

RESEARCH BRIEF

CANADA EMPLOYMENT

JUNE 2026

Labour Market Rebound Supports Commercial Real Estate Stability

Hiring returned in force last month. Canada's job market strengthened in May, with the economy adding 88,000 jobs — the largest monthly gain since late 2024 and well above consensus expectations. The increase was driven entirely by full-time employment, which rose by 154,000 positions, offsetting much of the weakness recorded earlier in the year. At the same time, part-time employment declined. Hiring gains were also broad-based across age cohorts and industries, led by construction, transportation and warehousing, and information and recreation services. After shedding 112,000 jobs over the first four months of 2026, May's gain reduced year-to-date losses to roughly 24,300 positions. The employment rate also rose 20 basis points to 60.7 per cent, marking its first monthly increase since November, while the unemployment rate fell 30 basis points to 6.6 per cent.

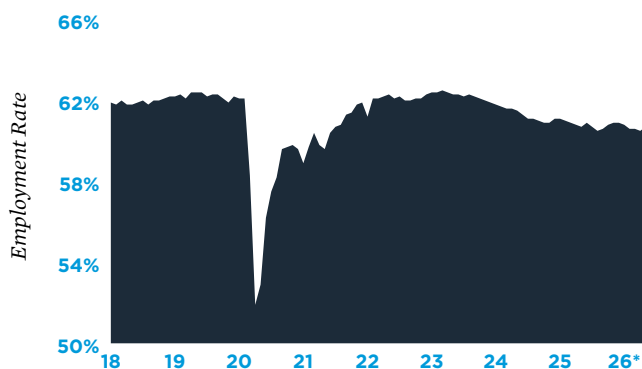
Rate outlook remains cautiously stable. While May's strong labour report reduces near-term recession concerns, it is unlikely to shift the Bank of Canada's policy stance. Hiring conditions have remained underwhelming through the first half of 2026, and Canada's economy has now recorded two consecutive quarters of negative growth, meeting the definition of a technical recession. At the same time, wage growth slowed sharply to 3.0 per cent year-over-year, suggesting that inflation pressures have not broadened significantly into labour costs. This should give the Bank of Canada room to remain on hold as the USMCA review continues to cloud the outlook. That said, inflation risks tied to the Middle East conflict will likely keep the central bank hawkish in its near-term communications.

Commercial Real Estate Outlook

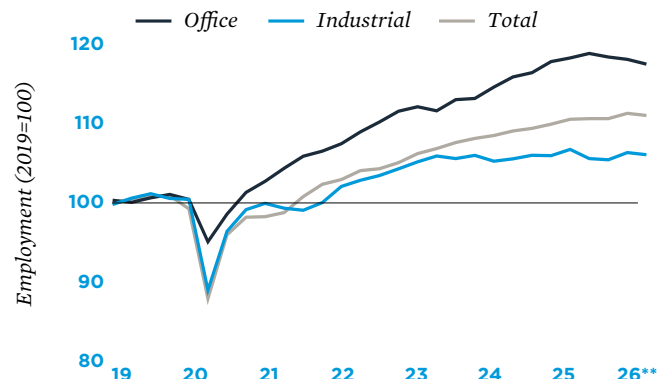
Consumer demand risks remain contained. Softer labour market conditions over the first four months of the year weighed on household spending, with consumption growth slowing to 1.5 per cent annualized in the first quarter. While still positive, slower spending growth presents some risk for retail and industrial demand, particularly if hiring momentum fades again. However, May's strong job gains could suggest the worst of the labour market weakness has passed. Combined with limited supply-side pressures, industrial vacancy appears to have largely stabilized and is forecast to improve modestly this year, while retail fundamentals remain especially tight, with national vacancy expected to remain below 3.0 per cent.

Office demand receives a modest tailwind. The improvement in labour market conditions should also provide some support for office fundamentals, particularly as gains were concentrated in full-time work and broad-based across core-aged workers. In addition, the share of Canadians working exclusively outside the home continued to rise, reaching 78.8 per cent in May, while the share working exclusively from home declined further. This gradual normalization in workplace patterns should help support office attendance and space demand over time. Even so, elevated unemployment relative to pre-pandemic levels and ongoing economic uncertainty suggest leasing decisions will remain cautious, keeping the office recovery gradual rather than rapid and predominantly tied to best-in-class space in core urban markets.

Hiring Trends May Be Turning a Corner



Office-Using Job Gains Aid Property Sector



* Through May ** Through 1Q

Sources: IPA Research Services; Altus Data Solutions; Capital Economics; CoStar Group, Inc.; Oxford Economics; Statistics Canada