AltusGroup

HOUSING REPORT

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New Townhouses Stacking Up Well

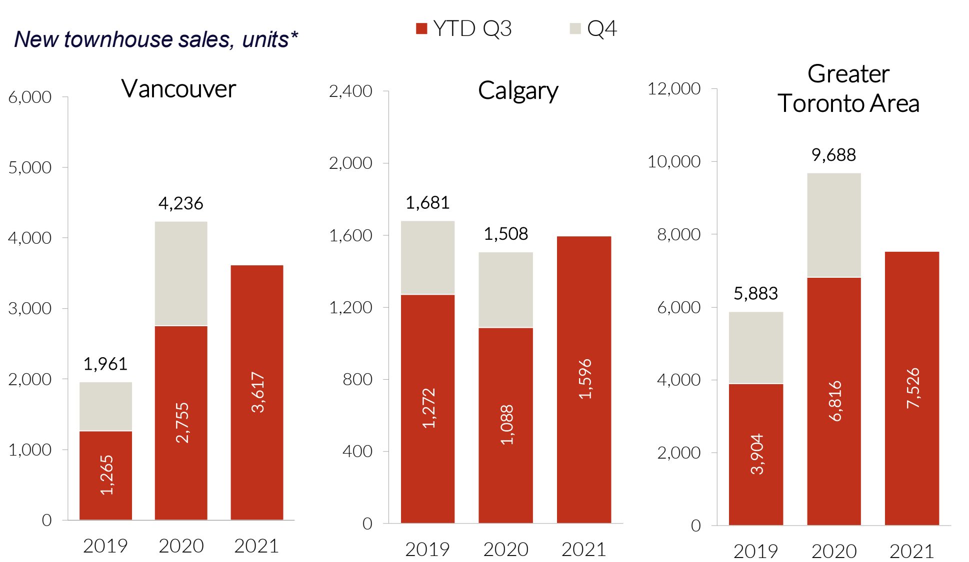
CMHC's housing starts data is an invaluable tool for analyzing the new home sector. However, given the prevalence of pre-construction sales, it is a lagging variable in terms of measuring point-in-time demand. New home sales data generated by Altus Group, on the other hand, provides "real-time" insight into how demand for new housing may be shifting. In this issue, we focus on recent trends in the demand for new townhouses in selected markets, and how townhouses fit into today's overall picture of the new home market.

Buyers Embracing Townhouses as a More Affordable Option to Obtain More Space

Sales of new townhouses were up through the first three quarters of 2021 in the Vancouver, Calgary and Greater Toronto Area (GTA) market areas (Chart 1). The pandemic has prompted many buyers to seek more space than available in the typical condo apartment, but at a more affordable price point than for a detached home. Note that the data here includes both traditional row townhouses, as well as stacked townhouses. While stacked townhouses are often included in the "apartment" category, for the analysis here we have combined the two townhouse groups in order to provide a fuller discussion of medium density housing choices.

Chart 1

New Townhouses Gain Popularity in the COVID Era



Source: Altus Group

** Includes stacked townhouses*

Highlights

- Buyers embracing townhouses as a more affordable option to obtain more space
- But despite higher sales this year, the relative role of townhouses has fallen back
- Lack of new townhouse supply and rising prices constraining potential sales
- Increased trading of medium density land positive for potential new townhouse supply
- Stacked townhouses gaining momentum by bridging the size and price gap between condo apartments and row townhouses

Also in this Issue

- Selected townhouse project profiles

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But Despite Higher Sales This Year, the Relative Role of Townhouses Has Fallen Back

In each of the Vancouver, Calgary and GTA market areas, townhouses have accounted for about 1 out of every 5 new home sales in 2021 – a significant market segment. However, despite actual sales levels being up this year, townhouses have captured a smaller share of the total new home market.

Why? Well, it's not that other types of single-family homes have usurped townhouses - townhouse sales increased by a larger degree than sales of new detached/semi-detached homes (Chart 2). Rather, a strong resurgence in new condominium apartment sales is the culprit.

Lack of New Townhouse Supply and Rising Prices Constraining Potential Sales

You can't buy what isn't there. The inventory of new townhouse units available to purchase has dropped dramatically over the past year in Vancouver and the GTA (Chart 3), with both markets now at only 1-2 months of available supply (based on average monthly sales in the past 12 months). While not as constrained, Calgary townhouse inventories are also down, with months inventory at its lowest level since 2014.

Moreover, prices have been increasing more rapidly for new townhouse product in Vancouver and the GTA than for condominium apartments – some deterioration in relative affordability therefore is pushing some potential townhouse demand into condominium apartments.

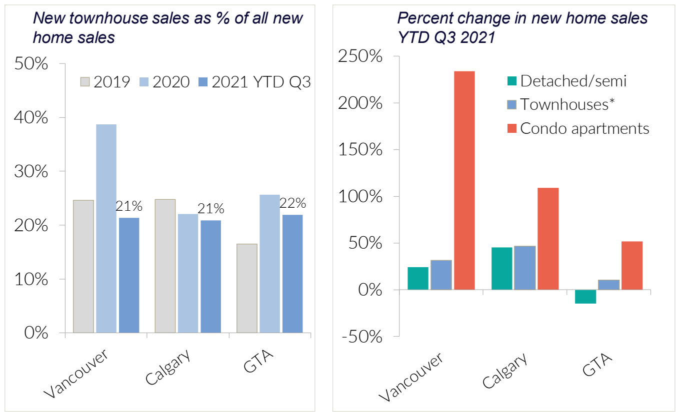
Increased Trading of Medium Density Land Positive for Potential New Townhouse Supply

With the exception of the Alberta markets, more medium density residential land has traded in Canada's major markets through the first three quarters, based on acres traded (Chart 4).

This suggests that there is more optimism among builders/developers about the prospects for the townhouse segment of the new home market – and that more townhouse projects may be on the way in future to help mitigate further deterioration in the supply situation.

Chart 2

Townhouses Have Lost Share of the Total New Home Market to Condo Apartments

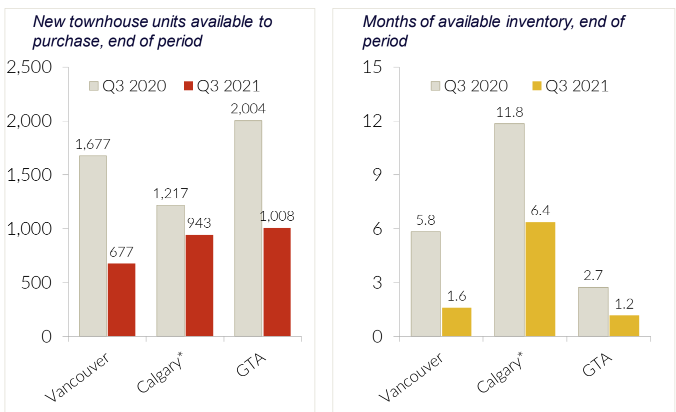


Source: Altus Group

* Includes stacked townhouses

Chart 3

Lack of Available Inventory Constraining New Townhouse Sales

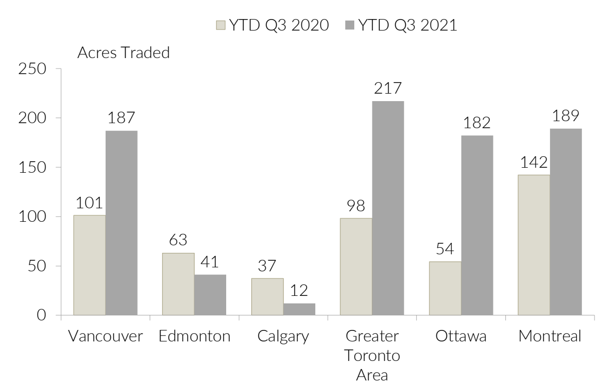


Source: Altus Group

* Condominium townhouses only for Calgary

Chart 4

Medium-Density Residential Land Sales Up in Most Major Markets



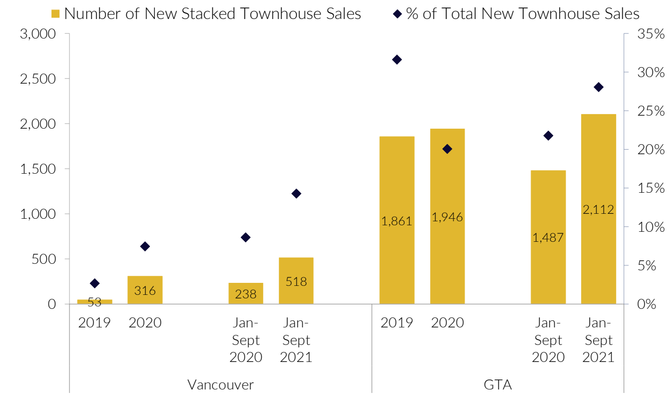
Source: Altus Group

Stacked Townhouses Gaining Momentum ...

Stacked townhouse units share a sidewall and typically have two or three units stacked vertically together. They have multiple entrances from the street and usually no shared internal corridors or hallways. Sales of new stacked townhouse units are up year-to-date in both Vancouver and the GTA, already surpassing the annual totals for 2020 (Chart 5). In fact, the GTA is headed for a record year for new stacked townhouse sales.

Not only are the number of sales up, but stacked townhouses have been taking on a larger role in the past year within the broader townhouse world, accounting for about 1 in 7 new townhouse sales year-to-date in Vancouver and more than 1 in 4 in the GTA.

New Stacked Townhouse Sales Headed for Record Year in GTA



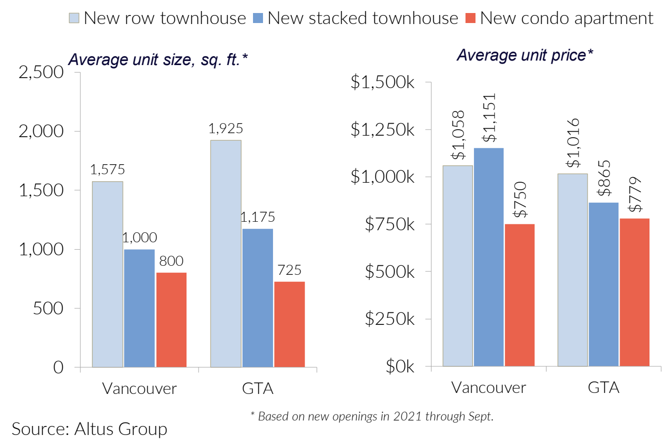
Source: Altus Group

Chart 5

... By Bridging the Size & Price Gap Between Condo Apartments and Row Townhouses

There is a good reason why stacked townhouses are a growing niche in the GTA. And it in large part comes down to the fact that this product strikes a nice balance between space needs and affordability. Looking at new projects opened in 2021, the average new stacked townhouse would provide about two-thirds more space than the average new condominium apartment, at a price of only about 10% more (Chart 6). Keep in mind that these "average" product types would not necessarily be in the same location within the GTA, but rather what is coming to the market.

Stacked Townhouses Offer Potential Buyers a Middle Road



Source: Altus Group

In the Vancouver market area, smaller sample sizes due to fewer stacked townhouse projects being launched make the size/price trade-offs less clear, with location aspects playing a role (almost all the stacked townhouse projects launched so far in 2021 are in the higher-priced City of Vancouver).

Looking Ahead

The underlying appeal of new townhouses to buyers who are seeking more space than is typically available in a new condominium apartment is expected to persist. However, there are some headwinds that could dampen sales next year below their potential:

- Homeownership demand in general is being challenged by rapidly rising prices, and more recently, higher effective mortgage rates;
- There is a current lack of available supply in markets such as Vancouver and the GTA, where the recent demand upturn has decimated available inventory; and
- COVID remains a big unknown in terms of duration and its potential impact on the economy in 2022.

Selected Townhouse Project Profiles

Great One
Surrey, B.C. (Vancouver Market Area)

Builder/Developer	Dawson + Sawyer
Opening sales date	March, 2021
Number of Units	131
% Sold	100%
Project Type	Row townhouse
Unit configuration	Mix of 4 bedroom & 3 bedroom plus den
Size range	1,327 - 1,748 sq. ft.
Price range	$860,900 - $994,900
Avg. initial ppsf	$620

Commentary

- The majority of purchasers are believed to be young families that are either local first time buyers or upgrade buyers
- Most homes were previewed by private appointment, with sales commencing at the end of Q1.
- Attractive features include unit mix consisting of 3 and 4 bedroom homes targeting end-users and proximity to the planned Surrey Langley Skytrain extension on 152nd Street.

Carrington Townhomes
Calgary, Alberta

Builder/Developer	Truman Homes
Opening sales date	August, 2021
Number of Units	48
% Sold	100%
Project Type	Row townhouse
Unit configuration	All 3 bedroom plus den
Size range	1,570 sq. ft.
Price range	$375,786 - $393,756
Avg. initial ppsf	$245

Commentary

- The project was initially targeted to out of town investors, selling out within 3 months of launch.
- Ground floor includes 2 car garage, plus a den/4th bedroom that would be attractive as a remote office space.

Selected Townhouse Project Profiles (continued)

Southpointe Towns
Oshawa, Ontario (GTA Market Area)

Builder/Developer	North Star Homes
Opening sales date	April, 2021
Number of Units	88
% Sold	100%
Project Type	Stacked townhouse
Unit configuration	All 2 bedroom
Size range	871 - 1,122 sq. ft
Price range	$469,990 - $519,990
Avg. initial ppsf	$497

Commentary

- Vacant land parcel was purchased for $2.875 million in 2017 (about $1.19 million per acre).
- The project sold out quickly. Compared to other townhouse projects in the GTA, this project offered somewhat smaller units on average, at a more attainable price point.
- Parking was offered at $11,300 per space.

Details of recently launched new townhouse projects in various Canadian markets, including pricing, sales, product details, amenities, row vs. stacked, etc. are available from Altus Group's New Homes subscription service.

To arrange a demo, please contact datasolutionsinfo@altusgroup.com

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