

## **Sky isn't falling on Calgary's condo market**

Fears of unit oversupply seem to be fading

**Richard White**

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'To build or not to build' -- that is the question facing many Calgary condo developers.

As a Calgary Planning Commission member, I see major new condos being proposed for Calgary's downtown almost every other week.

Yet, one has to wonder when -- or even if (because a developer with approval has no obligation to actually build) -- they will be constructed.

At least two condo projects that recently received commission approval will not be going ahead anytime soon, with representatives of one saying they won't even think about marketing their project until 2009.

As marketing is the first step, even before construction, the move-in date for that condo is at least three years after that point.

Friends and colleagues constantly ask: "Do you think Calgary's condo market is overbuilt?"

I was never comfortable answering this question, as I really didn't know the answer -- that is, until I received a copy of independent condo market research firm MPC Intelligence's newly released Calgary Condominium Market Report.

Not to bore you with the many, albeit interesting, details of the report, here is the key finding that helps address this question in an objective manner:

"Since September 2007 (which according to MPC's research was the market low as far as condo demand went), we have witnessed a slowed absorption of available product on the market and delays from many developers to introduce new sites," says the report. "These changes are resulting in a stronger and more stable real estate market in Calgary in 2008."

In terms of Calgary's downtown, the report indicates that market continues to be an area of good stability and that there was decent absorption of units in 2007 -- not as strong at the hot market of 2006, but still very good based on historical absorption rates.

The report indicates more than 1,250 condominiums were purchased in the last 10 months of 2007, with the strongest projects being the Waterfront and Le Germain condo developments.

More insights were gained after talking to Jennifer Podmore Russell, managing partner of MPC.

She says Calgary's condo market was "white hot" in 2005 and 2006 because Calgary condo prices were underpriced compared to those in the Vancouver and Toronto markets, resulting in many real estate speculators moving into the Calgary market.

She points out that "in 2007 -- and to some extent in 2008 as well-- these speculators began selling off their investments, which in turn put the brakes on the surge in demand and increase in condo prices in Calgary, not dissimilar to what has happened in Vancouver and Toronto."

Podmore Russell feels that Calgary has returned to a more traditional market demand -- one based on the purchaser being the person who will be living in the condo.

She sees a return to "a more modest increase in value, where five to 10 per cent annual increases will be the norm in the future."

Calgary is unlikely to see projects selling out in a weekend, she says; the market will instead see slow and steady sales.

"The ideal scenario for developers is when the last unit sells on the last day of construction, since you don't want to be selling all of your units at 2008 prices when the condos won't be completed until 2010," she says.

MPC's findings are reflected in some newly-launched Calgary products.

For example, Balboa Land Investments' Keynote project at 1st Street and 12th Avenue S.E. -- which consists of a 14-storey office tower, Sunterra market, bistro, cafe with wine shop and two condo towers -- released 67 new units for sale in mid-March.

One third of the units sold in two weeks.

Astoria condos, by Arcus Developments on 10th Avenue S.W. at 9th Street sold a total of 45 units from June 2007 to early 2008 (source, 2008 Buss Marketing Condo Report).

It recently released 120 additional units in the second phase of the project, selling 35, or 30 per cent, in the first weekend alone.

Five of the six penthouse suites, which are priced at more than \$1 million, were also snapped up. Such totals will likely make it the most successful launch of the spring, says Arcus Developments.

It's been so successful that Arcus is looking at accommodating requests to combine or re-configure other suites on the uppermost or Platinum floors, levels 27 to 33, to create more three-bedroom units and larger square footages

While such sales figures are perhaps not quite as impressive as the 2006 sellouts that took only a weekend, they are far better than sales of less than five units per month that many condos experienced in the later half of 2007.

This is a sign of conditions returning to a healthy condo market.

During recent conversations with Mel Grebinsky, general manager of

Generations Development -- a division of Genesis Land Development and Calgary's largest condo developer -- he indicated his high optimism about the Calgary condo market.

Generations Development currently has 124 condos under construction, development permits for 833 more and 1,070 in the various stages of planning.

As Podmore Russell says, Calgary has a "very strong economy."

"People still need homes and people's lifestyles are changing such that the condo market in Calgary will continue to be strong.

"For the past nine months, Calgary has experienced the Chicken Little Syndrome. However, the sky isn't falling on the condo market, it's just returning to a more stable and sustainable situation."

Richard White is a Calgary-based writer who has written on art, architecture and urban culture for more than 20 years. He is also an Associate at Riddell Kurczaba Architecture and can be reached at richardw@riddell.ca.

In Short:

- Downtown absorbed more 1,250 condo units in 2007;
- Recent sales of new condos have been strong;
- 2005/06 condo price increases were an anomaly -- condo price increases returning to "more normal" five to 10 per cent annual increases;
- Calgary condo market will improve in 2008.

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