MARKET REPORT

Multifamily

Toronto Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

A DIVISION OF MARCUS & MILLICHAP, BROKERAGE

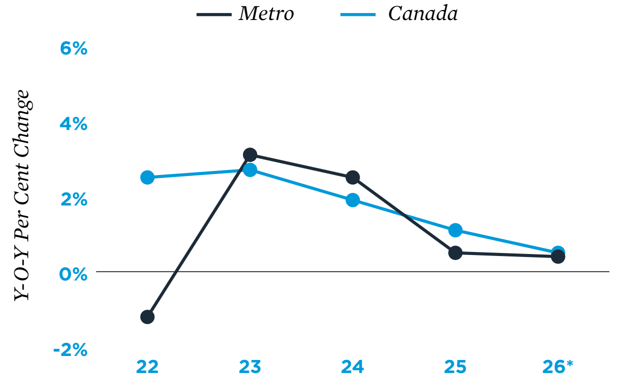
1Q/26

Underbuilding Keeps Market Tight Despite Changing Demographics

While low, vacancy to remain on upward trajectory. Toronto's multifamily market softened in 2025, with the vacancy rate edging higher as population growth slowed considerably. The deceleration was largely tied to increased departures of temporary residents, a shift that weighed more heavily on suburban submarkets with a high concentration of post-secondary institutions and student-oriented rental stock. In contrast, demand downtown proved more resilient. Outflows of temporary residents were partly offset by a renewed wave of renters relocating closer to the core, driven in part by expanded return-to-office mandates among major employers. This trend helped stabilize leasing conditions in central neighbourhoods even as outer areas saw higher vacancy. Looking ahead to 2026, population growth is expected to ease further, again reflecting lower immigration levels. This demographic headwind is likely to sustain upward pressure on the vacancy rate, particularly in nodes that had previously absorbed strong newcomer-driven demand.

Supply constraints to sustain rent growth. Despite rising vacancy, the average effective rent increased 3.4 per cent in 2025, marking an acceleration from the prior year. Rent growth was underpinned by subdued supply expansion, with fewer than 4,000 new units added last year. Although the pickup in construction starts since 2023 should translate into higher completions in 2026, overall delivery volumes are still expected to remain relatively soft. This restrained pipeline is expected to sustain rent growth throughout the year.

Employment Trends



** Forecast*

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

Multifamily 2026 Outlook

EMPLOYMENT

15,000 JOBS
will be created

Job growth in Toronto is expected to continue decelerating as trade-related uncertainties weigh on the economy. Lower immigration will also cap labour force growth, putting further downward pressure on employment gains.

CONSTRUCTION

5,500 UNITS
will be completed

Despite the post-pandemic surge in construction starts, completions declined last year, largely due to construction delays. In 2026, completions are expected to pick up as some of these projects advance, but overall delivery volume will likely remain soft.

VACANCY

40 BASIS POINT
increase in vacancy

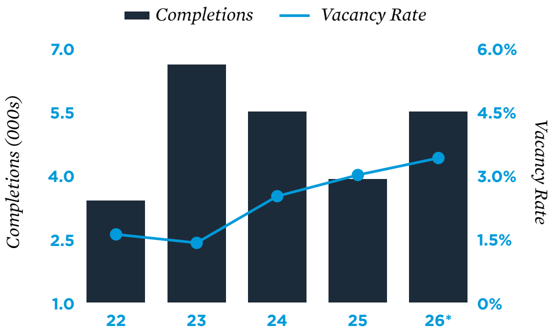
Rental demand is expected to continue softening amid the departure of temporary residents and lower levels of permanent immigration. While this will push the vacancy rate higher, the metro's slow construction pipeline should keep it around 3.5 per cent.

RENT

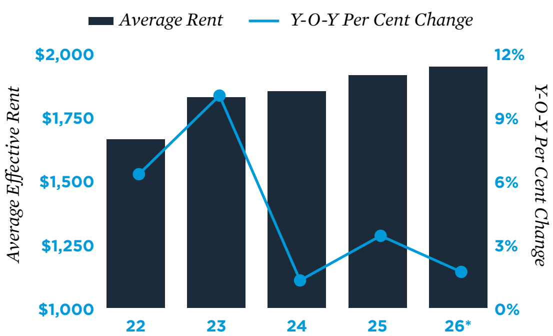
1.7% INCREASE
in effective rent

As lease-up times lengthen amid higher vacancy rates, owners are expected to continue offering incentives to attract new renters. This trend will likely be more pronounced in newer buildings with higher asking rents and in suburban submarkets that have been more affected by the ongoing departure of temporary residents.

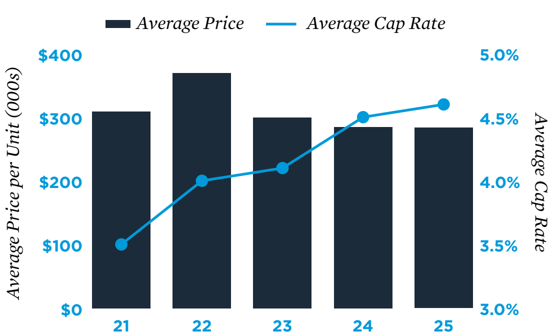
Supply and Demand



Rent Trends



Sales Trends



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2025 Overview

CONSTRUCTION

3,850 units completed

- Completions in 2025 reached their second-lowest level since 2020. Toronto faced the longest construction cycle among major metros, with projects averaging roughly 27 months.
- North York recorded the largest addition, with 780 units delivered, followed by 294 units in Mississauga, and 160 units in Peel Region.

VACANCY

50 basis point increase in vacancy Y-O-Y

- Vacancy rose by an average of 50 to 60 basis points for one- to three-bedroom units, while studios saw a 20-basis-point decline. Despite this decrease, studios still have the highest vacancy rate at 4.2 per cent.
- Despite the overall rise, Toronto's vacancy rate remained low, with Peel Region — the area with the highest rate — registering just 4.0 per cent.

RENT

3.4% increase in the average effective rent Y-O-Y

- Elevated homeownership costs, especially for families needing larger units, kept vacancy for three-bedroom apartments low at 1.9 per cent. As a result, these units saw the strongest rent growth, up 4.1 per cent last year.
- York Region recorded the highest rent increase at 8.1 per cent, led by a 16.9 per cent surge in Aurora, Newmarket, and Whitchurch-Stouffville.

Investment Highlights

- Multifamily investment rebounded strongly in the final quarter of 2025. Almost 50 properties changed hands, pushing dollar volume to $1.1 billion — accounting for half of last year's total. Transactions over $10 million saw the largest increase, reflecting heightened investor appetite for multifamily assets, particularly large, prime properties, as the sector continues to benefit from strong long-term fundamentals and constrained new supply.
- Buyers looked beyond Toronto proper for investment opportunities last year. Dollar volume in other parts of the GTA — such as Brampton, Mississauga, and Scarborough — recorded significant increases, while activity in the downtown core declined. This shift reflects investors' search for more affordable, higher-yielding properties amid intense competition and pricing in central Toronto.
- The average cap rate recorded its fourth consecutive year of increase, rising to roughly 4.6 per cent in 2025. The average sale price held relatively steady, supported by still-robust rental demand and limited new supply, which helped maintain property values, despite higher yields.

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