

Bosa bucks Calgary's rental market with condo conversion

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The new Arris luxury rental tower in Calgary: rents start at \$1,674 per month. | Bosa Developments

Vancouver-based developer Bosa has switched a new Calgary luxury condo tower to rentals in mid-construction, an apparent nervy move in a city with rising vacancies rates, flatlining rental rates and falling per-door prices for apartment buildings.

But the move appears to be paying off with the Arris, a downtown high rise in Calgary's East Village, which Bosa Development originally planned as large, luxury condos. Within days, 25 per cent of the tower was rented out, the company claims.

"With a few banners on the building and a few social media posts, our phone started ringing and we leased 45 out of 190 homes before official marketing started," said Robert Marchand, vice-president of marketing at Bosa Development.

The success of the launch has persuaded Bosa to plan a second East Village rental tower, which starts construction this summer.

Kendall Brown, market and rental analyst at Urban Analytics, said the Arris' larger-than-normal units and upscale amenities likely attracted Calgary renters.

"A lot of younger professionals are choosing buildings based on the amenity offering," Brown said. "Arris differs from the competition by offering larger floorplans than what are typically found in downtown Calgary, plus it offers comprehensive, upscale amenities that are becoming a trend among rental building."

Rents at the Arris start at \$1,674 for a one-bedroom, compared to an average Calgary rent of \$1,195 per month, based on Canada Mortgage and Housing Corp. (CMHC) data.

According to CMHC, the rental vacancy rate in downtown Calgary, at 8 per cent, is the highest in a city where the vacancy rate has remained unchanged from a year ago around 6.6 per cent.

Calgary's rental vacancy rate has nearly doubled since 2019, which Michael Mak, senior economics analyst for CMHC, said was driven by the pandemic and a struggling economy, with high unemployment leading to out-migration and little in-migration from other provinces or countries. Downtown demand has been hampered by the record-high office vacancy rate in the core, at around 29 per cent.

Calgary's average residential rent has not budged in two years and is now characterized by incentives that range from cash-back offers and free utilities to one or more months of free rent.

Meanwhile, multi-family rental investors are buying more Calgary apartment buildings this year than in 2020 – mostly older, low rise properties – but they are paying a lot less.

In the first half of 2021, 26 Calgary rental apartment buildings sold, compared to 14 at the same time last year, but the average per-door price fell to \$145,000, down from \$178,000 in 2020, according to the Network, a real estate research firm.

The biggest Calgary transaction so far in 2021 was the court-ordered sale of a 10-storey rental tower on 4 Street SW near downtown that sold for \$23.1 million to First National Financial GP Group.

Urban Analytics confirmed that Arris is the first concrete high-rise in downtown Calgary to convert entirely to rental. It may not be the last, based on what is happening in the city's glutted downtown condo sector.

As of June there were 1,017 condos for sale on the downtown market – accounting for 55 per cent all condos listed for sale in the entire Calgary region – and the downtown condo benchmark price, at \$276,000, was nearly unchanged from two years earlier, according to the Calgary Real Estate Board.