ECONOMIC VIEWPOINT

Unsold Condos: Is Government Intervention Justified?

By Kari Norman, Senior Economist

HIGHLIGHTS

- Completed but unsold condos have accumulated as projects launched during much stronger market conditions reach completion amid weaker demand.
- Ontario is lending up to $300 million to support private investors' acquisition of about 2,200 units, which are expected to become a mix of market and affordable rentals.
- British Columbia's proposed $1.45 billion program also targets about 2,200 units through a publicly supported rent-to-own model. However, condos designed for investors may not meet the size, location and cost needs of long-term owner-occupiers.
- Both programs could ease pressure on developers and lenders, helping preserve capacity for future homebuilding. But they could also limit the price declines that would normally help clear excess supply.
- The key question is whether governments will receive enough affordable housing, financial returns and protection of future housing supply in exchange.

Canada's housing market is facing a contradiction. While policymakers continue to grapple with a long-term shortage of affordable housing, some of the country's largest urban centres have accumulated a growing inventory of completed but unsold condo units. The Ontario and British Columbia (BC) governments have attempted to address this growing gap with policies of similar scale in terms of units but markedly different structures, objectives and allocations of financial risk. The key question is whether the affordable housing, financial returns and support for future construction justify intervening in the current market correction.

Unsold Condos Threaten Future Construction

Canada's condo market has undergone a dramatic reversal over the past several years. During the pandemic, exceptionally low interest rates, rapid population growth and strong investor demand supported presales and new construction, especially in Toronto and Vancouver, where condos are an important source of new housing supply.

Many projects initiated under those rosy conditions have now reached completion in a much weaker market. Higher borrowing costs, slowing population growth, falling asking rents and weaker expectations of capital appreciation have reduced investor and homeowner demand. Yet high construction and financing costs have left some developers with little room to cut prices without incurring substantial losses.

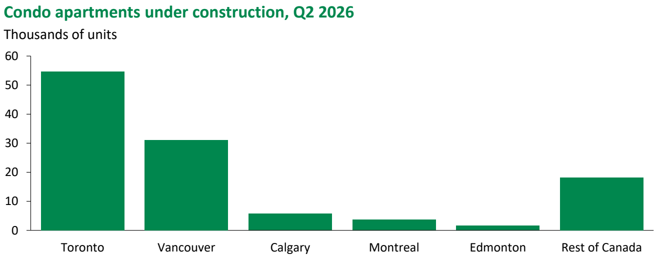
The result has been a rise in newly built units that are move-in ready but haven't been sold—referred to as "completed and unabsorbed inventory" by the Canada Mortgage and Housing Corporation (CMHC). CMHC reports that rising unsold inventories are weighing on condo construction in Ontario and BC.[1] Much weaker presales and tighter financing conditions are also contributing to project delays, cancellations and conversions to rental housing.

The imbalance may take time to resolve. Toronto and Vancouver still have by far the largest number of condo apartments under construction, meaning more units are likely to reach completion

[1] Exact figures of completed and unabsorbed inventory in Ontario CMAs are not shown in this report as CMHC is reviewing its methodology for Ontario and advises that the data be interpreted with caution.

while demand remains soft (graph 1). Many have already been presold, but the scale of the pipeline increases the risk that unsold inventory will remain elevated.

Graph 1
More Condo Supply Is Still Coming in Toronto and Vancouver



Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Completed inventory remaining on developers' books raises interest costs, property taxes, insurance and maintenance expenses. It also ties up capital that could be used for future land purchases and construction. As a result, developers may delay or cancel new projects, constraining future housing supply and contributing to weaker construction employment.

Construction loans are normally repaid as buyers close on their units. If units remain unsold or buyers can't close, developers may need to extend their loans or find new financing. Falling prices could add to this pressure. Mortgage lenders generally base financing on the lower of the purchase price or the unit's appraised value at closing. If the appraisal is lower, the buyer may need to provide more cash. Discounted sales can also lower appraised values for other units in the building, leaving more buyers with financing gaps.

If buyers can't close, developers may have to resell the units at lower prices. Developers would absorb the initial losses, but lenders may also lose money if the proceeds are insufficient to repay construction loans. Developers and lenders may then become more cautious about funding new projects. The current condo surplus could therefore lead to fewer housing starts in the years ahead.

Two Policy Responses

Rather than allowing the condo market imbalance to resolve through lower prices, insolvencies and project restructurings, the federal government as well as governments in Ontario and BC have proposed programs to help bring unsold units into use. Both programs target approximately 2,200 units, but the similarity largely ends there.

Ontario: Public Financing and Private Ownership

In March 2026, the Ontario government announced a program designed to help private investors purchase unsold condo units across the Greater Toronto Area and convert them into rental housing. Under the initiative, the Building Ontario Fund will lend up to $300 million to support the purchase of approximately 2,200 newly built vacant units, equivalent to over $135,000 per unit. Investors will operate the units as rental housing for at least five years, with about one-quarter reserved as affordable rental units. The fund plans to repay the provincial financing when the units are eventually sold.

The program is mainly designed to ease financial pressure in the condo market. Developers will be able to sell completed inventory, reducing their carrying costs and freeing up capital for future projects. Moreover, the provincial government can expand the rental housing supply immediately, without the long wait associated with new construction.

The program also reflects that the condo market imbalance may be temporary. The province is expected to recover most of its investment through loan repayment, while private investors will manage day-to-day operations. They would also keep any capital appreciation after repaying the government financing.

Ontario's temporary HST rebate provides another means of clearing inventory. Eligible buyers of qualifying new homes can receive substantial tax relief. The rebate lowers the buyer's effective cost without requiring an equivalent reduction in the developer's pretax price. This could support sales while limiting declines in recorded new home prices. It also means that taxpayers absorb part of the market adjustment.

British Columbia: Public Acquisition and Affordable Ownership

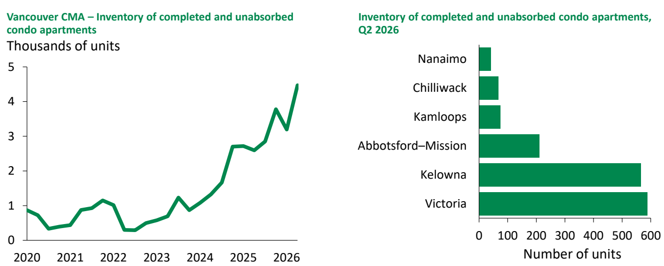
BC's response differs markedly from Ontario's. In June 2026, the federal and provincial governments announced the Canada-British Columbia Partnership on Condo Conversion. The original announcement stated that BC Housing and Build Canada Homes would convert about 2,200 vacant condo units in priority growth areas into affordable homes. Later comments from Prime Minister Carney and Premier Eby have focused more specifically on a rent-to-own program. (See box on page 3 for details.)

The largest increase in unsold condos has occurred in the Vancouver CMA, although other major BC markets also have significant inventories (graph 2 on page 3). The governments haven't yet identified which communities will participate. However, the program reportedly won't purchase units in the City of Vancouver because prices there don't support conversion to affordable housing. Potential purchases could include

BOX
What Is Rent-to-Own?

Rent-to-own allows households to rent while preparing to buy. It targets those who can manage monthly ownership costs but lack a down payment or don't yet qualify for a mortgage. Part of each payment typically goes toward the down payment, while the rental period provides time to improve their credit score and qualify for financing. At the end of the term, households apply for a mortgage and, if approved, buy at the agreed price. If the purchase falls through, they may lose some or all accumulated credits.

Graph 2
Vancouver's Vacant New Condos Have Skyrocketed



CMA: Census metropolitan area
Canada Mortgage and Housing Corporation and Desjardins Economic Studies

communities south of the Fraser River—some of which are within the Vancouver CMA—as well as Vancouver Island and the Okanagan.

The project could involve about $1.45 billion in total spending, equivalent to an average of nearly $660,000 per unit. Each level of government plans to contribute about $145 million, with the remainder being financed. These figures remain preliminary and implementation details—including property selection, purchase prices, eligibility, affordability periods and how households would build equity through rent-to-own—haven't been released.

Like Ontario's program, the BC initiative would bring vacant units into use quickly. At the same time, it could provide liquidity to developers and generate proceeds that repay construction lenders. But that and the number of units is where the similarities end.

BC's plan appears to place more financial and operating responsibility on the public sector than Ontario's, although the final ownership and financing structure has not been released. The proposed model would also expand government's role into property acquisition, asset management, tenant administration and the operation of a rent-to-own program.

Prime Minister Carney has indicated an intention to purchase "distressed condos" at below-market prices, while Premier Eby has said that the units would be bought "below the cost of construction." (Canadian Mortgage Professional, 2026) Participation will nevertheless be voluntary. Developers that consider the offered price too low can retain their units or seek other buyers.

The type of units available may present another challenge. Condo projects have often been designed with investors and the rental market in mind, favouring smaller units rather than homes for long-term family living. A successful rent-to-own program will need to find units at the size and location desired by homeowners.

Do the Benefits Justify Government Intervention?

Some commentators have characterized the Ontario and BC programs as developer bailouts. Whether that description is fair depends largely on the prices paid, the losses still borne by private investors and the benefits governments receive in return.

Potential Risks and Limitations

Government intervention carries several risks. Both programs may keep condo prices higher than they otherwise would be. Normally, excess supply pushes prices down until buyers return. Government intervention adds demand and may limit that adjustment.

Removing units from developers' balance sheets lowers carrying costs, improves cash flow, reduces financing pressure and may help some firms avoid insolvency. In these ways, both programs effectively transfer part of the adjustment cost from developers to taxpayers.

The concern extends beyond current market conditions. Government intervention now could create expectations of similar support during later downturns, which may influence risk-taking behaviour by some developers when planning and financing new projects.

However, the benefit to developers will depend heavily on the purchase price. Buying units at a significant bulk discount would be harder to characterize as a bailout than purchasing them near their original presale values.

Potential Benefits

At the same time, intervention may provide important benefits. A full market correction could undermine Canada's long-term housing supply. When developers experience significant financial losses, they may delay or cancel future projects. The potential exists that lenders may require developers to provide more of their own money, secure more presales and accept stricter loan terms, making future projects more difficult to finance. In such a scenario, the combined effect of responses by developers and lenders could lead to fewer housing starts.

This risk comes at a time when CMHC estimates that Canada needs to double the pace of homebuilding in order to restore affordability to 2019 levels. A prolonged collapse in homebuilding in Toronto and Vancouver would move Canada further from that goal. In this regard, it's possible that government intervention could help sustain homebuilding activity.

Subsequent implications of lower appraised values may extend beyond developers and lenders to recent homebuyers, whose equity positions and refinancing options may be affected. This matters because government purchases may help support comparable sale prices and contribute to broader market stability.

Additionally, these programs fill units that already exist and are currently sitting vacant. Whether these units become market rentals, affordable rentals or rent-to-own homes, they bring existing housing into use much faster than housing programs that depend on new construction.

The Bottom Line

The policy question therefore isn't whether the interventions benefit developers and lenders. They clearly do. It's whether governments receive adequate affordability, financial returns and protection of future housing supply in exchange (table 1).

Table 1
Comparing Ontario and BC Condo Policies

	Ontario	British Columbia
Policy model	Public financing for private rental acquisitions	Public conversion to affordable homes
Affordable housing	About 550 of 2,200 units permanently affordable rental	Affordable rent-to-own
Public financial exposure	Up to $300M in loans	About $145M each from federal and provincial contributions, and $1.16B financed
Potential financial return	Loans repaid; investors retain any capital gains	Public sector return depends on final ownership structure
Future homebuilding	Development capacity preserved for new projects	Development capacity preserved for new projects
Benefit to developers	Lowers inventories and carrying costs; frees capital	Lowers inventories and carrying costs; frees capital
Benefit to lenders	Loans repaid; lowers potential losses	Loans repaid; lowers potential losses
Overall	**Supports future homebuilding, with modest affordability benefits and contained public risk**	**Potentially greater affordability benefits, but public risk and return remain unclear**

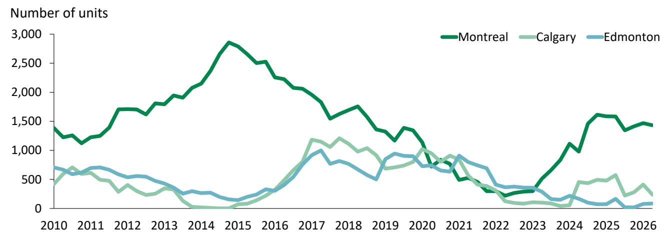
Desjardins Economic Studies

Is the Condo Inventory Problem Spreading?

The buildup of completed and unabsorbed condo inventory isn't limited to Toronto and Vancouver. Montreal's inventory has also risen considerably, but is better characterized as a return to longer-term norms (graph 3). Quebec's housing policies remain focused on financing new affordable and social rental housing, leaving developers to reduce prices, rent out units or otherwise adjust to any weakness in condo demand. Calgary and Edmonton, by contrast, haven't experienced a similar accumulation of completed and unabsorbed condo apartments.

Graph 3
Montreal's Stock of Vacant New Condos Has Normalized

Inventory of completed and unabsorbed condo apartments



Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Conclusion

Although the country continues to face a structural shortage of housing, rapidly changing economic conditions created localized condo surpluses. Many units were designed for the investors most willing to buy years before completion and reflected the rental demand and market expectations of the time. Some of today's buyers, particularly those entering rent-to-own programs, may instead be looking for larger homes suited to long-term living. The Ontario and BC governments have responded to the same problem using markedly different policy frameworks. Whether either approach ultimately proves successful will depend on the extent to which these interventions can minimize market distortions while preserving future construction—particularly of the types of homes households need. Transparency around unit selection, acquisition prices, public financing terms and creditor repayment will ultimately determine whether these initiatives represent prudent countercyclical housing policy or an expensive transfer of private housing risk to the public sector.