

Immigrants and Housing Prices: Myths and Realities

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Context

- **Housing Crisis:** Rising housing costs in major Canadian cities (e.g., Toronto, Vancouver, Montreal) have become a significant concern.
- **Urban Demand:** Economic opportunities and established immigrant communities have driven rapid increases in housing demand, contributing to price surges.
- **Public Perception:** Immigration is often blamed for rising housing prices, with immigrants framed as key contributors to reduced affordability.
- **Complex Reality:** This perception oversimplifies the issue; immigration plays a multifaceted role in both demand and supply.
- **Research Aim:** This study seeks to separate myths from realities and provide a balanced view of the factors driving housing prices, promoting a more nuanced and inclusive policy discussion.

Research Rationale & Methods

- **Research Motivation:** Challenge misconceptions that immigration is the primary driver of housing price increases in Canada.
- **Focus:** Explore the complexity of the housing market, looking beyond simple correlations.
- **Literature Review:** Analyzed existing studies that examine causal links between immigration and housing prices.
- **Economic Theory Application:** Assessed both demand- and supply-side dynamics, including financial deregulation, urban development, and global investment.
- **Objective:** Provide a holistic analysis that informs policy decisions aimed at addressing housing affordability in a more comprehensive and balanced way.

Correlation is Not Causation

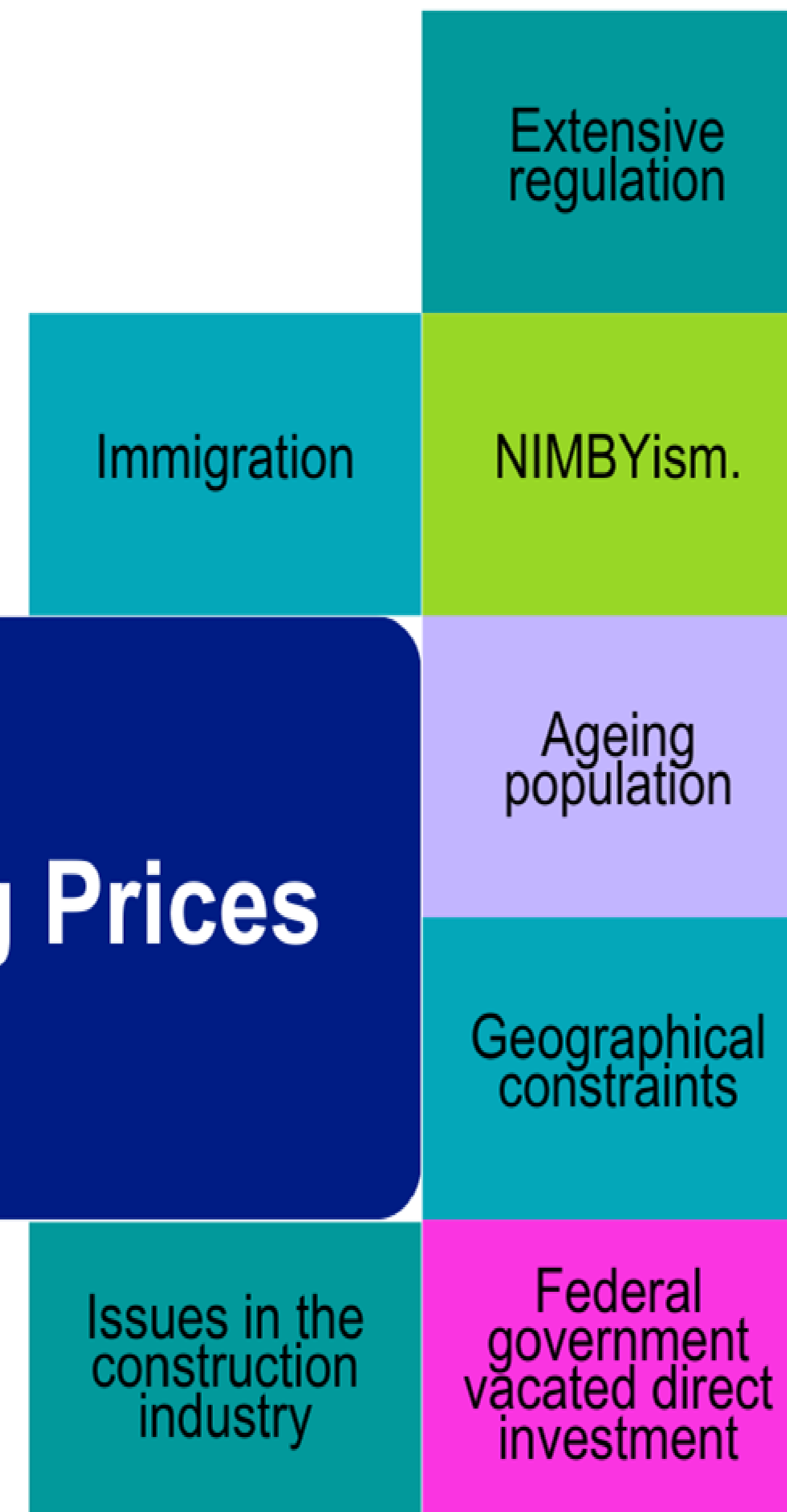
- **Public Perception:** There is a widespread assumption that immigration is the primary driver of rising housing prices due to observed correlations.
- **Clarifying the Misconception:** While many studies have found a correlation between increased immigration and higher housing prices, this does not mean immigration is the direct cause. Correlation simply shows that two trends occur together, but it does not explain why.
- **Other Contributing Factors:** Numerous factors influence housing prices, including speculative investment, income growth, globalization, and regulatory barriers that limit housing supply. These factors often operate alongside immigration, creating the appearance of a direct connection.
- **Importance of Distinguishing Correlation from Causation:** Failing to recognize the broader economic landscape can lead to misguided policies that unfairly target immigrants, while ignoring the real drivers behind housing affordability issues.
- **Key Takeaway:** Policymaking should be based on an understanding of the full set of factors influencing housing prices, not just surface-level associations.

References: Available on Request

Demand-Side Factors



Supply-Side Factors



Demand & Supply Dynamics in Housing

- **Balancing Demand and Supply:** Immigration contributes to increased housing demand, particularly in cities facing existing shortages. However, immigrants also play a crucial role in the labor force, particularly in construction, helping to expand housing supply.
- **Short-Term vs. Long-Term:** In the short term, increased demand can lead to price hikes in tight markets. Over time, however, immigrants help alleviate supply constraints, contributing to long-term housing market stability.
- **Dual Role of Immigrants:** Immigrants are both consumers of housing and contributors to expanding housing supply, making their impact on the housing market multifaceted.
- **Policy Considerations:** To create effective housing policies, it's essential for policymakers to address both demand-side and supply-side factors, ensuring a balanced and sustainable approach.

Insights From Causal Estimates

- **Causal Understanding:** Causal estimates provide a clearer picture of immigration's impact on housing prices, moving beyond simple correlations.
- **Measured Impact:** Analysis of available data shows that for every 1% increase in the immigrant population, housing prices rise by a modest 0.1% to 1.6%. This indicates that while immigration has some effect, it is far less significant than often portrayed in public discourse.
- **Larger Influences:** Other factors—such as urban amenities, international investment, and domestic population growth—play a much larger role in driving up housing prices.
- **Policy Implications:** To effectively address housing affordability, policymakers need to consider both demand- and supply-side factors. A narrow focus on immigration overlooks the broader economic forces shaping housing markets.
- **Key Insight:** A more comprehensive policy approach, targeting the full range of factors, is essential for mitigating the housing affordability crisis.

Policy & Research Implications

- **Comprehensive Policy Approach:** This research highlights the need for policies that address the full range of factors impacting housing affordability—not just immigration. A narrow focus on immigration risks overlooking broader, more significant influences on the housing market.
- **Policy Priorities:**
 - **Boost Housing Supply:** Focus on reducing regulatory barriers, improving workforce development in construction, and speeding up housing projects.
 - **Regional Settlement Strategies:** Encourage immigrants to settle in less densely populated areas where housing costs are lower, helping to ease pressure on major urban centers.
- **Practitioner Insights:** For professionals in housing and community integration, these findings can guide advocacy efforts towards balanced solutions that recognize immigrants' economic contributions.
- **Broader Systemic Changes:** Beyond housing, this research suggests that urban planning and infrastructure investment must also evolve to meet the challenges of the affordability crisis.

Key Conclusions & Takeaways

- **Immigration's Impact on Housing Prices:** The idea that immigration is the main driver of rising housing prices is based on oversimplified assumptions. While immigration does increase demand, its effect on prices is relatively modest compared to other factors.
- **Positive Economic Contributions:** Immigrants fill critical labor shortages and support the construction sector, helping to expand housing supply and stimulate the economy.
- **Policy Risks:** Limiting immigration would reduce these economic benefits without significantly addressing housing affordability.
- **Policy Focus:** Effective policies should focus on increasing housing supply by:
 - Reducing regulatory barriers,
 - Investing in social housing,
 - Supporting workforce development in construction.
- **Balanced Approach:** A comprehensive, evidence-based strategy that tackles both demand- and supply-side challenges will be crucial for ensuring housing affordability, continued economic growth, and social inclusion in Canada.