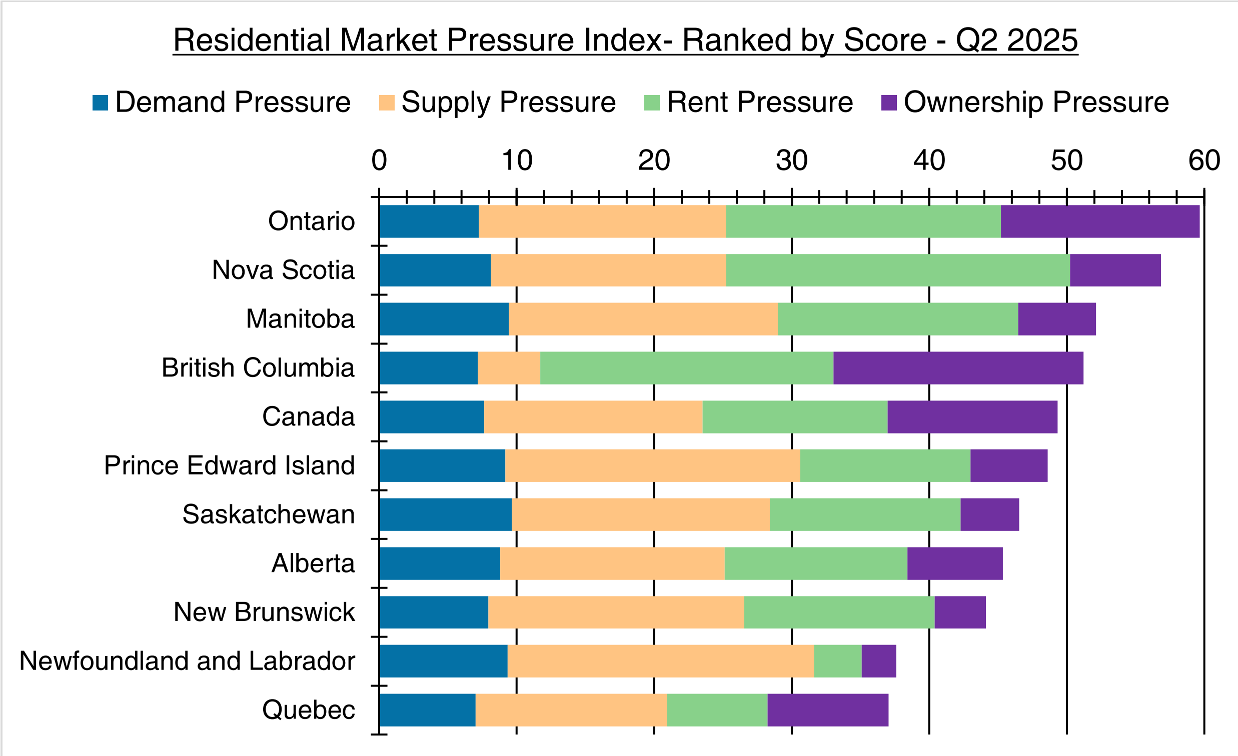
Residential Market Pressure



Source: Turner Drake & Partners Ltd. and Statistics Canada

Conventional and social media across the country are awash with stories of the housing crisis. Everybody, it seems, has an opinion on how bad the situation is, its causes and resolution. Our Spring 2025 Newsletter (Vol. 2 No. 133) took a deep dive into its cause in Atlantic Canada but just how dire is the situation in the various provinces, cities, towns and communities across the nation? The housing crisis has many faces. Its most heart rendering are the impromptu encampments in parks and roadside strips in the larger communities, something most of us formerly associated with the United States rather than our country. Less visible, but no less disturbing, is the rapid rise in rents and house prices which most adversely affect young people as they leave the family home for university, community college or other post-secondary education, or to embark on a career. The difficulty of finding suitable, or any accommodation, at a price they can afford, adds an additional layer of worry to what is already a stressfu1 juncture in their lives. This continues as they later look to move out of rental accommodation to find a house they can call their own. Rather like the blind person describing an elephant the crisis presents itself to individuals in different ways. Alas, there is no standard method for measuring the housing crisis so we decided to rectify that sorry state of affairs by developing a Residential Market Pressure Index (RMPI) a.k.a. "*rimpee";* a single index that evaluates housing market pressure by combining four key forces: demand, supply, rent burden, and ownership burden. By sourcing data from multiple sources, the RMPI distills a complex housing landscape into one clear measure of market tension. It answers the central question: *why, despite record housing investment, do Canadians still feel the squeeze? The RMPI provides an answer by quantifying how much pressure markets remain under, even as population growth slows and completions improve.*

A Single Answer to Multiple Questions

The keen minds in our Economic Intelligence Unit (EIU) are nothing if not ambitious: RMPI *is more than just a national indicator; it's a decision tool that offers insight that professionals across the housing ecosystem (their words!) can apply directly to their work:*

Municipal and provincial policymakers can use the RMPI to pinpoint where intervention is most needed. High-pressure scores highlight areas where new housing delivery must accelerate, where zoning reform may be warranted, and where affordability programs can have the greatest impact.

Developers and builders can use it to identify emerging opportunities, reduce their risk and increase their profit margin. Markets with sustained pressure signal unmet demand and potential higher returns on new supply, especially in medium-density, purpose-built rental segments.

Lenders and financial institutions can use the RMPI to assess regional exposure and investment timing. Tracking how pressure shifts across provinces helps gauge risk, forecast market cooling, and anticipate credit conditions.

Housing advocates and non-profit providers can use the RMPI to strengthen evidence-based advocacy. The index quantifies affordability stress across tenure types, giving local organizations a credible, data-backed way to frame their community's challenges.

Journalists, researchers, and think tanks can use it to interpret the national housing narrative (and appear even more knowledgeable). The RMPI provides a single, comparable benchmark that turns abstract affordability trends into clear, quantitative stories explained with a single number.

Investors and asset managers can use it to compare regional market dynamics and balance portfolios toward long-term, stable markets.

In a word (well several words) RMPI is the greatest thing since sliced bread because it helps each of these groups translate complexity into clarity. Whether the goal is to plan, build, finance, or advocate, the index provides a measurable starting point for understanding where the housing system is under the most stress, and why. It's a minor miracle nobody created it before us.

Reading the RMPI

Each province's RMPI score ranges from 0 to 100, providing a standardized way to compare housing conditions across regions and over time. Scores of:

- **0 to 25 indicate low pressure,** typically associated with ample supply, stable affordability, and balanced population growth.
- **26 to 50 reflects moderate pressure,** where affordability risks and local supply constraints begin to emerge.
- **51–75 signals high pressure,** characterized by widespread affordability challenges and delayed housing delivery.
- **above 75 indicates severe pressure,** where housing demand, rents, and prices outstrip available supply-conditions that are structural rather than cyclical.

Unlike a single price or rent measure, the RMPI shows how these factors reinforce one another. A province may have moderate demand but still register high pressure if supply fails to keep pace or affordability erodes. This makes the RMPI a concise yet comprehensive tool: a single number that captures the health of a housing market, distilling a complex system into a clear signal for policymakers, developers, and the public alike.

Housing Pressure (Q2 2025)

The Residential Market Pressure Index chart on Page 1 captures the state of the nation in 2025 (Second Quarter) by summarising housing pressure on a province-wide basis and identifying the cause of that pressure. Study it carefully, an exam may follow. So, what does each component measure and what is their trend?

Demand pressure reflects the pace at which population growth outstrips new housing completions. After several years of rapid escalation, demand pressure has fallen notably over the past two quarters, driven by slower population inflows linked to tighter immigration caps and restrictions on international student admissions. This marks the first sustained cooling in underlying demand since the pandemic period.

Supply pressure captures the conversion gap between building permits and actual housing starts. British Columbia records the lowest supply pressure in Q2 2025, suggesting that new projects are moving from approval to construction more efficiently than in most other provinces. Elsewhere, administrative delays, financing constraints, and workforce shortages continue to widen the gap, keeping the supply pipeline under strain despite strong permitting activity.

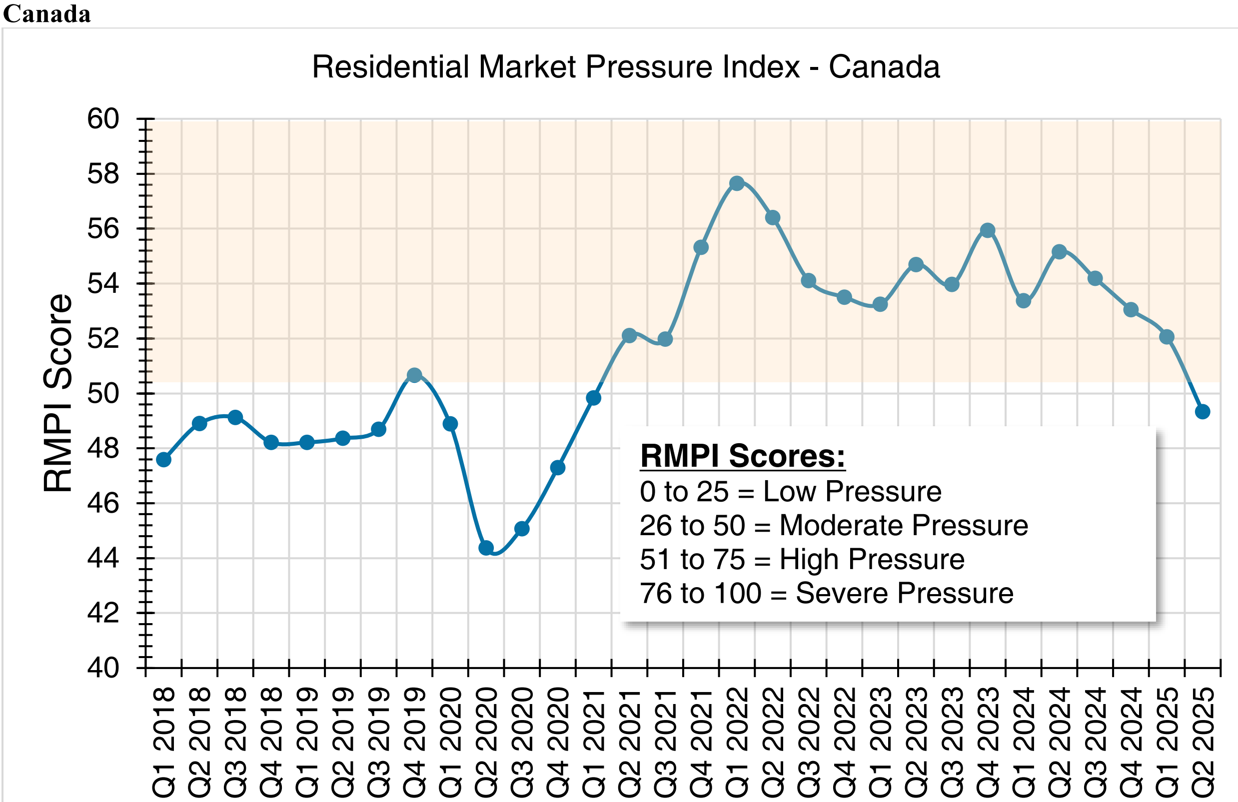
Rent pressure remains high nationwide, led by Nova Scotia and British Columbia, where surging demand has collided with low vacancy rates and rapidly rising asking rents. In both provinces, household incomes have not kept pace with the cost of renting, leaving renters more financially vulnerable even as wage growth modestly improves. The persistence of rent pressure underscores how affordability challenges now extend beyond high-growth urban markets.

Ownership pressure, driven by high home prices relative to earnings, remains strongest in British Columbia and Ontario. In both provinces, home values have climbed well above the national average, stretching affordability for middle-income buyers. Mortgage rate increases since 2022 have compounded the issue, as higher borrowing costs have effectively locked many prospective buyers out of ownership, prolonging rental demand and feeding back into overall market stress.

Canada's housing market remains under sustained pressure, but the story varies sharply by region. As of Q2 2025, the RMPI shows national pressure pushing the high range, at roughly 49.3 points, signalling that overall stress in the housing system remains elevated even as conditions have begun to cool slightly from recent peaks i.e. countrywide we have a housing crisis of moderate proportions. The RMPI chart shows that even as demand cools, affordability has taken centre stage – a structural challenge that no longer fades with the economic cycle. Across the provinces, Ontario continues to register the highest pressure, followed closely by Nova Scotia and Manitoba. These markets combine rapid population growth with tight supply pipelines and worsening affordability for both renters and purchasers. At the other end of the spectrum, Quebec and Newfoundland and Labrador record the lowest composite scores, reflecting relatively balanced market conditions and slower demand growth.

With customary modesty we proffer the following analysis and recommendations… whilst disclaiming any responsibility if they prove to be wrong (PM Carney and Provincial Premiers kindly take note):

Canada



Canada must stay laser-focused on affordability as market pressure remains structurally high. Even as the national RMPI eased to 49.3 in Q2 2025, the housing system continues to strain under chronic affordability gaps. Demand has cooled with lower immigration and fewer international students, but supply remains gridlocked, and labour bottlenecks persist. Rent burdens have overtaken population growth as the main source of stress, while ownership costs remain stubbornly high. Canada must convert policy momentum into sustained delivery: build faster, finance smarter, and align housing supply with demographic policy.

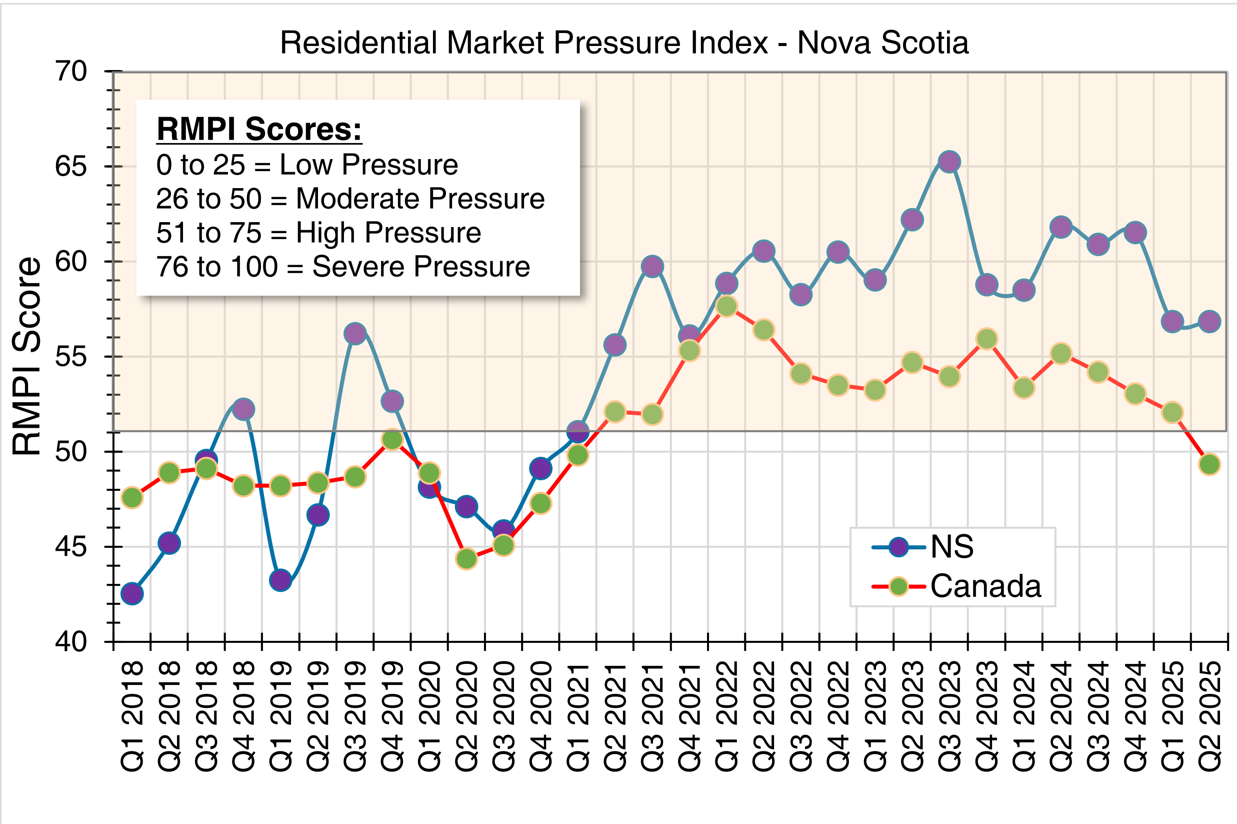
Ranked drivers (avg, last 4 quarters):

1. Supply: approvals still outpacing starts.
2. Rent: renters' budgets remain stretched.
3. Ownership: high price-to-income multiples.
4. Demand: easing from recent peaks.

Outlook

Market pressure will remain **moderate-to-high** nationally. Growth in completions and easing mortgage rates could help stabilize the RMPI below 50 by 2026.

Nova Scotia



Nova Scotia must confront entrenched affordability challenges to restore balance. With an RMPI of 56.8 in Q2 2025, pressure remains among the highest in Canada. Population growth has eased, yet rents continue to rise and ownership remains elusive. Limited construction capacity and cost inflation have slowed new supply, leaving vacancy rates near historic lows. Rent burdens now dominate provincial pressure, showing how affordability has replaced demand as the core problem.

Nova Scotia must pair aggressive housing delivery with affordability safeguards like targeted rent supports, faster permitting, and incentives for middle-income ownership.

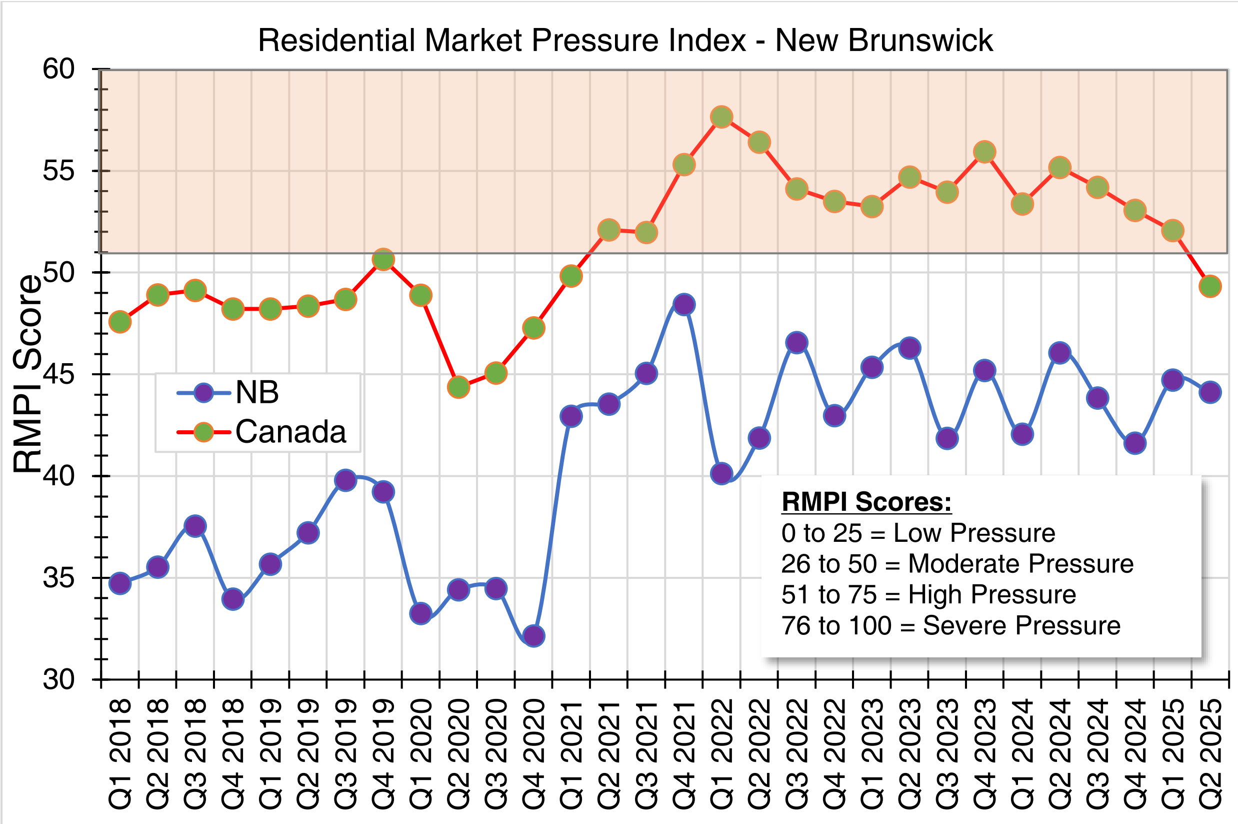
Ranked drivers (avg, last 4 quarters):

1. Rent: rental costs have surged faster than incomes.
2. Supply: construction has not kept up with approvals or demand.
3. Demand: still strong but moderating after rapid post-pandemic growth.
4. Ownership: improving slightly, though prices remain high.

Outlook

Pressure will remain **high** in the short term but may ease if construction pipelines accelerate in Halifax and secondary centres.

New Brunswick



New Brunswick's RMPI of 44.1 in Q2 2025 reflects a comparatively balanced housing market, though emerging signs of supply strain, warrant attention. Construction has kept pace with population growth, and rent burdens remain moderate.

However, supply pressure has crept upward as building approvals accelerate faster than starts, pointing to capacity or financing constraints. Maintaining balance will require reinforcing regional construction pipelines, and addressing skilled labour shortages, to ensure approvals translate into homes.

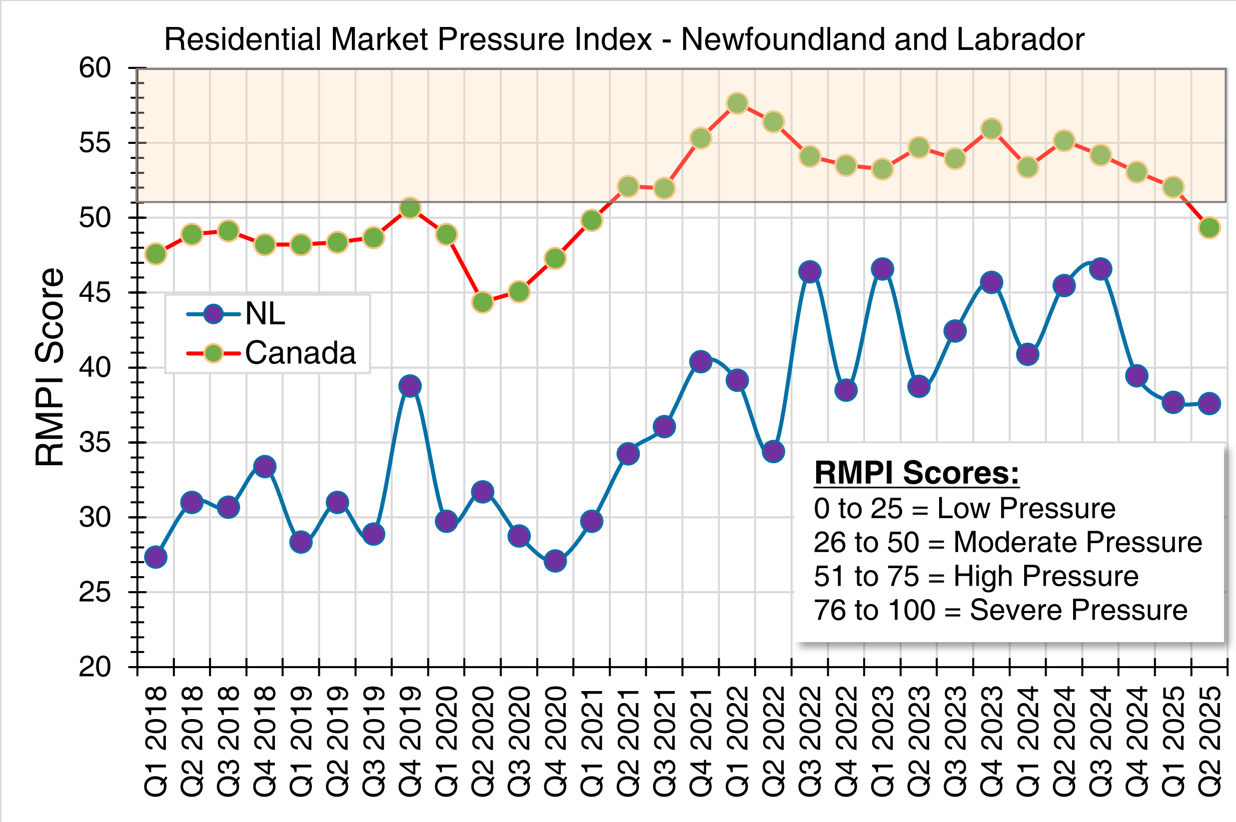
Ranked drivers (avg, last 4 quarters):

1. Supply: elevated as approvals increasingly outpace starts.
2. Rent: rising modestly, reflecting gradual urban market tightening.
3. Demand: sustained but manageable migration inflows.
4. Ownership: lowest burden among Atlantic provinces.

Outlook

The RMPI will likely remain **stable**. Continued population growth could tighten conditions slightly by 2026.

Newfoundland and Labrador



Newfoundland and Labrador's RMPI of 37.6 in Q2 2025 indicates the least housing market pressure in Atlantic Canada. While overall affordability remains stable, supply pressure is high, reflecting an expanding gap between approvals and starts rather than overheating demand. This suggests underutilized construction potential that could be leveraged for renewal and growth.

With low rent and ownership burdens, the province is well positioned to modernize aging housing stock and invest in new energy-efficient supply before demographic and cost pressures intensify.

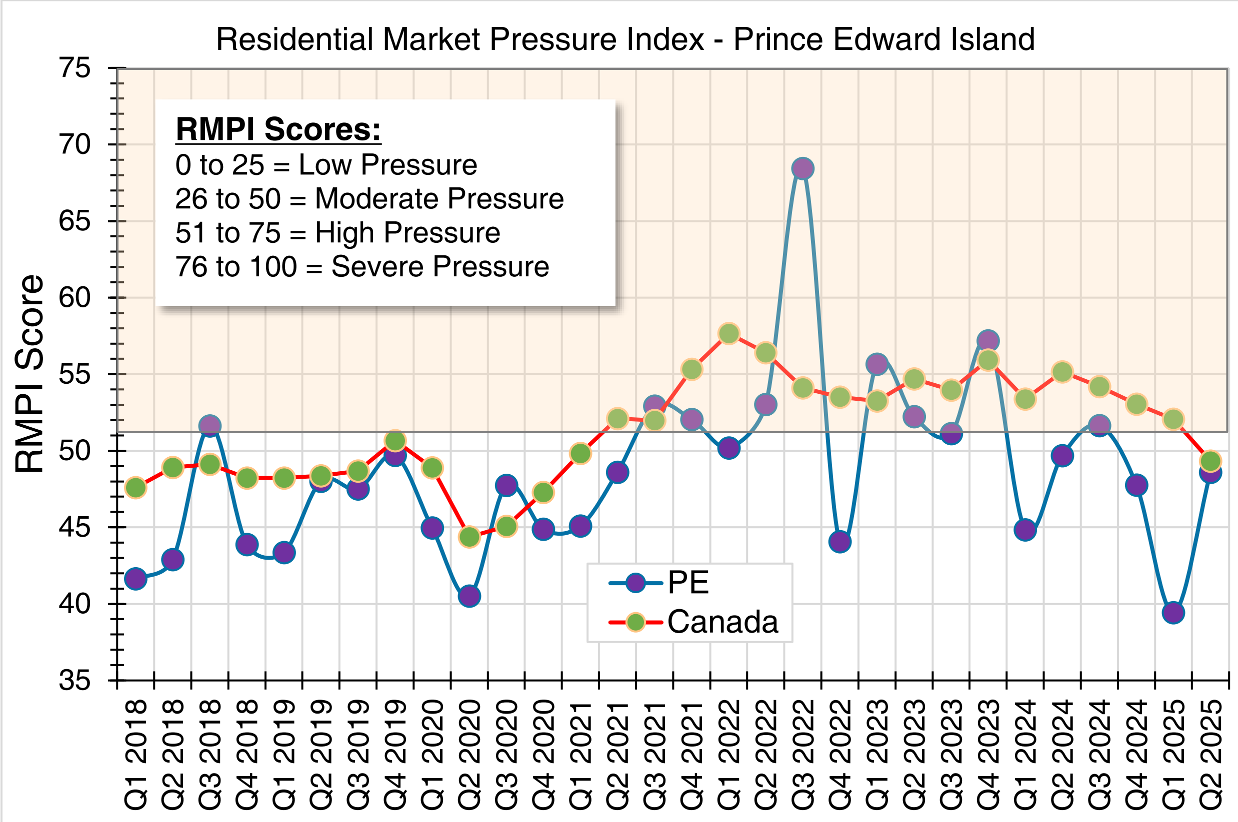
Ranked drivers (avg, last 4 quarters):

1. Supply: high pressure signals under-delivery relative to approvals.
2. Demand: modest but steady growth keeps the market active.
3. Rent: among the most affordable rental markets in Canada.
4. Ownership: homeownership remains broadly attainable.

Outlook

Low demand will keep the RMPI in the **moderate** range, but future affordability could be challenged by underinvestment in new supply.

Prince Edward Island



Prince Edward Island's RMPI of 48.6 in Q2 2025 reflects a persistent imbalance between strong population growth and limited construction capacity. The province's small-scale development ecosystem leaves it vulnerable to labour shortages and project delays.

Elevated supply pressure shows that many projects remain stuck at the approval stage, while rent and ownership burdens continue to climb. Accelerating project delivery through targeted incentives and modular construction could help narrow the gap and stabilize affordability.

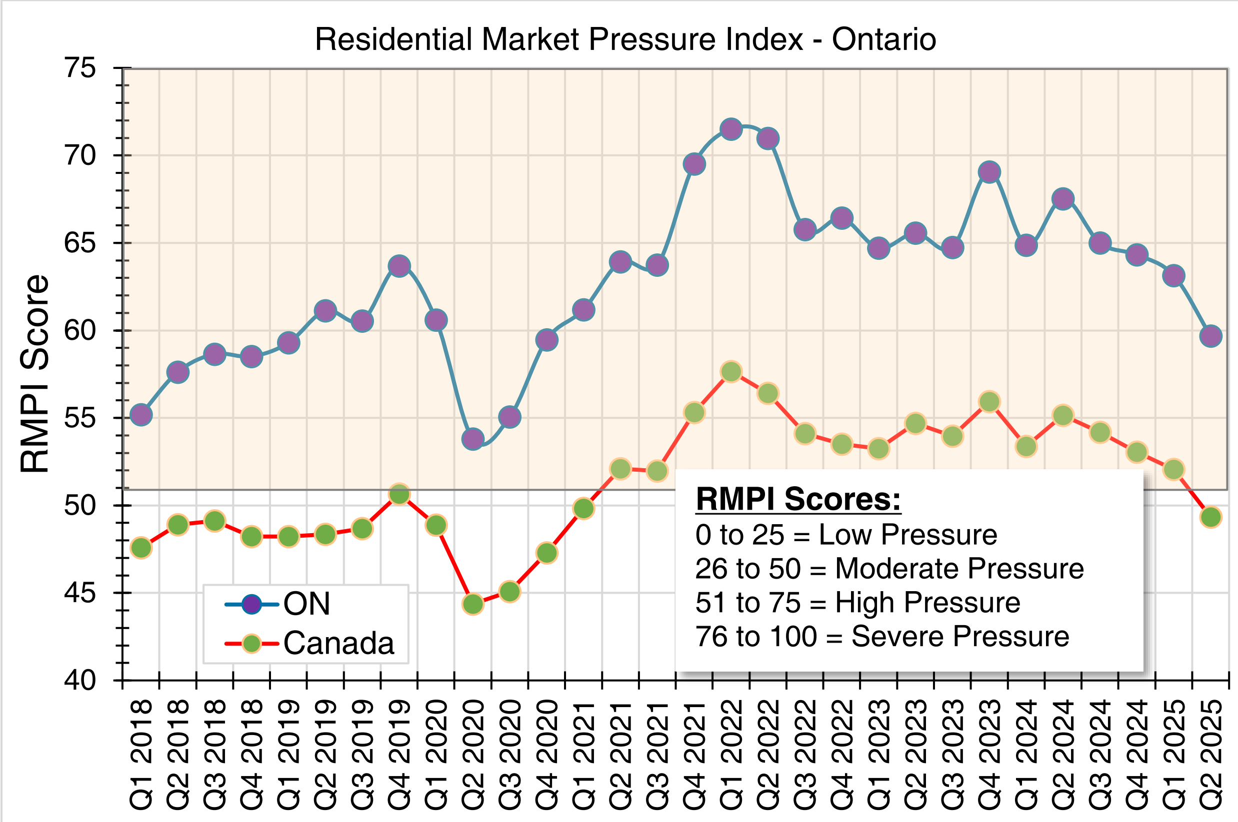
Ranked drivers (avg, last 4 quarters):

1. Supply: consistent permitting, but lagging starts, continue to limit output.
2. Rent: elevated relative to household incomes.
3. Demand: population growth remains high for a small province.
4. Ownership: affordability slipping gradually.

Outlook

PEI will stay **moderate-to-high**. Without sustained investment in rental supply, affordability may continue to erode.

Ontario



Ontario's RMPI sits at 59.7 in Q2 2025, the highest in Canada. The province continues to experience strong population inflows, but conversion from approvals to starts remains sluggish. Despite provincial housing targets and municipal zoning reforms, construction costs, financing constraints, and labour shortages are limiting output.

Rent and ownership burdens are now structural, with households spending record shares of income on shelter. Easing interest rates and renewed housing incentives could stabilize market pressure, but progress depends on dramatically improving construction throughput.

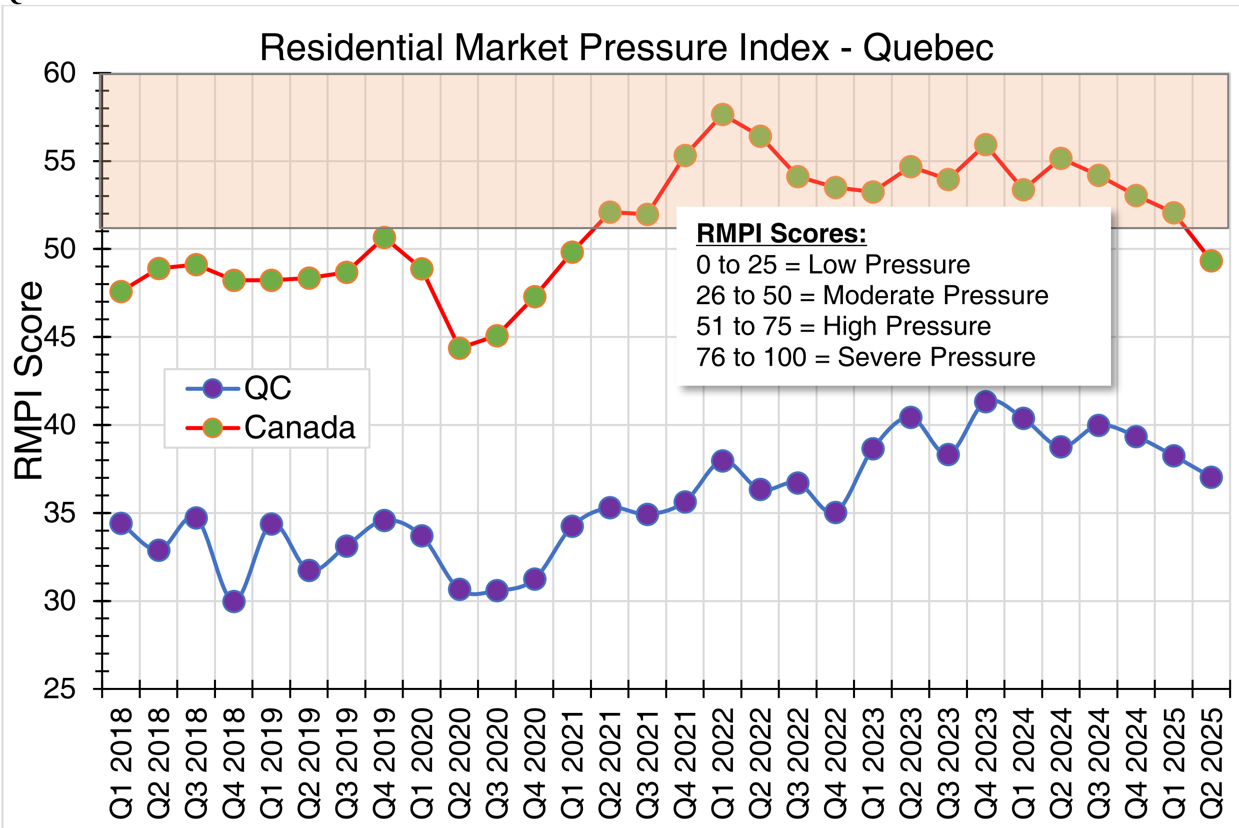
Ranked drivers (avg, last 4 quarters):

1. Supply: delivery lags persist despite high approval volumes.
2. Ownership: prices remain high relative to income and mortgage interest rates.
3. Rent: affordability deteriorates in key metros.
4. Demand: easing slightly but still strong due to job and population growth.

Outlook

Pressure will stay **high** into 2026. Improved financing conditions may stabilize ownership costs, but demand remains intense.

Quebec



Quebec's RMPI, at 37.0 in Q2 2025, remains among the lowest nationally, underscoring relative market balance. Population growth has been steady but moderate, allowing the housing system to keep pace. Supply pressure is mostly contained and affordability has held better than elsewhere.

Rent and ownership burdens have risen only modestly, supported by stable income growth and strong rental regulation. Continued discipline in approvals and targeted redevelopment in high-demand areas will help sustain Quebec's equilibrium over the coming years.

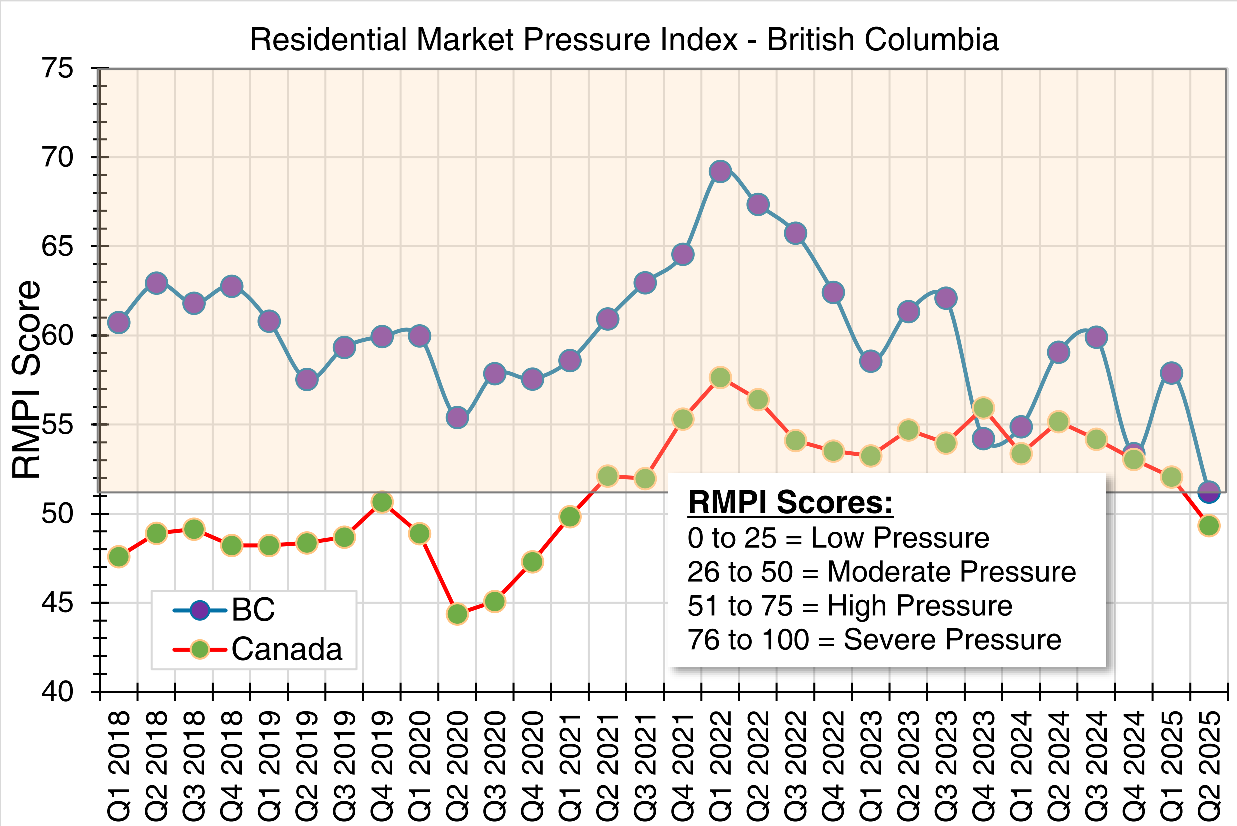
Ranked drivers (avg, last 4 quarters):

1. Supply: manageable, with delivery largely keeping pace.
2. Ownership: affordability gradually tightening.
3. Demand: modest population growth supports balance.
4. Rent: limited escalation due to stable regulation.

Outlook

Quebec is expected to remain Canada's most balanced major market through 2026.

British Columbia



British Columbia's RMPI sits at 51.2 in Q2 2025, reflecting persistent stress driven primarily by rents and ownership costs. The last four quarters show low supply pressure with approvals-to-starts gap narrowed materially, so the near-term constraint isn't conversion; it's that even with better conversion, the absolute level of new supply still isn't enough to offset years of underbuilding and very high shelter costs.

Demand momentum has cooled, but households remain squeezed by high rents and price-to-income multiples. BC needs to push execution on recently enabled multi-unit reforms and preserve rental production financing, but recognize that affordability relief, not just pipeline efficiency, must be the focus.

The province needs to scale non-market and below-market rental, fast-track missing-middle projects, and protect renters in tight submarkets.

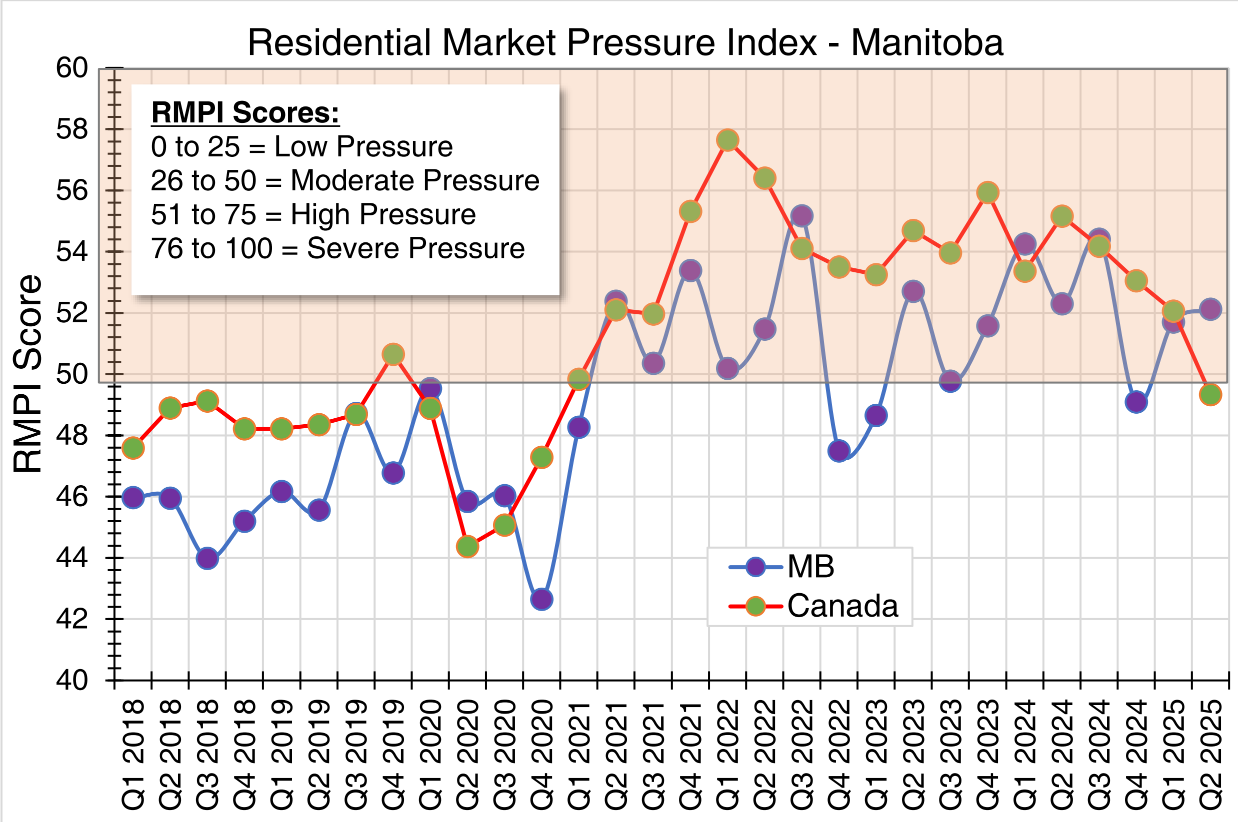
Ranked drivers (avg, last 4 quarters):

1. Rent: affordability stretched even in suburban markets.
2. Ownership: high price-to-income ratios remain entrenched.
3. Demand: moderating as migration slows, but remains positive.
4. Supply: lowest supply pressure in the country.

Outlook

High pressure will persist until large-scale housing delivery materializes post-2026.

Manitoba



Manitoba's RMPI of 52.1 in Q2 2025 reflects steady but mounting pressure as construction timelines lengthen. The province's housing supply is increasingly constrained by financing costs and labour shortages, pushing supply pressure higher.

Rents have risen sharply in Winnipeg, where purpose-built development has struggled to keep pace with population growth. While ownership affordability remains comparatively stable, demand is strengthening, underscoring the need for renewed housing investment. Manitoba's moderate position masks growing vulnerabilities beneath its balanced exterior.

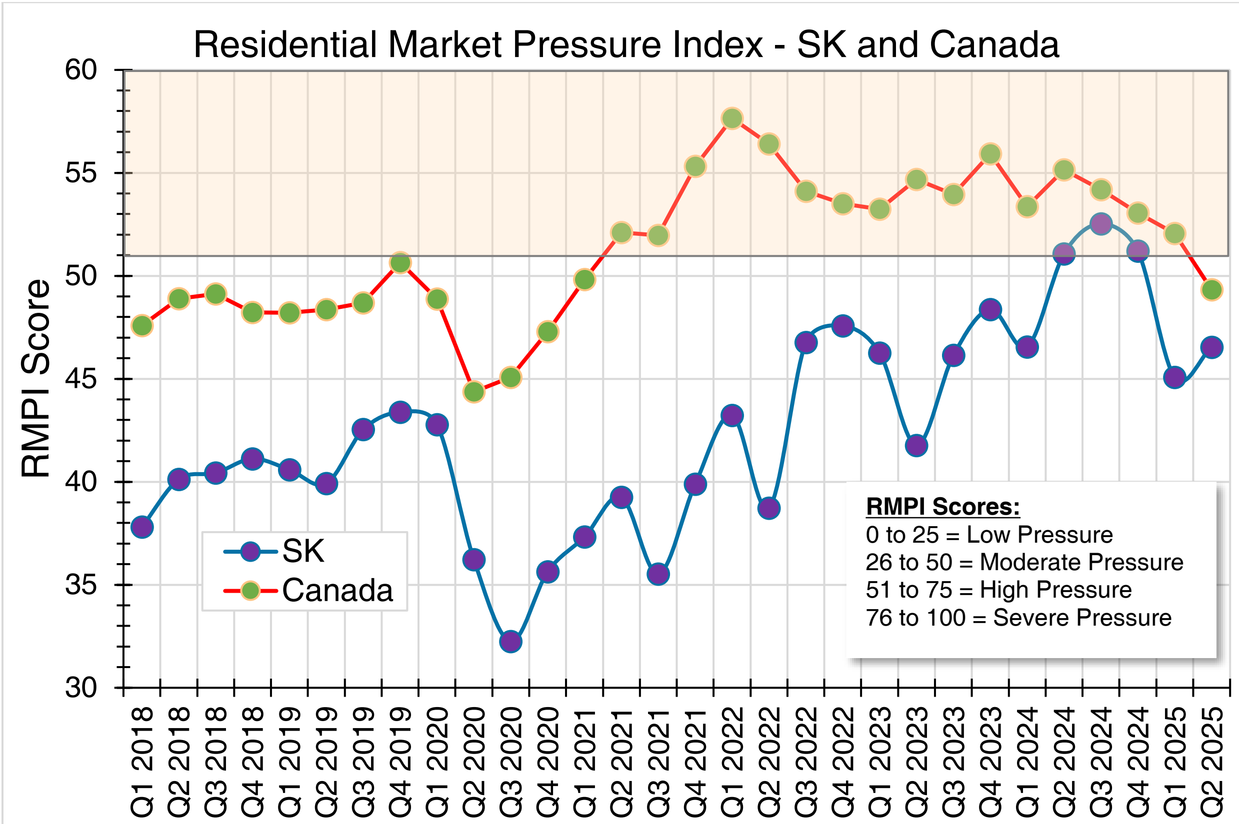
Ranked drivers (avg, last 4 quarters):

1. Supply: significant delays between approval and completion.
2. Rent: affordability steadily worsening.
3. Demand: resilient growth sustaining tight markets.
4. Ownership: remains relatively stable.

Outlook

Manitoba will remain at the **low end of high pressure**. Supply growth will be key to affordability stability.

Saskatchewan



Saskatchewan's RMPI, at 46.5 in Q2 2025, indicates moderate housing pressure underpinned by strong demand momentum. Interprovincial migration and job creation have boosted housing needs, but completions continue to lag.

Supply pressure is rising sharply, with developers facing cost and capacity hurdles that limit starts. Rent and ownership remain affordable compared to national averages, but the trend line is upward. Without faster delivery, today's moderate pressure could tip into sustained affordability loss by 2026.

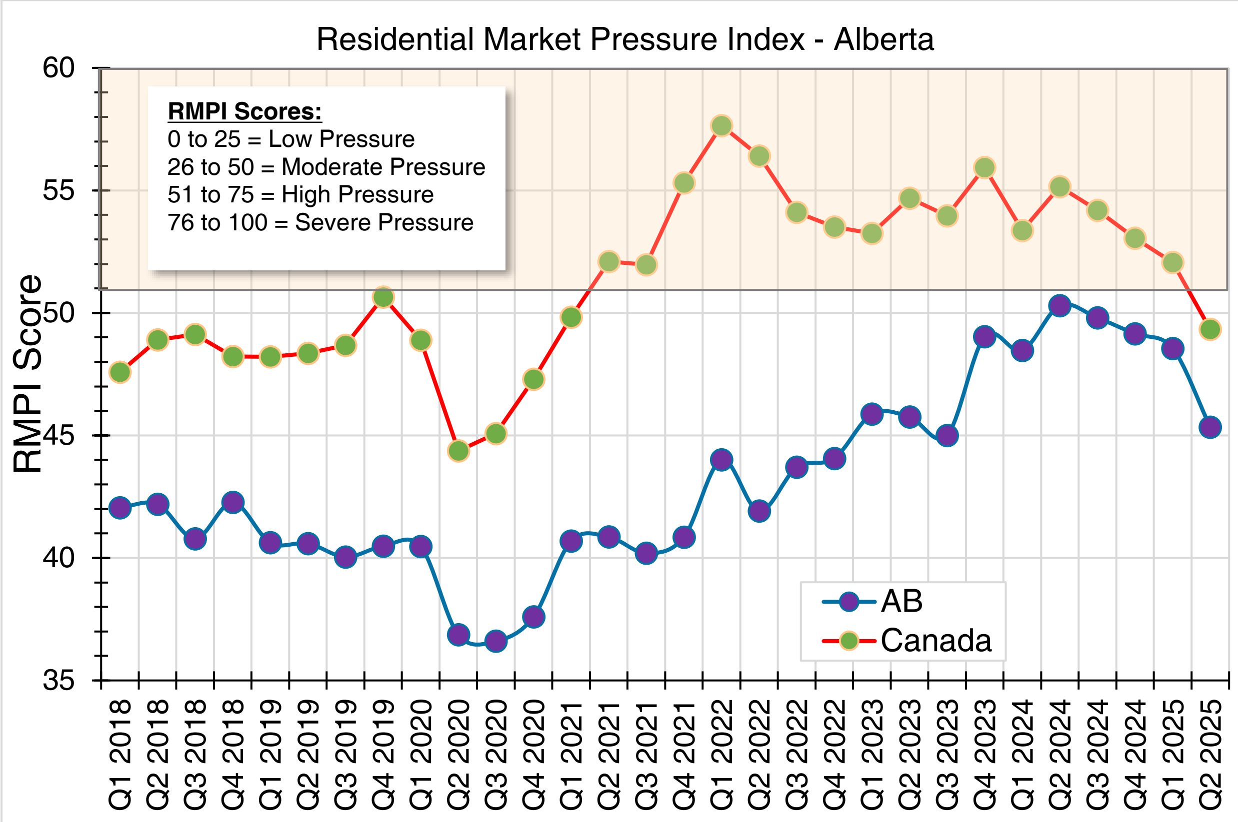
Ranked drivers (avg, last 4 quarters):

1. Supply: pronounced delivery gap emerging across major centres.
2. Rent: moderate but rising.
3. Demand: population growth stabilising.
4. Ownership: affordability remains an anchor of stability.

Outlook

Pressure will stay **moderate**, but supply delivery must accelerate to avoid long-term affordability erosion.

Alberta



Alberta's RMPI of 45.3 in Q2 2025 points to moderate and manageable housing pressure. Strong population inflows from other provinces continue, but the province's larger housing stock and lower costs have softened the impact.

Supply pressure has, however, increased with delivery times lengthening and starts falling short of approvals as builders face financing challenges. Rent burdens are rising quickly in Calgary and Edmonton, though ownership remains relatively affordable by national standards.

Alberta's advantage lies in capacity: policies that unlock labour and financing could keep it among Canada's most stable housing markets.

Ranked drivers (avg, last 4 quarters):

1. Supply: rising delivery strain as starts trail approvals.
2. Rent: affordability slipping amid tightening vacancy.
3. Demand: migration-driven growth sustaining momentum.
4. Ownership: still accessible, though trending upward.

Outlook

Alberta will remain **moderate**, though continued migration may add pressure through 2026.

Overall Conclusions of the RMPI

Canada's housing market remains under sustained structural pressure. While population growth has cooled and completions are rising, affordability remains the dominant challenge across nearly every province. The RMPI underscores one truth: **solving the housing crisis requires not just more homes, but homes that people can afford.** Comparisons between provinces highlight that progress is uneven. Ontario, British Columbia, and Nova Scotia remain under the greatest strain, while Newfoundland and Quebec demonstrate what balance looks like. The next phase of policy action must bridge that divide through faster delivery, smarter zoning, and affordability-first programs.

Understanding the RMPI (Nerdy Section)

The Residential Market Pressure Index (RMPI) distills housing stress into a single comparable score by combining four equally weighted components: **Demand Pressure**, **Supply Pressure**, **Rent Burden**, and **Ownership Burden**. Each captures a different dimension of how housing markets respond to population dynamics, construction activity, and affordability challenges. Together, they reveal whether housing markets are expanding in balance with need, or tightening under strain.

Demand Pressure

Formula: *Population Growth ÷ Housing Completions*
What it measures: Demand pressure quantifies how fast population growth is outpacing the delivery of new housing units. A high ratio signals that population growth (from births, migration, or both) exceeds the rate at which new homes are being added to the market.
Why it matters: When the population grows faster than completions, households must compete for limited housing stock. This pushes up rents, prices, and creates overcrowding, especially in fast-growing provinces. Persistent demand pressure suggests structural imbalance rather than temporary overheating.
Interpretation:
High ratio: Indicates intense demand and emerging shortages.
Low ratio: Suggests housing delivery is keeping up with, or surpassing, population needs.

Supply Pressure

Formula: *Inverse of Housing Starts ÷ Permits Issued*
What it measures: Supply pressure reflects how efficiently housing permits are converted into actual construction activity. The inverse relationship captures the idea that when a large share of approved projects fails to break ground, the supply pipeline is congested.
Why it matters: A sluggish conversion rate points to barriers like high construction costs, labour shortages, zoning delays, or developer uncertainty. This measure serves as a barometer for how responsive the construction sector is to policy incentives and market demand.
Interpretation:
High ratio (low starts-to-permits): Indicates bottlenecks and unrealized supply.
Low ratio (high starts-to-permits): Suggests strong follow-through from approval to delivery.

Rent Burden

Formula: *Average Rent ÷ Average Income*
What it measures: Rent burden captures the share of household income required to cover average rent payments. It directly gauges affordability pressure for tenants.
Why it matters: Renters are the most immediate victims of market tightening. As rent burdens rise, disposable incomes fall, savings decline, and eviction risks increase. Tracking rent burden allows policymakers to assess short-term affordability stress and identify where rental supply or subsidies are most needed.
Interpretation:
High ratio (>0.5): Renters spend over half their income on housing; significant affordability strain.
Low ratio (<0.3): Rent levels are more manageable relative to local incomes.

Ownership Burden

Formula: *Average Home Price ÷ Average Income*
What it measures: Ownership burden expresses how many multiples of average annual income are required to purchase a typical home. It captures long-term affordability and access to ownership opportunities.
Why it matters: When ownership burdens rise, homeownership rates fall, first-time buyers are priced out of the market, and wealth inequality widens. This metric also signals potential risks in credit exposure and financial stability, as households stretch to meet mortgage obligations.
Interpretation:
High ratio (>0.6): Indicates severe affordability barriers and possible overvaluation.
Low ratio (<0.3): Suggests accessible homeownership relative to income levels.

Integrating the Four Dimensions

- Each dimension contributes 25% to the overall RMPI.
- **Demand and supply** reflect *market fundamentals*; i.e., the physical balance between people and dwellings.
- **Rent and ownership burdens** capture *affordability outcomes*; i.e., how those imbalances manifest themselves in household budgets.
- By integrating both availability and affordability, the RMPI provides a holistic view of housing market stress that neither prices nor construction data alone can fully reveal.