Ten charts that explain Canada's messy and complicated housing markets

The peak of real estate madness is behind us, but there are tumultuous, complicated times ahead. Here are 10 charts to explain where we are

Back in early 2022, housing markets across Canada – no stranger to bouts of euphoria – were riding a rally with little precedent.

The representative national home price hit $837,400 in February that year, an increase of 58 per cent – or more than $300,000 – in just three years, according to the Canadian Real Estate Association.

With hindsight, it was the peak of the madness. The Bank of Canada started to jack up interest rates to tame inflation, which sent the real estate industry into a tailspin. The typical home price has now slipped below $690,000, and the declines have been precipitous in the most speculative corners of British Columbia and Ontario.

It is, however, a complex situation. In many markets, particularly in the Prairies and Atlantic Canada, sales are robust again and prices are grinding higher. The Bank of Canada has cut interest rates eight times since mid-2024, which is coaxing some buyers off the sidelines. Home sales have risen for five consecutive months as of August, according to CREA, shaking off some trade war jitters.

But elsewhere, there is turmoil. The market for preconstruction condos – financed by individual investors – has collapsed, which is depriving the development industry of crucial funds for high-rise projects. The pipeline for future housing looks barren in major markets that need an infusion of supply. And sky-high development fees in some markets show cities are struggling to break their dependence on new home construction as a source of easy revenue.

Even with prices on the decline, homes are still prohibitively expensive for many buyers. Various metrics show that affordability has improved, but not by much. The Bank of Canada is poised to cut interest rates a couple more times in the coming months, but economists aren’t expecting a return to near-zero levels.

All to say, Canada’s housing crisis isn’t going anywhere, despite taking a back seat to trade concerns of late.

Winners and losers

The story with home prices is really a question of where you look. In places such as Calgary, Saskatoon and Moncton, nominal home prices have risen by double-digit percentages since early 2022.

But in parts of Southern Ontario and B.C., resale prices have tumbled over that span, especially when inflation adjustments are made. Since February of 2022, home prices have fallen by nearly 20 per cent in Greater Vancouver in real terms, by 34 per cent in Greater Toronto and by nearly 40 per cent in Hamilton.

While activity is picking up in Ontario, a full rebound looks shaky. The province has been slammed hard by the trade war, driving up the unemployment rate to 7.9 per cent (versus 7.1 per cent nationally). And home prices are generally much higher than in the years preceding the COVID-19 pandemic.

(Un)sold

Home sales have been mostly sluggish since mid-2022, when the Bank of Canada was hiking interest rates to slow inflation. Even after the federal government loosened mortgage rules and the central bank started cutting rates in 2024, activity has remained relatively muted. For many Canadians, borrowing costs are still too high and property prices continue to be out of reach.

Even condos, the more affordable choice, are struggling. They continue to account for less than 20 per cent of all homes sold, according to data from the Canadian Real Estate Association and the Quebec Professional Association of Real Estate Brokers.

CREA expects total sales for this year to be slightly lower than in 2024, according to its most recent forecast. The situation is somewhat similar to 2018, when the market slowed as the federal government's stricter mortgage rules came into effect.

Still priced out

Housing affordability has improved in recent years. With prices on the decline in many markets, and average wages on the rise, it's become easier for many Canadians to finance a home purchase. Interest rates are also heading lower, which is helping with the equation.

But it doesn’t amount to a huge improvement in some places. Economists at National Bank of Canada estimate that in Toronto and Vancouver, affordability has come back to levels of late 2021 or early 2022, just before the Bank of Canada’s rate-hike cycle began. Mortgage payments are still wildly expensive for households that earn median incomes, eating up a huge chunk of after-tax pay.

“The speed of improvement is likely to slow,” said Robert Hogue, assistant chief economist at Royal Bank of Canada, in a recent report on affordability. “We expect further easing in ownership costs, but see the effect of earlier interest rate cuts fading. Decelerating income growth will also dampen buyers’ purchasing power.”

The great slowdown

Canada is in the midst of an epic policy U-turn. After encouraging the fastest influx of temporary residents in the country’s history, the federal Liberals have slammed the brakes on population growth. Now the demand forces that sowed chaos in some housing markets are being reversed at a furious pace.

Starting in 2016, and intensifying early in the pandemic, the mismatch between strong population growth and lagging housing construction strained affordability. In college and university towns in particular, which experienced large inflows of international students, this sparked a surge in rental rates. Yet in the second quarter of this year, the population growth rate fell to the lowest on record for that quarter since 1946, excluding the first year of the pandemic, Statistics Canada said last month.

“It’s no coincidence that the long-stressed rental market began to ease almost the moment these caps were put in place,” Robert Kavcic, a senior economist with the Bank of Montreal, wrote in a recent client note.

Rental traits

The federal government's immigration curbs began to take effect in 2024, just as a rash of rental-only apartments and condo units became available. Landlords, who had benefitted from years of surging rents, were forced to take an unusual step: lowering rents to fill their units.

Average asking rents for a one-bedroom unit in many markets peaked in either late 2023 or 2024, according to a quarterly report from Statistics Canada that surveys 42 census metropolitan areas or regions with a population of at least 100,000 residents. Declining rents have been observed in such places as Halifax; Kitchener-Waterloo-Cambridge, Oshawa and Toronto in Ontario; Calgary; and Kelowna and Vancouver in B.C., according to the latest data.

Given that Ottawa is still in the early stages of reining in population growth, there's potential for rents to decline further. "With the rental demand curve easing, and a very full pipeline of rental supply under construction, the bearish move in rents is still in its early days," Mr. Kavcic said in his research note.

Shoeboxes shunned

Preconstruction condo sales have plummeted in Toronto, Vancouver and Calgary as individual investors stay away from what had previously been a profitable purchase.

It's easy to see why. Monthly rents are generally not high enough to cover the mortgage payments and expenses for new units, and investors can no longer rely on condos to consistently appreciate in value.

Another reason for weaker demand is that condos on the resale market are cheaper than preconstruction units. And for owners who plan to live in the home, older condos and single-family homes typically offer more space.

"To live in a condo designed for investors is challenging based on the layout," said Raymond Wong, Altus Group Ltd.'s vice-president of data solutions.

In the second quarter, there were 502 new condo sales in the Greater Toronto and Hamilton region, according to data from Urbanation Inc. That was down 68 per cent from a year earlier and the lowest level in more than three decades.

In Calgary, there were 329 sales in the second quarter, which was 50 per cent lower than the same period last year, according to data from Altus. In Vancouver, there were 989 sales in the second quarter, a decrease of 62 per cent.

Fits and starts

On the surface, housing starts aren't flashing warning signs. In the second quarter, the annualized rate of starts was roughly 277,000 – the best result since late 2022. Condos are falling out of favour, but purpose-built rentals are picking up the slack.

The trouble, however, is that many projects were planned and financed years ago, making housing starts a very backward-looking metric. And the outlook doesn't look promising. In July, Canada Mortgage and Housing Corp. forecast roughly 220,000 housing starts for 2027, a decrease of roughly 50,000 units from 2021.

The federal government is trying to double home construction, with the aim of alleviating the long-standing supply crisis. Ottawa recently launched Build Canada Homes, a new federal agency to "build affordable housing at scale and at speed," and which will be seeded with an initial $13-billion in funding. But it could take a Herculean effort just to keep construction from falling further.

Reeling in the fees

For years home builders complained that cities treated development charges like a bottomless piggy bank, with municipalities repeatedly hiking the fees they collected from developers on new projects to cover infrastructure and community services costs. Now, that piggy bank is showing cracks.

In most cities across Canada, development fees surged between 2022 and last year, with developers in Toronto facing fees of $135,000 per unit for high-rise projects. That, along with other factors such as rising building material costs, rapid population growth and low interest rates, raised prices and eroded affordability.

With governments pushing to boost new home construction, development charges are being targeted. When the federal government announced its Build Canada Homes agency, it committed to cut development charges in half for multiunit housing, though it has yet to provide details on how it will do that while maintaining municipal infrastructure funding.

Falling behind

Economists have long warned that Canadians who took out mortgages early in the pandemic at record low interest rates faced pain starting this year when it came time to renew at higher rates. The jump in mortgage borrowers falling behind on payments shows how that pain is starting to play out.

While still a very small share of total mortgages, the number that are past due by 90 days or more is on the rise. In Ontario the increase in mortgage delinquency rates has been particularly steep, with the rate in Toronto reaching the highest level since 2013.

Now that mortgage rates are easing, that's helping households that face renewals in the coming months, but the fallout for the economy is not yet over. “More mortgage rate resets are on the way, draining some possible spending, while the rate of loans in arrears has crept higher,” wrote Andrew Hencic, a senior economist at Toronto-Dominion Bank, in a recent report. “The goods news is stress tests appear to have worked as intended to prevent a major wave of defaults, and recent income and wealth gains have created some wiggle room for borrowers to navigate resets.”

Homegrown

For better or worse, Canada’s housing market is a big economic driver. At peak levels in 2021, residential investment amounted to nearly 10 per cent of national gross domestic product – or roughly double the equivalent rate in the United States. That’s since eased to less than 8 per cent, which is still on the high side historically.

These numbers are akin to a Rorschach test of Canada’s economy. Viewed one way, heavy investment in new construction and renovation is sorely needed to address the country’s home supply crisis. But spending on real estate may also look inflated because other sectors of the economy are languishing or because Canadians have developed an unhealthy obsession with housing. (At the pandemic peak, real estate commissions and land transfer taxes accounted for 2.6 per cent of GDP, versus less than 1 per cent in previous decades – hardly a sign of economic dynamism.)

In an ideal world, the country will continue to invest heavily in new housing, but the rest of the economy will grow just as strongly.