

CMHC Rental Market Report – 2009 Results

Vacancy More Than Doubles to 4th Highest in Canada

Canada Mortgage and Housing Corporation's (CMHC) Rental Market Report for Calgary released in December 2009 reported that Calgary's overall vacancy rate was 5.3%, more than double the 2.1% vacancy rate recorded in December 2008. CMHC attributes this increase to job losses, lower migration, improved affordability for homebuyers and greater competition from the secondary rental market. The forecast for year-end 2010 is toward a lower vacancy rate of 3.5% as the economy begins to improve, creating more jobs and bringing more migrants back to Calgary. The average two-bedroom rent declined by 4.3%, from \$1,148 in 2008, to \$1,099 in 2009, the first time in three years that Calgary's average two-bedroom rent was not the highest in Canada (now second to Vancouver and just \$3 above Toronto). Rents are expected to remain flat, with two-bedrooms averaging \$1,100 by year-end 2010.

CMHC continued their survey of condominiums in the rental pool for the fourth consecutive year. Of note, the inventory of rental condominiums grew 59% - from 5,939 units in 2008, to 9,425 units in 2009. Rental condominiums now comprise just over 25% of the rental apartment inventory, compared to 18% in 2008. Meanwhile, vacancies in condominiums shrank to just 1.5% in 2009, compared to 3.5% in 2008. This translates to 141 rental condos available for rent in Q4 2009, compared to 1,935 "traditional" apartment suites available for rent at the same time. With 4,704 rental condos surveyed by CMHC in 2006, the universe of condominiums for rent in Calgary has effectively doubled in the past three years. Condominium rents rose moderately; two bedrooms averaged \$1,310 per month, compared to \$1,293 per month in 2008. This current rent is \$211 higher than the average "typical" two bedroom unit rent in Calgary of \$1,099 per month. The highest two bedroom condominium rent surveyed was once again in the downtown area at \$1,323 per month; however this number is down from \$1,407 per month in the core a year earlier.

The inventory of traditional apartments continued to decrease in 2009. As of year-end 2008 there were 36,858 purpose-built rental units in Calgary's universe; at the end of 2009, this number had declined to 36,174 - a decrease of 684 units. Meanwhile, the secondary rental market (excluding condos - that is, houses, and suites in semi-detached or detached dwellings) remained essentially unchanged at 47,893 units. The average rent in the secondary market increased \$30 per month, to an average of \$1,155 - the spectrum of this average rent is represented by a two-bedroom suite at \$824, and a three-bedroom house at \$1,392.

Geographically, all areas of Calgary saw an increase in vacancy. Of the 1,953 units vacant as of the survey (compared to 771 in 2008), 524 (27%) were in the Beltline, 262 (14%) were in the suburban northwest, and 278 (14%) were located downtown - the 79 units (4%) and 108 units (6%) found in southeast and Chinook areas respectively proved to be the fewest (see area definitions below). Vacancies in all suite types increased, the highest being two bedrooms at 5.8% compared to 2.2% in 2008; one bedroom vacancy increased to 4.9% from 1.9%, and bachelors to 4.6% from 2.9% in 2008. Of note, vacancies spiked to an average of 6.1% for available suites with rents that exceed \$900 per month.

The highest vacancy rate (and the largest increase to vacancy) was found in the northeast at 8.2% (compared to 2.8% in 2008). The northwest was the next highest at 6.0% (up from 2.5% in 2008), followed closely by downtown at 5.9% (up from 1.5%), the Beltline at 5.8% (up from 2.0%), the North Hill at 5.6% (up from 1.6%), and the southeast at 5.3% (up from 3.7% in 2008). The lowest vacancy rate was found in the suburban southwest at 3.2% (up from 2.6% in 2008) followed by the Chinook area at 4.0% (up from last year's low of 1.4%) and Fish Creek at 4.8% (up from 1.7% in 2008). This all equates to an overall city-wide vacancy rate of 5.3% - up from 2008's overall rate of 2.1%.

With respect to rents, Calgary's overall monthly rate decreased (for the first time since the mid-90's) by an average of \$40 per month, to an average monthly rate of \$991 – compared to \$1,031 in 2008. Two bedroom rents decreased \$49 per month (4.3%), from \$1,148 in 2008 to \$1,099 in 2009; one bedroom rents decreased \$38 per month (4%), from \$951 in 2008 to \$913 in 2009; and, bachelors saw a 9% decrease, equivalent to \$70 per month, falling to \$705 per month from \$775 per month in 2008. All areas, except for the suburban southwest, saw rents decrease – the greatest being the inner-city North Hill at an average of \$78 per month (interestingly, 2008's report noted that North Hill rents had increased the most - \$127 per month, and Fish Creek which decreased in 2009 by \$69 had typically recorded the highest rents in previous reports). Two bedroom rents were the highest downtown at \$1,237; the lowest two bedroom rents were in the southeast at \$975. One bedroom rents were also the highest downtown at \$973 per month, and the lowest in the North Hill at \$881 per month.

The 2009 survey areas found average rents of \$973 and \$1,237 for one and two bedrooms downtown; \$903 and \$1,142 in the Beltline; \$814 and \$1,005 in the North Hill; \$873 and \$1,038 in the suburban southwest; \$888 and \$975 in the southeast; \$949 and \$1,101 in the suburban northwest; \$938 and \$1,072 in the suburban northeast; \$920 and \$1,115 in the Chinook area, and \$959 and \$1,109 for one and two bedrooms respectively in the Fish Creek area.

CMHC zones are defined as Downtown; the Beltline (including Bankview and Sunalta); the North Hill (16th Avenue to the North, between Deerfoot and 37th Street NW); Southwest (south of the Bow River to the Glenmore Reservoir, and west of the Elbow River, excluding Downtown and Beltline zones); Southeast (east of Blackfoot and the Bow River, and south of Memorial Drive); Northwest (west of Deerfoot, north of 16th Avenue and the Bow River line); Northeast (east of Deerfoot, north of Memorial Drive); Chinook (south of Mount Royal, east of the Elbow River, west from Blackfoot, and north from Heritage Drive); and Fish Creek (south of Heritage Drive and west of the Bow River, to the south city limit).

For the past two years, downtown Calgary rents have surpassed the average two bedroom rent found in Greater Vancouver. In 2008 Calgary had the highest monthly two bedroom rents in Canada at \$1,148, compared to Vancouver at \$1,123, Toronto at \$1,095 and Ottawa at \$995. This year however, Calgary's rent was second to Vancouver's \$1,169 and only \$3 greater than Toronto's \$1,096. The lowest rents in Canada were once again found in Trois-Rivieres at \$520 average per month, and Saguenay at \$518 per month. Calgary once again ranked third in the country in terms of average two bedroom condominium rents at \$1,310 per month (up \$17) behind Toronto at \$1,447 (down \$178 per month) and Vancouver at \$1,448 (down \$55 per month).

Nationally, vacancy increased to 2.8% in 2009, up from the national rate of 2.2% reported in December 2008. Toronto reported 3.1% vacancy (up from 2%), Vancouver quadrupled, from .5% to 2.1%, and Edmonton's vacancy increased to 4.5% from 2.4% a year earlier. Only Halifax and Windsor's vacancy decreased, while Saskatoon, Regina, and Quebec City remained unchanged; all other municipalities saw an increase. The highest vacancy rate was in Windsor at 13% (down from 14.6% however) followed by Abbotsford at 6.1% and Peterborough at 6.0%. The lowest was Quebec and Regina, both at .6%, followed closely by St. John's at .9% and Winnipeg at 1.1%.

Compiled by Tim Sommer, Vice President, Investment Properties, with Cushman & Wakefield Ltd. of Calgary. For further information, contact Tim at (403) 261-1188 or tim.sommer@ca.cushwake.com. Source: Canada Mortgage and Housing Corporation – Rental Market Report, Calgary CMA, December 2009. For more statistics, the complete report is available at no cost and can be downloaded from CMHC's website, www.cmhc-schl.gc.ca.