

RENTAL MARKET REPORT

Calgary CMA



Canada Mortgage and Housing Corporation

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Highlights

The apartment vacancy rate in the Calgary CMA reached 1.9 per cent in October 2011, down from 3.6 per cent in October 2010.

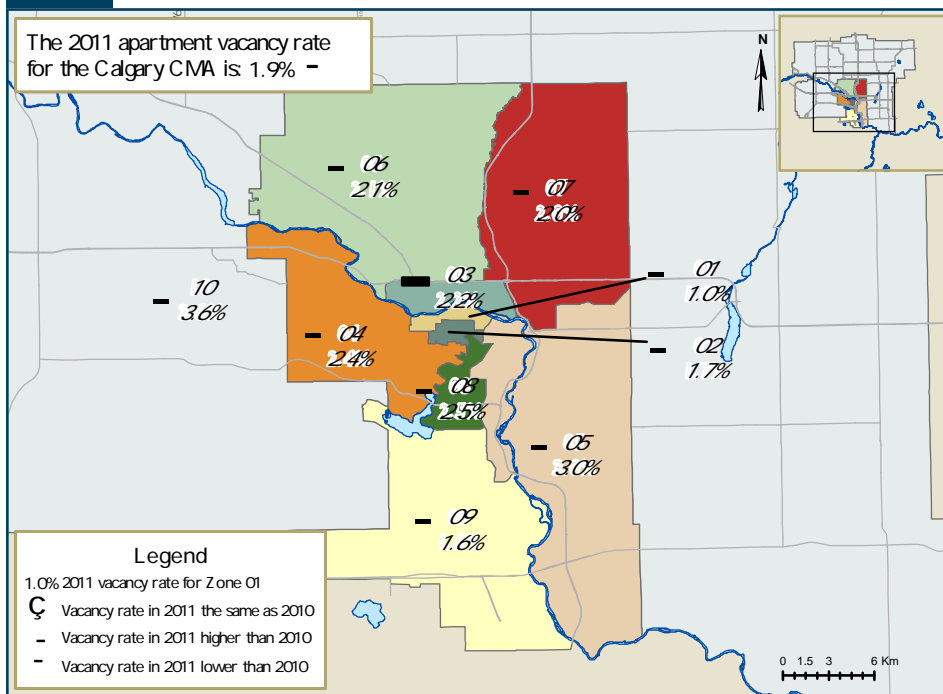
Average rent for a two-bedroom apartment unit was \$1,084 per month in October 2011, compared to \$1,069 in October 2010.

The vacancy rate for row (townhouse) rentals was two per cent in 2011, down from 3.7 per cent a year earlier.

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Figure 1



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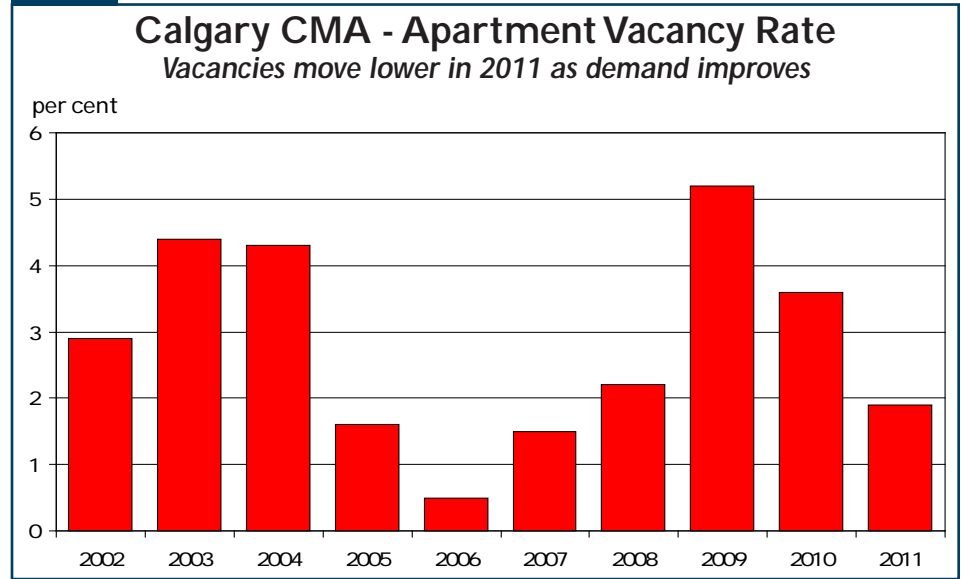
Calgary Rental Market Survey

Rental Vacancies Decline for Second Consecutive Year

The apartment vacancy rate¹ in the Calgary Census Metropolitan Area (CMA) declined for the second consecutive year in 2011, reaching its lowest level since October 2007. In CMHC's October survey, apartment vacancies decreased to 1.9 per cent in 2011, from 3.6 per cent in 2010. Increased migration flows to the region supported by improving economic conditions and a return to robust job creation and lower unemployment had increased demand for rental accommodations.

Most zones in Calgary saw their apartment vacancy rates decline from the prior year, while others remained relatively stable. The Downtown zone reported the lowest vacancy rate at one per cent in October 2011, declining from 2.8 per cent a year earlier. Demand for rental units in the downtown area has been brisk as it is close to many employers who have been busy securing office space and expanding their workforce. Another area that has benefited from the increased activity in the core was the Beltline. The vacancy rate in the Beltline decreased from 4.3 per cent in 2010 to 1.7 per cent in 2011. Among all zones in the Calgary CMA, Other Centres outside of city limits had one of the highest vacancy rates in October 2011 at 3.6 per cent, however it was still down from the previous year.

Figure 2



Source: CMHC, October Survey

Demand for all apartment bedroom types increased in 2011. The vacancy rate for bachelor and two-bedroom unit types reached 1.9 and two per cent, respectively, both declining from October 2010 to October 2011. Three-or-more bedroom units had a vacancy rate of 3.3 per cent in October 2011, down from 5.3 per cent in the previous year. One-bedroom units experienced a three per cent vacancy rate in 2010 and a 1.8 per cent vacancy rate in October 2011.

Vacancies among all apartment structure sizes also decreased in the Calgary CMA. Larger rental properties tended to have a lower vacancy rate than smaller structures. The largest structure size category of 100+ units had the lowest vacancy rate at one per cent, down from three per cent a year earlier. The highest vacancy rates in October 2011 were found in structures of three-to-five units, at 3.3 per cent, and in structures

of six-to-19 units, at 2.8 per cent.

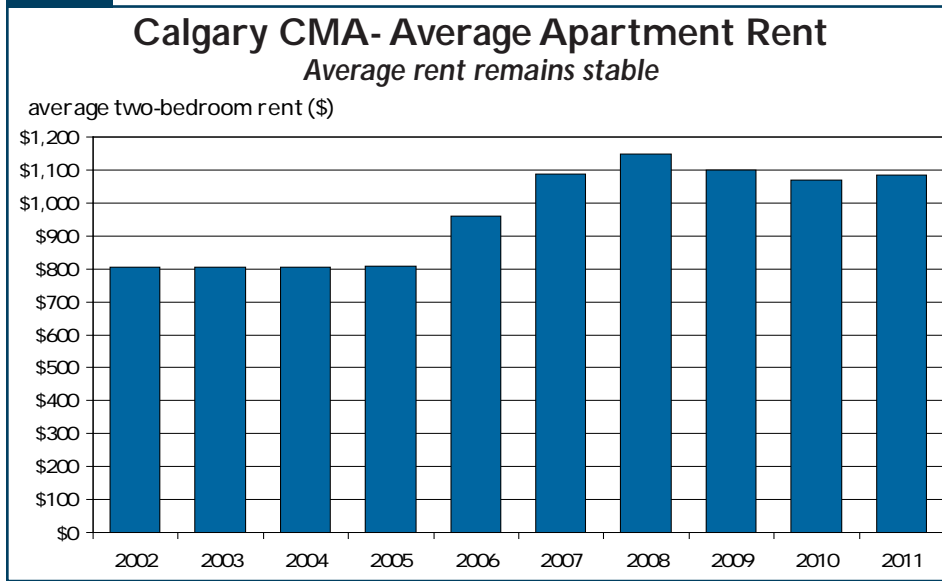
Apartment rental units that were constructed between 1990 and 1999 had a vacancy rate of 0.3 per cent in October 2011, down from 4.4 per cent in 2010. This year's vacancy rate for these structures was the lowest compared to structures built in other periods. Structures built in 2000 and later had a vacancy rate of 3.4 per cent in 2011, up from 1.9 per cent in 2010. With the exception of structures built in 2000 and later, vacancies were lower in 2011 than 2010.

Declining Vacancies Stabilize Rents

Despite the reduction in vacancies, the average rent in Calgary remained relatively stable this year. Declining vacancies have provided some rental owners an opportunity to offer fewer incentives and maintain rental rates. Following a 2.6 per cent reduction

¹ Based on privately-initiated rental apartment structures of three or more units.

Figure 3



Source: CMHC, October Survey

from October 2009 to October 2010, same-sample rents² for all apartment units in Calgary increased 1.8 per cent this October. Bachelor and two-bedroom units reported the strongest year-over-year gain in same-sample rents, both up 1.9 per cent from October 2010. Overall, the average two-bedroom rent in the Calgary CMA was \$1,084 in October 2011 compared to \$1,069 in October 2010.

The average two-bedroom monthly rent in the Calgary CMA was the highest in Downtown, reaching \$1,214 in October 2011, while in October 2010 it was \$1,173. Rental rates in the Downtown zone tend to be higher compared to other areas as some tenants are willing to pay a premium to live downtown. The lowest average two-bedroom rent was in the Southeast and Other Centres at \$947 and \$944 per month, respectively. These two zones also had among the lowest average two-bedroom rent in the October 2010 survey.

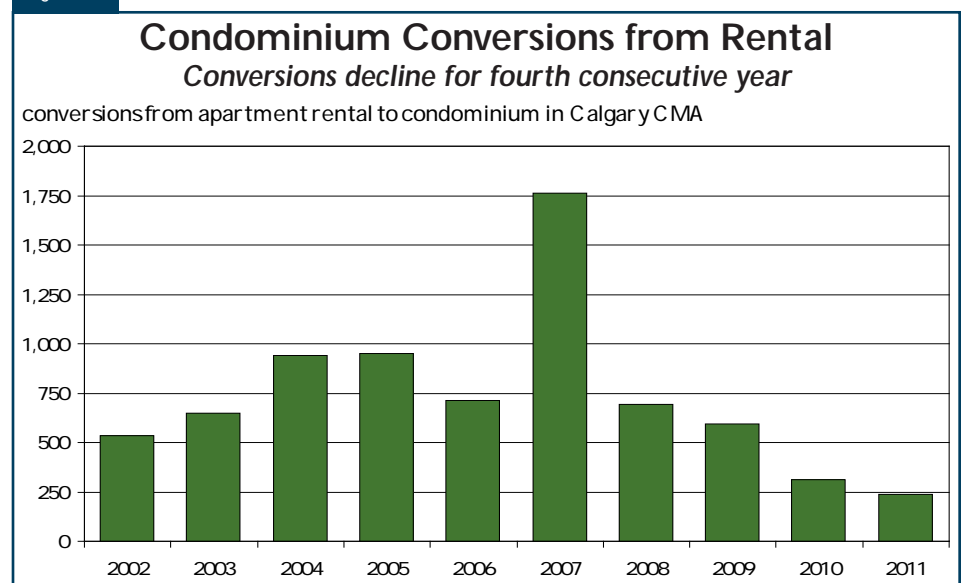
On a same sample basis, the total average apartment rent increased in a majority of zones in the Calgary CMA, while others remained stable. The total average rent increased 3.7 per cent in Chinook and 2.5 per cent in the Northwest. Meanwhile, the

average rent in Downtown and Fish Creek increased 1.3 and 1.1 per cent respectively from October 2010 to October 2011.

Rental Apartment Universe Moves Lower in 2011

The October 2011 survey for the Calgary CMA included 34,814 apartment rental units, down from 35,512 units in the previous year. Since reaching a peak in 1994 with nearly 50,000 purpose-built apartment units, the universe has been trending downwards. The main contributor to the decline has been a higher number of condominium conversions relative to new rental projects being started. Other changes to the universe would include units not available for rent for reasons such as demolitions and renovations. From October 2010 to October 2011, the most notable change in the apartment rental market universe was in the Beltline and

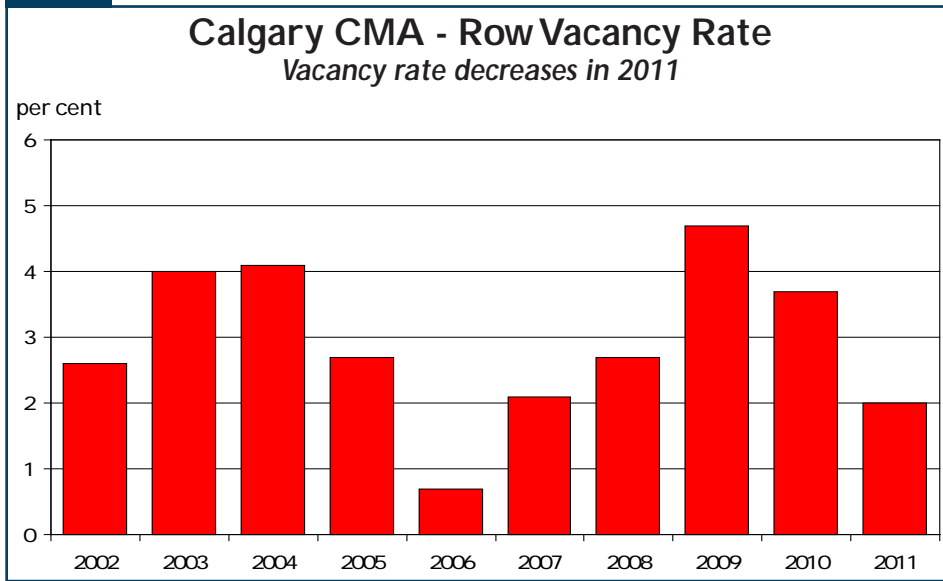
Figure 4



Source: CMHC, 12-month ending October

² When comparing year-over-year average rents, the age of the building needs to be taken into consideration because rents in newly-built structures tend to be higher than in existing buildings. By comparing rents for units that are common to both 2010 and 2011 October Rental Market Surveys, we can get a better indication of actual rent increases paid by most tenants.

Figure 5



Source: CMHC, October Survey

Northwest, both declining 163 units. The Southeast was the only area where the universe did not decrease from the previous year. Within the City of Calgary, the universe declined from 35,071 units in October 2010 to 34,380 in October 2011, down 691 units.

There were approximately 239 condominium apartment conversions in the 12-month period ending October 2011 compared to 311 conversions during the same period a year earlier. The pace of condominium conversions has gradually moderated since 2007 when 1,761 conversions took place. Moderate price growth and competition from a well-supplied condominium resale market has reduced the incentive to convert rental units into condominiums. Although condominium conversions have decreased, the apartment rental

market universe continues to decline as construction of new rental units for the purpose-built rental market has not been active enough to contribute any net gains to the universe.

Improved Demand Contributes to Lower Availability Rate

The overall availability rate³ in the Calgary CMA declined to 3.2 per cent in October 2011, from 5.8 per cent in October 2010. Every zone experienced a decline in the availability rate from the previous year. The availability rate in the Beltline declined to 3.2 per cent in 2011. This represented the largest change in the availability rate across all zones. The smallest change in the availability rate was in Southeast and Chinook, both decreasing to 4.6 and 4.9 per

cent, respectively. Not only did the availability rate decline in each zone, but also for every bedroom type.

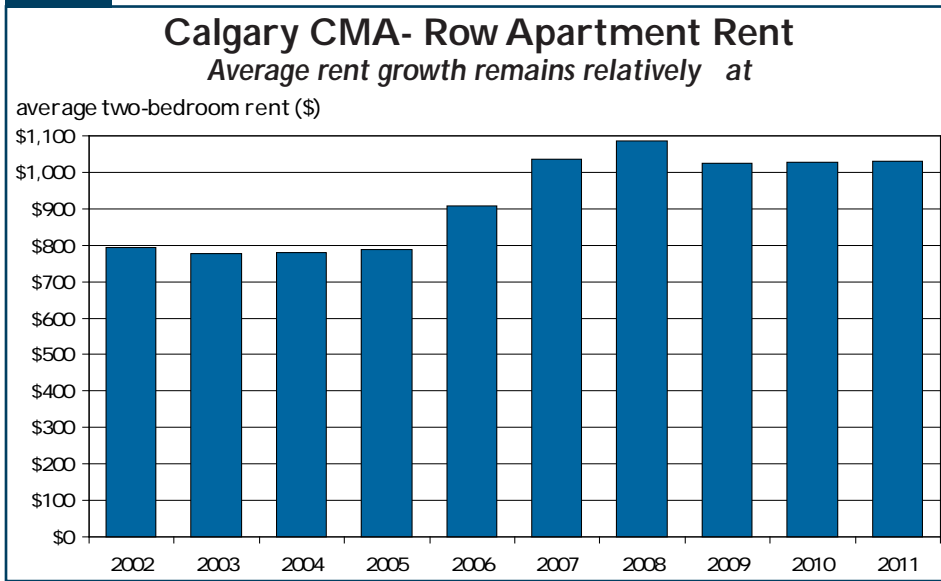
Row (Townhouse) Vacancies Decline

Row units also experienced an increase in rental demand in 2011. In CMHC's 2011 survey, row vacancies declined to two per cent in October 2011, down from 3.7 per cent in October 2010. The lowest vacancy rates were in the Northeast at 1.3 per cent and Fish Creek at 1.4 per cent, while the highest vacancy rate was in the Southwest at 4.5 per cent. Of the 10 zones surveyed, vacancies in North Hill remained unchanged from the previous year at 2.4 per cent.

The row rental universe in the Calgary CMA totalled 3,843 units in October 2011 compared to 3,896 a year earlier. A majority of the decline in the row rental universe was in the Northeast zone, down 42 units from 895 in 2010 to 853 in 2011. For most of the zones, the row rental universe remained relatively unchanged from a year earlier. The highest number of units was located in the Northwest with 1,206 row rental units, representing roughly a third of the 3,843 units in the row universe. Northeast and Fish Creek had the next highest number of row rental units at 853 and 703 units, respectively. The zones with the fewest number of row units was Downtown at zero units, Other Centres at 10 units and the Beltline at 15 units.

³ A rental unit is considered available if the existing tenant has given, or has received, notice to move, and a new tenant has not signed a lease; or the unit is vacant. As the definition of availability includes vacancy, the availability rate will always be equal to or greater than the vacancy rate. The availability rate can provide some insight into rental market conditions as it reveals the intentions of landlords and tenants on a short-term basis.

Figure 6



Source: CMHC, October Survey

Row (Townhouse) Rents Remain Stable

In CMHC'S 2011 October survey, row rental rates for all bedroom types averaged \$1,073 per month. Average rents for row units were the highest in the Southeast and Northeast zones at \$1,122 and \$1,134 per month, respectively. The lowest average rents were found in the Southwest at \$942 and North Hill at \$956 per month. On a same-sample basis, the overall average row rent remained stable from October 2010 to October 2011, however, the average rent among two-bedroom units slightly increased.

Rental Market Outlook

Steady Demand to Support Rent Increases

Economic activity is expected to continue supporting rental demand in 2012. Investments in the energy sector are promoting economic

growth in Calgary, creating jobs and attracting migrants. The gain in migrants in particular, will contribute to rental demand as many of them will likely look to rent and familiarize themselves with the region before purchasing a home. In addition, rental supply is not anticipated to see any large increases in the near future. There have been few new rental projects started for the traditional rental market and the number of units underway has declined. In October 2011, there were 110 apartment rental units under construction, down from 288 units a year earlier. Although these units will add to rental supply when completed, condominium conversions and demolitions will keep supply from experiencing any large increases. As a result, vacancies throughout the forecast period are anticipated to remain low at under three per cent.

With more people looking for rental accommodations, rental rates are anticipated to increase. As vacancies are expected to remain low, landlords and property owners will also require fewer incentives to attract prospective

tenants. The average two-bedroom apartment rent is anticipated to reach \$1,100 in October 2012, an increase of \$16 per month from \$1,084 in October 2011. Despite the rise, the average two-bedroom rent will still be below the peak level of \$1,148 reached in 2008.

Secondary Rental Market Survey

CMHC collects information on apartment condominiums offered for rent, as well as the following types of units: rented single-detached houses, rented double (semi-detached) houses, rented freehold row/town houses, rented duplex apartments, rented accessory apartments, and rented apartments which are part of a commercial or other type of structure containing one or two dwelling units.

The methodology section at the end of this report provides more detailed information on the Secondary Rental Market Survey.

Secondary Rental Market Survey: Condominium Apartments

Condominium Vacancies Relatively Unchanged

The vacancy rate for rental condominium apartments remained relatively unchanged from the previous year at 5.7 per cent in 2011. Compared to the purpose-built rental market, there continues to be a higher proportion of vacant condominium apartments, as new condominium inventories and resale active listings remain elevated. This has contributed to vacancies being

higher in 2010 and 2011 compared to what was reported in previous years. Although rental demand has been supported by improving economic conditions, factors such as heightened condominium supply and tenants moving into homeownership have kept the vacancy rate from moving lower. The condominium apartment vacancy rate in the Core and West area was 5.7 and 5.9 per cent, respectively.

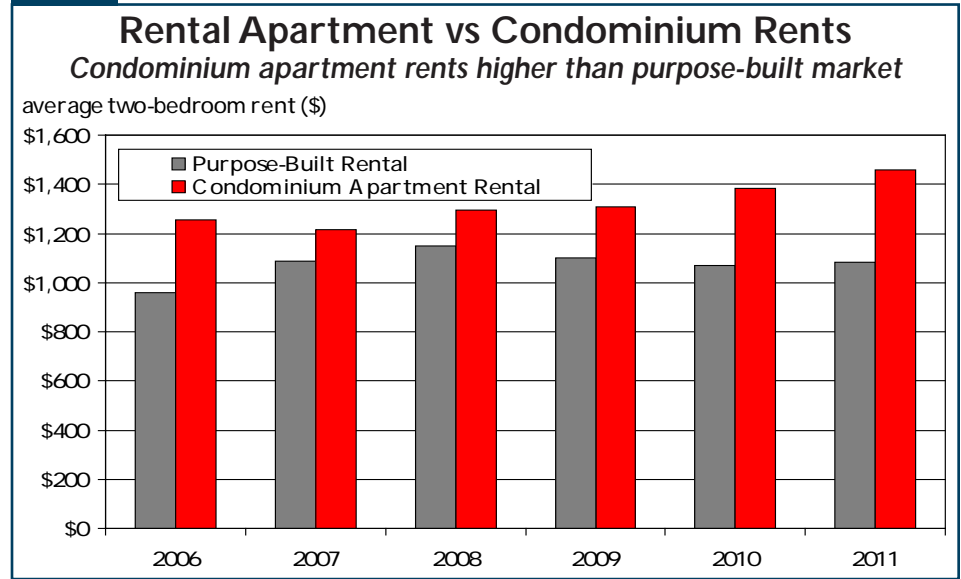
Condominium Average Rent Stable

The average condominium rent in CMHC's October survey was \$1,378 per month in October 2011 compared to \$1,355 in 2010. Rental rates in condominium apartments are typically higher compared to those in the purpose-built market as the buildings are generally newer and have more features such as additional appliances and washrooms. In addition, the condominium rent often includes other amenities such as underground parking, a fitness centre, or a recreational room. Accordingly, the average two-bedroom rent in the condominium market was \$1,460 per month, compared to \$1,084 in the purpose-built rental market. In the Calgary CMA, the Core area had an average condominium apartment rent of \$1,521 in October 2011, while the average rent in the West was \$1,243 per month. The East zone reported an average rent of \$1,202 in 2011.

Condominium Rental Universe

The condominium apartment universe has increased each year since the survey was introduced back in 2006. In October 2011, the condominium apartment universe reached 42,361 units, up from 40,473 units in the

Figure 7



Source: CMHC, October Survey

previous year. The percentage of units in the condominium apartment universe that was identified as rentals in October 2011 remained similar to the previous year at 26 per cent or 11,106 units. The percentage of rental units in the condominium apartment universe has increased since 2006 when it was below 18 per cent. An elevated supply of condominium units in both the new and resale markets has contributed to a higher proportion of rental units. Of the 11,106 condominium apartment rental units, 4,639 and 5,366 units are located in the Core and West areas, respectively.

Secondary Rental Market Survey: Other Dwellings

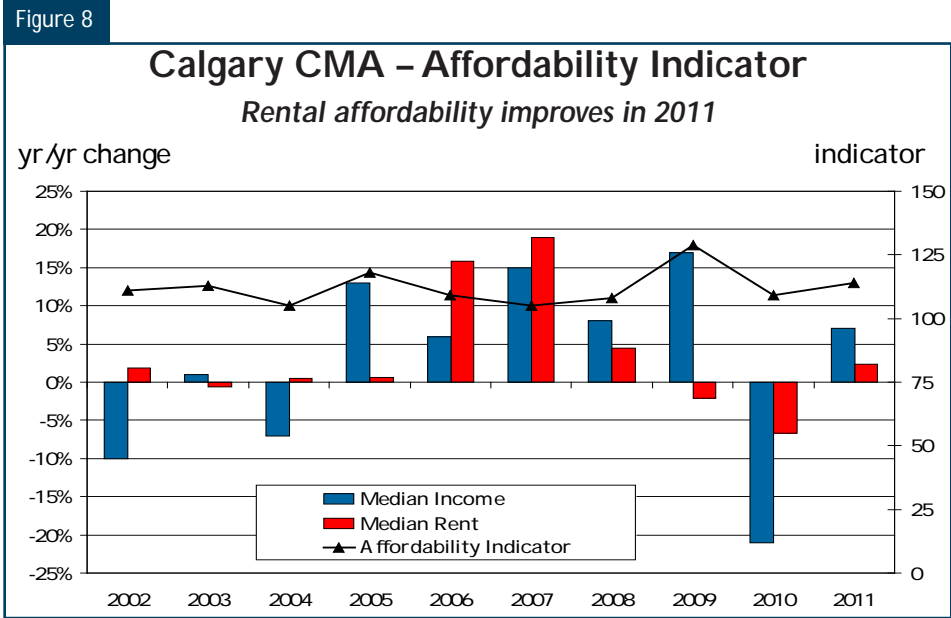
CMHC's Secondary Rental Market Survey also collects information on households in rented single-detached houses, double (semi-detached) houses, freehold row/town houses, duplex apartments, accessory apartments, and apartments which

are part of a commercial or other type of structure containing one or two dwelling units. In the other secondary rental market, the number of renter households reached 54,878 in October 2011 compared to 53,312 in October 2010. Semi-detached, row and duplex dwellings represented the largest segment of other secondary rental units in October 2011. With 26,217 households, this represented 48 per cent of the total number of other secondary rental units. There were 16,725 single-detached rented dwellings estimated in the 2011 survey while rental accessory suites amounted to 11,936 households.

The overall average rent for all other secondary rental units in 2011 was \$1,187 per month relatively unchanged from the previous year. Compared to other dwelling types, single-detached units had the highest rent at \$1,408 per month. The rent for semi-detached, row and duplex dwelling types averaged \$1,126 per month, while accessory suites averaged \$946 per month.

Rental Affordability Indicator

CMHC’s rental affordability indicator shows that affordability in Calgary’s rental market has increased from the previous year. The affordability indicator in 2011 was 114 compared to 109 in 2010. Affordability increased because renter household income grew at a faster rate in the past year than the increase in the cost of renting a median-priced two-bedroom apartment. The estimated median income of renter households rose by seven per cent from 2010 to 2011, while the median price of a two-bedroom rental apartment increased by only 2.4 per cent to \$1,075 per month.



Source: Statistics Canada Survey of Labour and Income Dynamics, CMHC

⁴ Please refer to the methodology section for detailed information on the indicator.

Apartment Vacancy Rates (%) by Major Centres

	Oct. 2010	Oct. 2011
Abbotsford	6.5	6.7
Barrie	3.4	1.7
Brantford	3.7	1.8
Calgary	3.6	1.9
Edmonton	4.2	3.3
Gatineau	2.5	2.2
Greater Sudbury	3.0	2.8
Guelph	3.4	1.1
Halifax	2.6	2.4
Hamilton	3.7	3.4
Kelowna	3.5	3.0
Kingston	1.0	1.1
Kitchener-Cambridge-Waterloo	2.6	1.7
London	5.0	3.8
Moncton	4.2	4.3
Montréal	2.7	2.5
Oshawa	3.0	1.8
Ottawa	1.6	1.4
Peterborough	4.1	3.5
Québec	1.0	1.6
Regina	1.0	0.6
Saguenay	1.8	1.4
Saint John	5.1	5.9
Saskatoon	2.6	2.6
Sherbrooke	4.6	4.7
St. Catharines-Niagara	4.4	3.2
St. John's	1.1	1.3
Thunder Bay	2.2	1.7
Toronto	2.1	1.4
Trois-Rivières	3.9	3.9
Vancouver	1.9	1.4
Victoria	1.5	2.1
Windsor	10.9	8.1
Winnipeg	0.8	1.1
Total	2.6	2.2

National Vacancy Rate Decreased in October 2011

The average rental apartment vacancy rate in Canada's 35 major centres⁵ decreased to 2.2 per cent in October 2011 from 2.6 in October 2010. Immigration and increased employment in the under 25 years age group have been factors supporting demand for rental units.

The major centres with the lowest vacancy rates in October 2011 were Regina (0.6 per cent), Winnipeg, Kingston and Guelph (1.1 per cent) and St. John's (1.3 per cent). The major centres with the highest vacancy rates were Windsor (8.1 per cent), Abbotsford (6.7 per cent), Saint John (5.9 per cent), Sherbrooke (4.7 per cent) and Moncton (4.3 per cent).

The Canadian average two-bedroom rent was up from \$860 in October 2010 to \$883 in October 2011. With respect to the CMAs, the highest average monthly rents for two-bedroom apartments in new and existing structures in Canada's major centres were in Vancouver (\$1,237), Toronto (\$1,149), Ottawa (\$1,086), Calgary (\$1,084), Victoria (\$1,045), Edmonton (\$1,034) and Barrie (\$1,001). The lowest average monthly

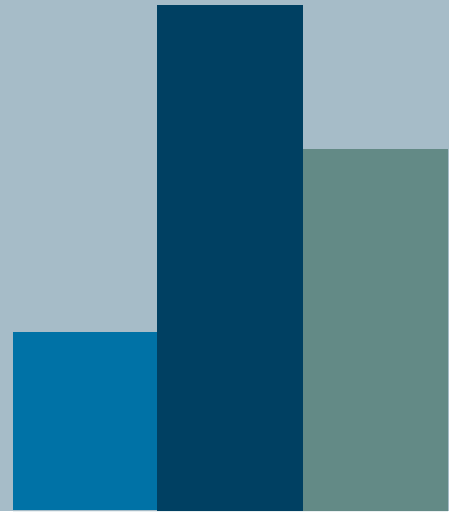
rents for two-bedroom apartments were in Trois-Rivières (\$547), Saguenay (\$557) and Sherbrooke (\$577).

Overall, the average rent for two-bedroom apartments in existing structures across Canada's 35 major centres increased 2.2 per cent between October 2010 and October 2011, a similar pace of rent increase to what was observed between October 2009 and October 2010 (2.4 per cent) and roughly in line with inflation (2.9 per cent).

CMHC's October 2011 Rental Market Survey also covers condominium apartments offered for rent in Victoria, Vancouver, Calgary, Edmonton, Regina, Saskatoon, Winnipeg, Toronto, Ottawa, Montréal and Québec. Vacancy rates for rental condominium apartments were 2.0 per cent or below in 7 of the 11 centres surveyed. Rental condominium vacancy rates were the lowest in Saskatoon (0.4 per cent), Regina (0.6 per cent) and Vancouver (0.9 per cent). The highest vacancy rates for rental condominium apartments occurred in Calgary (5.7 per cent), Edmonton (3.7 per cent) and Montréal (2.8 per cent).

⁵ Major centres are based on Statistics Canada Census Metropolitan Areas (CMAs) with the exception of the Ottawa-Gatineau CMA which is treated as two centres for Rental Market Survey purposes and Charlottetown which is a Census Agglomeration (CA).

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