

RESEARCH BRIEF

CANADA HOUSING

FEBRUARY 2026

Housing Sector in Transition as Supply Surges and Demand Gradually Rebuilds

External conditions may have influenced market. January housing activity opened 2026 on a softer footing, though much of the pullback appears weather-related rather than structural. National home sales fell 5.8 per cent monthly in January, with the Greater Golden Horseshoe and Southwestern Ontario accounting for the decline amid a historic winter storm. On a non-seasonally adjusted basis, sales were down 16.2 per cent year over year. New listings also jumped 7.3 per cent month over month, led by markets such as Montreal, Quebec City, Calgary, and Greater Vancouver, suggesting sellers were eager to start the year even as buyer activity stalled in weather-impacted regions. The rare combination of softer sales and rising supply pushed the national sales-to-new listings ratio down to 45 per cent, near the lower bound of balanced conditions, while price measures edged lower on both a monthly and an annual basis.

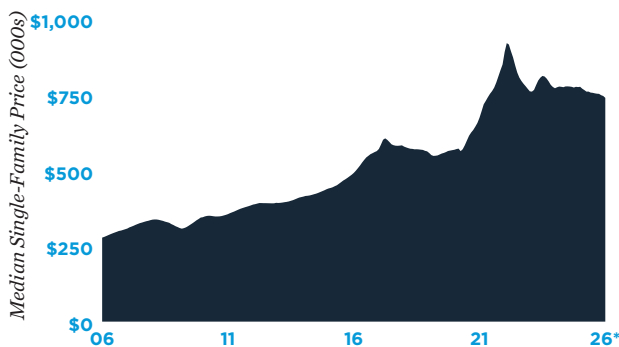
Residential market could turn. Canada's housing market is positioned for a gradual recovery this year. January's sales slowdown appears largely weather-driven, and improving rate stability, steady employment, and pent-up buyer demand should support firmer activity as the year progresses. Still, affordability hurdles and elevated inventory in some regions will likely limit near-term price gains, keeping conditions broadly balanced nationally. Mortgage rates are expected to remain stable to modestly lower through 2026 amid a more accommodative policy backdrop and contained bond yields. As borrowing costs ease and incomes grow, affordability should improve, though high household debt levels will temper the pace of recovery.

Commercial Real Estate Outlook

Select build formats drive housing construction. January housing starts were broadly stable, up 1 per cent year over year, though the mix continues to shift. Single-family and for-sale condo groundbreakings have trended lower amid affordability constraints and softer resale activity. In contrast, purpose-built rentals are driving supply, with starts reaching a record of nearly 120,000 units in 2025 – up 28 per cent from the 2024 peak and 73 per cent above the 10-year average – supported by financing from the Canada Mortgage and Housing Corporation and federal incentives. Regionally, cost-advantaged markets such as Calgary and Edmonton are leading, with Alberta starts up 41 per cent, while Toronto and Vancouver face headwinds tied to higher development costs and renter affordability pressures.

Performance differs across vintages. The surge in apartment supply is now translating into greater competition among new builds, particularly as many of these projects are delivering at premium rent levels. With affordability stretched, renter demand is thinning at the top end of the market, placing pressure on newer product. Nationally, vacancy rose 90 basis points in 2025 to 3.1 per cent, while annual rent growth cooled 60 basis points to 6.1 per cent. The softness is more pronounced in buildings completed after 2000, where vacancy climbed 110 basis points to 4.2 per cent and rent growth slowed sharply to 4 per cent. In contrast, pre-2000 vintages have proven more resilient – vacancy remains below 3 per cent and rent growth in some cases accelerated and has held near 6 per cent, supported by turnover and the ability to reset rents closer to market levels.

Housing Market Yet to Gain Momentum



Newer Supply Faces More Vacancy Pressures

