

## UA TAKE – SECOND QUARTER 2017 “BALANCE”

The new multi-family home sector of the Edmonton real estate market continued the steady pace of sales established during the previous few quarters. With this steady pace of both sales and new multi-family home starts and construction, the Edmonton market can be best described as *balanced*. Compared to the rapid price escalation caused by heated market conditions in other major Canadian cities (i.e. Vancouver and Toronto), balanced market conditions in Edmonton should be considered a positive for both buyers and sellers.

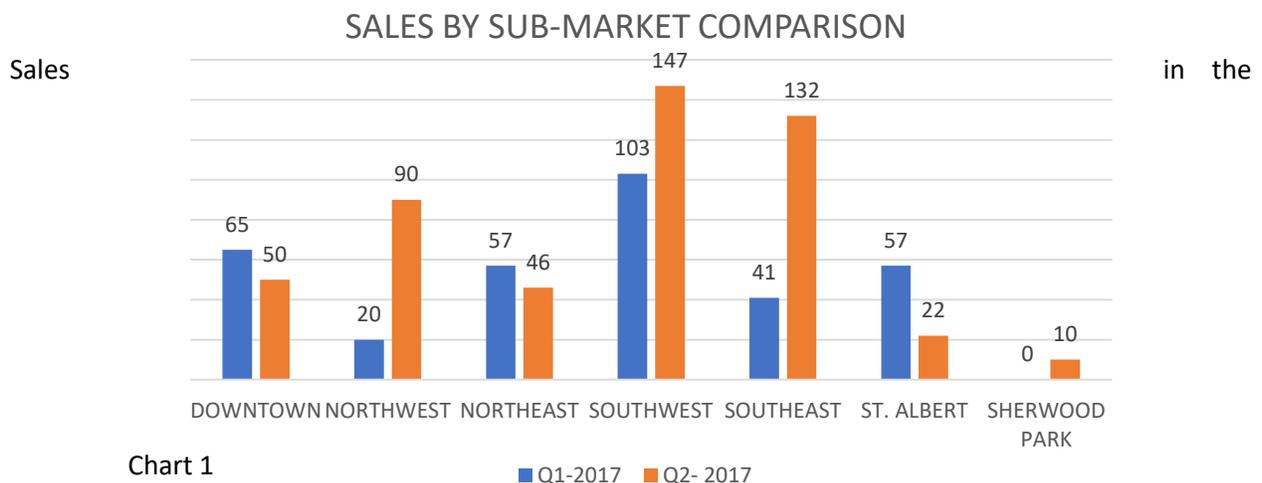
### NOTE:

*During its Q2-2017 market tours, UA analysts discovered several projects that had been marketing since prior to the start of the second quarter but hadn't been entered into NHSLive. All relevant data has now been entered for these projects and are available for subscribers to view. An apples-to-apples comparison of quarterly sales and inventory data is difficult as a result of adding these projects. UA is confident that all actively selling new multi-family home projects in the Edmonton market are now entered in the NHSLive database. Thank you in advance for your understanding.*

### Sales and Inventory Analysis

As noted above, the addition to the NHSLive platform of several projects that had launched prior to Q2-2017 has skewed the overall absorption totals when compared to the previous quarter. However, there was a 12 percent increase in sales across the Edmonton market when the total number of sales at only those projects already entered into NHSLive prior to the start of Q2-2017 are compared to first quarter absorptions. As such, the new multi-family home sector of the Edmonton real estate market continues to experience a healthy level of demand.

Chart 1 illustrates the number of new multi-family home sales by sub-market in the second quarter of 2017. The Southwest sub-market experienced the highest absorptions in Q2-2017, with the Southeast sub-market following closely behind. The townhome sector in the Southwest continues to attract much of the new home demand in this sub-market, accounting for 64 percent of the 147 sales throughout the Edmonton market during the past quarter.

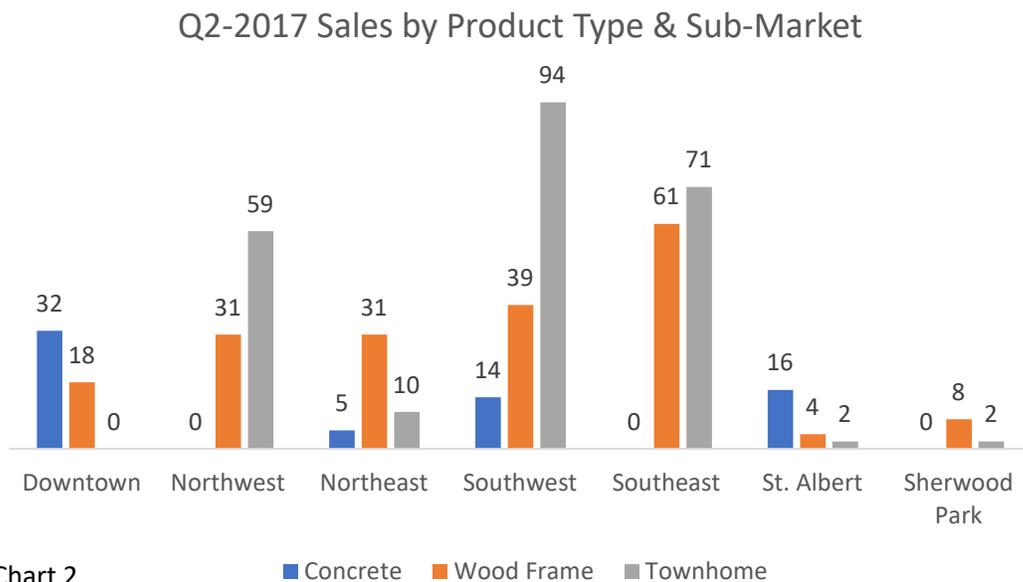


Downtown sub-market fell by 23 percent compared to Q1-2017. This lower sales activity can be attributed to the lack of new project launches in this sub-market. *Jasper House* by Lamb Developments reported the highest absorptions in the Downtown sub-market during the second quarter. This project continues to achieve a blended average price per square foot of \$578. Construction start of Jasper House was delayed once again and is now projected to commence in fall 2017 with completion pushed to spring 2020.

The Northeast and St. Albert sub-markets experienced slower sales activity compared to the previous quarter; sales in the Northeast fell by 19 per cent while sales in St. Albert declined by 64 per cent. The significant decrease in sales in St. Albert during the second quarter can be attributed to the drastic drop in sales at the Amacon Group’s *Grandin Parc Village* master planned community, which had achieved 27 sales during its grand opening campaign in the first quarter.

UA began tracking seven additional multi-family home projects in the Northwest sub-market and eight additional multi-family projects in the Southeast sub-market. The addition of these projects has skewed the number of sales in each sub-market and makes a direct comparison to sales in the previous quarter challenging. Future quarterly comparisons will be more relevant.

Chart 2 illustrates the distribution of sales by product type in each sub-market. The townhome sector of the Northwest, Southwest and Southeast sub-markets experienced the highest levels of sales activity in Q2-2017. Entry level purchasers and young families continue to drive the demand for new townhome product in these sub-markets. *Juno Townhomes* by Slokker-West reported the highest absorptions of all townhome projects in Edmonton, with 19 unit sales during the second quarter. The project is fully complete and has six move-in-ready units remaining.



The majority of concrete sales occurred at projects in the ICE District and surrounding communities.

### Inventory Trends

Chart 3 shows the trend of released and unsold inventory by product type. All product types experienced increases in released inventory this quarter when compared to Q1-2017. This increase is due primarily to the additional projects UA began tracking and added to NHSLive in Q2-2017. Released inventory in the wood frame condominium sector rose by seven per cent while the concrete condominium sector experienced a 13 percent increase. New townhome inventory increased by 40 percent in spite of the strong demand for this product form during the second quarter.

### Released Inventory Comparison

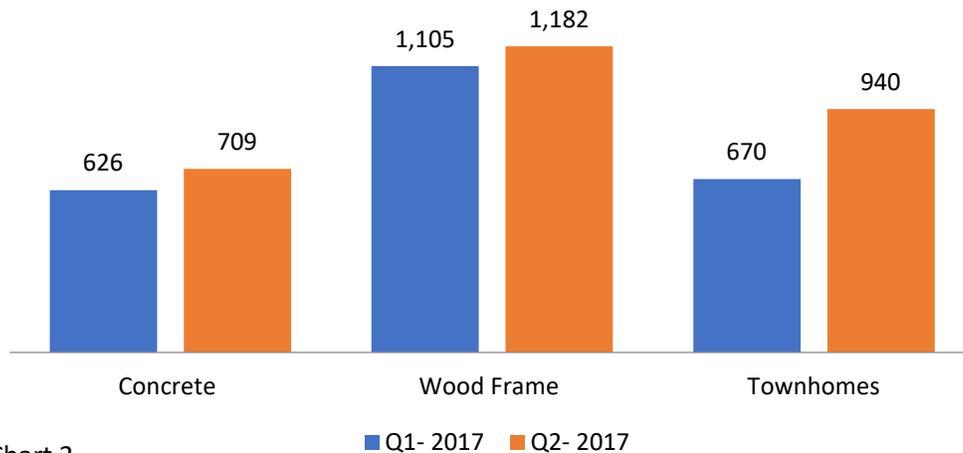


Chart 3

The Southwest sub-market continues to offer the highest level of released and unsold inventory. With the exception of St. Albert, all Edmonton sub-markets experienced gains in released and unsold inventory. The 11 percent drop in unsold new multi-family units in St. Albert can be attributed to the absorption of 16 units at Boudreu Developments' concrete condominium project *Botanica* during the second quarter. *The Village at Summerside* project in the Southeast sub-market has the highest levels of released and unsold inventory; 170 units.

### Released Inventory Comparison by Sub-Market

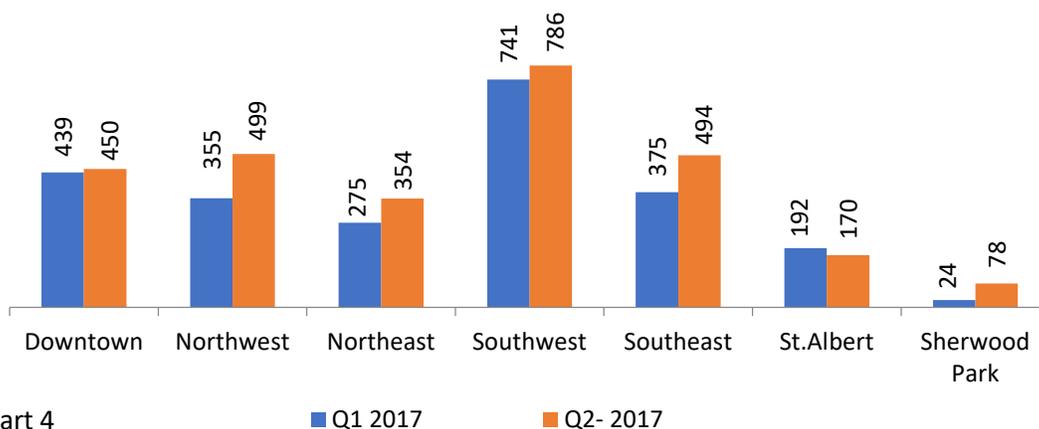


Chart 4

Chart 5 compares standing inventory levels from Q1-2017 to Q2-2017. The Downtown, Northwest, Northeast and St. Albert sub-markets all experienced declines in the number of completed and unsold units in Q2-2017. The Downtown sub-market experienced a 27 per cent decline in standing inventory, the biggest drop of all sub-markets. The fact all but one of the actively selling concrete condominium projects are at the pre-construction stage or under construction is the primary reason for the lower number of completed and unsold units in this sub-market. The eight Q2-2017 sales at Krawford Construction’s *Arbor at Avenue 83* contributed to the drop in standing inventory in the Downtown sub-market.

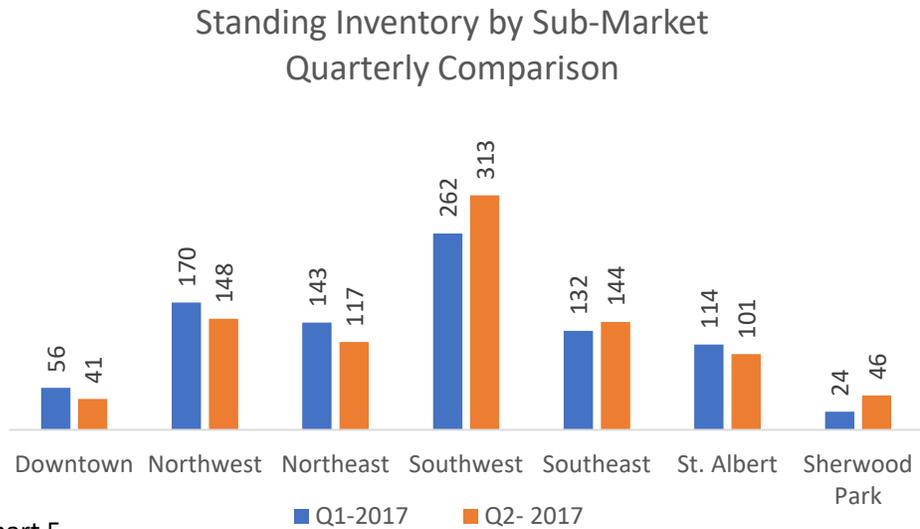


Chart 5

Chart 6 illustrates the amount of released and unsold inventory by construction status and product type. The higher levels of standing inventory in townhome and wood frame condominium sectors are due primarily to the fact the marketing and sales campaigns for many of these projects are launched after their completion, or as construction is nearing completion. Given the generous amount of completed and unsold townhome product, some developers are focusing on selling this inventory before commencing construction of subsequent phases.

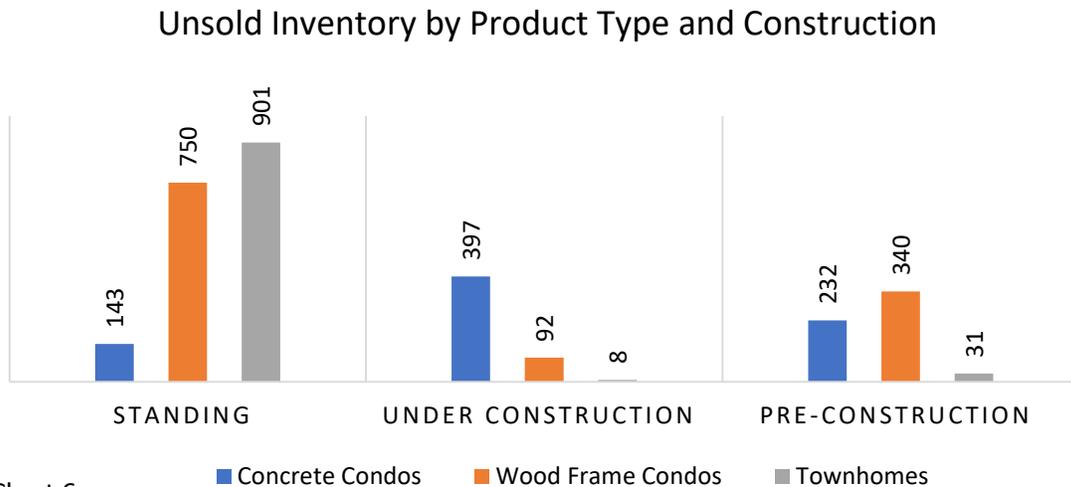


Chart 6

The concrete condominium sector currently has the highest number of units under construction. Projects such as *West Block*, *Encore Tower* and *Symphony Tower* comprise a significant proportion of the number of released and unsold units currently under construction.

### *Pricing Trends*

List prices of new multi-family home product in Edmonton remained relatively unchanged during the second quarter. The few projects where prices were adjusted are located in the outer sub-markets of Edmonton. The price adjustments were generally very modest; the range of \$2,500 to \$3,000 per unit increase or decrease. More substantial price adjustments tend to occur at certain points during or after construction. For instance, in spite of multiple delays in the start of construction of its *Jasper House* project in Downtown, Lamb Developments increased prices by over \$15,000 on all remaining units ahead of its latest scheduled construction start of fall 2017. These higher unit prices resulted in an \$11 per square foot increase in the blended price per square foot to \$578.

While list prices remained largely unchanged from previous quarters, consumers continue to benefit from generous incentive offerings at certain projects, including those by Carrington Communities and Carlisle Group. Carrington Communities offered its *'Live free 'til the next Election'* campaign from March 2017 until June 30<sup>th</sup>. Carrington enjoyed a very positive response to this campaign; a 102 percent increase in sales from the previous quarter. Carlisle Group continues to offer its *'Live Free For a Year'* campaign. The success of these campaigns has resulted in other developers to offer similar incentive offerings, including P2000 Developments at its *Harmony* development.

Lower valued incentives of such as free or discounted upgrades, no condo fees and percentage reductions off the purchase price are typical at projects in the Northern and Southern submarkets. There are very few if any incentives being offered at Downtown projects due the pre-construction and under construction status of most developments.

### *Buyer Trends*

Active buyers in Edmonton are largely segregated by the submarket and the product form they are most interested in. The generally flat but steady nature of the new multi-family home sector of the Edmonton market renders it less appealing to investor buyers. As such, end user buyers are the most active buyer groups in the market. The exception to this is the Downtown sub-market, where investors have been attracted to projects in revitalizing neighbourhoods such as The Ice District. A few investors have also been taking advantage of the lower purchase prices at projects in the Northeast and Southwest sub-markets where they can achieve reasonable returns in the rental market. This was evidenced by Z2 Developments' *Lux Condos* report of 10 sales to investors in Q2-2017.

In addition to investor purchasers, projects in the Downtown submarket also attracts young professional buyers attracted to smaller, price-point oriented units, and downsizers seeking larger, more luxurious living areas. Alberta still allows developers, condo boards and landlords to restrict ages that are allowed to purchase and live in multi-family residential buildings. This policy has received significant resistance and backlash, and as a result are under review with changes possible by January 2018. It will be

interesting to monitor whether any potential changes impact the size and mix of units offered in the Downtown sub-market.

Wood frame condominium projects attract the widest range of buyer profiles in Edmonton, including downsizers, first time buyers, restarts (i.e. divorcees) and investors.

Townhomes primarily attract first time and young family buyers. A number of townhome projects in Edmonton are part of the First Place Program. This program allows a five-year deferral on the land portion of the mortgage, but restricts the purchaser to being a first time home buyer only. Downsizers are primarily attracted to townhome projects that offer single-level living or homes with the master bedroom on the main floor.

### *Looking Ahead*

Edmonton's Downtown core continues to improve as construction progresses on four major Downtown projects, which will improve the aesthetic appeal of the Downtown area. The City of Edmonton launched its '*Experience Jasper Avenue*' design demo in July. The goal of the project is to restore Jasper Avenue as Edmonton's '*Main Street*'. The street is being redesigned to be more pedestrian-oriented with flex spaces for local businesses and the community. This project promises to further advance the revitalization of Edmonton's Downtown core.

The launch of BCM Developments' *Station Pointe Village*, a transit oriented community will be closely monitored by other developers contemplating similar developments in transit-oriented locations, including the controversial *Holyrood Gardens* Development by Regency. Alldritt Homes is expected to launch the second phase of its *Stafford Greens* project in Q3-2017.

UA will closely monitor this project and all other actively selling new multi-family home projects. They will be added to *NHSLive.ca* as soon as possible after their respective launches.

**In addition to maintaining the most current new multi-family home 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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