MONTREAL WEST ISLAND REAL ESTATE

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MARKET ANALYSIS & HISTORICAL PERSPECTIVE | 5 MIN READ

The Perfect Hedge: What 50 Years of Canadian Prices vs. Rates Really Prove

Montreal West Island Real Estate — market insights from Pearl Kezele & Jason Fitzpatrick

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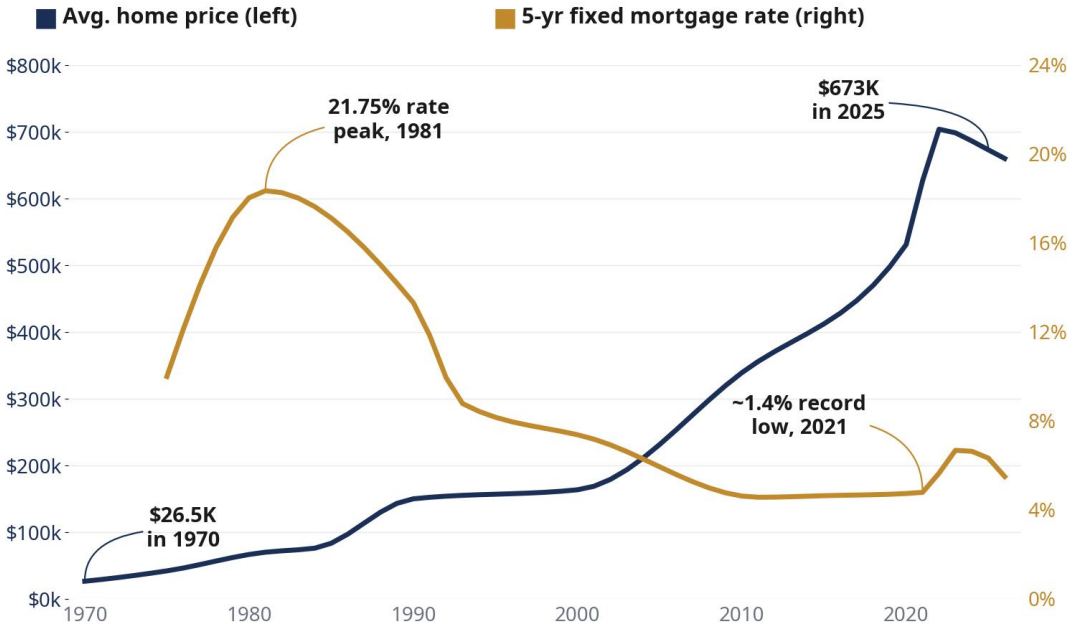
$26,500
$673,000
Canadian national average home price, 1970 vs. 2025 — about 25x (CREA series)

21.75%
Posted 5-year fixed rate peak, fall 1981 — yet buyers who held on still won

5–6% vs. ~8.5% avg
Today's rates sit well below the 50-year posted average

Canadian Home Prices vs. Mortgage Rates, 1970–2026

Prices rose 25x while rates rode a 50-year roller coaster.



Sources: CREA national average price; Bank of Canada posted 5-year fixed series. 2026 is year to date. Prices not adjusted for inflation.

The escalator vs. the roller coaster: Canadian average home prices and posted 5-year mortgage rates, 1970–2026. Sources: Canadian Real Estate Association (CREA) & Bank of Canada historical series. 2021 shows the record discounted low (~1.4%);

other points reflect the posted 5-year series.

A chart has been making the rounds: US Midwest home prices, up 16 times since 1970, plotted against the 30-year mortgage rate riding a 50-year roller coaster. It's a striking image. But Canada's version of that chart is even more dramatic — and it tells the story we've been telling all year.

In 1970, the average Canadian home sold for about $26,500. By 2025, the national average was roughly $673,000. That's about 25 times — not 16. And while prices climbed that escalator, mortgage rates rode the ride of a lifetime: the posted 5-year fixed rate peaked at 21.75% in the fall of 1981, sank to a record discounted low near 1.4% in 2021, and sits around 5–6% today (Bank of Canada series).

> **Fifty years. Rates multiplied and divided several times over. Prices went one direction.**

What the chart actually proves

Every generation was certain rates would break the market. In 1981, buyers signed mortgages at 21.75% — a number that sounds like a typo today. In the early 90s, 13% felt normal. In 2021, anything above 2% felt outrageous. Each time, the obituary for real estate was written. Each time, it was premature.

The chart proves something simpler than any forecast: **rates are the roller coaster, prices are the escalator.** The rate is the weather — loud, dramatic, constantly changing. The asset is the climate. And the engine underneath is the one we've described before: fixed debt, melting away in inflated dollars, plus time. The payment is temporary. The asset is permanent.

The buyer who bought at 21.75% — and still won

Think about that 1981 buyer for a moment. The monthly payment must have felt crushing. But that buyer paid down a fixed debt with dollars that lost value every single year, refinanced each time rates fell, and today holds an asset worth many multiples of the purchase price. The rate never stood a chance against the math of time.

Nobody is suggesting 21.75% was pleasant. The point is that it didn't matter the way everyone thought it would. What mattered was carrying the payment and staying in the asset.

For buyers

Today's 5–6% feels expensive for one reason: you're comparing it to 2021's 1.4%, a once-in-history event. Measured against the full 50 years — when the average posted 5-year rate was roughly 8.5% — today's rates are ordinary. Unremarkable. The kind of rates most Canadian homeowners paid for most of modern history.

So the question isn't "are rates high?" It's "can I carry this payment comfortably?" If the answer is yes, the chart is on your side. Waiting for 2021 rates to return is waiting for lightning to strike the same place twice — and every year you wait, the escalator keeps moving.

For sellers

This chart is your quiet confidence. Every rate spike of the last half-century was supposed to end the story. None of them did. Well-priced homes in land-constrained markets — and the West Island is one of them — have the escalator underneath them.

Price to the market in front of you, not to the headlines behind you. The buyers who understand this chart are already looking.

One more thing the chart tells us

Governments are pushing hard toward rentals and vertical buildings right now. That doesn't break this thesis — it sharpens it. It tells you exactly where the escalator runs steepest.

Policy is flooding the vertical segment with rental supply. But ground-oriented freeholds stay land-constrained — nobody is manufacturing more West Island lots. So condos increasingly become the investor's product, built for the rental wave, while freeholds become the scarcer asset. Same chart, same escalator — just steeper where the land runs out.

Where we are in the cycle

We are in a market where rates have normalized, not spiked — 5–6% is the middle of history, not the top of it. Buyers have negotiating power and time. Sellers have 50 years of evidence that well-located property outlasts every rate cycle. That's not a prediction. It's the chart.

At Montreal West Island Real Estate, we represent both buyers and sellers, and we read the market the same way for both: sourced facts, honest interpretation, no crystal ball.

> **Curious what your home is worth in this market?** Ask Pearl & Jason for a free home valuation — we'll show you where you stand on the escalator.

Sources: Canadian Real Estate Association — national average home price, approximately $673,000 (2025); historical series, approximately $26,500 (1970). Bank of Canada — posted 5-year conventional mortgage rate series: peak 21.75% (August–October 1981); approximately 5–6% (2026).

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