

Executive Summary

In communities across Canada, the race is on to build millions of new homes as quickly as possible to improve housing affordability. While the speed of construction is important, it's also essential to consider where homes will be built. With climate change driving more frequent and severe extreme weather and weather-related hazards, building homes in safe locations is essential—because the most affordable home is one that doesn't have to be rebuilt after a disaster.

To meet housing affordability targets, the Canada Mortgage and Housing Corporation (CMHC) estimates that 5.8 million homes need to be built by 2030, representing a 35 per cent increase in housing stock. Governments aim to accelerate housing construction through funding programs, regulatory reforms, and incentives for municipalities to meet aggressive targets.

However, our analysis finds that, under existing policies, hundreds of thousands of these new homes could be built in areas that are highly exposed to climate-related hazards—particularly floods and wildfires. And unless governments and builders take proactive steps to address the threat of floods and wildfire when deciding where new homes are built, these homes will face costly and disruptive disasters, pushing the goal of affordable, safe housing further out of reach.

These risks are neither distant nor abstract. In the summer of 2024, damages from just three events—extreme flooding in the Greater Toronto Area and parts of Ontario and Quebec, combined with Jasper's catastrophic wildfire—totalled more than \$4.3 billion in insured losses alone (IBC 2024a).

Meeting Canada's ambitious housing targets does not require greenlighting development in high-hazard zones. Instead, governments at all levels can act now to steer housing investment toward safer areas as they encourage accelerated housing construction. This report provides clear and actionable guidance on how Canadian governments, particularly at the provincial and territorial levels, can accelerate the development of new housing while dramatically reducing flooding and wildfire risks.

Our analysis evaluates the risks of flooding and wildfires for housing in Canada and identifies the gaps in policies that enable housing to continue to be built in harm's way. We used advanced flood and wildfire models to estimate risks to Canada's existing stock of approximately 16 million homes, and to project risks to the 5.8 million new homes needed by 2030 if they are built under current policies. In parallel, we surveyed provincial and territorial land use policies that

dictate how flooding and wildfire are considered when siting new housing, and assessed how other federal, provincial, and territorial policies—such as housing and infrastructure programs and disaster assistance rules—influence decisions about building in hazardous areas. We also commissioned a dedicated study on the unique challenges faced by Indigenous communities, particularly First Nation on-reserve communities, in building climate-resilient housing. Throughout, we engaged with officials across different orders of government, other stakeholders, and experts to inform our approach and our findings.

Our analysis indicates that, without policy changes, much new housing will be built in high-hazard flood and wildfire zones across the country, resulting in billions of dollars in additional damage every year. Most of this new risk is associated with a relatively small number of homes that will be built in the most hazardous places.

With strategic land use policy changes and better alignment in other housing-related policies, governments can steer the riskiest housing development toward safer ground, minimizing the creation of new risk without compromising the overall supply of new homes.

Conclusions

Conclusion

1

Damages to new housing from flooding and wildfire are on track to cost households and taxpayers billions

Without changes in policy, Canada could build more than 150,000 homes in areas of very high flood hazard and over 220,000 homes in municipalities exposed to high wildfire hazards by 2030. The financial implications are substantial: in a best-case scenario, annual flood losses could increase by \$340 million by 2030, with a worst-case scenario of up to \$2 billion annually. Wildfire-related damages could add another \$1.1 billion annually, leading to total combined damages to new housing as high as \$3 billion per year. Building homes in high-hazard areas will not just affect individual homeowners but will also impose broader costs on governments and society through higher insurance premiums and tax-funded disaster recovery efforts.

Conclusion

2

Permissive land use policies allow construction of risky housing

In most provinces and territories, gaps in land use policies allow housing to be built in high-hazard flood and wildfire zones. Municipalities, often under-resourced and pressured to prioritize immediate housing needs over long-term safety, may approve development in hazardous areas. Our analysis suggests a link between the strength of land use policies and the level of risk to current and future housing. Provinces with stronger land use policies, such as Ontario and Saskatchewan, have relatively lower risks to their housing stock, providing a model for others to follow.

Conclusion

3

Steering development away from high-hazard areas can dramatically reduce losses without limiting housing growth

Our analysis finds that a small number of homes concentrated in the highest-risk zones are responsible for the majority of potential future losses. Redirecting just 3 per cent of the homes targeted for construction by 2030—about 150,000 units—away from high-flood hazard areas and towards safer ground could reduce Canada's flood risk to new housing by nearly 80 per cent. In most communities, targeted policies can effectively reduce risk without limiting housing growth.

Conclusion

4

Other policy gaps also drive unsafe housing development when land use policies are permissive

Federal and provincial programs that aim to increase housing supply often overlook climate-related hazards, encouraging development in risky areas. Infrastructure funding programs that fail to consider the location of new developments also play a role in enabling housing construction in hazard zones. Disaster assistance programs further contribute to the problem by creating a moral hazard, allowing municipalities and homeowners to rely on post-disaster recovery rather than proactive risk avoidance.

Conclusion

5

A lack of information about climate risk hampers smarter housing decisions

Outdated and incomplete flood and wildfire hazard maps often leave developers, municipalities, and homeowners with insufficient information about climate risks. Further, without mandatory hazard disclosure in real estate transactions, buyers and renters are often unaware of the risks they may be taking on. As a result, many people continue to unwittingly build, buy, and rent in dangerous areas, increasing risk and future costs.

Recommendations

Recommendation

1

Federal, provincial, and territorial governments should steer housing and infrastructure investment to low-hazard areas and away from high-hazard zones

The federal government should expand its screening measures for housing programs—notably the Housing Accelerator Fund—and infrastructure funding programs so that these programs support housing development in low-hazard areas. Provincial and territorial governments should take similar measures by screening funding applications to ensure that public funds are used for new construction away from the most flood- and wildfire-prone areas. Governments should also provide municipalities with interim hazard screening maps and fund project-specific analyses to ensure development occurs in safer locations.

Recommendation

2

Provincial and territorial governments should strengthen land use policies to direct new housing away from high-hazard zones

Provincial and territorial governments should urgently enact or enhance land use regulations that explicitly direct development away from the most flood- and wildfire-prone areas. These regulations should include nationally consistent standards for high-hazard flood zones that prohibit development except in exceptional cases. For moderate-risk zones, regulations should only allow development with structural flood protection built to a consistent standard. Provincial and territorial governments should limit development in high-flood hazard zones reliant on structural protections, which may not be reliable with the increasing risks posed by climate change.

In provinces and territories with significant wildfire risks, provincial and territorial governments should strengthen land use regulations to require risk-mitigation measures such as FireSmart practices or community-level risk mitigation, and empower municipalities to require additional protections.

Recommendation

3

Federal, provincial, and territorial governments should reform disaster assistance programs to deter risky development

Federal, provincial, and territorial disaster assistance programs should be redesigned to discourage new construction in hazard zones. New homes built in designated high-hazard zones should be ineligible for publicly funded disaster compensation, signalling to homeowners and developers that these areas are unsuitable for safe housing. The forthcoming federal public flood insurance program should limit coverage to homes built before the program's implementation and introduce risk-based premiums over time to create incentives to live, buy, and rent housing in safe locations.

Recommendation

4

Federal, provincial, and territorial governments should urgently update hazard information and mandate its disclosure in real estate transactions

Federal, provincial, and territorial governments should accelerate the development of accurate, up-to-date—and regularly updated—flood and wildfire hazard maps, and ensure this information is freely accessible. In the interim, they should leverage data from private firms to guide housing decisions. Real estate regulators should mandate disclosure of flood and wildfire risks in sales and rental transactions, giving homebuyers and renters critical information to inform their choices. Insurance regulators should also require insurers to provide property-specific risk assessments to prospective buyers, ensuring transparency about potential risks.

Recommendation

5

The federal government should empower and support Indigenous communities to build climate-resilient homes in safe areas

The federal government should increase funding and co-develop tools in partnership with Indigenous communities to support the construction of climate-resilient homes in low-risk areas. Given the unique challenges faced by Indigenous communities—particularly on-reserve First Nations, where there are acute housing needs and limited access to safe land—the federal government should proactively support Indigenous governments and communities in land use planning that integrates traditional knowledge of climate hazards, and in building housing that can withstand future climate impacts. The federal government should also provide new funding and resources for flood and wildfire risk mitigation in Indigenous communities.

Without policy change, accelerating housing construction will cause many more risky homes to be built, making housing less safe and increasing costs for all Canadians. By strengthening land use policies and aligning housing, infrastructure, and disaster assistance policies to steer new homes away from the most hazardous areas, governments can achieve ambitious housing targets while protecting communities from the human and financial costs of flooding and wildfires.