THE UA TAKE – SECOND QUARTER 2019:

**ENCOURAGING SIGNS**

Sales and Inventory Analysis:

The ‘Cautious Optimism’ referenced in Urban Analytics First Quarter UA Take for Edmonton’s new multi-family home market has appeared to have materialized into tangible sales volumes. The new multi-family condominium and townhome markets collectively experienced a 43 percent quarterly increase and a five percent increase on a year-over-year basis. The optimism that has driven quarterly sales to their highest levels since the Q4-2017 has been largely due in part to the recent provincial election in which the United Conservative Party won the majority leadership vote. While this change in consumer sentiment is refreshing, price sensitivity for the entry level and even second-time home buyer still exists in the marketplace. The recent improvement in consumer confidence has had its largest impact on those existing homeowners who have higher equity positions in their current residence. These consumers primarily consist of downsizers and more established working professionals. This conclusion was confirmed by new home project sales representatives throughout UA’s recent tour of the Edmonton market, along with the general performance of the townhome sector, which had 260 firm sales in Q2-2019 - an increase of 44 percent compared to the same quarter last year. This increase in quarterly sales comes amidst a moderate increase in municipal unemployment, which according to Statistics Canada rose from 6.8 percent in May up to seven percent in June. The increase in quarterly sales has also occurred despite only two new projects being launched across all seven sub-markets. Average sales values on a per square foot basis remained relatively consistent from last quarter. Total released and unsold inventory decreased by four percent compared to the previous quarter and is down 15 percent compared to the same quarter last
year. The absorption of existing multi-family inventory currently offers the opportunity for developers to launch new projects in sub-markets such as the Southwest and Northeast.

*Quarterly Unit Sales Increase:* The 439 new multi-family home sales recorded in Edmonton during the second quarter of 2019 represents a 43 percent increase from the previous quarter. This volume of total quarterly sales hasn’t been observed in Edmonton since Q4-2017 and represents the highest quarterly increase since UA began tracking the market. While both *Falcon One* and *SKY Residences*, two of the more prominent high rise condominium projects in Downtown Edmonton only achieved modest sales in the first quarter of 2019, they have each recorded 43 and 48 sales to date since the beginning of the year and both experienced higher sales activity in the second quarter. As these projects target both investors and working professionals, their recent improvement in sales activity highlights the improvement of market confidence from these purchaser groups. Both consumers and developers have shown resiliency and optimism in the multi-family home market amid the pessimism surrounding the energy industry, which has been the primary cause of increased unemployment in Alberta. Downsizers with equity along with a small number of potential first-time buyers have been increasingly entering the new multi-family market. UA believes that a significant number of would-be purchasers will continue to remain on the sidelines until further provincial economic and pipeline-related progress becomes more apparent.

![Quarterly Unit Sales Comparison](chart1.png)
Townhome Sector Drives Sales

Chart 2 outlines the historical second quarter sales for the various product types during the past three years. Downsizers and investors continue to drive sales in the new multi-family market. This was evident in the dominance of both townhome and concrete condominium product types, which recorded the majority of each of their sales from the Southwest and Downtown sub-markets. Townhome sales primarily occurred at a number of different projects located in the Southwest sub-market. Two notable projects - Mattamy Homes’ Stillwater and Brookfield Homes’ Canvas accounted for 17 percent of total townhome sales in the Southwest. The launch of Streetside Developments’ Altius Desrochers within the quarter resulted in the absorption of 11 units, which is another encouraging sign for the Southwest sub-market. In the Downtown sub-market, an extremely strong quarter by Langham Developments Falcon One and One Properties SKY Residences resulted in these two projects accounting for 76 percent of overall concrete condominium sales in the second quarter.

Concrete Sales Anticipated to Remain Strong

Chart 3 details the historical quarterly sales by product type. The largest increase occurred in the concrete condominium sector, where sales increased by 146 percent compared to the same quarter last year. Note that new home sales in the concrete condominium sector in early 2018 were negatively impacted by the mortgage stress test rules that were implemented on consumers at that time. The previous quarter’s UA Take for the Edmonton market projected an increase in concrete sales due to the launch of Falcon One. This forecast was realized not only by successful sales activity at Falcon One but also by SKY Residences. UA anticipates continued strength in the concrete condominium market segment moving into the third quarter, as investors and established working professionals take advantage of the opportunity to enter the market at a price point that is relatively lower to those experienced in the same quarter of the previous year (approximately $11,000 less).
Southwest and Downtown Sub-markets Boost City Sales

Southwest and Downtown sub-markets accounted for a combined total of 60 percent of overall new multi-family home sales in Edmonton in Q2-2019. The higher percentage of overall new home sales occurring in the Southwest sub-market is expected as this location which typically records higher absorption rates due to its relative affordability and greater selection of actively selling projects in the area. 175 sales were recorded in the Southwest in Q2-2019; the same total the sub-market achieved in Q2-2018 and up 41 percent from last quarter. Consistent sales activity relative to last year occurred in spite of a decrease in project launches in the area. All but two sub-markets experienced an increase in quarterly sales. The most notable sub-market was Downtown, which recorded a 222 percent sales increase compared to last quarter and a 122 percent increase compared to the same quarter last year.
Opportunity for New Project Launches

As previously mentioned, sales in the Southwest and Downtown sub-markets were the primary drivers of new multi-family home sales in Edmonton. This observed increase in demand and market optimism offers a unique opportunity for developers to launch their respective projects in the latter half of 2019, especially in the Southwest and Southeast as these locations have some of the lower levels of standing inventory in the Edmonton market.

Notable Quarterly Sales Changes

Opportunity for New Project Launches

As previously mentioned, sales in the Southwest and Downtown sub-markets were the primary drivers of new multi-family home sales in Edmonton. This observed increase in demand and market optimism offers a unique opportunity for developers to launch their respective projects in the latter half of 2019, especially in the Southwest and Southeast as these locations have some of the lower levels of standing inventory in the Edmonton market.
Chart 7 shows total quarterly sales relative to the total number of new project launches and the number of released and unsold inventory in the market. Note that only two projects launched in the second quarter of 2019 and only four projects have launched so far in all of 2019. UA anticipates that overall inventory levels will start to decline in coming quarters due to continued purchaser demand and a lack of new upcoming project launches in the second half of the year. Only five significant project launches of note are anticipated to launch in Edmonton in the second half of 2019.

![Quarterly Released Projects, Inventory and Unit Sales](chart7)

**Pricing compared to Sales**

![Average $PSF Vs. Total Sales](chart8)
Chart 8 shows the historical average blended price per square foot compared with total sales of new multi-family homes in Edmonton. The average blended price per square foot has remained fairly consistent over the past three years (fluctuates from a low of $306 per square foot in Q4-2016 to a high of $314 per square foot in Q3-2017). Conversely, overall sales have been more volatile in spite of relatively flat prices. Quarterly sales were at a recent high of 583 in Q4-2017 and were at a recent low of 308 in Q1-2019. As such, UA cannot find evidence from the above chart that would suggest that price is the primary determining factor in consumers decision to purchase a unit, rather than seasonality, economic conditions, migration and market sentiment.

The following chart separates the average price of new homes in Edmonton by product type (concrete condominiums, wood frame condominiums and townhomes) since Q4-2016. Note that average prices have increased by 3.6 percent for new wood frame condominiums and have remained the same for new townhomes and have decreased by 5.5 percent for new concrete condominiums since Q2-2017.

Marginal Decline in Released Inventory
Overall released and unsold inventory numbers at the end of the second quarter were down 141 (or four percent) compared to last quarter. The most significant decline in released and unsold inventory occurred for wood frame condominiums, which were down 17 percent compared to last quarter and down a further 44 percent compared to the same quarter last year. Released and unsold inventory levels were up nine percent for concrete condominiums and were up by only two percent compared to the same quarter last year. Total released and unsold inventory levels were fairly consistent across all product types, with concrete condominiums representing the highest level of released and unsold inventory. Concrete condominiums were the only product type where released and unsold inventory levels increased from last quarter (up seven percent). Notable Q2-2019 launches include - 77 units in Altius Desrochers 77 unit townhome project in the Southwest and SVS Developments' Peak 39 townhomes in the Northeast.
Declining Spread Between Sales & Released Inventory

The spread between quarterly sales and released and unsold inventory decreased by nine percent compared to the previous quarter and by 18 percent on compared to the same quarter last year. The decrease in sales to released inventory spread is the result of both increased purchasing activity and fewer project launches occurring throughout the quarter. The decrease in spread is good for developers in the form of a more favourable sales to active listings ratio, and is also a positive indicator for purchasers as it suggests that a more optimistic sentiment could be potentially returning to the market.
Standing Inventory Levels Decline

Chart 12 illustrates historical standing inventory levels compared to total sales on a quarterly basis. Overall standing inventory levels of new multi-family homes in Edmonton were down seven percent compared to last quarter, which is promising for home builders. Note however that overall standing inventory levels are up 16 percent compared to the same quarter last year. Although standing inventory levels are up from last year, it is reassuring that the current inventory trend is downward and the current sales trend is upward. Both factors will allow more room for the introduction of new condominium and townhome product to the market in the coming quarters.
Highest Standing Inventory in Northwest and Southwest

Both the Northwest and Southwest sub-markets continue to comprise the majority of the standing inventory of new multi-family home product in the Greater Edmonton area. These sub-markets represent a combined total of 64 percent of overall standing inventory in the market. Standing inventory decreased in four of the seven sub-markets and the most notable reductions in occurred in the Southwest and Northeast – both decreased by 15 percent respectively. The recent completion of Symphony Tower resulted in a modest increase in standing inventory in the Downtown sub-market and recent completions of low rise condominium projects in Sherwood Park and St. Albert also resulted in slightly higher levels of standing inventory in those sub-markets.
Price Trends

Developers continued to offer incentives in Edmonton’s new multi-family home market to attract buyers and increase sales activity. These incentives typically reduce the net purchase price of this product by several thousand dollars. Some of the noteworthy price changes and incentives offered at actively selling projects across Edmonton are as follows:

- **Altius Graydon Hill**: Free condo fees for one year
- **Peak 61**: Choose One - One year free condo fees, two months mortgage free, one year of free property taxes, additional $1,000 towards appliances and $1,500 towards blinds or vacation package for two to Las Vegas
- **Twin Brooks Townhomes**: $2,500 in available upgrades
- **Caspia Townhomes**: $5,000 gift card to Costco
- **Essence Townhomes at Windermere South**: $5,000 in free upgrades
- **Neptune Townhomes**: $20,000 off units
- **The Strand in Rosenthal**: $20,000 off remaining units
- **Altius Uplands**: Up to $30,000 off
- **Central Park in Cameron Heights**: $10,000 in gift cards (up to three businesses)
- **Secord Chalet**: $2,000 off unit price by referral and for family and friends, first responders, Alberta Health Services and Teachers
- **Starling Landing**: Free Quartz counter-top upgrade in kitchen and bathroom
- **Skylark 87**: Upgrade options worth up to $25,000
- **Moda One at Keswick**: $7,500 for the next buyer who purchases and $10,000 off quick possession units
- **Glenridding Street Towns**: Next two sales $15,000 off; $12,500 off next two sales after that; $10,000 off
- **Grove on 25th**: Free smart home climate control and free condo fees for one year
- **Oakmont Townhomes**: Free upgrade to quartz or granite countertops and stainless steel appliances
- **Altius Laurel**: Up to $14,000 off units until August 31st
- **Maple Way Gardens**: $12,000 price reduction on units or buyers have the option of receiving the reduction as $500/month subsidies or as a $12,000 gift card
Buyer Trends
Downsizer and established professionals continue to comprise of the majority of new home purchasers in
the Edmonton market. The change of political winds which has resulted from the recent provincial election
has not only encouraged more buying activity from mature professionals and downsizers, but also some
entry level buyers. There remains an overarching sentiment of patience among prospective buyers, whose
demand continues to be directed into both the purpose-built rental and investor owned condominium
sectors. Although a degree of market optimism has returned to help absorb some of the existing inventory
of condominium and townhome units currently available, many purchasers will continue to await signs of
a provincial economic transition as they look forward to the federal election in the Fall. UA anticipates
continued market activity from both investors and more mature purchaser groups, which will help keep
unit absorptions at consistent levels moving into the third quarter of 2019.

Recent Project Launches
The Following is a list of projects that launched in the early stages of Q2-2019:
- Streetside Developments launched Altius Desrochers in the Southwest sub-market, a 96 unit
townhome project which released 38 units during the quarter and recorded 11 total sales.
- SVS Developments launched Peak 39 in the Northeast sub-market, a 39 unit townhome project
which released all units and recorded no firm sales throughout the quarter.

Looking Ahead
The following are some of the projects UA anticipates will launch during the next two quarters and will be
monitoring closely.
- 1932 by Bateman – Bateman Properties & Pangman Developments
- Eve at Erin Ridge Townhomes – Landrex Ventures
- Crescent Trails – Mattamy Homes
- The Brooklyn at Blatchford – Encore Master Builder
- Essential Aurora – Rohit
- Emerald Tower – Regency Developments
- Keswick – Pacesetter Homes

UA’s NHSLive new home data platform is the most comprehensive source of current and detailed
new multi-family home project information. 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 and or positioning of your new
multi-family home community and provide a demonstration of the data products on NHSLive.ca.

URBAN ANALYTICS
(403) 294-0135
info-alberta@urbananalytics.ca