

HOUSING MARKET INSIGHT

Canada



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: February 2018

“The number of NPR in Canada has grown at a rapid pace, in particular the number of students and work permit holders. Many of them occupy rental accommodation while in Canada, however evidence from the five largest Canadian chartered banks show many purchase homes as well.”



Andrew L. Scott
Senior Market Analyst

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

The Rise of Non-Permanent Residents and Their Effect on Housing

It is well understood that along with being the largest driver of population growth, international migration has an important influence on housing demand in Canada. However, what may not be fully understood or appreciated is the role of non-permanent residents (NPR) that make-up a sub-category of this migration. The number of NPR in Canada has grown at a rapid pace, in particular the number of students and work permit holders. This report attempts to clarify their effects on the profile of Canada's population and the resulting housing demand.

NPR permit holders tend to be young and provide a countervailing force to an aging population. Their household formation characteristics allow them to account for more than their share in urban housing markets. Many of them occupy rental accommodation while in Canada, however evidence from the five largest Canadian chartered banks show many purchase homes as well. The data suggest mortgages to NPR amount to between 1.9% of mortgages in Montreal to 3.9% in Vancouver in 2016. Meanwhile, many of the urban centres where NPR numbers increased significantly have experienced some of the lowest vacancy rates in the country.

The obtained data from the banks also included the share of mortgages held by non-resident owners (either foreign nationals or non-resident Canadians). The share represented by these mortgages was smaller than NPR at 1.1% in Toronto and 2.6% in Vancouver.

Who Are Non-Permanent Residents?

NPR are foreign nationals who are lawfully in Canada on a temporary basis under the authority of a valid document for the purposes of entering Canada. These temporary residents include NPR workers, international students, in-land refugee claimants, and others receiving work visas on humanitarian and compassionate grounds.

What also makes NPR different is the temporary nature of their residency and their high turnover rate. While most of this turnover constitutes visa holders returning to their home countries upon completion of studies or work, an increasing minority are NPR visa holders obtaining permanent residency or assuming non-NPR status while continuing to reside in Canada. Some studies have noted that 20-27% of international students¹ and approximately 20% of temporary foreign workers² became permanent residents in recent years.

NPR Population Primarily Students and Workers

In 1996, 37.3% of NPR stock were in-land refugee permit holders, 31.4% workers, 28.9% students, and 2.4% on Ministerial permits. In the years since, student and worker shares rose dramatically. In 2015, the composition of students was 51.9% and workers 45.7%.³ This shift towards more students and workers has implications for household formation and dwelling choices. The rate at which students and workers form new households is markedly higher than in-land refugees and other categories.

Growth in the stock of international students over the last ten years has been dramatic. With the national population of international students doubling to 353,355 in 2015, up from 181,175 in 2006⁴. Provincially, Ontario accounted for roughly half of this growth. The population of

international students increased by 146.2% over this same time period in Toronto. The numbers in Montreal and Vancouver approximately doubled in the past decade (see Figure 1).

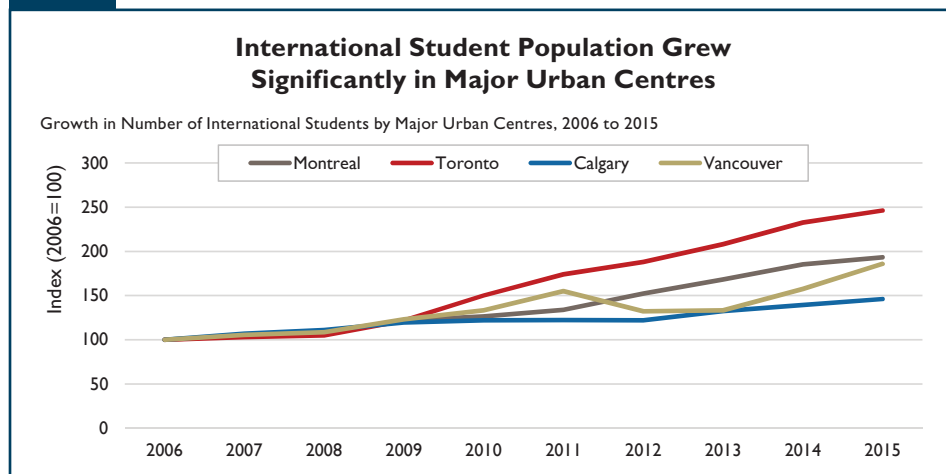
Significant Contributor to Population Growth in Major Cities

The number of NPR in Canada increased from 393,390 in 2003 to 759,193 in 2015. This is a 93.0% increase over a period when the overall population grew only 13.3%⁵. Current trends point to longer stays over time, driven largely by growth in

the share of NPR who are students in post-secondary studies. This trend has reduced the number leaving, and allows the total NPR population and household demand to grow at a somewhat faster rate than the number of new arrivals would suggest.

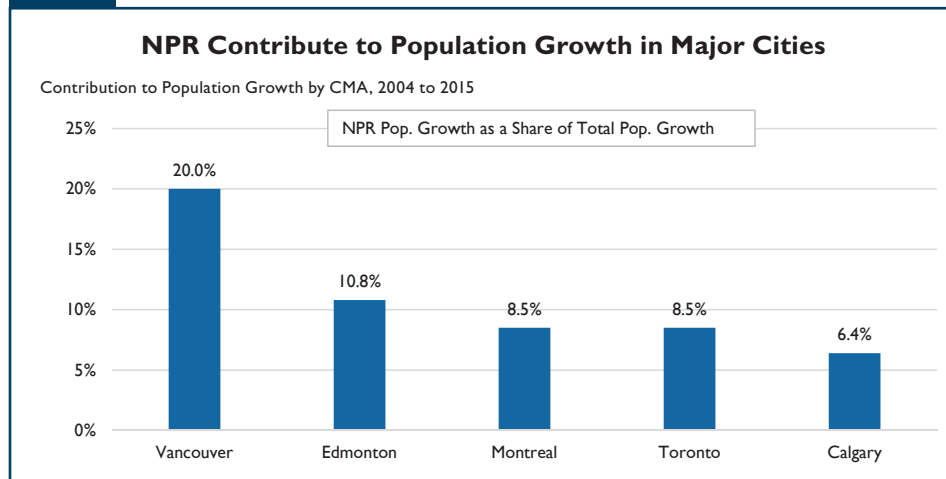
It is true that NPR represent a small fraction of the Canadian population; however, this masks their relative importance in urban centres and younger age groups. The concentration of NPR population is greatest in Canada's five largest CMAs, and in these cities, NPR represented a sizable proportion of population growth between 2004 and 2015 (see Figure 2). Most notably, their

Figure 1



Source: Statistics Canada, Demographic Division, Population Estimates

Figure 2



Source: Statistics Canada, Demographic Division, Population Estimates

growth represented 20% of total population growth in Vancouver over this time period. In other cities, this contribution ranged from 6.4% in Calgary to 10.8% in Edmonton.

Countervailing Force to an Aging Population

The share of NPR in the stock and growth of the 18-44 age cohort is perhaps the most persuasive evidence of the impact on housing demand. In 2015, 84.3% of NPR were in the 18-44 age cohort, a steady increase from 77.2% in 2003. This is in sharp contrast to 36.5% of the current Canadian population. This is significant because the majority of new households formed in Canada originate from this group.

It is important to examine NPR growth in the context of younger demographics. With the predominant majority of all NPR in the 18-44 cohort, and growing over time, NPR in this age cohort have played a dominant role in national growth in the cohort, on average 48.4% 2004-2015. Most notable has been the role of NPR in the growth of the 18-44 age cohort within large cities, representing 45.9% of the total young-adult population growth in Vancouver and 27.9% in Toronto (see Figure 3).

Given NPR have represented a larger amount of this cohort, it can be said their effect on housing demand in these major cities is larger than their overall population numbers suggest. In addition to their younger characteristics, the temporary nature of their residency also suggests many of them are renting. Data gleaned from Statistics Canada's Census suggests the majority of NPR households rent.

At the same time, population centres like Vancouver and Toronto that have seen NPR populations bolster their younger age groups had some of the lowest rental apartment vacancy rates at 0.7% and 1.3% respectively in 2016⁶. However, we would not push this link too hard, as there are many other forces at play in these rental markets.

Evidence from Residential Mortgages Issued to NPR

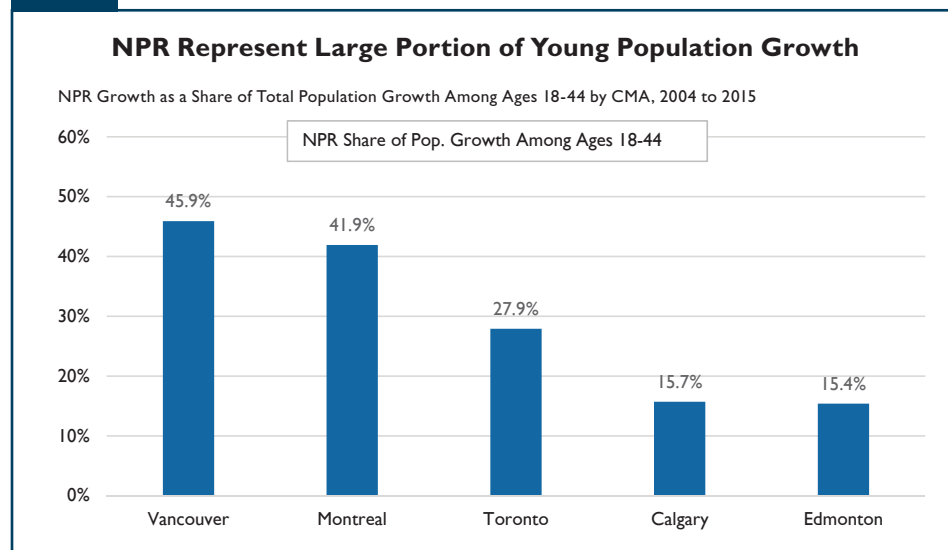
With limited exceptions, all NPR, regardless of age have left the family household in order to be in Canada, and form part of an independent household in Canada. They would not be eligible to receive a visa if they could not afford to do so. Therefore, it is reasonable to conclude that they form households at a much higher rate than their Canadian demographic counterparts. According to Statistics Canada's Census figures many of them are occupying rental

accommodations. Nevertheless, NPR have the legal right to purchase property, and are doing so.

A sample of outstanding mortgages from the five largest chartered banks in Canada offers a glimpse into the residential real estate purchases made by NPR. The last few years have seen growth in the number of mortgages held by NPR at Canadian banks. Some of this is likely a result of longer stays and shifting immigration from source countries that have a stronger ownership ethic. NPR migration is also increasingly becoming a precursor for securing permanent residency.

The share of mortgages held by NPR were most evident in Canada's major census metropolitan areas. In 2016, 3.9% of mortgages issued in Vancouver were held by NPR, followed by Edmonton (2.9%), Toronto (2.7%), Calgary (2.4%) and Montreal (1.9%). The growth in the number of mortgages held by NPR meant that in Vancouver, Toronto

Figure 3



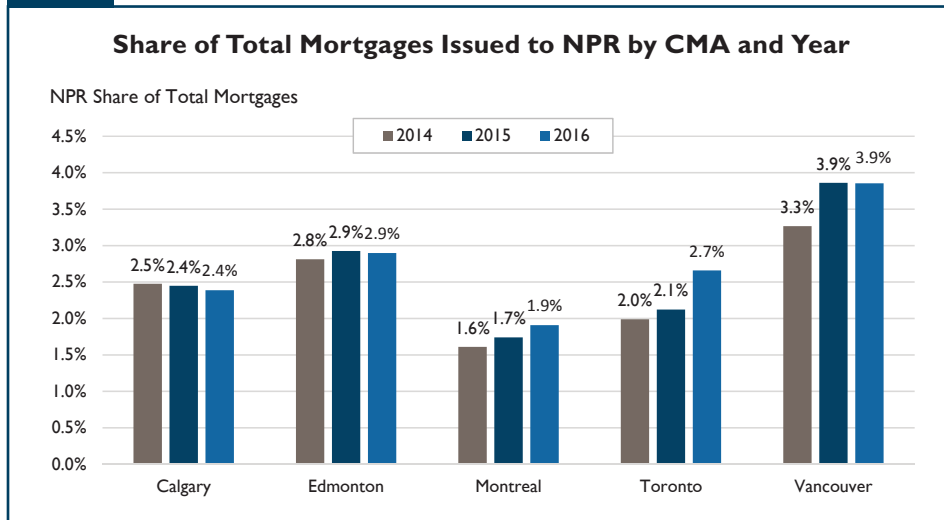
Source: Statistics Canada, Demographic Division, Population Estimates

and Montreal (see Figure 4) their shares of total mortgages increased. NPR mortgage numbers were steady in Edmonton and Calgary where NPR are more concentrated in work permit holders, whose numbers were negatively impacted by economic conditions in commodity related industries.

NPR share of mortgages grew larger when looking at younger age groups. For those 18-44, their share enlarged to 4.7% in Vancouver, 3.8% in Edmonton 3.4% in Toronto and 2.4% in Montreal in 2016. This share had grown the fastest in Toronto and Vancouver over the time period of 2014 to 2016. Among the small group of mortgage holders under the age of 25, NPR represented an even larger share in Vancouver and Toronto at nearly 10% of total mortgages issued in 2016. Thus, signifying some younger NPR may be receiving parental support to purchase homes.

Similar to Canadian permanent residents, single-detached dwellings comprised the largest share of purchases made by NPR, with the exception of those in Vancouver and Montreal where condominiums were their most frequent purchase. In general, a greater share of NPR purchased condominium properties compared to permanent residents, which was especially true for the youngest cohorts of NPR. For other home types, such as semi-detached or townhomes, NPR purchasing behaviour matched that of residents.

Figure 4



Source: Select Canadian chartered banks

The value of properties acquired by NPR tended to be more expensive. In Toronto the average single-detached property value purchased by NPR was \$1,088,477 compared to \$901,938 for permanent residents. In Vancouver that figure was \$1,652,596 for NPR and \$1,422,277 for permanent residents. Condominium tenured properties purchased by NPR were on average roughly 13% more expensive in Toronto, and approximately 20% more expensive in both Montreal and Vancouver. Part of this was compositional, as NPR were more likely to reside in more expensive parts of these population centres.

Interestingly, in Edmonton and Calgary the average value of homes purchased by NPR was fairly similar to that of permanent residents. In some cases, such as condominiums in Edmonton, the average property value was higher for permanent residents at \$253,604, compared to \$229,154 for NPR.

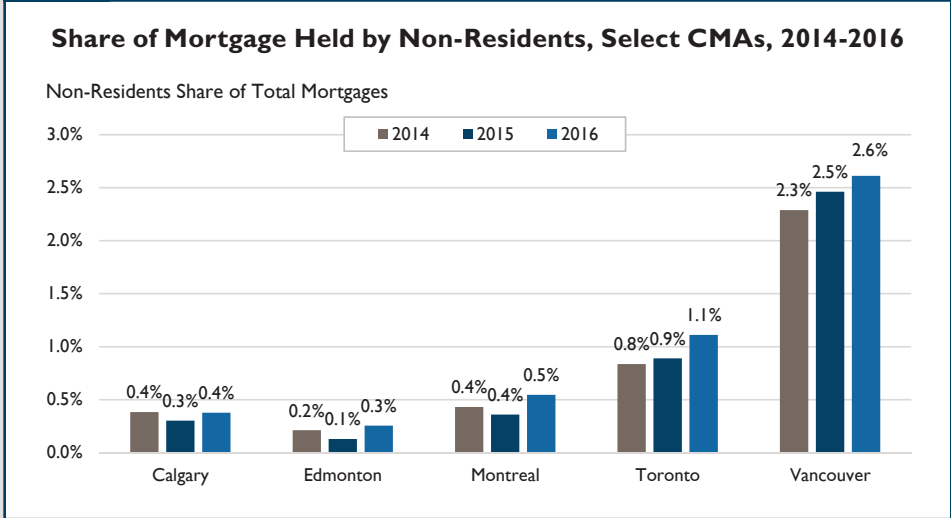
Non-resident Mortgages Held at Chartered Banks

Within the sample of mortgages obtained by CMHC, we were also able to ascertain the number of mortgages held by non-residents. These were individuals that resided outside of Canada at the time of purchase. It was observed that the share of mortgages held by these individuals was low in most CMAs. The highest share was in Vancouver at 2.6%, followed by Toronto (1.1%), and Montreal (0.5%) in 2016.

The share of non-resident mortgages saw modest growth as a share of total mortgages at the chartered banks over the period of 2014 to 2016 (see Figure 5). Vancouver and Toronto showed the biggest change as their shares increased 0.3 percentage points over this time. However, other major population centres saw very little change.

The data on non-resident mortgages also showed that, similar to NPR, non-residents were more likely than permanent residents to purchase condominium apartment structures. Non-residents also tended to buy properties that had a higher value than those of permanent residents. The average value of property purchased by non-residents was also higher than that of the homes purchased by non-permanent residents.

Figure 5



Source: Select Canadian chartered banks

Appendix

Table 1 – NPR Mortgages as a Share of Total Mortgages, Select CMAs

CMA	2014	2015	2016
Calgary	2.5%	2.4%	2.4%
Edmonton	2.8%	2.9%	2.9%
Montreal	1.6%	1.7%	1.9%
Toronto	2.0%	2.1%	2.7%
Vancouver	3.3%	3.9%	3.9%

Source: Select Canadian chartered banks

Table 2 – NPR Mortgages as a Share of Total Mortgages by Age

CMA	Age Group	2014	2015	2016
Calgary	18-44	3.2%	3.3%	3.0%
	45+	1.5%	1.4%	1.7%
Edmonton	18-44	3.6%	3.8%	3.8%
	45+	1.6%	1.6%	1.6%
Montreal	18-44	2.2%	2.4%	2.4%
	45+	1.0%	1.0%	1.4%
Toronto	18-44	2.9%	3.1%	3.4%
	45+	1.0%	1.2%	2.0%
Vancouver	18-44	4.5%	5.0%	4.7%
	45+	2.0%	2.8%	3.0%

Source: Select Canadian chartered banks

Table 3 – Distribution of Mortgages by Dwelling Type, NPR vs. Permanent Residents, 2016

Dwelling Type	Calgary		Edmonton		Montreal		Toronto		Vancouver	
	NPR	Perm. Residents	NPR	Perm. Residents	NPR	Perm. Residents	NPR	Perm. Residents	NPR	Perm. Residents
Single-detached	69.0%	67.2%	62.1%	65.6%	37.2%	55.9%	50.8%	56.8%	40.3%	48.5%
Condominiums	15.2%	18.1%	18.0%	18.7%	46.1%	24.6%	30.7%	23.4%	42.9%	37.0%
Other	15.8%	14.7%	19.8%	15.8%	16.8%	19.5%	18.5%	19.8%	16.8%	14.5%

Source: Select Canadian chartered banks

Table 4 – Average Property Value by Dwelling Type, NPR vs. Permanent Residents, 2016

CMA	Borrower Type	Single-detached	Condominiums	Other
Calgary	NPR	\$557,856	\$331,774	\$383,343
	Perm. Residents	\$539,654	\$312,364	\$388,568
Edmonton	NPR	\$454,464	\$229,154	\$320,629
	Perm. Residents	\$452,800	\$253,604	\$331,546
Montreal	NPR	\$551,886	\$353,863	\$535,563
	Perm. Residents	\$369,504	\$290,691	\$415,186
Toronto	NPR	\$1,088,477	\$443,217	\$640,404
	Perm. Residents	\$901,938	\$391,389	\$583,298
Vancouver	NPR	\$1,652,596	\$535,715	\$654,760
	Perm. Residents	\$1,422,277	\$447,144	\$641,865

Source: Select Canadian chartered banks

Table 5 – Non-Residents Mortgages as a Share of Total Mortgages, Select CMAs

CMA	2014	2015	2016
Calgary	0.4%	0.3%	0.4%
Edmonton	0.2%	0.1%	0.3%
Montreal	0.4%	0.4%	0.5%
Toronto	0.8%	0.9%	1.1%
Vancouver	2.3%	2.5%	2.6%

Source: Select Canadian chartered banks

Table 6 – Distribution of Mortgages by Dwelling Type, Non-Residents vs. Permanent Residents, 2016

Dwelling Type	Calgary		Edmonton		Montreal		Toronto		Vancouver	
	Non-Residents	Perm. Residents	Non-Residents	Perm. Residents	Non-Residents	Perm. Residents	Non-Residents	Perm. Residents	Non-Residents	Perm. Residents
Single-detached	59.6%	67.2%	63.0%	65.6%	25.0%	55.9%	51.2%	56.8%	48.0%	48.5%
Condominiums	28.8%	18.1%	24.1%	18.7%	57.8%	24.6%	34.5%	23.4%	42.6%	37.0%
Other	11.5%	14.7%	13.0%	15.8%	17.2%	19.5%	14.3%	19.8%	9.4%	14.5%

Source: Select Canadian chartered banks

Table 7 – Average Property Value by Dwelling Type, Non-Residents vs. Permanent Residents, 2016

CMA	Borrower Type	Single-detached	Condominiums	Other
Calgary	Non-Residents	\$537,340	\$335,196	\$453,685
	Perm. Residents	\$539,654	\$312,364	\$388,568
Edmonton	Non-Residents	\$643,200	\$377,625	\$376,333
	Perm. Residents	\$452,800	\$253,604	\$331,546
Montreal	Non-Residents	\$777,829	\$400,090	\$686,684
	Perm. Residents	\$369,504	\$290,691	\$415,186
Toronto	Non-Residents	\$1,329,099	\$472,325	\$785,469
	Perm. Residents	\$901,938	\$391,389	\$583,298
Vancouver	Non-Residents	\$2,199,903	\$671,903	\$848,122
	Perm. Residents	\$1,422,277	\$447,144	\$641,865

Source: Select Canadian chartered banks

ENDNOTES

- ¹ Lu, Yuqian and Hou, Feng (2015). International Students who become permanent residents in Canada. Ottawa. Retrieved from: <http://www.statcan.gc.ca/pub/75-006-x/2015001/article/14299-eng.htm>
- ² Lu, Yuqian and Hou, Feng (2017). Transition from Temporary Foreign Workers to Permanent Residents, 1990 to 2014. Ottawa. Retrieved from: <http://www.statcan.gc.ca/pub/11f0019m/11f0019m2017389-eng.htm>
- ³ Immigration, Refugees and Citizenship Canada.
- ⁴ Statistics Canada.
- ⁵ Statistics Canada.
- ⁶ 2016 Rental Market Report – Canada Highlights. Ottawa. Retrieved from: https://www.cmhc-schl.gc.ca/odpub/esub/64667/64667_2016_A01.pdf?fr=1509711924619

DEFINITIONS

Non-Permanent Residents

Foreign nationals temporarily residing in Canada.

Non-Residents

Those whose primary residence is outside Canada.

Permanent Residents

Those whose permanent residence is inside Canada, including those with Canadian and non-Canadian citizenships.

CMHC HELPS CANADIANS MEET THEIR HOUSING NEEDS.

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at www.cmhc.ca or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/en/hoficlincl/homain

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to printed editions of MAC publications, call 1-800-668-2642.

©2018 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please complete the [CMHC Copyright request form](#) and email it to CMHC's Canadian Housing Information Centre at chic@cmhc.ca. For permission, please provide CHIC with the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on

FREE REPORTS AVAILABLE ON-LINE

Local, regional and national analysis and data pertaining to current market conditions and future-oriented trends.

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Regional and Northern
- Housing Market Outlook, Canada and Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

FREE DATA TABLES AVAILABLE ON-LINE

- Housing Construction Activity by Municipality
- Comprehensive Rental Market Survey Tables
- Comprehensive New Home Construction Tables

CMHC's Market Analysis Centre provides a wealth of local, regional, and national data, information, and analysis through its suite of reports, data tables, and interactive tools.

- **Forecasts and Analysis** – Future-oriented information about local, regional and national housing trends.
- **Statistics and Data** – Information on current housing market activities – starts, rents, vacancy rates and much more.

HOUSING MARKET INFORMATION PORTAL!

The housing data you want, the way you want it.

- Information in one central location
- Quick and easy access
- Neighbourhood level data

cmhc.ca/hmiportal

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

Housing Observer Online

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions and trends & *much more!*

All links can be shared in social media friendly formats!

The screenshot displays the Housing Observer Online website. At the top, there's a navigation bar with the title 'HOUSING MARKET INFORMATION PORTAL'. Below it, several article cards are visible, each with a date and a brief description. For example, one card dated 'JUNE 23, 2015' says 'The HMI Portal provides reliable and impartial housing market reports, data and analysis.' Another card dated 'AUGUST 04, 2015' is titled 'An alternative water ready home — what's the plan?'. A third card dated 'AUGUST 20, 2015' says 'We have to learn to be flexible... and so does our housing'. A fourth card dated 'JULY 04, 2015' asks 'What is a condo?' and lists options: 'a) An apartment', 'b) A single family home', 'c) A townhome', and 'd) All of the above'. At the bottom of the screenshot, there's a red banner with the text 'Subscribe today to stay in the know!' and the URL 'www.cmhc.ca/observer'. Below the banner, there are more article cards, including one titled 'Own Your Home' and another titled 'Housing Starts: Analysis and Assessment (HPA) April Update'.