

# NEW CONDOS

## RECREATION & INVESTMENT PROPERTIES

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### AFFORDABLE OPTION

First-time buyers turning to condos.

J6

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Gangster's former hideaway now project. In Rec Properties.

J7



# Year of the delay

## Approval process blamed for '07 decline

KATHY McCORMICK  
CALGARY HERALD

A hit 1982 movie might sum up this year's condo market for local residential builders and developers.

It was The Year of Living Dangerously. "It's like the perfect storm right now," says Chris Wein, vice-president of sales, marketing and product design for Assured Developments.

Final numbers aren't yet available but Canada Mortgage and Housing Corp. predicts construction starts of multi-family housing will total 6,250 units for 2007 — down five per cent from 2006.

That's a good number considering how cool the real estate industry has been in the past few months, say the experts. "The theme could be the challenges getting through approvals with the various authorities," says Wein. "It's taken longer for us to get most of our projects to the development stage, and that's not only here but in other jurisdictions such as Canmore."

In turn, that has delayed product starts, he says. "Due to the sheer volume of applications, the process takes longer and

longer, and the detail and amount of examination put into those applications today from approving authorities is quite a bit more intense than in the past, so it delays it further."

Statesman Group of Companies had the same problem, as did Resiance Corp.

"Because new projects are taking quite some time to go through the approval process at the city, for a fairly significant part of last year, we were not in a selling mode," says Brad Milne, vice-president and legal counsel for Statesman.

For Resiance, the company was expecting 400 sales in 2007, but ended the year "not even close," says president Barry Chow. "We're very project dependent, so if our projects are delayed, sales don't materialize."

SEE DELAY, PAGE J2

Construction starts likely declined five per cent in 2007.

Calgary Herald Archive

### CONDO SHORTS

#### Construction increases

National construction starts of condo apartments slightly outpaced the previous year's numbers in most of 2007, says a research firm. From last January to October, Toronto was the only market posting a significant decline, says Altus Clayton. Western markets were pulling up the numbers. Edmonton was already at, and Vancouver ahead of, their 2006 totals.

— Kathy McCormick

#### 'Relics' are unholy

A "relic" in your home could be enough to sink a sale, says a U.S. real estate broker. Unless owners periodically invest in repairs and upgrades, their homes will fall so far below the standards of current buyers that they will become obsolete, says Nick Kuhn, as reported in the Washington Post. On his "out" list are features such as dropped ceilings with fluorescent lights.

— Kathy McCormick

#### Old means new trend

Planning to move? Think about the home's design and make sure it fits your needs now and into the future. Forty-one per cent of baby boomers who have a living parent are helping take care of them, says a recent USA Today/ABC News/Gallup Poll. Of those who aren't providing care for their parents now, 37 per cent think they will some day. That may include having parents move into your home, so consider adapting the living space with everything from handrails in bathrooms to ramps on stairs.

— Kathy McCormick

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Some builders say they have encountered delays of up to one-and-a-half years.

FROM J1

# DELAY: Hits affordability

Cole Harris, president of the Centron Group — which is a partner in many projects with Homburg — agrees.

“One of our biggest challenges to date is acquiring municipal approvals,” says Harris. “Delays of six months to one-and-a-half years are what we have encountered, which makes bringing the right product to the market at the right time that much more difficult.”

In turn, that’s added to the cost of doing business — and prices have gone up accordingly, compromising affordability.

Add on the challenge to find qualified tradespeople, and the increasing cost of supplies, and it magnifies problems.

“The homes are as expensive or more so to build today,” says Tim Logel, president of Cardel Lifestyles, which had 290 sales for 2007.

The average price of single-detached resale homes increased to \$346,675 in 2006, up from \$250,832 in 2005, forcing many people to turn to condominiums as a first-time choice for a home.

But the rising prices of the multi-family sector have taken their toll as well, says Lai Sing Louie, senior market analyst for Canada Mortgage and Housing Corp.

The average resale condo price went up a whopping 23.16 per cent as of the end of November, up from the same period in 2006.

The average resale condo price was \$285,918 in January 2007, hitting a high of \$332,237 in May.

“This is higher than the average price of \$320,246 for a single-detached home in the Calgary metropolitan area as recently as January 2006,” says Louie.

While the average new condo price isn’t calculated by CMHC, the average price for new single-family homes is expected to top out at \$475,000 this year.

“Affordability is a big issue,” says Wayne Prokopetz, who handles Hawthorne Homes, the multi-family division of Carma Developers.

“On our Heartland Homes’ side (the single-family wing) we keep on trying to address affordability in single-family homes, but there’s not as much flexibility. There’s a lot more choice in the multi-family segment with townhouses, narrower towns, stacked towns and apartments, all geared to addressing affordability.”

Hawthorne introduced a new product late last year that is a stacked townhouse of just 500 square feet.

“It was priced at \$225,000 in Auburn Bay,” says Prokopetz. “We only released four and all four sold in one weekend.”

Avalon Master Builder also has a townhouse project in Airdrie, called Zen, that has given it the edge. Only eight of the 100 units are left,

says president Christine Scott-Nyuli.

“They were a great price point, under \$300,000, with very modern styling and green features included in the price,” she says.

Still, even with innovative designs, it was a tough year, partly due to the sheer number of speculators, flippers and investors who had bought units when things had heated up, dumping them back on the market at the first sign of a slowdown.

By mid-year, a huge combination of factors took over, say builders.

“The craziness of the past just wasn’t sustainable long term, so we all expected it,” says Scott-Nyuli.

Listings for resale condos bottomed out in March at 3,974, but had risen to 11,188 by the end of November, says Calvin Buss, president of Buss Marketing, which specializes in inner city condos and recreation properties.

“That’s an increase of 181 per cent,” he says. “Condo sales peaked in March 2007 at 4,077, and since then have dropped 52 per cent to 1,954 to the end of November. Speculators are expiring in record numbers.”

The last six months of 2007 were “tough,” he says. “Drilling activity in the oil and gas sector is way down and likely to stay down, many are leaving for their home provinces and we have huge listing inventories to eat up.”

As many as one-quarter of the current high inventory of units on the market could be speculators, says Naum Shteinbah, general manager of one of the city’s largest multi-family developers, Streetside Corp., a division of Qualico.

“The speculators are now dumping those units, which are basically brand-new units that they can sell cheaper than new builders,” he says.

Until that inventory is cleared, things will remain slow, says Shteinbah.

“There’s a lot of consumer uncertainty out there right now,” says Prokopetz. “Builders are also feeling the pressure and some are having specials to clear inventory.”

However, builders remain optimistic about the new year. Things will stabilize and return to a more normal market, they say.

The following are some of the developers’ sales numbers for 2007, along with their original predictions at the start of the year:

- Statesman Group: estimate, 150; actual, 154;
- Assured: estimate, 200; actual, 50;
- Avalon Master Builder: estimate, 100; actual, 92;
- Resiance Corp.: Estimate, 400; actual, 120 to 150;
- Hawthorne Homes: Estimate, 200; actual, 199;
- Cardel Lifestyles: Estimate, 290; actual, 245.



Multi-family housing builders remain optimistic about the future in 2008.

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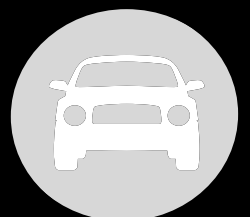
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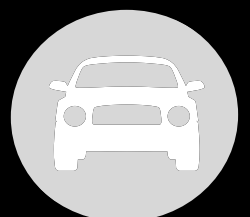
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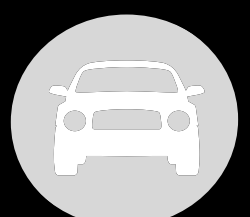
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