

Waiting Game

BY KATHY MCCORMICK, CALGARY HERALD JANUARY 31, 2009



Chris Bruce and Kelly Erickson on the balcony of their unit in the Castello Tower in the Beltline.

Photograph by: Ted Rhodes, 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 second of a two-part series on the inner-city Beltline area that looks at a buyer's perspective.

Christopher Bruce is living by the axiom that patience is a virtue.

When he first decided to jump into homeownership in 2006, the market was just starting to heat up, especially in the inner city where highrise condominiums in the Beltline were rising faster than mother's home baking--and prices were jumping up even faster.

Today, that same unit, listed on the MLS through the Calgary Real Estate Board, has gone up in price,

says the 27-year-old lawyer. He moved in December into a two-bedroom condo on the 17th floor of Castello by Homberg-Centron Teamworks with his fiancée, Kelly Erickson.

"Certainly things have retreated a bit since the highs of 2007 and early 2008, but I am confident that my unit will hold its value and if I had to sell today, I could sell for at least what I paid for it."

The key is the reason you are buying, he says.

"It might bother me more if I were trying to time the market to make some money, but luckily I am in no hurry to put it up for sale," says Bruce. "If you were looking for a quick flip, those days are over for now, but we will need a roof over our heads and are in no hurry to sell."

A huge number of new units started construction in 2008--7,051 in the multi-family sector.

Most of those were in the Beltline area, where huge holes were dug out everywhere and cranes dotted the skyline near the downtown core.

The Beltline lies south of the Canadian Pacific Railway tracks and downtown Calgary to 17th Avenue, between 14th Street S. W. and the Elbow River.

In addition, CREB had 5,661 condos change hands last year and many more are on the market.

As of the end of December, 1,863 condo units had For Sale signs. Some of those units for sale are new, bought by investors or speculators when the market was hot and now dumped on the MLS listings since things cooled down.

Prices for condo units are expected to temper again this year due to the high number of listings competing for buyers.

CREB is forecasting the average price of a condo unit will be \$287,300 in the city for 2009, down five per cent from last year--when the average had dropped nearly 10 per cent from the high of \$316,370 in 2007.

Bruce puts it in perspective from a buyer's standpoint: "If I were to sell today, would I expect another 20 per cent increase? No, but historically, growth rates revert to their averages over time, so with prices softening, people can expect to get a modest return on their properties over a sufficiently long time horizon."

While the value of Bruce's unit may fluctuate, he says he is "continuing to build equity in my home versus renting where I would be building up someone else's equity."

"The people who leveraged to buy may be suffering now, but that's the risk you take. The thing people forget, no different than the oil and gas markets, is that the exponential growth of the past few years is

an aberration. We are now returning to normalcy.

"We have all seen stories about the people who have been on the market for three months. The problem is they listed in October--a time when the sky seemed to be falling and consumer confidence was low.

"Couple that with the fact that historically people don't normally purchase real estate going into the holidays and you can understand why.

"Three months used to be normal for selling a home. Now if its not sold in three days, we have people predicting a crash.

"So long as you keep perspective on the long-term real estate trends, you will have a level of comfort."

While there may be a pause in the market, it's not a bust, says Cole Harris, president of Centron Group, which is building several condominium towers in the Beltline with Homberg, including Castello.

"The market will continue at a slower pace for some time," says Harris.

"Sales are slow, regardless of price. The market is somewhat 'illiquid' on the purchase side, individual mortgage financing and project financing.

"Numerous projects have stopped which will reduce supply and it will eventually come back to a more balanced market."

At this time, just one project, Gateway Midtown by Resiance Corp., has been stopped--although rumours run freely about some of the many other condo highrises now selling or starting construction in the area.

John Torode, president of Torode Residential --which is constructing numerous condos and commercial buildings in the Beltline and has completed the arriVa tower that signals the start of the rejuvenation of Victoria Park--has changed his plans to build four condo towers in arriVa's complex.

He had cancelled the fourth tower earlier and now has announced the third tower will be changed instead to a smaller boutique hotel.

Centron has several projects in the Beltline that will continue, says Harris, although Cristal is currently on hold and Oslo will likely be released for sale this spring.

"We feel that we are still in a great position, even in a softer market," says Torode.

"We have been in business for over 25 years and are fortunate to be in a solid financial position. Our projects are top quality and in excellent locations.

"We will continue to hold our prices and allow the market to clean out."

However, the market is as difficult for condo developers as it is for prospective buyers, says Harris.

"A challenge that developers continue to face is long project schedules, with one to three years required for permits and two to four years for construction," he says.

"It is easy to see how a market could get over-supplied with permits taking years while eager developers race to get product to the market--not knowing what other projects are coming on line.

"During this period, it is normal to see market fluctuations occur, which is why often you'll see projects cancelled, go into receivership or simply face delayed schedules as demand dips."

The cost of construction is starting to stabilize, with some items actually decreasing in cost--and that bodes well for the long-term, says Harris.

The Beltline is an area that is perfect for re-development, says Bruce.

"Our condo offers us a prime location--close to work and amenities for both of us," he says.

"You certainly see a lot of redevelopment going on. The old library and park area is being redone, we have new shopping centres popping up, and it looks like the area is being revitalized.

"There are many new design shops going in that cater to many different tastes and styles. The amazing thing about our market is that this downturn will create opportunities for others to come in and develop.

"With the prime location, I expect our area to continue with the redevelopment."

Some of that redevelopment that's already taking place includes the renovation of Hotel Arts, another Torode project, that will continue with another addition of shops and possibly more condominiums in the future.

First Street S. W. is also undergoing a rejuvenation, offering new stores and amenities, while Central Memorial Park is in the midst of a re-build.

The Calgary Stampede has announced plans for a major expansion, including shops, services and entertainment venues along Olympic Way S.E.

At the same time, several new condominium complexes in the area will be mixed use and contain additional venues for shops, services and other amenities.

ArriVa, for instance, already has a new spa, upscale restaurant and lounge, and Torode has commissioned a huge public art sculpture outside the complex.

Down the street, Keynote, now under construction, will include a large downtown Sunterra market.

Buyers in the Beltline will benefit from their location, which is already close to the Stampede grounds, the Pengrowth Saddledome, Talisman Centre, the proximity to the Elbow River and the downtown core.

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