RESEARCH BRIEF
CANADA EMPLOYMENT

IPA INSTITUTIONAL PROPERTY ADVISORS
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Job Trends Shed Light on Property Performance Amid Ongoing Risks

Labour market sees strong print. Canada's economy added 83,100 jobs in June, well-above consensus, which pulled the jobless rate down 10 basis points to 6.9 per cent. This reading marked the largest monthly employment gain since December and brought year-to-date hiring to 142,000 positions. Although this is down roughly 20 per cent from last year, positive job creation through the first half of 2025 suggests that Canada's economy is showing some resilience. Under the hood, there were also plenty of encouraging signs. The private sector accounted for over half of job gains in June and hours worked rose 0.5 per cent monthly. Overall, June's labour report was positive, which is much better than originally feared amid protectionist United States trade policy. Nevertheless, the Trump administration recently issuing a 35 per cent tariff threat underscores the ongoing uncertainties facing the Canadian economy, which may weigh on hiring over the second half of the year.

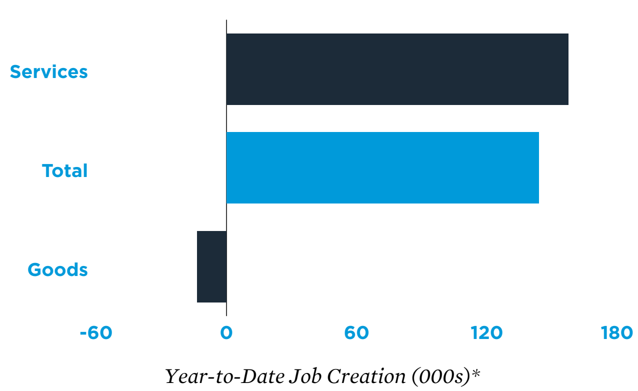
Monetary policy outlook cloudy. With economic risks still looming large, most major banks and money markets are still pricing in one or two more interest rate cuts this year. That said, the potential of a trade agreement with the United States, as well as a strong job print in June, is likely to keep the Bank of Canada on hold for the third consecutive announcement in July. Following June's labour report, money markets were pricing in a roughly 80 per cent chance of a hold – up from 70 per cent just prior to the release. Looking ahead, further rate cuts are likely; however, the timing and magnitude are now coming under question amid ongoing economic uncertainties.

Commercial Real Estate Outlook

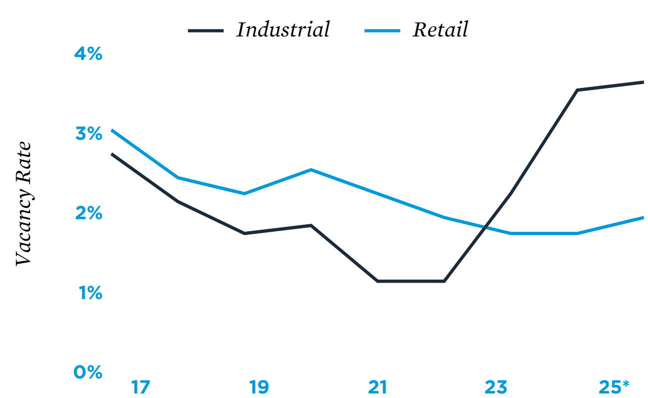
Retail-related employment registers largest gain. Wholesale and retail trade not only led hiring in June – with a 33,600-position increase – the sector has also posted the largest year-to-date job gains. This was unexpected, given the sector's exposure to trade and, more specifically, the 9,000 layoffs from the closure of Hudson's Bay. Nevertheless, June's strong job print underscores healthy performance in Canada's retail property sector. Vacancy is extremely tight at sub-2.0 per cent amid limited supply growth, while grocery-anchored, essential-based retail maintains its status as a preferred investment. Additionally, ample vacant space coming back to market from the closure of Hudson's Bay actually presents an opportunity for owners. Most leases were at below-market rents, and many investors would argue they were not getting the highest and best use out of the space. As a result, reconfiguration and lease-up at higher rents, or outright redevelopment, could unlock value for investors over the long term.

Industrial sector exposed to trade risks. With tariffs on steel and aluminum as well as automotives in place, Canada's industrial sector faces some headwinds. While the manufacturing sector added 10,500 jobs in June, it has seen some of the largest job loses so far this year, as have transportation and warehousing. Tariff-exposed provinces, such as Ontario and Quebec, face the most challenges. Consequently, the early signs of recovery seen in Canada's industrial sector late last year have since stalled, with vacancy once again increasing to 3.6 per cent as of the end of the second quarter. Even so, with the construction pipeline dwindling, stabilization may still occur later this year.

Industrial-Related Employment Under Pressure



Hiring Trends Seen in Property Performance



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