

Q4 2021

RENTAL TAKE: EDMONTON

**A CONSISTENT END
TO A VOLATILE YEAR**



A Consistent End to a Volatile Year

Vacancy continues to decrease as we progress into the final quarter of the year. Overall vacancy at the end of the fourth quarter was 8.5 percent which is a 1.4 percent decrease compared to the third quarter despite three new project launches that added 293 new units to the market. The average rent per square foot remained the same as last quarter at \$1.74 per square foot, this is a 1.4 percent increase from the fourth quarter of last year. Historically the fourth quarter tends to see a slow down in activity due to seasonal demand. The lower overall vacancy can be attributed to the absorption of all the new supply that launched this year as demand increased with the return of students and young professionals to the urban core.

Zonda Urban is currently tracking 132 newer purpose-built rental apartment projects comprising 17,587 units across seven sub-markets, including St. Albert and Sherwood Park. 16 of these projects are actively leasing (under 85 percent leased and within the first years of launching a leasing campaign), with the remaining 116 buildings having been substantially absorbed and experiencing typical levels of unit turnover.

Zonda Urban is currently monitoring 32 newer concrete rental apartment projects (4,720 units), 92 wood frame rental apartment projects (12,356 units) and eight rental townhome projects (628 units) in Edmonton through on-going primary research. The information collected on each proposed and actively leasing project is accessible to industry stakeholders through Zonda Urban's NHSLive data platform on a subscription basis.

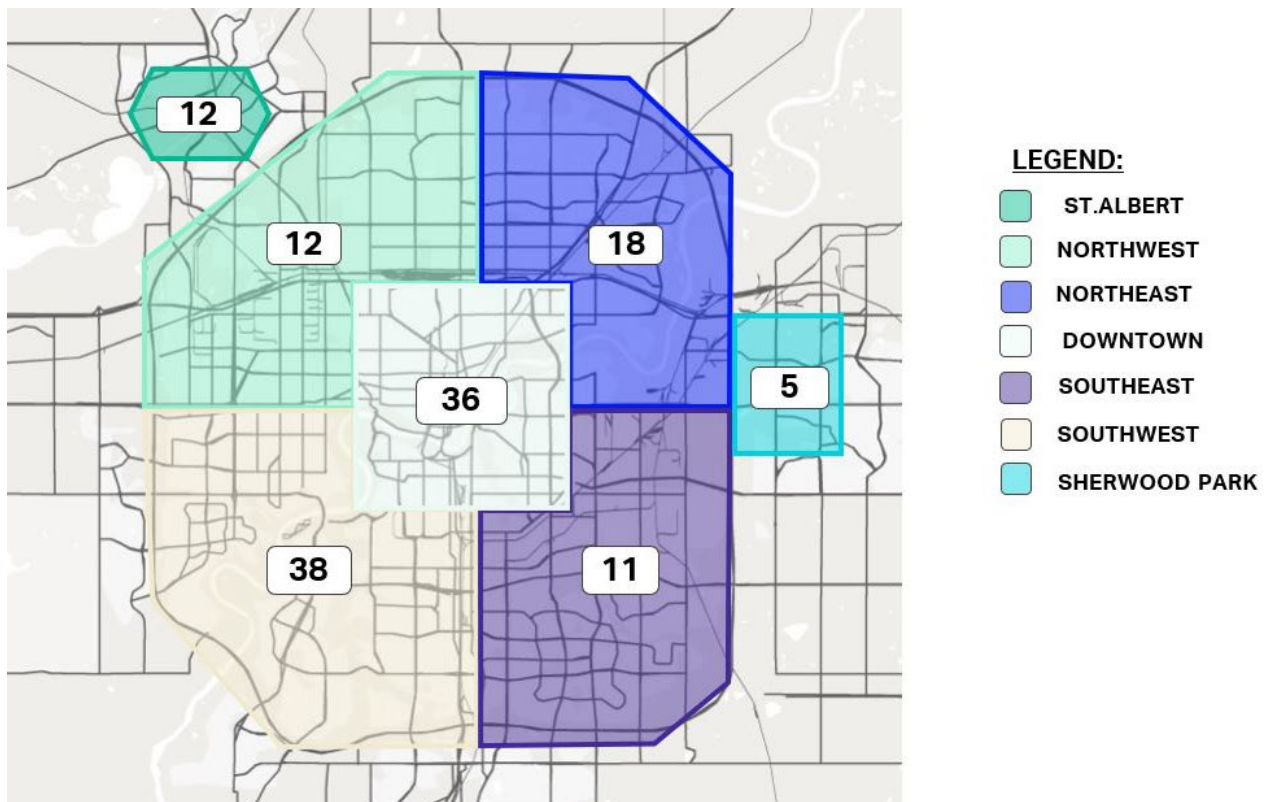


Figure 1

DECREASE IN VACANCY RATES

The overall vacancy rate for newer rental projects in Edmonton was 8.5 percent at the end of the fourth quarter of the year. Vacancy decreased by 1.4 percent when compared to the third quarter of the year and 1.5 percent when compared to the same quarter of last year. The lower quarterly vacancy can be attributed to the stabilization of five projects during the fourth quarter of the year. 17 projects were launched during the last year, six of which have already been stabilized, showing there is a demand for newer product.

AVERAGE VACANCY PER QUARTER STABILIZED VS ALL PROJECTS



Chart 1

Chart 1 illustrates the average vacancy rate for stabilized newer purpose-built rental projects versus the average vacancy for all the projects across Edmonton. Zonda Urban considers new projects that have less than 85 percent occupancy to be actively leasing, and those with more than 85 percent occupancy to be fully leased or stabilized, as this is typically when units begin to turn over for the first time. The vacancy is typically lower in stabilized projects due to those buildings being in the market for a longer period of time. The vacancy for all projects is higher at 8.5 percent, showing the impact of the new project launches on overall vacancy rates. The 16 active projects had an average vacancy rate of 47 percent at the end of the fourth quarter, which raised the average vacancy for all projects. The decrease in overall vacancy compared to the increase in just stabilized projects shows renters preference for newer supply during the fourth quarter, this is likely due to the number of newer projects that were launched in the last year.

AVERAGE VACANCY BY SUBMARKET

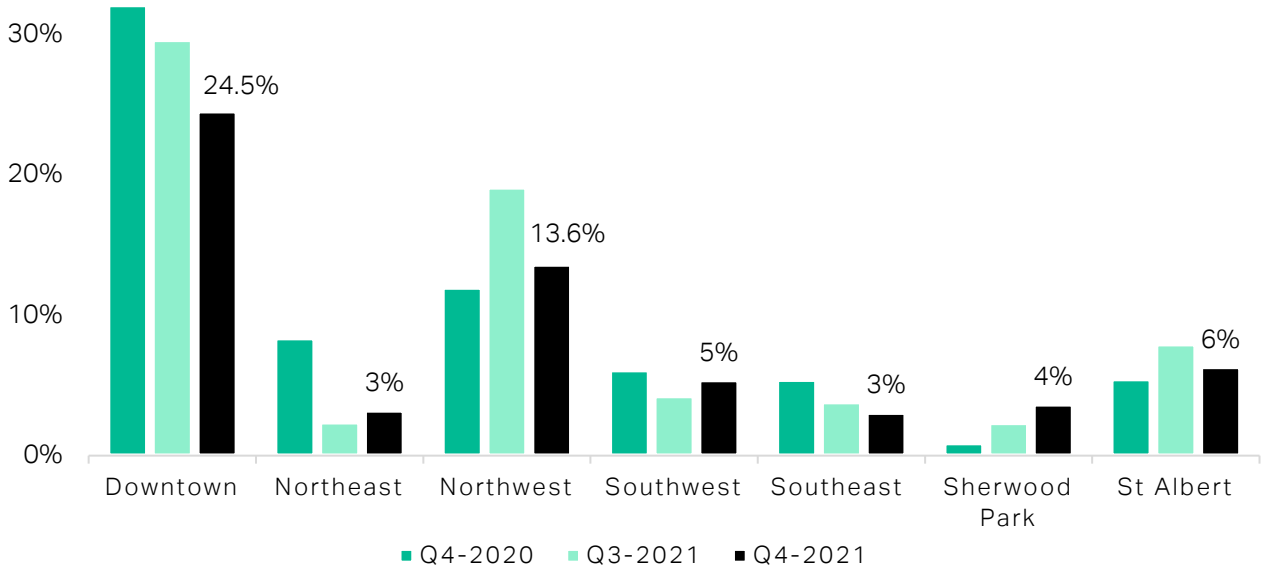


Chart 2

Four of the seven sub-markets in Edmonton experienced lower vacancy relative to the third quarter of the year. Again, this illustrates the increase in demand for newer rental product during the last year.

Vacancy in the Downtown sub-market decreased by five percent relative to the previous quarter. The decrease in vacancy can be attributed to the absorption of newer product that launched within the last year. The nine projects that launched within the year have an average vacancy of 43.8 percent. The new supply is being absorbed by students and working professionals returning to the area.

The Northwest sub-market experienced the largest decrease in vacancy when compared to the third quarter of the year. Vacancy decreased by five and a half percent from 19 percent in Q3-2021 to 13.6 percent at the end of Q4-2021. Vacancy in St. Albert decreased by 1.6 percent, from 7.9 percent in Q3-2021 to 6.3 percent at the end of Q4-2021. The Northeast experienced a slight 0.8 percent decrease in vacancy, from 3.8 percent at the end of Q3-2021 to three percent at the end of the fourth quarter. The decreased vacancy in all submarkets relative to the previous quarter can be explained by the absorption of existing product in all submarkets. All three submarkets are attracting families, couples and students.

Vacancy increased in both Southwest, Northwest and Sherwood park sub-markets during the fourth quarter of the year. Vacancy in the Southwest increased by one percent despite two new projects launching in the area adding 140 new units to the sub-market.

RENTS REMAIN THE SAME IN Q4-2021

Rents remain consistent with last quarter at \$1.74 per square foot. This represents a \$0.03 increase from \$1.71 in the fourth quarter of 2020. Rents saw a big jump from the second to third quarter of the year as offices and schools re-opened and have remained consistent since then.

The rental rates shown in this report are calculated using a weighted average for a more accurate depiction of the rents.

Figure 2 illustrates the average per square foot rental rates being sought for newer rental apartment buildings in Edmonton by sub-market. Average list rents in Downtown Edmonton continue to be the highest in the market at \$2.02 per square foot.



Q4-2019: **\$1.70**
Q4-2020: **\$1.71**
Q4-2021: **\$1.74**

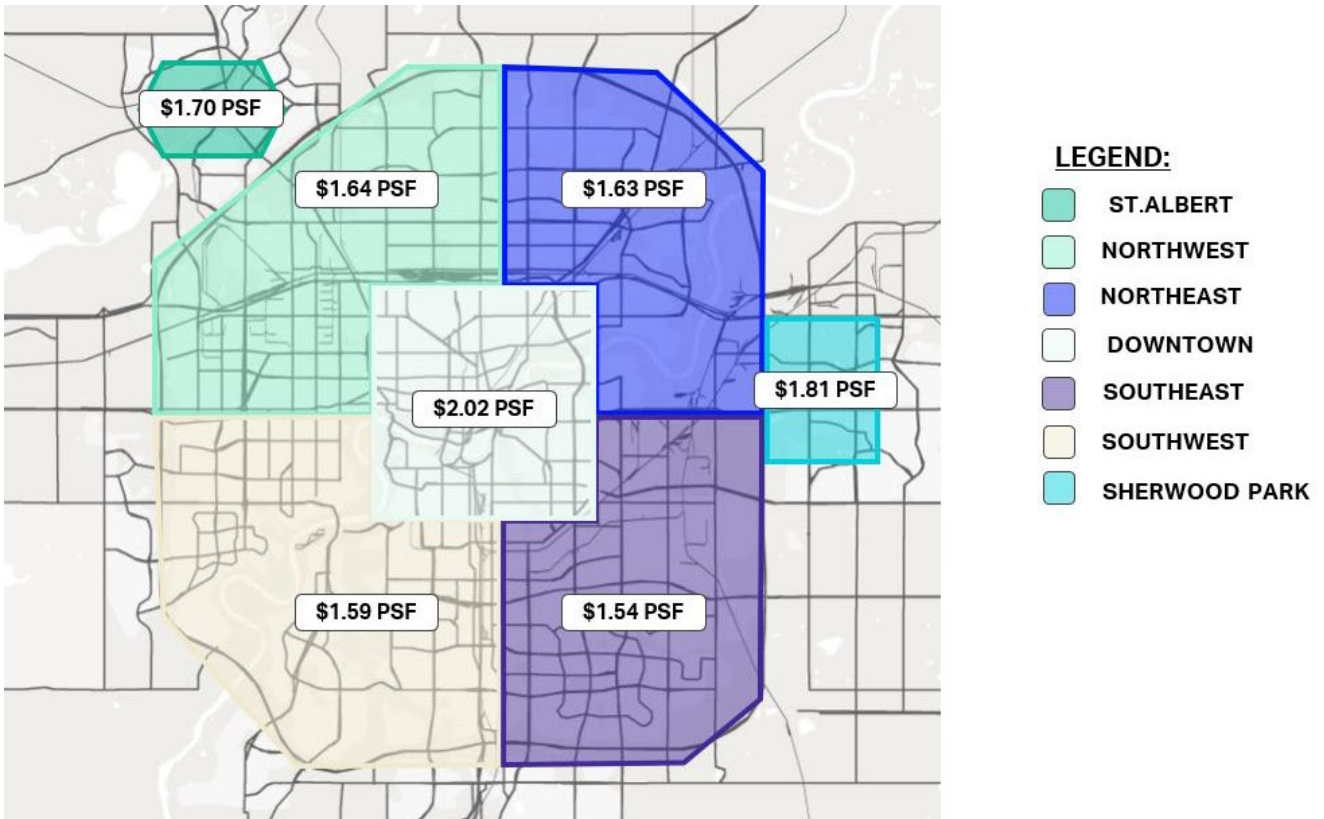


Figure 2

Current list rents for lease renewals in the fourth quarter of the year varied slightly across the market. The majority of turned over units were re-listed at rents lower than what was originally achieved during the initial lease-up campaign. Zonda Urban expects this trend to change by the second quarter of 2022 as demand continues to rise as a result of the anticipated recovery from COVID measures that acted as a drag on demand for much of the past 18 months. Chart 3 illustrates the comparison of asking rates for turned over units in stabilized buildings versus the original average net rents sought for those unit types during the initial lease-up stage.

LEASE RENEWAL RENTAL RATE CHANGES

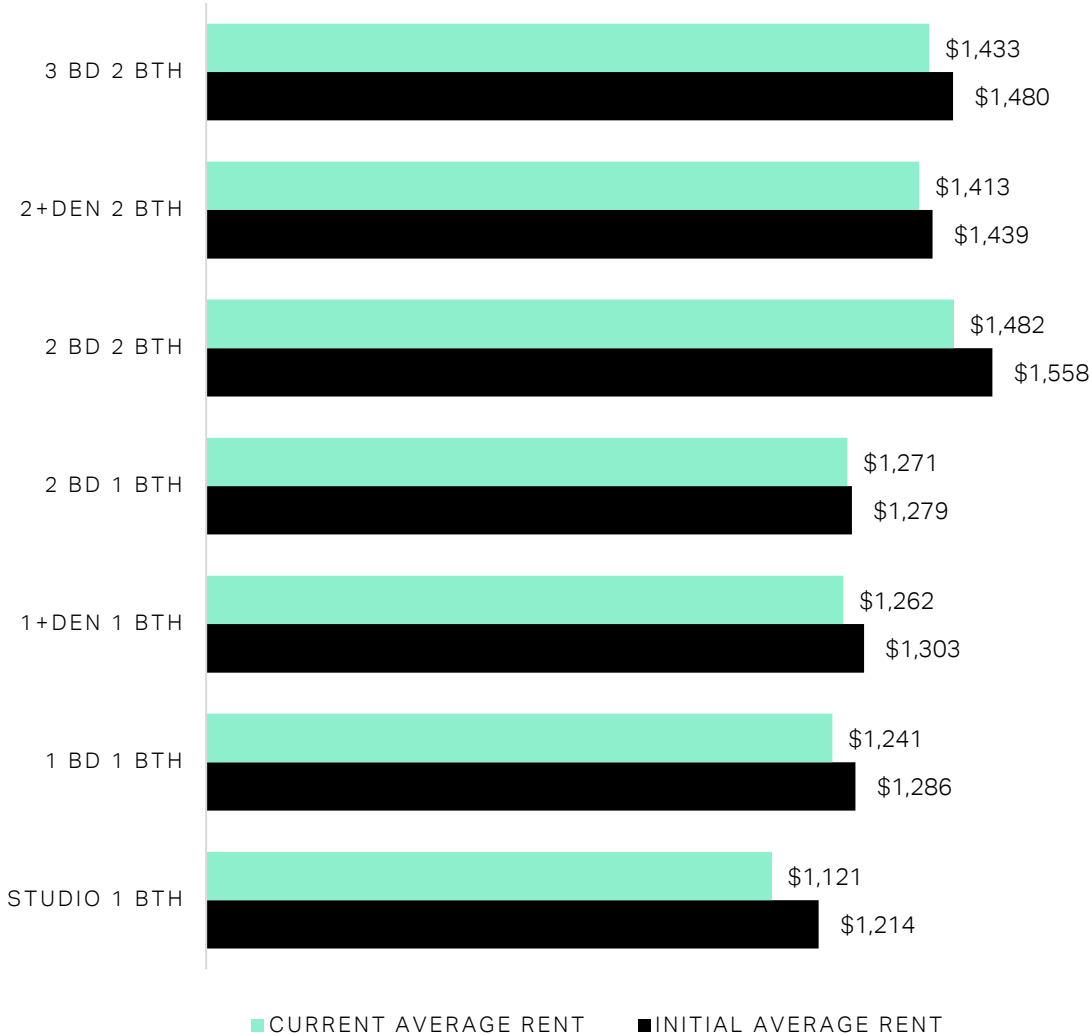


Chart 3

Rents have decreased for all eight-unit types that turned over in Q4-2021;

- Studio units decreased by eight percent (\$93 per month);
- One bed, one bath units decreased by four percent (\$49 per month);
- One bed plus den, one bath units decreased by three percent (\$41 per month);
- Two bed, one bath units decreased by one percent (\$9 per month);
- Two bed, two bath units decreased by five percent (\$76 per month),
- Two bed plus den, two bath units decreased by two percent (\$26 per month), and
- Three bed, two bath units decreased by three percent (\$47 per month).

AVAILABLE TURNED OVER UNIT TYPES

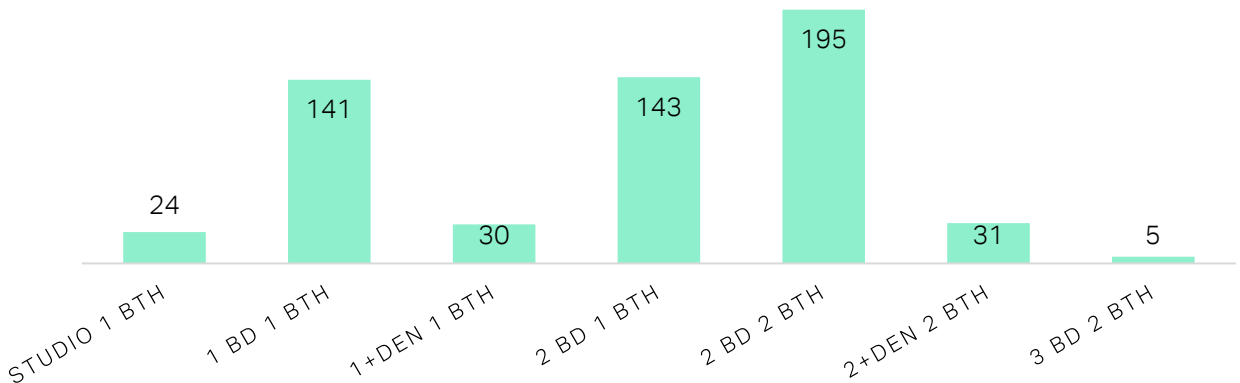


Chart 4

The majority of units turned over during the fourth quarter of 2021 were one and two bed plans. Two bed units located in inner city neighbourhoods are often rented by roommates, which often leads to a higher turnover rate. The large amount of available two bedrooms indicate that during the fourth quarter renters were less likely to rent with a roommate likely due to changes such as working from home and covid precautions with the increased amount of time spent at home during the last two years.

Smaller one bed units also have a higher turnover rate than other unit types as renters of these unit types eventually leave in search of more living space as their housing needs mature. In other cases, the unit is vacated by a couple who have been saving for a down payment on a home and are able to purchase.

AVERAGE NET RENT \$PSF PER SUB-MARKET

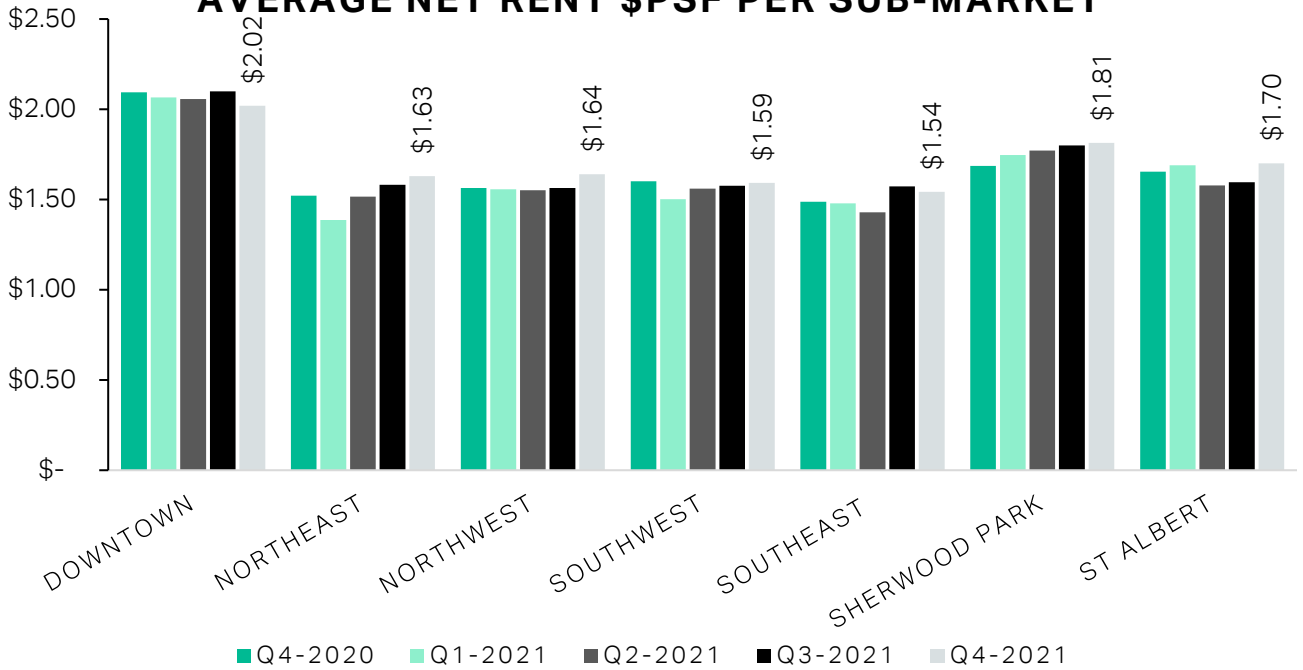


Chart 5

Five of the seven sub-markets in Edmonton reported higher average net rent per square foot rates when compared to the previous quarter. The largest increase occurred in St. Albert, where rents rose by six and a half percent from \$1.60 to \$1.70 per square foot at the end of the fourth quarter. The increase in rents can be attributed to developers pulling back on incentive offerings as supply decreases.

The Northwest sub-market experienced the second largest increase with a 4.9 percent increase from \$1.57 to \$1.64 per square foot in Q4-2021. The northeast experienced a three percent increase from Q3-2021; \$1.58 to \$1.63 per square foot at the end of the fourth quarter. The increase in rental rates in both submarkets can be linked to the lower amount of available supply in the areas.

Rents in the downtown sub-market decreased by 3.8 percent when compared to the previous quarter, from \$2.10 to \$2.02 per square foot. The decrease in rents can be tied to an increase in incentives as developers try to combat the seasonal trend of lower activity during the winter months. The Southeast sub-market experienced a 1.9 percent drop in the average rents per square foot; from \$1.57 to \$1.54 per square foot.

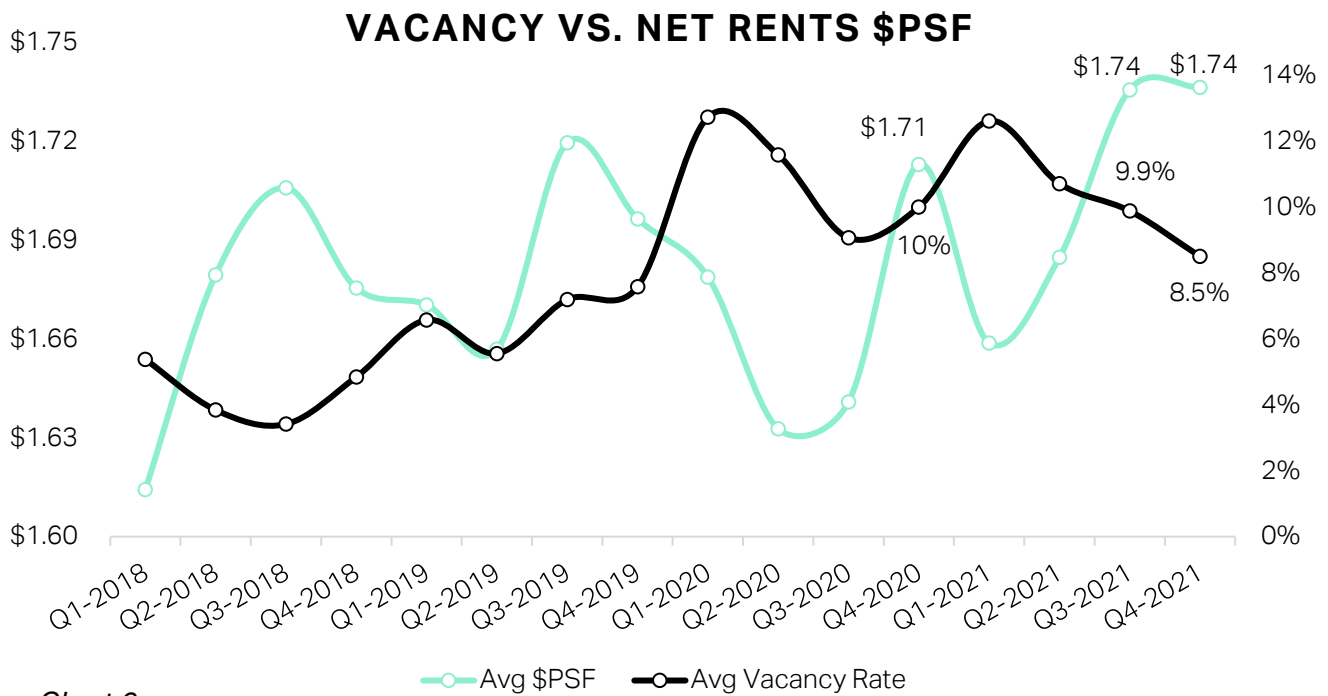


Chart 6

Chart 6 illustrates the correlation between the average vacancy rate and the average net rent per square foot in Edmonton’s newer purpose-built rental apartment market. Newer purpose-built rental projects throughout Edmonton experienced consistent rents and lower vacancy rates in the fourth quarter of the year. Vacancy rates decreased by 1.4 percent while rents remained the same relative to the third quarter of 2021. Vacancy rates increased by 1.5 percent and rents by 1.4 percent (\$0.02 per square foot) year-over-year. Zonda Urban expects this trend to continue as COVID-19 restrictions are lifted and more renters return to the market.

ACTIVE VS. FULLY LEASED PROJECTS

Zonda Urban considers new projects that have less than 85 percent occupancy to be actively leasing, and those with more than 85 percent occupancy to be fully leased or stabilized, as this is typically when units begin to turn over for the first time. There were 16 projects considered to be actively leasing in Edmonton at the end of Q4-2021. Five projects achieved fully leased status during the fourth quarter of the year;

- *Edgemont Estates* by Carlisle, a 296-unit wood frame building in the Southwest leased up in 12 months;
- *The MacLaren* by Edgar Developments, a 240-unit concrete building located in Downtown that leased up in 28 months;
- *Capital Bldg 1* by Strategic Group, a 154-unit concrete building in Downtown leased up in 17 months;

- *The George* by Casia Developments, a 50-unit wood frame building located in Downtown that was leased up in 15 months;

A few active projects include;

- *The Village at 105* (130 units), leasing for nine months and currently 73 percent leased.
- *121 West* (396 units), leasing for four months and currently 38 percent leased.
- *Augustana* (240 units), leasing for 16 months and currently 40 percent leased.
- *Brickyard off 4th bldg. 1* (37 units), leasing for four months and currently 40 percent leased.
- *Greenstone Park* (89 units), leasing for six months and currently 28 percent leased.

ACTIVE VS FULLY LEASED PROJECTS BY SUB-MARKET

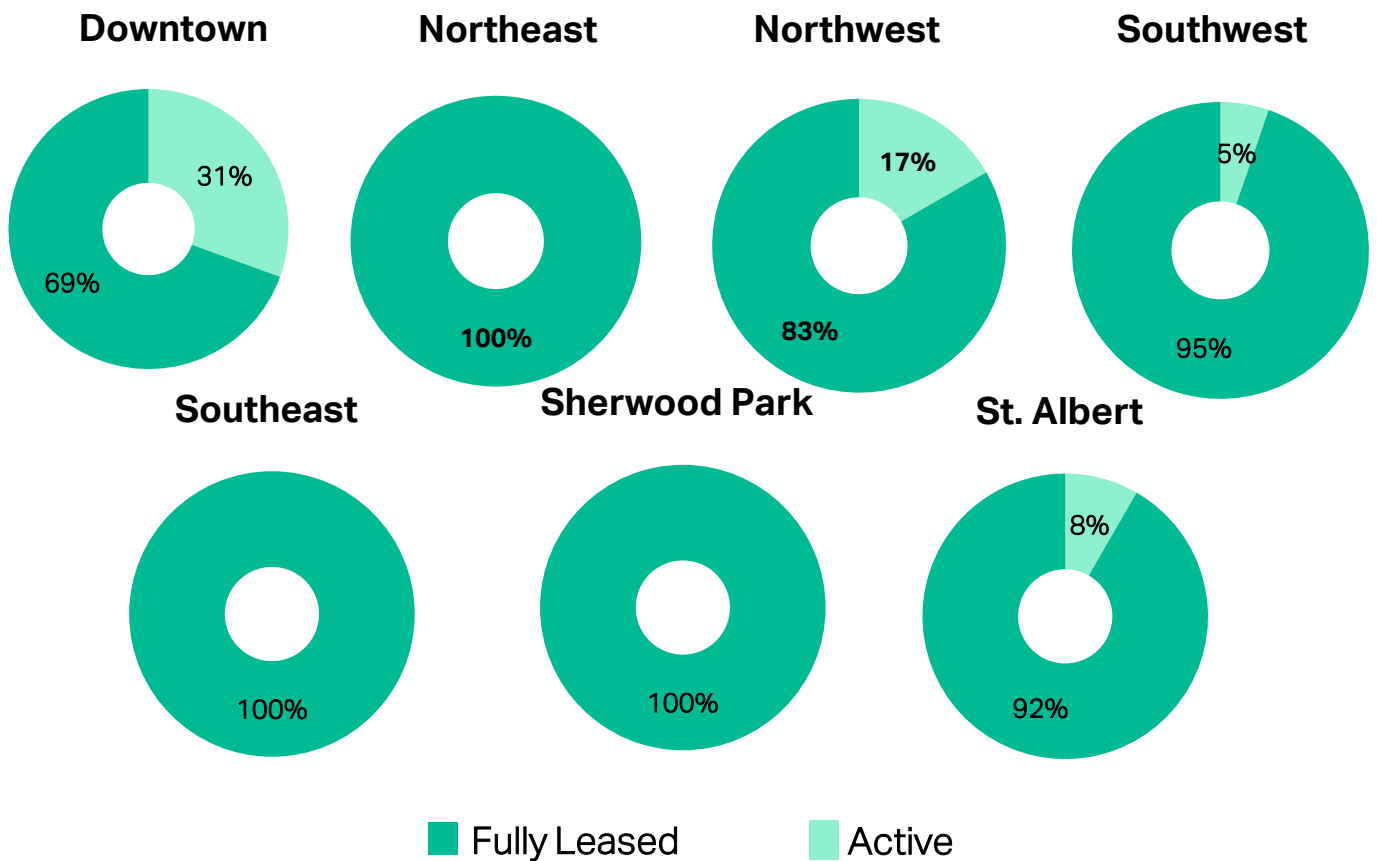


Chart 7

AVAILABILITY IN Q4-2021

The Downtown sub-market continues to have the highest inventory levels of all sub-markets, primarily due to the new projects launched in the area over the past few quarters that are still being absorbed. Inventory increased in the Southwest due to the launch of *Slate* by Kooner Construction and *Louvre at Century Park* by Procura which added 44 and 104 new units, respectively to the sub-market. Across the Edmonton market, total released and available inventory in Edmonton decreased by 231 units to 1,923 units.

Released and Available Units by Sub-Market

Downtown	Northeast	Northwest	Southwest	Southeast	Sherwood Park	St. Albert
1208	64	191	294	48	25	93

INCENTIVES

While the value of incentives being offered at actively leasing and fully leased newer purpose-built rental buildings has dropped, many projects continue to offer a range of incentives. 89 buildings in Edmonton offered some form of rental rate incentive during the fourth quarter of the year. This compares to 83 buildings that offered incentives during the third quarter of the year. Only eight buildings were fully leased during the fourth quarter compared to 21 buildings that had 100 percent occupancy last quarter. The following is a list of some incentives offered as of November 2021;

- Two months free rent on 14-month lease
- Discounted rents
- \$500 off first months rent
- Two weeks free on a 12-month lease
- Six weeks free on a 12-month lease
- One month free rent on a 12-month lease
- One month free rent on a 13-month lease
- No pet fee
- Reduced security deposit
- 50% off for first months rent
- 50% off rent for first three months
- 50% off rent for first four months
- Free Telus for one year
- 25% off Telus packages
- Free early move-in
- \$500 VISA gift card
- Free parking for one year
- 50% off parking
- Six months free parking
- Free storage locker

Incentive offerings were reported in projects across all seven sub-markets in Edmonton.

AMENITIES

The newer purpose-built rental buildings Zonda Urban currently monitors offer a range of amenities. Projects in the urban sub-markets that feature a comprehensive amenity package are more likely to achieve full occupancy sooner and have lower turnover than those projects with limited or no amenities.

The level of amenities offered in newer rental developments generally depends on the sub-market. Projects in the Downtown sub-market feature a higher level of amenities as the typical Downtown renter earns a higher annual salary and is able and more willing to pay more for the added conveniences. A few examples of projects that offer these amenities include: *The MacLaren*, which boasts a dog run, fitness area, roof terrace, yoga area and lounge, and *The Mayfair*, which offers concierge service, garden plots, a lounge and a gymnasium.

By comparison, rental projects in the outer sub-markets do not offer as many amenities, nor are those amenities as costly to operate. Typical renters in the outer sub-markets are more price-sensitive and less willing and/or able to pay more for a higher-end amenity package. However, Zonda Urban analysts have noted a few new projects in suburban neighbourhoods that are increasing the level of amenity offerings. *Central Tower* in Bearspaw offers residents a common kitchen area and outdoor patio with BBQ's, along with a spin studio, golf simulator, fitness facility, pool tables, yoga area, parcel delivery system, and a dog wash station. The following are some of the typical common amenities offered to renters across the Edmonton market:

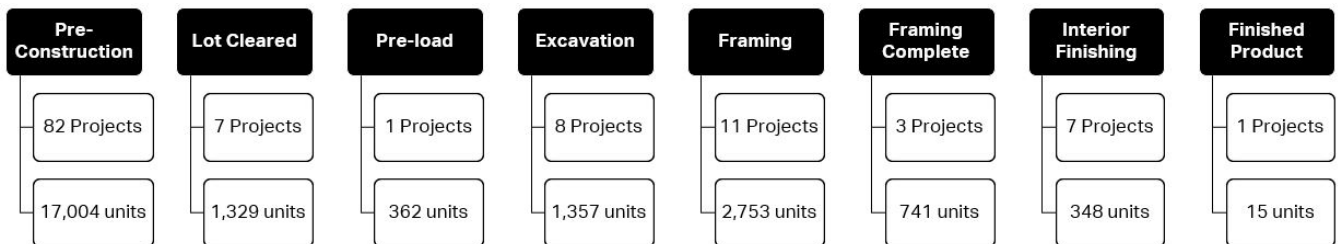
- Roof Terrace
- Roof Garden
- Music Room
- Outdoor Patio
- Workshop
- Lounge
- Bike Repair area
- Gymnasium
- Guest suite
- Kitchen
- Fitness area
- BBQ area
- Bike storage
- Concierge
- Car Share
- Garden plots
- Residence manager
- Games Room

RENTER DEMOGRAPHIC

There is generally a wide range of renter profiles active throughout the various Edmonton sub-markets. The outer sub-markets tend to attract more immigrants, blue-collar workers, young families and retirees. Larger units with more bedrooms is generally an attractive feature for renters in the outer sub-markets. The more urban sub-markets currently attract more students, young and established professionals, downsizers, and young couples. Amenities, and social gathering spaces to counter the smaller units in the inner city rental product offered are reportedly appealing to these renter groups.

CONTEMPLATED

Zonda Urban is currently monitoring 120 development permit applications (23,909 units) that have been submitted to the City of Edmonton. Of those, 35 permits (6,749 units) are currently on hold. 32 projects comprising 6,493 units have been approved by the City and are expected commence leasing in the next two to three years. Zonda Urban anticipates 30 of these buildings will be ready to commence leasing in the next two years, which will add over 5,214 new rental apartment units to the market.



LOOKING AHEAD

The following are new rental projects that have either recently launched or will be launching a leasing campaign during the next two quarters that Zonda Urban analysts will be monitoring closely:

- 10882 98 St NW – n/a
- Gill Village – Gill Built Homes
- The Village on 66 St – Prominent Homes
- 460 37th Ave NW – Avana Rentals
- Slate phase 2 – Kooner Construction
- University Heights – Westrich Pacific
- Holyrood Court Bldg 5 – PK Developments

Zonda Urban has the most current and accurate data on the newer purpose-built rental apartment markets in Edmonton, Calgary, Metro Vancouver, and Greater Toronto. NHSLive, Zonda Urban's online data platform, provides timely data on the new rental and multi-family home sectors of the market. With its user-friendly interface and extensive functionality, it has become an invaluable tool for thousands of industry stakeholders to make better decisions. Call or email sales@urbananalytics.ca today to schedule a demonstration of NHSLive.

With the anticipated increased competition in Edmonton's new purpose-built rental apartment sector and the ongoing uncertainty in the new condominium and townhome sectors of the market, it is crucial to ensure your project is appropriately designed and positioned prior to launching. Zonda Urban provides comprehensive advisory services to meet your firm's specific needs in all markets we service. Call or email today to ask how we can help.

We appreciate your feedback. Please contact us with any questions regarding this Zonda Urban Take or any of our other periodic publications.



(403) 294-0135
info-alberta@urbananalytics.ca