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From Toronto to Vancouver to Ottawa: The housing slowdown Is spreading

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Housing starts in the country's largest urban centres are slowing sharply, with no signs of a near-term recovery. PHOTO BY SUPPLIED

Canada's housing market is facing a structural challenge with immediate and long-term consequences: housing starts in the country's largest urban centres are slowing sharply, with no signs of a near-term recovery. The Greater Toronto Area (GTA) was the first to see significant declines, followed by Metro Vancouver and now Ottawa. The pattern is clear, and unless action is taken, other major markets are not immune and could follow suit.

This is not a temporary pause or a market correction. It's a systemic malaise — the kind that has every indication of deepening in the months ahead. At a time when Canada needs to double housing starts to meet demand, the numbers in many urban centres are moving in the opposite direction, undermining the ability for overall national progression. In Q1 2025, new and pre-construction home sales were down 89% in the GTA, 77% in Metro Vancouver, and 51% in Ottawa compared to the same period in 2022. Given the lag between sales and construction starts, housing starts are falling and will continue to do so. The outlook for new housing supply in these markets is exceptionally weak for the foreseeable future.

The problem is not a lack of demand. Population growth continues, and the need for housing is acute. The issue is that delivering new homes, particularly in Canada's largest cities, has become financially unviable. Elevated interest rates, escalating construction costs, and multiple layers of taxes and fees have pushed project viability beyond the breaking point. Developers and rental housing providers face a simple reality: they can't deliver homes at a price the market can absorb.

This slowdown carries significant economic implications. The housing sector is one of Canada's largest employers, with over 90% of materials sourced domestically, and is a critical driver of GDP. In the GTA alone, 41,000 jobs and more than $6 billion in annual tax revenues for all three levels of government are at risk. Similar threats loom over Vancouver and Ottawa, while Calgary, Edmonton, and Montreal remain vulnerable should current market conditions persist.

This crisis is why the Large Urban Centre Alliance was formed — a new coalition of major home builders and rental providers from Toronto, Vancouver, Calgary, Edmonton, Ottawa, and Montreal. Together, these cities account for more than half of all housing starts in Canada each year. Facilitated by the Missing Middle Initiative and the Building Industry and Land Development Association (BILD), it has been established to provide a unified national voice grounded in on-the-ground industry experience.

The Alliance's pre-budget submission to the federal government identifies the following top-priority actions to restore the viability of new housing projects in large urban markets: a temporary enhancement of the GST/HST rebate on new and substantially renovated homes; reform of municipal development charge billing to improve transparency for consumers; paired with GST/HST relief for purpose-built rentals under construction; and ensuring CMHC's Apartment Construction Loan Program is sufficiently capitalized to meet growing demand. These measures are designed to reduce costs, unlock capital, and provide the market certainty needed to restart stalled projects. The Alliance has also proposed a broader set of additional

recommendations aimed at ensuring the long-term stability of Canada's housing system, recognizing that this crisis will not be solved through short-term measures alone.

Without such interventions, the risk is a prolonged period of suppressed housing activity in the cities that drive national supply. While the slowdown is most acute in Toronto, Vancouver, and Ottawa today, the interconnected nature of the housing economy means other markets are not insulated. The loss of construction momentum in the largest cities will have downstream effects on employment, supply chains, and the national housing pipeline. Once large urban markets stall, they are slow to recover, and every month of inaction compounds the difficulty of restarting projects.

The stakes are both housing-related and economic. Allowing supply in Canada's most productive cities to erode further will not only deepen the affordability crisis but also undermine one of the country's most important economic sectors. The housing industry's ability to generate employment, stimulate domestic manufacturing, and contribute to tax revenues at all levels of government makes its health a matter of national economic policy.

The warning signs are clear. The path forward is clear.