

## ECONOMIC VIEWPOINT

# Ontario Housing Outlook: Is the Heartland Province Still a Place to Live?

By Kari Norman, Economist

- ▶ Ontario housing starts are forecast to rebound to about 71,500 units in 2026, after a 16% decline in 2025. However, homebuilding is expected to remain well below pre-2023 levels, with construction tilted toward purpose-built rentals. Resale activity should strengthen, with home sales expected to rise 8.4% in 2026 following a 5.6% drop this year. Prices will likely make a modest recovery while remaining below the 2022 peak.
- ▶ Toronto's housing market has shifted decisively in favour of buyers, with resale prices down roughly 20% from their peak in early 2022. With condo presales at multi-decade lows, we'll likely see a sharp slowdown in future supply.
- ▶ Housing in Hamilton and Southwestern Ontario has remained resilient despite trade-related headwinds. Relative affordability has helped Hamilton attract migrants from Toronto. Windsor's rental market and home selling prices have held steady despite auto-sector uncertainty.
- ▶ The Niagara Region's home market is outperforming—with housing starts up 18% in 2025—supported by tourism, a flourishing wine industry and a smaller reliance on trade-exposed manufacturing. It has achieved one of the lowest unemployment and financial insecurity rates among Ontario cities.
- ▶ Ottawa's housing market remains stable—but looming cuts to the federal public service pose a significant risk to demand starting in 2026.
- ▶ Northern Ontario continues to lead on affordability and growth, with the housing markets in Sudbury, Thunder Bay and Sault Ste. Marie being propped up by mining-driven job creation, low unemployment and a slow but steady increase in home sales.

**Ontario's housing market is entering 2026 with stark regional differences shaped by varying economic headwinds, shifting demographics and changing construction trends.** Housing continues to be a key factor influencing the province's economic landscape, with impacts on consumer behaviour, construction activity and migration patterns. As Ontario faces uneven growth across different sectors and regions, its housing markets are responding in markedly different ways. Toronto, which has long been the provincial epicentre of housing activity, is undergoing a sharp recalibration, while smaller cities and northern regions are showing resilience or even strength in some cases. These regional dynamics will play a critical role in shaping Ontario's housing outlook for 2026.

**Ontario's economy is expected to grow by 1.4% in 2026, up from 1.1% in 2025, supported by scaled-back countertariffs, lower interest rates and federal spending.** But this will play out differently across the province, as we detailed in [our recent report](#). Our analysis suggested that mining and private services will likely provide tailwinds to growth, while manufacturing and public services could face material headwinds. (See our latest [Provincial Economic Outlook](#) and [Desjardins Housing Outlook](#) for details on other provinces.)

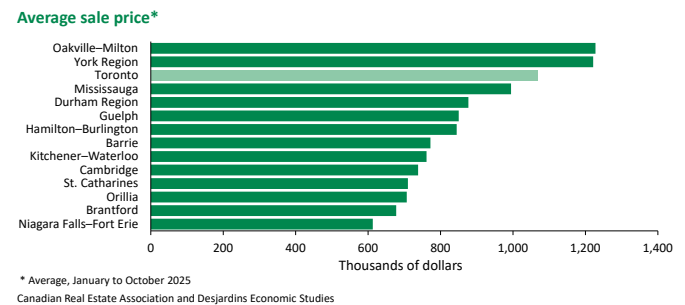
**Ontario's housing market is expected to stabilize in 2026 following a challenging 2025.** Housing starts are projected to fall by 16% to about 62,750 units this year before rebounding to about 71,500 units next year, though this remains well below the levels seen in the four years prior. We expect construction

will continue to tilt toward multi-unit structures, particularly purpose-built rentals, as developers respond to affordability pressures and policy incentives. The Housing Accelerator Fund should continue to provide a tailwind, as participating Canadian cities not only issued building permits for 31% more units and increased housing starts by 5% more than their long-run averages, but they've also outpaced non-participating jurisdictions in both areas, according to a recent [Parliamentary Budget Office](#) report. In the existing home market, sales are forecast to decline by 5.6% in 2025 and then rise by 8.4% in 2026, outperforming the previous three years. Prices likely fell this year and are expected to pick up again next year, though they should remain below the all-time highs reached in 2022. In the rental market, vacancy rates are creeping up as non-permanent resident admissions—especially international students—decline. Average rents will likely see modest increases, supported by rent control limits of 2.5% in 2025 and 2.1% in 2026 for units first occupied prior to 2019. Ongoing leases are less likely to reset downwards despite falling asking rents. (See table 1 on page 6 for our detailed outlook for Ontario and table 2 on page 7 for historical trends by municipality.)

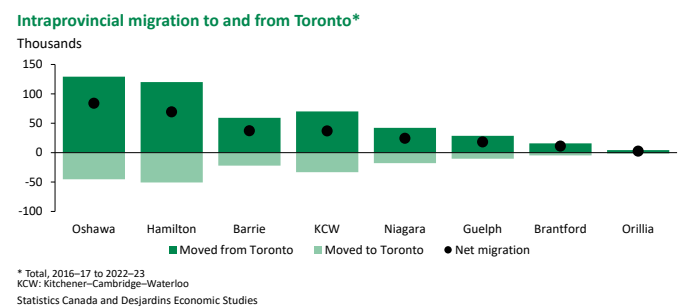
### Toronto: The Price of Proximity

**Toronto's economy remains better insulated from trade war effects thanks to greater industry diversification, but housing unaffordability remains its defining challenge.** The city is anchored by its finance, technology, education, healthcare and creative industries, alongside a strong public sector and an expected tourism boost from hosting six World Cup games in 2026. These economic tailwinds support long-term growth, but housing affordability remains an ongoing drag. The average selling price in Toronto peaked near \$1.3M in 2022 and still exceeds \$1M today, making homeownership unattainable for many households. Even with government affordability measures, such as a 5% down payment and 30-year amortization for first-time homebuyers, the monthly payment for an average condo would still exceed \$3,000. Add in property taxes, utilities and condo fees, and monthly housing costs quickly rise to north of \$4,000—often far out of reach. This affordability gap has pushed many residents to relocate to surrounding municipalities where housing costs are lower (graph 1). This trend accelerated during the pandemic's work-from-home era and persists even as hybrid work and back-to-work models have taken hold (graph 2). A well-developed regional transit network connects commuters from as far as Kitchener, Niagara, Oshawa and Barrie, underscoring the growing interdependence between Toronto and its broader metropolitan area as households weigh decisions on where to live and work.

**Graph 1**  
Homes Become More Affordable as You Move Further from Toronto



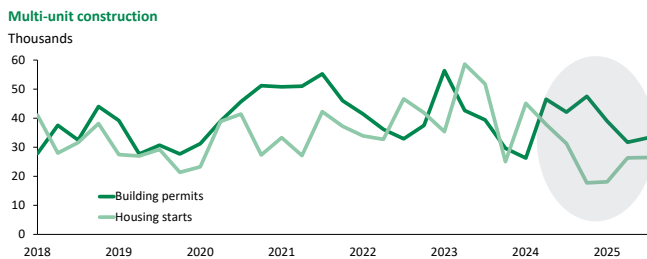
**Graph 2**  
Residents Have Left Toronto for Other Ontario Cities



**Since the peak in home prices, Toronto's housing market has shifted decisively in favour of buyers.** Average resale prices are now roughly 20% below their 2022 apex, and the bidding wars that once defined the city's housing market, fueled by the fear of missing out, have largely disappeared. This cooling reflects slower population growth and interest rates that, despite falling from their recent high points, remain well above pre-pandemic and early pandemic levels. Higher mortgage rates have resulted in squeezed affordability and lower investor appetite.

**The construction pipeline remains substantial—for now—with Toronto continuing to lead North America in active [tower cranes](#).** However, new condo presales have collapsed to multi-decade lows, signaling a sharp weakening in the pipeline from building permits to future starts and ultimately move-in ready completions (graph 3 on page 3). Developers are increasingly pivoting toward purpose-built rentals, supported by Canada Mortgage and Housing Corporation (CMHC) financing and incentives from all levels of government. In fact, purpose-built rentals accounted for roughly one-third of Toronto's housing starts in the first nine months of 2025 and are expected to remain resilient well into 2026.

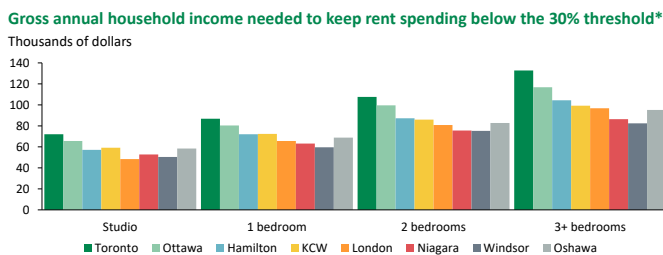
**Graph 3**  
Toronto's Multi-Unit Building Permits and Starts Have Both Declined



Statistics Canada, Canada Mortgage and Housing Corporation and Desjardins Economic Studies

**Rental conditions in Toronto are softening.** A wave of completions has meant that supply has increased at the same time as federal restrictions on international students and other newcomers to Canada have resulted in softer demand. Asking rents for two-bedroom units fell by approximately 7% year over year. Yet affordability remains elusive. To comfortably rent a family-sized apartment, a household would need an income exceeding \$100,000, which explains the persistent strain in the rental market even as prices ease (graph 4). Toronto's housing outlook for 2026 will be shaped by this dual challenge: a cooling ownership market and a rental sector grappling with affordability and shifting demand.

**Graph 4**  
Toronto: Family-Sized Rentals Require \$100k in Income to Be Affordable



\* Based on asking rents, Q1 2025  
KCW: Kitchener–Cambridge–Waterloo  
Statistics Canada and Desjardins Economic Studies

## Hamilton: From Steel to Suburbia

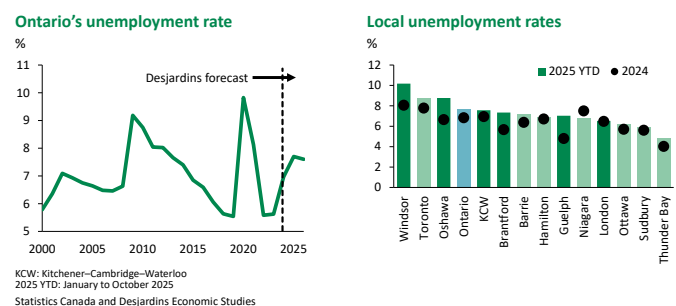
**Hamilton presents a different story, as steep steel tariffs have hit the city hard.** At the same time, “Steeltown” remains more affordable than neighbouring Burlington and other GTA-adjacent communities, making it a key destination for households relocating from Toronto. Migration data confirms that Hamilton has been a major recipient of intraprovincial movers seeking lower housing costs (graph 2 on page 2). New listings continue to outpace sales, creating a buyer-friendly environment. Asking rents for two-bedroom units have retracted to 2023 levels. And homebuilding is beginning to rebound, supported by the newly formed Housing Secretariat with a

mandate that includes delivering new construction. Municipal investments in affordable housing are also contributing to a more balanced market outlook.

## Southwestern Ontario: Auto Alley Under Pressure

**Southwestern Ontario's housing outlook is shaped by its trade-exposed manufacturing.** The region's dependence on the auto sector has left it vulnerable to the trade war with the US, investment that has been redirected south of the border, as well as the uncertainty about looming changes to EV sales targets. Windsor's unemployment rate hovered around 10% for much of 2025 (graph 5, with Southwestern Ontario municipalities shown in dark green). Despite these challenging headwinds, Windsor's home sales remain broadly in line with recent years, and average prices have held steady. Asking rents in Windsor rose by 6% year over year as of October 2025, in sharp contrast to the 2.2% annual decline in the provincial average. While the pace of homebuilding has slowed, this follows an exceptionally strong 2024, suggesting a normalization rather than a downturn. Looking ahead, the new Gordie Howe International Bridge, which is expected to open in early 2026, should support increased cross-border trade and employment, adding some uplift to the outlook. Softer-than-expected demand for electric cars has motivated a local EV battery plant to announce plans to pivot to the fast-growing energy storage market, suggesting some alternative opportunities in that space as well.

**Graph 5**  
Unemployment Rates Are Up in Many Car-Making Cities



## Niagara: Wine Country Builds Momentum

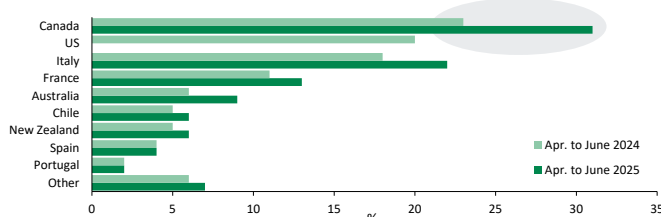
**The Niagara Region has been more resilient than many other parts of Ontario.** Its reliance on manufacturing has steadily declined over the past few decades, which has helped insulate the region from the effects of the trade war with the US. Niagara has also benefitted from strong tourism activity, with more Canadians opting for domestic vacations as [travel to the US](#) has fallen significantly this year. National pride and changing consumer behaviour seem to be driving some former cross-border shoppers to “buy Canadian,” boosting local spending. The Ontario wine industry has also blossomed

following the LCBO's ban on sales of wine and other alcoholic drinks from the US. Ontario wines increased their market share from 23% to 31% (graph 6). These trends helped the region's economy hold steady amid the turbulence this past year.

### Graph 6

#### The Ontario Wine Sector Has Benefitted from the Trade War

##### Wine sales market share by region



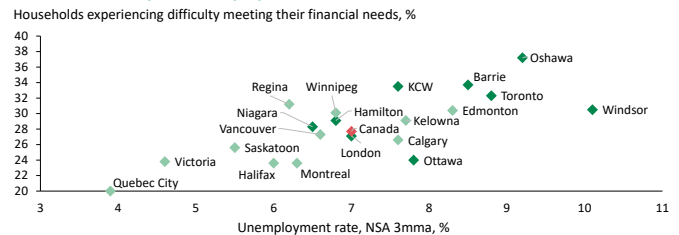
Note: More than 99% of Canadian wine sold by the LCBO is from Ontario.  
Liquor Control Board of Ontario (LCBO) and Desjardins Economic Studies

**Niagara stands out for its labour market strength and housing affordability.** When compared with Ontario's largest cities, the Niagara Region has one of the lowest unemployment rates—and the only rate that has gone down since last year. And in contrast with larger auto manufacturing hubs like Windsor and Oshawa, it also has one of the lowest levels of financial insecurity, as measured by households experiencing difficulty in meeting their financial needs (graph 7, with Ontario cities in dark green). Its housing market performed well in 2025, with selling prices and rents remaining relatively affordable. A falling sales-to-new-listings ratio has given buyers more choice and fewer bidding wars. With an average selling price of about \$700k and GO Train stops in both St. Catharines and Niagara Falls, the region offers an attractive alternative for workers who occasionally commute to Toronto. The Niagara Region also recorded a whopping 18% increase in housing starts in 2025 year to date, with its municipalities meeting or exceeding provincial housing targets in 2024. In addition, Canada Lands Company has acquired a nearly eight-hectare property near the Welland Canal to accelerate homebuilding under the Build Canada Homes initiative.

### Graph 7

#### Household Financial Insecurity Is Closely Tied to Unemployment

##### Financial insecurity and unemployment rates, October 2025



NSA: non-seasonally adjusted; 3mma: 3-month moving average; KCW: Kitchener–Cambridge–Waterloo  
Statistics Canada and Desjardins Economic Studies

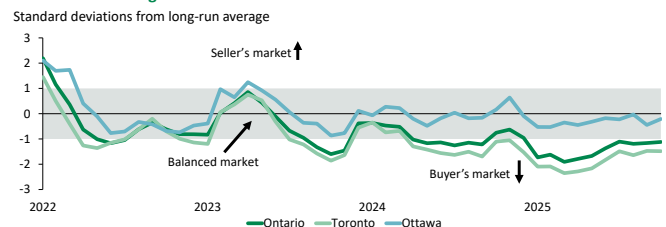
### Ottawa: Bureaucracy and Balanced Market

**Ottawa's housing market stands out for its relative stability.** Housing starts rose by more than 35% year to date in 2025, driven largely by purpose-built rental projects. The city remains in balanced territory, with resale prices posting moderate gains while staying below pandemic-era highs (graph 8). Demand has been supported by a strong public sector and a stable tech-sector employment base. And unlike Toronto and many other Ontario municipalities, Ottawa didn't see a sharp drop in advertised rents earlier in the year.

### Graph 8

#### Ottawa Remains in Balanced Market Territory

##### Sales-to-new listings ratio

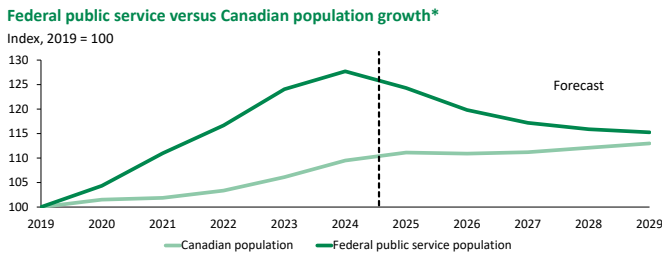


Canadian Real Estate Association and Desjardins Economic Studies

**However, the federal government's plan to reduce public service positions poses a significant risk (graph 9 on page 5).** Ottawa-Gatineau is expected to bear the brunt of these cuts, which could dampen housing demand and weigh on prices in 2026. The timing and scale of these reductions will be critical in determining the trajectory of Ottawa's housing market. If job losses are concentrated in early 2026, the impact on both ownership and rental demand could be more pronounced. The city's housing resilience will depend on how quickly displaced workers are absorbed into other sectors and whether federal downsizing is offset by growth in tech, education and healthcare. For now, Ottawa's housing market remains stable, but the outlook is uncertain.



**Graph 9**  
**The Federal Public Service Is Expected to Shrink by 10% Over 5 Years**

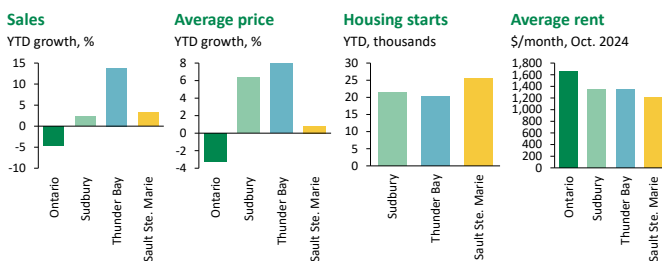


\* Based on assumptions provided in Budget 2025, but forecasts may differ somewhat.  
Government of Canada, Statistics Canada, Office of the Parliamentary Budget Officer  
and Desjardins Economic Studies

## Northern Ontario: Resource-Led Strength

**Resource-driven growth is underpinning economic and housing market strength across Northern Ontario.** Robust mining activity has led to job creation and rising incomes in cities like Sudbury and Thunder Bay. The job vacancy rate is significantly higher in Northern Ontario than in other parts of the province, contributing to solid wage growth and low unemployment. Thunder Bay’s unemployment rate has remained well below the provincial average, and Sudbury continues to benefit from mining-related employment despite some volatility in global commodity prices. As a result, Northern Ontario’s housing market is outperforming the provincial average (graph 10). Home sales have accelerated in 2025, and prices have climbed while remaining far more affordable than in southern Ontario. Average rents for existing tenants across the North remained affordable at well under the provincial average.

**Graph 10**  
**The Housing Market Is Strong in Northern Ontario**



YTD: January to October 2025  
Canadian Real Estate Association and Desjardins Economic Studies

**Sault Ste. Marie’s housing market is gaining momentum, supported by policy initiatives and new developments.** Home sales rose by 3% year over year in the first 10 months of 2025, with prices holding steady. While large-scale construction remains limited compared to southern Ontario, the city is benefitting from policy-driven affordable housing initiatives and a major subdivision approval that could add hundreds of units over the next few years. These projects are reshaping the

region’s housing supply and supporting local labour markets. However, “the Sault” faces significant headwinds from anticipated layoffs at Algoma Steel, a major regional employer. The steel industry has been hard hit by US tariffs, with Algoma reporting nearly \$90M in tariff-related costs in the third quarter of 2025. Loans totalling \$500M from the federal and Ontario governments, paired with retraining plans for those affected by layoffs, should help soften the blow.

## Conclusion

**Ontario’s housing outlook for 2026 is defined by regional differences.** Toronto is undergoing a significant adjustment, with falling resale prices, softening rents and a pivot toward purpose-built rental construction. Southern Ontario presents a mixed picture, with Windsor and Hamilton showing resilience despite trade-war-induced disruptions, and the Niagara Region thriving. Ottawa is facing policy-driven bumps in the road ahead. Northern Ontario continues to outperform, supported by strong labour markets and affordable housing. Construction trends, resale dynamics and rental conditions are increasingly diverging. The interplay between macroeconomic forces and local market fundamentals will define Ontario’s housing trajectory in the year ahead.

**Ontario’s housing market outlook also depends on factors beyond its borders.** Government borrowing costs remain a key risk. Five-year fixed mortgage rates are closely tied to yields on Government of Canada bonds, so any increase in federal borrowing costs—whether from larger deficits, higher debt issuance or global yield pressures—could push fixed mortgage rates higher, even if the Bank of Canada’s policy rate remains unchanged. This would weigh on affordability and housing demand. Renewing the CUSMA agreement introduces uncertainty for trade-exposed sectors, particularly auto manufacturing, which could ripple through regional labour markets. Global commodity price volatility and geopolitical tensions may affect mining and export-oriented industries, while federal fiscal constraints and red tape delays could limit infrastructure spending. These risks underscore the importance of monitoring both local and broader developments as Ontario’s housing market navigates 2026.

**Table 1**  
**Ontario Housing Market Outlook**

	2021	2022	2023	2024	2025f	2026f
<b>New Home Market</b>						
<b>Housing starts</b>	<b>99,566</b>	<b>96,080</b>	<b>89,297</b>	<b>74,573</b>	<b>62,750</b>	<b>71,500</b>
<i>Year-over-year change (%)</i>	22.5	-3.5	-7.1	-16.5	-15.9	13.9
<b>Houses</b>	<b>49,456</b>	<b>45,025</b>	<b>32,834</b>	<b>28,477</b>	<b>22,500</b>	<b>25,500</b>
<i>Year-over-year change (%)</i>	29.4	-9.0	-27.1	-13.3	-21.0	13.3
<u>Single-detached</u>	31,353	25,494	17,915	15,018	--	--
<i>Year-over-year change (%)</i>	38.2	-18.7	-29.7	-16.2	--	--
<u>Semi-detached</u>	2,893	2,272	1,729	1,549	--	--
<i>Year-over-year change (%)</i>	6.2	-21.5	-23.9	-10.4	--	--
<u>Row housing</u>	15,210	17,259	13,190	11,910	--	--
<i>Year-over-year change (%)</i>	18.8	13.5	-23.6	-9.7	--	--
<b>Apartments</b>	<b>50,110</b>	<b>51,055</b>	<b>56,463</b>	<b>46,096</b>	<b>40,250</b>	<b>46,000</b>
<i>Year-over-year change (%)</i>	16.3	1.9	10.6	-18.4	-12.7	14.3
<u>Condos</u> <sup>1</sup>	34,866	36,470	37,678	28,260	18,000	17,000
<i>Year-over-year change (%)</i>	27.6	4.6	3.3	-25.0	-36.3	-5.6
<u>Rentals</u> <sup>1</sup>	13,596	14,333	18,567	17,676	22,300	28,500
<i>Year-over-year change (%)</i>	22.2	5.4	29.5	-4.8	26.2	27.8
<b>Existing Home Market</b>						
<b>Unit sales</b>	<b>272,881</b>	<b>183,901</b>	<b>161,786</b>	<b>169,356</b>	<b>159,900</b>	<b>173,300</b>
<i>Year-over-year change (%)</i>	18.0	-32.6	-12.0	4.7	-5.6	8.4
<b>Average price (\$k)</b>	<b>876</b>	<b>936</b>	<b>876</b>	<b>868</b>	<b>842</b>	<b>889</b>
<i>Year-over-year change (%)</i>	23.7	6.8	-6.4	-0.9	-3.0	5.6
<b>Sales volume (\$B)</b>	<b>239</b>	<b>172</b>	<b>142</b>	<b>147</b>	<b>135</b>	<b>154</b>
<i>Year-over-year change (%)</i>	46.0	-28.0	-17.6	3.7	-8.4	14.4
<b>Rental Market</b>						
<b>Vacancy rate</b> <sup>2</sup>	<b>3.4</b>	<b>1.8</b>	<b>1.7</b>	<b>2.7</b>	<b>3.0</b>	<b>3.5</b>
<b>Average rent</b> <sup>2</sup> (\$/month)	<b>1,395</b>	<b>1,474</b>	<b>1,609</b>	<b>1,666</b>	<b>1,710</b>	<b>1,740</b>
<i>Year-over-year change (%)</i>	3.6	5.7	9.2	3.5	2.6	1.8

f: forecast

<sup>1</sup> Urban centres with populations of 10,000 or more, the total is slightly below the total for provincial apartments shown above.

<sup>2</sup> Three units or more, annual survey conducted in the fall.

Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Desjardins Economic Studies

**Table 2**
**Ontario: Major Housing Indicators by CMA**

	2021	2022	2023	2024	2025 YTD
<b>Housing starts – Ontario (units)</b>	<b>100,425</b>	<b>95,957</b>	<b>90,005</b>	<b>74,522</b>	<b>62,754</b>
Toronto	41,898	45,109	47,428	37,718	28,765
Ottawa	10,221	11,032	9,245	7,894	10,593
Hamilton	4,187	3,530	3,701	2,627	2,869
Kitchener–Cambridge–Waterloo	5,602	4,847	4,712	3,411	4,875
London	5,592	3,361	2,188	4,171	3,456
St. Catharines–Niagara	2,635	3,168	2,747	1,743	2,188
Windsor	1,458	1,515	1,208	2,157	1,236
Oshawa	3,863	3,775	1,853	1,591	1,129
Sudbury	434	282	268	654	287
Thunder Bay	193	186	253	300	272
Sault Ste. Marie	110	280	230	121	340
<b>Existing home sales – Ontario (units)</b>	<b>22,739</b>	<b>15,325</b>	<b>13,482</b>	<b>14,114</b>	<b>13,282</b>
Toronto	10,177	6,304	5,526	5,665	5,150
Ottawa	1,334	1,005	879	981	1,004
Hamilton–Burlington	1,133	796	711	729	736
Kitchener–Cambridge–Waterloo	598	450	379	393	373
London	931	648	565	601	569
St. Catharines–Niagara	421	289	263	280	254
Windsor	696	525	442	456	445
Oshawa	-	-	-	-	-
Sudbury	287	235	191	212	217
Thunder Bay	200	187	167	171	191
Sault Ste. Marie	195	150	122	134	138
<b>Existing home prices – Ontario (\$000s)</b>	<b>876</b>	<b>914</b>	<b>867</b>	<b>864</b>	<b>835</b>
Toronto	1,095	1,163	1,116	1,111	1,068
Ottawa	669	703	676	687	703
Hamilton–Burlington	849	919	840	854	845
Kitchener–Cambridge–Waterloo	777	842	781	789	761
London	643	703	639	641	637
St. Catharines–Niagara	762	815	737	728	710
Windsor	535	583	539	567	560
Oshawa	-	-	-	-	-
Sudbury	397	455	448	472	497
Thunder Bay	296	327	329	342	366
Sault Ste. Marie	265	309	308	335	330
<b>Average 2-bedroom asking rent – Ontario (\$/month)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Toronto	2,205	2,533	2,863	2,813	2,690
Ottawa	1,858	2,038	2,193	2,400	2,490
Hamilton	1,803	2,025	2,170	2,253	2,180
Kitchener–Cambridge–Waterloo	1,735	2,033	2,250	2,238	2,150
London	1,555	1,785	1,928	2,018	2,020
St. Catharines–Niagara	1,568	1,725	1,793	1,858	1,890
Windsor	1,475	1,583	1,730	1,873	1,880
Oshawa	1,688	1,870	2,020	2,090	2,070
Sudbury	1,435	1,558	1,698	1,820	1,830
Thunder Bay	1,415	1,485	1,620	1,815	1,800
Sault Ste. Marie	-	-	-	-	-

2025 YTD: Based on January to October data; Asking rents Q1 2025

Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Rentals.ca and Desjardins Economic Studies