



Canadian National Multifamily Report

Third Quarter 2024



Canadian Apartment Insights and Analysis

- Canada's apartment market is starting to cool, but only slightly, as housing demand remains elevated relative to supply. Fundamental metrics such as rent growth and vacancy have moderated from peak levels but remain robust by long-term standards. Rent growth is likely to continue decelerating, but slowly as demand is heightened by ongoing population growth while delivery levels are stagnating.
- Canada's economic growth is modest, with GDP rising at a 1.7% annual rate in the first quarter, according to Statistics Canada. Growth is driven by consumer spending, particularly on services such as rent and travel, while critical sectors such as oil and gas and manufacturing remain steady.
- The labour picture is mixed, with weak growth. The unemployment rate—at 6.4% as of June—has risen by 1.3 percentage points since its trough in April 2023 but remains well below the long-term average, per Statistics Canada. An age cohort gap is growing. The good news is the 25-to-54-year-old group is doing well. Unemployment for that group is only 5.4%, which is positive for established households. The situation, however, is less encouraging for younger Canadians in the household formation stage, with the unemployment rate at 13.5% for those under 25.
- The Bank of Canada was proactive compared to the U.S. Federal Reserve by cutting the policy rate by 25 basis points to 4.75% in June, and it made clear its inclination to continue reducing rates to stimulate the economy. The BOC's plans seemingly were complicated when the May inflation rate increased to 2.9%. But June's inflation print (released in mid-July) unexpectedly fell to a benign 2.7%, making another rate cut imminent. Interest rates are a critical component in Canada's economy, and the impact of lower rates will be positive, if not immediate. Rising rates have squeezed homeowners by increasing mortgage debt-service payments. The impact is most acute in mortgages with short-term maturities and variable rates. Reducing rates and mortgage payments gives homeowners more money to use for goods and services, which translates to higher economic growth.

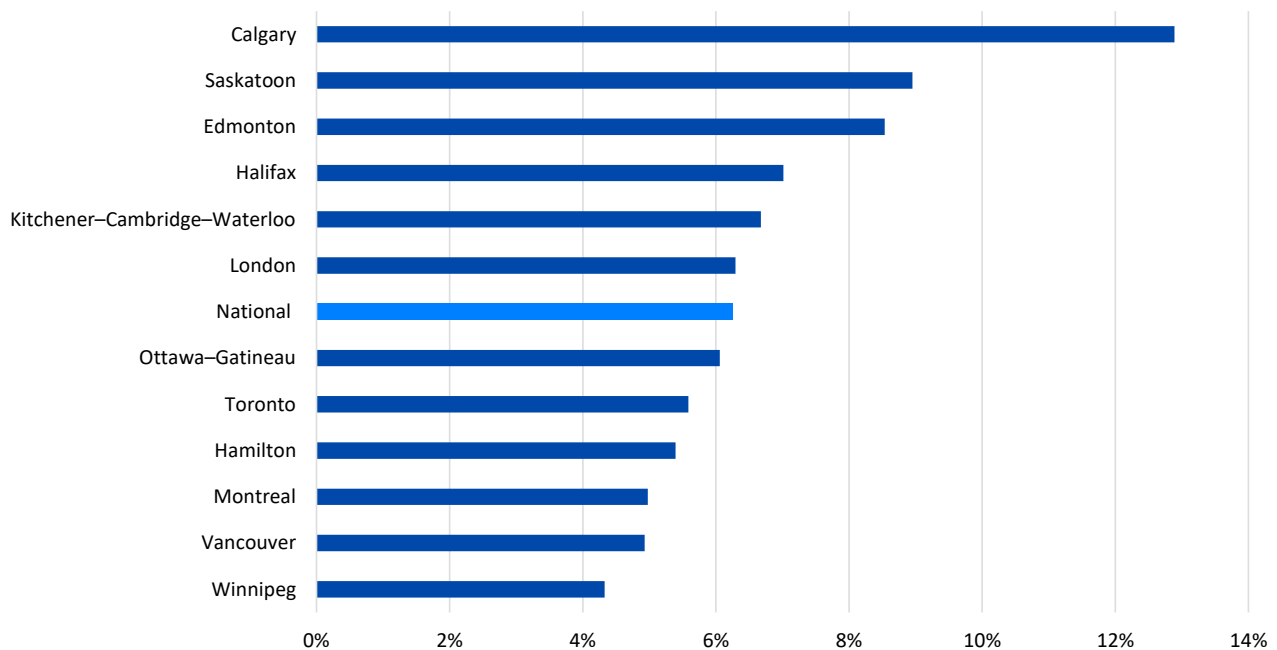
Canada's apartment rent growth and vacancy rates came off recent peaks in Q2 2024, but demand remains strong while housing is in short supply.



Annual Rent Growth Down From Peak but Still Strong

- The average national in-place rent increased by \$18 in Q2 2024 to a record-high \$1,521, up 1.2% quarter-over-quarter and 6.3% year-over-year. The annual growth rate came down from 6.5% over the last two quarters, but remains well above long-term levels. 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.
- In-place rent growth was led by the prairie provinces, Alberta and Saskatchewan, which are drawing households looking for more affordable markets. CMAs with the largest year-over-year in-place rent growth during Q2 2024 were Calgary (12.9%), Saskatoon (9.0%) and Edmonton (8.5%), markets without rent control. In-place rents rose by less than 5% in only two CMAs: Winnipeg (4.3%) and Vancouver (4.9%).
- While apartment construction is not nearly enough to meet the demand of the growing population, completions reached a multi-decade high last year, with multi-unit purpose-built rentals comprising a growing share of Canadian housing development. According to the Canada Mortgage and Housing Corporation (CMHC), Canada delivered 112,819 apartments in 2023, making up 60.1% of the 187,630 housing units that came online. This marks a large increase from 2003, when 40,711 new apartments represented 28.0% of all new housing, and from 2013, when 65,157 new apartments accounted for 45.5% of all new housing. Meanwhile, the share of semi-detached and single-family housing has dwindled. Single-family completions peaked at 78,827 units in 2003 and fell to 43,670 in 2023, despite a slight year-over-year increase. Working against the number of completions are lengthening construction times from start to finish due to difficulties in securing construction financing, delays in obtaining municipal approvals in many jurisdictions and a shortage of workers.

Year-Over-Year In-Place Rent Growth (Q2 2024)

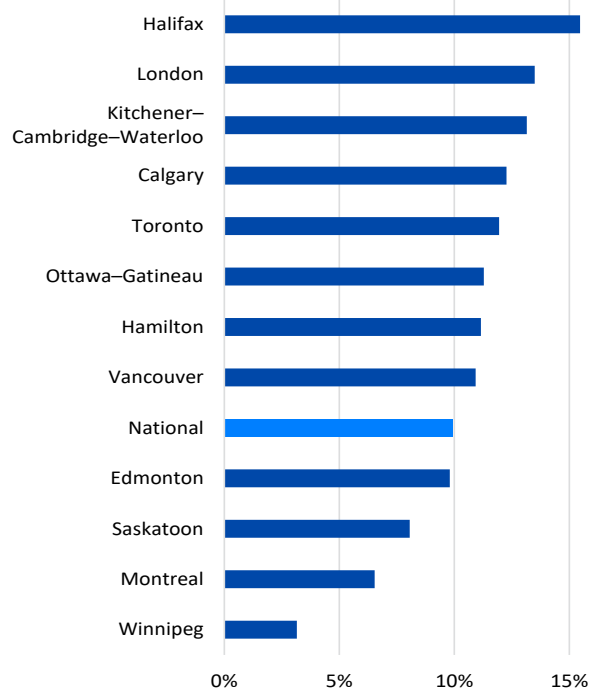


Source: Yardi

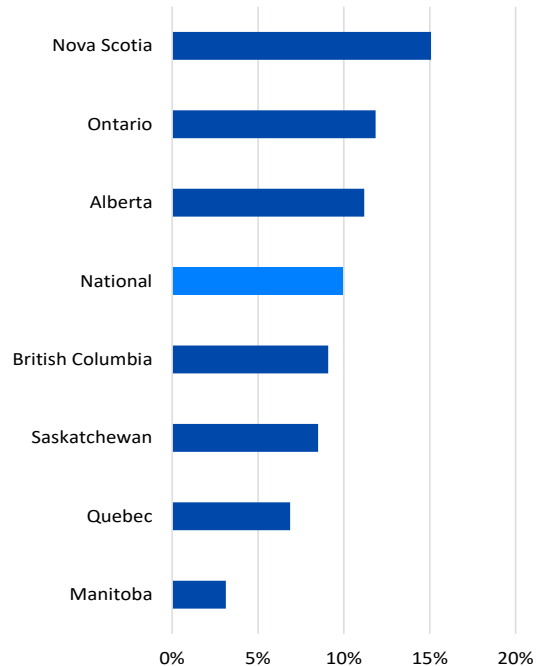
New Lease Growth Remains Robust Across Canada

- The growth rate for lease-over-lease rents—which represent new leases on units that are re-leased after becoming vacant—moderated slightly to 10.0% in Q2 2024. The second quarter growth rate was down by 50 basis points from Q1 and is 3.1 percentage points off the Q3 2023 peak, but is still extremely high by historical standards. Leases not subject to rent control are a good measure of supply-demand metrics. The imbalance between demand and supply in Canada is illustrated by the fact that eight of the 12 major CMAs tracked by Yardi have recorded new lease growth of at least 10.0% year-over-year for eight straight quarters. But rent growth is limited by affordability and inflation.
- The CMAs with the highest new lease growth rates in Q2 2024 were Halifax (15.5%), London (13.5%) and Kitchener–Cambridge–Waterloo (13.2%). Halifax continues to experience high levels of in-migration, while suburban Ontario markets are tight due to strong demand and tepid new supply. Ontario policymakers have tried to accelerate growth, but development is being thwarted by high costs. CMAs with the lowest growth in Q2 were Winnipeg (3.2%) and Montreal (6.5%). On a provincial level, growth was led by Nova Scotia (15.1%), Ontario (11.8%) and Alberta (11.2%), while growth was lowest in Manitoba (3.1%) and Quebec (6.9%).
- New lease rates in Q2 2024 were extremely consistent across bedroom types. Rents increased by 10.1% for two-bedroom units, 10.0% for bachelor units and 9.9% for one-bedroom units. New leases rose 9.3% for three-bedroom units, which often have lower turnover. The high cost of homeownership is fueling demand, as some families cannot afford the cost of owning a home.
- The average renewal lease rate increased by 4.3% nationally, down by 10 basis points from the previous quarter, which was a multi-year high. Increases were led by markets not subject to rent control in Calgary (10.5% year-over-year) and Edmonton (7.5%).

CMA Lease-Over-Lease Rent Growth (New Leases, Q2 2024)



Province Lease-Over-Lease Rent Growth (New Leases, Q2 2024)



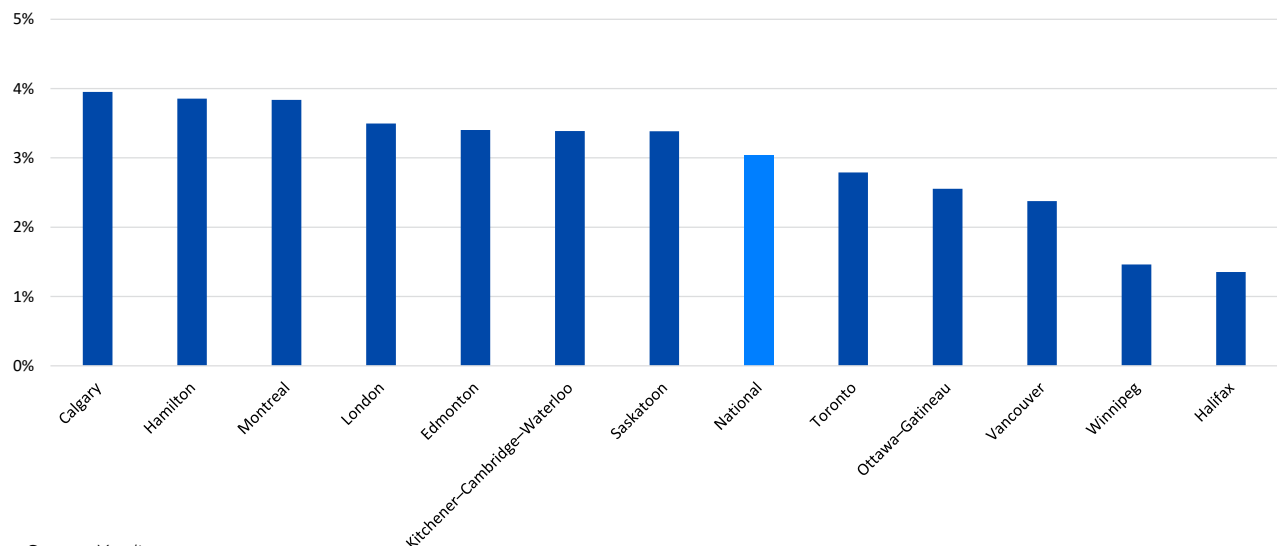
Source: Yardi

Vacancy Rates Low Overall, but Rise in Bachelor Units

- The national apartment vacancy rate rose by 10 basis points to 3.0% in Q2 2024. That is the highest rate since Q2 2022, but remains well below historical norms. Halifax (1.4%) and Winnipeg (1.5%) have the lowest vacancy rates among CMAs, and both have steadily trended downward in recent quarters. Winnipeg recorded 2,675 apartment deliveries in 2023, a multi-decade high, per the CMHC. However, despite increased construction since 2020, it is not enough to make up for the long-term shortage. Between 1990 and 2010, only one year saw more than 1,000 apartments come online in Winnipeg.
- Vacancy rates, up 30 basis points nationally since Q2 2023, are trending up in Calgary (4.0% in Q2, up 210 basis points year-over-year), London (3.5%, up 100 basis points), Kitchener (3.4%, up 40 basis points), Toronto (2.8%, up 70 basis points) and Vancouver (2.4%, up 60 basis points). The increase is concentrated in bachelor units, where the vacancy rate in Q2 was 5.3% nationally, 8.1% in Saskatoon, 6.4% in Toronto, 6.0% in London and 5.2% in Calgary and Vancouver. With monthly costs so high, many renters see more value in sharing larger units with roommates than living alone in a bachelor unit.
- The annual turnover percentage, which measures the number of residents that did not renew leases over the previous 12 months, continues to drop. The turnover rate was 22.9% in Q2 2024, down 10 basis points from the previous quarter and 60 basis points year-over-year. The annual turnover rate was in the 28% range in 2020 and has steadily declined since.
- Apartment starts are stagnant, presaging a leveling of completions going forward. Annualized starts totaled 171,000 nationally as of May 2024, which is in line with levels over the past two years, per the CMHC.

Canada's apartment vacancy rate inched up in Q2 but remains tight.

CMA Vacancy Rates (Q2 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	12.9%	12.3%	4.0%	38.0%	5.2%	32
Saskatoon	9.0%	8.1%	3.4%	40.1%	6.5%	31
Edmonton	8.5%	9.8%	3.4%	35.7%	5.0%	35
Halifax	7.0%	15.5%	1.4%	16.9%	3.2%	31
Kitchener- Cambridge-Waterloo	6.7%	13.2%	3.4%	16.4%	5.5%	14
London	6.3%	13.5%	3.5%	18.8%	8.8%	16
National	6.3%	10.0%	3.0%	22.9%	6.1%	21
Ottawa-Gatineau	6.1%	11.3%	2.6%	22.0%	10.7%	14
Toronto	5.6%	12.0%	2.8%	11.7%	5.6%	14
Hamilton	5.4%	11.2%	3.9%	15.4%	9.5%	12
Montreal	5.0%	6.5%	3.8%	28.7%	*	*
Vancouver	4.9%	10.9%	2.4%	17.9%	7.7%	16
Winnipeg	4.3%	3.2%	1.5%	29.3%	5.1%	31

* Sample size is too small to produce a reliable data set in this category. | Source: Yardi, all data as of Q2 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	\$1,529	8.6%	5.2%	21.7%
Toronto	\$1,454	12.3%	6.4%	17.7%
National	\$1,232	10.0%	5.3%	29.2%
Calgary	\$1,205	*	5.2%	43.3%
Hamilton	\$1,165	*	4.0%	10.0%
Halifax	\$1,154	*	2.2%	31.6%
Montreal	\$1,154	7.5%	5.2%	39.6%
Ottawa-Gatineau	\$1,119	13.3%	4.6%	24.1%
London	\$1,097	*	6.0%	26.9%
Edmonton	\$1,075	7.0%	4.7%	42.2%
Saskatoon	\$996	*	8.1%	56.4%
Kitchener-Cambridge-Waterloo	\$984	*	2.0%	12.7%
Winnipeg	\$951	1.7%	1.5%	33.0%

* 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	\$1,777	11.9%	2.0%	18.6%
Toronto	\$1,605	12.2%	3.1%	13.7%
Kitchener-Cambridge-Waterloo	\$1,481	11.6%	4.9%	20.8%
National	\$1,402	9.9%	3.2%	24.9%
Calgary	\$1,378	12.5%	3.8%	38.9%
Montreal	\$1,322	7.4%	3.7%	30.6%
Ottawa-Gatineau	\$1,318	10.4%	2.9%	25.2%
Halifax	\$1,312	13.8%	1.5%	19.4%
Hamilton	\$1,272	13.2%	5.0%	17.6%
Saskatoon	\$1,259	7.6%	4.8%	47.9%
London	\$1,227	13.9%	3.8%	22.6%
Winnipeg	\$1,227	2.2%	1.3%	28.5%
Edmonton	\$1,227	9.3%	3.8%	38.1%

Source: Yardi

2-Bedroom Unit Data by CMA	Lease-over-Lease		Vacancy Rate	Annual Turnover %
	In-Place Rents	Rents		
Vancouver	\$2,118	11.0%	2.1%	16.3%
Toronto	\$1,807	11.7%	2.1%	9.4%
Montreal	\$1,787	5.8%	3.4%	23.5%
Calgary	\$1,660	12.6%	3.9%	35.8%
Kitchener- Cambridge-Waterloo	\$1,658	14.9%	2.8%	14.4%
National	\$1,640	10.1%	2.6%	20.9%
Hamilton	\$1,524	9.2%	2.9%	14.1%
Ottawa-Gatineau	\$1,523	11.8%	2.0%	19.3%
Halifax	\$1,516	16.5%	1.1%	13.7%
Winnipeg	\$1,508	4.1%	1.3%	29.3%
Edmonton	\$1,459	10.5%	2.9%	34.7%
Saskatoon	\$1,444	8.0%	2.5%	37.0%
London	\$1,409	13.2%	3.0%	16.0%

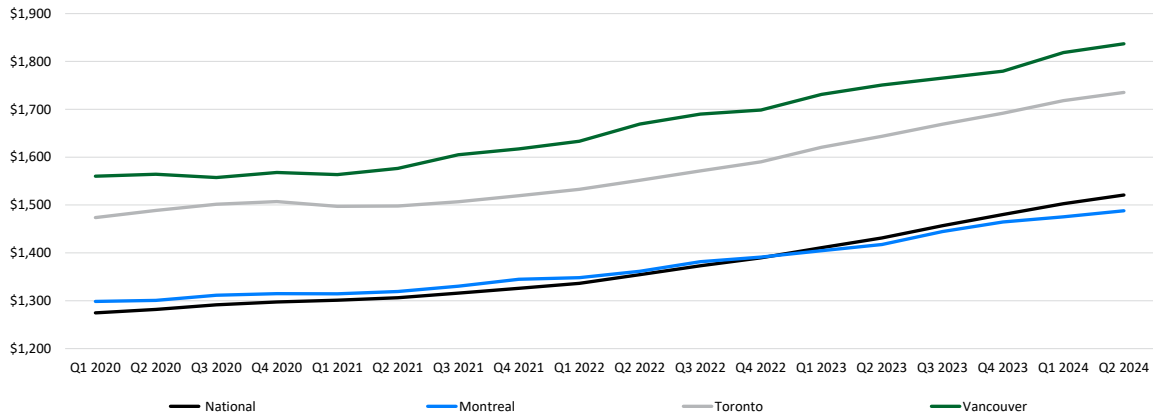
Source: Yardi

3-Bedroom Unit Data by CMA	Lease-over-Lease		Vacancy Rate	Annual Turnover %
	In-Place Rents	Rents		
Vancouver	\$2,466	4.9%	2.0%	13.1%
Montreal	\$2,238	3.7%	4.3%	21.8%
Toronto	\$2,043	12.4%	1.4%	6.6%
Calgary	\$1,918	11.9%	4.6%	33.4%
Kitchener- Cambridge-Waterloo	\$1,909	*	1.9%	11.1%
National	\$1,879	9.3%	2.6%	18.0%
Winnipeg	\$1,833	2.7%	2.4%	35.9%
Hamilton	\$1,787	*	1.9%	7.8%
Ottawa-Gatineau	\$1,692	18.2%	1.4%	13.9%
Edmonton	\$1,664	8.0%	3.7%	29.5%
Halifax	\$1,629	*	2.6%	15.2%
Saskatoon	\$1,605	*	4.0%	35.7%
London	\$1,595	*	4.2%	15.9%

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

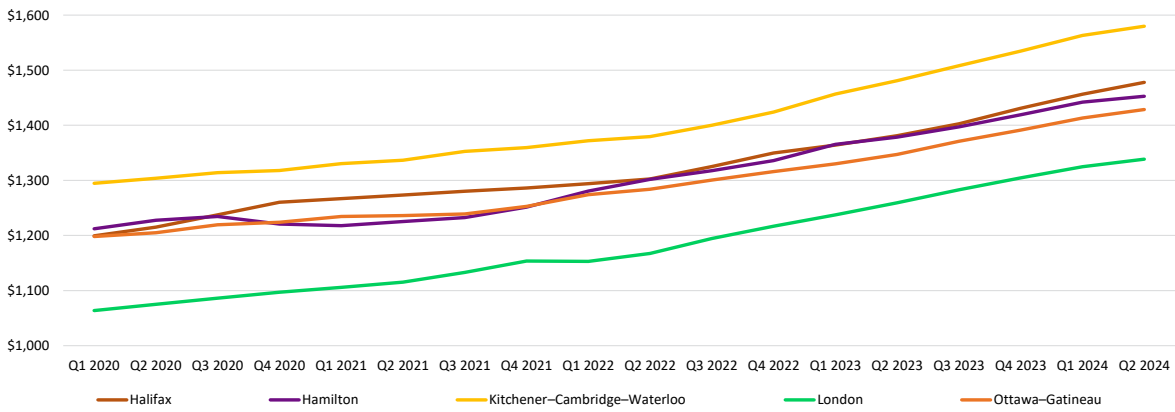
Historical In-Place Rents

National and Major CMA In-Place Rents



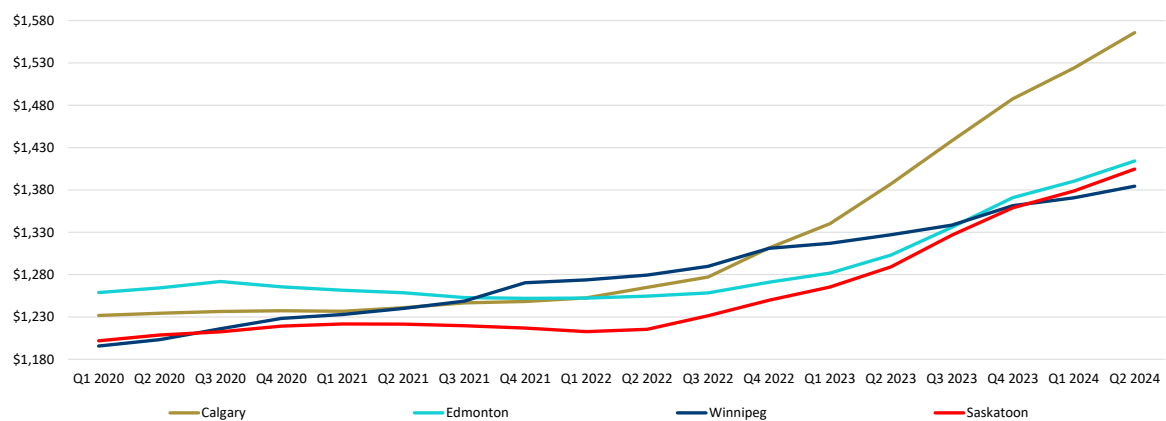
Source: Yardi

Smaller Eastern CMA In-Place Rents



Source: Yardi

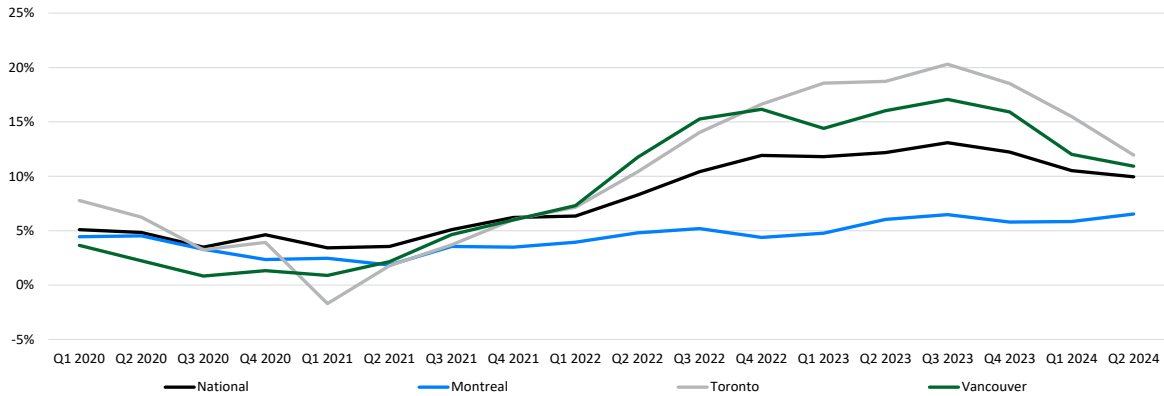
Smaller Western CMA In-Place Rents



Source: Yardi

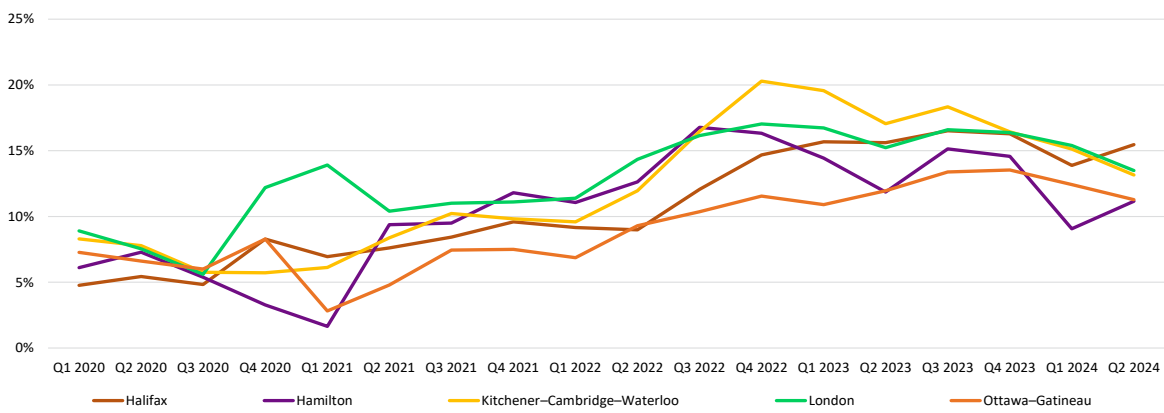
Historical New Lease Rent Growth

National and Major CMA New Lease Rent Growth



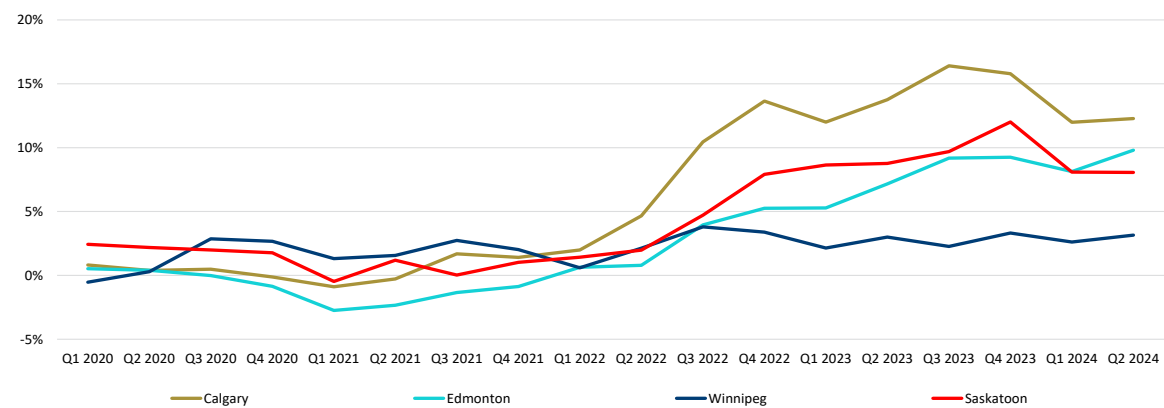
Source: Yardi

Smaller Eastern CMA New Lease Rent Growth



Source: Yardi

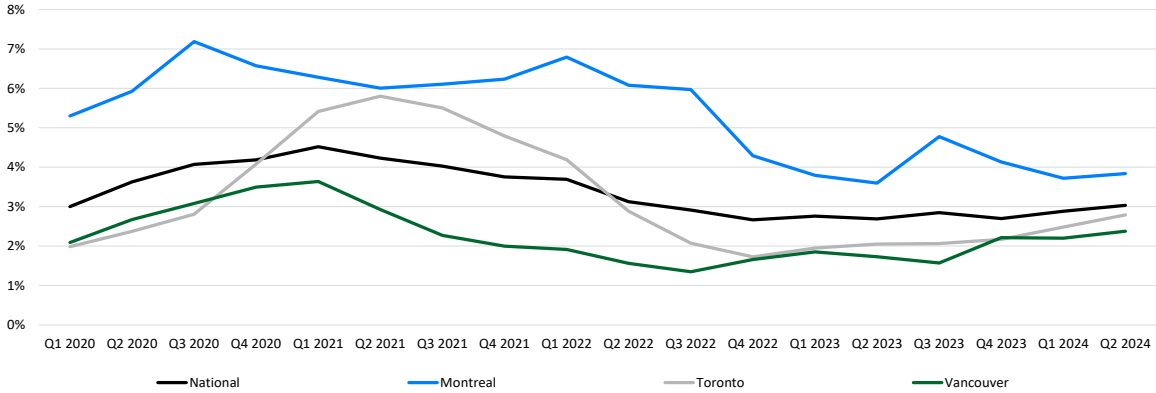
Smaller Western CMA New Lease Rent Growth



Source: Yardi

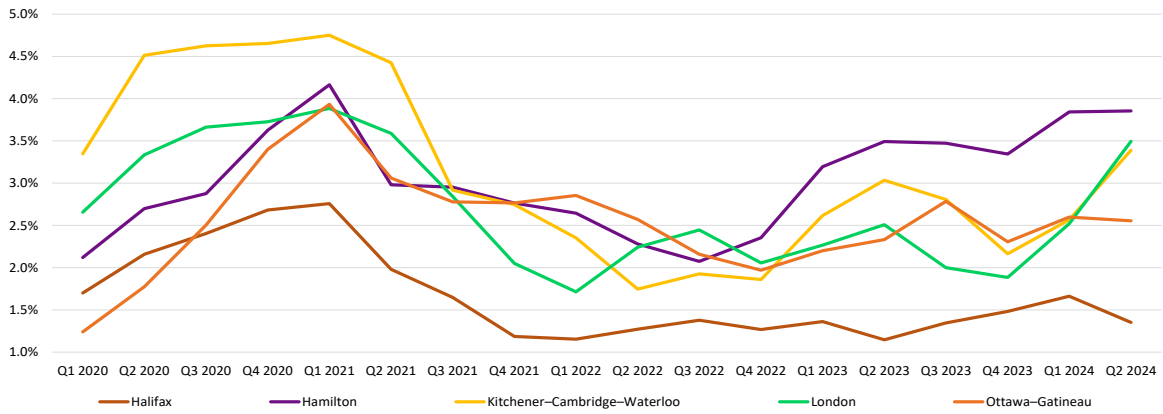
Historical Vacancy Trends

National and Major CMA Vacancy Trends



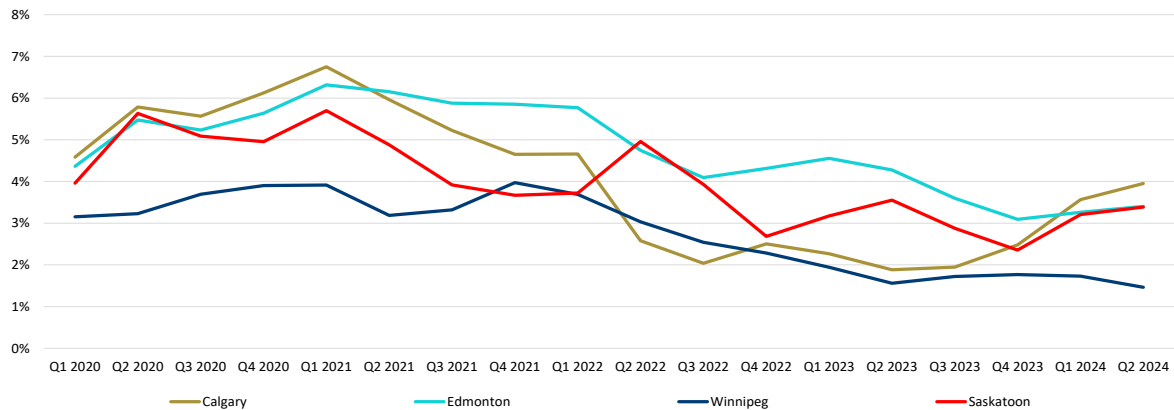
Source: Yardi

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 5,400 properties that represent more than 476,000 private rental units across Canada.

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