

ECONOMIC VIEWPOINT

From Campus to Community: Why Student Housing Shortages Should Worry All Canadians

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HIGHLIGHTS

- ▶ In recent decades, the demand for higher education in Canada has surged. Many students, particularly first-year and international students, prefer living in purpose-built student accommodation, yet residence beds were only available for about 1 in 10 students.
- ▶ Living in off-campus housing is often unaffordable for students. And with very low rental vacancy rates in most cities, available spaces can be hard to find. This lack of affordable housing is contributing to students graduating with heavy debt loads that impact their futures.
- ▶ But insufficient student accommodations should worry all Canadians. We estimate 1.2 million students rent in the communities around their post-secondary institutions. This can decrease availability and drive up rental prices for everyone, particularly affecting low-income families and young adults.
- ▶ Investors can often charge students—who pay by the room—more than they could get for the same space rented to a single family. Thus, investors may outbid would-be homeowners, driving up real estate prices as well.
- ▶ A lack of safe and affordable housing can also deter potential international students from pursuing post-secondary education in Canada. This can have the unintended consequence of reducing the pool of skilled workers our country needs for future economic growth.

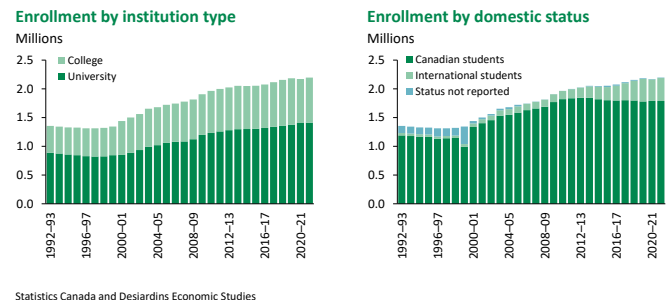
The student housing shortage in Canada has become a pressing issue, with implications that extend well beyond university and college campuses. As the demand for higher education continues to grow, the availability of affordable and adequate student housing has not kept pace. This disparity poses significant challenges not only for students but also for the broader community.

Overview of Student Housing Demand and Supply

Growing Demand for Higher Education

Canadian universities and colleges are recognized globally for their high-quality education, attracting a diverse student population. In recent decades, the demand for higher education in Canada has surged, driven by both domestic and international students (graph 1). While Generation Z is a smaller cohort than

Graph 1
Post-secondary Enrollment Has Grown over the Past Three Decades



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Millennials, the propensity for youth to obtain a post-secondary education—particularly at the university level—has risen. Moreover, the [federal government announced in 2014](#) that it wanted to double the number of international students in order to boost job creation and generate economic growth. Since then, post-secondary institutions (PSIs) have become increasingly reliant on the higher fees paid by international students as government transfers and domestic tuition increases have not kept pace with rising costs. (See [our report](#) on the role of international students in Ontario.) This increase in student numbers has led to a corresponding rise in the need for student accommodation.

The tight-knit community that dormitories (formally known as purpose-built student accommodation or PBSA) provide has long been considered a means to help students build essential life skills, offer valuable programs and services, reduce student isolation and promote student success. These features are particularly popular with first year and international students. With an occupancy rate of near 100%, it's clear that many students like living in residences.

Insufficient Supply of Student Housing

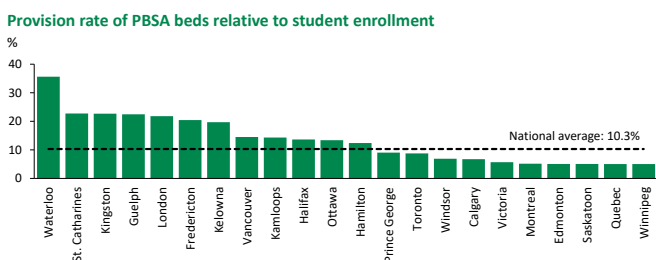
Despite the growing demand, the pace of construction of new PBSAs has lagged significantly. A recent survey by Bonard global market research found that residence beds were only available for 10.3% of total student enrollment (graph 2). This falls far short of other developed countries, such as the US (30%), UK (27%) or France (16%).

Bonard estimates that PBSAs would need to accommodate more than 60% of students living away from home to fully meet the demand. Indeed, the City of Waterloo, Ontario, has the highest provision rate of PBSAs in Canada with beds for over 35% of enrollment numbers (or 41% of students not living at home), and yet students still struggle with housing. The city's Town and Gown Committee [reported](#) that 63% of students surveyed found it difficult to secure housing and 45% found their expenses were higher than expected. It could be challenging to find an affordable room to rent in the community, with a vacancy rate hovering at 2% and an average asking rent in June 2024 up 13% from the year before.

The Implications of Housing Challenges Faced by Students Availability and Affordability

Many institutions struggle to provide enough on-campus housing to meet student preferences, forcing most students to find homes in the private rental market. The rental vacancy rate is near zero in many cities, making it tough for students to find any accommodation whatsoever (graph 3, left). Availability and affordability are inextricably linked, as research has shown that [a vacancy rate below 3% leads to asking rent increases above the rate of inflation](#). It's no surprise that the asking rent in many Canadian cities has skyrocketed. Rent controls are beneficial for long-term tenants, thus generally do little to help keep housing affordable for students. The Canada Mortgage and Housing Corporation (CMHC) [defines affordable housing as being no more than 30% of income](#). Indeed, one of the primary challenges faced by youth is finding a home that's affordable on a student budget. [Sotomayor et al. \(2022\)](#) noted that the student housing crunch has meant that many students are "forced to take up low-paying jobs." Even working a full-time minimum wage job—while also balancing a full courseload—is still not nearly enough to rent a shared 2-bedroom apartment at 30% of one's income (graph 3, right).

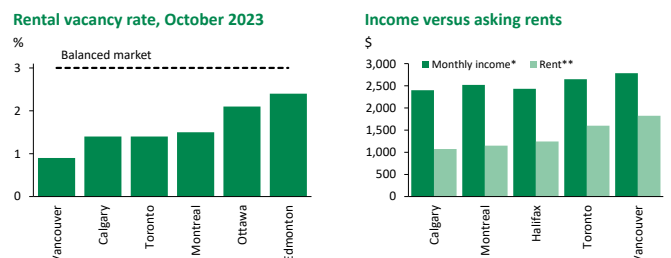
Graph 2
Student Housing Supply Hasn't Kept Up with Demand



PBSA: Purpose-built student accommodation
Bonard and Desjardins Economic Studies

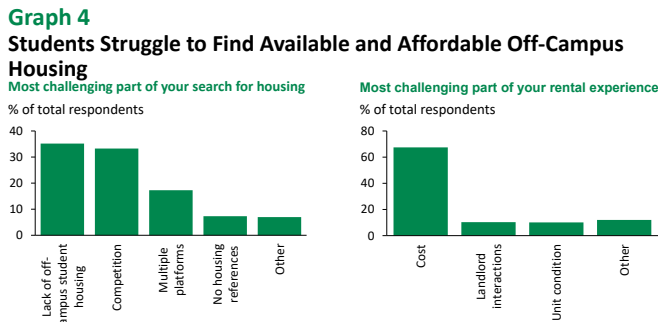
Why did PBSA construction fall behind? The reasons are complex and are detailed in a [companion report](#), but they can be largely boiled down to a lack of money and policy barriers. Even where student accommodation construction has occurred, it has not kept pace with demand. The University of British Columbia is a case in point, where more than 6,000 beds have been added since 2010, but the waitlist for a spot in residence grew from 3,200 students to over 7,000 in 2024.

Graph 3
Apartments Are Largely Unavailable and Unaffordable



* Monthly income is calculated as 20 8-hour shifts at minimum wage, before deductions
** Rent is half the asking rate of a 2-bedroom apartment.
Rentals.ca and Urbanation, CFIB, CMHC and Desjardins Economic Studies

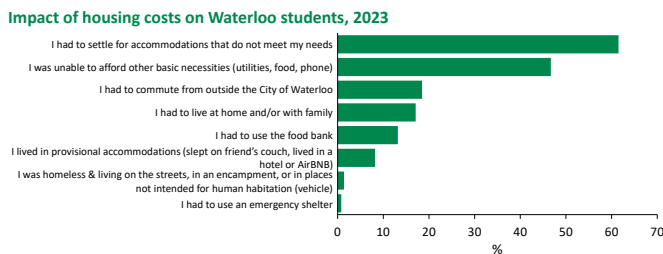
More than a third of students responding to a [Student Housing Initiative \(2024\) survey](#) said the most challenging part of their search for housing was lack of off-campus housing, followed by another third who cited the competition for units (graph 4, left). More than two-thirds indicated that cost was the most challenging part of their rental experience (graph 4, right), with over 60% saying that rent was unaffordable for their situation.



Student Housing Initiative 2024 and Desjardins Economic Studies

At best, unaffordable housing means that many students are forced to settle for homes that don't meet their needs, and nearly half reported that they can't afford other basic necessities including food (graph 5). In the worst cases, students who can't find suitable housing may experience periods of homelessness or couch-surfing.

Graph 5
Students Face a Heavy Burden from Unaffordable Housing



City of Waterloo and Desjardins Economic Studies

Quality and Safety Concerns

The quality and safety of available housing are of concern to students and their families. Some students are forced to live in substandard conditions, such as overcrowded or insufficiently maintained units. PSI dorms themselves may suffer from these conditions, such as by crowding three students into rooms originally designed for two, often without increasing the capacity of shared facilities such as washrooms.

The stress and anxiety students may face from living in sub-optimal conditions, paired with the time it takes to commute to school from remote locations, could “encroach on study time, attending classes or labs and other university experiences” ([Sotomayor et al., 2022](#)). The authors concluded sub-optimal living conditions ultimately impacted student academic performance and mental well-being.

Impacts Linger Long After Graduation

The financial strain on students due to high costs can lead to increased reliance on student loans and other forms of debt. In 2020, the average college graduate had \$16,700 in debt while a student with a university bachelor's degree had \$30,600 in debt. While federal student loans are interest-free, provincial and other loans generally start at a rate above the prime interest rate. The recent period of high interest rates led to increased monthly loan payments for new graduates. Moreover, this greater debt repayment obligation was during a time of high inflation, particularly in basic needs such as shelter and food, impacting the budgets of those young adults. Graduating with large debt burdens can affect their short- and long-term financial stability, delaying milestones such as purchasing a home, opening a business, starting a family or saving for retirement, as [we reported](#) last year. The debt burden could also limit career choices, as graduates may prioritize higher-paying jobs over those that align with their skills or passions.

Broader Economic and Social Implications of Insufficient Student Housing

Impact on the Rental Market

The influx of students into the private rental market has significant implications for the broader housing market. Increased demand from students means fewer rental units available for other residents, particularly in an era where purpose-built rental housing construction has lagged population growth for decades in some cities.

A recent [Ipsos poll](#) found that 47% of Canadian post-secondary students planned on living with their parents. With international students unable to do that and the low provision rate for PBSAs, we estimate that nationally about 1.2 million students are renting in the community.

The need to house students in the community can drive up rental prices for everyone, particularly affecting low-income families and young adults.

Property Values

Investors can often charge students—who pay by the room—more than they could get for the same space rented to a single family. Thus, depending on the context, investors may outbid would-be homeowners, driving up real estate prices ([Black, 2019](#)). A [New Jersey study](#) found that the presence of a post-secondary institution in a community was associated with

housing prices that were about 10% higher, although the causes were less clear.

[Broader Economic Consequences for Canada](#)

The student housing shortage also has broader economic implications. High housing costs can deter potential international students from pursuing post-secondary education in Canada, reducing the pool of skilled workers needed for future economic growth. Adding skilled workers is one of the long-term solutions to reversing the steady decline in real GDP per capita. (See recent Desjardins Economics reports on Canada's labour shortages [here](#) and [here](#).)

[Environmental Impacts](#)

When nearly 90% of students live off-campus, there are environmental impacts from commuting to get to daily classes. This will vary widely by city, based on the local public transit system, congestion and other factors. A recent [study](#) found that student commuting accounted for 7% of emissions from all sources at the University of Southern California. A [survey](#) of Canadian students at select PSIs found that the propensity of students to drive to school ranged from 62% in Kelowna and 35% in Calgary to only 6% in Toronto. In Canada, 3 out of 4 universities have a dedicated [GHG emission reduction plan](#). Daily driving into campus not only increases emissions but also adds to noise, impacts road congestion and requires PSIs to allocate more land to parking.

[Healthcare](#)

Inadequate student housing can also have implications for public health. Poor living conditions can lead to physical problems such as respiratory issues due to mould, adding to the burden on the healthcare system. Stress and anxiety faced by students can have short- and long-term health consequences, contributing to chronic conditions or mental health challenges, further weighing on the healthcare system while also reducing their ability to succeed in school and contribute to the Canadian economy. ([Johnson et al., 2009](#))

Conclusions

By addressing the shortage of purpose-built student accommodation, Canada can ensure that all students have access to safe, affordable and adequate housing. This will not only enhance students' academic success and overall well-being, but also contribute to a more stable and inclusive rental market, stronger communities and support future economic growth.

The student housing crisis is not just a student issue. It is a community, provincial and national issue that requires collective action. Accelerating the construction of student housing can help achieve better outcomes for students and all Canadians.