Canadian National Multifamily Report

Fourth Quarter 2023

Canadian Apartment Insights and Analysis

- Multifamily performance remains exceptional, as demand exceeds supply and is likely to remain that way for the foreseeable future. Rent growth is at multi-year highs, while vacancy and turnover are low. Robust population growth creates the need for more housing, which has been underbuilt for years due to the regulatory environment and high building costs. Policymakers are increasingly recognizing the situation and taking action, but it will take years to achieve the balance needed to meet demand.

- Canada's economic strength—employment and GDP growth—is starting to show signs of strain as consumer balance sheets are impacted by inflation in energy and housing. The unemployment rate has started to drift up, and recent GDP prints have recorded weak growth.

Multifamily rents continue to rise rapidly while turnover and vacancy are low, reflecting the imbalance as supply growth lags demand.

- The total number of employed residents in Canada was at an all-time high of almost 20.3 million as of September, but growth has waned in recent months. The unemployment rate was 5.5% in September, strong by historical standards but up from 5.0% in the first quarter. Even so, job shortages persist in industries such as hospitality, healthcare and retail.

- The Bank of Canada, which maintained its 5.0% overnight rate in September, faces tough choices in coming months. After bottoming at 2.8% in June, the annual inflation rate was 3.8% in September, still above the BOC's projected rate. If the BOC takes a dovish course, it risks increasing inflation. However, if it decides to clamp down on inflation and raises rates further, the bank risks exacerbating the difficulties faced by the 30% of homeowners that carry mortgages and potentially spurring a recession in 2024. Buying a home is increasingly less affordable, which is a net positive for apartment demand.

- In order to provide a more detailed view of Canadian multifamily fundamentals, we have added to this report tables that break down rent growth, vacancy and turnover rate by bedroom size (bachelor, 1-bedroom, 2-bedroom and 3-bedroom) in each CMA.

In-Place Rent Growth Remains Robust

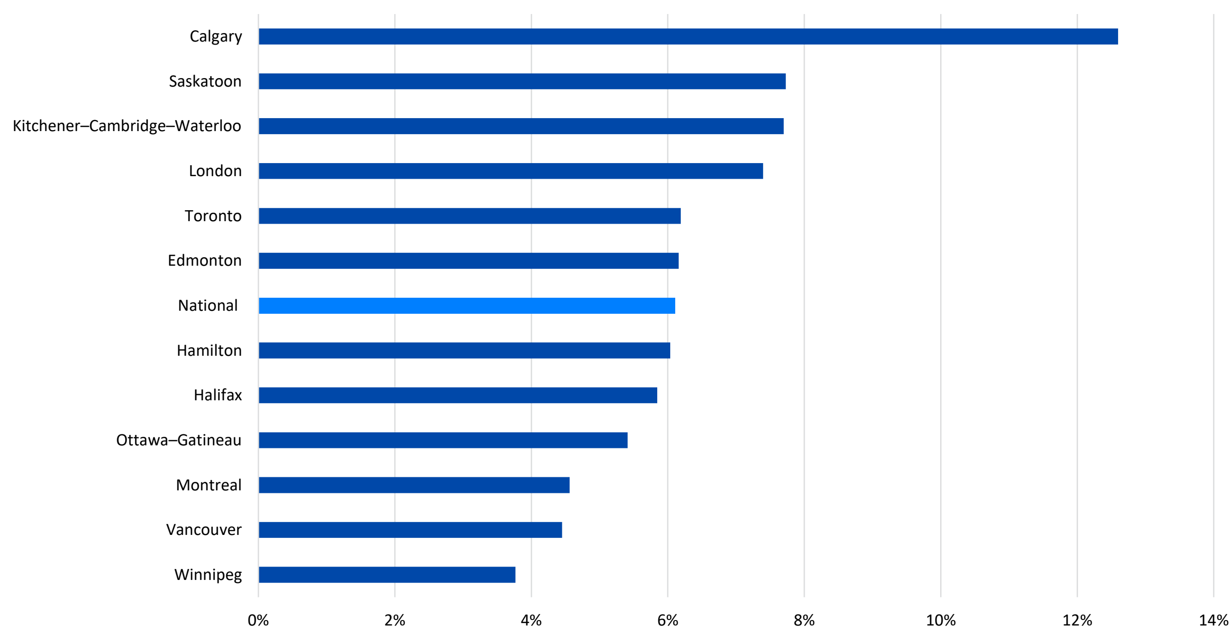
- Rent growth continued to escalate in the third quarter. The average in-place rent in Canada rose by $26 to an all-time high of $1,457 in Q3 2023, while the year-over-year rate of growth increased for the seventh straight quarter to 6.1%. In-place rents represent an aggregation of all rents in a given Census Metropolitan Area (CMA), including those for new leases, renewals and existing leases.

- Alberta led provinces in the strong national rent gains, up 3.1% in Q3 2023 and 9.0% year-over-year. Calgary led CMAs with growth of 3.7% in the third quarter and 12.6% year-over-year. Average Calgary rents increased by $51 in the third quarter and $161 year-over-year to $1,438. Edmonton also has surged, with average in-place rents up 2.5% in the third quarter and 6.2% year-over-year.

- Underpinning the robust rent growth is a voracious demand for housing. The national housing agency, Canada Mortgage Housing Corporation, continues to up its forecast for the amount of housing units needed to meet demand in coming years. The CMHC reported that Canada needs at least 22 million housing units by 2030, 5.5 million more than exist today, to restore affordability to 2004 levels. Yet at current production levels the country is on track to add only about 2 million homes by 2030, which means there is a 3.5 million-unit shortfall that needs to be filled. The biggest shortages are in Ontario (1.5 million units), Quebec (860,000 units) and British Columbia (610,000 units), per the CMHC. The lack of production is caused by labour and material shortages and costs and the difficulty in securing financing, which will only be exacerbated by rising interest rates.

- Plans to encourage development include subsidies to incentivize projects and speeding up the entitlement process. The federal government has eliminated the 5% goods and services tax (GST) for housing development, which has stimulated the development of thousands of units.

Year-Over-Year In-Place Rent Growth (Q3 2023)



Source: Yardi

Rising Lease-Over-Lease Rate Growth Spurs Policy Action to Create More Supply

- National lease-over-lease rents—which represent new leases on units that are re-leased after becoming vacant—increased by 13.1% year-over-year in Q3 2023, up 90 basis points from Q2. New leases are a good measure of supply-demand fundamentals, since they are not subject to rent control in most jurisdictions. Lease-over-lease rates have now increased in nine of the last 10 quarters.

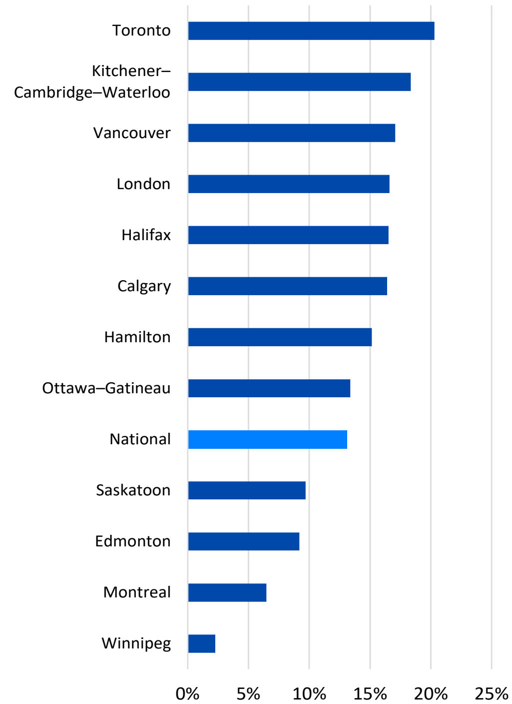
- Lease-over-lease rate increases were led by 17.0% year-over-year growth in Ontario, whose population rose by 463,000 during the 12 months ending in July. Toronto led CMAs with a 20.3% increase, while Kitchener–Cambridge–Waterloo rose 18.3% and London was up 16.6%. Vancouver (17.1%), Halifax (16.5%) and Calgary (16.4%) also saw outsize gains.

- The rapid population growth is prompting policymakers to act. The federal government is stepping up the use of the Housing Accelerator Plan, which was budgeted in 2022. The government says it will allocate $4 billion to incentivize housing through 2027, although only a small fraction has been dispersed to date. Plans to encourage development include using subsidies to incentivize projects and speeding up the entitlement process.

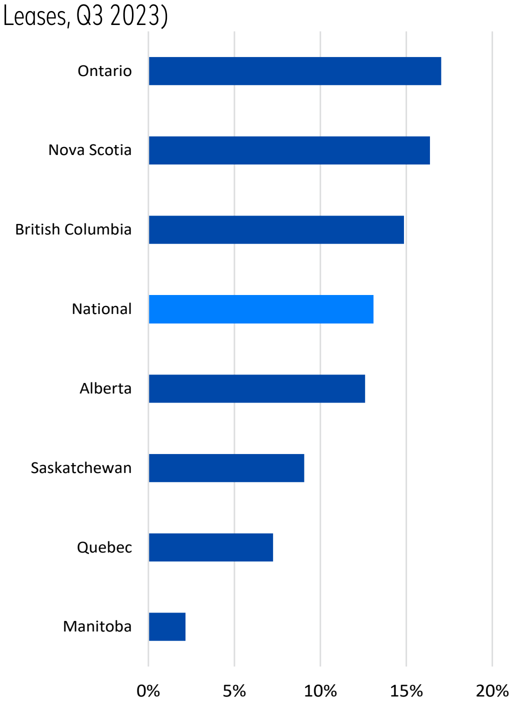
- The City of London is allocating $74 million of funding to create 2,000 housing units. Funds will be used to spur more units in low-density zones, create public-private partnerships to build homes, and set aside city-owned land for development.

- Vancouver's city government recently relaxed restrictions on rent increases for thousands of units controlled by a pilot program that was created in 2017 to spur development of affordable housing. Few projects have come to fruition since then, in part because deals did not pencil at the level of rents allowed. But the city council approved changes to the program in October that will enable landlords to increase rents closer to current market rates.

CMA Lease-Over-Lease Rent Growth
(New Leases, Q3 2023)



Province Lease-Over-Lease Rent Growth
(New Leases, Q3 2023)



Source: Yardi

Apartment Vacancy, Turnover Remain Low

- The housing shortage is keeping vacancies and turnover extremely low. Canada's average vacancy rate rose 10 basis points to 2.8% in Q3 2023, but it has been below 3.0% for five straight quarters.

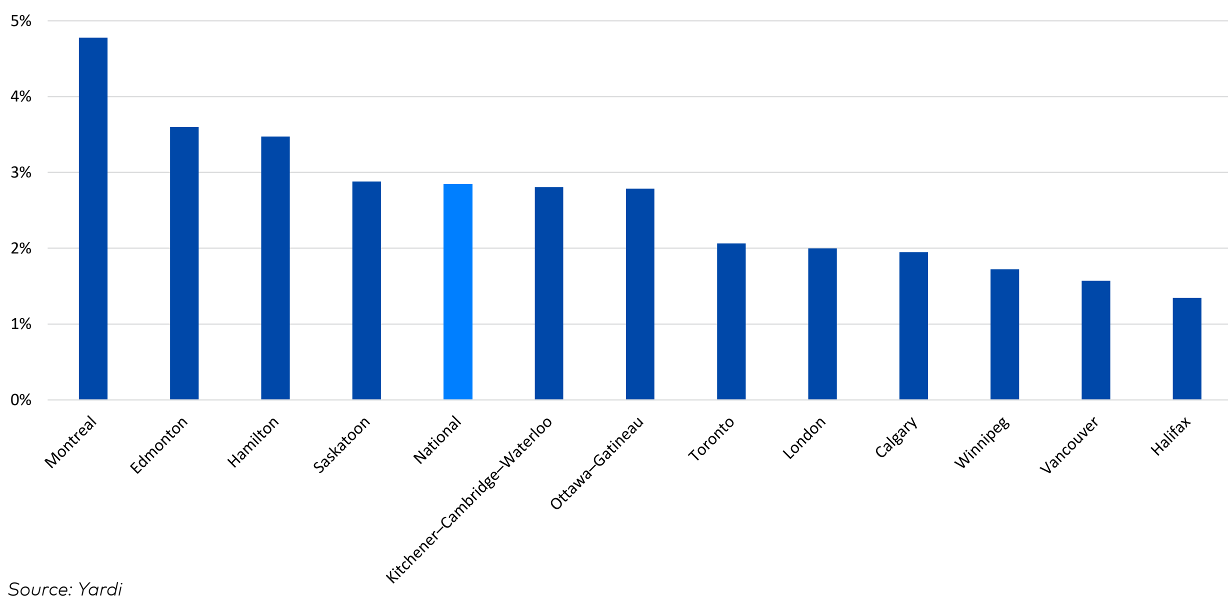
- The annual turnover percentage, which measures the number of residents that do not renew leases over the previous 12 months, was 23.1% in Q3 2023. That's the lowest turnover rate since the onset of the pandemic in 2020 and well below the 25.7% recorded in the same quarter a year ago. Turnover is lowest in Toronto (11.6%) among CMAs and Ontario (15.1%) among provinces, a sign that the lack of housing stock prevents renters from moving.

> Turnover hit its lowest level in Q3 as vacancy remains tight.

- Vacancy rates have decreased by 1.4% year-over-year in Saskatchewan, 0.6% in Manitoba and 0.2% in Alberta. Increasing remote employment and the availability of more affordable housing options outside of core markets such as Toronto, Vancouver and Montreal are driving households to move to secondary markets such as Calgary, Edmonton and Winnipeg, smaller CMAs such as Saskatoon and Halifax, and suburban markets including London and Kitchener–Cambridge–Waterloo. Alberta (8.3%) and Saskatchewan (8.2%) also were the provinces with the largest rent increases for tenants renewing leases.

- As of July 1, Alberta's population increased by 184,000 over the previous year, at 4.1% the highest growth rate among provinces, according to Statistics Canada and GWL Realty Advisors. The province's growth comes from a combination of permanent international immigrants, international students and migration from other provinces, which had largely dried up between 2015 and 2021. Among provinces, Ontario (463,000, or 3.1%), Quebec (202,000, 2.3%) and British Columbia (162,000, 3.0%) also saw large population gains.

CMA Vacancy Rates (Q3 2023)



Source: Yardi

Rent, Vacancy, Turnover and Digital Prospects by CMA (Total)

CMA	Year-Over-Year Change in In-Place Rents	Lease-over-Lease Change in New Lease Rents	Vacancy Rate	Annual Turnover %	Digital Prospect Conversion %	Digital Prospects Per 100 Units Per Month
Calgary	12.6%	16.4%	1.9%	35.4%	3.2%	51
Saskatoon	7.7%	9.7%	2.9%	42.2%	5.1%	44
Kitchener–Cambridge–Waterloo	7.7%	18.3%	2.8%	17.3%	3.1%	29
London	7.4%	16.6%	2.0%	18.4%	5.0%	23
Toronto	6.2%	20.3%	2.1%	11.6%	3.4%	24
Edmonton	6.2%	9.2%	3.6%	37.1%	5.5%	41
National	6.1%	13.1%	2.8%	23.1%	4.7%	29
Hamilton	6.0%	15.1%	3.5%	16.2%	6.0%	24
Halifax	5.8%	16.5%	1.3%	17.8%	2.0%	42
Ottawa–Gatineau	5.4%	13.4%	2.8%	22.7%	9.2%	17
Montreal	4.6%	6.5%	4.8%	28.3%	*	*
Vancouver	4.5%	17.1%	1.6%	18.6%	5.8%	22
Winnipeg	3.8%	2.3%	1.7%	30.7%	6.5%	24

** Sample size is too small to produce a reliable data set in this category. | Source: Yardi, all data as of Q3 2023*

Rent, Vacancy and Turnover by CMA (Bedroom Type)

Bachelor Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$1,474	14.4%	3.7%	22.8%
Toronto	$1,397	21.8%	4.1%	16.8%
National	$1,177	13.6%	4.6%	29.7%
Hamilton	$1,162	*	3.6%	9.3%
Calgary	$1,111	*	2.4%	40.4%
Montreal	$1,111	*	5.6%	39.9%
Halifax	$1,095	*	2.2%	26.0%
Ottawa–Gatineau	$1,071	13.0%	5.0%	27.7%
London	$1,051	*	3.0%	26.6%
Edmonton	$1,019	9.8%	5.3%	45.4%
Kitchener–Cambridge–Waterloo	$960	*	2.7%	26.5%
Saskatoon	$953	*	9.6%	64.0%
Winnipeg	$921	1.5%	1.5%	35.9%

** Sample size is too small to produce a reliable data set in this category. | Source: Yardi*

1-Bedroom Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$1,696	19.1%	1.2%	18.8%
Toronto	$1,541	21.4%	2.3%	13.4%
Kitchener–Cambridge–Waterloo	$1,424	16.6%	3.7%	20.5%
National	$1,341	13.3%	3.0%	25.0%
Montreal	$1,288	6.4%	5.0%	30.6%
Ottawa–Gatineau	$1,266	13.0%	2.9%	26.0%
Calgary	$1,263	16.5%	2.0%	36.4%
Halifax	$1,241	15.6%	1.4%	21.2%
Hamilton	$1,219	14.7%	4.0%	18.8%
Saskatoon	$1,195	8.1%	3.8%	47.8%
Winnipeg	$1,188	1.9%	1.4%	29.2%
London	$1,169	16.0%	2.3%	22.6%
Edmonton	$1,159	8.9%	4.0%	38.5%

Source: Yardi

2-Bedroom Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$2,049	16.3%	1.4%	17.7%
Toronto	$1,743	19.8%	1.5%	9.4%
Montreal	$1,733	6.2%	4.2%	23.0%
Kitchener–Cambridge–Waterloo	$1,580	19.7%	2.5%	15.3%
National	$1,573	13.1%	2.5%	21.2%
Calgary	$1,524	16.3%	1.7%	32.5%
Hamilton	$1,471	16.1%	3.1%	14.6%
Ottawa–Gatineau	$1,462	13.8%	2.4%	19.7%
Winnipeg	$1,456	2.8%	1.9%	31.1%
Halifax	$1,443	17.2%	1.2%	15.4%
Edmonton	$1,374	8.9%	3.1%	36.0%
Saskatoon	$1,361	9.8%	2.4%	40.4%
London	$1,356	17.1%	1.7%	15.7%

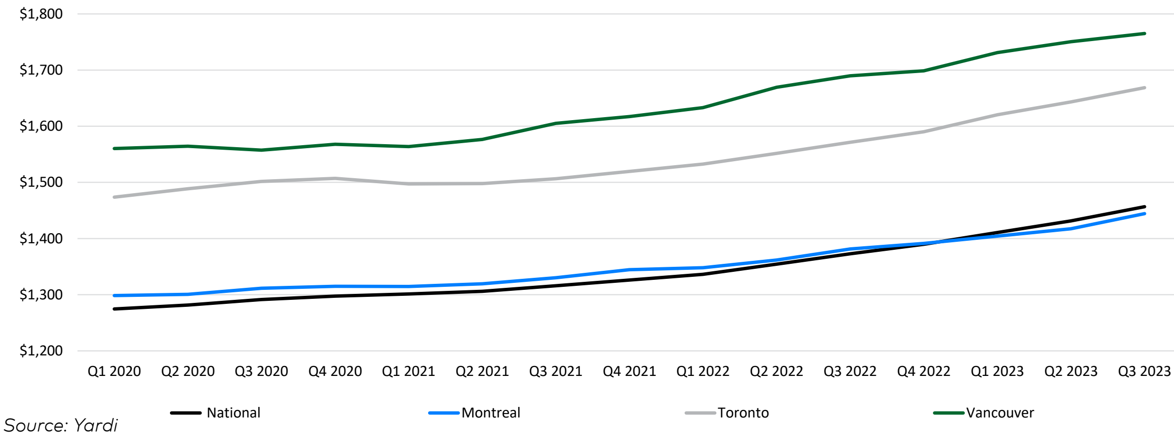
Source: Yardi

3-Bedroom Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$2,375	11.5%	1.8%	15.2%
Montreal	$2,213	5.7%	3.8%	17.6%
Toronto	$1,973	16.4%	1.5%	7.7%
Kitchener–Cambridge–Waterloo	$1,824	*	2.3%	15.1%
National	$1,813	12.2%	2.4%	18.0%
Winnipeg	$1,769	1.9%	2.2%	37.5%
Calgary	$1,748	*	1.0%	33.4%
Hamilton	$1,731	N/A	1.5%	8.2%
Ottawa–Gatineau	$1,621	16.5%	2.0%	14.5%
Edmonton	$1,581	9.2%	4.0%	33.6%
London	$1,552	*	1.5%	11.6%
Halifax	$1,546	*	1.7%	14.8%
Saskatoon	$1,517	*	2.1%	36.7%

** Sample size is too small to produce a reliable data set in this category. | Source: Yardi*

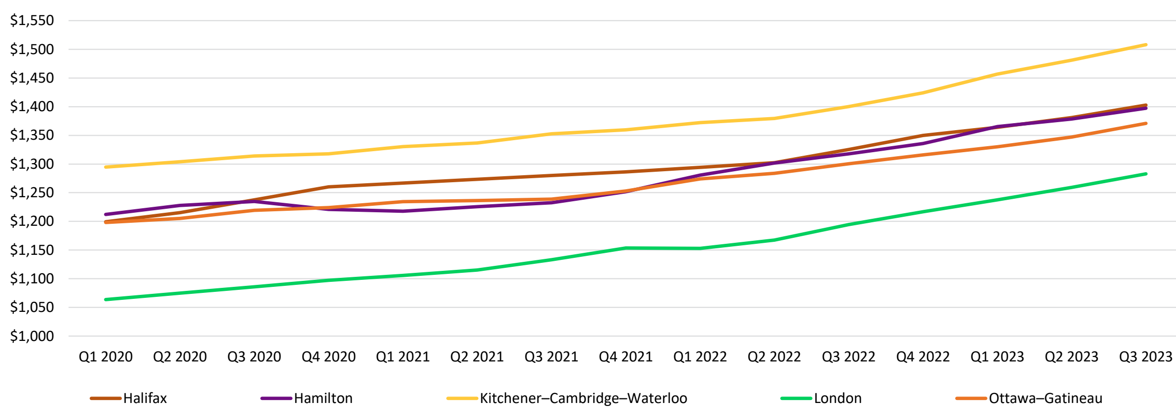
Historical In-Place Rents

National and Major CMA In-Place Rents



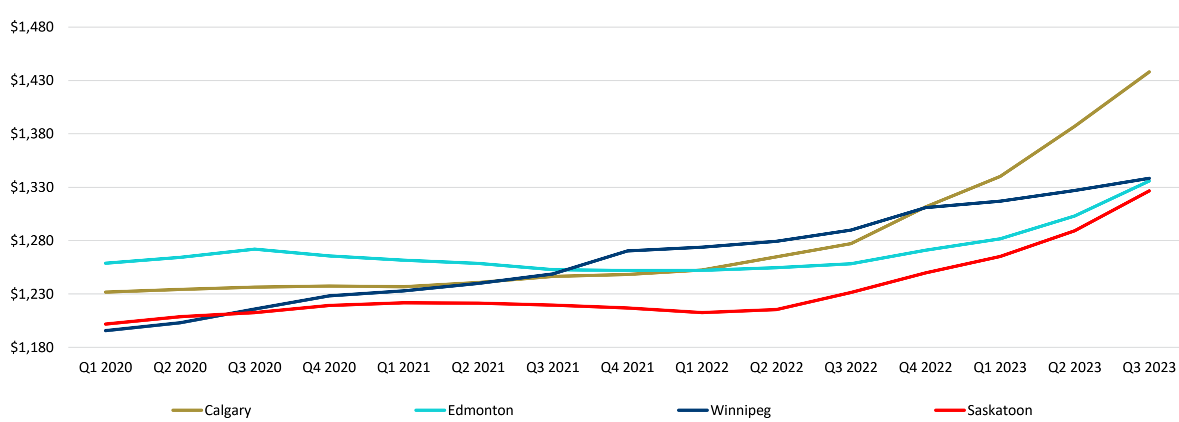
Source: Yardi

Smaller Eastern CMA In-Place Rents



Source: Yardi

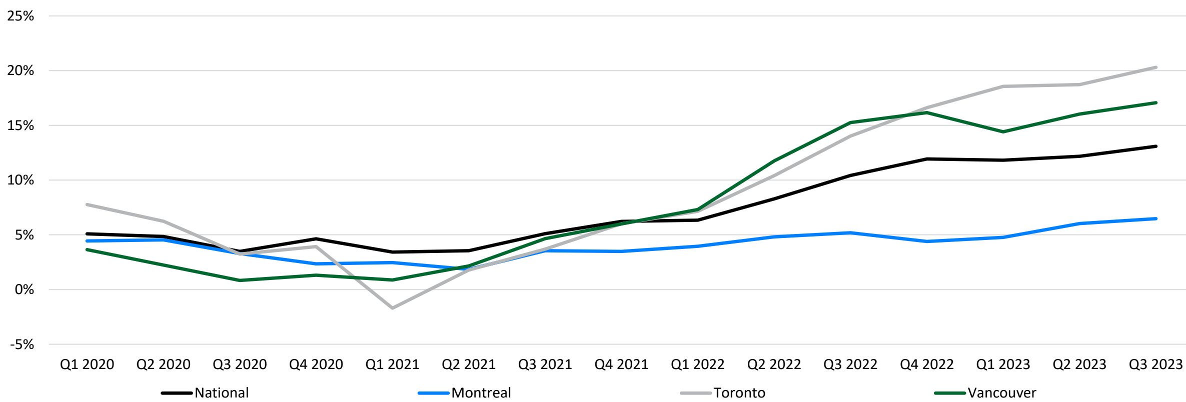
Smaller Western CMA In-Place Rents



Source: Yardi

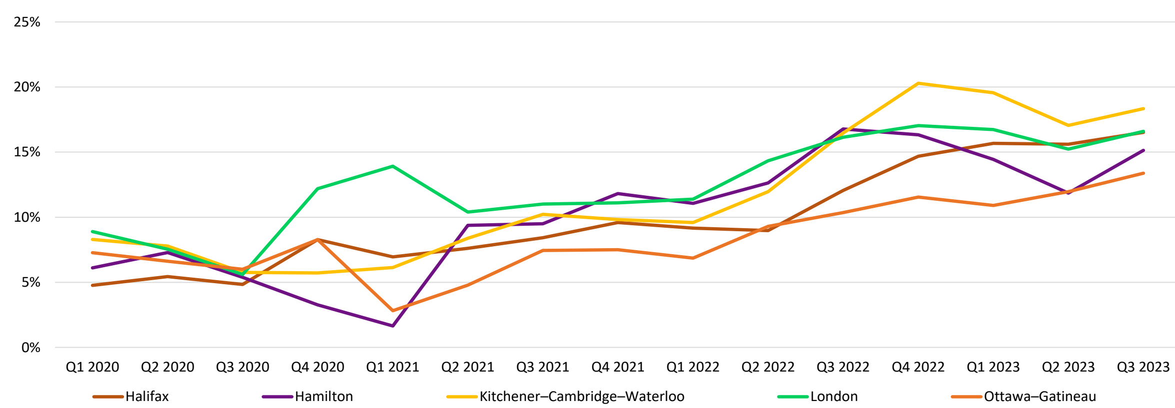
Historical New Lease Rent Growth

National and Major CMA New Lease Rent Growth



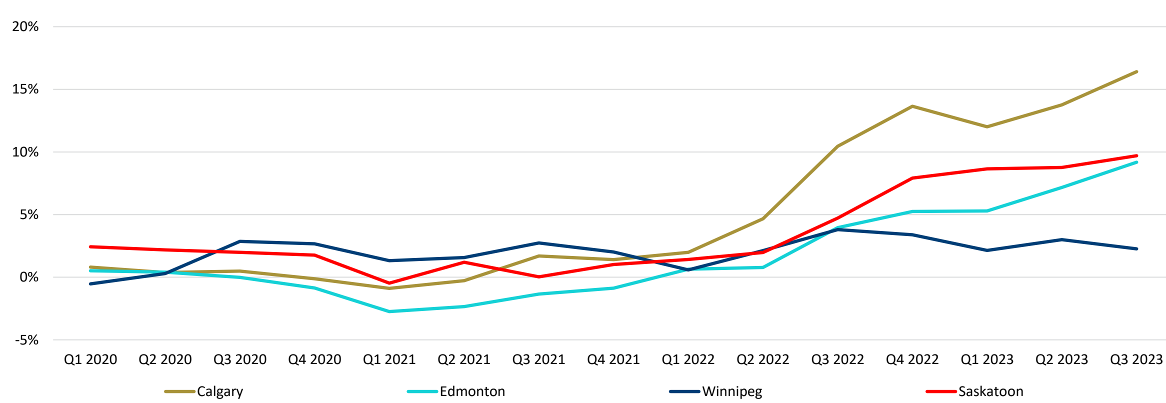
Source: Yardi

Smaller Eastern CMA New Lease Rent Growth



Source: Yardi

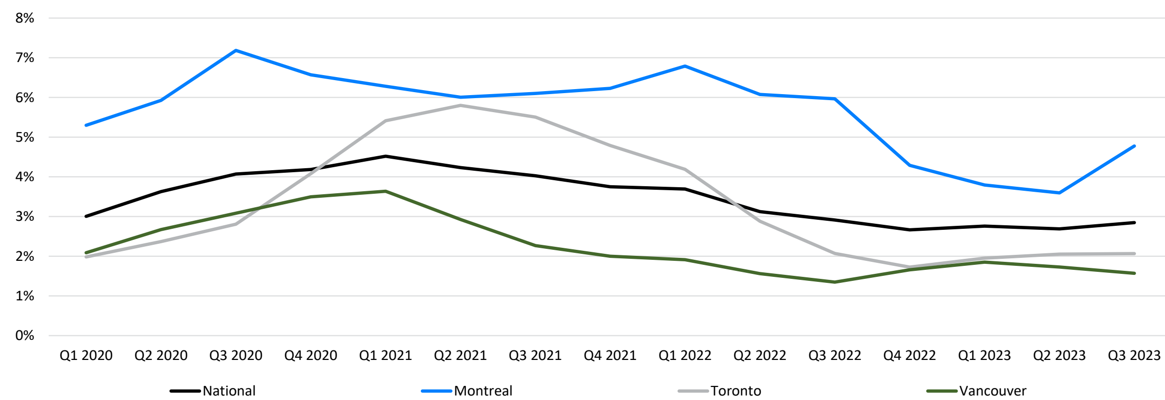
Smaller Western CMA New Lease Rent Growth



Source: Yardi

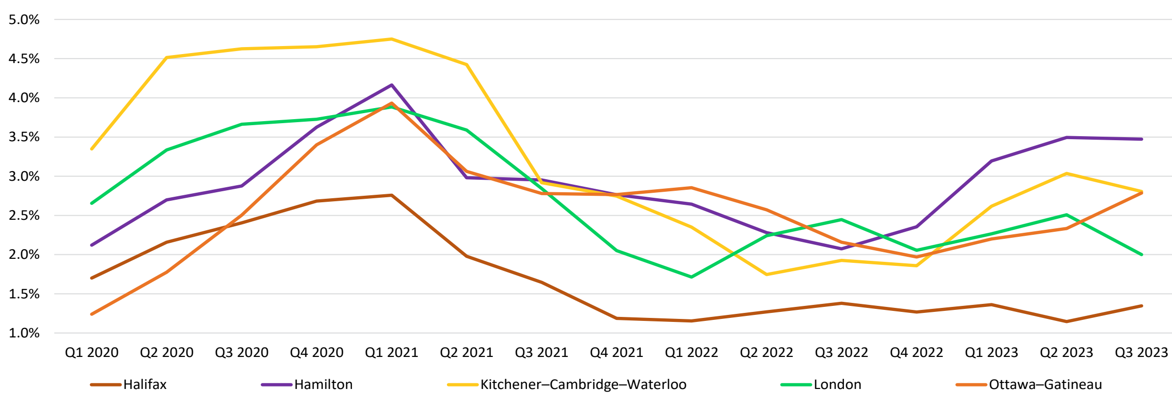
Historical Vacancy Trends

National and Major CMA Vacancy Trends



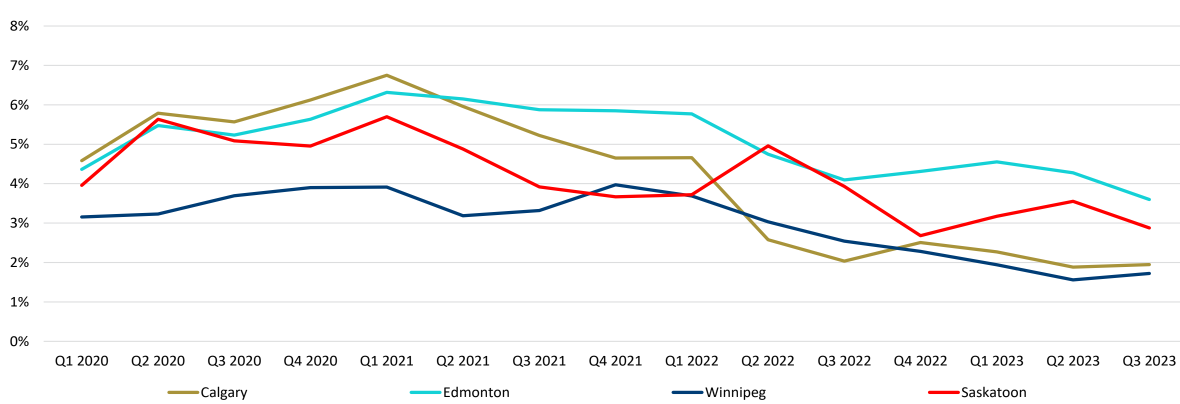
Source: Yardi

Smaller Eastern CMA Vacancy Trends



Source: Yardi

Smaller Western CMA Vacancy Trends



Source: Yardi

Definitions

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

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

CMA: Census Metropolitan Area

Digital Prospect Conversion %: Percentage of prospects who first contacted a property through digital sources, who became residents.

Digital Prospects Per 100 Units Per Month: Count of prospects who first contacted a property through digital sources, normalized for a 100-unit property.

Digital sources include the Property's Website, ILS, Online Search, Classified Sites, Social Media Sites, SEM, and Ratings Sites. Excludes brick and mortar sources, such as referrals and walk-ins.

The data in the report encompasses 5,100 properties that represent more than 464,000 private rental units across Canada.

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