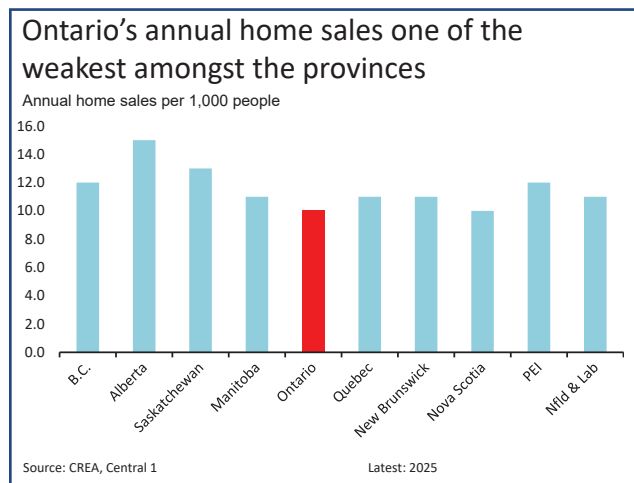




Ontario Housing Outlook 2026-2028

There is little doubt that Ontario bore the weight of significant economic and political tensions that shaped the trade and economic environment in 2025. The scale of the impact on Ontario following tariff imposition was largely due to stronger trade ties with the United States compared to other provinces, and this was evident in the significantly downbeat housing market performance. Elevated economic uncertainty weighed heavily on buyer confidence, pushing annual home sales to the lowest level in over two decades, while the province also recorded the weakest residential construction performance in the country.

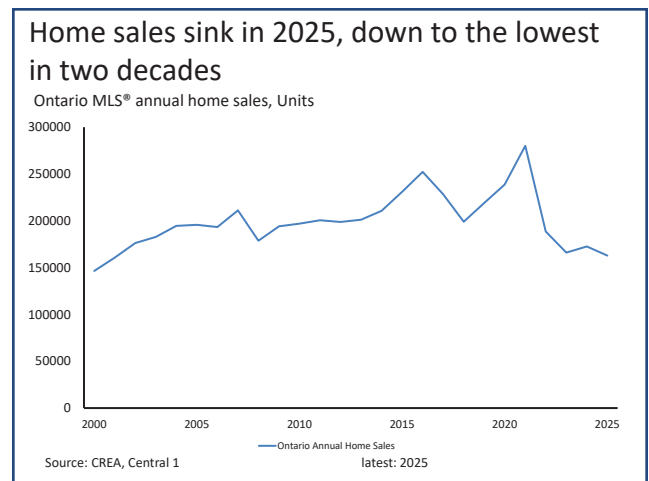
Although geopolitical and economic risks are still present in 2026, we expect a gradual firming in consumer expectations going forward. This should support a modest rebound in housing market activity, driven by pent-up demand. Improving affordability stemming from depressed prices and elevated inventory, alongside stable borrowing costs, encourages more would-be buyers into the market. Meanwhile, rental market conditions continue to ease as immigration slows due to restrictions on the inflow of temporary residents.



We expect a sustained recovery in home sales through 2027 and into 2028. Residential construction is expected to remain subdued during the period, reflecting the lingering effects of weak presales, high development costs, and cautious builder sentiment.

High economic uncertainty amongst buyers drove Ontario's annual home sales in 2025 to multi-decade lows

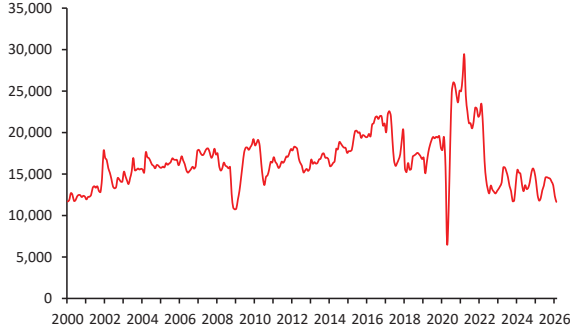
Early 2026 housing market activity in Ontario has remained dismal. Home sales in January and February were markedly low, falling by 9.4 per cent and 5.8 per cent consecutively, as harsh weather conditions limited sales in January while buyer confidence is still subdued by increased economic uncertainty. This trend is also consistent with recessionary downturns. Home prices have continued to decline in 2026 with the average sale price falling by 1.7 per cent in both months and down to \$790.2k as of February 2026.



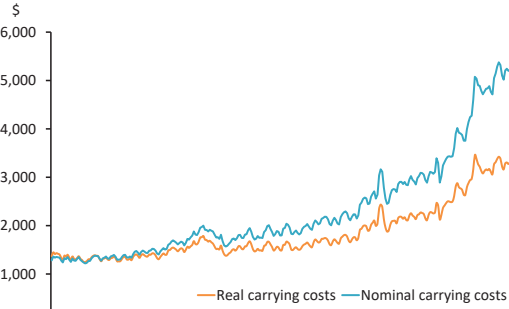
This adds to tepid conditions seen through much of 2025. Affordability challenges and deeper impacts of tariffs in Ontario (and escalating tariff threats) raised buyers' uncertainty. Business confidence faltered and labour market conditions softened, with severely exposed sectors like auto and steel experiencing dire impacts. Bank of Canada rate cuts did not spur enough activity in the housing market as the province's economy remained shaken from the changing trade environment. Annual MLS® sales fell by 5.6 per cent from 2024 to 162,843 units, marking the lowest in more than two decades. Per capita home sales in Ontario were also one of the lowest among the provinces.

Ontario housing market downturn progresses in 2026 as January and February sales slide

Ontario MLS® home sales, Units

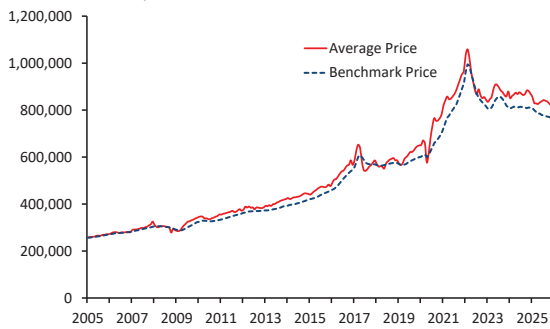


Carrying costs decline in the province as affordability improves



Downtrend in home prices persists in 2026

Ontario MLS® home price, Dollars



Affordability pressures continued to shape housing demand across the province, with the most expensive areas experiencing the steepest declines in sales relative to more affordable markets. The Toronto economic region, the priciest in the province with average home prices at \$1.1 million in 2025 (down from 4.7 per cent year-over-year), noted the largest sales decline of 11.0 per cent. Nearby regions like Kitchener-Waterloo-Barrie and Hamilton Niagara Peninsula, saw sales decrease by 7.1 per cent and 3.9 per cent, respectively. Muskoka-Kawarthas also recorded a 1.2 per cent dip in sales. Other southern markets, like Windsor-Sarnia and London, experienced declines of 1.1 per cent and 2.9 per cent, respectively. On the contrary, the northern markets, which are the least expensive, outperformed. Sales were up in the Northwest (11.8 per cent) and the Northeast (4.6 per cent). That said, stronger demand in these areas also fueled price growth during the year. Sales also increased in Stratford Bruce Peninsula (8.3 per cent) and in Ottawa (0.9 per cent).

Despite subdued activity, new listings were above historical averages in 2025, and the elevated supply also factored into downward pressure on prices. Overall, Ontario's average home price decreased by 4.4 per cent to \$834,735, marking the third consecutive an-

nual price decline and signaling gradual improvements in affordability. Although, inflation-adjusted carrying costs remain above pre-pandemic lows, they have dropped from peak in 2022. Even so, Ontario has the second most expensive housing market in the country, deterring many prospective buyers even more at a time of immense economic uncertainty. Buyers are increasingly wary of purchases in expensive markets in periods of lower job security as they fear being unable to afford their mortgage payments.

A buyers' market was observed in the province for most of the year given elevated supply with insufficient demand. The sales-to-new listings ratio declined to 38.6 in 2025, marking the fourth annual drop and down from 45.0 in 2024. Months of residential inventory began climbing by the last quarter of the year and have reached the 2025 peak of 5.5 months in February 2026.

Residential construction sector activity remained weak in 2025 as subdued demand, low pre-sales and elevated costs weighed on sentiment

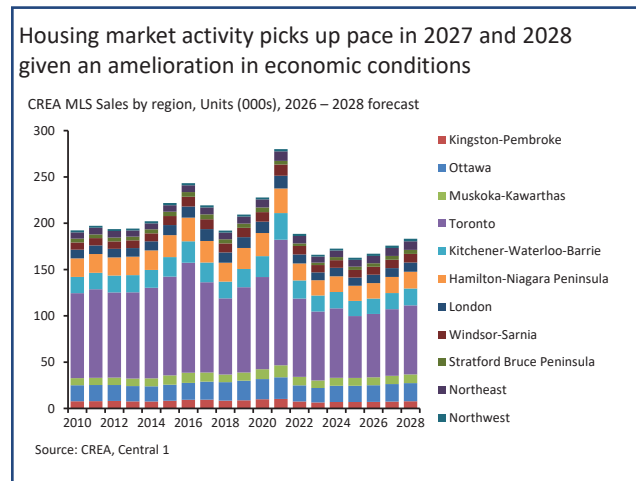
Ontario noted the poorest residential construction performance in the country in 2025 as housing starts continued the downtrend since 2022. Actual housing starts fell by 12.3 per cent from 2024 to 65,376. This followed a prior annual decline of 16.5 per cent and marked the fewest annual starts after 2014. This was driven by lower starts in areas like Toronto (-30.8 per cent), Windsor (-41.5 per cent), London (-25.5 per cent), and Barrie (-46.7 per cent). In contrast, growth was seen in some areas like Ottawa (37.6 per cent), St-Catherine-Niagara (44.2 per cent), and Kingston-Cambridge-Waterloo (26.2 per cent). Single detached home starts saw the largest pull back in 2025, falling by 22.5 per cent year-over-year and semi-detached home starts declined by 17.1 per cent. Multi-dwelling unit starts also fell by 9.8 per cent while apartment starts were down by 7.8 per cent. Weak housing demand, low population growth, and uncertain economic

prospects have discouraged builders. Higher interest rates over the past few years have also created tighter credit environment for builders, disincentivizing many from new home construction.

Elevated rental vacancy rates and softer rents have also reduced the attractiveness of new units and has impacted investor demand. Vacancy rates rose in 2025 from 2.7 per cent to 3.2 per cent, while rent growth of an average two bedroom in Ontario decelerated from 8.1 per cent in 2024 to 4.0 per cent in 2025.

Rebound likely for Ontario's housing market, although stronger demand suppressed by lingering uncertainty and weak economic conditions

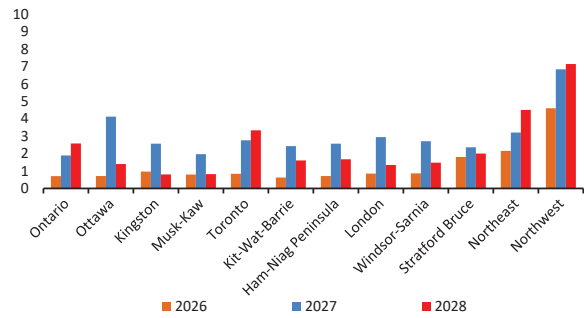
Weak housing market drivers are expected to continue in the near term, though a gradual recovery in activity may emerge in the second half of the year as improved affordability from lower prices, past rate cuts, alongside pent-up demand draws more buyers into the market. Policy measures aimed at improving affordability may support activity, particularly for first-time home buyers. New incentives like the proposed elimination of GST for newly constructed/renovated homes worth up to \$1 million could also encourage more first-time home buyer purchases.



Mortgage rates have eased over the past two years, with 3- and 5- year rates falling to about 4 per cent from a range of 5 to 6 per cent. But affordability remains a challenge, as current rates are still well above that seen during the pandemic low and higher than the 3 per cent rate preceding the pandemic. Looking ahead, buyers are unlikely to see meaningful rate relief. We expect the Bank of Canada to hold its policy rate steady this year, with a potential hike in 2027, amid potential inflationary pressures from current Middle East volatility.

Accelerating demand in 2027 contributes to upward pressure on prices

Average price growth by region, %



That said, downside risks to sales growth are from slowing population growth and an economy and labour market further weakened by trade uncertainty and geopolitical instability. Majority of the growth in home sales occurs later in the year and going into 2027. Ontario's population grew by 0.7 per cent in 2025, a much slower pace compared to the three previous years. Weakened population growth is likely to continue into the next few years, further tempering housing activity. According to medium growth scenarios provided by Statistics Canada, population growth shrinks 0 to 0.8 per cent in 2026 and similarly in 2027 at 0 to 0.5 per cent. We expect sales to be positive in 2026, growing by 2.6 per cent, while they accelerate to 5.2 per cent in 2027 and 4.2 per cent in 2028.

Housing supply trends will continue to affect home prices in 2026. Home listings are likely to remain elevated in 2026 as rising demand boosts sellers' willingness to list their homes. Investors are also more likely to return to the market to sell units that proved difficult to sell in prior years. High supply keeps price growth suppressed for most of the year. Prices rise faster in subsequent years as demand grows faster than inventory growth. We forecast a 0.7 per cent growth in prices in 2026 and an acceleration in 2027 to 1.9 per cent.

Regionally, the Toronto area likely drives the provincial growth in sales, sustained by lower home prices, reduced mortgage costs, and return-to-office mandates. Surrounding markets like Kitchener-Waterloo-Barrie and Hamilton-Niagara Peninsula also see positive growth from improved affordability. Southern regions with the most tariff-exposed sectors may see more subdued activity while relatively affordable northern markets likely performing better.

Residential construction momentum subdued in 2026 with modest growth in the next few years

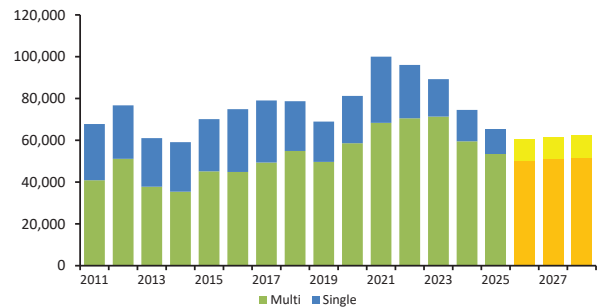
On the construction side, weakness in residential building activity is expected to persist in 2026 following subpar home starts and residential building permits in 2025. Low condominium pre-sales from subdued investor demand will continue to deter contractors and may increase difficulty in securing financing. In the fourth quarter of 2025, condo sales in the Greater Toronto Area fell 15 per cent compared to the same quarter in 2024. The average selling price also dipped 5.1 per cent during the period to \$690k. Foreign demand will also be limited by measures like the Non-Resident Speculation Tax and foreign buyer bans which were extended to 2027. We expect housing starts to fall in 2026 by 7.0 per cent.

Unabsorbed inventory has also trended up in several CMAs in Ontario highlighting the mismatch between high-volume past-year completions and current softened demand. For example, completed and unabsorbed inventory are up in Toronto by 165.9 per cent year-over-year in February 2026 and up by 211.6 per cent in Kitchener-Cambridge-Waterloo.

Low home construction at the moment likely leads to undersupply in the future, further raising concerns around housing affordability in the province. That said, the federal government has announced plans to double home construction (raise housing completions by 500k yearly) in an ambitious attempt to boost supply and affordability. At the moment, home completions sit at just above 200k per year nationwide. To support this goal, a range of initiatives targeting scale and fast construction timelines, such as modular housing, and quicker project approvals are being implemented. Other initiatives include revamped and more relaxed zoning laws. These initiatives may boost construction activity, but whether they will produce the desired results is to be seen.

Residential construction activity remains weak in 2026; modest growth to be seen in 2027-2028

Housing starts, 2026 – 2028 forecast



Source: CMHC, Central 1

Rental demand also cools as new temporary resident immigration has rolled back. This is due to government plans to continue reducing the temporary resident portion of the population to 5 per cent by 2027 while the permanent resident portion stabilizes at 1 per cent. These declines will continue impacting housing and rental demand in Ontario, given it is a preferred destination for migrants. Cities that are home to Ontario's well sought-after post-tertiary institutions saw vacancy rates jump in 2025 due to lower student permit issuances and international student demand as a result of federal immigration caps. Elevated youth unemployment recently will also limit rental demand growth as this age group are the most likely to rent. As competition rises in the rental market universe as many units remain unoccupied, investors in new rental units have become more flexible with rental agreements to fill up units. Vacancy rates are expected to climb to 4.1 per cent in 2026.

Eloho Ennah

Economic Analyst
Central 1 Credit Union
eannah@central1.com

Bryan Yu

Chief Economist
Central 1 Credit Union
byu@central1.com

Ontario Housing Summary Table

	2022	2023	2024	2025	2026	2027	2028
MLS Sales	188,578	166,031	172,594	162,843	167,140	175,859	183,245
% ch.	-32.7	-12.0	4.0	-5.6	2.6	5.2	4.2
MLS Price	943,527	884,053	873,017	834,735	840,700	857,000	879,600
% ch.	6.9	-6.3	-1.2	-4.4	0.7	1.9	2.6
MLS New Listings	362,174	338,941	383,179	422,343	439,080	441,500	445,190
% ch.	0.2	-6.4	13.1	10.2	4.0	0.6	0.8
Sales-to-New Listings Ratio	52.1	49.0	45.0	38.6	38.1	39.8	41.2
Housing Starts - Total	96,080	89,297	74,573	65,376	60,772	61,405	62,550
% ch.	-4.0	-7.1	-16.5	-12.3	-7.0	1.0	1.9
Housing Starts - Singles	25,494	17,915	15,018	11,645	10,334	10,400	10,650
% ch.	-19.6	-29.7	-16.2	-22.5	-11.3	0.6	2.4
Housing Starts - Multi	70,586	71,382	59,555	53,731	50,438	51,005	51,900
% ch.	3.2	1.1	-16.6	-9.8	-6.1	1.1	1.8
Vacancy rate	3.5	1.8	1.7	2.7	3.2	4.1	3.9

Source: CREA, CMHC, Central 1 calculations and forecast

MLS® Sales, Units by Economic Region

	2022	2023	2024	2025	2026	2027	2028
Ottawa	17,396	15,471	17,443	17,603	18,000	18,880	19,670
Kingston-Pembroke	7,580	6,587	7,041	6,957	7,130	7,460	7,765
Muskoka-Kawarthas	9,133	8,193	8,630	8,449	8,600	8,980	9,300
Toronto	84,589	74,415	75,020	66,792	68,340	71,900	74,650
Kitchener-Waterloo-Barrie	19,548	17,303	17,643	16,397	16,660	17,460	18,200
Hamilton-Niagara Peninsula	18,373	16,569	17,021	16,365	16,650	17,400	18,100
London	9,683	8,484	9,124	8,859	9,050	9,500	9,930
Windsor-Sarnia	9,221	7,907	8,271	8,178	8,600	9,000	9,330
Stratford Bruce Peninsula	2,742	2,553	3,329	3,604	3,800	4,100	4,350
Northeast	8,065	6,550	7,022	7,348	7,900	8,600	9,200
Northwest	2,248	1,999	2,050	2,291	2,410	2,579	2,750
Ontario	188,578	166,031	172,594	162,843	167,140	175,859	183,245

MLS® Sales change, per cent, by Economic Region

	2022	2023	2024	2025	2026	2027	2028
Ottawa	-25.5	-11.1	12.7	0.9	2.3	4.9	4.2
Kingston-Pembroke	-26.3	-13.1	6.9	-1.2	2.5	4.6	4.1
Muskoka-Kawarthas	-29.7	-10.3	5.3	-2.1	1.8	4.4	3.6
Toronto	-37.6	-12.0	0.8	-11.0	2.3	5.2	3.8
Kitchener-Waterloo-Barrie	-32.1	-11.5	2.0	-7.1	1.6	4.8	4.2
Hamilton-Niagara Peninsula	-31.0	-9.8	2.7	-3.9	1.7	4.5	4.0
London	-29.1	-12.4	7.5	-2.9	2.2	5.0	4.5
Windsor-Sarnia	-24.6	-14.3	4.6	-1.1	5.2	4.7	3.7
Stratford Bruce Peninsula	-27.9	-6.9	30.4	8.3	5.4	7.9	6.1
Northeast	-22.0	-18.8	7.2	4.6	7.5	8.9	7.0
Northwest	-6.3	-11.1	2.6	11.8	5.2	7.0	6.6
Ontario	-32.7	-12.0	4.0	-5.6	2.6	5.2	4.2

MLS Average Price, Dollars, by Economic Region

	2022	2023	2024	2025	2026	2027	2028
Ottawa	664,184	631,230	637,491	657,430	662,150	689,500	699,200
Kingston-Pembroke	608,403	561,299	569,433	574,751	580,350	595,300	600,100
Muskoka-Kawarthas	856,047	779,063	777,208	774,696	780,900	796,300	802,900
Toronto	1,209,475	1,146,174	1,134,170	1,081,105	1,090,250	1,120,450	1,157,900
Kitchener-Waterloo-Barrie	888,305	812,798	809,189	781,325	786,250	805,400	818,400
Hamilton-Niagara Peninsula	869,374	775,875	776,763	759,855	765,300	785,000	798,200
London	724,830	650,772	646,006	637,520	643,000	662,000	670,950
Windsor-Sarnia	571,720	526,850	538,492	533,263	537,890	552,500	560,700
Stratford Bruce Peninsula	683,233	634,257	635,938	619,167	630,400	645,320	658,300
Northeast	420,508	418,492	437,833	440,976	450,500	465,000	486,000
Northwest	330,665	337,712	350,411	383,224	400,900	428,350	459,000
Ontario	943,527	884,053	873,017	834,735	840,700	857,000	879,600

MLS Average Price Change, per cent, by Economic Region

	2022	2023	2024	2025	2026	2027	2028
Ottawa	8.0	-5.0	1.0	3.1	0.7	4.1	1.4
Kingston-Pembroke	11.9	-7.7	1.4	0.9	1.0	2.6	0.8
Muskoka-Kawarthas	8.4	-9.0	-0.2	-0.3	0.8	2.0	0.8
Toronto	8.7	-5.2	-1.0	-4.7	0.8	2.8	3.3
Kitchener-Waterloo-Barrie	10.2	-8.5	-0.4	-3.4	0.6	2.4	1.6
Hamilton-Niagara Peninsula	11.3	-10.8	0.1	-2.2	0.7	2.6	1.7
London	12.6	-10.2	-0.7	-1.3	0.9	3.0	1.4
Windsor-Sarnia	11.8	-7.8	2.2	-1.0	0.9	2.7	1.5
Stratford Bruce Peninsula	10.6	-7.2	0.3	-2.6	1.8	2.4	2.0
Northeast	13.0	-0.5	4.6	0.7	2.2	3.2	4.5
Northwest	10.3	2.1	3.8	9.4	4.6	6.8	7.2
Ontario	6.9	-6.3	-1.2	-4.4	0.7	1.9	2.6

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Chief Economist: **Bryan Yu** Business Economist: **Alan Chow** Economic Analyst: **Eloho Ennah**