

SPOTLIGHT ON HOUSING

Quebec's Housing Market Remains Strong, but Momentum Is Fading

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HIGHLIGHTS

- ▶ Residential construction in Quebec continues to stand out nationally, but activity is expected to slow gradually this year.
- ▶ Over the past few years, rental construction has represented a disproportionately high share of housing starts, bringing vacancy rates closer to their historical average.
- ▶ Although average rent is still expected to rise, most of the increase should come from occupied units, not newly built ones.
- ▶ Activity remains strong in the resale market, despite growing affordability challenges. But a number of factors could curtail future demand.

INTRODUCTION

In 2025, both the resale market and residential construction continued to expand in Quebec. Despite an uncertain economic environment, the resilience of the province's housing market once again stood out (table 1). Strong housing starts—largely concentrated in rental construction—and a wide range of measures implemented by the federal, provincial and municipal governments helped support activity despite high construction costs and persistently tight financing conditions. At the same time, an influx of new rental units and shifting demand are gradually rebalancing the market.

But 2026 could mark the start of a slowdown in Quebec's housing market. A number of headwinds are expected to weigh on supply and demand across various market segments over the next few years, suggesting that momentum could start to fade.

Table 1
Housing Market, 2024–2025

	Housing starts (urban centres with a population of 10,000 or more)			Resale market (number of sales)			Average sale price (\$)		
	2024	2025	y/y % change	2024	2025	y/y % change	2024	2025	y/y % change
Quebec	48,713	59,864	22.9	90,155	97,107	7.7	500,996	541,661	8.1
Ontario	74,573	65,376	-12.3	172,595	162,882	-5.6	873,016	834,831	-4.4

Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Desjardins Economic Studies

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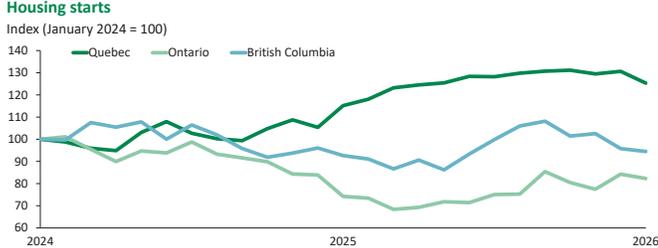
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HOUSING STARTS

Residential Construction Remains Resilient

Although 2025 was marked by economic turmoil and uncertainty, Quebec’s housing sector continued to outpace the rest of the country’s (graph 1). Residential construction remained robust, with housing starts up 22.9% in 2025—close to the 25% surge recorded in 2024 and well above the 5.6% national average. This outperformance reflects the large share of rental units in the Quebec market, as well as the extensive measures introduced by the provincial and municipal governments.

Graph 1
Since 2024, Residential Construction Has Grown Faster in Quebec than in Ontario and BC

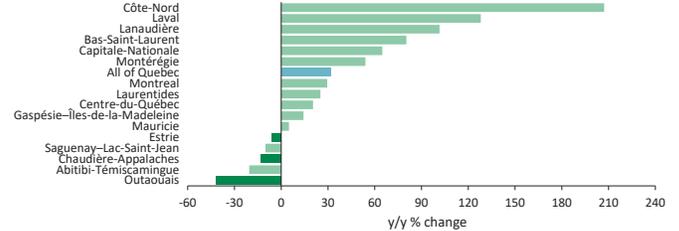


Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Even so, residential construction is expected to slow in Quebec over the next few months amid ongoing economic uncertainty. Since the “superpowers” granted to municipal governments to boost housing supply will remain in effect until February 2027, we should continue to see the impacts of the measures that many communities have adopted. We expect the Canada Mortgage and Housing Corporation and the federal government to stay the course as well, with measures like the GST rebate for purpose-built rental housing and the Apartment Construction Loan Program that boost residential construction in participating municipalities. The new federal housing agency, Build Canada Homes, will also support construction over the next few years by contributing to multiple affordable housing projects. Together, these measures will help partially offset rising construction costs. Meanwhile, the Bank of Canada’s policy rate has settled below the levels seen in 2023 and 2024, reducing borrowing and financing costs for builders and developers.

Yet some headwinds are emerging. In many cities, rapid development has revealed the limitations of existing infrastructure. Municipalities like Gatineau, Lévis and Sherbrooke have had to impose moratoriums in certain neighbourhoods because of these constraints, significantly slowing construction (graph 2). Infrastructure upgrades will be needed in these areas before residential construction can resume.

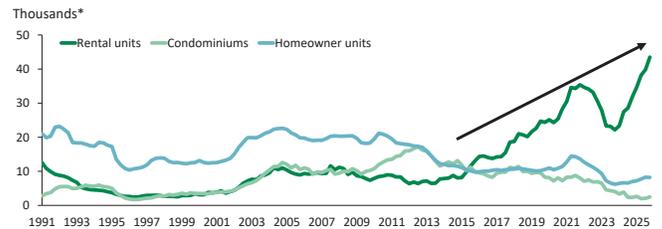
Graph 2
Housing Starts Have Slowed in Areas Where Moratoriums on Residential Construction Have Been Imposed



JLR Land Title Solutions (an Equifax company) and Desjardins Economic Studies

Another factor holding back residential construction is the sharp increase in vacancy rates in new rental buildings. This segment has been driving the growth in housing starts and is expected to continue to do so this year (graph 3). But vacancy rates in newly built rental units are climbing. This trend could eventually trigger a shift in the types of homes being built. Large rental projects require many years of planning before any shovels hit the ground. The large number of projects already underway will therefore show up in the statistics for this year, even if current market conditions seem less likely to encourage this type of development.

Graph 3
Purpose-Built Rental Construction Has Outpaced Single-Family and Condo Construction in Recent Years



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

Builders may respond to higher vacancy rates by gradually pivoting away from large rental projects toward homes like plexes and townhouses, which better match first-time home buyers’ needs. But two constraints are limiting that shift: a shortage of available land and the high cost of construction. Consequently, the composition of housing starts is unlikely to change significantly in the near term. Until the rental projects already in progress are completed, they’ll account for a disproportionately high share of construction activity over the next few years. Builders also expect immigration levels to rebound once current restrictions ease.

RENTAL MARKET

An Evolving Rental Market

The large number of housing starts observed in recent years is now showing up as increased supply. In 2025, more than 38,000 of the 51,389 homes completed were added to rental stock. Since rental units represented a significant share of housing starts in 2024 and 2025, this trend is expected to last for the next few years. But the rents for these new units remain markedly higher than rents for existing housing.

The expansion of rental stock has also pushed vacancy rates up toward their historical average. Most of the units struggling to find a tenant are new (graph 4), due to their above-market rent. The increase in both construction costs and interest rates over the past few years is prompting developers to set higher rents to ensure profitability. But demand for these higher-priced units seems to be fading. Asking rents for vacant units have begun to edge down, an early sign that the market is adjusting (graph 5). Despite this targeted decline, average rent should continue trending upward over the next year, with most of the increase coming from occupied units rather than new ones. The increases recommended by the Tribunal administratif du logement (TAL), which reached a peak of 5.9% last year and remain elevated at 3.1% this year, are contributing to broad-based rent growth (graph 6).

Graph 6

Average Rent Increases Are Outpacing TAL Recommendations

Rent increases recommended by the TAL and average rents



TAL: Tribunal administratif du logement (Quebec's residential tenancy tribunal)
Canada Mortgage and Housing Corporation, Tribunal administratif du logement and Desjardins Economic Studies

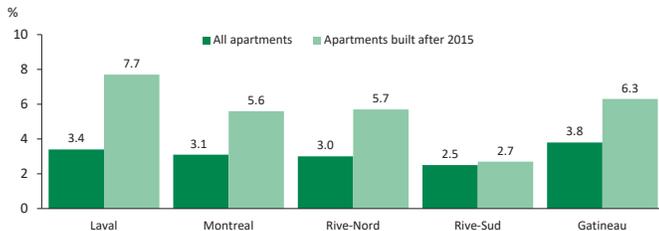
On top of this, demand is easing due to the drop in the number of non-permanent residents, especially international students and temporary workers. These individuals typically rent when they first arrive in Canada, since they're often not sure how long they'll stay. A decline in their numbers will put downward pressure on rental demand. The reduced presence of international students is already noticeable in neighbourhoods near Montreal's universities, where vacancy rates are rising. If this persists, the trend could gradually extend across Montreal and then to the rest of the province in the medium term.

Although the current dip in immigration—and its impact on demand—should be temporary, since growth is expected to pick up again starting in 2028, population growth may remain [moderate in Quebec over the medium term](#).

Graph 4

Higher Vacancy Rates Are Concentrated in New Apartment Buildings

Vacancy rate – 2025

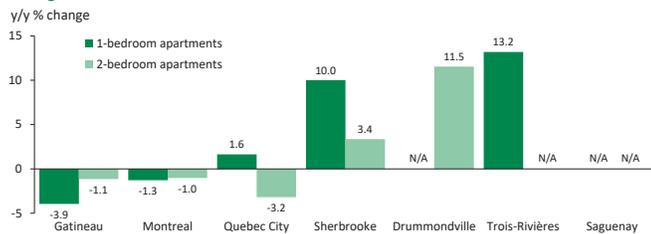


Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Graph 5

Market Rents for Available Units Continue to Fall in Gatineau, Montreal and Quebec City

Asking rents in Q3 2025 – CMA



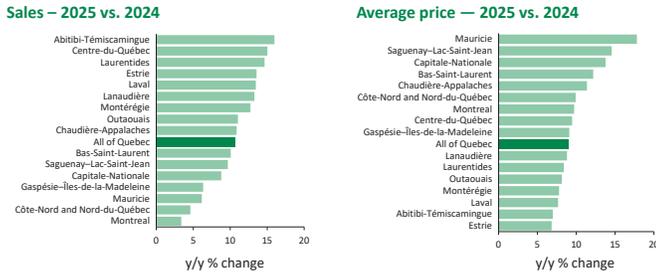
CMA: Census metropolitan area; N/A: Data not available
Statistics Canada and Desjardins Economic Studies

RESALE MARKET

Resale Market: Strong, but Losing Steam

Activity in the resale market also remained strong across every region of the province. The average selling price increased everywhere as well, further straining affordability (graph 7 on page 4). However, sales growth was weakest on the Island of Montreal, indicating that the sharper deterioration of affordability in that city is weighing more heavily on prospective buyers. Montreal seems to be becoming a seller's market, as Toronto and Vancouver have been for many months. Although harsh weather was partly responsible for the decline in sales seen in January, the recent surge in listings suggests that most markets across the province are gradually rebalancing (graph 8 on page 4). This may ease price pressures slightly and offer a greater selection to buyers, encouraging more of them to take their first step on the property ladder.

Graph 7
Sales and Prices Rose Across All Regions in 2025



JLR Land Title Solutions (an Equifax company) and Desjardins Economic Studies

Graph 8
Higher Listings and Lower Sales Are Moving Quebec Markets Toward Balance



Canadian Real Estate Association and Desjardins Economic Studies

Despite this, demand in the resale market is expected to cool in the coming years, though less than in the rental market. One reason is the uncertainty caused by trade tensions with the United States, which continue to weigh on consumer confidence. Typically, weak confidence reduces intentions to make major purchases, such as a home. Even though fading confidence had less of an impact on buying decisions in 2025 than it has in the past, it remains a risk. It may also prompt businesses to postpone or revisit hiring decisions, putting further pressure on the job market and household finances.

Our baseline scenario does not see mortgage rates falling over the next year. In fact, it anticipates rate hikes in the second half of 2027 (graph 9). Consequently, the boost in demand driven by rate cuts over the past couple years will likely dissipate. We also need to consider the slowdown in population growth. Non-permanent residents mostly rent when they first arrive in Canada, but a decrease in their numbers could still affect the resale market by slightly shrinking the pool of potential buyers over the medium term.

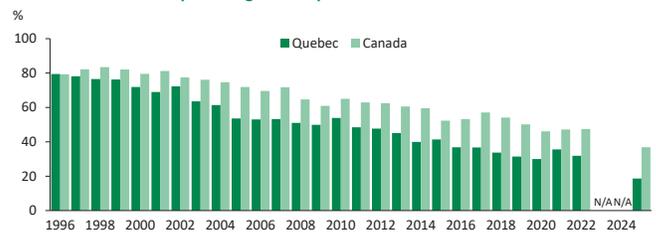
Graph 9
Mortgage Rates Are Expected to Remain Above Pre-Pandemic Levels



Bank of Canada and Desjardins Economic Studies

At the same time, insufficient supply continues to fuel imbalances in the resale market. Despite the high number of units completed in 2025, most were purpose-built rentals, limiting the expansion of resale inventory. What's more, most recently built condos are small units that often don't meet the needs of prospective buyers. Only 19% of the units completed in 2025 were single-family homes, plexes, townhouses or semi-detached homes (graph 10).

Graph 10
Homeowner Units Represented a Small Share of Recently Completed Units Across the Country, but Especially in Quebec



Canada Mortgage and Housing Corporation and Desjardins Economic Studies

This shortage of single-family homes, combined with high construction costs that drive up new home prices, is putting sustained pressure on the resale market. As a result, prices are expected to keep rising over the next few years (graph 11 on page 5). Under these circumstances, a meaningful improvement in affordability seems unlikely in the short to medium term.

Graph 11
Home Sales Are Expected to Stabilize in the Coming Months



* Annualized.
 Canada Mortgage and Housing Corporation and Desjardins Economic Studies

CONCLUSION

Quebec’s housing market remains resilient, but activity is expected to soften this year. Residential construction remains robust, especially for rental housing, but we’re starting to see signs of a slowdown due to the increasingly uncertain economic climate, higher vacancies and weaker demand for more expensive units. An influx of new units is rebalancing the rental market, as can be seen in rising vacancy rates and lower asking rents.

Lively activity in the resale market shows demand is still buoyant. However, it may ease as confidence remains fragile, mortgage rates stabilize and supply stays tight. In particular, the limited inventory of single-family homes will maintain upward pressure on prices.

All things considered, the market is gradually rebalancing, but affordability is unlikely to improve significantly in the short term, and the structural pressures in Quebec’s housing market will persist.

Table 2
Quebec Housing Market Outlook, 2026–2027

	2022	2023	2024	2025	2026f	2027f
New Home Market						
Housing starts	57,107	38,912	48,713	59,864	61,408	61,533
Year-over-year change (%)	-15.8	-31.9	25.2	22.9	2.6	0.2
Houses	16,825	10,943	11,399	12,193	11,550	11,750
Year-over-year change (%)	-20.2	-35.0	4.2	7.0	-5.3	1.7
<u>Single-detached</u>	12,441	8,601	8,558	8,477	---	---
Year-over-year change (%)	-16.1	-30.9	-0.5	-0.9	---	---
<u>Semi-detached</u>	3,152	1,720	2,000	2,181	---	---
Year-over-year change (%)	-24.5	-45.4	16.3	9.1	---	---
<u>Row housing units</u>	1,232	622	841	1,535	---	---
Year-over-year change (%)	-41.1	-49.5	35.2	82.5	---	---
Apartments	40,282	27,969	37,314	47,671	49,858	49,783
Year-over-year change (%)	-13.8	-30.6	33.4	27.8	4.6	-0.2
<u>Condos</u> ¹	6,937	4,072	2,356	2,467	2,450	2,300
Year-over-year change (%)	-13.6	-41.3	-42.1	4.7	-0.7	-6.1
<u>Rentals</u> ¹	30,622	22,159	31,871	43,506	46,500	46,750
Year-over-year change (%)	-13.5	-27.6	43.8	36.5	6.9	0.5
Resale Market						
Unit sales	87,063	75,905	90,155	97,107	100,125	102,035
Year-over-year change (%)	-20.5	-12.8	18.8	7.7	3.1	1.9
Weighted average price (\$k)	488	487	501	542	568	583
Year-over-year change (%)	11.3	-0.2	2.8	8.1	4.8	2.7
Sales volume (\$B)	40.4	35.3	45.1	52.6	56.8	59.5
Year-over-year change (%)	-12.8	-12.7	27.8	16.8	8.1	4.7
Other Indicators						
Vacancy rate for rental units ² (%)	1.7	1.3	1.8	2.7	3.1	3.3
Average rent ² (\$)	952	1,022	1,119	1,232	1,275	1,310
Year-over-year change (%)	8.9	7.4	9.5	10.1	3.5	2.7

f: forecast; ¹ Only for urban centres with populations of 10,000 or more. Consequently, the total is slightly below the total for provincial apartments shown above;

² Three units or more, annual survey.

Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Statistics Canada and Desjardins Economic Studies