

MARKET REPORT

Multifamily

Southwestern Ontario Metro Area

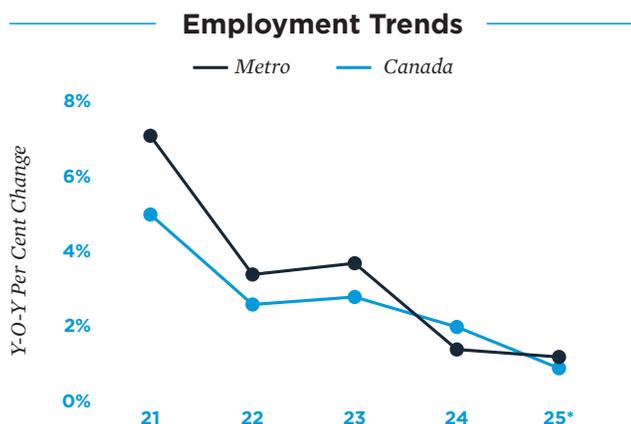
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3Q/25

Infrastructure and Growing Economies to Buffer Metro's Exposure to Trade

Transit a boon for rental demand. Multiple transit projects are underway in Southwestern Ontario, the ultimate goal being to enhance connectivity here. Kitchener-Waterloo recently completed a light rail line, with an expansion to Cambridge being discussed. The Lakeshore West GO line is also growing beyond Burlington, allowing greater access to Toronto and surrounding areas, while Hamilton is adding a GO station and starting construction on a light rail network. These projects will not only bolster local economies and drive population growth but will also fuel long-term apartment demand amid greater access to employment clusters and the Toronto market.

Trade a key risk for investors to monitor. Southwestern Ontario is Canada's manufacturing hub. Cities like Hamilton are anchored by steel, while Windsor and other metros within Southwestern Ontario play a vital role in the automotive supply chain. With tariffs currently in place on both sectors, Southwestern Ontario is being disproportionately impacted, recently highlighted by a 2.4 per cent year-over-year contraction in Canada manufacturing GDP in April. Meanwhile, employment within the sector also fell by 33,000 positions. In Windsor, for example, where automotive accounts for 9.2 per cent of total employment, the unemployment rate rose by 140 basis points in April alone. Even so, job creation across Southwestern Ontario held steady through the first half of the year, and the metro as a whole continues to show resilience. With trade negotiations underway, the region is well positioned to benefit once more clarity forms.



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

Multifamily 2025 Outlook



**17,000
JOBS**

will be created

EMPLOYMENT:

Despite being highly exposed to trade, the metro has added 33,000 jobs over the first five months of the year amid a diverse economic makeup. While there is still potential for some job loss, it appears the metro's labour market is holding up better than expected.



**4,000
UNITS**

will be completed

CONSTRUCTION:

Completions are likely to fall this year, yet deliveries will still be one of the highest on record. Given its strong local economy and large university presence, Kitchener-Waterloo is one of the more active development markets.



**70
BASIS POINT**

increase in vacancy

VACANCY:

Tighter immigration will impact the metro amid its vast university network. Along with new supply, vacancy will rise to just above 3.5 per cent; however, the region's lower cost of living will support intraprovincial migration, limiting upwards pressures.



**0.5%
INCREASE**

in effective rent

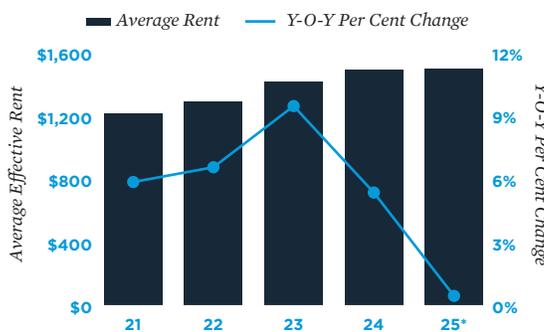
RENT:

Rent growth has recently been fuelled by population tailwinds and limited supply. That said, lower immigration and elevated deliveries will help bring some balance back to the market. As a result, annual rent growth will ease to a 15-year low, with some rent contraction likely in new builds.

Supply and Demand



Rent Trends



Sales Trends



* Forecast; ** Through 1Q

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

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2024 Overview



CONSTRUCTION

5,570 units completed

- Completions reached an all-time high last year, surpassing the previous peak in 2023 by 38 per cent. Deliveries also nearly doubled the metro's trailing 10-year average.
- With strong universities, as well as larger and more diversified economies, London and Kitchener-Waterloo welcomed over half of the new supply.



VACANCY

100 basis point increase in vacancy Y-O-Y

- A more disciplined construction pipeline has helped Guelph maintain the lowest vacancy rate at 1.9 per cent. The metro also saw the smallest annual increase in vacancy, rising only 60 basis points.
- Robust supply growth in Kitchener-Waterloo caused the vacancy rate to rise the most among submarkets, while also holding the highest rate.



RENT

5.4% increase in the average effective rent Y-O-Y

- Annual rent growth slowed to a five-year low, largely driven by strong supply gains that provided renters with more options. Yet the pace of increase outpaced the metro's trailing 15-year average of roughly 4.0 per cent.
- Amid robust local economies and strong university presences, Kitchener-Waterloo and Hamilton held some of the highest effective rents.

Investment Highlights

- Southwestern Ontario's multifamily sector is likely to continue to see liquidity due to long-term population tailwinds driven by its lower cost of living. At the same time, the market is attractive to those priced out of Toronto. Over the past 12 months ended March, total sales were largely unchanged compared with the prior year. Yet total transactions and dollar volume were led by deals valued under \$20 million, which could reflect private buyers dominating the investment landscape.
- Given Southwestern Ontario being relatively more affordable for both investors and renters, the average sale price – although down from its 2022 peak as of March – has shown more stability. As of the first quarter, the average sale price appeared to have bottomed, while cap rates have also stabilized just below 5.0 per cent.
- Recent transit projects completed in Kitchener-Waterloo, as well as talks of expanding the light rail infrastructure to Cambridge, has supported transit-oriented development and investment. The completions of Phase One alone has already attracted nearly \$5 billion in investment.