

Residential Sector Awaits Next Demand Cycle Amid Improving Financing Backdrop

Housing market cools as winter months approach. National home sales fell 0.6 per cent monthly in November, lowering the median price of a single-family home by 0.5 per cent. This translated to a 3.5 per cent yearly decrease amid trade uncertainty, affordability challenges, and a tough financing environment. While this signals that the mid-year holding pattern is ongoing, recent monetary policy developments could serve as a catalyst for next year. The Bank of Canada's rate cuts late in 2025, coupled with expectations for modest downward pressure on long-term bond yields, should slightly improve affordability and lower borrowing costs for potential buyers. This could help sales to increase through 2026 if economic conditions stay stable. Sellers also seem more willing to make concessions late in the year, but the best test of this momentum will be in the upcoming spring market.

Performance continues to diverge across regions. More affordable markets are showing early signs of stabilization as buyers respond to more attainable prices and lower mortgage rates, while higher-cost metros remain under pressure. Activity in markets such as the Prairies and parts of Quebec has been comparatively resilient. In contrast, Toronto and Vancouver continue to lag, constrained by stretched affordability and a large pipeline of new supply. That said, the tightening in market balance nationally suggests the worst of the price correction is likely behind in most regions, with expensive gateway markets expected to be the last to recover fully.

Commercial Real Estate Outlook

Construction holds despite challenging conditions. On the supply side, residential construction mostly stabilized in November. Housing starts rebounded by 9.4 per cent monthly to roughly 254,000 units annualized after October's unexpected weak reading. Despite some softening in apartment rental fundamentals due to high deliveries and slowing population growth, construction remains heavily focused on multifamily projects. Government incentives and the lingering effects of earlier population growth mainly support this trend. Single-family construction, meanwhile, has been more restrained, down 20 per cent compared to last November due to affordability challenges and cautious developer sentiment. While near-term starts may slow as projects are absorbed, the current pipeline for purpose-built rentals remains historically large, particularly in major urban centres.

Multifamily continues to generate durable long-term returns. Recent rental market data shows rising vacancy rates and slowing rent growth in several large metros, particularly those experiencing the most intense wave of purpose-built completions. Property owners are increasingly prioritizing occupancy over rent growth in the near term. However, the longer-term outlook for rental housing remains positive. Structural undersupply persists across much of the country. As construction activity gradually slows and population growth stabilizes, multifamily markets are expected to regain balance, reinforcing the sector's role as a defensive component within Canada's commercial real estate market.

Affordable Markets Outpace National Average



Developers Shift Focus to Apartment Rentals

