Collapse

Canada's housing collapse, and the check that was missing

The four checks of Channels, Not Dams, applied by David Eqbal

Key messages

- **Canada stopped building during a shortage.** In 2025 the Greater Toronto Area recorded the fewest new home sales in 45 years, a record 7,243 condominium units cancelled, about 3,000 pre-sold units taken back from buyers who could not close, and Toronto's housing starts, adjusted for population, at their lowest since 1996. CMHC says the country needs 187,000 to 238,000 more homes a year than it is on track to build.
- **Seven levers, seven hands.** Interest rates, immigration volumes, mortgage rules, taxes and charges on new homes, approvals, the pre-sale model and an economy that leans on housing were each held by a different institution, and each was pulled, often for good reasons, within its own mandate.
- **Two clocks.** A home takes four to six years to build; rates and immigration change in months. The towers finished in 2025 answered the demand of 2021. The homes due in 2030 are not being sold, so they will not be built.
- **Many hands, no hand on the whole, but not no one.** No institution had the job of asking what the levers would do together. That explains the collapse; it does not excuse the hands, each of which could see beyond its own lever. This brief assigns each a graded share.
- **The proposal:** an independent Impact Guidance Office to assess and publish the combined effect of major decisions before they are made, with a public dashboard, warnings that must be answered within 45 days and a panel of those affected, alongside seven repairs to the levers themselves.

What happened, 2020 to 2026

The boom. In March 2020 the Bank of Canada cut its rate to 0.25 percent and held it there for two years. In February 2022 the national average home price reached a record $816,720. In the GTA pre-sale market, investors made up as much as 70 percent or more of buyers, and units grew smaller to suit them.

The turn and the surge. From March 2022 the Bank raised its rate ten times in sixteen months, to 5.00 percent; prime went from 2.75 to 7.20 percent. Toronto's building costs had risen about 80 percent since late 2018. At the same time Canada added 1,271,872 people in 2023, the fastest growth since 1957, most of it from about 805,000 more temporary residents.

The reversal. From January 2024 Ottawa capped study permits and cut other targets. Temporary residents peaked at 3,149,131 in October 2024; in the third quarter of 2025 they fell by 176,479, the largest drop since records began in 1971. The renters the small investor units were built for left just as a near-record 29,291 GTA condominiums were completed in 2025.

The bust, and a second shock. New condominium sales ran 89 percent below their ten-year average; in January 2026, 85 units sold in the whole region. Toronto lost 34,600 construction jobs from its 2023 peak. United States tariffs from March 2025 struck manufacturing separately, and the economy shrank in late 2025 and early 2026, mainly because of trade. Rents have now fallen for 24 months, but the shortage of 2030 is being created now.

How the levers combined

Taken one at a time, almost every decision can be defended. The damage came from the way they met.

1. **Two clocks:** fast levers drove a slow pipeline, so supply always answered a question that had already changed.
2. **Everything at once:** in the boom every lever raised demand; in the bust every lever turned together. No one leaned against the wind.

3. **The scissors:** costs, rates and development charges rose while pre-sale prices were fixed, then appraisals fell below the agreed price at closing.
4. **A reversal timed against the pipeline:** the sharpest cut in temporary residents came in 2025, the year completions peaked. The PBO had warned that Ottawa's projections were at "significant risk."

A share for each hand

Each institution was run by people with more information, expertise and power than the buyers who carried the result, and the record shows most of them saw the danger. The shares below are a judgment, not a measurement, and belong to offices, not individuals.

Hand	What it could see, and should have raised	Share
Federal government (immigration, with Finance)	Let temporary residence surge with no published target, then reversed sharply into peak completions; its own 2024 cap cited housing	Major
Bank of Canada	Its guidance that rates would stay low was heard as a promise by buyers committing to homes years away; its own reviews flagged household debt	Major
Municipalities and the province	Raised development charges by half in a single year into a turning market; left approvals slow and unpredictable	Significant
Developers and lenders	Knew an investor product depended on rising prices and population, and that buyers bore the risk if either failed	Significant
OSFI and Finance; investors	Tested borrowers at qualification, not at closing years later; investors bought most new units on the expectation of growth	Contributing
Governments over decades	Made housing the favoured place for Canadians' savings	Underlying

Who paid held no lever. Pre-sale buyers lost deposits and years; construction workers lost hours while their mortgages renewed higher; small builders and suppliers carried unpaid invoices and personal guarantees; the young faced high rents, then fewer jobs (youth unemployment reached 14.3 percent in April 2026). Taxpayers are now paying for the repair: $8.8 billion to halve development charges and remove the HST on new homes, and $13 billion for Build Canada Homes.

The four checks applied

The series this brief belongs to asks whether power is held in a way that can be trusted when the person holding it is ordinary. Applied to the space between the levers:

Check	For each lever	For the combined effect
Independent evaluation	Strong in places: the Bank, the PBO, CMHC, Statistics Canada	Absent: no body assessed the combination before decisions were made
Transparency	Most data published	Weak: scattered, written for specialists, never assembled for those affected
Flagging channel	Anyone could warn, and many did	Absent: no warning had to be answered by another hand
Monitoring from below	Some consultation on single decisions	Absent: those who saw it first had no channel to report it

The two conditions also fail. The checks reported upward, to ministers, Parliament and markets, not outward to households. And each checker was checked against its own mandate; no one checked the gaps between mandates.

Was it the market?

Partly. There was a speculative boom, and those who speculated carry a share. Inflation, rates and material costs were global. But the pre-sale model, the immigration surge and reversal, the charges and the dependence on housing were Canadian. The market supplied the boom's appetite and the correction's force; policy dug the channels it ran in, and changed them quickly, often and all at once.

Recommendations

Part one: the missing hand (Parliament, provinces opting in)

1. **An independent Impact Guidance Office,** an officer of Parliament like the PBO, with a fixed term, a protected budget and a legal right to data. Before the immigration levels plan, changes to taxes, charges and buyer incentives, mortgage rules, large-city development charges and approval changes, and the plans of public builders, the deciding body obtains and publishes its assessment: what the decision will do over five

years, how it interacts with the others, when its effects arrive, and who pays if the combination fails. It decides nothing.

2. **The Bank of Canada stays independent.** The Office does not assess rate decisions in advance; it publishes a commentary after each of the Bank's regular reports on how the expected rate path meets the housing pipeline.
3. **A quarterly public dashboard** of population against homes due for completion five years ahead, pre-sales, cancellations and failed closings, the cost of a new home by component, affordability, jobs, municipal growth revenue and arrears, with a plain-language summary that every pre-construction buyer must receive.
4. **A flagging channel with teeth:** when the Office or a designated body (CMHC, the Bank, the PBO, Statistics Canada, provincial accountability officers, the panel) flags a risk to an institution, it must answer in public within 45 days: what it will do, or why it will do nothing.
5. **A standing panel** of buyers, renters, workers, small builders, suppliers and cities, reporting in its own words and able to require the Office to examine a risk. The Office publishes its own past assessments against outcomes, and Parliament reviews it every five years.

Part two: repairing the levers

6. **Protect the pre-sale buyer:** full deposit protection when a builder cancels or fails, not $20,000; honest disclosure at sale; public counts of appraisal gaps, forfeits and private loans to close. Build a road around the pre-sale through the Canadian Affordable Housing Trust (Model 1) and resident building groups (Model 2).
7. **Reform development charges:** a published schedule, payment at occupancy, and a lasting way to fund growth infrastructure through property taxes, long-term borrowing and stable transfers.
8. **Run approvals as a steady service,** never a lever: statutory timelines, fee-funded staff, public tracking and annual reports by city.
9. **Tie immigration to a published housing capacity,** keep temporary residents in every levels plan, and change in steps the pipeline can follow.
10. **Build against the cycle** with a ready pipeline of public and non-market projects, including Build Canada Homes, so crews and suppliers keep working through a bust.

11. **Build the right homes and rebalance the economy:** favour family-sized, rental and non-market homes, and move tax and lending incentives over time from housing as an investment toward productive investment.

What this brief does not claim

It does not claim that any one institution caused the collapse, or that its officials acted in bad faith; most answered real problems. It cannot divide the cause into percentages, which is why the shares are grades. It cannot prove that a combined-effect check would have prevented the collapse; a check makes a collision visible, it does not steer. The recession of late 2025 and early 2026 was driven mainly by trade. Some figures, including the estimate that government charges make up about a fifth of a new GTA home's price, come from studies commissioned by the building industry, and some are scenarios or forecasts, labelled as such in the paper. Nothing here is legal or financial advice.

About this brief

This brief summarizes *Collapse: Many Hands, No Hand on the Whole. Housing, Then the Economy: A Canadian Story and Lessons to Be Learned* (David Eqbal, October 2026, 78 pages), which applies the four checks of *Channels, Not Dams: Architectural Republicanism and the Design of Legitimate Power* (ssrn.com/abstract=7617458) to Canada's housing collapse, and builds on *Forced Bravery* (ssrn.com/abstract=7590698) and the Canadian Affordable Housing Trust (doi.org/10.17605/OSF.IO/NMUEK). The full paper, with five invented lives that carry the story, practical steps for readers and a model letter to elected representatives, is free to read on SSRN (ssrn.com/abstract=7662378) and at **citizenstance.ca/research**.

Sources: Bank of Canada; Statistics Canada (population estimates, Labour Force Survey, household debt); CMHC, Housing Supply Report (Fall 2026); Parliamentary Budget Officer (November 2024); Urbanation, Condominium Market Survey Q4 2025, and Urbanation and CIBC, Condo Investment Report (2024); BILD and Altus Group (2019, 2025 to 2026); Financial Accountability Office of Ontario (April 2025); Tarion Warranty Corporation; Government of Canada, Build Canada Homes Act (2026); Australia, National Housing Supply and Affordability Council (2026). Full references are in the paper.

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