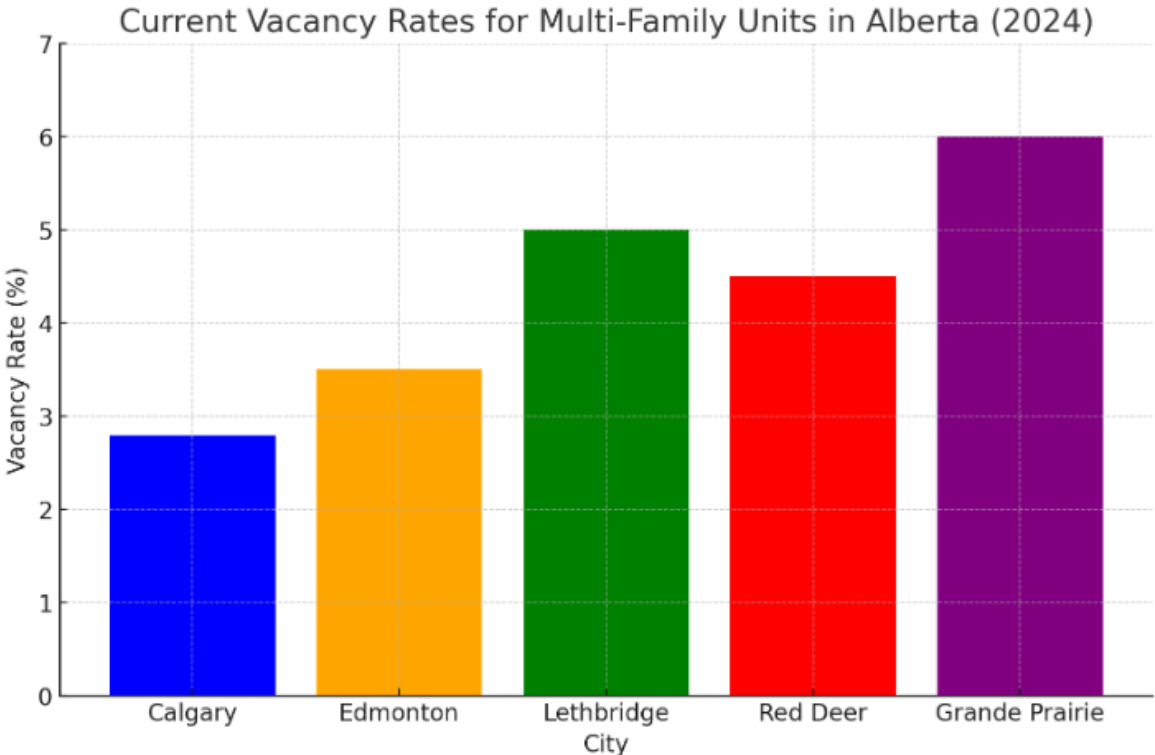


Provincial Rent Report – Alberta – July 2024

Multi-Family Vacancy Rates in Alberta

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Current Vacancy Rates for Multi-Family Units in Alberta (2024)

1. **Calgary:** As of mid-2024, Calgary's vacancy rate for multi-family units (including apartments, condos, and townhouses) is around **2.8%**. This rate reflects a relatively balanced market, with a slight tightening compared to previous years due to higher demand driven by population growth and economic recovery.

2. **Edmonton:** Edmonton's vacancy rate is slightly higher, sitting at approximately **3.5%**. This is partly due to a larger inventory of rental properties and a slower pace of economic growth compared to Calgary. However, the rate has been gradually decreasing, indicating improving demand in the market.
3. **Secondary Markets:** Smaller cities and towns in Alberta, such as Lethbridge, Red Deer, and Grande Prairie, have varying vacancy rates typically ranging from **4% to 6%**. These areas tend to have higher vacancy rates due to lower demand and a more limited influx of new residents compared to larger urban centers.
4. **Overall Trend:** The overall trend for Alberta in 2024 shows a decrease in vacancy rates across most regions, driven by higher immigration, economic activity, and a shift towards rental housing due to higher interest rates and housing affordability issues.

These vacancy rates indicate a tightening rental market, especially in major cities like Calgary and Edmonton, where demand for multi-family units is rising. Lower vacancy rates typically lead to upward pressure on rental prices as more people compete for fewer available units.

Effects of a Lower Vacancy Rate on NAV for Real Estate Trusts

A lower vacancy rate for multi-family units can significantly impact the Net Asset Value (NAV) of real estate investment trusts (REITs) that invest in residential properties. Here's how:

1. **Increased Rental Income:** Lower vacancy rates mean more units are occupied, leading to higher rental income. Since rental income is a primary source of revenue for REITs, an increase in income directly contributes to a higher NAV. With more units rented, REITs can expect stable and predictable cash flows, enhancing their overall value.
2. **Higher Property Valuations:** A lower vacancy rate often signals strong demand for rental properties, which can lead to higher property valuations. Real estate appraisers consider vacancy rates when determining the market value of properties. As demand increases and vacancy rates drop, the perceived market value of the properties in the REIT's portfolio increases, positively affecting the NAV.
3. **Improved Operational Efficiency:** Lower vacancy rates generally result in reduced costs associated with tenant turnover, such as marketing expenses, maintenance, and repair costs. These savings contribute to better operational margins, increasing the NAV by improving the REIT's profitability.

4. **Greater Investor Confidence:** Lower vacancy rates often indicate a healthy rental market, which can enhance investor confidence. This increased confidence may drive up the market price of REIT shares, especially if the REIT is listed on a public exchange. When the share price appreciates, the NAV, which is partially derived from the total market capitalization of the REIT, may also increase.
5. **Potential for Rental Rate Increases:** A tight rental market (low vacancy rates) allows landlords, including REITs, to increase rental rates without losing tenants. Higher rental rates further boost rental income and can be capitalized into the property's valuation, increasing the NAV.
6. **Positive Leverage Effects:** With increased income and potentially higher property valuations, REITs may have more leverage to secure favorable financing terms. Access to cheaper capital or refinancing at lower rates can reduce interest expenses and enhance profitability, contributing to a higher NAV.

Summary

Overall, a lower vacancy rate is generally a positive indicator for the NAV of real estate trusts focused on multi-family units, as it improves both income stability and property valuations.

Rentals.ca Data

The data used in this analysis is based on monthly listings from the Rentals.ca Network of Internet Listings Services (ILS).