



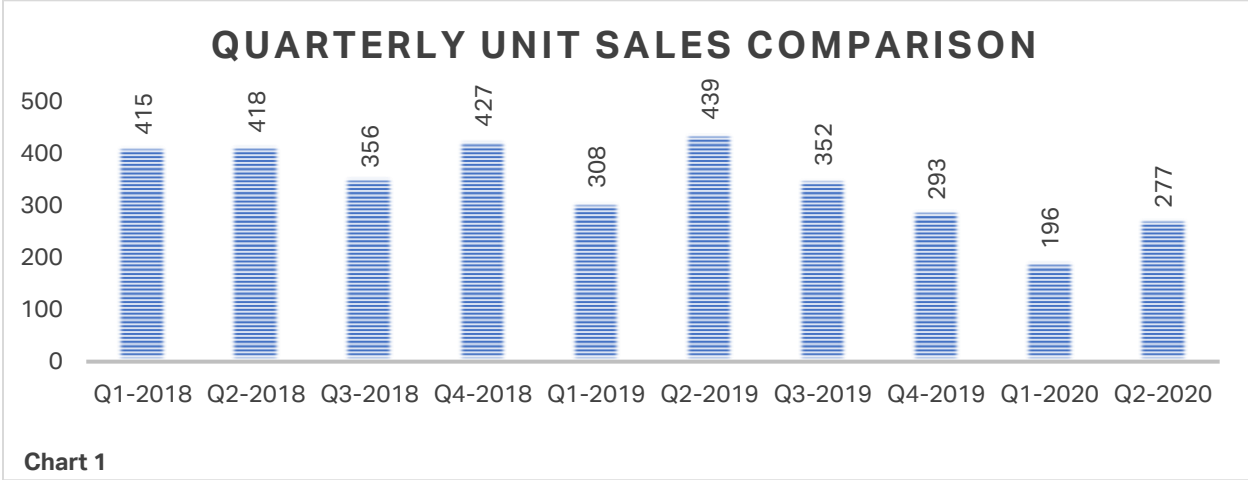
FIRST-TIMERS DRIVE DEMAND
THE EDMONTON UA TAKE:
SECOND QUARTER 2020



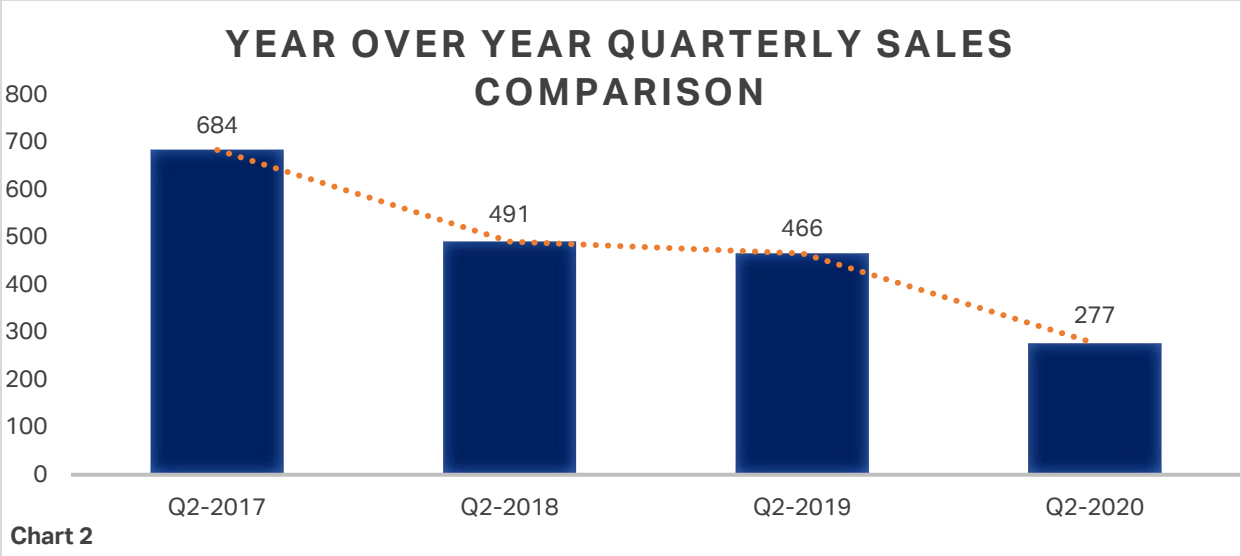
The second quarter of the year showed some signs of improvement as many projects reopened with proper safety precautions in place and attracted buyer traffic back to their presentation centres. While many prospective purchasers in Edmonton have hesitated to buy due to the economic uncertainty forecasted in the short term, the increase in sales in the second quarter of the year compared to the first quarter is an encouraging sign that purchasers are taking advantage of the current low-interest rates and favorable buying conditions. The second quarter UA Take provides an overview of the new multi-family market which comprises over 160 actively selling projects in Edmonton. More information on each specific project can be found on Urban Analytics' NHSLive database.

Improvement from last quarter but still down from last year

Q2-2020 sales totals show a positive indication that buyers have begun to return to the market following the economic and social turmoil in the spring. While sales are not quite back to historical averages, a primary reason for this is that a significant number of sales centres are still closed and have yet to fully re-open in the second quarter. The most successfully selling projects in the second quarter were all ones that offered move-in ready or near move-in ready product and had open and fully operational presentation centres.

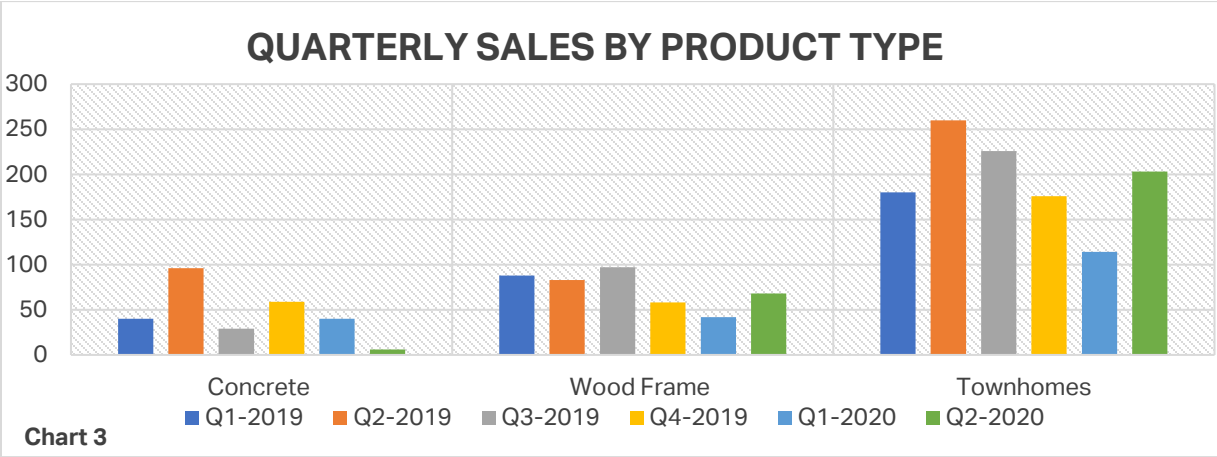


A total of 277 sales were recorded for the second quarter of 2020, which is up by an impressive 41 percent from the previous quarter but is down by 26 percent when compared to the same quarter last year. The second quarter of the year is typically one of the strongest quarters in the Edmonton multi-family market. The decline in new multi-home family sales compared to last year is not surprising due to the economic uncertainty and lack of new project launches. Chart 2 outlines the gradual decline in year over year sales, which mirrors the trend in Alberta's economic activity over the same time frame.



Increased Demand for Townhomes

Chart three displays the increased demand for townhomes relative to the previous quarter. Townhomes have been the predominant multi-family housing choice among buyers over the past two years in Edmonton. The short term impact of COVID has been the increase in appeal of the townhome, as it offers more space for a home office/school work space station. Further, many townhome projects offer move-in or near move-in ready product, which is appealing for end user purchasers. As such it is not surprising that townhome sales were strong in the second quarter. The majority of townhome sales in the second quarter were located in the Southwest and Southeast sub-markets.



Southeast and Southwest Sub-Markets Lead Sales in Q2

Similar to previous quarters, sales were most prominent in the Southwest and Southeast sub-markets in the second quarter of 2020. There were 87 sales recorded in the Southwest sub-

market in Q2-2020, which is down 50 percent from last year. Meanwhile the 96 sales recorded in the Southeast sub-market in Q2-2020 were up by 66 percent compared to the same quarter last year. Strong sales activity in the Southeast sub-market was largely due to its relative affordability and to increased demand for new townhomes in this location.

The most significant year over year decrease in sales activity occurred in the Downtown sub-market, which only recorded five sales in the second quarter (down from the 87 recorded in the second quarter of 2019). This decrease in sales can be attributed to many Downtown projects closing down their sales centres and reverting to appointment-only sales due to COVID. Further, a number of projects that have completed construction have opted to rent out their remaining units. Prospective condominium purchasers in the Downtown sub-market are less motivated to arrange for an appointment-only meeting to view a pre-sale development and as such, sales will likely remain subdued here until the majority of projects re-open their respective presentation centres to the public.

Overall, second quarter sales in the Northwest and Northeast sub-markets were down by 17 and six percent when compared to the same quarter last year. St. Albert and Sherwood Park recorded a combined total of 15 sales in the second quarter of 2020. The lower sales totals in St. Albert and Sherwood Park can partially be rationalized by a lack of new project launches and available inventory in these locations.

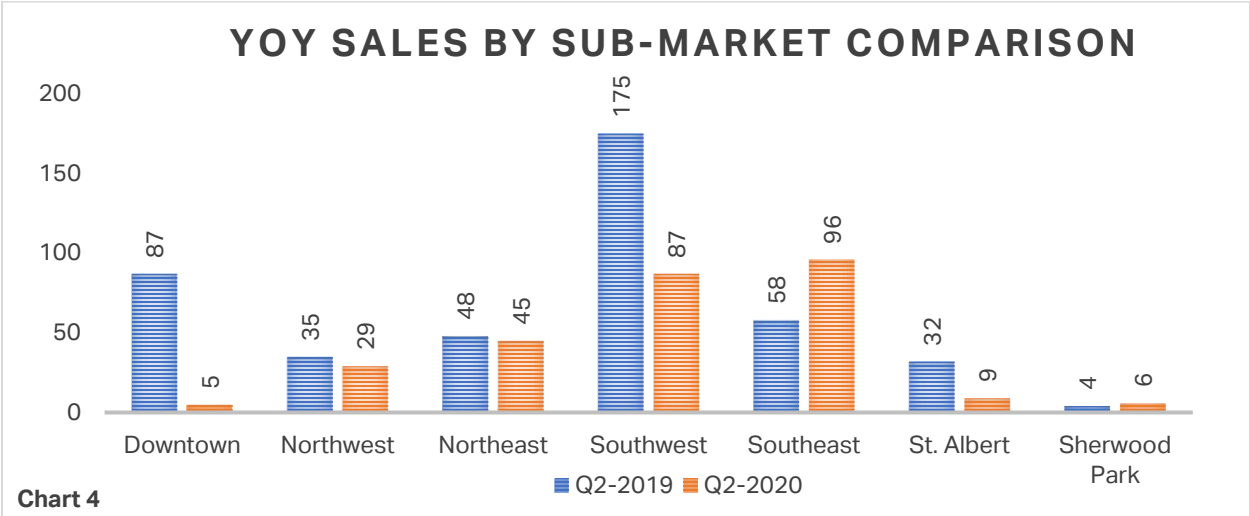
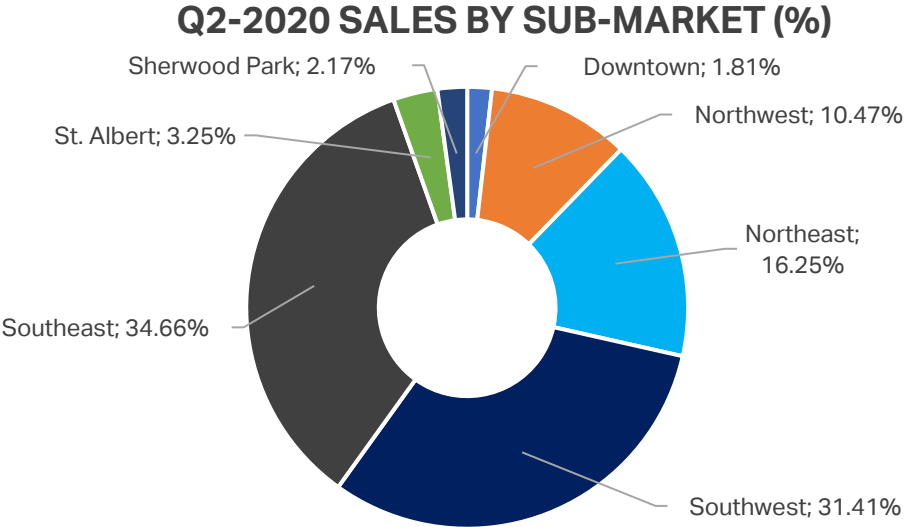


Chart 5 displays the percentage breakdown of sales by sub-market in Q2-2020. The Southeast and Southwest sub-markets accounted for 67 percent of all sales throughout the quarter.



Marginal Decrease in Released Inventory

The lack of new multi-family project launches and completed projects converting their standing inventory units into rental have both contributed to the steady decline in released in unsold inventory levels in the first half of 2020. Overall released and unsold inventory totals at the end of the second quarter were down by eight percent when compared to the previous quarter. Concrete condominium inventory decreased by one percent, wood frame condominium inventory decreased by 10 percent and townhome inventory decreased by 11 percent compared to last quarter. The decline in townhome inventory was the most significant as townhome sales were reasonably strong in Q2-2020.

RELEASED INVENTORY COMPARISON BY PRODUCT TYPE

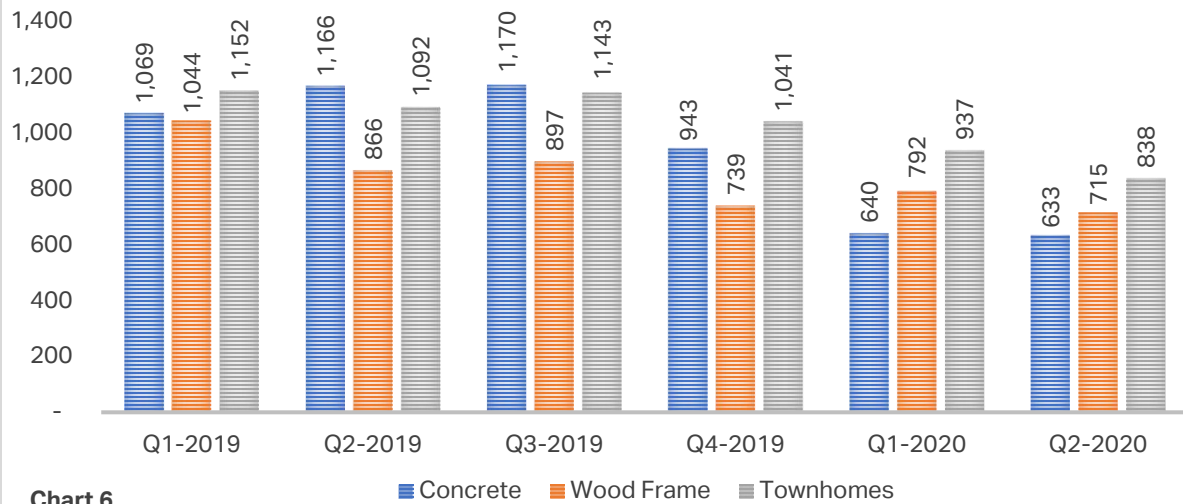


Chart 6

Chart 7 displays the breakdown of released and unsold inventory by sub-market. Unsurprisingly, the highest number of released and unsold units are located in the Southwest as most actively selling projects are currently located within this sub-market. Interestingly, overall released and unsold inventory levels in the Southeast sub-market are down by 21 percent compared to last quarter.

RELEASED INVENTORY BY SUB-MARKET

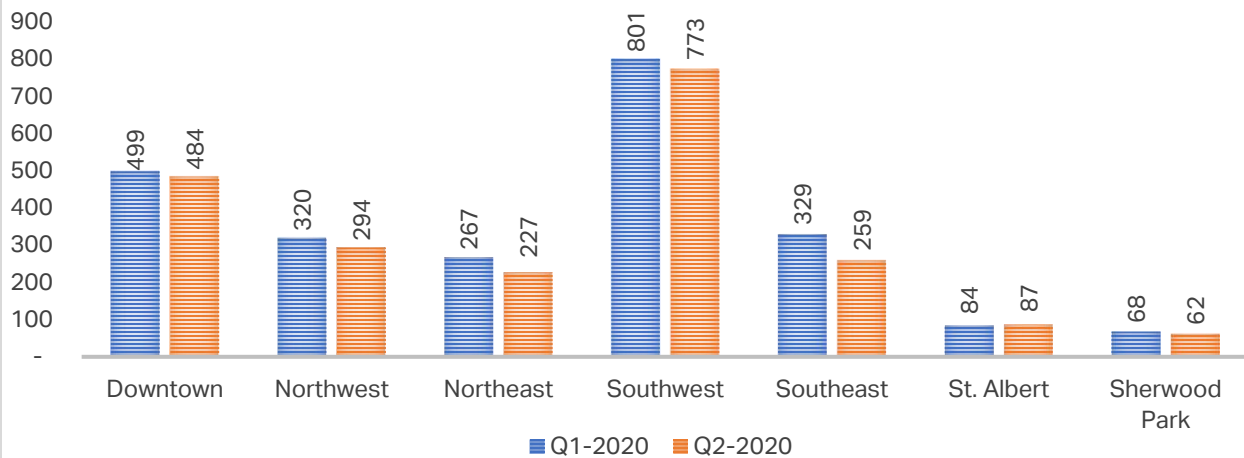
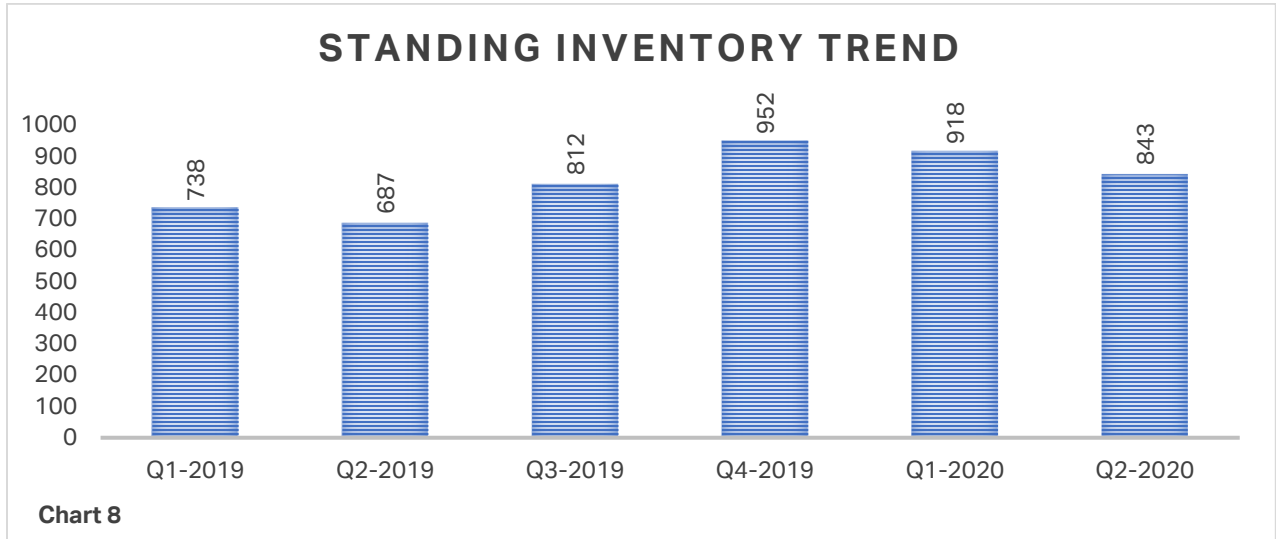


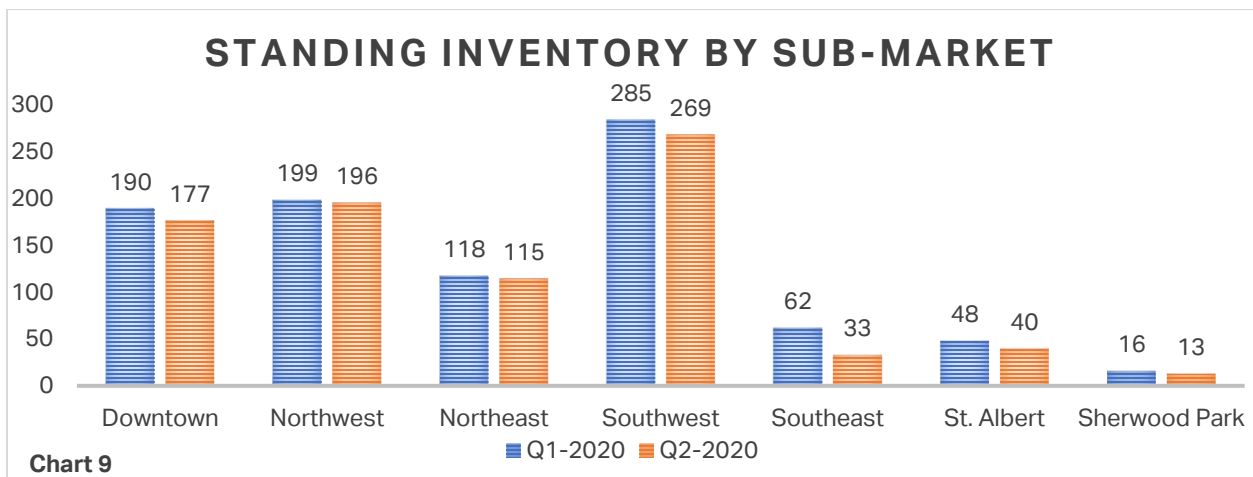
Chart 7

Slight Decrease in Standing Inventory

While standing inventory levels increased in the last half of 2019 due to a number of project completions occurring over this time frame, overall levels during the past two quarters have been declining. Overall standing inventory levels at the end of the second quarter of 2020 were down by eight percent when compared to the most recent quarter.

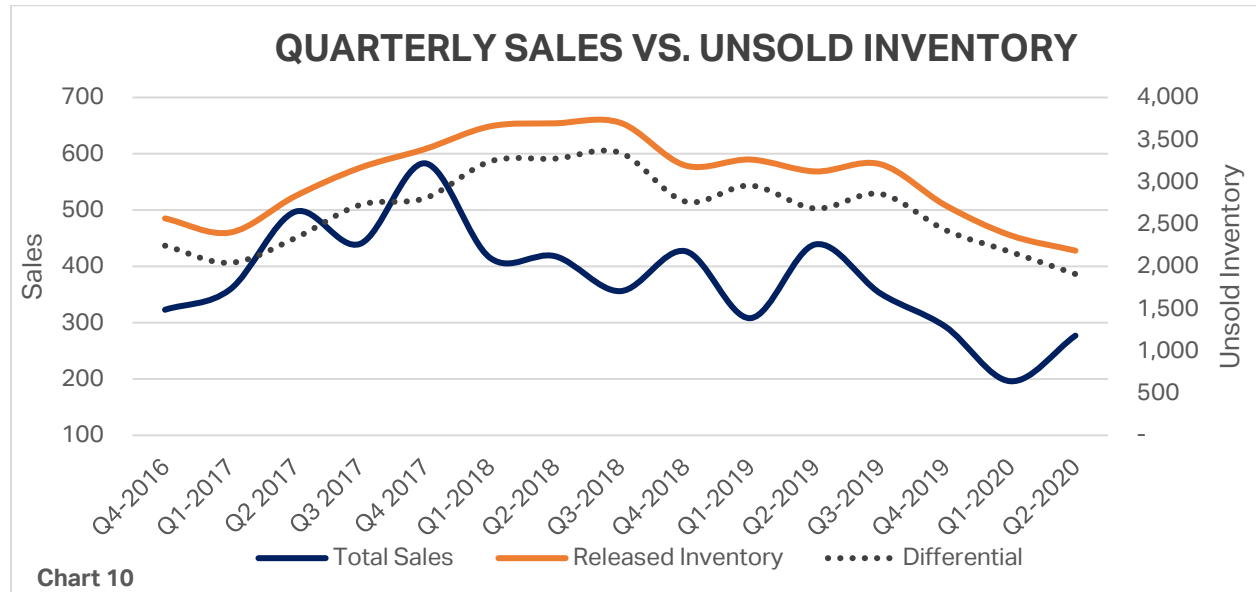


The highest amount of move-in ready inventory is currently available in the Southwest sub-market followed by the Downtown, Northwest and Northeast sub-markets. UA anticipates that some of the remaining move-in ready units in the market will be held onto and rented out by developers if they are not sold within a relatively short time frame. Note that builders who are committed to selling all their standing inventory units are currently offering attractive incentives such as free condo fees or cash bonuses which is appealing for new home purchasers in the market.



Narrowing Gap Between Quarterly Sales and Standing Inventory

The spread between quarterly sales and released and unsold inventory decreased by 12 percent in the past quarter. The increase in sales volume compared to the second quarter combined with the decrease in inventory helped to narrow the differential between sales and inventory which creates an opportunity for new product to come to market in future quarters.



Stable Pricing Trends

List prices of new multi-family home product in Edmonton remained stable in the second quarter of the year. Some developments have implemented some minor price adjustments and have been open to negotiation on incoming offers. The following summarizes some of the notable list price changes that occurred in the second quarter of 2020:

- *West Block* – Prices decreased by 0.5 percent on remaining units, which changes the blended price per square foot from \$675 down to \$671.
- *Village at Walker Lakes Condos* – Prices decreased by 0.4 percent on remaining units.
- *Caspia Townhomes* – Prices decreased by 2.9 percent on remaining units, which changes the blended price per square foot from \$236 down to \$229.
- *Langdale Townhomes* – Prices increased by 0.9 percent on remaining McDavid floorplan units, which increased the blended price per square foot from \$211 up to \$213.
- *Stillwater Townhomes* – Prices decreased by 2.5 percent on remaining units which decreased the blended price per square foot from \$200 down to \$195.
- *Moda One at Keswick* – Prices decreased by 0.8 percent on remaining units, which changed the blended price per square foot from \$252 down to \$250.

- *Southern Springs Townhomes* – Prices decreased by 3.2 percent on remaining units which changed the blended price per square foot from \$220 down to \$213.
- *Landra Row Housing* – Prices decreased by 2.4 percent on remaining units which decreased the blended price per square foot from \$174 to \$170.
- *Maple Way Gardens Townhomes* – Prices decreased by 2.4 percent on remaining units which changed the blended price per square foot from \$211 down to \$206.

Temporary Shift in Buyer Trends

Urban Analytics has noticed a shift in buyer trends resulting from COVID that emerged throughout the first half of the year. Established professionals and first-time home buyers have been the primary purchasers of new homes in Edmonton in the second quarter. Lower interest rates and a favorable buying environment has resulted in a significant increase in purchasing activity from the first-time home buyer segment. Conversely, the downsizer demographic which typically represents nearly half of new multi-family home purchasers in the market has been relatively inactive over the past two quarters. This group is at a higher risk with COVID and as such is less likely seeking to move in the short term and is also not motivated to sell their current residence at any significant discount. UA anticipates the weighting of first-time home buyers and downsizers will become more evenly distributed in the medium term as economic and social conditions stabilize further.

Looking Ahead

Many home builders in Edmonton's new multi-family home market are temporarily postponing their respective developments on launching new product due to current market conditions. As such, UA does not anticipate any significant number of new multi-family product launches in the third quarter of 2020 but does expect that more project launches will resume in the fourth quarter and early 2021.

Enticing Incentives Offered

Developers continued to offer creative incentives during the second quarter of 2020 to help with the sell-out of standing inventory. A range of incentives are currently being offered in Edmonton's new multi-family home market which include:

- *Crossroads of Rutherford Bldg 2*: 2-years of free condo fees on select units;
- *Village at Walker Lakes*: \$5,000 price reduction, Quartz counter-top, sink and plumbing upgrade;
- *Elements @ Windermere IV*: 6-month or 1-year free condo fees (depending on unit) and/or free surface parking;
- *Veritas*: match 5% down payment and free condo fees for 12 months (select suites);

- *Aloft Skyview Phase 1*: 2-years of free condo fees;
- *Northshore at Schonsee II*: developer will match the down payment on select units;
- *Elements @ Manning*: 1-year free condo fees;
- *Elements @ Manning II*: option of free parking stall, 1-year free condo fees or free legal fees depending on unit type;
- *Aloft Tamarack*: 2-years of free condo fees;
- *Elan Bldg II*: 5% matched down payment, 1-year free condo and legal fees;
- *Peak 61*: free moving fees, legal fees and 1-year of condo fees;
- *The Village at Walker Lakes Townhomes*: \$5,000 in upgrades;
- *Langdale Townhomes*: \$10,000 price discount;
- *Altius Skyview*: \$6,000 in design studio credit;
- *Altius Crystallina*: \$6,000 in design studio credit;
- *Peak 39*: no legal fees, 1-year free condo fees and \$1,000 amazon gift card;
- *Renew II in Rosenthal*: free basement development on select units;
- *Central Park in Cameron Heights*: mortgage subsidy over \$1,000/month;
- *Altius Cy Becker*: \$6,000 in design studio credit;
- *McConachie Crossing*: 2-year home warranty extension;
- *Grove on 25th*: 1-year free condo fees and appliance package;
- *Cobalt Beach*: \$7,500 in upgrades;
- *Bellwether Park*: 1-year free condo fees;
- *Glenridding Landmark*: \$5,000 in upgrades;
- *Moda One in Keswick*: mortgage assurance program;
- *Altius Desrochers*: 1-year free condo fees;
- *The Brooklyn at Blatchford*: \$12,000 price discount;
- *Crescent Trails Townhomes*: 2-year free condo fees;
- *Landra Row Housing*: 1-year free condo fees, 1-year free TELUS package, and 2-hours with an interior designer;
- *Altius Tamarack*: 2-years of free condo fees.



UA will continue to closely monitor any activity of the new multi-family home project sales in Edmonton, we look forward to analyzing the economy further re-opening and its impact on the multi-family real estate industry.

ALBERTA STATE OF THE MARKET

Keep an eye out for UA's Q2-2020 edition of the ALBERTA STATE OF THE MARKET report, which provides an aggregate summary of the status of new home markets in Edmonton and Calgary and economic metrics relevant to the housing industry. **[CLICK HERE](#)** to download the report Q2-2020.

Tell us what you think and what you need

We appreciate your feedback. Please contact us with any questions regarding this UA Take or any of our other periodic publications. In addition to maintaining the most current new multi-family home and rental apartment 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 or positioning of your new multi-family home community.

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