

A large, stylized, serif letter 'E' in a dark grey color, centered within a light brown square frame. The 'E' has a classic, slightly flared design.

Edmonton
Condominium
Market
Survey
2004

ESSEX

a p p r a i s a l

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 14th annual 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 watch for 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. A new exclusion this year is the freehold units. These are typically duplex units providing the owner with a conventional fee simple title.

In response to the abundant interest in the rental of new apartments over the past few years and the current increase in vacancies in this sector, we have profiled some of the important activity that has taken place recently. Look for our rental sector summary towards the back of this publication. We have tracked this market carefully now for several years and can provide a strong overview at this time.

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 "*Size*" category is quite self-explanatory, limited to strictly the current phases only in multi-phase projects. "*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>Price Range</u>	<u>Under Construction</u>	<u>Location</u>
Alta Vista	84	Apt HR	Upper	Yes	Downtown
Belcanto Manor	42	T/H	Mid	Yes	West
Black Stone	40	T/H	Mid	Yes	South
Carlton Villas on the Lake	54	T/H	Upper	Yes	North
Castlewood Village	38	T/H	Mid	Yes	North
Central Park Estates	50	Apt	Mid	Yes	North
Centre in the Park Festival Estates Ph I & II	54	Apt	Mid	No	Sherwood Park
Cherrywood Lane	24	T/H	Upper	Yes	North
Citadel Village Phase I	32	Apt	Mid	Yes	St. Albert
Commonwealth Pointe	63	Apt	Lower	Yes	North
Conservatory on Mill Creek Ravine Phase I	38	Apt	Upper	Yes	South
Cravenbrook	102	T/H	Mid	Yes	Sherwood Park
Devonshire Manor	51	Apt	Upper	Yes	South
Devonshire Mews Phase III	60	Apt	Upper	Yes	South
Eagle Point	58	T/H	Upper	Yes	West
Element, Lofts on 99	14	Apt	Upper	No	University
Elk Run Rutherford	41	T/H	Upper	Yes	South
Estates of Clareview Phase I	106	Apt	Mid	Yes	North
Glenora Mansion	80	Apt	Mid	Yes	Downtown
Glenwood on the Park Phase I	59	Apt	Mid	Yes	West
Golf Course Villas	15	T/H	Mid	Yes	West
Heritage Valley Estates Phase I	88	Apt	Mid	Yes	South
Hollick Kenyon Landing	88	T/H	Mid	Yes	North
Illuminada	57	Apt HR	Upper	Yes	Downtown
LaCaille	22	T/H	Upper	Yes	South
Lions Village Riverside	54	Apt	Mid	Yes	South
MacEwan Cove	17	T/H	Upper	Yes	South
MacEwan Gardens	106	Apt	Mid	Yes	South
MacEwan Greens	95	T/H	Mid	Yes	South
Madison on 111 St	32	Apt	Upper	Yes	Downtown

<u>Project Name</u>	<u>Size</u>	<u>Type</u>	<u>Price Range</u>	<u>Under Construction</u>	<u>Location</u>
Magrath Mansion Phase I	80	Apt	Upper	No	South
McDougall Lofts	16	Apt	Mid	Yes	North
McKay Manor	77	Apt	Mid	Yes	Downtown
McLeod Estates	25	T/H	Mid	Yes	North
Meadowbrook Pointe	53	T/H	Mid	Yes	Millwoods
Mill Creek Courts	71	T/H	Mid	Yes	Millwoods
Mosiac Point	84	T/H	Mid	Yes	South
Norrisa Heights	38	T/H	Mid	Yes	St. Albert
Nova Court	20	Apt	Mid	Yes	North
Nova Place	31	Apt	Mid	Yes	South
One River Park	38	Apt HR	Upper	Yes	University
O'sheanna at Terwillegar Towne	47	Apt	Mid	No	South
Oxford Bay in Oxford	85	Apt	Lower	Yes	North
Palisades Park Villas II	127	Apt	Mid	Yes	North
Park Place Eaux Claires Phase II	115	Apt	Lower	Yes	North
Park Place Ellerslie 2	155	Apt	Lower	Yes	South
Park Place Meadows	152	Apt	Lower	Yes	Millwoods
Park Place Wild Rose	146	Apt	Lower	Yes	Millwoods
Park Vista Phase I	38	Apt	Mid	No	Sherwood Park
Parkland Grove	21	T/H	Upper	Yes	West
Railtown on the Park Phase I & II	87	Apt	Mid	Yes	Downtown
Rio Hermitage	62	T/H	Mid	No	North
River Grande Phase II	76	Apt	Mid	Yes	Downtown
River Vista	60	Apt HR	Upper	No	Downtown
Riverside Gate	64	T/H	Mid	Yes	South
Rutherford Village	296	Apt	Mid	Yes	South
Sienna Terrace Phase III	96	Apt	Mid	Yes	Millwoods
Silver Oaks	27	T/H	Upper	Yes	Sherwood Park
Silverberry Terrace	18	Apt	Lower	Yes	Millwoods
Skyview Landing Phase I	74	Apt	Mid	Yes	North
Somerset	215	Apt	Mid	Yes	West

<u>Project Name</u>	<u>Size</u>	<u>Type</u>	<u>Price Range</u>	<u>Under Construction</u>	<u>Location</u>
Southview Court	220	Apt	Mid	No	South
Stonebridge	142	T/H	Lower	Yes	South
Stoneridge	91	Apt	Mid	Yes	North
Strathcona Haven	16	Apt	Upper	Yes	University
Strathcona Village	58	T/H	Mid	Yes	South
Summerhill Glens	124	T/H	Lower	Yes	Millwoods
Tamaya Wynd Villas	34	T/H	Mid	Yes	South
Tamaya Wynd Terrace	107	Apt	Mid	No	South
Terrace Court	68	Apt	Mid	No	Downtown
The Bonavista	83	Apt	Lower	Yes	North
The Chateaux at Whitemud Ridge	154	Apt	Upper	Yes	South
The Churchill Properties	48	Apt	Mid	Yes	St. Albert
The Element at MacEwan	105	Apt	Mid	No	South
The Essex	110	Apt HR	Mid	No	Downtown
The Estates at Lakeside	46	Apt	Mid	Yes	Millwoods
The Grande Lewis Estates	116	Apt	Lower	Yes	West
The Grande Mission Hill	124	Apt	Mid	Yes	St. Albert
The Imperial	107	Apt HR	Mid	No	Downtown
The Jasper Properties	143	Apt HR	Upper	Yes	Downtown
The Lodge at Lewis Estates	154	Apt	Mid	Yes	West
The Marquee at Terra Losa	82	Apt	Lower	No	West
The Omega	70	Apt HR	Upper	Yes	Downtown
The Palisades of Sherwood Park	158	Apt	Mid	Yes	Sherwood Park
The Parliament	92	Apt HR	Upper	No	Downtown
The Ridge at Hermitage	126	Apt	Mid	Yes	North
The Tradition at Southbrook	124	Apt	Lower	Yes	South
The Trevi	72	Apt	Mid	Yes	Downtown
The Valleyview	24	Apt	Upper	Yes	West
The Westridge	154	Apt	Mid	Yes	West
VC One	94	Apt HR	Upper	No	Downtown
Ventana Woods	56	T/H	Upper	Yes	South

<u>Project Name</u>	<u>Size</u>	<u>Type</u>	<u>Price Range</u>	<u>Under Construction</u>	<u>Location</u>
Village Green	21	Apt	Mid	Yes	West
Vintage Oakmont	26	T/H	Upper	Yes	St. Albert
Westpark	144	Apt	Mid	Yes	West
Whitemud Terrace	84	T/H	Mid	Yes	South

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>2004</u>	<u>2003</u>
Number of projects	96	95
Total number of units	7,535	7,325
Total units sold	3,842	3,543
Total units available for sale	3,693	3,782
Average project size	78 units	77 units

From the above overview, we can see the incredible stability of the market universe. There is staggeringly little change in the market as a whole. The initial observation is a stable market in terms of the number of projects. In 1999, there were 76 projects on the market. That number increased to 82 in 2000. In 2001 and 2002, we had roughly 75 projects on the go. In 2003, the number increased to 95. Presently, we have 96 projects offering units for sale. Despite the rather large number of projects presently competing for buyers, there remain some projects that are experiencing a strong demand. On the other hand, there are a handful of projects carrying inventory into the fourth year of marketing.

We still do not see an oversupply situation as long as sales keep pace with supply growth. 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 decreasing number of projects turning over. Of the 96 projects in the study, 36 are new and have been on the market less than the full twelve months. Last year, we had 57 new projects on the survey. This tells us two things; projects are not selling out as quickly; land supply and money supply is tightening. We will delve deeper into this as we dissect the numbers.

A brief glance at the overall market statistics from above would present the appearance of a market with a large number of unsold units, when in fact, the ratio between sold and unsold inventory is where it should be for a balanced market. Historically, we have seen this two indicators being almost equal. The number of units sold is actually in 2003 and 2004 is almost double the number of units sold in 2002. If this pace continues, the

inventory levels are appropriate. In 2004, for the first time in several years, the number of units in the sold position actually outnumbered the unsold units. This is indicative of projects moving slowly through the system.

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 **3.84** units per month per project. This rate is down marginally from 2003 when it was 3.99 units per month. In 2002, the pace was only 3.06 units per month. 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 4.90% per project per month. Last year, the absorption rate was 5.18% and 4.99% the year previous. With the rate being so constant over a three-year period, we have no cause for concern at this time. It would appear that the projects on the market are still finding buyers at a rate consistent with the profitable markets of past years.

Last year we noted that there was an increasing number of projects that actually achieved a complete sell-out between our surveys. That has not happened this year in any project that we are aware of.

To summarize the overall market, the demand side appears to be adequate and stable. Overall the market seems to be absorbing enough units to keep up with new supply and shows strength equivalent to the real estate market in general. In terms of the condominium market, this trend tends to support the theory that if builders present the right product, buyers will rise to the opportunity to buy that product. In other words, a supply of interesting, well-located condominium units will actually create a demand, instead of just fulfilling a demand.

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 ten-month supply of unsold units on the market. Again, this is a very consistent number when compared to last year. Generally, we find that the number of unsold units should be close to the number of sold units.

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 2003 statistics shown 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.

<u>Type</u>	<u># of Projects</u>		<u># of Units</u>		<u>Unsold Units</u>		<u>Sold Units</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Apartment	67	61	5,930	5,564	2,909	2,862	3,021	2,702
Townhouse	29	34	1,605	1,761	784	920	821	841

This particular classification always intrigues us with its consistency. From year to year, we usually see the two market sectors in close balance. For the second year in succession, we have observed a change. The apartment sector has maintained the lead it gained last year. This is a result of two new trends: new entry-level low-priced projects; and upper-income high-rise projects.

We will discuss the trend towards entry-level projects in detail under the price category analysis. What we will address under this heading is the high-rise trend. The experience of the first few high-rise projects downtown a couple of years ago were fairly good with some very obvious interest shown by buyers. The projects sold quickly, and for all appearances, were profitable. This has caused a mini-boom in high-rise construction. We have identified ten projects on our list as high rises with the "HR" designation. These projects account for 855 units. The interesting part of this microanalysis is that last year the high-rise projects had an absorption rate of 6.64%, well above the general market. This year the absorption rate has slowed to 3.60% as many of the same projects remain on the market trying to sell the last few units bringing down the overall performance figures. The high-rise sector will continue to grow with several more new projects on the drawing board that we know of.

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	# of Projects		# of Units		Unsold Units		Sold Units	
	2004	2003	2004	2003	2004	2003	2004	2003
Lower	13	15	1,405	1,652	557	845	848	807
Mid	56	53	4,677	4,246	2,473	2,318	2,204	1,928
Upper	27	27	1,453	1,427	663	619	790	808

There does not appear to be any indicators signalling an alarm in this distribution. The low priced category started to increase in prominence in 2002 and has maintained its momentum through 2003 and 2004. One builder in particular has concentrated in this sector with entry-level townhouse projects, and another builder has addressed the apartment sector. In 2001, only two low-priced projects were on the market. This number has now risen to 13 projects. Market in this sector is likely the result of lower cost mortgage rates, lower down payment requirements, and higher apartment rents.

The upper-priced projects are maintaining their market share. Factored into the upper price category is the proliferation of high-rises.

In terms of market performance, the lower and mid-priced categories are both faring well with absorption rates over 5.0%.

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	# of Projects		# of Units		Unsold Units		Sold Units	
	2004	2003	2004	2003	2004	2003	2004	2003
Mill Woods	8	5	706	483	309	305	397	179
South	28	25	2,453	2,007	1,356	1,177	1,097	830
University	3	2	68	54	24	22	44	32
West	13	14	1,105	1,259	637	872	468	387
Downtown	16	19	1,309	1,549	615	605	694	944
North	18	19	1,247	1,445	523	564	724	884
St. Albert	5	6	268	302	67	131	201	171
Sherwood Park	5	5	379	223	162	107	217	116

The only notable observation we can make out of this assortment is that the University area appears to be undersupplied for the fifth straight year. This is due to the lack of land supply and the upward pressure on land values in the area. Downtown has regained its market share with the success of the high-rise market and the viability of high-density construction.

In the suburbs, we see the southside market continuing to grow. We noted the trend towards the Ellerslie Road area last year and with the popularity of the area, it will continue to be the focus of southside development for some years to come. The impetus behind the growth is available land supply.

PROJECT SIZE

The current size distribution of the inventory is as follows:

Size	# of Projects		# of Units		Unsold		Sold	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Under 20 units	6	5	96	78	51	51	45	27
20 to 39 units	18	21	529	618	244	323	285	295
40 to 59 units	17	16	868	795	437	397	431	398
60 units and over	55	53	6,042	5,834	2,961	3,011	3,081	2,832

The number of large projects is still increasing. Twenty-six projects currently on the market are over 100 units. This compares with only 17 in 2002's compilation and 13 the year before.

In terms of absorption, the smaller projects are back to outperforming the larger complexes, however, due to the small sample sizes, this detail should be used with caution.

CONSTRUCTION STATUS

Status	# of Projects		# of Units		Unsold Units		Sold Units	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Complete or Under Construction	80	82	6,195	6,266	2,697	2,888	3,498	3,378
Pre-Selling	16	13	1,340	1,059	996	894	344	165

These statistics reveal a very stable market. The number of unsold committed units sits at 43.53% of total committed inventory. If the pace of sales remains consistent, it would take 7.3 months to deplete the committed supply. This compares to 7.6 months at this time last year and 8.6 the year previous. Despite the growing size of supply, there doesn't appear to be any indication of the committed inventory reaching unmarketable levels.

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.

Presently, there are 17 builders with two or more projects on the market accounting for 63 projects in total. The nine largest builders in Edmonton contribute 47 of the 96 projects in our compilation with almost 4,000 units to their credit. These tend to be the same builders that dominate the market every year with the odd exception. There are now a total of 49 builders involved in the market.

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.

The other benefit is comparatively stable prices. With good market control, there is little evidence of predatory pricing and comparatively few 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 five years, we have seen a significant change in the dynamics of the Edmonton multi-family construction market. Rental development became 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.

Over the past year, there have been only a couple of smaller buildings that have finished construction and added to the supply of new rentals. On the other hand, there have been some sizable buildings leave the rental supply for greener pastures in the condominium sector. At least four newer rental projects that we know of have converted from rental to individual unit ownership in the past year.

The following list is the revised list of rental projects that have been built in the past five years and that are still operating the rental environment. The date on this chart represents the approximate year in which the project actively started to seek tenants. This list involves strictly Edmonton properties. We have not included suburbs in this analysis.

<u>Project Name</u>	<u>Location</u>	<u>Year</u>	<u># of Units</u>
Lord Strathcona	University	1999	77
Manning Crossing	North	1999	164
Ashby	Downtown	1999	150
Claremont Court	North	2000	144
Grand Central Manor	Downtown	2000	126
Park Square Tower	Downtown	2001	154
Brighton	Downtown	2002	150
Grand Central Manor II	Downtown	2002	150
Miller Ridge Apartments	North	2002	122
The Madison	Mill Woods	2002	202
Claridge Apartments	North	2003	199
The Tennyson	West	2003	163
Monticello	South	2003	92
Nova Inglewood	North	2003	20
Nova Manor	West	2003	32
Nova Villas Castle Downs	North	2003	62
Nova Suites	Downtown	2003	40
The Gravelle	Downtown	2003	68
Oxford Mews	North	2003	180
Holyrood Boulevard	South	2003	92
Parkdale Terrace	North	2003	30
Square 104	Downtown	2003	278

<u>Project Name</u>	<u>Location</u>	<u>Year</u>	<u># of Units</u>
Clareview Courts	North	2004	226
MacEwan Village	South	2004	144
Lincoln Apartments	Downtown	2004	64
Clarewood Apartments	North	2004	102

This list totals 3,231 suites representing only about 6% of the total inventory in the city. With the shortage of viable rental housing that has been experienced over the early 2000's, this new rental stock has greatly ease the housing crunch to the extent that we now have the highest vacancy rate in a number of years. In our opinion, the rental market should not be factor for at least the next three years. There are virtually no new rental projects in the works as the condominium market continues to dominate new multi-family construction.

FUTURE OBSERVATIONS

As we look ahead, some trends are apparent. The cost of building is going up as the housing market competes with the oil industry for labour. Other costs such as materials, soft costs, interest, and land are also pushing up the cost of doing business in Edmonton. An additional setback could also be coming in the form of an arbitrary municipal tax on new homes and condominium in Edmonton to fund infrastructure. All these factors add up to higher costs to put the units on the market and will ultimately result in either higher prices to consumers, or lower supply of units. In light of the current state of unit supply, and the cost of buying existing homes and condominiums, there would not appear to be much room for price growth over the next few months. When resale housing gets its next price increase, condominiums will get a boost. Until that time, the margins will remain tight, and builders will have to work hard at controlling costs and inventory levels.

IN APPRECIATION

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. As usual, we have not charged a fee to access this study, but we would suggest that if the data has been useful to you, that you would kindly express your appreciation in the form of a donation to a cause that is close to my heart. In the past year, I have become involved with an organization in India, known as the "Native Missionary Movement". This is a Christian group that operates schools, orphanages, and medical facilities throughout the poorest and most remote regions of northern India. Their work can be seen on their website at www.nmmindia.org. Donations can be made out to Native Missionary Movement and sent to my office, and I will ensure that the funds are send on. All donations are

fully tax deductible, and 100% of the money donated will be put to use in an active way to improve the lives of those in India. I fully and heartily endorse the work these people do and guarantee the integrity of the organization.

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