Home > The Housing Observer > 2025 Mid-Year Rental Market Update

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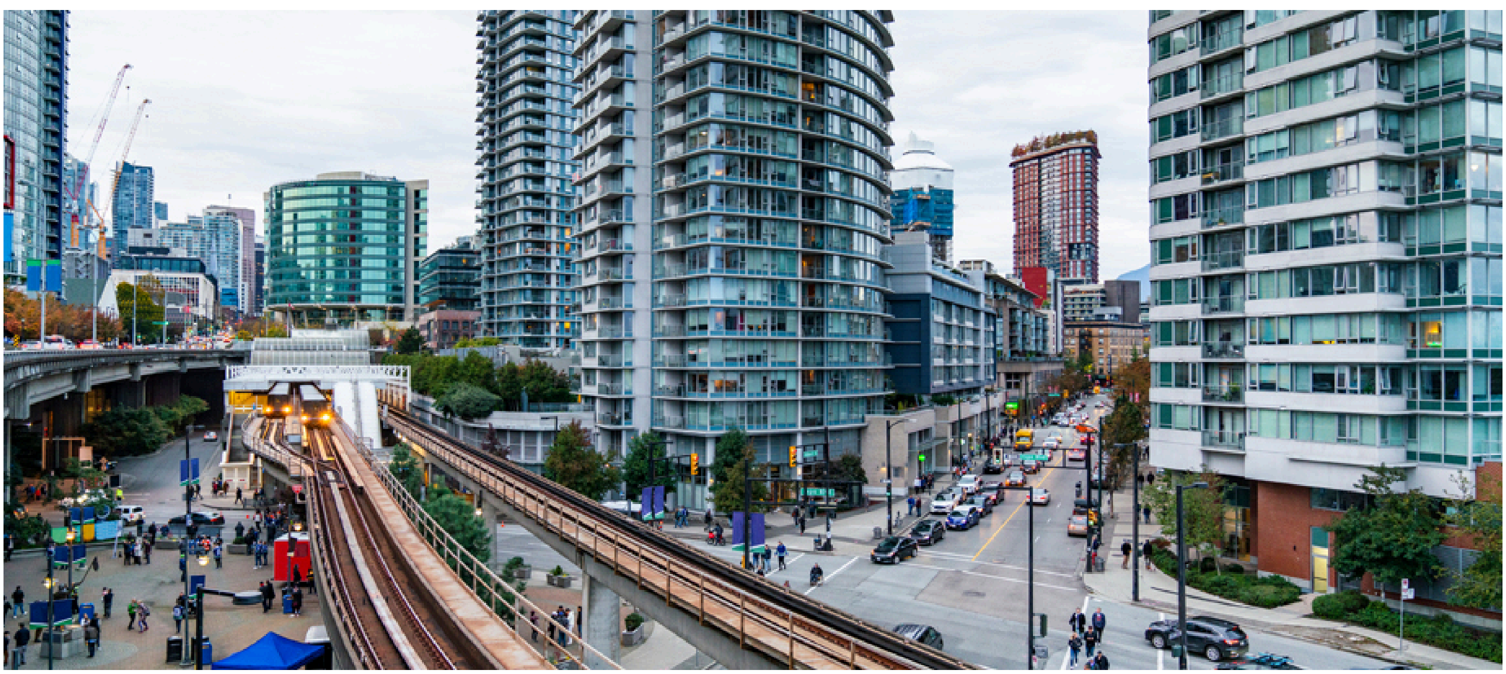
2025 Mid-Year Rental Market Update

July 8, 2025

This Rental Market Update report provides an update on rental market conditions across Canada building on insights from our *2024 Rental Market Report*, using alternative data sources[1]. It also includes insights obtained through market intelligence from industry experts.



Highlights

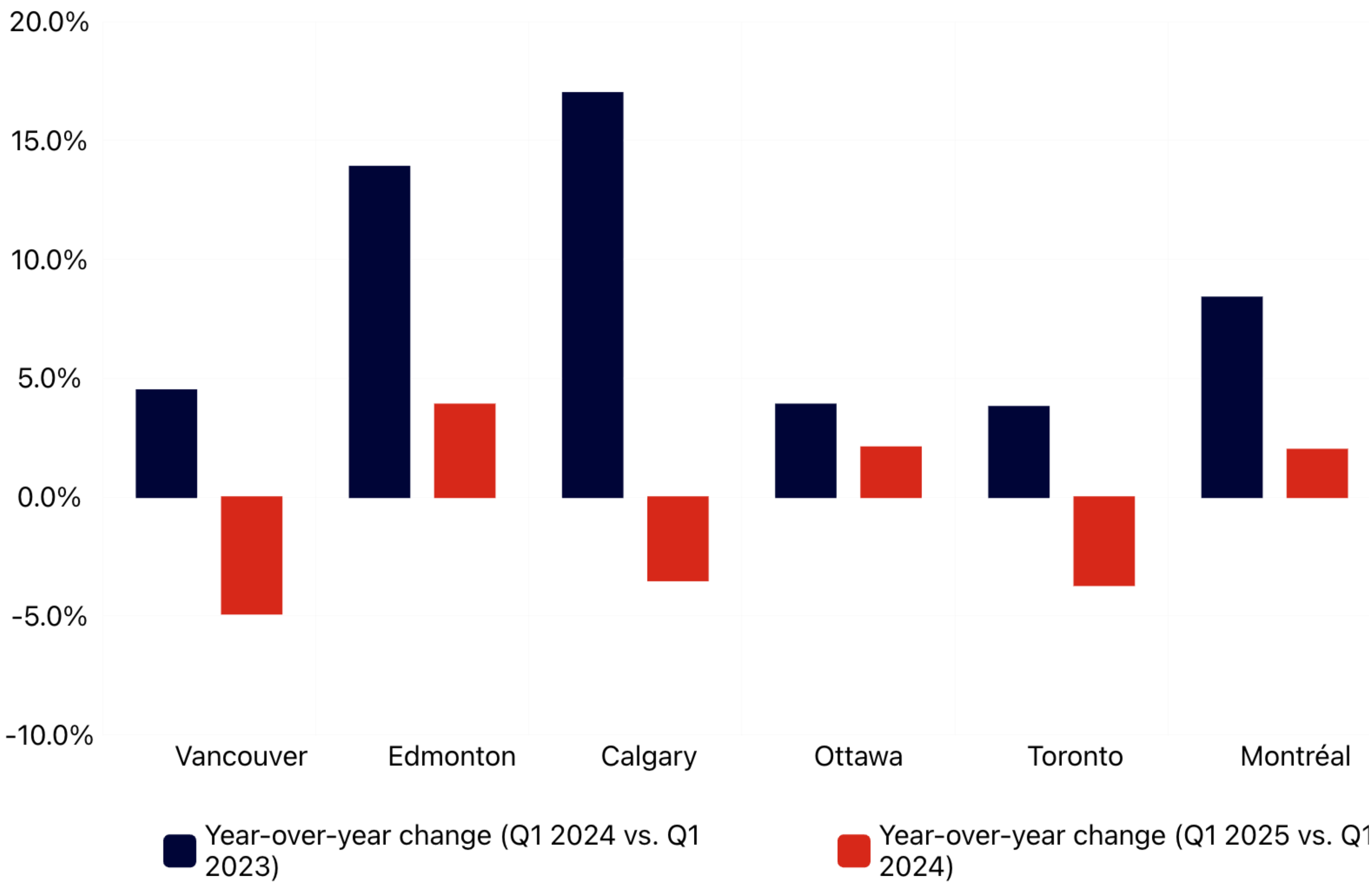
- Since October 2024, advertised rents are declining due to increased supply, while rents for occupied dwellings continue to rise at a slower pace than a year ago.
- Sluggish job markets and decelerating migration are creating challenging environments for landlords and property managers.
- Purpose-built rental supply is growing. CMHC construction financing programs and products supported an estimated 88% of Canada's new purpose-built rental apartment starts in 2024.
- Vacancy rates are expected to rise in most major markets this year.
- Despite easing rent growth and increasing supply, rental affordability isn't improving – especially in Vancouver and Toronto as turnover rents are driving increases. Calgary, however, has shown a slight improvement.

Elevated supply contributes to lower advertised rents

Rental supply has been rising, shown by rapid growth in the number of listings and newly completed structures. As a result, in Calgary, Toronto, Vancouver and Halifax Census Metropolitan Areas (CMAs), advertised rents[2] in Q1 2025 declined between 2% to 8% compared to the same period a year earlier (see Figure 1 and 2).

Edmonton, Ottawa and Montréal, however, continued to see an annual increase in the average advertised rent although at a slower pace.

Figure 1: Year-Over-Year Change in Asking Rents For a 2-Bedroom Purpose-Built Rental Apartment

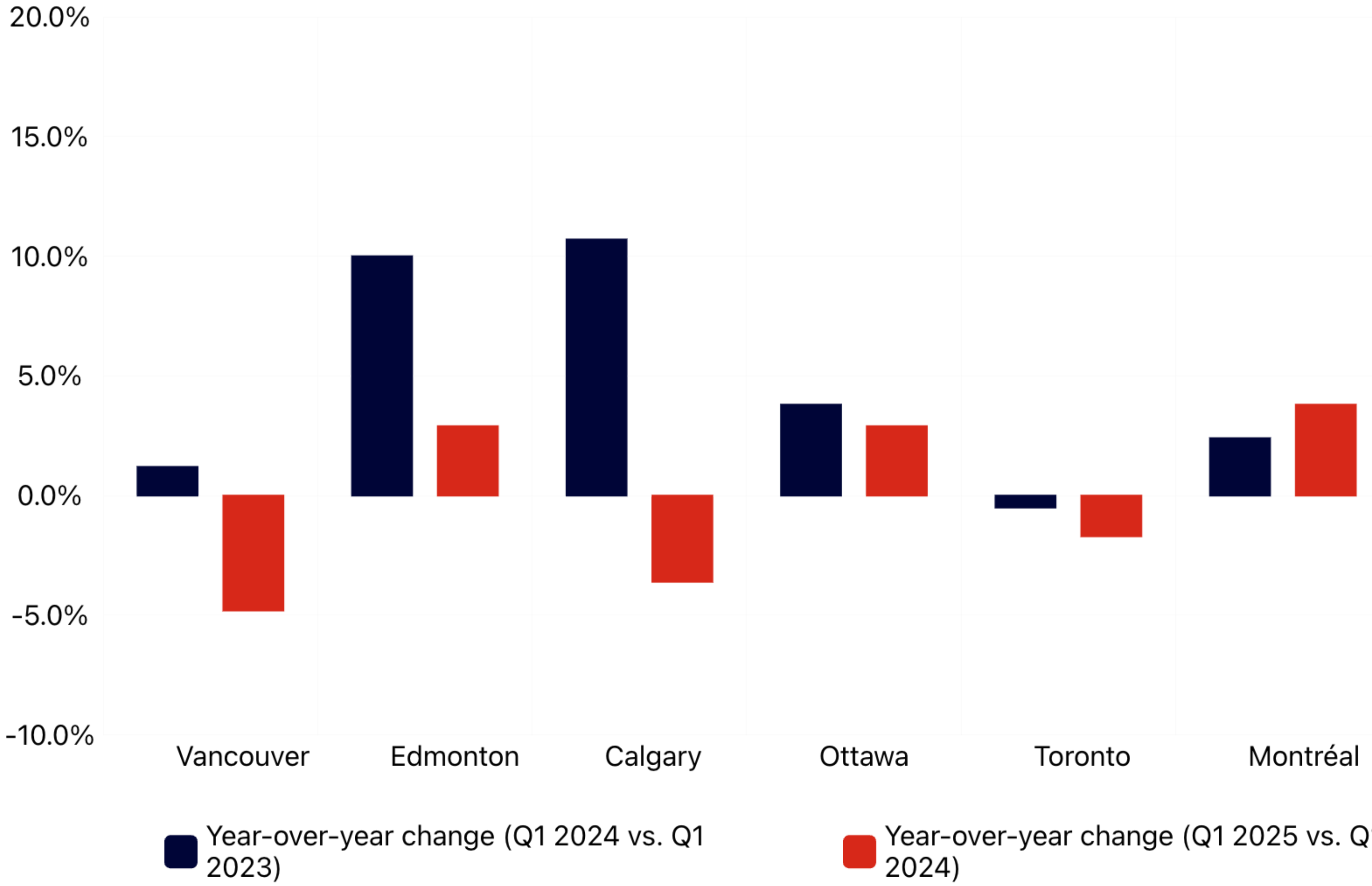


Source: Rental Listings Data

Text version (Figure 1)

	Vancouver	Edmonton	Calgary	Ottawa	Tor
Year-over-year change (Q1 2024 vs. Q1 2023)	4.5%	13.9%	17.0%	3.9%	3
Year-over-year change (Q1 2025 vs. Q1 2024)	-4.9%	3.9%	-3.5%	2.1%	-3

Figure 2: Year-Over-Year Change in Asking Rents For a 2-Bedroom Condominium Rental Apartment



Source: Rental Listings Data

Text version (Figure 2)

	Vancouver	Edmonton	Calgary	Ottawa	Tor
Year-over-year change (Q1 2024 vs. Q1 2023)	1.2%	10.0%	10.7%	3.8%	-(
Year-over-year change (Q1 2025 vs. Q1 2024)	-4.8%	2.9%	-3.6%	2.9%	-1

Landlords are reporting that vacant units are taking longer to lease, especially in the case of new purpose-built rental units in Toronto, Vancouver and Calgary due to additional competition from well-supplied secondary rental markets[3]. Owners in the secondary rental market are often more inclined to lower rents to avoid vacancies, placing less emphasis on capitalization rates.

In contrast, purpose-built rental operators are responding to market conditions by offering incentives to new tenants such as one month of free rent, moving allowances and signing bonuses. Nevertheless, some operators anticipate they may need to lower rents over the next couple of years.

CMHC data indicates a continued increase in rental completions since our Rental Market Survey was conducted in October 2024. Completions remain above their 10-year historical averages in most markets, much of which has been encouraged by government initiatives.

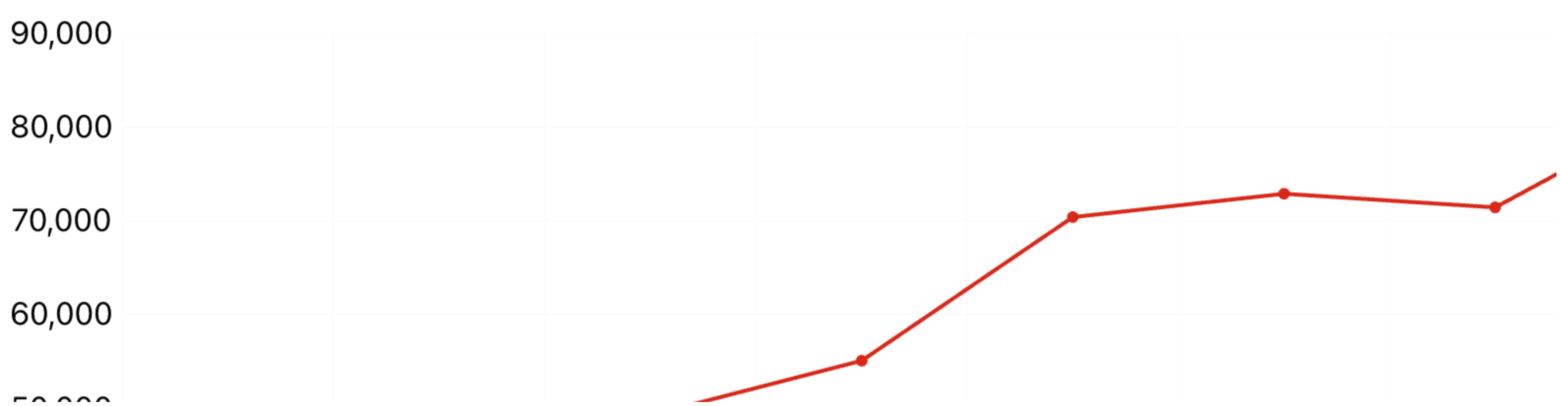
CMHC's role in boosting multi-unit rental construction

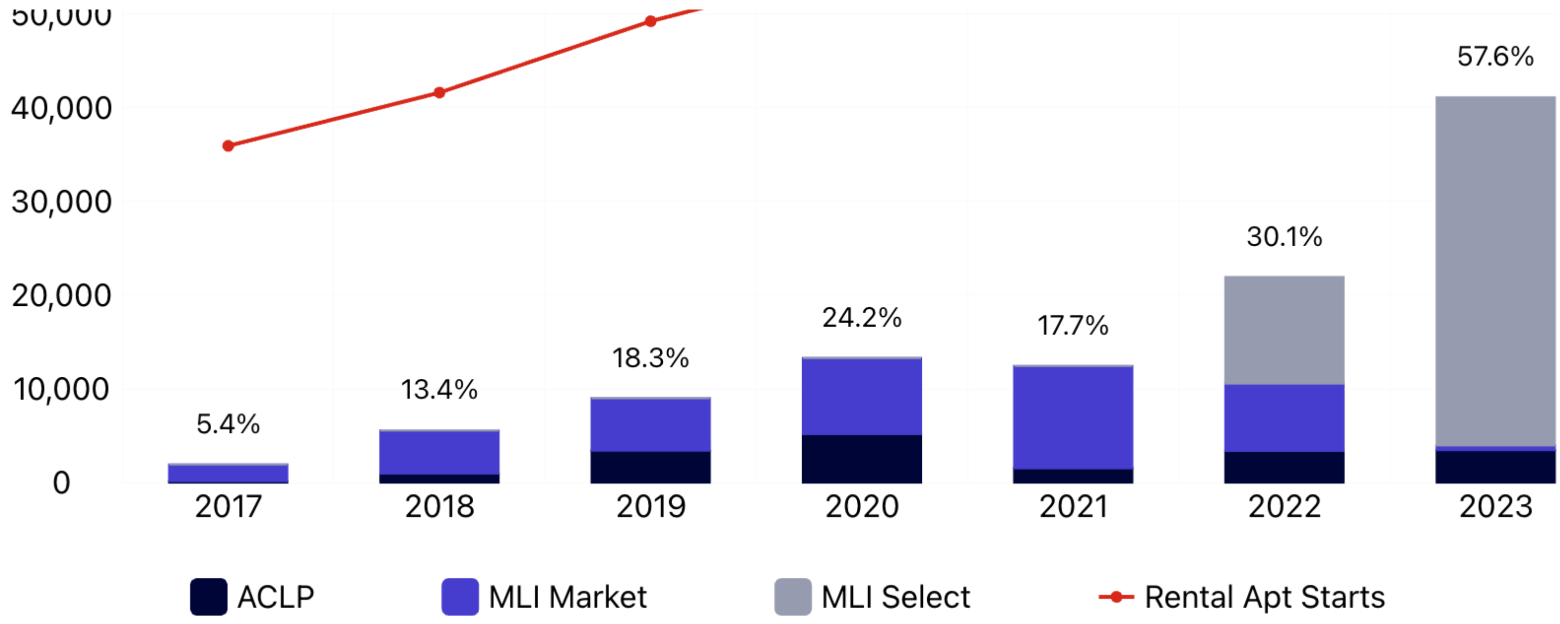
CMHC products and programs have played a key role in supporting rental supply across Canada.

CMHC estimates that in 2024, most new rental apartment starts in Canada were supported primarily by 2 of CMHC construction financing programs and products. Since 2017, over 200,000 new purpose-built rental apartment units were funded through CMHC's multi-unit mortgage loan insurance products and the Apartment Construction Loan Program (ACLP). We estimate the share of rental apartment starts supported by these initiatives during the construction phase grew significantly, from 5% in 2017 to 88% by 2024 (see Figure 3).

Figure 3: Rental Apartment Starts (Structures With 5+ Units) vs. Apartment Construction Loan Program/Mortgage Loan Insurance Funded Apartment Units, Canada

Percentage Represents the Apartment Construction Loan Program/Mortgage Loan Insurance Units as a Share of Total Rental Apartment Starts





Source: CMHC

Note:

- This data includes only purpose-built rental apartment structures with 5 or more units.
- Apartment Construction Loan Program/mortgage loan insurance data is for approved loans for apartment structures where a premium was paid and is used for the purpose of construction financing only. The reference year is based on year the first advance was approved. Mortgage Loan Insurance Market includes the discontinued MLI flex program.

Text version (Figure 3)

	ACLP	MLI Market	MLI Select	Rental Apt Starts	
				Total	%
2017	161	1786	0	35924	5.4%
2018	981	4588	0	41601	13.4%
2019	3411	5597	0	49218	18.3%
2020	5190	8115	0	55028	24.2%
2021	1537	10908	0	70355	17.7%
2022	3395	7176	11373	72845	30.1%
2023	3479	504	37128	71388	57.6%
2024	7166	373	66307	83561	88.4%

Since 2017, the share of rental apartment starts supported by the ACLP and multi-unit mortgage loan insurance has steadily grown across major CMAs. In 2024, this trend saw a notable boost, largely due to the MLI Select product, which was introduced in 2022.

- Montréal experienced one of the most significant increases in 2024, driven by rapid adoption of MLI Select.
- In more expensive rental markets like Toronto and Vancouver, the uptake of ACLP remains more important. This aligns with the program's focus on expanding rental supply in costly or tight markets.
- Edmonton and Calgary represented the second and third highest number of insured new units, respectively, and the highest when adjusted for population size. This strong uptake is largely due to the ease of meeting MLI Select's affordability criteria.

International migration and labour markets have become headwinds

The impact of slower international migration is observed in the recent decline in advertised rents. After peaking around mid-2023, advertised rents fell more in CMAs most exposed to such changes like Vancouver, Toronto and Halifax.

The cap on international student intake and adjustments to their provincial distribution are influencing rental demand in British Columbia, Ontario and Nova Scotia. These provinces all saw declines in work and study permit holders in Q1 2025, while growth in the number of non-permanent residents slowed in Quebec and Alberta.

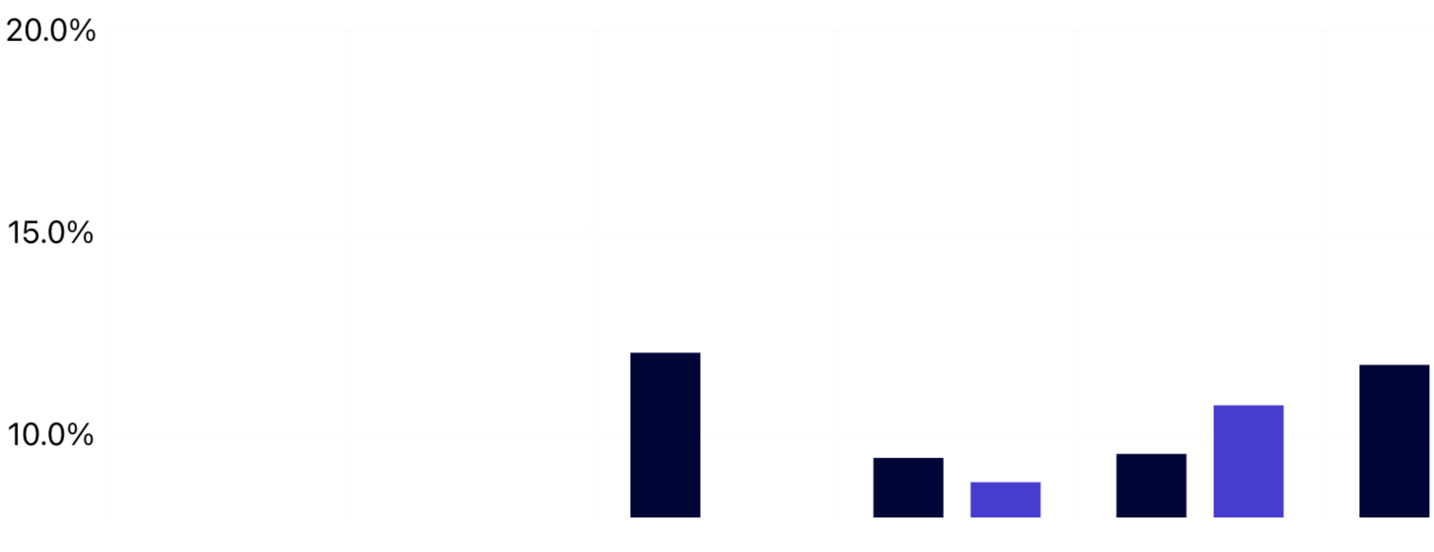
Demand is also softening due to sluggish labour markets. New entrants to the rental market are hampered as youth unemployment is above its 5-year average across most major markets. Even the unemployment rates of recent post-secondary grads are now above longer-term averages.

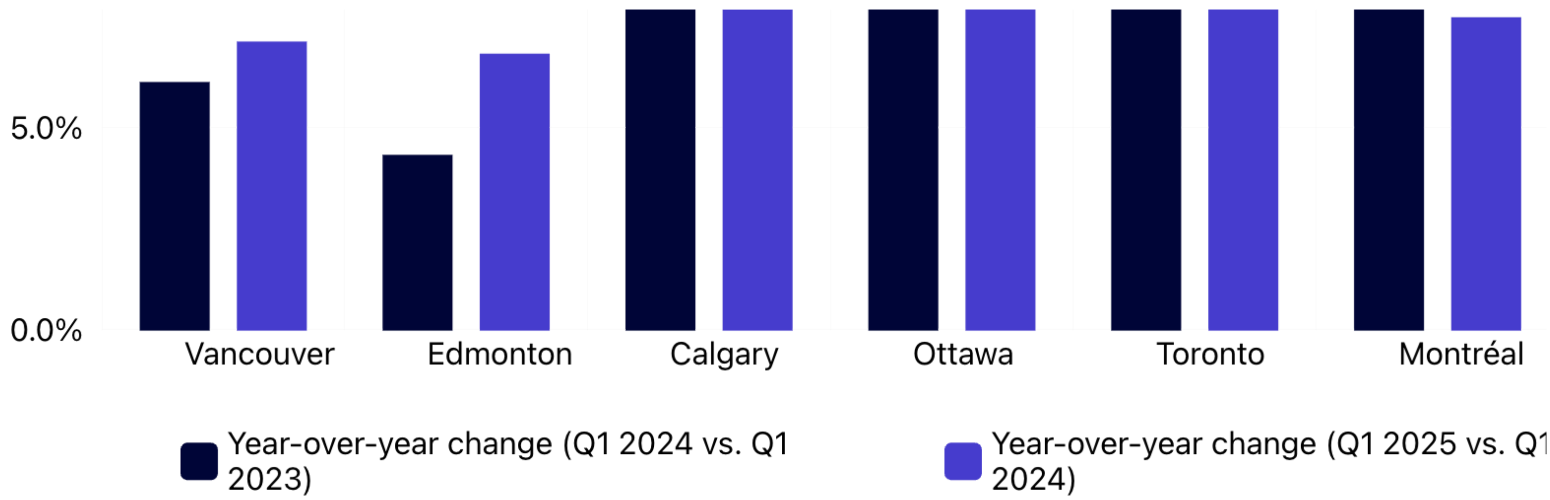
However, labour market trends vary across markets. Labour markets in Vancouver and Toronto are showing some signs of weakening while conditions are relatively strong in Halifax, Calgary and Edmonton so far in 2025 due to elevated full-time employment gains.

Rent increases for occupied units still reflect strong demand

While advertised rents have begun to ease, this hasn't yet translated into lower rents paid by all tenants. According to Statistics Canada's Labour Force Survey data, the average rent for 2-bedroom occupied units in the 7 largest CMAs were higher in Q1 2025 compared to the same period a year earlier (see Figure 4). This is primarily due to more tenants paying higher rents at turnover in recent years, thereby driving overall rent growth.

Figure 4: Year-Over-Year Change in Rents For a 2-Bedroom Occupied Rental Unit





Source: Statistics Canada

Text version (Figure 4)

	Vancouver	Edmonton	Calgary	Ottawa	Tor
Year-over-year change (Q1 2024 vs. Q1 2023)	6.1%	4.3%	12.0%	9.4%	9
Year-over-year change (Q1 2025 vs. Q1 2024)	7.1%	6.8%	7.9%	8.8%	10

In markets with low turnover and strict rent regulations, rents often rise sharply when units become available. Landlords adjust rents to match current market rates, which are typically much higher than the regulated rents of the previous leases. These increases may also help offset increases in operating costs and cover rising turnover-related costs such as renovations and repairs.

We noticed this dynamic by analyzing[4] rent-controlled markets — Ottawa and Toronto — comparing buildings completed after November 2018 (exempt from rent control) with similar buildings constructed between 2011 and 2017 (subject to rent control). In both cities, when units in rent-controlled buildings turned over, rents were typically raised to match those in newer, exempt buildings.

Rents in older buildings are catching up with those of newer properties[5]

With strong growth in average turnover rent, the rent gap between older and newer buildings has narrowed across major CMAs. When older units became available, they were priced closer to newly built supply (completed within the past 5 years). In Vancouver, the gap was smallest in 2024 — just 9% for 2-bedroom purpose-built rental apartments. In expensive, tight markets, affordability has deteriorated to the point where many new and moving renters are settling for modest savings by choosing older stock.

Higher turnover rents in several major rental markets have decreased tenant mobility, leading to longer average tenancy periods and resulting in more substantial rent increases when tenants do move. In 2024, the rent difference between vacant and occupied 2-bedroom units reached 44% in Toronto, the highest among major cities. Edmonton, with higher turnover and no rent control, had the smallest gap (5%).

Signs point to increasing turnover

In October 2024, turnover remained at the lowest rate recorded by our Rental Market Survey since data collection began in 2016. However, since then, stakeholders in several major cities have indicated an uptick in turnover because of higher vacancies and incentives encouraging tenants to move.

This is supported by an increase in the availability rate[6] for newer purpose-built rentals in Toronto[7]. This rate has recently grown faster than the vacancy rate since the Fall, which indicates a rise in tenant turnover.

Vacancy rates set to rise further

Over the rest of 2025, the rental market is also expected to be influenced by slower population growth and changing employment conditions. As demand struggles to keep pace with new supply, the market will remain in a period of adjustment. This is particularly true in Ontario due to lowered international migration targets, especially in areas near post-secondary institutions.

Newer purpose-built rental properties will face more pressure from longer lease-up phases and increased vacancy rates. While the market may have abundant supply in the short-term, there is still a need to maintain momentum in new rental supply to meet the needs of projected future population growth and to achieve better affordability outcomes for existing households.

Rent burden still growing in major Canadian markets

Stakeholders have noted increasing financial pressures on renters. As affordability pressures persist, more tenants are expected to turn to shared living arrangements, further boosting demand for 3+ bedroom apartments. This shift may make it harder for smaller units to attract tenants as households prioritize space-sharing to save money.

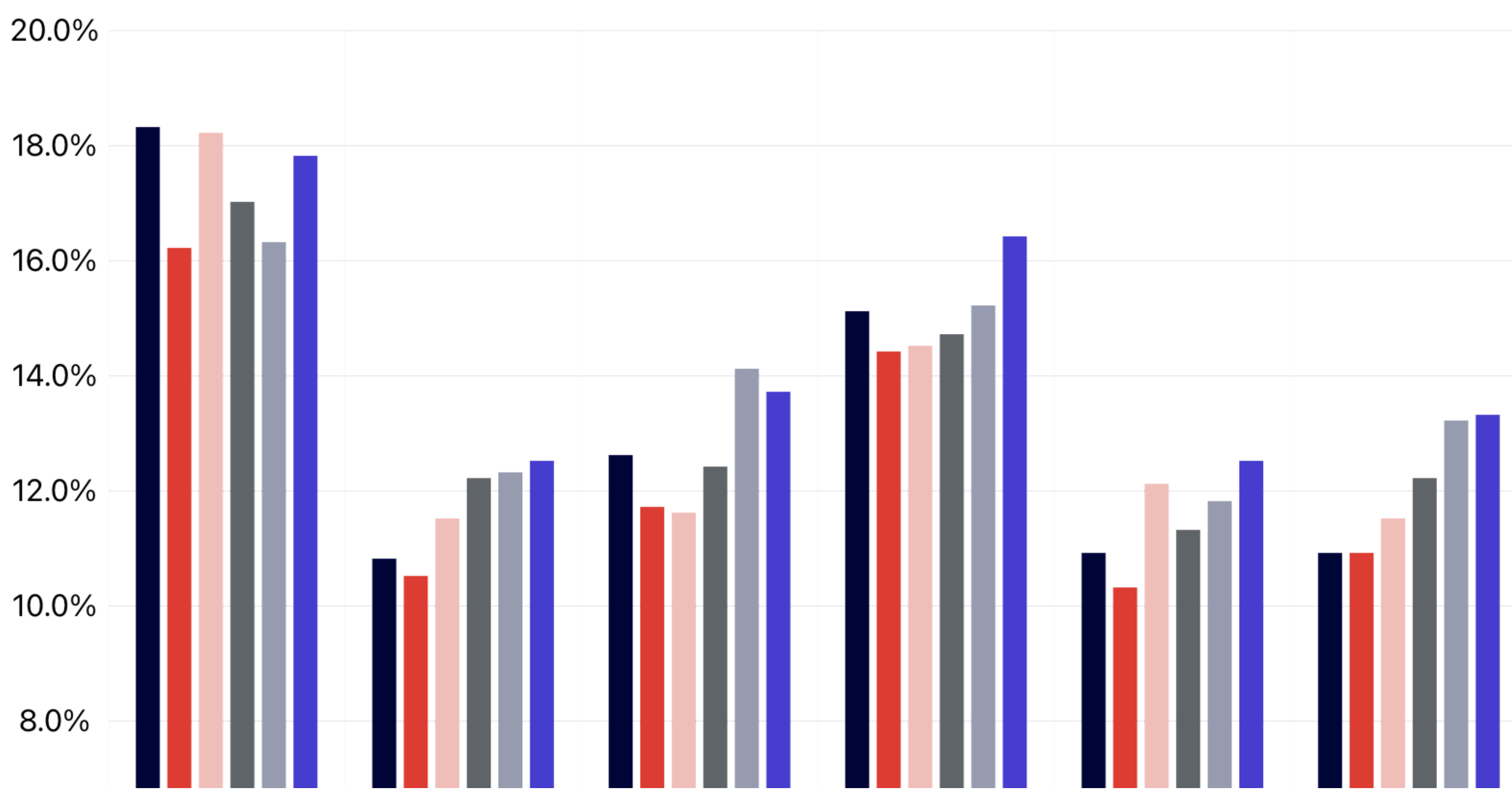
To monitor monthly rental affordability, we calculated 2 different rent-to-income ratios[8]:

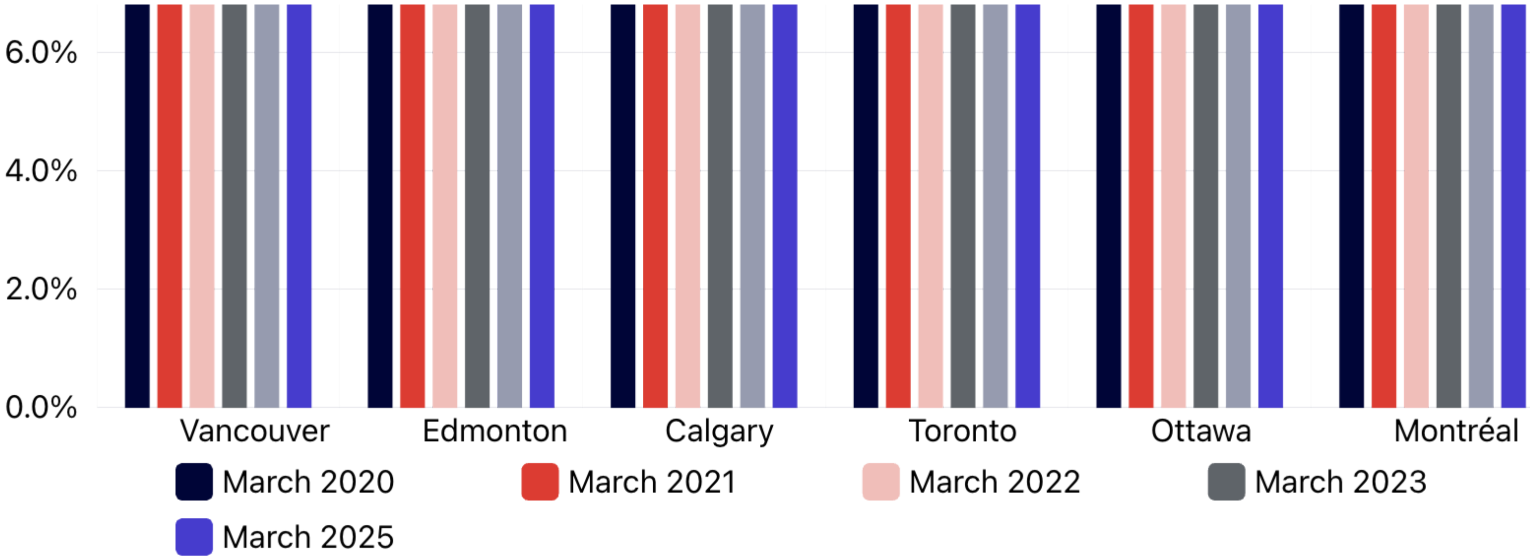
- **Rent-to-income ratio using average market rents:**
  This uses average rents for 2-bedroom units from the Labour Force Survey. These rents reflect broader conditions in the rental market.
- **Rent-to-income ratio using advertised rents:**
  This uses average advertised rents for 2-bedroom units from online rental listings. These rents represent the actual prices faced by new renters entering the market.

The rent-to-income ratios based on Labour Force Survey rents (see Figure 5) are the highest in Vancouver, followed by Toronto. The ratios in other rental markets are within a similar range. Since the COVID-19 pandemic in 2020, rent-to-income ratios have steadily increased across markets. This shows that rental affordability has been getting worse over time.

Figure 5: Occupied Dwelling Rent Burden Growing in Major Canadian Markets

Rent-to-Income Ratios With Labour Force Survey Rents





Source: Statistics Canada, CMHC calculations

Text version (Figure 5)

Rent-to-Income Ratios With Labour Force Survey Rents

	Vancouver	Edmonton	Calgary	Toronto	Ottawa	Montréal	Halifax
March 2020	18.3%	10.8%	12.6%	15.1%	10.9%	10.9%	12.1%
March 2021	16.2%	10.5%	11.7%	14.4%	10.3%	10.9%	12.1%
March 2022	18.2%	11.5%	11.6%	14.5%	12.1%	11.5%	12.7%
March 2023	17.0%	12.2%	12.4%	14.7%	11.3%	12.2%	13.5%
March 2024	16.3%	12.3%	14.1%	15.2%	11.8%	13.2%	14.1%
March 2025	17.8%	12.5%	13.7%	16.4%	12.5%	13.3%	13.9%

The rent-to-income ratios based on advertised rents, which are available from 2022 onward, generally increased until 2024. In 2024, the ratios began to decline in the most unaffordable markets. This trend aligns with the recent softening in the rental market.