Economics | Current Economic Trends

Ontario Economic Briefing

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central 1 Economics

Highlights

- Ontario home sales fall in September
- Durable goods sales decreased by 2.4 per cent, led by transportation equipment production
- Canadian permits decline in August
- Ontario sees sharp drop in permits following surge in July
- Ontario sees high home starts in September

Home sales decline in Ontario in September

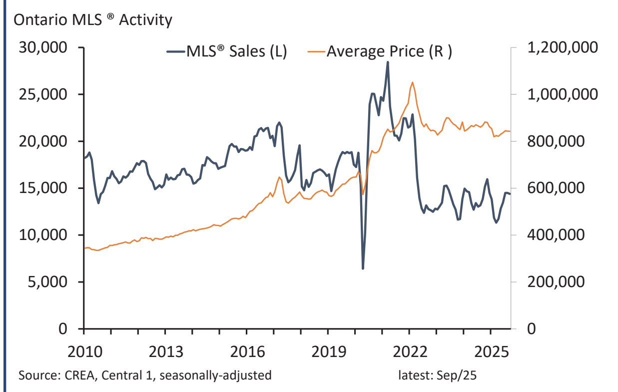
Eloho Ennah, Economic Analyst

Home sales in Ontario fell in September following a month of no gain, and mirrored the broad decline seen nationwide. Seasonally- adjusted MLS® sales decreased by 0.7 per cent to 14,392 units after no change in August. Results from the last two months point to a pause in momentum after a recent recovery. Year-over-year, sales were 4.0 per cent higher but reflect weaker conditions a year ago with levels still tempered. Economic conditions continue to weigh on sales. That said, more BBank of Canada rate cuts may incentivize more buyers to return to the markets in the next months.

Based on our aggregation by real estate board area, monthly sales data was mixed amongst economic regions. Notably, sales fell in London (-5.0 per cent), Windsor-Sarnia (-4.7 per cent), and Ottawa (-8.2 per cent). In contrast, sales rose in Toronto (1.0 per cent), Kingston-Pembroke (5.2 per cent) and Hamilton-Niagara Peninsula (2.5 per cent). Monthly sales can fluctuate sharply, but looking at the three-month average, sales trends vary among real estate board areas, trending down in Muskoka-Kawarthas and Ottawa but still advancing in the Northern regions and Stratford Bruce Peninsula.

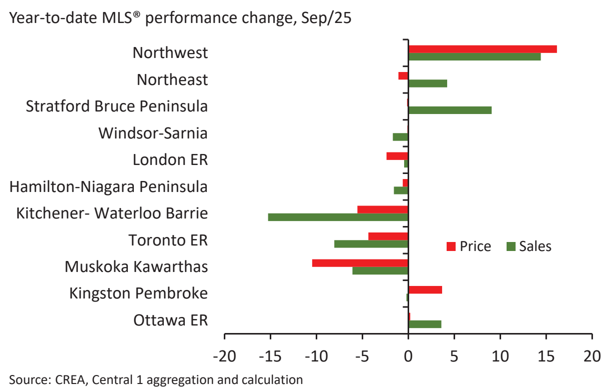
Slow demand and rising new listings (2.7 per cent) align with buyers' market conditions in many areas of the province, with the sales-to-new listings ratio at 41.9 per cent at the provincial level. Weaker conditions are observed in areas such as Greater Toronto, St. Catharines, Barrie, with relatively balanced conditions in Ottawa and Hamilton-Burlington.

Ontario housing market activity subdued in September



Source: CREA, Central 1, seasonally-adjusted latest: Sep/25

Southwest markets underperform other regions in 2025



Source: CREA, Central 1 aggregation and calculation

Conditions are suppressing price growth, as the average price edged down 0.1 per cent m/m, and 2.9 per cent y/y. Levels are down 20.0 per cent from peak in February 2022 and price declines were widespread across the economic regions. The average price in Toronto fell by 1.3 per cent, while also down in Hamilton-Niagara Peninsula and Ottawa by 1.1 per cent and 1.9 per cent, respectively. Benchmark prices, which tend to trail average prices, have continued to recede in some markets with flat readings in the majority of markets.

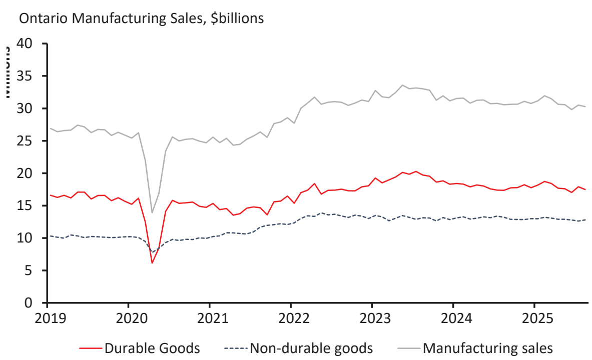
Limited immigration and unaffordability will continue to weigh on market activity, especially in more expensive regions like Greater Toronto.

Manufacturing sales in Ontario fell in August

Ivy Ruan, Senior Analyst

Ontario manufacturing sales decreased 0.8 per cent in August following stronger growth (downward revised 2.4 per cent) reported in July. On a seasonally- adjusted basis, manufacturing sales fell to $30.3 billion. The durable goods category drove the monthly decline, reporting a 2.4 per cent decrease in sales to $17.4 billion following the surge in July while non-durable goods sales grew by 1.4 per cent to $12.8 billion. Unadjusted for seasonality, year-to-date manufacturing sales decreased by 1.4 per cent.

Ontario manufacturing sales declined in August



Source: Statistics Canada, Central 1, seasonally- adjusted Latest: Aug/25

Within the durable goods sector, the increase was concentrated in transportation equipment manufacturing sales, which reported a 5.3 per cent decrease following the 10.5 per cent monthly gain in July on a seasonally adjusted basis. This decline included decreases in the motor vehicle industry group (-5.5 per cent) and motor vehicle parts (-2.6 per cent). U.S. tariffs on finished autos had curtailed Canadian production since the spring despite last month's rebound. In addition, significant decline was seen in aerospace products and parts manufacturing, with sales falling 17.0 per cent in August, following the surge in July. The year-to-date durable goods production in Ontario was 0.1 per cent below the same period in 2024.

In the non-durable goods category, food manufacturing sales in Ontario reported a decline of 0.7 per cent, reaching $4.8 billion following the decrease seen in July.

Within the metro areas, manufacturing sales results were mostly negative. Windsor recorded a decrease of 12.3 per cent in manufacturing sales following last month's rebound while sales also decreased in Hamilton by 0.6 per cent. Toronto posted a 0.8 per cent decline during the same period. On the other hand, Ottawa–Gatineau, Ontario and Quebec manufacturing sales grew by 1.2 per cent.

Ontario construction sector permit volumes increased in August

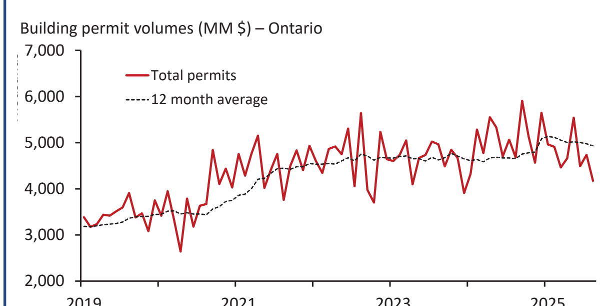
Eloho Ennah, Economic Analyst

The total value of building permits issued in Canada declined in August after a steady July. On a seasonally-adjusted basis, permits fell by 1.2 per cent (-$139.2 million). Sharp decreases in Ontario and Alberta offset major gains in British Columbia. Year-to-date, building permits issued decreased by 0.6 per cent on a constant dollar basis.

Following the uptick in July, Ontario noted a significant decline in permits issued in August. Seasonally-adjusted total permits decreased by 11.9 per cent to $4.2 billion, more than reversing all gains from the prior month (+5.5 per cent). That said, it should be noted that permit values can fluctuate widely month-to-month. The 12-month moving average continued to trend lower in August. Year-to-date, permits were down by 5.8 per cent on nominal basis and 8.4 per cent on a constant dollar basis.

The declines in the non-residential sector (-6.5 per cent to $1.9 billion) were mostly driven by the commercial sector component, which saw permits fall by 28.0 per cent. Industrial building permits also decreased by 13.2 per cent. On the other hand, institutional and governmental permits rose by 49.3 per cent to temper some of the losses in the other components.

Building permits in Ontario fall in August



Source: Statistics Canada, Central 1 latest: Aug/25

The decline in Ontario's residential sector permits led to the national decrease. Total residential permits fell by 15.9 per cent to $2.3 billion. Within the sector, single-dwelling building permits decreased by 14.9 per cent while a 16.4 per cent drop in multi-dwelling building permits was noted during the month.

In Ontario's metro areas, Hamilton permits decreased by 40.4 per cent while they also declined in Toronto by 4.0 per cent. In St. Catharines-–Niagara, permits decreased by 37.7 per cent while they fell significantly in Brantford by 85.3 per cent. In contrast, permits in Ottawa increased by 46.7 per cent while up in London by 18.6 per cent.

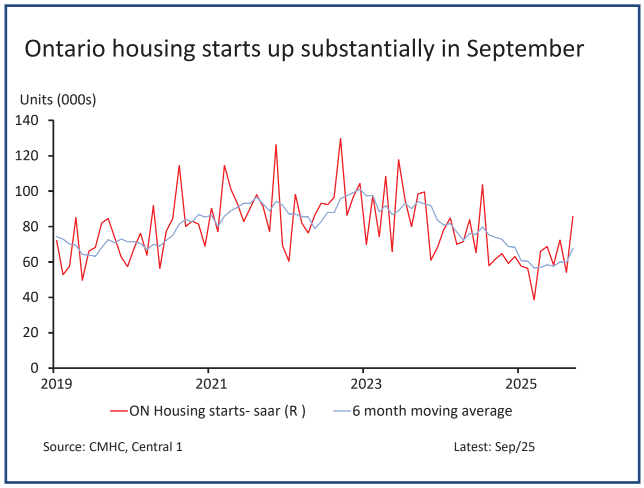
Housing starts jump in Ontario

Eloho Ennah, Economic Analyst

Ontario housing starts jumped in September following a substantial decline in August. On a seasonally-adjusted annualized basis, housing starts rose by 58.3 per cent to 85,801, the highest figure so far in 2025. Multifamily starts drove the overall monthly gain, rising by 72.4 per cent. On the other hand, single-family housing starts declined by 5.7 per cent.

Although starts values tend to fluctuate monthly, the six-month average has been on the rise since March 2025. Permits issued in the province have been flat in recent months and may signify slowing construction activity given the lagged impacts of a weakening economy, lower presales in recent years, and a challenging real estate market.

Of Ontario's 16 metro areas, ten recorded increases in the seasonally-adjusted annualized rate of housing starts in September. London saw a significant increase to 13,106 and the largest figure since November 2020. Similarly, Kitchener-Cambridge-Waterloo recorded a substantial gain to 15,197 starts reaching the highest rate since December 2023. Toronto also noted the highest rate in 2025 so far at 43,382 starts. Eight metro areas saw the September rate of housing starts higher than the monthly average for the year. Those were Belleville-Quinte West, Oshawa, Toronto, Kitchener-Cambridge-Waterloo, Guelph, London, Windsor and Thunder Bay.



On an unadjusted basis, Ontario's year-to-date housing starts fell but at a slower rate compared to previous months given the increase in monthly starts. Compared to same period last year, housing starts in the province declined 17.8 per cent (56,128 units vs 46,111 units), after falling 23.1 per cent in the previous months. Single-family starts prompted the decline, falling by almost 25 per cent year-to-date to 7,195 starts. Multi-family starts also declined by 16.4 per cent to 38,916 starts. Ontario was one of three provinces seeing lower year-to-date housing starts.

Toronto saw a notable 37.0 per cent decrease in year-to-date housing starts compared to same period in 2024. London saw 20.0 per cent less housing starts year-to-date. In contrast, starts were up significantly in Kitchener-Cambridge-Waterloo (49.9 per cent) and Ottawa (21.8 per cent). Across Canada, year-to-date housing starts grew 5.4 per cent year-over-year as of September 2025. Multi-family starts increased by 7.3 per cent, while single-family starts have declined by 2.7 per cent.

For more information, contact economics@central1.com.