

# NEW CONDOS

## RECREATION & INVESTMENT PROPERTIES

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SATURDAY, JANUARY 19, 2008

**HOUSING CRUNCH**  
Leadership needed to solve housing woes.



J4 Richard White

**CONDO OF THE WEEK**  
Lake Chaparral townhouse crisp and contemporary.

J5



**JUST DESERTS**  
Calgarians seek out Arizona lifestyle. In Rec Properties.

J9



# Vacancies on the RISE

Investors renting out condos expected to boost vacancy rate

MARTY HOPE  
CALGARY HERALD

**T**he craziness that invaded Calgary's housing markets over the past 18 months or so is being flushed through the system, leading to a return to more normal levels of activity, say housing industry officials.

"We weren't immune to the feeding frenzy in housing," says Gerry Baxter, executive director of the Calgary Apartment Association, which represents landlords of rental properties.

"We saw pretty much the same thing that the single-family and condo markets saw. It was a hectic period for our people, but that's pretty much passed now."

During 2006 and the first part of 2007, voracious consumer demand for housing led to multiple offers and a severe shortage of resale inventory.

At the same time, builders were going full out to keep up with record sales.

But as 2007 progressed, the ownership markets changed.

SEE RISE, PAGE J2



Lai Sing Louie of Canada Mortgage and Housing Corp. expects a vacancy rate of two per cent.

Calgary Herald Archive

## CONDO SHORTS

Construction to slow

Multi-family construction across Alberta will pull back in 2008, says a federal agency.

Construction starts are expected to slow to 17,000 units this year, down from 19,500 in 2007, says Canada Mortgage and Housing Corp.

Of the seven major centres in the province, only the Wood Buffalo region — which contains Fort McMurray — will show an increase, it says. The largest decrease will occur in Red Deer, where starts will fall more than 17 per cent to 475 units.

— Marty Hope

West's the best

The West is the place to be for landlords, says a real estate research firm. "Western Canadian markets clearly outperformed their eastern Canadian counterparts in 2007," says a report by Altus Clayton, referring to rental units. Strong economies, continued conversion of rental units into condos, and minimal new rental construction mean that the recent trends of low vacancies favouring landlords are likely to carry over into 2008, it says.

— Kathy McCormick

Resale stays strong

Although sales have slowed in Calgary over the past few months, overall, the national housing market was buoyant, says the Canadian Real Estate Association.

"Resale housing activity remained remarkably strong through the third quarter of 2007," says CREA president Ann Bosley in a news release.

— Kathy McCormick

CONDO LISTINGS: PAGE J6

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FROM J1

# RISE: Rental market 'softening'

The Calgary Real Estate Board saw listings of resale homes soar to monthly levels as high as 10,000 which, in turn, reined in the urgency to buy.

Instead of having only hours and minutes to make the purchasing decision, buyers had weeks to decide.

In terms of new homes, escalating prices and a shortage of lots turned that market around.

By the end of the year, construction starts for single-detached homes totalled 7,777 — the lowest total in six years — while multi-family starts were down more than 12 per cent from 2006.

This year, Canada Mortgage and Housing Corp. is forecasting housing starts and resale activity to be even lower.

As part of its first look at the city's rental market for 2008, CMHC has forecast a vacancy rate for rental housing of two per cent.

The projection comes on the heels of the federal housing agency's annual fall survey that showed 1.5 per cent of all Calgary apartments were vacant.

That figure was up a full per cent from October 2006, snapping a three-year string of tightened market conditions, says CMHC.

"The rise in the vacancy rate can be attributed to a moderating level of net migration and movement of tenants into ownership," says senior market analyst Lai Sing Louie of CMHC. "The moderating inflow of people seeking job opportunities has eased demand for rental housing and many existing tenants have made the move to condo ownership."

Baxter says the rental market in and around Calgary has been aided by investors putting their condos into rental pools rather than selling.

"Everything we see and hear in our industry supports the idea that the rental market is still softening, something our landlords and property managers haven't experienced for a couple of years," says Baxter. "We do see ourselves on track for at least a two-per-cent vacancy rate this year — but it could be higher."

If a survey of the apartment association's

membership was taken now, it would likely show a current vacancy rate of as much as 2.5 per cent because of the larger number of properties being surveyed, he says. The association does its annual survey in April.

As for monthly rent, Louie pegged the average rent for units of all sizes at \$974 per month, an increase of \$123 from a year ago.

Increases will likely be more moderate this year due to the additional vacancies and increased availability, he says.

Baxter agrees that moderating rates are likely in the future.

"The city saw huge levels of net migration in 2006 and for part of 2007, with many of them looking for places to rent," he says. "Now that the economy has slowed and migration levels have pulled back, we'll be seeing rates easing off as well."

But Louie says year-end rent figures won't change much through 2008.

Investor-owned condos located in Calgary's downtown are the most expensive to rent, says CMHC.

"On average, renters were paying \$1,370 per month for a two-bedroom unit downtown," says Louie. "On a city-wide basis, though, condos bought and rented out were getting an average of \$1,217 a month."

Rents were the highest among two-bedroom suites in the glass and concrete highrises in the central core, says CMHC.

For the first time, its semi-annual rental market survey included apartment condominiums, single- and semi-detached homes and secondary suites.

While the overall apartment vacancy rate in the city sits at 1.5 per cent, it's about half that for what CMHC calls investor-owned and rented suites.

In October, that number stood at 0.7 per cent, almost unchanged from a year ago.

The most affordable rental accommodation was among secondary suites, where the average for a two-bedroom space was \$763.

At the time of the October survey, a two-bedroom detached home could be rented for an average of \$1,043 per month, while a three-bedroom home was getting more than

“On a city-wide basis, though, condos bought and rented out were getting an average of \$1,217 a month”

LAI SING LOUIE, CANADA MORTGAGE AND HOUSING CORP.



Gerry Baxter, executive director of the Calgary Apartment Association.

Photos, Calgary Herald Archive

\$1,300 per month.

CMHC has gone on record as saying that the average rent for a two-bedroom apartment in existing buildings is the highest in Canada at \$1,089 per month.

That compares to \$1,084 per month in Vancouver and \$1,061 in Toronto.

"The market here can bear more," says Louie. "Calgary's annual household income is quite high — higher than either Vancouver or Toronto."

But he says that to a certain degree the rent figure for two-bedroom suites doesn't tell the whole story.

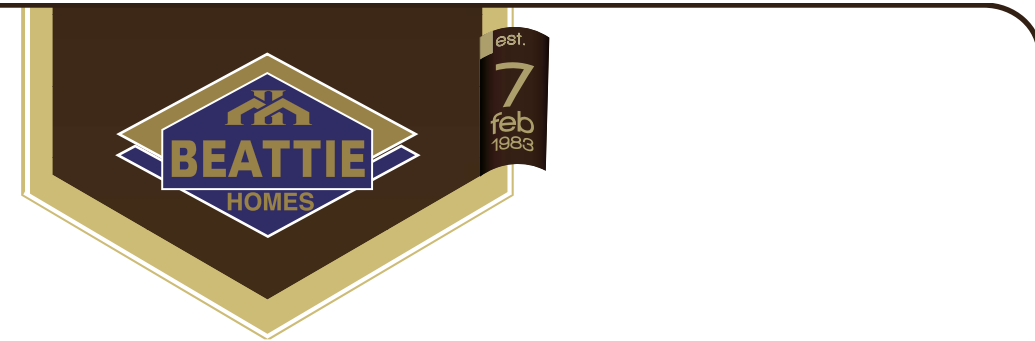
"I think you'd find that for some living in two-bedroom apartments, they are sharing the rent by doubling up, therefore saving money — kind of makes sense," says Louie. "You'd probably find the same thing happening with houses that are being rented out."

In its expanded survey, CMHC counted 6,447 condos that were being rented, along with 49,052 homes and secondary suites, and 38,150 apartments built expressly for the rental market.

At the same time, 1,570 apartments and 347 townhouses were taken out of the rental pool in the past 12 months because they were converted to ownership, it says.



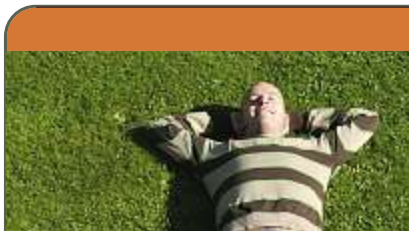
Movement of tenants into home ownership is one reason vacancies are rising.



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