

Are rents really falling? A tale of two markets

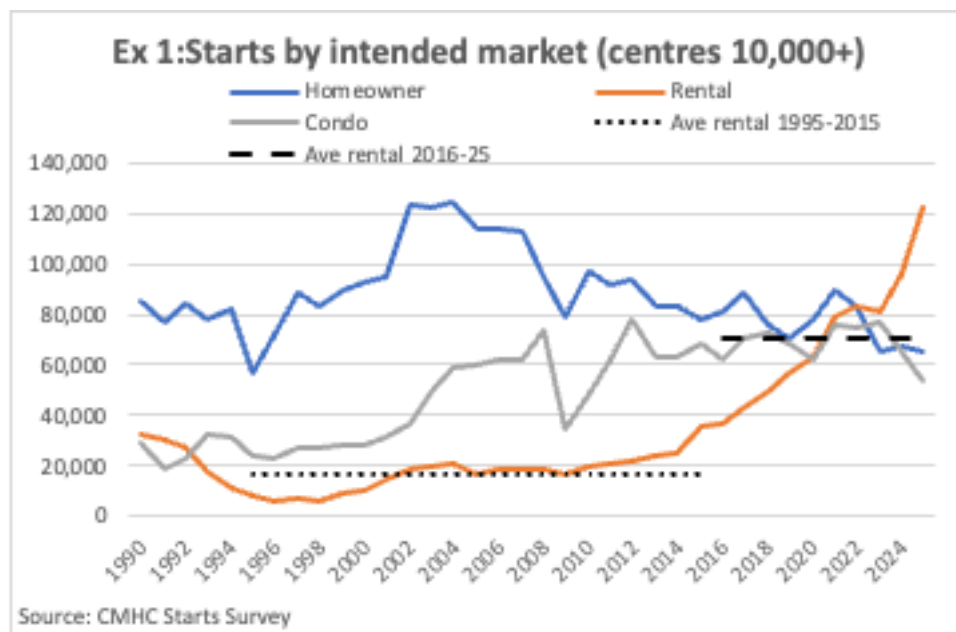
Steve Pomeroy, *Canadian Housing Evident Collaborative CHEC*, March 31, 2026

In March 2026, Rentals.ca reported a continued softening in rents, based on asking rents for available units. However, beneath these improvements lies a troubling trend: rents in older, more affordable housing stock continue to rise—often well above inflation. This is worsening affordability for lower-income tenants, particularly those who must move, whether voluntarily or due to eviction.

To understand rent trends, it is essential to distinguish between two key data sources:

- **Rentals.ca monthly reports**, which track asking rents for available units. This is a transaction-based dataset reflecting new leases and turnover, updated monthly.
- **CMHC’s annual October Rental Market Survey**, which reports rents across the entire purpose-built rental stock, including both sitting tenants and turnover units. This is a stock-based measure.

According to Rentals.ca, the average asking rent in Canada fell to \$2,030 in February, down 2.8% year-over-year—a 33-month low. Rents have declined annually for 17 consecutive months and fell 1.3% month-over-month, the largest February drop since 2020. However, rents increased month-over-month in several major markets, including Vancouver, Ottawa, Calgary, Edmonton, and Montreal.

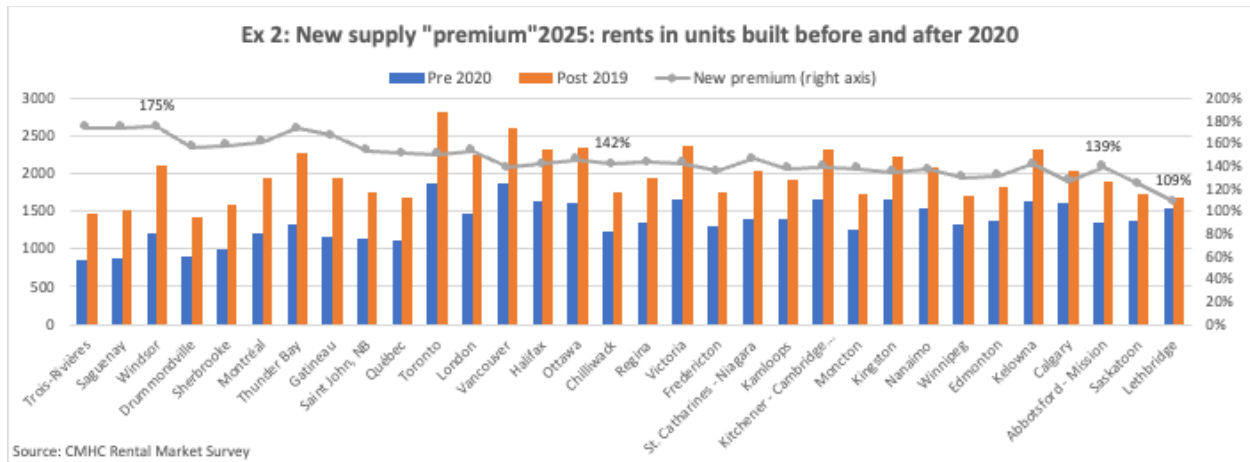


A key factor shaping these trends is the historically high level of new rental supply. Purpose-built rental construction has quadrupled over the past decade compared to the previous twenty

years (Exhibit 1). In addition, a substantial share of newly built condominiums—often one-third or more in large urban centres—is now entering the rental market as investor-owned rental units.

Newer units—both purpose-built and investor-owned—typically enter the market at significantly higher rent levels than older units. This surge in rental supply is intensifying competition, particularly in the upper segment of the market, and putting downward pressure on these upper end rents. Using a custom dataset derived from CMHC’s Rental Market Survey, rents were analyzed by period of construction, distinguishing between units completed before 2020 and those completed from 2020 onward. This allows for a comparison between newer and older rental stock.

The analysis shows a substantial rent premium for newer units (Exhibit 2). Nationally, the median premium is 142%, meaning rents in buildings completed in the past five years are, on average, 42% higher than overall market rents.

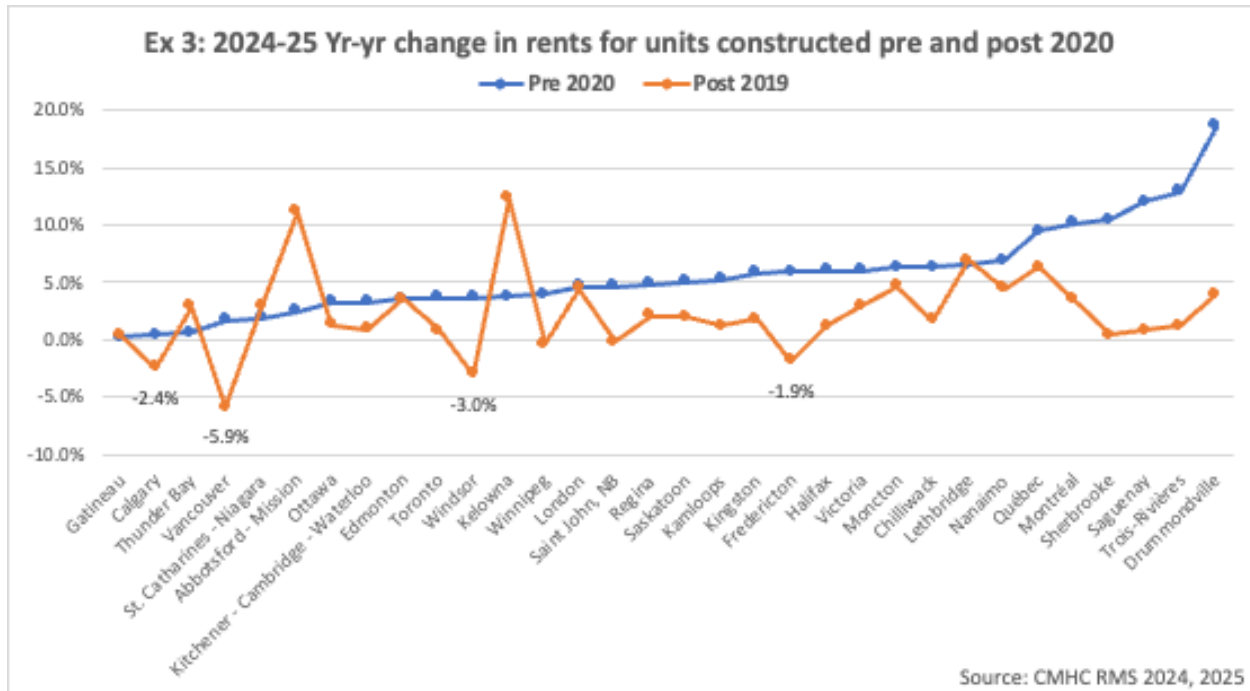


While this premium declined slightly from 148% in 2024, this does not reflect broad affordability improvements. Rather, it signals diverging trends: increased supply and competition are putting downward pressure on rents in newer units, while continued demand and vacancy decontrol are driving rent increases in older, more affordable stock, which narrows the premium on new.

This emerging “dual market” is evident in CMHC data (Exhibit 3), which compares year-over-year rent changes between 2024 and 2025 for pre-2020 and post-2019 units.

The influx of new rental supply is concentrated in the higher end of the market, creating strong competition among higher rent newer units. At the same time, demand has softened somewhat due to reduced numbers of international students and temporary workers, further easing pressure on this segment.

As a result, rent growth for newer units has slowed considerably. CMHC data shows modest increases in most cities, with a median gain of 1.8%, and outright declines in Vancouver, Calgary, Windsor, and Fredericton.



In contrast, rents in older (pre-2020) stock are rising much faster—by a median of 4.8%, nearly three times the rate for newer units (median of 1.8%). In most cities, rent increases in older units significantly exceed those in newer properties.

This pattern challenges the traditional “filtering” theory, which assumes that adding new, higher-rent supply will eventually ease pressure on older, more affordable units. Instead, strong competition persists for lower-rent units, driven not only by lower-income households but also by higher-income renters seeking more affordable options.

Compounding this, rent regulation frameworks in all provinces allow landlords to reset rents to market levels upon vacancy. This “vacancy decontrol” creates strong upward pressure on rents in the lower half of the market and contributes to the ongoing loss of affordable units.

The result is a continued erosion of affordability. In 2022, 20% of renters were in core housing need, and 13% were spending 40–50% or more of their income on rent.