



Urban

Formerly Urban Analytics

Q3 2021

MULTI-FAMILY TAKE: CALGARY

RETURN OF THE INVESTOR



The Multi-Family Take: Return of the Investor

Calgary's new Multi-family market experienced another strong quarter for total absorptions, recording 935 sales, a six percent decrease compared to the previous quarter, and is still the second highest quarterly sales observed in the market within the last six years. This is also noted with the context that the third quarter of the year is historically associated with a decline in sales ranging from 10 – 25 percent and is primarily due to the seasonal cyclicity of the residential market. The continuation of these strong sales rates can be attributed to the outpacing of supply by demand due in part to the favourable interest rates and limited supply which is attracting out-of-province investors from Ontario and British Columbia, along with entry level home buyers and downsizers. As Calgary continues to diversify its economy job opportunities have grown in both the tech and financial services industries. As Calgary's population is expected to grow at an increasing rate over the coming years investors from both the Greater Toronto and Vancouver Areas have aimed to capitalize on this opportunity by purchasing multi-family units (both condo and townhome) in anticipation. This, coupled with the sustained level of demand from both entry level purchasers and downsizers has worked to keep sales rates high across all sub-markets.

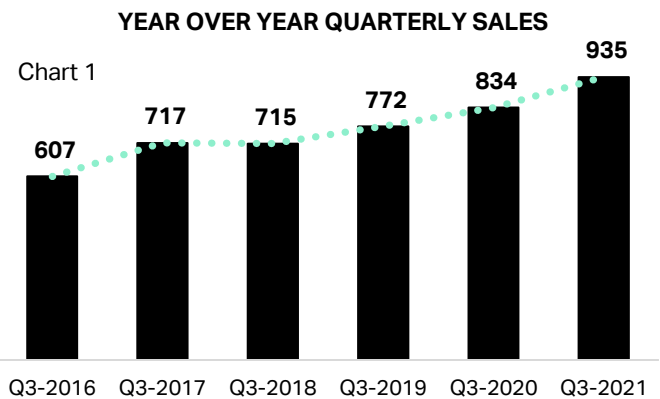
While the Outer North and Outer South sub-markets continue to drive total sales, inner city neighbourhoods have experienced an increase in buyer activity as young professionals, investors and downsizers return to a preference of location-based convenience. This also indicates the decrease in price sensitivity among consumers as pricing has continued to rise amidst supply chain constraints, limited housing supply and rising demand. Condominium sales outpaced townhome sales in the third quarter of the year which is a regression from the mean observed over the past two years and further emphasizes the high level of activity from investors and entry level buyers in the market. Currently there is only 2.7 months of inventory currently available in the new multi-family market and 2.6 months of inventory available in the total residential re-sale market. This limited supply coupled with sustained high levels of demand will keep absorption levels higher than their seasonal averages throughout the rest of the year.

Some key statistics and observations from UA's Q3-2021 review of the new multi-family home sector of the Calgary Market include:

- Quarterly sales decreased by six percent compared to the previous quarter but are up 12 percent on a year-over-year basis
- Condominium sales outpaced townhome sales for the quarter, as 481 and 454 sales were recorded, respectively. This is uncharacteristic for Calgary's market which historically has townhome sales being the primary driver of the new multi-family market
- Sales in the Inner North neighbourhoods, primarily driven by the University District and Greenwich, increased by 51 percent compared to the previous quarter and are up 146 percent year-over-year
- Total released and unsold inventory decreased by 13 percent compared to the previous quarter while standing inventory levels declined by six percent over the same period
- There were nine new project launches which brought 291 units of inventory to the market

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 935 units were sold in Calgary during the third quarter of 2021, only 63 units less (six percent) than the previous quarter and 12 percent higher (101 sales) than the absorptions recorded in the same quarter of the previous year. The total number of absorptions observed in the third quarter of the year represents the second



highest quarterly unit sales recorded in Calgary's new multi-family home market in the last six years. This indicates the sustained demand for new residential product in the city which continues to be generated primarily from first time home buyers, downsizers, and a recent increase in investor activity from Ontario and British Columbia. The third quarter of the year tends to follow the seasonal cyclicity of the residential market which sees a general slowing of buyer activity as the warmer summer months come to an end. The change in recorded sales from Q2 to Q3 tends to range anywhere from a 10 – 25 percent decrease, and typically averages around 700-800 sales, historically. The general sentiment that interest rates will remain flat at least for the balance of the year has helped keep buyer activity elevated amongst entry level home buyers and investors. According to Glassdoor.ca, the City of Calgary currently has just over 6,000 job vacancies, with around 50 percent of them belonging to either the tech or financial services industries. These career opportunities along with the competitive wages being offered and general housing affordability have helped keep residential sales at historical highs as out of province investors and interprovincial migrants move to Calgary to take advantage of the strong economic conditions.

QUARTERLY SALES COMPARISON

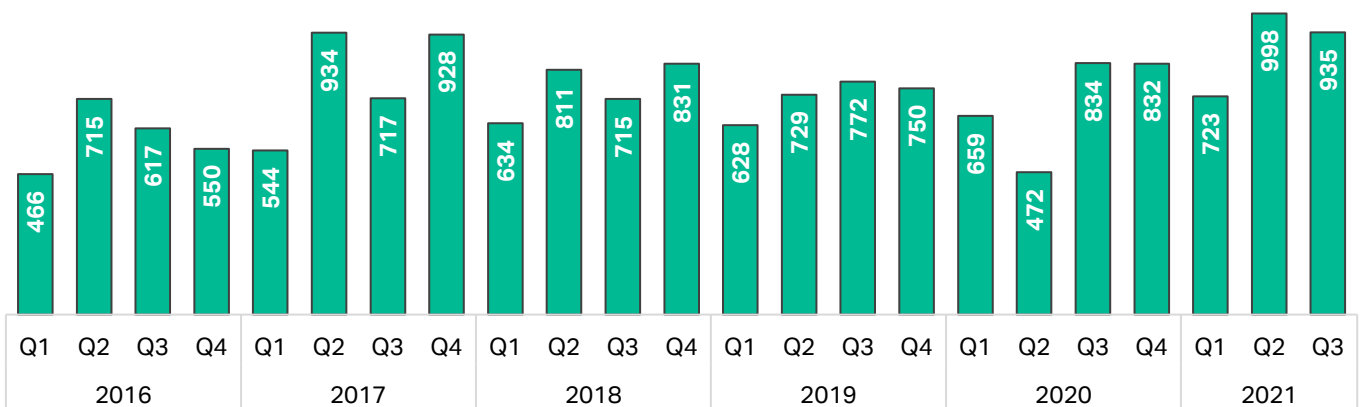


Chart 2

SUB-MARKET SALES ACTIVITY

The three sub-markets which recorded the highest number of quarterly sales included the Outer South, Outer North, and the Inner Northwest. While the Outer North experienced an eight percent quarterly increase in sales, the most notable increase came from the Inner Northwest sub-market, where sale rose by 57 percent compared to the previous quarter. This sub-market is notably comprised by

Quarterly Sales Comparison			
Sub-Market	Q2-2021	Q3-2021	% Δ
Outer North	257	277	8%
Outer South	435	352	-19%
Downtown	19	10	-47%
Inner North	78	118	51%
Inner South	153	94	-39%
Airdrie/Cochrane	56	84	50%
Total	998	935	-6%

communities including University District, Greenwich, Crestmont, and Trinity Hills. The sales growth in these areas was largely attributed to the recent increase in absorptions at projects located within the University District, many of which were either hospital staff, young professional couples, investors, or parents purchasing for their children as in-person learning returns in September. Over the last two years the most dominant inner city sub-market has been the Inner Southwest, which has leveraged the established affluent communities surrounding it to attract younger home buyers and downsizers to the area through relative affordability. As market demand continues to prove resilient buyers are returning to more walkable inner-city locations even though they may command a slight price premium.

QUARTERLY SALES BY AGGREGATE SUB-MARKET

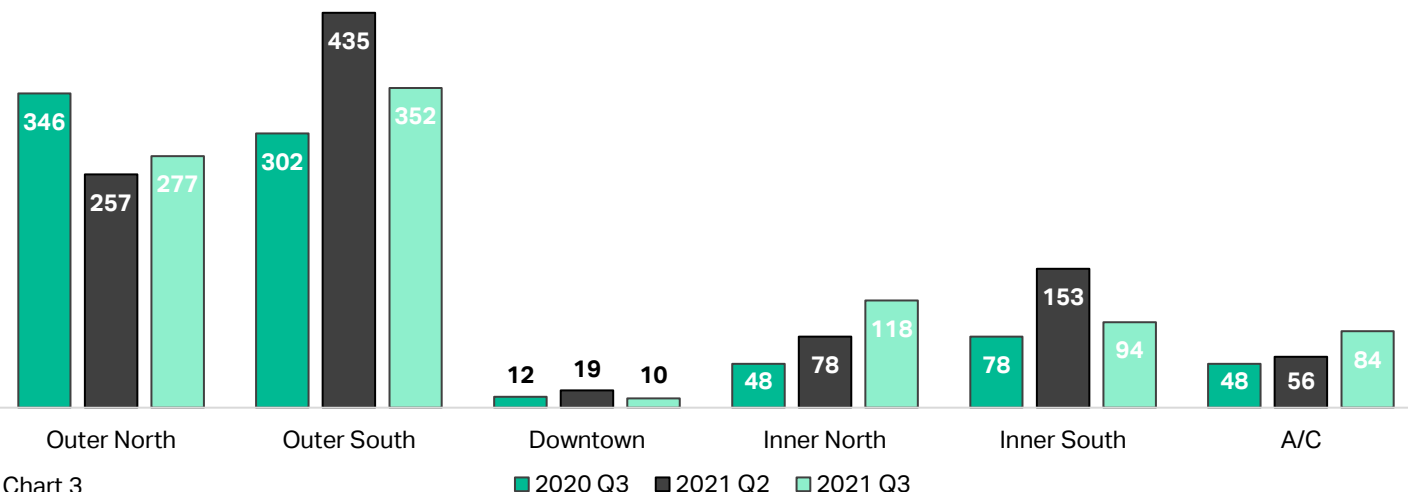


Chart 3

QUARTERLY SALES BY SUB-MARKET

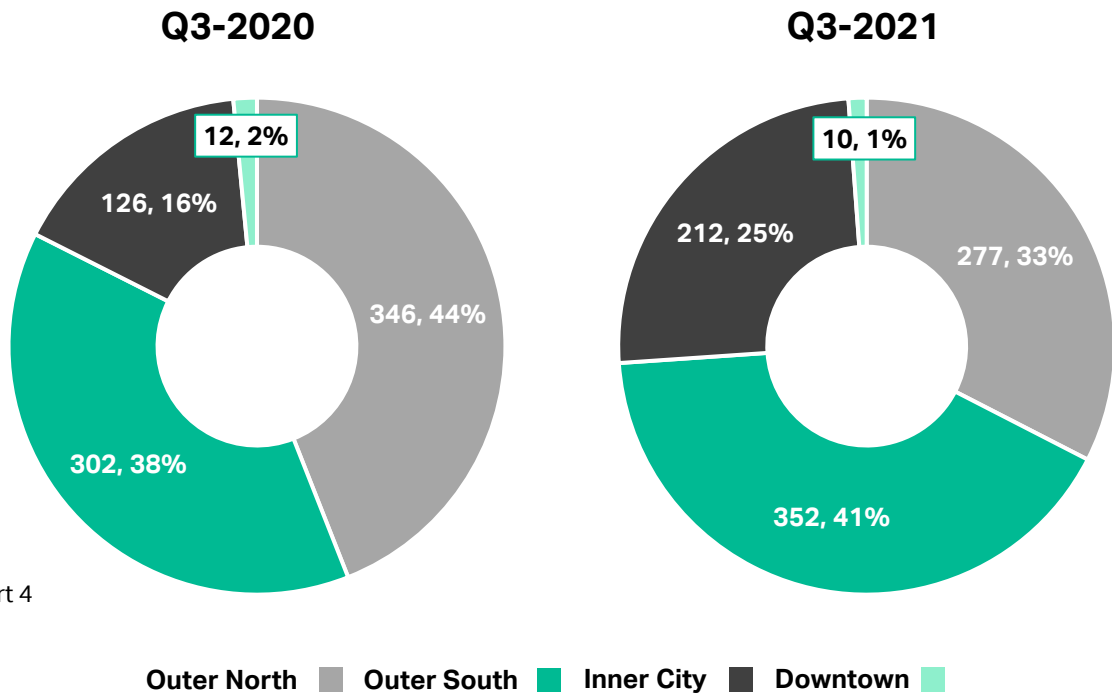


Chart 4

Although the outer suburban communities continue to drive total unit absorptions, Calgary's inner-city sub-markets have now experienced four quarters of sales growth, signaling the potential slow down and even reversal of residents who have been flooding to outer suburban neighbourhoods in search of affordability. While the Outer North and South continue to dominate the new multi-family market in terms of total unit volume and overall affordability, the recent increase in sales recorded in the inner-city multi-family projects indicates that strong economic growth both provincially and regionally are working to attract investors from out of province along with new migrants. Barring that further social restrictions are not implemented as a response to the pandemic it is anticipated that this demand growth will continue over the next year, with inner-city projects continuing to be efficiently absorbed as employers call for a return to in-office working, or some hybrid model. This will help reinforce the value home buyers place on the locational advantages to living close to the downtown core. It is also expected that as other markets such as Toronto and Vancouver continue to experience rising home prices, many young working professionals will come to Calgary in search of job opportunities and more affordable living accommodations. This same opportunity is also presented to private investors in these markets aiming to take advantage of Calgary's growing population and rental demand.

QUARTERLY SALES BY PRODUCT TYPE

Calgary's new multi-family market continues to experience rising demand for condominiums, as sale for this product type surpassed total townhome sales in the third quarter of the year. Over the last three years Calgary's multi-family market has been predominantly driven by townhome sales as entry level buyers and downsizers absorbed these units in outer suburban communities. 40 percent of overall new home sales in the third quarter were wood frame condominiums.

Quarter	Concrete	Wood Frame	Townhome	Total
Q3-2021	71	410	454	935
Q2-2021	76	396	526	998
Q3-2020	55	332	447	834

QUARTERLY SALES BY PRODUCT TYPE

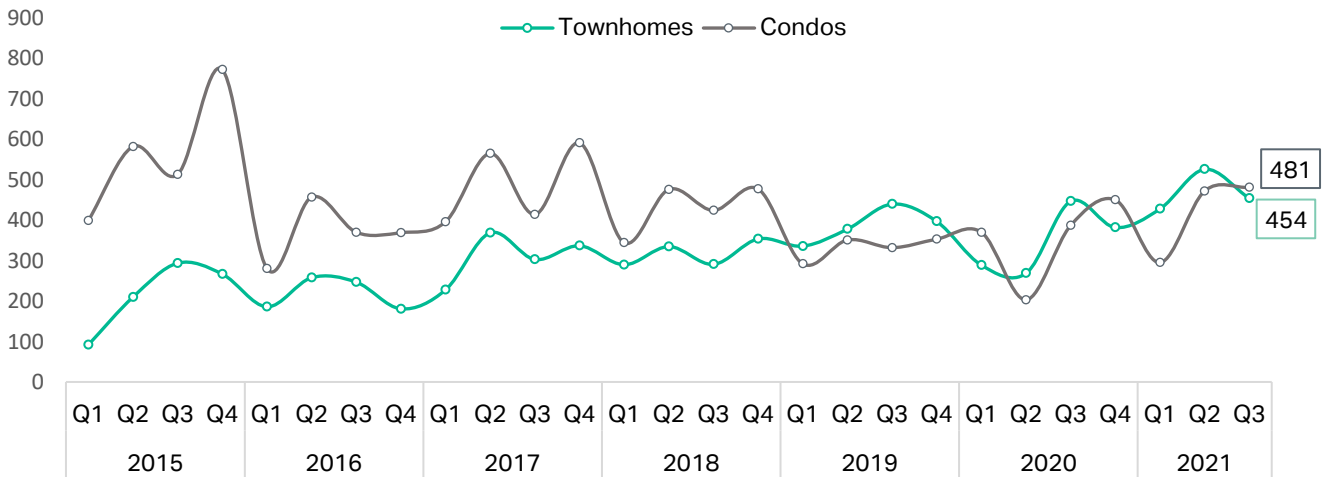
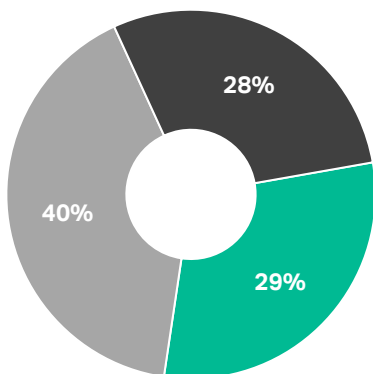


Chart 5

CONDO



TOWNHOME

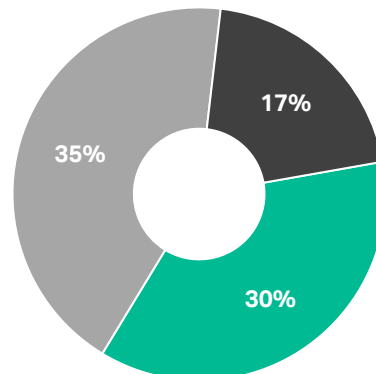


Chart 6

Outer North ■ Outer South ■ Inner City ■

DECREASE IN RELEASED & UNSOLD INVENTORY

Chart 7 shows an overall decrease in the amount of released and unsold inventory by sub-market. Overall inventory in the Calgary market decreased by 13 percent and marks the fourth consecutive quarter of inventory declines. All sub-markets experienced a decrease in overall released and unsold inventory totals except for the Outer South which rose by a five percent. The most notable decreases in released and unsold inventory occurred in both the Inner Southwest and Airdrie, which declined by 21 and 73 percent, respectively. This continued draw down on inventory levels signifies the persistent demand facing Calgary's new multi-family market and has now proven to outpace supply. The prevailing market sentiment has been that rental housing has been the consumer

Rlsd & Unsl'd Inventory Δ	
Sub-Market	Quarterly Δ
BL/EV	-10
EC/WV	-7
Inner NW	-56
Inner NE	-23
Inner SW	-101
Inner SE	-8
Outer North	-76
Outer South	39
Airdrie	-102
Cochrane	-16
Total	-360

preference and that new housing supply is only required in new suburban communities. This is no longer viewed to be the case as favorable market conditions for entry level buyers, downsizers, and investors resulted in unit absorptions across all sub-markets. Locational convenience and access to area amenities have proven to still be the primary driving factors in all sub-markets. This presents a unique opportunity for multi-family developers to bring new supply to market in order to capitalize on the sustained level of demand.

RELEASED & UNSOLD INVENTORY BY PRODUCT TYPE

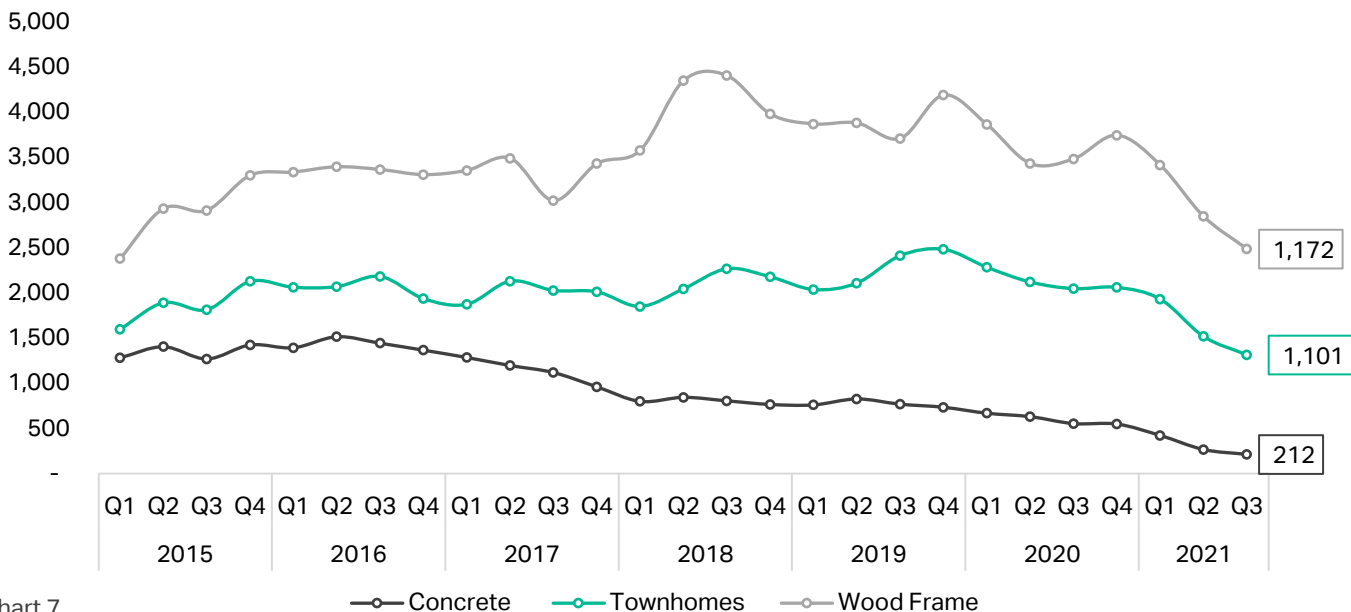


Chart 7

DECREASE IN STANDING INVENTORY

- There was a six percent drop in the number of completed and unsold units compared to the previous quarter. This is a result of sustained levels of demand for move-in ready units and illustrates the continued urgency amongst various buyer demographics. Persistent supply chain disruptions for certain construction inputs also limited developer's ability to release additional phases in order to meet the level of demand in the market.
- The decrease in standing inventory is also due in part to the increase in investor traffic capitalize on the increased demand in the rental market as in-person learning returns to the Universities in Calgary and as interprovincial migration increases.
- There are currently just 484 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 169 and 153 move-in ready units, respectively.

Quarter	Downtown	Inner North	Inner South	Outer North	Outer South	Airdrie/Cochrane
Q3-2021	53	39	162	169	50	11
Q2-2021	50	45	172	138	97	14
Q3-2020	107	50	178	210	252	40

STANDING INVENTORY TREND

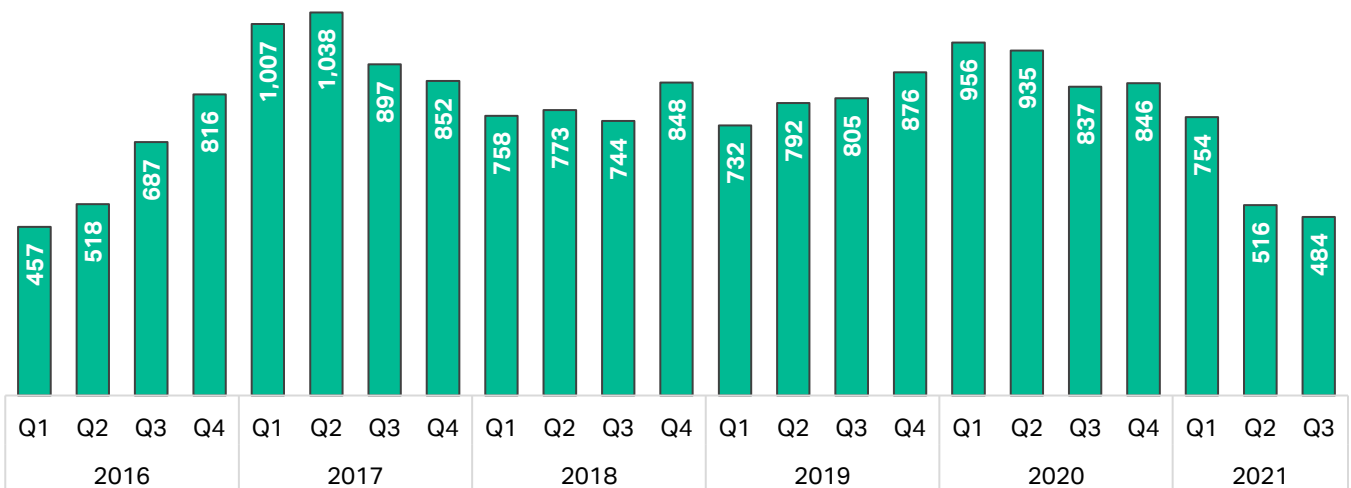


Chart 7

QUARTERLY SALES VS. UNSOLD INVENTORY DIFFERENTIAL

The differential between total unsold inventory and total sales during the quarter was 1,550 units, a 16 percent decrease relative to the previous quarter and a 41 percent drop year-over-year. The decrease in the spread of sold units and released and unsold inventory can be attributed to the outpacing of supply by demand in the market. Bond yields are continuing to reach historical highs which continue to place upward pressure on fixed rate mortgages and allow variable rate loans to be offered at a substantial discount. The decline in the spread between sold and unsold units also signifies the urgency of entry level buyers and the increased activity by out-of-province investors. There is a unique opportunity in the marketplace to introduce new multi-family product in established and amenity-oriented communities.

SALES VS. RELEASED & UNSOLD INVENTORY

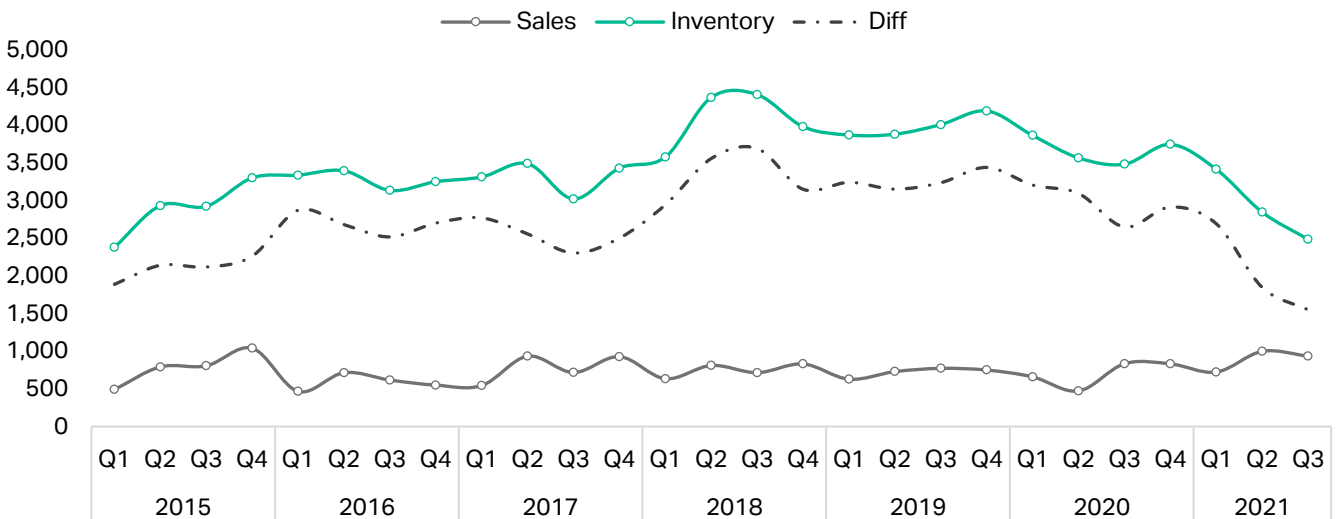
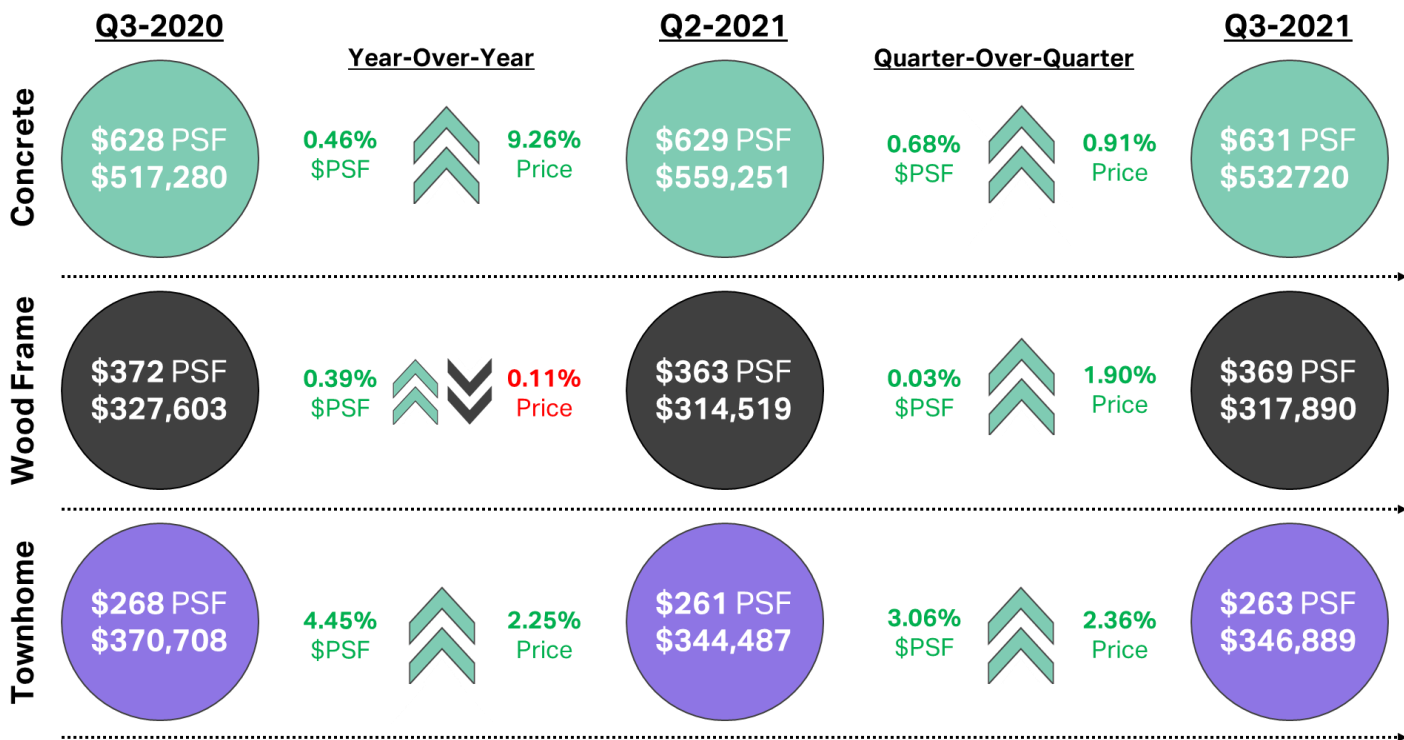


Chart 8

PRICING TRENDS

- The average unit price for concrete, wood frame, and townhome product increased compared to the previous quarter by 0.9, 1.9 and 2.4 percent, respectively.
- The average unit price for the market is now \$350,933 which is up 1.8 percent compared to the previous quarter. The average price per square foot for the market is \$371.
- The largest increase in unit price was observed in the townhome product type which rose by just over \$6,000 per unit. This can be attributed to the sustained level of demand for this product type and high construction input costs which has resulted in developers increasing prices and reducing the amount of buyer promotions being offered.
- Townhomes and condominiums in the Outer North are achieving an average unit price of \$325,810 and \$240,069, respectively. The same product types in the Outer South are averaging \$321,382 and \$338,006, respectively.
- The Inner Northwest and Inner Southwest are achieving an average price of \$476,900 and \$494,864, respectively.



BUYER TRENDS

Total market re-sale data indicates that there are 2.6 months of inventory available which highlights the degree in which demand is outpacing supply. The same can be said in Calgary's new multi-family market which yielded a similar 2.7 months of inventory when comparing quarterly sales to released and unsold inventory levels. Favourable interest rates coupled with Alberta's strong economic rebound following the pandemic is driving demand amongst a variety of buyer demographics including entry level home buyers, downsizers, and out-of-province investors. The biggest takeaway from sales representatives was the interest being shown from investors out of Ontario and British Columbia who are looking to take advantage of the relatively affordable housing prices and lease them out to students, young professionals, and other newcomers to the province who are being attracted by the high number of job opportunities currently available.

While the outer suburban neighbourhoods continue to attract buyers based on affordability, there was a notable resurgence observed among inner-city projects specifically in the Inner Northwest and Southwest. Sales representatives in these areas noted that interest is still being shown from entry level buyers who are looking to move out of their rental units and into home ownership. Due to the strict mortgage qualification rules these buyers have long job histories and are in many cases living with a partner or spouse. With the anticipation that interest rates are going to remain flat for the balance of the year it is the expectation that demand for new multi-family product remains high which will continue to place upward pressure on housing prices.

NEW PROJECT LAUNCHES

There were nine new project launches in Q3-2021. This tops the most project launches recorded in a single quarter within the last three years. Of these nine new projects, four are wood frame condominiums and five are townhome. These new wood frame condominium projects are averaging 1,101 square feet in size and \$424,250 per unit while the new townhome project launches are averaging 1,541 square feet and \$415,046 per unit. Seven these new launches occurred in the Outer South sub-market. All together these nine new projects brought 291 new units of supply to market.

Type	Launches	Total Units	Rlsd Units	Avg. SF	Avg. \$	Avg. \$PSF
Wood Frame	4	203	167	1,101	\$424,250	\$385
Townhome	5	207	124	1,541	\$415,046	\$271

Two noteworthy projects include:

- Cedarglen Living launched *Riverstone Manor (Building 1)* in Cranston. This four-storey wood frame condominium building consists of 47 units ranging from one- to two-bedroom floorplans. The project has recorded 19 sales within its first two months on the market.
- Streetside Developments launched *Harmony Park* located in the Outer North community of Harmony. This 47, unit three-storey townhome development offers a range of three-bedroom units which all include two- and one-half bathrooms with double garages. Sales representatives noted that buyer demographics have consisted primarily of downsizers and recently divorced home buyers. The project has recorded 10 sales within its first month on the market.

Zonda Urban 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 third quarter of 2021:

- *Hudson at Creekstone* – Streetside
- *Easthills Crossing* – Minto
- *Legacy Park II (Building 8000)* – Brad Remington Homes
- *Southpoint Back-to-Back Townhomes* – Vesta Properties
- *Southpoint Rowhomes* – Vesta Properties

INCENTIVES TREND

The number of developers offering incentives has decreased significantly compared to 2020. 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*

Zonda Urban 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 Q3-2021 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 Q2-2021 ALBERTA STATE OF THE MARKET report.



We appreciate your feedback. Please contact us with any questions regarding this Calgary multi-family report 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, Zonda Urban 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.

ZONDA URBAN
1-587-885-3535
info-alberta@urbananalytics.ca