



Rental Market Resilience Remains

The Edmonton UA Rental Take:
Third Quarter 2020



Rental Market Overview

Edmonton’s purpose-built rental apartment market was resilient in the third quarter of 2020 as overall occupancy rates increased compared to the previous quarter. There were six new purpose-built rental project launches in the City of Edmonton in Q3-2020, which added 546 new rental units to the market. Overall occupancy across Edmonton, including Sherwood Park and St. Albert, was 91 percent in the third quarter of 2020; up three percent from last quarter but down two percent compared to the same quarter last year. The average rent per square foot decreased nominally from \$1.64 in the second quarter of the year to \$1.63 per square foot in the third quarter. Considering the city is still dealing with the ongoing impacts of COVID-19 and a more challenging economic climate, the rental market has remained very resilient.

Urban Analytics (UA) is currently tracking 101 newer purpose-built rental apartment projects representing 14,008 units across seven Edmonton sub-markets, including St. Albert and Sherwood Park. 15 of these projects are actively leasing (under 85 percent leased and within their first year of their leasing campaign), with the remaining 86 buildings having been fully absorbed and experiencing typical levels of unit turnover.

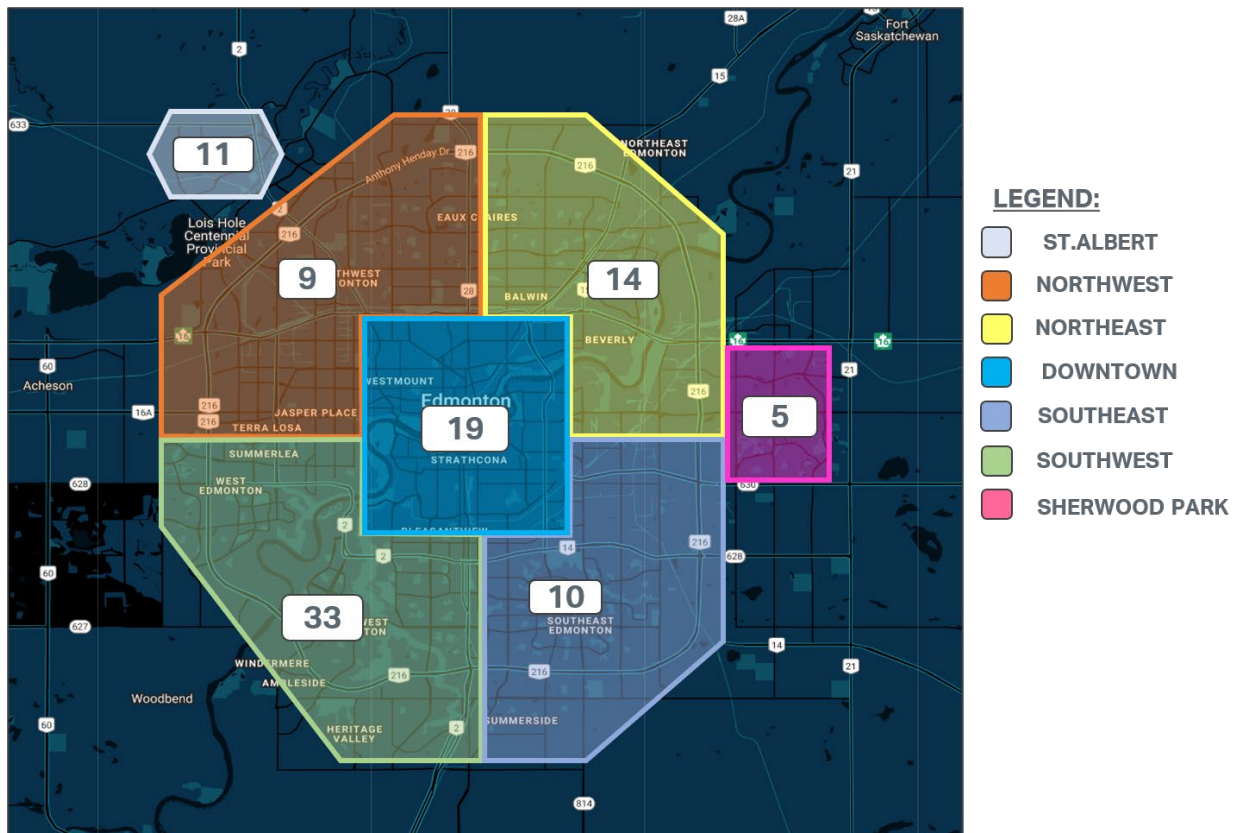


Figure 1

UA is currently monitoring 20 newer concrete and 75 wood frame apartment projects, and six rental townhome projects in Edmonton through on-going primary research updates. The information collected on each proposed and actively leasing project is accessible to industry stakeholders through UA's web based NHSLive data platform on a subscription basis.

Increased Occupancy Rates

The overall occupancy rate for newer rental developments in Edmonton was 91 percent at the end of Q3-2020. This represents a three percent increase compared to last quarter, however a two percent decrease compared to the same quarter last year. The fact that the occupancy rate increased despite six new project launches occurring in the third quarter is a positive indication that there has been absorption of new units in the market, and that renters are continuing to find interest in the new purpose-built rental market.

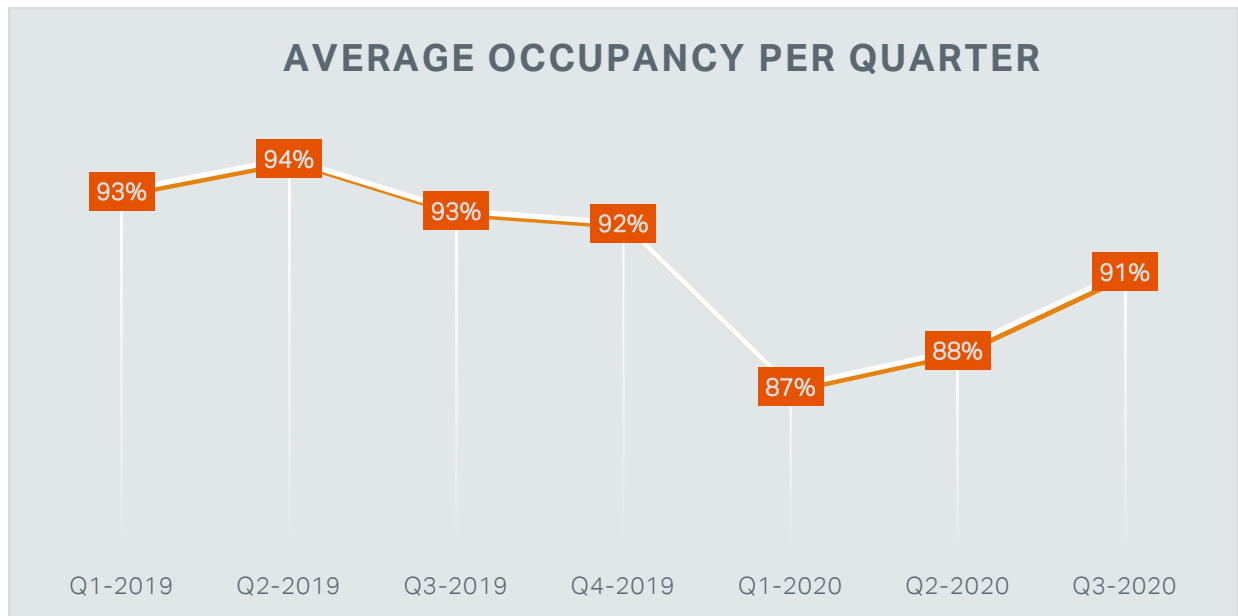


Chart 1

Sherwood Park and the Southeast sub-markets recorded the highest occupancy rate in the third quarter of 2020; 99.6 percent in Sherwood Park and 95 percent in the Southeast. Occupancy rates were up by 1.6 percent in Sherwood Park and 7.2 percent in the Southeast when compared to the same quarter last year. The continued low vacancy rates in Sherwood Park indicate the continued desirability of new purpose-built rental product in this location.

The Northeast, Northwest, Southwest, and St. Albert sub-markets experienced an increase in occupancy in the third quarter and were up by three percent, ten percent, and one percent respectively when compared to last quarter as new buildings in these locations continue to experience steady absorptions.

The Downtown sub-market was the only area to experience a decrease in occupancy rates in the third quarter of the year, by one percent compared to the previous quarter as new projects were released to market. The Capital (Building 1) by Strategic Group brought 98 new units to the sub-market, and The George by Casia Developments brought 50 new units.

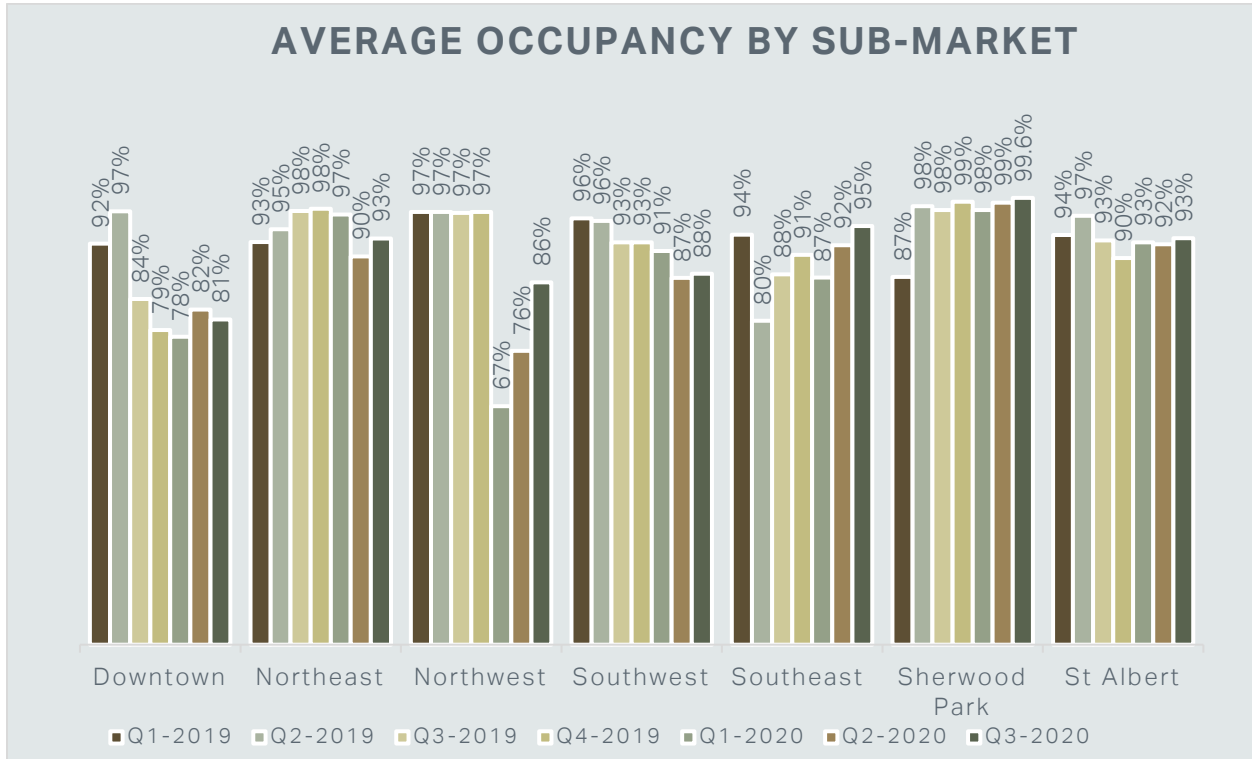


Chart 2

Slight Decrease in Rents

Rents at the end of the third quarter of 2020 were 0.6 percent lower on a per square foot basis when compared to last quarter as developers and property managers reduced their rents on available inventory. Rents were down by two percent compared to the same quarter last year but have proven to be relatively stable over the past two years. UA anticipates that rents will either hold steady or decline slightly more throughout the last half of 2020 given the current economic condition of the city.



Q3-2018: **\$1.66**
 Q3-2019: **\$1.67**
 Q3-2020: **\$1.63**

Chart 5 in this report illustrates the average per square foot rental rates of newer apartment buildings in Edmonton by sub-market. Average list rents in Downtown Edmonton were once again the highest in the market at \$1.98 per square foot. The second highest rents are being achieved in Sherwood Park at \$1.79 per square foot. The Northwest is

obtaining the highest net rent per square foot of all suburban locations in Edmonton for the first time at \$1.57 per square foot. Prior to the Northwest achieving this status, the Southwest sub-market had the highest net rent per square foot of all suburban locations for three quarters in a row.

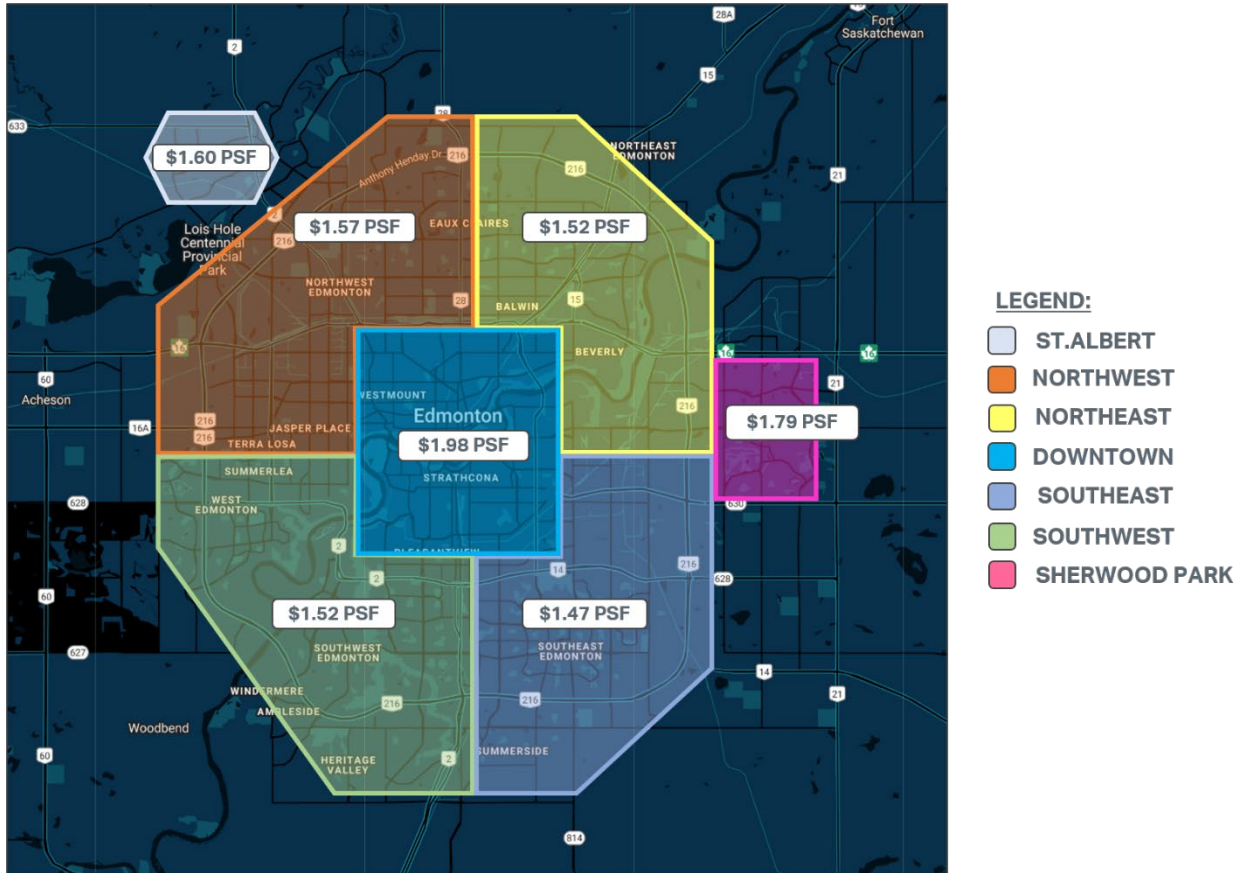


Figure 2

Current list rents for lease renewals in the third quarter of the year varied slightly across the market with almost all projects realizing slightly lower rents and three bedroom unit types achieving higher rents. Chart 3 in this report illustrates the comparison of ask rates for new tenants upon turnover, compared with the original average net rents for those unit types at the initial lease-up stage.

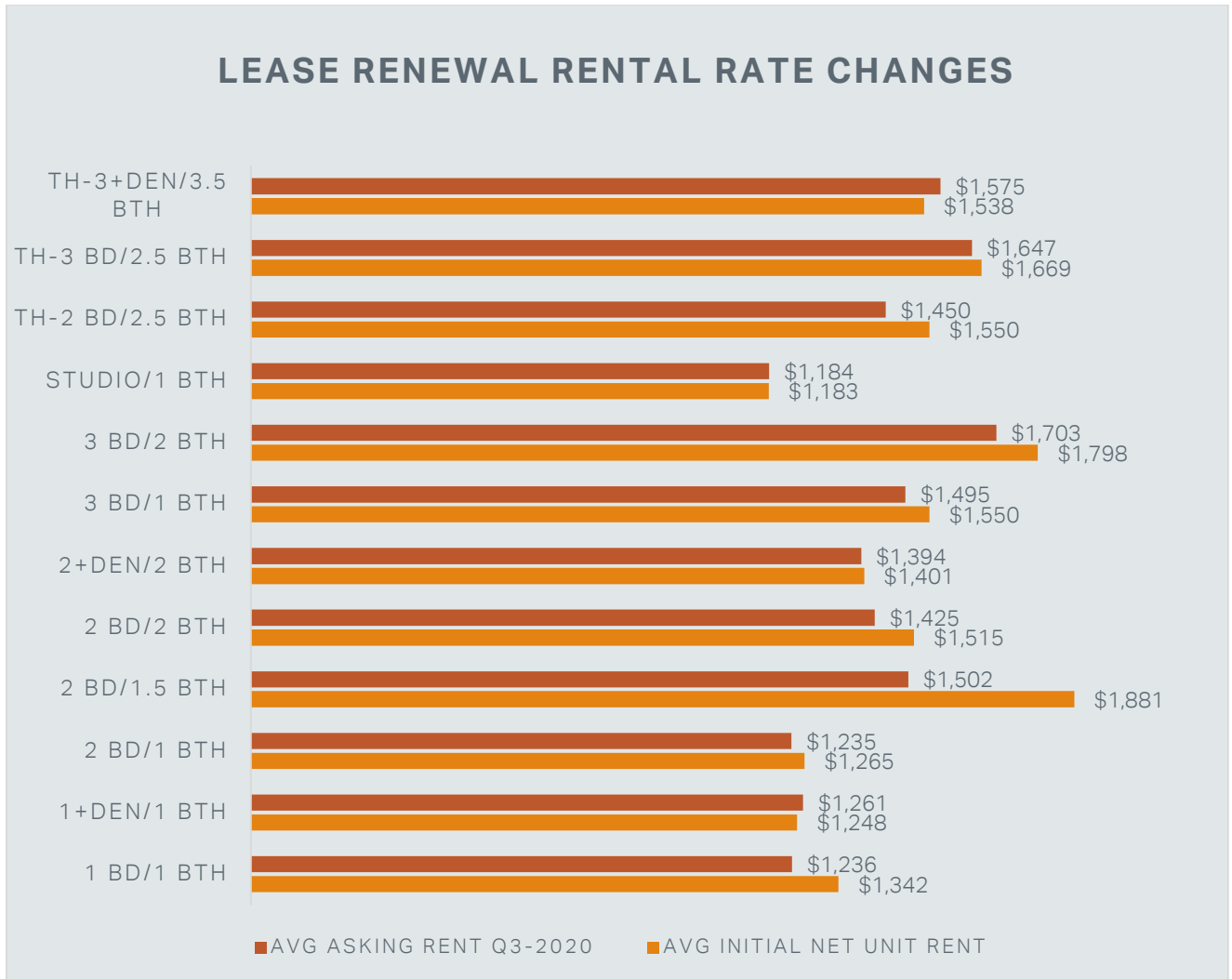


Chart 3

Rental rates have decreased for nine of the 12 unit types at projects where rents were adjusted upon unit turnovers;

- Three bedroom, two and a half bathroom townhome unit rents decreased by one percent (\$22 per month),
- two bedroom, two and a half bathroom townhome unit rents decreased by seven percent (\$100 per month),
- three bedroom, two bath unit rents decreased by six percent (\$95 per month),
- three bedroom, one bath unit rents decreased by four percent (\$55 per month),
- two bedroom and den, two bath unit rents decreased by 0.5 percent (\$7 per month),
- two bedroom, two bath unit rents by six percent (\$90 per month),
- two bedroom, one and a half bath unit rents by 25 percent (\$379 per month),
- two bedroom, one bath unit rents by two percent (\$30 per month),
- and one bedroom, one bath unit rents by nine percent (\$106 per month).

The decrease in rents in most unit turnovers is presumed to be the result of uncertainty, recent economic shutdowns and layoffs in the City. Developers and property managers incentivized new tenants to rent at their buildings in response to this, which has resulted in competition among buildings with vacant units.

The three remaining unit types that turned over in Q3-2020 experienced an increase in rents:

- One bedroom and den unit rents increased by one percent (\$14 per month),
- studio unit rents increased by 0.1 percent (\$1 per month),
- and three bedroom and den, three and a half bathroom townhome unit rents increased by two percent (\$38 per month).

Chart 4 below shows the number of available turned over unit types in the third quarter of the year. The majority of these units were two bedroom two bathroom plans, and two bedroom one bathroom plans. Most two bedroom units in the Inner City are rented by roommates, and tend to have a higher turnover rate than units that are rented by families or couples. Also, as many of the newer rental buildings in Edmonton are located in suburban locations that cater more to couples and families, a significant proportion of newer rental product in Edmonton’s market consists of two bedroom unit types.

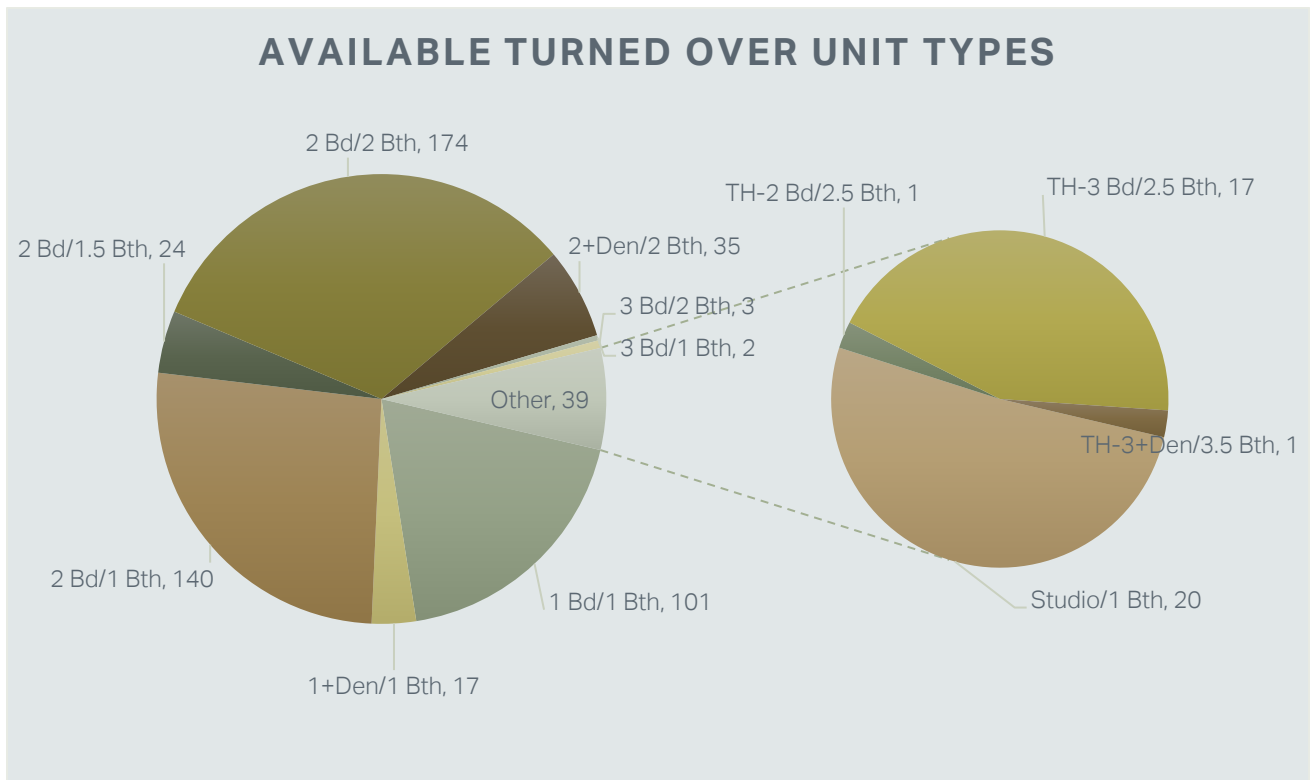


Chart 4

Five of the seven sub-markets in Edmonton experienced either no change or a decrease in average net rent per square foot rates compared to the previous quarter. The Northwest and Southeast sub-

markets were the only areas that experienced an increase in rental rates in the third quarter of 2020; up four percent (\$0.06 per square foot) and three percent (\$0.04 per square foot), respectively.

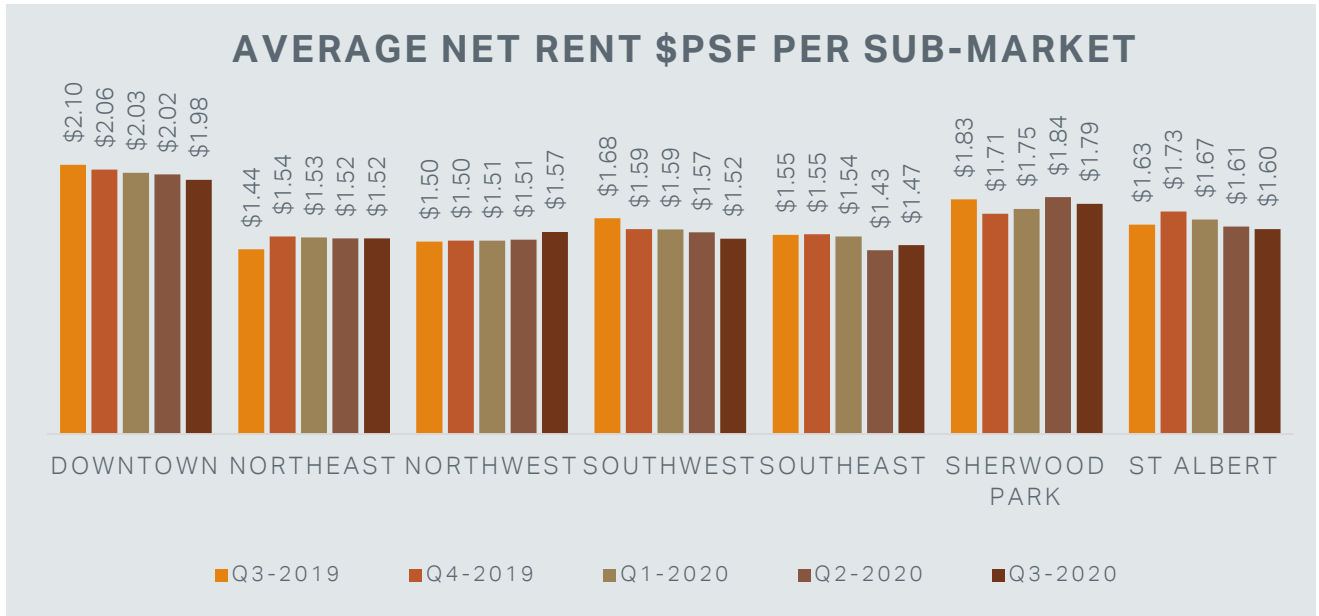


Chart 5

Chart 6 illustrates the correlation between the average occupancy rate and the average net rent per square foot in Edmonton’s newer purpose-built rental market. Throughout 2019, occupancy rates and rental rates were closely correlated. The increase in vacancy in the first quarter of 2020 can explain the slight decrease in the rental rates. Unfortunately, average per square foot rents declined in both the second and third quarter of 2020 despite the increase in overall occupancy rate. This is likely a result of the impact of COVID-19 on people’s job status, resulting in renters looking for more affordable rents, and developers and property managers having to offer incentives to rent out their vacant units.

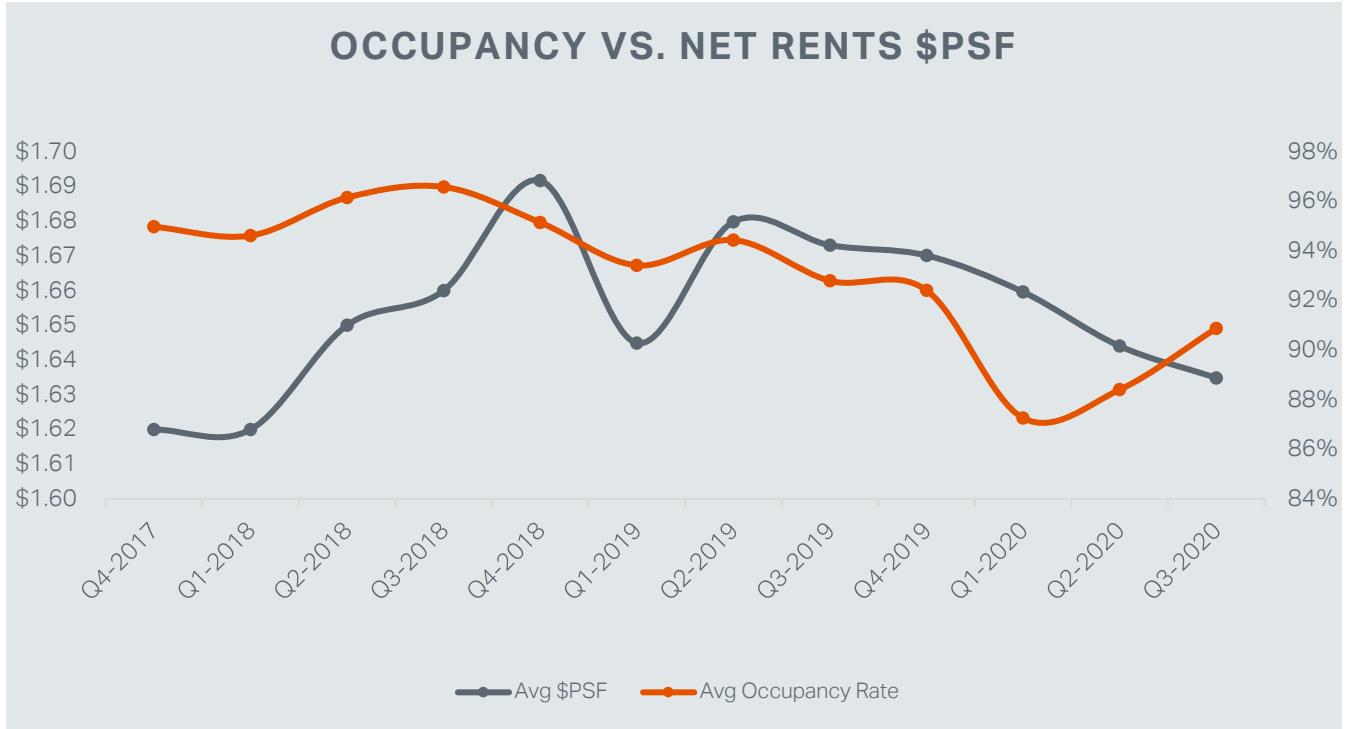


Chart 6

Active vs. Fully Leased Projects

UA considers projects with less than 85 percent occupancy to be actively leasing, and those with more than 85 percent occupancy to be fully leased or stabilized as this is typically when units begin to turn over for the first time. 15 percent of new projects in Edmonton are currently 'active', meaning they are less than 85 percent leased. The highest proportion of actively leasing projects are found in the St. Albert and Downtown sub-markets. In Downtown, these projects include *Park Avenue* (68 percent leased), *E11even* (62 percent leased), *The MacLaren* (45 percent leased), *Capital Building 1* (25 percent leased), and *The George* (10 percent leased).

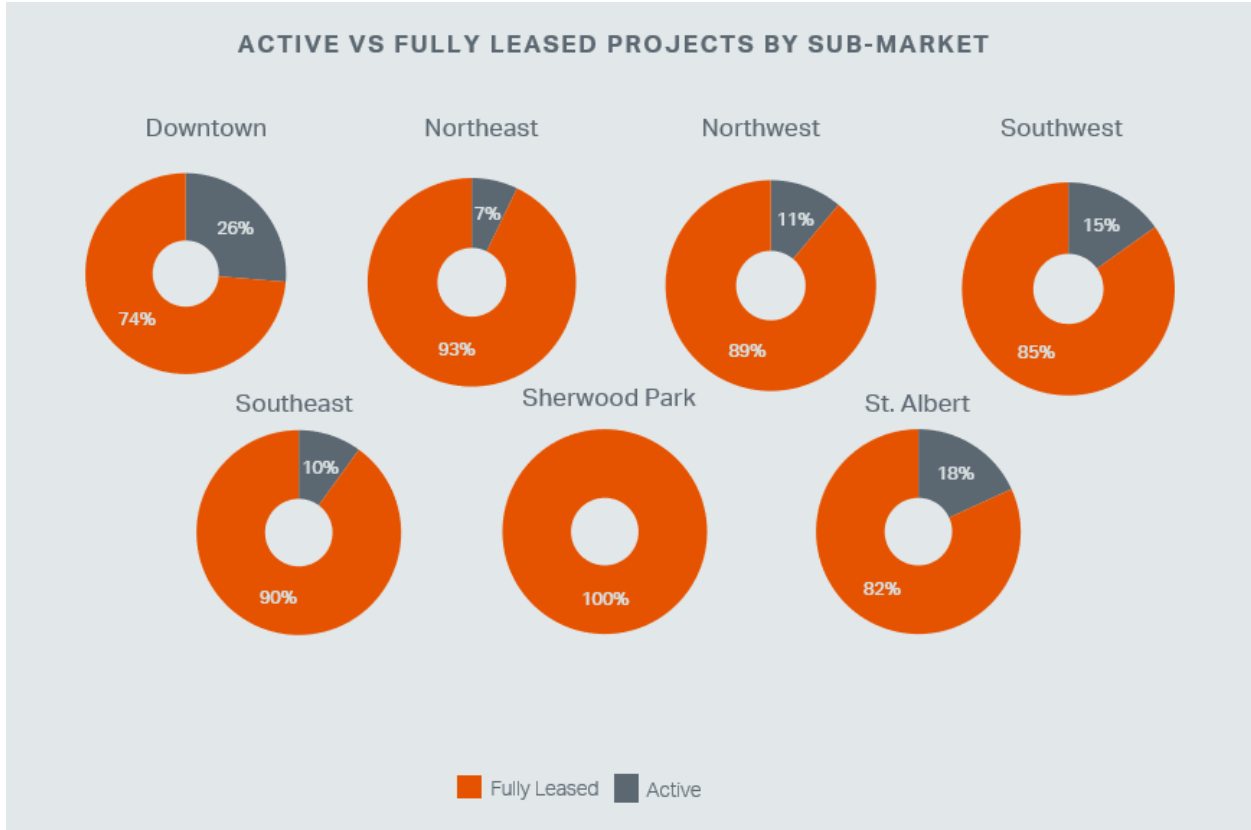


Chart 7

Availability in Q3-2020

The Downtown sub-market had the highest total available units for rent in Q3-2020, mostly due to the new product that has launched in the area over the past few quarters that is still being absorbed, as well as the most recent launch of Strategic Group’s *Capital Building 1* and Casia Developments’ *The George*. The Downtown sub-market continues to show the highest percentage of vacant units as newer buildings that launched over the last few quarters are still in the lease up stages, and some established buildings have experienced an increase in vacancy.

DOWNTOWN	NORTHEAST	NORTHWEST	SOUTHWEST	SOUTHEAST	ST. ALBERT	SHERWOOD PARK
581	117	143	504	73	85	3

Chart 8

Incentives

Both actively leasing and fully leased newer purpose-built rental buildings offered a range of incentives in Q3-2020. Most buildings in Edmonton are offering some form of rental incentive. The following is a list of some of the more notable incentives offered as of August 2020 for 12 month leases:

- Free parking

- \$300 off first two months
- Free tenant insurance
- \$500 off first month
- \$200 off per month
- Free Telus cable and internet
- \$300 off per month
- First month rent free
- Discount on Telus
- Six months free storage
- Two months free
- Beach access
- Reduced security deposit
- \$250 VISA gift card

Incentive offerings were observed across all seven sub-markets in Edmonton in August 2020. Information on incentive offerings by specific project can be found on individual project data pages on NHSLive.

Amenities

The newer purpose-built rental buildings that UA currently monitors offer a variety of amenities. Projects featuring a superior amenity package are more likely to achieve full occupancy sooner and have lower turnover than those projects with limited or no amenities. The level of amenities offered in newer rental developments generally depends on the sub-market. Projects in the Downtown sub-market feature a higher level of amenities as the typical Downtown renter earns a higher salary on average and is willing to pay more for the added conveniences. A few examples of projects that offer these amenities include: *The MacLaren* which boasts a dog run, fitness area, roof terrace, yoga area and lounge; and *The Mayfair* which offers concierge service, garden plots, a lounge and a gymnasium. Rental projects in the outer sub-markets do not offer as many amenities as those in the Downtown core. Typical renters in the outer markets are more price-sensitive and less willing and/or able to pay more for a higher-end amenity package. However, UA is starting to see a few new projects in suburban neighbourhoods that are improving their respective amenity offerings. *Central Tower* in Bearspaw offers residents a common kitchen area and outdoor patio with BBQ's, as well as a spin studio, golf simulator, fitness facility, pool tables, yoga area, parcel delivery system, and a dog wash station. The most common amenity offered throughout Edmonton is underground parking. The following provides a list of typical common amenities offered to renters in the Edmonton market:

- | | |
|-----------------|--------------------|
| • Roof terrace | • Workshop |
| • Roof garden | • Lounge |
| • Music room | • Bike repair area |
| • Outdoor patio | • Gymnasium |

- Guest suite
- Kitchen
- Fitness area
- BBQ area
- Bike storage
- Concierge
- Car share cars
- Garden plots
- Residence manager
- Games room

Renter Demographics

There is generally a wide demographic range of renters throughout the various Edmonton sub-markets. The outer sub-markets tend to attract more immigrants, blue-collar workers, young families and retirees. Larger units, and a higher number of bedrooms is generally an attractive feature for rental in the outer sub-markets. The inner markets closer to the Downtown core currently attract more students, young and established professionals, downsizers, and young couples. Amenities, and social gathering spaces to counter the smaller sized units in the inner city have been anecdotally communicated as very desirable for these renter groups.

Contemplated

There are 84 new purpose-built rental projects representing an aggregate total of 19,915 apartment units in Edmonton that are contemplated and could come to market within the next few years. There are currently 24 apartment buildings under construction that could be able to commence leasing within the next 12 to 18 months, which will introduce 4,312 new units to the market.

Looking Ahead

The following are some of the new rental apartment projects in Edmonton that UA anticipates will launch their respective leasing campaigns during the next two quarters and will be monitoring closely:

- *Augustana* – Pangman Development Corp.
- *@81* – Beljan Developments
- *Hat @ Five Corners* – Cidex
- *Artika* – Cove Properties
- *Arcadia* – Carlisle Group
- *Aspera* – Slokker-West
- *Capital Building 2* – Strategic Group
- *Sora Condos Building B* – Carrington Communities

UA has the most current and accurate data on the purpose-built rental markets in Edmonton, Calgary, Metro Vancouver, and most recently the GTA. UA's online database, NHSLive, provides timely data on the new rental and multi-family sectors of the market. With its user-friendly interface and extensive functionality, it has become an invaluable tool for thousands of industry stakeholder users. Call or email us today to schedule a demonstration of NHSLive.

With the anticipated increased competition in Edmonton's new purpose-built rental sector and the ongoing uncertainty in the new condominium and townhome sector of the market, it is crucial to ensure your project is appropriately designed and positioned prior to launching. UA provides comprehensive advisory services that meet your firm's specific needs in all markets we service. Call or email today to ask how we can help.

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