

INVESTMENT FORECAST

Multifamily
Toronto

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Public Measures to Support Supply Growth Despite Softening Conditions

Rental market in readjustment phase. Alongside a sharp deceleration in population growth last year, Toronto's rental market saw a surge in secondary rental supply. As condo prices fell, an increasing number of financially stressed condo owners rented out their units at discounted rates to cover mortgage costs. This influx of options prompted many purpose-built operators to offer incentives to attract and retain tenants. In 2026, muted resident gains and ongoing competition from the condo market are expected to continue posing headwinds for the multifamily sector. Even so, with lower interest rates and a potential improvement in trade, Toronto's economy could regain momentum in the second half of 2026. This should help firm rental demand, keeping the apartment vacancy rate low at approximately 3.4 per cent. Over the longer horizon, Toronto's rental supply is poised to increase meaningfully as various municipal, provincial and federal initiatives take effect. These measures range from building affordable homes on public land to improving infrastructure to address construction bottlenecks. This concerted effort will help address the metro's structural housing shortage and, over time, could help restore housing affordability.

INVESTMENT TRENDS

- By the third quarter of last year, the average sale price had declined 19 per cent from its 2022 peak. However, prices appear to have bottomed out in 2024 as financing costs declined.
- Near-term multifamily fundamentals may ease, but Toronto's scale and long-term demand support a resilient rental market, making it an appealing destination for investors.

2026 Multifamily Trends



**5,500
UNITS**

will be completed

CONSTRUCTION:

Completions are projected to rise, reflecting the pickup in construction starts in 2023. Toronto now faces the longest construction cycle among major metros, with projects averaging roughly 27 months.



**40
BASIS POINT**

increase in vacancy

VACANCY:

Vacancy will continue rising, as slowing population growth and the increased supply of secondary rentals provides some balance. Nonetheless, the rate is projected to remain at a manageable level of 3.4 per cent.



**1.7%
INCREASE**

in effective rent

RENT:

While effective rents in higher-end buildings may continue to decline, rent control measures will still allow older, regulated buildings to raise rents by roughly 2.0 per cent. This will likely more than offset softness in the premium segment.

Vacancy Trend



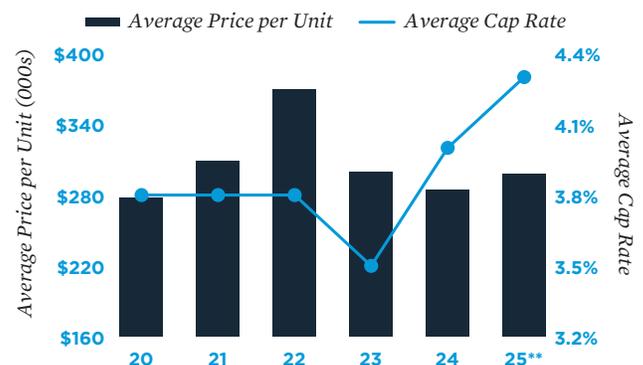
* Forecast; ** Trailing 12 months through 3Q

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

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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Price and Cap Rate Trends



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