

Markets Update July 2024

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Executive Summary



The Bank Of Canada announced another rate cut on July 24th, lowering the overnight rate by -0.25% to 4.50%. Most analysts are anticipating further cuts in September and again in December with the expected rate being 3.75-4.00% by year end.

Headline inflation came in slightly lower than analysts expectations at 2.7% year over year. Mortgage Interest and Rent acceleration continues to have a significant impact on overall inflation. Mortgage Interest rates contributed 1.3% of the total headline inflation while rent increases contributed a further 0.6% of the total.

The Federal Government's plan to limit international student visas along with a slowing of applications appears to be having the desired impact of slowing immigration.

The labour market continues to experience headwinds as unemployment increased slightly while demand for labour has also started to decline. Retail sales softness further lessens the demand for employment in the retail sector. Public Sector job adds continue to outpace those in the private sector and self employment.

New build completions and starts for purpose built rentals hit record highs in June, driven primarily in BC, AB, and ATL Canada. Meanwhile, single family starts fell again in June continuing a downward trend since peaking in 2021.

Inflation - CPI

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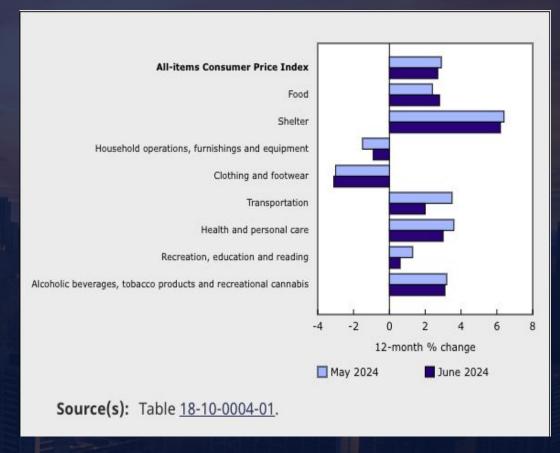
Consumer Price Index:

Headline inflation came in at **2.7%** in **June** vs **2.9%** in **May**. **Core measures** continued to **cool** and were **2.6% YoY**.

Household operations -0.9% and Clothing/Footwear -3.1% continue to see YoY softening.

Food inflation continues to be driven by accelerated grocery prices as food purchased from stores came in at +2.1% in June compared to +1.5% in May. Food purchased from stores has increased by a staggering 21.9% since June 2021.

Transportation cooled off significantly in **June** as **gas prices** rose at a modest **+0.4**% in June compared to **+5.6**% in **May.**



Source: Statistics Canada

Rents & Mortgages



Mortgage interest continues to drive CPI.

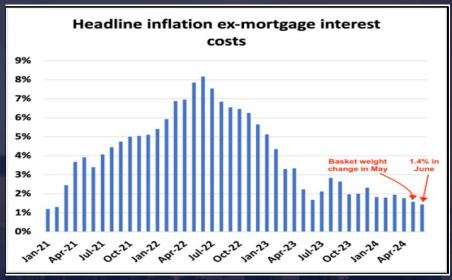
With the updated CPI basket weighting, mortgage interest now accounting for **5.8%** of the **CPI basket**, **mortgage interest** accounted for **1.3% of the total** headline inflation. **ALL OTHER components** made up **1.4%** of the 2.7% increase. If mortgage interest was backed out, **CPI** is at its **lowest** level **since 2021.**

Mortgage origins continue to trend upwardly, +12%, with **3 & 4-year fixed rate** terms accounting for **~ 60%** of the **originations.**

Rented Accommodations were up +8.5% YoY.

Rent continues to add **0.6%** to **total headline CPI**. Of note, we did see the **lowest month over month** increase **since mid 2022**.

A key driver of this "leveling off" may be attributed to a **record number** of **purpose built rental completions** in June. New starts for purpose built rentals also hit a 35 year high in June.





Source: Edge Realty Analytics

Population & Immigration

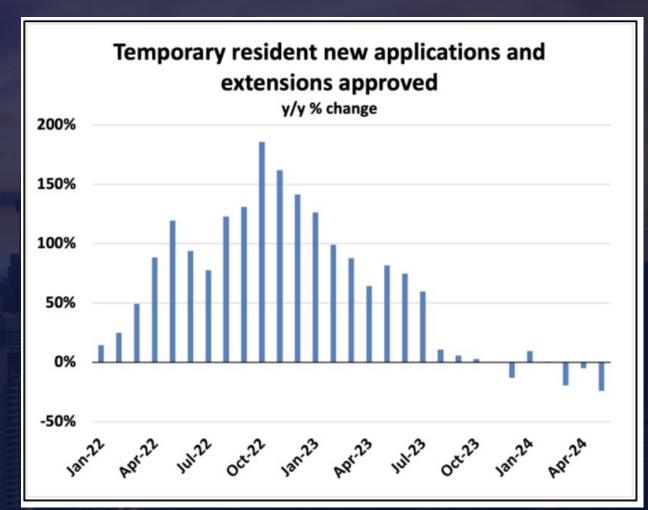


Non-permanent residents have been the key driver of immigration for several years as this group accounts for nearly **7**% of the **total population** in Canada.

International student visas have snowballed out of control in recent years. To help reign this in Canada has imposed a cap on student visas while at the same time student visa applications were down -49% YoY in May.

Furthermore, Immigration officials announced amendments to ensure **only "genuine" colleges** and universities would be **eligible** for study permits.

These measures appear to be making an impact and we've likely **seen the peak** for population growth. We will continue to see **growth** but a more **moderate rate**.



Unemployment increased



Unemployment rate rises to 6.4% in June

The unemployment rate rose 0.2% to 6.4% in June. This continues an upward trend, +1.3% since April 2023.

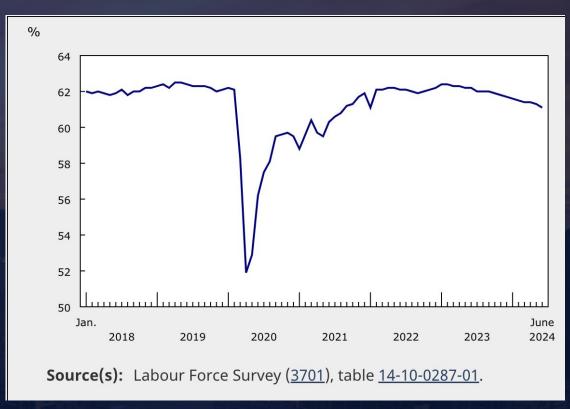
There were **1.4 million unemployed** people in June, an **increase** of **42,000** from May.

Employment remained virtually unchanged in June (-1,400 jobs) as the employment rate fell 0.2% to 61.1%.

Jobs Data:

Following (2) soft months on the employment front there were also signs of a labour market softening as **60%** of businesses reporting **less intense labour shortages** versus last year.

Some analysts are predicting the Bank Of Canada shifting its focus **away from inflation** and more **towards** a rapidly **cooling labour market** in upcoming monetary policy reports.



Source: Statistics Canada

Real Estate - Residential



Residential:

Month over month **home sales** grew **+3.7%** nationally with Ontario seeing a **+6.1%** increase, the **highest since January '24.**

Year over year sales continue to lag at -3.3% nationally.

Prices also saw softness at **-3.6%** year over year. Month over month came in essentially flat +0.1%.

New listings (+1.5%) and inventory levels (+0.5%) saw modest increases month over month. The year over year data was a little more robust with new listings +10.8% and inventory + 27.8%.

	S	ales	New listings		Active	inventory	House prices (HPI, seasonally adjusted)		
	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted	
Canada	-3.3%	+3.7%	+10.8%	+1.5%	+27.8%	+0.5%	-3.6%	+0.1%	
ВС	-14.3%	+2.7%	+11.9%	+4.2%	+40.3%	+1.4%	-1.0%	-0.2%	
AB	+3.2%	+1.4%	+3.9%	-2.3%	-8.8%	+0.7%	+8.9%	+0.6%	
ON	-9.7%	+6.1%	+14.4%	+2.8%	+58.3%	0.4%	-4.6%	+0.2%	
QC	+11.3%	+4.2%	+11.0%	-1.3%	+25.3%	+1.4%	+4.9%	+1.0%	

Source: Edge Realty Analytics

Real Estate - Rental



Nationally, asking rents for all residential property types in Canada averaged \$2,185 in June, an increase of +7.0% YoY. This represents the slowest annual growth rate in 13 months.

In Ontario the average asking **rents** in **June fell -1.7% vs May. Total Rents** in Ontario are **-1% year over year**.

In our primary markets, **Kingston** continues to see **double digit growth year over year** in both 1 & 2 bedroom units. Month over month we are beginning to see a cooling down on rent increases. **Hamilton** is seeing a general cool down both month over month and year over year.

Our specific properties in Kingston and Hamilton continue to see upward momentum in rent rates as our average rents at acquisition were well below market rates. As we continue to renovate and turnover longer term tenants we are seeing high double digit increases.

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RANK**	CITY/AREA	1 BED	M/M	Y/Y	2 BED	M/M	Y/Y	
0	Vancouver, BC	\$2,724	2.0%	-7.5%	\$3,648	0.5%	-5.6%	ı
2	Burnaby, BC	\$2,543	-0.1%	-1.4%	\$3,183	-0.9%	-3.9%	ı
3	Toronto, ON	\$2,444	-1.4%	-4.9%	\$3,199	-2.6%	-3.1%	
•	Mississauga, ON	\$2,371	1.4%	0.4%	\$2,778	2.8%	-1.5%	ı
•	North York, ON	\$2,263	-1.1%	1.6%	\$2,663	-1.2%	-1.6%	
(1)	Oshawa, ON	\$1,946	3.3%	4.3%	\$2,241	0.8%	5.6%	ı
0	Kitchener, ON	\$1,935	0.0%	2.5%	\$2,327	-0.9%	-0.5%	
0	Kingston, ON	\$1,827	1.6%	10.7%	\$2,249	-0.5%	14.0%	
0	Nanaimo, BC	\$1,784	0.4%	2.6%	\$2,207	1.5%	3.2%	
0	Hamilton, ON	\$1,780	-1.5%	-4.8%	\$2,130	-1.6%	-7.3%	
20	London, ON	\$1,772	-0.6%	1.0%	\$2,158	-0.5%	3.4%	
30	Quebec City, QC	\$1,431	5.7%	17.4%	\$1,708	-1.8%	8.8%	ı
9	Edmonton, AB	\$1,368	0.0%	14.4%	\$1,708	1.1%	13.5%	
22	Regina, SK	\$1,320	4.9%	20.5%	\$1,537	1.4%	14.6%	
33	Fort McMurray, AB	\$1,251	0.7%	13.4%	\$1,429	-2.9%	3.5%	
9	Saskatoon, SK	\$1,239	-1.5%	11.6%	\$1,454	-0.4%	16.8%	
35	St. John's, NL	\$980	2.7%	5.8%	\$1,216	5.8%	-6.6%	

Source: Rentals.ca





Unit Holder Takeaways:

- As headline inflation continues to trend toward the 2% BoC target the expectation remains that
 we will see further rate cuts over the balance of year with many analysts predicting a rate of 3.75
 4.0% by end of year. Lower rates will intuitively lead to more activity in multi family transactions
 starting in Q1 2025 providing opportunities for strategic acquisitions.
- New home starts for single family homes continue to lag demand. We're seeing an increase in purpose built rental construction, primarily in BC, however we anticipate a robust rental market in our core investment areas for the foreseeable future.
- We continue to see significant growth in rental rates within our properties. As we see turnover in previously renovated units we are able to achieve rents that reflect the accelerated growth of the last 18 months. We still have ~ 50% of units in the portfolio to be renovated and/or marked to market. We anticipate the rental growth in our properties to outpace the local market growth rates as we have more unrealized potential.





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