

SPECIAL REPORT

2023 IMMIGRATION OUTLOOK

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Rising Immigration — Key to Canada's Population Growth and Commercial Real Estate Demand

Immigration surge to bolster multifamily and retail performance.

After a brief setback caused by the global health crisis, a brisk recovery in immigrant arrivals has lifted Canada's population growth back above its long-term trend. As the federal government now plans to welcome 1.5 million new permanent residents into Canada by 2025, the country should continue to see high demand in its apartment rental market. This will likely translate into further investment opportunities in the multifamily sector. Additionally, these new settlers will also help solidify a larger consumer base, which will help retailers weather near-term economic headwinds and fuel further expansion.

Canada's Immigration Trends

Record level of permanent resident admission. Following a sharp decline in immigration due to pandemic-related border restrictions in 2020 and 2021, Canada welcomed 437,000 new permanent residents in 2022, the highest level recorded in history. Immigrants now make up 23 per cent of Canada's population, topping the previous 1921 record of 22 per cent. Today, over 80 per cent of Canada's labour force growth stems from immigration, which plays a key role in driving the nation's economic expansion. Furthermore, the federal government's new immigration target aims to welcome another 1.5 million permanent residents by the end of 2025, which is an over 9 per cent increase from the previous target. As Canada's population continues to age and the birth rate remains low, immigration will fuel most of the nation's population growth. It is projected that immigrants will represent between 29 and 34 per cent of Canada's population by 2041.

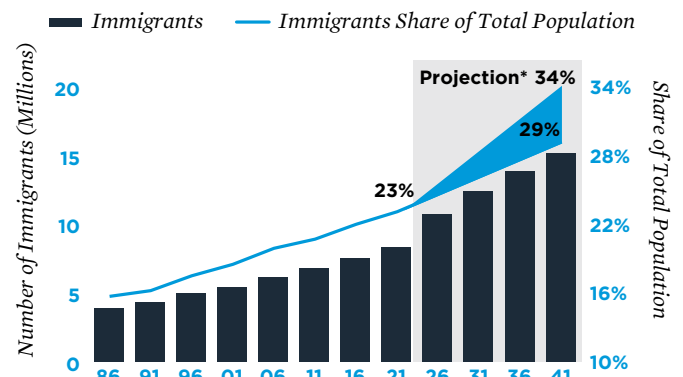
Temporary residents now the fastest-growing population group.

Known for its high standard of living and world-renowned post-secondary institutions, Canada has long been one of the top destinations for foreign workers and international students. Prior to the COVID-19 pandemic, these temporary residents contributed to roughly a third of Canada's total population growth. Between the second and fourth quarters of 2020, however, Canada experienced a net outflow of roughly 94,000 temporary residents, due to pandemic travel restrictions. This dragged down the annual population growth to just 0.4 per cent, the slowest pace recorded since 1946. Nonetheless, as Canada reopened its borders, foreign worker and student arrivals rebounded swiftly, which accounted for over 40 per cent of the population increase in the third quarter of 2022. Many temporary residents, particularly international students, are often big spenders that are crucial for the economy of some local communities across the country.

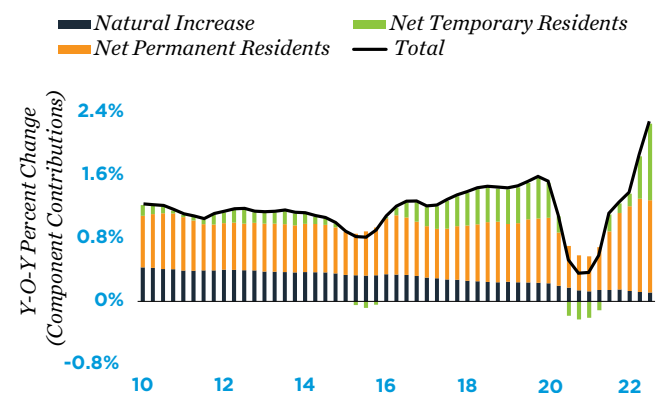
Key Takeaways

- As its natural increase reaches a multi-year low, Canada's population growth now relies heavily on immigration.
- Both permanent and temporary immigration play a key role in driving Canada's population growth.
- With a high tendency to rent, the record number of immigrants will continue to keep demand for apartments elevated.
- Suburban retailers will likely enjoy increased foot traffic from the rise in permanent residents, while the return of students will contribute more to urban retail performance.

Immigration to Canada



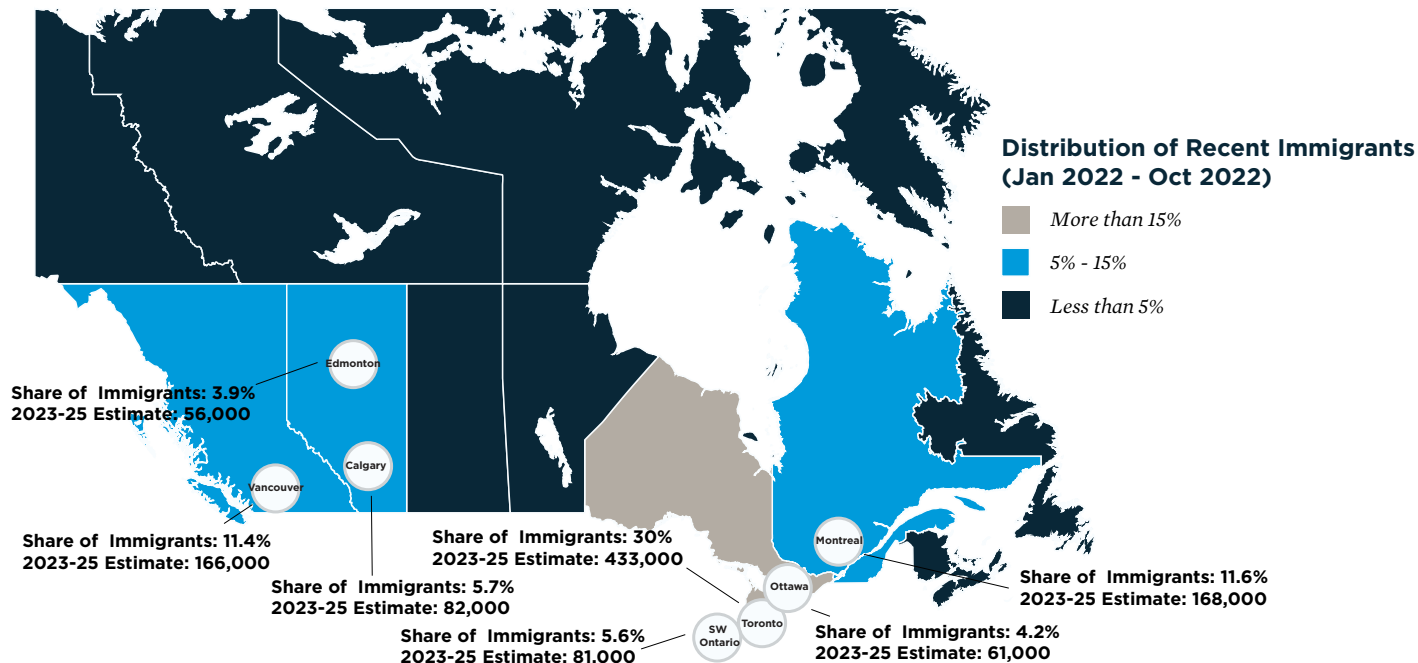
Canada Population



* Projection from Statistics Canada

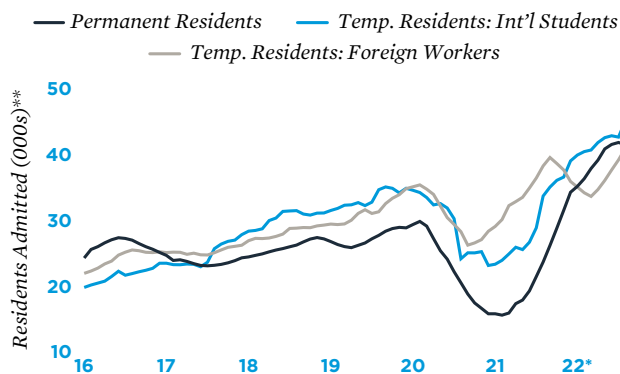
Sources: IPA Research Services; Immigration, Refugees and Citizenship Canada; Statistics Canada

Geographical Distribution of Recent and Future Immigrants

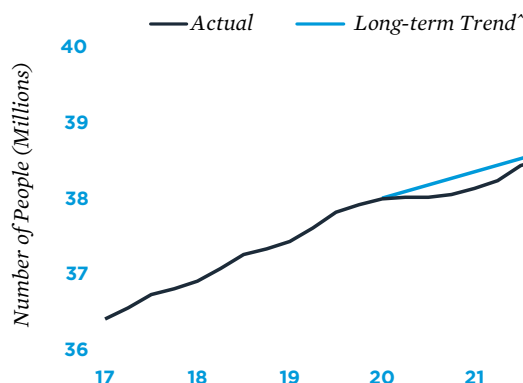


Quick rebound in new resident intake helped Canada recoup population loss. After Canada restricted international travel at the height of the pandemic, Immigration, Refugees and Citizenship Canada suspended one of its major economic immigration programs — the Federal Skilled Worker Program — from January 2021 to June 2022. Non-immigrant visa processing times also increased significantly. This caused an abrupt decline in the arrival of new residents from overseas. On a trailing 12-month basis, the monthly admission of new permanent residents almost halved from the pre-pandemic peak of 30,000 persons to roughly 15,000 in early 2021. The intake of temporary residents also registered a similar, but smaller, decrease of 27 per cent. Consequently, by early 2021, Canada had recorded a loss of 220,000 residents, or 0.6 per cent of its population, relative to its long-term population trend. As Canada reopened its borders in 2022, however, the immigration department sped up processing backlogged applications and resumed its major immigration programs, which resulted in a quick return of new residents. At the end of 2022, the number of permanent and temporary residents rose well above the pre-pandemic levels, which helped Canada's total population accelerate above its potential trend.

Admissions of Permanent and Temporary Residents



Canada Population Trend



*Through October; **12-month moving average; ^ Calculated based on population data from 4Q 1991 to 4Q 2019, assuming no impact from COVID-19 pandemic
Sources: IPA Research Services; Canada Mortgage and Housing Corporation; Immigration, Refugees and Citizenship Canada; Statistics Canada

Impact on Commercial Real Estate

New immigrants are predominantly renters. Due to high home ownership costs, most new settlers start their lives in Canada as renters. In 2018, 56 per cent of recent immigrants were living in private rented properties, which was more than double the national average. Today, immigrants — who mainly rely on mortgages to finance home purchases — face more significant barriers to homeownership, due to much higher debt-servicing costs. Foreign workers and international students are also more likely to remain in the rental market for an extended period of time, as these temporary residents tend to have less incentive to purchase homes. As a result, national multifamily vacancy currently sits at a 20-year low of 1.9 per cent, with the average effective rent registering a 7.3 per cent annual increase in 2022. These trends are likely to continue over the coming years as further immigration boosts apartment rental demand.

Multifamily construction lags behind the pace of immigration.

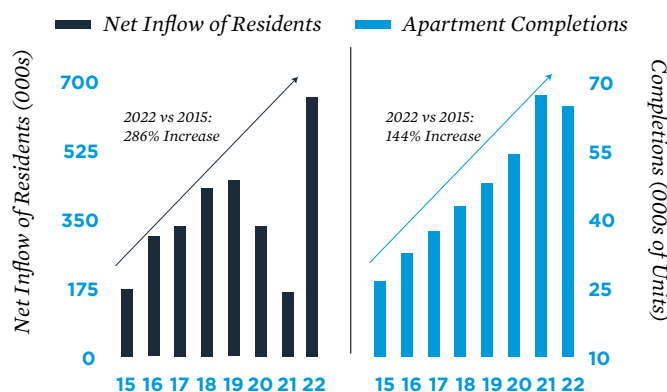
Between 2015 and 2022, the net inflow of permanent and temporary residents rose from 170,000 to 660,000, an almost 300 per cent surge. Development activity in the multifamily sector, however, has struggled to keep pace, with completions only rising 144 per cent during the same period. Onerous project approval procedures, rising construction costs, labour shortfalls and rent control policies in select metros have all hindered the pace of development, leading to a significant supply shortage and rising rents. This demand-supply imbalance has helped spur investment activity, as total dollar volume transacted tripled from \$4 to \$12 billion between 2015 and 2022. Looking ahead, elevated demand for apartments from the expected future influx of new residents will continue to bode well for investor sentiment and transaction activity over the long term.

Rise in immigration benefits retail market. As the main source of Canada's population growth, new residents generate growth in foot traffic that will be welcomed in the retail sector. Suburban retailers will likely see major gains from the rising intake of permanent residents, as an increasing number of new settlers now opt to reside away from major urban clusters. From 2016 to 2021, the share of new immigrants who chose to reside outside the six major metros rose from 26.5 per cent to 30.2 per cent. Furthermore, as Canadian universities have resumed in-person activities, the return of students will continue to support foot traffic in urban retail settings with a high concentration of post-secondary institutions, including Toronto, Montreal and Vancouver. Consequently, while a potential economic slowdown may hinder retail fundamentals in the short term, the rise in migration will expand the country's consumer base. This will lead to a further pick up in leasing activity and strengthen the long-term performance in Canada's retail sector.

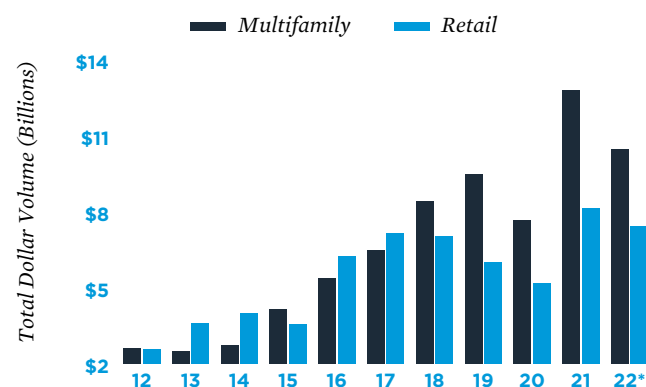
Canadian Housing Survey[^]

	Recent Immi-grants	Total Population
Owner	44%	73%
With a mortgage	40%	49%
Without a mortgage	4%	25%
Renter	56%	27%
Subsidized housing	6%	3%
Non-subsidized housing	50%	24%

Canada Immigration vs Rental Completions



Investment Sales Trends



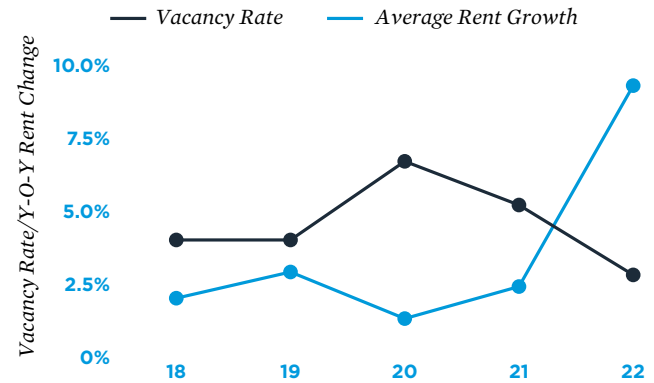
^{*} Preliminary estimates; [^] Canadian Housing Survey as of 2018

Sources: IPA Research Services; Altus Data Solutions; Canada Mortgage and Housing Corporation; Immigration, Refugees and Citizenship Canada; Statistics Canada

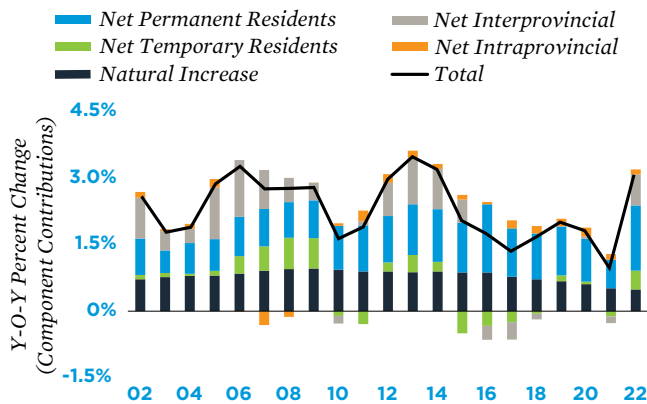
Calgary

Population growth reached nine-year high. Calgary's population expanded by 3.2 per cent in 2022, which was the highest annual growth among all major metros in Canada. International in-migration accounted for nearly 60 per cent of this population gain, with the increase in the number of permanent residents leading the way. The net influx of temporary residents — including foreign workers and international students — registered a 14-year high, reaching just below the 7,000 mark. Due to the region's strong economic performance stemming from elevated oil prices in 2022, coupled with a diversifying economy, the metro also saw a sharp rise in interprovincial migration, which was in stark contrast to a net outflow of more than 2,000 residents recorded in the prior year. The high migration into the metro fueled demand for apartments. In 2022, the average rent growth recorded a 15-year high, with the vacancy rate falling below 3 per cent for the first time since 2015.

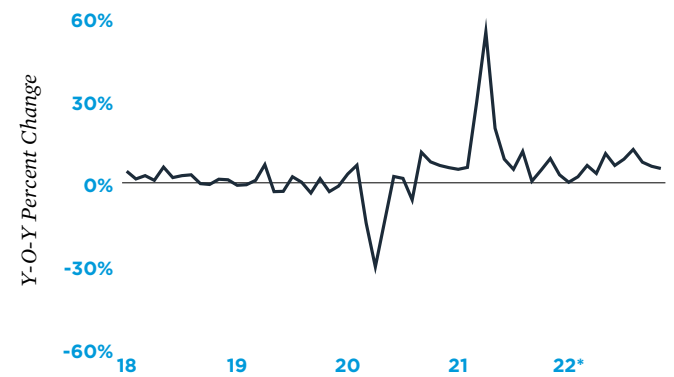
Calgary Multifamily Vacancy and Rent Trends



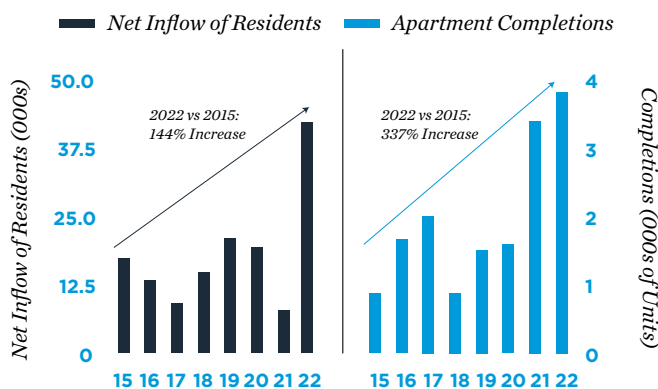
Calgary Population



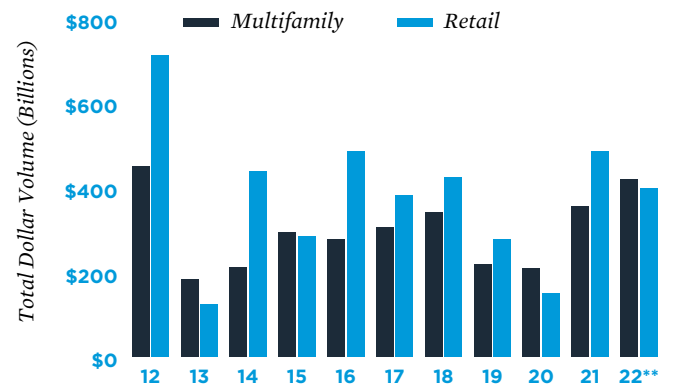
Alberta Retail Sales Trend



Calgary Resident Increase vs Rental Completions



Calgary Investment Sales Trends



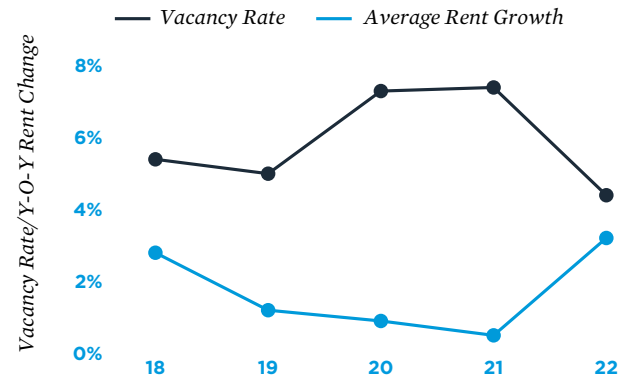
*Through November; ** Preliminary estimates

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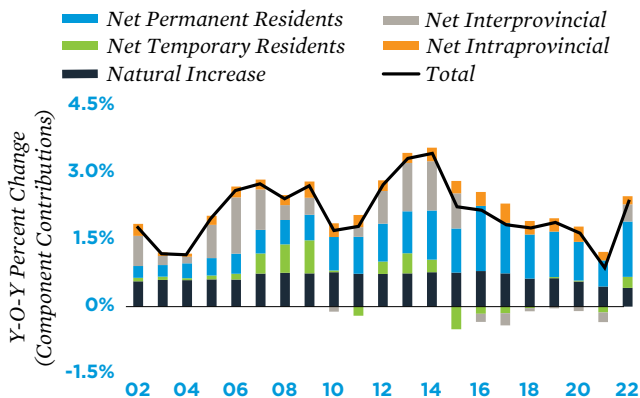
Edmonton

Population growth rose above pre-pandemic levels. Edmonton's population growth registered an 8-year high in 2022. While the natural population increase reached a 16-year low, the number of new permanent residents rose by 114 per cent, which more than offset the decrease in new births. After losing more than 12,000 residents to other provinces between 2016 to 2021, the metro welcomed a net inflow of 6,000 interprovincial migrants in 2022, which represented 16 per cent of the local population gain. Edmonton continues to benefit from a steady net resident inflow from other provinces, due to the metro's relatively affordable nature, a pick up in oil production, and an emerging technology sector, which is slowly diversifying the local economy. Furthermore, the net influx of foreign temporary residents also picked up pace following several years of sluggish growth, adding 3,600 residents to the local population. The metro's steady population growth — led by in-migration — will lead to a healthy expansion in the local consumer base, which bodes well for the retail sector.

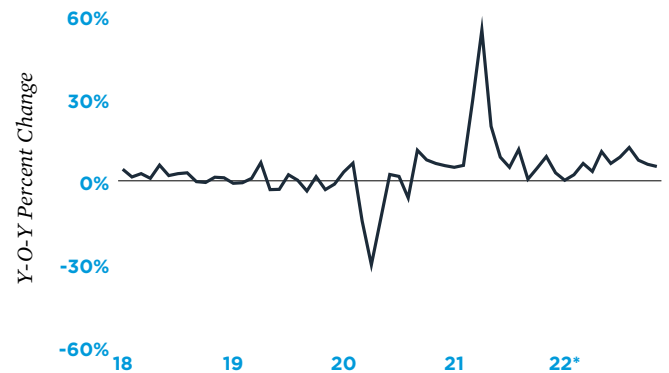
Edmonton Multifamily Vacancy and Rent Trends



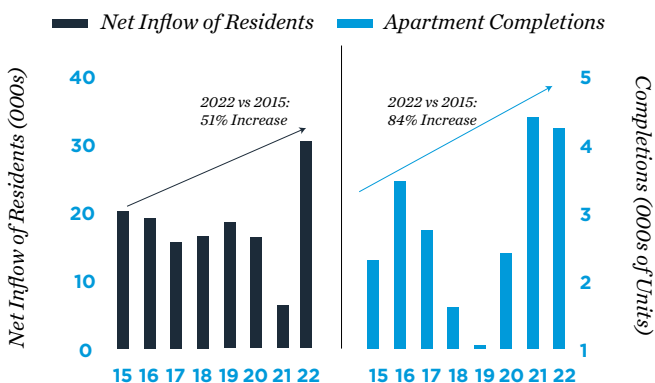
Edmonton Population



Alberta Retail Sales Trend



Edmonton Resident Increase vs Rental Completions



Edmonton Investment Sales Trends



*Through November; ** Preliminary estimates

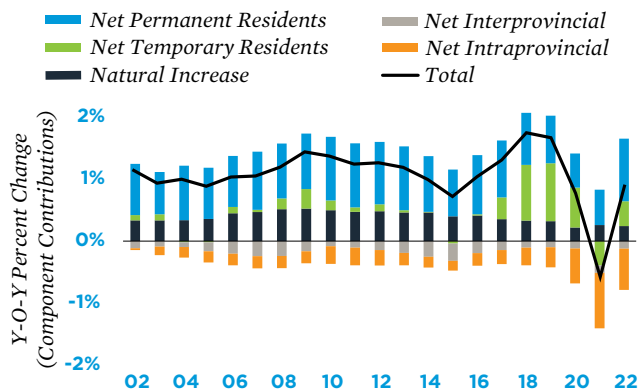
Sources: IPA Research Services; Altus Data Solutions; Canada Mortgage and Housing Corporation; Immigration, Refugees and Citizenship Canada; Statistics Canada

Montreal

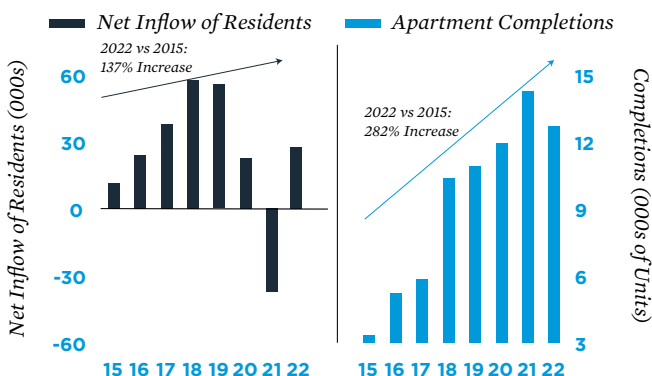
Immigration currently the largest source of population growth.

Montreal is the only major metro in Canada that saw its population shrink during the pandemic. The net loss of residents to other Québec cities and provinces more than doubled during the pandemic, rising from 18,000 in 2019 to 45,000 in 2021. This was further complicated by a net outflow of nearly 18,000 temporary residents, as international students left the city due to university campus closures. In 2022, however, the metro saw a brisk recovery in the number of temporary residents, which resulted from the resumption of in-person activities. The metro also accelerated the intake of permanent residents, welcoming the highest number of newcomers in the past 20 years. As Québec sets its own provincial immigration policy, which is independent from the federal government's plan, it has more flexibility over the province's demographic development. With a high proportion of post-secondary institutions, the metro's accelerated intake of international students will bolster the local multifamily, retail and e-commerce sectors.

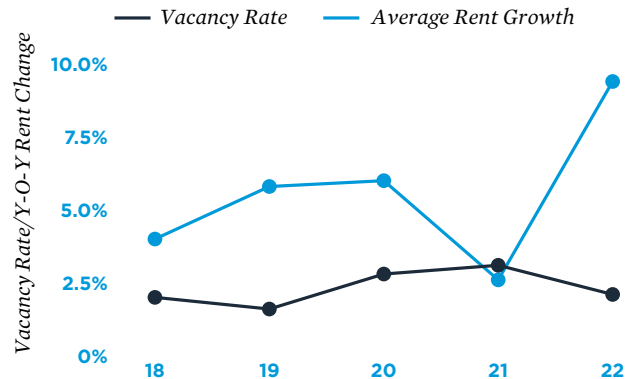
Montreal Population



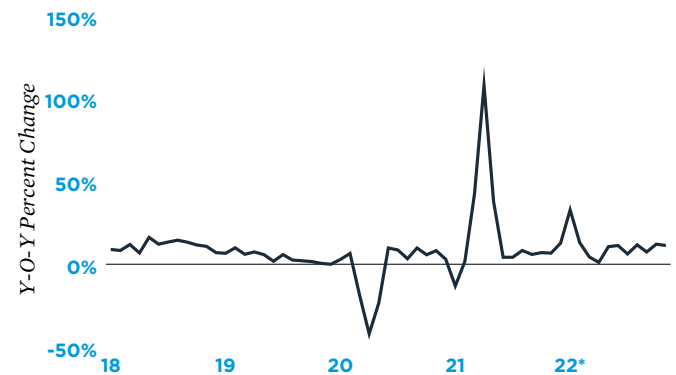
Montreal Resident Increase vs Rental Completions



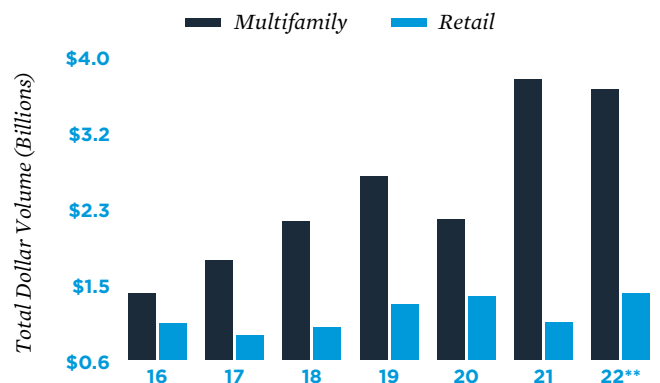
Montreal Multifamily Vacancy and Rent Trends



Montreal Retail Sales Trend



Montreal Investment Sales Trends



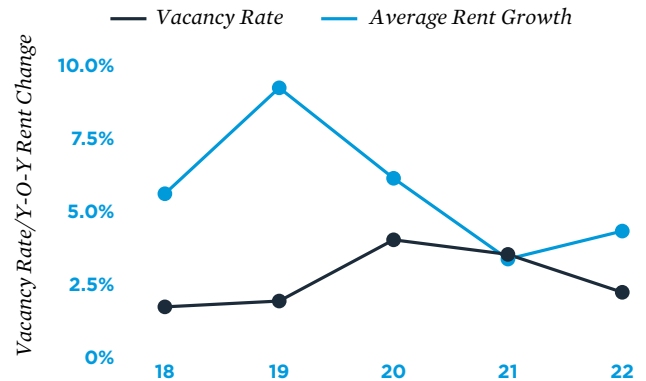
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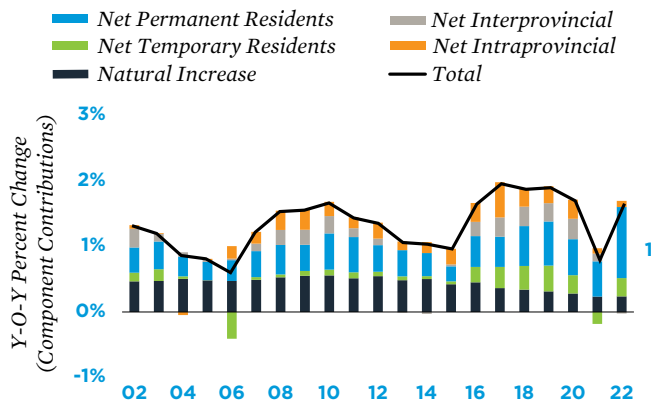
Ottawa

Permanent residents settle down at a record pace. Following a brief setback in 2021, Ottawa's population grew at a solid clip in 2022. This recovery was primarily led by a record level of net permanent resident inflow, which doubled the 2021 level and rose above the 10,000 mark for the first time since 2002. Temporary residents, particularly international students, also returned to the metro as health restrictions were eased. Historically, Ottawa has also enjoyed a sizable net inflow of intra- and inter-provincial migration, but this trend appeared to have slowed throughout the pandemic. In 2022, the metro recorded a minor net loss of residents to other provinces for the first time since 2015. Net intraprovincial in-migration also slumped, down from a net gain of over 4,000 residents in 2019 to only 1,400 in 2022. Nevertheless, the dramatic increase in permanent residents will bolster apartment and retail demand, which will put downward pressure on multifamily vacancy and support leasing activity in the retail market.

Ottawa Multifamily Vacancy and Rent Trends



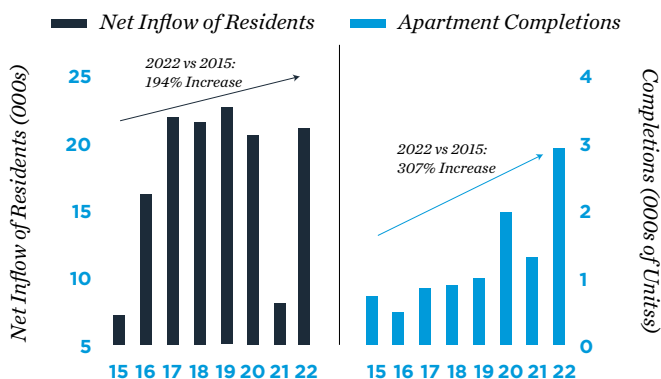
Ottawa Population



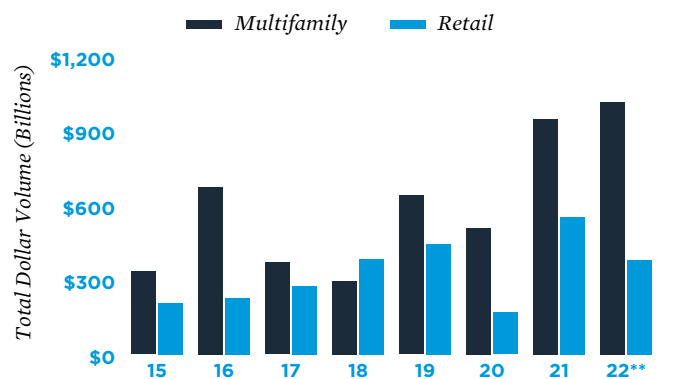
Ontario Retail Sales Trend



Ottawa Resident Increase vs Rental Completions



Ottawa Investment Sales Trends



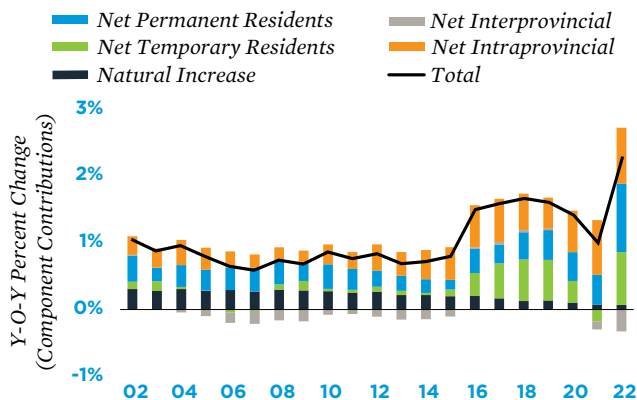
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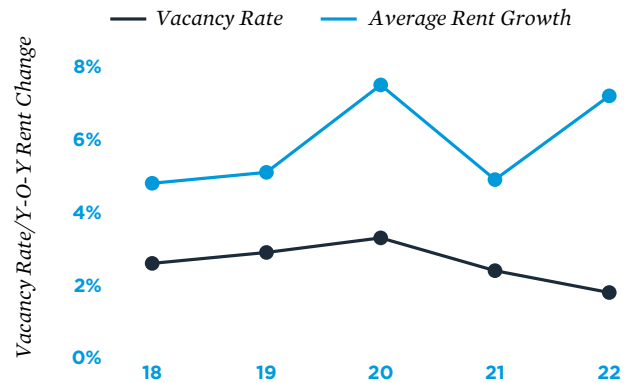
Southwestern Ontario

Population gain hits a 20-year high. The ever-declining new births in Southwestern Ontario did not stop the local population from growing over the past three years. The region welcomed a net inflow of 29,000 permanent residents in 2022, which almost tripled the level seen during pre-pandemic times. The region also attracted a record number of temporary residents. This is likely a result of the large university presence within the area and the return of in-person learning, which accounted for over 30 per cent of the local population growth. Flexible remote work arrangements during the course of the pandemic also encouraged residents from the neighbouring GTA to seek more affordable living conditions in the region. This led to a record level of net intraprovincial resident inflow. St. Catharines and Niagara, combined, saw the largest in-migration from other regions in Ontario, which more than tripled the pre-pandemic level. The high influx of intraprovincial migrants stoked red-hot apartment rent growth, with vacancy plummeting below 2 per cent.

Southwestern Ontario Population



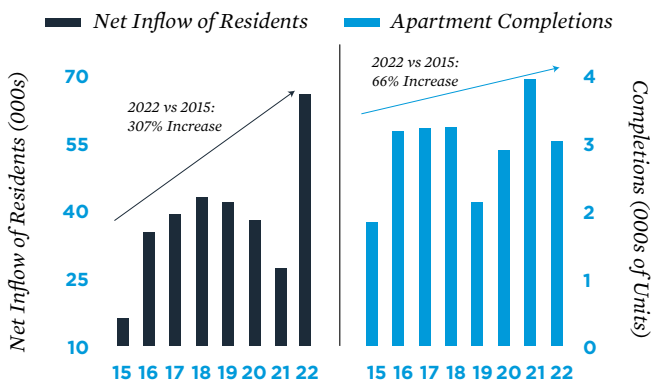
SW Ontario Multifamily Vacancy and Rent Trends



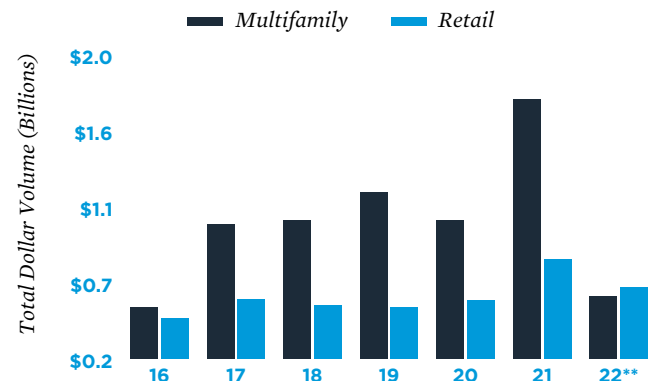
Ontario Retail Sales Trend



SW Ontario Resident Increase vs Rental Completions



SW Ontario Investment Sales Trends



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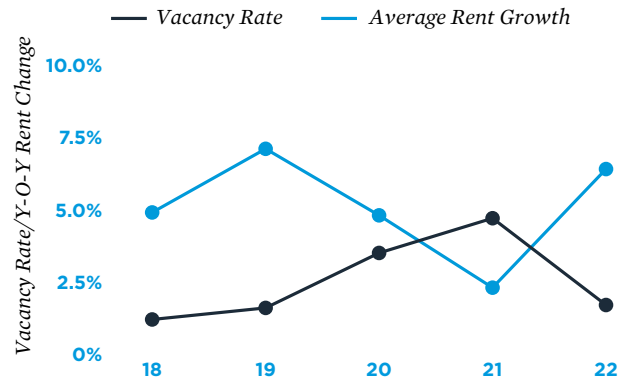
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Toronto

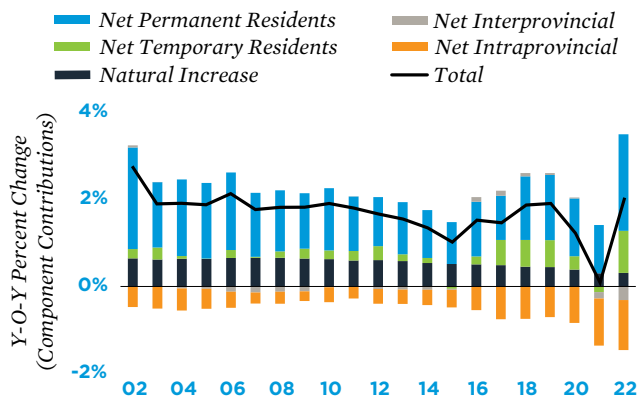
A growing population that almost solely relies on immigration.

Being Canada's largest business hub, Toronto has long been the top destination for newcomers, as the metro attracts roughly 30 per cent of Canada's new permanent residents each year. In 2022, Toronto welcomed over 150,000 new settlers, doubling the intake when compared to the prior year. The removal of travel and health restrictions also gave way to a net increase of nearly 70,000 temporary foreign residents holding work and/or study permits. The international in-migration now accounts for almost all population gains in Toronto as the metro's natural increase falls toward only 20,000 per year. Inter- and intra-provincial out-migration from Toronto intensified during the pandemic, recording a net loss of 100,000 in 2022, as local residents sought better housing affordability and remote work flexibility in other provinces and Ontario regions. The immigrant-dependent nature of Toronto will boost apartment rental, retail and hotel demand, benefiting a wide range of CRE sectors over the long term.

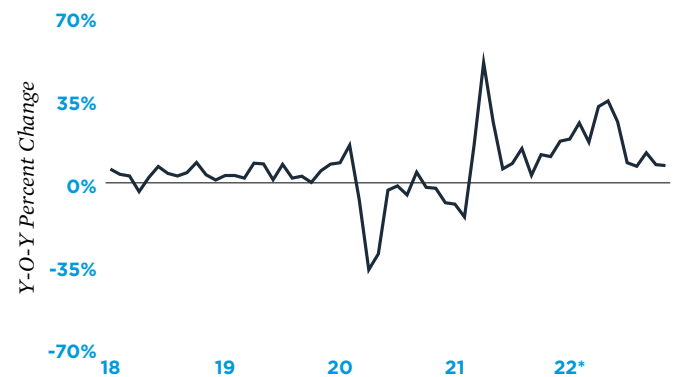
Toronto Multifamily Vacancy and Rent Trends



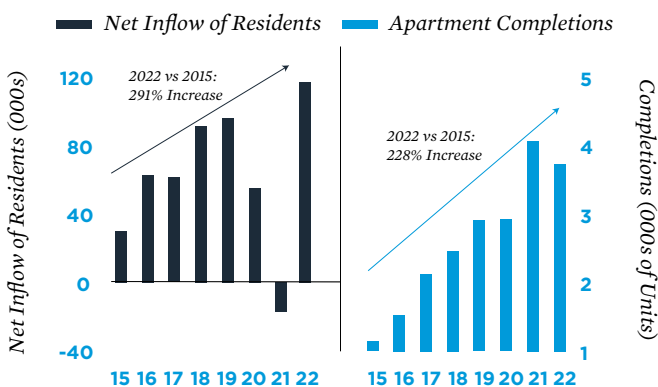
Toronto Population



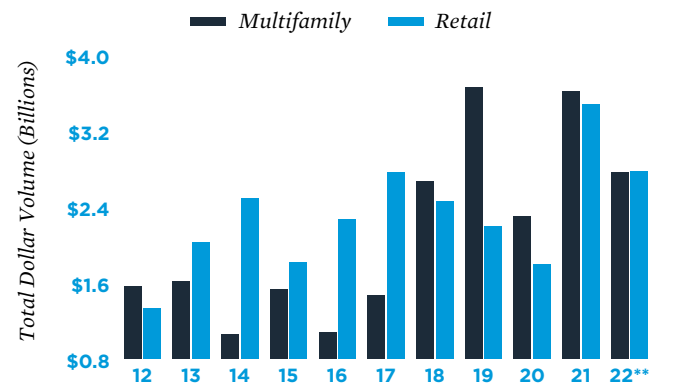
Toronto Retail Sales Trend



Toronto Resident Increase vs Rental Completions



Toronto Investment Sales Trends



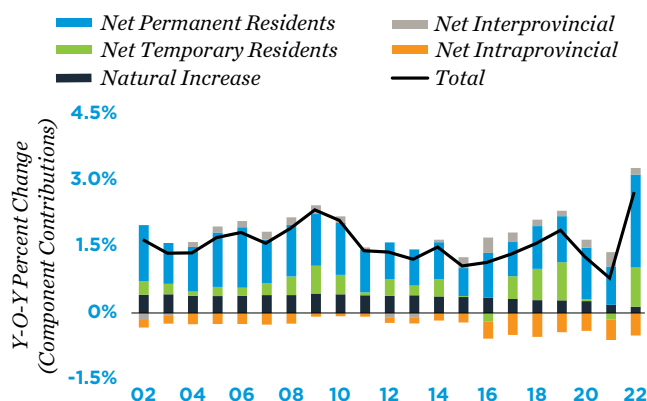
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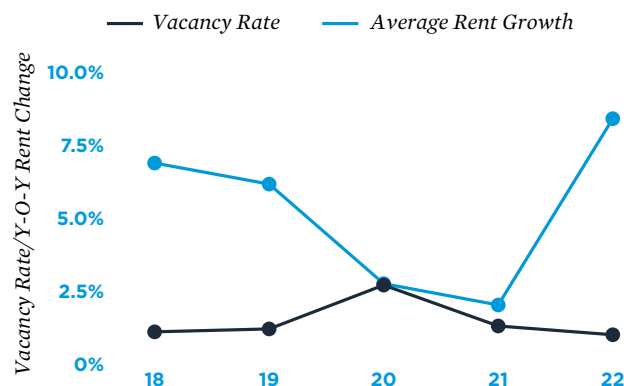
Vancouver

New residents settle in Vancouver at a blistering pace. Ranked as one of the most livable cities in North America, Vancouver follows Toronto as the second-most popular destination for immigrants, with roughly 12 per cent of new permanent residents choosing the metro each year. This remained true even at the height of the pandemic, as the metro witnessed only a mild decline in the number of new settlers. In 2022, immigration reached a 20-year high, recording a net increase of 59,000 new permanent residents. As universities resumed on-campus activities, international students also returned, contributing to a net increase of 25,000 temporary residents. A high cost-of-living and a housing shortage across the metro, however, drives intraprovincial out-migration, leading to a net loss of roughly 13,000 residents each year. As in-migration far outpaces apartment completions in Vancouver, the multifamily sector will see robust long-term performance.

Vancouver Population



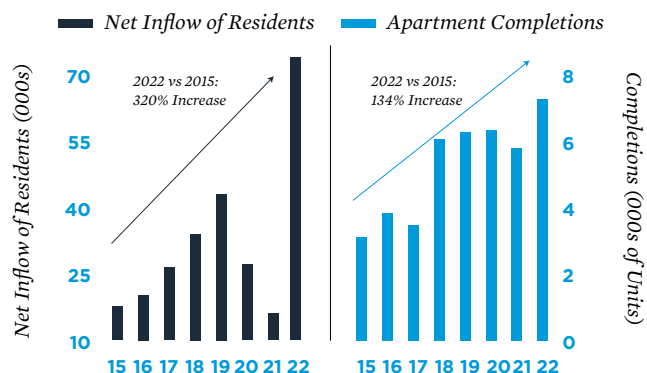
Vancouver Multifamily Vacancy and Rent Trends



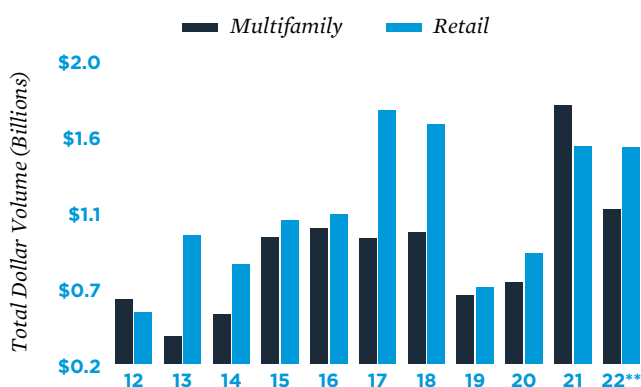
Vancouver Retail Sales Trend



Vancouver Resident Increase vs Rental Completions



Vancouver Investment Sales Trends



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Price: \$1,500

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