Canada National Multifamily Report

February 2022

Canada Apartment Insights and Analysis

- Welcome to Yardi's first Canada National Multifamily Report. We are thrilled to bring you an analysis of key metrics within Canada's apartment industry. Our quarterly report will focus at the national, provincial and Census Metropolitan Area (CMA) level and will include data-driven analytics to help benchmark portfolio performance, optimize property management and identify investment opportunities.

- All signs point to a solid year for Canada's apartment market in 2022. Apartment demand is on the upswing as the economy recovers from COVID-19 and immigration boosts the population. After weak rent increases in 2020 amid rent freezes in some jurisdictions and rising vacancies, rent and occupancy performance was strong in 2021. Growth was highest in smaller CMAs as migration out of large cities drove demand.

All signs point to a solid year for Canada's apartment market in 2022. Demand is boosted by solid job growth and immigration. Growth is highest in smaller markets.

- Canada's economy took a step toward putting the pandemic in the rearview mirror in 2021, and growth is expected to continue in 2022, albeit at a more moderate level. GDP growth was 4.8% in 2021, according to the Organization for Economic Co-Operation and Development (OECD), which forecasts a 2.9% increase in 2022. By the end of 2021, the gross national product and total employment exceeded pre-pandemic levels, a feat even more notable because that has not yet been achieved by its larger neighbour to the south.

- The economy added more than 900,000 jobs in 2021, dropping the unemployment rate to 5.9%. There are some headwinds on the horizon, however. Inflation hit 4.8% in December 2021, and the Bank of Canada is expected to reduce its balance sheet and raise policy rates (now 0.25%) by up to 100 basis points over the next year or two, which could induce a slowdown. Other headwinds for the economy include rapidly rising home prices, dealing with supply-chain bottlenecks that affect trade with the U.S., the need to improve public health infrastructure, and undertaking a smooth transition to clean energy technology.

Supply/Demand Fundamentals in Canada Are Favourable

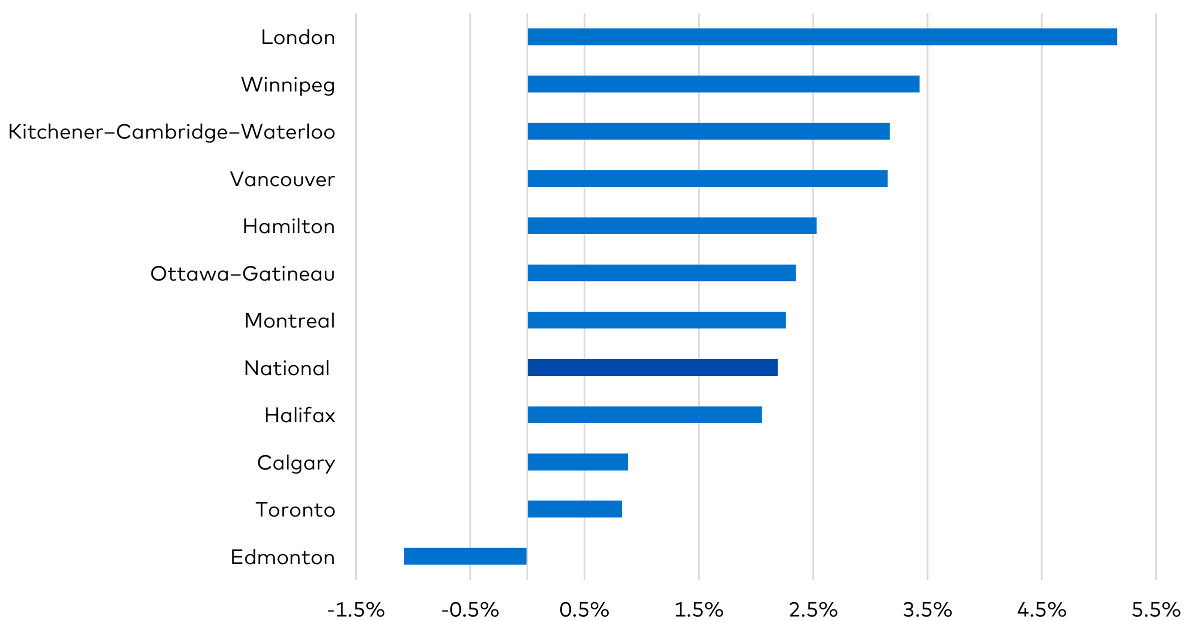
- Apartment demand is strong and has benefited from a confluence of factors. One major driver is the growth in immigration, which added just over 1% to the population in 2021. Canada met its target last year of 401,000 immigrants via Express Entry, a program that focuses on bringing high-skilled permanent residents into the country. Canada is targeting 411,000 immigrants in 2022, so the boost to demand from households coming from other countries should continue.

- Another multifamily driver is the rapidly increasing cost of single-family housing, as homeownership is becoming unattainable for some households. Home prices nationally rose about 17% year-over-year in 2021, and more in urban centres. The increases are due to a combination of factors, including pent-up demand coming out of the pandemic, low interest rates, increased household savings as a result of higher wages and government stimulus payments, and the weak growth of new supply.

- The chronic undersupply of housing is another driver of demand. Canada has a growing shortfall of rental suites built up over decades. Although there has been progress in recent years, the development machinery is predisposed to favour condominiums/stratas over rentals because of risks associated with the legislative framework and rent control policies. The growing population and demand for rentals have put a spotlight on the problem.

- Some demand comes from young, prime-renter-age individuals as they graduate from school, get jobs and form independent households. With an undersupply of housing and demand-driven pricing that is out of reach, homeownership is generally not an option for this demographic. What's more, multifamily turnover in Canada is relatively low, and that was exacerbated by renters staying in place during the pandemic.

Year-Over-Year In-Place Rent Growth (Q4 2021)



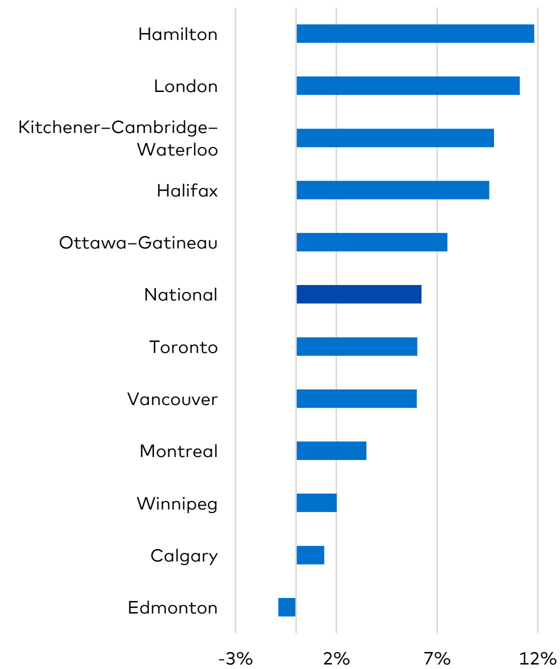
Source: Yardi

New Leases Produce Strong Rent Increases

- The national average in-place rent was $1,326 as of December 2021, a 2.2% increase from a year ago. In-place rents represent an aggregation of all rents in a given CMA, including new lease rents, renewal lease rents and existing lease rents.
- Among major CMAs, Vancouver ($1,617) and Toronto ($1,520) had the highest average in-place rents, while London ($1,154) had the lowest, almost $100 per month less than Calgary ($1,248).
- London led CMAs in year-over-year growth of in-place rents, with an increase of 5.2% since fourth quarter 2020. Edmonton (-1.1%) was the lone CMA to post negative growth in 2021, reflecting weakness in the oil industry and outmigration from the urban core.
- In-place rents nationally were 4.0% higher than they were in first quarter 2020, before the start of the pandemic. Growth was led by smaller metros London (8.5%) and Halifax (7.2%), while Winnipeg was up 6.3%. The weakest performance was in Alberta metros Edmonton (-0.5%) and Calgary (1.3%).
- Lease-over-lease rent growth was extremely strong for new leases last year. As of fourth quarter 2021, new lease growth nationally was 6.2% year-over-year, the strongest in years. As the pandemic gets into the rear view, landlords will take the opportunity to increase renewal rates as rent freezes come to an end and markets start to normalize.
- Lease-over-lease rent growth was highest in smaller markets as workers rode out the pandemic away from large urban centres. The most significant year-over-year growth as of fourth quarter 2021 was in Hamilton (11.8%), London (11.1%) and Kitchener-Cambridge-Waterlo (9.8%). Growth was 8.1% in Ontario, the country's largest province, with Toronto up 6.0%. Quebec recorded 5.4% growth, with Montreal posting a 3.5% gain.

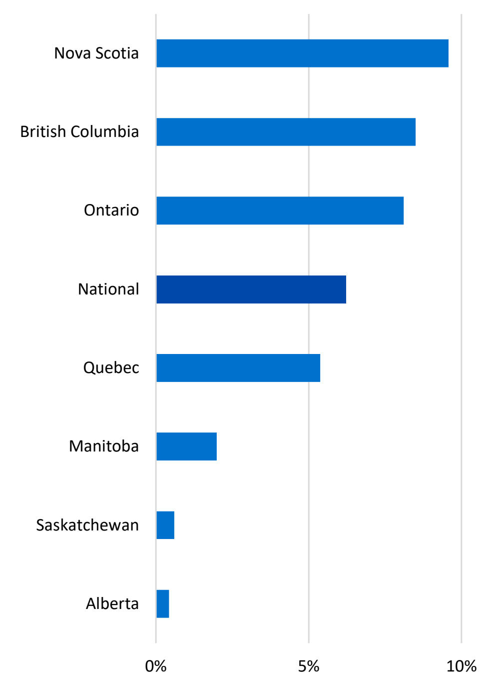
CMA Lease-Over-Lease Rent Growth

(New Leases, Q4 2021)



Province Lease-Over-Lease Rent Growth

(New Leases, Q4 2021)



Source: Yardi

Vacancy Rates Low Across Small CMAs, Higher in Some Major Metros

- Nationwide vacancy rates were 3.8% in fourth quarter 2021, down 40 basis points year-over-year but still slightly above pre-pandemic levels. The lowest vacancy rates among provinces were in Nova Scotia (1.2%) and British Columbia (1.9%) and among metros Halifax (1.2%), and London and Vancouver (2.0%). The highest provincial vacancy rates were in Alberta (5.1%) and Quebec (5.0%), while Montreal (6.2%) and Edmonton (5.9%) had the highest.

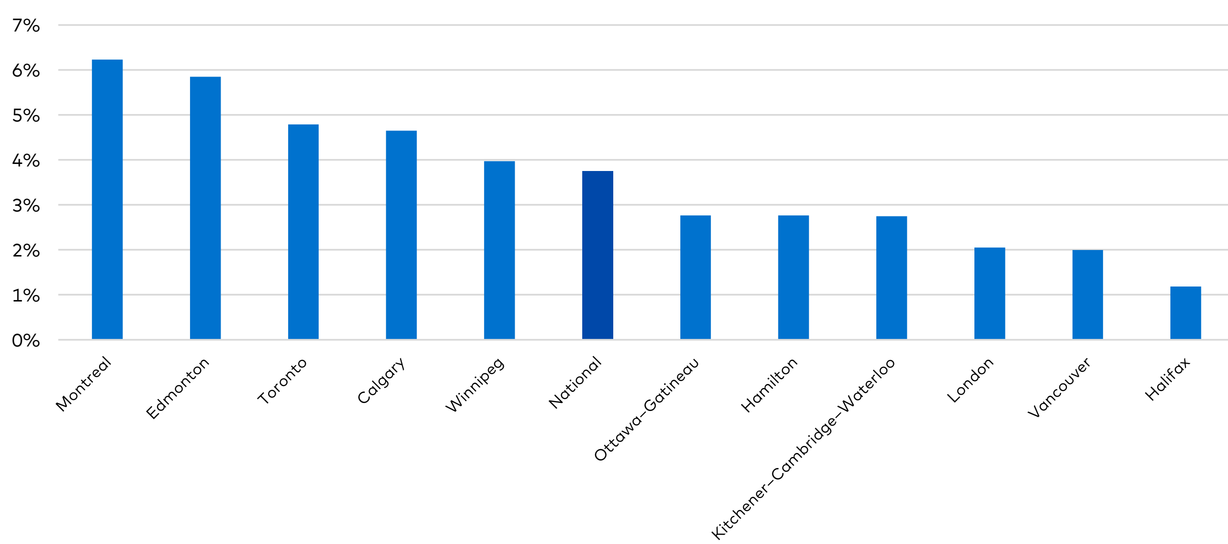
> Vacancy data reflects the strength of smaller metros during COVID-19.

- The data reflects the strength of smaller metros as a result of the outmigration from dense cities during COVID-19 to areas such as Kitchener (vacancy down by 190 basis points year-over-year), Halifax and London. The biggest impact was felt in Toronto, where the fourth quarter 2021 vacancy rate of 4.8% was 2.8 percentage points above pre-pandemic levels. Toronto's vacancy rate has reduced in recent quarters by 70 basis points, but the return to offices is slow and uncertain due to new waves of coronovirus.

- Demand growth from foreign students and immigrants—both permanent and among temporary domestic, construction and office workers—is felt the most in large metros (Montreal, Toronto and Vancouver), where purpose-built rentals are concentrated. About 40% of multifamily suites in Canada are located in Ontario.

- Ottawa has a strong base because of its status as the national capital and its universities, but many government jobs have become remote, possibly permanently. If government workers increase use of flexible work arrangements, demand could wane. Winnipeg's vacancy rate has been relatively consistent, boosted by institutional employers such as Canada Life.

CMA Vacancy Rates (Q4 2021)



Source: Yardi

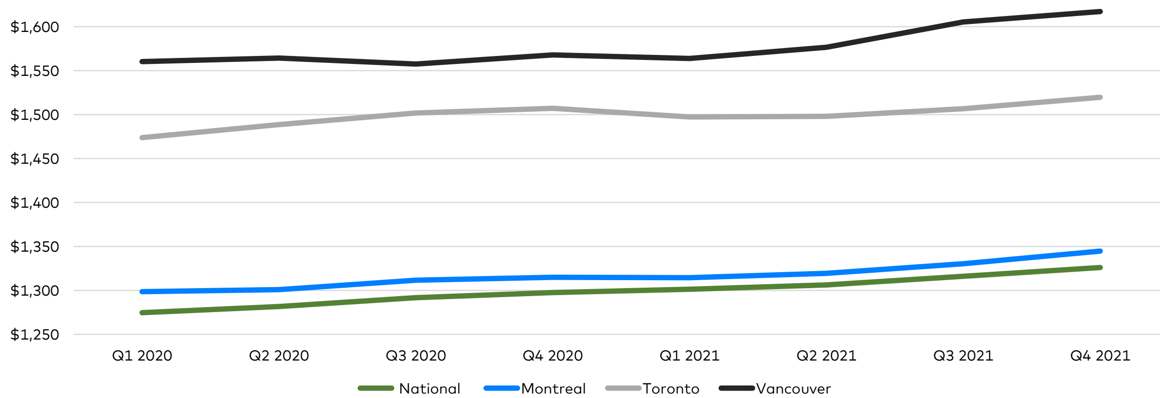
Year-Over-Year Rent and Vacancy Changes by CMA

CMA	Year-over Year Change in In-Place Rents	Lease-over-Lease Change in New Lease Rents	Vacancy Rate	Expiring Lease Renewal Percentage
London	5.2%	11.1%	2.0%	94.9%
Winnipeg	3.4%	2.0%	4.0%	74.5%
Kitchener–Cambridge–Waterloo	3.2%	9.8%	2.7%	92.8%
Vancouver	3.2%	6.0%	2.0%	94.1%
Hamilton	2.5%	11.8%	2.8%	92.3%
Ottawa–Gatineau	2.4%	7.5%	2.8%	94.8%
Montreal	2.3%	3.5%	6.2%	71.1%
National	2.2%	6.2%	3.8%	85.6%
Halifax	2.1%	9.6%	1.2%	93.6%
Calgary	0.9%	1.4%	4.6%	69.9%
Toronto	0.8%	6.0%	4.8%	95.8%
Edmonton	-1.1%	-0.9%	5.9%	69.7%

Source: Yardi

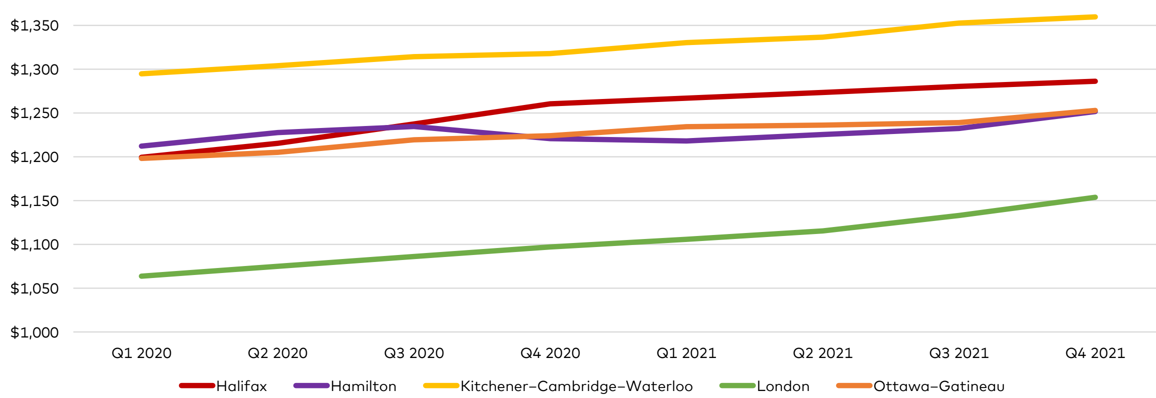
Historical In-Place Rents

National and Major CMA In-Place Rents



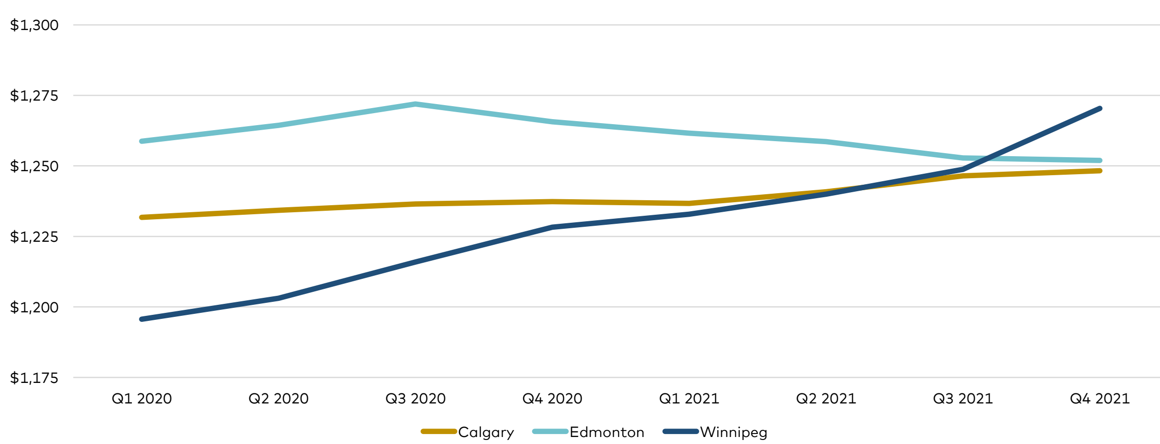
Source: Yardi

Smaller Eastern CMA In-Place Rents



Source: Yardi

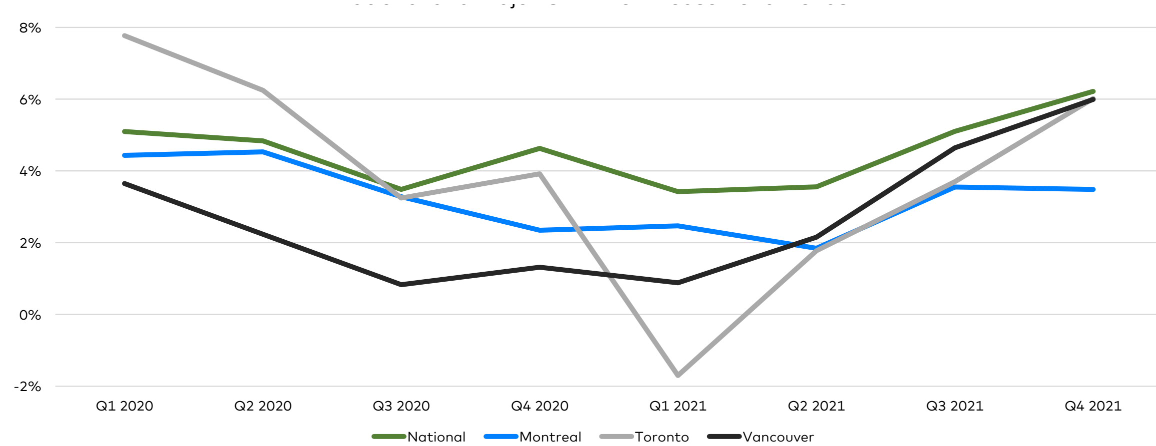
Smaller Western CMA In-Place Rents



Source: Yardi

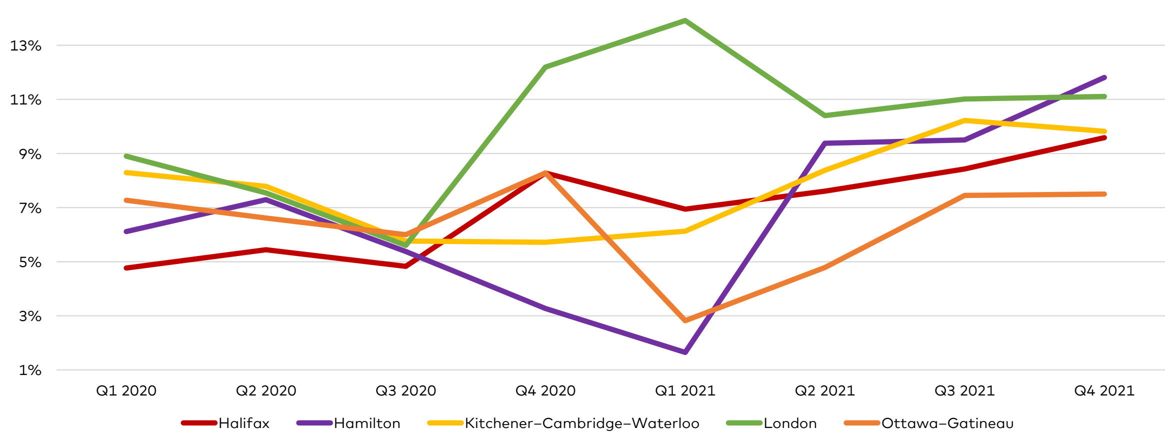
Historical New Lease Rent Growth

National and Major CMA New Lease Rent Growth



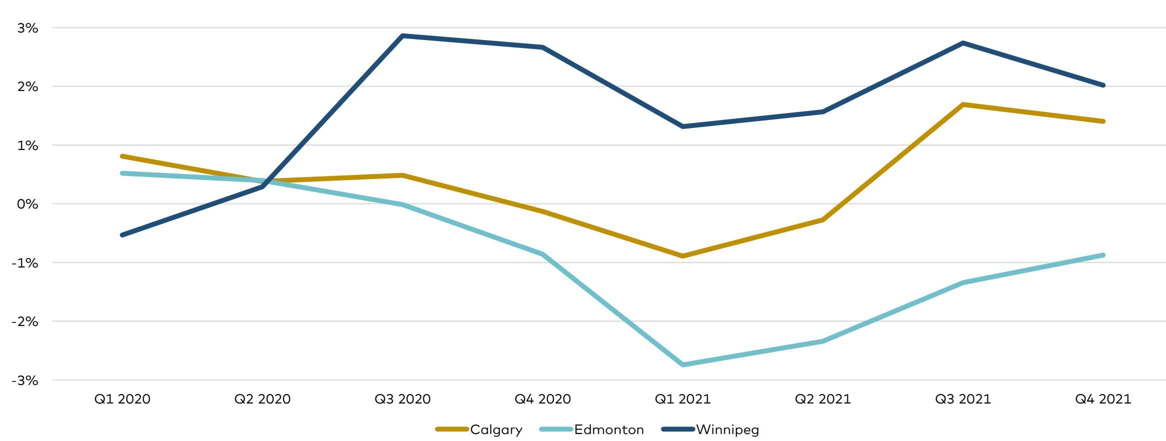
Source: Yardi

Smaller Eastern CMA New Lease Rent Growth



Source: Yardi

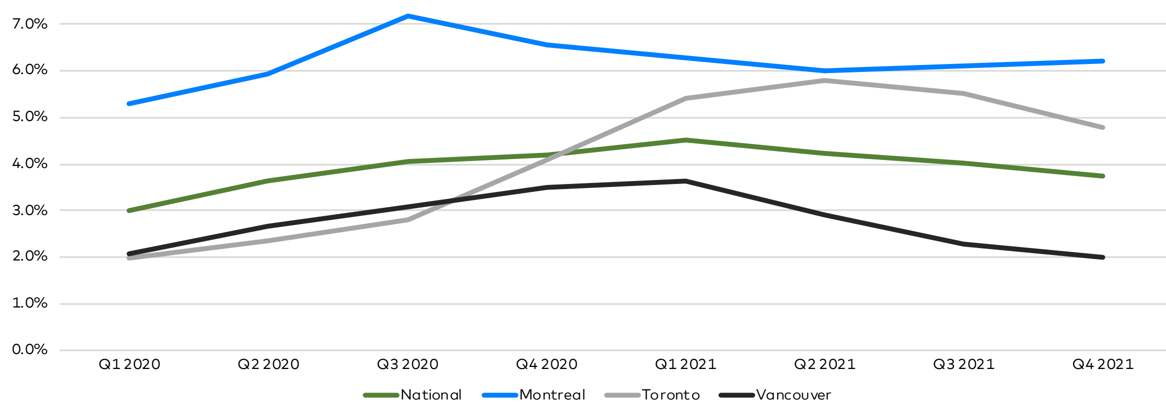
Smaller Western CMA New Lease Rent Growth



Source: Yardi

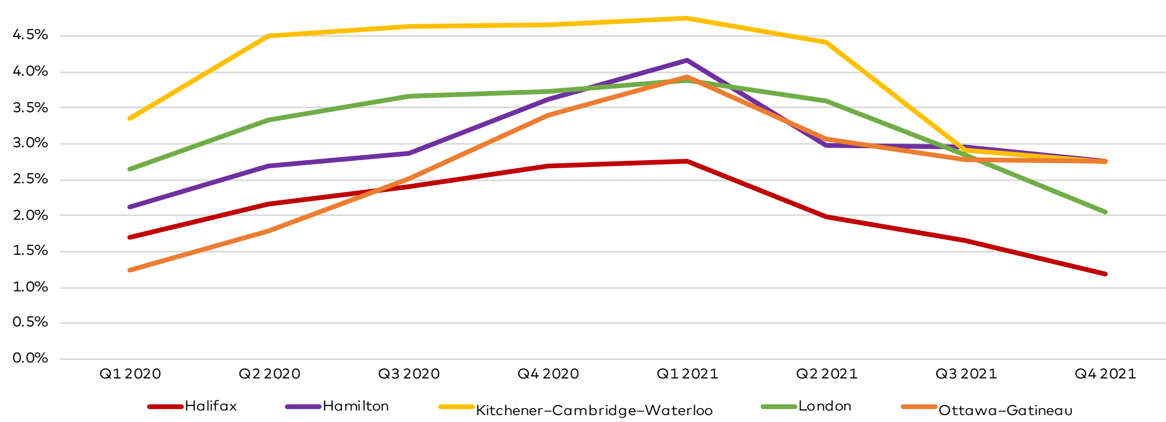
Historical Vacancy Trends

National and Major CMA Vacancy Trends



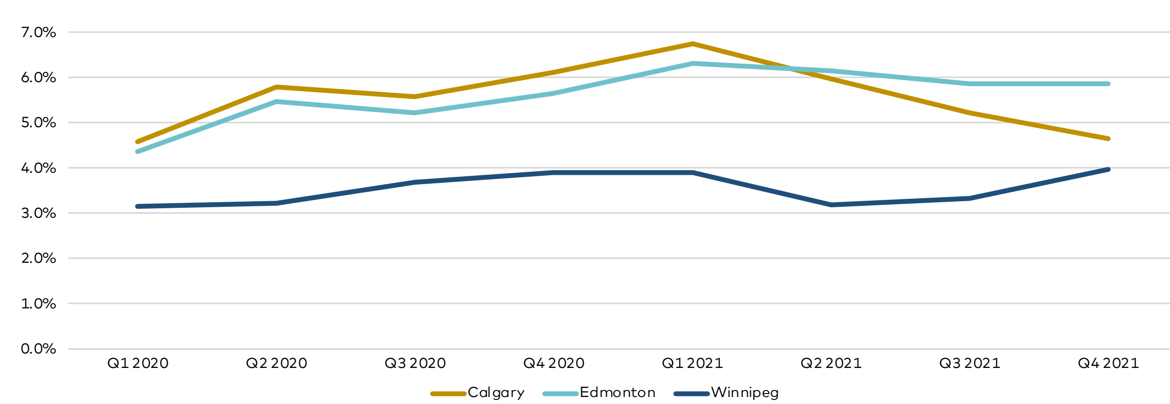
Source: Yardi

Smaller Eastern CMA Vacancy Trends



Source: Yardi

Smaller Western CMA Vacancy Trends



Source: Yardi

Definitions

New Lease Rent Per Unit: Monthly rent per unit for new leases

In-Place Rent Per Unit: Monthly rent per unit for all leases, including new lease rents, renewal lease rents and existing leases

Vacancy Percent: Property vacancy percentage based on average number of units vacant in the month

Expiring Lease Renewal Percentage: Percentage of expiring leases for which residents have renewed, excluding early terminated leases

CMA: Census Metropolitan Area

Contacts

Peter Altobelli
Vice President & General Manager
Peter.Altobelli@Yardi.com
(800) 866-1124 x7211

Heather Brady
Regional Director, Sales
Heather.Brady@Yardi.com
(800) 866-1124 x7342

Wayne Tuck
Senior Director, Residential
Wayne.Tuck@Yardi.Com
(800) 866-1124 x7148

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Liana Rao
Director
Liana.Rao@Yardi.com
(800) 866-1124x7860

YARDI