

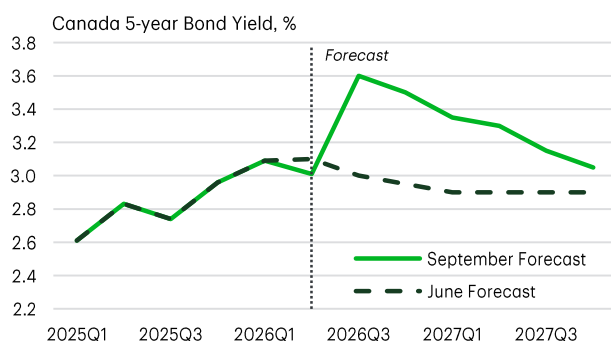
Provincial Resale Market Outlook: High Borrowing Costs Set to Restrain Housing

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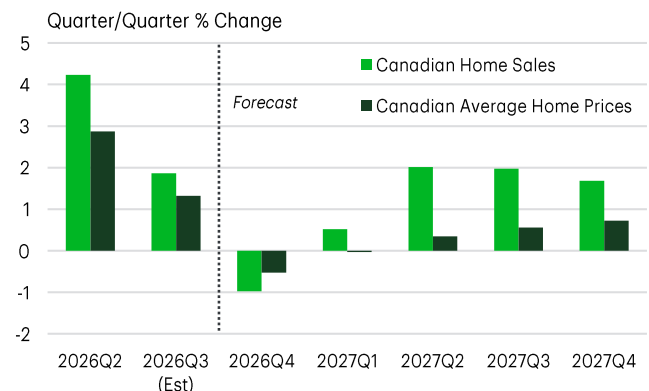
- Canada has not been immune to the recent rise in global bond yields, which reflects a more challenging backdrop for fiscal and monetary policy (see [here](#)). These higher yields (which underpin fixed mortgage rates) are likely already impacting Canada's housing market, with sales declining for the first time in six months in August.
- With the forces behind the climb in rates set to linger, we've upgraded our forecast for bond yields through next year, relative to our prior forecast in June (Chart 1). This upgrade comes even under our baseline assumption that the Bank of Canada remains on hold through 2027 amid near-target underlying inflation and an expected gradual easing in crude oil prices.
- Accordingly, our near-term forecasts for growth in Canadian home sales and average home prices have been downgraded. Canadian home sales are tracking a decline of about 5% this year and are unlikely to recover this lost ground in 2027. Although we still see roughly flat Canadian average home price growth this year, next year prices will likely expand at a sub-2% pace (Chart 2).
- While housing is likely to remain subdued in 2027, our projections envision positive (albeit modest) quarterly growth in both Canadian home sales and average prices. Even so, home sales are likely to remain well below pre-pandemic levels through next year. Anticipated quarterly gains are likely to be supported by the further release of pent-up demand. Job markets are also forecast to improve gradually, although the outlook has been downgraded relative to our prior projection due to the recent escalation in the Canada-U.S. trade conflict. Perhaps most crucially, this forecast depends on some downdrift in Canadian bond yields beginning in the fourth quarter and lasting through next year.

Chart 1: Canada Facing a Backdrop of Much Higher Rates



Source: Bank of Canada, TD Economics

Chart 2: Elevated Yields to Weigh on Canadian Housing Going Forward



Source: CREA, TD Economics

- After 2026 declines, sales are expected to rise in B.C. and Ontario next year. Pent-up demand is expected to play an outsized role in supporting activity. Rising sales should gradually rebalance these markets (which are currently heavily skewed in favour of buyers) allowing prices to stabilize next year following the pullbacks observed in 2026 (Chart 3). However, we expect gains below 1% in both regions, constrained by weak population growth. In Quebec, sales and price growth is cooling in response to economic weakness and poor affordability (Chart 4). And there's some signs that households are turning more cautious amid these headwinds (evidenced by a climbing household savings rate). With these factors set to persist, a modest 2027 performance appears likely.
- In the Prairies, we see price growth of about 3% this year and next in Alberta, supported by relatively firm economic growth, but capped by the rise in interest rates. Notably, prices are only up about 3% year-to-date, even as the rise in oil prices bolsters incomes in the province (Chart 5). Strained affordability and a soft economic backdrop are likely to keep price growth subdued in Manitoba. In contrast, decent affordability should support relatively firm price gains in Saskatchewan moving forward.

Chart 3: Supply/Demand Balances Favour Buyers, Weighing on Prices in Ontario and B.C.

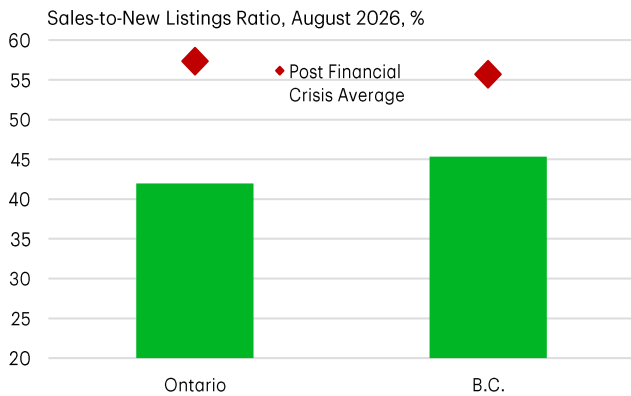


Chart 4: Housing Cooling in Quebec Amid Economic Weakness, Strained Affordability

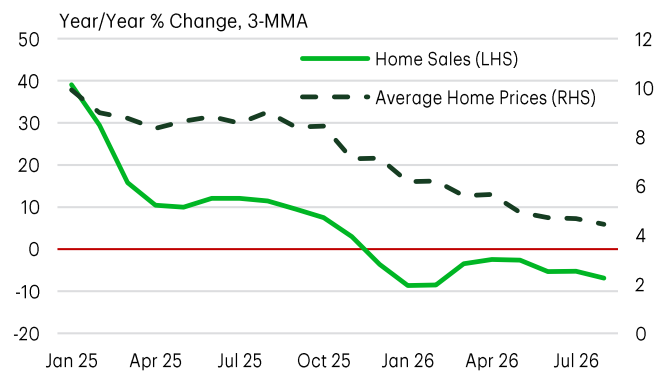
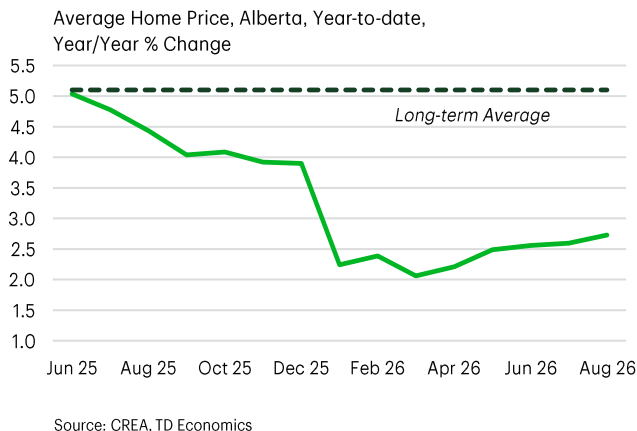
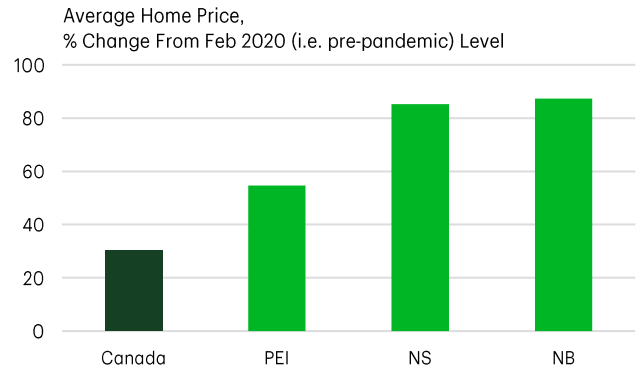


Chart 5: Despite Sharp Climb in Oil Prices, Housing is Subdued in Alberta



- In the Atlantic, the combination of weak population growth, elevated borrowing costs, and significantly deteriorated affordability should keep quarterly annualized price growth in the 1-2% range in Nova Scotia, New Brunswick and PEI (Chart 6). We expect slight price growth of about 1.5% in Newfoundland and Labrador, in annual average terms, in 2027. However, part of that owes to weak momentum in 2026 data that can impact the annual average calculation. In Q4/Q4 percentage change terms (which offers a cleaner read on 2027 trends), prices are expected to advance about 3% in Newfoundland and Labrador - one of the stronger performances of any province – supported by a favourable affordability backdrop.

Chart 6: Strained Affordability to Cap Price Growth in the Atlantic



Source: CREA, TD Economics

Table

Home Sales and Price Outlook						
Average Annual Growth, %						
Provinces	Home Sales			Home Prices		
	2026F	2027F	2028F	2026F	2027F	2028F
National	-5.3	4.7	6.2	0.1	1.7	3.3
Newfoundland & Labrador	-7.9	3.7	2.2	4.2	1.4	2.5
Prince Edward Island	-11.0	4.8	4.5	4.0	2.3	2.6
Nova Scotia	-8.0	2.7	6.1	0.5	1.9	2.3
New Brunswick	-6.0	2.9	4.1	0.4	1.8	3.2
Québec	-5.4	1.1	3.1	4.2	1.6	3.1
Ontario	-3.0	7.4	7.6	-2.6	0.6	2.8
Manitoba	-5.3	3.5	6.0	1.9	1.9	3.6
Saskatchewan	-3.9	5.7	3.2	4.5	3.8	4.3
Alberta	-9.3	3.9	6.2	2.5	2.5	3.6
British Columbia	-5.6	5.4	8.5	-1.3	0.9	2.3

Note: Forecasts by TD Economics as of September 2026. Source: CREA, CMHC, TD Economics.

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