WEEKLY COMMENTARY

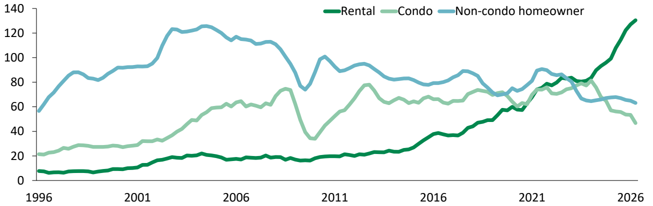
Is Today's Rental Construction Boom Setting Up Tomorrow's Homeownership Shortage?

By Kari Norman, Senior Economist

Canada's housing market is undergoing one of its most significant structural shifts in decades. For years, condominium construction outpaced purpose-built rental development, supported by strong investor demand, rapid population growth and rising home prices. Today, that model has largely broken down. Developers are increasingly pivoting away from condo projects in favour of purpose-built rentals. Rental starts totalled about 130,000 units over the past four quarters, while condo starts fell below 50,000 for the first time since the aftermath of the Global Financial Crisis (graph 1). But the two forms of supply aren't interchangeable. Purpose-built rentals remain part of the dedicated rental stock, whereas condos may be purchased to be owner-occupied or to form part of the secondary rental market. Although the shift helps ease Canada's longstanding shortage of dedicated rental accommodation, it also raises an important question: could today's rental boom become tomorrow's homeownership shortage?

Graph 1
Rental Construction Surges as Condo Starts Retreat

Housing starts, Canada
Thousands of units*



* Four-quarter moving sum.
Canada Mortgage and Housing Corporation and Desjardins Economic Studies

This pivot reflects a dramatic change in market conditions. Condo projects depend heavily on investor presales to secure construction financing, but those presales have fallen sharply as investors retreat from the market. Higher interest rates have eroded affordability and made financing more expensive for both buyers and developers. Slower population growth resulting from recent federal immigration policy changes has softened asking rents and weakened expected investor returns. At the same time, elevated construction costs and government fees on homebuilding have further squeezed already-thin margins, leaving some condo projects too expensive to build at current selling prices.

By contrast, targeted Canada Mortgage and Housing Corporation financing programs and the removal of the GST on new rental construction have significantly improved the economics of purpose-built rental projects. The shift meets a genuine market need following decades of underbuilding. But increased rental construction doesn't appear to be driving the condo downturn. Rather, collapsing presales have made many condo projects unviable, prompting some developers to shift toward rental construction that are better supported by current market and policy conditions. In doing so, rental construction is helping sustain development activity during the ownership market downturn.

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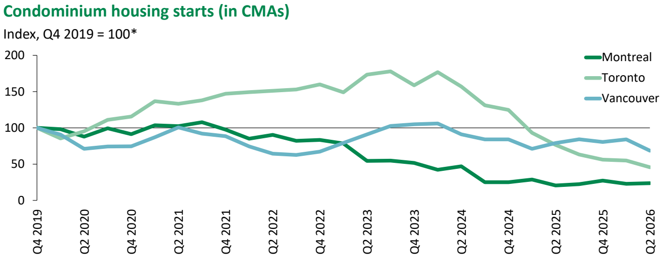
However, the longer-term implications need to be considered. Many aspiring homeowners see condos as the first rung on the property ladder, particularly in major cities where the high price tag of detached housing is beyond their reach. With investor presales weakening, condo starts in Montreal, Toronto and Vancouver are all now well below their 2019 levels (graph 2).

Graph 2
Major Condo Markets Have Seen a Sharp Decline in Starts



CMAs: Census metropolitan areas; * Four-quarter moving sum.
Canada Mortgage and Housing Corporation and Desjardins Economic Studies

The decline in ownership-oriented construction extends beyond condos. In the four quarters ending in Q2 2026, total housing starts were 43,000 units higher than in 2019, driven by a 73,000-unit surge in rental starts. Yet this increase masks a 30,000-unit slump in starts intended for ownership. As a result, the ownership share of housing starts plunged from more than 70% to about 45%. Simply put, Canada is building more homes, but fewer of them are being built for purchase.

With large condo developments taking several years to move from presales to completion, today’s sharp decline in starts may not become fully visible in completed supply until later this decade. Currently, there isn’t a shortage of homes for sale. But there’s a risk that demand—whether from investors or prospective owner-occupiers—could grow faster than new projects can be approved, financed and built. Even a gradual recovery in demand could coincide with relatively few new ownership units coming to market, renewing upward pressure on prices.

None of this suggests that policies supporting purpose-built rental construction should be reversed. Canada needs substantially more dedicated rental supply, and recent policy changes have helped correct decades of underinvestment. But strong rental construction may obscure a deteriorating ownership pipeline in the headline housing starts numbers. Housing policy should recognize that rental and ownership markets are complementary rather than interchangeable, preserving momentum in rental construction while addressing the separate barriers preventing condo projects from proceeding. Ultimately, a balanced housing system can only be achieved by maintaining a robust pipeline of both rental and ownership construction.

What to Watch For

UNITED STATES

WEDNESDAY August 12 - 8:30

July	m/m
Consensus	0.1%
Desjardins	0.1%
June	**-0.4%**

Consumer price index (July) – CPI inflation is expected to hold steady at 3.5% in July. Energy prices probably rebounded after falling sharply in June, putting upward pressure on the monthly CPI reading. Meanwhile, softer prices for non-energy goods and services likely helped contain the overall increase in inflation. However, tariffs continue to pose upside risks, as businesses may increasingly pass higher costs on to consumers in the months ahead.

FRIDAY August 14 - 8:30

July	m/m
Consensus	0.1%
Desjardins	0.1%
June	**0.2%**

Retail sales (July) – US retail sales probably rose by 0.2% month over month in July, following a 0.3% decrease in June. Rising incomes and a still-resilient labour market likely continued to support consumer spending, but high inflation and slower hiring probably held back momentum. After several months of growth, this modest increase would suggest that consumer spending remains robust.

FRIDAY August 14 - 10:00

August	
Consensus	54.4
Desjardins	54.4
July	**55.2**

University of Michigan consumer sentiment index (August – preliminary) – The University of Michigan consumer sentiment index may edge lower, partly reversing July's gains. Higher gasoline prices could weigh on household confidence, reigniting concerns about inflation and purchasing power. Uncertainty over trade policies could also weigh on consumers' economic outlook. We'll be keeping a close watch on inflation expectations, which have eased somewhat but remain elevated. That said, the resilient labour market and the recent improvement in economic prospects should limit the decline.

CANADA

FRIDAY August 14 - 8:30

June	m/m
Consensus	-0.1%
Desjardins	-0.1%
May	**1.3%**

Manufacturing sales (June) – We anticipate a 0.1% month-on-month decline in manufacturing sales for June, in line with Statistics Canada's flash estimate. Lower sales of petroleum and coal likely contributed the most to the decline. In real terms, manufacturing sales appear to have risen by 0.3%, as seasonally adjusted industrial product prices decreased (-0.4%).

Economic Indicators

Week of August 10 to 14, 2026

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 10	---	---				
TUESDAY 11	10:00	Existing home sales (ann. rate)	July	4,050,000	4,050,000	4,090,000
WEDNESDAY 12	8:30	Consumer price index				
		Total (m/m)	July	0.1%	0.1%	-0.4%
		Excluding food and energy (m/m)	July	0.2%	0.2%	0.0%
		Total (y/y)	July	3.4%	3.4%	3.5%
		Excluding food and energy (y/y)	July	2.5%	2.5%	2.6%
	14:00	Federal budget (US$B)	July	n/a	n/a	-120.3
THURSDAY 13	8:15	Speech by Federal Reserve Bank of Cleveland President B. Hammack				
	8:30	Initial unemployment claims	Aug. 3–7	201,000	201,000	199,000
	8:30	Producer price index				
		Total (m/m)	July	0.2%	0.2%	-0.3%
		Excluding food and energy (m/m)	July	0.3%	0.3%	0.2%
	8:40	Speech by Federal Reserve Bank of Richmond President T. Barkin				
FRIDAY 14	8:30	Retail sales				
		Total (m/m)	July	0.1%	0.1%	0.2%
		Excluding automobiles (m/m)	July	0.2%	0.2%	-0.2%
	10:00	University of Michigan consumer sentiment index – prel.	Aug.	54.4	54.4	55.2
	10:00	Business inventories (m/m)	June	0.1%	0.1%	0.3%
CANADA						
MONDAY 10	---	---				
TUESDAY 11	---	---				
WEDNESDAY 12	8:30	Building permits (m/m)	June	n/a	0.6%	-1.7%
THURSDAY 13	---	---				
FRIDAY 14	8:30	Wholesale sales (m/m)	June	2.7%	2.7%	0.0%
	8:30	Manufacturing sales (m/m)	June	-0.1%	-0.1%	1.3%

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of August 10 to 14, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 9							
Japan	19:50	Current account (¥B)	June	2,514.2		3,064.5	
MONDAY 10							
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TUESDAY 11							
Australia	0:30	Reserve Bank of Australia meeting	Aug.	4.35%		4.35%	
Italy	4:00	Trade balance (€M)	June	n/a		4,793	
WEDNESDAY 12							
Germany	---	Current account (€B)	June	n/a		10.4	
Germany	2:00	Consumer price index – final	July	0.8%	2.8%	0.8%	2.8%
Italy	4:00	Consumer price index – final	July	0.2%	2.8%	0.2%	2.8%
Japan	19:50	Producer price index	July	0.5%	7.4%	0.4%	7.1%
THURSDAY 13							
United Kingdom	2:00	Trade balance (£M)	June	-2,700		-1,044	
United Kingdom	2:00	Construction	June	-0.4%	-2.3%	-0.8%	-1.8%
United Kingdom	2:00	Index of services	June	0.1%		0.3%	
United Kingdom	2:00	Monthly GDP	June	-0.1%		0.1%	
United Kingdom	2:00	Real GDP – preliminary	Q2	0.4%	1.1%	0.6%	0.9%
United Kingdom	2:00	Industrial production	June	0.1%	0.3%	-0.5%	1.0%
Norway	4:00	Bank of Norway meeting	Aug.	4.25%		4.25%	
Eurozone	5:00	Industrial production	June	0.0%	-0.6%	-0.2%	-1.2%
FRIDAY 14							
France	2:45	Consumer price index – final	July	0.6%	2.1%	0.6%	2.1%
Eurozone	5:00	Trade balance (€B)	June	n/a		-5.0	
Eurozone	5:00	Net change in employment – preliminary	Q2	n/a	n/a	0.1%	0.5%
Eurozone	5:00	Real GDP	Q2s	0.4%	1.0%	0.4%	1.0%

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).