

TERRA FIRMA

ISSUE 01

The Last Great Asset

*Why Ontario Real Estate Remains the Foundation
of Lasting Wealth*

A Publication for the Informed Investor

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The Argument

Every generation discovers, usually too late, that the assets they trusted most were the ones that failed them. Dot-com portfolios evaporated in months. Crypto winter erased billions overnight. But Ontario real estate — imperfect, cyclical, sometimes maddeningly illiquid — has done something no other asset class in this province has managed: it has never failed to recover, and it has never failed to reward patience.

This is not a booster document. Ontario's housing market has well-documented challenges: affordability pressures that have pushed homeownership out of reach for many first-time buyers, a condo glut in the Greater Toronto Area that is still being absorbed, and economic headwinds from trade uncertainty and a cooling labour market. In early 2026, the GTA remains firmly in buyer's market territory, with months of supply hovering around five months and benchmark prices down nearly eight per cent year over year.

And yet.

The investors who built lasting wealth through Ontario real estate were not the ones who bought at the perfect moment. They were the ones who understood a structural truth: in a province that adds hundreds of thousands of people each year, where land is finite and construction perpetually lags demand, real estate is not merely an investment. It is infrastructure. And infrastructure, over time, only becomes more valuable.

This issue of Terra Firma makes the case — with Ontario-specific data, Canadian tax frameworks, and the institutional logic that pension funds and REITs have understood for decades — that real estate remains the last great asset for those who know how to use it.

Ontario by the Numbers

Before any thesis about wealth building can hold, it must survive contact with the data. Here is where Ontario stands as of early 2026.

\$938.8K

GTA Benchmark Home Price

5.3

Months of Supply (Ontario)

68.4%

Ontario Homeownership Rate

The provincial market is in transition. Ontario home sales rose to 9,425 units in February 2026 – a 22 per cent rebound from a weather-disrupted January – but still sat eight per cent below February 2025 levels. The GTA average sale price of just over one million dollars represents a seven per cent year-over-year decline, and the benchmark price has retreated to \$938,800.

For prospective buyers, this looks like weakness. For sophisticated investors, it looks like opportunity. And the distinction between those two perspectives is, in many ways, the entire thesis of this publication.

Region	Avg. Price	YoY Change	Months of Supply
Greater Toronto Area	\$1,008,968	-7.0%	5.0
Ottawa	\$665,000	-2.1%	4.2
Hamilton-Burlington	\$812,000	-5.3%	4.8
Kitchener-Waterloo	\$715,000	-4.1%	3.9
London-St. Thomas	\$575,000	-1.8%	3.4
Northern Ontario	\$365,000	+3.2%	2.8

Source: CREA, TRREB, and regional board data. Figures approximate as of Feb 2026.

The regional variation tells a critical story. While the GTA and Hamilton face buyer-favourable conditions with elevated inventory, Northern Ontario markets remain tight with under three months of supply. Kitchener-Waterloo and London, which attracted significant migration during the remote-work era, are finding a middle ground. The

sophisticated investor does not ask "Is Ontario real estate a good buy?" – they ask "Where in Ontario, and for what purpose?"

The Principal Residence Exemption

If there is a single reason Ontario real estate occupies a privileged position in the Canadian wealth-building hierarchy, it is this: the Principal Residence Exemption (PRE). No other asset class in Canada enjoys a comparable tax shelter. Not equities. Not bonds. Not private business income.

When you sell your principal residence, the entire capital gain – whether it's fifty thousand dollars or five million – is exempt from tax. The CRA requires only that the property was "ordinarily inhabited" by you, your spouse or common-law partner, or your children at some point during the year. One family unit, one principal residence designation per year.

"No other asset class in Canada provides a tax-free compounding vehicle of this magnitude. The PRE is not a loophole – it is deliberate policy architecture."

THE +1 RULE

The PRE formula includes a powerful nuance often missed by homeowners. When calculating the exempt portion of your gain, the CRA uses a formula that adds one year to the number of years you designate the property as your principal residence. This "plus one" rule allows you to own two properties simultaneously – selling one and buying another – without any gap year creating a taxable event. For investors managing a transition between properties, this is invaluable.

The formula: $\text{Exempt gain} = (\text{Capital gain}) \times (1 + \text{years designated}) / (\text{years owned})$. The extra year provides a bridge that, when used strategically with a tax advisor, allows seamless transitions between principal residences.

But the PRE's power extends beyond a single home sale. For Canadians who own multiple properties – a principal residence and a cottage, for instance – strategic designation of which property claims the PRE in which years can shield the highest-gain asset from taxation while minimizing the capital gains exposure on the other. This is not speculative tax planning. It is the arithmetic of wealth preservation, and it is available to every Canadian homeowner.

THE FLIPPING RULE: WHAT CHANGED IN 2023

Since January 1, 2023, profits on residential property held for fewer than 365 days are treated as fully taxable business income — not capital gains. The PRE does not apply. Exceptions exist for certain life events: death, disability, the birth of a child, a new job requiring relocation, or divorce. This rule was designed to curb speculative flipping and has meaningful implications for investors with short holding periods.

The message is clear: the Canadian tax system rewards those who hold real estate, not those who trade it.

Beyond Your Home

The PRE is the starting point. But for those building real wealth – not merely accumulating equity in a home they live in – Ontario real estate offers a broader toolkit.

CMHC-Insured Leverage. For owner-occupied properties up to \$1.5 million (as of the December 2024 rule changes), CMHC mortgage insurance allows buyers to enter with as little as five per cent down on the first \$500,000 and ten per cent on the remainder. First-time buyers and purchasers of new builds now qualify for 30-year amortizations on insured mortgages – a meaningful reduction in monthly carrying costs that expands purchasing power. Insured mortgage rates typically run 50 to 100 basis points below conventional rates, creating a structural cost-of-capital advantage that sophisticated investors understand.

The Multi-Unit Pathway. CMHC's MLI Select program for properties of five or more units offers up to 95 per cent loan-to-value and amortizations of up to 50 years for projects that meet affordability, energy efficiency, and accessibility targets. Even after the July 2025 premium increases, the leverage advantage dominates: a \$2.5 million multi-unit acquisition at 95 per cent LTV requires \$125,000 in equity, compared to \$625,000 under conventional commercial lending at 75 per cent LTV.

5%

Minimum Down
(Owner-Occupied)

\$1.5M

CMHC Insured Price Cap

30 yr

Max Amortization
(First-Time/New Build)

Rental Income and Cash Flow. Ontario's rental market has shown structural tightness despite recent softening. The national vacancy rate for purpose-built rentals rose to 3.1 per cent in late 2025, up from 2.2 per cent the prior year, with Toronto at 3.0 per cent. While this represents some easing, vacancy rates remain historically low by long-term standards. For investors acquiring well-located rental properties at today's corrected prices, the combination of lower acquisition costs and steady rental demand creates a more favourable entry point than existed 18 months ago.

Land Transfer Tax: The Entry Cost. Ontario's marginal land transfer tax ranges from 0.5 per cent on the first \$55,000 to 2.5 per cent on amounts above \$2 million. Toronto buyers face a municipal LTT on top of this – effectively doubling the cost. First-time buyers receive a provincial rebate of up to \$4,000 and a Toronto municipal rebate of up to \$4,475. These costs

must be underwritten into any acquisition model; ignoring them is the mark of an amateur.

The Institutional Playbook

Canada's largest pension funds – CPP Investments, OMERS, the Ontario Teachers' Pension Plan – allocate billions to real estate. Not because they are bullish on any particular quarter's price movements, but because they understand something individual investors often miss: real estate's return profile over 20- and 30-year horizons is unmatched when adjusted for leverage, tax treatment, and inflation protection.

Institutions approach real estate with a framework that individual investors would benefit from adopting:

THE INSTITUTIONAL FRAMEWORK

1. They underwrite to cash flow, not appreciation. Appreciation is the bonus, not the thesis. The asset must service its debt and produce income from day one. In Ontario, this means targeting properties where the cap rate exceeds the mortgage rate – a spread that has become more achievable as prices have corrected while rents have held.
2. They think in decades, not quarters. The Ontario housing market has experienced corrections of 10 to 20 per cent on multiple occasions – in the early 1990s, after the 2017 stress test introduction, and now in 2025-26. Each time, prices recovered and subsequently exceeded prior peaks within three to seven years.
3. They diversify across geography and asset type. A portfolio concentrated in GTA condos faces different risks than one spread across Ottawa purpose-built rentals, Kitchener-Waterloo student housing, and Northern Ontario single-family homes. Diversification within real estate is as important as diversification across asset classes.
4. They use leverage strategically. Institutional investors match their leverage to the asset's cash flow profile. Low-leverage for development. Moderate leverage for stabilized rental. Higher leverage – via CMHC insurance – for owner-occupied multi-family where the risk profile justifies it.

The individual investor cannot replicate a pension fund's scale. But they can replicate its discipline. And in Ontario, the structural advantages available to individual investors – the PRE, CMHC-insured leverage, and the FHSA and HBP programs – are, in some respects, more generous than what institutions can access.

The Cost of Waiting

The most expensive decision in Ontario real estate is not buying at the wrong time. It is not buying at all.

Consider the mathematics. In 2016, the average Ontario home price was approximately \$535,000. By 2021, it had surpassed \$900,000. A buyer who waited five years for a "correction" saw their required down payment increase by roughly \$73,000 – and their monthly mortgage payment rise by hundreds of dollars, even at lower interest rates.

The person who waits for the perfect entry point pays the highest price of all: the price of inaction.

Yes, Ontario is currently experiencing a correction. The GTA benchmark is down nearly eight per cent from its peak. But the Bank of Canada's policy rate – which stood at 5 per cent in early 2024 – has been cut to the low 3 per cent range, and further easing may come if economic conditions warrant. History shows that rate-cutting cycles precede housing recoveries, often by 12 to 18 months. The window of opportunity is not infinite.

Ontario's population dynamics reinforce this urgency. Despite a recent slowdown in immigration – Canada's population actually declined in 2025, driven by losses in Ontario and British Columbia – the structural demand for housing remains. Inventory deficits accumulated over a decade of underbuilding do not resolve in a single year. When population growth resumes, as federal policy inevitably adjusts, the supply-demand imbalance will reassert itself with force.

THE CARRYING COST ARGUMENT

Critics of real estate ownership often cite carrying costs – property tax, maintenance, insurance – as a hidden drag on returns. They are not wrong. In Ontario, property tax rates range from roughly 0.6 per cent to 1.5 per cent of assessed value depending on municipality. A \$900,000 home in Toronto carries approximately \$5,400 in annual property tax; in Hamilton, closer to \$10,800.

But this argument misses the counterweight: these costs exist whether you own or rent. The renter pays the landlord's property tax, maintenance, and insurance – plus the landlord's profit margin. The owner pays these costs directly and retains the equity. Over a 15- to 25-year horizon, the equity accumulation through mortgage amortization alone – ignoring appreciation entirely – represents significant wealth creation.

What Comes Next

The Ontario real estate market in 2026 is at an inflection point. The factors that will shape the next 12 to 24 months are largely known:

Interest rates. The Bank of Canada has signalled it will likely hold the policy rate through much of 2026, with bond yields – which determine fixed mortgage rates – expected to remain range-bound. Insured five-year fixed rates for multi-unit properties are running 4.0 to 4.5 per cent, while conventional commercial rates sit 50 to 100 basis points higher. For buyers, the rate environment is neutral: not the emergency-low rates of 2020-21, but substantially better than the 5-per-cent-plus stress of 2023.

Supply dynamics. Housing starts in Toronto are down 11 per cent on an annual basis, while GTA pre-sales have effectively stalled. Developers are pausing or cancelling projects across the province. This means the supply pipeline is thinning at precisely the moment when demand will eventually reawaken. The current correction is sowing the seeds of the next supply shortage.

Policy shifts. The December 2024 expansion of CMHC insurance to \$1.5 million and the introduction of 30-year amortizations for first-time buyers and new builds represent the most significant federal housing policy changes in years. The foreign buyer ban, extended through at least January 2027, continues to suppress one source of demand – but its eventual relaxation will add another tailwind.

Trade uncertainty. The spectre of U.S. tariffs and their potential impact on Ontario's manufacturing and export economy add a layer of uncertainty that did not exist a year ago. This is the macro risk that distinguishes 2026 from previous correction-recovery cycles, and it demands caution in underwriting assumptions.

The thesis of this issue is not that Ontario real estate is without risk. It is that, among all available asset classes, real estate – when acquired with discipline, held with patience, and structured within Canada's uniquely favourable tax and lending frameworks – offers the most reliable pathway to durable wealth.

The last great asset is not great because it always goes up. It is great because, for those who understand its mechanics, it always works.

NEXT ISSUE

Issue 02: The Leverage Equation

How CMHC-insured financing, DSCR analysis, and the BRRRR framework operate within the Canadian lending ecosystem – and how Ontario investors are using leverage to build portfolios that compound.

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