

SPECIAL REPORT

2024 CANADA IMMIGRATION OUTLOOK

JANUARY 2024

Record High Immigration a Boon for Canada's Commercial Real Estate Demand

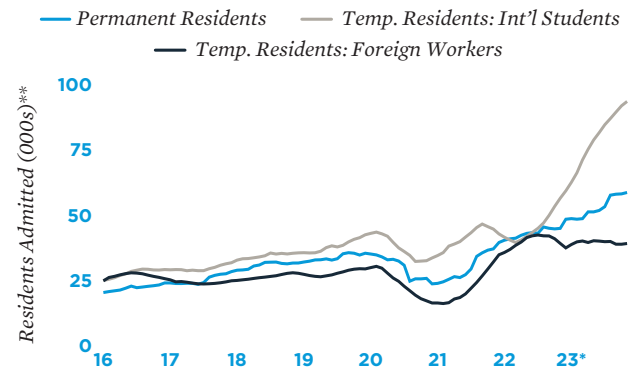
A record year of population growth. The year of 2023 marked a new milestone in Canada's demographic history. Total population exceeded 40 million with 3.2 per cent annual growth, the greatest rate of increase since the 1950s. A substantial rise in temporary residents drove this upward momentum, accounting for nearly 70 per cent of the annual gain. Meanwhile, the number of new permanent residents stabilized, while the natural increase remained subdued. Canada's booming population will support demand in the multifamily, retail and hospitality sectors in 2024, especially given the current environment of elevated borrowing costs and sluggish economic growth.

Canada's Immigration Trends

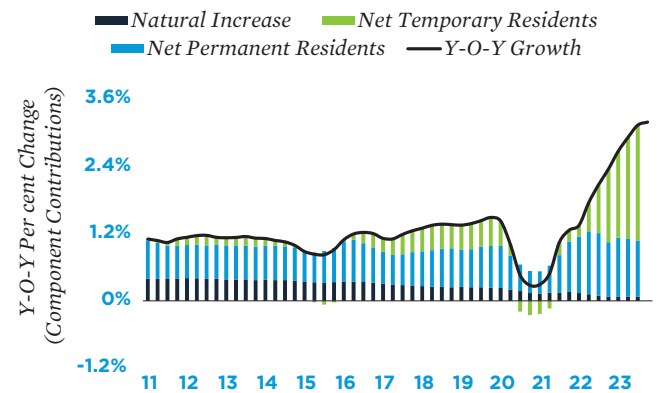
Permanent resident target plateauing at half a million per year. Canada's new Immigration Levels Plan aims for 1.49 million new permanent residents from 2024 to 2026, with the annual target being capped at 500,000. As the number of arrivals reaches new highs, a major reform in the economic immigration program has been implemented that will impact the composition of immigrant labour. Under the new policy, Canada will welcome more professionals in the agriculture, transport, trade, health care, and STEM (science, technology, engineering and math) sectors. The new immigration plan, coupled with the occupation-based selection, will help achieve sustainable population growth while striking a balance between meeting labour demand in key industries and controlling the impact of a booming population on resources like tight housing availability.

Temporary residents taking off but growth may peak soon. With improving access to foreign labour and rising recruitment of foreign students, Canada issued roughly 70 per cent more work permits and 30 per cent more study permits in 2023. While the level of temporary resident admissions will likely remain elevated this year, the 2023 reform for study permit applications – which includes a more than doubling of required funds and the re-introduction of the 20-hour cap on off-campus work – could make studying in Canada less attractive for some prospective students. In addition, the government is considering putting a cap on new international students in 2024 to help address the nation's housing shortages. These efforts will, in turn, lead to a decrease in post-graduate work permit issuance beyond 2024. Coupled with stabilizing permanent resident admissions, Canada's population growth will likely peak in the near term as a result, with the annual rate of increase softening below 3.0 per cent.

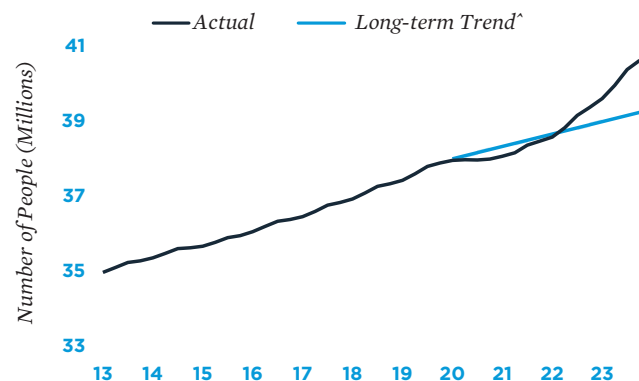
Admission of Temporary Residents Accelerating



Population Growth Hitting Multi-Year High

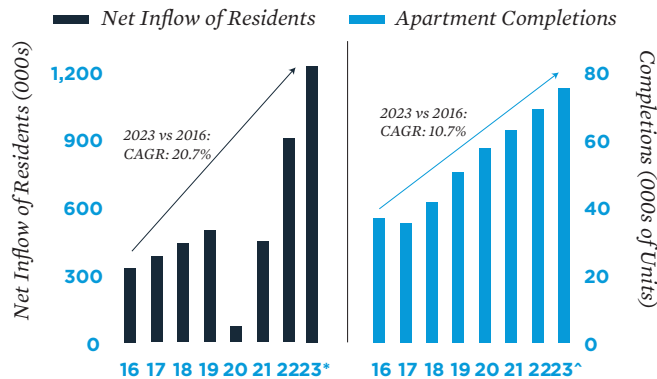


Canada's Population Now Well Above Trend

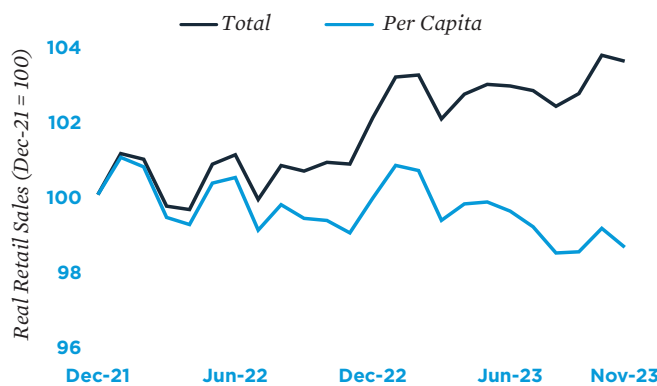


* Through November; ** 12-month moving average; ^ Calculated based on population data from 1Q 1992 to 4Q 2019, assuming no impact from the COVID-19 pandemic
Sources: Marcus & Millichap Research Services; IRCC; Statistics Canada

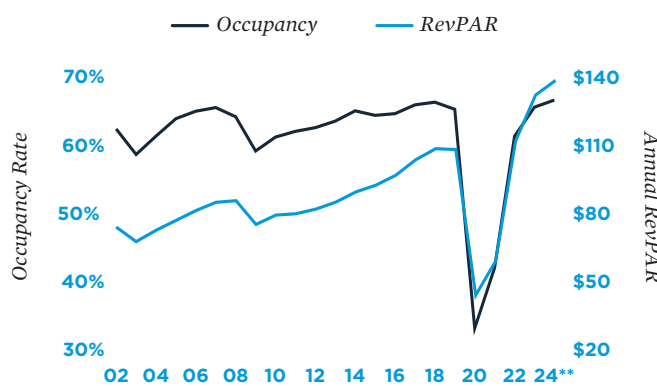
Rental Completions Far Behind Resident Inflow



Population Gain Elevating Retail Sales



Hospitality Recovery Stays on Course



Impact on Commercial Real Estate

Strong population growth continues to support rental market. Elevated mortgage costs, housing shortages, and the significant inflow of new residents led to tight vacancy rates and soaring apartment rents in 2023. While possible rate cuts later this year may encourage homeownership, the booming population will continue to drive high rental demand in 2024. As the majority of new settlers enter the rental market in the first few years after arriving in Canada, the need for rental properties will be well supported. Furthermore, Canada's current foreign buyer ban on residential properties, which restricts certain groups of international students and foreign workers from home purchases, will direct more demand to the multifamily sector and keep housing needs in the rental market elevated for an extended period of time. This heightened demand will make it more challenging for the current supply pipeline to keep pace, leading to another year of robust rent growth in 2024.

Expanding consumer base cushions retail performance. As inflation and rising interest rates swept through the Canadian economy, consumers tightened spending in 2023. Real retail sales per capita declined in 10 out of 11 months year over year from January to November. However, total real retail sales held up well thanks to strong population gains, growing 2.2 per cent within the same period on an annual basis. This, to a large extent, not only aided robust net absorption but also encouraged product diversification in the retail sector. In 2024, while per capita spending may dip further into negative territory due to near-term economic headwinds, aggregate demand will likely be well cushioned by a solidifying consumer base. Following a softening projected for early 2024, retail fundamentals are forecast to end the year with positive rent growth and tight vacancy below 2.0 per cent.

Hospitality sector seeing greater tourist inflows. Increased migration is typically associated with higher international tourism inflows in the destination country, largely owing to an increase in visits paid by the new settlers as well as their family members and friends. With the number of temporary residents rising to a record high, and permanent resident admissions continuing to tick up, inbound leisure travel by nonresidents is expected to hit higher ground in 2024. Coupled with normalizing overseas flight routes, Canada's tourism sector is predicted to record another year of robust gain, which will help offset the impact of the still-soft corporate demand and aid further revenue gains in the hospitality sector this year.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

* Trailing 12 months through 3Q; ^ Estimate; ** Forecast

Sources: IPA Research Services; CMHC; Costar; IRCC, Statistics Canada

Price: \$1,500

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