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# Posthaste: CIBC warns Canada's housing market is in rougher shape than we thought

Pamela Heaven - Feb 19, 2026



*The economics of homebuilding in Canada in the high-rise space is "broken," say CIBC economists. Photo by Julie Oliver/Postmedia*

Canada's housing correction drags on, data showed us yesterday, but with the sector representing a bigger chunk of our GDP than most other G7 countries, what does that mean for the economy?

CIBC economists Benjamin Tal and Katherine Judge looked at this question in a report out yesterday, and concluded that not only is the economic impact “not trivial,” the damage is deeper than some official statistics would suggest.

Housing starts in Canada on the surface appear remarkably resilient, advancing five per cent in 2025 from the year before, according to data from the Canada Mortgage and Housing Corporation.

But CIBC says the reality is much weaker. Since the CMHC measures housing starts only when the foundation is poured, the start, especially in large multi-family buildings, is only being recorded one to two years after a project has begun.

“Simply put, today’s high rise housing starts statistics inform us about activity in late 2024, and not about the here and now,” said Tal and Judge.

Drawing information from Urbanation and Zonda, CIBC estimates that the real level of housing starts in the Greater Toronto Area and Greater Vancouver Area are 50 and 30 per cent lower, respectively, than official statistics suggest.

“And given the early signs of softness in other parts of the country, the gap between real and headline housing starts statistics is likely to grow,” they said.

Another casualty of the housing correction involves the wealth effect – the concept that when your assets rise in value you feel richer and buy more. When your assets lose value, you spend less.

It's something that's difficult to quantify, said the economists, though many have tried, including the Bank of Canada, which in one study estimated that for every dollar increase in home values, spending rose by 5.7 cents.

Another New Zealand study found that the housing wealth effect had even more sway when home prices were falling than rising, suggesting Canadians are likely to keep an even tighter grip on their wallets.

But the surge in home prices in Canada earlier this decade didn't just give homeowners a psychological boost, it allowed them to borrow more against the value of their homes. Now with prices falling and loan-to-value ratios rising, more Canadians are finding it difficult to tap into that home equity.

The decline in homebuilding and falling home prices have "clear negative" implications for the economy, said CIBC – and it's likely to get worse before it gets better.

"The economics of homebuilding, mainly in the high-rise space, is simply broken," with prices "still too high to buy and not high enough to build."

Until the country can figure out a way to reduce "the unsustainably high cost of homebuilding," things will only get worse, not only for the housing market, but for the economy as well, they said.