

Q2 2021

UA Take: Calgary

SALES SURGE



UA



Q2-2021 UA TAKE CALGARY: SALES SURGE

Nearly 1,000 new multi-family home sales were recorded in Calgary during the second quarter of 2021; the highest number of quarterly sales since Q4-2015. Project sales representatives noted a high degree of urgency among buyers as evidenced by the 32 percent drop in standing inventory levels. Demand continues to be driven primarily by entry level home buyers along with downsizers who have re-entered the market due to the rise in values of their current homes. An emerging buyer trend of investors from Vancouver and Toronto seeking to purchase condominiums as long-term rental properties was reported by several project representatives across the market. This points to the anticipated increase in demand in the rental market as travel restrictions are lifted and immigration levels.

The 998 sales recorded in the second quarter were relatively equally distributed between condominiums and townhomes; 48 percent and 52 percent, respectively. The most active sub-markets continued to be the Outer North, Outer South, Inner Northwest, and Inner Southwest. The most notable increase in sales relative to the previous quarter occurred in the Inner Southwest, specifically around the Aspen Landing and West District areas where sales were primarily driven by young professionals, families and downsizers.

Calgary has completed the shift from a buyer's market to a seller's market as the level of demand has continued to increase, which has placed upward pressure on home prices. The multi-family home market has also been subject to rising lumber and other construction input costs which has caused home prices to increase by roughly \$5,000 per unit. Further, many of the buyer incentives that were being offered have now been removed due to the rise in demand. To date, the higher home prices have not deterred prospective home buyers, which suggests demand for new multi-family homes in Calgary will be sustained.

Some key statistics and observations from UA's Q2-2021 review of the new multi-family home sector of the Calgary Market include:

- Quarterly sales increased by 38 percent compared to previous quarter and are up 111 percent year-over-year
- The Outer North and outer South combined for 69 percent of total sales while the Inner Northwest and Southwest combined for 22 percent of total sales
- Condominiums and townhomes accounted for 48 percent and 52 percent of total sales, respectfully
- Total released and unsold inventory decreased by 17 percent compared to the previous quarter
- Standing inventory decreased by 32 percent compared to the previous quarter
- Pricing for all product types increased by an approximate average of \$5,000, or 1.62 percent.

SALES & INVENTORY ANALYSIS

Chart 1 shows the total quarterly sales for Calgary's new multi-family home market over the past six years. A total of 998 units were sold in Calgary during the second quarter of 2021, 275 more units (38 percent higher) than in 2021, and is 111 percent higher than the absorptions recorded in the same quarter of the previous year. The strong sales reflect the continued release in pent up demand with buyers looking to capitalize on the favourable interest rates in order to meet their upsizing, rightsizing and downsizing needs. There has also been a considerable increase in demand from both Toronto and Vancouver investors who are purchasing both condominium and townhome units with the anticipation that the rental market demand will increase as travel restrictions continue to lift.

All three product types experienced a sales increase compared to the previous quarter with concrete condominium sales more than doubling. Townhome sales comprised 53 percent of total sales, which is down slightly in its proportion of total sales when compared to recent quarters, which is indicative of a more balanced market. The fact buyer interest in the condominium sector has returned is encouraging as it suggests a rise in demand among first-time buyers and investors.

QUARTERLY SALES COMPARISON

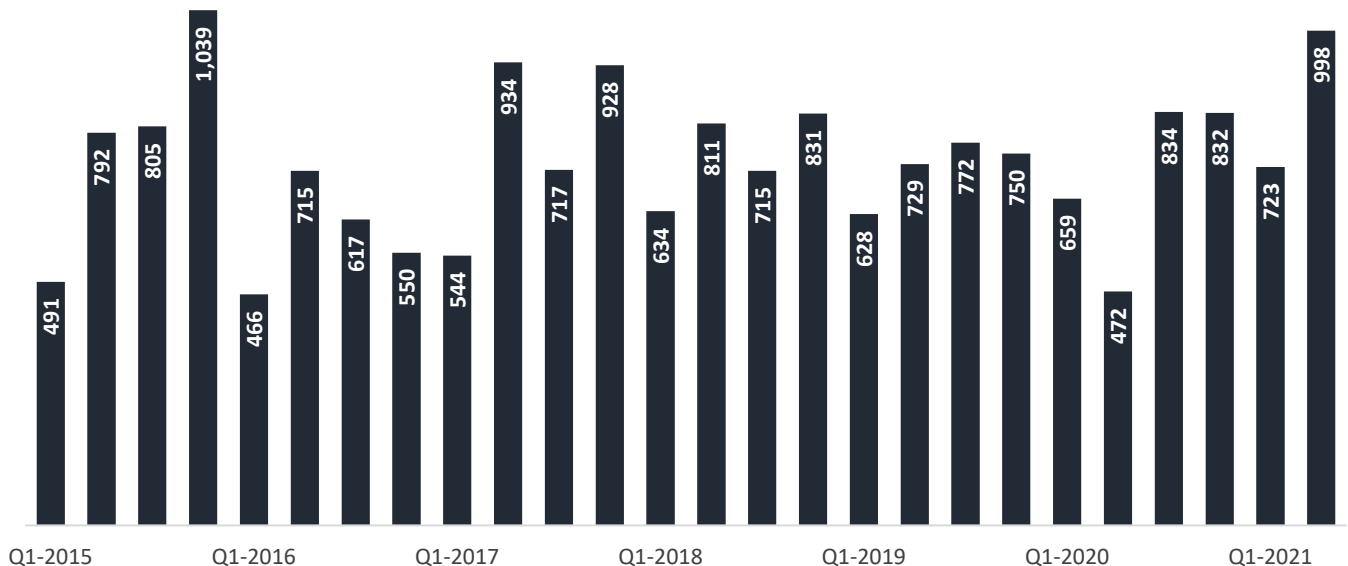


Chart 1

SUB-MARKET SALES ACTIVITY

The three sub-markets with the highest number of sales recorded in the first quarter were the Outer South, Outer North, and Inner Southwest, which accounted for a combined 84 percent of total sales. Five sub-markets recorded quarterly sales increases with the largest occurring in the Inner Northwest, which rose by 46 sales (159%). A total of 692 sales were recorded in the Outer North and Outer South,

Quarterly Sales Comparison by Sub-Market			
Submarket	Q1-2021	Q2-2021	Quarterly
BL/EV	15	19	27%
EC/WV	2	0	-100%
Inner NW	29	75	159%
Inner NE	37	3	-92%
Inner SW	79	146	85%
Inner SE	9	7	-22%
Outer North	216	257	19%
Outer South	277	435	57%
Airdrie	54	51	-6%
Cochrane	5	5	0%
Total	723	998	38%

which represents 69 percent of total sales in Calgary. A notable project in the Outer South in the first quarter of 2021 was Seton Park Place III (Building 2) by Cedarglen Living in Seton, which recorded 45 sales in the second quarter of the year. The Inner Northwest and Inner Southwest Sub-markets accounted for 221 sales (23 percent). Three notable projects included The Annex in Sunnyside, 85th & park in Aspen Woods, and Arrive in Crestmont, which recorded 20, 20 and 15 sales in the quarter, respectively.

YEAR-OVER-YEAR NEW MULTI-FAMILY HOME SALES

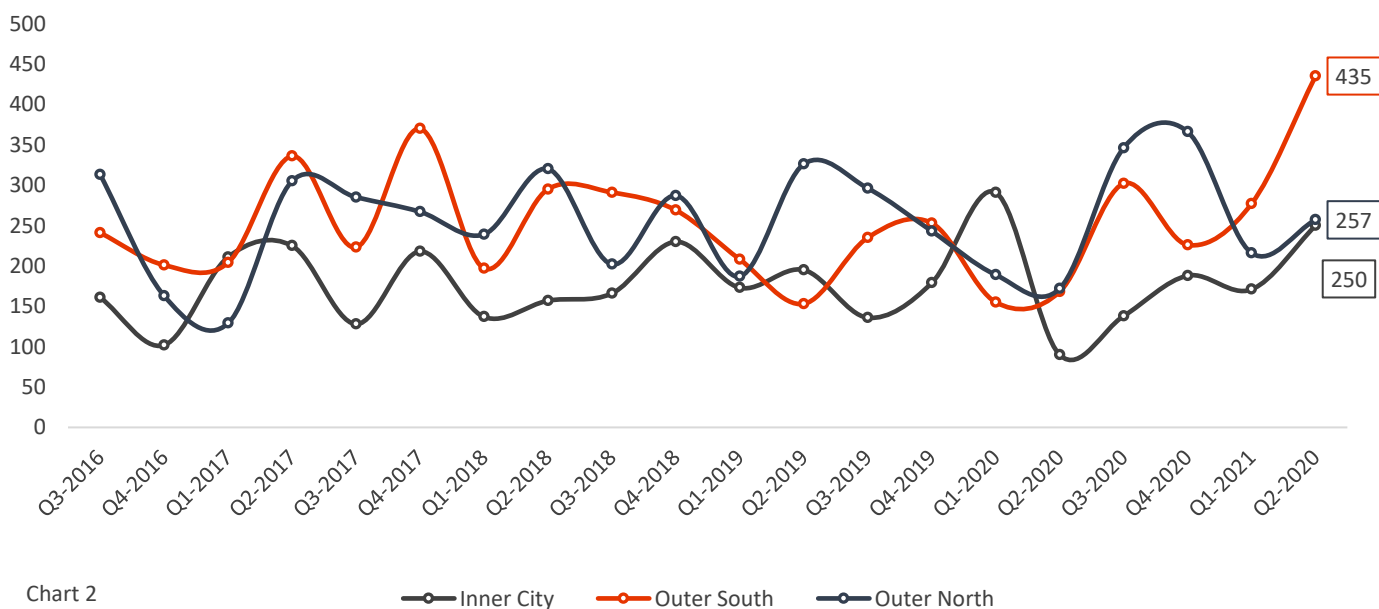
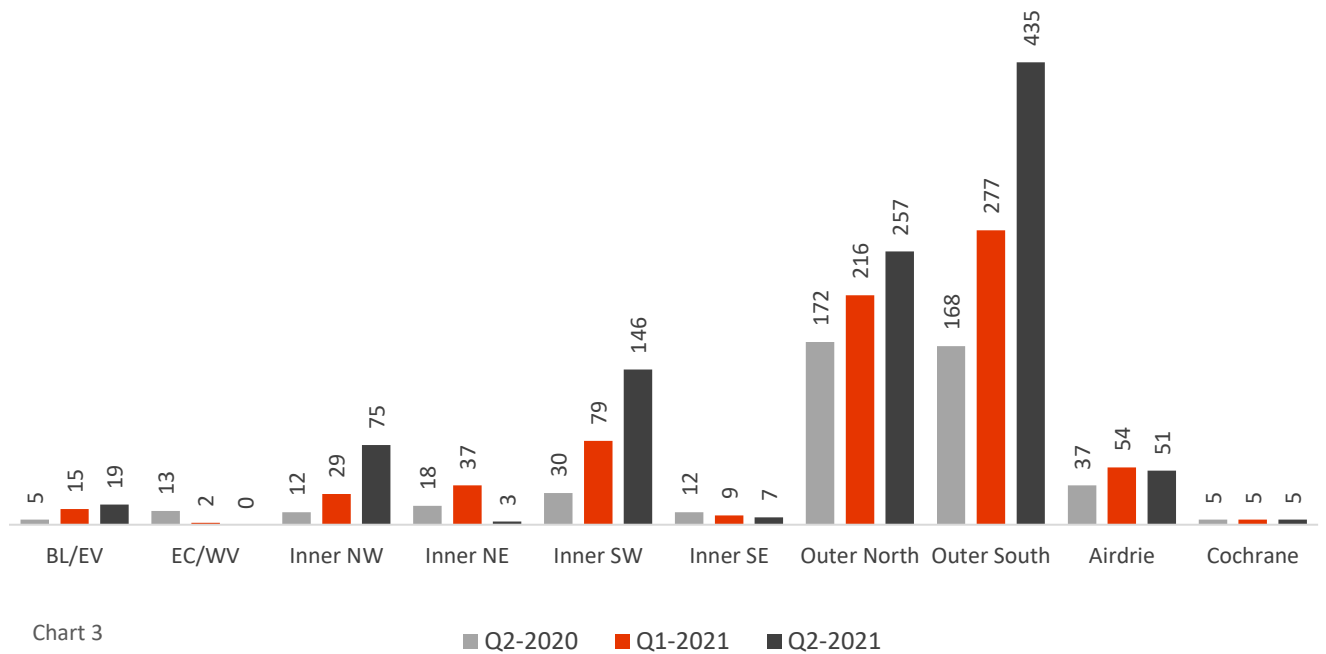
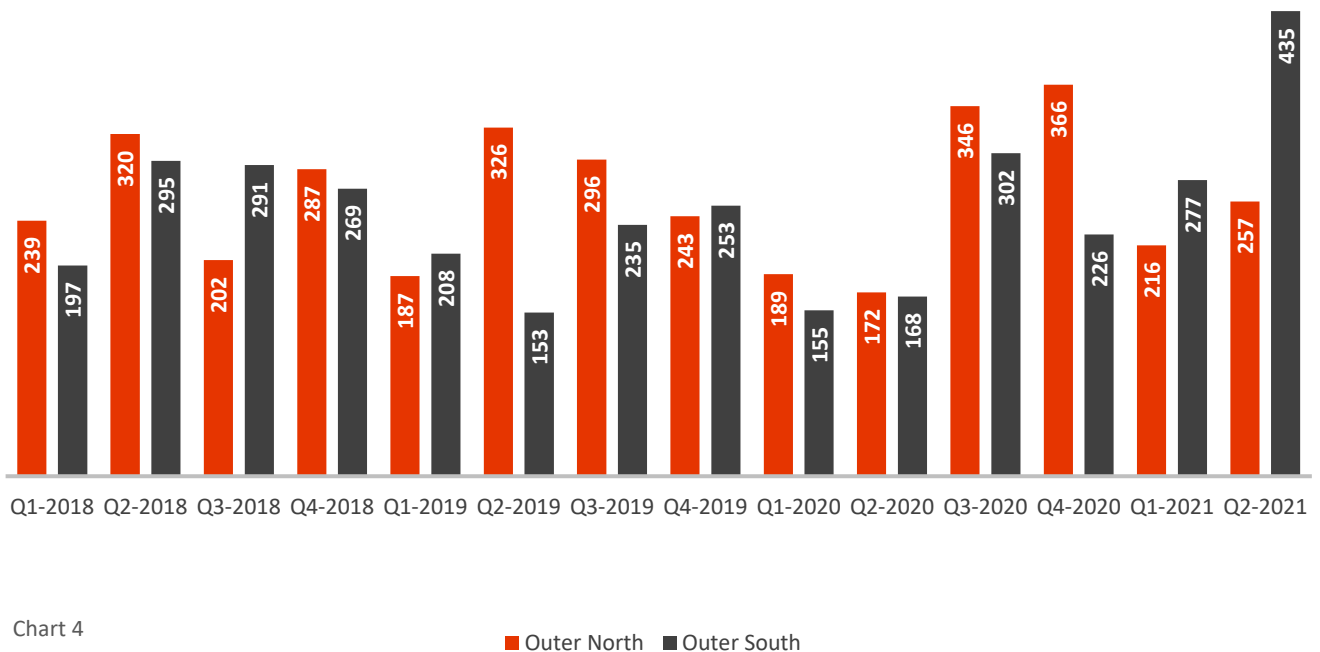


Chart 2

QUARTERLY SALES BY SUB-MARKET



OUTER NORTH VS. OUTER SOUTH QUARTERLY SALES

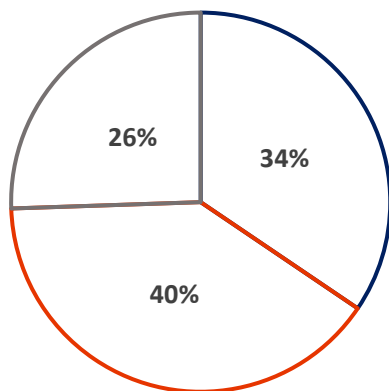


QUARTERLY SALES BY PRODUCT TYPE

Chart 5 highlights the increased demand for all three product types in the second quarter as concrete, wood frame and townhome sales were up 145, 50, and 23 percent from last quarter, respectively. New homebuyers are continuing to purchase larger townhomes and wood frame condominiums in the outer suburban communities, though there has been a substantial increase in demand for both townhomes and wood frame condominiums in the Inner Northwest and Southwest sub-markets as well. Part of the increase in demand both for new wood frame condominium and townhome units was driven by investors in Toronto and Vancouver, which signals the anticipation for higher rental demand in inner city communities.



TOWNHOME SALES



CONDO SALES

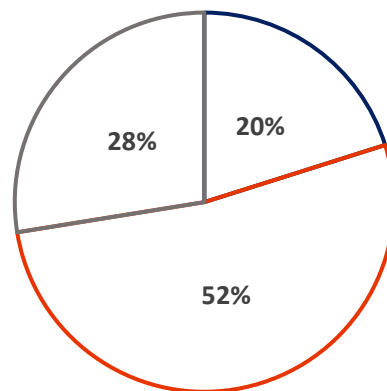


Chart 6

Outer North Outer South Inners

DECREASE IN RELEASED & UNSOLD INVENTORY

Chart 7 shows an overall decrease in the amount of released and unsold inventory by sub-market in the second quarter of 2021. Overall inventory in the Calgary market has decreased by 17 percent, with the most significant decrease occurring in the Inner Southwest sub-market. The 24 percent (152 unit) decrease in standing inventory in the Inner Southwest sub-market can be attributed to persistent demand from first time home buyers, downsizers and investors who continue to take advantage of the historically low interest rates. This area remains an appealing option for young professionals and families to live due to the convenience associated with the surrounding amenities, schools, commuter routes and access to the mountains.

Rlsd & Unsold Inventory Δ	
Submarket	Quarterly
BL/EV	-19
EC/WV	0
Inner NW	-140
Inner NE	20
Inner SW	-152
Inner SE	3
Outer North	-116
Outer South	-113
Airdrie	-48
Cochrane	-4
Total	-569

The highest number of released and unsold units are in the Outer North and Outer South sub-markets (878 and 752 units, respectively) where a significant proportion of actively selling projects in the market are located. Total released and unsold inventory in the concrete, wood frame and townhome sectors decreased by 37, 11 and 17 percent, respectively.

RELEASED & UNSOLD INVENTORY BY PRODUCT TYPE

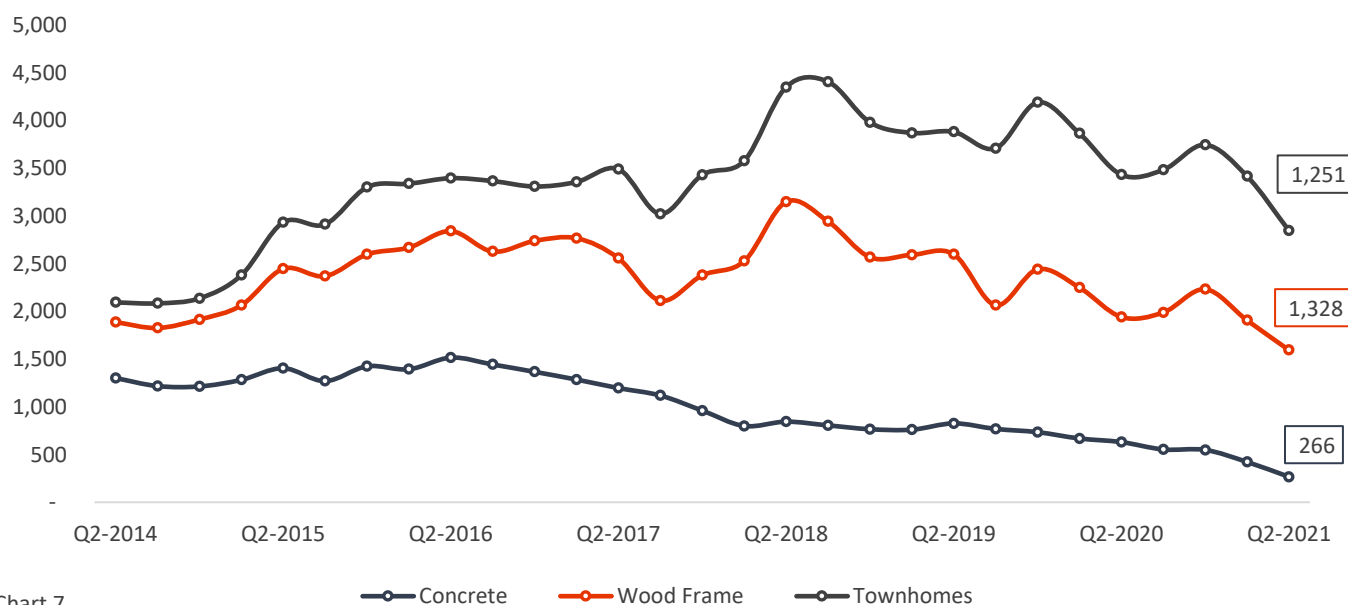


Chart 7

DECREASE IN STANDING INVENTORY

- There was a 32 percent drop (238) in the number of completed and unsold units in Q2-2021 compared to the previous quarter. This illustrates the impact of the sustained level of demand among local buyers for move-in ready units.
- The higher volume of traffic in sales centers has resulted in move-in ready homes selling quickly.
- There are currently just 516 move-in ready units available to purchase in the market.
- The Outer North and Inner Southwest sub-markets currently comprise the highest levels of standing inventory and account for 138 and 160 move-in ready units, respectively.

STANDING INVENTORY TREND

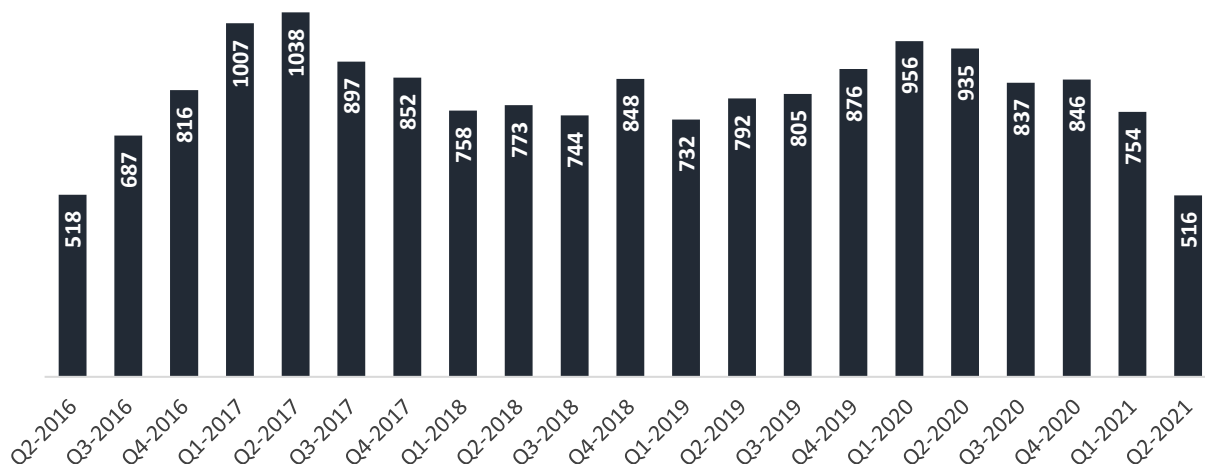
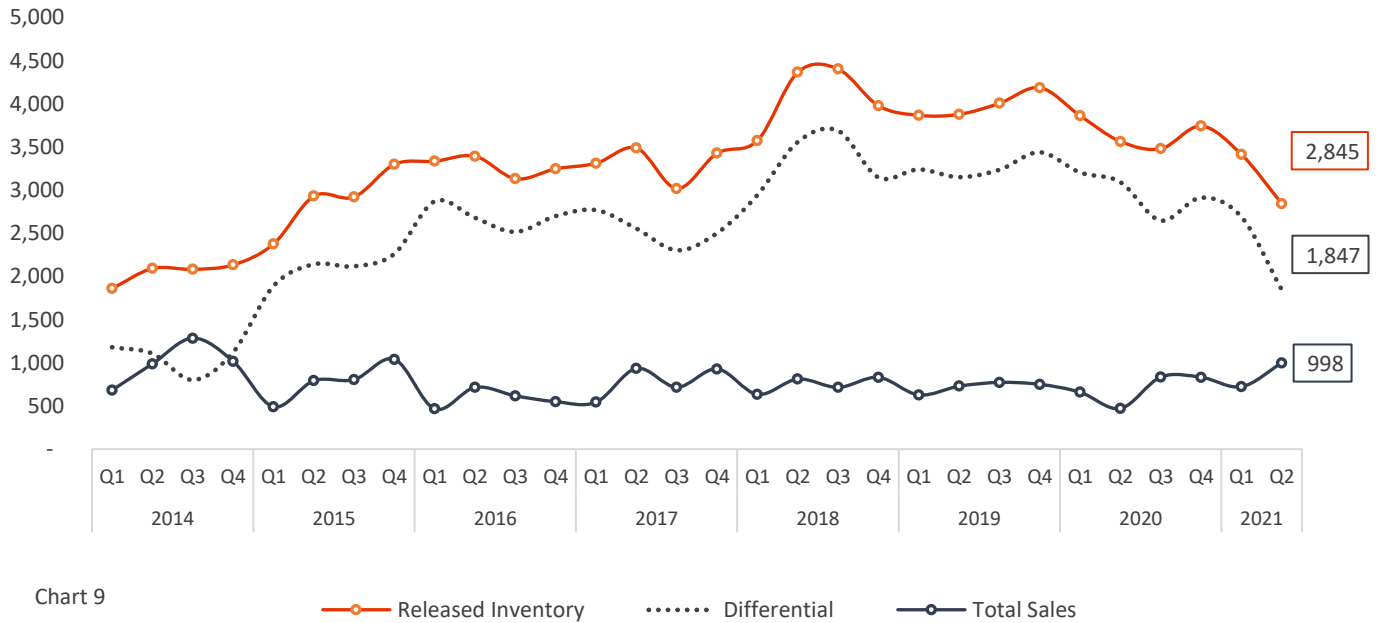


Chart 8

QUARTERLY SALES VS. UNSOLD INVENTORY DIFFERENTIAL







The differential between total unsold inventory and total sales during the quarter was 1,847 units, an eight percent decrease relative to the previous quarter and a 31 percent drop year-over-year. The decrease in the spread of sold and unsold units is due to the limited amount of new project launches and the continued drop in inventory levels.

QUARTERLY SALES VS. UNSOLD INVENTORY



PRICING TRENDS

- The average unit price for concrete, wood frame, and townhome product increased compared to the previous quarter by 0.62, 1.07 and 0.7 percent, respectively.
- The average unit price for the market is now \$372,553 which is up 1.62 percent compared to the previous quarter.
- The average price per square foot for wood frame condominiums increased by 1.65 percent to \$369, up from \$363.
- The average price per square foot for townhomes increased by 0.77 percent from \$261 to \$263.
- These increases are almost entirely due to higher lumber and other material input costs, which have caused developers to increase prices to cover the rising costs.
- To date, the higher prices have not been substantial enough to deter prospective buyers as evidenced by the increase in quarterly unit sales.
- UA anticipates demand for new multi-family housing to continue rising as restrictions lift for interprovincial and international travel, which drives population growth.
- Further moderate increases in lumber and other construction costs should not have a significant impact on absorptions assuming current demand levels persist.

	<u>Q2-2020</u>	<u>Year-Over-Year</u>	<u>Q1-2021</u>	<u>Quarter-Over-Quarter</u>	<u>Q2-2021</u>
Concrete	\$628 PSF \$517,280	8.78% Price  0.48% \$PSF	\$629 PSF \$559,251	0.62% Price  0.32% \$PSF	\$631 PSF \$532,720
Wood Frame	\$372 PSF \$327,603	2.96% Price  0.81% \$PSF	\$363 PSF \$314,519	1.07% Price  1.65% \$PSF	\$369 PSF \$317,890
Townhome	\$268 PSF \$370,708	6.43% Price  1.87% \$PSF	\$261 PSF \$344,487	0.70% Price  0.77% \$PSF	\$263 PSF \$346,889

BUYER TRENDS

Higher interest from both entry level buyers and downsizers increased throughout the quarter and was a primary factor in the rise in unit sales. The pandemic has led buyers to seek larger or more functional space given the number of individuals working from home and the general increase in savings that has translated into a release of pent up demand. As more buyers have entered the market the general home price in Calgary has increased, which has enticed prospective downsizers into the market now that they are able to extract more equity out of their current home.

It was also noted that there is still a high level of urgency among buyers looking to purchase move-in ready units, which explains the 32 percent drop in standing inventory levels in the market. This trend is expected to continue through the balance of the year.

An emerging trend observed through UA's market monitoring has been the increase in activity by investors from Toronto and Vancouver. The rapid inflation in home prices in those markets has led many investors to consider Calgary, where they are able to purchase multiple units. These investors are reportedly buying with the intent to hold and rent the units, which indicates strengthening confidence in the rental sector, particularly as the lifting of COVID measures will allow for more travel and a return to in-person learning in the fall for post secondary institutions.

NEW PROJECT LAUNCHES

There were four new project launches in Q2-2021. Two notable projects included:

- Rohit Communities launched *Mira at Seton Circle* in Seton. This wood frame condominium building consists of 97 units ranging from one to two bedroom floorplans. Project representatives reported that 10 of the 97 units have sold since launching in late March. The project is seeking an average sale price of \$234,192 (or \$336 per square foot). Sales representatives noted the purchaser mix is dominated by first time home buyers along with some downsizers.
- Partners Development Group launched *Journey* in Homestead in the Outer North. The townhome project consists of 62 units and has since sold eight since the official launch in late March. The project is currently seeking an average sale price of \$343,596 (or \$274 per square foot) and offers both two and three bedroom units. Sales representatives have reported buyer traffic has comprised primarily of first time home buyers and downsizers.

UA continues to closely monitor many contemplated multi-family home projects currently proceeding through the approvals process in Calgary and anticipates a gradual increase in the number of new projects launching in the second half of 2021. The following are some notable projects anticipated to launch in the second quarter of 2021:

- *Brooklyn Townhomes* (South Calgary – Inner Southwest)
- *Savanna in Saddle Ridge* (Saddle Ridge – Outer North)
- *Symon* (Evanston – Outer North)
- *Lanark Landing* (Lanark – Airdrie)
- *Rohit Seton Townhomes 1* (Seton – Outer South)
- *Rohit Seton Townhomes 2* (Seton – Outer South)
- *Rohit Seton Townhomes 3* (Seton – Outer South)

INCENTIVES TREND

The number of developers offering incentives has decreased significantly compared to 2020. This was especially noted in the Inner City sub-markets as they have experienced a rapid increase in demand and have found that purchase contracts are continuing to go firm even in the absence of some of buyer incentives. As demand for new multi-family homes has increased, developers have become increasingly able to offer fewer or no incentives. However, the more commonly offered incentives during the quarter range from one-year free condo fees, \$5,000-\$10,000 (or 10-15 percent) off the purchase price or \$5,000-\$20,000 in upgrades. Other incentives being offered include:

- *No condo fees for five years or equivalent value in cash*
- *Up to \$30,000 off select suite types*
- *\$6,000 discount and \$5,000 in available upgrades*
- *\$15,000 off One Bedroom units; \$20,000 off Two Bedroom units; \$25,000 off Three Bedroom units*
- *No condo fees for four years*
- *\$10,000 off purchase price*
- *Design credit of \$10,000*
- *Live free for three months*
- *\$3,000 patio incentive (Furniture + Concrete)*
- *\$5,000 off purchase price of a washer/dryer and blinds package plus an additional \$2,000 in available upgrades*
- *Lawyer fees paid by developer*

UA analysts will continue to closely monitor activity at new multi-family home project presentation centres during the second half of 2021 and look forward to reporting the results to you.

ALBERTA STATE OF THE MARKET

UA is actively working on the Q2-2021 edition of the ALBERTA STATE OF THE MARKET report, which provides an aggregate summary of the status of new home markets in Edmonton and Calgary along with economic metrics relevant to the housing industry.

[CLICK HERE](#) to download the Q1-2021 ALBERTA STATE OF THE MARKET report.



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 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 or rental apartment community.

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