# RESEARCH BRIEF
## CANADA EMPLOYMENT

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## Canada Employment Surges, While Underlying Numbers Suggest Further Easing Ahead

**Labour market continues to defy odds.** Canada's economy added 64,000 jobs in September, well above the consensus estimate of 20,000. This brought year-to-date employment to 388,000, a 60 per cent increase when compared to the first three quarters of last year. September's job gains were entirely driven by a 66,000 position increase in the highly volatile educational services industry. However, labour market conditions continued to ease beneath the surface. Jobs outside the education sector fell slightly, hours worked contracted 0.2 per cent monthly, 75 per cent of all new jobs were part time, and month-over-month earnings growth slowed to 0.2 per cent. These factors suggest that elevated borrowing costs and improving labour supply are continuing to be absorbed by the broader economy. Despite these elevated job gains, the unemployment rate held constant at 5.5 per cent for the third consecutive month as the labour force continued to grow amid record immigration. This surge in hiring activity increases the odds of a further interest rate hike.

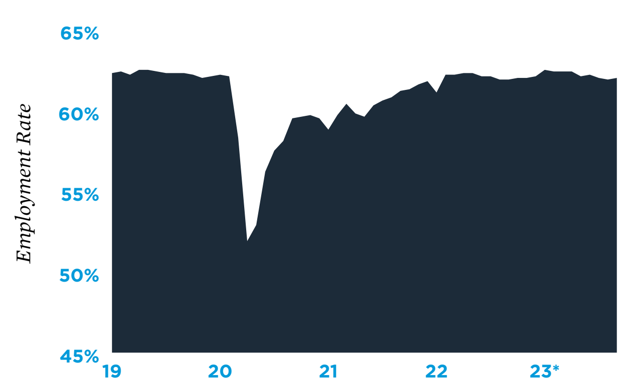
**Surge in employment furthers interest rate uncertainty.** With job gains beating expectations, the likelihood of an additional interest rate hike at the Bank of Canada's October meeting increased from 28 to 37 per cent. Despite this uptick, many economists still believe the Central Bank will remain on the sidelines before cutting rates by mid-2024. Underlying labour market conditions, such as declining job vacancies and softening wage growth, hint to further easing ahead. Additionally, household consumption continues to stagnate and second quarter GDP contracted, suggesting a potential economic recession could be on the horizon.

## Commercial Real Estate Outlook

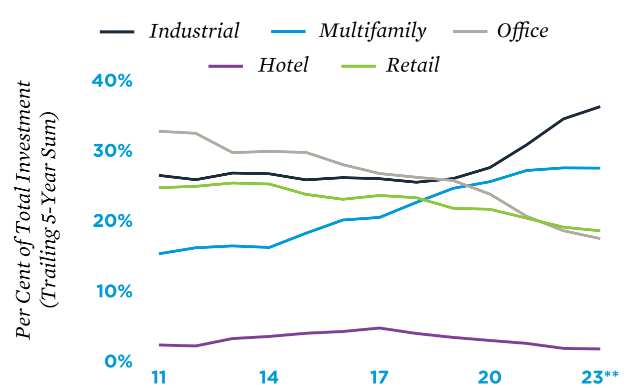
**Capital markets uncertainty slows CRE investment.** Despite September's employment data creating further uncertainty surrounding the BoC's terminal rate, it still remains probable that borrowing costs stabilize over the coming months. Combined with rate cuts forecast for mid-2024, commercial real estate investment is likely to gain momentum as many buyers look to re-enter the market with large volumes of deployable capital. Underlying fundamentals remain healthy for almost all property types, and evolving demand tailwinds are likely to grow over the coming year. This comes after the Bank of Canada raised its overnight rate 475 basis points in the span of 18 months, causing commercial real estate sales activity to stall. Price expectation gaps emerged between many buyers and sellers, pushing market participants to take a wait-and-see approach. As of the third quarter, the trailing 12-month total dollar volume transacted was down 40 per cent when compared to the prior period.

**Select property types grow in popularity.** While ongoing interest rate uncertainty has slowed sales activity, industrial and multifamily properties have seen an increase in total transaction share over the past year. Both ongoing industrial demand brought on by e-commerce-related activity and nearshoring during the pandemic pushed vacancy rates to historic lows. This shift in investor preference was also supported by robust job gains, with industrial space-using employment seeing the largest year-over-year increase as of September. Furthermore, with Canada witnessing historic immigration, along with a still-tight labour market, underlying fundamentals for apartments remain robust, generating positive investor sentiment.

### Share of People Working Begins to Trend Down




### Select Assets Shine Among Investment Options

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*Sources: IPA Research Services; Altus Data Solutions; Bank of Canada; Canada Mortgage and Housing Corporation; Capital Economics; CoStar Group, Inc.; Statistics Canada*