



## Homeward Bound

North American stock markets had an excellent 2025, making it a prosperous three-year stretch for equity investors. Share prices for some of the most popular technology, financial, and consumer companies in Canada and the U.S. have doubled (and more) since the end of 2022. Understandably, many now wonder about the outlook for 2026 after such a wonderful run across the markets. Like a market, it has not been all “wine and roses.” Beneath the surface, there have been pockets of weakness, perhaps not immediately evident, but which still stand to offer potential gains once conditions improve.

One such area includes stocks related to housing markets. Press coverage of the weakness in U.S. and Canadian housing markets is gathering momentum, but some might still be surprised at the magnitude of the declines thus far. For example, in 2025, U.S. existing home sales fell to levels comparable to 1995, while new condominium sales in Canada’s largest city fell to the lowest level since 1991. This weakness is not specific to Toronto, as seen in the table below, showing 41,896 single dwelling starts across all Canadian cities in 2025, which represent thirty-year lows in construction volumes.

### Single Dwelling Starts in Canadian Cities

1995	2000	2005	2010	2015	2020	2025
58,279	74,365	93,994	74,244	57,739	46,909	41,896

Source: Factset, Canada Mortgage and Housing Corporation, urban centers with a population of 10,000 or greater

### 2025 Total Return, C\$

S&P/TSX Composite Index <sup>1</sup>	Canada Forest Products	Canada Residential REITs
34.1%	(24.6%)	(6.5%)

Source: Factset, S&P/TSX Composite Index and subindustry groups

These conditions have impacted many Canadian stocks. Although 2025 was an exceptional year for the TSX Composite Index, within it, shares of lumber producers and residential housing Real Estate Investment Trusts (REITs) posted declines. The same trend was underway in U.S. stock markets, where falling share prices for home improvement retailers and household durables companies contrasted with a healthy gain across the S&P 500 Index<sup>2</sup>.

### 2025 Total Return, C\$

S&P 500 Index	U.S. Home Improvement Retail	U.S. Household Durables
12.4%	(12.5%)	(8.1%)

Source: Factset, S&P 500 Index and subindustry groups

PERSPECTIVES

# FEBRUARY



Not surprisingly, these price declines reflect a list of investor concerns about housing: homeowners now face higher rates for re-mortgaging, the pandemic immigration boom into Canada is now ebbing, and overstretched property investors could potentially have to realize losses if forced to sell assets. While this all sounds dour, the outlook for the impacted stocks from here could be much more uplifting. Share prices for several well-managed Canadian and U.S. companies involved in housing have been significantly reduced, and the headwinds facing the industry might well prove cyclical. In the meantime, many of these companies pay healthy dividends, have well-regarded brands and the financial position to endure the current market until conditions improve. This sets up housing-related investments as a prime area for research consideration, since many are out of favour and at depressed prices, which can offer potential wealth creation for the patient investor. Maybe it's right to say there is no place like home.

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<sup>1</sup> The S&P/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange (TSX) with about 250 companies included in it.

<sup>2</sup> The S&P 500 is an index of 500 stocks designed to reflect the risk/return characteristics of the large-cap US equity universe.



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