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CMHC forecasts extended pullback in condo construction through 2028

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Higher construction and financing costs are weighing on project viability



The CMHC expects new home construction to decline through 2028, with the slowdown being most pronounced in condominium development. Photo by Peter J. Thompson /Financial Post

Canada's condominium market remains the most vulnerable segment of the housing system, as builders continue to pull back on new projects amid economic uncertainty, rising costs and weakening demand, according to the latest annual housing forecast from the Canada Mortgage and Housing Corporation (CMHC).

The agency expects new home construction to decline through 2028, with the slowdown being most pronounced in condominium development. National housing starts are forecast to fall from 259,000 units in 2025 to 247,000 in 2026, before dropping further to 223,000 in 2027 and 216,000 by 2028 under the agency's baseline outlook. Higher construction and financing costs, combined with slower population growth and softer buyer demand, are weighing on project viability, particularly in Canada's largest urban centres.

At the national level, housing demand is expected to remain weak, with resale activity staying below historical averages and prices showing only modest gains after declining in 2025. Average resale prices are projected to increase from \$698,000 in 2026 to \$727,000 by 2028, according to CMHC. The agency says lingering geopolitical and trade uncertainty is keeping many buyers on the sidelines, particularly in higher-priced markets where affordability constraints remain acute.

That caution is being reinforced by a softer economic backdrop. Real GDP growth is forecast at just 0.7 per cent in 2026, while employment growth slows sharply to 0.3 per cent, down from 1.5 per cent in 2025. CMHC says those conditions will limit the pool of households able to absorb new condominium supply, even as borrowing costs stabilize.

"We expect Canada's economy to grow slowly in 2026, as many households and businesses remain cautious because of geopolitical and trade uncertainty," said CMHC deputy chief economist Kevin Hughes. "This caution is leading many households to delay buying homes and making builders more hesitant to start new projects."

The effects are expected to be felt most in Toronto and Vancouver, where condos have historically driven new supply. In Toronto, CMHC forecasts apartment starts (a proxy for condominium construction) to fall from more than 37,000 units in 2023 to roughly 16,000 to 19,000 units in 2026. At the same time, the agency expects Toronto's rental

vacancy rate to rise to about 3.5 per cent in 2026, up from 1.4 per cent in 2023, easing rent growth and weighing on the economics of new condo development.

In Vancouver, CMHC forecasts apartment starts to fall from roughly 27,600 units in 2023 to about 17,000 to 21,000 units in 2026, reflecting weaker demand and elevated construction costs.

Despite the pullback in construction, CMHC does not anticipate a sharp correction in home prices. Instead, the forecast predicts a fragile balance, where a multi-year slowdown in condo starts risks constraining supply if demand rebounds faster than construction activity later in the decade.