

CALNAN REAL ESTATE GROUP

Building Our Way Out

A Practical Framework for Solving Canada's Housing Crisis Through Supply, Innovation and Partnership

THE HOUSING VIABILITY EQUATION

Value Created > **Construction Cost + Government Charges + Time Cost + Financing Cost**

PREPARED BY

Matt Calnan, CPA, CMA

Managing Director, Calnan Real Estate Group

A thought-leadership white paper · 2026

This paper is written for publication and for a general professional readership — policymakers, public servants, builders, lenders, investors, industry leaders, and the journalists who cover them. It is not an academic study. We have kept citations out of the running text to keep it readable; the evidence behind every major claim is drawn from primary sources — CMHC, Statistics Canada, the Parliamentary Budget Officer, the Bank of Canada, the OECD, and peer-reviewed research — with full citations available in the underlying research. Our test throughout has been simple: the argument should persuade a reader who starts out skeptical of its conclusions.

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About Calnan Real Estate Group

Foreword: Why We Wrote This

We did not set out to write a paper about housing policy. We set out to understand our own business. We build and operate multifamily housing, arrange and rely on CMHC financing, manage real estate as an asset, and work in the secondary markets of Western Canada. That makes us participants in the housing market, not observers of it — and it gives us a particular view of the debate. We have sat across the table from municipal planners, lenders, and CMHC underwriters. We have watched good projects die on a spreadsheet and modest ones get built because the numbers happened to work.

That experience is what prompted this paper, because so little of the public conversation about housing resembles the conversation that actually decides whether a building gets built. Housing has become one of the most ideological subjects in Canadian life. Depending on whom you ask, the villain is greedy developers, or foreign buyers, or immigrants, or speculators, or zoning, or interest rates — each explanation arriving with a single favoured cure. Some hold real truth; most are partial; and the heat of the argument crowds out the question a builder has to answer every day, which is whether a project can be financed and built at a price the market will pay.

So we treated housing as an evidence problem rather than a political one. We assembled the best available research, deliberately built the strongest case we could *against* our own instincts, modelled the economics of real projects in dollars, and tested all of it against real successes and failures here and abroad. What we found did not flatter any single ideology — which is rather the point. The evidence is clearer, and less partisan, than the debate around it. We have kept our own commercial interests out of these pages; there are no projects to promote and nothing to sell. We wrote this because we build housing, and we needed to understand what the evidence actually says about why Canada isn't building enough of it. The answer turns out to be simpler than the noise suggests — and within reach.

Summary of Conclusions

The thesis, in one page

Canada's housing crisis is real, large, and — the part most often missed — not a single problem. It is two problems wearing one name. The first is a **supply shortage**: Canada has the fewest homes per person in the G7, builds too few of them too slowly, and has watched the cost and time to build climb faster than the value new housing creates. The second is an **asset-market problem**: a quarter-century of cheap credit and investment demand drove home prices far above what rents and incomes can justify.

These two problems need different medicine, and most of the debate fails because it prescribes one cure for both. Building more is the most powerful, best-evidenced tool Canada has for rents and for the structural shortage — but it will not, on its own, reverse the asset-price inflation of the past or reach the lowest-income households. A serious plan treats housing as both shelter and asset, and leads with the lever that works.

That lever is supply — throttled not by weak demand or unwilling builders, but by the **economics of building**. A developer builds only when a finished project will be worth more than it costs to create, and that margin is thin. We give the idea a name, because it is the backbone of everything that follows:

THE HOUSING VIABILITY EQUATION

Value Created > Construction Cost + Government Charges + Time Cost + Financing Cost

A home gets built only when the value it creates exceeds the four costs of creating it. When the right-hand side wins, the project dies — and the home is never built. Three of those four costs are set largely by government. Everything in this paper follows from this one line.

Our central conclusion is therefore blunt and hopeful: Canada can build its way to materially better housing outcomes by 2035 — lower rents, a stock of homes that finally grows with the country, a generation no longer locked out — but only by fixing the economics of building, and only if it stops treating supply, financing, and the asset market as rival explanations and starts treating them as one system.

What we conclude, ranked by confidence

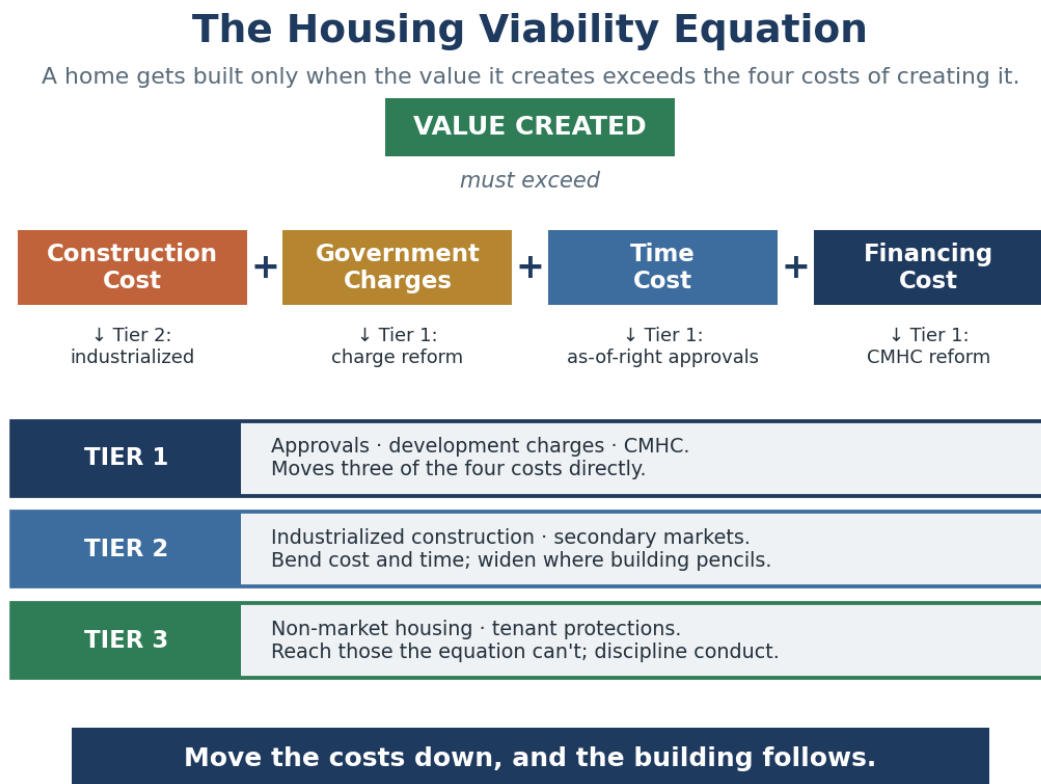
High confidence: (1) Canada has a real, large structural shortage. (2) Building more moderates rents — among the best-evidenced findings in housing economics. (3) The binding constraints are zoning and approval delay, development charges, construction cost and productivity, and financing — largely controlled by governments. (4) New rental rarely pencils at market rents; CMHC financing is usually what makes it get built. (5) The lowest-income households need non-market housing the market will not supply.

Moderate-to-high confidence: (6) The long climb in ownership prices was driven as much by credit and investor demand as by supply. (7) Secondary markets can carry real

load where the economy and infrastructure support them — but not everywhere, and not without risk. (8) Industrialized construction can help, mainly by saving time, if its financing problem is solved.

Held openly as uncertain: the exact size of the shortage, the precise size of the rent dividend from upzoning, and whether the recent immigration cuts have durably fixed demand or merely deferred it.

The Housing Viability Equation at a Glance



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Figure 1. The Housing Viability Equation, and how the paper’s recommendations map to it.

The four costs in the equation	Lowered chiefly by	Tier
Time Cost (approval delay)	As-of-right zoning + statutory approval timelines	Tier 1
Government Charges	Development-charge reform + senior-government infrastructure funding	Tier 1
Financing Cost	Stable, better-targeted CMHC rental financing	Tier 1
Construction Cost	Industrialized construction; higher productivity	Tier 2

Table 1. How the four costs in the equation map to the reform tiers.

Tier 1 moves three of the four costs directly, which is why it matters most. Tier 2 — industrialized construction and secondary markets — bends the remaining cost and widens the map of places where building pencils. **Tier 3, non-market housing and tenant protections, does not lower the four costs at all; it serves the households no achievable value can reach, and it disciplines the asset market’s conduct.** This single equation is the backbone of everything that follows, and the test against which every recommendation in this paper should be read.

Executive Summary

Start with the fact that should end a common argument. Canada has the fewest homes per person in the G7, and it has held that distinction for years. Whatever one believes about immigration or interest rates, the country entered the 2020s with too few homes for its population by the standard of its peers — a structural shortage, built over decades, that no recent twist of policy created or can quickly undo.

On top of that shortage came a demand shock and its reversal. Population grew 3.2 per cent in 2023, the fastest since 1957, and rents hit a four-decade high. Then Ottawa cut immigration targets, population growth turned negative for the first time in generations, vacancy rose, and rents began to fall. The episode proves two things at once: demand can drive rents hard and fast, and the acute crisis of 2022–2024 was, in large part, a demand pulse now deflating — even as the structural shortage remains.

Here is the insight at the centre of this paper, and the reason exhortation has failed: **a housing shortage can persist even when everyone wants more housing, because it is the project, not the need, that has to add up.** Developers do not build because

homes are needed; they build when a finished building will be worth more than it costs to create, by enough to cover the risk. That margin is consumed by four forces — construction costs, development charges, approval timelines, and financing. When two or three move against a project at once, it dies. We call this the **Housing Viability Equation**, and it is the central insight of this paper: a home is built only when the value it creates exceeds the sum of those four costs.

We modelled this in detail, pricing two representative 100-unit projects — a rental building and a condominium — under current Western Canadian conditions, and the results are decisive. New rental housing **barely pencils even in Calgary, Canada's strongest rental market, and only because of CMHC**: strip away its low-cost, high-leverage financing and the required rent jumps by roughly a third, far above what tenants pay. A **ten per cent rise in construction costs kills an otherwise-viable project**. Moving development charges from Alberta's level to Toronto's **erases a condominium's entire margin**. And stretching approvals from six months to two years flips both projects from viable to dead.

The most important pattern is a geography that looks perverse until you understand it: **housing is easiest to build where the pressure is lowest, and hardest where the need is greatest**. In Alberta — fast approvals, low charges, cheap land — new housing pencils. In the Greater Toronto Area and Metro Vancouver, where demand is most intense, the cost-and-time stack is so heavy that private rental cannot pencil at all. The places that most need housing are not failing to build it because demand is weak, but because the public and private costs of building have risen until the numbers no longer work.

The record confirms it. Edmonton legalized modest density city-wide and saw “missing middle” construction double in a year; Calgary did the same and then **repealed it**, proof that good policy is fragile. On Squamish Nation land in Vancouver, a 6,000-home rental community is rising on a site exempt from city zoning — proof that when the approval barrier is removed, supply appears even in the costliest market. Calgary became Canada's hottest rental market on the strength of CMHC financing. And in the GTA, where demand is strongest of all, dozens of condominium towers were cancelled as costs rose and the pre-sale market seized.

So what would work? We do not believe the evidence supports false balance, and we will not pretend otherwise. **The measures most likely to materially increase supply by 2035 are: granting approvals as-of-right and on a statutory clock; reforming development charges while senior governments fund the infrastructure those charges were meant to cover; and preserving CMHC's rental financing while targeting it where affordability is scarcest**. These are the highest-leverage levers, largely free of ideological dispute, and controlled by governments. Behind them sit financed industrialized construction (for its speed), a deliberate role for capable

secondary markets, and a genuine non-market tier for the households the market will never reach.

We are equally clear about what will not work. **Demand-side buyer subsidies, foreign-buyer bans, and speculation taxes have the weakest record in the kit.** Buyer subsidies tend to be capitalized into higher prices; bans and speculation taxes show little measurable effect. The asset market is real and deserves a response — but through the tools with evidence behind them, prudent management of mortgage credit and fair-conduct rules for large landlords, not politically satisfying gestures that do not move the number that matters.

CMHC deserves a closing word, because the debate caricatures it. It is neither the solution nor the problem. It is **essential** — without it, very little rental housing would be built in Canada today — and it is **imperfect**, with affordability rules that miss the most expensive markets, a record measured in promises rather than completed homes, and the real risk that cheap financing inflates land prices. The right posture is to strengthen and reform it, not to worship or dismantle it.

This paper is not, ultimately, about any company. It is about housing, and about a question Canada will answer one way or another over the next decade: whether it is willing to fix the economics of building. The need has never been clearer. What remains is to make the building possible — and that is a choice.

1. The Paradox of Unbuilt Housing

Canada has a housing shortage that almost everyone agrees is severe, and across the country housing projects are delayed, downsized, paused, cancelled, or never started. Hold those two facts together and a puzzle appears. If the need is so obvious, why does so much housing go unbuilt?

The easy answers — that developers are hoarding land, gaming prices, or simply unwilling — are mostly wrong, and where they contain truth it is a symptom, not the disease. The real answer is plainer and more useful: **a need is not a deal.** A developer does not build because people need homes. A developer builds when the finished building will be worth more than it costs to create, by a margin wide enough to justify years of risk and tens of millions in committed capital. Where that margin exists, housing gets built, sometimes in striking volume. Where it does not, no amount of need will conjure it. The gap between the housing Canada needs and the housing it builds is, in large part, the gap between the projects that pencil and the projects that do not.

This is an uncomfortable framing for everyone. It denies the activist's hope that the crisis is mainly greed or speculation, and it denies the booster's hope that cheerleading

the industry will work. But it has the great advantage of being true to how housing is actually produced, and of pointing to levers that can be pulled. Most of those levers — how long approvals take, how high fees are set, how financing is structured, how productively we build — are set by public policy. That is the quietly hopeful core of this paper: the forces keeping viable housing from being built are, to a large degree, choices, and choices can be made differently.

We should be equally clear about what we are *not* arguing. We are not arguing that supply is the only thing that matters; an entire chapter is devoted to the credit and investment forces that supply does not explain. We are not arguing that the market, left alone, will house everyone; we say plainly that the lowest-income households need non-market housing the market will not provide. And we are not selling a single miracle policy; we are deeply skeptical of anyone who offers one. What we are arguing is that the supply side is where the evidence is strongest and the leverage greatest, that the economics of building are the proximate reason housing goes unbuilt, and that fixing those economics — alongside an honest reckoning with the asset market and a real non-market tier — is the most credible path to materially better outcomes by 2035.

2. How Big Is the Problem, Really?

Honesty requires starting with a number that does not exist: there is no single agreed figure for the size of Canada’s housing shortage, and anyone who quotes one as settled is overselling. The serious estimates differ not from carelessness but because they answer different questions.

CMHC, asking how many homes it would take to *restore affordability*, has put the gap in the millions — about 3.5 million additional homes above the expected pace in its original 2022 estimate, later reframed to roughly 2.6 million on a less ambitious benchmark. The Parliamentary Budget Officer, asking instead how many homes it would take to return rental vacancy to its *historical norm*, arrived at a far smaller figure — around 690,000. Scotiabank, asking simply how Canada’s housing stock *compares internationally*, found the country has the fewest homes per person in the G7 and would need on the order of 1.8 million more just to reach the G7 average. These are not rival measurements of one quantity. They are three different rulers — affordability, market balance, and international norms.

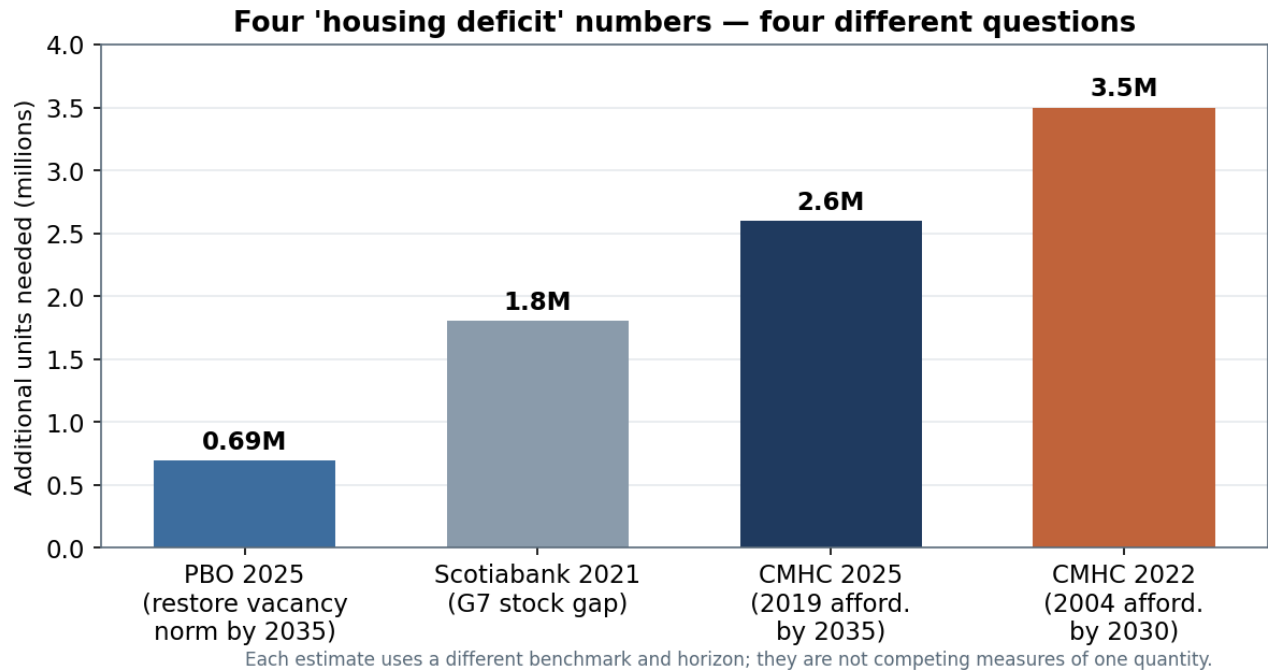


Figure 2. Four widely-cited “deficit” numbers measure four different things.

What can be said with confidence is direction and scale. By the most neutral yardstick — homes per person against peer nations — **Canada is a structural outlier, and has been for years.** That single fact locates the problem in the housing stock itself, not just in the headlines of the last few years. Whatever happened recently to immigration or interest rates, Canada began the decade with too few homes.

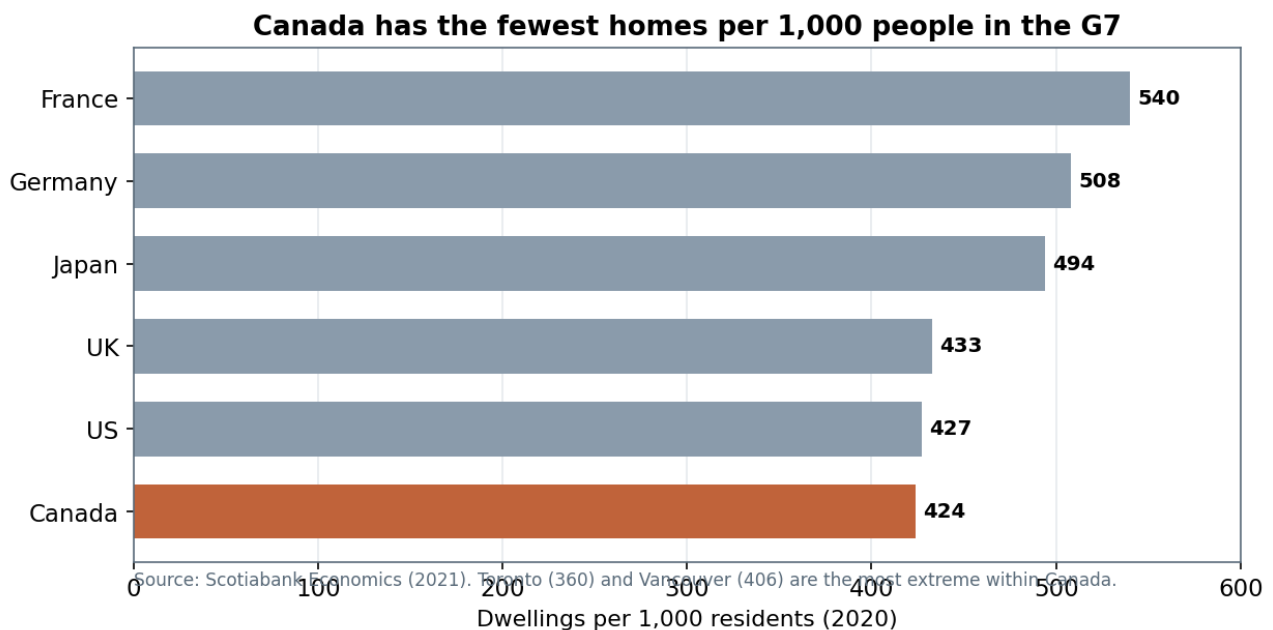


Figure 3. Canada has the fewest dwellings per 1,000 people in the G7.

Then came the surge. Population grew 3.2 per cent in 2023, the fastest since 1957, overwhelmingly through temporary residents, and the rental market — which clears in months — felt it at once: vacancy hit a record-low 1.5 per cent and rent growth a four-decade high. Then policy reversed. Ottawa cut permanent-resident targets and capped temporary residents; by early 2026 the population was shrinking for the first time in generations; vacancy climbed back toward normal and advertised rents started to fall. The lesson cuts both ways. Demand — here, population — can drive rents hard and fast. And the acute pain of 2022–2024 was, in large part, a demand pulse now deflating, even as the deeper shortage endures.

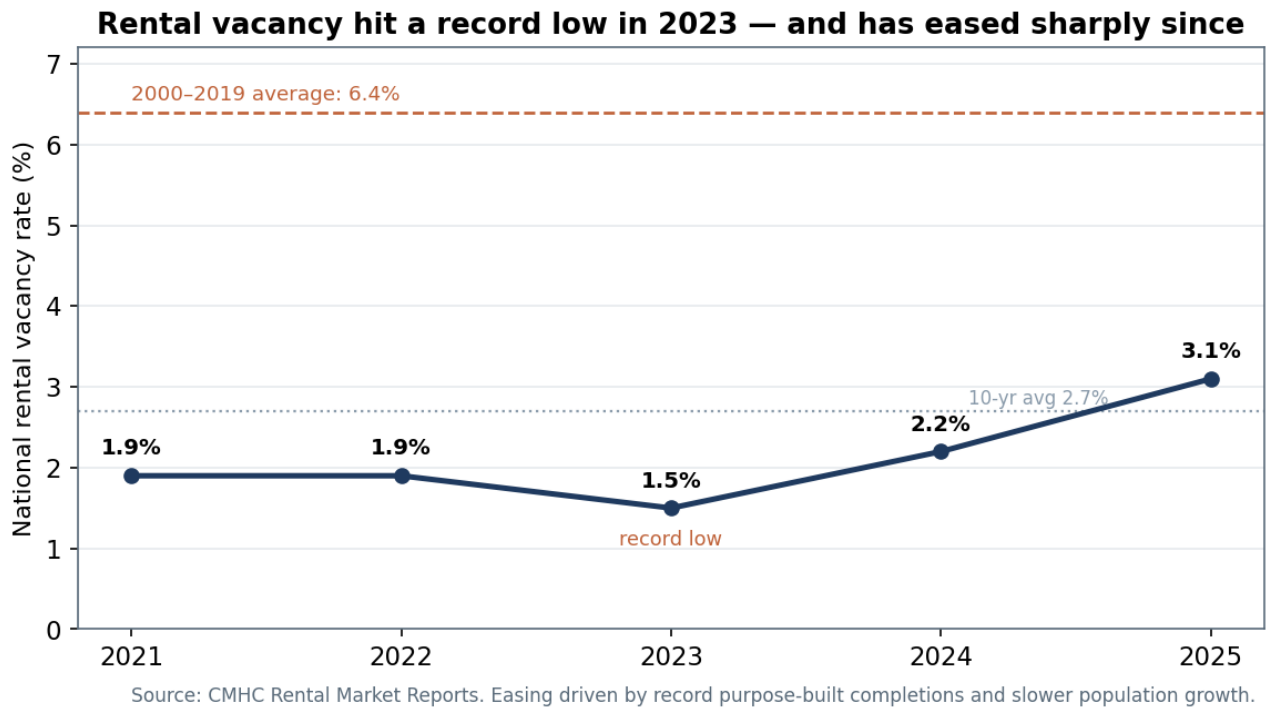


Figure 4. National rental vacancy: a record low in 2023, easing since.

The most important distinction in this whole subject is the one between the two faces of “affordability,” because they behave differently and need different cures. **Rents** are paid out of current income and track the local balance of supply and demand fairly directly; they rose with the population surge and have eased as it reversed and as new rental came online. **Ownership prices** are something else. Over twenty-five years, the price of a Canadian home climbed from three or four times household income to seven to ten times — and, tellingly, pulled away not just from incomes but from *rents*, the income the property actually earns. A house whose price races far ahead of its rent is not behaving like a merely scarce good. It is behaving, in part, like a financial asset priced on cheap credit and the expectation of gains. We return to that in Chapter 4. The point here is that “the housing crisis” is at least two crises — a rental-affordability crisis tied closely

to supply and population, and an ownership-price crisis tied as much to finance — and conflating them produces policy that fails at both.

A final word on the most politically loaded number. Canada built roughly 259,000 homes in 2025, near its all-time records. The problem is not that building stopped; it is that Canada builds about as many homes today as it did fifty years ago while serving several times the population growth. In the mid-1970s it added roughly one resident per home built; at the 2023 peak it added more than five. The shortage is less a collapse in construction than a failure of construction to *scale* with a far larger, faster-growing country. Why it failed to scale — why building more became so slow and so expensive — is the heart of the matter, and the subject of the next chapter.

3. Why We Aren't Building: The Economics of a Project

Housing gets built when projects are viable. Housing policy fails when it ignores project viability.

To see why housing goes unbuilt, sit in the chair of the person deciding whether to build it. That person is not asking whether housing is needed. They are asking a harder question: if I buy this land, carry it through years of approvals, borrow tens of millions, and build, will the finished homes — as rent or as sale proceeds — be worth enough to repay the cost and the risk? The answer comes down to a handful of numbers, and across much of Canada those numbers no longer add up without help.

We made this concrete by building a financial model of two representative 100-unit projects under current Western Canadian conditions — a purpose-built rental building and a condominium. It is an illustrative model, not a specific appraisal, but its job is to show, in dollars, exactly where a viable project becomes an unviable one. Here is what it shows.

Why rental doesn't get built without CMHC

Take the rental building in Calgary, today the country's strongest rental market. Delivering 100 units — land, construction, the soft costs of design and permits and insurance, municipal charges, and the interest carried during construction — costs roughly \$32 million, about \$322,000 per home. For that to be worth doing, the building's net rental income has to earn a high enough return on that cost to beat simply buying an

existing building. At the rents a new Calgary building can actually command, it does — but barely, and only with CMHC.

This is the most important mechanical fact in Canadian rental housing, so we will state it without qualification: **new purpose-built rental does not, as a rule, pencil at market rents.** In our model the Calgary project clears the bar only when financed through CMHC — its construction loan program and its MLI Select mortgage insurance, which together supply a low rate, leverage up to ninety-five per cent of cost, and amortization stretched to fifty years. Replace that with conventional financing and the same building collapses: the rent it would need jumps by roughly a third, far beyond what tenants pay, and five times as much equity is left trapped in the deal. It does not get built.

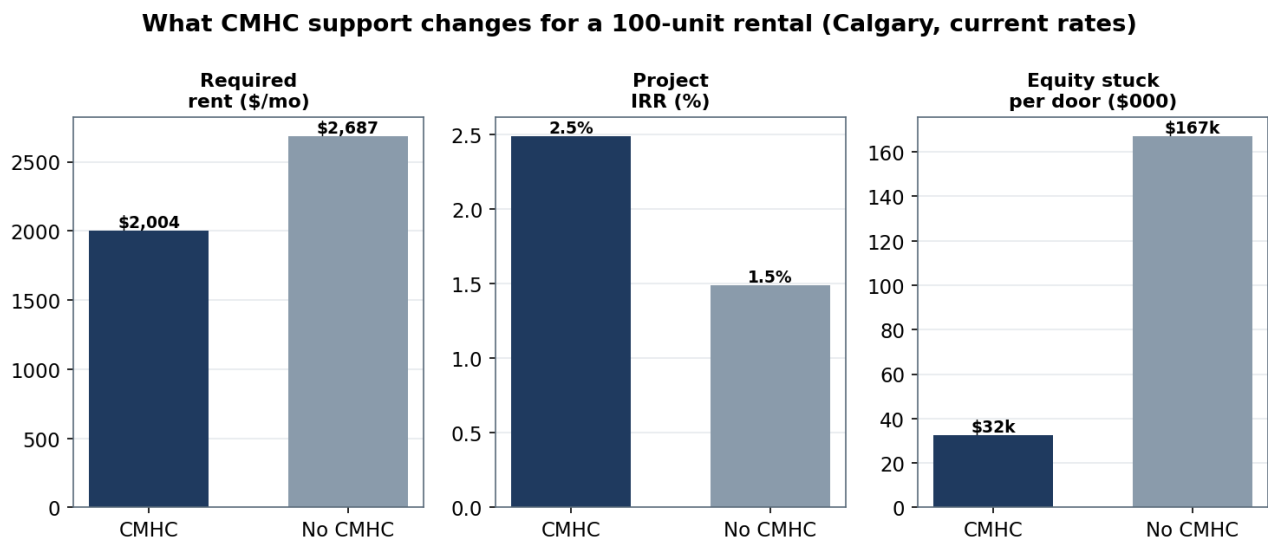


Figure 5. What CMHC support changes for a 100-unit rental (Calgary).

This is not theory; it is the explanation for what is happening on the ground. Calgary delivered about 7,000 purpose-built rental units in 2024, well over double its historical average, and by mid-2025 purpose-built rentals were roughly two-thirds of all apartment starts in the city. That boom is, in large part, a CMHC boom — which is why, nationally, CMHC-backed financing now stands behind the large majority of purpose-built rental starts. When people ask why so much of Canada’s new rental depends on a federal Crown corporation, this is the answer: at today’s costs and rents, the math does not close on its own.

The condominium’s knife-edge — and a second risk

The condominium tells a related story with a different ending. Its developer sells the units and earns a margin on cost; lenders look for a margin around fifteen per cent and require sixty to seventy per cent of units pre-sold before releasing construction money. In our Calgary example the condo clears fifteen per cent — but by only a couple of

points. It sits on a knife's edge, and that thinness is the whole story: a ten per cent rise in construction costs wipes the margin out; so does moving the project's fees from Calgary's level to Toronto's; so does an approval that drags past about fifteen months. And because condos live or die on pre-sales, they carry a second risk rental does not: if buyers step back — as they did across the GTA in 2024 — the pre-sale threshold is never met, financing never releases, and the project dies no matter what the per-square-foot math says.

The four forces that decide everything: the Housing Viability Equation

Step back from the two projects and the whole of development economics reduces to a single line — the equation that governs whether any home in Canada gets built:

THE HOUSING VIABILITY EQUATION

$$\text{Value Created} > \text{Construction Cost} + \text{Government Charges} + \text{Time Cost} + \text{Financing Cost}$$

A home gets built only when the value it creates exceeds the four costs of creating it. When the right-hand side wins, the project dies — and the home is never built. Three of those four costs are set largely by government. Everything in this paper follows from this one line.

The same four forces appear in both projects, each able to turn a viable project into a dead one.

Construction cost is the most sensitive of all. Residential construction costs rose roughly seventy per cent between 2019 and 2025 — about triple general inflation — before easing recently. In our model a ten per cent move in construction cost, on its own, kills an otherwise-workable project. This is also why the long decline in homebuilding *productivity* — down more than a third since 2001, while the rest of the economy grew more productive — is not an abstraction but a direct cause of unaffordability. We have, in plain terms, become worse at the thing we most need to do more of.

While the economy got more productive, homebuilding got less

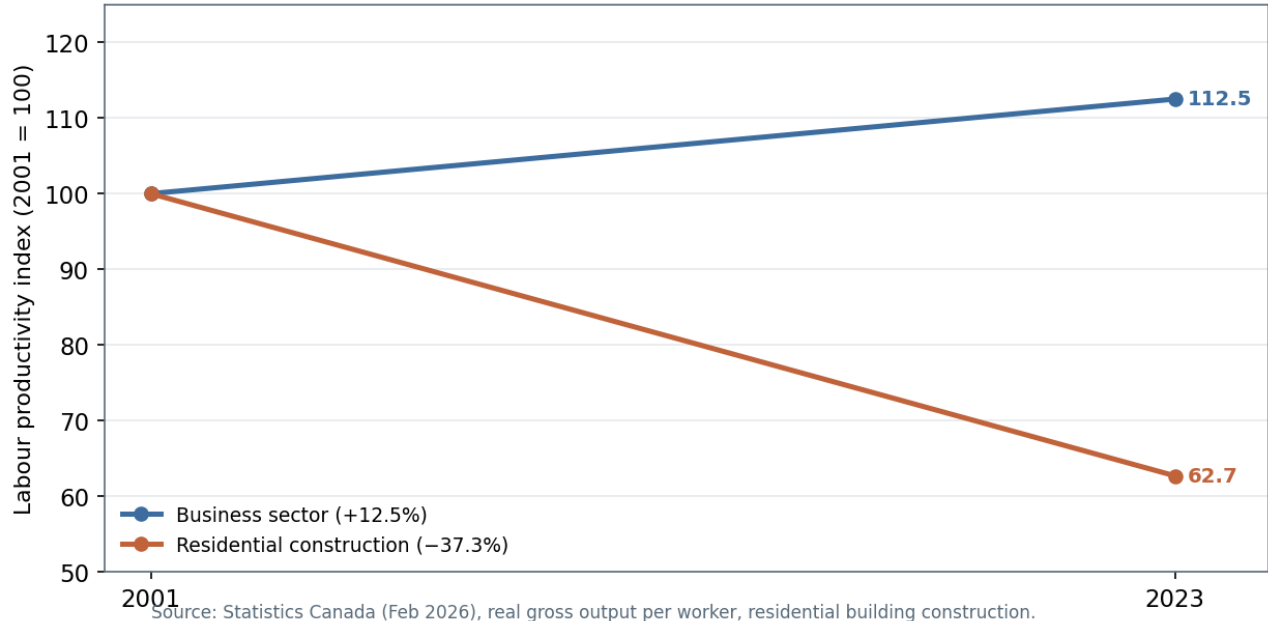
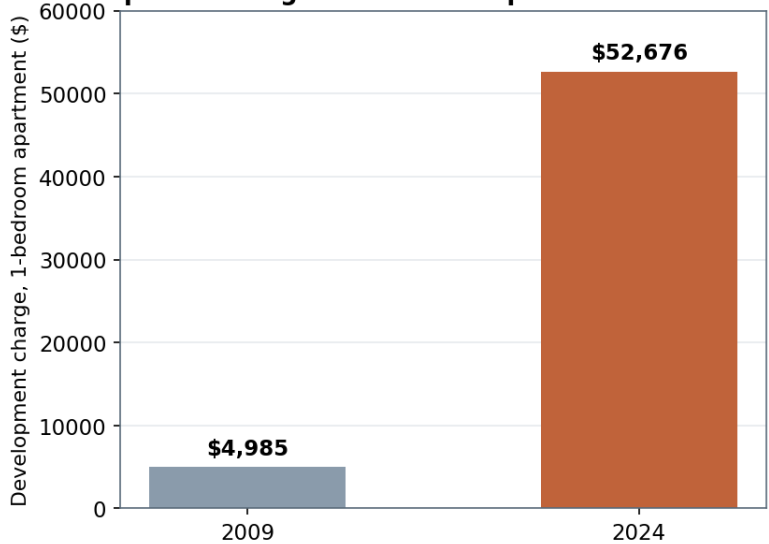


Figure 6. Homebuilding productivity fell while the economy’s rose.

Government charges are a cost like steel, and they vary enormously. A new apartment carries roughly \$16,000 to \$28,000 in municipal charges in Alberta’s big cities and on the order of \$80,000 to \$95,000 in Toronto. Toronto’s development charge on a one-bedroom apartment rose from under \$5,000 in 2009 to about \$53,000 by 2024 — nearly a thousand per cent, against general inflation of about thirty. In our model, lifting Calgary’s fees to Toronto’s erases a condo’s entire margin and pushes a rental’s required rent well past what the market will pay. There is a legitimate case for development charges — growth should help fund the infrastructure it needs — but their level and their speed of increase have, in the highest-charge cities, become a binding constraint on whether anything gets built.

Toronto development charges on a 1-bed apartment rose ~957% in 15 years



Source: City of Toronto DC bylaws. General inflation over 2009-2024 was roughly 30%. A 2-bed now carries \$68,587.

Figure 7. Toronto development charges on a one-bedroom apartment, 2009 vs 2024.

Approval delay converts directly into cost. Every month a project waits, the developer pays interest on the land and absorbs the construction-cost inflation accruing in the meantime, while earning nothing. Full approvals take under six months in Edmonton and about four in Calgary, but twenty-five to thirty-two months in Toronto and Hamilton. By one careful estimate, the barriers to building add on the order of \$229,000 to the cost of a home in Canada’s eight most restrictive cities — and roughly \$600,000 in Vancouver. In our model, stretching approvals from six months to two years flips both projects from viable to dead. Delay is not a nuisance; it is one of the most powerful project-killers we measured.

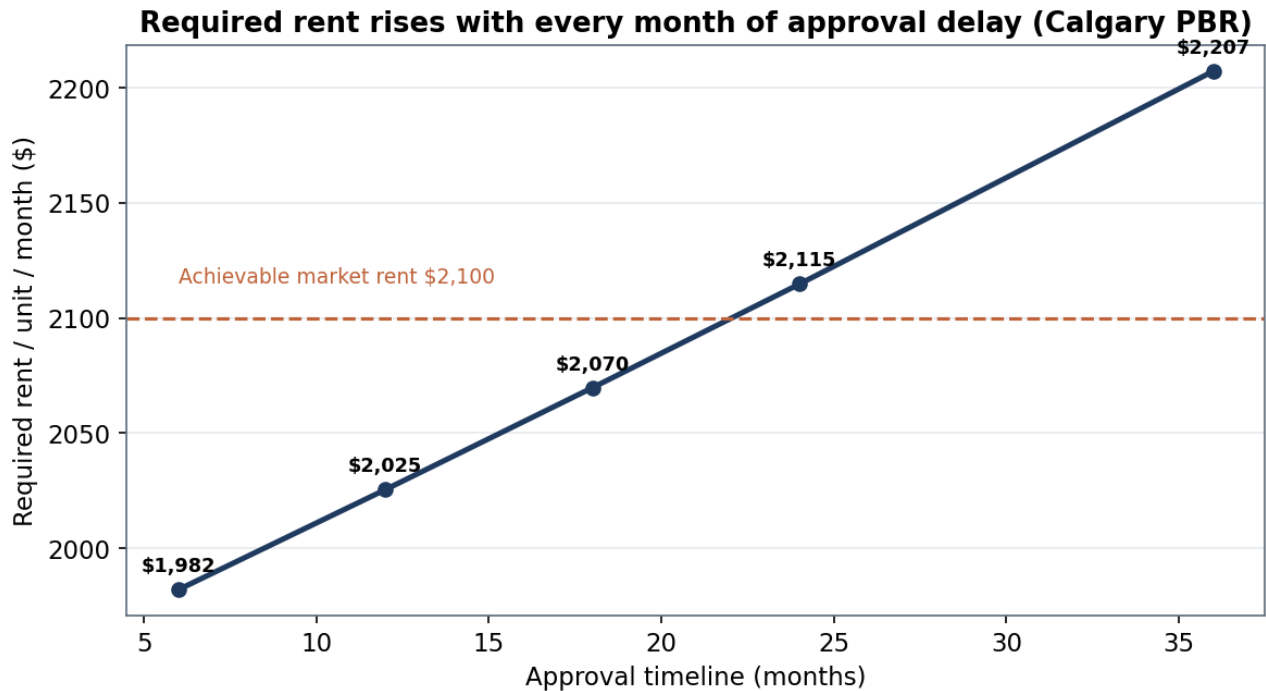


Figure 8. Required rent rises with every month of approval delay (Calgary rental).

Financing decides the rest — and for rental, as we saw, it is frequently decisive. Interest rates bite, but in a strong market with CMHC support they are survivable; without it, or in a weaker market carrying more debt over a longer timeline, they turn lethal. The 2022-2024 rate cycle proved the point, collapsing condo pre-sales while CMHC-backed rental held up.

Put together, these yield a clear ranking of what kills projects: **construction cost first, development charges close behind, approval delay third, interest rates fourth and most survivable.** And here is the encouraging part — three of those four most powerful levers are not market forces at all. They are public choices: the speed of approvals, the level of charges, and the design of public financing.

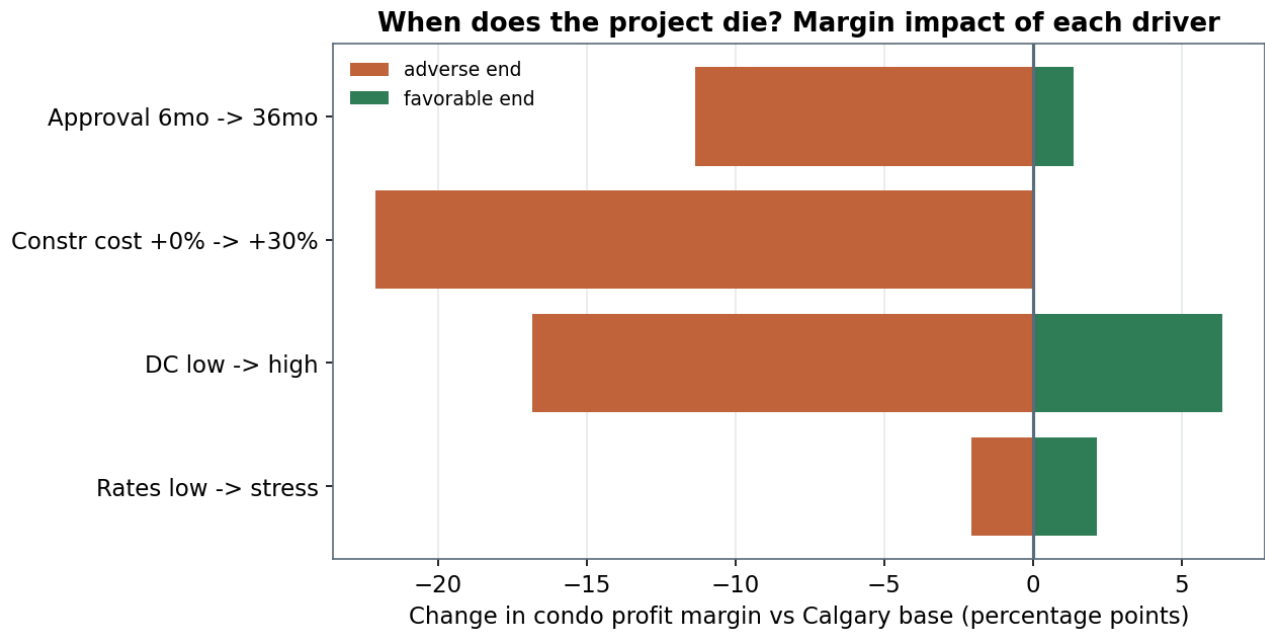


Figure 9. When does the project die? Sensitivity of margin to each driver.

The geography of difficulty is upside down

Run the model across the country and the pattern is unmistakable and, at first, baffling: **housing is easiest to build where the pressure is lowest, and hardest where the need is greatest.** In Alberta — fast approvals, low charges, cheap land, rents strong enough that rental pencils with CMHC — new housing of both kinds can be made to work. In the GTA and Metro Vancouver, where demand is the most intense in Canada, the cost-and-time stack is so heavy that private rental cannot pencil at all, and what gets built is high-priced condominium aimed substantially at investors — a pipeline that seizes the instant prices stop rising.

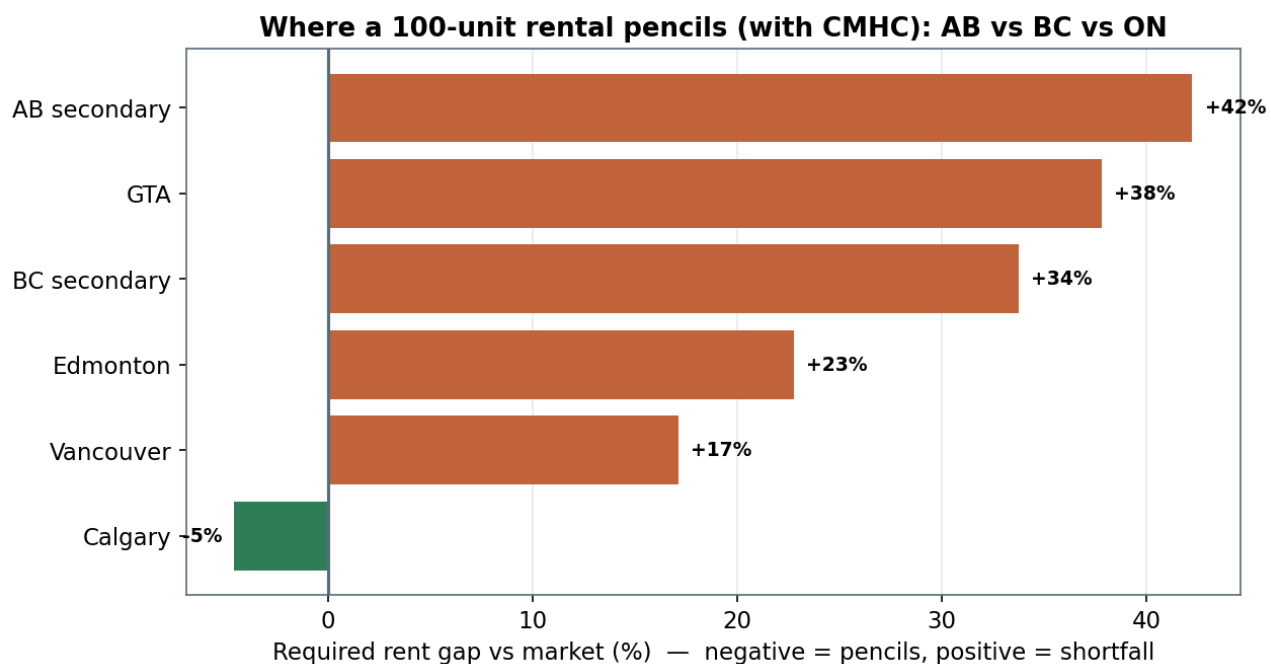


Figure 10. Where a 100-unit rental pencils, with CMHC: Alberta vs BC vs Ontario.

This inversion reframes the entire debate. The cities that most need new housing are not failing to build it because demand is weak or developers are unwilling. They are failing because, in exactly those cities, the public and private costs of building have risen until the numbers no longer work. Fix those costs and the building follows — as the next chapters, and the record already visible across the country, make plain.

4. The Other Half: Housing as an Asset Market

If Chapter 3 is the heart of this paper, this chapter is its conscience. Having shown how the costs of building strangle supply, it would be easy to declare supply the whole problem. It is not, and a paper that claimed otherwise would earn the doubt it received. The honest position — the one the evidence forces — is that Canada’s housing problem has a second half the supply story cannot explain, and that half lives in the asset market.

Recall the telling fact: over twenty-five years, Canadian home prices did not just rise, they *decoupled* — pulling away from incomes, and more revealingly from rents, the income a property earns. Scarcity raises a good’s price relative to other goods; it does not, by itself, drive an asset’s price to multiples of the cash flow it produces. That takes finance: cheap, abundant credit, and buyers willing to pay today for tomorrow’s expected gains. Both were present in force. Mortgage rates fell for two decades to

record lows in 2020–2021; investors grew to roughly thirty per cent of home purchases; and a generation came to treat housing as the surest wealth-builder available to an ordinary household. The result is a price level supply alone cannot account for, and that even a large increase in building would only slowly unwind.

We should meet the strongest version of this head-on, because intellectual honesty demands it and because it sharpens our own conclusion. Serious analysts — including recent work at the Federal Reserve Bank of San Francisco — argue that differences in supply constraints explain the pattern of house-price growth poorly, and that demand factors do better. We do not think this overturns the supply case: it speaks far more to ownership prices than to rents, and it sits badly against the plain within-Canada contrast between supply-strangled metros where prices exploded and elastic markets like Alberta where they did not. But it is a serious argument, and it should make anyone careful about claiming the crisis is “primarily” about supply. On rents and on the structural shortage, the supply case is strong. On the long climb of ownership prices, credit and demand are co-authors.

Two further forces belong here — each real, each easy to exaggerate. The first is the **financialization** of rental housing: the rise of real estate investment trusts and other financial owners, from essentially nothing to roughly a tenth of the apartment stock and most of the largest landlord positions. Careful research finds these owners charge higher rents and push hardest to market rates on turnover, with the sharpest increases in lower-income neighbourhoods. But be precise about what this shows: it is mostly about how the *existing* stock is owned and priced, not about the supply of new homes, and the evidence is descriptive rather than cleanly causal. It points to a tenant-protection response — transparency and fair rules around turnover — that is separate from, and complementary to, the supply agenda. The second is **pricing power**, highlighted by US litigation over algorithmic rent-setting software alleged to help landlords coordinate prices. The hard evidence is American and the Canadian magnitude is unknown; we flag it as an open question, not a proven mechanism. But it is a reminder that rents in concentrated markets can sit above what competition would produce, and that conduct, not only physical balance, shapes what tenants pay.

The reason this chapter matters is not that it weakens the case for building. It is that it disciplines it. Building more is necessary and powerful — it is the surest lever Canadian governments have, especially for rents. But it will not reverse a quarter-century of asset-price inflation, it will not reach the lowest incomes quickly, and it will not by itself fix how landlords treat sitting tenants. A framework that leads with supply, as ours does, while pretending the asset market does not exist would be both dishonest and incomplete. Holding both halves together is what separates a credible diagnosis from a comfortable one — and, as Chapter 11 will show, it is also what tells us which asset-market tools are worth using and which are theatre.

5. CMHC: Essential, and in Need of Repair

No institution sits closer to the centre of Canadian housing than CMHC, and none is more often caricatured. To one camp it is the indispensable engine of supply; to another, a market distortion that inflates prices and shields developers from discipline. Both caricatures hold a grain of truth and both miss the useful reality: CMHC is at once **essential and imperfect** — public infrastructure that does something the private market will not, and does it with real flaws that should be fixed rather than denied.

Begin with what it does, because Chapter 3 already showed why it matters. Through MLI Select insurance and the Apartment Construction Loan Program, CMHC lowers the cost of capital and raises the leverage available to rental construction to the point where projects that would otherwise lose money become financeable. The effect is not marginal. In our model, CMHC support is the difference between a Calgary rental building existing and not existing — cutting the required rent by roughly a third and freeing the bulk of the equity conventional financing would strand. In the real world the consequence is everywhere: CMHC-backed financing stands behind most of Canada's purpose-built rental starts, and the rental booms in cities like Calgary are largely its doing. The 84-home modular building at 605 Studio West in downtown Calgary married municipal support to this financing; the 6,000-home Senakw community in Vancouver was underwritten by a landmark CMHC rental loan. Remove CMHC from Canadian housing and a very large share of the rental homes built in the last five years simply would not exist. That is the strength, and it is not a small one.

The limitations are just as real. CMHC's affordability rules key off median renter incomes in each market — and so work least well exactly where affordability is most strained. In Toronto and Vancouver, market rents are so high relative to local renter incomes that few projects can meet the thresholds, while in lower-cost Prairie cities the same thresholds are easy to clear. The benefit flows most readily to the markets that need it least. A second flaw is measurement: CMHC reports dollars committed and units approved, not homes completed and occupied, and the gap can be large — a program that cannot say how many affordable homes it has actually delivered is hard to hold to account. A third is incidence: economic logic, though not yet cleanly measured in Canada, says cheap and plentiful financing is at least partly capitalized into the price of development land, which would mean part of the public's subsidy enriches landowners rather than lowering rents.

There is also an unintended consequence worth naming without melodrama: CMHC's very success has made most of the rental industry dependent on it, which is efficient when the rules are well designed and dangerous when they change abruptly — as developers were reminded by mid-decade adjustments that stranded projects mid-

planning. A system in which nearly all new rental depends on one set of federal rules has a single point of failure.

None of this argues for dismantling CMHC; that would remove the one thing currently making rental viable, in the middle of a shortage. Nor does it argue for leaving it untouched. The constructive course — developed in Chapter 10 — is reform: retarget the affordability rules toward the highest-cost markets; measure and publish completed, genuinely affordable homes rather than commitments; guard against subsidy leaking into land prices; and give the industry stable, predictable terms. CMHC is neither saviour nor villain. It is essential plumbing that needs maintenance.

6. Private Capital and the Limits of “Just Build”

If CMHC supplies the financing that makes rental viable, private capital supplies nearly everything else: the equity at risk, the land, the expertise, and the willingness to spend years and millions on a building that might not work. The overwhelming majority of Canada’s housing is conceived, financed, and built by private developers and the lenders and investors behind them. Any plan to get more housing built has to understand what makes private capital willing — and what makes it walk away.

The fundamental difficulty, established in Chapter 3, is that new rental does not earn enough at market rents to justify its cost on its own. That is why private capital, left to itself, builds relatively little market rental and a great deal of condominium — the condo being the form in which a developer can take a profit at completion rather than waiting decades for thin rental cash flows. It is also why the public financing of the previous chapter is less a distortion of a functioning market than a bridge across a gap the market cannot cross alone. The two are partners by necessity: private capital builds; public financing makes building bankable.

Institutional capital — pension funds, insurers, the big asset managers — is often invoked as a savior, and the pools are indeed vast and housing is, in principle, exactly the long-duration asset they want. But be clear-eyed about where that capital actually goes: much of the Canadian pension system’s residential investment has flowed *abroad*, to markets with better risk-adjusted returns, precisely because building new rental in Canada has been hard to make pencil. Capital is not patriotic; it goes where projects work. The way to attract more of it home is not exhortation but economics — the same levers this paper keeps returning to: faster approvals, lower and steadier charges, durable financing, and a tax treatment that does not punish the production of rental relative to other uses.

This is the place to hold the financialization concern in proper balance. It is reasonable to worry about how large financial landlords treat sitting tenants and to favour sensible rules on turnover, transparency, and security of tenure. It is not reasonable to treat the presence of private and institutional capital as the disease. Canada needs *more* capital building *more* housing, not less. The financialization debate is mostly about owning and pricing the homes that already exist; the supply crisis is about the homes that do not yet exist. Address both, on their own terms — court capital for new construction, regulate conduct on the existing stock. Deterring the capital that builds in order to discipline the capital that owns would be a costly mistake.

The practitioner's reading is simple. Private capital is willing to build housing in Canada, and does so wherever the numbers allow — Alberta's rental boom is the proof. It withdraws not from indifference to need but in response to economics it cannot control. Make the economics work, in partnership with the public financing that bridges the rental gap, and the capital follows.

7. What Other Countries Teach Us

Other countries have faced versions of Canada's problem, and a few have made enough progress to be worth studying — provided we resist the vice to which housing debate is especially prone, the cherry-picking of foreign examples to confirm a position already held. We have weighted the international evidence by quality and stated plainly how well it travels.

The clearest evidence comes from **Auckland**. In 2016 the city upzoned about three-quarters of its residential land, allowing more homes on most lots largely by right. Because the change was large, sudden, and uneven, it created something close to a controlled experiment, and a body of peer-reviewed research has studied it. The findings are consistent and, for this debate, decisive: the upzoning produced tens of thousands of additional homes, and — most important — left rents roughly a quarter lower than they would otherwise have been. This is the single strongest piece of evidence in the entire housing-supply literature that broad, as-of-right upzoning both raises construction and lowers rents. The exact size of the rent effect is debated; the direction is not. The mechanism is exactly the one this paper has described: legalize more homes, more homes get built, rents rise less.

Tokyo offers a structural lesson rather than an experimental one. Japan sets zoning nationally, with a permissive framework and no equivalent of North America's exclusionary single-family-only zoning, and the result is a city that has roughly tripled its housing stock since the 1960s and kept real house prices broadly flat for decades despite steady population growth. Tokyo is not a template Canada can copy — its

institutions and culture differ — but it is a powerful demonstration that elastic supply, enabled by permissive and predictable rules, keeps prices in check over the long run. It is the structural opposite of Canada’s slow, discretionary, city-by-city system.

Two further cases are widely cited and should be handled with care, because they are routinely overstated. **Minneapolis** ended single-family-only zoning and, between 2017 and 2022, added housing faster and saw rents rise far less than the rest of its state. The honest qualification is that careful later analysis, including by the regional Federal Reserve, attributes much of that rent moderation to weaker demand rather than to a surge in supply, and notes that very few “missing middle” homes were actually built. Minneapolis points in the right direction but is not the clean proof it is made out to be — which is why we lean on Auckland. **Vienna**, at the other pole, is held up as proof that a large social-housing sector delivers affordability, and it does, housing a majority of its residents below market. But Vienna’s model rests on a century of accumulated public land and investment and a particular political settlement; it illustrates the power and the cost of the non-market approach more than it offers a blueprint Canada could adopt quickly.

The synthesis is clean and consistent with everything before it. Where it has been made easier and faster to build — Auckland, Tokyo, and within Canada the fast-approving cities of Alberta — more housing got built and prices and rents rose less. Where a country invested heavily and over generations in non-market housing, it improved affordability for those it houses, at a real fiscal and institutional cost. The international record hands Canada no finished solution. It confirms the direction of travel.

8. Alberta: A Canadian Housing Laboratory

If the rest of this paper is theory, Alberta is the experiment. Over the past few years the province has become the closest thing Canada has to a live test of the Housing Viability Equation — a place where, by accident more than design, every one of the four cost terms was held low at once, and where the country can watch what happens to supply when building is allowed to pencil. The results are instructive, and they cut against easy stories on both the left and the right. Alberta is neither a miracle nor a cautionary tale. It is evidence.

Begin with demand, because Alberta has had it in abundance. The province led the country in net interprovincial migration for three consecutive years and added a record of roughly 202,000 people in a single year — Canadians and newcomers alike moving to where work was available and housing was attainable. In most of the country, demand of

that intensity would have produced runaway prices and little new supply. In Alberta it produced a building boom.

The reason is the cost side of the equation. Alberta’s big cities approve housing faster than anywhere else in Canada — full approvals in roughly four months in Calgary and under six in Edmonton, against two to three years in Toronto. Their development charges are a fraction of Ontario’s — on the order of \$16,000 to \$28,000 per apartment, against \$80,000 or more in Toronto. Land is cheaper and more available. Construction costs, while up everywhere, are lower than in Vancouver or the GTA. Hold the time cost, the government charges, the land cost, and the construction cost all down at once, and projects that would be dead on arrival elsewhere become viable — and viable projects get built.

The contrast with Canada’s most expensive markets is stark, and it is a contrast of cost, not of demand:

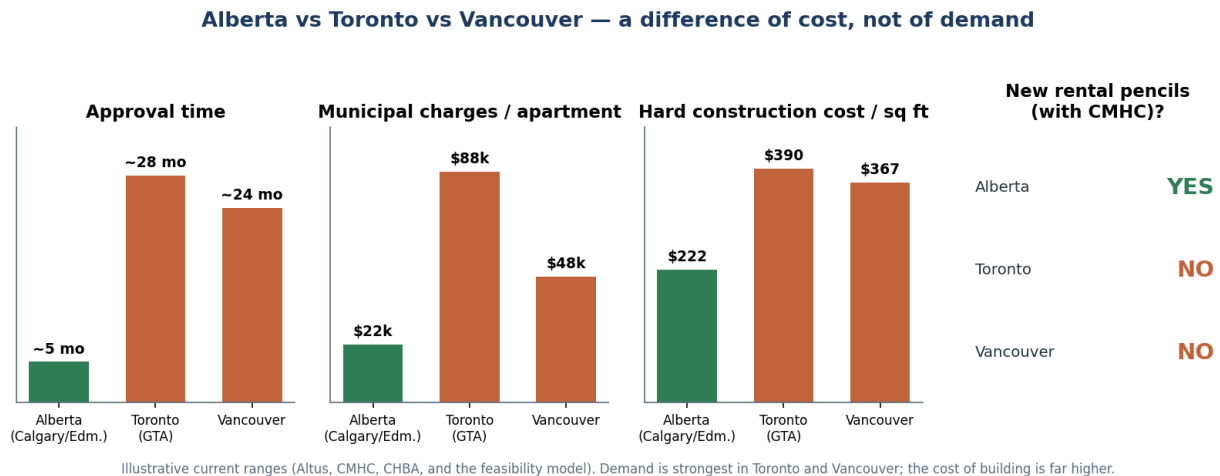


Figure 11. Alberta vs Toronto vs Vancouver — a difference of cost, not of demand.

Every row is a cost the public and private sectors can influence — and on every one, Alberta’s big cities run at a fraction of the coastal metros. The demand side is, if anything, stronger in Toronto and Vancouver. The difference in outcomes is almost entirely a difference in the cost of building.

The clearest expression of this is Calgary’s purpose-built rental boom. The city delivered roughly 7,000 purpose-built rental units in 2024, well over double its historical average, and by the first half of 2025 purpose-built rentals made up about two-thirds of all apartment starts — against a long-run norm closer to forty-five per cent. This is the supply response the rest of the country has been waiting for, and it happened because the math worked. It worked, crucially, on the back of CMHC: Alberta has been among the heaviest users of MLI Select insurance and the Apartment Construction Loan

Program, the financing that turns a marginal rental pro forma into a buildable one. Alberta did not repeal the laws of development economics. It satisfied them.

Policy reform amplified the advantage. Edmonton, in 2024, ended exclusionary single-family zoning city-wide and legalized up to eight units per lot by right — and watched “missing middle” construction double in a single year. It is one of the cleanest demonstrations in Canada that as-of-right zoning produces homes quickly and cheaply. That is the success column, and it is a real one: more migration absorbed, more rental built, faster approvals, and — for a time — rents that, while rising, started from a far more attainable base than the coasts.

But a laboratory records failures and limits too, and an honest account of Alberta must. The province’s very success has begun to strain it: as migrants poured in, Calgary’s rents rose at the fastest pace in the country for a stretch, climbing by double digits, a reminder that even a strong supply response can lag a demand surge in the short run. As the building boom matures, vacancy has begun to rise and rent growth to cool — a healthier balance, but also a signal that the rental boom is cyclical and will not run forever. The province remains exposed to the resource cycle that has whipsawed its smaller communities before. And Alberta’s reliance on CMHC means its rental engine shares the single point of failure described in Chapter 5: change the federal rules abruptly and the Alberta boom is not immune.

The sharpest cautionary note is political. In 2024 Calgary followed Edmonton’s lead and approved its own city-wide rezoning — and then, after a change in council, **repealed it in 2026**. The reform that helped unlock supply proved fragile, reversible at the ballot box, a vivid illustration of the lesson in Chapter 10: good housing policy that lives only in a municipal bylaw can die in a municipal election, which is precisely why the durable version belongs in provincial law. Alberta thus demonstrates both halves of the argument at once — how powerfully supply responds when building is allowed to pencil, and how easily the permission can be withdrawn.

What can the rest of Canada learn? The lesson is not “become Alberta”; provinces cannot copy one another’s geography, resource base, or land prices. The lesson is mechanical and portable: **when you lower the cost of building — approvals, charges, financing friction — housing gets built, even into the teeth of record demand**. Alberta did not out-subsidize the rest of the country or out-exhort it. It out-permitted it, out-charged it in reverse, and let the financing work. That is a recipe other provinces can follow with their own ingredients. Alberta is a laboratory, and its central finding is the same one this paper keeps returning to: fix the economics of building, and the building follows.

9. The Secondary-Market Opportunity — and Its Limits

Most of the national conversation about housing is really about a handful of big metros, understandably, since that is where prices are highest. But the upside-down geography of Chapter 3 raises a real possibility: if housing is so much easier and cheaper to build outside the largest, most constrained cities, could smaller centres carry a meaningful share of the load?

The case is strong on its face. Two metros — Toronto and Vancouver — account for close to thirty per cent of Canada’s housing starts while housing under sixteen per cent of its people, a concentration that is itself evidence of how badly supply has been throttled in the biggest markets. Smaller cities typically offer cheaper, more available land, lower charges, faster approvals, and — as Alberta shows — the conditions under which new housing actually pencils. Much of Canada’s fastest recent growth has occurred in mid-sized centres. The opportunity is real, and a national strategy that ignored it would be leaving capacity on the table.

The cautions are real too, and the practitioner’s experience makes them vivid. Smaller markets are thinner — less construction labour, less infrastructure headroom, a narrower economic base — which makes them more vulnerable to boom and bust. The sharpest warning is the resource town. Kitimat, British Columbia, driven by liquefied-natural-gas construction, swung from roughly forty per cent vacancy to near zero and back toward double digits within a few years, its transient “shadow population” housed in work camps and paying far more than locals while distorting the market without durably housing it. That is demand without development — proof that need alone, especially transient need, distorts a small market rather than building it out. Secondary markets can absorb growth where the economic base is genuine and infrastructure can keep pace; they are treacherous where the demand is one project’s temporary footprint. There is a subtler limit as well: adding homes in smaller centres can itself pull migration toward them, so supply in one place is partly offset by the demand it attracts, and the economic advantages of large cities cannot simply be relocated. Secondary markets are a genuine complement to fixing big-city supply, not a substitute for it.

The most instructive Canadian case sits exactly where a constrained big city meets the removal of its constraints. **Senakw**, in Vancouver — 6,000 rental homes rising on Squamish Nation land that, as federal reserve land, is exempt from city zoning — is on track to deliver something like seven per cent of the entire city’s projected housing output from a single site. It achieves this not through a new technology or subsidy but by removing, on that land, the height limits, parking minimums, design panels, and years of consultation that constrain everything around it, while holding to the same safety and building standards. Senakw is not a secondary-market story, but it makes the

secondary-market point in the sharpest way possible: the binding constraint on Canadian housing supply is very often the approval process itself, and where it is lifted, supply appears even in the most expensive market in the country.

10. Building Faster: The Industrialized-Construction Bet

If construction cost is the most sensitive number in a project and build time is close behind, then a technology that could cut both at once would be worth real attention. Industrialized construction — the family of methods that move work off the site and into a factory, including modular, panelized, and precast systems — is that prospect. It is also, today, the most over-promised and under-delivered idea in Canadian housing, and the job of this chapter is to separate what it can do from what it is claimed to do.

Start with the honest accounting on cost, where the hype outruns the evidence. The theoretical promise is large — studies suggest factory methods could cut construction costs by ten to twenty-four per cent — but realized savings are smaller, often closer to ten per cent once factory overhead, transport, and financing are counted, and some Canadian research finds that at today's low volumes these methods can cost *more*, not less. Anyone who tells you prefabrication is a finished answer to construction costs is ahead of the evidence.

The stronger and more reliable case is about **time**. Modular and related methods routinely build twenty-five to fifty per cent faster, because the factory and the site work in parallel and weather matters less. The Calgary building at 605 Studio West makes it concrete: 84 affordable studios were manufactured between mid-April and mid-August and occupied in under a year, against the roughly two years a comparable conventional building nearby needed. And time, as Chapter 3 showed, is money: every few months cut from a schedule reduces the interest carried and the cost inflation absorbed, lowering the rent or price the project must achieve. The industrialized prize, properly understood, is mainly speed — and speed has real value even where the per-square-foot saving is modest.

Why, then, isn't Canada already building this way at scale, when Sweden produces the large majority of its homes in factories and Canada barely a sliver? The barriers are well understood, and the biggest is **financing**. A factory needs large capital up front while its revenue arrives only as homes sell, and conventional construction lenders are reluctant to advance funds against work happening off-site rather than against a building rising on its own land. This is solvable, and it is beginning to be solved: CMHC has launched financing designed to advance funds while units are still in the factory, and federal programs have proposed substantial debt and equity specifically for prefabricated

housing. The other barriers — code fragmentation across jurisdictions, the need for steady order volume to justify factory investment, supply chains, and public perception — are institutional, not technological. Firms such as Promise Robotics are building automated factories in Edmonton and Calgary that offer builders factory capacity as a service rather than requiring each to build a plant — a model aimed squarely at the capital barrier. These ventures are young, and their cost and output at scale remain to be proven; but the direction is right, and it is no accident it is emerging first in Alberta's faster, lower-cost environment.

The measured conclusion: industrialized construction could become a material part of Canada's solution, chiefly by compressing timelines and secondarily by trimming costs, but only if financing, factory capacity, and code standardization advance together. It is neither the silver bullet its boosters claim nor the curiosity its skeptics dismiss. It is a serious bet whose value is oversold on cost and undersold on time — and whose payoff depends on solving a financing problem that is exactly the kind public policy and patient capital can solve.

11. The Answer: What Would Most Effectively Increase Supply by 2035

This paper began with a question: if Canada wants materially more housing by 2035, what specific changes would most effectively increase supply while keeping it economically viable, affordable, and sustainable? Everything to this point has been the case for an answer. Here is the answer.

First, the honest scale of the task. To close even the Parliamentary Budget Officer's conservative gap — enough to return rental vacancy to its historical norm — Canada needs to complete roughly 290,000 homes a year through 2035, against something closer to 250,000 today. To approach CMHC's affordability target would take 400,000 or more a year, a pace Canada has never sustained. We will not pretend the larger number is realistic this decade. The aim should be ambitious but achievable: lift annual completions decisively above 300,000 and hold them there, and the structural shortage closes meaningfully by 2035 while rents stabilize and then ease. The changes below are the ones our analysis says would do the most to get there — chosen because they make viable projects get built, not because they sound bold.

The framework below sorts the changes into three tiers — not by how worthy they are, but by how directly and how powerfully they move the terms of the Housing Viability Equation. Tier 1 attacks the largest and most government-controlled costs head-on. Tier 2 expands the system's capacity. Tier 3 catches the people and the problems that supply alone will never reach.

Tier	Reforms	Cost(s) it lowers	Why it sits here
Tier 1 — the reforms that matter most	As-of-right zoning with statutory approval timelines; development-charge reform funded by senior-government infrastructure money; stable, better-targeted CMHC rental financing	Time · Government Charges · Financing	Moves three of the four costs directly; highest leverage, and largely government-controlled
Tier 2 — high-impact complements	Financed industrialized construction; a deliberate role for capable secondary markets	Construction Cost (and time)	Expands the system’s capacity; delivers full value once Tier 1 makes projects viable
Tier 3 — necessary complements	Non-market housing; tenant protections	Serves those the equation cannot reach	Reaches the lowest incomes and disciplines conduct — essential, but not raw supply volume

Table 2. The recommendation framework at a glance.

Tier 1 — The reforms that matter most

Why these are Tier 1: each strikes directly at one of the three cost terms governments most directly control — time, charges, and financing — at high leverage and, in two of three cases, at low fiscal cost. If Canada did only these three, it would do most of the good.

Approval reform: make approvals as-of-right, and put them on a clock. This is the highest-leverage change available, and it is largely free. Provinces should legalize defined housing forms — at minimum four-to-six units, and more near transit — on all residential land, by right, removing the discretionary, project-by-project rezoning that adds twelve to thirty months and hundreds of thousands in carrying cost. Permits should be decided within a statutory deadline, with deemed approval if the deadline passes. Edmonton’s reform doubled “missing middle” construction in a year; Auckland’s lowered rents; Senakw shows what becomes possible when the approval barrier is removed entirely. The trade-off is political resistance, and Calgary’s 2026 repeal proves the danger — which is exactly why this belongs in durable provincial law, not in each council’s annual mood. *In the equation: it collapses the Time Cost term, the most controllable project-killer of all.*

Development-charge reform: cut the fees, and have senior governments fund growth infrastructure directly. In the highest-charge cities, fees have become a binding constraint; our model shows Toronto-level charges erasing a project's entire margin. The legitimate purpose of those charges — paying for the infrastructure growth requires — does not have to be served at the point of maximum harm, by a per-unit levy that prices out the very housing the infrastructure is meant to serve. Federal and provincial governments should fund growth infrastructure directly in exchange for deep, durable charge reductions, a model already emerging in recent intergovernmental agreements. *In the equation: it lowers the Government Charges term, replacing a tax on new homes with a fairer, broad-based source.*

CMHC reform: make rental financing permanent, stable, and better targeted. Because new rental does not pencil at market rents, CMHC's construction and insurance programs are load-bearing, and withdrawing them mid-shortage would be self-defeating. But they should be reformed: retarget affordability rules toward the highest-cost markets where they currently fail; measure and publish completed, genuinely affordable homes rather than dollars committed; guard against subsidy capitalizing into land prices; and give the industry multi-year stability, because a developer can plan around a known rule and is stranded by a changing one. *In the equation: it is the Financing term — the hinge on which rental viability turns — made more accurate and more dependable.*

Tier 2 — High-impact complements

Why these are Tier 2: they meaningfully expand the system's capacity and bend the cost and time terms, but they take longer to scale and deliver their full value only once the Tier 1 reforms have made projects viable in the first place.

Industrialized construction: finance it to capture its time savings. Treat prefab and modular not as a slogan but as the financing-and-capacity problem they are: have CMHC and patient capital advance funds against factory progress, use public procurement to guarantee the order volume that justifies factory investment, and standardize building codes across jurisdictions so a home approved in one place is approved in all. The prize is speed, and speed lowers the rent and price a project must achieve. *In the equation: it bends the Construction Cost and Time terms together — faster building is cheaper building.*

Secondary markets: give capable smaller centres a deliberate role. Provide infrastructure support and predictable approvals where the economic base is genuine, as a complement to fixing the big cities rather than a substitute, and with clear eyes about the resource-town volatility that can whipsaw a thin market. *In the equation: it widens the set of places where every cost term is already low enough for projects to pencil.*

Tier 3 — Necessary complements

Why these are Tier 3: they do not increase market supply, and so they are not where the raw volume comes from — but they are essential, because they reach the households supply will never reach and address the asset market's conduct directly. A plan without them is incomplete, and unjust.

Non-market housing: build a genuine tier for the lowest incomes. New market housing reaches the lowest-income households only slowly; the OECD's evidence that even high-supply economies leave a third of low-income renters cost-burdened settles the point. Sustained public capital for non-profit and co-operative housing — aimed at the bottom twenty to thirty per cent of incomes — is the affordability backstop the market will never provide. *In the equation: it serves the households for whom no achievable Value Created will ever exceed an unsubsidized cost.*

Tenant protections: regulate conduct, not construction. Pair the non-market tier with fair-conduct and transparency rules for large landlords — addressing the asset-market concerns of Chapter 4 at their source — while taking care not to cap the returns that make new rental get built. Protections should focus on conduct and security of tenure, not on deterring the supply Canada most needs. *In the equation: it disciplines the asset market's worst conduct without raising any builder's cost of saying yes.*

Notice what every reform in all three tiers has in common: each is designed so that **projects still pencil**. None is a mandate that worsens the math and then wonders why nothing gets built. Together they attack viability from every side at once — less time, lower fees, dependable financing, faster building, wider geography, and a backstop for those the market misses. That is the lesson our feasibility analysis drove home: a project is killed by the accumulation of adverse forces and revived by their accumulation in the other direction. Canada does not have to choose among these measures. It has to do enough of them, together, that the projects which pencil finally outnumber the ones that die on the drawing board. Do that, and materially more housing by 2035 stops being a slogan. It becomes arithmetic.

12. Three Housing Futures for Canada

It is one thing to recommend reforms and another to picture where they lead. This chapter sketches three plausible paths to 2035 — not with false precision, but with the direction the evidence points. Each is governed by the same Housing Viability Equation: the question, in every case, is simply whether enough projects pencil to outpace the country's needs.

Scenario A — Status Quo. Suppose little changes. Approvals stay slow in the high-demand metros, charges keep climbing, CMHC financing continues without sharper targeting, and industrialized construction stays stuck behind its financing wall. The cost side of the equation stays heaviest where it is already heaviest, so building remains concentrated where it is already easy — Alberta and a few secondary markets — while the GTA and Metro Vancouver keep under-building. National completions hover near their recent pace, well below the roughly 290,000 a year needed just to return rental markets to balance. The recent reprieve on rents, bought by the immigration slowdown, proves temporary: when population growth resumes, the shortage reasserts itself and rents climb again. Ownership affordability does not meaningfully improve. The crisis does not explode; it grinds on. This is the most likely future if the country mistakes the recent easing of rents for a cure.

Scenario B — Partial Reform. Now suppose governments do the politically easier pieces but not the hard ones — several provinces trim approval times and Ottawa sustains CMHC financing, but development charges go unaddressed, industrialized construction is not financed to scale, and the non-market tier stays underfunded. Supply improves measurably in the places that adopt the reforms, and the Alberta pattern spreads to a few more markets, where rents stabilize. But because the reforms are partial and uneven, the highest-cost, highest-need metros improve least, since their binding constraints — fees and timelines — are the ones left untouched. Completions rise toward, but do not durably reach, the level the country needs. Affordability improves for the middle of the market in reforming regions and barely moves for the lowest incomes. This is real progress, and it is not enough — the future of half-measures.

Scenario C — Full Reform. Finally, suppose governments act on the whole framework, together. As-of-right zoning and statutory timelines are entrenched in provincial law, so the time cost falls sharply and durably. Charges are reformed and senior governments fund growth infrastructure directly. CMHC financing is made stable and better targeted. Industrialized construction is financed for its speed, and a genuine non-market tier is built for those the market cannot reach. Every term of the equation moves in the right direction at once — and, as our feasibility analysis shows, viability is restored not by any single lever but by their accumulation. Completions push decisively above 300,000 a year and stay there; the structural shortage closes meaningfully by 2035; rents in the big metros stabilize and then ease; development becomes viable where it has been impossible for a decade; and the lowest-income households are housed by the non-market tier rather than left to a market that was never going to reach them.

The gap between these futures is not luck or the business cycle. It is a choice. The same country, the same demand, the same builders and capital produce three very different outcomes depending on one variable: whether governments fix the economics of building. The future Canada gets is, to a remarkable degree, the future it decides to build.

13. The Verdict: What the Evidence Does and Does Not Support

A paper that set out to take a position owes the reader a clear one. After weighing the research, the competing explanations, the case studies, and the project economics, here is where we land — stated plainly, and without giving equal weight to arguments the evidence does not weight equally.

What the evidence most strongly supports

- Canada has a real, large, structural housing shortage — the clearest single fact in the file.
- Building more moderates rents. This is among the best-evidenced findings in housing economics, and it survived our hardest attempts to knock it down.
- The binding constraints on supply are approval delay, development charges, construction cost and productivity, and financing — and they are largely set by government, not by markets.
- For rental housing specifically, CMHC financing is usually the difference between built and not built.
- The lowest-income households require non-market housing the market will not supply.

What the evidence does not support

- That the crisis is *only*, or even *primarily*, about supply. Ownership prices were driven as much by credit and investor demand; supply is the answer for rents and the stock, not for a quarter-century of asset inflation.
- That demand-side buyer subsidies improve affordability. In supply-constrained markets they are largely capitalized into higher prices.
- That foreign-buyer bans or speculation and vacancy taxes meaningfully lower prices. The measured effects are small.
- That immigration or financialization is the *root* of the structural shortage. Immigration was the proximate driver of the recent rent spike, now reversing; financialization is mostly about how existing homes are owned and priced. Both matter; neither is the foundation.
- That any single policy — or any target announced without changing the project math — will solve it.

The policies most likely to materially increase housing by 2035, in order

1. As-of-right zoning with statutory approval timelines, entrenched in provincial law.
2. Development-charge reform paired with senior-government infrastructure funding.

3. Stable, better-targeted CMHC rental financing.
4. Financed industrialized construction, for its time savings.
5. A targeted non-market tier plus fair-conduct rules for large landlords.
6. Deliberate enablement of capable secondary markets.

The approaches unlikely to materially help — and, in some cases, likely to backfire

- Demand-side buyer incentives without matching supply. They raise prices and flatter the politics while moving the wrong number.
- Foreign-buyer bans and punitive speculation taxes as affordability tools. They have a constituency, not a record.
- Blanket hard rent control extended to new construction. It offers sitting tenants security at the cost of deterring the very rental supply Canada most needs; protections should focus on conduct and security of tenure, not on capping the returns that make new rental get built.
- Housing targets, task forces, and strategies that do not change approvals, charges, financing, or productivity. Announcing a number is not the same as building it.

We hold this verdict firmly, but not arrogantly. The next chapter sets out the strongest case against us, and what in our conclusions would survive it.

14. The Practitioner's View

This paper was written by people who build, and it is worth closing the argument where the builder's experience bears most directly: on how the many parties to a housing project actually work together, or fail to. For all the economics, a housing project is in the end a human and institutional undertaking, and whether it gets built often turns less on any single policy than on whether the people involved are pulling in the same direction.

A project passes through many hands. A developer assembles the land and carries the risk. A municipality decides what may be built and how long the decision takes. Lenders and CMHC decide whether and on what terms it can be financed. Investors supply the equity that stands to lose first. Builders and trades — increasingly, factories — turn drawings into homes. Provincial and federal governments set the rules, the charges, and the financing within which all of it happens. When these parties are aligned — approvals predictable, financing available, charges reasonable, risk fairly shared — projects move, and Alberta's rental boom shows how much can be delivered how fast. When they are not — approvals slow and discretionary, fees rising faster than prices, financing

uncertain — the same parties spend years and millions producing nothing, and the GTA's cancelled towers show the result.

Our own experience — building and operating multifamily housing, financing it through CMHC, and working in the secondary markets of Western Canada — has taught a few lessons we offer not as promotion but as evidence from the field, consistent with the analysis above. Time is the enemy a builder feels most directly: the months lost to discretionary approvals are months of carrying cost that quietly convert good projects into dead ones, and the single change that would unlock the most private housing is the certainty and speed of as-of-right approval. CMHC financing is, today, the hinge on which rental viability turns, and its value is greatest when its terms are stable. The secondary markets are real but unforgiving, rewarding operators who understand the local economic base and punishing those who mistake a temporary surge for durable growth. And the cost of building is now high enough that productivity matters as never before — the industry cannot simply build the way it always has and expect a different result.

The constructive implication is a call to partnership, not to any one actor's heroics. Municipalities that grant approvals as-of-right and on a clock make every other party's job possible. Senior governments that fund growth infrastructure and keep financing stable remove the constraints no developer can remove alone. Lenders and CMHC that price risk fairly and predictably let capital commit. Developers and builders who invest in productivity and build to last earn the trust that makes the whole system work. None of these parties can solve the housing crisis alone, and each can stall it alone. The housing Canada needs will be built when they decide to build it together. That is the meaning of the word in this paper's subtitle: partnership is not a pleasantry. It is the operating condition under which housing gets built.

15. What If We're Wrong?

A position worth stating is worth stress-testing. Before writing this paper we deliberately built the strongest case we could *against* its conclusions, assuming our supply-centred reading was wrong and asking what else could explain the evidence. The conclusions that survived are the ones a reader can most safely trust; the ones that needed qualification, we have qualified in the text rather than hidden.

We tested six rival explanations. **Immigration** — that population growth, not supply, drove the crisis — holds for the 2022-2024 rent spike, which the Bank of Canada's own staff tied to record newcomer inflows, but not for the longer arc of prices, which predates the surge; it sharpens our emphasis rather than overturning our case. **Credit and interest rates** — the most serious challenge — explain the long climb in ownership

prices well, which is exactly why this paper is built on a dual diagnosis rather than a supply-only one. **Speculation** is real but hard to quantify, and the policies aimed at it have largely failed, suggesting it amplifies cycles more than it sets the structural level. **Financialization** and **corporate-landlord pricing** are well-documented as descriptions of how existing homes are owned and priced, but they speak to conduct on the current stock, not to the supply of new homes, and the causal evidence is contested. **Non-market collapse** is not a refutation of the supply case but a necessary complement to it, strongest exactly where the market reaches least.

What survives is the core of this paper, in places strengthened: that Canada under-builds; that building more lowers rents; that the binding constraints are real, large, and government-controlled; that CMHC is decisive for rental; that the lowest incomes need non-market provision. What needed qualification we have written in plainly — the crisis is not *only* about supply; immigration deserves real weight for the recent spike; landlord conduct and pricing power deserve naming; and the size of the upzoning dividend, like the size of the shortage itself, is a direction and an order of magnitude, not a false decimal. A reader who holds us to those qualifications is holding us to our own standard. We would rather concede them in advance than have them used to dismiss the argument — because the argument does not need the overreach. It is stronger without it.

16. Conclusion: Building Our Way Out

The question was simple: if Canada needs more housing, why isn't it being built, and what would change that? The answer, drawn from the evidence and from the experience of building, is that a housing shortage can persist even when everyone wants more housing, because it is the project — not the need — that has to add up. Across much of the country, and especially where housing is needed most, the economics of building have been pushed until viable projects quietly become unviable, ground down by construction costs, development charges, approval delays, and the cost of financing, until the homes that should exist never do. Those four costs are the right-hand side of the Housing Viability Equation — and almost every one of them is set by public policy.

That is a hard diagnosis, but a hopeful one, because most of the forces that keep housing from being built are forces we have chosen and can choose differently. Approvals can be granted as-of-right and on a clock. Development charges can be reformed and the infrastructure funded another way. CMHC's financing — today the hinge on which rental viability turns — can be made stable and aimed more accurately. Industrialized construction can be financed for its speed; capable secondary markets can be given a real role; and the non-market housing the market will never provide can be built. None of these is a silver bullet; their power is in combination, in doing enough of them together that the projects which pencil finally outnumber the ones that die.

We have kept both halves of the problem in view, because honesty required it. Housing in Canada is shelter and it is an asset, and a generation of cheap credit and investment demand pushed prices to levels building alone will not quickly unwind. A serious framework leads with supply, where the evidence and the leverage are strongest, while treating the asset market seriously and reserving humility for what the evidence does not settle.

The title of this paper is *Building Our Way Out*, chosen deliberately but not naively. Canada cannot build its way out of every dimension of its housing problem — not the asset-price inflation of the past, and not the needs of its lowest-income households. But it can build its way to materially better outcomes by 2035 if it fixes the economics of building and does it in partnership: governments with one another, the public sector with the private, and all of them with the builders who, given the chance, will do what they have always done, which is build.

Strip the debate of its noise and one truth remains. Canada does not lack demand for housing; the need has never been greater. It does not lack builders, or capital, or even ideas — it has all three in abundance. **What Canada lacks is viable projects: homes that can actually be financed and built at a price the market will bear.** Every reform in this paper is aimed at that single shortage, because it is the one that matters. Solve it, and the homes follow.

Canada's housing crisis is not, at its root, a shortage of demand, of builders, of capital, or of ideas. It is a shortage of viable projects — and that is a shortage we can choose to end.

Selected Sources and Method

This paper deliberately keeps citations out of the running text to remain readable. Its evidence is drawn from primary and peer-reviewed sources, organized below by category, together with an original development-feasibility model. The full research package — including detailed source memos with more than three hundred references, an adversarial review of the conclusions, the feasibility model, and the case-study library — is available on request.

Canada Mortgage and Housing Corporation (CMHC). Housing supply-gap reports (2022, 2023, and the 2025 update); Rental Market Reports; Housing Supply Reports; and program data for MLI Select and the Apartment Construction Loan Program.

Statistics Canada. Population and demographic estimates; the Building Construction Price Index; the 2026 study on residential-construction productivity; housing starts and completions; and the Canadian Housing Statistics Program.

Parliamentary Budget Officer. Estimates of the housing gap and household formation (2025) and analysis of federal housing programs and spending.

Bank of Canada. Policy-rate decisions across the 2022–2026 cycle and staff analytical work on housing-market imbalances and household credit.

OECD. *Economic Surveys: Canada* (2025) and the OECD Affordable Housing Database.

Peer-reviewed housing economics. Research on the effects of upzoning on supply and rents (notably the Auckland Unitary Plan studies); the New York University Furman Center’s review of housing supply and affordability; studies of the effect of new construction on neighbourhood rents; and the literature on housing supply constraints and prices.

Municipal approval and development-charge research. C.D. Howe Institute analysis of the cost of barriers to building; the Canadian Home Builders’ Association municipal benchmarking; BILD and CANCEA analysis of government charges; Altus Group construction cost guides; and municipal development-charge bylaws (including Toronto and Metro Vancouver).

Case-study sources. Municipal and provincial records and reputable reporting covering Edmonton’s and Calgary’s zoning reforms, British Columbia’s small-scale multi-unit legislation, the Señákw development, the 605 Studio West modular project, and the international cases (Auckland, Minneapolis, Tokyo, Vienna).

Development-feasibility model. An original pro-forma model of two representative one-hundred-unit projects — a purpose-built rental building and a condominium — under current Western Canadian conditions, with sensitivity and breakpoint analysis. The model is illustrative rather than a specific-project appraisal; its assumptions reflect prevailing industry figures.

About Calnan Real Estate Group

Calnan Real Estate Group is a Western Canadian real estate group active across the housing value chain. Its principals and affiliated entities have direct, practical experience in multifamily housing, development, real estate asset management, CMHC-insured financing, secondary and tertiary markets, and the long-term ownership and operation of residential assets. This paper was prepared by **Matt Calnan, CPA, CMA**, Managing Director of Calnan Real Estate Group.

That experience is the vantage point from which this paper is written. The group acquires land, underwrites and structures projects, arranges construction and permanent financing, and builds and operates rental housing — the same activities whose economics this paper examines. It works primarily in the secondary markets of

Western Canada, where a meaningful share of the country's recent housing supply has been delivered.

Calnan Real Estate Group published this paper to contribute a practitioner's perspective to a debate that is too often conducted without one: why housing does or does not get built, and what would allow more of it to be built. The paper is offered as a contribution to public policy and industry understanding. It does not promote any product, security, or investment, and nothing in it constitutes an offer or solicitation. Inquiries from media, policymakers, and industry are welcome — calnan.co · matt@calnan.co.

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