Market Report

MULTIFAMILY 3Q/26

Southwestern Ontario

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
10,000 — Jobs will be created
0.6% — Increase Y-O-Y

CONSTRUCTION
4,500 — Units will be created
45% — Less than last year

VACANCY
4.3% — Vacancy rate
50 — BPS increase Y-O-Y

RENT
$1,590 — Average effective rent by year-end
2.4% — Increase Y-O-Y

Market Conditions Continue to Loosen as Development Activity Accelerates

Domestic in-migration cushions rental demand. Southwestern Ontario faces the same demographic headwinds in 2026 as other markets, with declining temporary-resident populations and lower permanent-resident admissions weighing on multifamily demand. However, unlike many larger Eastern Canadian metros, the region continues to benefit from sustained intraprovincial migration inflows, supported by its proximity to the Greater Toronto Area and comparatively affordable housing costs. This migration advantage should help partially offset softer population growth and moderate the drag on rental demand this year.

Completions to rise in coming years amid surging rental starts. Groundbreakings have surged across the metro, supported in part by the Housing Accelerator Fund. In the St. Catharines-Niagara submarket, trailing 12-month rental starts increased more than fivefold year-over-year in June 2026. London and the Kitchener-Cambridge-Waterloo region have also seen notable increases, with rental starts reaching or approaching historic highs in the first half. As these projects advance through the development pipeline, the region is poised for a significant rise in apartment deliveries.

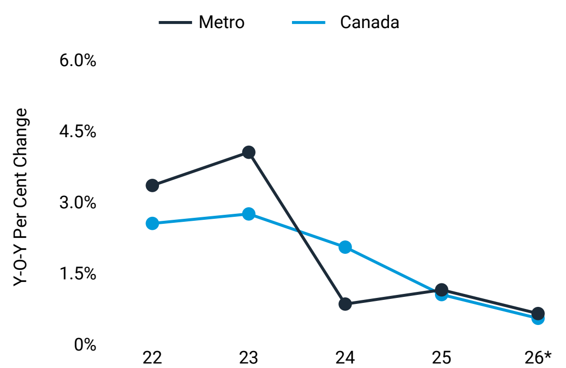
EMPLOYMENT

Following a loss of 19,000 jobs between July and December of last year, the metro regained roughly 16,000 positions in the first half of 2026. While this rebound helped stabilize overall employment levels, the pace of job creation was more than 50 per cent slower than a year earlier. Looking ahead, muted labour force growth and trade headwinds are expected to weigh further on job market conditions, with both London and the Kitchener-Cambridge-Waterloo region projected to record net employment losses this year.

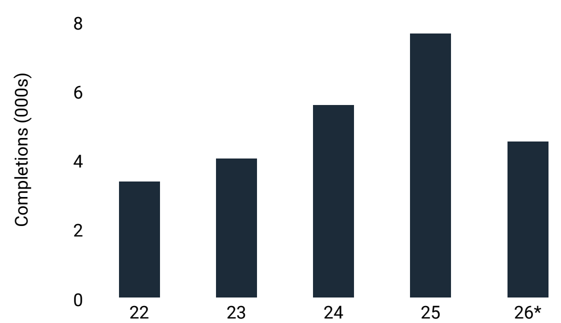
CONSTRUCTION

With only 2,000 units completed in the first half of 2026, annual deliveries are expected to decline from last year's historic high. The pullback reflects a slowdown in groundbreaking activity in 2023 and 2024. However, the most recent resurgence in rental starts is expected to drive a renewed increase in completions in the years ahead. Notably, the St. Catharines-Niagara submarket is on track to surpass Windsor as the submarket with the third-highest volume of apartment completions in Southwestern Ontario.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



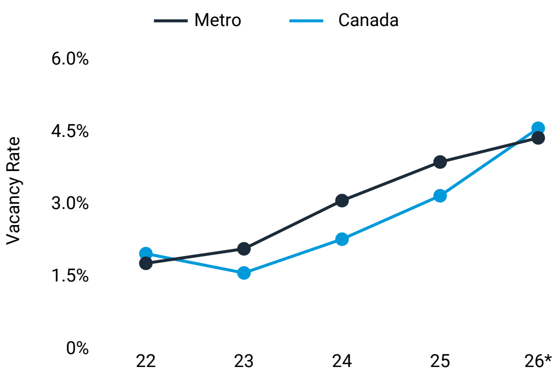
* Forecast

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

VACANCY

Slower population growth and weaker labour market conditions are expected to reduce household formation and temper rental demand this year. As such, net absorption is not expected to keep pace with new supply this year, adding to the vacant unit count that has already risen from a record low in 2022 amid historic completions over the past two years. Consequently, the vacancy rate is projected to rise for a fourth consecutive year, further shifting the market in favour of renters.

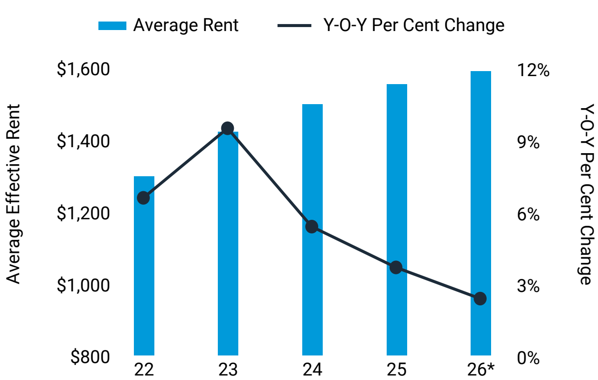
VACANCY TRENDS



RENT

As the vacancy rate continues to trend upward, rent growth is expected to moderate across Southwestern Ontario. Most submarkets are forecast to see average effective rents increase by roughly 2 per cent annually. At the same time, Windsor is likely to post somewhat stronger gains due to more restrained supply growth and relatively tighter market conditions. Even with further rent increases, the region's affordability relative to the GTA should continue to attract residents and support long-term rental demand.

RENT TRENDS



* Forecast ** Through 2Q

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

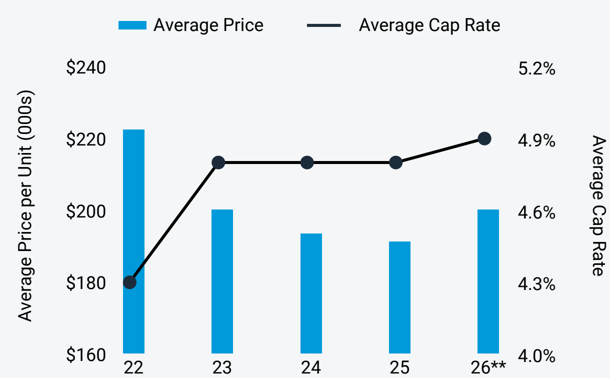
INVESTMENT HIGHLIGHTS

- Following a subdued first quarter, investment activity has gained momentum in the second quarter, driven by several higher-value transactions in Waterloo, Hamilton, and Kitchener. Dollar volume rose from approximately $115 million in the first quarter to roughly $290 million between April and June, despite little change in transaction counts. The highest-valued transaction since was Pier 4 REIT's $22.8 million acquisition of a townhouse community on Millwood Crescent in Kitchener.

- The average sale price has regained growth momentum in the first quarter of 2026 after remaining below $200,000 per unit over the previous two years. This upward trend continued into the second quarter, driven largely by the increase in higher-profile transactions. Although cap rates rose modestly, they remained roughly between 4.9 per cent and 5.1 per cent, suggesting steady investor demand. Still, robust operating performance and improving transaction activity should help support pricing through year-end, despite a modest softening in rental market conditions.

- Relative to the GTA, Southwestern Ontario continues to offer a compelling value proposition for investors. Average asset pricing remains well below levels seen in Toronto, while population inflows and housing affordability challenges continue to support long-term rental demand. These factors are expected to sustain interest from both private and institutional investors seeking higher yields and greater upside potential than can be achieved in larger gateway markets.

SALES TRENDS



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