

# RESEARCH BRIEF

## CANADA EMPLOYMENT

**IPA** INSTITUTIONAL  
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### Weaker-Than-Expected Jobs Data Raises the Odds for Another Jumbo Rate Cut

#### Employment details softer than headline reading suggests.

Canada's economy added 14,500 jobs in October, led by a 20,500 position increase in private sector employment – a closely monitored indicator of labour market health. The unemployment rate also held steady at 6.5 per cent, partially due to slower population growth amid recent changes to Canada's immigration policies. While ongoing employment gains will reassure the Bank of Canada that some underlying economic resilience remains, October's reading still indicates some broad-based weakness across Canada's economy. Not only were job gains well below the nearly 50,000-position increase seen in September, but they were also about half the general consensus. Employment was also propped up by a strong 33,000-position rise among youth ages 16 to 24. In contrast, prime-aged employment – people between 25 to 54 years old – fell by just over 11,000 jobs. This softer-than-expected jobs report consequently lends support to another 50-basis-point rate reduction.

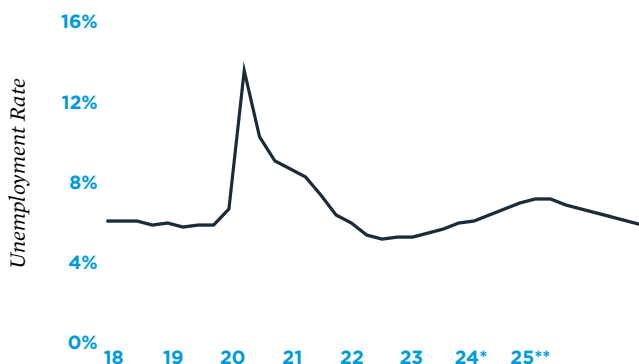
**Labour reading shifts odds to another outsized rate cut.** Although October's employment results fell below expectation, private sector hiring increased, hours worked jumped and wage growth accelerated. These modest signs show some underlying strength. Despite this, money markets increased their bets for another 50-basis-point interest rate cut at the Central Bank's December meeting to roughly 60 per cent. Regardless of the magnitude of the upcoming rate cut, it is highly likely that the Bank of Canada's policy rate will continue trending down to a terminal rate of 2.0 to 2.25 per cent by the end of next year, facilitating a recovery in CRE investment activity.

#### Multifamily sector to be impacted by immigration changes.

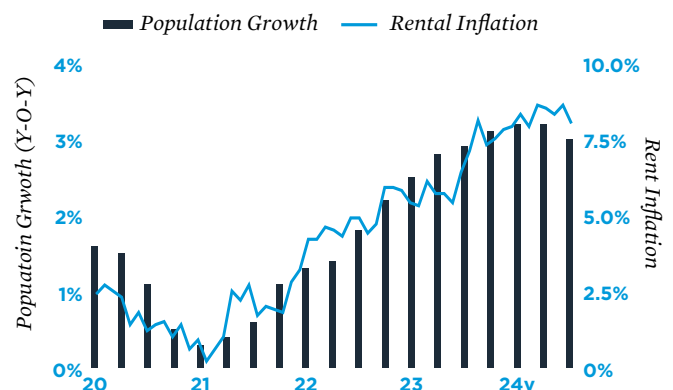
According to Canada's labour force survey, the nation's population rose by 85,200 people in October. While still extremely high, this marked the smallest monthly gain in nearly a year, which could be an early indication that recent changes to Canada's immigration policies – following two years of historic gains – are beginning to take effect. In the meantime, this limited gain has already helped Canada's unemployment rate stabilize over the past two months. Although this may result in some labour shortages over the shorter term, slowing population growth could help alleviate some slack in the labour market, causing unemployment to fall over the second half of next year. In regard to commercial real estate, the combination of decelerating population gains and strong supply growth are likely to cause multifamily vacancy rates to rise. Annual rent growth is also set to return to a more sustainable level over the coming year as a result.

**Commercial real estate investment likely to grow.** Falling borrowing costs, coupled with an expected recovery in economic and employment growth over the course of 2025, will set the stage for an investment recovery. With interest rates largely stabilizing before trending down over the second half of 2024, positive investor sentiment has already begun to spread. Over the trailing 12 months ended in September, the total number of transactions was up 13 per cent annually. This uptick had been mainly driven by smaller-sized deals under \$10 million and was led by assets with strong fundamentals, such as multifamily, industrial and retail.

### Unemployment Likely to Peak in 2025



### Population Gains Drive Rent Growth



\* Through October; \*\* Forecast provided by Capital Economics; \* Through 3Q  
Sources: IPA Research Services; Altus Data Solutions; Bank of Canada; Canada Mortgage and Housing Corporation; Capital Economics; CoStar Group, Inc.; Statistics Canada



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