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Developer bullish on residential housing market in city's core

A developer with a 50 per cent stake in a proposed residential tower project that would occupy a full city block downtown says he remains bullish about the Beltline's real-estate market, despite Alberta's recession.



Commercial vacancies in Calgary's downtown core have hit about 22 per cent, according to Barclay Street Real Estate.

Sam Gordon, principal at Wexford Developments LP, said he expects energy prices will improve over time, giving the economy a lift, and that demand for new large-scale housing projects like his will eventually pick up.

Gordon said Wexford and its 50 per cent partner in the housing project, Oxford Properties Group, secured development permits from city hall last month.

But the partners remain uncomfortable about moving ahead with the project's first phase, which would involve two towers with 500 rental housing units and street-level retail, just yet.

"While there's no mass exodus out of Calgary, it is still a place where people are losing their jobs . . . and we want to let things balance out," Gordon said in an interview Tuesday at the Calgary Real Estate Forum.

"It could turn around just as quickly as it fell down."

Job losses from the oil price rout have spiked vacancies in housing units and hollowed out office towers.

The Canada Mortgage and Housing Corp. expects the vacancy rate for apartment rentals will hit about seven per cent this month before dropping slightly next year to 5.5 per cent due to modest economic improvements.

But the national housing agency forecasts in-migration to Calgary will remain weak, keeping the vacancy rate well above historical averages of roughly three per cent.

An inventory of recently built multi-family housing is expected to suppress new construction in Calgary next year, according to the agency.

Despite these weak indicators, Gordon said Calgarians still want to live downtown, citing a residential building his company finished on the west side of the Beltline earlier this year. It filled between 50 and 75 units in a few weeks after cutting rents by about 30 per cent.

"On the office side, you can offer space for free but you wouldn't get a bid," he said in an interview. "On the residential side, you lower the price low enough, people will rent."

According to a recent report by Barclay Street Real Estate, the vacancy rate for downtown offices has hit 22 per cent, a record high that could be pushed even higher by projects still under construction.

"I don't know who's going to win the American election, but I can predict that office won't be the highest returning business in the next few years," said Vincent Dods, partner at Calgary-based Gibbs Gage Architects.

Speaking on a panel at the Calgary Real Estate Forum, Dods said continued growth in residential construction throughout the Beltline will likely be tied to the availability of work in the downtown neighbourhood.

Dods said two major projects — construction of the Green Line LRT and redevelopment of the Stampede grounds — could be major drivers of future growth, if done properly.

"Both of those two things could really have a significant impact and a very positive impact on development, to take it beyond just a residential community that we're seeing today," he said.

Gordon said another important factor will be whether developers and the city improve downtown streetscapes to make them more attractive for pedestrians.

He said it will be a focus of his company's mixed-use project on the downtown city block bounded by 11th Avenue S.W., Centre Street S., 12th Avenue S.W. and 1st Street S.E.

"Coming from New York City, I see how much enhancing streetscapes and retail affects the entire area and the project," he said. "I'm a firm believer that in a city, it's all about the pedestrian. Are you motivated to walk from this corner to that corner?"

"That is something that Calgary needs to focus on in the Beltline."