Slowly but surely Canada’s housing market is turning around

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The budding recovery in Canada’s housing market remains on track with July marking the fourth consecutive rise in home resales, edging up 0.5% from June.

It also increasingly appears that home values have already hit their cyclical bottom. The national aggregate MLS Home Price Index increased for a second time month-over-month. Such back-to-back advances haven’t been seen since early 2024.

Stabilizing inventory—even edging lower in Ontario and British Columbia where it had accumulated rapidly in the past three years—has helped to put a floor under prices. Supply is generally better balanced with demand.

More buyers are stepping into the fray, but part of the rebalancing has come from fewer sellers listing properties. New listings are down meaningfully this year, including another 1.6% drop in July from June.

This should ease earlier fears that a mortgage renewal cliff might give way to a wave of distressed selling.

On a slow track

The market’s recent winning streak is encouraging, but the reality is that it’s still generally soft. The rate of improvement is incremental.

At 457,500 units (seasonally adjusted and annualized), July’s transactions were a hefty 12% below the 10-year average.

It would take about two and a half years to return to the average activity level at the pace of advance in the last two months. This isn’t a fast track to recovery to say the least.

But, we think there’s room for the market turnaround to accelerate a bit as confidence rebuilds. Still, any pick-up in momentum is poised to be gradual with interest rates no longer declining, stalled population growth and lingering economic uncertainty.

Regional picture remains mixed

There’s been further progress in Ontario with home resales rising in July in Toronto, Hamilton, Kitchener-Waterloo, London and Ottawa, and home values increasing in Toronto and Ottawa. July’s transactions and benchmark prices were still below a year ago across most of Ontario, however.

The ongoing slump in B.C. was little changed in July with monthly sales gains in Victoria and the Fraser Valley offset by a setback in Vancouver following two solid monthly gains. Prices declined again province-wide, led by drops in Vancouver and the Fraser Valley.

Cooling of Alberta’s market has stabilized since spring despite a slight pullback in July resales. Prices are edging higher, but remain below a year ago except in Edmonton where the MLS HPI came back in the black last month.

Some signs of topping out have emerged in the rest of the country. Home resales have moderated so far this year in Saskatchewan, Manitoba, Quebec and Atlantic Canada—all previously robust markets. Regina, Saskatoon, Winnipeg, Montreal, Quebec City, Moncton and Prince Edward Island saw monthly declines in July.

Home values continue to appreciate, but at generally slower rates. This is the case for most Quebec markets including Montreal and Quebec City where annual gains are now less than half what they were at the start of 2026.

Halifax's MLS HPI dipped below a year ago in both June and July.

Convergence after years of divergence?

Interestingly, these developments point to some degree of convergence with hard-hit Ontario initiating a recovery while parts of the Prairies, Quebec and Atlantic Canada hold more limited upside.

We see this continuing. We expect lower prices, improving affordability and better job prospects slowly unlocking pent-up demand in Ontario.

On the other hand, steady or deteriorating affordability as well as sensitivity to geopolitical events and immigration cuts are poised to restrain growth in other markets that previously thrived.

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