

THE UA TAKE: FOURTH QUARTER 2017:

OPPOSITES ATTRACT BUYERS: LUXURY AND ENTRY LEVEL

Edmonton’s new home multi-family market ended 2017 on a strong note with a 137 percent increase in sales in the fourth quarter of 2017 compared to the same quarter the previous year. The higher sales are attributed in part to the successful launch of *Sky Residence* in the Ice District neighbourhood of Downtown, which added a unique luxury condominium offering to the market. The project attracted a mix of local and out of town investors, many from Toronto and Vancouver. The more affordable sector of the market also performed well in the last quarter, particularly in the Southwest submarket where projects accounted for 29 percent of all new multi-family home sales in Edmonton. The Downtown and Southwest sub-markets sales combine for over two-thirds of Edmonton’s multi-family sales in the fourth quarter of 2017.

Sales and Inventory Analysis

Urban Analytics (UA) began regular monitoring of the new multi-family home sector of the Edmonton residential market in the latter half of 2016. The last quarter of 2017 represents the highest number of home sales recorded by a wide margin. Q4-2017 sales were 74 percent higher than total third quarter sales and 54 percent higher than the previous highest quarterly total in 2017. As noted, the 242 unit sales recorded during the launch of *Sky Residences* comprised a significant proportion of the higher Q4 sales. The project’s location adjacent to Rogers Place arena, appealing views from all residential units (which start on the 31st level), combined with luxury finishing specifications drew many local and out-of-province buyers. In addition to the *Sky Residences*, there were over 30 new multi-family home project launches throughout the Edmonton market in 2017, which also contributed to the increased total annual sales.

QUARTERLY UNIT SALES

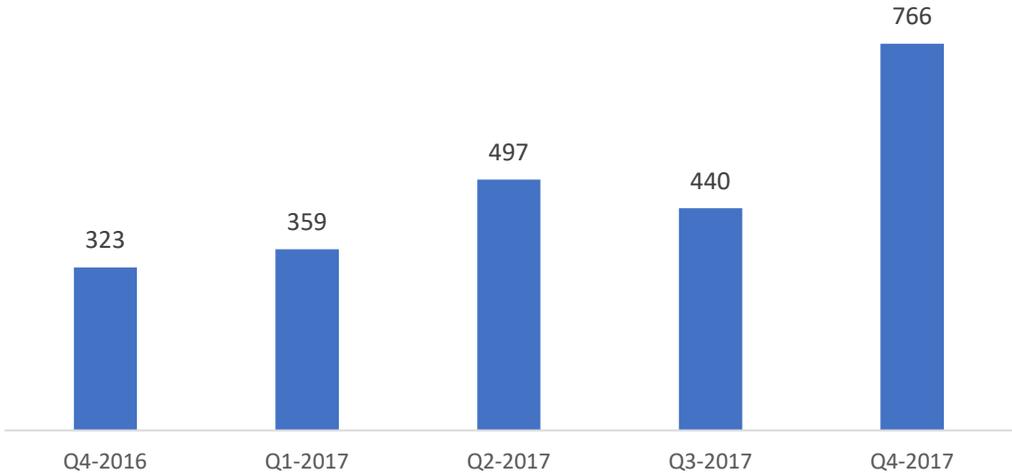


Chart 1

The increase in sales is encouraging in that in spite of higher borrowing costs, the impending stress test rules set for implementation at the start of 2018 and some of the economic uncertainty that continues to prevail, many purchasers feel confident enough in their own personal situations to commit to a home purchase.

YEAR-OVER-YEAR UNIT SALES COMPARISON

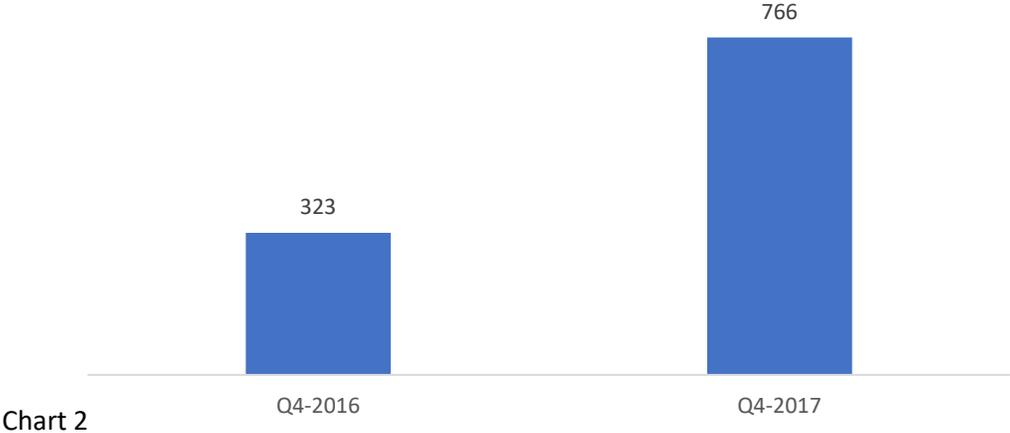


Chart 3 examines the year-over-year sales by product type. All three product forms experienced higher sales volume in Q4-2017 than in the same quarter the previous year. The concrete condominium sector experienced the largest increase in sales with nearly five times as many sales as in Q4-2016. There were eight new concrete condominium project launches in 2017 with *Sky Residences* being the most significant. Wood frame condominium sales nearly doubled in Q4-2017 relative to the previous year, while townhome sales rose by 56 percent year-over-year.

HISTORICAL Q4 SALES BY PRODUCT TYPE

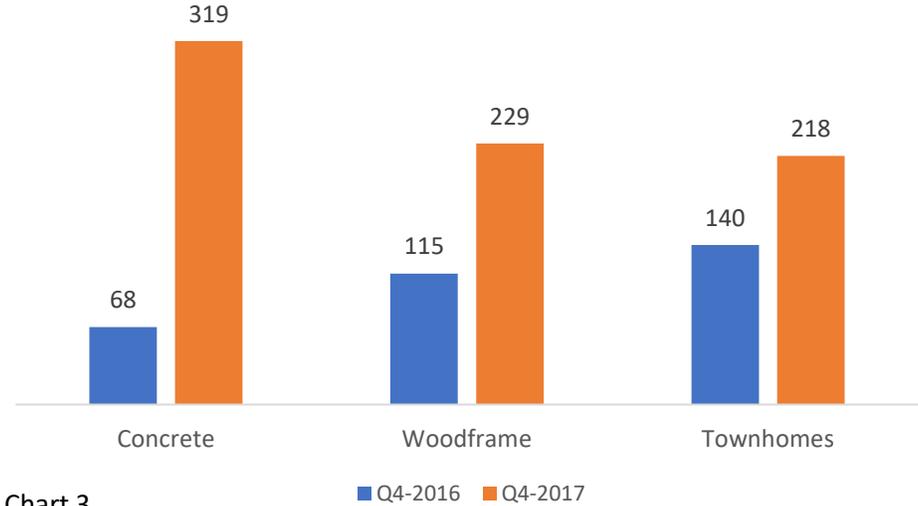


Chart 3

Chart 4 illustrates how all three product forms experienced higher sales volume in the fourth quarter compared to the previous quarter. Both the concrete and wood frame condominium sectors recorded higher sales in Q4 than in any of the previous four quarters. Apart from Q2-2017, townhome sales in the fourth quarter were also higher than in any other quarter since Q4-2016., as shown by Chart 4. The higher sales volume can be attributed to both new product launches which renewed buyer interest in the new multi-family home market and competitive pricing that appealed to price-sensitive entry level buyers.

QUARTERLY UNIT SALES COMPARISON BY PRODUCT TYPE

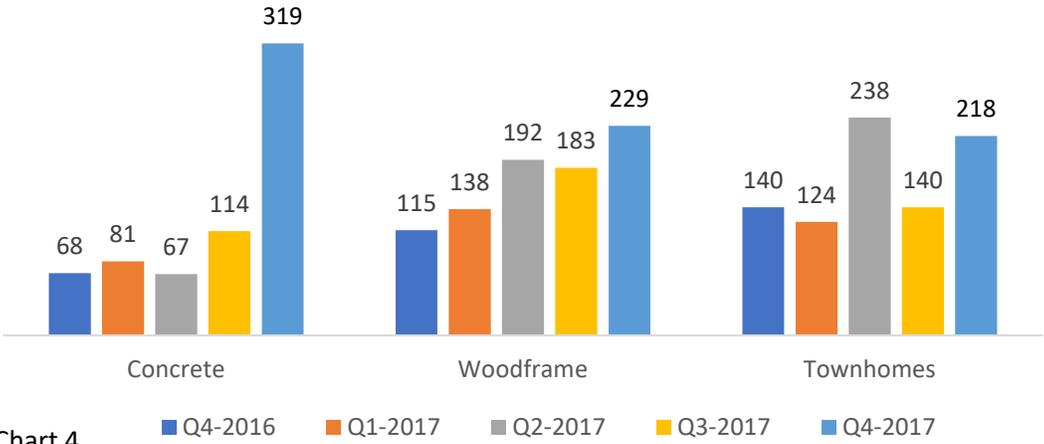


Chart 5 illustrates the quarterly breakdown of sales by submarket. Five of the seven submarkets experienced an increase in sales from the previous quarter, with the Downtown sub-market more than doubling its sales. On a quarterly basis the sales volume in the Downtown sub-market rose by an impressive 197 percent; by far the biggest increase of any sub-market. As has been noted, the launch of *Sky Residences* drove the majority of these sales, though activity at projects in the Strathcona neighbourhood also contributed.

The southwest sub-market also reported impressive absorption numbers with a 60 percent increase in sales over the previous quarter. There is a healthy amount of competition in this area for both townhome and wood frame condominium product, which has pushed some developers to adjust pricing accordingly and to offer higher-valued incentives. These competitive price adjustments and incentive offerings have had the desired effect in the form of greater buying activity, particularly among younger price-sensitive entry level and move-up buyers.

SALES BY SUB-MARKET COMPARISON

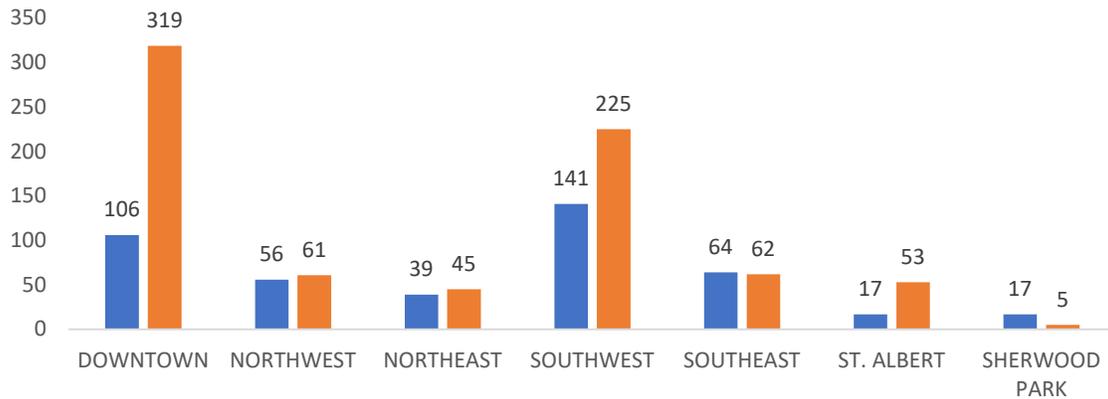


Chart 5

■ Q3-2017 ■ Q4-2017

The percentage increases for sales in the five Edmonton sub-markets in Edmonton that experienced higher sales in Q4-2017 relative to the previous quarter are as follows:

- Downtown: +197 percent
- Northwest: +9 percent
- Northeast: +15 percent
- Southwest: +60 percent
- St. Albert: +211 percent

There were just two sub-markets that recorded lower Q4-2017 sales compared to the third quarter. Total absorptions were three percent lower in the Southeast, while Sherwood Park recorded a much more substantial 71 percent drop in sales.

Chart 6 provides a breakdown of fourth quarter sales by product type and submarket. 92 percent of all concrete condominiums sold throughout the Edmonton market in the fourth quarter of 2017 occurred in the Downtown sub-market. The Southwest sub-market accounted for 47 percent of all wood frame condominium sales and 48 percent of all townhome sales in Edmonton in Q4-2017.

Q4-2017 SALES BY PRODUCT TYPE & SUBMARKET

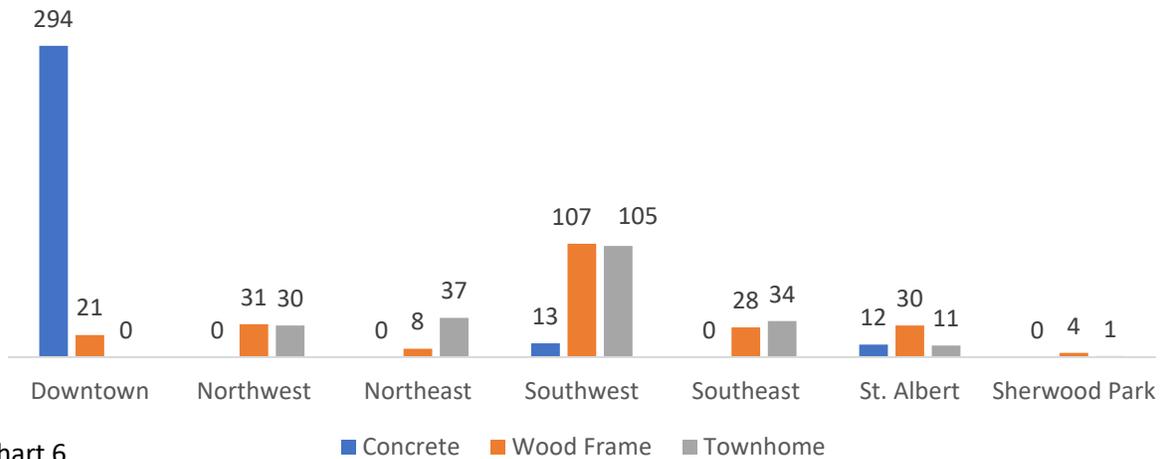


Chart 7 compares the amount of released and unsold inventory by product type in the third and fourth quarters of 2017. Unsold inventory of concrete condominium product remained relatively stable during the fourth quarter. While the launch of *Sky Residences* added new inventory to this sector of the market, the strong buyer response to the project combined with the cancellation of Lamb Developments' *Jasper House* project limited the increase from the third quarter to just nine units.

Strong sales and a relatively limited number of new townhome project launches led to a 10 percent drop in the amount of unsold townhome units in Q4-2107.

A substantial 22 percent increase in the number of unsold wood frame condominium units is somewhat surprising given the strong sales that occurred during the quarter, particularly in the Southwest sub-market. In spite of the strong sales, the launch of some large new project launches, including *The Connaught* by Cassel Developments (158 units) and *The James* by Carlisle Group (124 units) kept this sector of the market sufficiently supplied.

RELEASED INVENTORY COMPARISON

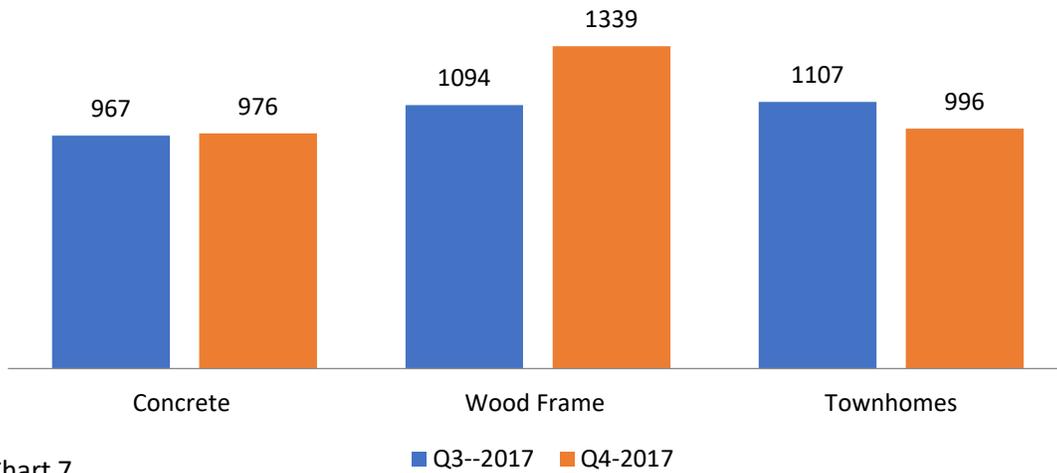


Chart 7

Chart 8 compares the amount of released and unsold inventory by sub-market in the third and fourth quarters of 2017. The higher proportion of unsold inventory in the Southwest sub-market is not concerning given the strong absorption levels experienced there in 2017.

RELEASED INVENTORY COMPARISON BY SUBMARKET

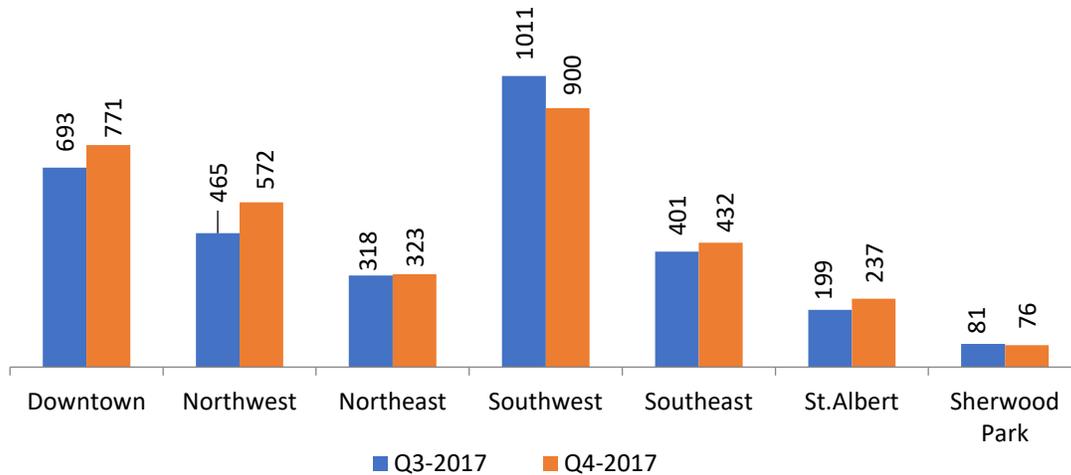


Chart 8

Five submarkets in Edmonton had increases in released inventory in the fourth quarter of 2017 compared to the previous quarter. The higher inventory levels in Downtown, Northwest, Northeast, Southeast and St. Albert are all due to a number of new project launches that occurred in Q4 along with the release of new phases at actively selling townhome projects. The largest inventory increase (107 units) occurred in the Northwest submarket with the release of *The Connaught* by Cassel Developments.

Another encouraging sign for the new multi-family home market in Edmonton is the fact that sales volume increased at a faster rate than the inventory of unsold units. This resulted in a narrowing in the spread between sales and released inventory by four percent relative to the previous quarter. In spite of the launch of several new projects and the release of a substantial number of new units in the fourth quarter of 2017, strong demand, particularly in the Downtown and Southwest sub-markets, kept unsold inventory levels from increasing beyond the pace of sales.

QUARTERLY SALES & RELEASED INVENTORY TREND

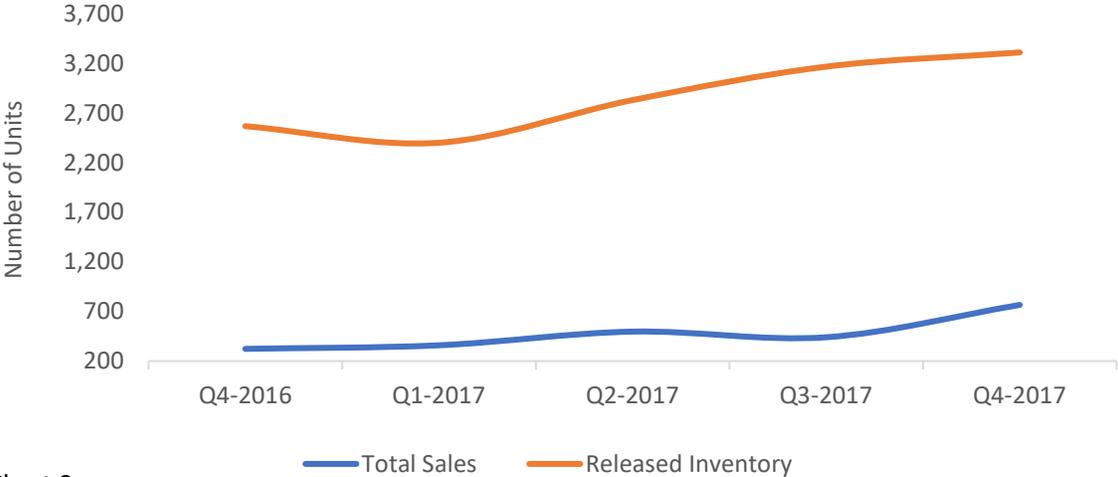


Chart 9

For the second straight quarter, the number of completed and unsold (i.e. move-in ready) units has decreased. Standing inventory levels dropped by *five percent* in the fourth quarter compared to the previous quarter and by *29 percent* year-over-year. The ongoing trend of fewer move-in ready units is a positive sign as it indicates a greater proportion of projects are sold prior to completion.

STANDING INVENTORY TREND

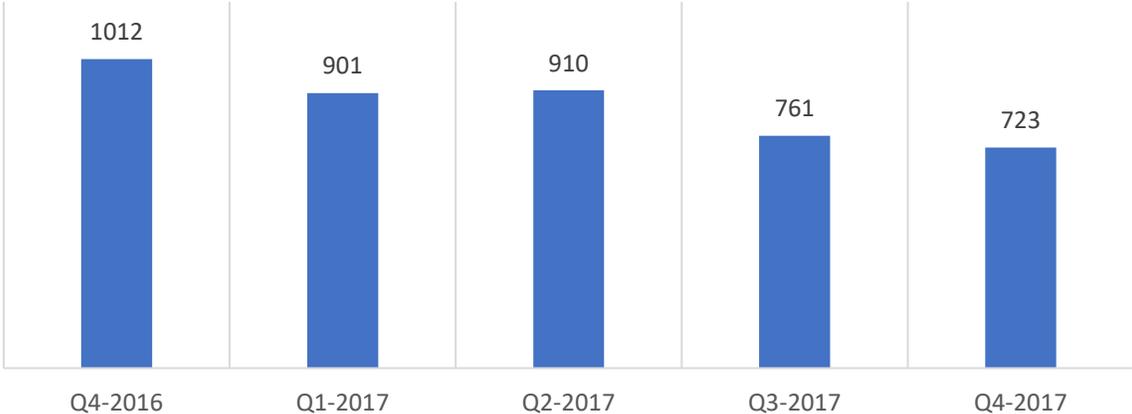


Chart 10

The Northwest sub-market was the only one in the Edmonton market that experienced an increase in standing inventory in Q4-2017 compared to the previous quarter. The completion of *Jade Condominiums II* by Carrington Communities added an additional 26 units of standing inventory to the Northwest sub-market.

Percentage changes in standing inventory for each sub-market from Q3 to Q4-2017 are as follows:

- Downtown: -5 percent
- Northwest: +28 percent
- Northeast: -6 percent
- Southwest: -7 percent
- Southeast: -36 percent
- St. Albert: -7 percent
- Sherwood Park: -15 percent

STANDING INVENTORY BY SUBMARKET QUARTERLY COMPARISON

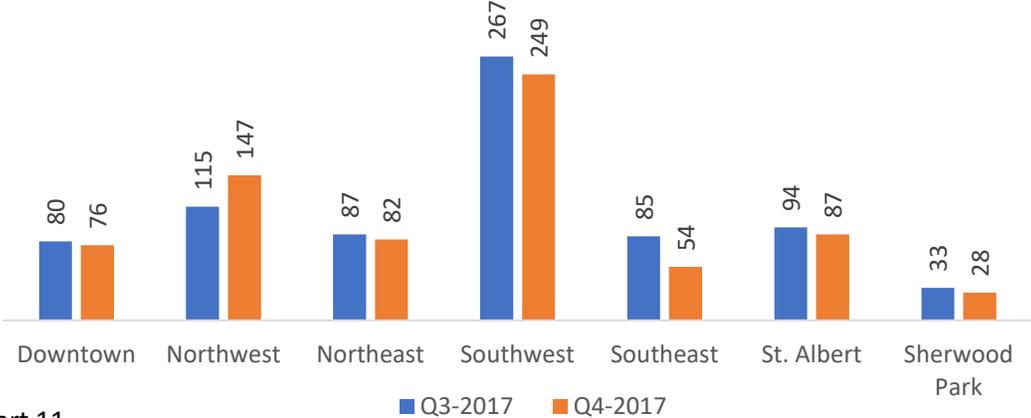


Chart 11

Chart 12 illustrates the amount of unsold inventory by product form and construction status. The wood frame condominium sector continues to comprise the greatest proportion of unsold move-in ready units. The number of concrete condominiums under construction has increased dramatically from the previous quarter (47 percent increase) due to the launch of *Sky Residences*. The townhome sector features the most number of units under construction due to the phased nature of these projects.

UNSOLD INVENTORY BY PRODUCT TYPE AND CONSTRUCTION STATUS



Chart 12

Price Trends

There were few price changes in Edmonton's new multi-family home market in the fourth quarter of 2017. Instead, developers continued to offer incentives to increase sales volume. More generous incentives related to the Christmas season encouraged buyers to purchase units before the end of the year. The following outlines some of the newer incentives offered at various projects Q4-2017:

- *Neptune Townhomes* by Slokker-West offered one free surface parking stall.
- *The Connaught* by Cassel Developments offered a five percent price reduction for the first 15 unit reservations.
- *Coventry Homes' Village at Griesbach* and *Uplands* townhome projects offered free basement completions.
- Landmark Homes offered a holiday incentive of \$10,000 off the price of a townhome purchased before December 17th.
- *Bellwether Park* by Tricon Design Inc. offered \$5,000 in free upgrades.
- Regency Developments offered 'no condo fees for 8 months' at their *Gateway Gem* woodframe condominium.
- *Allentown* by Mattamy Homes offered \$5,000 off the purchase price of a new townhome.
- Streetside Developments had a holiday incentive that offered 'no condo fees for one year' and a \$1,000 VISA gift card to buyers who purchased before December 22nd.
- *Topaz* by Park Homes offered \$5,000 in upgrades.
- Hopewell's *Secord Chalet* is offering granite to the first four purchasers in the new phase of townhomes.
- *Creekwood Landing* by Carlisle offered \$14,000 to \$30,000 off remaining suites.

- *The Strand in Rosenthal* by Footprint Developments offered \$5,000 off the purchase price on select townhomes.
- Averton continues to offer 50 percent off all upgrades at their projects.
- *Oakmont Townhomes* by Slokker-West is offering a free upgrade to quartz or granite.
- *CX Lofts & Townhomes* by InHouse is offering \$10,000 off any unit until January 31st 2018.
- Krawford Construction is continuing to offer a one year lease for a Lexus vehicle or a designer furnishings package at their *Arbor at Avenue 83* project.
- *West Ritchie- 80th Ave* by Brass III Developments continues to offer \$10,000 off the purchase price for the first 15 sales.
- *Heritage Valley Station* by Carlisle Group is offering \$18,000 to \$31,000 off select suites.
- Park Homes is offering 'no condo fees for 1 year' at their *Muse* project.
- Carrington Communities offered \$15,000 to \$100,000 off their original launch prices on select units at *Escapes*.
- *Essence Condos* by Cove Properties offered \$20,000 off the purchase of select units until Jan 31st, 2018.
- Daytona Homes offered \$10,000 off any purchase that closed before mid-January at its *Riverview Townhome* project.
- *Eton Park Estates* by Christenson Group offered \$20,000 off smaller two bedroom units and \$35,000 off larger two bedroom homes.
- Carlisle Group is offering up to \$20,000 off the remaining units at *Aurora Greens*.
- Carrington Communities is offering \$20,000-\$30,000 off the remaining units at *Ara*.
- *Southern Springs* by Park Homes is offering 'one year of no condo fees'.
- Landmark Homes is currently offering a '10k Your Way' incentive that allows buyers to apply a \$10,000 bonus in any way they'd like, (i.e. upgrades to the unit, reducing the condo fees or reducing the purchase price) at its *Stonehaven* and *Aspen Meadows II*.

The following outlines some of the more significant price adjustments implemented by developers during the fourth quarter of 2017:

- *Lux Condos* by Z2 Developments increased prices of its two bedroom and two bedroom and den models by up to \$40,000. The project is now selling at a blended average price per square foot of \$380.
- *The Quay* by Abbey Lane Homes reduced prices of unsold two bedroom units by up to \$40,000, which lowered the project's blended price per square foot by \$12 to \$327.
- Abbey Lane Homes also reduced prices on its two bedroom units at *VIP at California Parkland* by up to \$20,000. The project is now selling at a blended price per square foot of \$286.
- Amacon Group reduced prices of its units at *Parc Residence at Grandin Parc Village* by \$10,000-\$20,000.

- Carrington Communities increased prices at its *Ara* project, resulting in a six dollar increase in the blended price per square foot. The developer is also offering \$20,000 to \$30,000 discounts on remaining units.
- Prices of townhome units at *Blue Quill* by Landmark Homes were increased by \$10,000.
- Streetside Developments reduced prices by \$3,000 to \$10,000 on the unsold townhome units at *Altius Glenridding*.
- *Valencia on the Park* by Vault Developments launched the second phase of townhome units at a higher price than the previous phase. The blended price per square foot increased by \$8 to \$253.

Buyer Trends

Entry level buyers continue to drive sales in the active Southwest sub-market. Competitively priced projects are achieving the highest absorptions. Downsizer buyers are also active in the outer south submarkets but are looking for more upgrades and higher-end finishing specifications in their units than entry-level buyers.

The ICE District area is attracting a wide range of buyers. The Downtown sub-market is where most active multi-family home investors are purchasing, though end-users are also active participants at projects in this area. The ICE District has seen a mix of buyers including investors, downsizers and professionals. These buyers are attracted to the new lifestyle offered by the ICE District, along with easy walking access to an abundance of amenities.

While investors are primarily active in the Downtown sub-market, representatives at a number of actively marketing projects outside Downtown Edmonton also report some interest from investors. Investors from outside Edmonton (Vancouver and Toronto in particular) are being targeted via online webinars and lured by offers to lease the unit or units they purchase.

New Launches

There were 12 new projects launched in Q4-2017.

- *Cobalt Beach* by Sarasota Homes started selling in late September 2017. This townhome project features 60 units in the new Jensen Lakes community in St. Albert.
- Carlisle Group launched the first building at *The James* in southwest Edmonton. The project had a strong opening weekend selling 56 units in two days and is seeking a blended average price per square foot of \$214.
- InHouse launched their new infill project *CX Lofts and Townhomes*. The project is located in the Oliver neighbourhood and features 68 units ranging from one to three bedrooms.
- Carlisle Group launched the second phase at *Erin Ridge Gate* in St. Albert.

- Daytona launched *Riverview Townhomes* in late October 2017. This 55 unit townhome project is located in a new neighbourhood in Edmonton called 'The Uplands at Riverview'.
- *Upland Townhomes* is a small 13-unit townhome project launched by Coventry Homes.
- *Altius Uplands*, a 23 unit townhome project was launched by Streetside Developments in the fourth quarter of 2017.
- Daytona Homes launched the second phase of *Renew in Rosenthal*.
- *SKY Residences* by One Properties and Katz Group launched to the public in October 2017. The project features 483 units and an entire floor of amenities.
- *The Connaught*, a 158-unit wood frame condominium project was launched by Cassel Developments in the Griesbach neighbourhood.
- Carrington Communities launched *Sora Condos* in October 2017. The project features 90 units and is seeking a blended average price per square foot of \$259.

The following is a list of some of the projects UA expects will launch during the next two quarters and will be monitoring closely:

- *Elements at Windermere Building 4* – Carrington Communities
- *Glenridding Townhomes* – Landmark Group
- *Laurel Landing Phase 2* – Landmark Group
- *Veritas* – Carrington Communities
- *Elan Phase 2* – Carrington Communities
- *Secord Landing* – Carlisle Group
- *Altius Tamarack* – Streetside Developments
- *Aloft Laurel* – Streetside Developments
- *121 West Condos* – Regency Developments
- *Secord Townhomes* – Daytona Homes

UA looks forward to monitoring the sales progress of these and all other actively selling new home projects, and adding them to nhslive.ca as soon as possible after their launch.

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.

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