

ECONOMIC VIEWPOINT

Priced Out of the Canadian Dream: The Rise of the Permanent Renter

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HIGHLIGHTS

- ▶ Toronto and Vancouver increasingly resemble global cities, with housing affordability and homeownership rates that diverge sharply from national norms.
- ▶ Restoring broad-based homeownership in these cities could now appear infeasible given the scale of income, price or interest rate adjustments that would be required to make these markets affordable again.
- ▶ Income polarization in global cities weakens access to ownership, pushing long-term renting beyond lower income households and into the professional middle class.
- ▶ Rental markets in Toronto and Vancouver are poorly matched to family needs, with unusually high rates of unsuitable housing driven by a shortage of family-sized units.
- ▶ As long-term renting becomes structural, housing tenure—that is, whether households rent or own—plays a growing role in shaping wealth outcomes and raises questions about policy frameworks built to treat ownership preferentially.

Canada has long defined middle-class success through homeownership. A teacher, tradesperson or mid-career professional could reasonably expect to purchase a ground-oriented house—such as a single-detached home or townhouse—within reasonable commuting distance of their place of work.

Today that model is under strain—but not uniformly across the country. In Toronto and Vancouver, renting may no longer be a temporary stop on the way to ownership. For a growing share of families, it may be a long-term—sometimes permanent—living situation driven by elevated prices relative to incomes. These cities appear to be converging on a housing tenure pattern already well established in London, New York, Sydney and other global cities that serve as command centres of the world economy.

Quebec offers an interesting counterpoint. Despite having significantly lower home prices than Ontario and BC, the province has the lowest homeownership rate in Canada.

That gap is not primarily an affordability story, but rather reflects a different cultural and institutional relationship with renting. Examining why Quebec differs, and whether Montreal is converging toward Toronto's model or vice versa, helps distinguish structural features of Canada's housing system from those that are place-specific.

Global Cities Operate under Different Rules

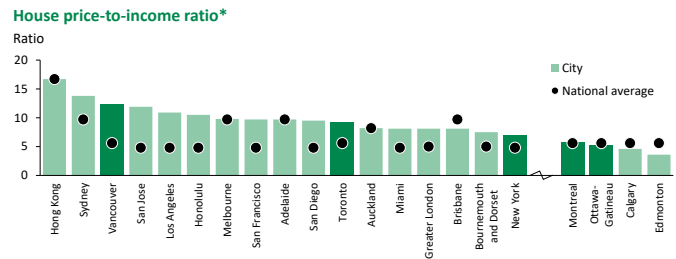
The concept of the global city helps explain why some urban housing markets appear to differ from their national norms. [Sociologist Saskia Sassen](#) formalized the term in 1991 to describe cities that function as command-and-control centres of the world economy—concentrating financial services, corporate headquarters, legal and professional expertise and international capital flows. A key feature of global cities is that they partially decouple from their national economic context. Their labour markets, income distribution and housing dynamics more closely resemble those of other global cities rather than other cities in their own country.

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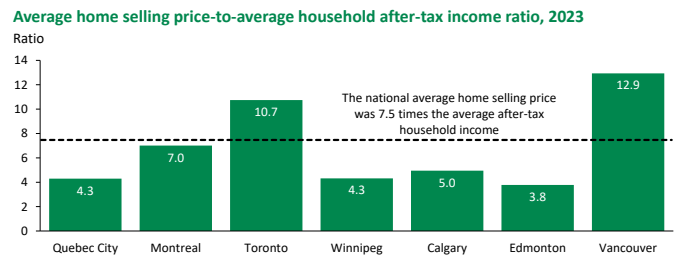
Toronto and Vancouver display several of these characteristics. Measures of global connectivity consistently place Toronto among second-tier global cities, alongside Frankfurt, Chicago and Milan, reflecting its role in international finance, professional services and corporate management. Vancouver ranks lower on these measures, but still shows meaningful integration. The [Globalization and World Cities Research Network](#) (GaWC), which scores cities based on their concentration of advanced services sectors, classifies Toronto as a highly integrated global node and Vancouver as moderately connected (table 1). [Brand Finance](#)'s Global City Index, which incorporates business environment, governance, education and livability metrics, similarly places Toronto well ahead of other Canadian cities. Vancouver and Montreal are further behind but still considered global cities.

Graph 1
Global Cities Have Worse Housing Affordability



* Median house price-to-gross median household income ratio, Q3 2023. Demographia and Desjardins Economic Studies

Graph 2
Price-to-Income Ratios Are Highest in Toronto and Vancouver



Note: 2023 is the most recent year available for household after-tax income by region. Statistics Canada, Canadian Real Estate Association and Desjardins Economic Studies

Table 1
Toronto Is Ranked Among the Top Global Cities

Alpha++	Alpha+	Alpha	
London	Hong Kong	Seoul	Madrid
New York	Beijing	Milan	Warsaw
	Singapore	Toronto	Guangzhou
	Shanghai	Frankfurt	Istanbul
	Paris	Chicago	Amsterdam
	Dubai	Jakarta	Bangkok
	Tokyo	Sao Paulo	Los Angeles
	Sydney	Mexico City	Kuala Lumpur
		Mumbai	

Note: Vancouver is ranked Beta-; Montreal is ranked Beta+; other Canadian cities are ranked Sufficiency. Globalization and World Cities Research Network and Desjardins Economic Studies

The International Context for Long-Term Renting in Global Cities

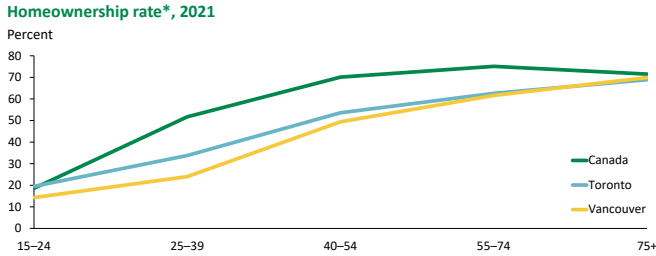
Global city status is associated with persistent housing affordability pressures as compared to national norms. Across major metropolitan regions such as London, New York and Sydney, home prices relative to incomes far exceed their respective country averages (graph 1). Price-to-income ratios—defined as the average home selling price divided by average household income—highlight the extent of this divergence. [UN-Habitat](#) considers housing affordable at or below three times household income, while [Demographia](#) classifies housing markets as seriously unaffordable above four times household income and impossibly unaffordable at nine times or higher. Toronto and Vancouver sit well into impossibly unaffordable territory, with price-to-income ratios more closely resembling major Australian and American gateway cities than other Canadian markets (graph 2). Understanding their housing challenges therefore requires viewing them not only as Canadian cities, but as participants in a broader global urban hierarchy with structurally different affordability constraints.

The mechanism connecting global city status to housing markets is structural. As described by [Sassen \(1991\)](#), global cities concentrate both very high-paying professional employment and a large workforce of lower-wage service and care workers required to support dense, high-value urban economies. This results in a more polarized income distribution than national norms. [OECD](#) evidence supports this pattern: income inequality was typically higher in metropolitan areas and tended to increase with population size. Across Canada, about one-third of workers earn under \$40k per year, while less than 10% earn over \$70k. In Toronto, the income distribution is more polarized, with 37% of workers earning under \$40k and 18% earning over \$70k.

In housing markets where prices are set by competition among households, income polarization can weaken access to homeownership. In [London](#), 47% of residents own their home, compared to 62% across England as a whole. For [New York-Newark-Jersey City](#), the ownership rate is 49% vs. a [US](#) national rate of 65%. [Sydney](#) exhibits an even wider gap, with just 33% of residents owning compared with 66% nationally. Toronto and Vancouver increasingly align with these global city patterns. In 2021, homeownership rates at the census subdivision level stood at 52% in Toronto and 46% in Vancouver—well below the 67% Canadian national average—even well into

adulthood, suggesting a greater prevalence of long-term renting (graph 3). As global city characteristics deepen, rental housing may increasingly serve not only lower-income households, but also working families who would be homeowners in less expensive Canadian cities.

Graph 3
Younger Adults in Toronto and Vancouver Are Less Likely to Own Their Homes



* Toronto and Vancouver homeownership rates at the census subdivision level. Statistics Canada and Desjardins Economic Studies

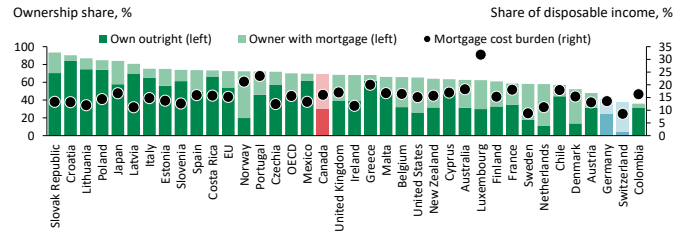
The upcoming 2026 Census is expected to confirm a meaningful decline in Canada’s homeownership rate, with Toronto and Vancouver leading the way. Rapid population growth since 2021—driven by newcomers, who are [far more likely to rent](#) upon arrival—has likely placed sustained downward pressure on ownership rates, particularly in major destination cities. Recent immigration policy tightening may moderate this effect as the net number of non-permanent residents begins to decline. However, homeownership affordability has significantly deteriorated since the 2021 Census despite recent interest rate relief, suggesting the underlying structural pressure on ownership will persist.

Differences in housing tenure have increasingly large implications for household wealth accumulation. Between the 2016 and 2021 Censuses, homeowners reported estimated increases in home values of nearly 40%, while after-tax income rose by less than 10%. (Since 2021, the average national home price in Canada has fallen back a mere 3%). As access to ownership becomes more constrained in high-cost cities, a growing share of households are structurally excluded from this channel of wealth accumulation.

Quebec Rents More by Choice—But Montreal May Be Different

Germany and Switzerland offer international examples that stable, long-term renting is achievable even in relatively affordable environments. Despite having better ownership affordability than Canada, these countries have homeownership rates that hover around 40%—far below Canada’s nearly 70% rate (graph 4). In both countries,

Graph 4
Germany and Switzerland Have a Lower Propensity to Own Homes Despite Better Affordability

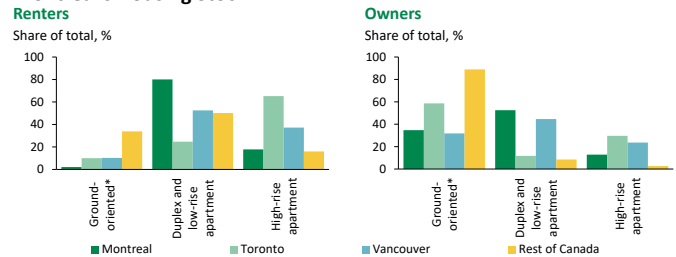


* Median of the mortgage burden (principal repayment and interest payments) as a share of disposable income, 2024 or latest year available. Organisation for Economic Co-operation and Development and Desjardins Economic Studies

long-term renting is culturally accepted as respectable, financially responsible and offering flexibility as needs change rather than serving as a transitional stage to ownership.

Quebec demonstrates that a similar rental tenure culture is possible within Canada. With a homeownership rate just under 60%, Quebec ranks lowest among provinces despite average home prices that are significantly more affordable than in Ontario and BC. Its distinct tenure culture reflects a combination of factors: a large stock of low-rise “plex” and apartment housing (graph 5), strong tenant protections and a cultural norm in which apartment living carries little or no stigma, unlike in much of English Canada.

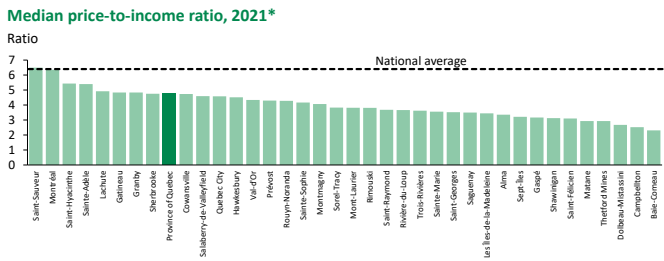
Graph 5
“Plex” and Low-Rise Apartments Are Much More Common in Montreal’s Housing Stock



* Ground-oriented includes single, semi-detached, row and “other” homes. Note: Data are for 2021. Canada Mortgage and Housing Corporation and Desjardins Economic Studies

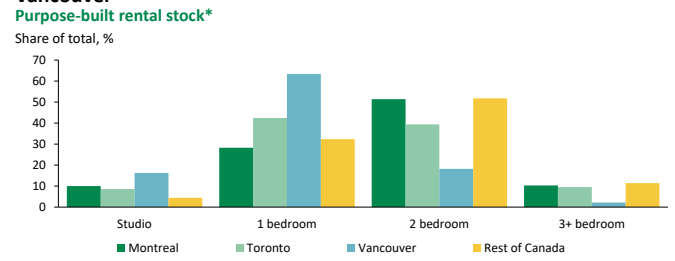
Montreal’s position within Quebec, however, warrants a closer look. At 36%, the [Montreal](#) census subdivision’s homeownership rate is well below the provincial average of 60% and [Quebec City’s](#) 51%, a gap that appears difficult to explain by cultural preference alone. Montreal’s price-to-income ratio also sits closer to the Canadian average than to most Quebec municipalities, where housing typically remains affordable outside of a small number of resort and luxury markets (graph 6 on page 4).

Graph 6
Homeownership Is Broadly Affordable Across Quebec



* Based on household disposable income. Census 2021, Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Graph 8
Montreal Has More Family-Sized Rental Units than Toronto and Vancouver

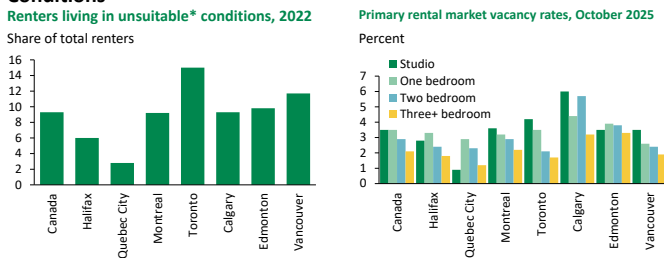


* Row house and apartment stock, October 2025. Canada Mortgage and Housing Corporation and Desjardins Economic Studies

The Consequences of Inaction Are Already Visible

The shift toward long-term renting in Toronto and Vancouver carries real costs for city functioning. As renting becomes a long-term or permanent condition, cities face a structural risk: the teachers, tradespeople and mid-career professionals they depend on may not be able to afford to buy a home, but also unable to find rental housing suited to their family’s needs. Toronto and Vancouver have substantially higher shares of renter households living in unsuitable conditions than the national average (graph 7, left). As defined by the CMHC, “unsuitable” housing refers to dwellings without enough bedrooms for the household’s size and composition. And the vacancy rate for family-sized rental units is lower than for much smaller apartments (graph 7, right). This reflects a stock of purpose-built rental and investor-owned condos overwhelmingly composed of smaller units (graph 8). Renters in Montreal, by contrast, have a much lower unsuitability rate that’s virtually identical to the national average, suggesting a better match between rental unit size and household need.

Graph 7
Renters in Toronto and Vancouver Are More Likely to Live in Unsuitable Conditions



* Suitable housing has enough bedrooms for the size and composition of private households according to the National Occupancy Standard. Statistics Canada, Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Policy Must Catch Up to Reality

If Toronto and Vancouver have crossed into global city housing dynamics, policy should acknowledge that reality rather than resist it. Restoring pre-pandemic homeownership affordability levels may be infeasible. To return price-to-income ratios to the Canadian norm would require incomes to be 60% to 80% higher than the national average. Alternatively, restoring the total debt service ratio to the conventional 40% of income while holding incomes and home prices constant would require mortgage rates to fall to implausibly low levels—including zero or even negative rates—underscoring the limited scope for rate relief alone to materially improve affordability. A price-led adjustment would be equally unrealistic: home prices would need to fall a further 25% to 40%, a decline that would surely entail significant economic and social consequences. As a result, policy efforts may need to pivot toward managing the consequences of persistent homeownership unaffordability rather than attempting to eliminate it.

In this context, family-sized purpose-built rental housing in Toronto and Vancouver should be a priority. Policies at all levels of government are focused on increasing rental housing starts. However, existing incentives tend to favour the production of smaller units, as multiplex conversions and investor-driven projects maximize returns through studio and one-bedroom layouts. Current housing policies outside of subsidized and rent-controlled segments have largely prioritized unit counts over composition, with limited mechanisms to track, incentivize or preserve larger family-sized units—despite evidence that these units are in shortest supply.

Delivering rental housing at scale requires conditions under which long-horizon investors can generate predictable returns. CMHC and City of Toronto analyses both point to high financing and construction costs—not zoning barriers—as primary constraints on new purpose-built rental

projects, even where zoning capacity exists. Policies that reduce upfront costs and early-period financial risk, such as CMHC's [Apartment Loan Construction Program](#), support unlocking new supply.

Finally, persistent unaffordability raises broader distributional questions in a housing system that favours ownership over renting. While housing is a basic need, its increased financialization—as a collateral vehicle, a form of forced savings or a way to have exposure to tax-advantaged speculative gains—has amplified wealth disparities between owners and non-owners. The principal residence capital gains exemption is one of the largest tax expenditures in the federal system—[estimated](#) in 2023 to be over \$7.6B. Its benefit grows in value as home prices rise and flows entirely to homeowners. In cities where a growing share of residents will rent long term or permanently, the case for examining tenure neutrality in the tax system strengthens. Indeed, in 2019, the then-[President and CEO of the CMHC](#) remarked in his speaking notes that “Over-promotion of homeownership is both economically and socially counter-productive, contributing to the increasing division between rich and poor.” This isn't an argument for eliminating the exemption, but rather an honest accounting of who it serves and who it doesn't, and how to level the playing field in a housing system where renting is no longer transitional.

Conclusion

Toronto and Vancouver may have crossed a threshold from which a return to broad-based homeownership is infeasible. The ownership-dominant housing model that shaped Canadian middle-class identity reflected not only cultural expectations, but a policy environment that supported it, including through preferential tax treatment. As Toronto and Vancouver deepen their integration into the global economy, their housing markets are behaving accordingly.

The question may not be how to restore affordability and ownership to past norms in Toronto and Vancouver—it's possible that ship has sailed. Instead, the question is whether Canada is prepared to build the institutional infrastructure to make long-term renting a stable alternative that allows for the opportunity to build wealth. That requires a sufficient stock of family-sized rental housing suitable for long-term tenancy and a policy framework that treats renters more fairly relative to homeowners. Germany and Switzerland show that long-term renting can function as the middle-class norm. Within Canada, Montreal demonstrates that a renter-majority city can function well. If homeownership is increasingly out of reach for teachers, tradespeople and mid-career professionals in Toronto and Vancouver, the policy response should probably focus less on reversing the erosion of homeownership affordability and more on building a housing system in which all households can remain and thrive.