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'Demand, demand, demand': Investment red hot in Calgary's rental real-estate market

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A For Rent sign is shown in front of a rental property in Calgary. Jim Wells//Postmedia

Investment in Calgary rental properties almost doubled over the first six months of 2024 — a response to the city's skyrocketing population and rent prices, one expert says.

The data comes amid Calgary's third-highest six-month stretch of commercial real estate investment since 2013, showing the greatest amount of interest in rental properties and industrial land.

But while greater investor interest in rental properties could be a positive signal for renters weary of increases to their monthly payments, Calgary continues to struggle to build the volume of properties necessary to meet its high rental demands.

Overall, Calgary saw \$525 million of investment in multi-residential properties — a stand-in term for rental properties — which amounted to a 93 per cent increase in year-over-year volume invested, according to a report published Tuesday by Calgary-based Barclay Street Real Estate.

The data comes as rental prices in Calgary are beginning to come off two years of alarmingly high rent increases.

Average rent in Calgary for July was \$2,111, according to Rentals.ca — a four-per-cent annual increase, the lowest recorded in two years. In the same report a year prior, it reported Calgary rent had increased an eye-watering 18.4 per cent between July 2022 and July 2023, one of the highest rates in Canada at the time.

Signals that the Bank of Canada had likely reached the peak of its interest-rate hikes have contributed to positive investor attitudes in the multi-residential market, said David Wallach, owner and broker for Barclay Street Real Estate.

Calgary's vacancy rate hit 1.4 per cent in 2023, according to the Canada Mortgage and Housing Corporation (CMHC), adding to a favourable environment for investors looking to enter the market. At the same time, Calgary's population has jumped by nearly six per cent over a 12-month period that ended last July

“As an investor, you want to buy properties that have good cash flow, not a lot of vacancy, and the demand is growing,” Wallach said. “But we also have to look at the population growth that happened in the city, and they go hand in hand together.

“There's demand, demand, demand.”

Even so, greater investment in rental properties won't immediately correlate with steady rent prices, Wallach said, as rents still “have to carry the heavy lift.”

That's largely because population gains and overall demand for rental properties continue to outstrip Calgary's overall supply — even despite gains on housing starts. Among all types of housing, Calgary saw a 52-per-cent jump in starts between July 2023 and July 2024 — well above the national average of eight per cent.

The trend has been a notable improvement compared to the preceding years, in which Calgary's home construction market was in “full-blown retreat,” Calgary Construction Association president Bill Black told Postmedia in February. CMHC is currently studying what Canada's building needs are on a provincial and municipal level in order to restore housing affordability.

Overall, multi-residential investment made up 29 per cent of all commercial real estate investment in Calgary for the first half of 2024 — the greatest portion among all categories. Just a year prior, the same sector comprised just 13 per cent of all investment, with industrial real estate leading the pack at 22 per cent.

Total commercial real estate investment so far this year has hit \$1.85 billion — the third-highest half-year in Calgary since 2013, though 2022's \$2.5-billion volume was inflated by the \$1.2-billion sale of The Bow.