



HOLDING STEADY

Q4-2019 UA EDMONTON RENTAL TAKE

UA EDMONTON RENTAL TAKE – Q4-2019

Rental Market Overview

14 new purpose-built rental projects launched throughout Edmonton in 2019 that brought a total of 1,727 new units to the market. 844 of these recently launched units have been absorbed as of the end of November 2019. Occupancy rates varied throughout the year, reaching their peak in the second quarter of the year at 94 percent and dropping down to 92 at the end of the fourth quarter. Overall average rental rates over the past year started at a high of \$1.69 per square foot and are currently at \$1.67 per square foot.

A total of 270 units in three projects were released to the market in the fourth quarter, which resulted in a one percent decline in occupancy rates compared to last quarter and a three percent decline when compared to the same quarter last year. The overall vacancy rate for new apartment product in the City of Edmonton is currently at eight percent and is slightly higher as several new project launches increased the rental availability pool this past quarter. UA believes as the weather begins to warm up in the second quarter of 2020, this product will be absorbed fairly quickly as the springtime is seasonally a more active time for moving. Beyond that rental rates too should start to rise again in mid to late 2020.

Urban Analytics (UA) is currently tracking 87 newer purpose-built rental apartment projects representing 12,324 units across seven Edmonton sub-markets, including St. Albert and Sherwood Park. 12 of these projects are actively leasing, with the remaining buildings having been fully absorbed and experiencing regular unit turnover.

TOTAL PROJECTS BY SUB-MARKET

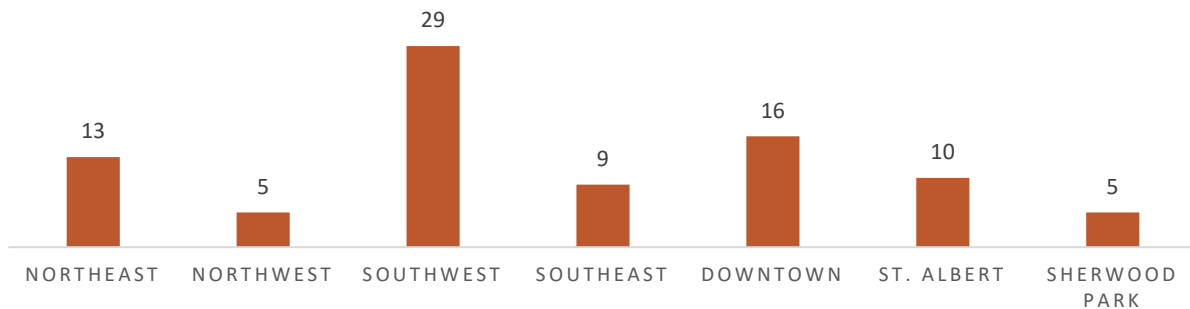


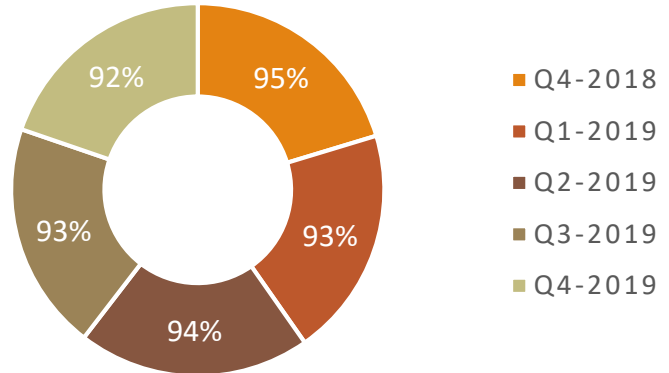
Chart 1

UA analysts are currently monitoring 18 newer concrete and 65 wood frame apartment projects, and four 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 *NHSLive* subscription service.

Slight Decrease in Occupancy Rates

The overall occupancy rate for newer rental developments in Edmonton was 92 percent at the end of Q4-2019, a one percent decrease compared to the previous quarter. This increase in vacancy is largely due to the three new rental projects launched in the fourth quarter of the year, comprising a total of 270 units that were introduced to the market. Note that the new launches in the third quarter of the year are also still in their respective initial lease-up campaigns. Furthermore, the fourth quarter of the year has historically had a higher vacancy rate relative to other quarters. The overall occupancy rate at the end of Q4-2019 is three percent lower than at the same period in 2018. However, there were only 67 projects in the market at that time that were deemed relevant for monitoring purposes.

OCCUPANCY PER QUARTER



Sherwood Park and the Northeast sub-market continue to record the highest average occupancy for the second quarter in a row at 99 percent and 98 percent respectively. Sherwood Park experienced a one percent increase in occupancy rates compared to the third quarter of the year, while occupancy rates in the Northeast sub-market were unchanged. Low vacancy rates in these sub-markets suggest there should be more demand for additional new purpose-built rental supply. The Downtown sub-market experienced the largest decline in occupancy in the fourth quarter (five percent when compared to Q3-2019). The recent launch of *E11even* by Strategic Group, which brought 177 new units to the market in the fourth quarter can explain much of the increase in availabilities in this sub-market. The four other projects that launched in Downtown in the third quarter of the year are still being absorbed, which is also currently supporting slightly higher vacancy rates. All other sub-markets experienced either consistent or slightly increased occupancy rates in the fourth quarter of the year compared to the previous quarter. Availability rates in the St. Albert sub-market increased by three percent after Cape Group released the final units in its *Lakeview* building in the fourth quarter.

AVG OCCUPANCY PER SUB-MARKET

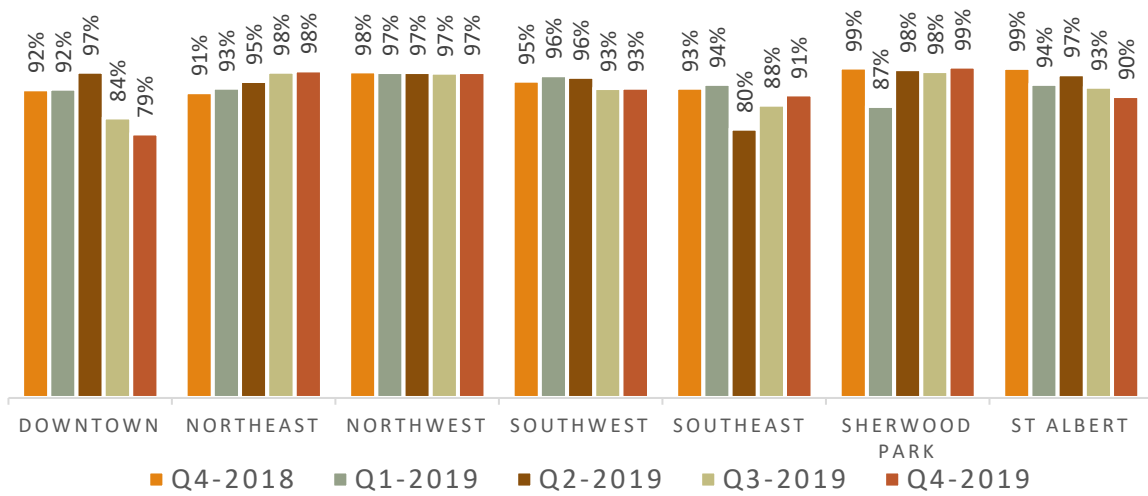


Chart 2

Steady Rents

Rental rates throughout 2019 were able to increase between the first and second quarter of the year and leveled out in the latter half. Fourth quarter rental rates were similar to the third quarter of the year. Recently launched projects are continuing to achieve higher rental rates and older rental projects have decreased their rents to remain competitive. UA anticipates that the older product will be able to increase their rents once newer product is absorbed and vacancy begins to decrease. Year over year, rental rates have decreased by a modest 1.2 percent (\$0.02 per square foot).

QUARTERLY AVG \$PSF RENTS

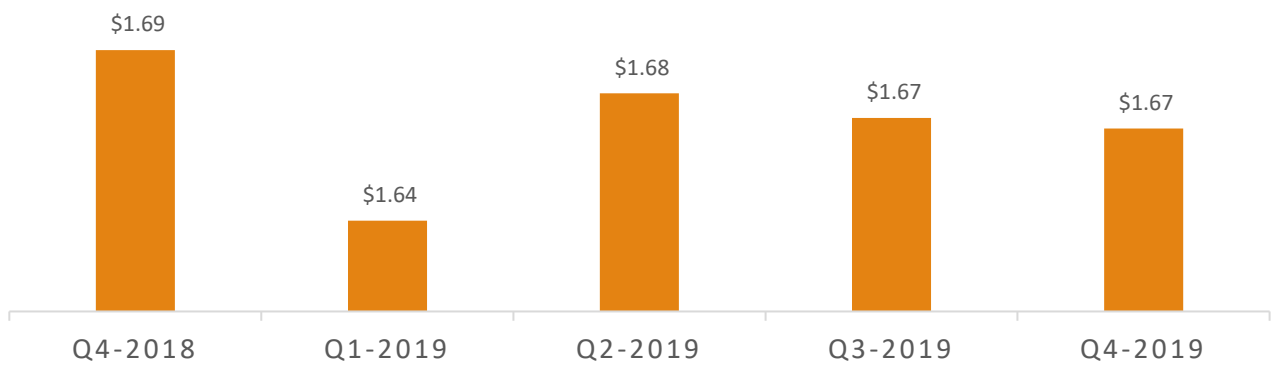


Chart 3

Overall average rents in the Downtown sub-market were at \$2.06 per square foot in Q4-2019. Average list rents in Downtown Edmonton were once again the highest in the market. However, this discrepancy could decrease in the future as new, higher quality rental developments are anticipated to be introduced in the outer sub-markets. The next highest rents are being achieved in St. Albert at \$1.73 per square foot.

As Chart 5 illustrates, the Southwest is obtaining the highest net rent per square foot of all suburban locations in Edmonton for the second quarter in a row at \$1.59.

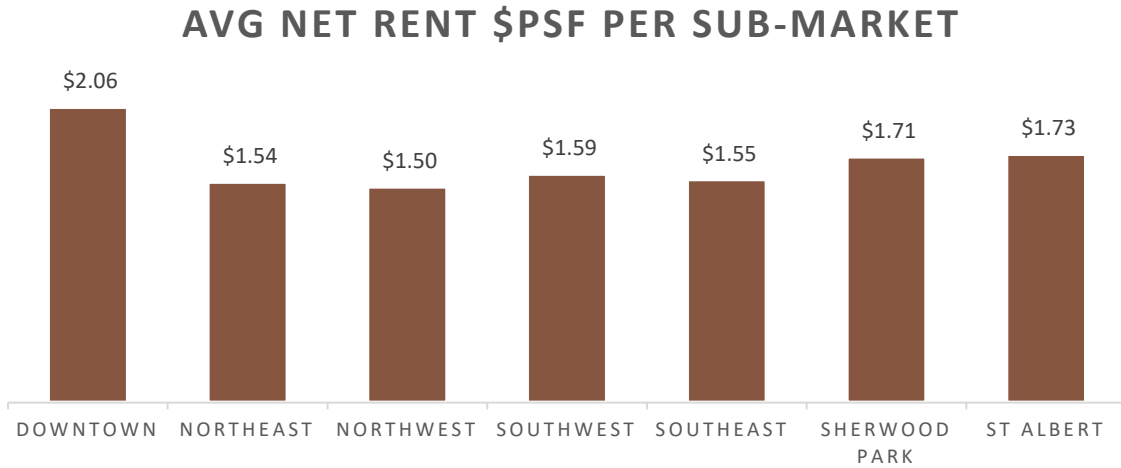


Chart 4

Current list rents for lease renewals in the fourth quarter of the year varied slightly across the market with most projects realizing lower rents and some achieving higher rents. Chart 6 illustrates the comparison of ask rates for new tenants compared with the original average net rents for those unit types at the initial lease-up stage.

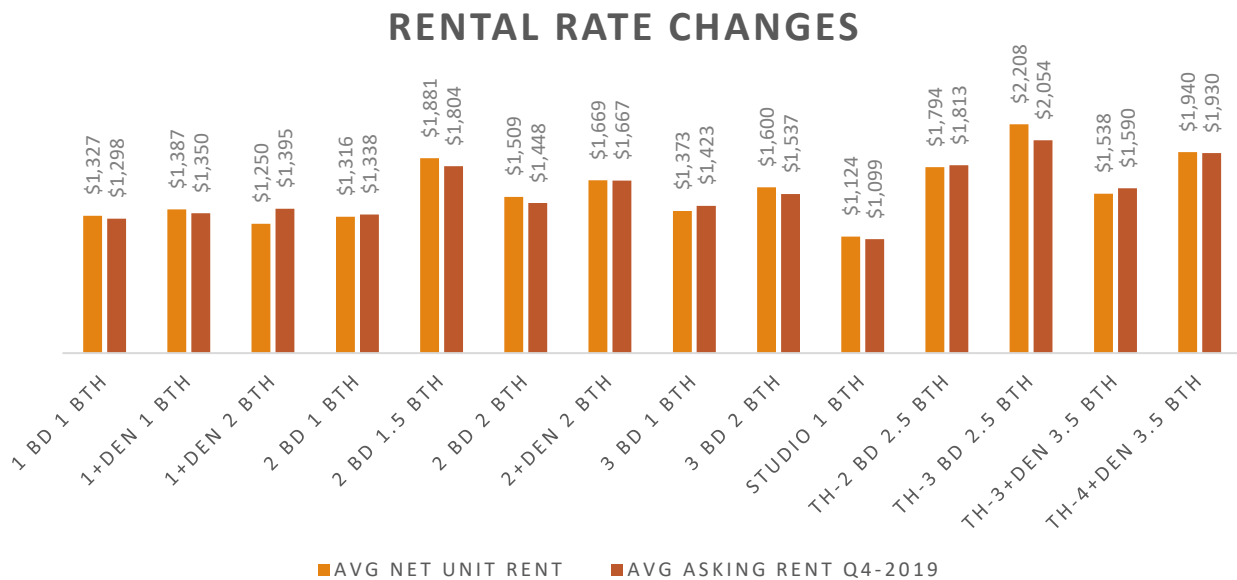


Chart 5

Rents have decreased for nine of the 14 unit types at projects where rents were adjusted upon unit turnovers;

- One bedroom one bathroom unit rents decreased by two percent (\$29 per month);
- one bedroom plus den and one bathroom unit rents decreased by three percent (\$37 per month);
- two bedroom one and a half bathroom unit rents decreased by four percent (\$77 per month);
- two bedroom two bathroom unit rents decreased by four percent (\$61 per month);
- two bedroom plus den and two bathroom unit rents decreased by 0.1 percent (\$2 per month);
- three bedroom two bathroom unit rents decreased by four percent (\$63 per month);
- studio one bathroom unit rents decreased by two percent (\$25 per month);
- three bedroom two and a half bathroom townhome unit rents decreased by eight percent (\$155 per month);
- four bedroom plus den and three and a half bathroom townhome units decreased by 0.5 percent (\$10 per month).

This decrease in rents in most unit turnovers is the result of the older product competing with brand new buildings that are just beginning their leasing campaigns. Brand new projects are in some cases more appealing for potential renters given these projects are well-located, offer a superior amenity package and the units have not been lived in.

The remaining five unit types that turned over in Q4-2019 experienced an increase in rents:

- One bedroom plus den and two bathroom unit rents increased by 10 percent (\$145 per month);
- two bedroom one bathroom unit rents increased by two percent (\$22 per month);
- three bedroom one bathroom unit rents increased by four percent (\$50 per month)
- two bedroom two and a half bathroom townhome unit rents increased by one percent (\$19 per month);
- and three bedroom & den townhome unit rents increased by three percent (\$53 per month).

Four of the seven sub-markets in Edmonton experienced either unchanged or an increase in average net rent per square foot rates compared to the previous quarter. The Northeast sub-market and St. Albert both experienced a six percent increase in rental rates (\$0.10 per square foot). Average net rents in Sherwood Park, Downtown, and the Southwest sub-markets decreased compared to the previous quarter; dropping by seven percent (\$0.12 per square foot), 1.9 percent (\$0.04 per square foot), and 5.7 percent (\$0.09 per square foot) respectively.

AVG NET RENT \$PSF PER SUB-MARKET

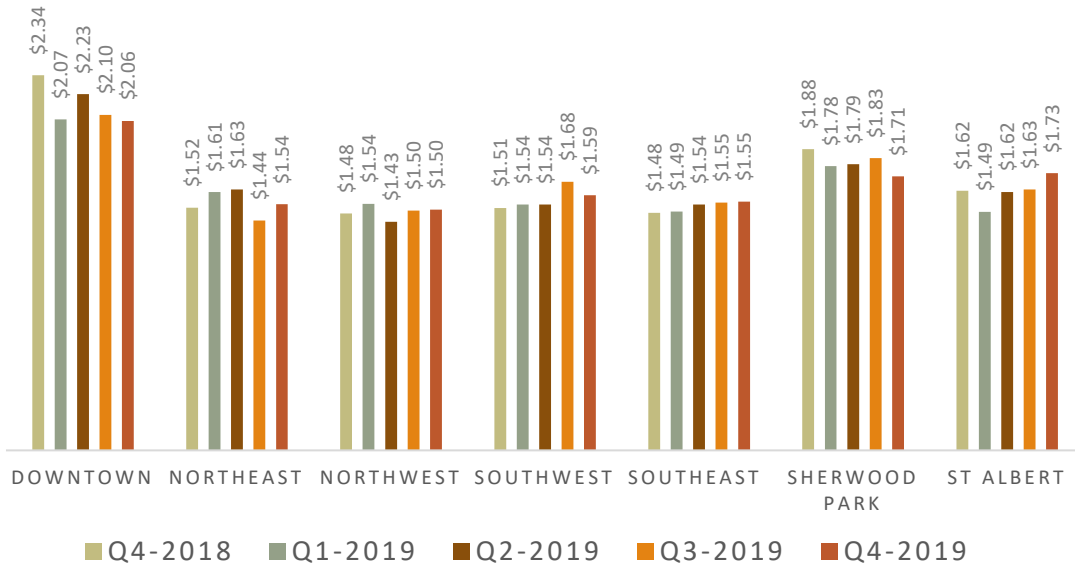


Chart 6

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 2019, newer purpose-built rental project owners were able to increase rents when vacancy decreased. Overall net rents in 2019 seem to have stabilized as the overall occupancy rate has experienced minor variances throughout the year. Overall vacancy is higher in the fourth quarter of 2019 compared to the same quarter last year, however UA believes the newer product that launched throughout the year will be absorbed fairly quickly, and occupancy rates should increase in the first and second quarters of 2020.

OCCUPANCY VS. NET RENTS \$PSF

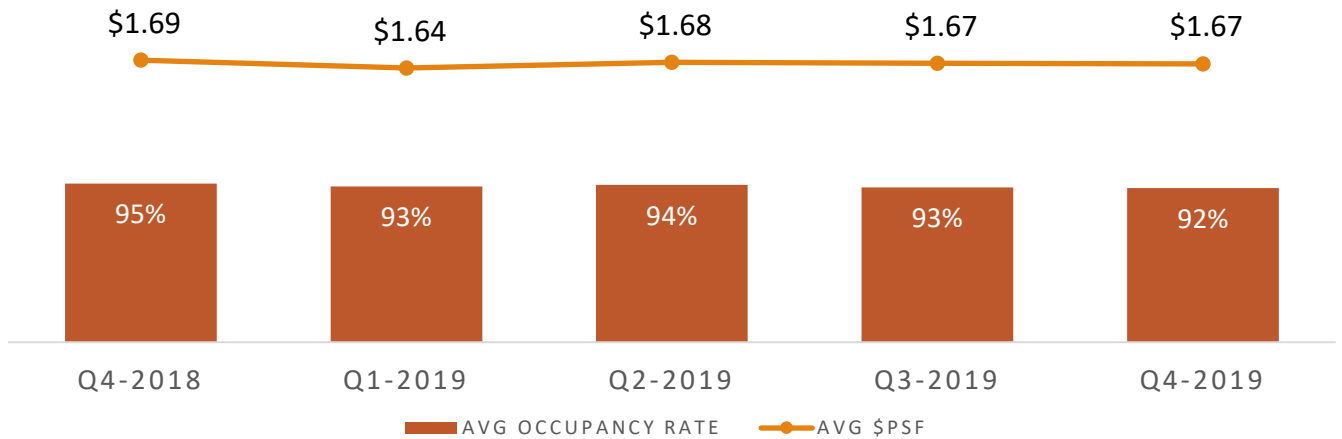


Chart 7

Active vs. Fully Leased Projects

UA considers projects that have 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. 77 percent of new projects in Edmonton are currently ‘active’, meaning they are less than 85% leased. This figure is seven percent higher than the third quarter of the year and can be justified due to the three new projects that launched in the quarter, in addition to the seven projects that launched in the third quarter of the year that have yet to be fully absorbed. The highest proportion of actively leasing projects are Downtown. These projects include *Infiniti on 105* (62 percent leased), *100 House* (46 percent leased), *The MacLaren* (30 percent leased), *The TraX* (54 percent leased), and the new office-conversion rental project by Strategic Group that launched in September, *e11even* (27 percent leased).

ACTIVE VS FULLY LEASED PROJECTS

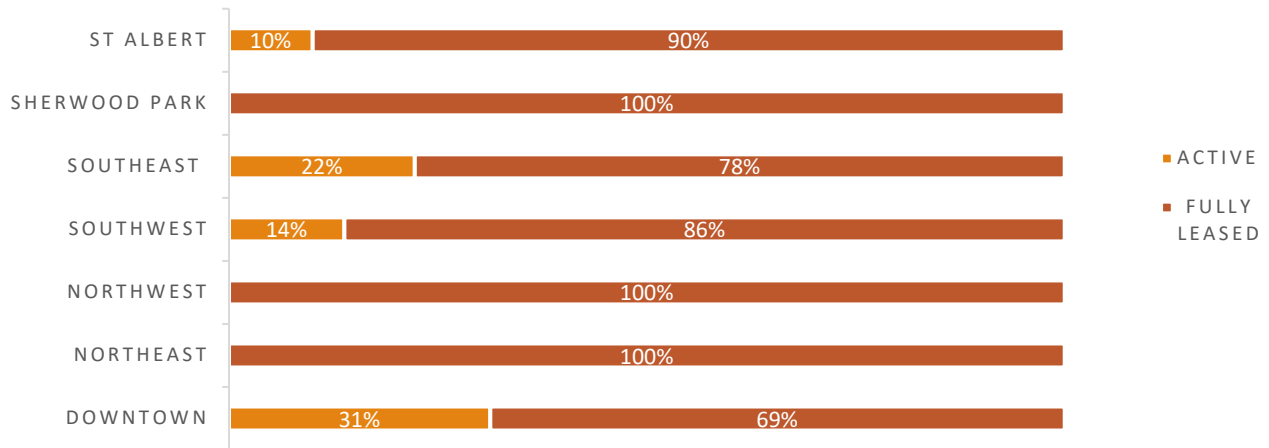


Chart 8

Availability in Q4-2019

Downtown Edmonton had the highest total of available units for rent in Q4-2019, mostly due to the new product that has launched in the area over the past few quarters. One new project launched in the Southwest sub-market in Q4-2019; *Keswick Green* released two of its three buildings (93 units) in the fourth quarter.

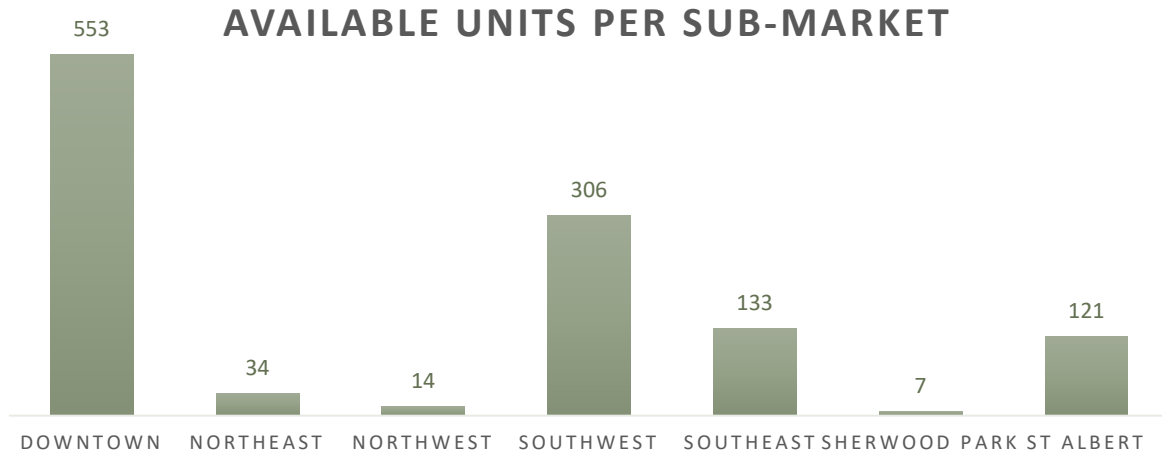


Chart 9

Incentives

Both actively leasing and fully leased newer purpose-built rental buildings offered a range of incentives in Q4-2019. The following is a list of some of the more notable incentives offered as of November 2019 for 12 month leases:

- One year free Telus package
- One month free rent
- A variety of incentives if the tenant does not require parking (free rent, free Telus, free ETS pass, etc.)
- \$225 off per month
- \$500 off the first months rent
- \$300 off per month
- \$100 off per month
- \$250 VISA gift card for studio units
- Three months of free parking for one and two bedroom units
- \$700 off yearly rent on one bed units
- \$1,000 off yearly rent for larger two bed units
- Second parking stall at half price for six months
- \$50 off rent per month
- \$600 move-in bonus
- \$200 off first months rent
- Free parking
- \$200 off per month
- 40% off Telus package
- Reduced rent
- Six months of free parking
- 5% off for military, seniors, and first responders
- \$250 move-in bonus
- \$500 grocery gift card
- Free storage locker

Incentive offerings were observed across all seven sub-markets in Edmonton in November 2019.

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. A few examples of projects in this area 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 less urban neighbourhoods that are improving their respective amenity offerings. *Central Tower* in Bearspaw offers their 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 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. 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 approximately 42 new purpose-built rental projects with an aggregate total of 8,985 apartment units in Edmonton that are contemplated and could come to market within the next few years. There are currently 2,291 apartment buildings under construction - six wood frame buildings representing 689 units, six concrete buildings representing 1,521 units and one townhome project with 81 units.

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:

- *Essential Aurora – Rohit Communities*
- *Castlebrook Greens – Seymour Pacific Developments Ltd.*
- *Secord Landing – City Vibe Developments*
- *Park Avenue – Westrich Pacific*

Given the ever-shifting conditions in the various sectors of the new home markets in Calgary and Edmonton, having access to the most current and accurate data at your fingertips is more vital than ever. NHSLive provides timely data on the new Rental Apartment and Multi-Family Home sectors of the market in Calgary, Edmonton and Metro Vancouver. With its user-friendly interface and extensive functionality, it has become an invaluable tool for over 1,200 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 apartment market 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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