Canadian National Multifamily Report

Second Quarter 2024

Canadian Apartment Insights and Analysis

> Canada's economic growth is weak, but multifamily fundamentals remain favourable owing to the rapidly increasing population and robust demand for housing.

- Canada's multifamily fundamentals continue to be robust. Rent growth stayed high in Q1 2024 as demand continues to outpace new supply, but the rate of growth is coming down from record levels. Vacancy rates and turnover remain low, a sign of the nation's housing shortage as new supply is not keeping up with population growth. There is a growing consensus on the need to build more housing, though those efforts are slow to take effect.

- Canada's economic growth is positive but weak, showing the wear and tear of higher interest rates. GDP gains are not keeping up with the unprecedented demographic surge. GDP growth for 2023 was slightly below 1.0%, and early returns in 2024 show that growth is increasing incrementally. Consumers have played their part, as retail store sales rose by nearly 3.0% annually as of January. However, higher interest rates have started to squeeze households, especially among mortgage holders, who must dedicate a growing share of income to debt service as monthly payments rise.

- The employment market is weak, as the economy shed 2,200 jobs in March and the unemployment rate rose to 6.1%, up 30 basis points from the previous month and 1.1 percentage points since January 2023. The results are disappointing given the increase in population in 2023, including nearly 500,000 permanent residents. Employment growth among permanent immigrants has been highest at opposite ends of the spectrum: high-skill jobs including professional, technical and scientific services, information, culture and recreation, and low-skill jobs such as accommodation and food services, according to a recent study by the Bank of Canada. The study found, however, that construction employment is still lagging.

- As a result of ongoing slow growth and easing inflation, the Bank of Canada is expected to cut policy rates, now 5.0%, more quickly than expected. The last time inflation was lower than February 2024's 2.8% print was in March 2021. Reducing rates could provide a boost to consumers and potentially a spark for home sales.

Rents Rise as Housing Fails to Keep Pace With Population

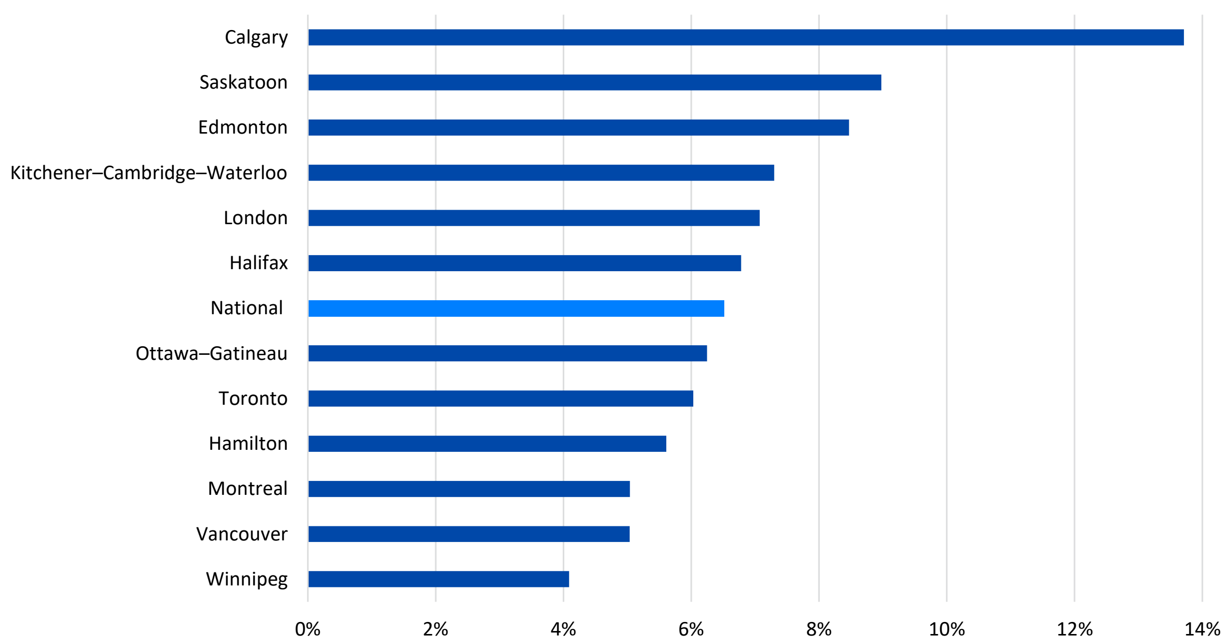
- The average national in-place rent increased by $23 in Q1 2024 to a record-high $1,503, up 1.5% quarter-over-quarter and 6.5% year-over-year. The rate of growth was strong for both new leases and renewals, but increases in new leases are moderating as affordability increasingly becomes a challenge. 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.

- Growth was strong across the country. CMAs with the largest year-over-year growth rate for in-place rents during the first quarter included Calgary (13.7%), Saskatoon (9.0%) and Edmonton (8.5%). The lowest growth rates were in Winnipeg (4.1%), and Vancouver and Montreal (5.0%).

- In the four full years since the pandemic started in Q1 2020, in-place rents have increased by $228 nationally, up 17.9%. The CMAs with the largest increases are London (24.6%), Calgary (23.7%), Halifax (21.4%) and Kitchener–Cambridge–Waterloo (20.7%). CMAs with the lowest increases are Edmonton (10.4%), Montreal (13.6%) and Winnipeg (14.6%).

- Rent growth has been driven by the rapid increase in immigration, while new housing supply has not kept pace. Canada added 1.3 million residents to its population in 2023, a 3.2% increase, including about 800,000 temporary residents, mostly students. Meanwhile, total housing starts fell by 3.0% to 263,000 in 2023, down from 271,000 in 2022, according to Canada Mortgage and Housing Corp. Some 113,196 new apartments were delivered in 2023, almost unchanged from the two previous years, per CMHC, and not enough given the number of new households. Nearly 60% of 2023 deliveries were in Toronto (32,121), Montreal (18,699) and Vancouver (14,379). The shortage of housing is prompting the government to reduce student visas in 2024 by 35%.

Year-Over-Year In-Place Rent Growth (Q1 2024)



Source: Yardi

Ontario Leads in Growth of New Lease Rates

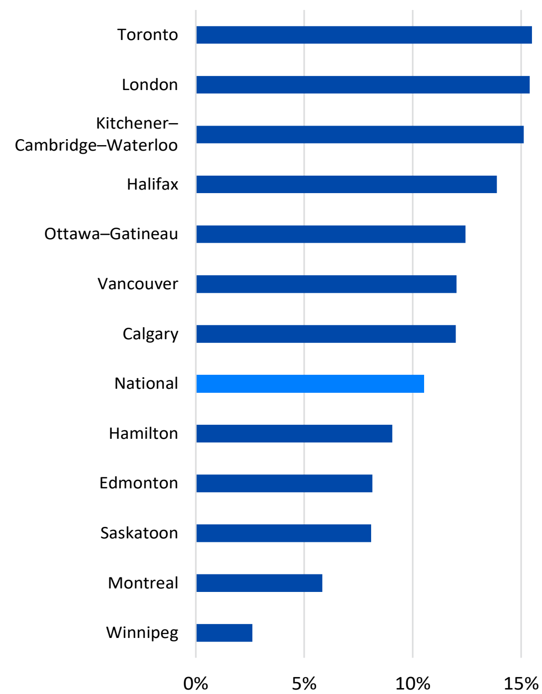
- The growth rate for lease-over-lease rents—which represent new leases on units that are re-leased after becoming vacant—decelerated for the second straight quarter but remains above double digits. Nationally, lease-over-lease rents rose by 10.5% year-over-year in Q1 2024, down from 12.2% in the previous quarter. Strong demand is keeping lease growth high, but the rate of escalation is easing as affordability increasingly becomes an issue. Leases not subject to rent control in most jurisdictions are a good measure of supply-demand metrics.

- Growth in new lease rates was highest in three Ontario CMAs: Toronto (15.5%), London (15.4%) and Kitchener–Cambridge–Waterloo (15.1%). Ontario is the most popular landing spot for immigrants, leading to continued robust demand and rent increases. Winnipeg (2.6%) and Montreal (5.8%) were the only two CMAs with a growth rate below 8.1%.

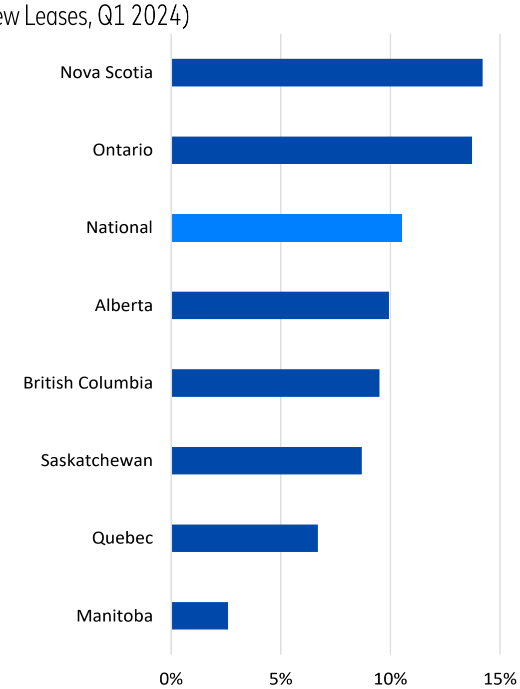
- New lease rates in Q1 2024 grew the most for bachelor units (11.2%), in part because those units have more turnover, which enables owners to raise rents. Rents increased by 10.7% for two-bedroom units, 10.4% for one-bedroom units and 9.8% for three-bedroom units. There are fewer units with three bedrooms, and turnover is lower because they usually are occupied by families, which are less likely to move. Rent growth in three-bedroom units also is limited by the fact that the stock tends to be older.

- The average renewal lease rate increased by 4.4% nationally, up 50 basis points from the previous quarter and the highest number since Yardi began tracking it in Q1 2020. The increase reflects a bridging of the gap between existing and new leases, and is naturally the highest in areas not subject to rent control. Calgary (13.0% year-over-year) and Edmonton (7.7%), located in a province without rent control, led the country in renewal lease growth, along with Saskatoon (7.8%). The renewal growth rate was less than 3% in Ontario CMAs.

CMA Lease-Over-Lease Rent Growth
(New Leases, Q1 2024)



Province Lease-Over-Lease Rent Growth
(New Leases, Q1 2024)



Source: Yardi

Vacancy Rate Inches Up but Remains Low

Canada's apartment vacancy rate has been below 3.0% for seven straight quarters.

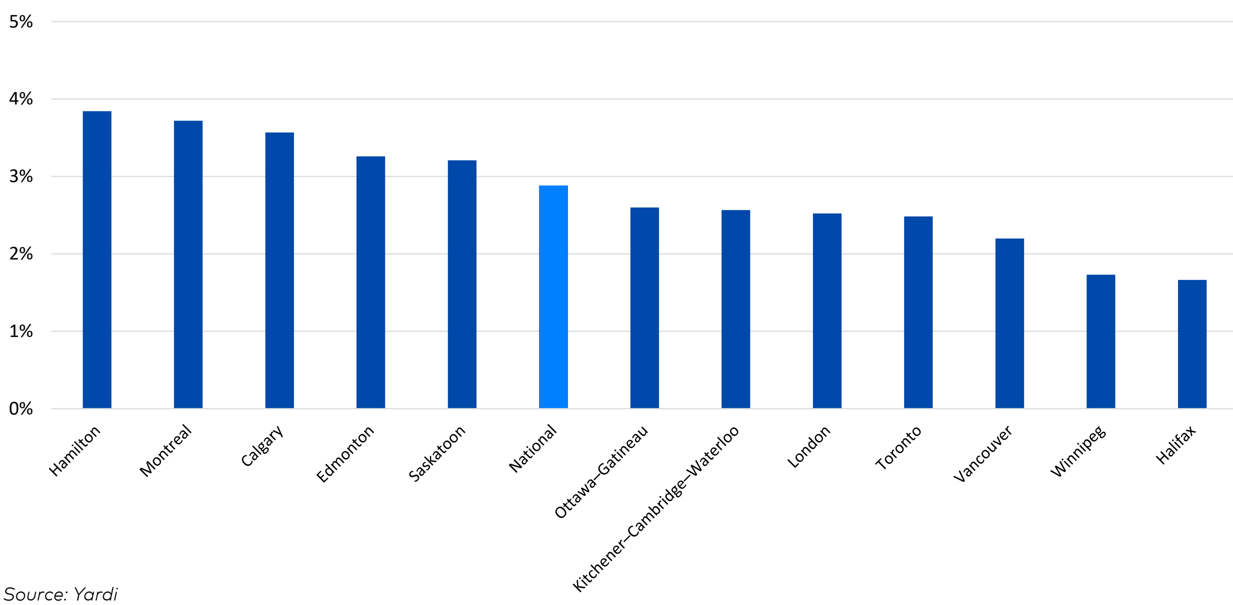
- The national apartment vacancy rate rose 20 basis points to 2.9% in Q1 2024 but continues to reflect an extremely tight housing market. The rate has remained below 3.0% for seven straight quarters. Winnipeg and Halifax (each 1.7%) have the lowest vacancy rate among CMAs, while Hamilton (up 50 basis points to 3.8%) and Montreal (down 40 basis points to 3.7%) have the highest rates. Montreal's vacancy rate is tightening in part because new deliveries fell by 14.2% to 18,700 in 2023, per CMHC, as the city's onerous regulatory process is beginning to delay project starts.

- Among provinces, the vacancy rate in Q1 2024 rose most in Saskatchewan (up 50 basis points to 3.2%) and Alberta (up 40 basis points to 3.3%). Those areas recorded the largest growth in in-place rents during the quarter—Alberta at 10.7% and Saskatchewan at 9.2%—a sign that some tenants moved to avoid higher rents.

- The annual turnover percentage, which measures the number of residents that did not renew leases over the previous 12 months, was 23.0% in Q1 2024, the same as the previous quarter and down from 24.2% in Q1 2023. The annual rate has remained near historical lows, below 24.0% for four quarters, an indication that renters lack affordable options to move. The turnover rate is lowest in Ontario CMAs Toronto (11.6% in Q1 2024) and Hamilton (15.9%), and highest in Saskatoon (41.7%), Edmonton (36.5%) and Calgary (36.2%).

- A strategy to increase housing stock is converting unused commercial space to apartments. The federal government has committed $1.1 billion over 10 years to convert office buildings in Ottawa and elsewhere. A program targeting downtown offices is bearing fruit in Calgary, where new apartment stock includes the 112-unit The Cornerstone, formerly a 129,000-square-foot office building.

CMA Vacancy Rates (Q1 2024)



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	13.7%	12.0%	3.6%	36.2%	5.6%	28
Saskatoon	9.0%	8.1%	3.2%	41.7%	7.9%	22
Edmonton	8.5%	8.1%	3.3%	36.5%	4.8%	29
Kitchener–Cambridge–Waterloo	7.3%	15.1%	2.6%	16.5%	3.5%	16
London	7.1%	15.4%	2.5%	18.7%	6.6%	16
Halifax	6.8%	13.9%	1.7%	16.8%	2.4%	40
National	6.5%	10.5%	2.9%	23.0%	5.3%	20
Ottawa–Gatineau	6.2%	12.4%	2.6%	22.1%	7.9%	14
Toronto	6.0%	15.5%	2.5%	11.6%	4.0%	14
Hamilton	5.6%	9.1%	3.8%	15.9%	5.8%	13
Montreal	5.0%	5.8%	3.7%	29.4%	*	*
Vancouver	5.0%	12.0%	2.2%	17.6%	7.0%	16
Winnipeg	4.1%	2.6%	1.7%	29.7%	5.9%	24

** Sample size is too small to produce a reliable data set in this category. | Source: Yardi, all data as of Q1 2024*

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	$1,514	8.3%	5.2%	22.9%
Toronto	$1,442	17.4%	5.3%	17.0%
National	$1,220	11.2%	4.7%	29.6%
Calgary	$1,178	*	4.1%	41.1%
Hamilton	$1,159	*	4.1%	9.7%
Montreal	$1,148	8.8%	4.1%	40.2%
Halifax	$1,142	*	2.0%	29.1%
Ottawa–Gatineau	$1,106	11.5%	4.7%	25.5%
London	$1,076	*	4.9%	26.3%
Edmonton	$1,060	4.1%	4.2%	44.5%
Kitchener–Cambridge–Waterloo	$991	*	2.3%	19.2%
Saskatoon	$985	*	5.7%	64.2%
Winnipeg	$943	2.0%	1.6%	33.9%

** 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	$1,758	13.4%	1.8%	17.8%
Toronto	$1,589	14.8%	2.9%	13.6%
Kitchener–Cambridge–Waterloo	$1,470	12.3%	4.0%	20.6%
National	$1,385	10.4%	3.0%	25.1%
Calgary	$1,343	13.2%	3.6%	37.4%
Montreal	$1,314	5.0%	3.7%	31.6%
Ottawa–Gatineau	$1,306	12.2%	2.7%	25.3%
Halifax	$1,291	16.0%	1.7%	19.4%
Hamilton	$1,261	12.1%	4.8%	18.0%
Saskatoon	$1,241	8.0%	4.5%	49.3%
Winnipeg	$1,217	2.2%	1.5%	28.9%
London	$1,214	15.3%	2.9%	23.2%
Edmonton	$1,206	7.5%	3.6%	39.2%

Source: Yardi

2-Bedroom Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$2,106	10.7%	2.0%	15.9%
Toronto	$1,790	16.2%	1.9%	9.3%
Montreal	$1,768	6.7%	3.5%	23.6%
Kitchener–Cambridge–Waterloo	$1,641	16.9%	1.8%	14.5%
National	$1,620	10.7%	2.6%	20.9%
Calgary	$1,612	10.9%	3.7%	33.6%
Hamilton	$1,515	7.3%	3.0%	14.4%
Ottawa–Gatineau	$1,506	12.8%	2.4%	19.2%
Halifax	$1,495	13.7%	1.1%	13.8%
Winnipeg	$1,492	2.9%	1.8%	29.6%
Edmonton	$1,431	9.0%	2.8%	34.9%
Saskatoon	$1,417	8.2%	2.4%	38.7%
London	$1,396	16.0%	2.2%	15.5%

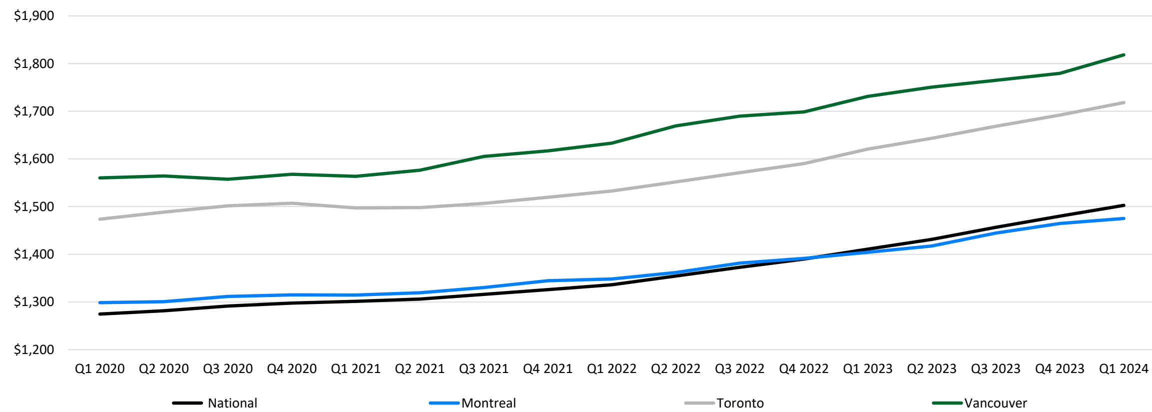
Source: Yardi

3-Bedroom Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$2,439	12.0%	2.2%	14.8%
Montreal	$2,217	1.3%	4.4%	19.7%
Toronto	$2,023	16.1%	1.4%	7.0%
Kitchener–Cambridge–Waterloo	$1,889	*	2.2%	13.2%
Calgary	$1,867	*	3.5%	31.1%
National	$1,861	9.8%	2.7%	18.0%
Winnipeg	$1,809	3.2%	2.5%	36.4%
Hamilton	$1,774	*	2.1%	8.1%
Ottawa–Gatineau	$1,676	14.5%	1.6%	14.7%
Edmonton	$1,649	6.6%	3.8%	31.1%
Halifax	$1,611	*	3.9%	15.9%
London	$1,583	*	2.9%	13.4%
Saskatoon	$1,572	*	3.5%	36.0%

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

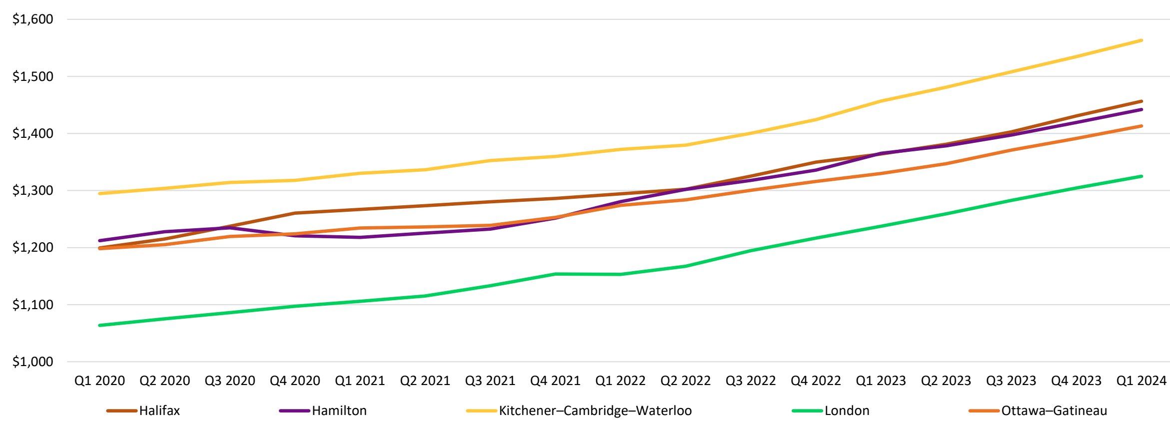
Historical In-Place Rents

National and Major CMA In-Place Rents



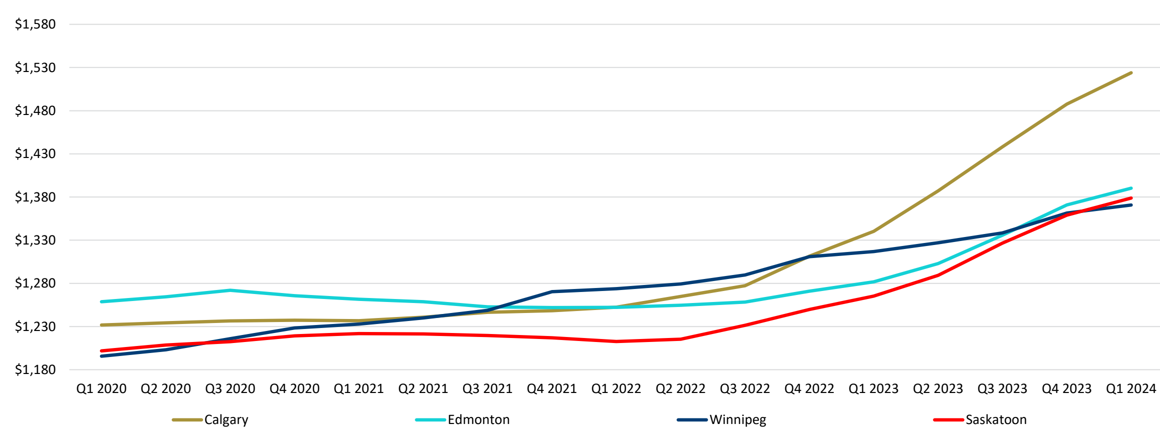
Source: Yardi

Smaller Eastern CMA In-Place Rents



Source: Yardi

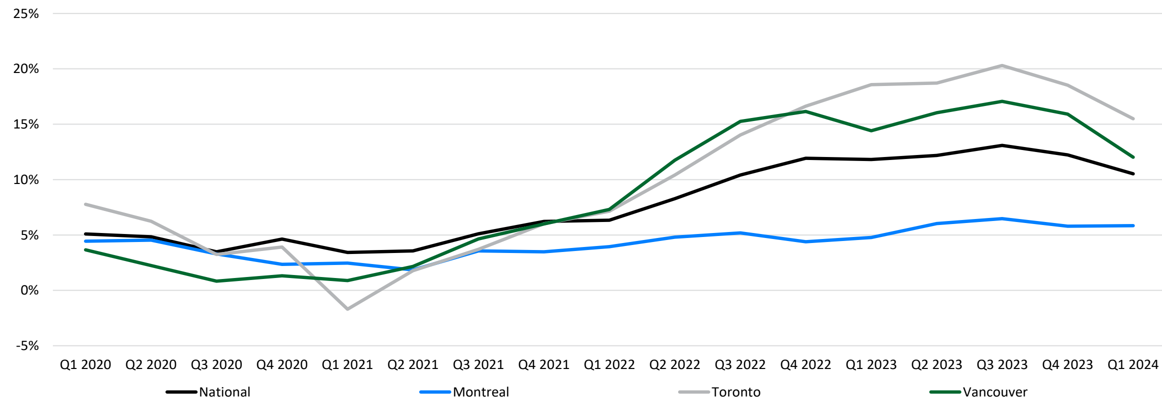
Smaller Western CMA In-Place Rents



Source: Yardi

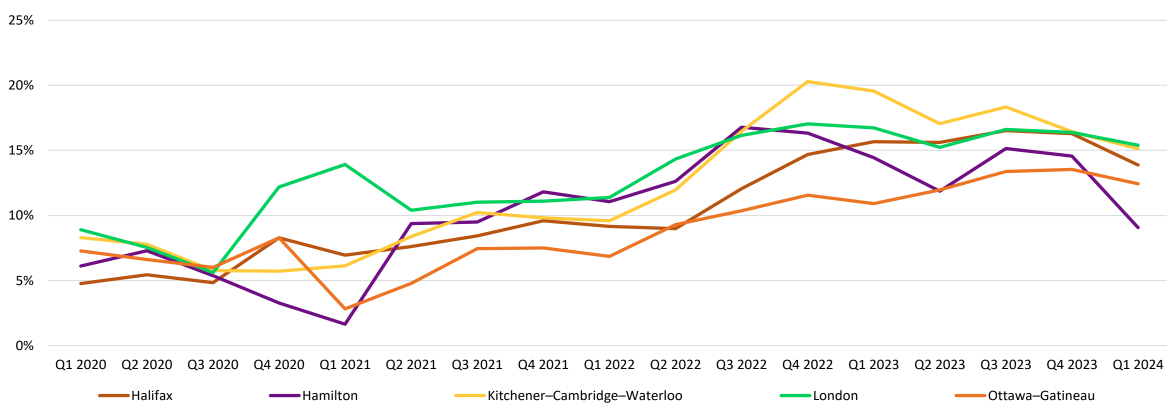
Historical New Lease Rent Growth

National and Major CMA New Lease Rent Growth



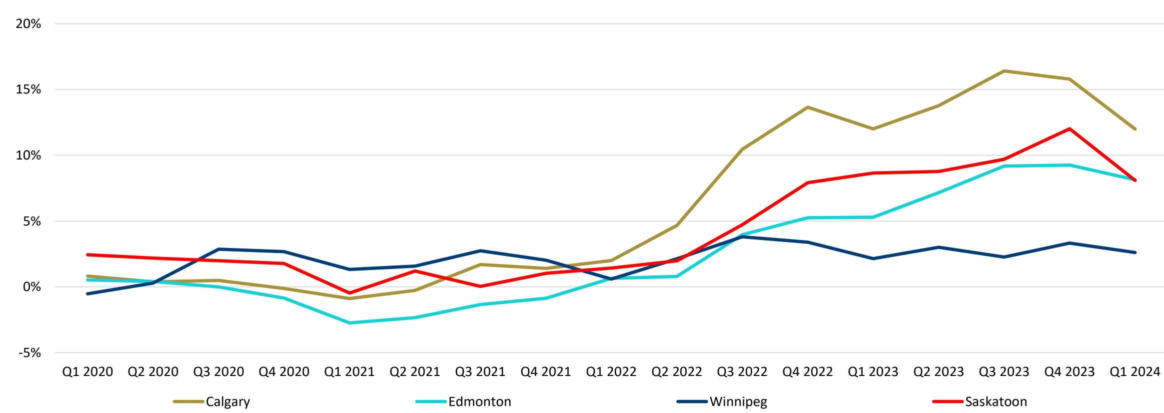
Source: Yardi

Smaller Eastern CMA New Lease Rent Growth



Source: Yardi

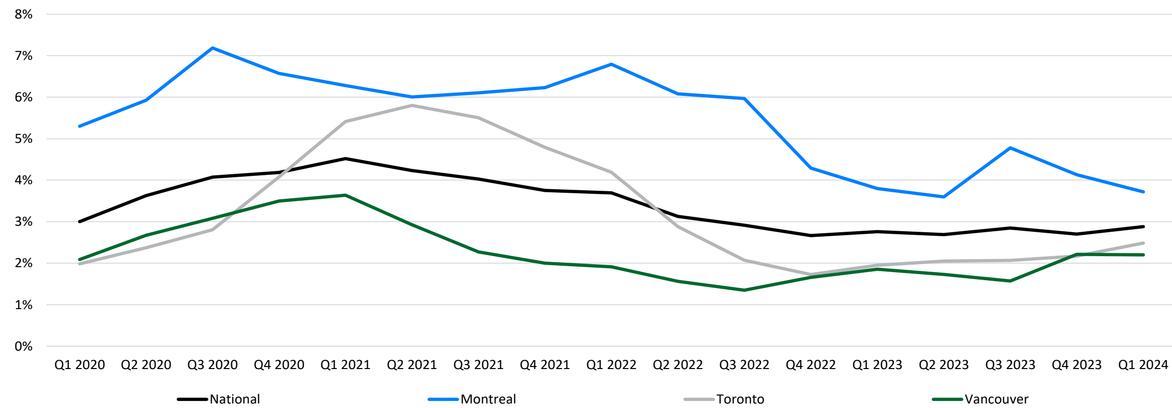
Smaller Western CMA New Lease Rent Growth



Source: Yardi

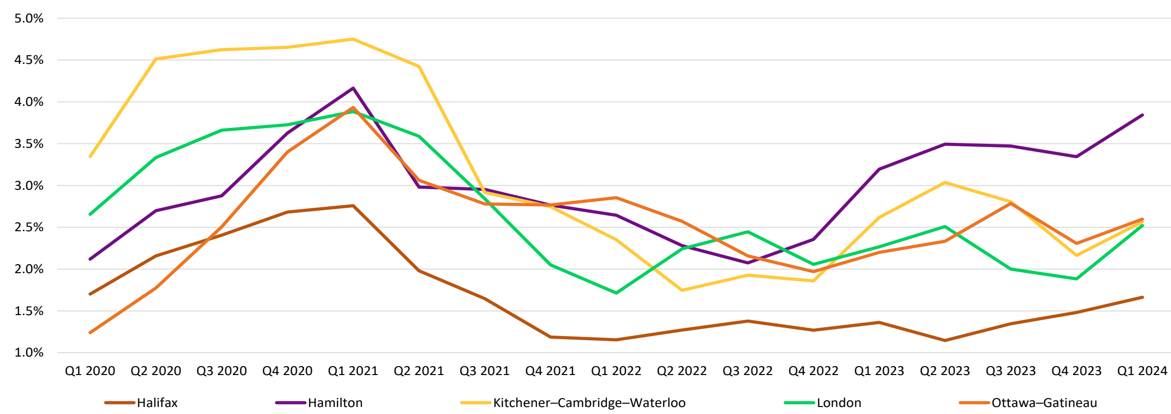
Historical Vacancy Trends

National and Major CMA Vacancy Trends



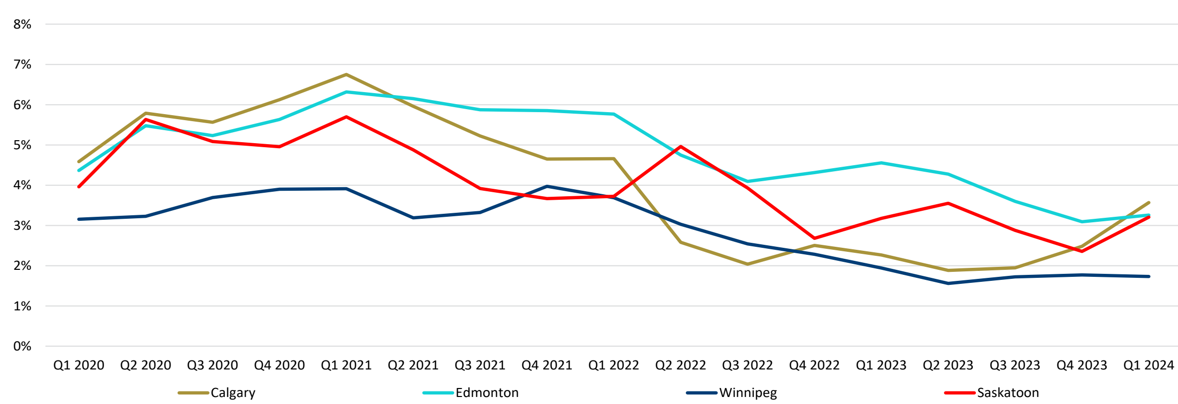
Source: Yardi

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 5,300 properties that represent more than 471,000 private rental units across Canada.

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