



Additional Analysis

Impact of the 2025-2027 Immigration Levels Plan on Canada's Housing Gap

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This note presents the Parliamentary Budget Officer's (PBO) estimate of the impact of the Government's 2025-2027 Immigration Levels Plan on the housing gap in Canada.

Key findings


- Assuming that the population evolves in line with the Government's projection, we estimate that the 2025-2027 Immigration Levels Plan will reduce Canada's housing gap in 2030 by 534,000 units (45 per cent). After accounting for the Government's new immigration plan, we estimate Canada's housing gap in 2030 to be 658,000 units.
 - Combined with our updated baseline outlook of 1.7 million net housing completions, closing the housing gap in Canada would require a total of 2.3 million housing completions by 2030, which would translate into 390,000 total units completed annually, on average, over 2025 to 2030.
 - We judge that there is significant risk to the demographic projection presented in the Government's new immigration plan—particularly to the projected outflow of non-permanent residents. Our estimated reductions in household formation and the housing gap are uncertain and likely represent upper-bound estimates.
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On October 24, the Government released its [2025-2027 Immigration Levels Plan](#) (ILP), which included permanent resident targets and, for the first time, temporary resident targets for international students and temporary foreign workers. For permanent residents, the plan highlights a decrease in permanent resident admissions from 464,265 in 2024 to 395,000 in 2025, 380,000 in 2026 and 365,000 in 2027. For non-

permanent residents (NPRs), the plan presents arrival targets set with the goal of reducing the number of NPRs to 5 per cent of Canada's population by the end of 2026.

Given the immigration targets announced in this plan, the Government projects that the Canadian population will decline by 0.2 per cent in both 2025 and 2026, before returning to population growth of 0.8 per cent in 2027. If the population evolves as the Government projects, it will be the first time Canada experiences an annual decline in its population. Although the ILP projects fewer permanent resident admissions and fewer NPR arrivals, the projected decline in the population will be driven by large outflows of NPRs. Excluding individuals who will transition to permanent residency, the plan assumes that 2.8 million temporary residents will leave the country over the next 3 years—equivalent to 93 per cent of the current NPR population.

Table 1 – Demographic projections under the 2025-2027
Immigration Levels Plan

	2023	2024	2025	2026	2027
Population – Canada	40,083,484	41,288,599	41,206,022	41,123,610	41,452,599
 Population growth rate	2.9%	3.0%	-0.2%	-0.2%	0.8%
 Population change	1,147,550	1,205,115	-82,577	-82,412	328,989
Population changes due to:					
 Natural increase and emigration	-34,114	-34,241	-31,676	-16,790	-53,450
 Permanent immigration	468,913	464,265	395,000	380,000	365,000
 Net non-permanent residents	712,751	775,091	-445,901	-445,622	17,439
 NPR inflow	1,131,203	1,318,706	816,900	659,036	892,568
 NPR outflow	418,452	543,615	1,262,801	1,104,658	875,129
Total non-permanent residents	2,226,999	3,002,090	2,556,189	2,110,567	2,128,006
 NPR share of Canada's population	5.6%	7.3%	6.2%	5.1%	5.1%

Sources

Statistics Canada

Immigration, Refugees and Citizenship Canada

Office of the Parliamentary Budget Officer

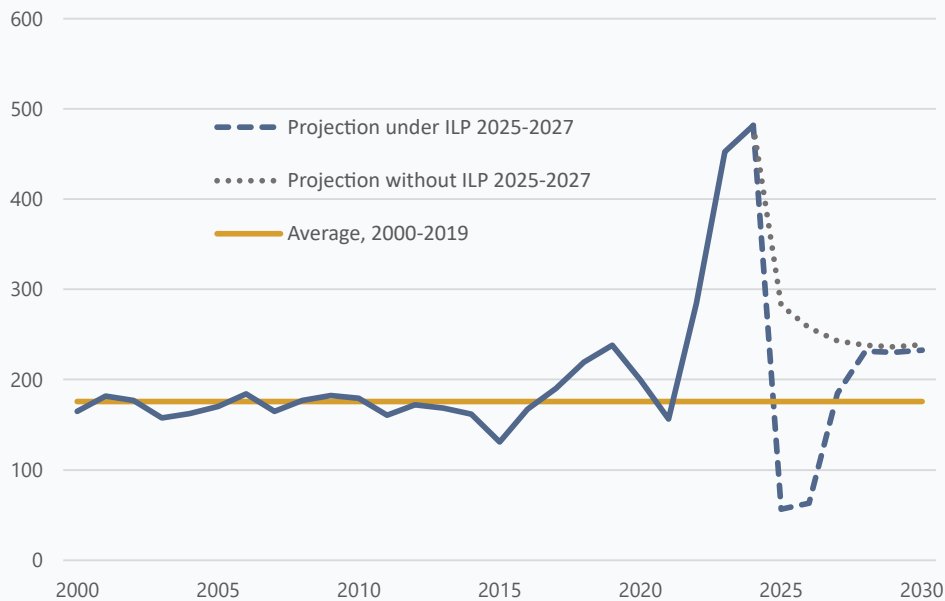
Note

To maintain consistency with the latest demographic estimates, we applied projected population growth rates and immigration flows under the 2025-2027 ILP to the most recent demographic estimates (as of July 1, 2024) from Statistics Canada.

To estimate the impact of the Government's new immigration plan on the housing gap, PBO first updated its estimate of the housing gap^[1] from the April 2024 report [Household Formation and the Housing Stock](#) to include population and housing completion estimates for 2024, as well as an updated baseline outlook for net housing completions following the announcement of [Canada's Housing Plan](#). Next, we estimated what the housing gap in 2030 would be given the new population projections under the 2025-2027 ILP. The difference between the two housing gap estimates represents the impact of the Government's new immigration plan.

In terms of household formation, we estimate that the demographic projection presented in the new Immigration Levels Plan would result in 497,000 fewer households in 2030—well below the lower population growth scenario in our April 2024 report (assuming all those whose NPR status will be revoked will leave Canada).

Figure 1 – Projected household formation, thousands of households



Sources

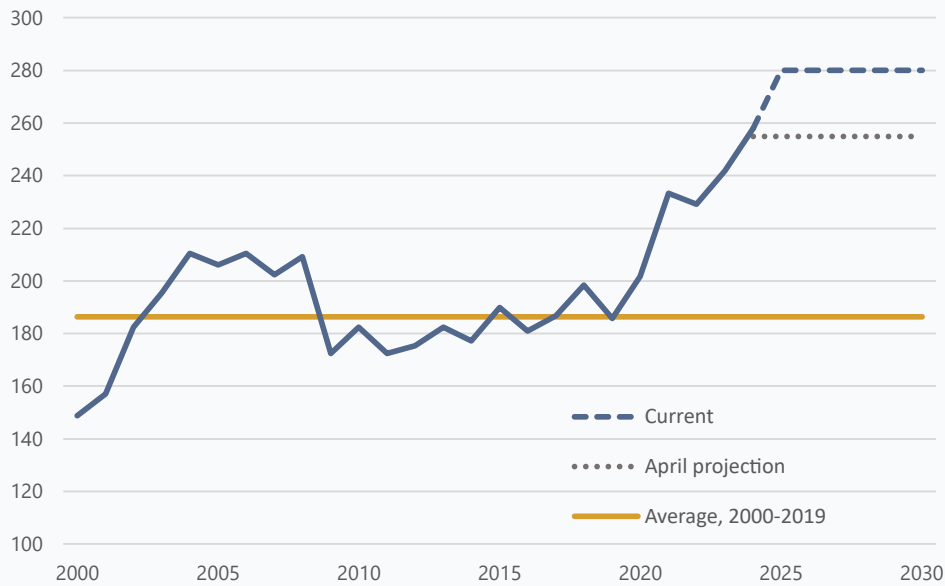
Statistics Canada
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Note

The projection period covers 2025 to 2030. Estimates over 2022 to 2024, as well as projections over 2025 to 2030, reflect only the demographic demand for housing.

Our outlook for housing construction has also been revised upward to reflect recent data and the potential impacts of the Government’s new housing measures. As such, we assume that over 2025 to 2030, the housing stock will increase on average by 280,000 units annually. This matches the higher construction scenario considered in our April 2024 report.

Figure 2 – Baseline net housing completions, thousands of units



Sources

Statistics Canada
Office of the Parliamentary Budget Officer

Note

The projection period covers 2025 to 2030.

In the absence of the 2025-2027 ILP, relative to our updated outlook for housing construction, we estimate that 1.2 million additional units—199,000 units annually, on average, over 2025 to 2030—would need to be completed by 2030 to eliminate the housing gap in Canada. Assuming that the population evolves in line with the Government’s plan, we estimate that the 2025-2027 ILP will reduce Canada’s housing gap in 2030 by 534,000 units (45 per cent).^[2] After accounting for the new ILP, we estimate Canada’s housing gap in 2030 to be 658,000 units (Table 2). Eliminating this gap would require an additional 110,000 units constructed annually over 2025 to 2030 relative to our updated outlook.

Combined with our updated baseline outlook of 1.7 million net housing completions, closing the housing gap in Canada would require a total of 2.3 million housing completions by 2030, which would translate into 390,000 total units completed annually, on average, over 2025 to 2030.

That said, we judge that there is significant risk to the demographic projection presented in the Government's 2025-2027 Immigration Levels Plan—particularly to the projected outflow of non-permanent residents. Both our estimated reduction in household formation and the housing gap under the ILP are uncertain and likely represent upper-bound estimates.

Table 2 – New baseline net housing completions and estimated housing gap under the 2025-2027 Immigration Levels Plan

	Number of housing units
Excess demographic demand	-192,000
Suppressed household formation	631,000
Return to average vacancy rate	219,000
Housing gap in 2030	658,000
Baseline net completions, 2025-30	1,680,000
Total net housing completions, baseline and housing gap, 2025-30	2,338,000

Source

Office of the Parliamentary Budget Officer

Notes

1. PBO defined the housing gap as the number of additional units that would be required to return the total vacancy rate to its long-term average by 2030, accounting for suppressed household formation. Relative to our April baseline outlook, we estimated that 1.3 million additional units would need to be completed by 2030 to eliminate the housing gap in Canada. Further, we estimated that, combined with our April baseline outlook, closing the housing gap would result in 3.1 million net housing units completed by 2030.
2. The Government estimated that its 2025-27 ILP would reduce the housing supply gap by approximately 670,000 units by the end of 2027, which is well above PBO's estimate of a reduction in the housing supply gap in 2030 of 534,000 units. This difference likely reflects several factors, such as the assumed age, region and household structure of the NPR outflows projected under the ILP, as well as the time horizon and counterfactual population projection.

[Housing](#)

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