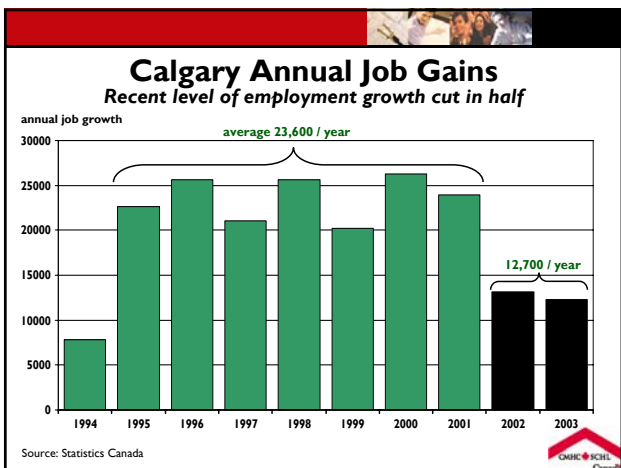
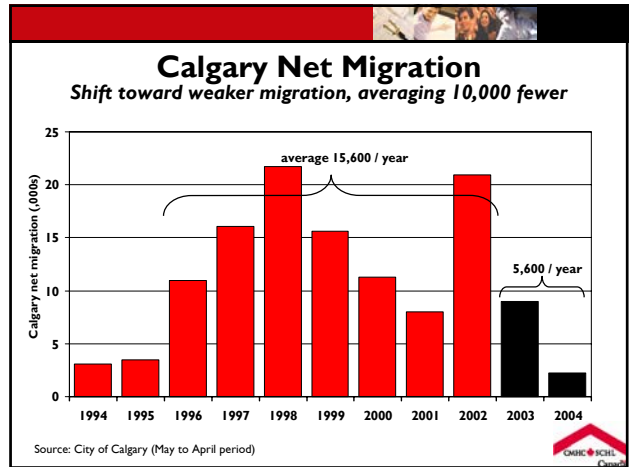
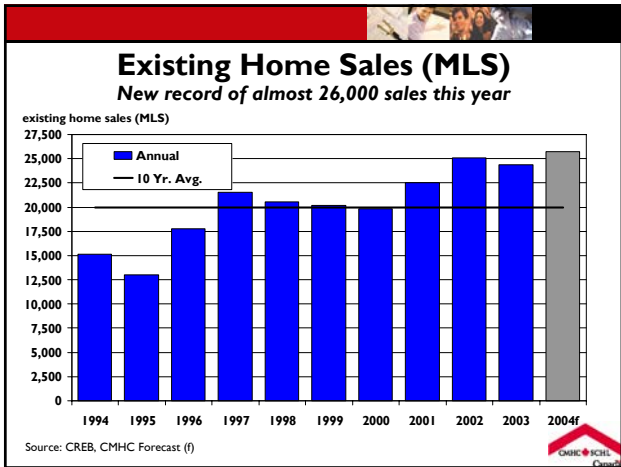
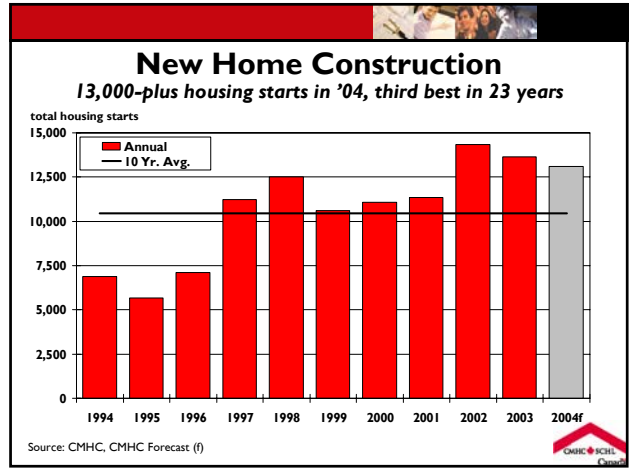



# CALGARY RENTAL MARKET REVIEW AND OUTLOOK

RICHARD CORRIVEAU  
SENIOR MARKET ANALYST  
OCTOBER 21, 2004

CMHC SCHL Canada

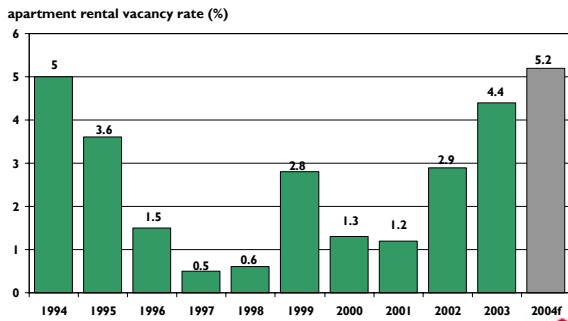


**Weaker migration and job growth**  **Record resales and strong starts**

Are these markets defying logic??

## Calgary CMA Apartment Vacancy Rate

Rental vacancies climbing, highest since 1993



Source: CMHC



## Recent Threats to Vacancies...

- ✓ **First-time buyer demand**
- ✓ **Condominium investment demand**
- ✓ **Weaker net migration**



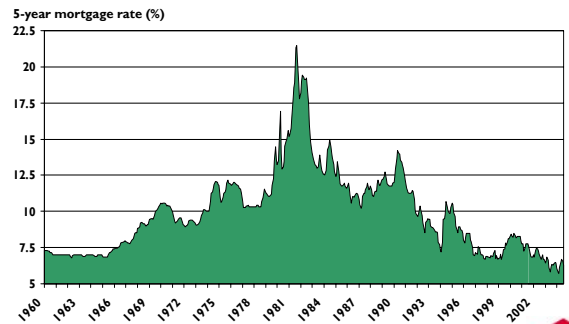
## Recent Threats to Vacancies...

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## Mortgage Rates Lowest in 45 Years

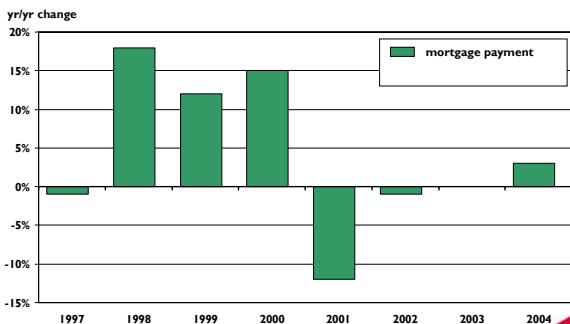
After discounting is applied, rates lowest on record



Source: Bank of Canada



## Rate Cuts Reduce Mortgage Payments

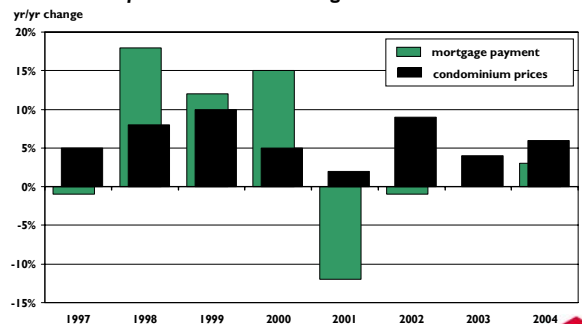


Source: CREB, CMHC



## Rate Cuts Reduce Mortgage Payments

... Despite Increases in Average Condominium Prices

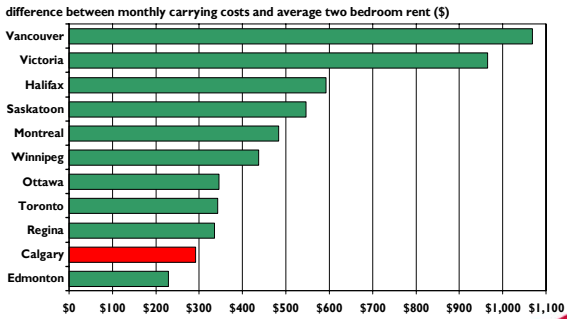


Source: CREB, CMHC



## Mortgage Payment vs. Rental Rate

*Difference in Calgary narrow among CMAs*

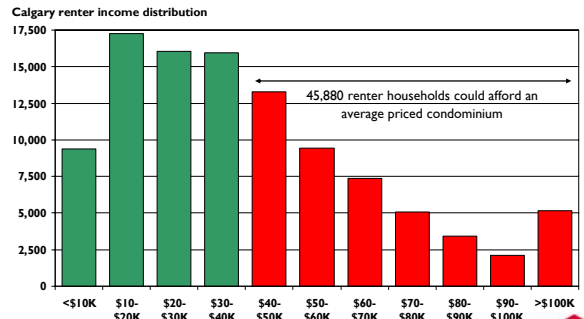


Source: CMHC, carrying costs include PIT



## Calgary's Renter Income Distribution

*A large contingent of renters could afford to buy*

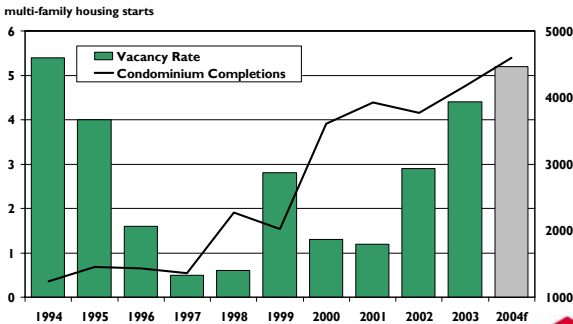


Source: Statistics Canada, 2001 Census



## Vacancy Rate vs. Condo Completions

*Vacancies rise as tenants take possession of condos*



Source: CMHC, CMHC Forecast (f)

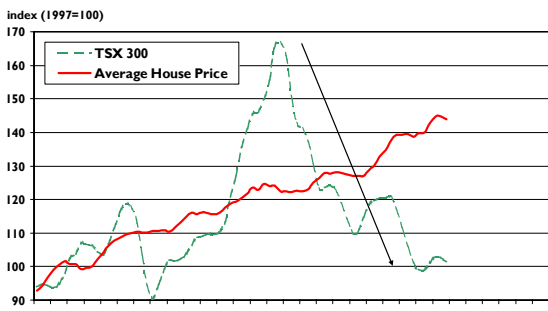


## Recent Threats to Vacancies...

- ✓ First-time buyer demand
- ✓ **Condominium investment demand**
- ✓ Weaker net migration



## Stock Market Bust in 2000 Pushed Investors to the Condominium 'Rental' Market

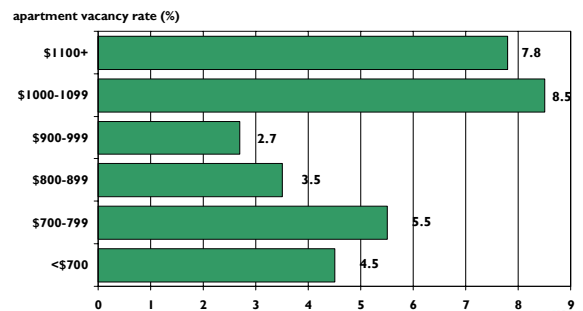


Source: Statistics Canada, CREA, Indexing by CMHC



## Vacancy Rate by Rent Range

*Investor units boosting vacancies at the upper-rent ranges*



Source: CMHC



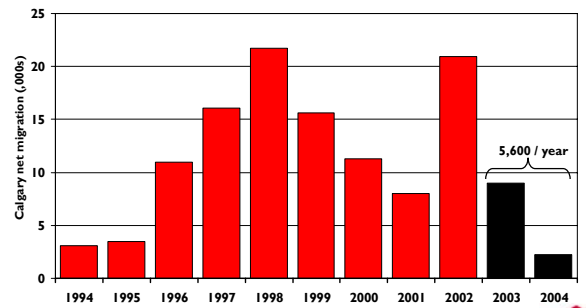
## Recent Threats to Vacancies...

- ✓ First-time buyer demand
- ✓ Condominium investment demand
- ✓ **Weaker net migration**



## Calgary Net Migration

Shift toward weaker migration, averaging 10,000 fewer



Source: City of Calgary (May to April period)



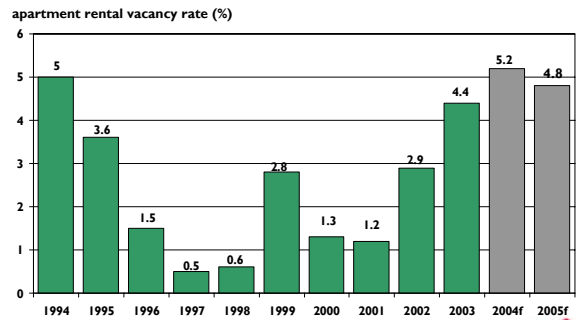
## Demand Side Factors for 2005 and Beyond...

- ✓ First-time buyer demand
- ✓ Condominium investment demand
- ✓ Net migration
- ✓ Forecast for 2005



## Calgary CMA Apartment Vacancy Rate

Modest improvement expected in 2005



Source: CMHC



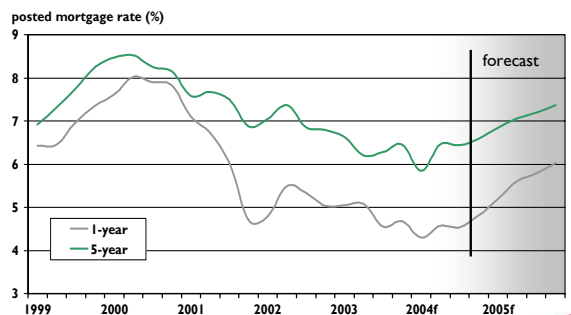
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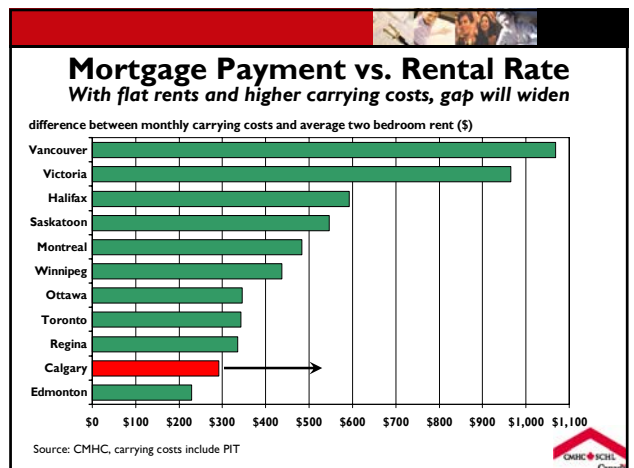
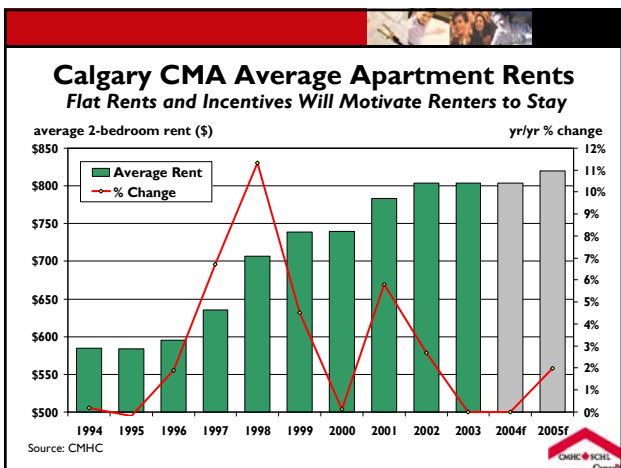
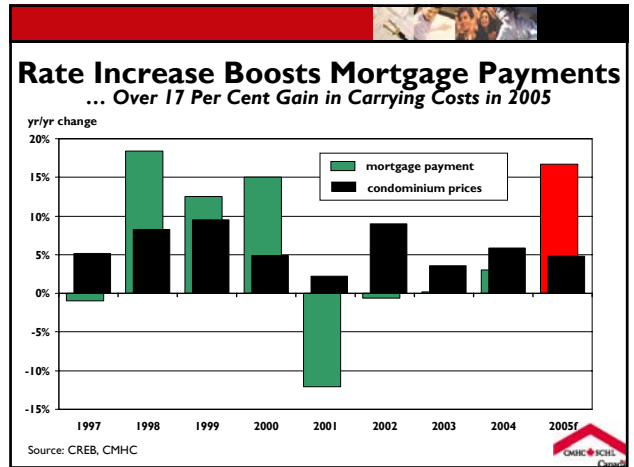
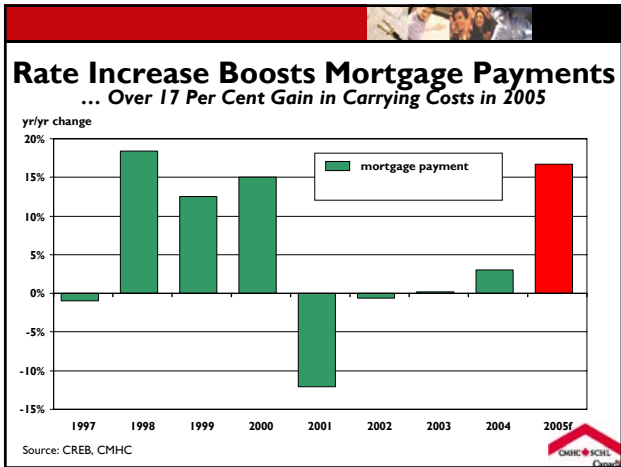
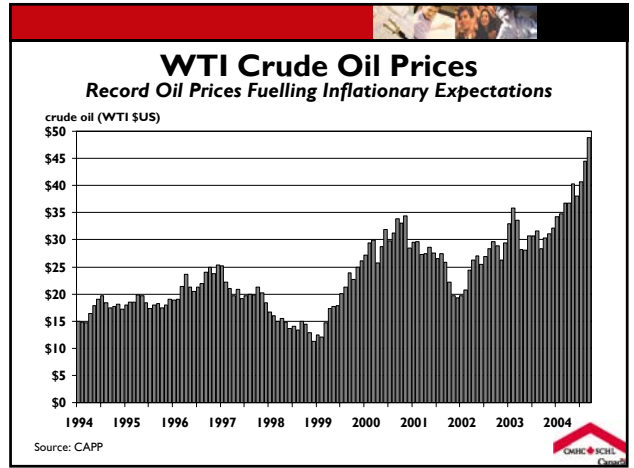
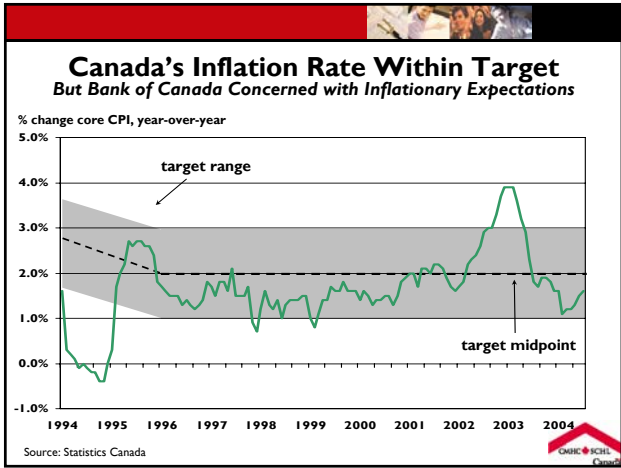
## Mortgage Rate Outlook

Expect Rate Increases as We Move Forward



Source: Bank of Canada, CMHC forecast



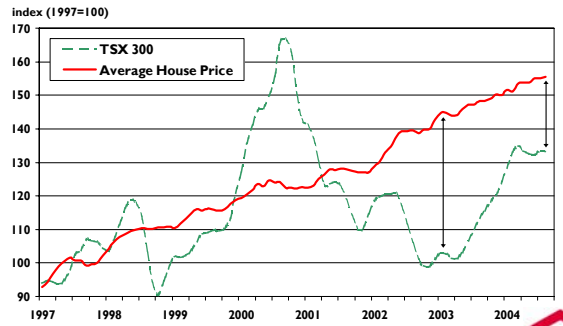


## Demand Side Factors for 2005 and Beyond...

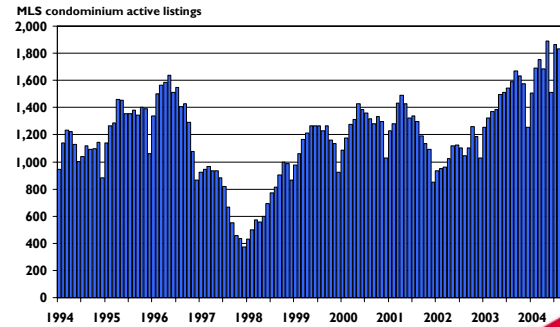
- ✓ First-time buyer demand
- ✓ **Condominium investment demand**
- ✓ Net migration



## Stock Market Recovery and Higher Vacancies Causing Investors to Reconsider



## MLS Condominium Active Listings *Listings Boosted by Investor Product, Record Condo Sales in 2004*

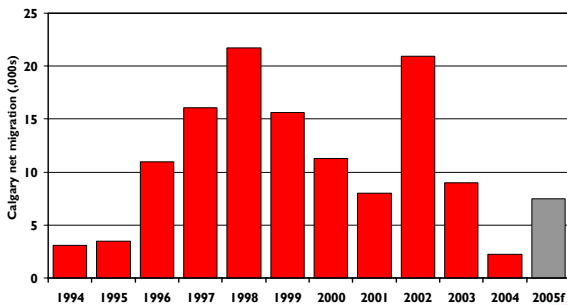


## Demand Side Factors for 2005 and Beyond...

- ✓ First-time buyer demand
- ✓ Condominium investment demand
- ✓ **Net migration**



## Calgary Net Migration *2,253 Net Migrants in 2004 Will be Seen as an Anomaly*



## Supply Side Factors for 2005 and Beyond...

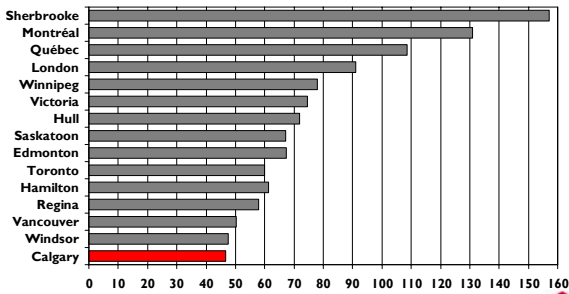
- ✓ **Rental Market Universe**
- ✓ **Rental Construction**
- ✓ **Condominium Conversions**
- ✓ **Weaker Competition from Condo Investors**



## Rental Universe Per Capita

Among CMAs, Calgary Has Smallest Universe per Capita

rental universe per 1,000 population



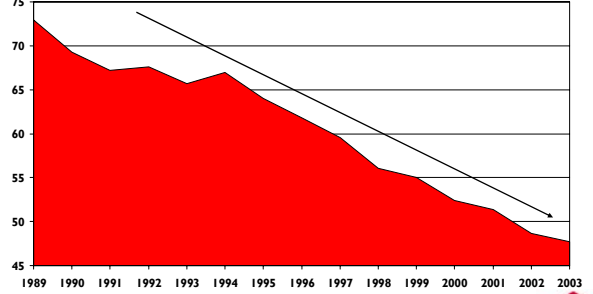
Source: CMHC, Statistics Canada



## Calgary Rental Market Universe Per Capita

Has been on a Downward Trend Since the Early 1990s

rental units per 1,000 population



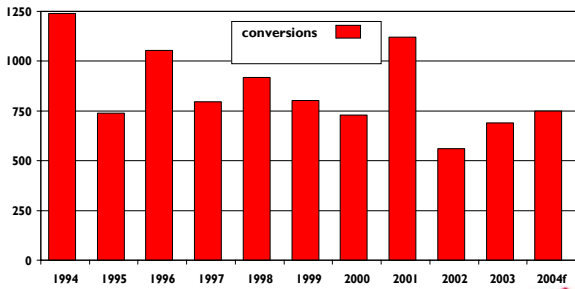
Source: CMHC



## Condominium Conversions from Rental

Conversions Continue to Reduce Calgary's Rental Stock

conversions from rental to condominium



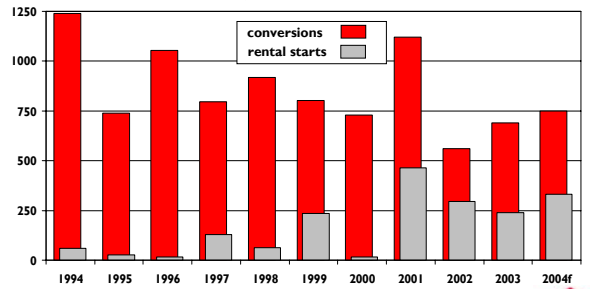
Source: CMHC



## Condominium Conversions vs. Rental Starts

Not enough new units to maintain rental stock

conversions from rental to condominium, rental starts



Source: CMHC



## By 2005, the Worst Will be History...

- ✓ Higher Mortgage Rates
- ✓ Weaker Condo Investment Demand
- ✓ Continued Condominium Conversions
- ✓ Little Opportunity for Rent Increases



THANK YOU!

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