

Project Insights Report

Do Immigrants Cause Higher Housing Prices? Myths and Realities about Immigrants, Housing and the Labour Market



PARTNERS

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Executive Summary

Canada, a nation built on immigration, has historically supported immigration and the cultural diversity it brings. However, in recent years, concerns over the impact of immigration on housing prices have emerged, particularly in cities like Toronto, Vancouver and Montreal, where housing prices have skyrocketed. This shift in public sentiment is partly driven by the visibility of immigrants settling in areas with already limited affordable housing, coupled with predicted, significant increases in immigration for the coming years. Discrimination may also play a role, as the majority of recent immigrants are visible minorities.

This research finds that while there is a correlation between immigration and housing price increases, immigration is not necessarily the primary cause. A variety of demand- and supply-side factors—including financial deregulation, speculative investments, regulatory constraints and urban amenities—are also contributing to rising housing prices. Importantly, estimates suggest that the impact of immigration on housing prices is relatively small, with a 1% increase in immigration leading to an approximate 1% rise in house prices. Additionally, high housing prices are causing a shift in settlement patterns, with immigrants increasingly choosing more affordable regions such as the Prairies and Atlantic Canada.

The findings underscore the importance of disentangling myths from realities when considering the impact of immigration on housing markets. Misattributing housing price increases to immigration alone can lead to misguided policy measures that overlook more effective solutions. Immigrants play a vital role not only in the demand for housing but also in mitigating supply constraints by filling crucial labour shortages in the construction industry—labour shortages that can delay the building of new affordable housing. Understanding the nuanced interplay between immigration and housing markets is essential for developing balanced policy initiatives that address housing affordability without unfairly targeting immigrants.

KEY INSIGHTS

- 1** A 1% increase in immigration leads to an approximate 1% rise in housing prices; thus, the effect of immigration on housing affordability is measurable but relatively small.
- 2** Public perception often incorrectly attributes rising housing prices solely to immigration, overlooking the complex interactions between financial regulations, urban amenities and regulatory barriers.
- 3** Policy initiatives focusing on encouraging immigrants to settle in regions with lower housing costs could mitigate housing demand pressure in already high-cost urban areas, promoting a more balanced housing market.

The Issue

The project aimed to address the rising public concerns regarding the impact of immigration on housing prices in Canada, particularly in urban areas like Toronto, Vancouver and Montreal. These cities, being the primary destinations for immigrants, are also experiencing some of the fastest-growing housing prices. Recent policy proposals to substantially increase immigration in 2024, 2025 and 2026 have amplified these concerns, especially given that many recent immigrants are visible minorities, which has fuelled the potential for discriminatory narratives. Historically, housing affordability issues in these regions have been influenced by numerous factors, including financial deregulation, globalization and geographical constraints, often making immigrants a visible but misleading scapegoat. Attempts to limit rising housing prices by curbing immigration have proven ineffective, as these fail to address the broader systemic issues affecting housing demand and supply, such as regulations, speculative investments and domestic economic growth.



What We Investigated

The project investigated the impact of immigration on housing prices across Canadian cities, with a specific focus on disentangling the complex factors contributing to rising housing costs. The research primarily targeted major urban centres like Toronto, Vancouver and Montreal, where immigration rates are high and housing affordability is a growing concern. The research analyzed studies spanning the last three decades. The chosen approach aimed to assess whether immigrants were genuinely driving housing prices or whether other demand- and supply-side factors were at play. This approach allowed for a more nuanced understanding of the relationship between immigration and housing markets, addressing misconceptions and informing evidence-based policy solutions. The goal was to identify more effective housing and immigration policies that could mitigate affordability concerns while recognizing the economic benefits of immigration.

What We're Learning

The project revealed crucial insights into the multi-faceted relationship between immigration and housing prices in Canada. One of the key outcomes was the identification of the relatively small causal impact of immigration on housing prices, with studies suggesting that a 1% increase in immigration correlates with only a 0.1% to 1.6% increase in housing prices. This finding underscored the importance of recognizing that other factors, such as globalization, financial deregulation and supply constraints, play a more substantial role in driving housing costs. By highlighting these nuances, the research contributed to a deeper understanding of the housing crisis and helped to dispel myths surrounding immigration's impact.

Additionally, the project revealed valuable lessons regarding policy interventions. It emphasized the need for a comprehensive approach that considers both demand- and supply-side factors when addressing housing affordability. For example, the research suggested that while increasing interest rates could help cool housing demand, this alone would not solve the underlying supply issues exacerbated by regulations, neighbourhood opposition and labour shortages in the construction industry. The findings also indicated that policies encouraging immigrants to settle in regions with more affordable housing could alleviate some pressures in high-cost urban centres.

However, the project faced challenges in gathering comprehensive data on housing markets and immigration trends. Limited up-to-date studies examining the causal relationships in this context were available, which impacted the ability to draw more definitive conclusions. Moving forward, further research and collaboration among policymakers, academics and community stakeholders are essential to refine strategies and improve housing outcomes while maintaining the benefits of immigration.

★ Why It Matters

The findings from this project carry significant implications for policymakers, community organizations and stakeholders involved in housing and immigration. As Canada grapples with increasing housing prices, it is essential for government officials and urban planners to recognize that immigration, while often perceived as a primary driver of housing costs, is only one piece of a complex puzzle. Understanding the actual, limited impact of immigration on housing prices can inform more balanced and nuanced policies that address the real drivers of housing demand and supply constraints. This shift in perspective can help mitigate public concerns about immigration and its effects on housing, allowing for more constructive discussions and policies that promote integration and community development.

For current practitioners serving immigrant populations, the project underscores the importance of advocating for policies that facilitate immigrant settlement in regions with more affordable housing options. Community organizations can leverage this knowledge to better align their support services and resources with the realities faced by newcomers. By promoting awareness of the broader factors influencing housing prices, these organizations can enhance their capacity to serve vulnerable populations effectively, ensuring that housing remains accessible and affordable for all people in Canada.



State of Skills: What Works for Newcomer Integration

Immigration is a key driver of Canada's labour force growth, innovation and economic prosperity, including on a per capita basis.

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Moreover, the insights gained from this research extend beyond housing and immigration policies. They highlight the necessity for a holistic approach to address interconnected societal challenges, such as labour market dynamics and urban development. This could involve reconsidering how organizations are funded, emphasizing the need for collaborative frameworks that incorporate diverse stakeholder perspectives. By fostering a more integrated approach to policy and practice, organizations can work collectively to create sustainable solutions that address housing affordability and leverage immigration as a valuable resource for economic growth and community resilience.

► What's Next

More rigorous studies are needed that document the causal effect of immigration, as well as other factors, on housing prices. This project used the limited and sometimes dated studies available to provide a first insight into the complex factors that cause a surge in housing prices. Hopefully, with more research on the causal effect of immigration on housing prices, and with better understanding of the myriad factors that affect housing prices and the trade-offs that are involved in the different policy initiatives, we can avoid the draconian measures of restricting immigration in general simply because it is visible and seems an easy target, especially since it tends to intersect with race. Targeting immigration, however, is akin to “throwing the baby out with the bathwater” — it can be tempting under trying times but should be resisted.

Have questions about our work? Do you need access to a report in English or French? Please contact communications@fsc-ccf.ca.

How to Cite This Report

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