

RESEARCH BRIEF

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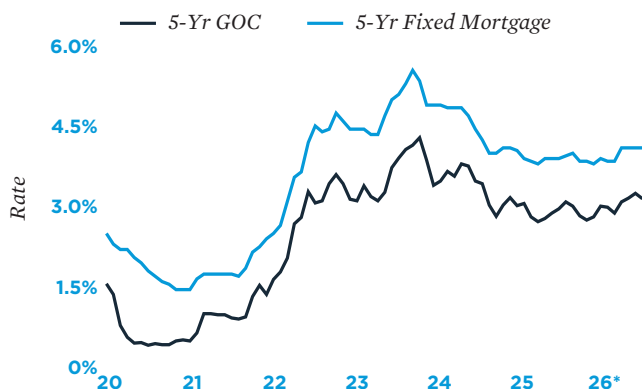
JUNE 2026

Lower Rate Volatility to Support Further Housing Recovery

Housing market continues to stabilize. After nearly a year of decline, Canada's average single-family home price is finding a floor, with values marginally increasing over the past two months to approximately \$733,000. While prices remain 3.4 per cent below year-ago levels, the pace of annual decline has narrowed steadily over the past six months, suggesting market conditions are improving. This stabilization comes as buyer demand gains momentum. Home sales rose 5.5 per cent in May, marking the second consecutive monthly increase and the largest gain in nearly two years. At the same time, new listings edged down 1 per cent, tightening the sales-to-new listings ratio to 49.2 per cent. While still consistent with balanced market conditions, the trend indicates a housing market gradually strengthening.

Mortgage rates may become more supportive. Rising inflation concerns tied to the conflict in the Middle East pushed Canada's 5-year bond yield from a low of 2.65 per cent at the end of February to a peak of 3.35 per cent in mid-May. While this jump placed upward pressure on fixed mortgage rates, the impact was relatively modest at approximately 25 basis points. As a result, housing demand proved more resilient than many anticipated. Looking ahead, improving geopolitical conditions and a preliminary agreement to end the conflict have helped ease inflation concerns, contributing to a sharp decline in bond yields, with the 5-year yield now sitting near 3.0 per cent as of mid-June. Greater interest rate clarity, combined with a delayed spring market due to unfavorable weather conditions, should continue to support a gradual recovery in housing demand.

Upward Pressure on Rates Likely to Subside

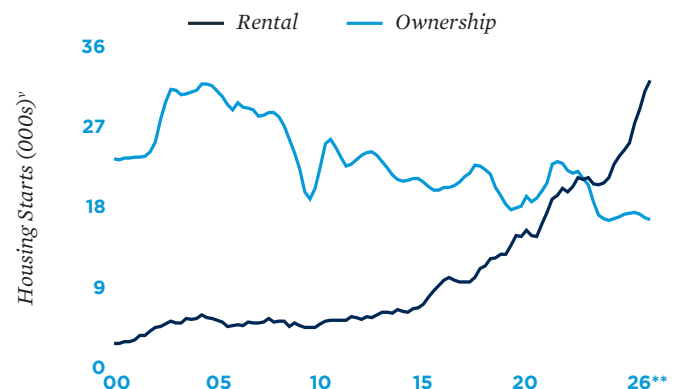


Commercial Real Estate Outlook

Rentals drive housing growth. While national housing starts eased 6 per cent in May, construction remains elevated by historical standards and is still driven by the apartment rental sector. Government measures, such as favorable CMHC financing programs, the elimination of GST/HST on qualifying builds, and, more recently, the removal of development charges on select projects in Ontario, continue to support new rental construction. However, this surge in completions, along with near-zero population growth amid tighter immigration, is softening multifamily fundamentals. As a result, apartment vacancy is forecast to approach 4 per cent this year, up from the 1.5 per cent low recorded in 2023. Meanwhile, the average effective rent is largely plateauing, while rents in new builds have declined more noticeably as owners compete to lease up recently delivered units.

Regional trends differ. Housing construction is diverging across major Canadian markets. Year-to-date housing starts are up in Vancouver and Toronto, after declines in both last year, supported by large apartment pipelines and government incentives that continue to improve the feasibility of rental projects. Conversely, starts fell notably in Calgary and Edmonton after reaching exceptionally strong levels in 2025. While demand remains healthy in Alberta amid strong in-migration, population gains are moderating, rents are flat-lining, and robust deliveries in recent years are reducing the urgency for development. This regional divergence highlights a broader national trend, where purpose-built rental construction continues to lead activity, but builders are becoming more selective.

Rental Housing Drives Construction



* Through June 15; ** Through 1Q; * Trailing 12-month average

Sources: IPA Research Services; Altus Data Solutions; Capital Economics; CMHC; CoStar Group, Inc.; CREA; Oxford Economics; Statistics Canada