

In focus: Commercial rents see steep hikes



Strong pressure on costs, especially rental costs

In a recent CFIB survey, 76% of Canadian SMEs identified the cost of doing business as a top concern¹. A growing share of SMEs are having difficulties with occupancy costs, reaching 29% in September, well above the historical average of 22% (Figure 4). One of the most important costs of doing business is rental expenses with 64% of SMEs making commercial rent payments (Table 3). StatsCan Commercial Rent Price Index shows that pressure has steadily risen for renters since Q4 2021, particularly for industrial buildings (Figure 5).

SMEs are grappling with steep rent hikes

CFIB data¹ shows a majority of small businesses had to face significant rent increases in the last 12 months: 12% of SMEs nationwide faced high rent hikes of 30% or more and an additional 39% had to absorb moderate increases between 6 and 29% (Table 3). Similar rent pressures are found across provinces, sectors, and types of buildings.

SMEs have limited flexibility amidst rising rents

Rent hikes pose significant challenges for small firms. Among those who faced an increase of 6% or more, one third considered moving and another 7% effectively relocated (Figure 6). The reality of each business model makes it very difficult for many entrepreneurs to turn relocation intentions into actions.

Sources and notes

- (1) CFIB, Your Voice survey – September 7-21 2023, n= 2,618.
- (2) CFIB, Your Business Outlook Survey, Jan. 2019-Sept. 2023.
- (3) Statistics Canada. Table 18-10-0260-01.
- (4) Question: What impact have rent increases had on your physical business space? (Select all that apply) [Respondents who previously indicated they had a significant (6%+) increase in their commercial rent in the past 12 months].

Figure 4 – The share of small businesses having difficulties with occupancy costs has been trending up and away from its historical average in the past year²

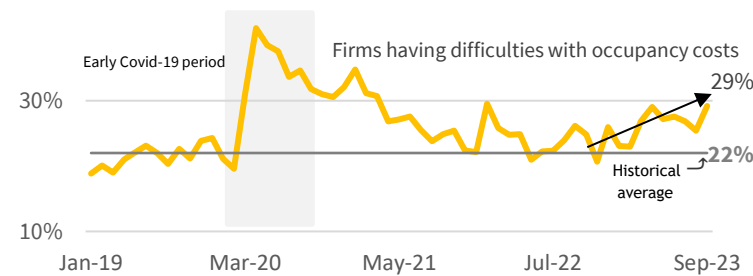


Figure 5 – Commercial rent indices³ on the rise, with biggest increase for industrial buildings

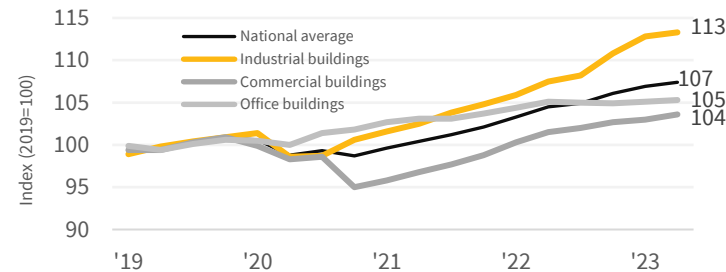


Figure 6 – Most business owners who faced commercial rent increases in the past 12 months have opted for or considered relocating^{3,4}

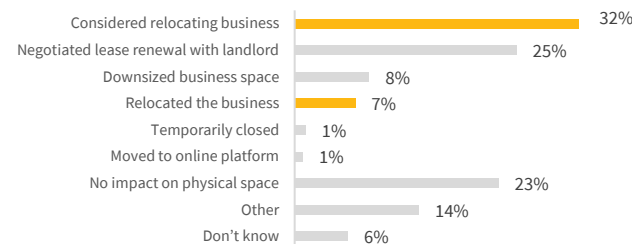


Table 3 – Commercial rent situation across Canada²

Share of businesses (%)	Paying commercial rent	Among firms paying commercial rent:		Faced rent hikes and relocated or considered it
		Affected by high rent increases*	Affected by moderate rent increases*	
Canada	64	12	39	39
British Columbia	73	14	44	45
Alberta	66	7	38	44
Saskatchewan	62	10	28	33
Manitoba	57	8	39	38
Ontario	65	14	34	41
Quebec	63	12	43	33
New Brunswick	55	14	47	39
Nova Scotia	57	9	36	37
Prince Edward Island**	36	NA	40	NA
Newfoundland and Labrador**	48	NA	57	38
Agriculture**	18	7	20	NA
Natural resources**	52	8	33	NA
Construction	56	9	31	40
Manufacturing	59	20	33	40
Wholesale	58	19	33	42
Retail	71	10	41	37
Transportation	44	9	46	29
Information, arts, recreation	77	8	33	48
Finance, insurance, real estate**	52	27	32	44
Professional services	70	11	38	35
Enterprise management	73	15	33	48
Health, education	78	8	44	46
Hospitality	65	5	47	22
Personal services	65	16	40	41
Commercial buildings	57	9	41	38
Industrial buildings	26	20	34	45
Office buildings	12	10	40	32

Notes:
 * High rent hikes are 30% or more. Moderate rent hikes are 6% to 29%.
 ** Low count of responses.