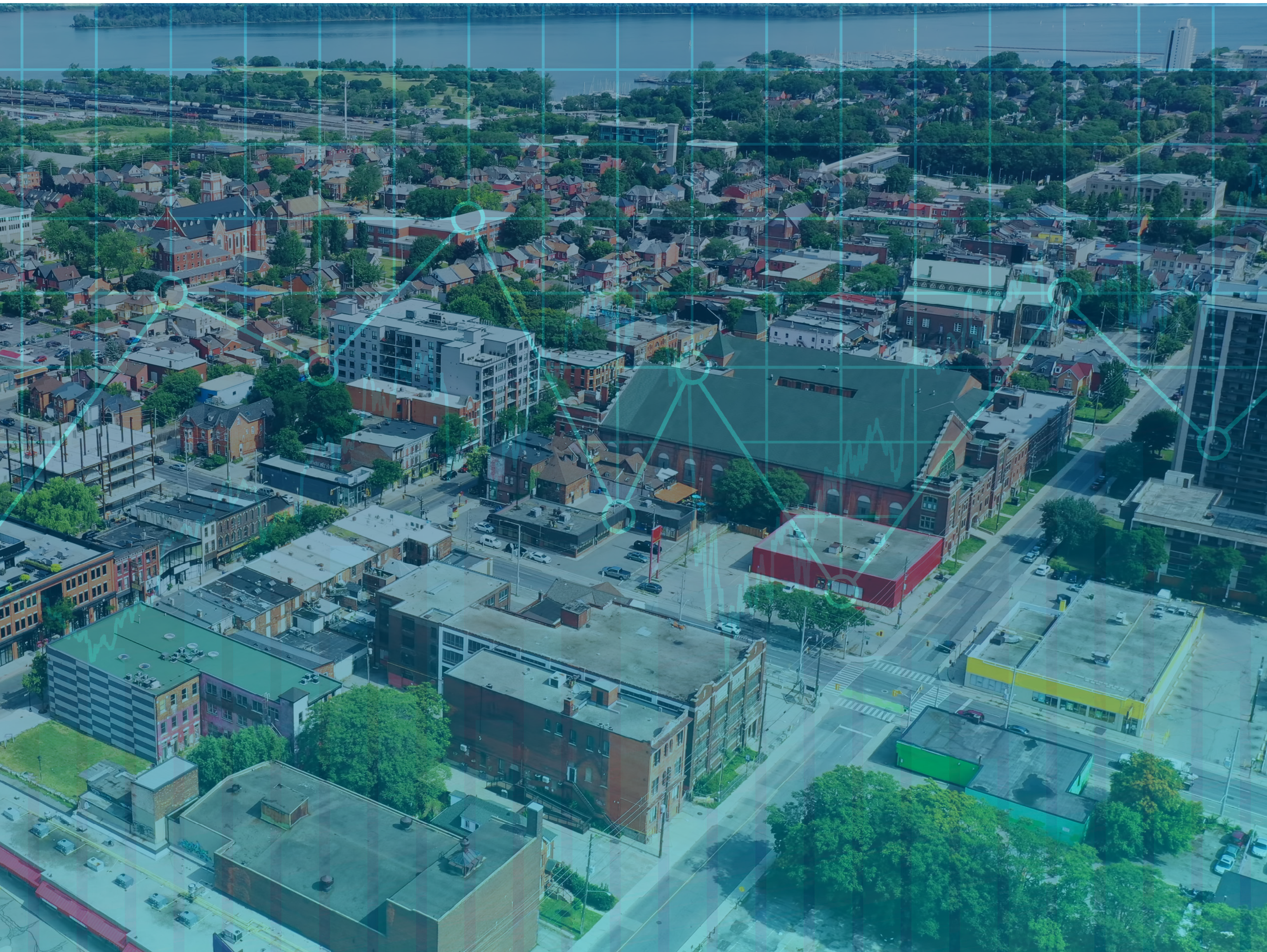
Canada National Multifamily Report

Third Quarter 2022



Canada Apartment Insights and Analysis

- Canada's multifamily market is in solid shape headed into the second half of 2022, led by strong fundamental drivers, although concerns about the economy abound as growth is set to cool. Amidst the nationwide housing boom and demand for affordable living units, multifamily vacancy rates have slid to near pre-pandemic levels while the rate of growth on new leases accelerated in the second quarter. Demand for multifamily is almost certain to remain robust, but slower economic growth will test how much rent increases remain above-trend.

> Multifamily performance in Canada is robust, with rent growth accelerating and vacancies declining. However, inflation poses a challenge for the economy.

- Canada's economy is running hot—too hot for the central bank's taste. Inflation rose to a multi-decade high of 8.1% in June. That prompted the Bank of Canada, whose sole mandate is to keep inflation in the 1-3% range, to get out in front of the situation by raising rates by 100 basis points in July. The key policy rate is now 2.5%, up from 0.25% at the beginning of the year. The short-term rate is now at a "neutral" setting, although the bank may keep pushing rates up if inflation persists.

- Despite the serious problem posed by inflation, the Canadian economy otherwise exhibits many signs of strength, such as a robust job market. Despite a small drop (-43,000 jobs) in total employment in June, the unemployment rate is at an all-time low of 4.9%, while the employment rate for 25- to 54-year-old residents is at an all-time high of 84.7%, according to the Organization for Economic Co-operation and Development.

- A major impact of rising rates will be to put the brakes on the overheated housing market. The price to own a house has skyrocketed in recent years as demand has outstripped supply and low mortgage rates have increased buying power. The average home price rose more than 40% in 2020 and 2021, topping $800,000 in the first quarter of 2022, according to the Canadian Real Estate Association. Home prices are expected to level or drop in coming quarters, mainly due to rising mortgage rates, but the lack of affordability serves to increase demand for apartments.

In-Place Rent Growth Accelerates

- The national average in-place rent was $1,355 as of second quarter 2022, up $19 from the first quarter. Average in-place rents increased 1.4% quarter-over-quarter and 3.7% year-over-year. In-place rents represent an aggregation of all rents in a given CMA, including those for new leases, renewals and existing leases.

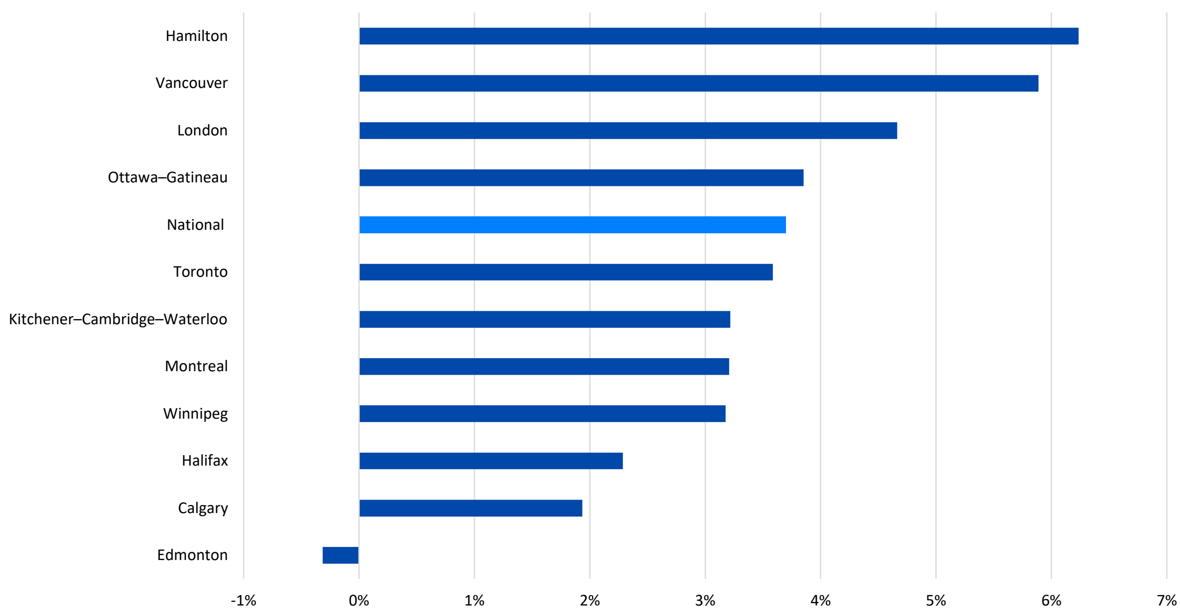
- In-place rent growth has accelerated in recent quarters, as the market continues to rebound from the pandemic while demand stays robust. The 3.7% year-over-year gain in the second quarter represents a solid improvement from the 2.7% recorded in the first quarter and 1.9% in the second quarter of 2021. In-place rents nationally are 6.3% higher than they were in the first quarter of 2020, before the start of the pandemic.

- Year-over-year growth among Census Metropolitan Areas (CMAs) was led by Hamilton (6.2%), Vancouver (5.9%) and London (4.7%), while Edmonton (-0.3%), Calgary (1.9%) and Halifax (2.3%) posted the weakest performance. Among provinces, British Columbia (5.1%) and Ontario (4.2%) saw the highest gains, while growth was weakest in Alberta (0.4%) and Saskatchewan (0.8%).

- The acceleration in rent growth reflects the market's strong ongoing demand-supply fundamentals. Demand for apartments in Canada is driven by strong job growth, rising international migration, the weak supply of new rental units in most markets, and the increasing unaffordability of single-family homes that is keeping renters in place.

- Canada accepted a record 405,000 immigrants in 2021, and is targeting 432,000 immigrants in 2022. Immigration drives housing demand, particularly for rentals in larger metropolitan markets.

Year-Over-Year In-Place Rent Growth (Q2 2022)



Source: Yardi

BC and Ontario Lead Growth in Lease-Over-Lease Rents

- Nationally, lease-over-lease rents—which represent new leases on units that are re-leased after becoming vacant—rose by their highest levels since before the pandemic. Lease-over-lease rates across Canada increased to 8.3% in the second quarter, compared to 6.3% in the first quarter and 3.6% in the second quarter a year ago. Of the top 11 CMAs, five posted lease-over-lease growth of at least 10%, seven posted growth of at least 9%, and only two registered gains of less than 4.7%.

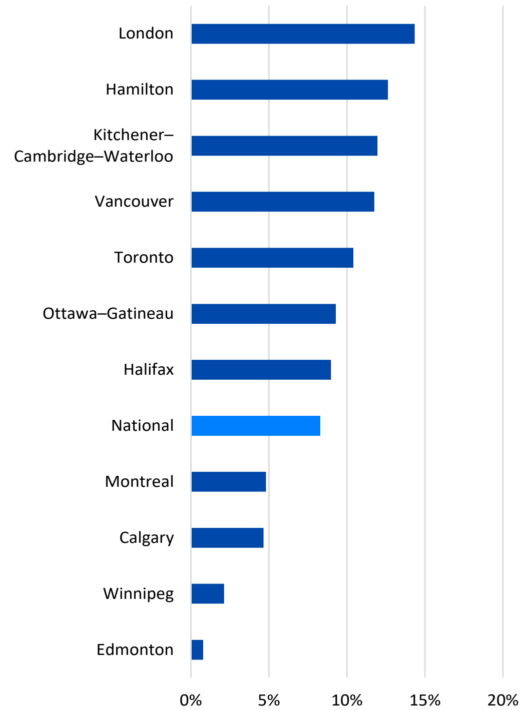
- The growth in lease-over-lease rates was driven by strength in British Columbia (11.9%), Ontario (11.2%) and Nova Scotia (9.1%). Vancouver (11.7%) was the primary growth engine in BC, while smaller CMAs London (14.3%), Hamilton (12.6%) and Kitchener-Cambridge-Waterloo (12.0%) led the increases in Ontario.

- Suburban Ontario has for years experienced population growth driven by households looking for larger and less expensive housing. The growth in secondary Ontario CMAs was exacerbated by the pandemic, driven by robust household formation and families looking to avoid strict lockdowns in large CMAs such as Toronto.

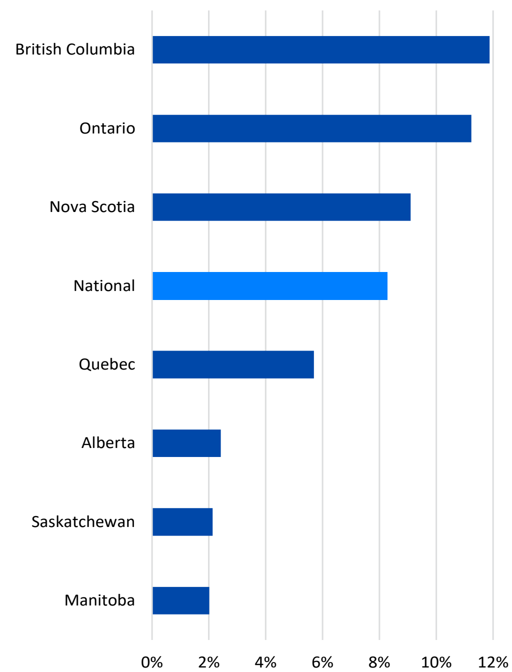
- Demand for rentals in Vancouver and Toronto is intensified by the exorbitant cost of single-family housing, which has put purchasing a home out of reach for many families. The average cost of a detached single-family home has reached $1.2 million in those CMAs. Although the housing market is expected to decelerate from its frothy growth—some analysts are forecasting home prices to drop over the next year— affordability of purchased housing will remain weak, as mortgage rates are likely to rise.

- Lease-over-lease growth remains tepid in Manitoba (2.0%), Saskatchewan (2.1%) and Alberta (2.4%). The rate of growth did rise in each of those provinces, however, compared to the first quarter.

CMA Lease-Over-Lease Rent Growth
(New Leases, Q2 2022)



Province Lease-Over-Lease Rent Growth
(New Leases, Q2 2022)



Source: Yardi

Alberta's Rebound Leads Dip in Vacancy Rates

- Nationwide, the vacancy rate was 3.1% in the second quarter of 2022, down 60 basis points from the prior quarter and 110 basis points year-over-year. The vacancy rate is only 10 basis points higher than its pre-pandemic level, dropping for five straight quarters after peaking at 4.5% in Q1 2021.

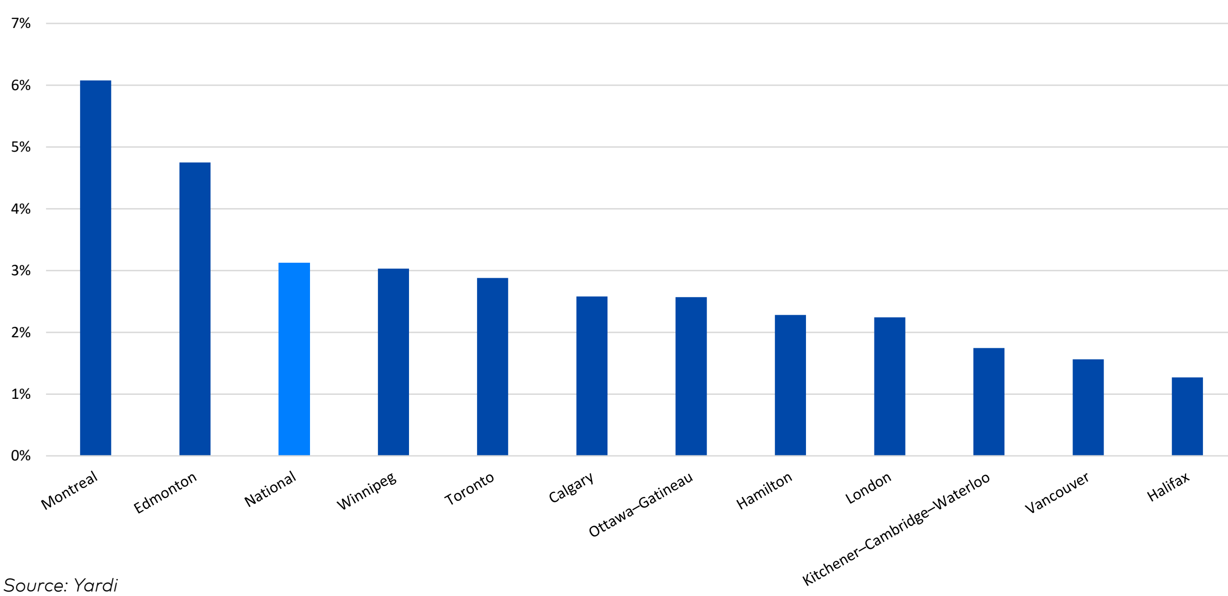
> The national vacancy rate dropped 60 basis points to 3.1% in Q2 2022.

- Alberta's vacancy rate fell significantly in the second quarter of 2022, down 150 basis points to 3.7%. Both of the province's largest metros, Calgary and Edmonton, registered strong performance. Calgary's vacancy rate dropped 210 basis points quarter-over-quarter to 2.6%, well below its 6.8% peak in Q1 2021. Edmonton's vacancy rate dropped 110 basis points during the quarter to 4.7% and is down from its 6.3% peak in Q1 2021. The growth in demand comes from a variety of factors, including the return of remote workers and students, growth in technology and research employment, and the strength of energy markets. Alberta's energy-dependent economy benefits from high prices for oil and commodities. That said, while Canadian energy companies increased profits, new hiring has been muted.

- Halifax, at 1.3%, remains the CMA with the lowest vacancy rate, even though vacancies rose 10 basis points from the first quarter. Halifax became a popular destination during the pandemic because it is relatively affordable and Nova Scotia had fewer COVID-19 restrictions than other provinces. Vancouver, which posted the second-lowest vacancy rate at 1.6%, maintained relatively high occupancies throughout the pandemic. The CMA is a popular lifestyle destination and supply growth is limited.

- Montreal's vacancy rate dropped 70 basis points to 6.1% in Q2 2022. The city has fewer constraints on supply than other locales, which reduces the occupancy rate and moderates rent growth.

CMA Vacancy Rates (Q2 2022)



Source: Yardi

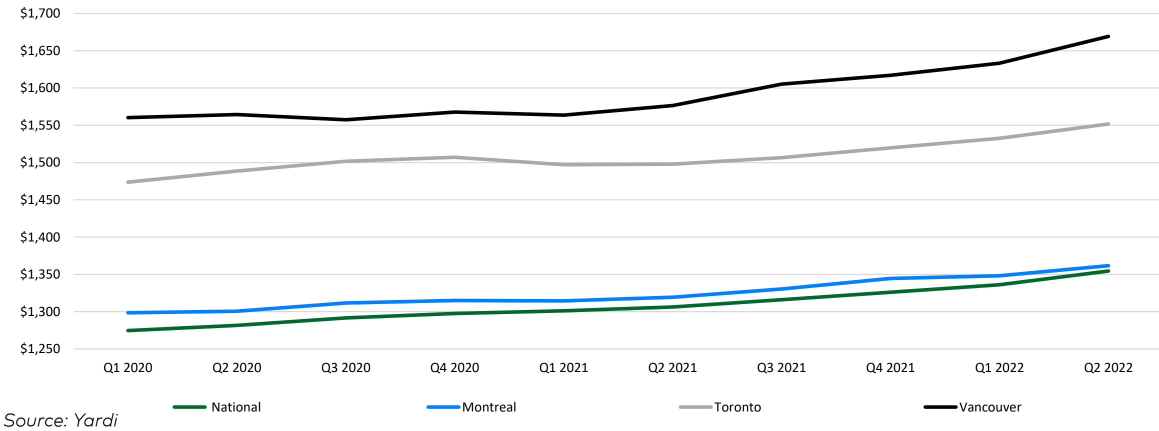
Rent, Vacancy and Turnover by CMA

CMA	Year-over Year Change in In-Place Rents	Lease-over-Lease Change in New Lease Rents	Vacancy Rate	Quarterly Turnover Percent
Hamilton	6.2%	12.6%	2.3%	4.6%
Vancouver	5.9%	11.7%	1.6%	5.7%
London	4.7%	14.3%	2.2%	7.0%
Ottawa–Gatineau	3.9%	9.3%	2.6%	6.8%
National	**3.7%**	**8.3%**	**3.1%**	**7.4%**
Toronto	3.6%	10.4%	2.9%	3.3%
Kitchener–Cambridge–Waterloo	3.2%	12.0%	1.7%	5.2%
Montreal	3.2%	4.8%	6.1%	10.3%
Winnipeg	3.2%	2.1%	3.0%	9.3%
Halifax	2.3%	9.0%	1.3%	6.7%
Calgary	1.9%	4.7%	2.6%	9.9%
Edmonton	-0.3%	0.8%	4.7%	10.7%

Source: Yardi, all data as of Q2 2022

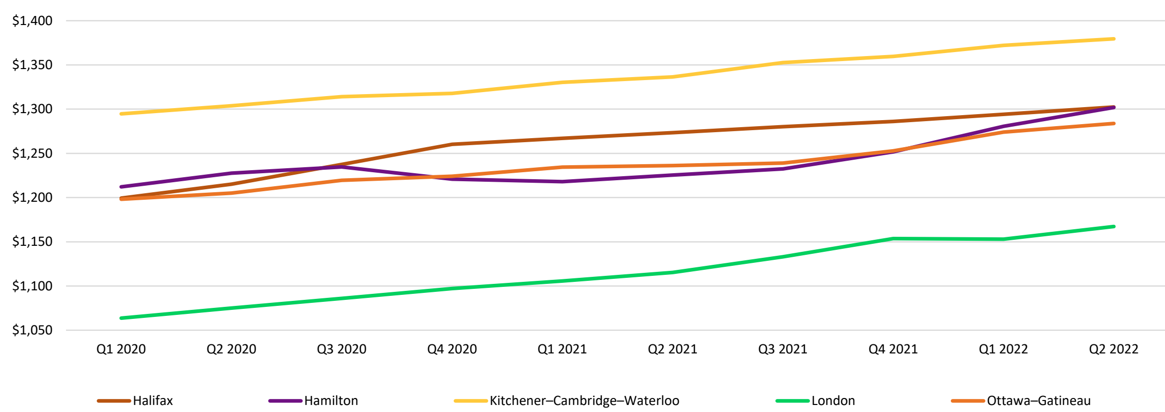
Historical In-Place Rents

National and Major CMA In-Place Rents



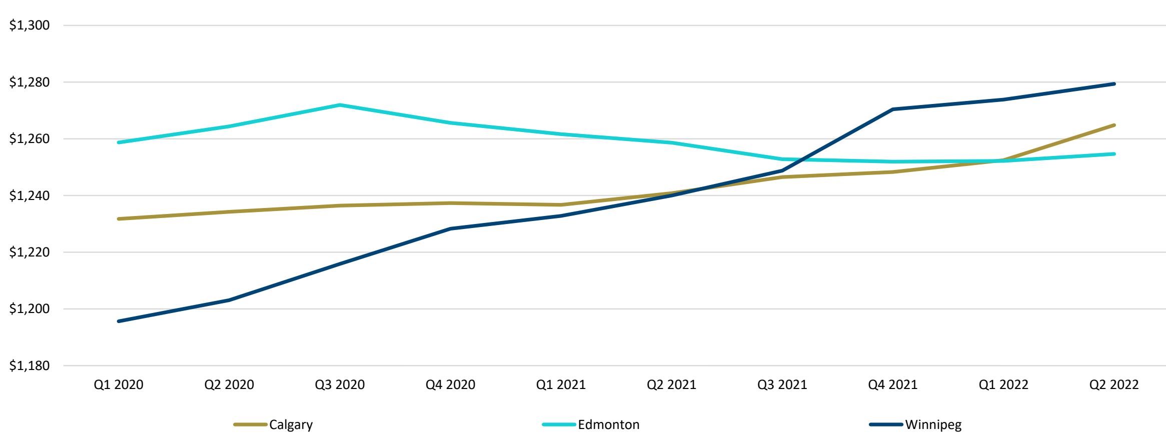
Source: Yardi

Smaller Eastern CMA In-Place Rents



Source: Yardi

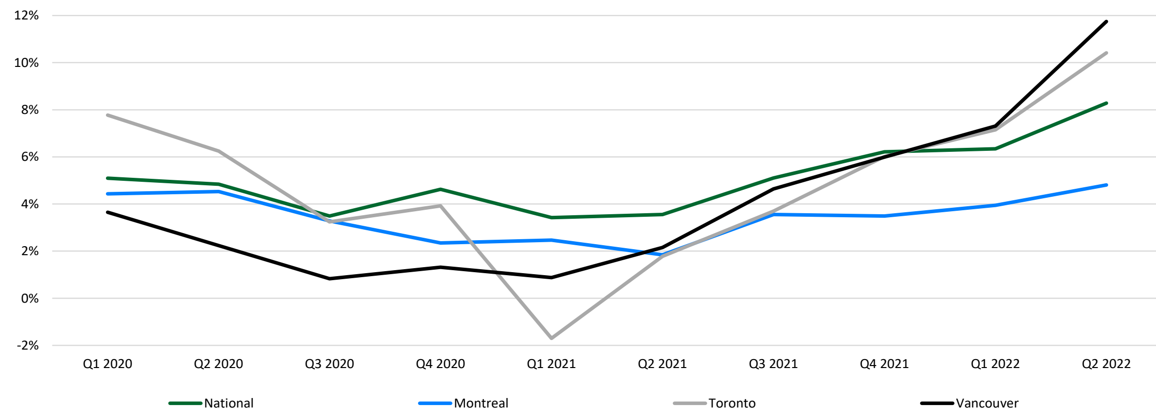
Smaller Western CMA In-Place Rents



Source: Yardi

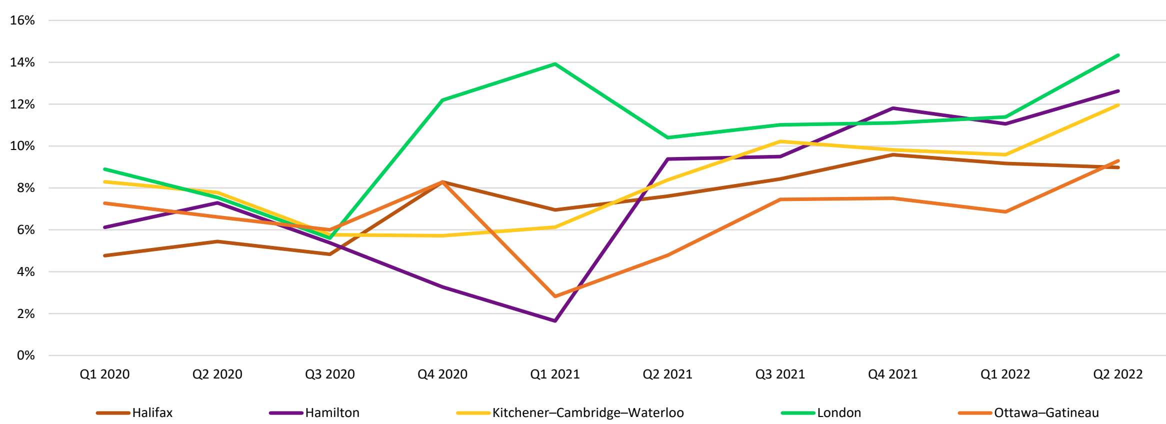
Historical New Lease Rent Growth

National and Major CMA New Lease Rent Growth



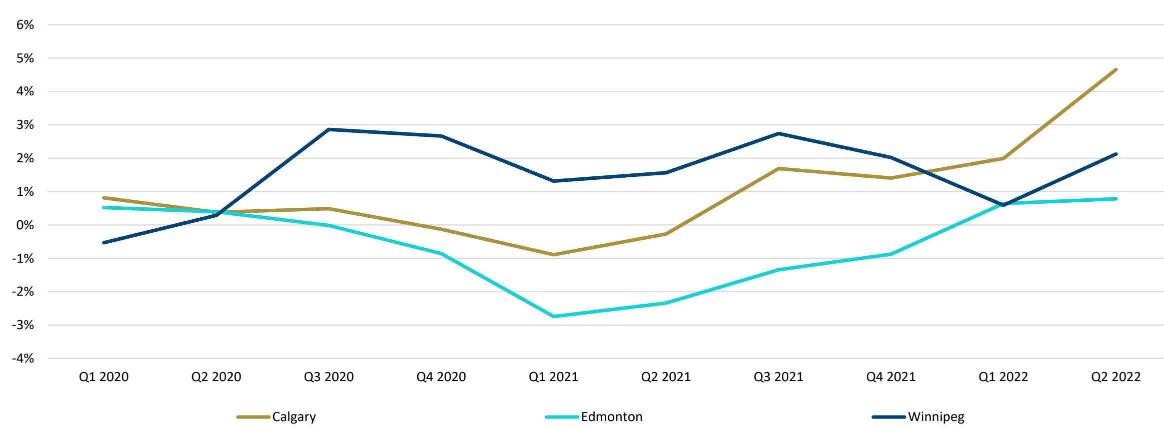
Source: Yardi

Smaller Eastern CMA New Lease Rent Growth



Source: Yardi

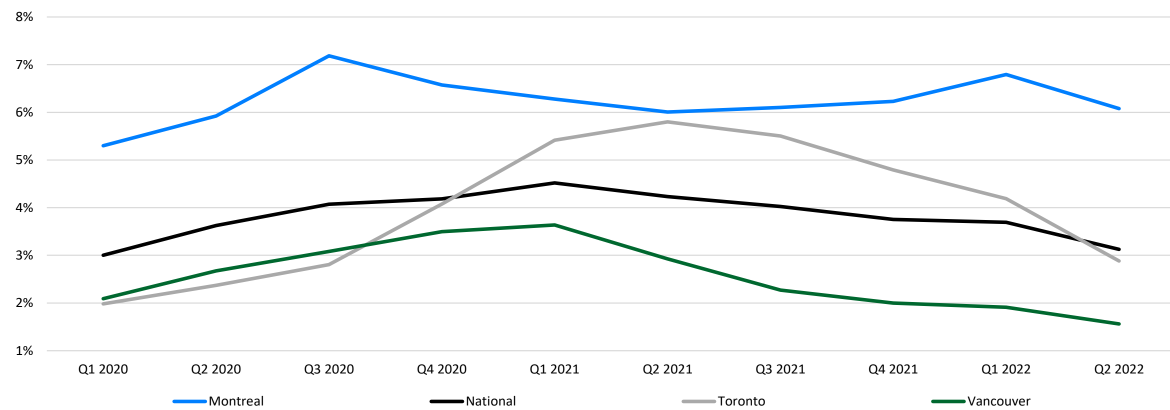
Smaller Western CMA New Lease Rent Growth



Source: Yardi

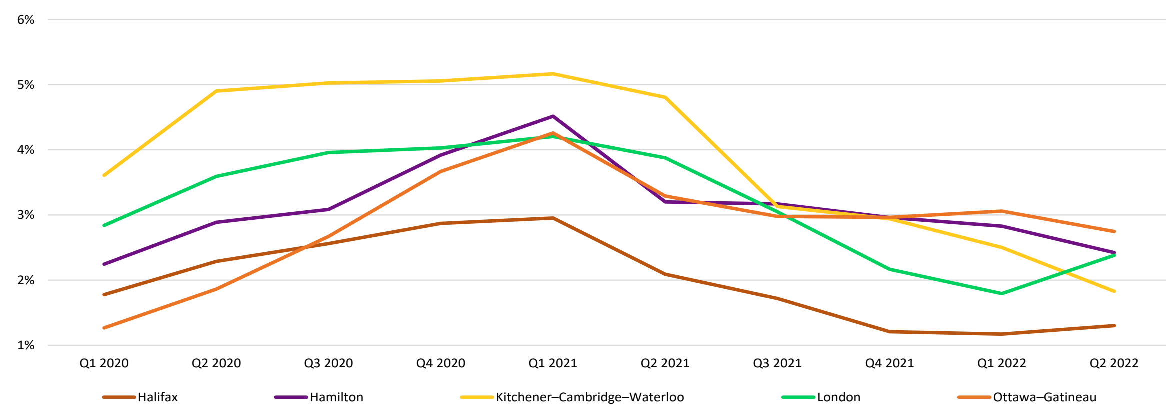
Historical Vacancy Trends

National and Major CMA Vacancy Trends



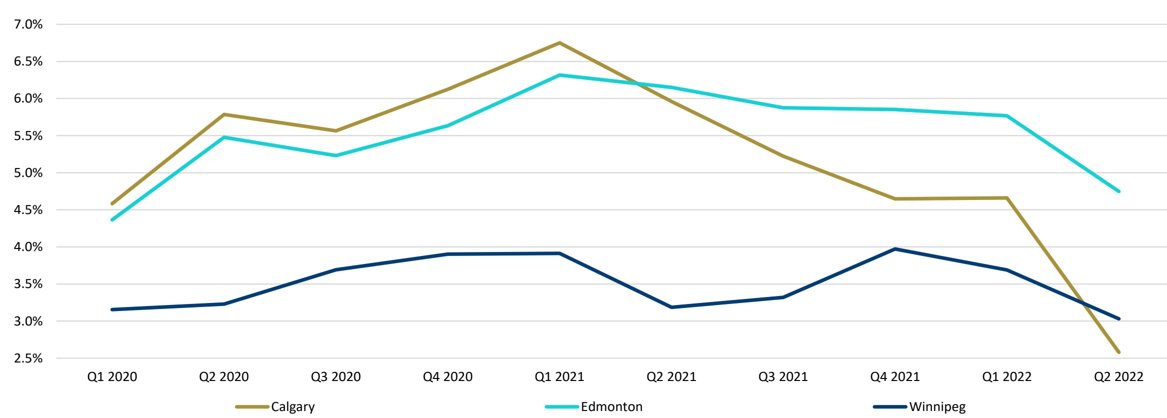
Source: Yardi

Smaller Eastern CMA Vacancy Trends



Source: Yardi

Smaller Western CMA Vacancy Trends



Source: Yardi

Definitions

Lease-Over-Lease Rent Growth (New Leases): Percentage change in monthly rent between a new lease and the previous lease for the same unit

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

Quarterly Turnover: Tenant move-outs as a percent of total units

CMA: Census Metropolitan Area

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