

## RENTAL DEMAND REMAINS STRONG

### Rental Market

Edmonton’s new purpose-built rental market experienced low vacancies throughout 2018, which resulted in continued upward pressure on rents throughout the year. The first quarter of 2019 began with a slight drop in occupancy rates, which in turn led to modest softening in the rental rates across the market. The mortgage stress test rules implemented just over a year ago continue to be one of the primary drivers of rental demand and the resulting high occupancy rates in the purpose-built rental market; the continued difficulty of first-time home buyers to obtain a mortgage are keeping them in the rental market. The majority of rental apartment projects in Edmonton are classified as fully leased, with a limited number of units available for rent on a monthly basis. Demand for newer purpose-built rental apartment product has remained strong as tenants have been willing to pay the marginal price difference between newer and older rental stock on the market.

Urban Analytics (UA) is currently tracking 67 newer purpose-built rental apartment projects representing 9,962 units across seven Edmonton sub-markets on a quarterly basis.

### TOTAL PROJECTS BY SUB-MARKET

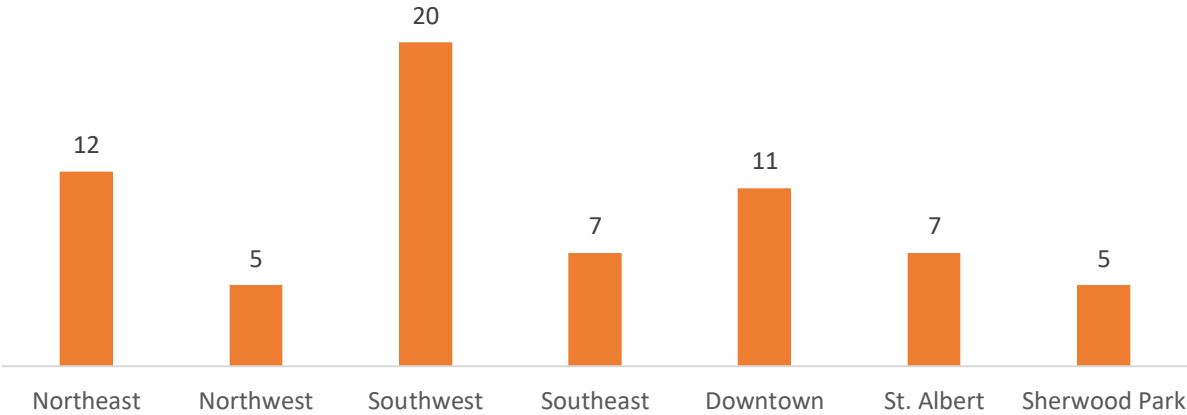


Chart 1

UA analysts currently monitor 10 newer concrete and 54 wood frame apartment projects, and three rental townhome projects in Edmonton through primary research methods. The information collected is input into UA’s *NHSLive* database for analysis by Rental Data subscriber clients.

*Slightly Lower Occupancy Rates*

The overall occupancy rate for newer rental developments in Edmonton was 93 percent at the end of Q1-2019, a two percent drop compared to the previous quarter. The seven percent vacancy rate across the city is largely attributed to the launch of leasing campaigns for some new projects combined with tenant turnover early in the year.

**OCCUPANCY PER QUARTER**

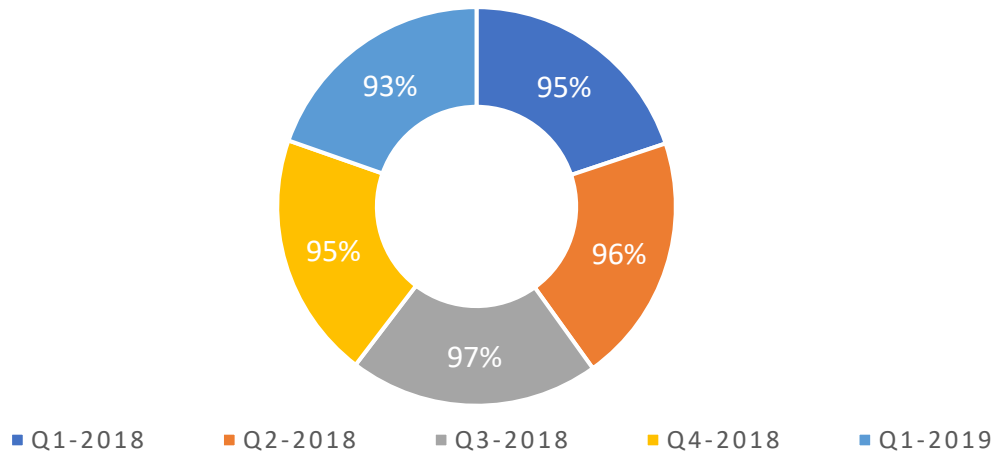


Chart 2

The Northwest submarket recorded the highest average occupancy in the first quarter at 97 percent. This sub-market experienced a one percent decrease in occupancy since the fourth quarter of 2018. Sherwood Park experienced a dramatic decrease in occupancy due to the new launch of *Harmony at the Market* which brought 80 new units to the market.

**AVERAGE OCCUPANCY BY SUB-MARKET**

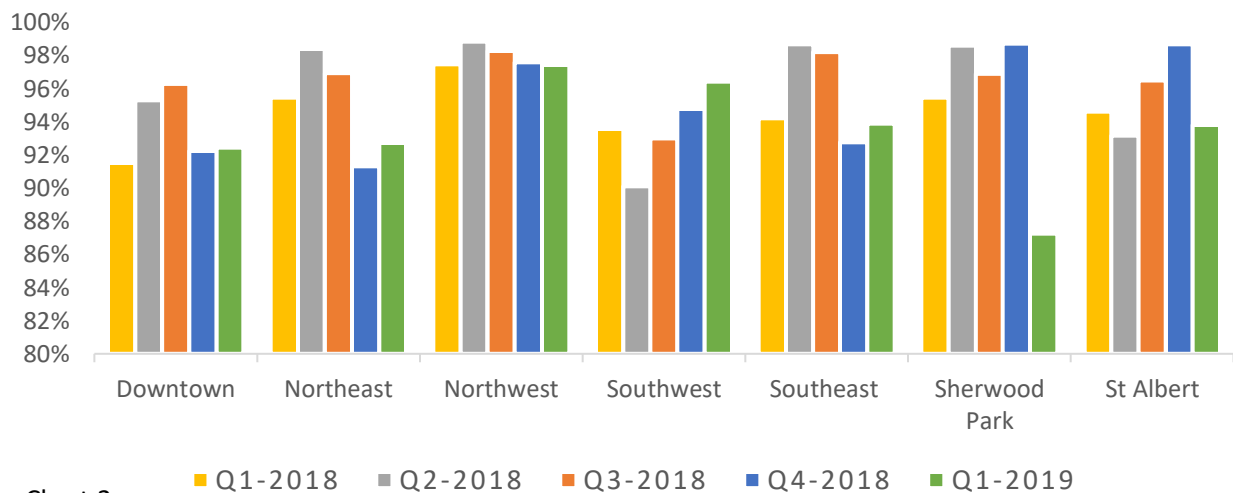


Chart 3

### Softening Rents

Rents for newer purpose-built rental developments in Edmonton had increased steadily throughout 2018, largely in unison with occupancy rates. However, the slight drop in occupancy rates in the first quarter of the year resulted in modest three percent decrease (\$0.05 per square foot) in rents from the previous quarter. Despite this slight drop, overall monthly rent rates rose by 1.22 percent (\$0.02 per square foot) year-over-year.

### QUARTERLY AVG \$PSF RENTS

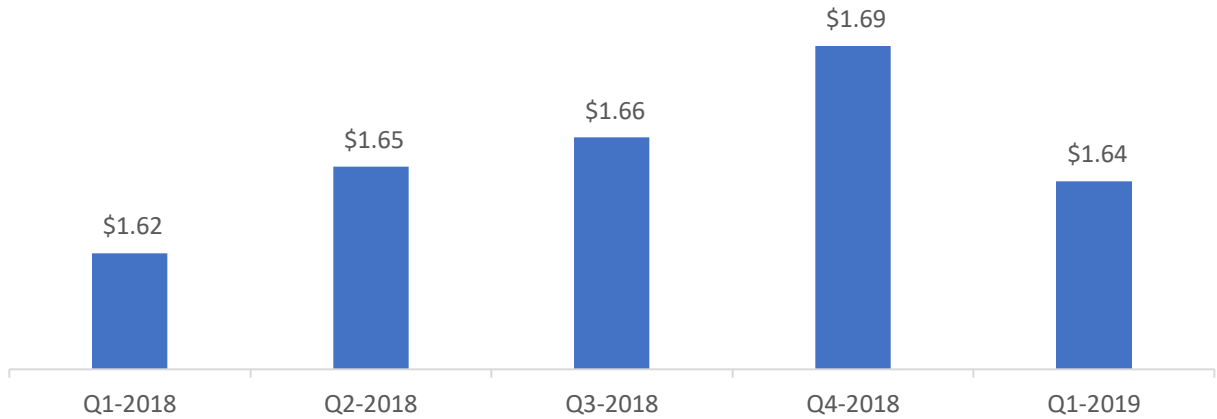


Chart 4

While the Downtown sub-market experienced the highest average net rents in Q1-2019 at \$2.07 per square foot, this represented a 13 percent (\$0.27 per square foot) decrease from the previous quarter. This can be largely attributed to the amount of vacancy in the city's core. Rental projects in Downtown Edmonton have responded to this increase in vacancy by offering higher valued incentives such as one to two months free rent on 12 month leases. This can also help explain the decrease in rental rates between Q4-2018 and Q1-2019 in the Downtown sub-market.

### AVG NET RENT \$PSF PER SUB-MARKET

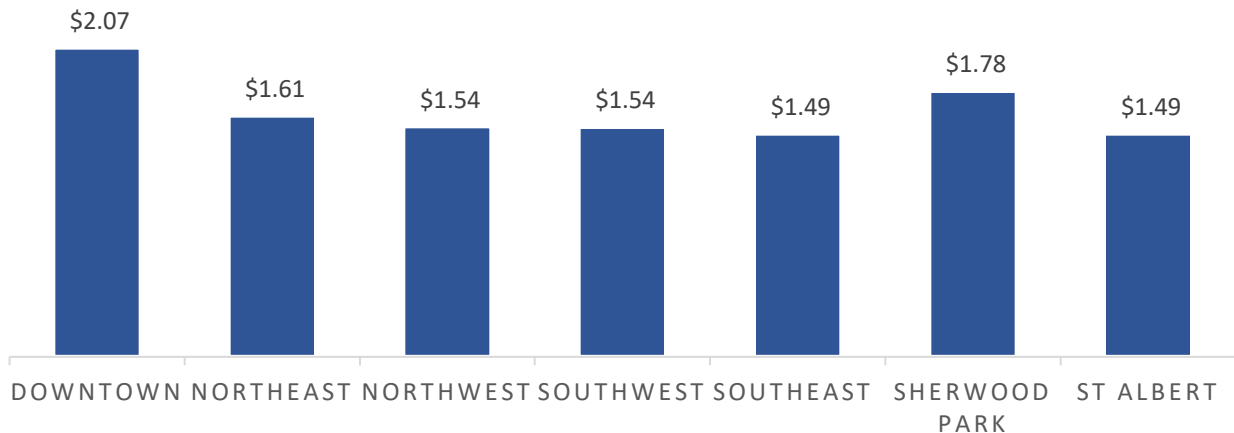


Chart 5

Four of the seven sub-markets in Edmonton experienced an increase in average net rent per square foot compared to the previous quarter. The largest increase occurred in the Northeast sub-market where the average net rents rose by 5.6 percent (\$0.09 per square foot). Sherwood Park, St. Albert, and Downtown were the three sub-markets to experience a decrease in the average net rent per square foot with Downtown suffering the largest decrease of 13 percent (\$0.27 per square foot). Sherwood Park and St. Albert experienced a 5.6 percent (\$0.10 per square foot) decrease, and an 8.7 percent (\$0.13 per square foot) decrease respectively.

### AVERAGE NET RENT \$PSF BY SUB-MARKET

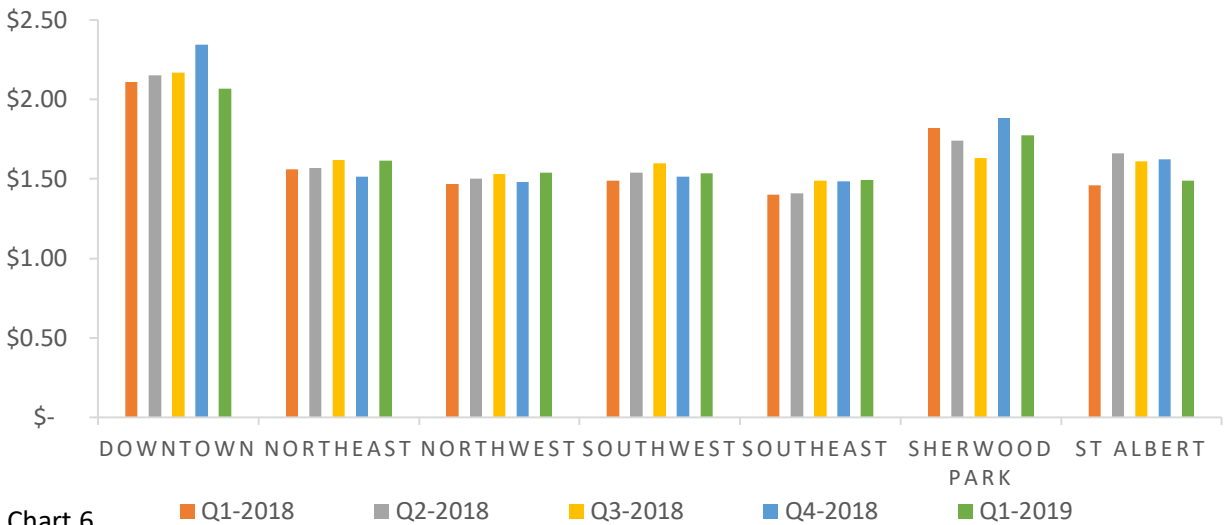


Chart 6

Chart 7 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 2018, newer purpose-built rental projects were able to increase rents while maintaining high occupancy rates. However, the first quarter of 2019 experienced a slight increase in vacancy rates, which resulted in a decrease in rents per square foot.

### OCCUPANCY VS. NET RENTS \$PSF

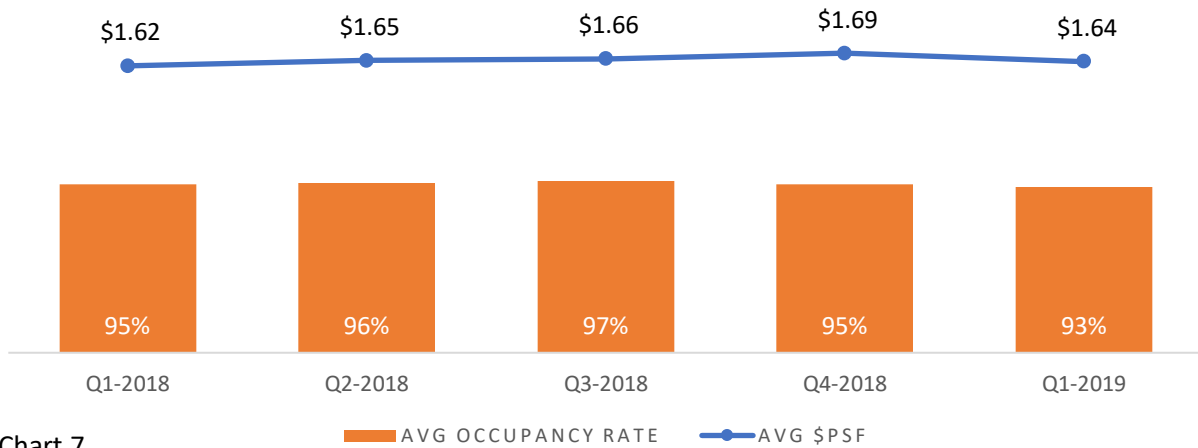


Chart 7

*Active vs. Fully Leased Projects*

The majority of newer purpose-built rental projects in a number of Edmonton sub-markets are fully leased, with a small percentage of rental projects in Sherwood Park, the Southeast, Southwest, and Northeast sub-markets being less than 85 percent leased. The highest proportion of actively leasing projects are located in Sherwood Park. *Harmony at The Market* in Sherwood Park launched in December 2018 and brought 80 units to the market, resulting in this increase.

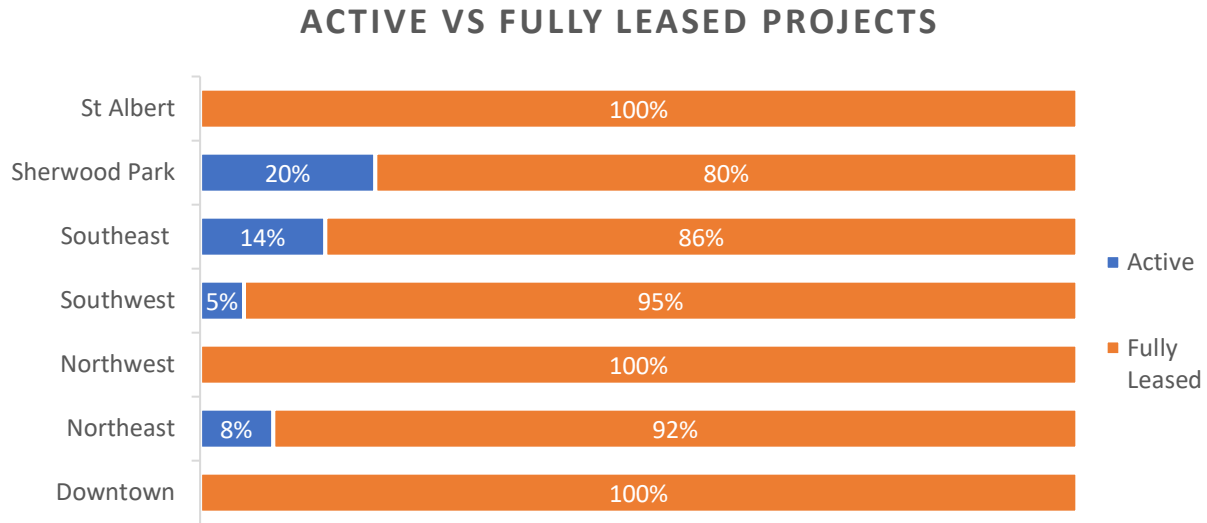


Chart 8

*Availability in Q1-2019*

The Downtown sub-market had the highest number of available units for rent in Q1-2019. The higher rents being sought by many projects in this sub-market throughout 2018 may have contributed to prospective renters seeking more affordable options in other sub-markets, thereby reducing demand Downtown. The release of new product Downtown also contributed to the lower occupancy there. *Raymond Block* by Wexford Developments launched in November bringing 95 units to this sub-market. The building is currently 61 percent leased. The Northwest sub-market had the lowest number of available units, though it should be noted this sub-market also features one of the fewest number of rental projects, all of which are classified as fully leased.

## AVAILABLE UNITS PER SUB-MARKET

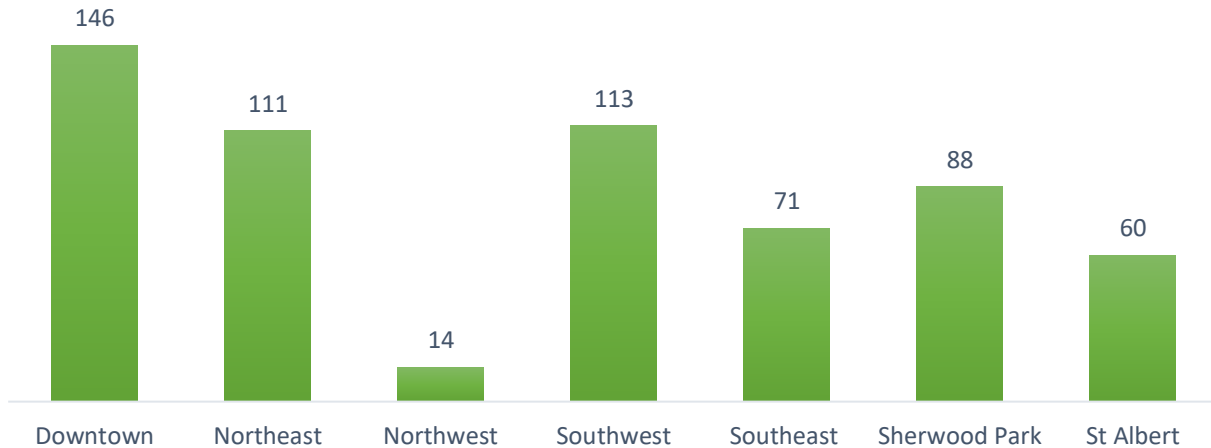


Chart 9

### Incentives

Both fully leased and actively leasing newer purpose-built rental buildings offered incentives in Q1-2019.

The following is a list of some of the more notable incentives offered as of February 2019:

- One month free rent on a 12 month lease.
- 2 months free rent on a 12 month lease.
- One and a half months free rent on a 12 month lease.
- Half month free rent on a 12 month lease.
- \$500 off the first months rent.
- \$650 off the first months rent.
- \$100 off monthly rent.
- One year free Telus package.
- 40% off Telus packages.
- 25% off Telus packages.
- Exclusive Shaw rates.
- Free Parking.
- One year free underground parking.
- Two months free of underground parking.
- Six months free parking.
- \$50 off underground parking.
- Reduced parking.
- Reduced security deposit.
- \$500 move-in credit.

Incentive offerings were seen across six of the seven sub-markets in Edmonton in February 2019. The Southwest was the dominant sub-market with 12 of the 20 projects offering incentives.

### **Amenities**

The newer purpose-built rental buildings UA currently monitors offer a variety of amenity features. Projects featuring a superior amenity package are more likely to achieve full occupancy sooner and have lower turnover than 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. 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. The most common amenity offered throughout Edmonton is underground parking. The following provides a list of common amenities offered to renters in the Edmonton market:

- Roof terrace
- Roof garden
- Music room
- Outdoor patio
- Workshop
- Lounge
- Bike repair area
- Gymnasium
- Guest suite
- Kitchen
- Fitness area
- BBQ area
- Bike storage
- Concierge
- Car share cars
- Garden plots
- Residence manager
- Games room

### **Renter Demographic**

There is generally a wide range of renter demographic throughout the various Edmonton sub-markets. The outer sub-markets tend to attract more immigrants, blue-collar workers, young families and retirees. The inner markets closer to the Downtown core currently attract more students, young and established professionals, downsizers, and young couples.

### **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:

- *Pine Creek Manor - RMS Group*
- *Lakeview Apartments (Bellevue Village) - Cape Group*
- *Gill Estates - Gill Built Homes*

**Urban Analytics offers subscription access to newer purpose-built rental data in Calgary, Edmonton and Metro Vancouver on NHSLive. Please call or email for a demonstration and to inquire about our advisory services to help you appropriately design and position your next project.**

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