



Prime Minister Mark Carney is pushing factory-built housing to relieve Canada's housing shortage and create factory jobs. *Photographer: Cole Burston/Bloomberg*

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Canada's Prime Minister Pushes Country to Become the Housing Factory of the World

Mark Carney is banking on factory-built homes to alleviate the country's housing crisis. But will it work?

By [Ari Altstedter](#)

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On the outskirts of Toronto, a factory buzzing with activity is being touted as solution to the two most urgent crises facing Canada: the unaffordable cost of housing and US President Donald Trump's trade war.

This plant makes key parts of houses – specifically, walls, floors and roofs – that can be shipped to a site and assembled into structures as tall as six stories quicker than traditional methods.

But the factory is operating at about half capacity, said Tad Putyra, who leads the low-rise division of homebuilder Great Gulf. On a recent tour, he pointed to a section occupied by stacks of wooden beams where he'd like to bring in a German machine that would automate part of the process. But he won't add

until he's confident there will be enough demand to warrant the additional supply.

The prefabricated housing industry has long touted itself as a way to ramp up the production of new residences to relieve Canada's housing shortage. But financing struggles, unpredictable demand and inconsistent zoning rules have kept it from becoming a big player in the market.

"If I have revenue, then I can scale up everything on the other side," Putyra said. "Very quickly we could scale up to double our production."



Tad Putyra *Photographer: Cole Burston/Bloomberg*

That's where Liberal Party Leader Mark Carney, who's running to remain prime minister in the country's April 28 election, might come in. The central plank of his housing platform is a plan to make government both a customer and financier of factories like Putyra's.

It amounts to a promise to help the industry achieve economies of scale that could lower home prices nationwide, while creating manufacturing jobs that could replace some of the ones being lost due to US tariffs.

Canada is not the only country facing a housing shortage. Nor is it the only one where factory-built housing has struggled to gain acceptance. Two researchers recently found that, even though sale prices for prefabricated homes in the U.S. are often less than half of what it would cost to build a similar one on site, the products have yet to see wide adoption.

Carney's plan "could create an export industry and create companies that can compete on a global scale," said Mike Moffatt, an economist who studies housing issues at Ontario's Western University. "If the United States ever gets its act together, perhaps we can start exporting these products down there."

But achieving such grand ambitions will be a complicated task. The Liberals, who have been in power for more than nine years, tried various policies to make housing more affordable – only to see benchmark prices soar nearly 60%. The average home in Canada now costs C\$702,800 (\$509,000).

Carney's interventionist approach marks a sharp contrast to that of his predecessor Justin Trudeau, as well as what's being advocated by his main challenger, Conservative Leader Pierre Poilievre. Poilievre would seek to cut red tape and taxes to make it easier for private developers to build, and he doesn't believe modular housing will move the needle.

"If prefabricated homes were significantly cheaper to build, homebuilders would already be using them at scale to cut costs and maximize returns," the Conservatives said in a release on Monday. "The fact is that the cost differences are negligible, hence why massive government intervention is required to get projects off the ground."

Untapped Market

Though factory-built housing has been around for at least 100 years, it's a small share of homebuilding in most countries. The main reason is similar in all of them: Homebuilding is cyclical, and a developer with a factory to maintain has a tougher time riding out busts than one who can tell the independent contractors working on a project to go home.

A related problem often comes up in financing. Traditionally, developers receive a series of smaller loans, with each new stage of construction unlocking more money. But setting up a factory requires a much bigger

commitment up front – an arrangement many lenders are uncomfortable with.

In two countries where manufactured housing accounts for a significant share of the market, Sweden and Japan, the government kickstarted the industry by buying the products for public housing. Carney is proposing something similar in Canada: If elected, he plans to create a federal entity to build affordable, modular homes.

The hope is that bulk orders would provide companies with a more predictable demand base that can keep a factory going through a downturn and justify expansion. Carney plans to make C\$25 billion in financing available for such factories, and also pledged C\$1 billion in equity investment.



Carney's 'Build Canada Homes' proposal plans to provide debt and equity financing to prefabricated home builders. *Photographer: Cole Burston/Bloomberg*

“The Liberal Party seems to be looking at those barriers that have prevented this industry from taking off in North America,” Moffatt said. “If you can start to build those economies of scale, that should start to lower prices.”

The end result may look like Japan, where manufactured homes make up 15% of the stock of single detached homes and the country builds more than

70,000 prefabricated buildings per year, with multi-story residential towers becoming a bigger part of that.

Zoning Challenges

Canada has at least one advantage in building a prefab industry: It's already a major producer of the main input, wood.

But a substantial obstacle is local governments. As in the US, a major reason for the current housing shortage is municipal rules that limit what can be built and where. Building codes often dictate materials, roof shapes, window appearance and more. This means the product sold in one city may have to differ from what's sold in the next one over.



Canada is a major producer of wood, which could give the industry an advantage. *Photographer: Cole Burston/Bloomberg*

Carney's campaign released a catalog of standardized home designs, but hasn't addressed how the federal government would get towns and cities to adapt their rules. On this point, Carney's main rival, Poilievre, is much clearer. His housing plan ties federal funding to municipalities' ability to meet goals for the permitting of new homes, focusing on pushing what he calls "gatekeepers" to change local rules to allow more building of any kind.

“Prefab is an answer, but really we have to look at the policy across the country that’s getting in the way,” said Amy Nugent, executive director of Urbanarium, a Vancouver-based forum for urban issues. “Prefab for those markets has not been achievable with so many different regulations.”

Still, with Canada in danger of being tipped into a recession by US trade policies, and housing constituting a major financial burden for many Canadians, there’s urgency for solutions to both problems.

“I have a plan ready. I have a business case completed,” Great Gulf’s Putyra said. “I just have to justify it in the market.”

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