



Residential Construction Productivity Collapse Threatens Canada's Housing Targets and Worsens Affordability, New CSLS Report Warns

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OTTAWA — A new report from the Centre for the Study of Living Standards (CSLS), prepared for the Canada Mortgage and Housing Corporation (CMHC), finds that a sharp and sustained decline in residential construction productivity is driving up housing costs and putting Canada's housing supply targets out of reach.

The report, *"Explaining Falling Residential Construction Productivity in Canada: Implications for Housing Affordability,"* shows that labour productivity in residential construction has fallen by an average of 3.8 per cent per year since 2019, reversing earlier gains and reaching its lowest level in decades. As a result, the sector now produces housing more slowly and at significantly higher cost.

CSLS estimates that this post-2019 productivity collapse added \$6.0–\$7.7 billion to the cost of new housing between 2019 and 2024, accounting for 15–20 per cent of the total increase in new-home prices over that period. In 2024 alone, falling productivity raised the average price of a newly built home by \$24,000–\$31,000.

"Canada's housing affordability crisis is not just about demand — it reflects a residential construction sector that is producing too few homes, too slowly, and at ever higher cost," said Alisaleh Shariati, Economist at CSLS and lead author of the report.

The report concludes that, without a dramatic improvement in residential construction productivity, Canada will not meet its ambitious housing supply targets. It recommends strategies to boost residential construction productivity growth — including wider adoption of digital tools and off-site manufacturing, streamlined regulations, and stronger recruitment of skilled workers via targeted immigration and training programs — which, taken together, could lower home costs, boost supply, and ultimately restore housing affordability over the long run.

Key Findings

- **Productivity collapse:** Residential construction labour productivity has declined by 3.8 per cent annually since 2019, wiping out gains achieved between 2008 and 2019. Today, a residential construction worker produces only about two-thirds (67 per cent) of the output per hour of the average Canadian worker, down from nearly 90 per cent at the start of the 2000s.



- **Billions added to housing costs:** The productivity decline raised unit labour costs by nearly 8 per cent per year after 2019, adding \$6.0–\$7.7 billion to new housing costs and significantly inflating new-home prices.
- **Affordability at risk:** Without a dramatic improvement in productivity, Canada will not meet its housing supply targets of over 400,000 housing starts a year, and affordability will deteriorate further.
- **Policy solutions:** The report identifies actionable solutions, including faster adoption of digital construction tools and advanced project management, expanded off-site and modular construction, streamlined permitting and zoning processes, and targeted immigration and training strategies to address skilled labour shortages.

Read the full report available [here](#)

About the Report

This report, prepared by the Centre for the Study of Living Standards (CSLS) for the Canada Mortgage and Housing Corporation (CMHC), examines 25 years of residential construction data, supplemented by interviews with industry practitioners, to understand why labour productivity in homebuilding has stalled, and how this feeds into higher prices for buyers and renters.

To address these challenges, the report recommends a comprehensive strategy to reignite productivity growth in residential construction, with the goal of producing more housing to help restore affordability and meet Canada's housing needs.

About the CSLS

The Centre for the Study of Living Standards (CSLS) is Canada's leading think tank focused on productivity, living standards, and economic well-being. Founded in 1995, we provide rigorous, evidence-based research to inform policy and support a more prosperous and equitable society.

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