

MONTRÉAL

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"Whether it's houses, rental units or condominiums, nearly all of the Montréal area's major geographic sectors recorded a decline in housing starts in 2022."

HIGHLIGHTS

- Freehold housing starts (single-detached, semi-detached and row houses) declined in most Greater Montréal municipalities. Weakening demand for larger homes and the increase in the cost of building them were the main factors behind this decline.
- Rental construction was down in all major sectors of the CMA. The recent increase in financing costs for developers, combined with other cost increases that occurred during the pandemic, slowed the development of new projects in 2022.
- In Montréal, rental housing starts declined significantly in sectors such as Ville-Marie and Côte-des-Neiges. Despite demand from students and international migrants reverting to some normalcy, vacancy rates in these sectors remain above pre-pandemic levels.
- Condominium construction remained low in 2022; however, leaving out Downtown Montréal, housing starts for this dwelling type increased in the rest of the CMA.

Rebound over for freehold housing starts

In 2021, housing starts reached historic highs because of rental apartments and houses being built. In 2022, however, they declined. About 24,000 units were started, a 25% decrease that makes it harder to reach the number of housing starts needed to restore affordability on the Québec and Montréal real estate markets.

Nevertheless, the number of starts remained similar to pre-pandemic levels.

The decrease in housing starts also varied greatly depending on dwelling type. Freehold housing construction declined by 38%, the greatest decline among all dwelling types. Only 3,160 houses were built in 2022, the lowest level ever recorded.

During the pandemic, public health measures and new remote-work opportunities increased demand for larger dwellings, such as houses. As a result, housing starts for this type of dwelling increased in nearly 6 out of 10 Greater Montréal municipalities in 2021.

Cities on the outskirts of Montréal, such as Saint-Colomban, Saint-Jérôme and Lavaltrie, recorded significant growth. Lots are often less expensive there.

However, in recent quarters, demand for this dwelling type has lost momentum. Indeed, many households that wanted to buy a new house had already made their purchase.

Statistics Canada's Building Construction Price Index shows a sharp increase in construction costs in recent quarters. As a result, affordability issues have made the market inaccessible to an increasing number of potential buyers.

In 2022, the trend reversed, and house construction was down in nearly 7 out of 10 municipalities. Among the greatest losses were those recorded in cities that saw significant growth in 2021.

By the end of 2022, 470 new homes were still unsold. This inventory was located mainly on the North Shore of Montréal, where construction of this dwelling type is concentrated.

The figure of 470 unsold units remains below the average of the last 20 years, which is around 700 unsold units. Still, we should keep in mind that starts of houses have dropped drastically since the early 2000s.

After record-breaking years, fewer rental apartments were built

Rental apartment starts declined by 28% in 2022. Still, this housing type remained the most commonly built type last year.

For the past few years, rental apartment construction has exceeded that of condominiums (figure 1) in the Montréal area. This trend started about 7 years ago, when the condominium market recorded a major slowdown. Multi-unit developers therefore turned to the rental market.

The low proportion of newer rental units that are vacant shows that demand for this type of housing is significant.

Additionally, rental housing starts in 2022 were more diverse than those of condominiums, in terms of both size and location (figure 2).

Consequently, Montréal households looking for a new apartment are more likely to find a unit that meets their needs in the purpose-built rental apartment segment than in the condominium segment.

For major geographic sectors, rental apartment starts were down 35% on the Island of Montréal and 22% in the suburbs. Our 2022 Rental Market Survey showed the scarcity of rental units in several suburban sectors and on the Island of Montréal (vacancy rate often around 1%).

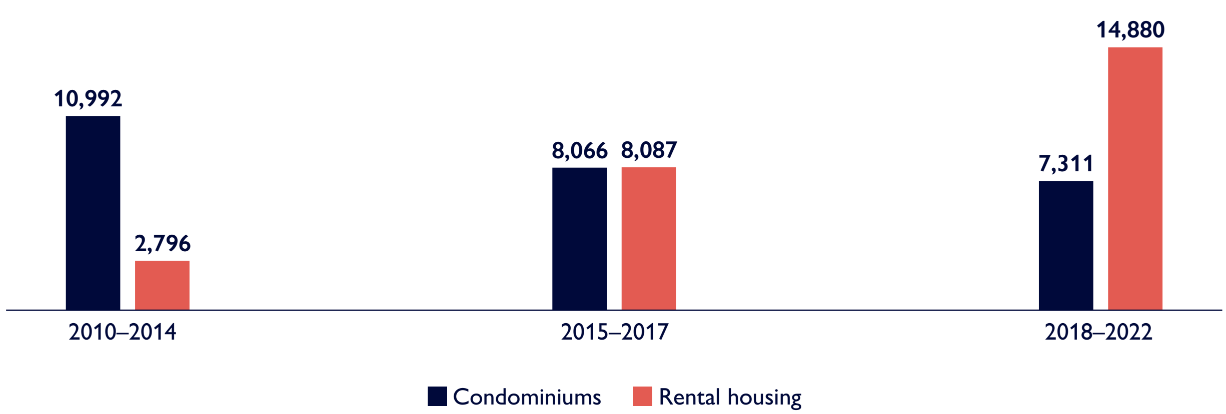
The shortage available units is stimulating housing starts for this type of housing. However, the recent increase in financing costs, combined with other cost increases that occurred during the pandemic, like the increase in labour costs, may have slowed the development of new projects.

On the Island of Montréal, fewer migrants and students, both local and international, during the pandemic led to a steep decline in rental demand. This was the case in Ville-Marie and Côte-des-Neiges, for example.

Despite returning to some kind of normalcy, the vacancy rates in these 2 sectors remain above pre-pandemic levels. It's no surprise that more than half of last year's decrease in rental housing construction in the city of Montréal was recorded in Ville-Marie and Côte-des-Neiges.

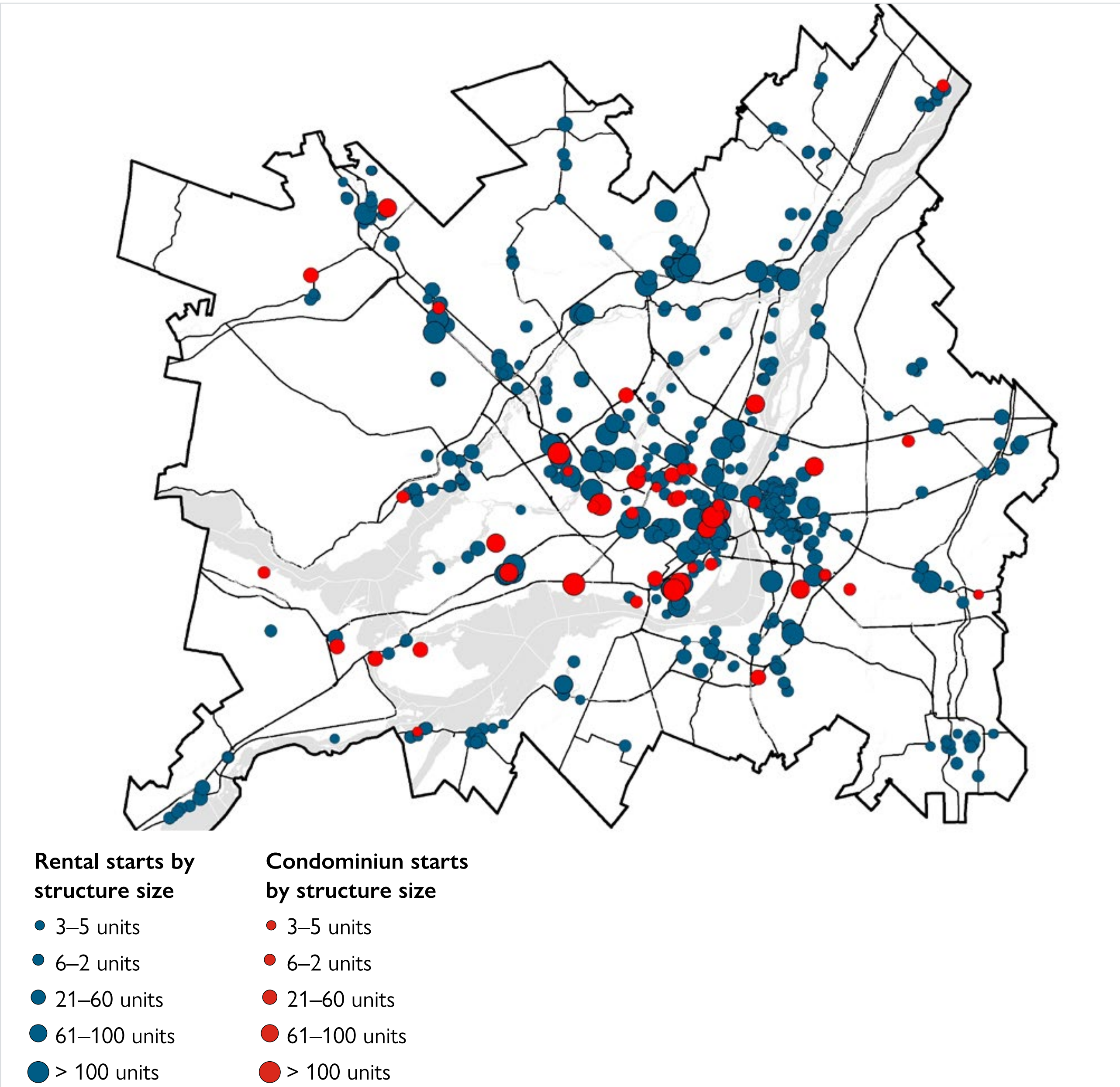
As for rental apartments in seniors' residences, only 200 units were started in 2022; a low point in recent years. A reason for this might be that 2021 was marked by the construction of several hundred units and a historically high vacancy rate.

Figure 1: Condominium and rental housing starts by various periods*, Montréal CMA



*Annual average.
Source: CMHC

Figure 2: Map of Montréal CMA, Locations of Apartment Rental and Condominium Housing Starts in 2022



Source: CMHC Starts and Completions Survey

By the end of 2022, about 23,000 rental apartments were still under construction, despite the year's decrease in rental starts. As they hit the market in the coming quarters, these units will help ease market pressure.

However, these units under construction also represent projects that were finally shovel-ready when economic conditions improved. The decrease in housing starts in 2022 is a reminder that new rental supply may not be as significant in the coming years, which will negatively impact affordability.

Condominium construction is low, but activity is slightly stronger in the suburbs

Condominium starts in the CMA remained low in 2022, posting a 15% decrease.

Condominium construction in the city of Montréal, particularly in the Downtown area, declined significantly. The hard times that this sector experienced during the pandemic seem to have significantly slowed the arrival on the market of new projects.

If we exclude Downtown Montréal, condominium construction in the city of Montréal and elsewhere in the CMA would have increased in 2022.

In the end, only 300 new condominiums were still unsold in the Montréal area in 2022. A few years ago, this number was about 3,000. Three quarters of these units that were still unsold in 2022 were located in Montréal, Laval, Longueuil and Mirabel.

Glossary: Important Definitions

Historical residential construction activity data are collected through CMHC's monthly **Starts and Completions Survey (SCS)**. Building permits are used to determine construction sites and visits confirm construction stages.

A **start** is defined as the beginning of construction on a building, usually when concrete has been poured for the whole of the structure's footing or an equivalent stage where a basement will not be part of the structure.

A **completion** is defined as the stage at which all proposed construction work on the building has been performed and is suitable for occupancy, although under some circumstances, a building may be counted as completed where up to 10% of the proposed work remains to be done.

Construction time is the amount of time (in months) elapsed between the start and completion of a structure. Note that construction time includes only the physical construction of the dwelling as defined above; additional steps in the development process, such as planning, obtaining permits, and site preparation, are not included.

Dwelling type

The definitions of types of dwellings (built form) used in the SCS are as follows:

A **single-detached** dwelling is a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

A **semi-detached** dwelling is one of two dwellings located side-by-side in a building, adjoining no other structure and separated by a common or party wall extending from ground to roof.

A **row** dwelling is a ground-oriented dwelling attached to two or more similar units so that the resulting row structure contains three or more units.

An **apartment and other** dwelling includes all dwellings other than those described above, including structures commonly referred to as duplexes, triplexes, double duplexes and row duplexes. In order to capture what constitutes apartment buildings, the analysis of apartment dwellings in this report is restricted to those having three or more units.

Additional definitions of types of dwellings (built form) used in the **Housing Supply Report**:

A **garden suite** or **laneway home** is a small detached dwelling usually located in the rear yard and is separate from the main house. In the case of a laneway home, the entrance will typically face the back lane behind the property.

A **self-contained** unit (or dwelling) refers to a residential unit (or dwelling) that contains a private kitchen, bath and living area.

A **secondary suite** is a self-contained dwelling located within the principal dwelling (such as in the basement) with a private entrance.

Tenure type (intended market)

The "intended market" is the tenure in which the unit is being marketed. This includes the following major categories:

A **freehold** unit is a residence where the owner owns the dwelling and lot outright.

A **condominium** (including Strata-Titled) is an individual dwelling unit which is privately owned, but where the building and/or the land are collectively owned by all dwelling unit owners. A condominium is a form of ownership rather than a type of house.

A **rental** unit is a dwelling constructed for rental purposes, regardless of who finances the structure.

Mixed forms of tenure within a given structure are also possible.

Other Concepts

For the purposes of this report, the following concepts have specific definitions:

A development's **intensity** is defined as the number of units per structure. A single-detached house with one unit would therefore have an intensity of one, while an apartment building with five units would represent a more intense form of development.

A related concept is **density**, which takes into consideration the amount of living space per lot area. Building height is simply the number of above-ground stories in the structure.

Building height is measured differently by individual municipalities in terms of meeting zoning restrictions. These often involve considerations such as the average height of a pitched roof, the inclusion of different roof structures in the calculations, and shadows created by the structure.

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Alternative text and data for figures

National Overview

Figure 1: Housing starts – seasonally adjusted at annual rates*, select CMAs

Period	Montréal	Toronto	Vancouver	Edmonton	Calgary	Ottawa
December 2017	29,711	38,825	27,610	11,064	11,730	8,369
	28,174	38,108	28,442	10,487	10,939	7,966
	30,258	41,091	28,422	10,485	10,633	7,187
	27,784	41,500	30,810	9,828	10,719	6,851
	26,453	41,066	28,852	9,895	11,265	7,012
	25,617	37,424	28,203	9,916	11,606	6,198
	24,287	42,351	25,505	10,039	12,252	6,356
	25,239	42,272	24,197	10,350	12,808	6,249
	22,713	35,166	24,820	11,220	13,700	7,626
	23,809	35,902	21,803	10,929	13,518	7,805
	23,865	38,954	20,900	10,256	12,441	9,398
	25,236	43,195	20,126	10,348	10,775	9,459
December 2018	25,659	40,370	21,423	10,068	9,774	8,646
	25,899	40,335	21,510	9,776	9,290	8,179
	26,383	38,965	21,605	8,392	8,444	7,977
	27,123	37,264	22,709	8,380	8,022	7,506
	26,461	36,137	25,413	9,121	8,521	5,849
	25,943	31,374	28,868	8,323	8,480	5,976
	26,820	30,816	31,631	9,528	9,582	6,596
	27,717	29,617	32,649	10,459	9,438	7,131
	29,487	32,211	31,753	11,549	10,199	6,688
	27,344	32,352	32,442	12,208	12,070	8,531
	27,696	31,390	29,395	12,133	11,831	8,702
	26,877	32,036	26,897	12,836	12,115	9,257
December 2019	23,325	29,934	24,630	11,835	14,200	8,882
	23,888	29,921	21,531	10,688	14,236	8,785
	22,856	29,021	21,604	9,653	13,598	9,456
	22,730	27,597	20,930	10,457	12,660	8,156
	17,513	32,359	20,799	11,163	12,121	8,625
	19,592	33,347	20,331	10,617	11,661	8,107
	23,008	36,364	19,638	10,276	8,222	8,178
	24,277	38,983	21,529	10,556	8,277	8,545
	25,567	44,061	23,143	10,782	8,306	9,903

Period	Montréal	Toronto	Vancouver	Edmonton	Calgary	Ottawa
	28,075	45,604	23,220	9,926	8,216	10,871
	32,175	41,566	23,250	10,490	9,085	10,587
	32,706	42,325	24,630	11,190	9,558	11,416
December 2020	31,827	40,905	25,096	12,880	10,425	11,767
	31,853	39,011	24,001	12,916	11,373	11,630
	33,930	32,651	23,550	13,423	11,355	10,066
	33,505	37,483	27,438	13,332	11,643	10,152
	35,916	36,966	28,073	12,736	12,123	10,695
	34,527	36,433	27,628	12,801	13,336	10,934
	35,319	37,217	30,745	11,935	13,922	10,475
	34,442	38,863	31,853	11,977	14,302	10,440
	32,337	42,622	31,083	12,333	15,036	10,520
	32,980	41,449	25,985	12,471	14,696	9,759
	31,173	41,234	26,349	13,071	14,754	10,142
	32,575	47,809	24,401	12,955	16,023	10,493
December 2021	29,890	46,705	21,345	13,178	16,061	10,169
	29,200	42,627	20,966	13,266	14,521	9,974
	27,415	45,815	20,043	12,600	14,842	9,434
	25,582	43,077	20,037	12,789	15,645	9,642
	26,557	41,762	21,642	13,096	15,984	9,241
	26,226	36,548	22,566	14,611	15,084	7,930
	28,513	39,935	23,517	14,378	16,470	8,598
	28,239	42,863	23,697	15,025	18,955	11,092
	28,393	40,724	24,739	15,410	18,784	12,423
	28,676	45,101	27,716	16,248	19,267	14,372
	27,854	46,858	26,919	16,945	19,771	14,619
	24,077	47,176	27,503	14,931	19,651	14,232
December 2022	20,012	50,708	28,427	14,536	18,104	13,450

*Seasonally adjusted annual housing starts, 6-month average
Source: CMHC

Edmonton

Figure 2: Housing Starts — Secondary Suites and Garden Suites, Edmonton CMA

Year	Secondary Suites	Garden Suites
2017	3	0
2018	133	1
2019	359	8
2020	493	0
2021	695	68
2022	870	118

Source: CMHC, Starts and Completions Survey

Calgary

Figure 2: Housing Starts — Secondary Suites and Garden Suites, Calgary CMA

Year	Secondary Suites	Garden Suites
2017	0	0
2018	44	1
2019	113	5
2020	97	1
2021	53	47
2022	342	50

Source: CMHC, Starts and Completions Survey

Toronto

Figure 1: Inventory of completed & unabsorbed units at year end, all dwelling types, Toronto CMA

Year	Completed & Unabsorbed, Total Housing Units
2010	1,032
2011	1,040
2012	1,143
2013	1,360
2014	1,263
2015	2,351
2016	1,411
2017	663
2018	461
2019	989
2020	968
2021	674
2022	530

Source: CMHC

Figure 2: Annual housing starts & completions, Toronto CMA

Year	Total Housing Completions, Toronto CMA	Total Housing Starts, Toronto CMA
2010	31,393	29,195
2011	33,831	39,745
2012	31,907	48,105
2013	33,708	33,547
2014	29,213	28,929
2015	46,384	42,287
2016	34,613	39,027
2017	37,132	38,738
2018	37,750	41,107
2019	27,410	30,462
2020	30,841	38,587
2021	36,723	41,898
2022	28,955	45,109

Source: CMHC

Ottawa

Figure 1: Apartments account for a growing share of housing starts

Housing starts — Ottawa area

Year	Freehold housing (mostly single-detached and row houses)	Rental	Condominium	Total
2015	3,626	707	800	5,133
2016	4,024	745	679	5,448
2017	4,466	1,510	1,481	7,457
2018	5,031	1,594	898	7,539
2019	5,420	1,336	1,026	7,782
2020	6,036	1,143	2,771	9,950
2021	6,323	1,196	2,702	10,221
2022	5,323	2,818	2,891	11,032

Source: CMHC

Figure 3: Larger and larger buildings

	Share (%) of apartment structures started by building size				
Year	3 to 5 units	6 to 20 units	21 to 60 units	61 to 100 units	More than 100 units
2021	24.5	45.7	12.8	4.3	12.8
2022	11.9	39.3	15.5	8.3	25

Source: CMHC

Montréal

Figure 1: Condominium and rental housing starts by various periods*, Montréal CMA

Periods*	Condominiums	Rental housing
2010–2014	10,992	2,796
2015–2017	8,066	8,087
2018–2022	7,311	14,880

*Annual average
Source: CMHC