



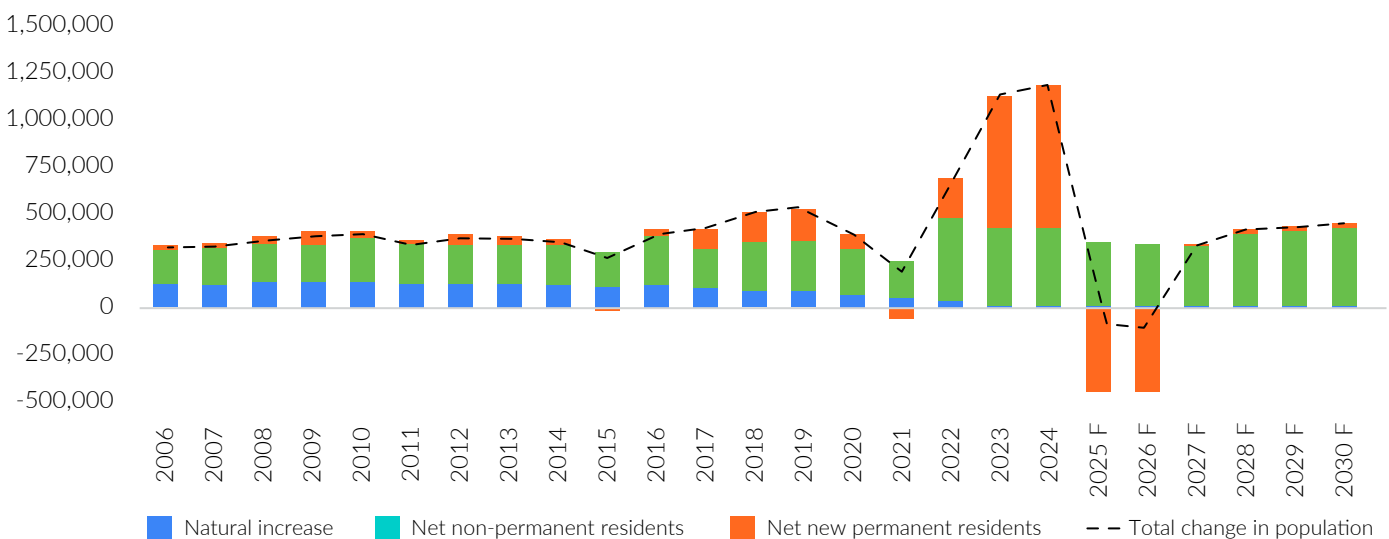
# Canada's New Immigration Policies and Real Estate Demand

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The Canadian government's new immigration policies aim to reduce non-permanent residents in the country over the next 24 months and lower targets for new permanent immigrants over the next few years. These moves should restore Canada's average population growth rate over the past decade to the long-term trend, although could result in modest population declines in some regions of the country.

## Components of Population Growth - Canada

Source: Statistics Canada, GWLRA Forecast



**Figure 1 - Canada's Population Trend. GWLRA assumed the government would do what it has stated through 2028 and assumed a reversion to medium-term averages in 2029-2030.**

## Canada's new immigration policies could bring population growth rates back to the long-term average.

### The Headline

Canada's population could decline by 0.2% in each of 2025 and 2026, if the federal government carries through on the plans contained with the 24 October 2024 policy announcement.

### The Details

Non permanent residents (primarily temporary foreign workers and international students) currently represent 7% of the population. The government announced a plan to

reduce their numbers to 5% in just two years; this implies an annual net decline of 445,000 residents in this category. The government has also announced lower targets for new permanent residents, to less than 400,000 from a previous target of 500,000. Subtracting the net loss of non-permanent residents from reduced numbers of new permanent residents results in a modest population decline as per Figure 1 above. There will be approximately 186,000 fewer people in Canada by the end of 2026 than in mid-year 2024 if the government achieves its policy outcomes.

## Broader perspective: more measured impact

Looking at this from a longer-term perspective, these changes may be less impactful than it might initially appear. Here are four reasons why:

First, Canada will be welcoming more new permanent residents (immigrants) than pre-COVID times in each of these three years. Figure 1 illustrates this well. In 2019, Canada saw 313,000 new permanent residents arrive. In 2023, the number was 468,000. In 2025, with the new policy, Canada will welcome 395,000 immigrants.

Second, most of the non-permanent resident decline will be from a net reduction in temporary foreign workers, which is normal when unemployment rates are rising. Canada has throughout most of its history had programs that allowed organizations and businesses facing labour shortages to welcome international workers for fixed periods of time. In recent decades, health care, personal care, hospitality, restaurants, and the resource sector have all been prominent recipients of temporary foreign worker support when it has been challenging to find citizens or permanent residents able to fill the positions. When the economy softens, and Canadian labour is available, these programs are rolled back. This is happening now.

Third, stricter rules around international students will mainly be noticed in nodes that saw a sharp increase post-COVID. The growth in students between 2022 and 2024 included substantial new attendees of smaller or lesser-known schools. Most of the larger degree-granting institutions who have long welcomed international students are expected generally to retain their usual numbers in bachelor degree and graduate programs, although now subject to more provincial government oversight (some provincial governments may shift student spaces to different programs or institutions, which could alter the locations of student housing demand).

Finally, the population correction underway will align Canada's near-term population growth rate with the long-term average. From 2006 to 2019, population grew at an annual average rate of 1.1%. In the two years to mid-year 2024, it expanded by nearly 3% annually. However, by 2029 the long-run population growth rate will be 1.1%, and we expect it to stay close to this level going forward.

## Importance of immigration and potential for revision

Because of Canada's aging population, the economy and society needs approximately 1.0%-1.2% population growth from immigration. Without this influx of people (typically aged 20-35) to fill needed employment positions, the remaining Canadians would face higher taxes, reduced services such as health care, or more likely, both. We therefore do not anticipate significant downward revisions to the number of newcomers arriving in Canada over the medium and longer term. Moreover, should economic growth accelerate, there would likely be renewed pressure from employers to welcome more international workers, whether in permanent or temporary streams.

## Conclusions and consequences of short-term population growth reductions:

**Canada is already in a per-capita recession. Reducing the population could put further downward pressure on Canada's economy.**

**A slowing economy will likely result in lower interest rates. The Bank of Canada will want to encourage investment and job creation as well as avoid deflation. Lower interest rates should help encourage housing construction (rental and ownership), which will help stabilize rents and prices as well as make welcoming more immigrants possible in the coming years.**

**Lower interest rates also typically ignite economic growth. They encourage business investments, which expand employment as well as demand for goods, which in turn generate demand for office, industrial and retail real estate.**

**GWLRA has analyzed and continues to track the implications of these policies on different asset classes and regions. Some regions will see more population declines than others, with different real estate implications as a result. We welcome the opportunity to share and discuss our findings with clients.**

## Sources and Resources for More Information:

[Macklem stresses the importance of GDP and GDP-per-capita | Financial Post](https://www.canada.ca/en/immigration-refugees-citizenship/news/2024/10/government-of-canada-reduces-immigration.html)

<https://www.canada.ca/en/immigration-refugees-citizenship/news/2024/10/government-of-canada-reduces-immigration.html>

[https://www.thecanadianpressnews.ca/national/highlights-of-recent-changes-to-quebecs-international-student-body/article\\_8ca24b9d-420d-5f88-8837-3890d62c493a.html](https://www.thecanadianpressnews.ca/national/highlights-of-recent-changes-to-quebecs-international-student-body/article_8ca24b9d-420d-5f88-8837-3890d62c493a.html)

<https://www.fraserinstitute.org/article/canadas-demographic-crisis-threatens-incomes-and-living-standards>



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