RESEARCH BRIEF
CANADA EMPLOYMENT

IPA INSTITUTIONAL PROPERTY ADVISORS
A DIVISION OF MARCUS & MILLICHAP, BROKERAGE

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Labour Market Cracks Materializing in Tariff-Exposed Sectors

Easing labour market conditions continue. Canada's economy eked out 7,400 net new jobs in April, which was slightly above the consensus estimate of a 2,500-position increase. Nevertheless, this tepid pace of hiring barely reversed the 33,000 position decline in March and is consistent with recent business surveys calling for a pullback in hiring amid global trade uncertainties Not surprisingly, employment loses were heavily concentrated in trade-exposed sectors. These include manufacturing as well as wholesale and retail, which lost 31,000 and 26,800 jobs, respectively. In contrast, job creation was mainly a result of the 37,100 position increase in public administration hiring, likely due to the recent federal election. Meanwhile, immigration continued to drive population higher. As new residents entered the labour force looking for work, the unemployment rate jumped 20 basis points to 6.9 per cent. Outside of the pandemic, this was the highest reading since January 2017.

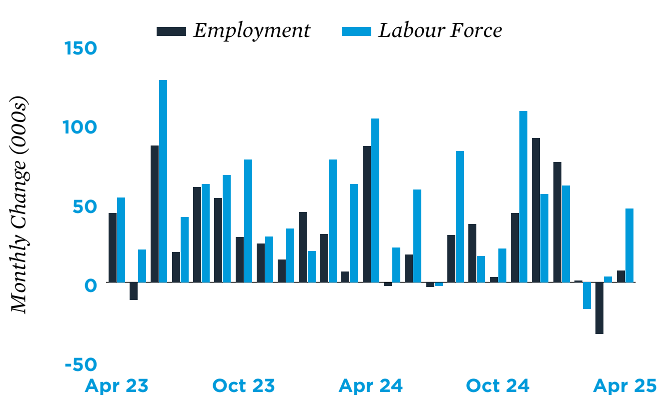
Bank may resume easing cycle. In April, Canada's central bank held its policy rate at 2.75 per cent. Trade uncertainties and growing economic momentum justified the pause; however, Canada's labour market has shown weakness throughout 2025. Year-to-date job creation was down 70 per cent as of April compared to the same period last year, while unemployment has ticked up 70 basis points year over year. At the same time, de-escalating trade tensions and USMCA compliance have mitigated some stagflation risks. Canada's monetary authority could resume its easing cycle in early June as a result, with terminal rate forecasts in the 2.0 per cent to 2.25 per cent range.

Commercial Real Estate Outlook

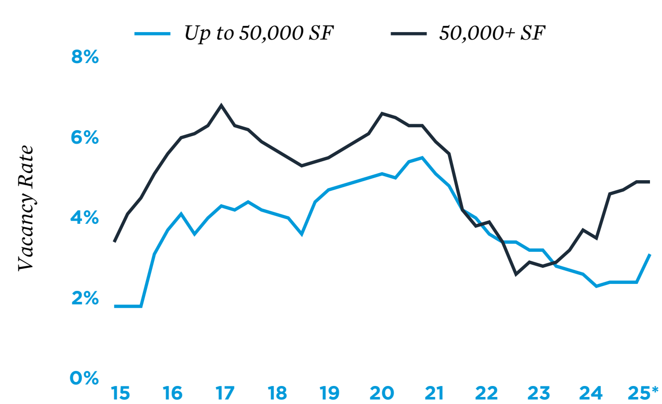
Uncertainties surround industrial demand. Given its key role in facilitating global trade, Canada's industrial sector is more exposed to ongoing tariff risks. This is especially true for manufacturing, which has seen total employment fall in each of the first four months of 2025. Stellantis and General Motor highlight this, as each recently pared back production at two Ontario plants. Despite leading indicators suggesting a potential pullback in space demand, the sector at large has so far shown some resilience. Net absorption has firmly returned to positive territory ending last year, while vacancy experienced its first drop in roughly three years as of the first quarter. Supply pressures are also easing, as the under-construction pipeline is at its lowest level since late-2018. Looking ahead, risks do remain for the sector at large. Tenants and investors are still moving with more caution. Yet as trade clarity emerges and lower interest rates feed through, sector stabilization could still materialize over the latter half of the year, especially in smaller-bay product.

Retail also exposed to tariffs. As tariffs create labour uncertainties and cost pressures, consumer sentiment has dropped significantly. Consequently, the retail and wholesale sector saw outsized job lose for the second consecutive month in April. Though this poses a risk to retail property fundamentals, select segments are preferred investments, thanks to limited supply growth and healthy in-place income potential. This is especially true for grocery-anchored, neighbourhood centers, as a more essential-based tenant roster offers stability.

Tariff Uncertainties Curb Hiring



Lower Vacancy for Small-Bay Properties



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Sources: IPA Research Services; Altus Data Solutions; Capital Economics; CoStar Group, Inc.; Statistics Canada