Canadian Multifamily Market Report — Q1 2026

Prepared by LendCity Mortgages

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Executive Summary

Canada's multifamily market enters 2026 with unprecedented tailwinds driven by robust immigration, sustained rental demand, and supply constraints across major metropolitan areas. With national apartment vacancy rates hovering near historical lows of 2-3%, investor appetite remains strong despite elevated interest rate environments. The Mortgage Leverage Insured (MLI) Select program continues to provide competitive advantages, particularly for properties with naturally high affordability scores and energy efficiency alignment. This report identifies province-by-province opportunities and outlines market-specific strategies for multifamily investors navigating a complex but fundamentally sound rental market.

Section 1: National Market Overview

Key National Metrics

Metric	Q4 2025	Q1 2026 Projection
National Vacancy Rate	2.1%	2.0-2.5%
Average Annual Rent Growth	4.2%	4.5-5.0%
National Cap Rate Range	5.0-6.2%	5.2-6.5%
CMHC 5-Year Bond Yield	2.8%	2.9-3.1%
MLI Select Rate	4.0%	3.9-4.5%

Market Drivers

Immigration & Population Growth

Canada's population growth exceeded 2.5% in 2025, substantially above developed-world averages. Immigration-driven household formation continues to exceed new rental housing supply, creating persistent vacancy compression and rent growth. This dynamic is expected to remain in place through 2026, with particular strength in secondary metros (Hamilton, Kitchener, London).

Interest Rate Environment

The Bank of Canada held policy rates steady in early 2026 at 3.25%, with markets pricing in a potential 25bp cut by Q2. CMHC insured mortgage rates remain competitive in the 3.5-4.5% range for MLI Select properties, offering significant capital cost advantages over conventional financing.

Cap Rate Landscape

National average cap rates remain compressed at 5.2-6.5%, but significant variation exists by province and market type. Secondary markets and non-gateway regions command 50-150bp premiums over primary markets, providing yield-conscious investors with arbitrage opportunities.

Section 2: Alberta (Edmonton & Calgary)

Market Highlights

Market	Population Growth	Vacancy Rate	Cap Rate Range
Edmonton	3.8%	2.3%	5.8-6.5%
Calgary	3.5%	2.1%	5.5-6.3%
Secondary	2.8%	2.4%	6.2-6.8%

Interprovincial Migration Driving Affordability

Alberta remains Canada's most affordable province for multifamily investment, attracting increasing flows of interprovincial migration due to provincial tax advantages and low land costs. Both Edmonton and Calgary have experienced 3-4% population growth annually, driving robust rental demand.

MLI Select Advantage

Most Alberta rental properties naturally meet affordability thresholds:
• First-time owner occupancy frequently achievable
• Energy efficiency point accumulation via Alberta Building Code compliance
• Minimal requirement for value-add to reach MLI Select qualification

Key Opportunities & Risk Factors

Opportunities: Value-add in established neighborhoods; secondary market expansion in Red Deer and Lethbridge
Risks: Oil price sensitivity; significant new supply pipeline 2026-2028; municipal tax escalation

Section 3: Ontario (GTA & Secondary Markets)

Market	Population Growth	Vacancy Rate	Cap Rate Range
GTA Core	2.1%	1.8-2.0%	4.0-5.2%
GTA Secondary	2.8%	2.2-2.4%	5.0-5.8%
Hamilton	4.2%	2.1%	5.5-6.2%
London	3.8%	2.3%	5.8-6.5%
Kitchener	3.5%	2.2%	5.3-6.0%

Largest Market, Tightest Fundamentals

The Greater Toronto Area remains Canada's largest multifamily market by volume. Secondary Ontario markets (Hamilton, London, Kitchener) showing explosive growth due to relative affordability and immigration overflow.

Structural Challenges

Double Land Transfer Tax: Combined 6.5% acquisition cost creates headwind; opportunities for well-capitalized players
Rent Control: 2.5% annual cap; new construction exemptions for 24 months post-completion

Key Opportunities

Secondary market arbitrage (100-200bp premiums); GTA value-add renovation; new construction exemption window plays

Section 4: British Columbia (Vancouver & Victoria)

Market	Population Growth	Vacancy Rate	Cap Rate Range
Vancouver Core	1.5%	1.6%	3.5-4.2%
Vancouver Secondary	2.3%	2.0%	4.5-5.2%
Victoria	2.2%	2.1%	4.5-5.5%
Kelowna/Okanagan	3.1%	2.3%	5.5-6.2%

Supply Constraints Drive Pricing Power

Geographic constraints and complex municipal approvals limit supply. Premium valuations justified by strong rent growth and appreciation potential.

MLI Select & BC Step Code Alignment

Step Code compliance creates energy efficiency opportunities; sustainability premiums for over-compliance (Step 3/4); purpose-built rental projects increasingly aligned with MLI Select.

Key Opportunities

Purpose-built rental in transit corridors; secondary market growth (Kelowna, Nanaimo); renovation/rezoning plays

Risk Factors: High land costs; lengthy municipal approvals (24-36 months); speculation & vacancy taxes

Section 5: Quebec (Montreal & Gatineau)

Market	Population Growth	Vacancy Rate	Cap Rate Range
Montreal Core	2.4%	2.0%	4.5-5.2%
Montreal Suburban	2.8%	2.2%	5.0-5.8%
Gatineau	2.1%	2.3%	5.2-6.0%
Quebec City	1.8%	2.5%	5.8-6.5%

Affordable Entry Points, Strong Immigration

Montreal offers attractive cap rate premiums relative to Ontario with strong immigration-driven rental demand. Affordable entry for Canadian multifamily investment.

Language & Regulatory Considerations

French Language Requirements: Law 101 compliance for signage and contracts
Rent Tribunal: Regie des Loyers reviews significant increases; ~3% threshold
Operations: French-language marketing increasingly important for tenant acquisition

Key Opportunities

Plex conversions; student housing near universities (McGill, Concordia, UQAM); Gatineau arbitrage with NCR federal worker demand

Section 6: Prairies & Atlantic Canada

Saskatchewan (Saskatoon & Regina): Stable market; cap rates 5.8-6.8%; mining/agriculture economic diversity; affordable entry point with limited institutional competition

Manitoba (Winnipeg): Emerging value market; 2.6% population growth; cap rates 5.5-6.5%; tax incentives; downtown revitalization creating opportunity zones

Atlantic Canada: Halifax and Moncton emerging secondary destinations; 2.5-3.2% population growth; limited rental supply; cap rates 5.2-6.5%; tier-2 immigration opportunity ahead of major capital arrival

Section 7: Financing Landscape

Current Rate Environment (Q1 2026)

Product	Rate Range	Amortization	LTV Cap
MLI Select	3.9-4.5%	25-35 yrs	95%
MLI Standard	3.8-4.8%	25-35 yrs	85-90%
Conventional	5.0-6.5%	25-35 yrs	80%
Bridge/Interim	7.0-12.0%	12-24 mo	Negotiable

MLI Select Economics

Properties meeting affordability thresholds and energy efficiency targets secure 40-60bp rate advantages, translating to $18K-$32K annual savings per $1M financed. Qualification via: (1) First-time owner-occupancy (25% of units), (2) Affordability ratios (rent ≤ 32% median HHI), (3) Energy efficiency points (Step Code compliance, EnerGuide ratings)

Rate Outlook for 2026

Bank of Canada expected to deliver 1-2 rate cuts (25bp each) through 2026. Market pricing suggests 25-50bp cuts by Q2-Q3, with base rates reaching 2.75-3.0% by year-end. Mortgage rates likely track 50-75bp lower by Q4 2026. Strategy: Lock current rates for strong cash flow visibility; refinance optionality if property fundamentals remain strong.

Section 8: Investment Recommendations

Top 3 Markets for Cash Flow

1. Edmonton (5.8-6.5% cap rates): Strong affordability, MLI Select qualification, Alberta tax advantages. Secondary neighborhood renovation offers best risk/reward.

2. Hamilton (5.5-6.2% cap rates): Secondary Ontario with GTA overflow, 4%+ population growth, 100bp premium over GTA. Best near-term arbitrage.

3. Winnipeg (5.5-6.5% cap rates): Emerging value market with limited institutional presence. First-mover advantage for regional operators.

Top 3 Markets for Appreciation

1. Vancouver (3.5-4.2%): Constrained supply, immigration demand, limited pipeline. Long-hold appreciation despite lower yields.

2. Toronto GTA (4.0-5.2%): Largest market, supply deficit, new construction exemptions. Strong exit multiples.

3. Montreal (4.5-5.2%): Immigration growth, affordable entry, emerging tech/services. Appreciation at lower entry cost.

MLI Select Opportunities by Province

Province	Target Type	Geography	MLI Advantage
Alberta	Older garden apts	Edmonton NE, Calgary	Affordability natural fit
Ontario	New construction	Hamilton, London, Kitchener	24-mo exemption; strong pre-lease
BC	Purpose-built rental	Metro Vancouver transit, Okanagan	Step Code alignment
Quebec	Plex conversions	Montreal suburban, Gatineau	Affordable entry

Recommended Deal Structures

Cash Flow Focus (AB/MB/SK): Target 5.5-6.5% cap rates; 85-90% LTV MLI Standard (10-15% down); 5-7 year hold; refinance at lower rates

Appreciation Focus (BC/ON/QC): Target 4.0-5.5% cap rates; 90-95% LTV MLI Select (5-10% down); 24-36 month value-add; year 5-7 exit for appreciation

New Construction (GTA Secondary): Utilize 24-month exemption; 85%+ pre-lease; lock MLI Select construction bridge; exit post-exemption before rent control caps growth

Connect with LendCity Mortgages

LendCity Mortgages specializes in multifamily investment financing across Canada, with particular expertise in MLI Select structures and value-add scenarios. Our team provides market intelligence, deal optimization, and capital solutions tailored to investor profiles.

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