CONTINUED MOMENTUM

THE CALGARY UA TAKE – THIRD QUARTER 2019
Sales and Inventory Analysis

Calgary has continued to live up to its reputation of resiliency among persistent and everchanging economic headwinds. There were 772 new multi-family home sales recorded across all 10 sub-markets in the third quarter of 2019, which represented a six percent increase from last quarter and an eight percent increase from the same quarter in the previous year. All signs have pointed to continued first-time home buyer re-engagement and increased levels of interest from young professionals, young families and downsizers. However, it appears as though the downsizer demographic continues to have a large presence in the market due to their relative liquidity which has been compounded with a slight return of market confidence. Projects that have had strong performances this past quarter have either intensified their respective marketing campaigns and/or offered attractive consumer pricing incentives. As the market has seen a continual increase in consumer price sensitivity, developers have responded by tailoring their approach on pricing incentives in order to offer more flexibility to this purchaser group. This has led to an increase in sales activity in the market. There are currently 189 actively selling new multi-family projects in Calgary. Despite the high number of actively selling projects, the total released and unsold inventory in the market has decreased by four percent decrease compared to last quarter and is down a further 16 percent lower than the same quarter last year. This decrease in total released and unsold inventory also comes amidst the recent conversion of two previously prominent wood frame condominium projects in Marda Loop to purpose-built rental due to their inability to meet sales targets. These rental conversions have resulted in a reduction of 88 new condominium units in the market. Although there are many positive signs in the multi-family condominium market, the relative activity when compared to the purpose-built rental sector continues to highlight persistent price sensitivity of the entry level buyer, which has influenced many consumers to remain in the rental pool until general economic and political conditions incentivize them to enter the housing market.

The upcoming federal election on October 21st will dictate market sentiment for both consumers and investors moving forward. It is the consensus of both UA analysts, developers and sales staff that the upcoming federal election will be the true indicator as to whether the recent market momentum will continue, as a large proportion of prospective new home buyers are currently on the sidelines awaiting its results. Urban Analytics believes that the upcoming federal election has the potential to either revitalize the Alberta housing market or result in the continuation of fleeting domestic and international investment for the province.
QUARTERLY UNIT SALES COMPARISON

Chart 1
Year-Over-Year Quarterly Sales Increases

Year-over-year quarterly sales increased by eight percent, from 715 to 772 sales. Despite recording only seven new project launches during the third quarter compared to the 14 projects launched in the same quarter of the previous year, the new launches in the third quarter of 2019 were priced substantially lower than those brought to market in 2018, on average approximately $45,000 lower for wood frame condominiums and $10,000 lower for townhomes. This notable price difference is a direct reflection of developers attempts to match consumers’ price sensitivities and faced a positive reception in the marketplace, recording 50 sales for these new project launches in the third quarter. Most notably Truman’s Carrington Street Towns recorded 21 sales in the third quarter. One of the largest year-over-year sales increases came from Airdrie which recorded a 98 percent increase compared to the same quarter in 2018 and a 119 percent increase compared to last quarter. Airdrie predominantly offers new townhomes and currently offers the second lowest average price per square foot out of all ten sub-markets averaging $272.

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Q3-2018</th>
<th>Q3-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>BL/EV</td>
<td>4</td>
<td>23</td>
</tr>
<tr>
<td>EC/WV</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Inner NW</td>
<td>81</td>
<td>53</td>
</tr>
<tr>
<td>Inner NE</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Inner SW</td>
<td>63</td>
<td>44</td>
</tr>
<tr>
<td>Inner SE</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Outer North</td>
<td>202</td>
<td>296</td>
</tr>
<tr>
<td>Outer South</td>
<td>291</td>
<td>235</td>
</tr>
<tr>
<td>Airdrie</td>
<td>40</td>
<td>79</td>
</tr>
<tr>
<td>Cochrane</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>715</strong></td>
<td><strong>772</strong></td>
</tr>
</tbody>
</table>

YEAR OVER YEAR QUARTERLY SALES COMPARISON

Chart 2
**Townhomes Drive Quarterly Unit Sales Increase**

The increase in overall quarterly sales can be primarily attributed to the 16 percent increase in townhome sales. A total of 440 new townhome sales in the third quarter of 2019. More impressively, third quarter townhome sales are up 51 percent year-over-year, up from 291 sales in 2018. Townhome sales accounted for 57 percent of total sales, with wood frame and concrete condominiums making up the remaining 35 percent and eight percent, respectively. Wood frame condominiums recorded a marginal five percent increase in sales to 269 sales, up from 256 sales in the previous quarter. Concrete condominiums experienced a 34 percent decline when compared to the previous quarter, recording only 63 sales in the third quarter. The concrete condominium sector was most negatively impacted when the B20 mortgage stress test was introduced back in January of 2018. Due to the persistent increase in consumer sensitivity and reduced purchasing power, entry-level home buyers continue to search for new multi-family projects at the most affordable price point. This has resulted in new townhome and wood frame condominium product located in the Outer North, Outer South, Cochrane and Airdrie being the best options for these buyers, as building costs in these locations are significantly lower than projects located in the inner city sub-markets.
Outer Sub-Markets Strong Sales Performance Continues

The Outer North and Outer South sub-markets accounted for 45 percent and 21 percent of total quarterly unit sales, respectively. Inner city sub-markets combined for 21 percent of total third quarter sales, recording 112 unit absorptions, the majority of which occurring in the Inner Northwest and Inner Southwest sub-markets. University District accounted for 30 out of the 53 total third quarter sales in the Inner Northwest sub-market, with notable sales activity at Brookfield Residential’s Capella Condos and Ivy Townhomes and Truman Home’s Esquire. 206 townhome and 81 wood frame sales were recorded in the Outer North sub-market in the third quarter, while 94 townhome and 141 wood frame sales were recorded in the Outer South sub-market. Note that the Outer North, Outer South, Airdrie and Cochrane sub-markets are generally the most affordable sub-markets in Greater Calgary and currently offer new multi-family product at similar price points.
Release and Unsold Inventory Levels Decline

Chart 6 compares the amount of released and unsold inventory by product type as of the end of Q3-2019. Overall released and unsold inventory levels at the end of the quarter total 3,707 units which is down by 4.4 percent, or 172 units, compared to the previous quarter. This decline is partially due to the recent conversion of RNDSQR's Courtyard 33 and Groupe Denux’s Mantra from condominium to purpose-built rental. These two conversions removed 88 wood frame condominium units from the market. The most notable inventory decline occurred in the wood frame condominium sector, where released and unsold inventory for this product type was down by 476 compared to last quarter. Despite the 34 percent decline in concrete condominium sales, released and unsold inventory for the sector decreased by seven percent compared to last quarter. Overall townhome inventory was up 28 percent from last quarter and was the product type to experience an increase in unsold inventory compared to last quarter. This was partially due to the launch of two new projects in the Inner Southwest and Outer North which brought an additional 93 units to market. Recent notable new townhome launches here include Slokker-West’s Aspen Spring Townhomes and the second phase of Truman Home’s Yorke Townhomes. Compared to the same quarter in 2018, total released and unsold inventory levels have declined by nearly 16 percent, or 697 units. This inventory decline can be attributed to the decrease in new project launches which has been compounded by developers electing to hold off on releasing additional phases of actively selling product due to current economic conditions.
Seven out of the ten sub-markets tracked by Urban Analytics experienced a decrease in released and unsold inventory compared to last quarter. The largest decline was in the Outer North, where inventory levels in this sub-market dropped by 23 percent from last quarter and by 47 percent from the same quarter last year. The only three sub-markets showing an increase in overall inventory levels were Inner Southwest, Outer South, and Airdrie. The most notable increase was in Airdrie, where inventory levels rose by 236 percent from last quarter.

The total number of actively selling projects in Calgary decreased by two percent compared to the same quarter last year, with the most notable decrease occurring in the concrete condominium sector. The total number of actively selling concrete condominium projects in Calgary is down 13 percent from the same quarter last year. Buyer price sensitivity over the past few years has resulted in a lack of demand for this product form and has influenced developers to build concrete rental apartments over concrete condominiums. The number of actively selling townhome projects in Greater Calgary are up six percent from last year, with most new townhome launches occurring in the Outer North, Outer South, Cochrane and Airdrie sub-markets.
Marginal Increase in Standing Inventory

Standing inventory increased by a modest two percent compared to the previous quarter and is up eight percent compared to the same quarter last year. The fact that overall standing inventory has remained relatively consistent over the last two years indicates that developers incentives on move-in ready units have resulted in reasonably successful absorptions of this product. Urban Analytics anticipates this trend to continue as developers attempt to sell standing inventory product in order to make room for the release of additional phases of actively selling projects.
Narrowing Quarterly Sales vs. Unsold Inventory Differential

The differential between total released and unsold inventory and total sales decreased by seven percent, or 215 units, compared to the previous quarter. This reinforces the notion that developers are continuing to hold off on releasing additional phases of actively selling projects and are waiting to see how the market reacts to the result of the upcoming federal election.

Buyer Trends

It should not come as a surprise that the Alberta economy has faced a variety of economic headwinds, from a struggling energy sector to a housing market that has suffered from a mortgage stress test that has pushed a large proportion of entry level buyers temporarily onto the sidelines. Calgary is known for its resiliency which has recently been observed over the previous two quarters, with consecutive sales increases and decreasing released and unsold inventory occurring over this time frame. Although some momentum was gained throughout the typically active summer months which was influenced by the change in Alberta’s provincial leadership, the direction of the housing, energy, and agricultural sector will be relying on the results of the upcoming federal election.

It is the consensus among UA analysts and market sales staff that the all-encompassing downsizer buyer demographic is currently the driver of the new multi-family market due to their higher net worth and generally higher levels of home equity. While this group is active in the market, these buyers are still experiencing some difficulties in selling their existing homes. The remainder of the purchasers in the market include young professionals and families who are buying in the outer sub-markets and surrounding municipalities as price points in these locations are substantially lower than those found in urban sub-markets.
**Pricing Trends**
The average unit price in for new multi-family units tracked by Urban Analytics in Calgary decreased by $948, or 0.23 percent, to $419,989 during the third quarter of 2019. Despite this decrease in average unit price the average blended price per square foot increased by $0.67 or 0.16 percent, to $424. Many developers have recently been offering substantial pricing incentives on underperforming and standing inventory units. Unfortunately, these pricing incentives are not considered firm pricing changes and therefore do not register in UA’s historical pricing index. While not officially observed in the chart 11, it is assumed that these recent pricing incentives have helped improve overall sales activity relative to the past two quarters.

The overall average list price for new concrete condominiums in Calgary was $614 per square foot, which was up a percent from last quarter and up 2.5 percent from the same quarter last year. Higher average price per square foot doesn’t reflect any actual price increases, rather a higher proportion of actively selling new concrete projects being located in more expensive, urban locations. Only five out of the 21 actively selling concrete condominium projects have an average unit price less than $400,000. Sales in the five lowest priced concrete condominium projects represented 60 percent of total concrete condominium sales in the third quarter.

Condominium product in the Beltline, East Village, Eau Claire and West Village continue to achieve the highest price per square foot, achieving $612 and $677 per square foot, respectively. Cochrane, Airdrie, the Outer North and Outer South are achieving the lowest average blended price per square foot at $232, $272, $305, and $309, respectively.
Chart 12 shows the relationship between the total average unit price and total sales across all sub-markets and product types for Calgary. From the chart it can be inferred that there is a higher degree of correlation of pricing incentives to total sales than there is for firm entry level price point changes to total sales.

**Absorption Trends**

All product types averaged 1.9 unit sales per month in the third quarter of 2019. Average monthly absorption rates are down 11 percent compared to the previous quarter and down 27 percent compared to the same quarter last year. Concrete condominiums are currently achieving the highest average monthly absorption rate at 2.1 units but this figure is partially skewed due to the fewer number of concrete condominium projects and the strong quarterly performance of Battistella's NUDE.

![AVERAGE UNIT PRICE % CHANGE VS. TOTAL SALES](chart12)

![AVERAGE MONTHLY ABSORPTION RATE BY PRODUCT TYPE](chart13)
**New Project Launches**

There were seven new project launches during the third quarter of 2019:

- Slokker Homes’ launched *Aspen Springs Condos and Townhomes* which consist of 45 wood frame condominium and 66 townhomes in the Aspen community. The project is achieving a blended price per square foot of $354 and $298 respectively.
- Graywood Developments’ launched Park South at Fish Creek Exchange. The wood frame condominium project is achieving a blended price per square foot of $391.
- Cove Properties launched *Bow360* in the community of Wolf Willow. The wood frame condominium project features larger units and is offered at a blended price per square foot of $326.
- Vesta Properties’ launched *Copperstone at Copperfield*, a townhome project achieving a blended price per square foot of $215.
- Truman Homes launched the second phase of Yorke Townhomes in Cornerstone, achieving a blended price per square foot of $222.
- Truman Homes also launched *Carrington Street Towns*; the 36-unit townhome development is achieving a blended price per square foot of $237.

In the fourth quarter of 2019, UA anticipates the following projects to launch:

- *Sage Hill Park Building Three* by Brad Remington Homes launched recently, the 72-unit project is offered at a blended price of $261 in the first few weeks of launch.
- Anthem launched its *Goodwin* townhome project in the community of Belmont. The 178-unit townhome project is achieving a blended price per square foot of $240 on the first 18 units which have been released.
- Stepper Homes launched its *Wolf Willow* townhomes which are achieving a blended price per square foot of $265 on the first 39 units released.
- Avalon Master Builders has launched *Zen Sequel* in Seton.
- Hopewell Residential launched its *Arbour Lake Condos and Townhomes*.
- Madison Avenue Group launched its set of *Wolf Willow* townhomes.
- Avi Urban is anticipated to launch *Argyle*, its wood frame condominium project in University District on October 26th.
- Metropia is set to launch its Trinity Hills Townhomes on October 19th.
- Sarina Homes’ will likely be launching its wood frame project, *Harrison*, in the near future.
UA looks forward to monitoring the sales progress of these and all other actively selling new home projects and inputting our findings into NHSLive.

We appreciate your feedback! Please contact us with any questions regarding this UA Take or any of our other periodic publications. In addition to maintaining the most current new multi-family home and rental apartment 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 or positioning of your new multi-family home community.

Info-alberta@urbananalytics.ca