BUILDINGASSETS / WHITE PAPER

Watered Down.

Why rising water tariffs have become a quiet NOI story for Canadian multifamily — and what to do about it before they become a noisy one.

An institutional Level 1 screen of the Halifax, Toronto, Vancouver, Calgary, and Montréal multifamily markets.

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Standfirst

A boring line gets interesting

Canadian multifamily owners have spent the last decade fretting, in roughly equal measure, about interest rates, insurance, and property tax. Water has been allowed to remain the boring line on the operating statement, on the not-unreasonable theory that it has always been small, predictable, and politically untouchable. Each of those three assumptions is now wrong in at least two cities, and arguably five.

What changed is not, mostly, the weather. It is the bill. Canadian water utilities have spent thirty years deferring capital and twenty years deferring rates. Both deferrals are now ending at once, on a timetable set by federal wastewater treatment mandates, provincial regulators, and a hundred-odd municipal councils who have run out of room to keep the line item polite. Halifax has just been told to recover a multi-year deficit through the rate base. Calgary is repricing multifamily on the back of a feedermain rupture. Vancouver is layering on Metro-level capital pressure. Toronto raises by a polite 3.75 per cent every year and looks, by comparison, almost civic.

This paper is a Level 1 portfolio screen, not a bill audit. It uses verified 2026 municipal tariffs and a transparent set of assumptions to argue three things: that the water-as-utility framing is obsolete, that the water-as-NOI framing is more useful, and that the gap between the two is itself a business case. Owners who pull bills now will protect — and in many cases grow — value through the rate cycle ahead. Owners who do not, will not.

> *Water has stopped behaving like a fixed cost and started behaving like a tariff. Tariffs are political, recurring, and asymmetric. So is the response.*

Section 1

The thesis, in one paragraph

Water is no longer a uniform utility line; it is a building-by-building, city-by-city operating-leverage question. Where the owner captures the bill — which is most multifamily real estate in Canada — each recurring dollar of water expense capitalises into roughly twenty dollars of asset value at a 5.0 per cent cap rate, and closer to twenty-nine at 3.5. That arithmetic cuts in both directions. Cities that have raised rates have quietly removed value from inefficient buildings; operators who reduce volume in those same cities can put it back, frequently with the cleanest payback in the capex stack. The catch — and the reason this paper is several pages longer than a single chart — is that water billing is not a single product. It is five products, with different fixed charges, return factors, seasons, and tax treatments, and one of them, Montréal residential, is not really a billable product at all.

Three structural forces, briefly

First, post-deferral catch-up. The Federation of Canadian Municipalities estimates that the country's municipally-controlled water and wastewater infrastructure carries a renewal gap measured in the high tens of billions[1]. Utilities are now being told, by their regulators and by their own balance sheets, to stop pretending.

Second, the federal wastewater regulation timetable[2]. Treatment plants must be brought to secondary-treatment standards on a defined schedule. Metro Vancouver's North Shore plant is the most expensive single example in the country[3], but the same dynamic is grinding through every coastal and Great Lakes city.

Third, the shift from flat-fee to volumetric. Twenty years ago most Canadian multifamily water was either un-metered or coarsely metered. Today, the great majority is volumetric on the variable side, with a layer of fixed charges that vary by city. The implication is that conservation, which used to be cosmetic, now produces recurring, capitalisable savings. Or, to put it less politely, that the inefficient building has just been repriced.

Section 2

Five cities, five different products

The temptation, in a paper like this, is to publish a single national rate and call it analysis. The temptation should be resisted. The five markets below sell water on five different commercial structures, and any conclusion drawn without first translating them onto a common basis is a conclusion drawn against the wrong denominator.

City	2026 variable water + sewer	Structure	What the institutional reader should know
Toronto	$4.8629 / m³ (Block 1, on-time)	Clean volumetric; +3.75% YoY	The cleanest market for screening. Whatever you reduce, you bank, at a published rate, on a predictable annual cycle.
Halifax	$4.313 / m³ from 1 April 2026	Volumetric + daily base charges + stormwater	Deferred-deficit recovery has just begun. Combined volumetric rose ~27% over three years and ~41% since 2020 — material, but not the 60–105% sometimes cited.
Vancouver	$4.26 low season; $4.62 high season (1 May – 15 Oct)	Per 100 ft³ unit; seasonal water; year-round sewer	Billing is in cubic feet, not cubic metres. Forecasts that don't convert correctly understate the true rate by 15–20%. Seasonality matters: irrigation buildings are repriced from May to October.
Calgary	~$4.12 / m³ variable; ~$4.29 / m³ all-in	Multifamily-specific; sewer applied to 95% of incoming water; ~$97.60 / 30 days in fixed charges	Calgary publishes the most transparent multifamily-specific schedule in the country. Use it as the format other cities should be benchmarked against.
Montréal	*Not directly comparable*	Tax-funded for residential; volumetric	Purely residential buildings are not in the

		only for non-residential and mixed-use	mandatory meter program. Mixed-use is, with a 225 m^3/unit residential deduction before non-residential blocks apply. Modelling Montréal as a standard volumetric market is the most common analytical error in the category.

All figures verified against current municipal schedules effective in 2026. Footnote markers throughout the paper map to full citations in Appendix A.

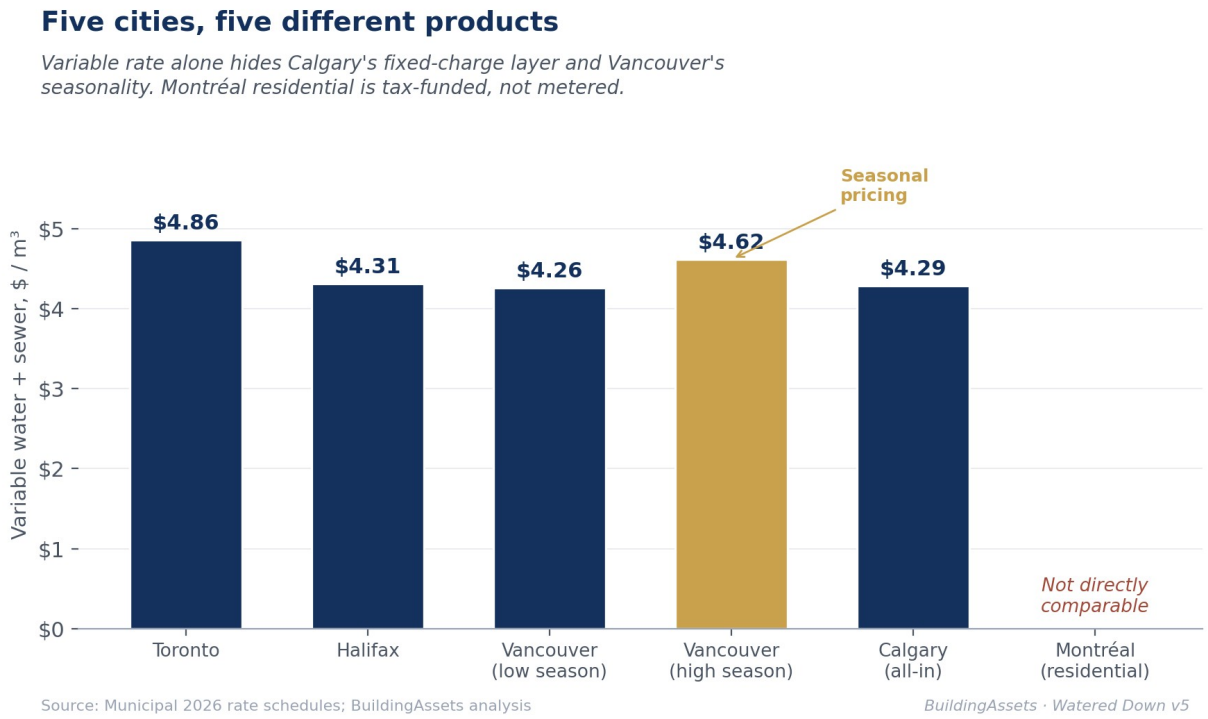

Exhibit 1. Variable water + sewer rates, 2026.

How to read this table

Three observations frame the rest of the paper. First, Toronto[6] is the most expensive market on an absolute basis and the largest by portfolio exposure. Second, Halifax is the most aggressive on rate of change, but the most-quoted Halifax statistics are wrong: a fair like-for-like comparison[4] shows the combined volumetric rate rising about 27 per cent over the past three years, not the sixty per cent that has been circulating in industry decks. Third, Vancouver[7] and Calgary[8] both layer meaningful fixed and structural charges on top of the variable rate, which means a screening figure quoted only in dollars-per-cubic-metre flatters Vancouver in the low season and underprices Calgary in any season.

Montréal is a different conversation. The city does not run a volumetric residential water bill; the water service is funded principally through the property tax line[11], and the volumetric programme applies to non-residential and mixed-use buildings only[9]. For purely residential apartment stock, a city-water-bill savings story will not survive due diligence. The savings channel exists — domestic hot water energy, leak avoidance, equipment life, insurance exposure — but it is not the channel the other four cities use, and pretending otherwise is the single biggest factual hazard in this category.

Section 3

Three threads, not one story

A water decision rests on three separate questions, and the most common mistake in the C-suite presentation is to treat them as one.

Rate risk: what is the bill going to do?

This is the easy thread to research and the hard thread to forecast. Municipal rate-setting is local, political, and lagged. Halifax has just had a regulator-imposed two-step adjustment. Calgary will repeat 2026 in 2027 at a different magnitude. Vancouver layers Metro-level wholesale capex pressure on top of City retail rates. Toronto is the most predictable; Montréal, for residential, is barely a rate question at all. A serious forecast does not assume one national escalator. It calendarises by city and by service component.

Capture: does the owner actually keep the savings?

If the lease pushes water to the tenant, every dollar of physical reduction belongs to someone else. If the lease keeps water with the landlord, every dollar is the owner's. If the building is a mixed-use condo with a single master meter, the answer is in the reciprocal-cost-sharing agreement, which everyone signed and no one remembers. In Ontario, contrary to a great deal of conventional wisdom, the standard lease expressly permits utility responsibility on either side[12]; conversion strategies on turnover are legal but operationally delicate, and should never be the headline of an executive paper without counsel review.

Reduction: how much volume is actually avoidable?

This is the engineering thread. Across roughly 10,000 units of BC multifamily where BuildingAssets' water expert has run programmes over twenty-five years[13], the recurring pattern is that an inefficient older mid-grade building consumes around 220 m^3 per unit per year, of which fifteen to twenty-five per cent is recoverable through standard in-suite, common-area, and irrigation interventions. Newer or already-retrofitted stock recovers less. Older, higher-occupancy, higher-amenity stock — towers, family-occupied stock, hot-water-heavy stock — recovers more.

> *Each city has a dominant thread. Halifax is a rate story. Toronto is a capture story. Calgary is a fixed-charge story. Vancouver is a seasonality story. Montréal is a classification story. Confuse them, and the analysis falls over.*

Section 4

The arithmetic of NOI to value

The mechanics are not subtle, but they are worth writing out because, in this category, decisions tend to die in the hand-off between the engineer who knows the cubic metres and the CFO who needs the cap rate.

Step one — annual savings

Annual savings = avoided cubic metres × billed variable rate. The avoided cubic metres come from a properly normalised consumption baseline. The billed variable rate is taken from the actual bill, net of any structural deductions (Calgary's 95 per cent return factor[8], Montréal's 225 m^3/unit residential deduction[10], Halifax's daily base charges[4], Vancouver's seasonal water rate[7]). The two most common mistakes are to apply a posted rate that includes fixed components, and to skip seasonality where it materially changes the answer.

Step two — NOI uplift

NOI uplift is annual savings less continuing operating cost of the conservation programme. The continuing operating cost is small but real — typically a leak-monitoring service in the region of $35 per month per meter, plus periodic fixture renewal at a normal capital cadence. A serious model carries this number rather than waving it away.

Step three — indicative value

Indicative value uplift = NOI uplift ÷ applicable market cap rate. The applicable cap rate is the one the asset would actually trade at, which is rarely the headline figure on a broker flyer. Where the value translation matters most is at refinance, where the appraiser is performing exactly this calculation in the other direction. Permanent, verified savings move the appraisal; unverified savings do not.

Worked example: a 100-unit Toronto building

Variable	Value	Source
Units	100	*Assumption*
Consumption (m^3 per unit-year)	220	*BuildingAssets field benchmark, mid-grade older stock*
Annual building volume (m^3)	22,000	*100 × 220*
Toronto 2026 Block 1 rate	$4.8629 / m^3	*City of Toronto, 2026 schedule*
Annual water + sewer cost	**$106,984**	*22,000 × 4.8629*

Savings at 15% reduction	**$16,048**	*22,000 × 15% × 4.8629*
Indicative value @ 4.5% cap	**$356,613**	*16,048 ÷ 0.045*
Indicative value @ 5.5% cap	**$291,773**	*16,048 ÷ 0.055*

Numbers are illustrative; confidence is Low until bills are pulled. The arithmetic is robust; the inputs are not yet validated against a specific building.

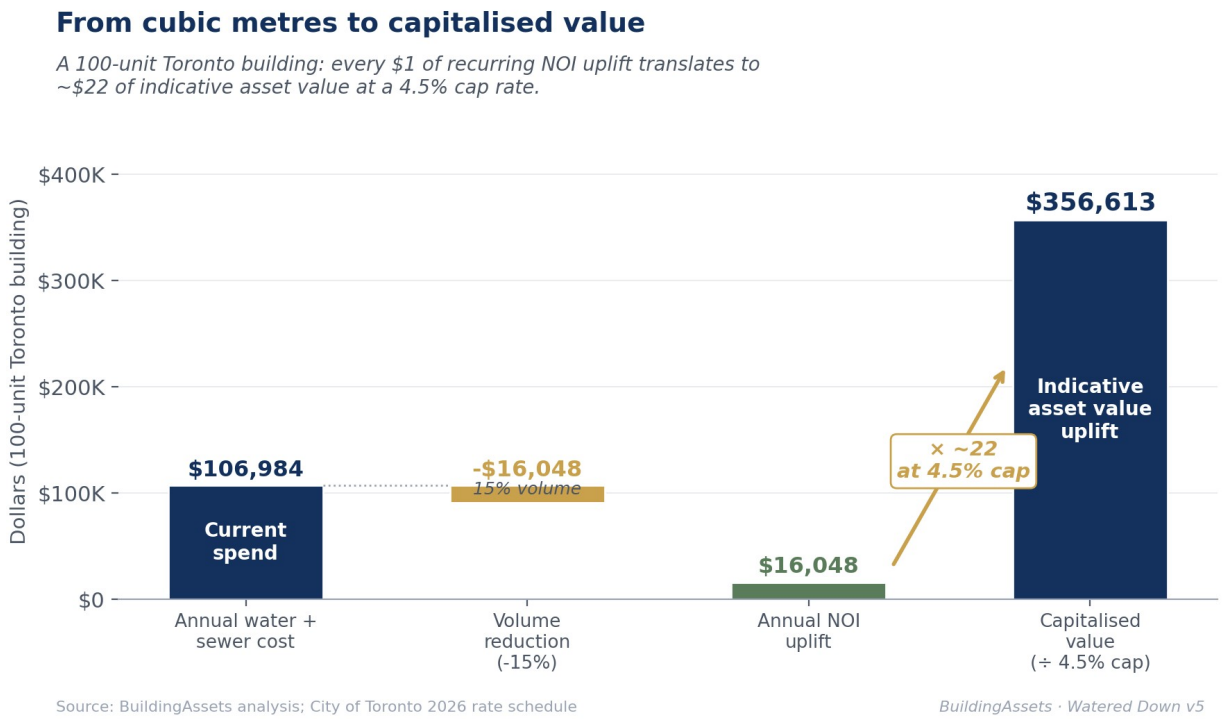

Exhibit 2. Annual cost → recurring NOI → indicative asset value.

Section 5

Sensitivity: three honest scenarios

A single point estimate, in this category, is not an answer. It is a sales pitch. The institutional-grade version reports a range, the range's drivers, and the conditions under which the range collapses to a defensible number.

The illustrative portfolio below mirrors a 22,843-unit Canadian multifamily owner. The three scenarios are bracketed by realistic, observable variables: baseline consumption, blended rate, achievable reduction percentage, and installed cost per unit.

Scenario	Use (m^3/u-yr)	Blended rate	Reduction	Annual savings	Simple payback
Pessimistic	200	$3.10 / m^3	15%	**$2.12M**	3.0 years ($280/unit)
Base	220	$3.49 / m^3	20%	**$3.51M**	1.4 years ($220/unit)
Optimistic	240	$3.90 / m^3	25%	**$5.35M**	0.8 years ($180/unit)

The right read is that the headline opportunity is real in all three scenarios; the payback varies by roughly three-and-a-half years across the band; and the band collapses to a defensible point estimate the moment 12–24 months of bills are reconciled. This is precisely why a Level 1 screen should never be presented as an investment decision.

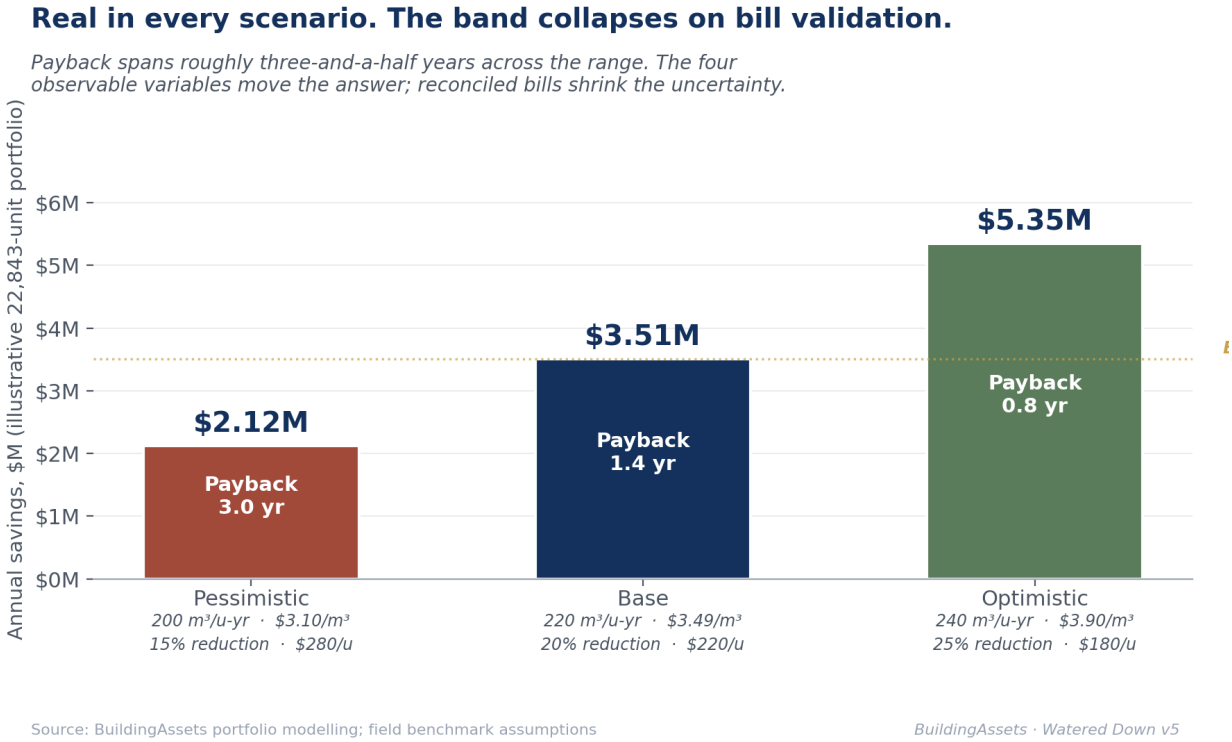

Exhibit 3. Annual savings across the three scenario bracket.

> *The headline savings may be real, but the confidence interval is wide until Level 2.*

Section 6

How the work actually gets done

BuildingAssets organises every water opportunity into two distinct phases, separated by the moment at which actual bills are pulled. The discipline matters because the first phase ranks the portfolio cheaply and the second phase commits capital responsibly, and confusing the two is the most reliable way to produce an embarrassing meeting.

Level 1 — screen

Public municipal schedules plus building metadata (CoStar, owner data, year built, unit count, mixed-use flag). Designed to identify likely opportunity buildings and to prioritise bill collection. Output is a ranked list with screening-grade savings estimates and a confidence label. Typical cycle: days.

This paper is itself a Level 1 product. Every number in it is screening-grade. Anyone presenting Level 1 numbers as commitment-grade is presenting them wrong.

Level 2 — validate

12 to 24 months of bills, parsed and normalised. Meter inventory and meter IDs. Billing periods reconciled. Water, sewer, stormwater, and other fees separated. Fixed versus volumetric components identified. Return factors and deductions applied. Taxes and surcharges identified. On-site inspection, fixture audit, irrigation walk-through. A preliminary implementation scope priced against current trade rates. Confidence labels updated from Low to Medium or High depending on data quality. Typical cycle: weeks.

The four-step BuildingAssets cycle

The BuildingAssets four-step cycle
The fourth step is the conversion mechanism: savings that cannot be proven do not show up in the appraisal.

Exhibit 4. Identify → Evaluate → Execute → Measure.

- Identify — bill audit, consumption benchmarking, on-site walk-through. Output is a defensible opportunity quantum in dollars and cubic metres per building.
- Evaluate — opportunity translated into scope, capital cost, savings projection, payback, and capitalised asset uplift. This is the deliverable that goes to the capital committee.
- Execute — in-suite and common-area retrofit work via vetted trades; metering and monitoring installation; coordination around suite-turn and tenant communication.
- Measure — continuous leak detection and consumption monitoring (a typical water meter reader install runs about $2,000 capex plus $35 per month service) to verify the savings hold, and to put a number in the appraiser's hand at the next refinance.

> *The savings you cannot prove will not be capitalised by a lender, an appraiser, or a buyer. The fourth step is not a nicety; it is the conversion mechanism.*

Section 7

What an owner should actually do on Monday

Pull the bills

The single highest-leverage action available to a multifamily owner this quarter is to assemble 12 to 24 months of water and wastewater bills for the worst-suspected fifth of the portfolio — older, larger, urban buildings with higher consumption per occupied unit. A property manager can do this in a fortnight. A Level 2 review can convert that into a ranked, costed, financeable plan within a further month.

Don't let the financing offer drive the analysis

Pay-through-savings and shared-savings structures exist in the market and can be useful. They are commercial offers, subject to written underwriting and verification terms. They are not part of the technical case for whether the conservation is worth doing, and presenting them as if they were is precisely the kind of conflation that makes audit committees nervous.

Treat Montréal differently

For purely residential Montréal stock, do not present a city-water-bill savings story. Present a domestic-hot-water energy story, a leak-avoidance story, an equipment-life story, and an insurance-exposure story. They are real, they are quantifiable, and they survive due diligence. The city-bill story does not.

Treat Ontario submetering carefully

Ontario's standard lease permits utility responsibility on either side of the lease. That is not a licence to convert inclusive tenancies wholesale, and it is not the same as a no-friction tenant pass-through. It is, however, more permissive than the conventional wisdom suggests, and the right framing is conversion on turnover plus disciplined disclosure, with counsel review on the lease language. A blanket “you cannot do this in Ontario” is wrong and should be retired from industry decks.

Build the disclosure habit

Quarterly disclosure of water consumption per unit and water cost per unit, benchmarked against city norms, is rapidly becoming a credibility marker for institutional capital. The buildings that can produce these numbers will, at the next refinance, find that someone has been waiting for them. The ones that cannot, will find their cap rate has waited for them too.

Section 8

Methodology, sources, and limits

Portfolio data

Unit counts, property counts, median price per unit, and median cap rates were derived from CoStar Canada multifamily data[14], filtered to PropertyType = Multi-Family, with greater than five units, and grouped by CMA. CoStar unit counts are known to disagree with property-manager records; where the two disagree, property-manager records govern.

Rate data

Combined volumetric water-and-wastewater rates were taken directly from each utility's published 2026 schedule. Full citations and URLs appear in Appendix A — References.

Consumption assumption

220 m^3 per unit per year is used as the representative figure for mid-grade older Canadian multifamily stock. It is consistent with Calgary's published multifamily benchmark of 584 m^3 per month on a typical building[15], and with BuildingAssets field data across approximately 10,000 BC multifamily units[13]. Newer or already-retrofitted stock runs 150 m^3 or less; older or higher-amenity stock runs 280–350. The 220 figure should be treated as a scenario input, not a universal constant.

Cap rate assumption

Indicative value translations use a 4.5 per cent cap rate as the centre of the present multifamily band, with sensitivities at 3.5 and 5.5 reported where the difference is material. These are illustrative; specific assets trade at specific rates.

Confidence labelling

Level	Inputs	Appropriate use
Low	Public rate schedule + property metadata only	Portfolio screening; prioritisation of bill collection
Medium	12–24 months of bills parsed and normalised	Underwriting; implementation budgeting
High	Bills + meter inventory + site inspection + scoped pricing	Final investment decision; financing committee

Known limitations

- CoStar unit counts and cap-rate data were not independently audited against property-manager records. Where they disagree, property-manager records govern, and aggregate portfolio values should be treated as directional.
- Historical 2020 rate series were verified where publicly available; where the public record was incomplete, historical comparisons are flagged as illustrative rather than fully audited.
- Achievable reduction percentages of 15–25 per cent reflect BuildingAssets field experience on inefficient older stock. They are scenario inputs, not warranties, and they will not survive a portfolio in which most stock has already been retrofitted.
- Montréal residential is not directly modellable on a per-cubic-metre savings basis. Mixed-use and non-residential Montréal stock can be modelled, but only after the 225 m^3 per residential unit deduction and the block structure have been correctly applied.
- Provincial submetering and utility-cost-recovery rules vary; in particular, statements about Ontario should be reviewed by counsel before being placed in executive materials. Ontario's standard lease permits, but does not prescribe, tenant-paid water arrangements.
- Pay-through-savings, shared-savings, and supplier-incentive structures referenced in commercial discussions are subject to separate written underwriting and should be appended to any executive document as a commercial exhibit, not folded into the analytical case.

Conclusion

A line item, repriced

Water has stopped being the dull line on the operating statement. The combination of post-deferral rate catch-up, federally-mandated treatment upgrades, and the structural shift from flat-fee to volumetric billing has reframed it as an operating-leverage question that translates, at prevailing cap rates, into a measurable value question.

The right response, for any institutional Canadian multifamily owner, is neither alarm nor complacency. It is to pull the bills. The portfolio that pulls bills now will know which of its buildings have been silently repriced; the buildings that have been repriced will be the buildings that pay back the conservation programme first; and the conservation programme, properly measured, will be the one line of opex that converts cleanly into asset value at the next refinance.

The thesis, in one sentence: water is no longer a utility cost; it is an operating-leverage exposure with one of the cleanest payback profiles in the multifamily capital stack. Owners who treat it that way will protect, and in many cases grow, value through the rate cycle ahead. Owners who do not, will quietly hand the value to the rate base.

Appendix A

References

All municipal rate, regulatory, and lease-framework sources accessed and verified in May 2026 unless otherwise stated. Numbered references match the inline ref markers in the body of the paper.

Municipal rate schedules (2026)

[6] City of Toronto. 2026 Water Rates and Fees — Council-approved Block 1, on-time-payment basis ($4.8629 / m^3).
toronto.ca/services-payments/water-environment/

[4] Halifax Water. Current Water and Wastewater Rates — effective 1 April 2026: water $1.722/$m^3$ + wastewater $2.591/$m^3$ = $4.313/$m^3$ combined volumetric, plus daily base charges by meter size.
halifaxwater.ca/current-rates

[7] City of Vancouver. 2026 metered water and sewer rates — billing unit = 100 ft^3 (2.83168 m^3). Water $4.091/unit low season; $5.128/unit high season (1 May – 15 Oct); sewer $7.960/unit year-round.
vancouver.ca/home-property-development/metered-rates.aspx

[8] City of Calgary. 2026 Multi-Family Residential Water Rates — water $1.4992/$m^3$, wastewater $2.7582/$m^3$ applied to 95% of incoming water, plus fixed service charges of $57.15/$23.45/$17.00 per 30 days.
calgary.ca/water/customer-service/utility-bill-rates/multi-family-residential-water-rates.html

[15] City of Calgary. Multifamily water rates — example bill calculation for a typical building at 584 m^3 per month ($2,503.38 monthly), used as published consumption benchmark.
calgary.ca/water/customer-service/utility-bill-rates.html

[9] Ville de Montréal. Compteurs d'eau program — mandatory for buildings used wholly or partly for non-residential purposes; purely residential buildings are not part of the mandatory program.
montreal.ca/en/topics/water-meters

[10] Ville de Montréal. Non-residential water consumption charge — volumetric blocks for 2026 consumption billed in 2027 (0/1,000 m^3; $0.110 to 10K; $0.225 to 100K; $0.690 above), with 225 m^3/residential-unit deduction for mixed-use.
montreal.ca/en/articles/non-residential-water-consumption-charge

[11] Ville de Montréal. Municipal and school taxes — water service tax funded through the annual residential property tax bill, separate from the non-residential volumetric water bill.
montreal.ca/en/topics/municipal-and-school-taxes

Regulatory decisions

[5] Nova Scotia Utility and Review Board. Decision M12257, January 2026 — Halifax Water 2025 General Rate Application; phased recovery of approximately $34.1M deficit; bill increases of 12.1% (Jan 2026) and 6.0% (April 2026); $27.2M of deficit recovery deferred.
nsuarb.ca/decisions

Legal and lease frameworks

[12] Government of Ontario. Residential Tenancy Agreement (Standard Form of Lease, Form 2229E) — utilities (electricity, heat, water) may be the responsibility of either landlord or tenant; tenant may pay a portion of utility cost.
ontario.ca/page/guide-ontarios-standard-lease

Infrastructure context

[1] Federation of Canadian Municipalities. Canadian Infrastructure Report Card — water and wastewater asset renewal gap, measured in the high tens of billions nationally.
infrastructurereportcard.ca

[2] Government of Canada. Wastewater Systems Effluent Regulations (SOR/2012-139), Environment and Climate Change Canada — secondary-treatment compliance timelines.
laws-lois.justice.gc.ca/eng/regulations/sor-2012-139

[3] Metro Vancouver. North Shore Wastewater Treatment Plant — major capital project page.
metrovancouver.org/services/liquid-waste

Internal and proprietary data

[13] BuildingAssets. Internal field benchmarks across approximately 10,000 BC multifamily units over 25 years.

[14] CoStar Canada multifamily database, 2024 generation — filtered to PropertyType = Multi-Family, > 5 units, grouped by CMA.

Where a public source includes a downloadable schedule, the most recent schedule published as of May 2026 was used. Subsequent rate changes — particularly mid-cycle adjustments and 2027 budget decisions — are not reflected here.

— END —

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