



Focus on Canadian housing

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RBC Economics

Navigating Toronto's frozen pre-construction condo market

The Greater Toronto Area's new condominium development sector has entered a deep freeze with pre-construction sales plummeting to levels not seen since the global financial crisis.

The dramatic downturn represents more than a cyclical adjustment—it could reshape Toronto's housing landscape for years to come.

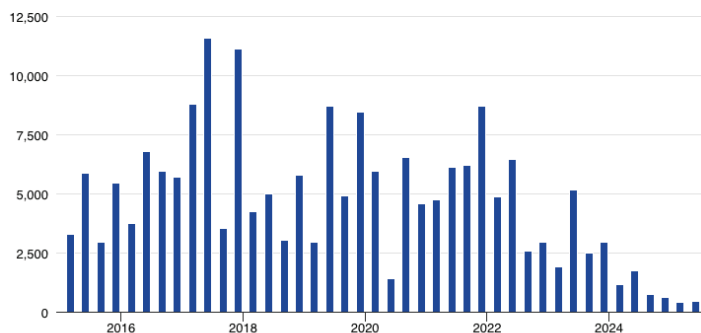
The stark reality facing developers today is vanishing demand and steep costs.

We see interest in existing condos rising as the economy improves, but it will take a sharp fall in inventory to get new condo presentation centres busy again.

Demand evaporates as economics shift

New condo sales have plummeted in the GTA

Sales of condos in new high-rise projects, units per quarter



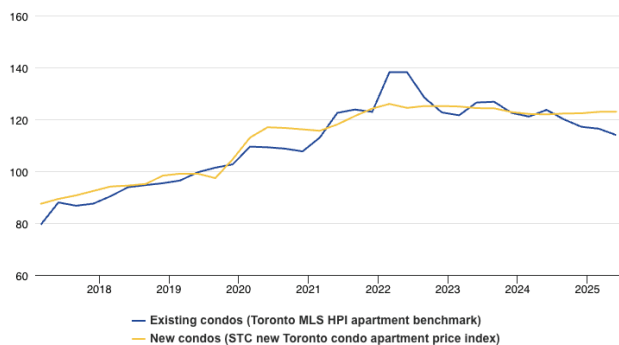
Source: Altus, RBC Economics

Investor appetite that traditionally fuelled Toronto's pre-construction market has largely evaporated, driven by a sobering reassessment of investment fundamentals.

Cooling rental demand has diminished cash flow prospects, while more realistic capital appreciation expectations have stripped away much of the gains that once made pre-construction purchases attractive despite inherent risks and extended timelines.

Existing condo prices in Toronto have been falling

Index, 2019 = 100



Source: Statistics Canada, Canadian Real Estate Association, RBC Economics

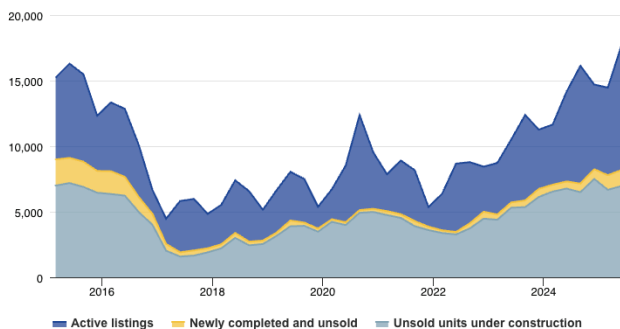
Importantly, abundant inventory of existing condos—often available at prices below what developers can offer—has drastically altered the competitive landscape.

High development and construction costs have pushed new project pricing beyond what many buyers can afford, particularly when existing alternatives offer immediate occupancy, and established neighbourhood amenities. This shift represents a stark change in buyer behaviour compared to the frenzy during the pandemic. The fear of missing out driving rushed purchasing decisions is now replaced by patient comparison shopping amid lots of choice and negotiating power.

Inventory abundance creates buyers' market

Condos for sale have surged in the Greater Toronto Area

Active condo apartment listings, number of units



Source: Toronto Regional Real Estate Board, Altus, RBC Economics

Supply abundance spans both resales, and unsold units in projects currently under construction. The latter hit a nine-year high—underscoring developers' struggles to clear inventory before launching new phases or projects.

The implications extend far beyond simple supply-demand imbalances. This inventory overhang creates a self-reinforcing cycle where abundant choice reduces urgency, empowers buyers to negotiate aggressively, and makes developers increasingly reluctant to launch new projects in a saturated market.

Policy measures won't bridge gap

Recent policy initiatives, including rebating GST for first-time homebuyers purchasing new homes, will give a marginal boost to demand, and narrow affordability gaps for some prospective buyers.

But, we think these types of policy incentives are unlikely to unlock the broader new condo market. The fundamental challenge lies in addressing the substantial disconnect between what buyers are willing to pay and what developers can viably offer, given high development and construction costs.

The long road to recovery

Broader economic recovery and returning market confidence will eventually revive condo demand, but the path back to higher pre-construction sales is likely longer and more complex.

The fundamental issue lies in sequencing. Buyers will naturally gravitate toward existing inventory first, drawn by immediate availability and competitive pricing before considering new projects with inherent risk of delays and premium pricing.

This preference hierarchy means pre-construction demand is unlikely to meaningfully recover until inventory declines to significantly lower levels. Our analysis of similar market conditions during the mid-2010s suggests inventory may need to fall about 25% or more for new project sales to regain meaningful momentum.

Rising inventory despite falling starts

Toronto condo starts are plummeting with no end in sight

Number of units, 12-month rolling sum



Source: CMHC, Altus, RBC Economics

A big challenge facing the market is that current inventory continues to rise despite plummeting new condo starts—which will eventually reduce future supply.

Financial pressure from mortgage rate resets are prompting some owners, including investors, to list properties for sale.

Simultaneously, buyers who started pre-construction purchases years ago are struggling to complete transactions as the financing environment has tightened, and property values have adjusted.

This creates a peculiar market dynamic where future supply constraints are developing even as current supply abundance intensifies. The timing mismatch between today's inventory challenges and tomorrow's supply shortages will likely extend the market's adjustment period well beyond what historical precedents might suggest.

Forecasting the thaw

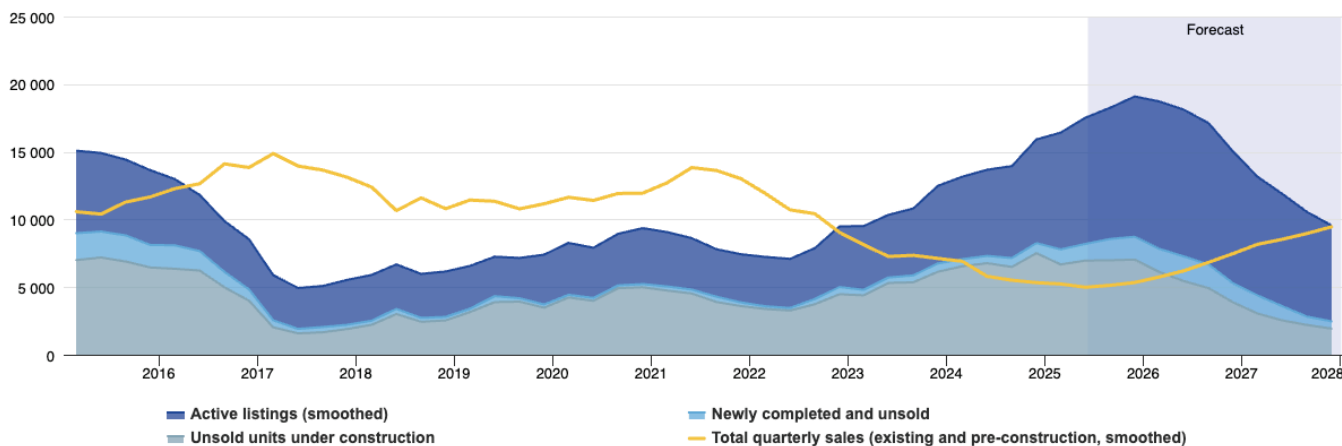
The complexity of multiple factors makes timing Toronto's new condo market recovery very challenging.

However, under reasonable assumptions of gradual strengthening resales, extremely weak new starts, declining completions, and stabilizing new listings by next year—we anticipate inventory could begin declining in early 2026.

This decline would likely be gradual initially, accelerating later in 2026 as resales gain momentum. Such conditions would set the stage for renewed pre-construction demand in the second half of 2026 with more robust activity in 2027.

Toronto's condo market turnaround could be gradual at first

Number of units



Source: Toronto Regional Real Estate Board, Altus, RBC Economics

Risks to recovery timeline

Multiple factors could delay the projected recovery timeline.

A softer-than-expected economy would dampen housing demand, while more increases in new listings would extend inventory absorption.

Further cooling in rental markets would reduce investor interest, and perhaps most importantly, any persistent gap between buyers' price expectations and developers' cost realities could postpone new projects.

The development industry also faces the challenge of maintaining operational capacity through the extended downturn while preparing for an eventual recovery. The risk of losing institutional knowledge and development expertise during prolonged inactivity could create supply bottlenecks when demand improves.



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