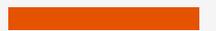


Q4 2020

# UA RENTAL TAKE - CALGARY POSITIVE MOMENTUM HEADING INTO 2021



URBAN  
ANALYTICS

# POSITIVE MOMENTUM HEADING INTO 2021

22 new rental apartment projects were launched in the City of Calgary in 2020 despite the market being impacted by the pandemic for nearly ten of the 12 months in the year. Fortunately for the new home market, construction was considered an essential service and developers continued with their planned developments. Further, some new rental projects managed to have very successful launches and leasing campaigns amid the turmoil in 2020.

The fallout of the pandemic and subsequent shutdowns that began in March 2020 resulted in both a reduction in overall occupancy rates and rents when compared to 2019. While the rental market was competitive and favourable to tenants in 2020, it remained resilient through challenging times as many would-be home purchasers opted to rent over buying due to personal and economic uncertainty and the lesser commitment of a lease relative to a mortgage.

Two new projects were launched in Calgary in the fourth quarter of 2020 which brought 137 new units to the market. Occupancy rates at the end of the fourth quarter were up by two percent compared to the previous quarter, however rental rates decreased by two percent compared to the previous quarter. Occupancy rates decreased by one percent and rental rates decreased by three percent when compared to the same quarter last year.

UA is currently monitoring 84 newer purpose-built rental apartment projects comprising of 10,993 units across seven Calgary sub-markets.

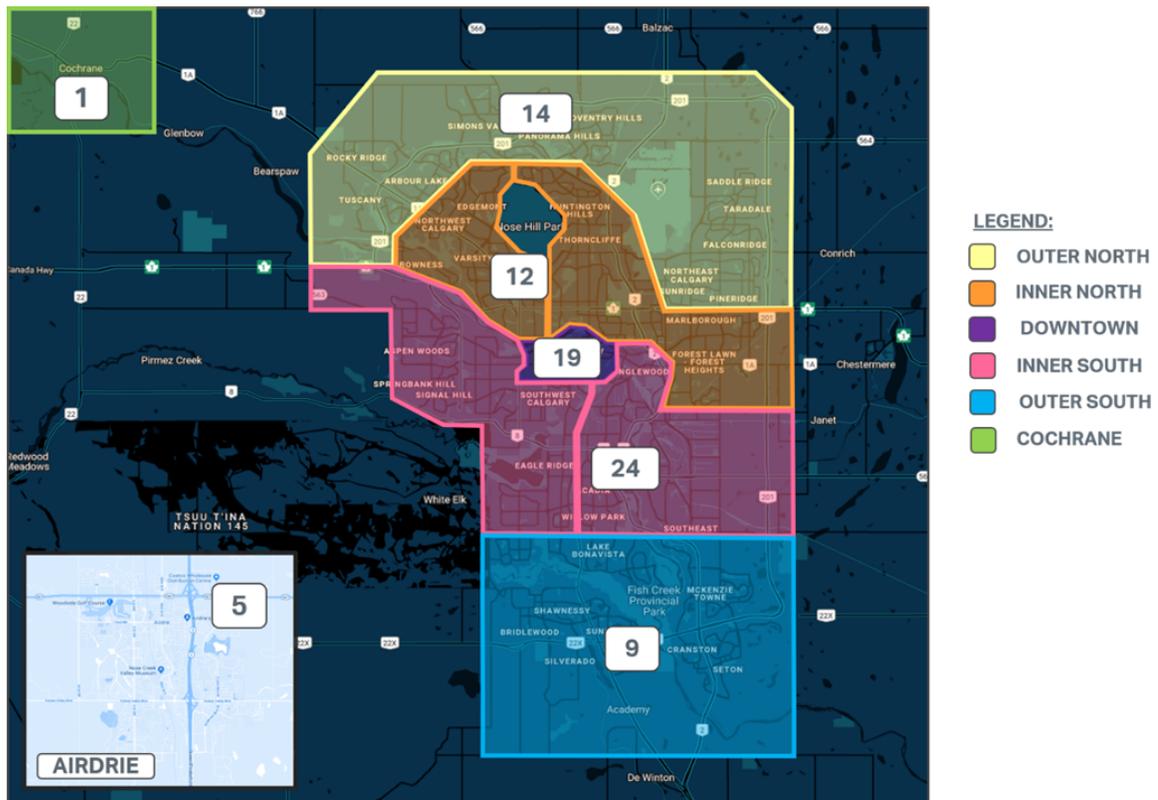


Figure 1

The data used for this analysis comprises 32 newer concrete apartment buildings, 47 newer wood frame apartment buildings and five 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.



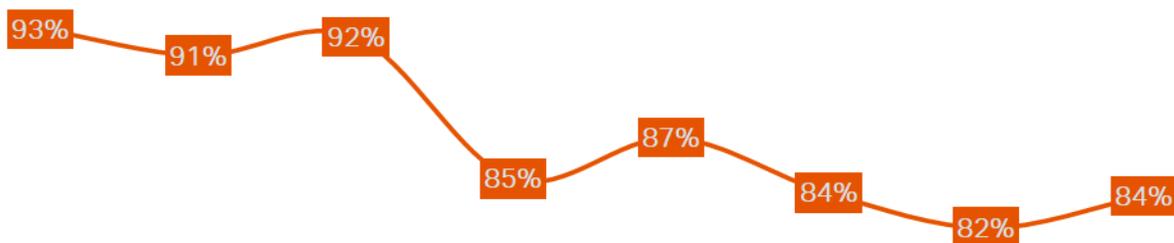
## INCREASE IN OCCUPANCY RATES

The overall occupancy rate for newer rental apartment buildings in Calgary, Airdrie and Cochrane was 84 percent at the end of Q4-2020, which is two percent higher than the previous quarter but down one percent on a year-over-year basis.

The increase in occupancy rate is a positive sign for rental developers in Calgary moving into 2021 as it indicates that new product introduced to the market over the past year has been absorbed at a relatively steady pace. Two new rental projects were launched in the fourth quarter of the year which brought 137 new units to the market. These two projects had minimal impact on overall average rental rates.

Many buildings that launched between the first and third quarter of the year are still in their initial absorption phase, with only nine out of 22 new buildings becoming fully absorbed throughout the year.

### AVERAGE OCCUPANCY PER QUARTER ALL PROJECTS



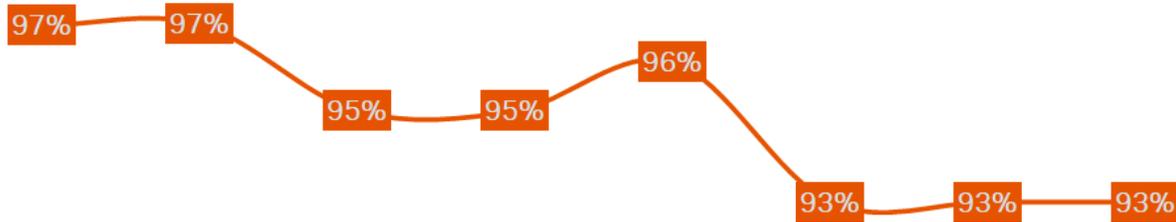
Q1-2019 Q2-2019 Q3-2019 Q4-2019 Q1-2020 Q2-2020 Q3-2020 Q4-2020

Chart 1

Chart 2 shows the average occupancy rate for stabilized newer purpose-built rental projects across Calgary and demonstrates the impact of new project launches on overall occupancy rates. Overall occupancy rates for stabilized buildings at the end of the fourth quarter of 2020 remained steady at 93 percent but are down two percent compared to the same quarter last year.



## AVERAGE OCCUPANCY PER QUARTER STABILIZED PROJECTS



Q1-2019 Q2-2019 Q3-2019 Q4-2019 Q1-2020 Q2-2020 Q3-2020 Q4-2020

Chart 2

The Inner North, Outer North, and Outer South sub-markets experienced an increase in occupancy in the fourth quarter of the year. For the second consecutive quarter, the overall occupancy rate was highest in the Airdrie and the Outer North sub-markets at 96 and 93 percent, respectively. It should be noted that Airdrie has very limited rental supply compared to other Calgary sub-markets.

New project launches in the Inner South sub-market in the fourth quarter of the year were as follows:

- The Scarlet by Trico Homes (64 units)
- Giordano by Brava Developments (73 units)

## AVERAGE OCCUPANCY BY SUB-MARKET

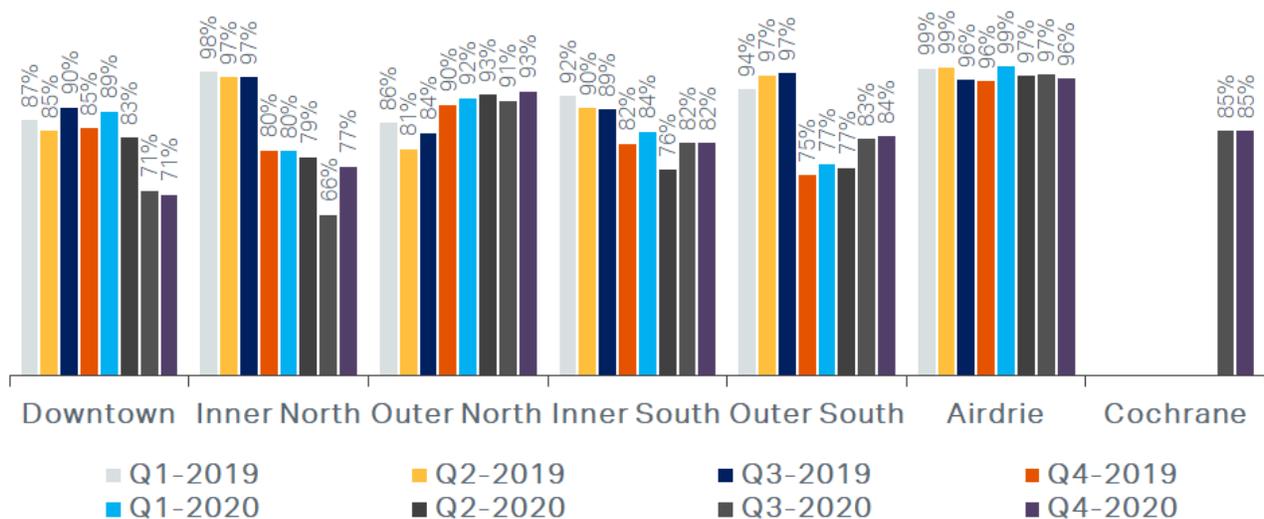


Chart 3

# LOWER RENTS IN Q4-2020

Average per square foot rents for newer purpose-built rental units decreased by two percent from the previous quarter (\$0.03 per square foot) and currently average \$1.91 per square foot per month. Excluding the Airdrie and Cochrane sub-markets, average rental rates in Calgary were \$2.04 per square foot which is \$0.08 lower than last quarter.



Q4-2018: \$1.93  
 Q4-2019: \$1.97  
 Q4-2020: \$1.91

The decline in average net rents can mainly be attributed to landlords continuing to offer rental incentives. The fourth quarter of the year is also historically a slower lease-up period with colder weather and people focusing more on holiday festivities.

The Downtown sub-market had the highest average per square foot rents in Calgary at \$2.42 per month. Rents in the Inner North and Inner South sub-markets have become more comparable to the Downtown sub-market as recent new project launches have resulted in average overall recent increases for these areas.

Rental values in the Outer South sub-market have remained comparable with the inner sub-markets largely because of the high asking rents at Jayman's Lyric buildings in Mahogany. The Outer North is currently the most affordable sub-market in Calgary.

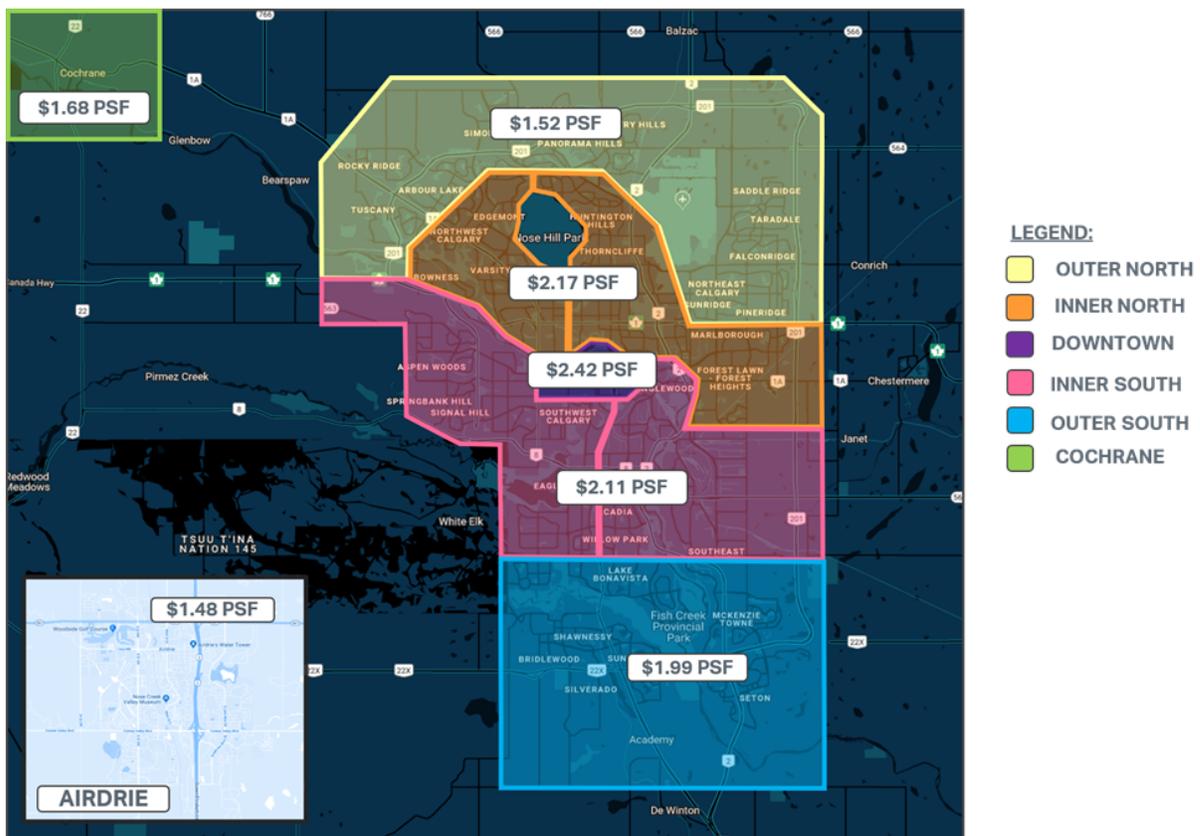


Figure 2

Rental rates for turned over apartment units have varied across the market. Chart 3 illustrates the comparison of asking rates for turned over units in stabilized buildings versus the original average net rent sought for those unit types during the buildings initial lease-up stage. Many buildings reduced their rents or offered incentives in Q4-2020.

## LEASE RENEWAL RENTAL RATE CHANGES

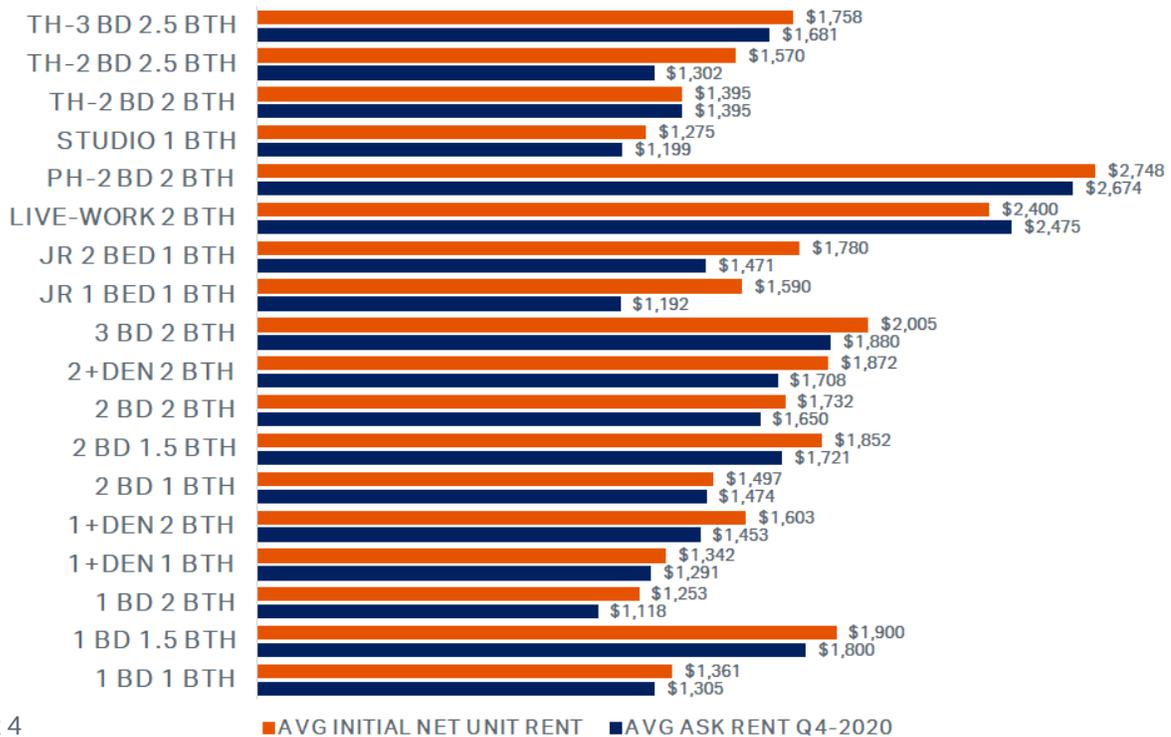


Chart 4

Rents have increased for one of the 18 unit types that turned over in Q4-2020:

- live-work, two bath unit rents increased by three percent (\$75 per month).

Rents have decreased for 16 of the 18 unit types that turned over in Q4-2020:

- junior two bedroom, one bath units decreased by 17 percent (\$309 per month);
- one bedroom, one bath rents decreased by four percent (\$56 per month);
- one bedroom, one and a half bath rents decreased by five percent (\$100 per month);
- one bedroom, two bath rents decreased by 11 percent (\$135 per month);
- one bedroom & den, one bath unit rents decreased by four percent (\$51 per month);
- one bedroom & den, two bath unit rents decreased by nine percent (\$150 per month);
- two bedroom, one bath unit rents decreased by one percent (\$22 per month);
- two bedroom, one and a half bath unit rents were seven percent (\$132 per month) lower;
- two bedroom, two bath units were five percent (\$82 per month) lower;
- two bedroom & den, two bath units decreased by nine percent (\$164 per month);
- three bedroom, two bath units decreased by six percent (\$124 per month);
- junior one bedroom, one bath units were 25 percent (\$398 per month) lower;
- two bedroom, two bath penthouse units decreased by three percent (\$74 per month);
- studio, one bath units decreased by six percent (\$77 per month);

- two bedroom, two and a half bath townhome units decreased by 17 percent (\$268 per month);
- and three bedroom, two and a half bath townhome units decreased by four percent (\$77 per month).

The majority of units that turned over in the fourth quarter of 2020 were one bedroom plans and two bedroom plans. Two bedroom units located within inner city neighbourhoods are often rented by roommates, which leads to a higher turnover rate. Smaller one bedroom units also have a higher turnover rate than other unit types because 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.

### AVAILABLE TURNED OVER UNIT TYPES

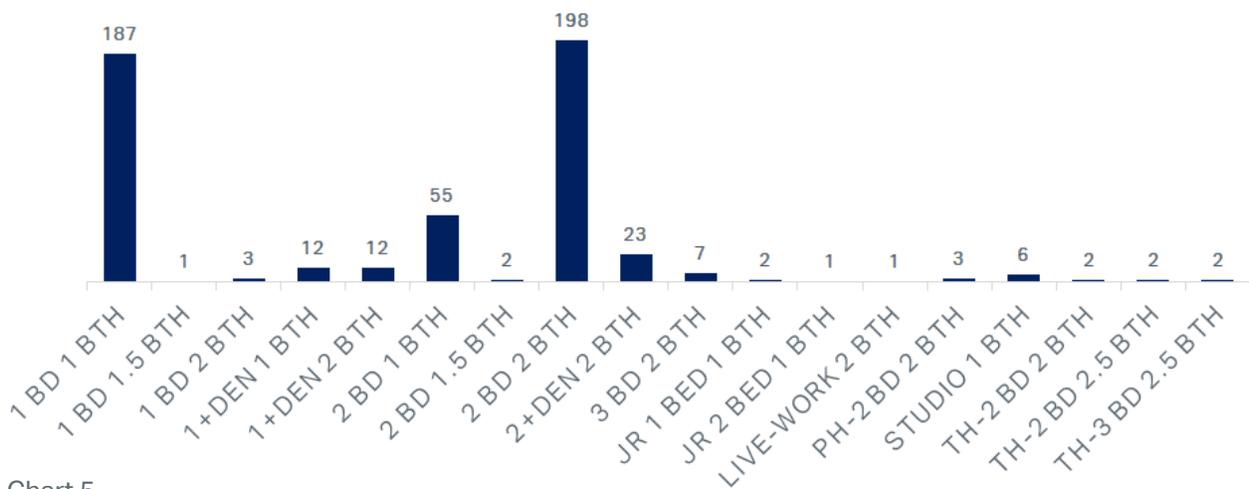


Chart 5

Average net rent per square foot values were higher in two Calgary sub-markets when compared to the previous quarter. Average per square foot rents in Cochrane increased by seven percent (\$0.11 per square foot), and average net per square foot rents in Airdrie increased by three percent (\$0.04 per square foot) compared to last quarter. Net per square foot rents within all City of Calgary sub-markets decreased in the fourth quarter of the year, with the largest decrease occurring in the Inner North where per square foot rents in this sub-market were seven percent lower compared to the previous quarter.

## AVERAGE NET RENT \$PSF PER SUB-MARKET

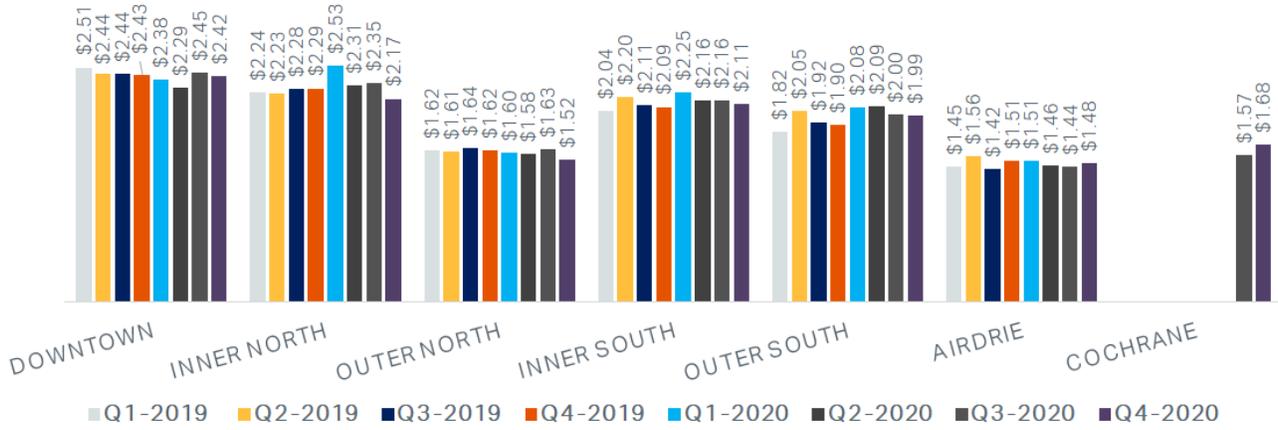


Chart 6

Chart 7 illustrates the correlation between the average occupancy 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 lower rents and higher occupancy rates in the fourth quarter of the year. Occupancy rates have declined by one percent and rents have declined by three percent (\$0.06 PSF) when compared to the same quarter last year.

## OCCUPANCY VS. NET RENT \$PSF

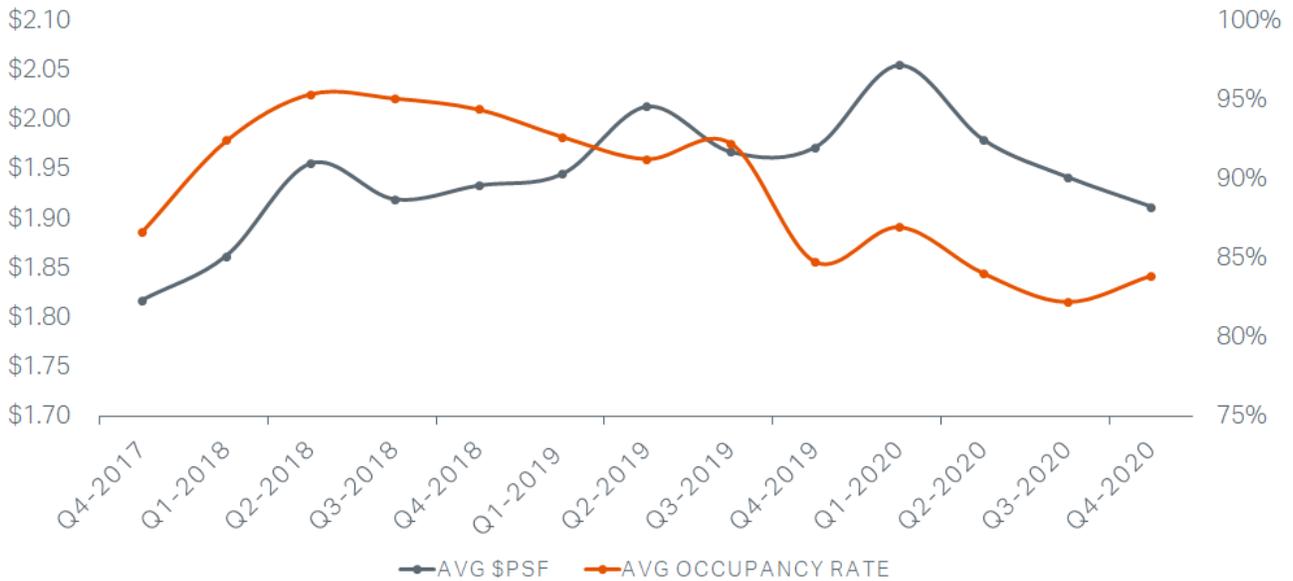


Chart 7



## 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 16 projects considered to be actively leasing in Calgary at the end of Q4-2020. Three projects became fully leased since the third quarter of the year.

A few of these active projects include:

- The International in the Downtown sub-market (248 units), currently 33 percent leased.
- UPTEN in the Downtown sub-market (379 units), currently 30 percent leased.
- Aria in the Inner North sub-market (145 units), currently 48 percent leased.
- The Royal in the Inner South sub-market (112 units), currently 71 percent leased.

### ACTIVE VS. FULLY LEASED PROJECTS BY SUB-MARKET

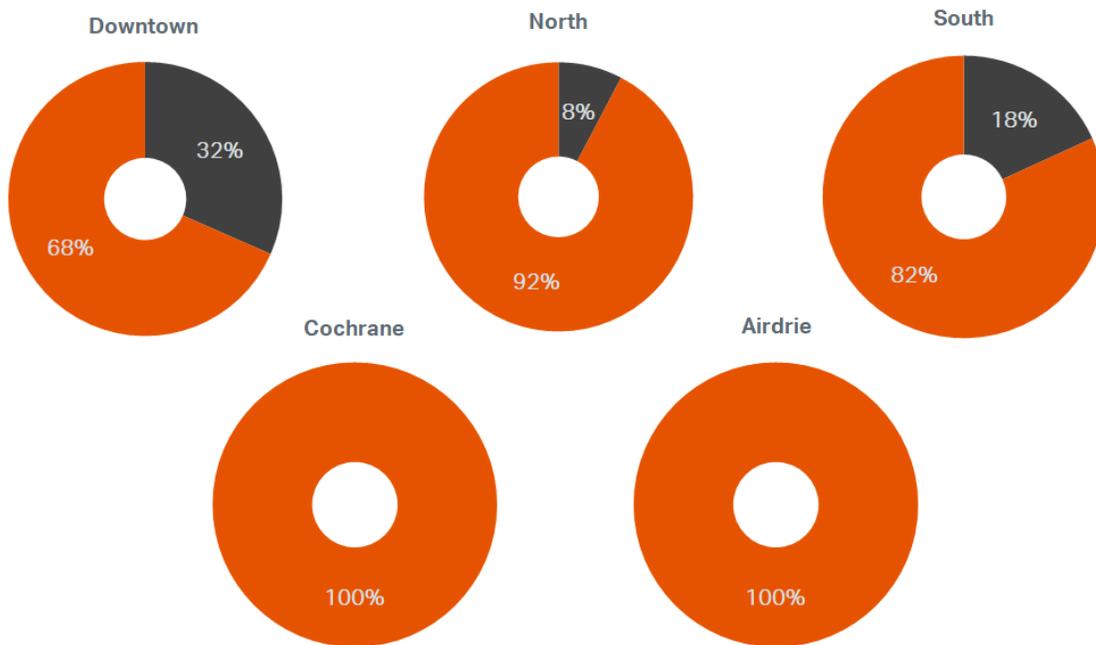


Chart 8

■ Fully Leased ■ Active



### AVAILABILITY IN Q4-2020

The figure below illustrates how the Downtown and Inner South sub-markets had the highest inventory levels at the end of Q4-2020. The notable number of available units in the Inner South can be primarily attributed to the six actively leasing projects in this area: Irvine, The Royal, Summit II, Bergen, The Scarlet, and Giordano.

Released and Available Units by Sub-Market						
Downtown	Inner North	Outer North	Inner South	Outer South	Airdrie	Cochrane
1162	216	144	321	222	28	4

Chart 9



## INCENTIVES

58 of the 84 rental apartment buildings monitored in the Calgary market offered incentives during the fourth quarter. 44 of these buildings were offering some form of rental rate incentive. Six of the 26 buildings not offering incentives were fully leased. The following is a sample of the incentives offered on 12 month leases as of December 2020:

- Two months free rent
- \$500 off first months rent
- One month free rent
- No pet fee
- Reduced security deposit
- Four months half rent
- Free Telus for one year
- \$400 Amazon gift card
- \$500 VISA gift card
- Free early move-in
- 50% off parking
- Six months free parking

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



## RENTAL TRENDS

Leasing agents were forced to adapt throughout 2020 after the provincial government imposed restrictions and landlords 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 in 2021.

## 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 community 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 sub-urban projects. The most common amenity offered throughout Calgary is secured underground parking. The following is a sample of amenities offered at various rental apartment projects in the Calgary market:

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



## 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 on occasion larger units to attract more of the established professionals and re-starts.

UA is currently monitoring 106 development permits that have been submitted to the City of Calgary. Of these, 37 are on hold (approximately 11,660 units), 35 are in process (approximately 6,870 units) and 32 have been approved by the city (approximately 6,919 units). Three of the 32 approved development applications have been classified as 'coming soon'. There are approximately 28 purpose-built rental buildings under construction in Calgary that will bring approximately 6,289 new units to market within the next two years.

 **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 that UA will be monitoring closely:

- Vic on 5th – Spray Group
- Arris – Bosa Properties
- Wolf Den – Brava Developments

UA has the most current and accurate data on the purpose-built rental markets in Calgary, Edmonton, Metro Vancouver, and most recently the GTA. UA's online database, NHSLive, provides accurate and timely data on the new rental and multi-family sectors of the market. 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.



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Given the ever-shifting conditions in the various sectors of the new home markets in the GTA, having access to the most current and accurate data at your fingertips is more vital than ever. With its user-friendly interface and extensive functionality, UA's NHSLive data platform has become an invaluable tool for thousands of industry stakeholders in Vancouver, Calgary, Edmonton and now Toronto. Call or email us today to schedule a demonstration of NHSLive.

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