

# Tightening the beltline

## Developers reassess their plans for inner -city area

BY KATHY MCCORMICK, CALGARY HERALD JANUARY 24, 2009



Condominium towers and other developments under construction in the Beltline.

**Photograph by:** Dean Bicknell, Calgary Herald, Calgary Herald

Highrise condo towers are changing the face of the inner city. But with the market slowdown--after the boom of last year--is that face going to change again?The following is the first of a two-part series that looks at Calgary's inner-city Beltline area.

It's no surprise that Canada Mortgage and Housing Corp. is calling for a drastic drop in construction starts of multi-family housing this year.

Slightly more than 7,000 units were started in the city last year, up 23 per cent from 2007, the highest level since the boom in the early '80s just before the crash--only back then, almost all of those starts were for rental apartments.

This year, CMHC is forecasting just 1,700 starts for multi-family housing.

"Building permits in the City of Calgary for apartments have amounted to only 12 units in the past six months and this indicates a lower level of activity,"says Lai Sing Louie, senior market analyst with CMHC. "Much of the construction activity in 2009 will be from foundations poured in 2007 and 2008."

A large part of that new growth happened in the inner city, especially the area south of the downtown

core known as the Beltline.

The area is north of 17th Avenue South, and south of the Canadian Pacific Railway tracks. It's bounded by 14th St. S. W. on the west and the El-bow River on the east.

"In 2008, there was a high level of condominium construction in the Beltline, especially in the neighbourhoods of Victoria Park and Connaught," says Louie. "These two areas combined experienced 2,183 condominium starts in 2008 (to the end of November) as compared to the annual total of 545 units in that area in 2007."

And 2,000 more units have been approved and are "pending," says Louie.

The ones already built will need to be absorbed before anything new starts--"in a market place that favours buyers," says Louie.

That could mean some projects may never be built, says Paul Battistella, president of Battistella Developments. The company is in the final stages of Colours by Battistella, its latest highrise development in the Beltline.

"Rumours are running up and down 10th Avenue (south)," says Battistella. "There are a number of units that are under construction, but my guess is that there is going to be a correction and some are not going to continue to completion."

Some highrise developments where under-ground parking garages are now being built could just have them capped off at that point and construction halted. "That makes a whole bunch of sense at this time," says Battistella. "Being in the hole gives them a head start when the climate for sales comes back."

He predicts that "if the project is not out of the ground right now, it's not going to come out of the ground"--at least in the near future.

One of the largest multi-family developer in the area--and indeed, one of the largest developers, period--is Torode, which also has commercial and office construction.

It began the massive rejuvenation of the Victoria Park area with arriVa, a huge condo tower project that has changed Calgary's skyline.

Torode is changing some of its plans, says president John Torode.

"We have decided to turn our third proposed condo tower of 42 storeys into a 10-storey boutique hotel instead," he says. "It opens up the north side of the project to downtown views and makes sense connected to the condo--and then it's not as large a project that we have to complete."

The second tower is now under construction, but another Torode project just down the street, Viva, has been cancelled, says Torode.

The company's plans to add a residential component to its popular Hotel Arts location just down the street on 12th Avenue will remain on the drawing boards--at least for now.

"A number of projects have been cancelled in the Beltline," says Torode.

"That's both good news and bad news, but it does reduce the number of projects coming to market and that should bode well for those projects that will go ahead. In 2009 and 2010, we won't see the magnitude of new units coming on the market that was originally thought."

Calvin Buss, president of Buss Marketing, agrees. His company specializes in helping people find investments in the inner-city condo market, as well as some recreation and investment properties.

"Some who can hold on will do that with their developments," he says, adding that such companies will "probably find the market (coming) back sometime this year--but the prices won't come back this year. "

With the amount of speculator units for sale in the area, and resale competing with the new, prices may decline even further to keep new units competitive, he says.

"And you're also competing with any buildings that do go under, where another developer can pick up the building for a lot less and sell for a lot less," says Buss. "Developers either drop prices or give the development back to the bank." Another factor is the huge supply of condos on the market, says Louie.

"There is downward pressure on condo prices as demand is lower relative to supply and this is challenging developers to get their cost and revenues right to make a project viable," he says.

Construction starts of multi-family housing have remained strong since 2000. That year saw 4,344 starts, the best level since 1982.

Since then, the numbers have been just as high: 3,790 in 2001, 4,926 in 2002, 5,116 in 2003, 5,775 in 2004 (a new record), 4,938 in 2005, 6,564 in 2006, 5,728 in 2007 and 7,051 in 2008, the highest number since 1981.

Such a large amount of condo projects is helping change the face of the inner city, says Louie.

"The Victoria Park neighbourhood is being rejuvenated and transformed into a higher-end condominium neighbourhood within walking distance to the central business district," he says.

"A visitor to the area can visibly see the transformation as construction workers continue to build the highrise apartment condominiums.

"The Connaught neighbourhood is dominated by highrise rental apartments and condominiums."

The Beltline is teaming with amenities and close-by services, attracting a growing number of professionals who work downtown, as well as retirees and empty-nesters alike.

As more mixed-use developments are added, more services, shops and amenities come into the area. Renters who like the neighbourhood can become homeowners in a similar location by buying a condo.

The arts and culture scene in the city is centred around downtown, as are many restaurants, clubs, and entertainment venues.

Stampede Park and the Pengrowth Saddle-dome are nearby, and the Talisman Centre is within walking distance.

Things weren't all easy for the area in 2008, despite its attractions. At least one development, Midtown Gateway at 10th Avenue and 5th Street S. W., was closed down last year when its developer, Resiance Corp., declared bankruptcy.

The project was slated to have as many as 500 housing units in two towers. Construction had been started on the underground parkade.

"There has been some activity around that site lately," says Battistella, although no sale of the site has yet been announced.

With some projects on hold and others almost finished, "I don't see a huge number of units flooding the market," he says. "I don't think that will materialize."

Battistella's Colours, for example, is nearing completion. Located at First Street and First Avenue S. W., the 22-storey building has 208 units in total, of which 15 to 20 per cent are left to sell.

"We're close to moving people into that building and have a good selection of units left-- more than I'd like, but not unwieldy--at prices from the high \$200,000s," says Battistella. "Prices aren't down from what they started selling at, but they are off a bit from the peak boom."

Although he won't build another highrise in the near future--he has a smaller, four-storey woodframe condo apartment in Renfrew planned for his next project--Battistella is still confident in the future.

"If the product is in a good location and it's a good product that's priced appropriately, something will change that will allow for a normal market again in future," he says.

"The amount of traffic we are seeing, and the interest we are getting, has been a surprise with all of this going on. We're getting lots of people and I think there's a bit of pent-up demand because everything has been on hold for so long.

"People are super cautious, but it is going to be fine and values are going to hold."

However, the crystal ball remains fogged on when that might turn around--and it won't be before things change in the world economy, says Buss.

"Until consumer confidence turns, we're not going anywhere, and that won't happen until the job losses in North America cease and job creation is positive. You also need stability in the stock market--some resurgence in oil prices,

"We will see what psychological currency Obama will bring to the presidency, and the effect the financial global stimulus packages have. We need that altogether to create a positive climate for the buyer.

"Once we have that, it's psychological and it can turn quickly, but we need solid evidence that it is happening. Meanwhile, we have a huge number of investors just waiting for the bottom and when they sense it's there, they'll start buying quickly."

Here's some of the projects now under construction, pre-selling or on the books for development in the Beltline area (other development sites are in the area.

For more detailed information and updates on these sites, contact developers directly):

- arriVa, Viva and Residences at Hotel Arts, all by Torode Residential-- The first arriVa tower of 34 storeys is complete and residents have moved in. The second tower, which contains 43 storeys at Third Street and 11th Avenue S. E., is now selling.

The third tower has been cancelled and instead will now become a 10-storey boutique hotel.

Viva was also cancelled and the Hotel Arts residences remain on the drawing board at this time.

- Colours by Battistella-- Undertaken by Battistella Developments, the 22-storey highrise at First Street and First Avenue S. W. has 208 units and is almost complete, with residents moving in next month.

Some units still for sale.

- Union Square-- A project by Apex Lifestyle Communities at 13th Avenue and First Street S. W.

Under construction, it will consist of 24 storeys with 163 units. Two towers were originally planned for the site.

- Astoria on 10th-- Created by Arcus Developments, it's a 34-floor, 220-unit tower at 9th Street and 10th Avenue S. W.

- Nuera-- Constructed by Cove Properties, it's the third of three towers that are part of Stampede Station at First Street and 13th Avenue S. E. It is 36 storeys with 231 proposed units.

- Xenex-- Undertaken by Bucci Developments, it was recently completed at 7th Street and 12th Avenue S. W. and consists of 18 floors and 150 units, some still for sale.

- Castello-- A project by Homburg-Centron Teamworks, it's located at Fifth Street and 12th Avenue S. W.

A total of 106 units are ready for occupancy and 40 units remain for sale.

Homburg-Centron also has the Oslo and Cristal projects planned for the Beltline, with sales for Oslo likely to start in the spring. Cristal is currently on hold.

- Keynote-- Created by Balboa Land Investments, it's located at First Street and 12th Avenue S. E.

The 27-storey highrise will have 180 units and a downtown Sunterra market location.

Construction is underway. Two towers were originally planned for the site.

- Oscar-- Proposed by the Eden Group of Companies, this project is at 7th Street and Second Avenue S. W.

The 30-unit, 12-floor building is under construction.

- Centuria on the Park-- Constructed by the Lake Placid Group of Companies, it's located at Third Street and 13th Avenue S. W.

The 18-storey tower will have 81 units and townhouses at street level. Construction has not yet started.

- Manhattan-- Undertaken by BIG (Builders Investment Group), the 240-unit building is proposed for 16th Street and 10th Avenue S. W.

- Montana-- By Procura Developments, the project consists of a 27-floor, 189-unit condo tower at 8th Street and 15th Avenue S. W. that's now close to completion.

- Luna-- Created by the Qualex-Landmark Group of Companies, it's the third of three towers at 10th Avenue and 11th Street S. W.

The other two are Stella and Nova. The company has also bought the Alberta

Boot site at 10th Avenue and 5th Street S. W., where it has proposed two towers of 38 and 48 storeys.