

Q4 2020

UA TAKE - EDMONTON FINISHING STRONG



URBAN
ANALYTICS

Q4-2020 UA TAKE - EDMONTON: FINISHING STRONG

Edmonton recorded an impressive 19 percent increase in quarterly sales during the fourth quarter of 2020. The 335 new multi-family home sales represent the highest quarterly sales recorded since the third quarter of 2019. Project representatives reported an increase in the number of qualified first-time home buyers, investors, and empty nesters visiting new project sales centres compared to earlier in 2020. The sales increase can be attributed in part to end-user buyers' interest in move-in ready product. Downtown, St. Albert and Southwest sub-markets reported an increase in sales activity by 236, 110 and 67 percent, respectively, compared to the previous quarter. The sales in the Downtown sub-market reflects higher demand for concrete condominiums, which rose by 247 percent (+52 unit sales) compared to the previous quarter. This is the highest number of quarterly concrete sales in all of 2020. The higher fourth quarter sales activity can also be attributed to the release of new phases of active projects and more appealing pricing offered by developers. Released and unsold inventory decreased by one percent, for a total of 1,785 units. The majority (57 percent) of released and unsold inventory can be found in the Southwest and Downtown; 651 and 364 units, respectively.

Some key statistics and observations from UA's Q4-2020 review of the new multi-family home sector of the Edmonton Market include:

- Concrete and townhome product types experienced higher sales compared to the previous quarter; 247 percent and 13 percent, respectively.
- Townhomes continue to make up the majority of new multi-family home sales, accounting for 71 percent of total sales volume.
- Downtown and Southwest sub-markets were the most active sub-markets for buyers in Q4-2020, accounting for 59 percent of total sales.
- The next two most active sub-markets were the Northeast and Southeast, each accounting for 10 percent of total sales.
- The Downtown has seen a large increase in sales activity due to the success of Falcon One by Langham Developments, which has attracted the empty nester/retiree buyer group.
- Released and unsold inventory decreased by just one percent compared to the previous quarter despite the stronger sales activity, due to the release of additional phases at existing projects.
- Standing inventory increased by three percent as product continued to be completed during the quarter.
- Given the current level of demand for the nearly completed or completed product, this increase in standing inventory is not concerning.



QUARTERLY SALES INCREASE

Edmonton's new multi-family home market recorded 335 sales in the fourth quarter of the year, a 19 percent increase compared to Q3-2020. The positive increase in sales can be attributed to increased demand from first-time homebuyers, young professionals in a stable financial position, and empty nesters and retirees staying in Edmonton for the winter. The consensus among sales representatives was that buyer traffic was slightly higher compared to previous quarters this year. The higher buyer interest and resulting sales are particularly encouraging given the additional set of restrictions put in place by the Alberta Government and is hopefully a sign of sustainable higher demand as the COVID measures are eased and the economy reopens in the first half of 2021.

QUARTERLY UNIT SALES COMPARISON

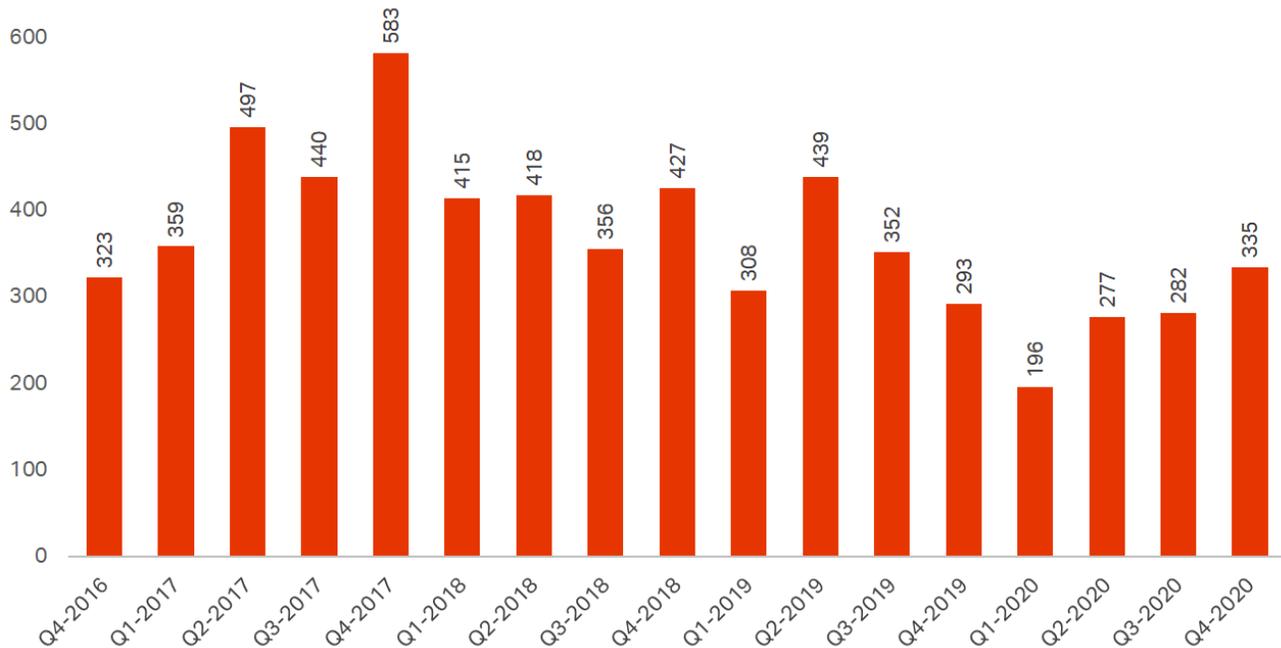


Chart 1



QUARTERLY SALES BY PRODUCT TYPE

Chart two displays the continued demand for townhomes and the recent increased demand for concrete condominiums in Edmonton's new multi-family home market. The higher concrete condominium sales in Q4-2020 can be largely attributed to the success of Falcon One in the Downtown sub-market. Townhome product has consistently made up the majority of new multi-family home sales since the first quarter of 2018 in Edmonton. This trend continued during the fourth quarter as townhomes comprised 71 percent of total sales. Townhomes are appealing to buyers as it offers a high number of move-in ready units and units with shorter construction timelines, particularly in the Southwest sub-market, which experienced strong sales activity.

QUARTERLY SALES BY PRODUCT TYPE

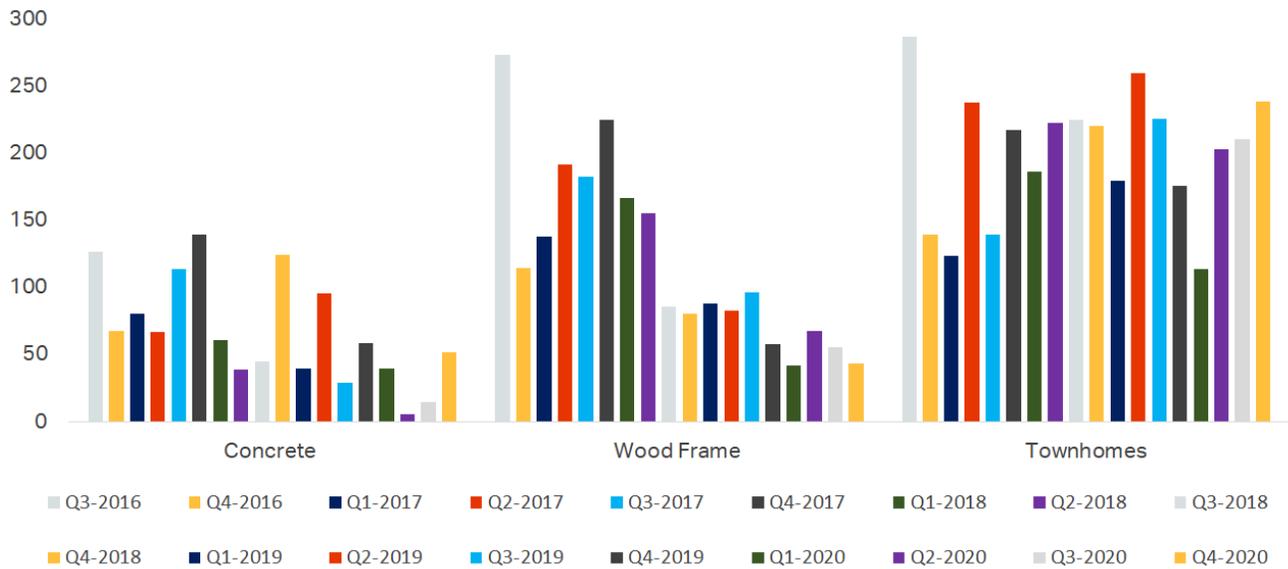


Chart 2

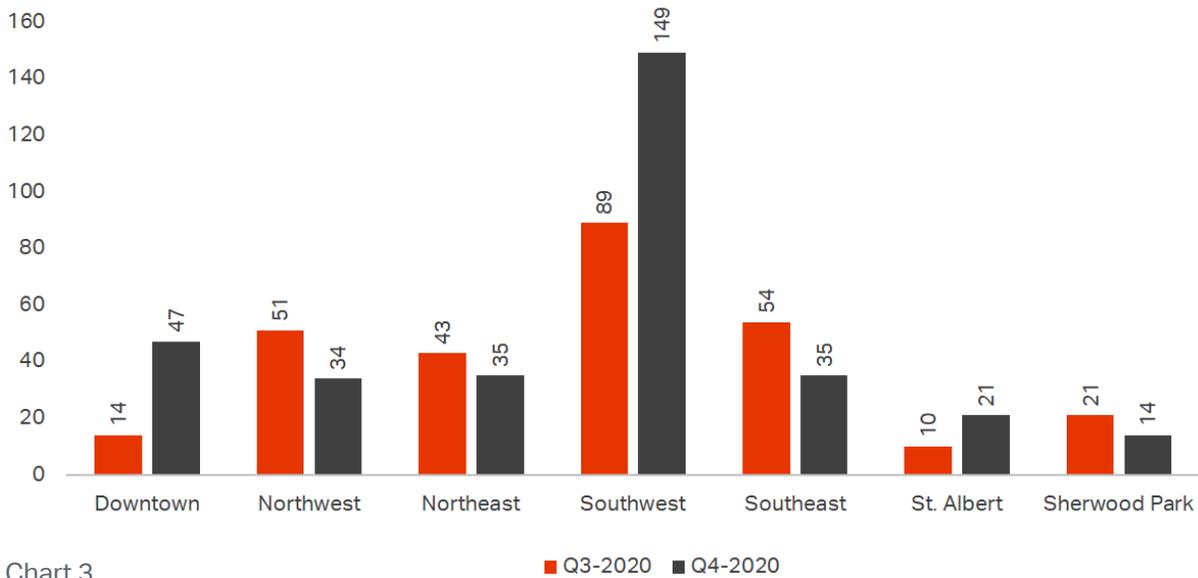


SOUTHWEST SUB-MARKET LEADS SALES IN Q4

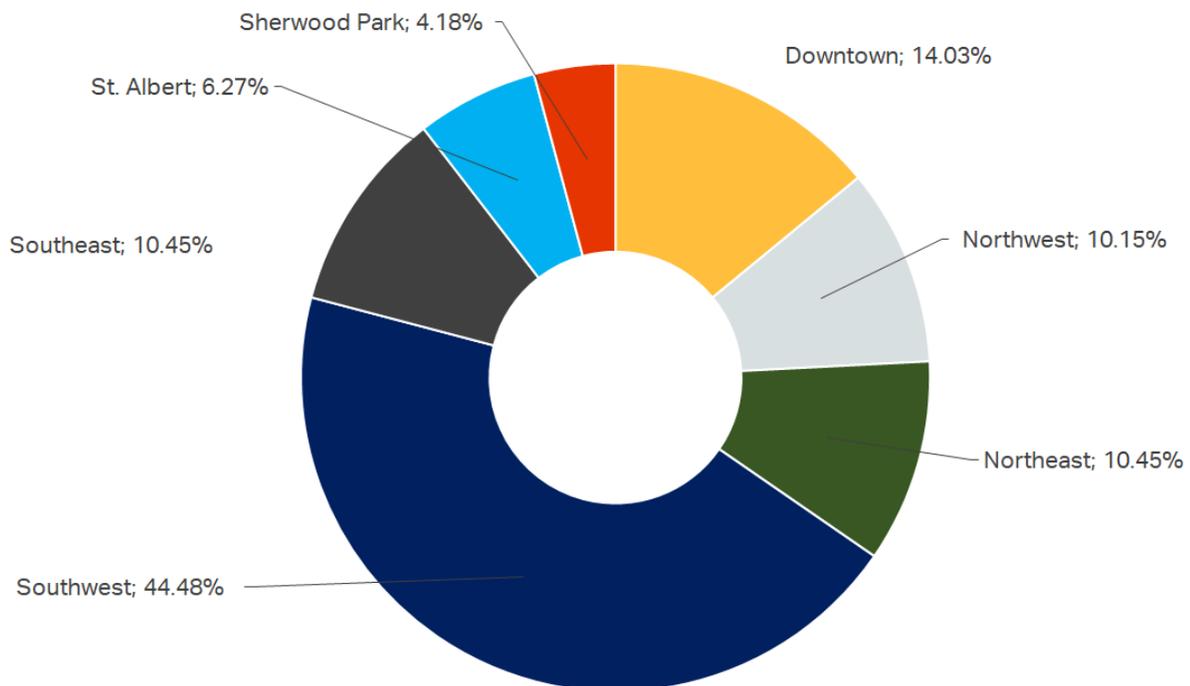
The Southwest sub-market continues to be the most active in the city. On a quarterly basis, 149 units were absorbed in the Southwest, representing a 67 percent increase over Q3-2020. Arbours of Keswick by Rohit Communities in the Southwest led the way and recorded 16 total sales during the quarter. The success of the Southwest is largely due to the high volume of townhome projects; 26 total projects with 414 units of released and unsold inventory. Downtown recorded the second highest number of sales in Q4 with a total of 47 sales; 236 percent more than the previous quarter. Year-over-year, the Downtown sub-market recorded two percent fewer sales. St. Albert recorded the second highest quarterly sales increase of 110 percent, with 21 sales. Oakmont Townhomes by Slokker-West in St. Albert reported eight sales during the quarter, more than any other project in this sub-market.

Southeast, Northwest, Sherwood Park and Northeast all experienced lower quarterly sales of 35, 33, 33 and 19 percent, respectively. The limited number of new project launches in these four submarkets during the fourth quarter combined with fewer completed new homes contributed to the lower sales.

QUARTERLY SALES BY SUB-MARKET COMPARISON



Q4-2020 SALES BY SUB-MARKET (%)



MINIMAL DECREASE IN RELEASED INVENTORY

The new multi-family home sector of Edmonton's residential market recorded a one percent decrease in released and unsold inventory in Q4-2020 compared to the previous quarter, and a 34 percent decrease year-over-year. The number of unsold concrete and wood frame condominiums decreased by 16 and eight percent, respectively, compared to the previous quarter. Townhomes increased by 14 percent quarterly but decreased by 20 percent

compared to Q4-2019. The number of unsold concrete and wood frame condominiums has been slowly declining since the first quarter of 2019. The lack of new project launches remains justified given generally flat sales activity in these two sectors of the Edmonton market.

RELEASED INVENTORY BY SUB-MARKET

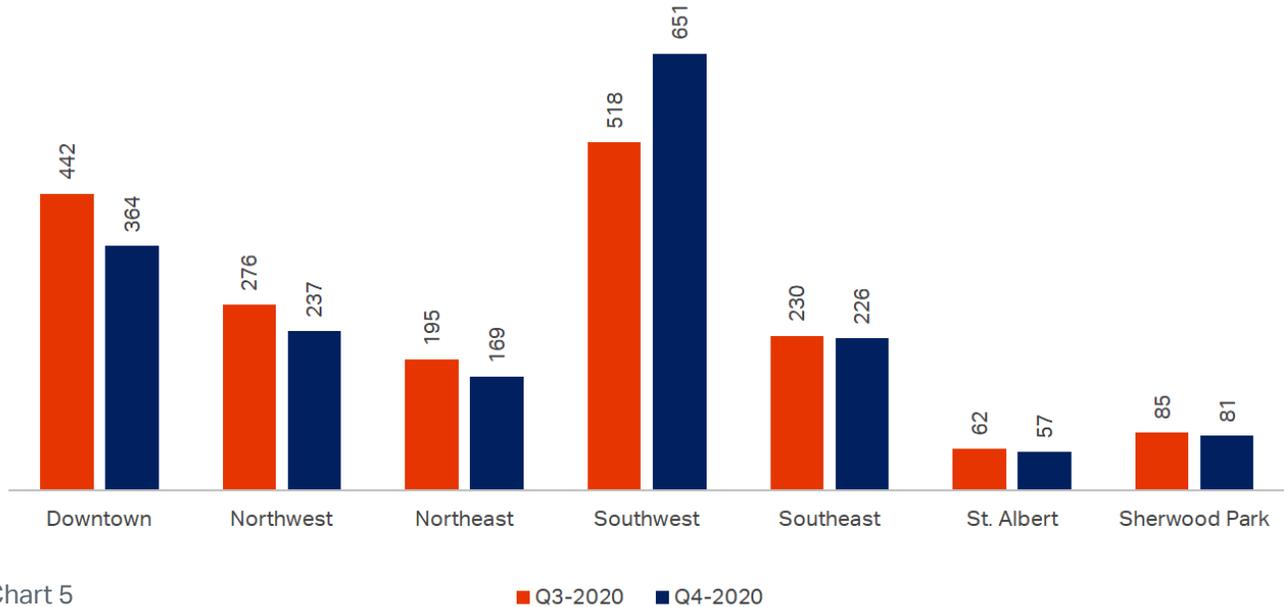


Chart 5



SLIGHT INCREASE IN STANDING INVENTORY

The number of completed and unsold (i.e. move-in ready) units increased by three percent during Q4-2020 and now stands at a total of 730 units. This is the first quarterly increase over the last five consecutive quarters. The higher standing inventory is seen as a positive for the Edmonton market given the clear demand from buyers for completed product or product with a shorter completion timeline. There were 952 move-in ready units at the end of Q4-2019, 23 percent more than at the end of 2020. Fewer new project launches throughout 2020 will continue to put downward pressure on overall inventory levels if the recent higher sales activity is sustained.

The Northwest sub-market accounts for 27 percent of all standing inventory in Edmonton, for a total of 196 units. Connaught at Griesbach by Cassel Developments accounts for 70 percent of all move-in ready units in the Northwest (137 units). Downtown has the second highest number of move-in ready inventory with 185 units. SKY Residences by One Properties offers 66 percent of standing inventory units Downtown (122 units).

STANDING INVENTORY TREND

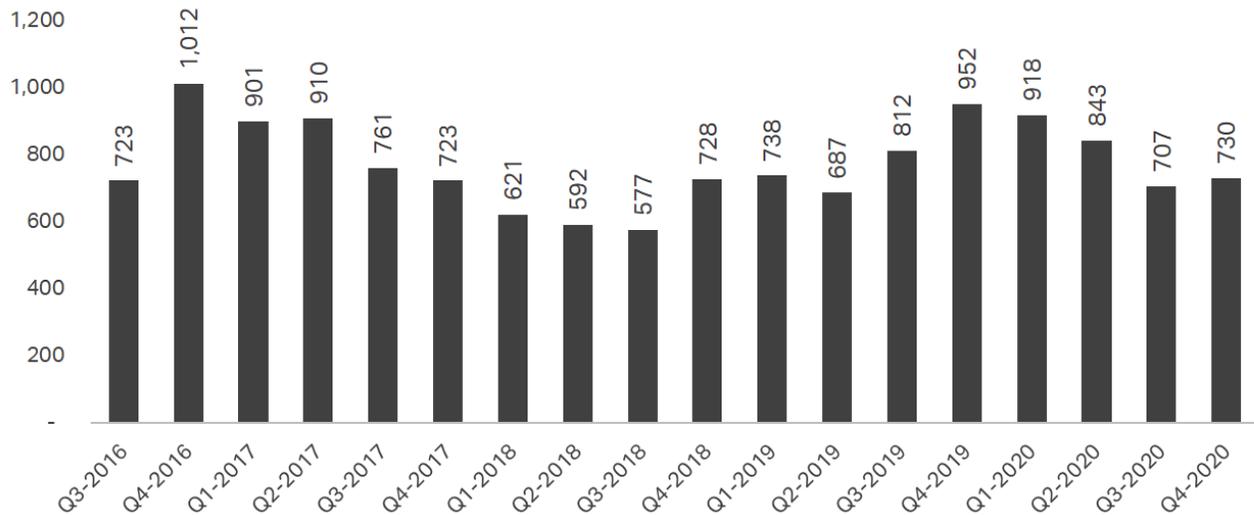
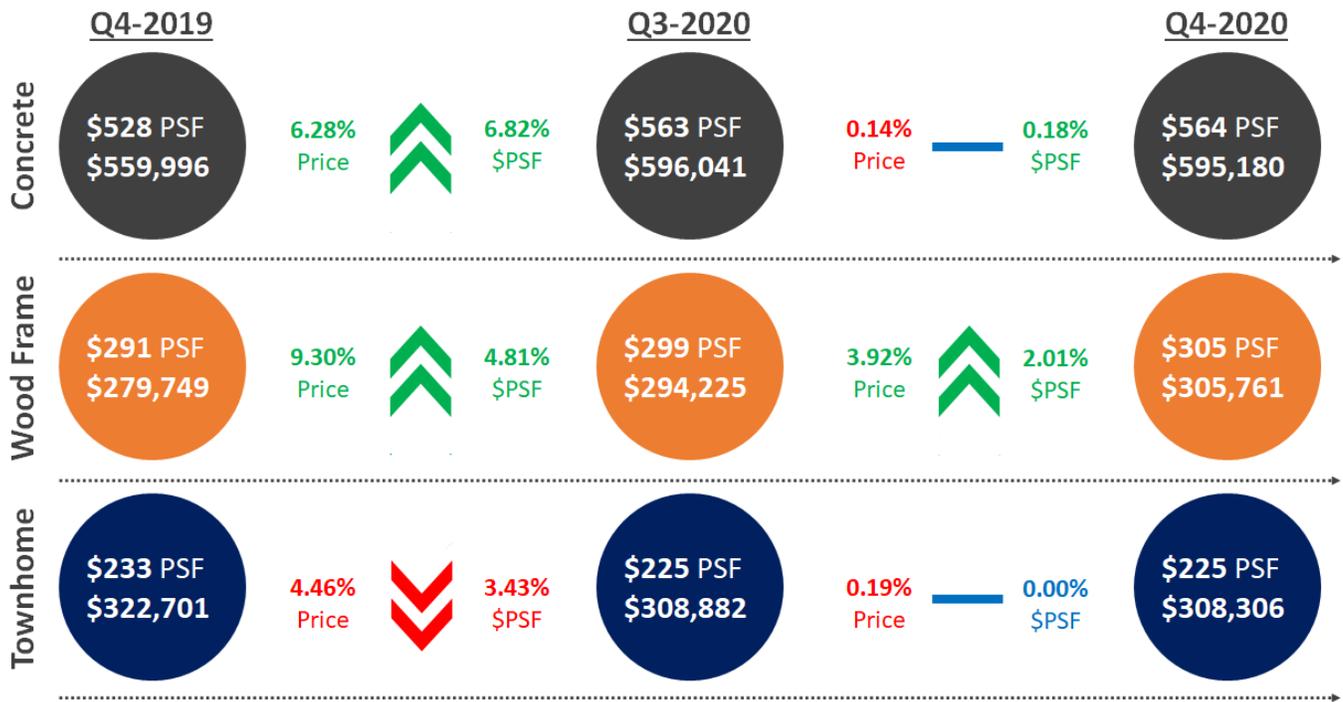


Chart 6



PRICING TRENDS

- The average unit price for concrete and townhome product types decreased by 0.14 and 0.19 percent, respectively compared to the previous quarter.
- The average unit price for wood frame product increased by 3.92 percent compared to last quarter.
- The limited number of new project launches in 2020 compared to previous years helped increase the average unit price for all product types by 3.04 percent year-over-year.
- The average list price per square foot for concrete and wood frame product types increased by 0.18 and 2.01 percent, respectively.
- The average list price per square foot for townhome product type did not change on a quarterly basis.
- Industry stakeholders noted factors such as higher lumber tariffs could also contribute to price increases of \$5,000 to \$15,000 per unit for townhome and wood frame product in the coming quarters. UA will closely monitor how any changes in prices impact sales activity in the market.



BUYER TRENDS

There was a mix of active buyer groups in Edmonton's new multi-family home market throughout the fourth quarter of 2020. Active buyer groups included entry level buyers, young professionals, downsizers, and investors. The majority of buyers interested in purchasing homes were attracted by historically low-interest rates currently being offered by banks. While COVID measures made it more difficult to physically visit sales centres for various periods of time in 2020, the restrictions on travel and many other activities prospective buyers would typically be distracted by or spent disposable income on may have accelerated the decision to purchase a new home for some prospective buyers. Many sales representatives indicated traffic at presentation centres has steadily increased throughout 2020, though they also noted that some prospective buyers are not financially qualified or are simply unaware of the financial requirements to purchase a home. As such the buying timeline is longer as buyers become educated on the process and the requirements.



CREATIVE INCENTIVE TRENDS

Developers continued to offer creative incentives during the fourth quarter of 2020 to attract buyer interest. Some common incentives include a free parking stall, one or two-years of no condo fees, paying buyers' legal fees, five percent match of down payment (or 5 percent off purchase price). An additional range of incentives offered in Edmonton's new multi-family home market include:

- Encore Tower: no deposit required
- SKY Residences: GST covered on next 5 units sold, no condo fees for one-year, and a three-month membership to Archetype gym
- Village at Walker Lakes Condos: one-year free condo fees, upgraded appliance package and \$10,000 off purchase price of quick possession homes
- Kirkness: one-year TELUS internet and cable plus \$1,000 off all quick possession units
- Peak 39: discount on select quick possession units, one-year free TELUS internet and cable package, and smart home upgrades
- Bellwether Park: free upgrades
- Vista Pointe in Chappelle Gardens: upgraded kitchen and appliances package
- Glenridding Landmark: \$5,000 in upgrades
- Renew II in Rosenthal: free basement development
- MODA One at Keswick: \$4,500 off or \$6,000 towards upgrades
- Jensen Lakes Townhomes: front and backyard landscaping, kitchen appliances, and back deck construction
- Cobalt Beach: \$8,000 in upgrades
- Midtown: Preview clients receive \$5,000 off "Parkview" model & \$10,000 off "Courtyard" model
- MODA Emerald Hills: \$4,500 off purchase price or \$6,000 in upgrades
- Laurel Landing Phase II: \$20,000-\$25,000 off purchase price, and two-years free condo fees or a blinds package on quick possession units
- Landra Row Housing: in-house financing options



SUMMATION

It was a pleasant surprise to see Edmonton's new multi-family home market end 2020 on a positive note with increased sales. After experiencing slower sales during the first three quarters of the year, mostly due to the impacts of COVID. This led to the closing of sales centres and market uncertainty that led to far fewer new project launches during the year, it was encouraging to see new homebuyers become more active. Despite a slower than anticipated vaccination rollout, there is more optimism that we're all closer to the end of the pandemic and its impacts than we are to the start, bringing much more positive energy generated as we proceed through 2021. The increased optimism is being reflected in the resale sector of the Edmonton market, which recorded a 47 percent year-over-year increase total residential sales in January (Realtors Association of Edmonton; 2021). In the short term, UA anticipates new home sales will also continue to trend higher, albeit moderately, during the first several months of 2021. UA looks forward to monitoring market activity closely and providing continuous updates on the NHSLive platform and through its various publications and social media channels. Stay tuned as it should be another interesting year in Edmonton's new home market.

UA will continue to closely monitor activity in the new multi-family home sector of the Edmonton residential market and will continue to analyze how ongoing pandemic-related measures impact the economy and therefore demand for new homes.

ALBERTA STATE OF THE MARKET

Keep an eye out for UA's Q4-2020 inaugural edition of the ALBERTA STATE OF THE MARKET report, which provides an aggregate summary of the status of new home markets in Edmonton and Calgary, with economic metrics relevant to the housing industry.

CLICK HERE



to download the Q3-2020 Alberta State of the Market.



TELL US WHAT YOU THINK

We appreciate your feedback. Please contact us with any questions regarding this UA Take or any of our other periodic publications. 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 or positioning of your new multi-family home community.

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