

Q2-2021

UA Rental Take: Calgary

SUPPLY IN DEMAND



UA



Q2-2021 CALGARY RENTAL TAKE: SUPPLY IN DEMAND

Calgary's new purpose-built rental apartment market was very active during the second quarter of 2021. Vacancy decreased one percent when compared to the first quarter of the year despite nine new project launches in the second quarter that added 1,234 new units to the market. Vacancy is the lowest it has been since Q3-2019; 11.4 percent across the City. Rental rates increased three percent (\$0.05 per square foot) when compared to the previous quarter.

UA is currently monitoring 96 newer purpose-built rental apartment projects comprising of 12,205 units across seven Calgary sub-markets. 21 of these projects are actively leasing (under 85 percent leased and within the first year of their leasing campaign), with the remaining 75 buildings having been substantially absorbed and experiencing typical levels of unit turnover.

The data used for this analysis comprises 39 newer concrete apartment buildings, 51 newer wood frame apartment buildings and six newer rental townhome projects. The information is gathered on an ongoing basis through primary research methods and is consolidated and entered in UA's proprietary NHSLive platform, which is available to industry stakeholders on a subscription basis.

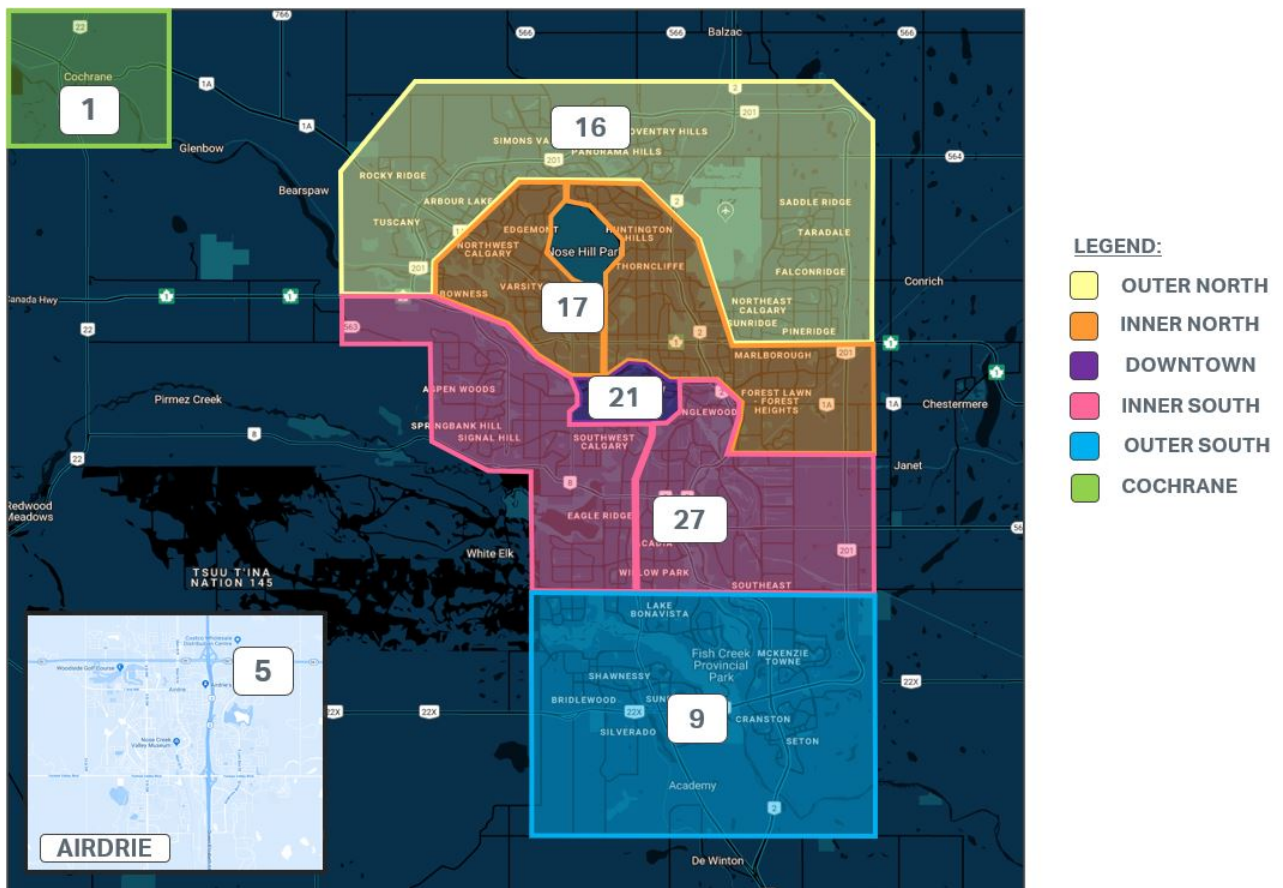


Figure 1

DECREASE IN VACANCY RATES

The overall vacancy rate for newer rental apartment buildings in Calgary was 11.5 percent at the end of the second quarter of 2021, this is a one percent decrease from last quarter and a four and half percent decrease from the second quarter of 2020. The decreased vacancy relative to the previous quarter indicates that the new rental project launches have had minimal impact on overall averages as tenants return to the market.

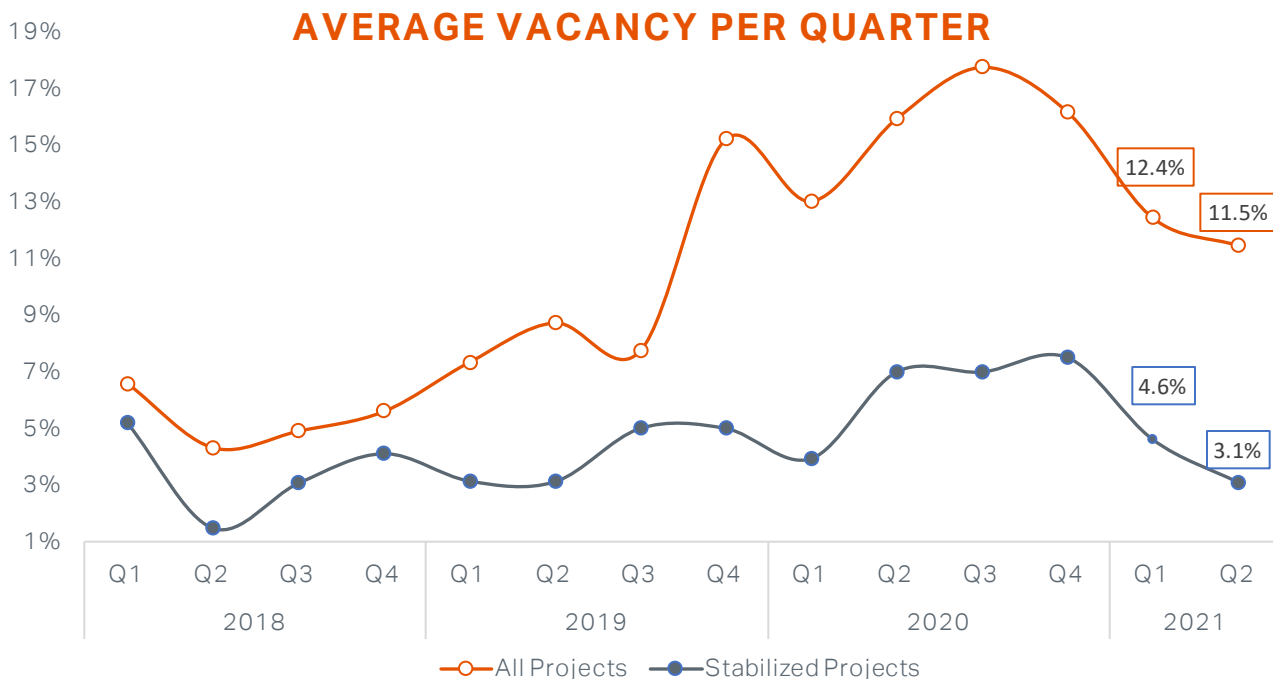


Chart 1

Chart 1 shows the average vacancy rate for stabilized newer purpose-built rental projects versus the average vacancy for all projects across Calgary. UA considers projects that have less than 85 percent occupancy to be actively leasing, and those with more than 95 percent occupancy to be fully leased or stabilized, as this is typically when units begin to turnover for the first time. The vacancy is typically lower in stabilized projects as those projects have been on the market for a longer period of time. The vacancy for all projects is higher at 11.5 percent, showing the impact of new project launches in recent quarters on overall vacancy rates. The nine projects that launched within the quarter have an average vacancy of 63 percent which significantly brings up the average vacancy for all projects. There were 21 active projects in the market at the end of the second quarter achieving an average vacancy rate of 51 percent.

AVERAGE VACANCY BY SUB-MARKET

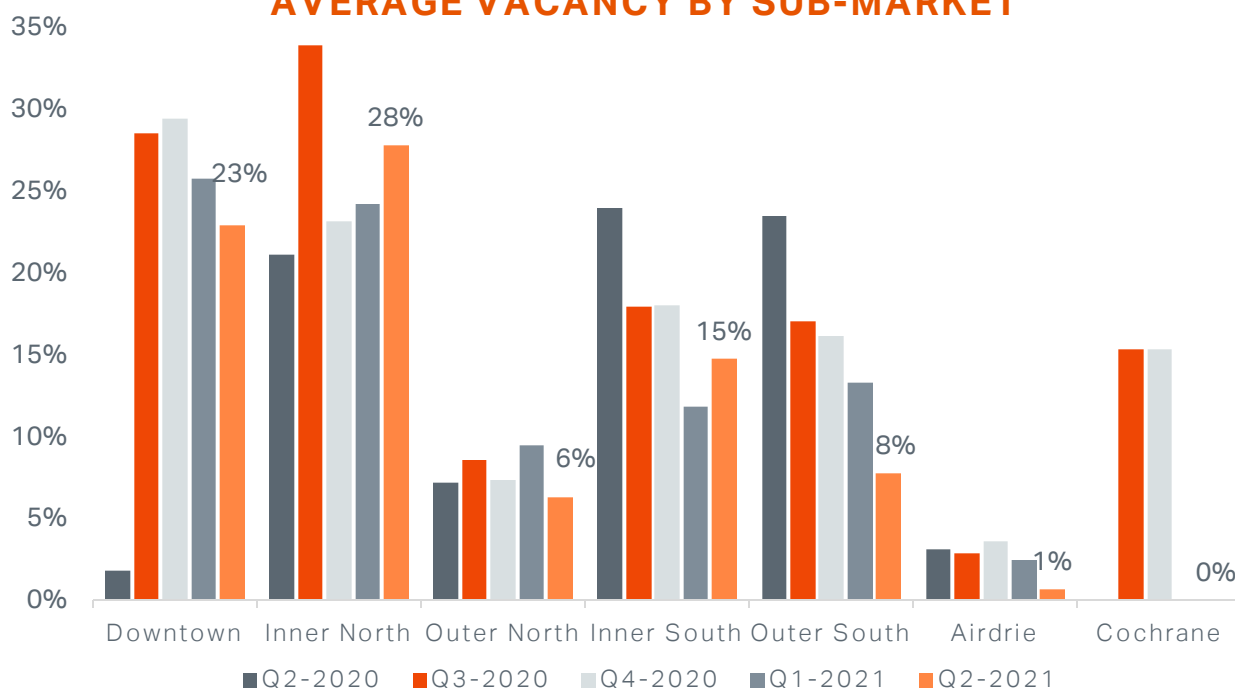


Chart 2

Four of the seven sub-markets experienced a decrease in vacancy rates during the second quarter of the year. The Outer South experienced the most significant decrease with a six percent decrease (13 percent to eight percent), four of the nine projects being tracked in the sub-market were fully leased for June.

The Downtown, Outer North and Airdrie all experienced modest decreases. Vacancy rates in Downtown Calgary decreased by three percent when compared to the previous quarter despite the launch of *Arris* by Bosa and *Redstone Apartments* by Amble Ventures adding 190 and 137 new units to the market. The Outer North experienced a three percent decrease in vacancy from nine percent in Q1-2021 to six percent at the end of Q2-2021. Airdrie experienced a two percent decrease when compared to the previous quarter.

The Inner North experienced the largest increase in vacancy when compared to the previous quarter. Vacancy went from 24 percent in Q1-2021 to 28 percent at the end of Q2-2021. This high vacancy is due to the five new project launches occurring in this sub-market over the last two quarters adding 515 new units to the market.

Cochrane currently has no rental supply available however it should be noted that Cochrane has a very limited rental supply relative to other Calgary sub-markets.

HIGHER RENTS IN Q2-2021

Average per square foot rents for newer purpose-built rental apartment units increased by three percent from the previous quarter (\$0.05 per square foot) to \$2.08 per square foot. Excluding the Airdrie and Cochrane sub-markets, average rental rates in Calgary were \$2.17 per square foot which is one percent (\$0.03 per square foot) higher than last quarter.

Figure 2 illustrates the average per square foot rent rates of newer rental apartment buildings in Calgary by sub-market.

Average list rents in the Downtown sub-market continue to be the highest in the market at \$2.38 per square foot. The second highest rents are being sought in the Inner North sub-market at \$2.31 per square foot. Airdrie continues to seek the lowest average net rent per square foot of all sub-markets at \$1.63 per square foot.



Q2-2019:	\$2.01
Q2-2020:	\$1.98
Q2-2021:	\$2.08

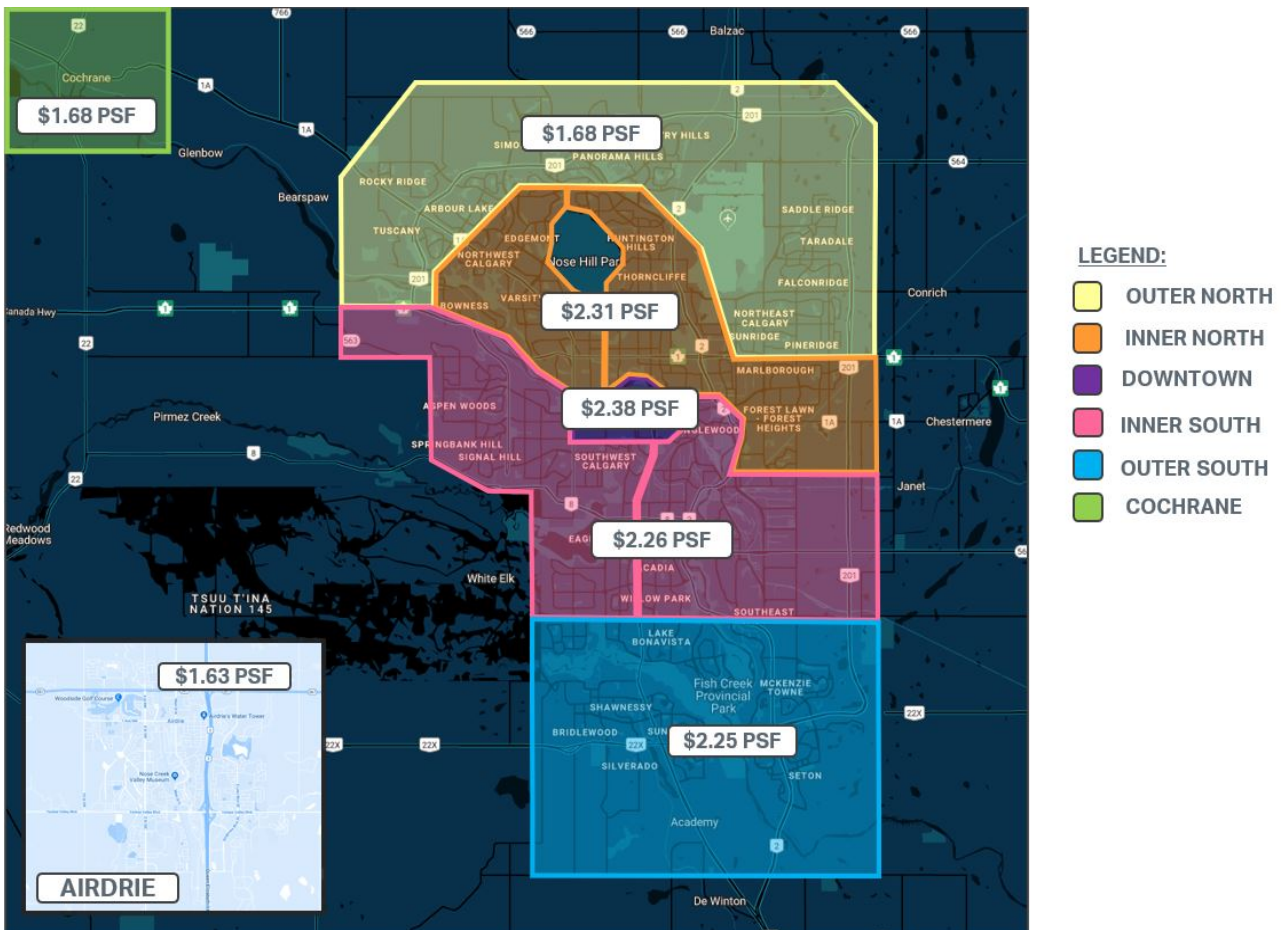


Figure 2

Current list rents for lease renewals in the second quarter of the year varied slightly across the market. The majority of turned over units were re-listed at rents lower than what was original achieved during the initial lease-up campaign. Chart 3 illustrates the comparison of asking rates for turned over units in stabilized buildings versus the original average net rents sought for those unit types during the buildings' initial lease-up stage.

LEASE RENEWAL RENTAL RATE CHANGES

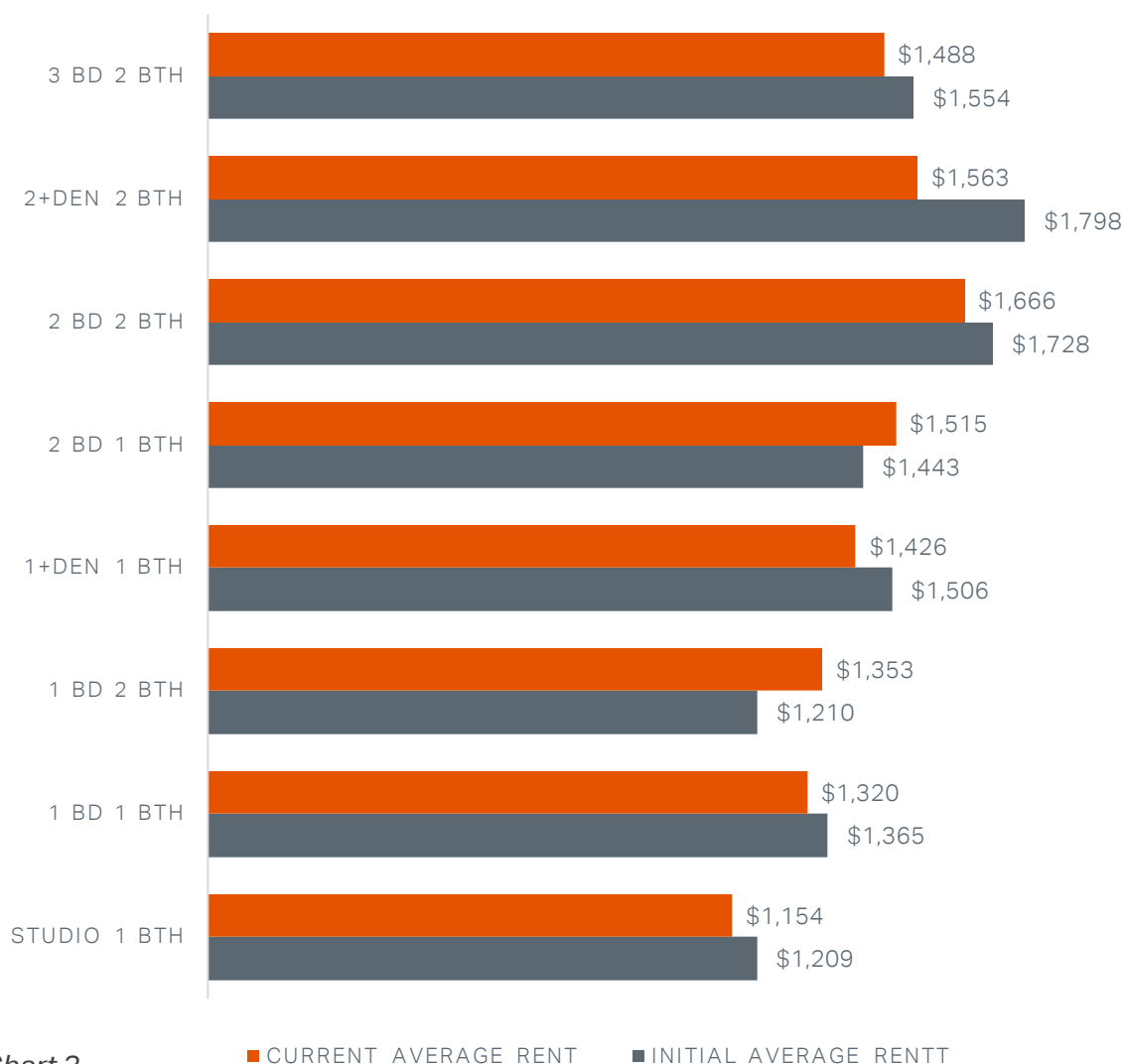


Chart 3

Rents have increased for two of the eight unit types that turned over in Q2-2021:

- One bed, two bath units increased by 12 percent (\$143 per month);
- Two bed, one bath units increased by five percent (\$72 per month).

Rents have decreased for six of the eight unit types that turned over in Q2-2021:

- Studio, units decreased by five percent (\$54 per month);
- One bed, one bath units decreased by three percent (\$45 per month);
- One bed plus den, one bath units decreased by five percent (\$80 per month);
- Two bed, two bath units decreased by four percent (\$62 per month);
- Two bed plus den, two bath units decreased by 13 percent (\$235 per month);
- Three bed, two bath units decreased by four percent (\$66 per month).

AVAILABLE TURNED OVER UNIT TYPES

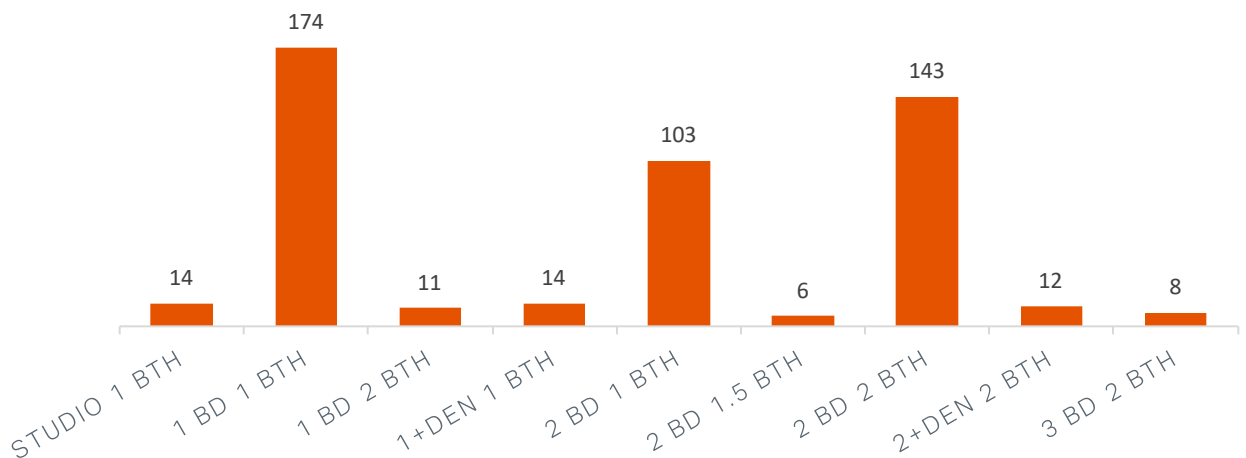


Chart 4

The majority of units that turned over in the second quarter of 2021 were one bed and two-bed plans. Two-bed units located within inner city neighbourhoods are often rented by roommates, which leads to a higher turnover rate. Smaller one-bed units also have a higher turnover rate than other unit types as renters eventually leave in search of more living space as their housing needs mature. In other cases, the unit is occupied by a couple who have been saving for a down payment on a home and are now able to purchase.

AVERAGE NET RENT \$PSF PER SUB-MARKET

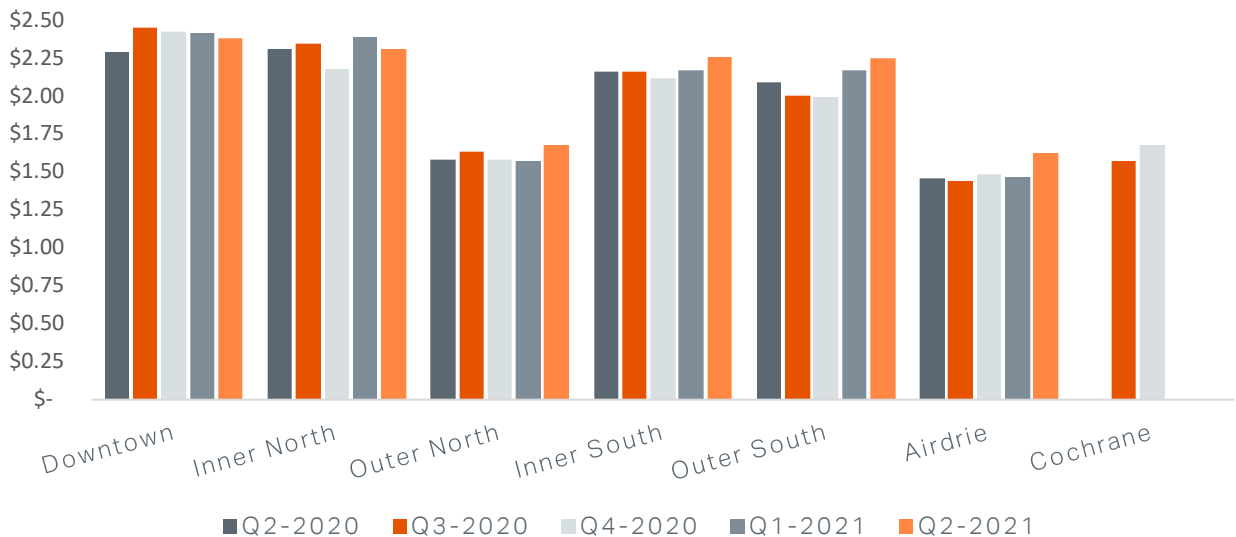


Chart 5

Four of the seven sub-markets in Calgary experienced increases in average net rent per square foot rates when compared to the previous quarter. The largest increase in rents occurred in Airdrie where rents increased by 11 percent from \$1.46 per square foot to \$1.63 per square foot. The increase in rents is likely due to the decrease in supply; with only five units available, developers have been able to eliminate or reduce the value of incentives.

The Outer North experienced the second largest quarterly rental rate increase as rents rose by seven percent from \$1.57 to \$1.68 per square foot. The Inner South and Outer South both experienced a four percent increase in rents when compared to the previous quarter. Rents in the Inner South increased by \$0.09 per square foot from \$2.17 to \$2.26 per square foot. Per square foot rents in the Outer south increased by \$0.08 per square foot from \$2.17 to \$2.25 per square foot.

Rents in the downtown decreased by 1.6 percent from \$2.42 to \$2.38 per square foot. This decrease was likely due to the increased supply in the market and continued offerings of incentives to entice prospective tenants.

The Inner North experienced a three percent decrease in rents when compared to the first quarter of the year. Rents decreased from \$2.39 to \$2.31 per square foot at the end of the second quarter of the year.

AVERAGE RENT BY UNIT TYPE

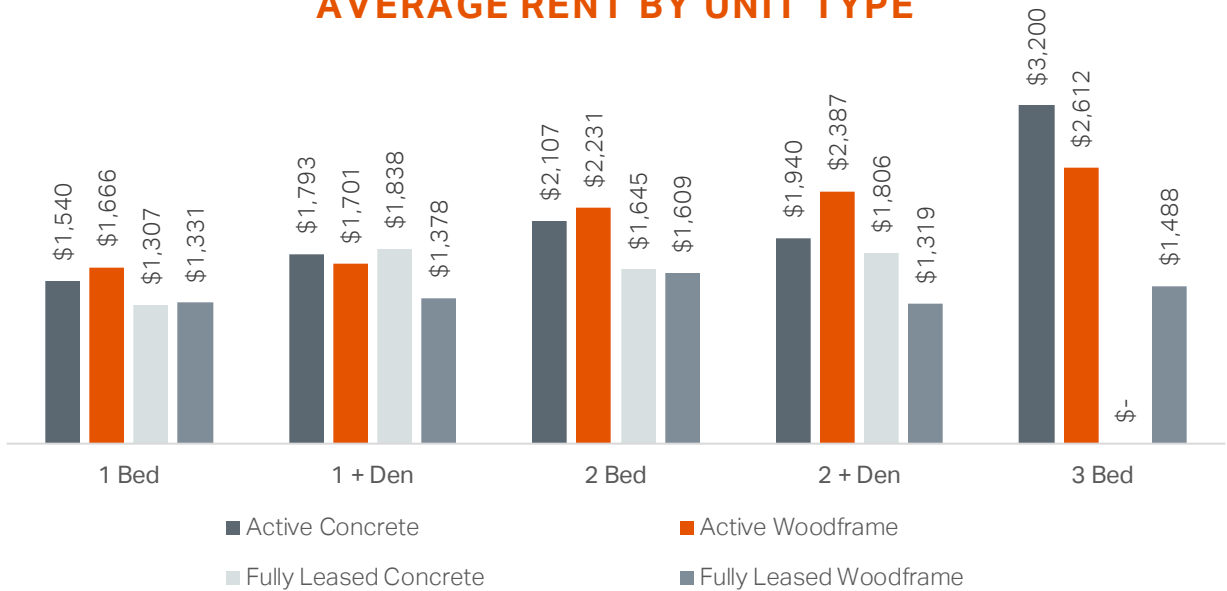


Chart 6

Chart 6 shows the average monthly rents per bedroom for active and fully leased concrete and wood frame buildings. Actively leasing projects are achieving higher average monthly rents than their fully leased counterparts. On average one-bed units are achieving monthly rents between \$1,307 - \$1,666, one-bed plus dens are achieving rents between \$1,376 - \$1,836, two bed units are achieving rents between \$1,609 - \$2,231, two-bed plus den units are achieving rents from \$1,319 - \$2,387 and three-bed units are achieving between \$1,488 - \$3,200. The significantly lower rents at fully leased wood frame buildings are likely due to the fact most of these projects are located in the outer sub-markets. The majority of the concrete buildings are located Downtown and inner sub-markets that are more urban and which result in higher monthly rents.

Chart 7 illustrates the correlation between the average vacancy rate and the average net rent per square foot in Calgary's newer purpose-built rental apartment market. Newer purpose-built rental projects throughout Calgary experienced higher rents and lower vacancies in the second quarter of the year. Vacancy rates decreased by one percent while rents increased by three percent (\$0.05 per square foot) when compared to the first quarter of the year. On a year over year basis, vacancy decreased by four and a half percent and rents increased by five percent (\$0.10 per square foot).

The following projects were launched during the second quarter of 2021; *Arris* by Bosa, a 190-unit concrete building in the downtown core, *Amble Ventures* launched *Redstone Apartments*, in the beltline adding 137 new units to the area, *Dominion* by Bucci was launched in Bridgeland adding 161 new units to the area, Deveraux communities launched *Steps at Bridgeland*, a 122-unit concrete building in Bridgeland, Gracorp launched the second phase of *Aria* in university district adding 143 new units to the area, *Villages at Nolan Hill* by Cidex was launched in the outer north adding 252 new units, *CY33* by RNDsQR was launched in Marda loop adding 56 new units to the area, *The Grey* by Trico Homes was launched in the inner south adding 94 new units, and the second building at *Trinity Hills* was launched adding 79 new units.

VACANCY VS. NET RENTS \$PSF

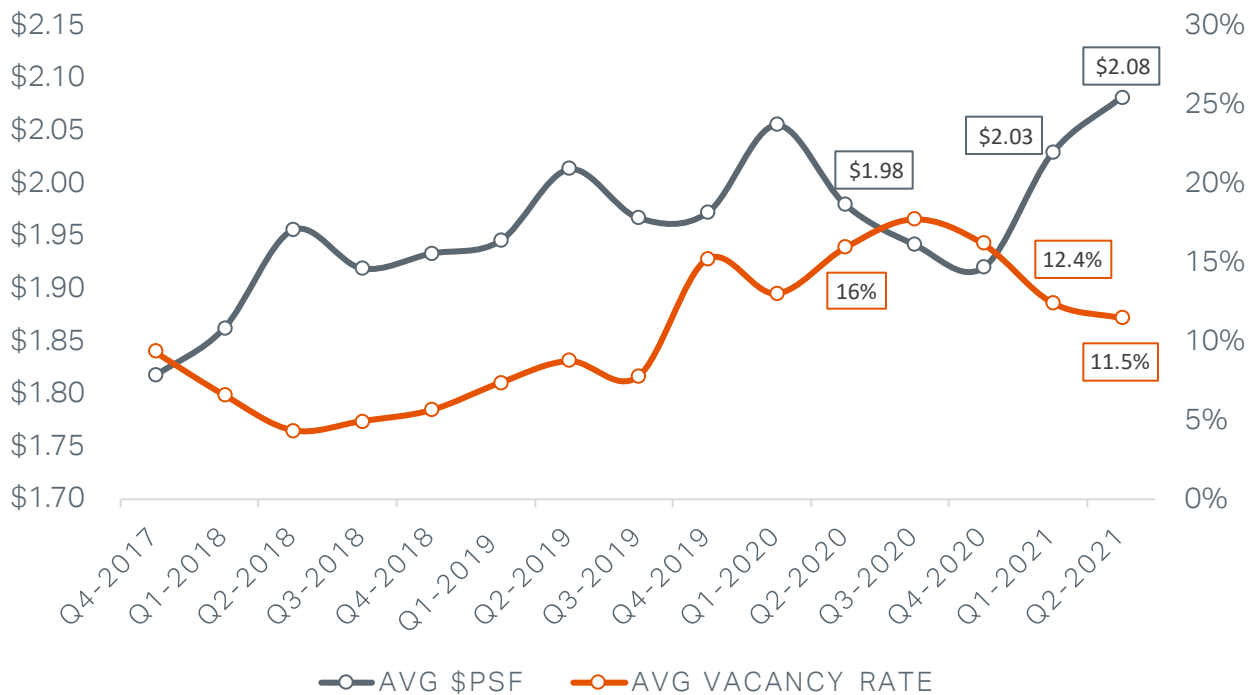


Chart 7

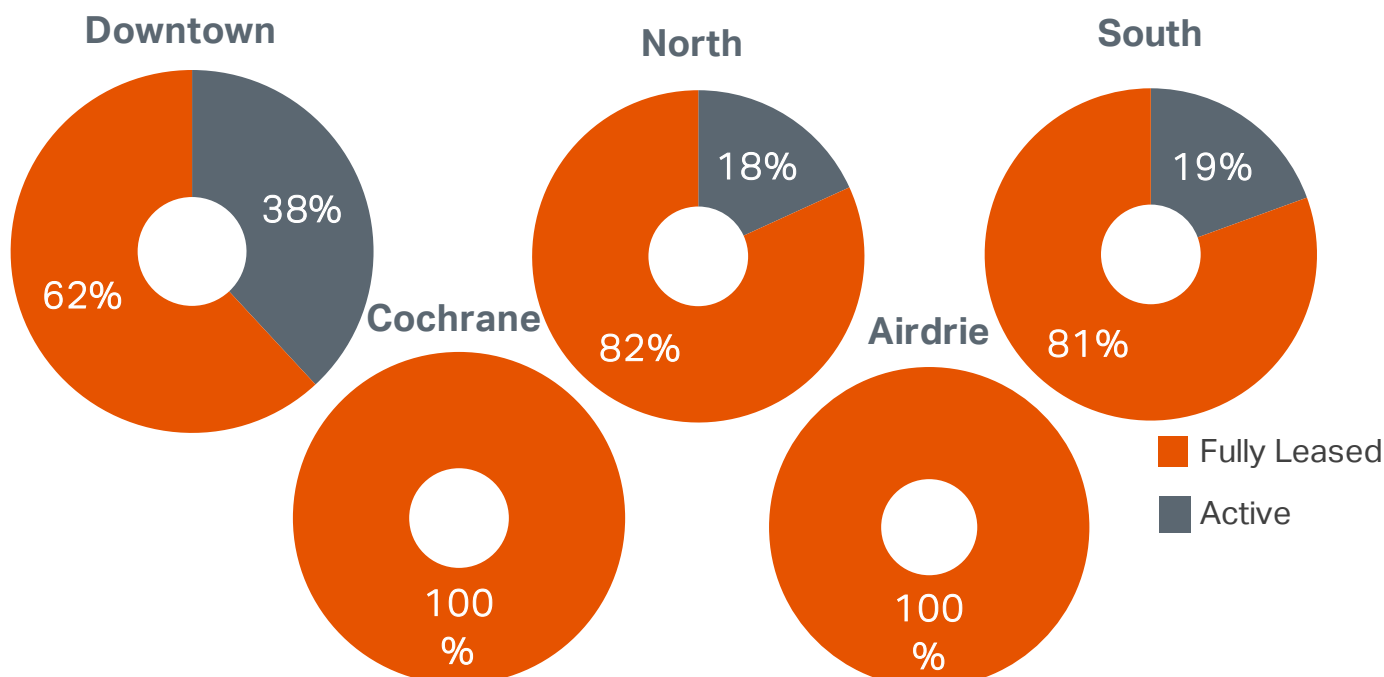
ACTIVE VS. FULLY LEASED PROJECTS

UA considers new 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. There were 21 projects considered to be actively leasing in Calgary at the end of Q2-2021. Four projects became fully leased in the second quarter of the year; *Giordano* by Brava Development Corp, a 79-unit wood frame building in the inner south leased up in seven months, *Parkside at Waterfront* by Anthem, a 29 rental conversion project in downtown leased up in four months, *Novella* by Truman, a 32-unit townhome project located in the outer north leased up in eight months, and the *Royal* by Trico Homes a 112-unit concrete building located in the south west leased up in nine months.

A few active projects include;

- *UPTEN* in the Downtown sub-market (379 units), leasing for 12 months and currently 67 percent leased.
- *Dominion* in the Inner North sub-market (161 units), leasing for three months and currently 39 percent leased.
- *Vic on 5th* in the Inner North sub-market (79 units), leasing for five months and currently 53 percent leased.

ACTIVE VS FULLY LEASED PROJECTS BY SUB-MARKET



AVAILABILITY IN Q2-2021

The Downtown sub-market continues to have the highest inventory levels of all sub-markets. There were 944 available units in Downtown at the end of the second quarter. The Inner North sub-market experienced higher levels of available inventory due to the five new projects that were introduced in the first two quarters of the year. The Southern sub-markets experienced decreases in available inventory when compared to the first quarter due to the absence of new project launches in this location.

Released and Available Units by Sub-Market

Downtown	Inner North	Outer North	Inner South	Outer South	Airdrie	Cochrane
944	402	157	298	105	5	0

INCENTIVES

57 of the 96 rental apartment buildings monitored in the Calgary market offered incentives during the second quarter of the year. This is a drop from the 65 projects that offered incentives in Q1-2021. 22 of the 39 buildings not offering incentives were fully leased. The following is a sample of the incentives offered as of June 2021:

- Two months free rent on 12-month lease
- Two months free rent on 14-month lease
- \$500 off first months rent
- One month free rent on a 12-month lease
- One month free rent on a 13-month lease
- No pet fee
- Reduced security deposit
- Six weeks free rent
- Four months half rent
- Three months half rent
- Discounted rents
- Free Telus for one year
- \$500 VISA gift card
- Free early move-in
- 50% off parking
- Six months free parking
- Free storage locker

Incentive offerings were reported in projects across all seven sub-markets in Calgary.

RENTAL TRENDS

Leasing agents were forced to adapt throughout 2020 and began showing suites to prospective renters through online and virtual formats. In many cases the adoption of virtual showings resulted in a faster success rate with lease signing and a higher number of potential tenants.

New purpose-built rental buildings in Calgary are increasingly incorporating lifestyle focused amenities designed for convenience and to encourage community-building. Some of the newly launched rental buildings offer discounts at nearby retailers, free fitness classes, 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. UA will continue to monitor what other unique trends developers will introduce 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. These projects are more likely to achieve faster absorptions, 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 is willing and able to pay more for the added conveniences. A few examples of projects in this area offering more comprehensive amenities packages include: UPTEN, which offers a full fitness facility, outdoor patio and a sky lounge, The Underwood, which offers a yoga studio, full fitness facility, and a food market on the ground floor (coming soon), Park Central, which offers a rooftop pool, golf simulator, and resident events such as wine tastings. Amenity offerings are less comprehensive at most rental projects in the outer sub-markets where renters are more price sensitive. However, fitness facilities are still found in some suburban projects. The following is a sample of amenities offered at various rental apartment projects in the Calgary market:

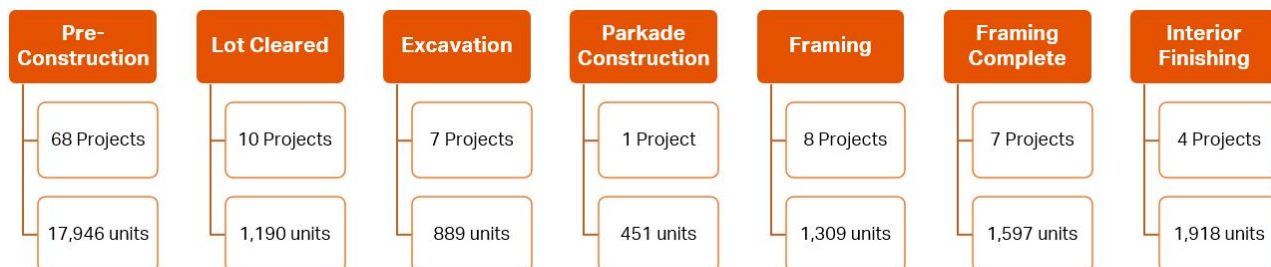
- | | | |
|--------------------|----------------------|---------------------|
| • Roof terrace | • Outdoor kitchen | • Indoor pool |
| • Dog wash station | • Courtyard | • Golf simulator |
| • Outdoor patio | • Bike storage | • Spa/jacuzzi |
| • Lounge | • Media room | • Woodshop |
| • Bike repair area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

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, active downsizers, and young couples. The inner sub-market demographics justify a mix of one and two bedrooms targeting young professionals, and in some cases larger units to attract more of the established professionals and re-starts.

CONTEMPLATED

UA is currently monitoring 105 development permits (25,295 units) that have been submitted to the City of Calgary. Of those, 42 permits (10,667 units) are currently on hold. 28 projects comprising of 6,515 units have been approved by the City and are expected to come to market over the next two to three years. UA anticipates that 20 of these buildings will be ready to commence leasing in the next one to two years, which will add over 4,824 new rental apartment units to the market.



LOOKING FORWARD

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

- Hat @ West Village – Cidex
- City Scape Plaza – Carlisle Group
- 11th + 11th – Intergulf
- BLVD Beltline – One Properties
- Montgomery Square – Eagle Crest

UA has the most current and accurate data on the purpose-built rental markets in Calgary, Edmonton, Metro Vancouver, and the GTA. UA's online database NHSLive provides accurate and timely data on the new rental and multi-family sectors of the market to help industry stakeholders make better decisions. With its user-friendly interface and extensive functionality, it has become an invaluable tool for thousands of 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 sector 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.



We appreciate your feedback. Please contact us with any questions regarding this UA Take or any of our other periodic publications. In addition to maintaining the most current new multi-family home and rental apartment project data on NHSLive.ca, UA provides advisory services that can be tailored to meet your firm's specific needs. Please contact us to discuss how we can assist you in the design or positioning of your new multi-family home or rental apartment community.

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