

Q2 2021

# UA Take: Edmonton FIVE IN A ROW



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## Q2-2021 UA TAKE EDMONTON: FIVE IN A ROW

An impressive 450 sales were recorded in Edmonton in the second quarter of 2021. This represents a 17 percent sales increase from last quarter and is now the fifth consecutive quarter the market has experienced a quarterly increase. The 450 sales recorded in the second quarter of the year was the third highest quarterly total of new multi-family units in Edmonton since UA began tracking this market. While the Southwest has historically been the most active submarket in the city, the Southeast, Northeast, and Northwest submarkets also recorded substantial quarterly increases, all rising by over 40 percent. The new home market in Edmonton has experienced a 62 percent year-over-year increase in sales. Continued strong sales has resulted in a reduction in released and unsold inventory and presents an interesting opportunity for developers to bring new product online in the communities that have experienced high levels of demand. As social restrictions lift it appears as though the DIY boom, which played a role in the exponential increase in lumber prices, is showing signs of slowing which should help stabilize construction costs. This should allow builders to more accurately estimate future costs and hopefully allow them to bring additional supply to the market. Currently there are only 3.6 months of inventory in the new multi-family sector of Edmonton's residential market which provides evidence to the need for additional supply moving forward.

Some key statistics and observations from UA's Q2-2021 review of the new multi-family home sector of the Edmonton Market include:

- Both wood frame condominium and townhome product types recorded quarterly sales increases, rising by 126 percent and 10 percent, respectively.
- Quarterly sales increased were recorded in the Southeast, Northeast, and Northwest submarkets – rising by 56, 47, and 46 percent, respectively.
- The total number of actively selling projects in the market (83) decreased for the eighth consecutive quarter. Total released and unsold inventory decreased by 26 percent compared to the previous quarter.
- Standing inventory decreased by 10 percent (69 units) compared to the previous quarter.
- 55 percent of all released and available inventory are move in ready, although the majority of these move-in ready units (48 percent) belong to an equal proportion of both wood frame and concrete condominiums.
- The average unit price all new home product in Edmonton has increased by nine percent on a year-over-year basis.

## FIFTH CONSECUTIVE QUARTERLY SALES INCREASE

450 new multi-family sales were recorded in Edmonton in the second quarter of the year which represents a 17 percent increase compared to Q1-2021. The increase in demand is attributed to the continued release of pent-up demand and favorable interest rates. A large proportion of the sales generated in the second quarter came from first-time home buyers. This marks the fifth consecutive quarter of sales increases, with total unit absorptions up by 62 percent compared to Q2-2020.

### QUARTERLY UNIT SALES COMPARISON

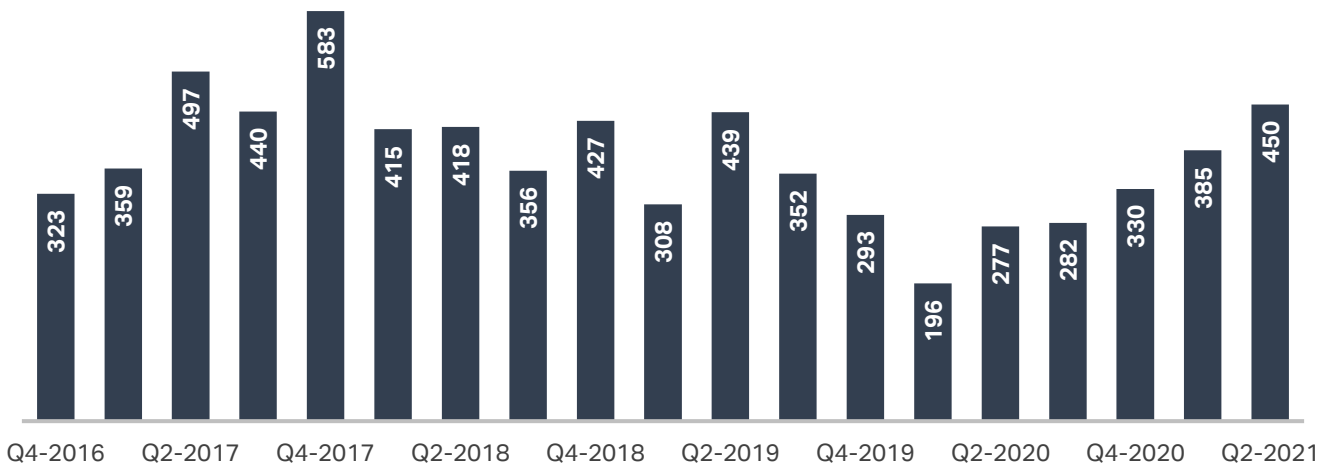


Chart 1

## QUARTERLY SALES BY PRODUCT-TYPE

Both wood frame condominium and townhome product types experienced an increase in sales compared to the previous quarter, rising by 126 percent and 10 percent, respectively. Townhome sales continued to surge and accounted for over 81 percent of total new home sales in the second quarter. All product types have increased in total sales compared to the same quarter of 2020 with concrete condominium, wood frame condominium and townhome sales increasing by 17, 13, and 80 percent, respectively.

## EDMONTON SALES BY PRODUCT TYPE

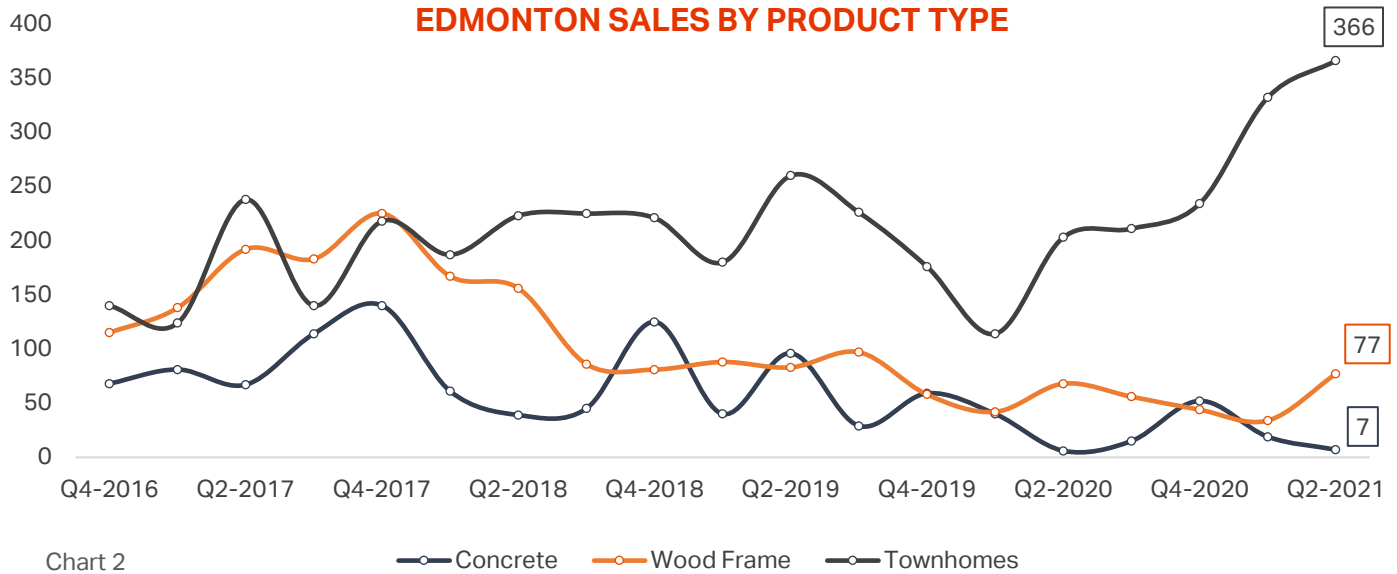


Chart 2

## SOUTHWEST AND SOUTHEAST SUB-MARKET LEADS SALES IN Q1

The Southwest sub-market continued to lead the market in quarterly sales, recording a total of 174 sales in the second quarter. This figure represents 39 percent of overall sales for the quarter. Collectively, the Southwest and Southeast sub-markets accounted for 67 percent of total sales in the second quarter. The Southeast experienced the largest increase in quarterly sales, up 56 percent compared to Q1-2021. Sales representatives noted that traffic has consisted primarily of recent immigrant couples and families who were previously renting in the area and due to the favorable interest rates have been able to purchase a home. The next two largest quarterly sales increases occurred in the Northeast and Northwest submarkets which rose by 47 and 46 percent, respectively.

## QUARTERLY SALES BY SUB-MARKET COMPARISON

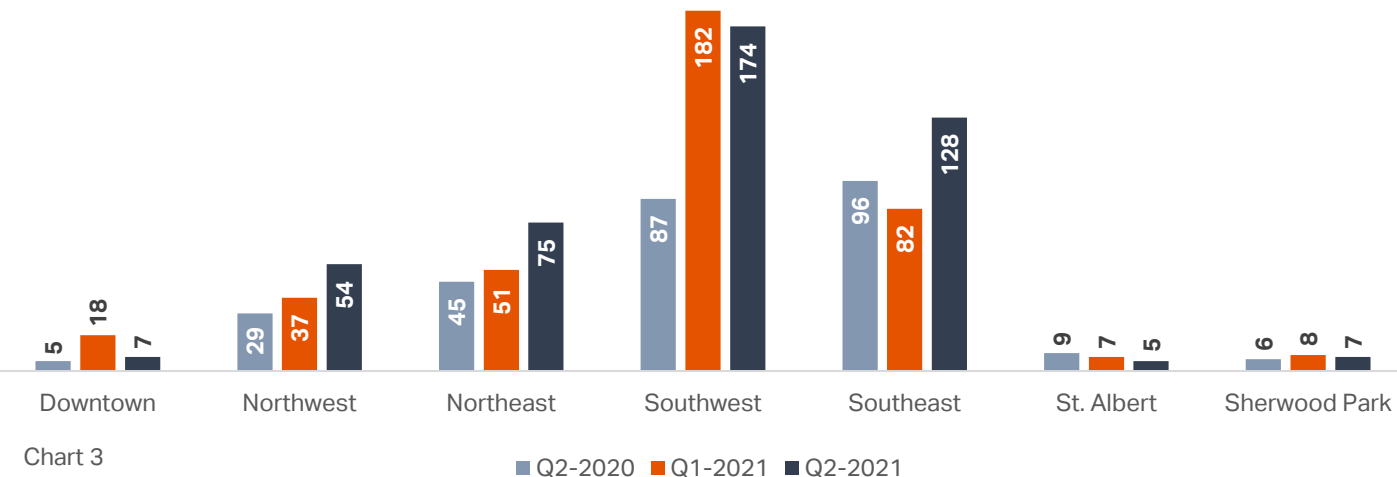


Chart 3

## QUARTERLY SALES BY AGGREGATE AREA

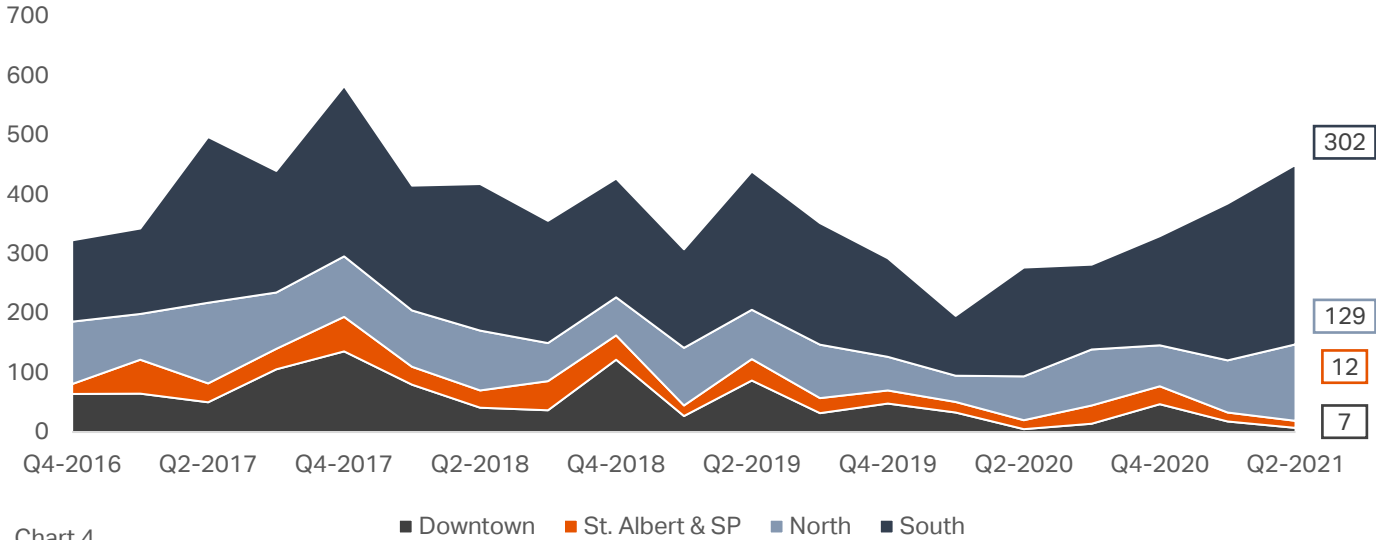


Chart 4

## DECREASE IN RELEASED INVENTORY

The new multi-family home sector of Edmonton's residential market recorded a 26 percent decrease in released and unsold inventory in the first quarter of 2021 compared to the previous quarter, and a 46 percent decrease on a year-over-year basis. All submarkets in Edmonton, not withstanding St. Albert and Sherwood Park experienced a decreased in unsold inventory as a limited number of new projects were launched during the second quarter. The continued demand and lower inventory levels present developers with an opportunity to launch new projects in successful submarkets such as the Southwest, Southeast and Northwest. There are currently 1,181 total units available for purchase in the city, which equates to 3.6 months of inventory with the current pace of sales in the market. The highest inventory total exists in the Southwest submarket, which currently has 416 released and unsold units.

## RELEASED & UNSOLD INVENTORY BY SUB-MARKET

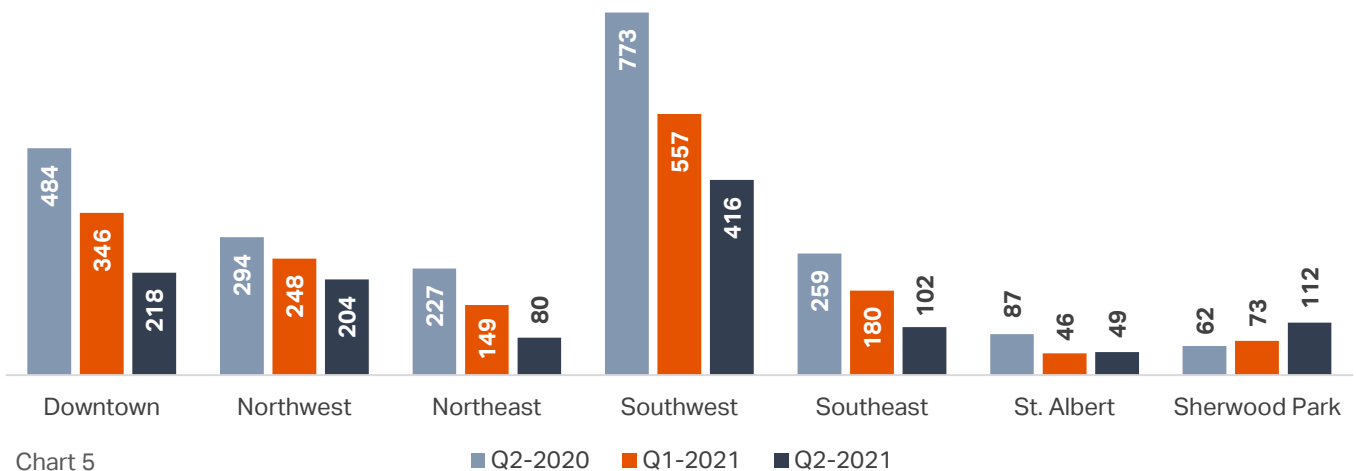


Chart 5

# SLIGHT DECREASE IN STANDING INVENTORY

## STANDING INVENTORY

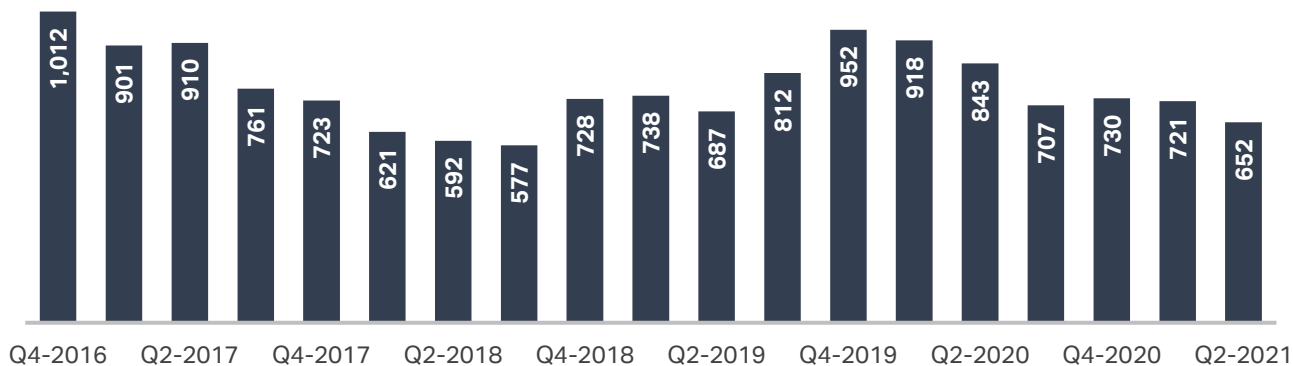


Chart 6

The number of completed and unsold (i.e. move-in ready) units decreased by 10 percent during the second quarter of the year and currently totals 652 units. This represents a 23 percent drop in completed and unsold units since the second quarter of 2020. The reduction in completed and available units comes amidst a surge in lumber prices due to a shortage of other construction materials which has driven up prices of new homes. Despite this market shock developers have continued to complete units which supplements the demand for urgent buyers.

There were 268 wood frame condominiums, 301 concrete condominiums and 83 townhomes that were unsold and available for immediate possession at the end of the second quarter. Low levels of townhome standing inventory is reflective of the continued demand for this housing type in the market. Almost all the actively selling wood frame and concrete condominium projects were completed prior to 2020.

## ACTIVELY SELLING PROJECTS BY PRODUCT TYPE

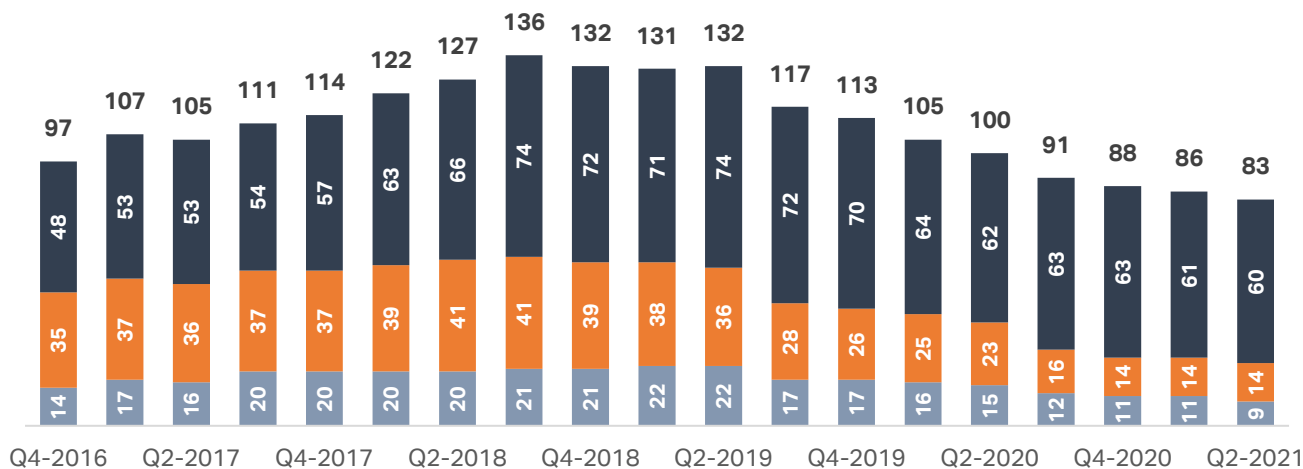
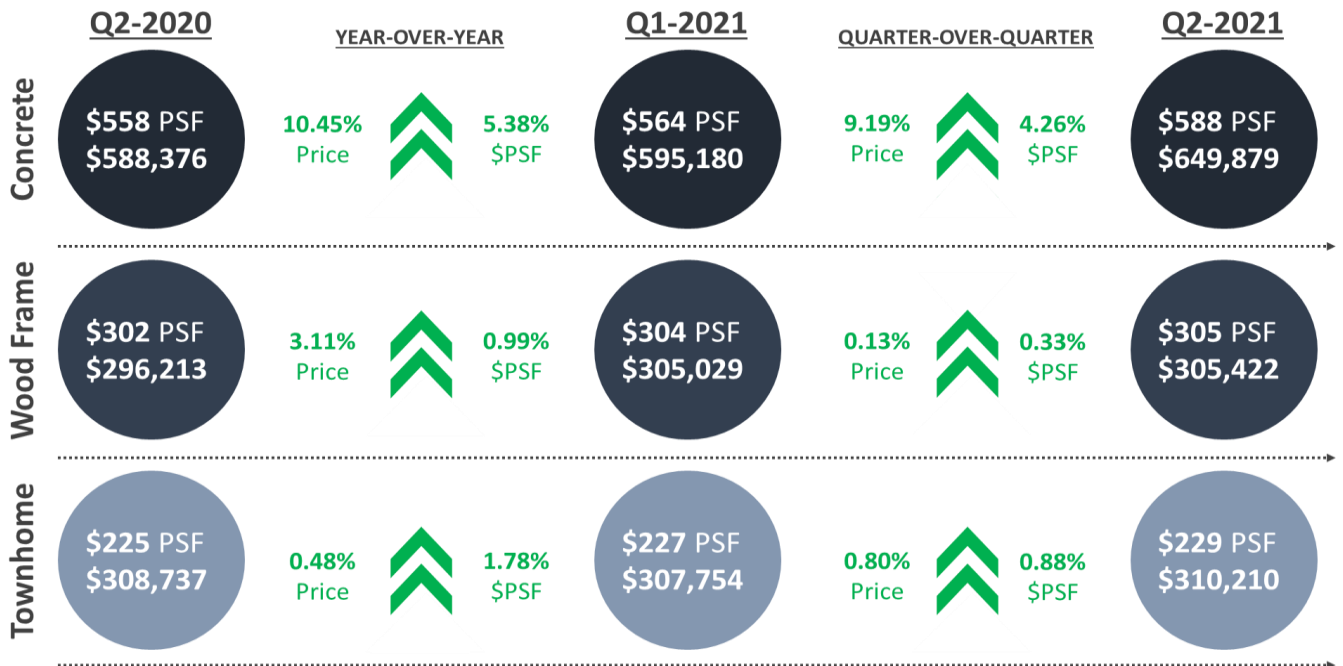


Chart 7

■ Concrete ■ Wood Frame ■ Townhomes

## PRICING TRENDS

- The average unit price for concrete condominiums increased by 9.2 percent compared to the previous quarter to \$649,879. This price influenced somewhat by St. Albert which is averaging \$799,680 for concrete condominium product.
- The average unit price for wood frame condominiums increased by 0.13 percent compared to the previous quarter and is up 3.1 percent compared to Q2-2020.
- Townhome prices have remained relatively flat on a quarterly and yearly basis, and it was noted by sales representatives that prices have not been increased in order to attract entry level home buyers.



## BUYER TRENDS

There was a mix of active buyer groups in Edmonton's new multi-family home market throughout the second quarter of 2021. These groups included entry level buyers, young professionals, downsizers, and recent immigrant families. The majority of purchasers this quarter comprised of entry level and downsizer buyers, as most of the product being absorbed targeted younger purchasers looking to start a family. Much of the townhome product also appeals to empty nesters looking to downsize from a larger detached home and are not yet ready for condominium living. Demand also continues to be driven by historically low interest rates currently being offered. Many sales representatives indicated traffic at presentation centres remained steady during the second quarter of 2021.

## CREATIVE INCENTIVES TRENDS

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Many projects withdrew incentives that were utilized throughout the pandemic, however there are still some projects which are offering some notable promotions such as:

### ***Concrete Condominiums***

- Up to \$65,000 off on remaining first and second floor suites

### ***Wood Frame Condominiums***

- Up to \$25,500 off purchase price
- Up to \$12,500 off select units
- Up to \$10,000 off purchase price
- Up to \$20,000 off purchase price

### ***Townhomes***

- \$15,000 in upgrades on next five units sold
- \$5,000 design credit
- \$5,000 pre-sale promotion
- \$10,000 off with referral program
- Free basement development
- Front and rear landscaping
- No condo fees for a year

## SUMMATION

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The new home market in Edmonton appears to be sustaining the momentum coming off the lows experienced in 2020. UA has now observed strong quarterly sales absorptions for the fifth consecutive quarter in a row. As the DIY boom is now showing signs of slowing, the price for lumber commodities has softened and should hopefully make price setting for future projects and phases easier for new home builders. UA anticipates that immigration will start to pick up and that the new home demand experienced in the Edmonton market will continue throughout the second half of the year. There is an overwhelming sense of opportunity in the city for developers to bring new product online in communities which have experienced reduced levels of available inventory.



## ALBERTA STATE OF THE MARKET

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Keep an eye out for UA's Q2-2021 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 second quarter report.



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## Tell us what you think and what you need

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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 to help it make better decisions. 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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