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Canadians turn against condos as a 'good' investment as sector goes through 'rough period'

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Gigi Suhanic || April 23, 2025



There have not been any pre-construction condominium sales in southern Ontario for the past 13 months, with projects failing to get past the 75 per cent threshold for sales that would allow them to obtain loans. PHOTO BY ESKYSTUDIO/SHUTTERSTOCK/POSTMEDIA FILES

Condominiums may have lost their appeal as a solid investment opportunity as the sector faces a downturn that real estate experts say will likely get worse.

A survey by mortgage and insurance aggregator Ratesdotca Group Ltd. said 30 per cent of respondents agreed with the statement that “condos used to be a good investment, but they’re not anymore,” while 57 per cent said they would not buy a condominium for any reason.

“The condo market in southern Ontario is not doomed, like it’s not all going to fall down, but it’s doomed like there’s going to be no investor interest in buying a condo for at least two or three years,” Ron Butler, a mortgage broker at Butler Mortgage, said, adding that the condo market is 75 per cent to 80 per cent investor-driven.

Higher interest rates are often cited as a reason for a lacklustre real estate market, but they aren’t necessarily responsible for the demise of the condo-as-investment model.

Butler said “the true killer” is that investors who contracted to purchase a condo six years ago — for example, at \$1,400 per square foot for a 500-square-foot unit — are now dealing with a market where the appraised price per square foot in an occupied unit has fallen.

They made “the assumption that it would absolutely increase in that manner, so that when you finally came time to close, it was everybody was selling for \$1,500 or \$1,600 per square foot,” Butler said.

“But that was like an unbelievable error in judgment. A lot of people just had good success for 10 years and just kept on going, (but) everything’s not good anymore. I feel more sorry for people.”

Canada’s condo market — with Toronto accounting for a large part of the sector — has been on the ropes lately.

“New condo sales have dropped 95 per cent compared to the market peak in early 2022. I don’t think we can really go any lower for sales activity,” said Shaun Hildebrand, president of Urbanation Inc., which provides condo and rental market research for the Greater Toronto Area (GTA).

Butler said there have not been any pre-construction condominium sales in southern Ontario for the past 13 months, with projects failing to get past the 75 per cent threshold for sales that would allow them to obtain loans.

Condo sales were down 22 per cent in downtown Toronto and 27 per cent in the GTA year over year, according to the latest market report by the Toronto Regional Real Estate Board (TRREB). Active listings in the condo apartment sector have been on the rise this year, jumping to 8,659 in March from 6,237 in January, while another 30,000 condo units are scheduled to be completed in 2025, Hildebrand said.

Even so, he said prices have only been “grinding slowly lower” in the GTA instead of falling more steeply as he expected.

For example, condo apartment prices fell 1.5 per cent in the City of Toronto and five per cent in the GTA in March from a year ago, according to TRREB.

But resale condo prices have fallen 16 per cent in the GTA from their peak in early 2022.

Hildebrand said he expects prices will fall further as more investors are forced to add their units to the growing number of listings.

“Owners were sort of hanging onto values, given that they did pay premium prices,” he said. “There was sort of a general expectation that the market would improve with interest rates moving lower, but now, with confidence levels really taking a hit, the outlook is really, really cloudy. With sales dropping this low and inventory levels as high as they are, there is probably going to be some more downward pressure on condo prices.”

But the bad news doesn't end there, since Hildebrand said more units are coming to completion that were pre-sold for more than what they're currently worth.

“There's going to be more defaults, lawsuits, unfortunately, project cancellations and increases in standing inventory,” he said. “It's a rough period for sure, but eventually it will get worked through. It's just going to take some time.”