Canadian National Multifamily Report

First Quarter 2024

Canadian Apartment Insights and Analysis

- Canada's multifamily market maintained its strong performance through the end of 2023, and more of the same is on tap for 2024, given the supply-demand dynamics. The national average in-place rent increased 6.5% year-over-year to an all-time high of $1,480, driven by robust increases in new leases. The national vacancy rate dropped to 2.7%, the lowest level in years. With immigration scheduled to continue full bore in coming years, demand for apartments will remain robust.

- Canada's economy decelerated in the second half of 2023, and is expected to remain weak through the first half of 2024. GDP growth was roughly 1.0% in 2023, and consensus forecasts expect growth of less than 1.0% for the full year in 2024. Consumers are increasingly tapped out by inflation and growing debt-service costs owing to high interest rates.

> Multifamily produced record-high rent growth in 2023, while vacancies are at multi-year lows. Yardi expects supply-demand dynamics to remain favourable in 2024.

- Employment growth has been positive, but decelerated in the second half of the year. For full-year 2023, Canada added more than 430,000 jobs, but only 43,000 in the fourth quarter. Job creation also seems disappointing in light of the country admitting more than 400,000 permanent residents and about one million total residents during the year. The unemployment rate is 5.8%, which is good by historical standards but has climbed 80 basis points since bottoming in the spring. Housing sales remain weak, but prices have stabilized, with the average home price flattening year-over-year at roughly $650,000. Demand remains strong, but high mortgage rates keep homeownership unaffordable, boosting the rental market.

- The Bank of Canada has held policy rates steady at 5.0% since the summer, and further increases seem unlikely. Inflation has been inching closer to the target rate, down to 3.1% in November. What's more, the BOC might be wary of weakening demand for goods, with the economy moving dangerously close to negative growth. Millions of Canadian mortgage holders are impacted in the short term by higher rates, either through increased monthly payments or by reducing the amount of principal they pay down each month.

Market Rent Growth Reinforces Supply Issue

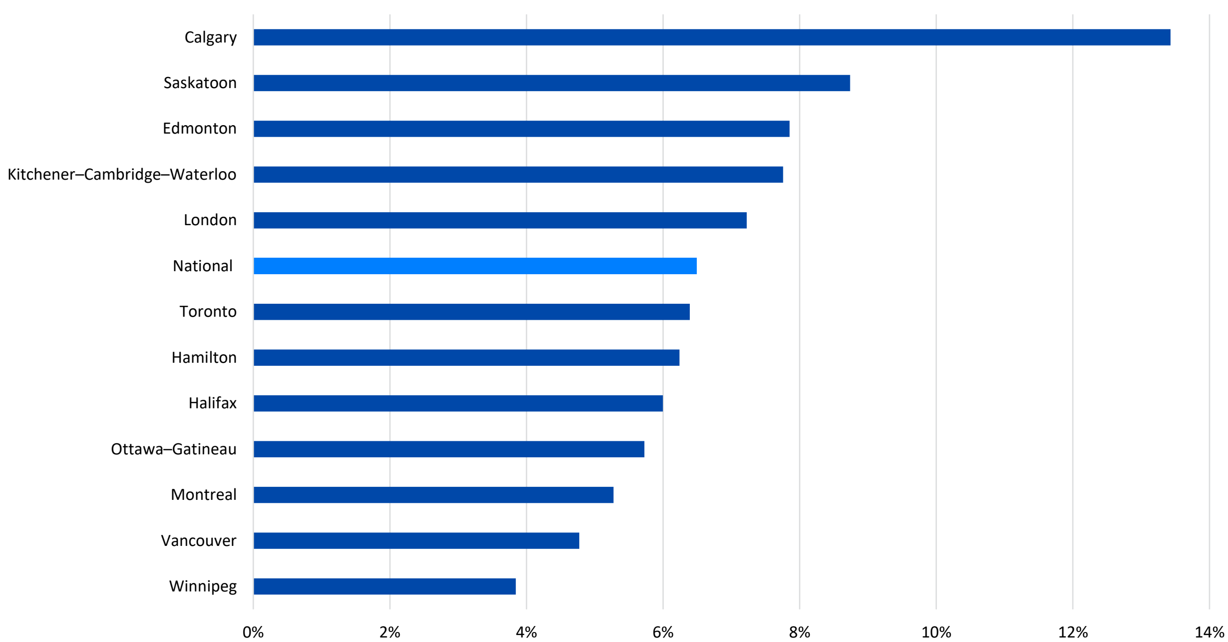
- The average national in-place rent increased by $23 in Q4 2023, up 1.6% quarter-over-quarter to a record-high $1,480. With strong increases in both renewals and new leases, the year-over-year growth rate rose for the ninth consecutive quarter, to 6.5%. In-place rents represent an aggregation of all rents in a given Census Metropolitan Area, including those for new leases, renewals and existing leases.

- Alberta, boosted by in-migration from households seeking affordable housing, led provinces with 10.4% year-over-year growth. Alberta's average in-place rents rose to $1,416, up $41 in one quarter and $133 for the year. Calgary led CMAs, with average rents up $50 in the quarter to $1,488, up 3.5% for the quarter and 13.4% year-over-year. Edmonton's average rent increased by $35 in Q4 2023 to $1,371, up 2.6% for the quarter and 7.9% year-over-year.

- The need for new supply is illustrated in the contrast between the U.S. and Canada. Both countries saw strong demand and rent growth in 2021 and 2022. But in 2023 rent growth increased in Canada while flattening in the U.S. The difference? A big factor is the sharp supply response in the U.S., particularly in fast-growing Sun Belt metros, where deliveries are the highest. While the U.S. also has issues with NIMBYism and entitlement processes, 1.2 million apartment units are now under construction, with more than 1 million units to be delivered over the next two years.

- In contrast, there has been a disconnect between housing and immigration policies in Canada. Housing construction remains weak while population is growing at a much faster rate than in the U.S. Consequences include rapid rent growth, some households migrating to different CMAs in search of more affordable locations, and others unable to move to avoid substantial increases in housing costs.

Year-Over-Year In-Place Rent Growth (Q4 2023)



Source: Yardi

New Lease Rent Growth Slows, but Remains Robust

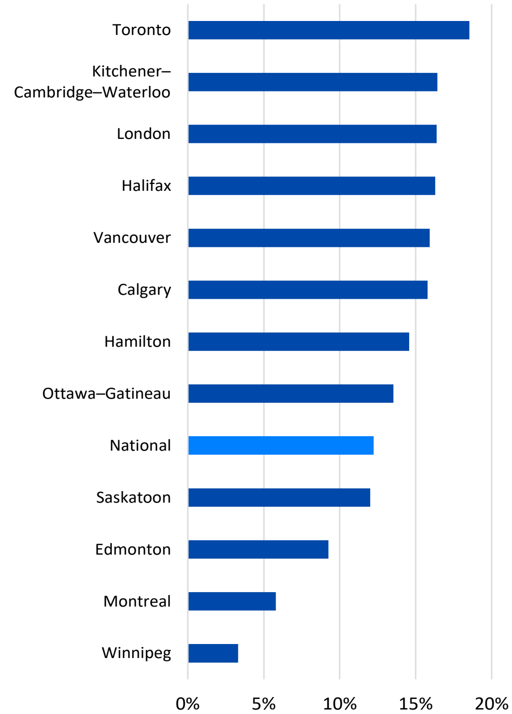
- The growth rate for lease-over-lease rents—which represent new leases on units that are re-leased after becoming vacant—moderated slightly in Q4 2023 but remains extremely high. Nationally, lease-over-lease rents increased by 12.2% year-over-year in Q4 2023, 90 basis points less than the 13.1% growth rate the previous quarter. It is also the first decline since Q1 2021, possibly a sign of rents peaking due to the trickle of new supply or the impact of affordability. Leases not subject to rent control in most jurisdictions are a good measure of supply-demand metrics.

- New-lease rent growth was strong across Canada, topping double digits in nine of the 12 CMAs and five of seven provinces tracked by Yardi. Year-over-year growth was highest in Nova Scotia (16.1%) and Ontario (15.8%).

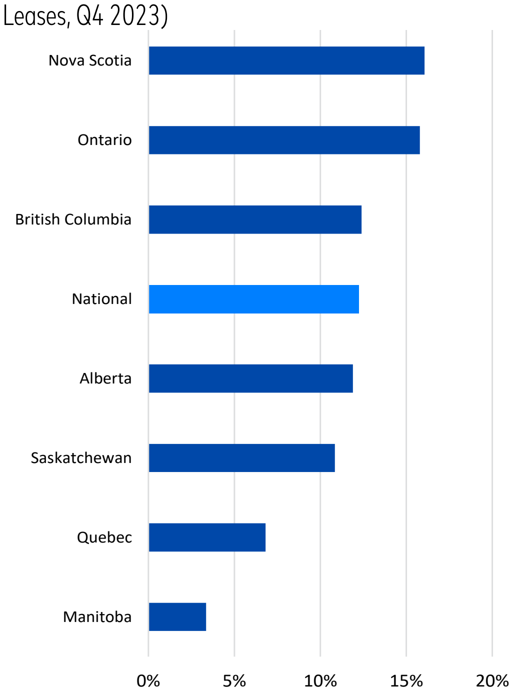
- Toronto, whose population is rising rapidly as a destination for students and immigrants, led CMAs with an 18.5% increase. Other CMAs with strong growth included Kitchener-Cambridge-Waterloo and London (both 16.4%), and Halifax (16.3%). The weakest growth was in Manitoba (3.4%), mainly because Winnipeg (3.3%) is not experiencing the robust gains seen in other CMAs.

- Rent growth is strong in Quebec (6.8%), but not at the levels recorded in other parts of the country. Quebec's largest market, Montreal (5.8%), is home to five universities, and benefits from the large student population coming from within Canada and abroad. The pool of educated workers helps create a diverse economy and made Montreal a destination for artificial intelligence research. However, student population growth is slowing owing to rising tuition costs, and many students don't remain in Quebec after graduation. Quebec also attracts fewer permanent immigrants relative to other provinces because of French language requirements. Montreal's downtown rent growth is weak, as several high-rise housing developments have been slow to fill, while rent growth is higher in suburbs where demand is stronger and there are fewer deliveries.

CMA Lease-Over-Lease Rent Growth
(New Leases, Q4 2023)



Province Lease-Over-Lease Rent Growth
(New Leases, Q4 2023)



Source: Yardi

Vacancy Rate, Turnover Reach Multi-Year Lows

> A consensus has emerged around the need to build more housing.

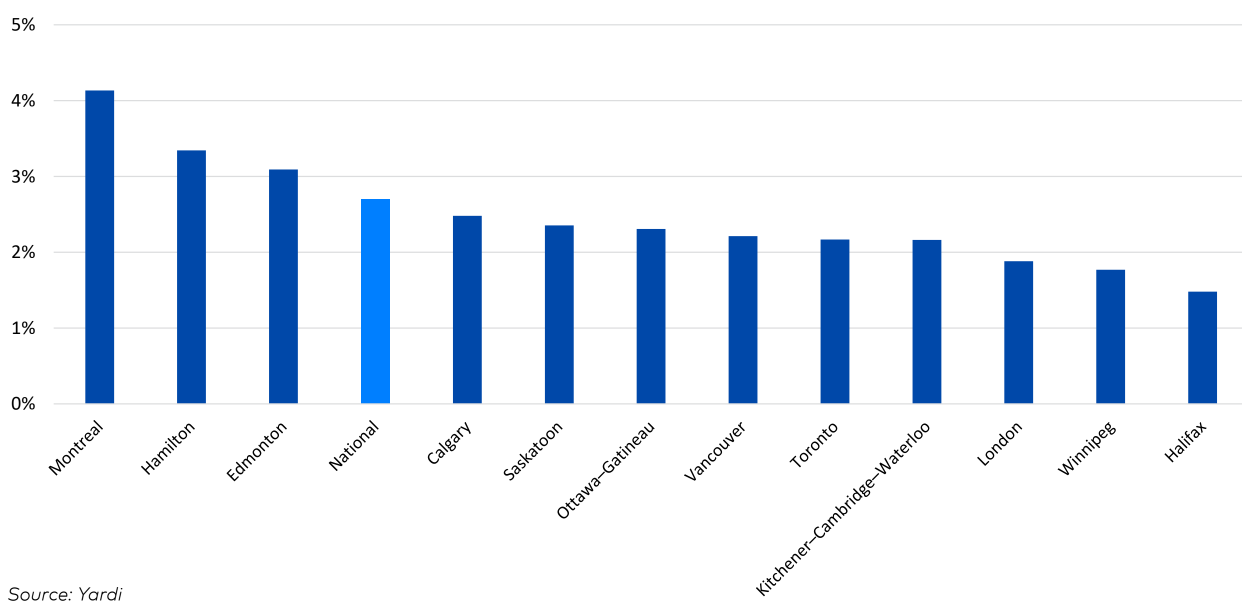
- With robust demand hitting up against weak supply growth, the national apartment vacancy rate matched its all-time low of 2.7% in Q4 2023. The rate has bounced between 2.7% and 2.9% for six straight months. The vacancy rate is lowest among provinces in Nova Scotia (1.5%), Manitoba (1.8%) and Ontario (2.3%), reflecting the performance of major CMAs Halifax (1.5%), Winnipeg (1.8%), London (1.9%) and Kitchener–Cambridge–Waterloo, Toronto and Vancouver (2.2%). Rent growth has been strong in Nova Scotia and Ontario, but weak in Winnipeg and Manitoba despite the high occupancy rate.

- The annual turnover percentage rate, which measures the number of residents that do not renew leases over the previous 12 months, fell to 23.0% in Q4 2023, the lowest level since Yardi began tracking the metric. The annual rate has fallen for at least 10 quarters nationally and in provinces including Ontario (14.9% in Q4 2023), Nova Scotia (17.4%) and British Columbia (21.6%).

- Signs of a severe housing shortage come not only from low vacancy/turnover rates but also Yardi's digital prospect data. Nationally, apartment owners had 17 digital prospects per 100 units in Q4 2023, the lowest number since Yardi began tracking the data and down 15% from 20 in Q4 2022. Further, digital prospect conversion was up from 4.7% to 5.4% in the same period. This reflects diminishing choices in market and relatively stronger lead-to-lease rates.

- The good news is that a consensus has emerged around the need to build more housing, and federal and provincial governments are taking action to stimulate growth. For example, housing developers are exempt from the 5% goods and services tax and 13% Ontario provincial harmonized tax, and the federal government is deploying a $4 billion Housing Accelerator Fund. However, starts are declining due to increasing costs of construction materials and labour and the difficulty in lining up debt.

CMA Vacancy Rates (Q4 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	13.4%	15.8%	2.5%	35.4%	6.3%	23
Saskatoon	8.7%	12.0%	2.4%	41.3%	5.8%	21
Edmonton	7.9%	9.2%	3.1%	36.6%	5.6%	24
Kitchener–Cambridge–Waterloo	7.8%	16.4%	2.2%	16.7%	2.8%	19
London	7.2%	16.4%	1.9%	18.4%	5.2%	17
National	6.5%	12.2%	2.7%	23.0%	5.4%	17
Toronto	6.4%	18.5%	2.2%	11.6%	3.7%	13
Hamilton	6.2%	14.6%	3.3%	16.0%	6.6%	14
Halifax	6.0%	16.3%	1.5%	17.3%	2.5%	28
Ottawa–Gatineau	5.7%	13.5%	2.3%	22.2%	7.7%	11
Montreal	5.3%	5.8%	4.1%	29.1%	*	*
Vancouver	4.8%	15.9%	2.2%	18.4%	7.6%	12
Winnipeg	3.8%	3.3%	1.8%	30.2%	7.5%	18

** Sample size is too small to produce a reliable data set in this category. | Source: Yardi, all data as of Q4 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	$1,486	12.5%	4.6%	23.4%
Toronto	$1,421	19.5%	4.3%	17.0%
National	$1,199	12.3%	4.1%	29.8%
Calgary	$1,142	*	3.1%	39.1%
Montreal	$1,138	7.4%	3.7%	41.3%
Hamilton	$1,135	*	4.0%	8.5%
Halifax	$1,116	*	1.6%	27.6%
Ottawa–Gatineau	$1,090	14.1%	4.4%	26.9%
London	$1,074	*	2.1%	24.3%
Edmonton	$1,048	11.6%	4.0%	44.0%
Kitchener–Cambridge–Waterloo	$980	*	2.0%	20.7%
Saskatoon	$973	*	5.1%	64.2%
Winnipeg	$936	2.0%	1.8%	35.3%

** 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	$1,715	17.6%	1.7%	18.4%
Toronto	$1,565	18.9%	2.4%	13.5%
Kitchener–Cambridge–Waterloo	$1,450	15.3%	2.7%	20.0%
National	$1,364	12.3%	2.8%	25.0%
Calgary	$1,308	15.8%	2.6%	36.9%
Montreal	$1,307	5.7%	4.2%	31.3%
Ottawa–Gatineau	$1,286	12.4%	2.3%	25.2%
Halifax	$1,266	15.6%	1.3%	20.1%
Hamilton	$1,238	16.3%	3.7%	18.2%
Saskatoon	$1,224	10.2%	3.4%	48.9%
Winnipeg	$1,211	2.7%	1.6%	29.0%
London	$1,191	16.0%	2.4%	22.9%
Edmonton	$1,189	8.4%	3.5%	39.2%

Source: Yardi

2-Bedroom Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$2,063	15.8%	2.0%	17.1%
Toronto	$1,764	18.2%	1.6%	9.3%
Montreal	$1,757	5.4%	3.8%	23.2%
Kitchener–Cambridge–Waterloo	$1,608	17.3%	1.8%	15.1%
National	$1,597	12.2%	2.4%	21.0%
Calgary	$1,577	16.1%	2.6%	32.6%
Hamilton	$1,494	13.3%	2.8%	14.5%
Ottawa–Gatineau	$1,483	14.8%	2.2%	19.5%
Winnipeg	$1,481	3.8%	1.8%	30.2%
Halifax	$1,472	18.4%	1.2%	14.5%
Edmonton	$1,410	9.7%	2.6%	35.1%
Saskatoon	$1,398	12.6%	1.8%	38.7%
London	$1,377	16.8%	1.6%	15.5%

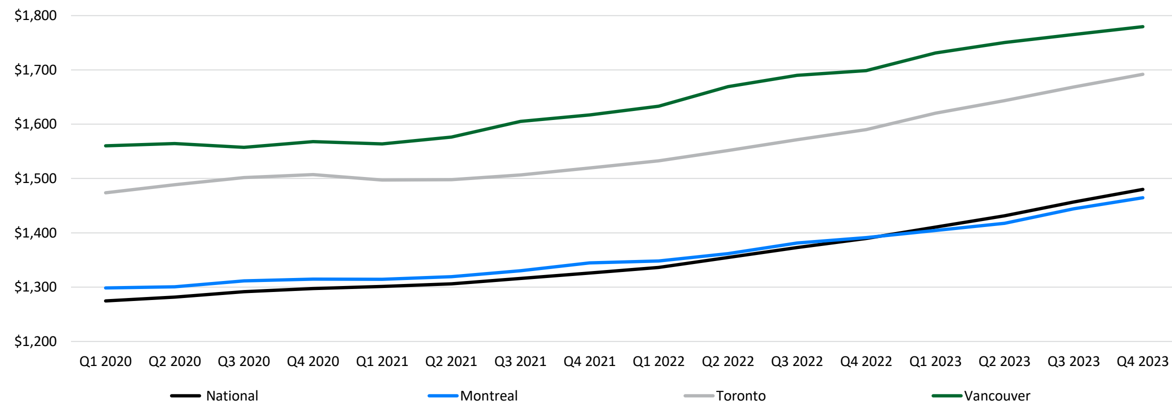
Source: Yardi

3-Bedroom Unit Data by CMA	In-Place Rents	Lease-over-Lease Rents	Vacancy Rate	Annual Turnover %
Vancouver	$2,386	9.2%	2.3%	16.0%
Montreal	$2,217	4.4%	5.2%	18.6%
Toronto	$1,994	18.3%	1.2%	7.1%
Kitchener–Cambridge–Waterloo	$1,853	*	2.1%	14.5%
National	$1,836	12.0%	2.6%	18.0%
Calgary	$1,818	*	1.7%	31.4%
Winnipeg	$1,792	3.6%	2.5%	37.9%
Hamilton	$1,744	*	2.4%	8.4%
Ottawa–Gatineau	$1,638	17.1%	1.6%	14.7%
Edmonton	$1,633	9.3%	3.5%	31.4%
Halifax	$1,583	*	3.2%	16.7%
London	$1,568	*	1.5%	12.2%
Saskatoon	$1,546	*	2.3%	35.2%

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

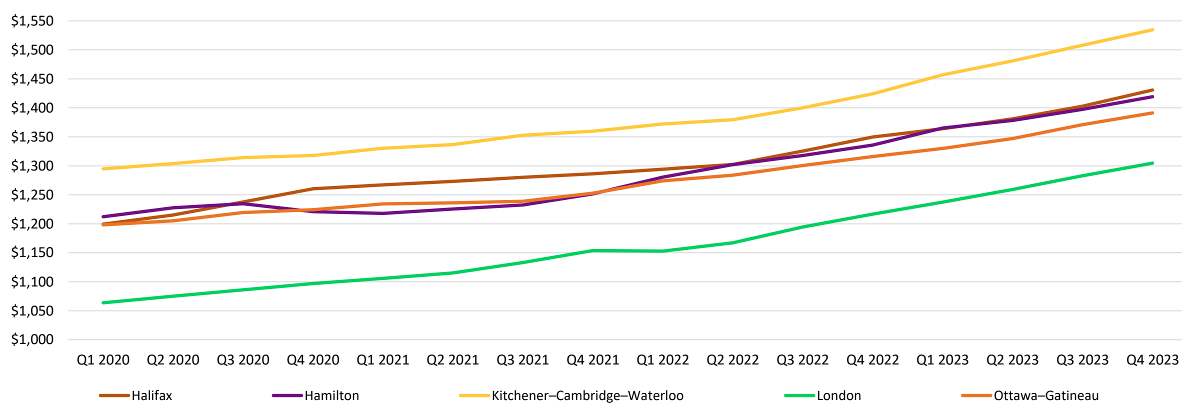
Historical In-Place Rents

National and Major CMA In-Place Rents



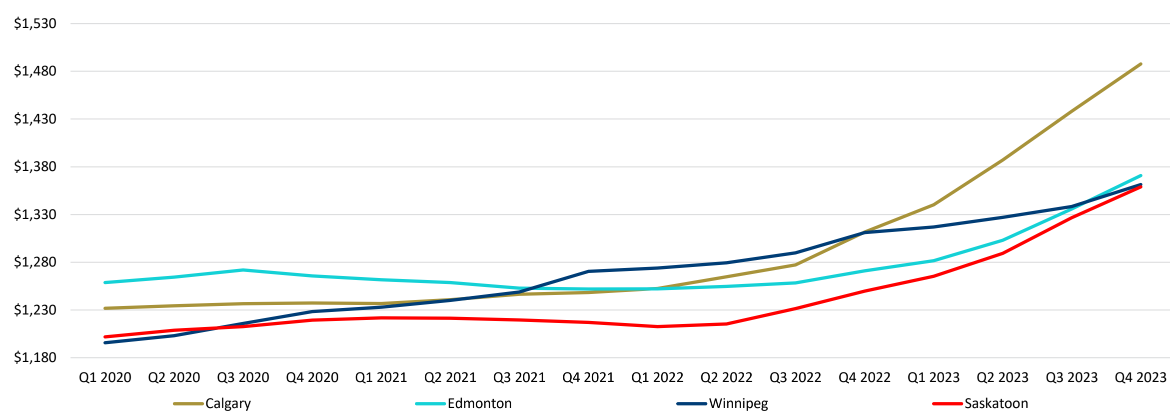
Source: Yardi

Smaller Eastern CMA In-Place Rents



Source: Yardi

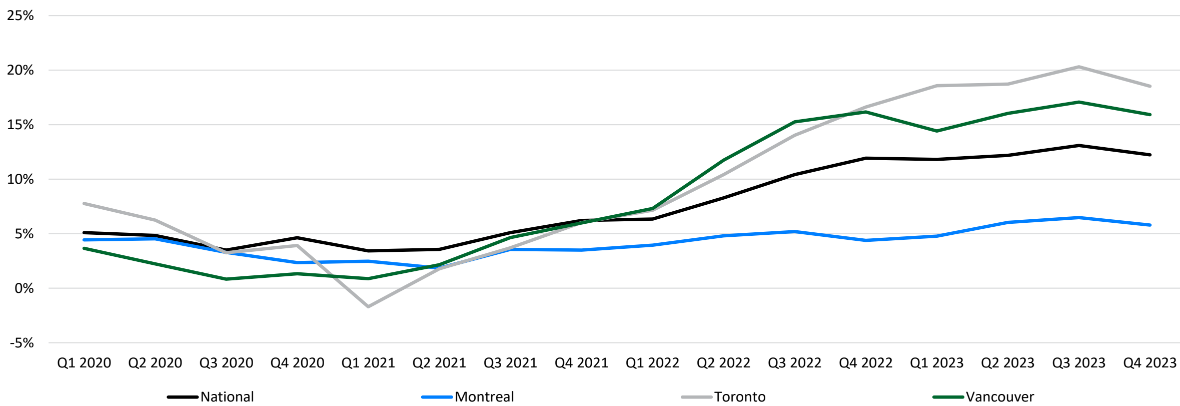
Smaller Western CMA In-Place Rents



Source: Yardi

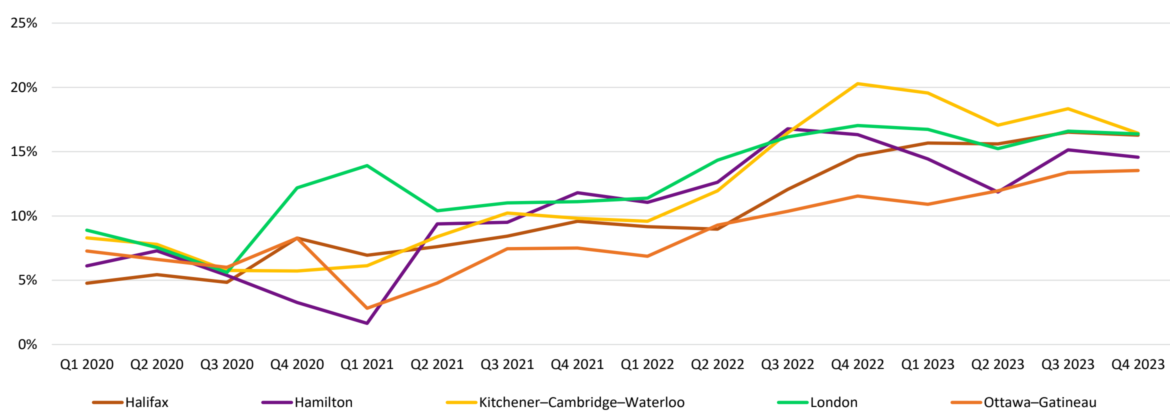
Historical New Lease Rent Growth

National and Major CMA New Lease Rent Growth



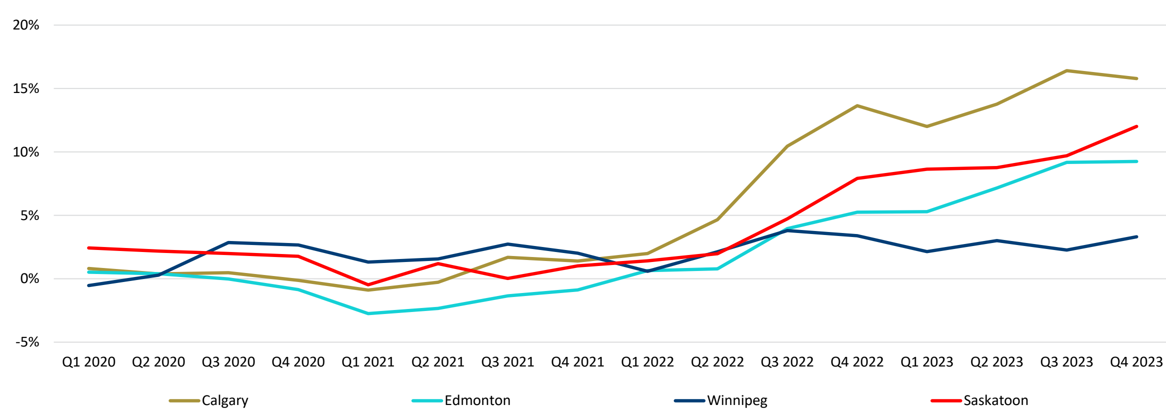
Source: Yardi

Smaller Eastern CMA New Lease Rent Growth



Source: Yardi

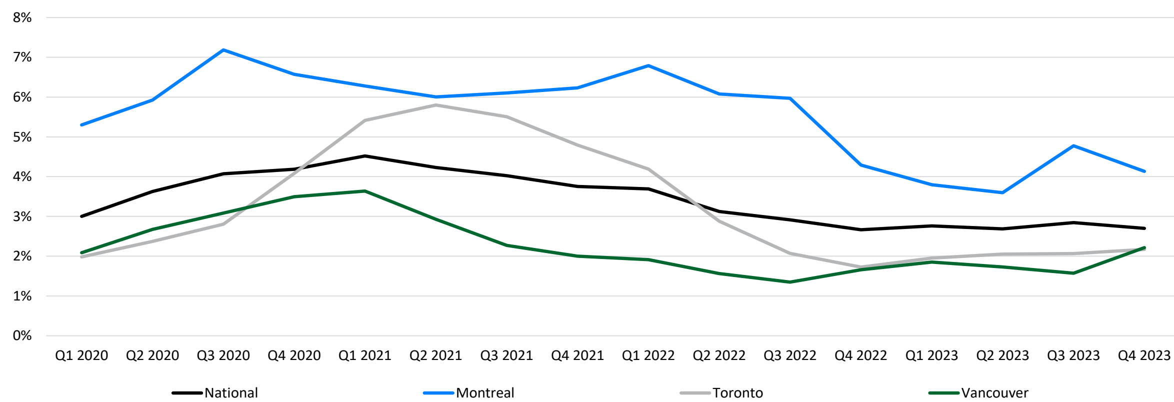
Smaller Western CMA New Lease Rent Growth



Source: Yardi

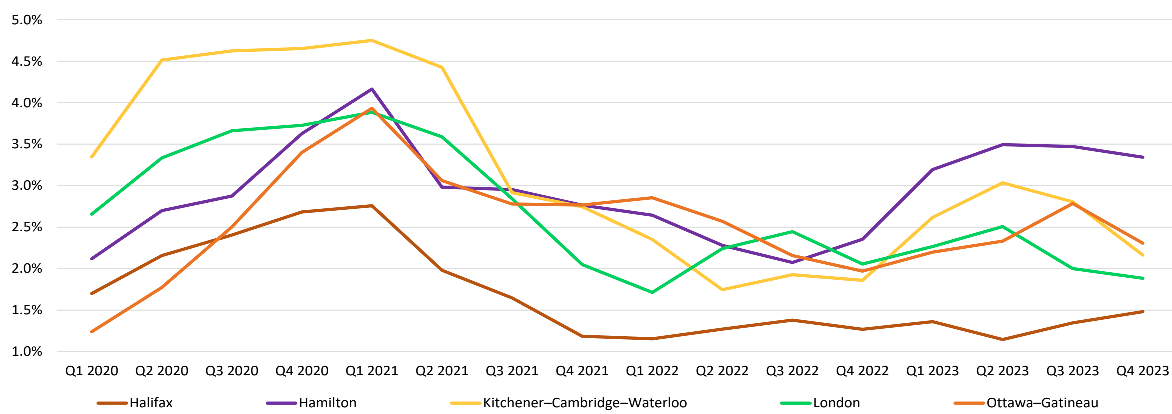
Historical Vacancy Trends

National and Major CMA Vacancy Trends



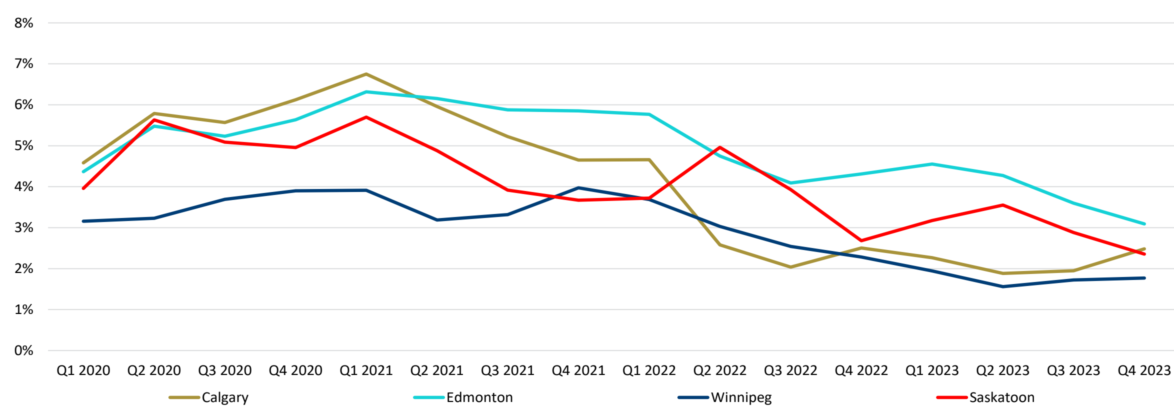
Source: Yardi

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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