

December 5, 2025

Canadian Housing Outlook: Where are we heading?

by Benjamin Tal benjamin.tal@cibc.com and Katherine Judge katherine.judge@cibc.com

We are often asked to comment on the health of the Canadian housing market. A simple question, but not a simple answer. The housing market has many faces that often dance to different tunes. The most obvious is location, with the headline housing market masking stark regional divergences. That's true for the resale market, where Ontario and BC only recently moved out of buyers' markets, while the rest of the country is sitting comfortably in balanced market territory. Ditto for housing starts, with the entire upward trajectory in national homebuilding attributable to the Atlantic and prairie provinces, while the most populous provinces have seen an easing in building since Covid (Chart 1). Starts on a per-capita basis were at a decade high in the Atlantic/prairie provinces as of mid-year, while Ontario and Quebec are well below their recent peaks, with BC seeing an improvement lately.

What's in the pipeline?

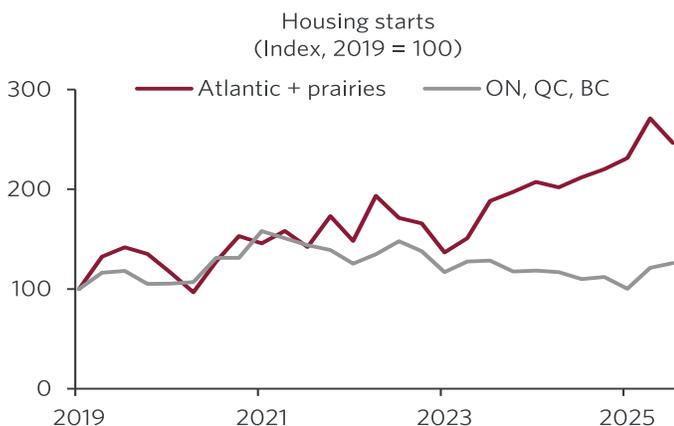
However, housing starts are a lagging indicator that reflect past decisions. Looking at leading indicators suggests that the regional gap is closing. Building permit issuance has waned recently for the Atlantic and prairie provinces, and is down for both the single and multi-family segments of the market at the

national level (Chart 2). What's more, the multi-family permit data is likely being exaggerated by builders pulling forward permit issuance in anticipation of higher development charges in some provinces as well as a significant reduction in the cost of holding applications in Ontario. This means that many of those permits will not translate into new building in the near term, as builders will wait until market conditions are more favorable.

Another telling indicator is growth in new home sales. And as illustrated in Chart 3, the picture here is not promising. New home sales are down by over 50% year-to-date versus last year in Toronto and Vancouver, with other major areas (including Alberta) also showing double digit declines. And things look even worse in comparison to average sales volumes seen since 2016 (Chart 4). While resale sales aren't performing as poorly as new home sales, the latter is a leading indicator of where things could be headed in the resale market. Unit sales in that market are already averaging roughly flat in year-over-year terms this year, with the level of sales 39% below Covid-era peaks, and slightly below 2019 levels.

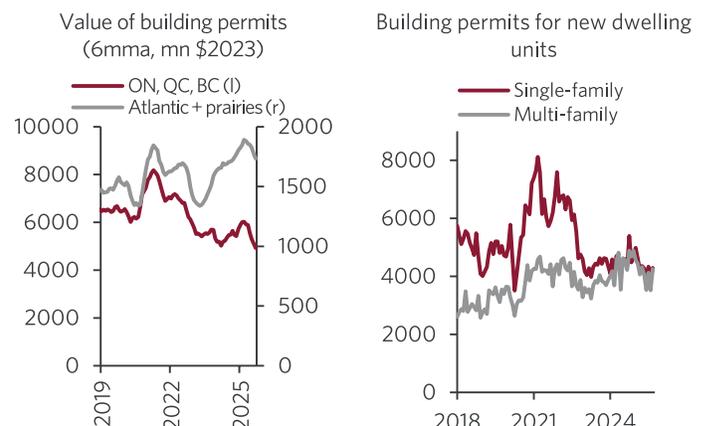
Note that this ongoing softening is not only a condo story. Growth in low-rise new home sales in all major cities is in

Chart 1: Most populous provinces seeing weak housing starts



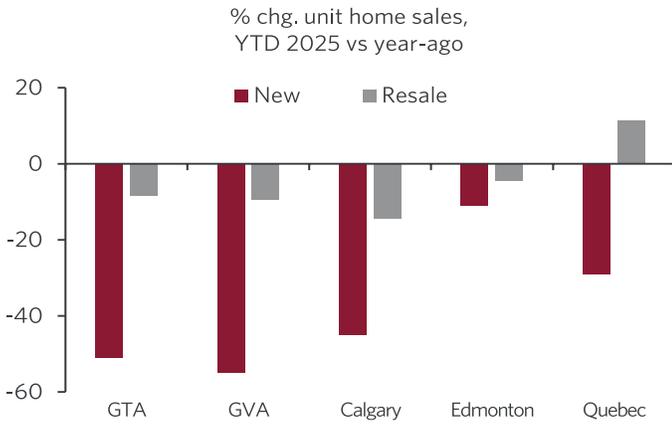
Source: CMHC, CIBC

Chart 2: Building permits slowing across the country (l), for both single and multi-family (r)



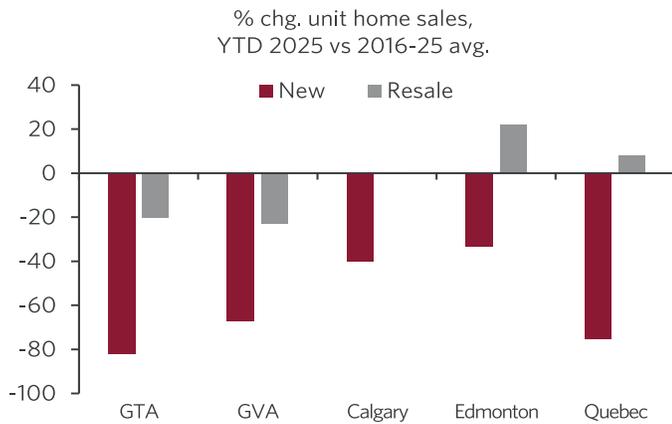
Source: StatCan, CIBC

Chart 3: New homes sales plummeting relative to year-ago levels



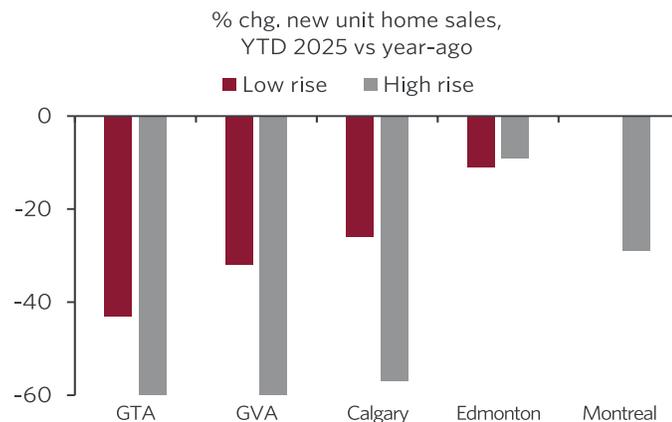
Source: Altus Group, CREA, CIBC

Chart 4: New home sales look even worse relative to last decade average



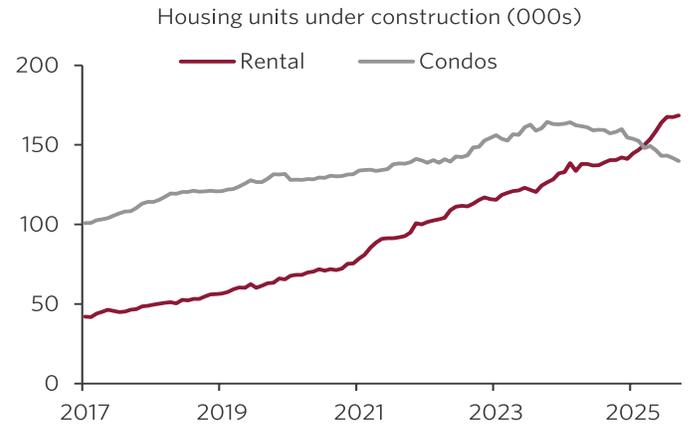
Source: Altus Group, CREA, CIBC

Chart 5: Weakness being seen in low-rise segment as well



Source: Altus Group, CIBC

Chart 6: Rental construction now surpassing condos

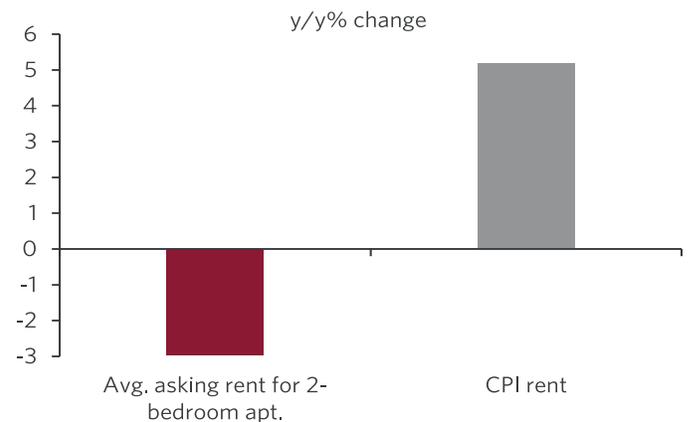


Source: CMHC, CIBC

negative territory as well (Chart 5). That picture does not bode well for housing starts over the next few months, but we still expect building activity in 2026 to show some growth over 2025, with consumers gaining confidence as economic uncertainty fades and borrowers recognizing that mortgage rates are unlikely to fall further. Overall, we expect housing starts to average 264K in 2026, 1.7% above the expected 2025 pace, with greater activity in the single-family segment boosting activity more notably starting in Q2.

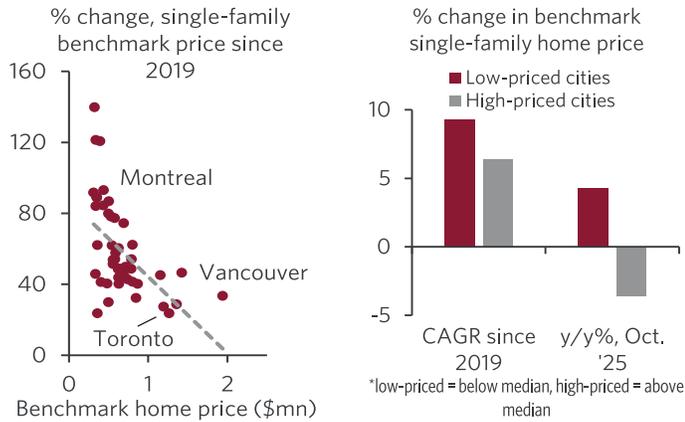
What has prevented an even steeper slowing in starts is the ongoing renaissance in purpose-built rental (PBR) construction activity that is currently rising by 20% y/y, surpassing condo construction for the first time in over thirty years (Chart 6). That strong performance reflects an array of factors such as the removal of HST/GST on new PBRs earlier in the year, some increased flexibility regarding inclusionary zoning, and the fact that many builders' proforma was helped notably by the fact that they already owned the land. While the low-hanging fruit in that space are now less available, the recent move to increase MBS and CMHC's multi-residential lending capacity should

Chart 7: Rents likely notably lower than official CPI estimate



Source: StatCan, CMHC, CIBC

Chart 8: Lower-priced cities have seen more sustainable gains in home prices

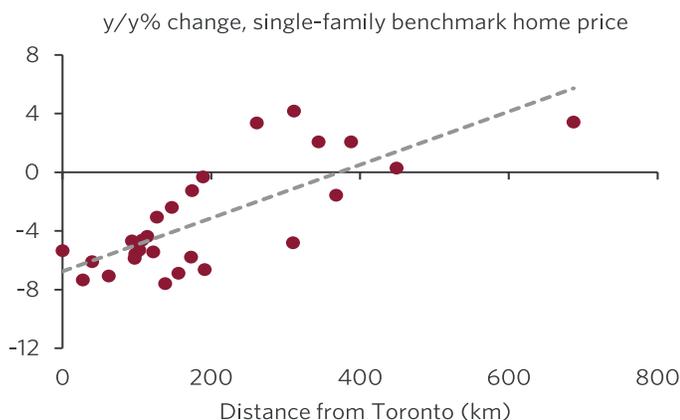


Source: CREA, CIBC

help to keep the level of activity elevated, although we doubt that the pace of growth in the coming quarters could accelerate in any meaningful way.

The increase in supply be it via the condo market or PBRs is being met with a notable slowing in demand due to slower population growth. That is compounding downward pressure on rent in most centers, led by Ontario and BC. And while the CPI rent inflation index is showing rents increasing by over 5% y/y, the CMHC survey suggests that asking rents are falling by 3% y/y (Chart 7). In fact, actual rent inflation might be notably lower than the official CMHC numbers since they do not account for landlords' incentives such as offering free rent for a month or two, or free utilities. We believe that official CPI rent inflation data is overstating actual rent inflation in the economy as a whole, with important implications for overall core inflation.

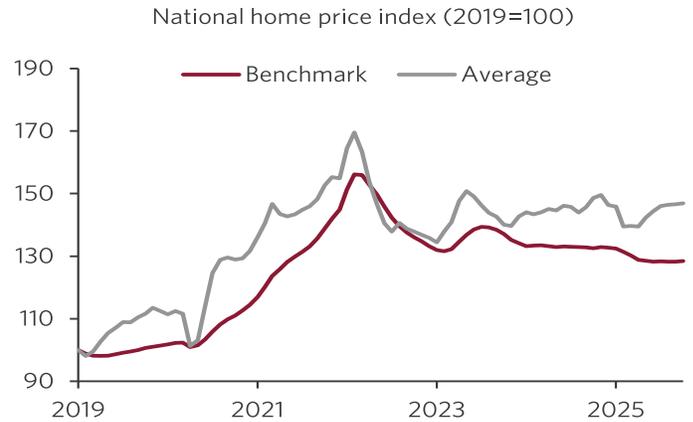
Chart 9: Within Ontario, home prices have risen only in areas far from Toronto



Source: CREA, CIBC

CIBC Capital Markets

Chart 10: More activity in the low-rise segment is boosting the average price vs benchmark



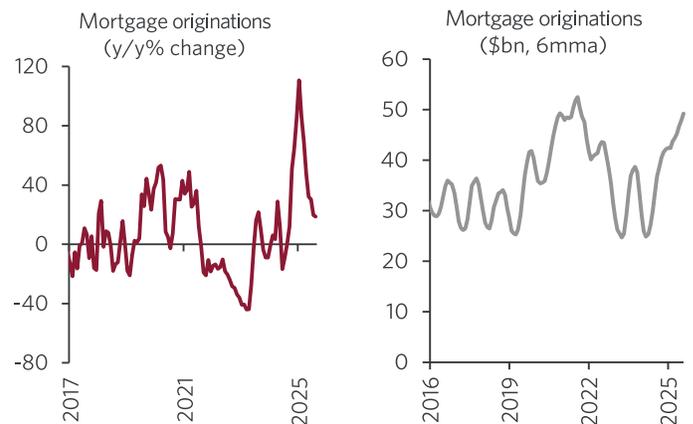
Source: CREA, CIBC

Drive until you qualify

Another dimension to look at is performance based on the affordability of cities. Looking at benchmark home prices, it's clear that higher-priced cities like Toronto and Vancouver have seen the most damage since the Covid boom. And that's not due to the condo segment, as we are only looking at single-family prices here (Chart 8). Affordability dictated migration patterns and has worked to boost prices in more affordable cities since Covid. That's also clear when looking within Ontario, where there is a clear positive correlation between single-family home prices and the distance of cities from Toronto, with the option to work from home solidifying demand in more affordable areas (Chart 9).

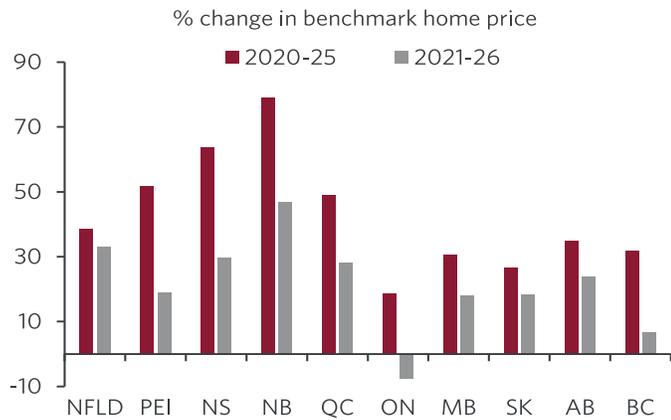
The discussion on prices to this point has omitted condos from the equation, as they don't play a big role in cities outside of Toronto and Vancouver. But we can see the impact that segment has had when we compare benchmark total prices to the simple national average home price. The benchmark

Chart 11: Mortgage originations still rising



Source: StatCan, CIBC

Chart 12: Ontario homeowners could be in negative equity position next year, BC not far behind



Source: CREA, CIBC

index for home prices controls for the mix of sales so that each month measures a uniform composition of sales across single and multi-family markets. When demand diverges from that benchmark, average prices that do not control for the type of unit purchased move to reflect that. In today's case, the simple average price is sitting above the benchmark index, suggesting that demand has shifted to larger and more expensive units (away from condos and towards low rise) (Chart 10), in line with price drops being the most significant in the condo space.

The fact that low-rise hasn't deteriorated as much as the lower-cost multi-family segment means that mortgage originations are still up by 19% y/y, with levels not far off of Covid-era peaks (Chart 11). The composition of mortgages has changed, however, with mortgages in the 3-year category now accounting for over 40% of originations, and 5-year originations only at 17%.

The federal government's budget pledge to expand the GST rebate for first-time homebuyers for new homes priced up to \$1.5mn should see greater originations from that segment of the market ahead, especially when paired with the expansion of insured mortgages to that price level that took effect at the end of 2024. Currently, first time buyers account for 20% of originations, of which just over 20% buy new units (and thus qualified for the GST rebate). In all likelihood, that share will rise in the coming quarters. Overall, look for mortgages outstanding to rise by close to 5% in the coming year, following a similar increase in 2025.

Mortgage rate reset in 2026—the real test

What about the mortgage payment cliff? As we have indicated in previous research, 2026 will see the ultimate test, with a much larger portion of borrowers (5%-6% vs 2% in 2025) seeing more than a 40% increase in monthly mortgage payments. Presenting an even greater challenge in 2026 is the fact that prices in 2025 were still notably higher than they were in 2020, allowing stretched borrowers to refinance and therefore ease the pain. Accordingly, refinancing accounted for

a relatively large share of originations in 2025. But that's no longer the case. Even if we assume conservatively that prices in 2026 will stay at current levels, the refinancing windows in Ontario and BC are closed (Chart 12). Accordingly, look for some manageable upward pressure on delinquency rates in 2026.

Bottom line: We are not out of the woods yet. The regional performance gap is starting to narrow, with other provinces showing early signs of softening alongside an already weak BC and Ontario. The condo market in Toronto and Vancouver will not clear for a while, with prices continuing to fall in the near future. However, a lack of new supply might suggest renewed upward pressure on condo prices around 2028. Rent inflation is softening due to increased condo inventory, accelerated activity in the PBR space, and slowing population growth. We expect those conditions to persist in 2026. The resale market is likely to see a relatively weak spring market in 2026, followed by a stronger fall market. Overall, we view 2026 as a transition year from a weak market to a much improved market in 2027.

Contacts:

Avery Shenfeld
avery.shenfeld@cibc.com

Benjamin Tal
benjamin.tal@cibc.com

Andrew Grantham
andrew.grantham@cibc.com

Ali Jaffery
ali.jaffery@cibc.com

Katherine Judge
katherine.judge@cibc.com

CIBC Capital Markets
PO Box 500
161 Bay Street, Brookfield Place
Toronto, Canada, M5J 2S8
[Bloomberg @ CIBC](#)

economics.cibccm.com

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.