



LandLord

REALTY INC., BROKERAGE

TORONTO REAL ESTATE

Real Estate Market Update 2025–2026

Issued: February 2026

LandLord

About Us – LandLord: Full-Service Property Management, Real Estate Brokerage & In-House Renovations for Investors

LandLord is a full-service property management company, real estate brokerage, and in-house renovation firm specializing in investment-focused real estate. For over 28 years, we've helped property investors in Toronto and the GTA maximize returns, scale portfolios, and optimize asset performance.

Our Expertise:

- ✓ Investment-Focused Real Estate Brokerage – Buy and sell high-performing rental properties strategically.
- ✓ Full-Service Property Management – We handle tenant screening, leasing, rent collection, and maintenance so you don't have to.
- ✓ In-House Renovations – Convert single-family homes into multiplexes, reposition underperforming assets, and renovate for maximum ROI.

- 📍 2,000+ Rental Units Under Management
- 📍 \$2 Billion+ in Assets Managed for Local & International Investors
- 📍 End-to-End Support for Real Estate Investors



About This Report

This Market Review provides data-driven insights to help investors adapt to market shifts and seize new opportunities.

Need expert advice on your next investment? [Contact us](#) to discuss your strategy.

Real Estate Market Update 2025-2026

- Written by Vivian Nunes

Data-backed insights for property owners and landlords

How the Market Shifted in 2025

Across the Greater Toronto Area, approximately 62,400 residential transactions were recorded in 2025, representing a decline of roughly 11% compared to 2024. Over the same period, new listings rose by about 10%, reaching nearly 187,000 units.

This imbalance alone explains much of the market's behaviour. When supply grows faster than demand, pricing power shifts — not abruptly, but steadily — toward buyers.

By December 2025, the MLS Home Price Index (HPI) Composite was down approximately 6% year-over-year, while the average selling price declined by just under 5%. The difference between these two metrics matters: the HPI reflects changes in the value of a typical home, whereas the average price is influenced by the mix of homes sold. Together, they indicate broad softening rather than localized distress.

What is critical, however, is that this adjustment was not uniform.

Freehold homes, particularly semi-detached and detached properties in family-oriented neighbourhoods, remained relatively liquid. Condo apartments absorbed the majority of the slowdown, with higher inventory levels and longer selling timelines.

Toronto did not decline as one market — it fragmented.

Interest Rates Fell — But Affordability Did Not Fully Return

Throughout 2025, the Bank of Canada reduced its policy rate, ending the year at 2.25% after multiple cuts. From a historical perspective, this represents a meaningful easing of monetary conditions.

However, the expected rebound in transaction volume did not materialize.

The reason is structural. While borrowing costs declined, mortgage qualification requirements remained restrictive, and payments for new borrowers remained materially higher than during the ultra-low-rate period of 2020–2021. Many buyers who could qualify in principle were reluctant to proceed in practice.

Lower rates improved affordability at the margin, but they did not restore confidence.

Consumer Confidence Became the Limiting Factor

According to the Bank of Canada's Q4 2025 Survey of Consumer Expectations, households remained cautious heading into year-end. The survey showed:

- increased concern about job security,
- a higher perceived risk of missing debt payments,
- and weaker intentions to make major purchases.

At the same time, long-term inflation expectations fell below pre-pandemic norms, reducing the urgency to buy assets as an inflation hedge. This matters because the 2020–2022 housing surge was driven not just by cheap credit, but by fear of being permanently priced out.

By late 2025, that fear had largely dissipated.

Spending Data Confirms the Shift in Behaviour

Data from the Royal Bank of Canada Consumer Spending Tracker shows that consumer spending remained resilient through late 2025, with core retail sales continuing to grow modestly on a three-month average basis.

However, the composition of spending tells a more important story.

Housing-related categories — including renovation, construction materials, and household durables — weakened noticeably. Dining and discretionary services slowed for two consecutive quarters. Consumers were still spending, but they were prioritizing short-term, reversible purchases rather than long-term financial commitments.

This behaviour aligns closely with what we saw in real estate: households were stable, but risk-averse.

The Rental Market Quietly Shifted Power Back to Tenants

Rental conditions played a decisive — and often underestimated — role in shaping 2025.

Throughout the year, rental inventory remained elevated, and rent growth softened. In early 2025, average asking rents for one-bedroom and two-bedroom units declined year-over-year, and although leasing activity picked up later in the year, tenants retained negotiating leverage.

When renters are not under pressure, the conversion from renter to buyer slows. This directly reduced first-time buyer urgency and weakened investor demand, particularly in condo apartments where rental yields are most sensitive to vacancy and rent levels. This dynamic explains why condo performance diverged so sharply from freehold housing.

Condos Became the Market's Release Valve

Condo apartments absorbed the majority of 2025's excess supply. Early in the year, condo sales declined sharply, while new listings increased significantly. Even as sales improved later in the year, average condo prices continued to decline, falling roughly 6% year-over-year by the third quarter.

This is a textbook case of inventory clearing without pricing power. Units sold, but competition among sellers remained intense, preventing a meaningful rebound.

What the Data Suggests for 2026

The most likely scenario for 2026 is gradual normalization, not a sharp recovery.

Transaction volumes should improve modestly as buyers adapt to the new rate environment and deferred demand begins to re-enter the market. However, price growth is likely to remain uneven. Freehold homes, supported by limited supply and end-user demand, should stabilize first. Condo recovery will depend on improved rental conditions and renewed investor confidence.

A stronger recovery would require more than additional rate cuts. It would require improving job confidence, stronger rental pressure, and a shift in consumer psychology from caution to commitment.

Final Perspective

The Toronto real estate market in 2025 underwent a necessary recalibration. Prices adjusted, activity slowed, and buyers and sellers alike became more measured in their decisions. These changes were driven not by a collapse in fundamentals, but by shifts in affordability, confidence, and household behaviour.

As 2026 begins, the market is positioned for cautious normalization. Progress is likely to be incremental, with different segments moving at different speeds. Understanding these dynamics – rather than relying on broad headlines – will be key to interpreting how the year unfolds.

Market Stats

TORONTO - DECEMBER 2025 - SALES AND AVERAGE PRICE

DETACHED	SEMI-DETACHED	TOWNHOUSES	CONDO APT
413 10.4%	122 -10.9%	127 -22.1%	694 -6%
\$1,498,079 -4.5%	\$1,122,309 -12.2%	\$976,161 5.4%	\$663,227 -7.2%

● DEC 2024 ● DEC 2025

GTA YEAR-OVER-YEAR SUMMARY



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