

**CHANGE ON THE HORIZON?**

**Sales and Inventory Analysis**

Calgary’s new multi-family home market started 2019 much like 2018 ended; with continued sluggish sales prospective new home purchasers await the results of the provincial election and anticipate potential policy changes ahead of a fall federal election that could impact their ability to purchase a home. Cold temperatures, particularly in February and early March also kept many potential purchasers on the sidelines further adding to the seasonally low sales. While traffic remained steady at most sales centres, buyer urgency levels remained low. Negative media coverage on the current economic conditions combined with the lingering political uncertainty deterred many visitors to sales centres from committing to a new home purchase. In spite of the lack of urgency and resulting sluggish sales activity, UA remains optimistic results of the provincial election will increase the confidence of many prospective buyers in the economy and get some of them off the sidelines. Those who do commit to a new home purchase will be rewarded with good value as developers are launching well-designed product at market-appropriate pricing.

*Decrease in Quarterly Unit Sales*

Total sales of Calgary’s new multi-family homes decreased by 24 percent in the first quarter of 2019 compared to the fourth quarter of 2018. The lower quarterly sales is not surprising as the first quarter is typically one of the slower of the year due to the colder winter weather, and this year was no exception and in fact may have been exacerbated by the extended period of bitterly cold temperatures February and early March, which kept potential purchasers away from sales centres. As already noted, the uncertainty caused by the provincial election slated for mid-April no doubt also contributed to lower quarterly sales. The stricter mortgage qualification rules also continue to prevent many younger buyers from entering the market.

**QUARTERLY UNIT SALES COMPARISON**

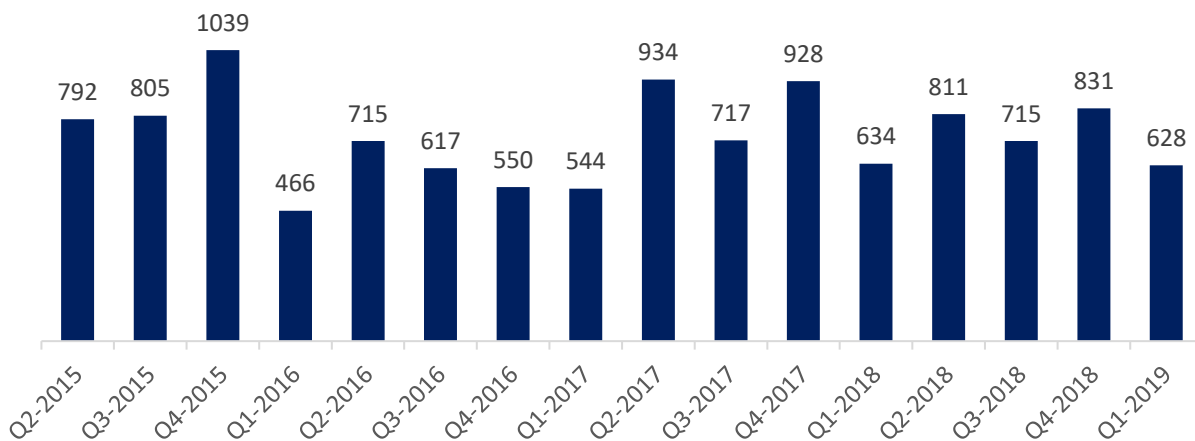


Chart 1

### Lower Year Over Year Quarterly Sales

What is encouraging is that despite the drop in quarterly sales, Q1-2018 sales were just one percent lower than the same quarter in 2018. As was expected given the predicted two to three quarter lag for the full effects of the B20 mortgage qualification rules to take effect, the lower quarterly sales over the past two quarters should not be overly surprising. The challenge many prospective buyers are having qualifying for a mortgage is also reflected by increasing tightness in the rental market as they are forced to continue renting. While Q1-2019 sales were lower than the same quarter in 2018, they were much higher than the first quarters of 2017 (+15 percent) and 2016 (+35%).

### YEAR OVER YEAR QUARTERLY SALES COMPARISON

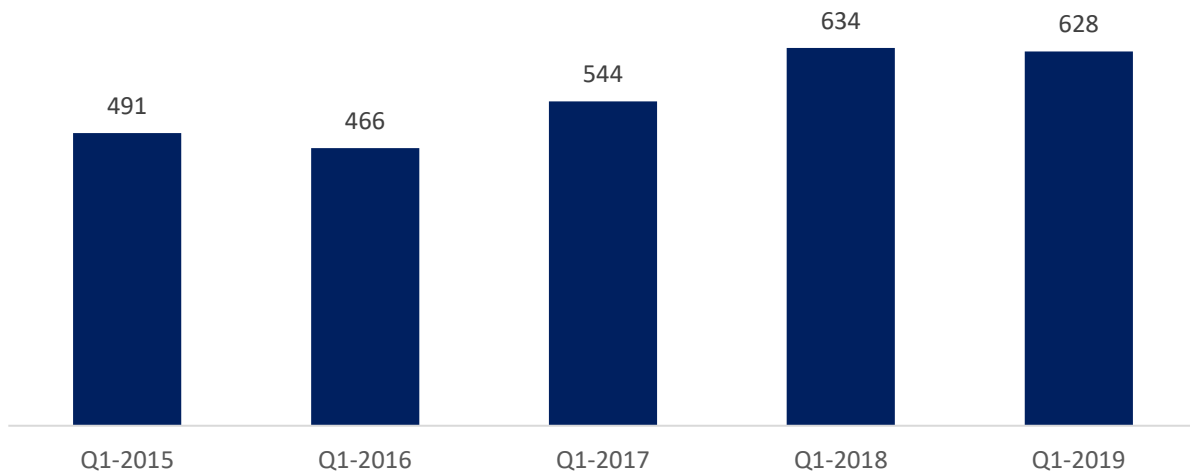


Chart 2

### Significant Drop in Wood Frame Condominium Sales

The wood frame condominium sector experienced a significant drop in sales, with a 46 percent fewer sales compared to the fourth quarter of 2018. The 217 units absorbed is the third lowest number of quarterly sales recorded in the Calgary market since 2013. As a result of the limited absorptions in this sector, many completed projects have been taken off the market and added to the rental market with hopes of selling them in the future as the 'for sale' market improves and tenants leave. This has impacted total wood frame sales as the number of released wood frame units available for purchase has decreased. The fewer number of released wood frame condominiums has been compounded by many developers' decisions to reduce marketing budgets. In addition to a drop in available units to purchase as a result of their conversion to rental apartments, the lack of urgency among prospective buyers greatly limited sales activity at projects that remained in the condominium market. Two of the more notable condominium projects to be converted to rental apartments include *The Windsor* and *The Fifth*.

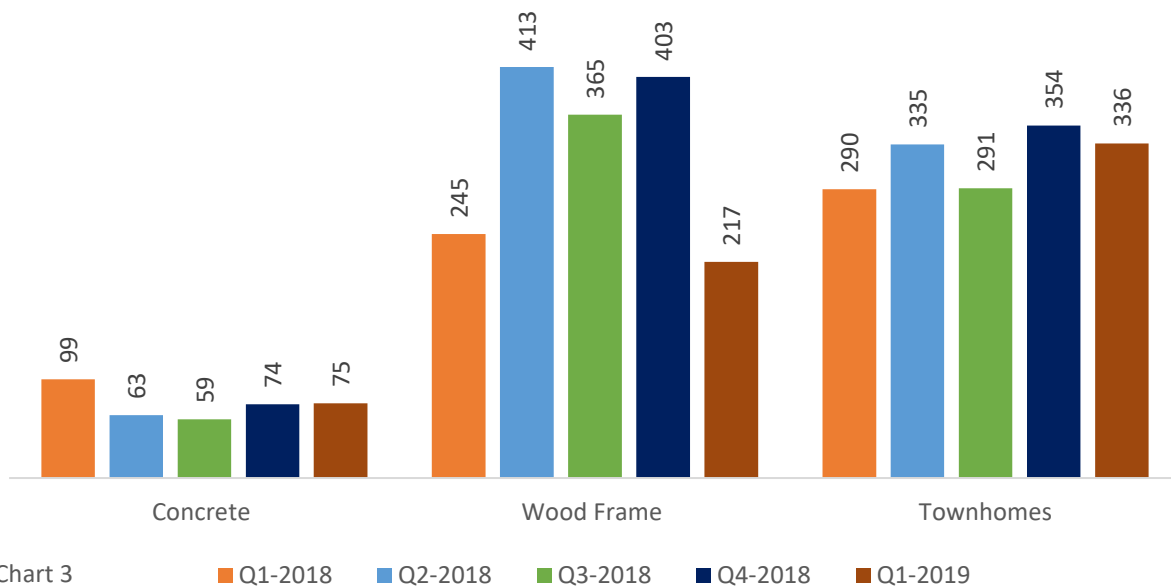
### Steady Concrete Absorption

Concrete condominium sales remained steady in the first quarter of the year, primarily due to relatively steady sales at *The Gateway* project in West District, which is nearing the interior finishing stage of construction and is reporting 64 sales to date. The 2018 launch of Batistella’s *NUDE* and Bowman Developments’ *Nest* projects in the inner city Beltline and Mission neighbourhoods have helped maintain reasonably sales activity in the concrete project sector.

### Seasonably Consistent Townhome Sales

The Townhome sector experienced a five percent drop in sales compared to Q4-2018. However, demand for townhomes remains stronger than previous years as evidenced by the 16 percent higher sales compared to the first quarter of 2018. Townhome projects continue to attract stress-test refugees who would typically qualify for a detached home but are settling for a townhome due to their reduced buying power.

## QUARTERLY SALES BY PRODUCT TYPE



### Lower Sales in Outer Markets

The typically strong Outer North and Outer South sub-markets experienced 35 and 23 percent fewer new multi-family home sales respectively compared to the previous quarter. Very few new project launches in the outer suburban markets contributed to this decrease in sales.

A 59 percent increase in quarterly sales was experienced in the Inner Southwest sub-market as a result of the strong demand experienced at Truman’s *The Gateway*. The Inner Northwest experienced a 62 percent decrease in sales in the first quarter of the year, as the prominent projects at University District saw modest sales during the first few months of 2019. The launch of Truman’s *Esquire* in the University District is anticipated to bolster sales in the Inner Northwest significantly moving in to the second quarter of the year.

The following is a quarterly sales comparison in each of Calgary’s submarkets:

- Eau Claire/ West Village: -44%
- Beltline/ East Village: -52%
- Inner NW: -62%
- Inner NE: -50%
- Inner SW: +59%
- Inner SE: -64%
- Outer North: -35%
- Outer South: -23%
- Airdrie: +64%
- Cochrane: -5%

### QUARTERLY SALES BY SUB-MARKET COMPARISON

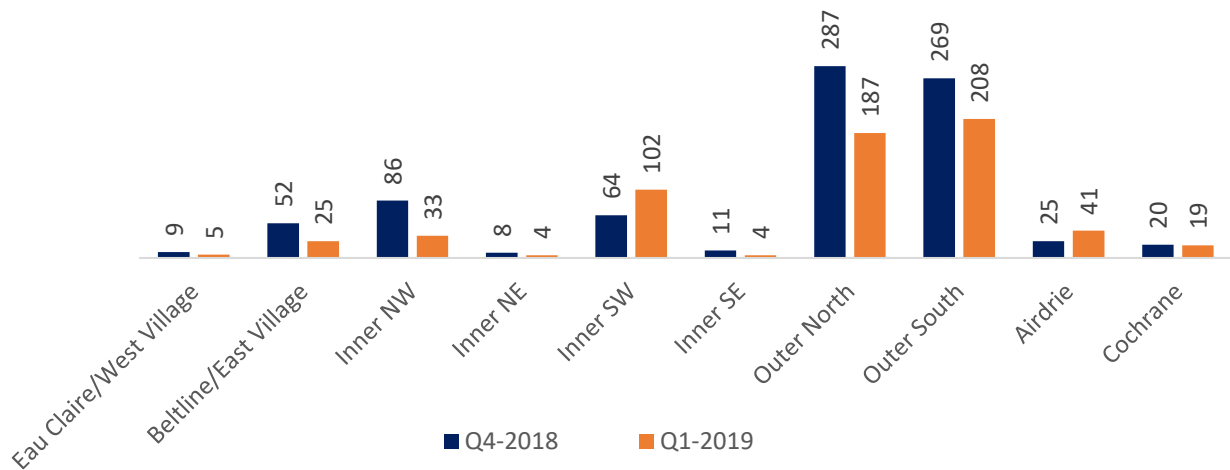


Chart 4

### Steady Inventory Levels

Chart 5 provides a comparison of the amount of released and unsold inventory by product type. Concrete inventory remained relatively unchanged compared to the fourth quarter of 2018.

Wood frame inventory experienced a slight increase of two percent, while the townhome sector saw a 10 percent drop in the number of unsold units.

## RELEASED INVENTORY COMPARISON BY PRODUCT TYPE

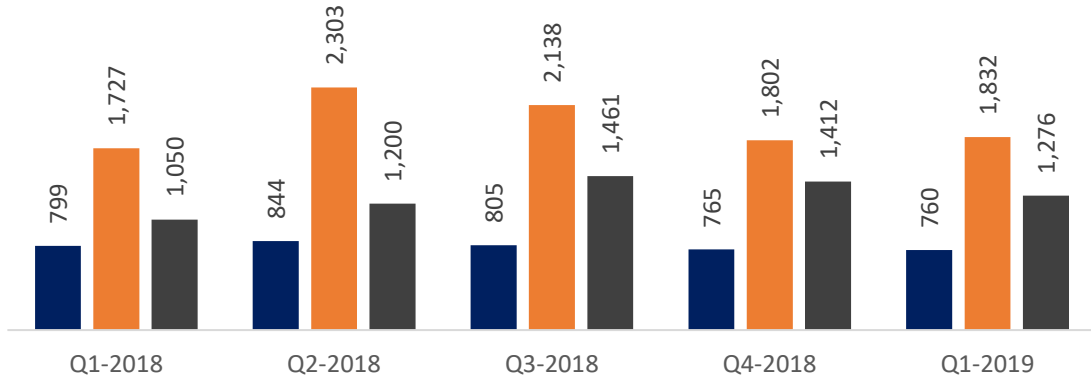


Chart 5

■ Concrete ■ Wood Frame ■ Townhomes

Chart 6 illustrates the amount of released inventory by sub-market. With the exception of the Inner Northwest and Inner Southwest, all sub-markets experienced a drop in inventory levels.

- Eau Claire/ West Village: -6%
- Beltline/ East Village: -7%
- Inner SW: +16%
- Inner NW: +9%
- Inner NE: -3%
- Outer South: -10%
- Inner SE: -7%
- Outer North: -3%
- Airdrie: -31%
- Cochrane: -26%

## RELEASED INVENTORY BY SUB-MARKET

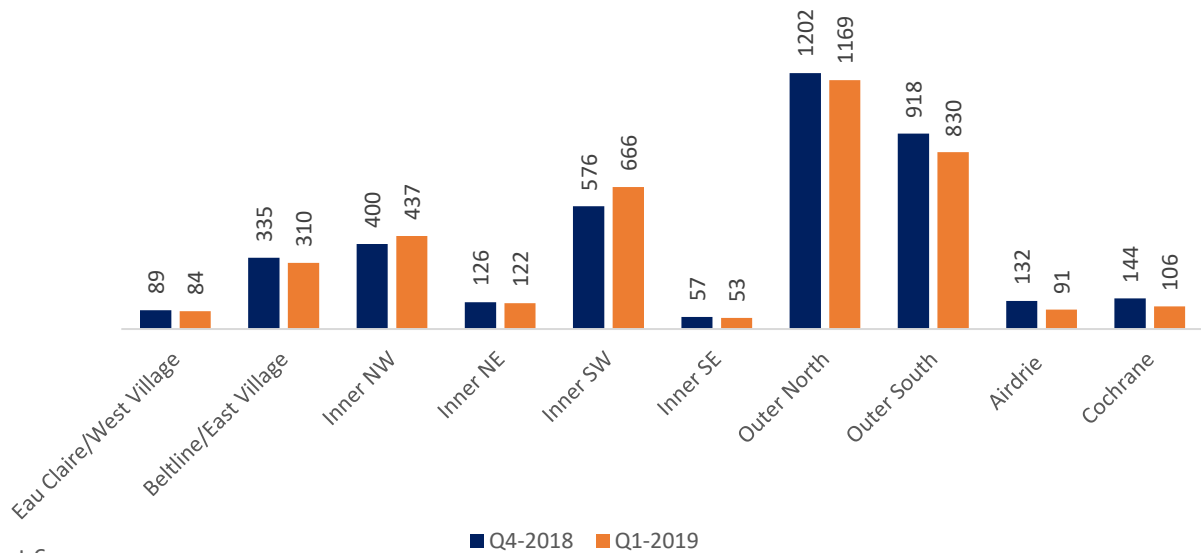


Chart 6

■ Q4-2018 ■ Q1-2019

### *Fourth Consecutive Quarterly Drop in Standing Inventory*

The downward trend of unsold move-in ready units in the Calgary market is an encouraging sign as it creates room for more new multi-family product to come to market once conditions improve. The number of completed and unsold units dropped by 14 percent in the first quarter of 2019 and is three percent lower than the same quarter in 2018.

### STANDING INVENTORY TREND

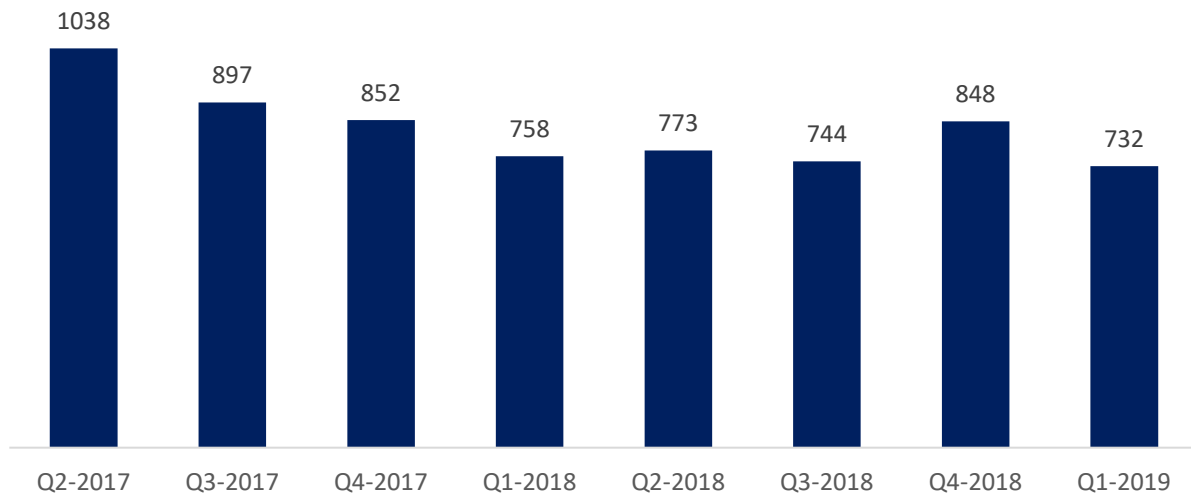
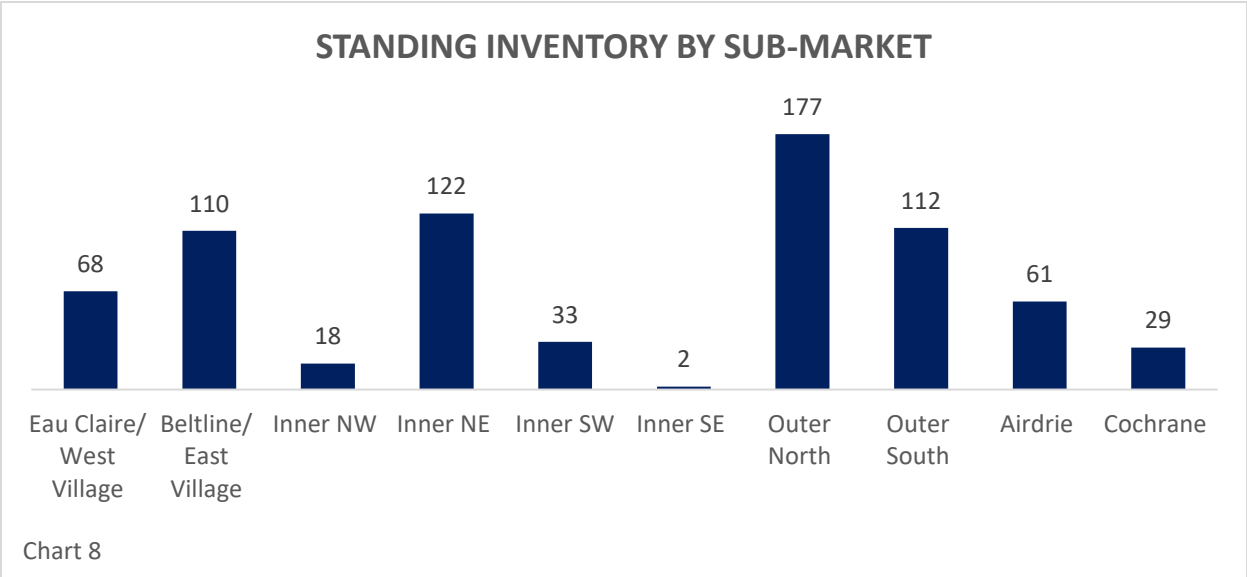


Chart 7

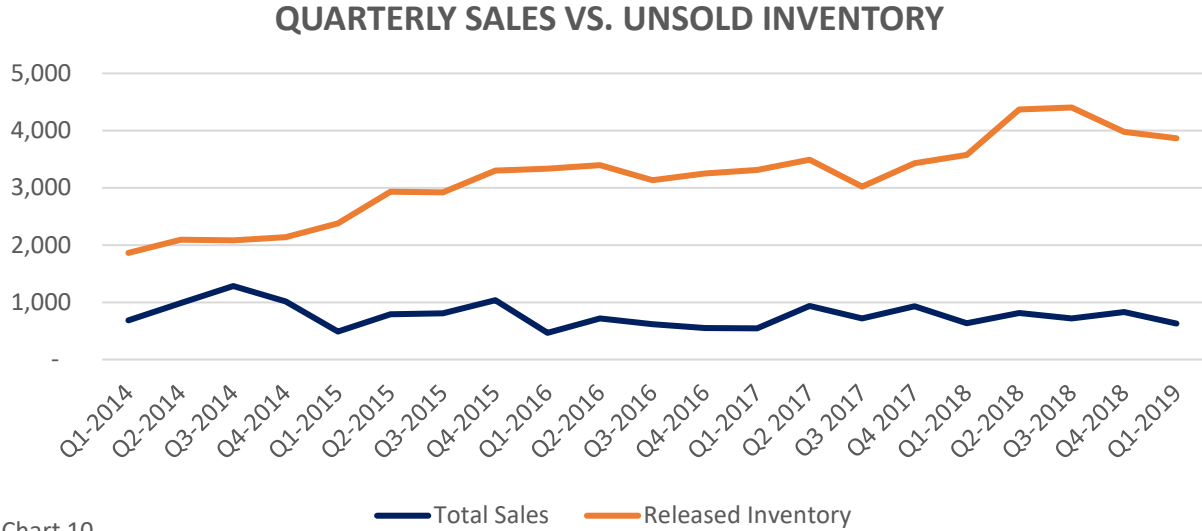
### *Incentives on Inventory in the Outer North?*

The Outer North sub-market comprises the highest number of completed and unsold units, with most being townhomes. Most projects in the Outer North sub-market with standing inventory aggressively trying to attract purchasers to buy these units with generous incentive offerings ranging from referral fees to design studio credits and free upgrades. There are currently 110 units of standing inventory in the Beltline/East Village sub-market. Hon Developments' *The Guardian* continues to offer 50 move-in ready units in the project's second tower. Bucci's *Radius* added 69 units of standing inventory to the Inner Northeast sub-market with the recent construction completion of the project.



*Slight Widening in Spread Between Quarterly Sales vs. Unsold Inventory*

Chart 10 illustrates the spread between the number of quarterly unit sales and the number of unsold units at the end of each quarter. There was very little change in this spread in the first quarter of 2019 as there was a light decrease in both the number of unit sales recorded in the first quarter and the number of unsold units at the end of the quarter. The current spread between the number of unsold units and the number of units sold Q1-2019 was 3,240 units; a three percent increase from the 3,148 units reported at the end of the previous quarter.



### Inventory by Construction Status

Chart 11 illustrates the total amount of unsold inventory by product type and construction status. Wood frame condominium product in the pre-construction stage continues to represent the highest proportion of unsold inventory, with townhome product representing the lowest proportion of unsold inventory in the pre-construction stage. There are currently 1,675 unsold units across all three product types currently *under construction*.

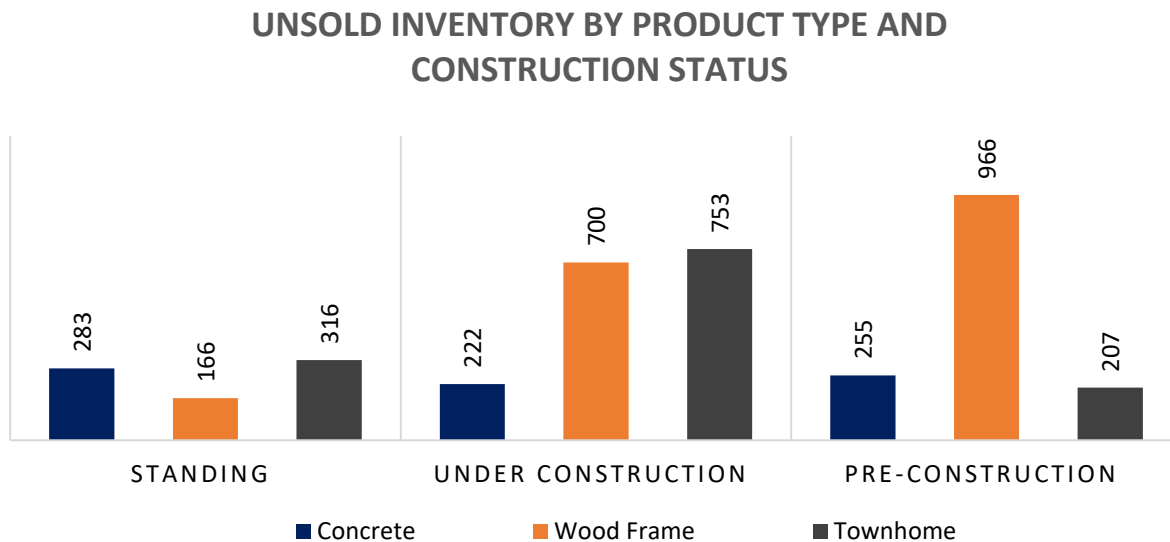


Chart 11

### Price Trends

Developers continued to offer appealing price-reducing incentives in the first quarter of 2019 in an attempt to generate some buyer urgency among prospective buyers seeking to purchase a new home. The following outlines some of the incentives offered at various projects during the first quarter;

- Hon Developments' *The Guardian II* – Held a 'One Day Blow Out Sale' with price drops of 18 to 20 percent. The event resulted in six firm sales and nine conditional unit sales.
- Qualex Landmark's *Park Point* – Offering eight percent off remaining units.
- Truman's *Wilshire Townhomes* – Offering up to \$40,000 off at this new project in West District.
- Brookfield Residential's *Capella Condos and Single Level Residences* – Offering two years of no condo fees.
- Landmark Homes' *Artis* townhome project in Greenwich Village – Offering \$5,000 in upgrades.
- Vericon Developments' *The Marlo* – Offering \$5,000 off one bedroom units, \$10,000 off two bedroom units and \$15,000 off three bedroom units for the next 10 purchasers.
- Avi Urban's *Savanna Urban Terraces* – Offering \$8,000-\$11,000 in upgrades depending on the unit size.



## **Buyer Trends**

Younger price-sensitive purchasers largely remained in the rental market during the first quarter of 2019 as a result of the stress test and mortgage rule changes reducing some of their buying power. The decrease in sales in the outer suburban markets can be largely attributed to this inability of younger buyer groups to qualify for a mortgage and to a general lack of urgency among other buyer groups ahead of the provincial election that occurred in mid-April. This lack of movement to the condo market has imposed greater demand pressures on the rental apartment market, which in turn has led to lower vacancies. The steady visitor traffic numbers many project sales centres are reporting indicates there is still demand among young professionals to own rather than rent. Perhaps greater confidence in the Alberta economy after the provincial election will allow those prospective buyers able to qualify for a mortgage to move off the fence and purchase a new home.

Downsizers seemed to be more active in the first quarter of the year than in the previous year as some recognize the lower prices and greater value being offered at many new multi-family projects. The primary challenge in attracting this buyer group is the concern of being able to sell their single family home to facilitate the purchase of a new condominium or townhome.

Restart buyers (i.e. divorcees) were particularly active in the townhome sector of the market, frequently looking for move-in ready product with three bedrooms. They were less concerned about current market conditions as they had funds from a divorce settlement to assist with a purchase.

Much of the sales activity in the Downtown submarket occurred at Batistella's *NUDE* and Bowman Developments' *NEST* projects, both of which attracted investors seeking affordable one bedroom units that would be easy to rent. The anticipated launches of Greywood Developments' *Theodore* and Minto's *Era* in the coming months will add more concrete condominium supply and provide some indication of the level of demand in this sector of the market.

## **New Launches**

There were five new project launches in the first quarter of 2019:

- Truman Homes launched *Esquire* in the University District and *Wilshire* in West District. *Esquire* comprises 87 units and is seeking a blended average price per square foot of \$454. *Wilshire* consists of 34 townhome units and is seeking a blended average price per square foot of \$308.
- Vericon Developments launched *The Marlo*, a stacked townhome project in Altadore seeking a blended average price per square foot of \$418.
- Streetside Developments relaunched their *Loop of Evanston* project rebranded as *Evanston Park*, which consists of 38 townhomes in the second phase and is seeking a blended average price per square foot of \$257.
- RNDSQLR launched *Courtyard 33* in Marda Loop. This uniquely designed project offers 56 condominium units seeking a blended average price per square foot of \$499.

The following is a list of projects that are expected to launch in the coming months that UA will be closely monitoring:

- Minto's *Era* held its grand opening launch on April 13<sup>th</sup>. The 120 unit concrete condominium project in Bridgeland is seeking a blended average price per square foot of \$514.
- Anthem Properties will be launching the remainder of *Parkside at Waterfront* in May. The concrete condominium project will have 35 move-in ready units. Anthem Properties is also expected to launch its *Landmark at Waterfront* project in the summer.
- *Bellwood Park* a townhome project by Streetside Developments in the Belmont community.
- *The Village at Trinity Hills*, is a townhome project by Metropia located in the new Trinity Hills community in Calgary's northwest.
- *Mantra* by Groupe Denux is a wood frame condominium project consisting of 33 units located in Marda Loop.
- Greywood Developments will launch *Park South*, the newest phase at Fish Creek Exchange, along with its *Theodore* concrete condominium project in Kensington.

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

**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.**

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