Market Report

MULTIFAMILY 3Q/26

Montreal Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
5,000 — Jobs will be created
0.2% — Increase Y-O-Y

CONSTRUCTION
18,000 — Units will be created
9.8% — More than last year

VACANCY
3.9% — Vacancy rate
100 — BPS increase Y-O-Y

RENT
$1,345 — Average effective rent by year-end
4.3% — Increase Y-O-Y

Growing Supply and Softer Demand Improve Renter Choice

Population and job market conditions to weigh on demand. Near-term growth in renter demand in Montreal is expected to slow as a projected decline in the resident population weighs on household formation. Federal efforts to reduce the temporary foreign worker count, combined with Quebec's lower international student cap, will curb demand from two of the apartment market's key renter segments. Meanwhile, a slowing job market, particularly in office-based industries and manufacturing, could further limit rental absorption. However, demand is unlikely to weaken sharply, as elevated homeownership costs should continue to keep many households in the rental market, helping to cushion the impact of softer demographic growth and labour market conditions.

Supply surge will continue to ease market tightness. After bottoming out at 9,600 units in 2023, construction starts have accelerated rapidly, with trailing 12-month starts surpassing 24,000 units by June 2026, a new high. This sustained development activity is now feeding through to completions, which are projected to reach approximately 18,000 units this year. As new supply enters the market amid moderating rental demand, vacancy rates are expected to rise further, extending the gradual easing of market conditions already underway.

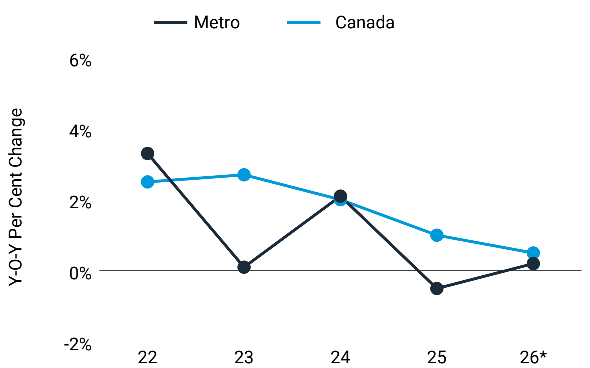
EMPLOYMENT

Montreal's labour market remained soft in the first half of 2026, with total employment declining by 27,200 positions. Heightened trade uncertainty and rising costs associated with the conflict in the Middle East weighed on hiring activity, while slower labour force growth reflected demographic headwinds. These challenges are expected to persist, leaving the metro's job growth below the national average by year-end.

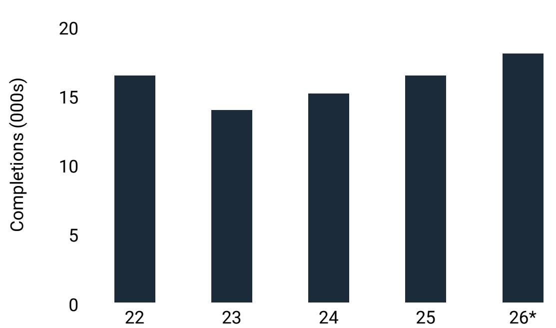
CONSTRUCTION

Following last year's 8.5 per cent increase in completions, deliveries continued to accelerate in the first half of 2026. Over the past 12 months, monthly completions averaged nearly 1,600 units, while the mean construction timeline shortened to 17 months. Downtown Montreal-Îles-des-Soeurs led new supply with 1,140 units completed, followed by Beauharnois-La Prairie-Léry and the L'Assomption/Lavaltrie area, each recording roughly 880 deliveries.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS

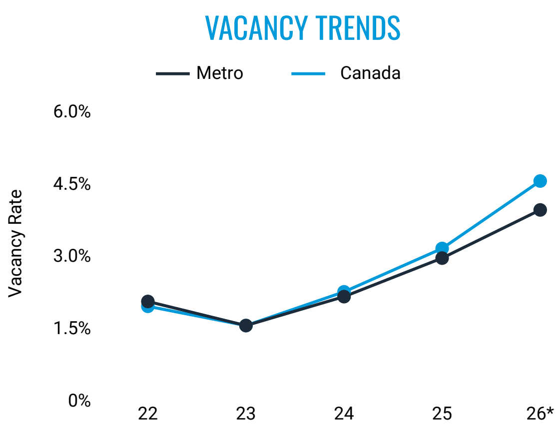


* Forecast

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

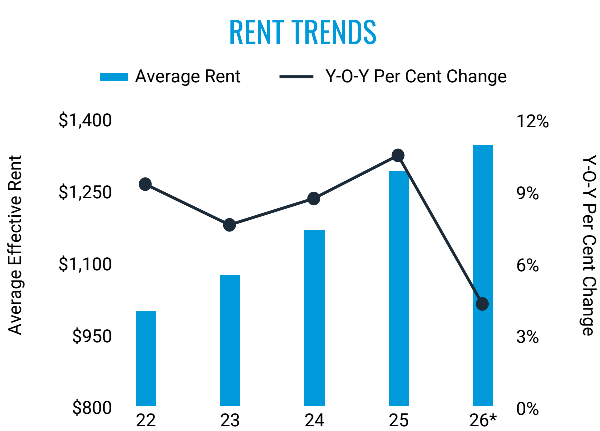
VACANCY

After an 80-basis-point increase last year, the vacancy rate moved into the balanced market range of 2.5 to 4.0 per cent. Market conditions are expected to loosen further in 2026 as softer demand coincides with another wave of new supply, lifting the vacancy rate toward the upper bound of the balanced range. Downtown Montreal is expected to remain the softest submarket, reflecting its elevated development pipeline and significant volume of recent completions.



RENT

Loosening market conditions are expected to moderate overall rent growth. However, certain segments, including older and low-rise apartment buildings as well as larger units, are likely to continue to record above-average rent increases due to persistently tight vacancy rates. Affordability advantages and limited supply in these segments should continue to support rent gains. Despite continued growth, Montreal will remain among the more affordable major rental markets in Eastern Canada.

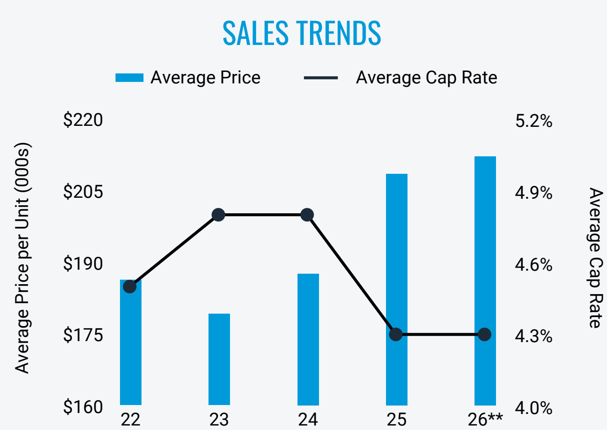


INVESTMENT HIGHLIGHTS

- Transaction activity in the second quarter shifted toward smaller deals, with the total number of trades rising even as dollar volume moderated from the first quarter. Although 90 per cent of transactions were valued below $10 million over this period, the market recorded its largest transaction of the first half of the year in the second quarter. Canadian Urban acquired Laurence Condos, an eight-storey, 230-unit apartment building on Notre-Dame Street West, for $134 million on behalf of an unnamed European family office.

- Foreign investor interest in Montreal's multifamily sector appears to be strengthening, as international capital increasingly views the city as a stable, attractive investment destination. Market participants note that economic and geopolitical uncertainty abroad has heightened demand for Canadian real estate, while Montreal's relative affordability, strong rental housing fundamentals, and institutional-quality asset base continue to attract overseas investors seeking long-term income-producing properties.

- Preliminary estimates indicate that the average sale price continued to climb in the second quarter, reaching a new high after surpassing $210,000 per unit in the first three months of the year. Strong pricing momentum has compressed cap rates, with the average holding near 4.3 per cent since the fourth quarter of 2025. Despite a higher interest rate environment than in the pre-pandemic period, investors remain attracted to the sector's stability and long-term demand drivers.



* Forecast ** Through 2Q

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

Montreal Office:

JOHN HOROWITZ
Managing Director, Chief Revenue Officer
Tel: (212) 430-5260
john.horowitz@marcusmillichap.com

For info on national multifamily trends, contact:

JOHN CHANG
Senior Vice President, Chief Intelligence & Analytics Officer
Tel: (602) 707-9700
john.chang@marcusmillichap.com

Report prepared by:
FRANK ZHAO

Report edited by:
LUKE SIMURDA