# MARKET REPORT

**Multifamily**

*Southwestern Ontario Metro Area*

IPA INSTITUTIONAL PROPERTY ADVISORS

A DIVISION OF MARCUS & MILLICHAP, BROKERAGE

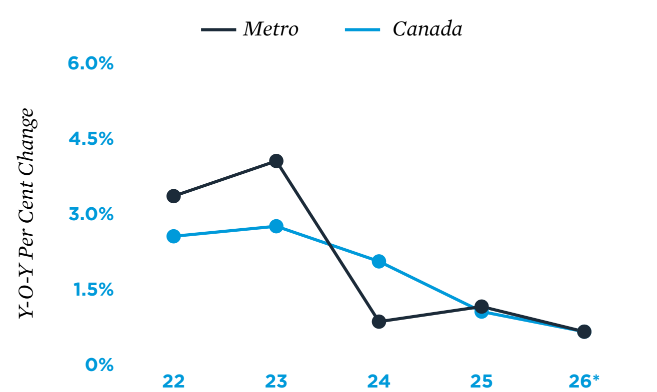
1Q/26

## Market Favors Renters, While Strong Long-Term Prospects Attract Investors

**Prospect remains sound beyond near term.** Southwestern Ontario's multifamily sector enters 2026 on the back of continued resident inflow. While population growth has moderated amid a sharp decline in temporary resident arrivals, steady gains from permanent residents and intra-Ontario migration have sustained overall expansion. Compared with the Greater Toronto Area, the metro's lower cost of living remains a key draw, particularly for households seeking affordability without sacrificing urban amenities. A well-integrated transit network and improving connectivity to major employment corridors have further enhanced its appeal. These structural advantages will continue to attract both domestic and international newcomers, underpinning rental demand over the medium to long term.

**Market conditions expected to loosen further in 2026.** In the near term, however, a soft economic backdrop amid tariff exposure will likely hinder labour market conditions. As a result, the unemployment rate could remain elevated, tempering household formation and rental absorption throughout 2026. On the supply side, following a record year of completions, deliveries are forecast to stay elevated. A wave of purpose-built rental projects launched amid the condo market downturn is continuing to come online, adding meaningful inventory. This influx of new units will place upward pressure on vacancy and moderate rent growth in the short term, even as underlying demographic fundamentals remain constructive.

### Employment Trends




* Forecast

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

## Multifamily 2026 Outlook

**10,000 JOBS** *will be created*

### EMPLOYMENT

Job growth is expected to match the national average, driven by continued labour force expansion. However, with trade uncertainty disproportionately affecting the local economy, the unemployment rate may remain among the highest of major metros.

**6,000 UNITS** *will be completed*

### CONSTRUCTION

While completions are projected to decline, deliveries will remain among the highest on record. Most projects are in Kitchener-Waterloo and London, with Windsor also poised for further supply growth following elevated starts.

**50 BASIS POINT** *increase in vacancy*

### VACANCY

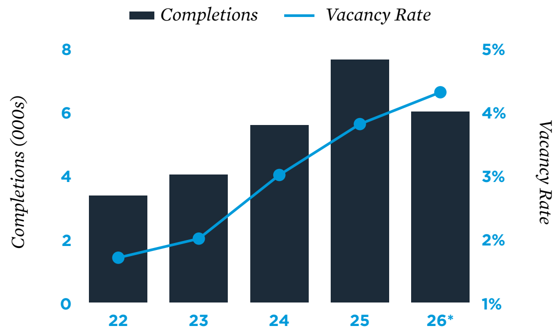
As the temporary resident population shrinks, certain areas — like university towns — will be disproportionately impacted. However, changes removing the domestic tuition freeze could limit these pressures over the longer term.

**2.0% INCREASE** *in effective rent*

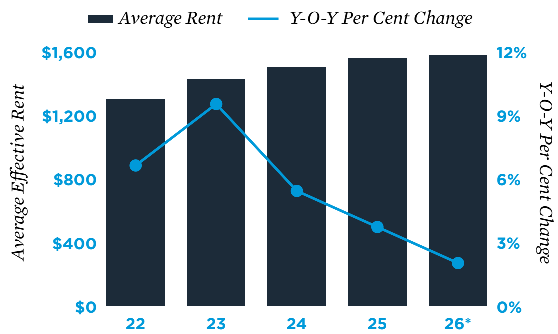
### RENT

Although asking rents remain on an upward trajectory, the pace of growth has been moderating since 2023. This year, a softer economic backdrop and slower growth in rental demand will continue to weigh on rent increases, particularly for recently completed buildings.

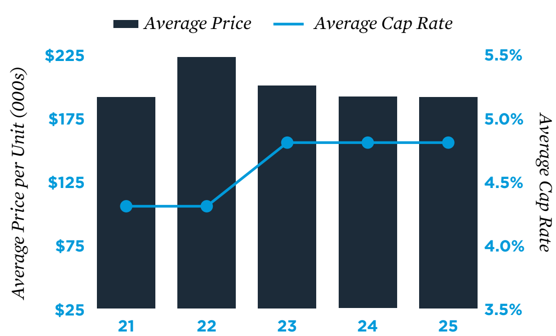
### Supply and Demand




### Rent Trends




### Sales Trends

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## 2025 Overview

### CONSTRUCTION

**7,625 units completed**

- Completions reached an all-time high, surpassing the previous peak in 2024 by 37 per cent. After sharp increases since 2020, rental apartments now account for the largest share of housing completions in the metro.
- With 5,000 units completed over the past two years, London has surpassed Kitchener-Cambridge-Waterloo as the metro with the most openings.

### VACANCY

**80 basis point increase in vacancy Y-O-Y**

- The vacancy rate rose across all submarkets, led by a 120-basis-point increase in Hamilton. A lower inflow of international students weighed on rental demand, particularly in the West End and Mountain areas.
- Fewer foreign workers drove the increase in St. Catharines-Niagara, which relies on work permit holders in agriculture, tourism, and hospitality.

### RENT

**3.7% increase in the average effective rent Y-O-Y**

- Annual rent growth slowed to an 11-year low, weighed down by smaller increases in newer buildings. In contrast, older, lower-cost units in submarkets such as London continued to post double-digit rent hikes.
- With rising vacancy, the average rent for a 2-bedroom turnover unit in most submarkets remained largely unchanged.

## Investment Highlights

- After bottoming out in 2024, transaction activity picked up last year, supported by increased sales across all market segments. Total dollar volume approached $800 million, representing a 60 per cent year-over-year gain and reflecting renewed investor interest in the region's apartment assets. Guelph experienced a particularly strong rebound, with dollar volume surging to $200 million from $36 million. Kitchener also saw notable growth, with sales more than tripling to $130 million.
- The shift in demographics and persistent trade uncertainties drove a 1.1 per cent decrease in the average sale price, while the cap rate remained largely unchanged near 4.8 per cent. This suggests that investor appetite for well-located, income-generating properties remained resilient, particularly for low-rise buildings that continue to offer predictable cash flow.
- Domestic private investors remained the largest buyer group, with total dollar volume surging nearly 80 per cent. This momentum suggests these buyers are looking beyond short-term economic headwinds, positioning themselves to capitalize on the metro's long-term growth potential.

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*Price: $250*