**STABILIZATION**

**Rental Market**

The third quarter of 2019 saw increased unit absorption in Calgary’s newer purpose-built rental market. Two new purpose-built rental projects launched during the quarter adding 272 units to the market. Further, the six projects launched in the second quarter of the year experienced strong absorptions as well, resulting in 123 fewer available rental units across the city. This decrease in inventory led to a one percent increase in the overall rental occupancy rate in the third quarter of 2019. The absorption of new units in the market has resulted in the stabilization of rental rates after the spike experienced in the second quarter of the year when many new units were introduced to the market. Calgary’s rental apartment market remains active with the B20 mortgage stress test rules continuing to make it challenging for would-be first-time home buyers to qualify for a mortgage, leading potential buyers to continue renting for the foreseeable future. UA continues to see developers converting initially proposed market condominium projects to rental apartment developments in response to these market conditions. UA anticipates another spike in rental rates in the next few quarters as units are absorbed at a steady rate, particularly with the number of higher end projects expected to launch.

UA is currently monitoring 52 newer purpose-built rental apartment projects comprising 7,288 units across four major Calgary sub-markets on a quarterly basis.

**TOTAL PROJECTS BY SUB-MARKET**

![Chart 1](image)

The data used for this analysis comprises 17 newer concrete apartment buildings, 34 newer wood frame apartment buildings and one rental townhome project. The data is gathered on an ongoing basis through primary research methods. The information is then consolidated and entered in UA’s proprietary NHSLive data platform, which is available to industry stakeholders on a subscription basis.
Increase in Occupancy Rates

The overall occupancy rate for newer rental apartment buildings in Calgary was 92 percent at the end of Q3-2019, which is a one percent increase compared to the occupancy at the end of the previous quarter. Calgary’s newer rental apartment market has been consistently strong since the implementation of the B20 mortgage stress test rules at the start of 2018. With these stricter qualification rules in place, many prospective buyers have found it challenging to qualify for a mortgage, resulting in some remaining in the rental market. The launch of several new rental apartment projects during the second quarter of the year increased the number of new rental units in the market, which contributed to the slight drop in occupancy rates compared to the first quarter of the year. The one percent increase in occupancy experienced this quarter is a positive sign, showing steady absorption of the new units introduced earlier in the year. Year-over-year, occupancy rates have decreased by three percent compared to Q3-2018, which can also be attributed to the greater number of units being tracked in the market.

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<thead>
<tr>
<th>OCCUPANCY PER QUARTER</th>
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<td>Q3-2018</td>
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Chart 2

The Inner North and Outer South sub-markets recorded the highest average occupancy in the third quarter at 97 percent. A nearly equivalent 96 percent occupancy was recorded in Airdrie. The Outer North sub-market experienced the lowest average occupancy for the fifth quarter in a row at 84 percent. This is largely due to new rental apartment project launches in the area. Northview Vista Phase 2 was launched in Q2-2019 and reported 55 units were leased in the third quarter of the year, bringing the overall occupancy to 66 percent. Emerald Sky Building 4000 also launched in the second quarter and has achieved a monthly absorption of 22 units, allowing it to be nearly fully leased with just two units available. Two new rental projects launched in the third quarter of 2019 in the Outer North; Skyview Place Building 1000 and 2000 by Carlisle Group, which added 272 new units to the Outer North sub-market. Building 1000 is 12 percent leased and building 2000 is 65 percent leased. Downtown experienced a significant increase in occupancy for the first time since the third quarter of 2018. The new rental product launched in the sub-market throughout the year has been absorbed at an impressive rate; all 305 units at SODO were leased in just seven months, while The Underwood is currently 53 percent leased after six months.
and 78 percent of the units in *The Cube* have leased in five months. These strong absorptions indicate healthy demand for new rental apartment product in the Downtown sub-market.

### Lower Rents in Q3-2019

Average monthly rents throughout Calgary’s newer purpose-built rental market decreased by two percent ($0.04 rent per square foot) in the third quarter of the year compared to the second quarter, achieving $1.97 per square foot. Excluding the Airdrie sub-market, the average rental rate in Calgary in the third quarter reached $2.08 per square foot. Even with the new rental product still having units to be absorbed, older rental buildings are having to continuously adjust their rents and incentives in order to attract renters to their buildings. Year-over-year average rents per square foot increased by 2.5 percent ($0.05 rent per square foot); another indication of the strong demand for new rental apartment product in Calgary.
The Downtown sub-market achieved the highest average net rent in Q3-2019 at $2.44 per square foot, which is unchanged from the second quarter of the year. The Inner North and Inner South sub-market remain competitive with the Downtown area, achieving $2.28 per square foot and $2.11 per square foot respectively. Airdrie continues to offer renters the lowest average net rent; $1.42 per square foot.

**AVG NET RENT $PSF PER SUB-MARKET**

![Chart 5](image)

Rental rates for turned over apartment units have varied across the market with some projects achieving higher rents and others realizing lower rents. Chart 6 illustrates the comparison of asking rates for new tenants versus the original average net unit rent for those unit types at the initial lease-up stage. While there is generally little variance in between the current rents being sought for recently turned over units and the rents sought at the initial lease-up stage, some unit types are seeking higher rents in the range of approximately two to six percent.

**RENTAL RATE CHANGES**

![Chart 6](image)

Rents have increased for five of the 11 unit types that rolled over in Q3-2019;

- one bedroom unit rents rose by 4.2 percent ($56 per month);
- two bedroom unit rents by 2.1 percent ($34 per month);
• three bedroom unit rents increased by 5.8 percent ($96 per month);
• two bedroom penthouse unit rents by 5.8 percent ($199 per month); and,
• two bedroom townhome units rose by 1.6 percent ($25 per month)

Rents have decreased for the remaining six unit types that rolled over in Q3-2019;
• one bedroom plus den units decreased by 0.7 percent ($10 per month);
• two bedroom plus den units by 2.2 percent ($43 per month);
• junior one bedroom units by 11.9 percent ($169 per month);
• junior two bedroom units decreased by 10.4 percent ($167 per month);
• one bedroom penthouse units by 5.5 percent ($69 per month); and,
• three bedroom townhome units by 9.1 percent ($154 per month).

This decrease in rents in most unit turnover is the result of the older product competing with newer buildings that are still in the process of leasing up. New projects are in some cases more appealing for potential renters given these projects are well-located, offer a superior amenity package and the units have not been lived in.

Three of the six sub-markets in Calgary experienced lower average net rent per square foot values compared to the previous quarter. The most significant drop in average monthly rents occurred in Airdrie, which recorded a 9.9 percent ($0.14 rent per square foot) decrease. This is attributed to an increase in vacancy at some projects in the sub-market, resulting in the leasing staff charging lower rents to fill the vacant units. All other sub-markets in Calgary reported higher average net rents per square foot. The most significant increase in net rents occurred in the Inner North sub-market; average net rents rose by 2.2 percent ($0.05 per square foot). This could be due to Kaleidoscope having an asking rent per square foot of $3.07 on its lone vacant unit, while all the other projects in this sub-market are either fully leased or have asking rents between $1.73 to $2.36 per square foot.

![Average Net Rent $PSF Per Sub-Market](chart7)

*Chart 7*
Chart 8 illustrates the correlation between the average occupancy rate and the average net rent per square foot in Calgary’s newer purpose-built rental apartment sector. Throughout Calgary, newer purpose-built rental projects are achieving lower rents despite higher occupancy rates on a quarter-over-quarter basis. The market appears to be experiencing a stabilization in rental rates after the increases that occurred during the first and second quarters of 2019. However, on a year-over-year basis, occupancy rates have decreased by three percent while rents have risen by 2.5 percent ($0.05 per square foot).

### OCCUPANCY VS. NET RENTS $PSF

![](chart8.png)

**Active vs. Fully Leased Projects**

UA considers projects that have less than 85 percent occupancy to be actively leasing, and those with more than 85 percent occupancy to be fully leased or stabilized as this is typically when units begin to turn over for the first time. Two new purpose-built rental projects launched in Calgary in the third quarter of 2019; *Skyview Place Building 1000* and *Building 2000* by Carlisle Group (136 units each) in the Outer North sub-market. Eight projects in Calgary are considered active; the two new project launches along with *Lyfe* in the Inner Southwest sub-market (135 units) that has been leasing for ten months and is now 84 percent leased, *Marda* in the Inner Southwest sub-market (65 units) that has been leasing for five months and is now 17 percent leased, *Northview Vista Phase 2* in the Outer North sub-market (158 units) that has been leasing for six months and is currently 66 percent leased, *The Underwood* in the Beltline (225 units) that has been leasing for six months and is now 53 percent leased, *The Cube* in the Beltline (65 units) that has been leasing for five months and is currently 78 percent leased. The fewer number of actively leasing projects in the city made for an increasingly competitive market for renters.
Availability in Q3-2019

Chart 10 illustrates how the Outer North sub-market has the highest inventory of rental units in Q3-2019 compared to the other sub-markets in Calgary. This is the result of the launch of the 272 units at Skyview Place Building 1000 and Building 2000 in July. Rental apartment projects in the Downtown sub-market absorbed 121 units during the past quarter, indicating high demand for product in this part of the city. Airdrie was another notable sub-market in the third quarter, experiencing an increase of 18 vacant units. This is largely due to Strategic Group’s Terra townhome project reporting 10 vacant units.

AVAILABLE UNITS PER SUB-MARKET

Chart 10

Incentives

29 of the 52 rental apartment buildings monitored in the Calgary market offered incentives during the third quarter, with the majority being in the form of rental rate incentives. Most projects in Calgary have revoked their incentive offerings to new tenants. The following is a sample of the incentives offered as of September 2019:
• $2,640 off two bedroom unit rents
• One month free on a 12 month lease
• One month free on a 24 month lease
• Free Telus
• Reduced security deposit
• Discounted Telus
• $200 off per month on a 12 month lease
• $500 off the first months rent on a 12 month lease
• Two months free on a 12 month lease
• Free early move-in
• $500 move-in bonus
• 12 months of free storage
• Meal prep delivery for 12 months
• Cleaning services (up to three hours per month) for 12 months

Incentive offerings were reported in seven sub-markets across Calgary; Outer South, Outer North, Inner Southwest, Inner Southeast, Inner Northwest, Downtown, and Airdrie.

Rental Trends
New purpose-built rental product in Calgary has largely imitated some of the product offerings that are seen across major US cities, where lifestyle-focused amenities are incorporated into purpose-built rental buildings. The lifestyle aspect is offered in the form of community-building and convenience. Some of the new rental buildings across the Calgary market offer discounts at nearby retailers, free fitness classes to tenants, dog walking services, dry cleaning pick-up, and more. These lifestyle-oriented offerings help distinguish a purpose-built rental product from investor-owned rental units by creating an ease of living that ultimately helps retain tenants. While many rental buildings across Calgary are offering these various services, including Lyric, SODO, Underwood, Versus and others, some of the contemplated projects in the pipeline are planning to take this service package to the next level. One contemplated rental project is planning to have grocery and food delivery services through the incorporation of a grocery delivery app that will allow for a grocery order to be delivered directly to a tenant’s fridge while they are at work during the day. UA is excited to monitor what other unique trends developers will continue to introduce in as more new projects are released to the market.

Amenities
The newer purpose-built rental buildings UA currently monitors offer a variety of amenity features. Projects featuring superior amenity packages are more likely to achieve full occupancy sooner, achieve higher rents and experience lower turnover than projects with more limited or no amenities. The level of amenities offered in newer rental apartment developments generally depends on the sub-market. Projects in the Downtown sub-market feature a higher level of amenities as the typical Downtown renter earns more on average and is willing to pay more for the added conveniences. A few examples of projects in this area that offer these amenities include: SODO, which offers a full fitness facility, games room, outdoor patio with a dog run, and a smart package facility. The Underwood boasts a yoga studio, full fitness facility, and a food market on the ground floor coming soon. Amenity offerings are less comprehensive at rental projects in the outer sub-markets, where renters are more price sensitive. Fitness facilities are still found in some of these outer sub-market projects. The most common
amenity offered throughout Calgary is a secured underground parking stall. The following is a sample of amenities offered at various rental apartment projects in the Calgary market:

- Roof terrace
- Dog wash station
- Outdoor patio
- Lounge
- Bike repair area
- Fitness area
- Business center
- BBQ area
- Outdoor kitchen
- Courtyard
- Bike storage
- Media room
- Yoga area
- Concierge
- Library/Study room
- Board room
- Indoor pool
- Golf simulator
- Spa/Jacuzzi
- Woodshop
- Community garden
- Residence manager
- Games room

**Renter Demographic**

The profile of renters in the Calgary market varies widely across the City. The outer sub-markets tend to attract a greater proportion of newer immigrants, blue-collar workers, young families and retirees. As a result, projects in suburban locations feature more bedrooms and larger living areas. The inner neighbourhoods closer to the Downtown core attract more students, young and established professionals, downsizers, and young couples. The inner sub-market demographics justify a mix of one and two bedrooms targeting young professionals, and on occasion larger units to attract more of the established professionals and re-starts.

**Contemplated**

There are approximately 34 new purpose-built rental projects with an aggregate total of 13,268 apartment units proceeding through the planning and construction process in Calgary. Of these projects, there are approximately 12 concrete and seven wood frame purpose-built rental projects currently under construction, which represents 3,740 units and 529 units respectively.

**Looking Ahead**

The following are new rental projects that have either recently launched or will be launching a leasing campaign during the next two quarters, which UA will be monitoring closely:

- Hat @ East Village – Cidex
- Telus Sky – West Bank
- Casadona Place – Casadona Group
- The Windsor – Arlington Street Investments
- Lyric Building 2 – Jayman Homes

**Given the ever-shifting conditions in the various sectors of the new home markets in Calgary and Edmonton, having access to the most current and accurate data at your fingertips is more vital than ever. NHSLive provides timely data on the new Rental Apartment and Multi-Family Home sectors of the market in Calgary, Edmonton**
and Metro Vancouver. With its user-friendly interface and extensive functionality, it has become an invaluable tool for over 1,200 industry stakeholder users. Call or email us today to schedule a demonstration of NHSLive.

With the anticipated increased competition in Calgary’s new purpose-built rental apartment market and the ongoing uncertainty in the new condominium and townhome sector of the market, it is crucial to ensure your project is appropriately designed and positioned prior to launching. UA provides comprehensive advisory services that meet your firm’s specific needs in all markets we service. Call or email today to ask how we can help.

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