

UA TAKE - FIRST QUARTER 2017:

Holding Its Own

Urban Analytics began monitoring the new multi-family home sector of Edmonton's residential market at the midway point of 2016 with its team of analysts. There has been little change in market conditions over the past three quarters as both sales and supply of new condominium and townhome product have remained relatively steady.

One of the more interesting and active areas in the market is Downtown Edmonton. The ongoing evolution of The ICE District community along with the several other condominium towers being developed in this sub-market has generated significant excitement and interest among buyers about the concept of living in an urban downtown environment. These projects have attracted a range of purchasers including investors, Edmonton Oiler season ticket holders, young professionals and some downsizing empty nesters and snow birds. Prior to the development of the ICE District and the launch of the actively marketing downtown high-rise projects, investors were largely absent from this sub-market Edmonton's downtown.

According to 2016 census data, population growth in the City of Edmonton is outpacing the national growth rate, which has translated to an increase in the demand for new housing. Edmonton's sprawling communities have historically been dominated by detached single family homes. The introduction of new multi-family product into many Edmonton area communities has provided more opportunities for more price-sensitive buyers to enter the housing market and provided options for maturing buyers to continue moving up the property ladder and for empty nesters to remain in their current neighbourhoods, close to their social network.

Sales and Inventory Analysis

Chart 1 illustrates the number of new multi-family home sales by sub-market in the first quarter of 2017.

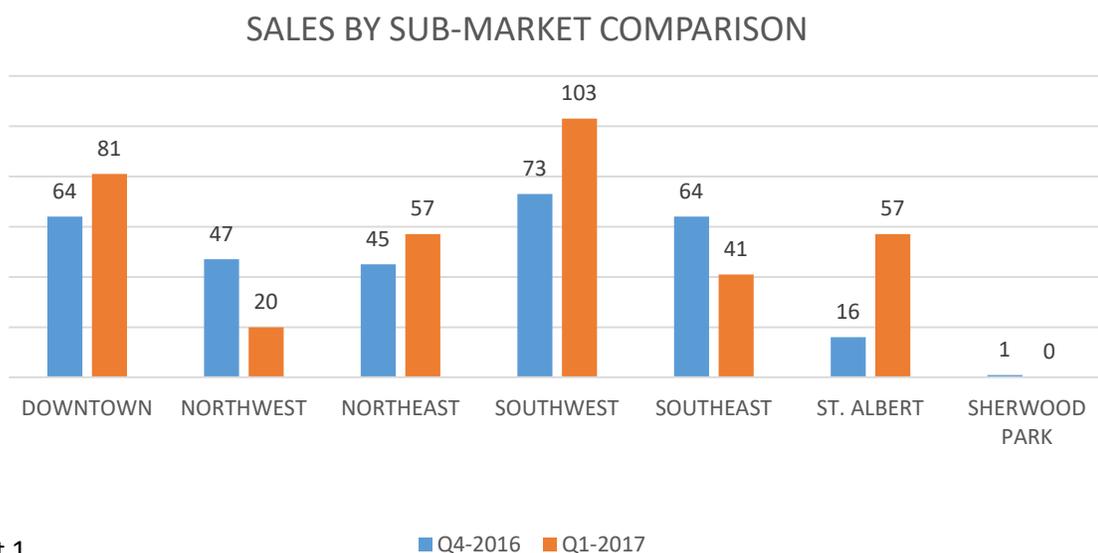


Chart 1

The Southwest sector of Edmonton's new multi-family home market experienced the highest absorptions over the past quarter. The community of Rutherford in the Southwest sub-market experienced the highest activity throughout the quarter in both the townhome and wood frame condominium sectors.

The Downtown submarket experienced reasonably strong demand in Q1-2017, with 61 sales during the quarter. Westrich Pacific's *Encore Tower* reported the highest absorptions in this sub-market with 21 sales. The project began construction in March 2017 and is slated to complete in early 2020. A sales representative reported an increase qualified buyers in the first quarter of the year. Beaverbrook Developments' *West Block* project in the Glencora neighbourhood enjoyed strong demand after launching in January 2017, with 19 sales.

There was an 89 percent increase in wood frame condominium sales in the Southwest sub-market, which represents 25 more unit sales over Q4-2016. The Rutherford neighborhood in the Southwest sub-market was particularly active as projects there reported strong interest from first time buyers and downsizers.

The Downtown sub-market experienced reasonably strong demand in Q1-2017 with 61 unit sales across all actively selling projects; a five percent drop from the fourth quarter of 2016. Westrich Pacific's *Encore Tower* reported 21 unit sales; the highest of any Downtown project.

The St. Albert sub-market recorded a 267 percent increase in sales, which was almost completely attributable to the launch of the *Parc Residence*, the first phase of Amacon Group's *Grandin Parc Village* master planned community. Amacon completed construction of this phase prior to commencing sales, which sales representatives indicated was key to selling 27 units during the initial launch campaign..

The Northwest and Southeast sub-markets experienced lower absorption rates compared to the previous quarter; sales in the Northwest sub-market dropped by 135 percent while projects in the Southeast recorded 56 percent fewer sales.

Chart 2 shows how sales were distributed in each sub-market by product type.

Q1-2017 Sales by Product Type & Sub-Market

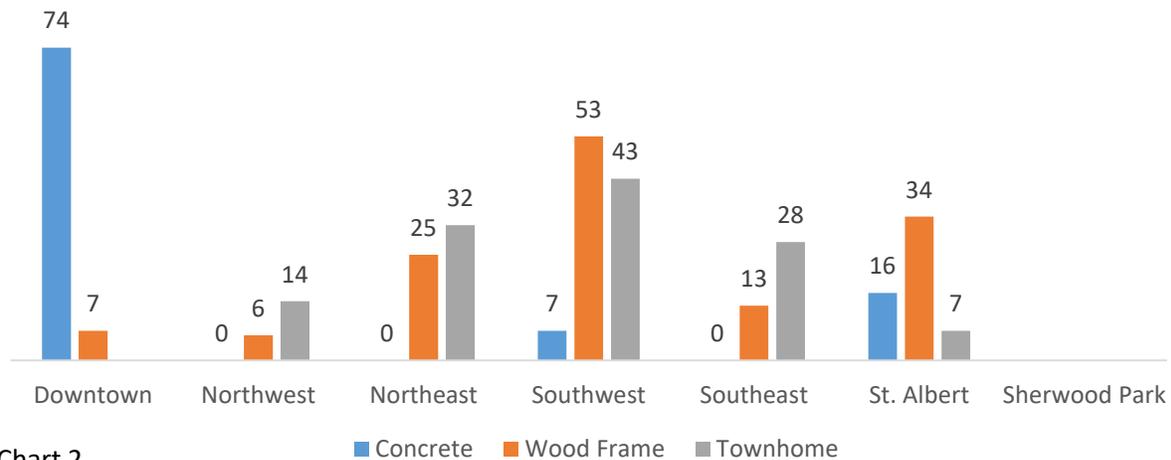


Chart 2

The wood frame condominium sector experienced the highest demand in Q1-2017 with 138 sales in the first quarter of the year. The Southwest sub-market continues to attract the highest number wood frame condominium buyers. There were 124 sales recorded in the townhome sector in the first quarter with the majority of sales occurring in the Northwest, Southeast and Southwest sub-markets. The majority of concrete condominium sales activity in the Downtown sub-market occurred at projects in and around the ICE District community.

Inventory Trends

Chart 3 illustrates the trend of released and unsold inventory. There has been little variance in the number of unsold units over the past two quarters have been minimal. The number of unsold units across the Edmonton market dropped by 14 percent in the first three months of 2017. The townhome sector was the only one to experience an increase in unsold inventory; seven percent.

Released Inventory Comparison

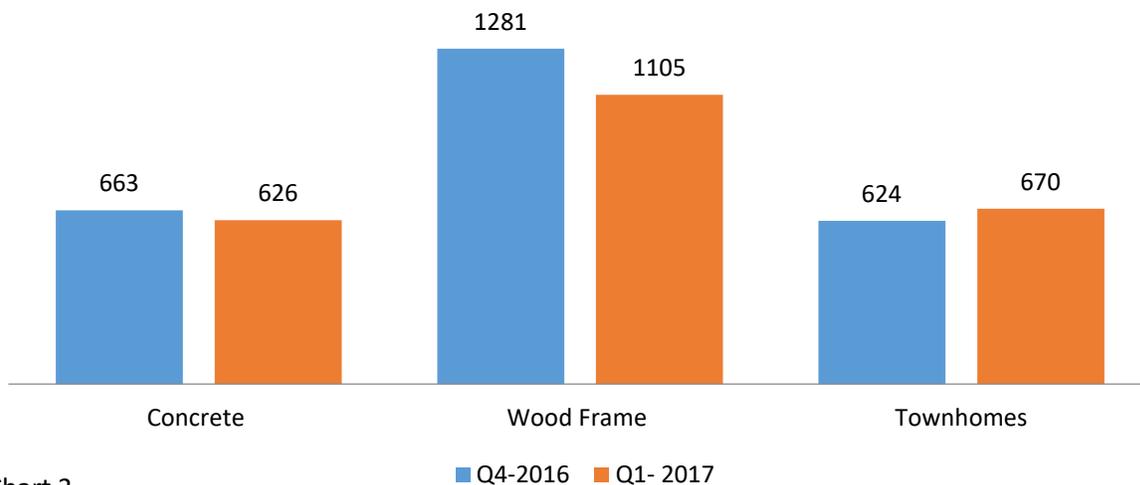


Chart 3

Projects in the Southwest sub-market reported the highest amount of released and unsold inventory with 741 units available, which represents 21 percent fewer units than at the end of the fourth quarter of 2016. Strong sales activity in this sub-market largely mitigates any significant concern over the number of unsold units.

Released Inventory Comparison by Sub-Market

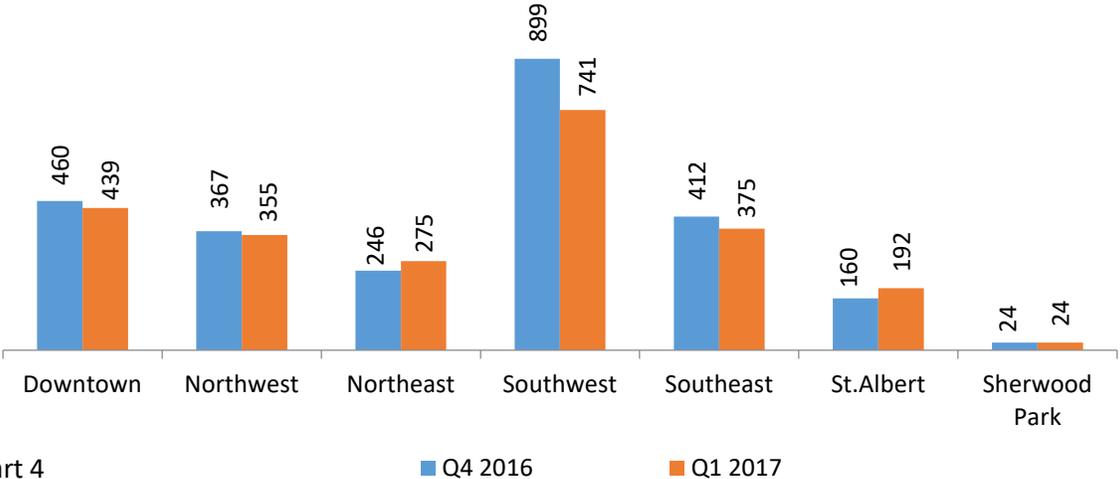


Chart 4

Chart 5 compares the standing inventory levels by sub-market in Q1-2017. Not surprising given the amount of total unsold inventory, the Southwest sub-market also features the highest number of completed and unsold units. Carlisle Group’s *Heritage Valley Station* project is the largest contributor of standing inventory in the Southwest sub-market with 45 units. Standing inventory in the Downtown sub-market remains low due to the fact that most projects being actively marketed there are under construction or have yet to commence construction.

Standing Inventory by Sub-Market Quarterly Comparison

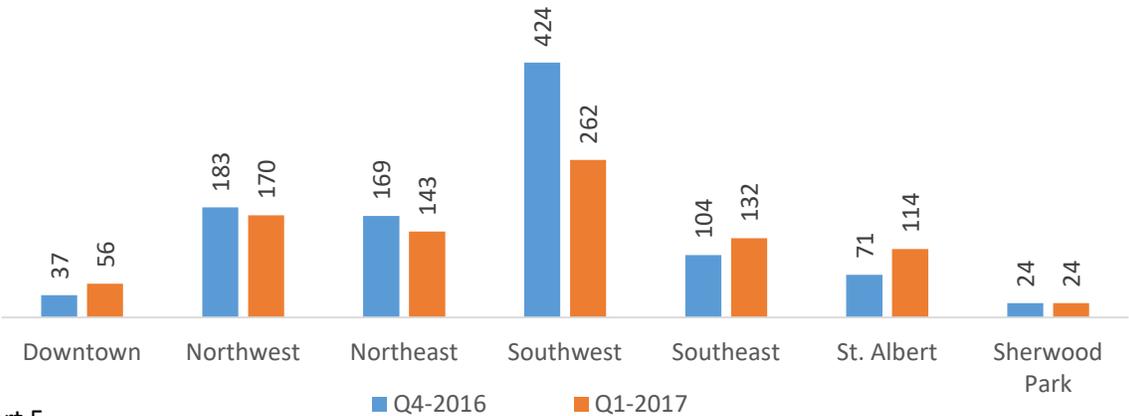


Chart 5

Chart 6 displays the amount of unsold inventory by product type and construction status. As previously noted, the wood frame condominium sector has the highest amount of standing inventory as a result of many projects launching well after construction has commenced, and in some cases after it's been completed. The lower number of townhome units under construction is largely attributed to the ability of developers to phase the construction and marketing, thereby limiting the amount of completed units at any given time. The concrete condominium sector has the highest number of units in the pre-construction phase, including Lamb Developments' *Jasper House*, InHouse Beaverbrooks' *West Block* and Z2 Developments' *Lux Condos*. Westrich Pacific's *Encore Tower* began construction in Q1-2017, increasing the number of unsold units under construction.

Unsold Inventory by Product Type and Construction Status

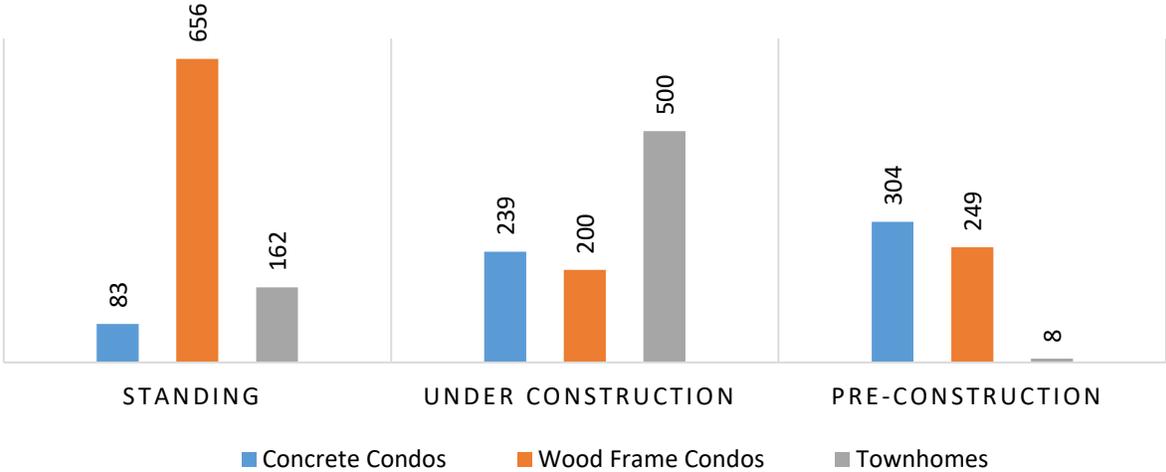


Chart 6

Buyer Trends

The profile of active buyers in the Edmonton market is very specific to the various sub-markets. The multi-family real estate sector in most Edmonton sub-markets tends to attract more end user buyers, particularly first-time buyers and downsizers. Investor buyer activity, which increased in the first quarter of 2017 is limited primarily to concrete condominium developments in the Downtown Edmonton sub-market. Sales representatives at Lamb Developments' *Jasper House*, and Westrich Pacific's *Encore Tower* reported strong investor interest in Q1-2017. Interestingly, Allen Wasnea's *Symphony Tower* has avoided targeting investor purchasers. Young professionals and mature pied-a-terre buyers have also be active buyers of Downtown condominium product. The young professional buyer group in particular is likely to form a greater proportion of the buyer mix as more projects are completed and Downtown neighbourhoods become more vibrant and animated.

The townhome sector has attracted primarily young families and restart buyers who want to live in family oriented communities. The wood frame condominium sector has attracted a wide range of buyer profiles, from first time home buyers, to restarts, downsizing empty nesters and investors.

Parking and the amount of storage space continues to be an important consideration in the new multi-family home market. Sales representatives at wood frame and concrete condominium projects indicate many purchasers opt for the purchase of a second parking stall and a storage locker, particularly when buying a two bedroom unit. This trend is expected to continue as a result of the cold winters, and limited access to public transit in many parts of the Edmonton market.

Looking Ahead

Rezoning approvals of Alldritt Groups proposed 80 story tower and Yorkton Group's *Yorkton Twin Condos* will dramatically alter Edmonton's downtown skyline. The City of Edmonton has announced its intention to purchase the land to the south and west of the *Jasper House* project for the purpose of creating a new green space and a park in this area. This should increase the appeal of Jasper House for prospective buyers.

Landmark Homes is expected to launch phase two of their townhome project, *Village at Walker Lakes* in Q2-2017. UA will closely monitor this project and all other actively selling new multi-family home projects. We will add them to *NHSLive.ca* as soon as possible after their launch.

In addition to maintaining the most current new multi-family home project data on NHSLive.ca, UA provides advisory and consulting services that can be tailored to meet your firm's specific needs. Please contact us to discuss how we can assist you in the design and or positioning of your new multi-family home community.

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