

THE UA TAKE – SECOND QUARTER 2017: ‘STRENGTH IN THE SUBURBS’

Urban Analytics is pleased to announce the addition of the Airdrie and Cochrane sub-markets to the Calgary market in NHSLive. Subscribers to NHSLive in Calgary will now be able to access current data on actively selling and contemplated new condominium and townhome projects in these areas. While the addition of new projects in Airdrie and Cochrane has increased the aggregate number of sales and inventories presented in the UA Take, we will reference aggregate sales and inventory information with and without Airdrie and Cochrane data to allow for representative comparisons to recent quarters. The inclusion of Airdrie and Cochrane has added 17 more wood frame condominium and townhome projects to the NHSLive – Calgary database.

Activity in the new multi-family home sector of Calgary’s residential real estate market in the second quarter of 2017 highlighted higher demand at projects in the outer sub-markets. Price sensitive buyers took advantage of more affordable pricing at recently launched condominium and townhome projects in the Outer South and Outer North sub-markets. Absorptions in the Downtown sub-market levelled off in Q2-2017 compared to the first quarter. More limited supply in the sub-market combined with the lack of new project launch in nearly two years contributed to lower buyer urgency levels as they await new product that’s more appropriate for their needs.

Sales and Inventory Analysis

Total new multi-family home sales were higher in the second quarter of 2017. The addition of the Airdrie and Cochrane sub-markets accounted for 78 of the total 944 sales reported in Q2-2017. The remaining 866 sales in the other eight Calgary sub-markets increased by an impressive 59 percent. The addition of Airdrie and Cochrane data results in a 74 percent increase in total new multi-family home sales compared to the first quarter.

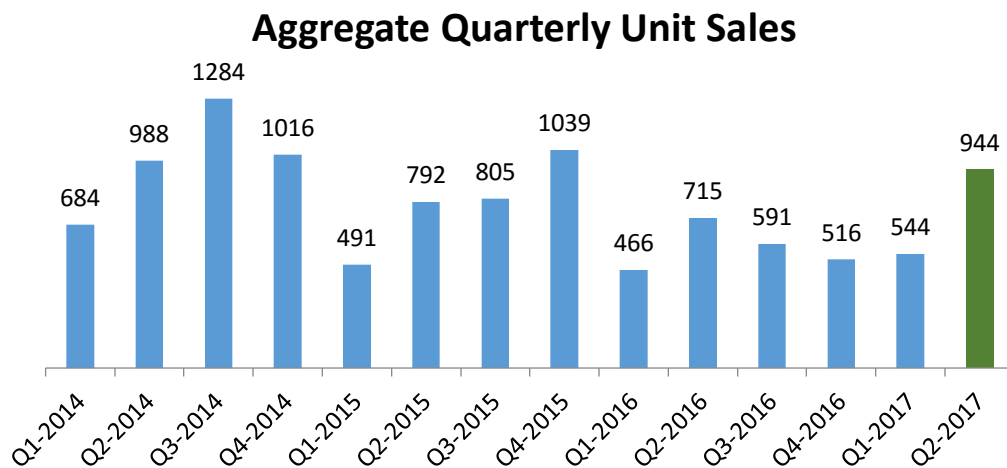


Chart 1

*Green bar includes Airdrie & Cochrane data

The spring season has historically been one of the stronger periods for new home sales in Calgary. This was the case in the second quarter of this year as evidenced by the higher Q2 sales shown in Chart 1. Another example of strengthening demand for new homes in the Calgary market is the 15 percent increase in year-over-year sales in the second quarter.

The majority of sales in the second quarter took place in the Outer sub-markets where the launch of new projects provided more options and choice for purchasers and helped sustain sales momentum established in the first three months of the year. Price sensitive entry level buyers were most active with demand spread among wood frame condominium and townhome projects, both of which experienced substantially higher absorptions.

New wood frame condominium projects that reported higher sales in Q2-2017 included:

- *Copperfield Park III;*
- *Legacy Park 4000;*
- *Auburn Rise;*
- *Seton Park Place;*
- *Calligraphy;* and,
- *Walden Place.*

Townhome projects that reported higher sales in Q2-2017 included:

- *Elements of Nolan Hill;*
- *No6 Chalet;*
- *Arrive at Evanston;* and,
- *Cityscape.*

Entry level and restart end users have been the dominant buyer groups of townhomes in recent quarters. Chart 2 provides a breakdown of the quarterly unit sales comparison.

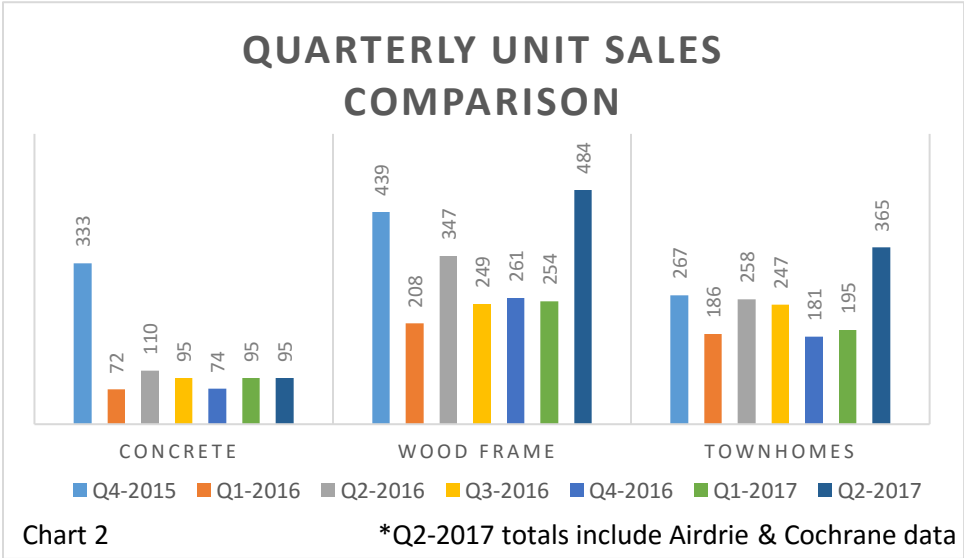


Chart 3 provides a breakdown of total sales by sub-market. All but three sub-markets experienced higher sales in Q2-2017 compared to the previous quarter with the Outer North and Outer South sub-markets recording the greatest sales volume increases. The following are the percentage increases experienced in the various sub-markets in Q2-2017 relative to the first quarter:

- Outer North – 92 percent
- Outer South – 65 percent
- Inner Northwest – 27 percent (primarily the result of strong absorptions at the *Noble* and *Ivy* projects in the emerging University District neighbourhood)
- Inner Southwest – 75 percent (primarily the result of strong absorptions at the *Axxess* and *Vivace* projects).

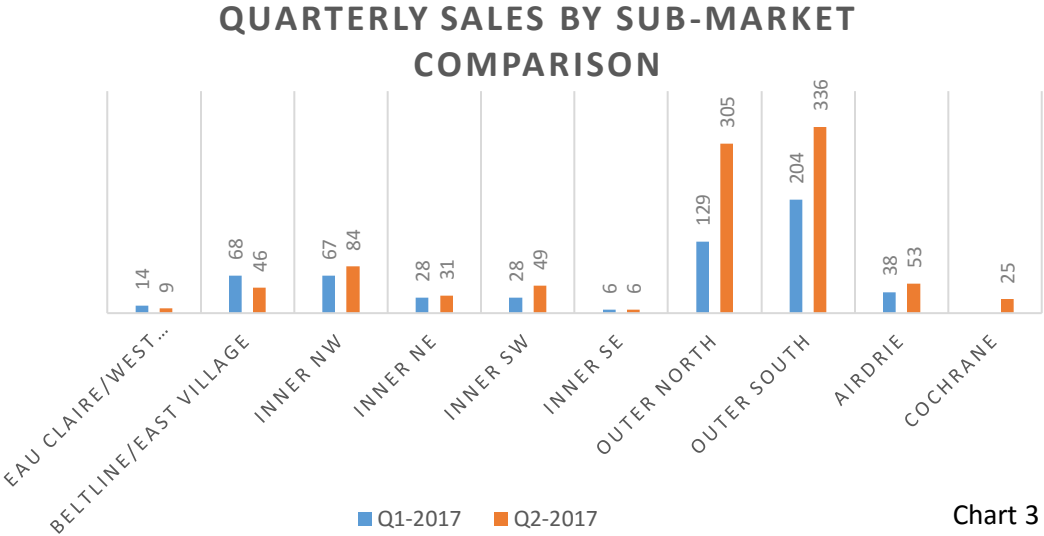


Chart 3

There was no change in sales volume in the Inner Southeast sub-market. The only two sub-markets to experience a drop in sales activity were Eau Claire/West Village and Beltline/East Village where the lack of new project launches continues to limit buyer urgency levels.

The inclusion of the Airdrie and Cochrane sub-markets added 322 released and unsold units to the Calgary market. While the addition of these two sub-markets results in a four percent increase in the total number released and unsold units compared to Q1-2017, unsold inventory levels were six percent lower in all other sub-markets. The lower number of released and unsold units in these sub-markets occurred in spite of nine new projects with a combined total of 272 new multi-family units being added to the market in the second quarter.

Chart 4 illustrates the amount of released and unsold inventory by product type. The townhome sector experienced the largest increase (59 percent) as a result of several developers releasing

new homes in response to increased demand. These developers had been holding off releasing these homes until market conditions improved, which they clearly have in recent quarters.

RELEASED INVENTORY COMPARISON BY PRODUCT TYPE

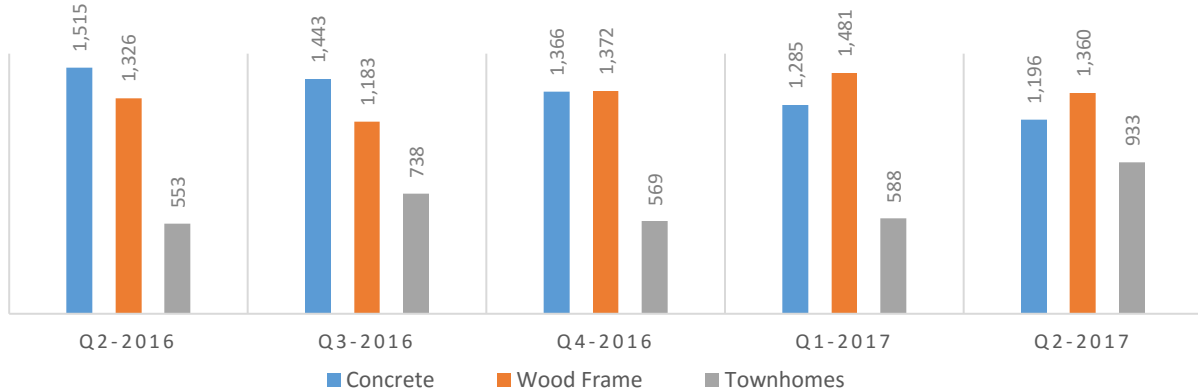


Chart 4

*Inventory totals include Airdrie & Cochrane

Steady demand for the diminished supply of new concrete condominium product led to a seven percent drop in concrete inventory compared to the first quarter of the year, and 21 percent year-over-year drop in unsold units.

The number of released and unsold new wood frame condominium units dropped by eight percent in Q2-2017 compared to the first quarter, but increased by five percent over the same quarter in 2016.

Chart 5 displays the released inventory by sub-market, with the highest number of unsold units located in the Beltline/East Village, Outer North and Outer South sub-markets.

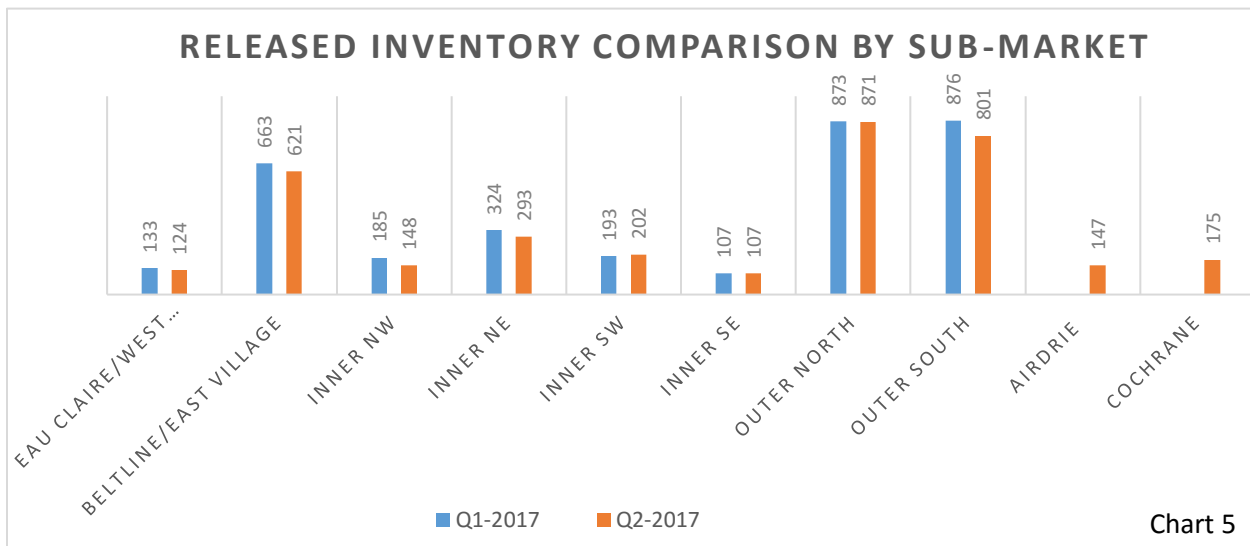
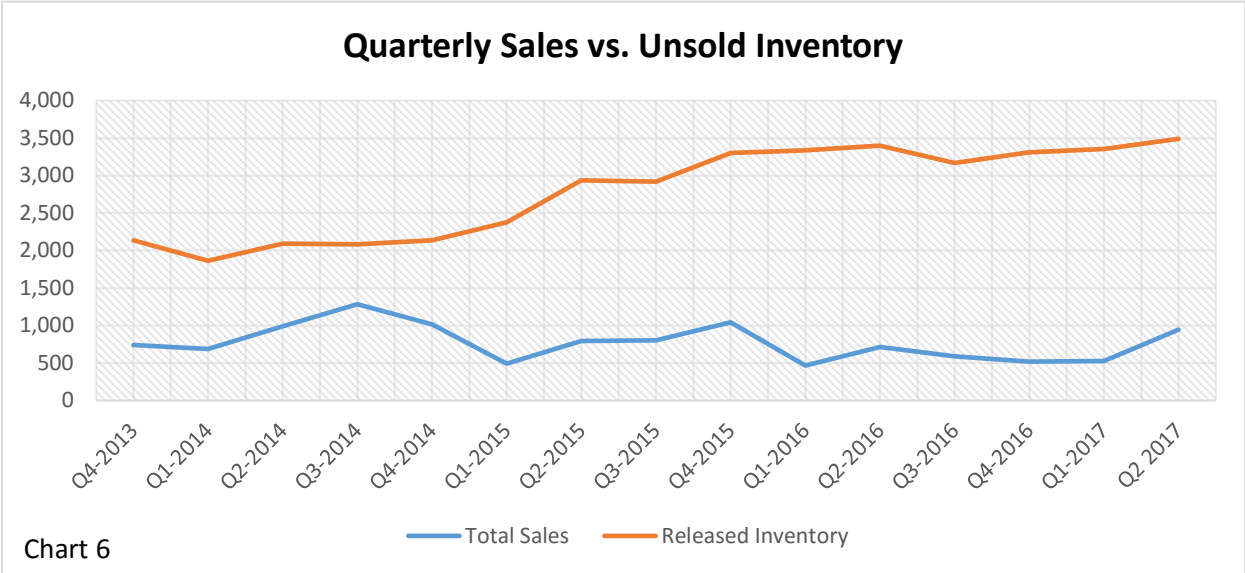


Chart 5

Another sign of the improved market conditions in the Calgary market is the spread between the number of quarterly sales and the amount of unsold inventory. As shown in Chart 6, the spread between these two metrics at the end of the second quarter of 2017 is the lowest it's been since the fourth quarter of 2015, and is primarily attributable to the stronger demand experienced over the past two quarters.



Also encouraging is the fact standing inventory levels dropped by eight percent in Q2-2017 relative to the previous quarter when excluding data from Airdrie and Cochrane. Even with these two sub-markets factored in the analysis, the amount of standing inventory increased by a much lower amount than in previous quarters. The number of completed and unsold new condominium and townhome units increased by just three percent in Q2-2017 compared to the previous quarter. This compares to an average quarterly increase of 27 percent over the previous five quarters.

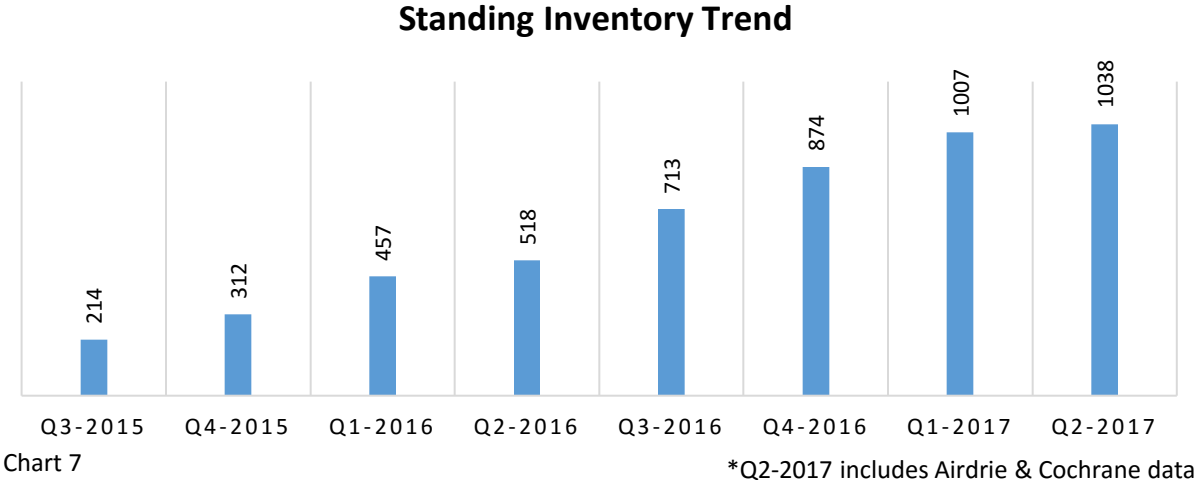


Chart 8 displays the number of completed and unsold units by sub-market. The largest increase in move-in ready units occurred in the Outer North; 77 percent. The launch of Highstreet Developments' *McCall Landing* upon the project's completion led to an additional 52 units of standing inventory in this area. The number of move-in ready units at townhome projects in the Outer North sub-market also rose. This chart also illustrates how the addition of the Airdrie and Cochrane sub-markets impacts the standing inventory totals in the market.

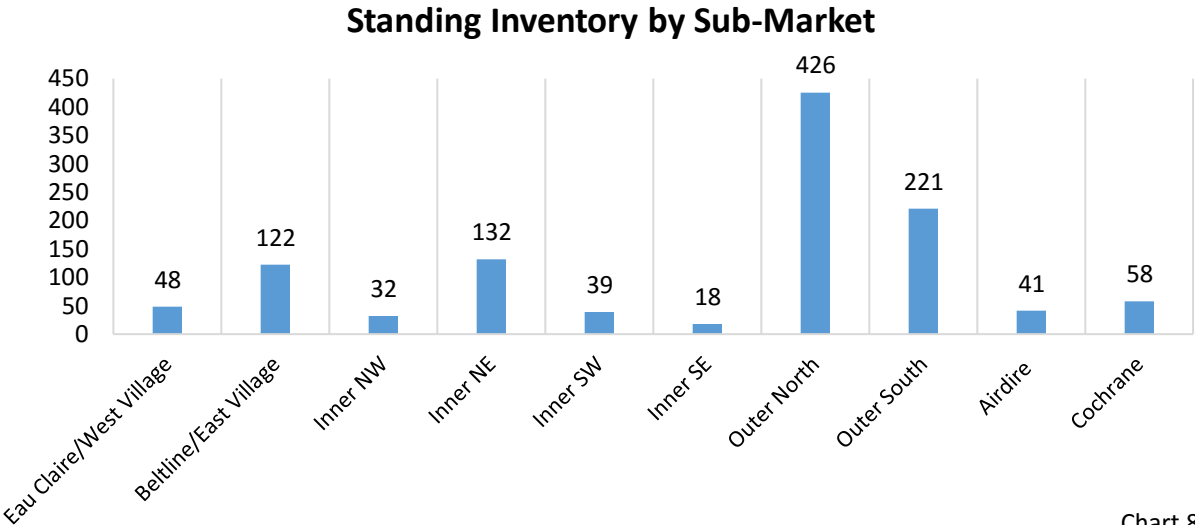


Chart 8

Chart 9 illustrates the construction status of the unsold inventory in the Calgary market as of the end of Q2-2017. The absorption rate of recently completed projects in the coming months will be a strong indicator of the trend in demand levels in the Calgary market.

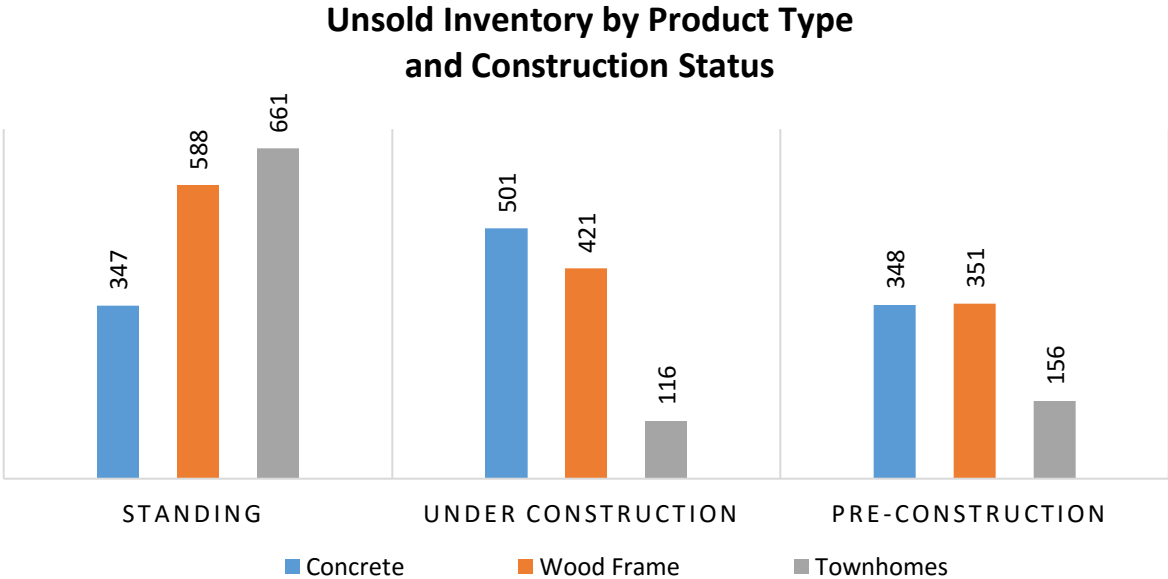


Chart 7

*Includes Airdrie & Cochrane data

Price Trends

The combination of price reductions and incentives offered by developers allowed buyers to take advantage of overall more affordable new home pricing in Q2-2017. The increased value opportunities were particularly apparent in the outer sub markets, where the already more affordable options became even more desirable as new incentives were introduced. The following is summary of some of the incentive programs and price reductions offered in the second quarter.

Inner Sub-Markets:

- Qualex Landmark launched a new realtor bonus campaign at *Park Point* to generate interest in two bedroom units. In addition to the standard commission amounts, the campaign offered realtors a bonus amount of \$5,000 for two bedroom unit sales.
- Sarina Homes is offering a \$5,000 decorating credit to West Elm for the next five sales at its *Avenue 33* project. This credit can also be applied to the purchase price of a unit.

Outer Sub-Markets:

- Streetside Developments is offering \$20,000 discounts on townhomes and \$40,000 discounts on bungalows at their move-in ready development *Hunter House*.
- Avi Urban introduced a new incentive at its *Maverick at Livingston* project that offers purchasers \$2,500 in upgrades for one bedroom units, \$5,000 for two bedroom units and \$7,500 for two bedroom and den units.
- Shane Homes is offering buyers at its *The Mark 101* project the choice of either an upgraded appliance package, free condo fees for six months or an \$1,800 travel voucher.

Buyer Trends

Strong demand from price sensitive entry level and restart buyers generated higher sales activity in Q2-2017, particularly in the outer sub-markets. Sales representatives at projects in these areas continue to see first time buyers receiving financial help from parents to facilitate the purchase of a new home. Potential purchasers considering newly launched projects such as *Auburn Rise* by Logel Homes can buy lower priced units at pre-construction prices. The 14 month completion schedule for this project also allows younger purchasers to continue living at home with parents and save more money for a downpayment. The various incentives developers are offering are also attracting buyers seeking greater value with their new home purchase.

The *University District* continued to attract a range of buyer profiles attracted to this emerging new master planned community. Buyer profiles here include entry level buyers, hospital employees, university employees and faculty, downsizers and investors.

After nearly two years without a new concrete condominium tower launch in Calgary, Chelsea Skys Inc. is anticipated to launch its *Citizen Tower* project in Q3-2017. The 85-unit project located in the Beltline will target primarily first time buyers and investors. It will be interesting to monitor whether this new project launch will continue to generate increased interest from the investor buyer group.

The following is a list of projects UA expects will launch in the next two quarters and will be monitoring closely:

- *Fish Creek Exchange* - Graywood Developments
- *Citizen Tower* - Chelsea Sky's Inc.



UA looks forward to monitoring the sales progress of these and all other actively selling new home projects, and adding them to nhslive.ca as soon as possible after their launch.

In addition to maintaining the most current new multi-family home project data on NHSLive.ca, UA provides advisory and consulting services that can be tailored to meet your firm's specific needs. Please contact us to discuss how we can assist you in the design and or positioning of your new multi-family home community.

**URBAN ANALYTICS
(403) 671-4979
info@urbananalytics.ca**