

MARKET REPORT

Multifamily
Calgary Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

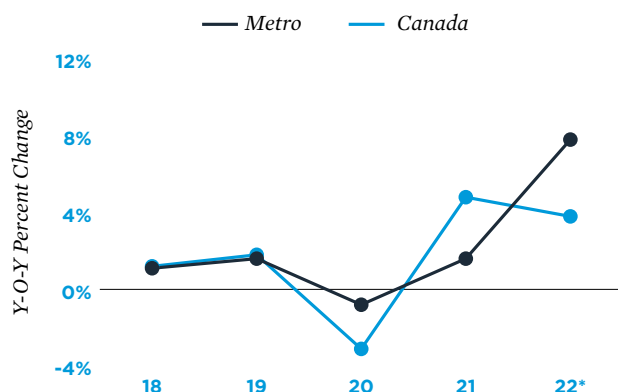
3Q/22

Affordability, Diversification and the Return of Oil Bode Well for the Calgary Apartment Market

Local economy outpacing national growth pace. Calgary employment is anticipated to grow by 5.0 per cent in 2022, well above the national level of 3.8 per cent. Gains are driven by the recent elevation in energy prices that is likely to boost industry operations in the province, as foreign countries become more reliant on Canadian resources. Hiring in the energy sector will allow employment to grow at a rate above the pre-pandemic five-year average, with the metro expected to add just over 41,000 new jobs in 2022. While many of these positions are in the energy sector, Calgary's economy is also diversifying away from oil and gas, and it is starting to attract large technology companies. Amazon will be opening a new AWS computer hub in the city, and IBM just announced it will be opening a client innovation hub. With job openings in low- to mid-paying sectors like oil and gas, coupled with higher-paying tech jobs being created, Calgary is expecting its population to grow by 1.7 per cent this year, or 22,220 people. This increase in population bodes well for the multifamily sector, as housing will be in high demand. With a broad range of income opportunities, the outlook is positive across the quality spectrum.

Construction ramping up, due to the expected population growth. Calgary has launched a \$45 million incentive program to convert obsolete office buildings into multifamily properties. Additionally, the city is expecting \$6 billion in total building construction investment in 2022 to accommodate the expected population growth. This new supply may impact multifamily fundamentals until it stabilizes, but with a growing population and a diversifying economy, the long-term outlook is positive for the Calgary metro.

Employment Trends



* Forecast

Sources: Statistics Canada; Canada Mortgage and Housing Corporation

Multifamily 2022 Outlook



**41,400
JOBS**
will be created

EMPLOYMENT:

Employment growth is well above 2021, largely due to the ban on Russian oil. Canada is now becoming a primary supplier of natural resources. Furthermore, with tech innovation hubs opening in 2023, employment should continue to strengthen and be less influenced by oil price volatility.



**3,400
UNITS**
will be completed

CONSTRUCTION:

Calgary is growing at a pace well above the national average and is expected to lead all major metros in economic growth. As a result, Calgary is ramping up construction in order to support job and population growth. Deliveries are down from 2021, due to the large volume of completions last year.



**50
BASIS POINT**
decrease in vacancy

VACANCY:

Vacancy is expected to decrease this year to 4.6 per cent, but will see a slight rise in the mid-term, due to large influxes of new supply. Vacancy will recover in the long-run, as strong population growth will help absorb new construction.

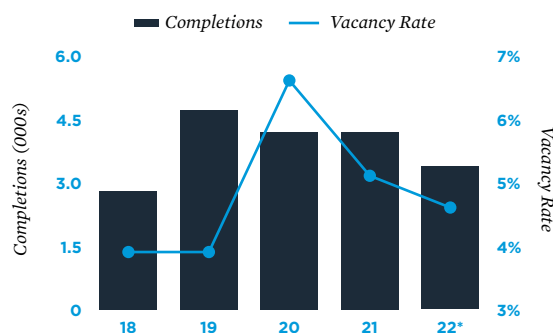


**5.8%
INCREASE**
in effective rent

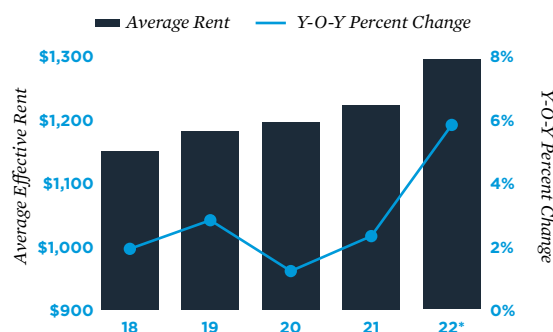
RENT:

With employment growth in both the traditional energy sector and the higher-paying technology sectors, apartment demand will increase throughout the year, allowing average rents to rise at a pace just below 2013/2014, when oil prices surged. Average rent is expected to end the year at \$1,293 per month.

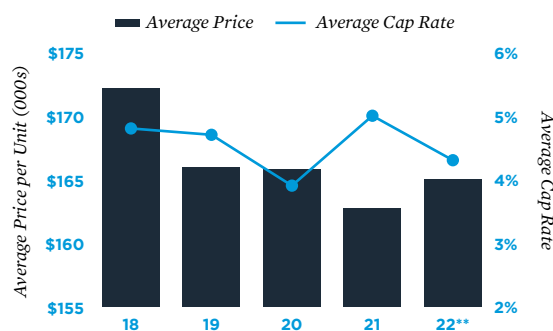
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: Canada Mortgage and Housing Corporation; Altus Data Solutions

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Price: \$250

2021 Overview



CONSTRUCTION

4,182 units completed

- Construction in 2021 was essentially identical to the level seen in 2020, with only two additional units completed compared to the previous year.
- Approximately 300 more units were completed in 2021, compared to the metro's trailing three-year average. This was mostly driven by developers pivoting from condos to rentals, given the more favourable fundamentals.



VACANCY

150 basis point decrease in vacancy Y-O-Y

- Vacancy decreased to 5.1 per cent in 2021, the first sign that the Calgary market began its recovery from the health crisis. Vacancy is still 120 basis points higher than the market's pre-pandemic figure.
- Strong population growth caused by the upturn in energy prices, and the diversification of the economy, are the main drivers in lowering vacancy.



RENT

2.3% increase in the average effective rent Y-O-Y

- Rent growth in 2021 was greater than the market's trailing three-year average, yet Calgary remains one of the more affordable markets in the nation.
- In the final quarter of 2021, the largest annual rent increases were seen in two- and three-bedroom units, as households consider rentals over homeownership — a trend expected to continue as interest rates rise.

Investment Highlights

- Calgary has been experiencing prices flatten since 2016, while other major metros have seen significant gains, making Calgary very affordable on a price-per-unit and price-per-square-foot basis. However, the trailing 12-month average through March shows that prices have started to recover marginally, with a growth rate of 1.7 per cent year-over-year.
- Flattening prices over the past six years has resulted in Calgary having one of the highest average cap rates among Canada's major metros, sitting at 4.3 per cent over the yearlong period ending in the first quarter. This provides investors with one of the highest yields.
- Calgary's recovery can be attributed to the diversifying economy, but mostly due to Calgary's affordability relative to other western Canadian metros, such as Vancouver. This aspect attracts the younger population.
- Calgary proper led the way over the trailing 12-month period ending in March with \$160 million transacted, followed by Cochrane, with \$37 million. Since the onset of 2021, Cochrane has experienced a significant increase in land transactions, with the intention to develop these sites into multifamily properties.