

SUMMER

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THE LANDLORD REPORT

26

 **ROYAL LePAGE**
COMMERCIAL

KYLE CHURCH - BROKER

2026 Market

by the numbers

\$46 M

Total Sales Volume

30%

of transactions closed with Vendor
or private financing

15

Total Number of
Transactions

\$209k

Average Per Suite Price
(non-institutional)

235

Units Sold

69%

Transactions Completed
with MLS Listing

4 - 6%

Capitalization Rate
Range

40%

of all 2026 Transactions
Closed in January

Looking Back:

Examining the Multi Family Market from 2019 to today

Dear Property Owners, Investors and Managers,

As a real estate broker focused exclusively on selling multi-family investments in Ontario for over fourteen years, I hope you'll take a few minutes to read through this report and gain my perspective on the current investment market for multi family real estate.

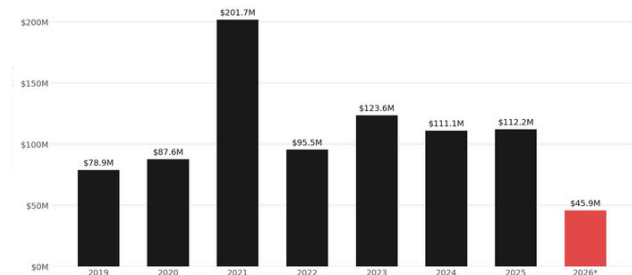
Whether you are planning to hold your properties for the long term or are interested in buying or selling in the near future, this report will bring value to your decision-making process in the months ahead.

To put today's market into perspective, we need to examine the past five years to understand where we came from and how we arrived at the conditions we see today in the summer of 2026. For this report, we took a deep dive into all multi-family transactions that occurred in Waterloo Region and Wellington County.

The data examines purpose-built rental housing transactions from 6 to 50 units that closed between January 1, 2021 and the time of printing, excluding student housing, government housing, and other non-market transactions.

TRANSACTION VOLUME

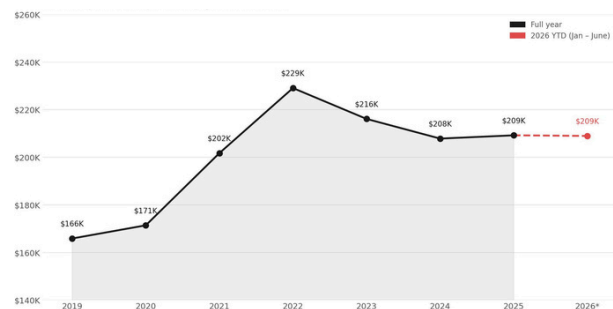
For the most part, deal volume has remained relatively steady at around \$100 million annually since 2019. The outlier, of course, was 2021, when deal volume doubled to \$201 million. This surge was driven by record-low interest rates, which fuelled investment activity as buyers capitalized on inexpensive debt and sellers exited at record pricing and historically low capitalization rates. We appear to be on pace for normal deal volume in 2026.



Total Sales Volume - 2019 to 2026

PRICE PER SUITE

As competition increased, average price per suite rose sharply from approximately \$166,000 in 2019 to \$229,000 in 2021. To put that into perspective, the value of a typical 15-unit apartment building increased by nearly \$1 million over just two years. This brought forward a supply of sellers looking to capitalize on favourable market conditions.



Price Per Suite from 2019 - 2026

CAP RATES

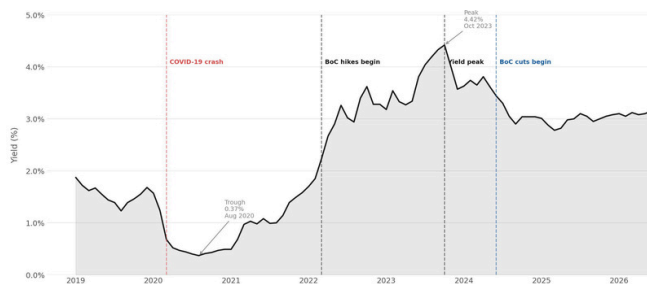
During the same time period, capitalization rates compressed significantly. In 2019, cap rates generally ranged from 5% to 6%, depending on the asset and opportunity. Very quickly, that shifted to 3% to 4% as buyers secured 5 to 10-year financing through CMHC insured at rates as low as 2.0%.

Looking Back

continued...

COST OF BORROWING

As the chart below illustrates, the cost of borrowing has increased substantially from the record lows of 2020. This shift is significant because capitalization rates must rise to reflect the higher borrowing costs faced by both buyers and existing owners renewing or refinancing their properties.



5-Yr GoC Bond Yields from 2019-2026

PROPERTY VALUES

It is important to understand the impact that this unwinding of compressed cap rates has had on property values. For example, a property generating \$100,000 in net income that sold at a 3.5% cap rate in 2021 would have been worth approximately \$2.85 million. At a 5% cap rate today, that same property with the same net income would be worth only \$2 million. This has been difficult for many owners to comprehend, as they still remember the valuations achieved in 2021. The reality is that we are unlikely to return to those kinds of cap rates anytime in the foreseeable future.

Rising cap rates have resulted in many properties doing what I refer to as 'treading water.' Even the best operators, who have increased their property's Net Operating Income (NOI), are often just maintaining value rather than increasing it. I have seen real-life examples where properties increased NOI by as much as 30% since 2021 but are still worth approximately what they purchased the property for.

This is demonstrated by the remarkably stable average price per suite over the study period, which has not retreated to pre-pandemic levels. Before 2021, owners became accustomed to creating value through strong asset management and operations. Using the same example, \$100,000 in NOI at a 5% cap rate equates to a \$2 million valuation, while \$120,000 in NOI at the same cap rate increases that value to \$2.4 million. Good operators have been able to at minimum maintain the value of their property by improving the properties operating performance and increasing their NOI.

VACANCY

Vacancy has increased as rental demand has softened, causing achievable turnover rents to decline by roughly \$200 per month. While the headlines continue to focus on housing shortages, the conversations I have with owners every day paint a different picture.



CMHC Vacancy rates from 2019-2026

RENTS

The rapid rise and subsequent decline in rents across KWC and Guelph was fuelled by the surge in international student enrolment at Conestoga College. Now that enrollment has returned to more normal levels in 2026, rents have largely retreated to where they should be. I believe rents may continue to decline modestly for another year as the market absorbs new construction rental housing projects that are being completed and adding to the supply.

Recent Transactions

in 2026



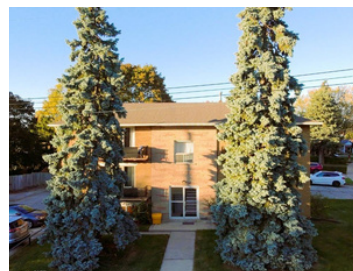
Hazel St - Waterloo

11 suites / \$220,455 per suite
January 2026



Barbara Cres - Kitchener

6 suites / \$203,167 per suite
January 2026



Donald St - Kitchener

6 suites / \$190,833 per suite
January 2026



Courtland Ave E - Kitchener

10 suites / \$225,000 per suite
January 2026



Hoffman St - Kitchener

47 suites / \$223,404 per suite
February 2026



Lancaster St W - Kitchener

21 suites / \$200,000 per suite
March 2026



Victoria Rd N - Guelph

15 suites / \$266,667 per suite
April 2026



Heather Ave - Kitchener

6 suites / \$1,200,000 per suite
May 2026



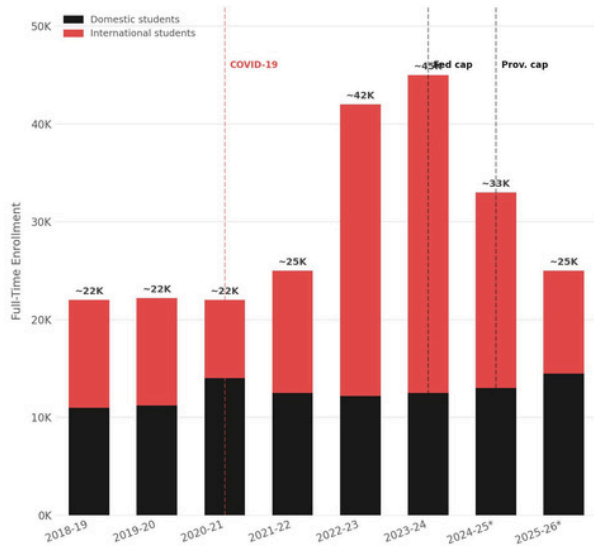
Woodlawn Rd E, Guelph

24 suites / \$254,167 per suite
June 2026

Sources: Realtrack, Altus, Cornerstone, Private Database

Looking Forward

Continued...



Conestoga College Enrollment - 2019 - 2026

CURRENT MARKET TRENDS

Despite these challenges, there remain many active buyers in the multi-family market. Buyers today are well informed and more experienced than they were in the past.

CMHC-insured mortgages dominate the financing market, with 59% of transactions completed since January 2023 using CMHC financing. Sellers must therefore be patient with due diligence timelines while buyers work through the financing process. Since most buyers are subject to similar underwriting standards, they are often arriving at very similar valuations.

Undoubtedly, one of the biggest challenges in today's market is managing sellers' expectations. Too often, owners are waiting for values to return to 2021 levels, but I do not believe we will see a return to 3% cap rates. That does not mean values cannot appreciate again. In fact, I believe we are approaching the point where increasing a property's NOI will once again genuinely add value instead of simply treading water.

While the buyer pool is not as robust as it was in 2021, the market has returned to a healthier balance of supply and demand. Properties that are priced appropriately can still expect to receive an acceptable offer within about 30 days with proper marketing and representation.

CONCLUSION

Admittedly, this is the first truly challenging market I have worked through in my 14-year career selling apartment buildings. The greatest lesson I have learned is just how closely apartment values are tied to interest rates. After experiencing both a rapid decline and rise in rates, recent stability suggests the market is well positioned to provide predictable and reasonable risk-adjusted returns for long-term investors. Back to the basics.

The final observation I will leave you with is that I have personally been involved in over 20% - or one in five, of all multi-family transactions completed in Waterloo Region and Wellington County since 2019. Whether you plan to buy, sell, or simply hold your investments, I would welcome the opportunity to earn your trust and help you achieve your real estate investment goals.

Have a great summer, and I look forward to chatting with you soon.

Kyle Church

Broker

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Current Listings

by Kyle Church



286 Erb St W, Waterloo

13 large and renovated units in a solid concrete building on 1 acre with additional land for potential intensification in the future in a premium location of Waterloo.

Asking Price \$3,750,000



422 Hazel Street, Waterloo

Premium location in Waterloo - this 11 unit building has been renovated with many upgraded suites. The property has an average in place rent of \$1,498 . The building is heated with via gas boiler, has one hydro meter.

UNDER CONTRACT

Asking Price \$2,400,000



426 Hazel Street, Waterloo

Well cared for 11 unit building has seen many updates over the years, including a new secured front entrance and intercom system in 2021, new balcony railings in 2023, roof in 2018, and the boiler in 2009.

UNDER CONTRACT

Asking Price \$2,100,000



91 East Ave, Kitchener

Value add opportunity with this purpose built fiveplex with additional unit. Gas boiler heat, separate hydro meters. 5 x 1 bedroom units. Great location. Potential for vendor financing.

Asking Price \$1,100,000

Trust, Communication and Market Knowledge



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Kyle Church is a commercial real estate broker specializing in the sale of multi-family investment properties across Southwestern Ontario. With a dedicated focus on apartment buildings, Kyle has built a strong reputation for delivering results and fostering long-term relationships with both private investors and institutional owners.

Since 2012, Kyle has been involved in more than 150 transactions, representing over \$300 million in total sales volume. His value lies not only in his transactional experience but in his ability to provide clients with clear, data-driven insights to support sound investment decisions.

Kyle holds a Master's degree in Local Economic Development from the University of Waterloo and an Honours BA in Geography from Lakehead University. He is committed to staying at the forefront of market trends and economic shifts, ensuring his clients remain well-informed and strategically positioned in a changing real estate landscape.

Kyle lives in Waterloo with his wife Ailish and their young daughter Orla.

Notable Achievements:

Royal LePage National Top 2% - 2022 - 2024
Royal LePage Commercial Top 50 - 2022-2025
Royal LePage Top 35 Under 35 - 2020
Royal LePage Commercial Top 10% - 2017-2021
Royal LePage National Chairman's Club - 2021