

Effects of Immigration on Housing Prices in Canada

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Abstract: From the turn of the present century until late 2008, house prices in some developed countries rose sharply compared to the increases in per capita incomes. In Canada, the house price to income ratio rose from 3.5 in 2001 to 5 in 2006. Some in the public circles argue that immigration fueled the rise in house prices. Each year, Canada admits about 225,000 immigrants, who affect the Canadian economy in different ways. Our extensive econometric analysis based on panel data at census division levels obtained from the 1996, 2001, and 2006 population censuses indicates a statistically significant but small effect of immigration on prices of privately owned dwellings in Canada. An out-migration of the native born from the areas where new immigrants settle, or an increased supply of housing due to expectations of higher demand in those areas may have caused this result.

Keywords: Housing prices, immigration

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