

**Immigration****Immigration and the housing crisis | Sergio R. Karas**By **Sergio R. Karas**

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(June 8, 2022, 1:07 PM EDT) -- Canada welcomes thousands of new immigrants annually. While the COVID-19 pandemic temporarily reduced the number of permanent residents entering Canada, Immigration, Refugees and Citizenship Canada (IRCC) recently released details on the government's Immigration Levels Plan for 2022-2024. Canada plans to welcome 431,645 permanent residents in 2022, 447,055 in 2023 and 451,000 in 2024. This means that the government plans to welcome over one million permanent residents in the next three years.

The Minister of Immigration, Refugees and Citizenship made statements to the media indicating that more immigrants are needed in Canada to create jobs, stabilize the economy and to build more housing. This raises significant concerns about the affordability of housing, given the skyrocketing prices during the last few years. The increase in demand coupled with the lack of inventory has already created a crisis across Canada.

Cities like Toronto and Vancouver are in the midst of a severe housing shortage. Adding hundreds of thousands of new residents will result in further pressure, as demand outstrips supply. Before the pandemic, Toronto and Vancouver welcomed the largest number of new immigrants in 2019, as more than 340,000 individuals moved to the two cities.

According to the Royal Bank of Canada (RBC), Toronto is currently the most expensive real estate market in Canada, with Vancouver a close second. Toronto's benchmark price for home ownership presently rests at \$1.26 million, whereas Vancouver is at \$1.255 million. Welcoming over 430,000 new immigrants annually will no doubt add pressure on housing inventory, especially at the lower end as newcomers try to find accommodation that they can afford. Further, fewer people wish to reside in small apartments with limited amenities since the pandemic.

Due to the lack of affordable housing, new immigrants tend to rely on scarce rental units, which have historically been difficult to find both in quality and quantity in all major cities. The inventory of rental units is insufficient to meet demand. It is difficult to develop multi-unit rental accommodation. It takes years to build due to long and costly provincial and municipal approvals, lack of investment capital and limited profitability as it is often subject to rent control. Between the time that the shovel hits the ground to start construction and when the units will be ready for occupancy, Canada would have added another million permanent residents if the Immigration Levels Plan is fully implemented.

Due to increased demand, supply chain delays and constraints on the availability of skilled labour, it may take many years for the housing market to be in balance, even if the supply increases significantly. Anecdotal evidence indicates that many new immigrants rely on temporary arrangements such as Airbnb or sharing premises with family members already in Canada.

The steady increase in mortgage rates from historic lows may become another factor affecting housing affordability for new immigrants. Although the Canadian Real Estate Association (CREA) has published figures pointing to a steep drop in recent housing sales, prices remain high as inventories are low. Higher mortgage rates have a significant impact on monthly payments, which most new immigrants cannot afford.

The federal government suggested a plan to invest \$4 billion in a new Housing Accelerator Fund,

which will grow the annual housing supply in Canada's largest cities, creating a target of 100,000 new middle-class homes by 2024 to 2025. However, this will not solve the problem at hand, as more than one million new immigrants are expected to arrive by 2024. Although IRCC has not released the Immigration Levels Plan for 2025, it is predictable that these numbers will only continue to grow, which will deepen the housing crisis for years to come.

Having more immigrants enter Canada will not fix the housing crisis as suggested by the Minister of Immigration, Refugees and Citizenship. To tackle this problem, it would be prudent to temporarily lower admissions in some immigration categories until equilibrium returns to the market. This will not only impact housing shortages, but it will also reduce backlogs plaguing IRCC. Continuing increases in the Immigration Levels Plan while housing remains in short supply exacerbates the problem for newcomers who must spend an ever-increasing portion of their earnings on accommodation.

It is becoming difficult for Canadians to be able to afford housing and more so for new immigrants. Before creating new programs and ever-increasing application backlogs, the government should consider the impact that large contingents of new residents flocking to Canada's largest metropolis will have on housing. Historically, government programs attempting to interfere with market forces have failed. It would be far more productive for all levels of government to find ways to expedite approvals, permits and construction to facilitate building new homes, especially multi-unit rental accommodation, and let the market find its appropriate level as economic circumstances change.

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