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Average rent for two-bedroom apartment hits nearly \$1,700 as Calgary's vacancy rate plummets

Rent in Calgary grew at a rate not seen since 2007, according to the Canada Mortgage and Housing Corp.'s annual rent report

Matt Scace || January 31, 2024



The average rent for a two-bedroom purpose-built apartment rose 14 per cent to \$1,695 while sporting a 1.4 per cent vacancy rate. PHOTO BY TONY CALDWELL /Postmedia

Calgary rents soared last year at the fastest pace in nearly two decades, while the vacancy rate hit lows not seen since 2014, according to Canada Mortgage and Housing Corp.'s (CMHC) annual rental market report.

Those conditions were driven by the province's major population gains, says the report published Wednesday.

Affordable options are a particularly scarce commodity — the vacancy rate for less expensive rental units in Calgary is below one per cent.

“With declining affordability, households will have more difficulty finding rentals that suit their needs,” reads the federal housing agency’s report.

The average Calgary rent for a two-bedroom purpose-built apartment rose 14 per cent to \$1,695 while sporting a 1.4 per cent vacancy rate. The city’s condo apartment market is even tighter, posting a one per cent vacancy rate and \$1,819 average monthly rent.

Calgary’s vacancy rate is now on par with Toronto, which was 1.5 per cent when the assessment finished in October 2023. The national vacancy rate is also at 1.5 per cent.

“We are moving toward a place where Calgary can soon be comparable to Toronto or Vancouver,” said Anupam Das, professor of economics at Mount Royal University. “Clearly something is happening in Alberta.”

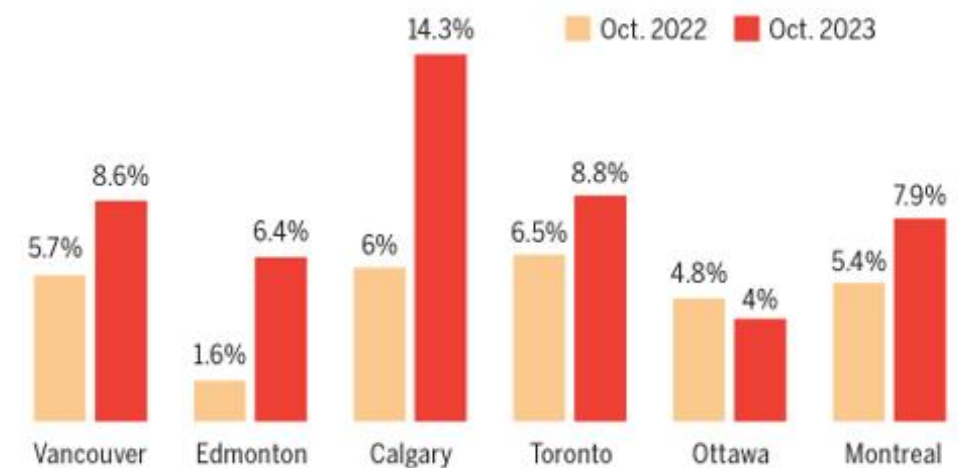
Vancouver’s vacancy rate is 0.8 per cent for two-bedroom apartments.

RISING RENTS, FALLING VACANCY RATE

Vacancy rates for purpose-built rental apartments have fallen for three consecutive years in Calgary. The cost of rent, meanwhile, has soared over that time.



Rent growth has surged in major cities across the country, with Calgary leading the way.



SOURCE: CMHC

DARREN FRANCEY / POSTMEDIA

Vacancy among least-expensive units below one per cent

Low-income renters in Calgary have some of the fewest options, the new data show.

The lowest rent quartile for two-bedroom apartments has a vacancy rate of just 0.9 per cent. This is combined with landlords providing fewer incentives to tenants, such as a free month's rent or deals on certain amenities, Das said.

He added that all levels of government need to increase rental supply so Alberta's newcomers can move into livable conditions when they arrive.

Edmonton's rental market also rapidly constricted in 2023: While its 2.4 per cent vacancy rate is still well above the national average, that number was at 4.3 per cent a year earlier.

And the northern Alberta city could face looming supply challenges, CMHC's report said. The agency's housing supply report from last year said housing starts dropped about 30 per cent in the first half of 2023 compared to the same period in 2022.

Edmonton's vacancy rate is expected to drop further over the next few years, said Taylor Parry, CMHC economist and senior specialist for Alberta and the Prairies.

Parry said CMHC expects vacancy in Edmonton to hit 1.4 per cent in 2024 and 1.3 per cent the following year.

Demand overwhelmed modest increases in supply

Calgary added just over 3,000 new purpose-built rental units last year — which, compared to historical numbers, is “fairly strong,” Pardy said.

“If you’re getting above three per cent, then you’re doing pretty well,” Pardy said.

Calgary’s rental market has about 9,000 rental units in the pipeline that should become available in the coming years, he added. But as Alberta’s record migration blew past CMHC’s vacancy projections going into 2023, the new builds have done little to prevent rent hikes.

Calgary’s increasingly expensive housing market mixed with a high-interest-rate environment are also keeping more people in the rental market, Das said.

“For many people, it’s simply not possible to borrow that much money at such a high interest rate, so they went to the rental market,” Das said.

“It’s partly because of the demand-supply mismatch that was caused by interprovincial and international migration here. But at the same time, we did not have enough affordable housing in place in this province.”

‘We are kind of on the edge’

Calgary’s vacancy rates aren’t expected to improve in 2024, CMHC’s Pardy said, though potential recessionary conditions would make it harder to predict the rental market’s trajectory.

CMHC is re-evaluating its vacancy projections for Calgary, which it initially predicted would hit 1.4 per cent in 2024 and 1.2 per cent in 2025.

“I don’t think our sentiment has changed in the sense that we continue to think that the market is going to remain fairly tight,” Pardy said.

The next year will likely be “unpredictable,” Das said, but he’s not optimistic the city will see an instantaneous improvement.

“We are kind of on the edge . . . there are hardly any vacant places available. We are in a very tight situation right now.

“I hope that it does not get any worse.”