



***Edmonton  
Condominium  
Market Survey  
2002***

***Presented by***

***Essex  
Appraisal  
Group Ltd.***

In response to the wishes of our clients and as part of our ongoing commitment to the Edmonton real estate market, **ESSEX APPRAISAL GROUP LTD.** is pleased to present the 12<sup>th</sup> edition of the **EDMONTON CONDOMINIUM MARKET SURVEY.**

Our goal each year with this survey is to measure the size of the new condominium project inventory, and to estimate the pace of sales. With this information we can measure trends in the market, predict over and under supply points, assess the impact of new projects, and forecast changes. The criteria we used for inclusion of a project in the survey is as follows:

**"New condominium projects being offered for sale by the original developer to individual end users, whether or not the project has actually been constructed. Minimum size is four units."**

For those who are unfamiliar with our survey, this is a compilation of all **new** condominium projects currently being marketed in Edmonton, Sherwood Park, or St. Albert. When a project sells out completely, we remove it from the survey, as it no longer forms part of the new inventory. This survey does not include any units in conversion projects or re-sale units that are available for sale from private owners. The survey also excludes any projects that may have achieved a complete sell-out in between last year's survey and this year's.



In response to the active new rental market, we have profiled some of the activity that has taken place in this sector. Look for our new rental sector summary towards the back of this publication.

For clarification, our inventory chart features several columns of information. The "*Constr*" column indicates whether or not the project is actually under construction. In reference to bareland townhouse projects, this means that if any of the units in the project are under construction, we consider all units under construction. We realize that this presents a slight overstatement of the under construction supply, however, to refine the count to include specific units goes beyond the scope of our investigation. The "*Restricted*" column makes reference to whether or not there are any "adult only" restrictions. The "*Size*" category has changed slightly this year. In past years we included a unit count that featured only one phase at a time for multi-phase projects. This year we are counting all the phases in which units are actually being marketed. "*Location*" covers some rather broad parameters. For example, South accounts for any non-University, non-Mill Woods project. North is similarly broad accounting for any project that is east of 142 Street and north of Downtown. "*Price Range*" is a rather subjective observation on our part based on the location of the project. What would be a high price project in one area may be only a mid-priced project in another locale. Furthermore, there are price ranges within the project to take into account. The following is a list of projects that fit our criteria.

<u>Project Name</u>	<u>Size</u>	<u>Type</u>	<u>Restricted</u>	<u>Price Range</u>	<u>Location</u>	<u>Constr</u>
Beacon Pointe II	28	T/H	No	Mid	North	N
Belcanto Manor	42	Apt	Yes	Upper	West	N
Black Stone	40	T/H	No	Mid	South	N
Blackburne Park	47	Apt	No	Mid	South	Y
Californian Lansdowne	98	Apt	Yes	Mid	South	N
Carlton Villas on the Lake	40	T/H	Yes	Upper	North	Y
Castlebrook Village	33	T/H	Yes	Upper	North	Y
Corner Stone Village	36	T/H	No	Upper	Sherwood Park	Y
Cravenbrook	102	T/H	No	Mid	Sherwood Park	Y
Devonshire Mews	32	Apt	Yes	Upper	South	Y
Devonshire Villas	20	T/H	Yes	Upper	South	Y
Eaglewood Villas	19	T/H	Yes	Upper	St. Albert	Y
Erin Ridge Lane	53	T/H	No	Mid	St. Albert	Y
Fieldstone Estates	28	T/H	Yes	Upper	West	Y
Glenora Gates	202	Apt	No	Mid	Downtown	Y
Grovenor Place	10	T/H	No	Mid	West	Y
Hunters Cove	16	T/H	Yes	Upper	South	Y
Jackson Villas	29	T/H	Yes	Upper	Mill Woods	Y
Kingswood Village	36	T/H	Yes	Upper	St. Albert	Y
Knightsbridge	34	Apt	Yes	Mid	St. Albert	Y
LaCaille	12	T/H	No	Upper	South	N
Lakeside Place	136	Apt	Yes	Mid	Mill Woods	Y
Langham Condominiums	17	Apt	No	Upper	University	Y
Lions Village Riverside	34	Apt	Yes	Mid	South	Y
Manhattan Lofts	30	Apt	Yes	Upper	University	Y
McDougall Landing	146	T/H	No	Mid	North	Y
McKay Manor	77	Apt	No	Mid	Downtown	Y
Meadowlark Terrace	40	Apt	No	Mid	West	Y

<u>Project Name</u>	<u>Size</u>	<u>Type</u>	<u>Restricted</u>	<u>Price Range</u>	<u>Location</u>	<u>Constr</u>
Mill Creek Courts	71	T/H	No	Mid	Mill Woods	Y
Mission Hill Village	110	Apt	Yes	Mid	St. Albert	Y
Nova Castle Downs TH	32	T/H	No	Mid	North	Y
Nova Petrolia	31	Apt	No	Mid	South	Y
One River Park	36	Apt	No	Upper	University	N
Park Place Callingwood	114	Apt	No	Low	West	Y
Peregrine Point	69	Apt	No	Mid	Downtown	Y
Place 151	21	Apt	No	Mid	West	N
Railtown on the Park	57	Apt	Yes	Mid	Downtown	Y
Ravine Point @ Brookview	32	T/H	No	Upper	South	Y
Ravines @ Hermitage	143	Apt	No	Mid	North	Y
RiverGrande	76	Apt	Yes	Mid	North	Y
Riverside Court	42	T/H	Yes	Mid	South	Y
Sandstone Townhouses	51	T/H	No	Low	Mill Woods	Y
Scona Station	48	Apt	No	Mid	University	Y
Sienna Point II	50	Apt	Yes	Mid	Mill Woods	Y
Sierras on the Lake	120	Apt	Yes	Mid	North	Y
Silver Oaks	27	T/H	Yes	Upper	Sherwood Park	Y
St. Thomas Manor	32	Apt	No	Mid	St. Albert	Y
Summerhill Glens MW	124	T/H	No	Low	Mill Woods	Y
Summerhill Lanes Grange	110	T/H	No	Low	West	Y
Summerhill Park Miller	98	T/H	No	Low	North	Y
Terwillegar Towne III	61	T/H	No	Mid	South	Y
The Bonavista	83	Apt	No	Low	North	N
The Broxton in Riverdale	40	T/H	No	Upper	Downtown	Y
The Chadwick	32	Apt	No	Mid	Downtown	N
The Chateaux at Whitemud Ridge	154	Apt	Yes	Upper	South	N
The Churchill Properties	48	Apt	No	Mid	St. Albert	Y

<u>Project Name</u>	<u>Size</u>	<u>Type</u>	<u>Restricted</u>	<u>Price Range</u>	<u>Location</u>	<u>Constr</u>
The Grande Lewis Estates	124	Apt	No	Mid	West	Y
The Grande Mission Hill	124	Apt	No	Mid	St. Albert	Y
The Highlands on Kinnard Ravine	24	Apt	No	Mid	North	Y
The Landing	120	Apt	No	Upper	South	Y
The Lodge at Lewis Estates	154	Apt	Yes	Mid	West	N
The Luxor	27	Apt	No	Mid	Downtown	N
The Monaco II	40	Apt	No	Mid	Downtown	Y
The Pointe at Country Club	58	T/H	No	Upper	West	N
The Pointe Grange	115	Apt	No	Mid	West	N
The Promenade Eaux Claire	105	Apt	No	Mid	North	Y
The Properties at High Street	70	Apt	No	Upper	Downtown	Y
The Versailles	28	Apt	No	Upper	St. Albert	Y
The Wesley	38	Apt	No	Upper	Downtown	Y
Thompson Court	24	T/H	No	Upper	South	Y
Victorian Village	61	T/H	No	Mid	West	Y
Vintage Oakmont	26	T/H	Yes	Upper	St. Albert	Y
West Creek IV	14	T/H	Yes	Upper	South	Y
Windsor Estates	42	T/H	Yes	Mid	South	Y

### GENERAL ANALYSIS

To summarize the above chart in general terms, we have the following totals. Last year's statistics are shown for a comparative.

	<u>2002</u>	<u>2001</u>
<b>Number of projects</b>	<b>74</b>	<b>77</b>
<b>Total number of units</b>	<b>4,543</b>	<b>4,573</b>
<b>Total units sold</b>	<b>1,820</b>	<b>2,177</b>
<b>Total units available for sale</b>	<b>2,723</b>	<b>2,396</b>
<b>Average project size</b>	<b>61 units</b>	<b>59 units</b>

As we have noted now for several years, the market is quite stable. Despite the rather healthy sales environment, the number of new projects entering the market at the current time is not creating an oversupply. The only statistic from the above numbers that is of any concern is the level of unsold inventory. We will address this within this report.

One of the more definitive factors in this analysis is the large turnover of projects. Of the 74 projects in the study, 48 are new and have been on the market less than the full twelve months. This being the case, we are in effect measuring the performance of the market based on the experience of newer projects. A brief glance at the overall market statistics from above would present the appearance of a market with unsold inventory and slow paced sales when in fact the market is quite strong. This point is raised because with fewer sales and a similar number of projects, the first impression is that absorption rates must be down. This is not the case, as we factor in the number of months the projects have been on the market when producing our statistics.

The primary emphasis of this survey is to ascertain supply and demand levels, and demonstrate areas of consumer demand. In past years we have measured the activity in the market by means of an absorption figure. In other words, we would calculate the total number of units sold in a given month and compare that with the total number of units on the market to arrive at a percentage of units sold each month (otherwise known as the absorption rate). This measurement of the market pace is useful and fairly accurate in a stable market. At the present time, we appear to have a stable market in Edmonton.



One of the key analysis statistics we turn to is the average number of sales per month per project. This year, we have experienced a selling rate of **3.06** units per month. This rate is up substantially from last year's pace of 2.31 units per month, and 1.80 units per month in 2000. Please use this observation with caution as this is based merely on loose averages and is not scientific.



**In terms of an absorption rate expressed as a percentage, this translates to 4.99% per project per month.** Last year, the absorption rate was 3.90%.

As a footnote to the sales and absorption numbers, we have experienced a wrinkle in our data collection previously not encountered. There are an increasing number of projects that have actually achieved a complete sell-out between our surveys. As a result, their performance is not factored into the above calculations. If we calculated the impact of these projects, the absorption rate would improve to 6.5%.

To summarize the overall market, the demand side appears to be adequate but not aggressive. In short, the market is predictable and consistent. This is basically the same conclusion we reached for the last two years. Overall the market seems to be absorbing more units in keeping with the strength of the real estate market in general.

We have studied the numbers from the standpoint of total months supply. Based on the current rate of sales and the total unsold inventory, we can report that there is a twelve-month supply of unsold units on the market. Generally, we find that the number of unsold units should be close to the number of sold units. This year, due to the number of projects that were introduced in the later half of the year, the unsold inventory appears to be slightly skewed. This is not a concern in our view. The pace of sales per month is sufficient to put these numbers into balance in the next three months.

In addition to the broad market conclusions, we have evaluated the market based on certain sub-markets. For each of the sub-categories, we have put the 2001 statistics in brackets for comparative purposes.

### **BUILDING TYPE**

A question most often asked of us is which type of building is selling well. The following chart gives the breakdown between apartments and townhouses, and their respective levels of performance.

Type	# of Projects	# of Units	Unsold Units	Sold Units
<b>Apartment 2002 (2001)</b>	41 (40)	2,982 (3,076)	1,675 (1,555)	1,307 (1,521)
<b>Townhouse 2002 (2001)</b>	33 (37)	1,561 (1,497)	1,048 (841)	513 (656)

This particular classification always intrigues us with its consistency. From year to year, we usually see the two market sectors in close balance. This is again the case for 2002. There is nothing striking or alarming in these absorption figures as compared to last year's performance and we see good steady growth in response to demand for 2003.

We are often asked which is the better sector in which to build. We can authoritatively say that there is little to be gained in one over the other. The townhouses phase better with bareland formatting, but apartments tend to sell quicker and perform better in pre-sell stages.

### **OWNERSHIP RESTRICTIONS**

This category is broken down into two sections; restricted ("adult only"), and unrestricted projects. The following data results:

Type	# of Projects	# of Units	Unsold Units	Sold Units
<b>Restricted 2002 (2001)</b>	27 (40)	1,499 (2,615)	804 (1,372)	695 (1,243)
<b>Unrestricted 2002 (2001)</b>	47 (37)	3,044 (1,958)	1,919 (1,024)	1,125 (934)

Last year we observed a trend towards restricted ownership. This trend has yet again reversed and restricted ownership has fallen out of favour. Unrestricted projects still hold an edge in terms of overall absorption rates.

**PRICE RANGE**

Price levels have a very profound impact on the marketing of a project. Coupled with this is that demand within a price range may fluctuate from time to time, based on economic conditions. For these reasons, we distinguish between price levels in our analysis of the market. For the purposes of this study, three price levels have been considered; lower, mid, and upper. This is not based on definitive dollar amounts, but rather on "intended markets" to which the projects have been aimed. The reason behind this subjective categorizing, is that what is high priced in one area may be low priced in another.

Price Point	# of Projects	# of Units	Unsold Units	Sold Units
Lower 2002 (2001)	6 (2)	580 (216)	479 (188)	101 (28)
Mid 2002 (2001)	41 (53)	2,906 (3,541)	1,676 (1,760)	1,230 (1,781)
Upper 2002 (2001)	27 (22)	1,057 (816)	568 (448)	489 (368)

There does not appear to be any indicators signalling an alarm in this distribution. The low priced category has come back in strength this past year. One builder in particular has concentrated in this sector with entry-level townhouse projects. The two projects that were on the market in last year's survey have

been replaced by six different projects this year. We may not see any prolific increase in this category now that the economics of



the rental market make new construction of rental units feasible. In 2001 and 2002, rental projects started to compete strongly for the lower end land supply and will likely be more evident in the coming years.

The mid-price sector dominates the market still and shows moderate growth in size and a good balance in performance.

The upper priced sector shows an increase in the number of projects, but the number of units has not changed markedly.

**GEOGRAPHIC DISTRIBUTION**

Next, we considered the various geographic regions of the city. This distribution is again based on an arbitrary placement, and does not fall within any distinctive boundaries. Figures for this category should be used with extreme caution, as some of the regions are too small to provide an adequate indication of any trends.



Region 2002 (2001)	# of Projects	# of Units	Unsold Units	Sold Units
Mill Woods	6 (6)	461 (503)	292 (341)	169 (162)
South	17 (21)	819 (952)	480 (486)	339 (466)
University	4 (3)	131 (53)	54 (16)	77 (37)
West	12 (7)	877 (522)	679 (230)	198 (292)
Downtown	10 (15)	652 (922)	341 (495)	311 (427)
North	12 (12)	928 (901)	512 (613)	416 (288)
St. Albert	10 (8)	510 (348)	215 (144)	295 (204)
Sherwood Park	3 (5)	165 (372)	150 (71)	15 (301)

The only notable observation we can make out of this assortment is that the University area appears to be undersupplied for the third straight year. Downtown has joined the University in the undersupplied category.



This is due to the lack of land supply and the upward pressure on land values in the area. At the other end of the spectrum is the west end region. The impetus behind the growth is available land supply. Growth will likely continue for this region with the expansion of new subdivisions in The Grange and Lewis Estates. Next year

will likely see a growth in the deep south side area around Ellerslie Road.

### PROJECT SIZE

The current size distribution of the inventory is as follows:

Size	# of Projects	# of Units	Unsold	Sold
Under 20 units	6 (9)	88 (122)	55 (55)	33 (67)
20 to 39 units	25 (28)	750 (858)	365 (398)	385 (460)
40 to 59 units	16 (13)	738 (647)	438 (281)	300 (366)
60 units and over	27 (27)	2,967 (2,946)	1,865 (1,662)	1,102 (1,284)

Over the years, we have tracked the sales pace of projects based on their size. We found in the past that smaller developments have much faster absorption rates than do the larger projects. The

numbers of large projects appears to be stabilizing. We are cautious on this note, as larger projects tend to be slow performers. Seventeen of the projects currently on the market are over 100 units. This compares with only thirteen in last year compilation and nine the year before.

### CONSTRUCTION STATUS

Status	# of Projects	# of Units	Unsold Units	Sold Units
Complete or Under Construction	60 (66)	3,643 (3,879)	1,948 (1,811)	1,695 (2,061)
Pre-Selling	14 (11)	900 (701)	775 (585)	125 (116)

These statistics reveal a very stable market. The number of unsold committed units sits at 42.88% of total inventory, as compared with last year's number of 45.06%. If the pace of sales remains consistent, it would take 8.6 months to deplete the committed supply.

### PARTICIPANTS ANALYSIS

In past years we have touched on the topic of the dominance of a comparatively small group of builders in Edmonton. This year, we have given it a closer look.

The ten largest builders in Edmonton contribute 40 of the 74 projects in our compilation or 54% of the projects. Generally, these builders are doing larger than average projects, so the total units of units amounts to 63% of the total supply.

Interestingly, the performance measures from the big builders are actually slightly inferior in comparison to the smaller participants. Absorption levels from the large builders are under 5.0%, whereas the smaller builders have managed an average absorption rate over 5.0%.

The effect of this level of control by such a small group of builder is somewhat beneficial to the market as a whole. It starts with the land supply being less widely distributed and as a result, the pace of new projects is more controlled. We can see the level of restraint in the market by the relatively slow pace in the introduction of new projects. If the land were more widely distributed, more projects by more builders would be introduced.



The other benefit is comparatively stable prices. With good market control, there is little evidence of predatory pricing and no recent project failures.

The downside of the control level comes in the form of the potential for limited growth in the market and the comparatively small need for project innovations. Competition would be helpful in encouraging new styles and designs.

## **NEW RENTAL CONSTRUCTION**

In the past three years, we have seen a significant change in the dynamics of the Edmonton multi-family construction market. Rental development has now become economically feasible due to the rise in rental levels and drop in vacancy rates. As a result, projects appealing to upper- and middle-income tenants have sprung up in almost every area of the city. These projects are very similar in style and quality to condominium projects and will compete for occupants.

We have established a list of 30 projects that have been built or proposed. These projects account for 4,566 units in total. At the present time 1,850 units are actually in the rental stock and operating. Another 1,193 units are well into construction and will be operating by mid-year 2003. Furthermore, we have details on approximately 1,523 more units that are proposed to get under way in 2003.

Our estimate last year for the end of 2002 was 3,300 units. We were slightly high, but when this committed inventory comes on by mid-2003, the total will reach 3,043 units.

Unfortunately, all the new units are in the middle to upper portion of the market. Coupled with suite renovations and upgrading of older suites, fewer and fewer suites are available to lower income tenants. We can see some easing of the vacancy rates in the higher priced portions of the market, but lower priced housing will become even harder to locate in the next few years. There is going to be a definite need for public sector involvement in addressing this rental market shortage.

We hope this information will be useful to you, and would like to express our appreciation for the assistance we have received from all those involved in the condominium business. Obviously, we assembled this data for a purpose, and that is to provide the highest level of consulting services possible to our clients. Our services to the condominium community include the following:

**Pre-planning Consultations**  
**Site Appraisals**  
**Individual Unit End User Appraisals**

**Feasibility Analysis**  
**Full Project Narrative Appraisals**  
**Absorption Studies**

In addition, we are qualified to provide appraisal services in all other sectors of the real estate market. We look forward to being of service to you.

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