

Alberta offers shelter to multi-family investors

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This 39-unit multi-family rental building in NE Edmonton was bought by an Ontario investment group for \$85,128 per door, a fraction of the cost in Vancouver or Toronto. | Paul Gill

Rents are rising across Canada and the per-door cost for older apartment buildings in rent-controlled Vancouver and Greater Toronto rival luxury condo prices, but tenant and landlords can still find shelter in big-city Alberta.

The average rent in Canada this October spiked 1.8 per cent from a year earlier – and 7 per cent since April 2021 – to \$1,800, according to Bullpen Research & Consulting Inc's *National Rent Report* released November 8.

But Edmonton bucked that trend, with rents falling 3 per cent, year-over-year. The average rent for a one-bedroom apartment in Alberta's capital is now \$1,028, and \$1,263 for a two-bedroom suite, according to Bullpen.

Of 35 cities profiled in the study, Vancouver was the No. 1 most expensive for rental costs. Toronto was No. 2.

Edmonton ranked No. 31 and it wasn't alone among Alberta cities with some of the most affordable rents in the country.

Calgary finished 27th for average monthly rent in October for a one-bedroom home at \$1,256 and 28th for average monthly rent for a two-bedroom at \$1,576, and it was the most expensive Prairie city, the study found.

Lethbridge, Red Deer and last place Lloydminster, where the average one-bedroom apartment rents for \$720 per month, were ranked, in order, for the lowest rents in Canada.

But low rents can mean low turnovers, affordable prices for landlords and the type of stability that wily investors are looking for in a multi-family market that can prove expensive, volatile and exposed to government intervention in other regions.

That is the reasoning behind Paul Gill's purchase of a 39-unit rental apartment building in NW Edmonton this year. Gill, a real estate agent based in Brampton Ontario, and his investor group paid \$85,128 per door for the building.

"Pricing is crazy high in most of Ontario. You are looking at \$ 300,000 or more per door with negative cash flow" he said.

In Vancouver, the average per-suite price for a rental building is around \$491,000, according to Goodman Commercial Inc.

"We believe Alberta is the best market to invest into for multi-family. Alberta offers the highest income per family, highest net migration and lower real estate prices. We are looking to purchase additional apartment buildings with 15 to 100 units in Edmonton, Calgary and surrounding areas," Gill told *Western Investor*.

He is not alone.

Edmonton has seen substantial multi-family investments this year. The first half of 2021 experienced over \$350 million in investment volume, representing an increase of 190 per cent from the first six months 2020, reports CBRE.

In July Alberta-based Avenue Living spent \$275 million with the purchase of three separate rental portfolios in Edmonton, comprising more than 1,500 rental units.

The first half of 2021 also saw a strong rebound in the multi-family development land market with the number of sales surpassing total sales in all of 2020.

Calgary

Calgary's multi-family market posted 11 transactions, worth \$89 million, in the second quarter 2021, up 350 per cent from Q2 of 2020, reports Altus Group.

The second half may already be blowing past those numbers.

In the third quarter, Chicago-based Harrison Street bought a six-storey, 286-unit multi-family property in Calgary's University District. The price has not been released but the Aria is considered a prime new rental asset that was completed this year. It is within walking distance of the 33,000-student University of Calgary and adjacent to the Alberta Children's Hospital.

Samuel Dean, senior vice-president and a multi-family specialist with JLL Canada in Edmonton, recommends smaller investors get into big-city Alberta apartment rentals this year before prices increase in 2022.

He recommends pooling capital with other investors and buying a small apartment block in either the Beltline area of Calgary or the Oliver community of Edmonton.

Dean said there are a number of smaller (20 units or less) apartment blocks in both markets coming to the market as long-term buyers retire.

The Beltline in particular is a "cool, uptrending" neighbourhood, he said. It is possible to buy multi-family rentals in Calgary or Edmonton for \$120,000 to \$130,000 per door, with Canada Mortgage and Housing Corp.-insured mortgages, available for 50 basis points to 75 basis point below conventional rates for five- and 10-year terms, he noted.