

First Place Home Ownership Program Evaluation Housing Market Analysis

Prepared for the

Planning and Development Department



by

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June 6, 2011

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- Map 5 – Southwest Zone, Site Locations & Existing Town Home Developments
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1.0 INTRODUCTION

Armin A. Preiksaitis & Associates Ltd was retained by the City of Edmonton to provide an analysis of the Edmonton's housing market specifically as it relates to the First Place Home Ownership Program and the potential impact created by future developments on the 18 surplus school sites under the program.

1.1 Purpose

The purpose of this housing market analysis is to identify the impact of developing First Place Home Ownership Program's remaining eighteen (18) surplus sites on the town home housing market, on other comparable sites in the City of Edmonton. The analysis addresses factors such as housing prices, availability and any potential impacts on the *town home market.

1.2 Objectives

The objectives of this report are outlined as follows:

- Based on Socio-economic Outlook from CMHC and City of Edmonton, examine historical and recent market trends in Edmonton and provide insight into the current state of market
- Identify recent housing starts and housing prices in Edmonton
- Identify availability of comparable town home units in the current housing market
- Identify the potential development potential of the remaining 18 surplus school sites under the Program

1.3 Methodology

The methodology applied in this analysis uses the following steps:

- Examined the Edmonton Socio-Economic Outlook 2009-2014 to identify information related to jobs and population growth and housing starts.
- Examined the CMHC Housing Market Outlook – Edmonton CMA (Fall 2010) for information related to housing sales, prices, forecasted growth and housing starts.
- Reviewed the New Condo Guide – Edmonton Edition, Jan7- Feb4, 2011 (Volume 19) to create profile of town home development currently under development within the City of Edmonton.

Researched developer websites and conducted phone calls to identify town home price ranges as well as per square foot construction price for comparable town home developments currently being developed in the City of Edmonton.

**Note: For the purpose of this report the word "Town Home" has been used instead of "Row House" as it is the term used in the First Place Home Ownership Program. Both the words represent the same built form.*

- Based on the City of Edmonton Zoning Bylaw identified vacant developable RF5 sites zoned for town home developments and identified their potential capacity for development.

- Assessed the current housing market supply and the potential impact of developing the 18 surplus school sites on potentially competing developments.

1.4 Report Organization

Section 1 Introduction: provides an introduction to the purpose, objectives and methodology applied in this housing market analysis.

Section 2 Economic Outlook: summarizes information related to job growth forecasts and overall housing demand within the City of Edmonton.

Section 3 Profile of Town Home Market Supply, profiles town home market supply by documenting developments recently constructed, under construction or planned in the City of Edmonton. The profile details the number of units currently available, price range, unit size and features such as type and size of garage, proximity to amenities shopping centres etc.

Section 4 Housing Demand: analyses the housing demand for town home units in the City of Edmonton based on historical trends and information related to housing starts from the CMHC Outlook

Section 5 Development Potential Comparison: shows the potential development capacity of the remaining 18 surplus school sites and the development potential of sites zoned as RF5 city wide.

Section 6 Conclusions: provides the conclusions of the housing market analysis and recommendations related to the First Place Program.

1.5 Study Limitations

- When comparing the socio economic outlook from CMHC and the City of Edmonton, differences were observed primarily because CMHC Market Outlook does not focus on Edmonton Central Metropolitan Area (CMA) and not just the City of Edmonton.
- Information from the CMHC Market Outlook was used as it was the most current document.
- Given the economic uncertainty of the past few years, the CMHC Market Outlook does not provide job forecast and housing start forecast beyond the year 2011.
- Housing Starts Forecast from the CMHC Outlook provides information Edmonton CMA. Therefore, based on historic trends for housing starts in Edmonton versus Edmonton CMA the forecast was extrapolated for the City of Edmonton and should therefore be considered an approximation.
- CMHC Outlook data does not distinguish between the various types of multifamily units such as apartment, duplexes and town homes. The City of Edmonton also does not provide building permit data just for town home developments.

- Based on the building permit information from CMHC's Construction Digest for the year 2009 and 2010, assumptions were made for identifying percentage of town housing starts out of the total multifamily units.
- CMHC's Construction Digest was also used to establish market absorption for town home units in the City of Edmonton. However, the data is only limited to the year 2009 and 2010 and with significantly different numbers it is difficult to establish a trend.
- Given the downturn in the economy and a significant inventory of unabsorbed multifamily units on the market, it is assumed that growth trend shown in 2010 will carry forward until the year 2012 and any forecasting for housing starts should be reviewed at least every three years based on the most current data from CMHC.

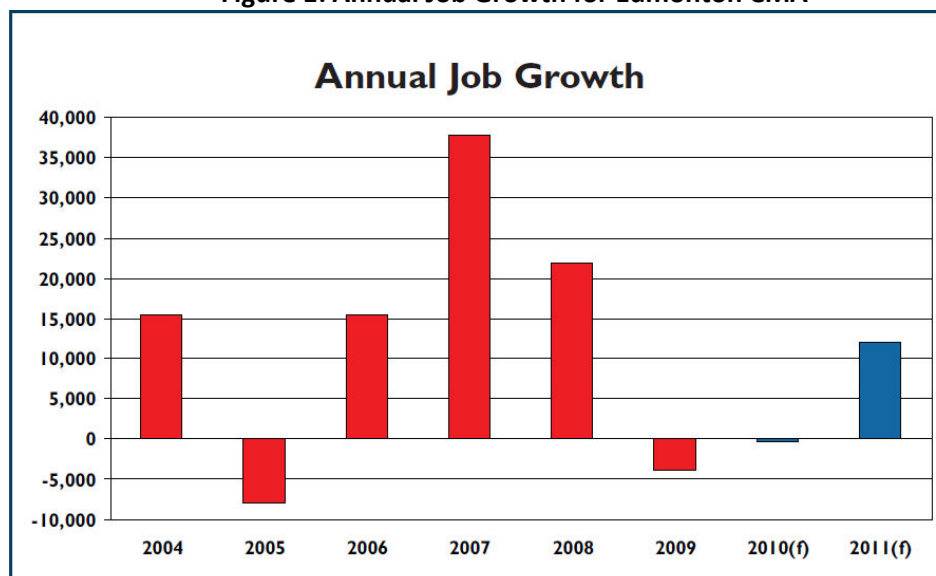
2.0 ECONOMIC OUTLOOK

2.1 Economic Outlook for Edmonton

Some of the most important factors affecting the housing market are net migration and growth in employment (number of jobs) in the local economy. Based on CMHC's Economic Outlook, the economy of the Alberta Capital region has shown evidence of improvements in areas such as construction in 2010, but unemployment remains high compared with pre-recession levels.

Unemployment levels in 2010 largely mirrored the levels from 2009, but are expected to improve by 2011. For 2011, new job creation is anticipated to average just below two percent, representing a net increase in annual employment of 12,000 jobs.

Figure 1: Annual Job Growth for Edmonton CMA



Source: CMHC - Housing Market Outlook Edmonton CMA

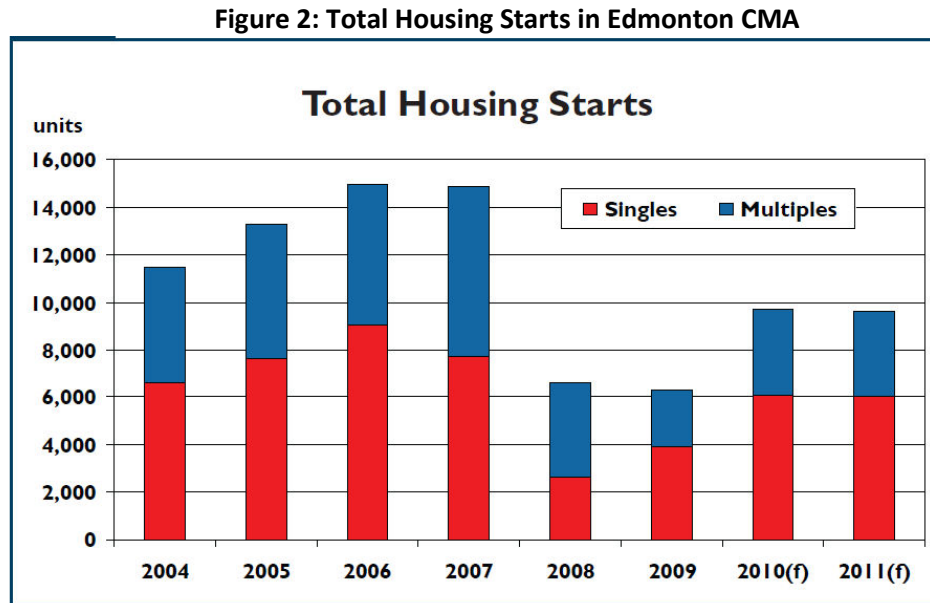
Despite high unemployment rate, average earnings have continued to rise across Edmonton in 2010. As unemployment rates decrease in 2011, wage gains are expected to gain strength helping bolstering consumer spending on goods and services.

As a result of the increase in the number of jobs, population growth which was estimated to slow down in 2010 is expected to experience moderate gains in 2011. An expected 12,000 newcomers will be attracted to Edmonton due to factors such as decrease in unemployment rates, increased job creation and improved income growth.

Edmonton's manufacturing industries and service sectors are also expected to benefit from growth in the Province's energy sector. With oil prices expected to remain stable or move higher in 2011, the outlook for investment in oil sands mining and processing facilities remains optimistic. In conclusion the oilfield servicing industries in the area are forecast to enjoy improved earning and employment levels in 2011.

2.2 Housing Market

In 2010 the total housing starts in the Edmonton CMA were forecasted to reach a total of 9,700 units, which was a 54% increase over the 2009 levels. The CMHC market outlook forecasts that the activity levels will remain constant in 2011 with new housing starts reaching approximately 9,600 units. This is based on assumptions of a growing economy which will help to spur the demand for new homes.



Source: CMHC - Housing Market Outlook Edmonton CMA

Construction levels in 2011 are forecasted to lag behind 2010 levels, but forecasted to improve as the year progresses. This progress will be dependent on higher net migration, increased full time job growth, rising incomes and reduced new and existing home inventories.

The demand for single detached homes in 2010 was estimated to top 6,000 units, which is the highest activity level since 2007. Single-detached absorptions also improved notably in 2010 due to completions which began during the beginning of the year.

Single detached absorbed prices to the end of September 2009 decreased by 13% (year over year) to approximately \$484,700. Units priced under \$485,000 gained market share while units priced above \$650,000 dropped 21% in 2009 and another 11% in 2011.

Multifamily unit starts across the Edmonton CMA was estimated to reach 3,650 units in 2010 representing an increase of 51% over 2009. For the year 2011, multifamily unit starts are forecasted to reach 3,600 units as developers will seek to reduce inventories and increase pre-sales required to finance new projects.

Condominium apartments remained the largest component of completed and unabsorbed units across the region. Almost 43% of the multifamily condominium apartments were priced between \$200,000 and \$300,000.

Multifamily unit absorption in the first eight months of 2010 was well below the levels reported during the same time in 2009. To the end of August 2010, over three quarter of town home condominiums absorbed in 2010 were priced between \$200,000 and \$300,000.

2.3 Conclusions

- Based on CMHC's Economic Outlook for the year 2010, the economy of the Alberta Capital Region has shown evidence of improvements in areas such as construction in 2010, but unemployment remains high compared with pre-recession levels.
- With an anticipated improvement in 2011, new job creation is expected to average just below two percent, representing a net increase in annual employment of 12,000 jobs.
- With the anticipated new job creation, an expected 12,000 newcomers will be attracted to Edmonton due to factors such as decrease in unemployment rates, increased job creation and improved income growth.
- The year 2010 the Edmonton CMA saw a 54% increase in overall new housing starts compared to 2009. For 2011, the housing market activity levels are expected to mirror 2010, with new housing starts reaching approximately 9,600 units.
- The year 2010 saw a 51% increase in new housing starts for multifamily units in comparison to 2009.
- In the Edmonton CMA, 43% of all new multifamily condominium apartments were priced between \$200,000 and \$300,00 and 75% of all new town home condominiums sold in 2010 were also priced between \$200,000 and \$300,000.

3.0 PROFILE OF TOWN HOME MARKET SUPPLY IN EDMONTON

This section summarizes the recent supply of new town home developments in Edmonton. The majority of development has taken place or is planned in suburban locations. For the purposes of this study, new town home developments featured in the Edmonton Condo Guide were profiled by the city zone they are located in. The locations for the town home developments in relation to the surplus school sites are shown on maps included in the Appendix.

3.1 Central Area

! "\$% & '() % Town Home Developments in the Central Zone

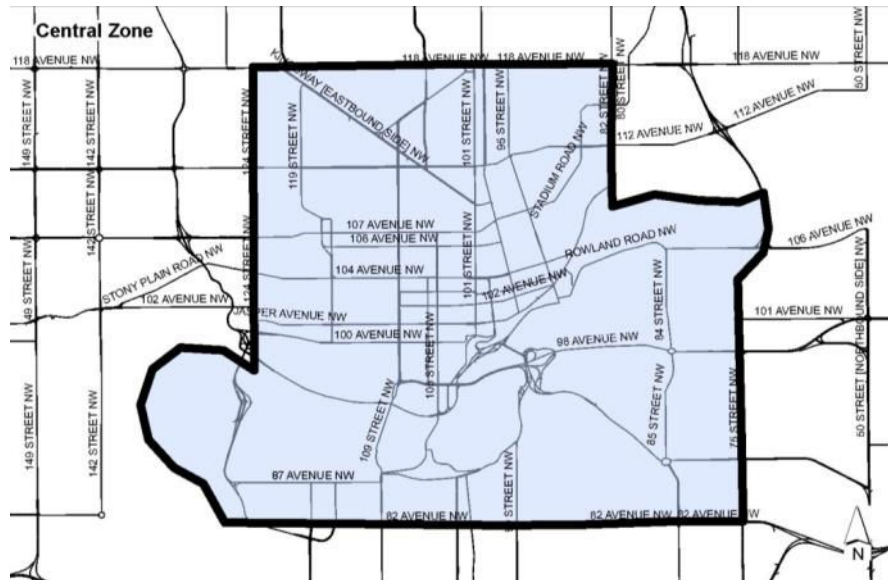


Table 1: Active Town Home Developments in the Central Zone

There were no active town home development sites in the central area.

3.2 Northeast Zone

! "\$% & Active Town Home Developments in the Northeast Zone

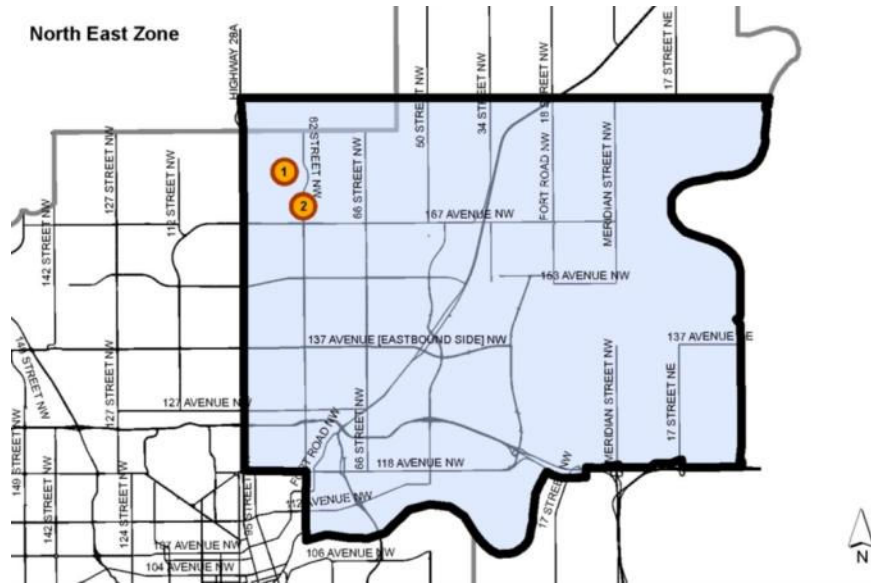


Table 2: Town Home Developments in the Northeast Zone

| Index No. | Name Address Developer | Amenities | Features/ Finishes Garage Type | Total Units Project Status | Price Range Size Range (Ft ²) | Price Point (Avg \$/Ft ²) |
|--------------|---|--|---------------------------------------|----------------------------|---|---------------------------------------|
| 1 | Namao Terrace West of 87 Street at 179 Ave Grande Design Builder Group Ltd. www.namaoterrace.com | short drive to: parks, amenities | high-end double stall surface parking | 52 under construction | \$259,000-291,000 1,209-1,300 | \$214-224 |
| 2 | Brio Townhomes with Style 16913 - 82 Street Park Homes www.parkhomes.ca | short walk to: parks short drive: amenities | midrange double stall surface parking | 68 under construction | \$269,900-279,900 1,450 | \$186-193 |
| Total | | | | 120 | | |

In the northeast zone, two development sites with a total of approximately 120 units were found under construction. The developments consist of a wide range of units from 1,200 sq.ft. up to 1,450 sq.ft. and in the price range of \$186 to \$224 per square foot, these units are catering to the entry level home market providing mid to high end finishes and surface parking.

3.3 Northwest Zone

! "\$% & '(!)% Town Home Developments in the Northwest Zone

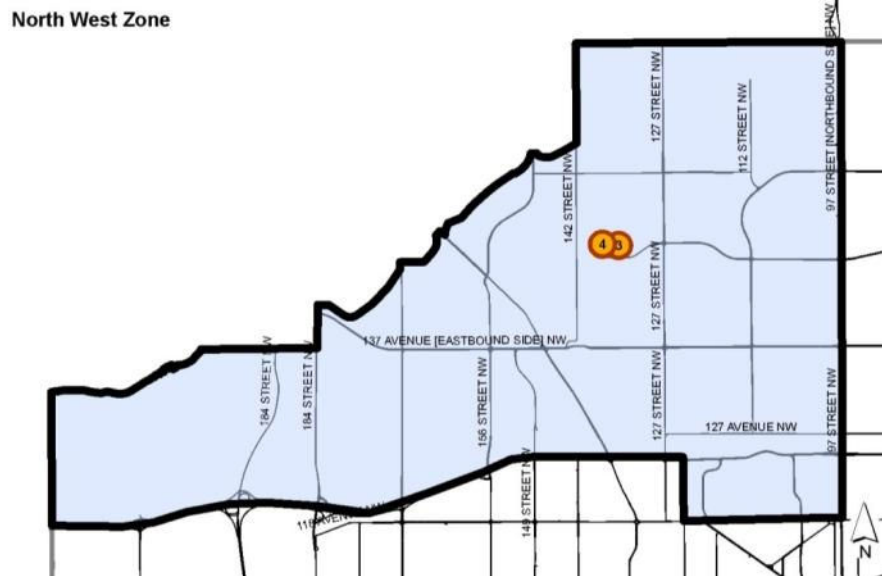


Table 3: Town Home Developments in the Northwest Zone

| Index No. | Name Address Developer | Amenities | Features/ Finishes Garage Type | Total Units Project Status | Price Range Size Range (Ft ²) | Price Point (Avg \$/Ft ²) |
|--------------|--|---|---|----------------------------|---|---------------------------------------|
| 3 | Carlton Villas on the Lake 13808 - 155 Avenue CEJAY Ventures Ltd www.carltonvillas.com | <i>short walk to: parks short drive to: amenities</i> | high end garage parking | 54 under construction | \$359,900-550,900 1,038-1,412 | \$346-390 |
| 4 | Tuscan Village 13825 - 155 Avenue Greenboro Homes www.tuscanvillage.ca | <i>short walk to: parks, amenities</i> | modest, midrange, & high-end double stall parkade parking | 114 under construction | \$250,000-350,000 1,100-1,400 | \$227-250 |
| Total | | | | 168 | | |

In the northwest zone, two development sites are under construction, totalling approximately 168 units. Developments share the same size range, 1,038 sq.ft. to 1,400 sq.ft. One of the developments is in the mid range price from \$250,000 and upper price point, at \$350,000. Most developments include amenities such as Parks within walking distance. Developments vary in their provision of features and finishes, but similarly offer double parking spaces.

3.4 Southeast Zone

!"#\$% & '(!)% Town Home Developments in the Southeast Zone

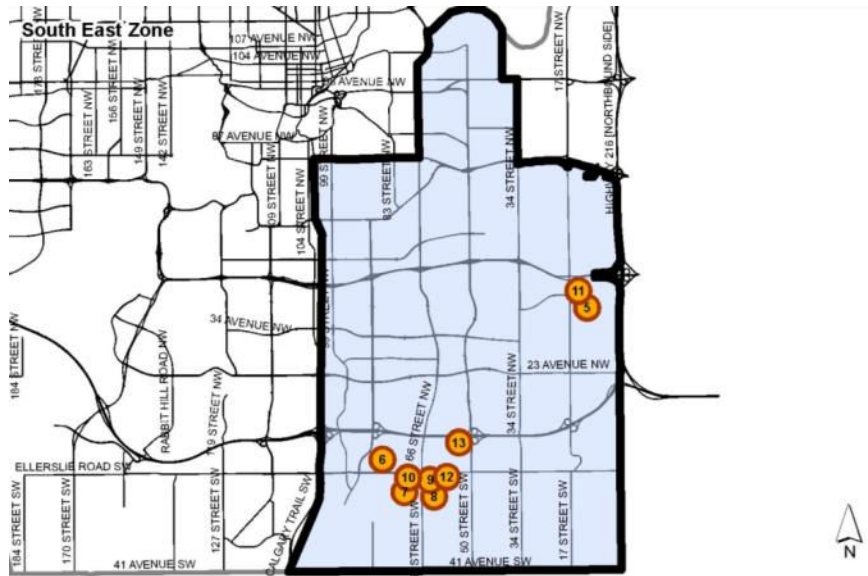


Table 4: Town Home Developments in the Southeast Zone

| Index No. | Name Address Developer | Amenities | Features/ Finishes Garage Type | Total Units Project Status | Price Range Size Range (Ft ²) | Price Point (Avg \$/Ft ²) |
|-----------|--|--|--|-------------------------------|--|--|
| 5 | 12 th Street Station 3751 - 12 Street JDL Homes www.12thstreetstation.ca | short walk to: parks, amenities | double stall surface parking | 46 completed Dec 2010 | \$249,990-273,990 1,763-1,782 | \$142-154 |
| 6 | Ellerslie Lane Townhouses 735 - 85 Street Qualico Developments West www.ellerslielane.com | short walk to: convenience stores short drive to: amenities | midrange double stall surface parking | 40 completed Dec 2010 | \$312,000-335,000 1,305-1,470 | \$228-239 |
| 7 | Mosaic Summerside 1804 - 70 Street SW Hawthorne Homes www.mosaicsummerside.com | short walk to: parks short drive to: amenities | midrange to modest double stall surface parking | 195 under construction | \$277,900-280,900 ~1,200 | \$232-234 |
| 8 | Sandstone at Walker Lakes Stn 603 Watt Boulevard Avi Urban www.homesbyavi.com | short drive to: parks, amenities | midrange single & double stall surface parking | 138 under construction | \$260,000-295,000 1,206-1,546 | \$191-216 |
| 9 | Southern Springs 655 Watt Boulevard Park Homes www.parkhomes.ca | short walk to: parks short drive to: amenities | midrange double stall surface parking | 63 to be constructed | \$269,900-304,900 1,200-1,400 | \$218-225 |
| 10 | Summerside Pointe Townhouses 2005 - 70 Street Sw. Qualico Developments West www.summersidepointe.com | short walk to: parks short drive to: amenities | midrange to modest single & double stall surface parking | 59 under construction | \$279,000-307,000 1,078-1,250 | \$246-259 |

| | | | | | | |
|--------------|---|---|--|------------------------------|-----------------------------------|-----------|
| 11 | Landmark Communities in Tamarck Tamarck Rd. And 38 Ave Landmark Communities '()' | <i>short walk to: parks</i> <i>short walk to: amenities</i> | midrange to high end double stall garage parking | 113 under construction | \$271,620 -310,995 1,198-1,301 | \$226-240 |
| 12 | Walker Lakes South of Ellerslie Rd. and 66 St Landmark Communities www.Landmarkgroup.ca | <i>short walk to: parks</i> <i>short drive to: amenities</i> | midrange to high end double stall garage parking | 86 under construction | \$279,880-310,995 1,260-1,323 | \$222-235 |
| 13 | Landmark Communities in Ellerslie Charlsworth 66 St and 3 rd Ave (website not available) | <i>short walk to: parks</i> <i>short drive to: amenities</i> | midrange to high end double stall garage parking | 114 to be completed | NA | NA |
| Total | | | | 854 | | |

In the southeast zone, five development sites totalling 592 units are under construction, two developments totalling 86 units completed construction in late 2010, and two developments totalling 177 units are to begin construction. The total number of town home units from the nine active town home development sites is 854.

Excluding the development called 12th Street Station, price points and unit sizes between developments are similar to those in other zones, price ranging between \$191 to \$259 per sq.ft. and sizes ranging between 1,078sq.ft. to 1,546 sq.ft., respectively. Most developments are classified as midrange, with a few being midrange to modest. All developments have double surface parking, with a few offering single surface parking as well. The majority of developments have parks within walking distance while access to amenities requires driving.

The development at 12th Street Station appears to be the exception amongst developments of the southeast zone. With the largest unit size ranging from 1,763 sq.ft. to 1,782 sq.ft. and pricing between \$249,990 to 273,980, 12th Street Station comparably has a much lower per square foot price point. The quality of its features and finishes however, are unknown.

3.5 Southwest Zone

! "#\$% & Town Home Developments in the Southwest Zone

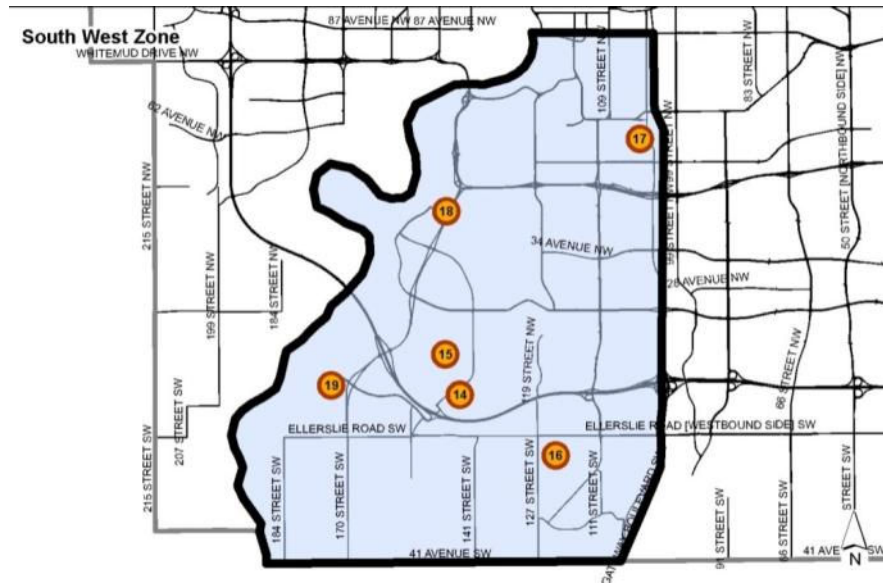


Table 5: Town Home Developments in the Southwest Zone

| Index No. | Name Address Developer | Amenities | Features/ Finishes Garage Type | Total Units Project Status | Price Range Size Range (Ft ²) | Price Point (Avg \$/Ft ²) |
|--------------|---|--|---|-------------------------------|--|--|
| 14 | MacTaggart Ridge Townhomes Mullen Way at Rabbit Hill Rd Footprint Developments www.macridge.com | <i>short walk</i> to: parks, amenities | midrange double stall surface parking | 45 under construction | \$284,900-309,900 1,250-1,350 | \$228-230 |
| 15 | Mosaic Towne Square 5193 Terwillegar Blvd NW Hawthorne Homes www.rightplacerrighttime.ca | <i>short walk</i> to: parks <i>short drive</i> to: amenities | midrange to modest double stall surface parking | 171 under construction | \$277,900-280,900 ~1,200 | \$232-234 |
| 16 | Rutherford Park 22 Avenue SW & 127 St Grande Design Builder Group Ltd. www.rutherfordpark.com | <i>medium</i> <i>walk, short</i> <i>drive to:</i> parks, amenities | modest double stall surface parking | 53 under construction | \$269,900-284,900 1,200 | \$225-237 |
| 17 | Serenity Gardens 10520 - 56th Ave Regency Developments www.serenitygardens.ca | <i>short walk</i> to: parks, amenities | midrange to high- end single stall parkade parking | 30 under construction | \$320,000-350,000 ~1,400-1,500 | \$229-233 |
| 18 | The Brownstones at Terwillegar 4921 Terwillegar Common Grande Design Builder Group Ltd. www.grandedesign.ca | <i>short walk</i> to: parks, amenities | high-end double stall surface parking | 32 completed | \$393,000-457,000 1,360-2,054 | \$222-289 |
| 19 | The Estates of Upper Windermere Windermere Way at 9 Ave NW Cove Properties www.uwestates.com | <i>short walk</i> to: parks, amenities | high-end double stall surface parking | 62 to be constructed | \$284,900-339,900 1,220-1,440 | \$234-236 |
| Total | | | | 393 | | |

In the southwest zone, four development sites totaling 299 units are in construction, one development of 32 units is completed, and one development of 62 units is scheduled for construction. The six developments share similar average upper midrange to high-end price and size, excluding the upper end unit size and average price of the Brownstones at Terwillegar. These ranges are \$222 to \$237 per sq. ft. and 1,200 to 1,500 sq. ft., respectively, again excluding the upper unit size and price point of the Brownstones development.

The units in Brownstones at Terwillegar have both the highest average price and unit size in the southwest zone. Accordingly, its features are classed as high-end. Features and finishes vary greatly between developments, ranging from modest to high-end over similar price points. Double surface parking is common to all developments except Serenity Gardens, which offers single parkade parking instead. The majority of developments offer parks and amenities within a short walking distance.

3.6 West Zone

!"#\$% *& Town Home Developments in the West Zone

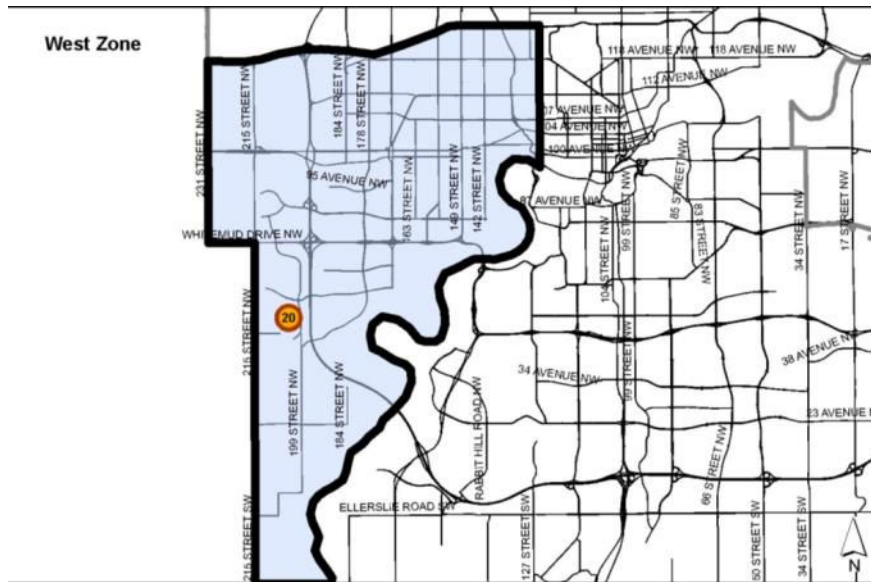


Table 6: Town Home Developments in the West Zone

| Index No. | Name Address Developer | Amenities | Features/ Finishes Garage Type | Total Units Project Status | Price Range Size Range (Ft ²) | Price Point (Avg \$/Ft ²) |
|--------------|--|--------------------------------|---|----------------------------|---|---------------------------------------|
| 20 | Mosaic Meadows in Parkland 465 Hemingway Rd NW Hawthorne Homes www.rightplacerrighttime.ca | short walk to parks, amenities | midrange to modest double stall surface parking | 135 under construction | \$277,900-280,900 ~1,200 | \$232-234 |
| Total | | | | 135 | | |

There was only development, Mosaic Meadows in the west zone of the City under construction. Mosaic Meadows in Parkland is a 135 unit development featuring midrange to modest features and finishes, and double surface parking, similar to developments within the southwest zone. Currently in construction, average prices for its 135 units are in the range of \$279,900 to \$280,900 and the units are approximately 1,200 sq.ft. in size.

3.7 Pilot Sites Comparison

The units built on the pilot sites for the First Place Home Ownership Program were priced competitively in comparison to the majority of the units being sold in the current market. It is important to recognize that due to the downturn in economy, unit pricing in the market had to re-adjust in 2010.

Most of the units on the pilot sites were sold in 2009. Greenview units ranged in size from 905–921 sq ft for two bedroom units, and 1,173–1,185 sq ft for three bedroom units. Unit prices in Greenview ranged from \$195,000 to \$218,000 excluding GST and land. Depending on unit size, land ranged from \$25,000 to \$30,000 per unit. Based on the unit prices provided by the project builder,

the overall per square foot price for units in Greenview ranged from \$210 – 245 depending on size and time of sale in 2009.

Units at the Canon Ridge site, with the exception of one accessible unit, were all three bedroom, 1,106 sq ft in size and sold at an average price of \$207,500 excluding GST and land. Land value was approximately \$30,000 per unit. Based on the unit prices provided by the project builder, per square foot price for units in Canon Ridge was approximately \$ 214 in 2009.

Discussion with the project builders of the pilot sites suggests that in the current market, **the per square foot price for unit comparable to those built Greenview and Canon Ridge would range from \$245 to \$ 260 per square feet including a detached garage per unit.**

3.8 Conclusions

- In the City of Edmonton, there are currently twenty (20) active town home development sites representing a total of 1,670 town home units. Out of the total 1,670 units:
 - 118 units were built in 2010 and are available for sale;
 - 1,313 units are under construction; and
 - 239 units are planned to begin construction in the near future.
- Majority of the developments are located in the southeast and southwest zone of the City with 854 and 393 units respectively, followed by the northeast and northwest zone which had 120 and 168 units under development. In comparison, the west zone had the least number of developments, with 135 units respectively.
- With the exclusion of the five high-end developments referenced above, a unit price comparison of comparable units reveals that average prices are highest in the northwest zone at approximately \$300,000, followed by southwest zone at \$291,650 and northeast zone had an average price of \$274,950.
- The unit sizes for most development range from 1,200 sq.ft. to 1,450 sq.ft. and average prices range from the \$220,000 to \$300,000;
- Per square foot price for majority of the development range anywhere between \$220 and \$260.
- The units sold on the pilot sites for the First Place Home Ownership Program had a more favourable price range of \$214 to \$245 per square foot in 2009, when the prices were generally higher than those in 2010.
- Out of the twenty (20) active town home development sites identified, four (4) developments, Carlton Villas on the Lake, Ellerslie Lane Townhomes, Serenity Gardens and Brownstones development are being built to cater to the high end market, with unit prices ranging anywhere between \$300,000 to \$500,000 per unit.

4.0 PROJECTING HOUSING DEMAND

4.1 Housing Start Forecast for Multifamily Units

Based on CMHC's Housing Market Outlook for Edmonton CMA multifamily unit starts across the Edmonton CMA was estimated to reach 3,650 units in 2010 representing an increase of 51% over 2009. For the year 2011, multifamily unit starts are forecasted to reach 3,600 units as developers will seek to reduce inventories and increase pre-sales required to finance new projects.

Based on the historic trend for housing starts for the period of 1990 to 2009 as shown in *Table 7* below, approximately 62% of all housing starts in the Edmonton CMA have occurred within the City of Edmonton. With regard to multifamily unit starts, 77% of all multifamily unit starts have taken place within the City of Edmonton.

Table 7: Housing Starts in the City Of Edmonton as a Percentage of Total CMA Housing Starts

| Year | Percentage Share of Housing Starts in Edmonton City out of Edmonton CMA | | |
|----------------|---|-------------------|----------------|
| | Single Detached | Multifamily Units | Total Combined |
| 1990 | 52.4% | 80.6% | 58.0% |
| 1991 | 51.9% | 77.9% | 59.6% |
| 1992 | 50.1% | 74.1% | 57.5% |
| 1993 | 51.1% | 82.9% | 63.0% |
| 1994 | 52.4% | 82.0% | 62.9% |
| 1995 | 52.3% | 82.7% | 61.4% |
| 1996 | 48.3% | 74.1% | 53.2% |
| 1997 | 52.8% | 83.8% | 60.8% |
| 1998 | 49.8% | 83.5% | 60.4% |
| 1999 | 52.5% | 74.2% | 60.6% |
| 2000 | 52.5% | 75.5% | 60.5% |
| 2001 | 56.8% | 68.9% | 61.2% |
| 2002 | 60.6% | 81.5% | 70.1% |
| 2003 | 60.4% | 86.0% | 72.7% |
| 2004 | 60.9% | 84.7% | 71.0% |
| 2005 | 65.9% | 77.8% | 71.0% |
| 2006 | 59.2% | 75.4% | 65.6% |
| 2007 | 49.0% | 71.2% | 59.7% |
| 2008 | 46.8% | 68.8% | 60.2% |
| 2009 | 56.6% | 70.5% | 61.9% |
| Average | 54.10% | 77.80% | 62.60% |

Source: City of Edmonton Planning and Development Department, based on CMHC Data, January 2011

Based on the above trends related to housing starts we can assume that between 75% and 80% of the forecasted multifamily unit starts for Edmonton CMA will occur within the City of Edmonton.

Based on this assumption the 2011 forecast for multifamily units for the City of Edmonton is between 2,700 and 2,880 units.

4.2 Housing Start Forecast for Town Home Units

Based on the information shown in *Table 8: Housing Starts and Absorption Rates*, in 2009 there were 1,705 new multifamily unit starts in the Edmonton CMA. Out of the 1,705 units, 339 units were town home units forming approximately 20% of the multifamily unit starts. In 2010, there were 2,693 multifamily unit starts out of which 576 units were town home units forming 21.39% of multifamily unit starts.

Table 8: Housing Starts and Absorption Rates

| Housing Type | 2009 | 2010 |
|--------------------------------|------|------|
| Total Multifamily -Unit | | |
| Starts | 1705 | 2693 |
| Absorbed | 3981 | 2885 |
| Town Housing | | |
| Starts | 339 | 576 |
| Absorbed | 347 | 511 |

Source: CMHC Residential Construction Digest, January 2011

Based on the information for housing starts, if we assume that town home units will continue to constitute between 20 - 22% of multifamily unit starts, the forecasted demand for town home units in the City of Edmonton for the year 2011 can range from a low of 540 units to a high of 633 units.

Five Year Forecast for Town Home Units

Based on CMHC's Market Outlook, at the absorption rates experienced in 2010, the current inventory level is estimated to last around the first quarter of 2012. In addition based on the information for multifamily unit starts as shown in table 8, there was a balance between housing starts and units absorbed for the overall multifamily unit market and the town home market. Based on the overall forecast for jobs and overall housing starts, it is safe to assume that market trend for town home development activity will stay constant till the year 2012. With this assumption the anticipated demand for new town home units in the City of Edmonton will be 540- 633 units per year till 2012.

It is anticipated that the market share for town home will increase in the future. This is for a number of reasons. Given the relatively high prices of single detached units in the current market, town

home units present a housing option that is ground oriented, affordable, and desirable for families as well as builders. As shown in Table 8, from the year 2009 to 2010, the percentage of town home unit absorbed in the market increased by 32%.

In addition CMHC's mortgage outlook forecast (fall 2010) suggests an increase in the interest rates and shorter amortization period of up to 30 years. For 2011, the one-year posted mortgage rate is assumed be in the 2.7% to 3.7% range, while three and five-year posted mortgage rates are forecast to be in the 3.5% to 6.0% per cent range. An increase in the interest rate and shorter amortization period will further limit the purchasing capacity of higher end single detached units, and potentially increase the demand for other family oriented housing types, such as duplexes and town homes.

For the purposes of forecasting, assuming the market conditions remains stable till the year 2012, we anticipate a 5% annual increase in the percentage of town home units that can be absorbed in the City of Edmonton till 2015. It is suggested that market absorption rates be reviewed in 2012 to get a better understanding of market trends for town home developments. Based on these assumptions the following is a five year forecast for the demand of town home units in the City of Edmonton:

- Assuming the 2010 development activity level, the anticipated absorption rate for town home units in 2011 and 2012 will range between 540 – 633 units.
- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2013 will range between 567 – 608 units.
- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2014 will range between 595 – 638 units.
- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2015 will range between 625 – 669 units.

Table 9: Anticipated Demand for Town Home Unit 2011 - 2015

| Year | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------------------------|---------------|----------------|-----------------|-----------------|
| Anticipated Demand for Town Home Units (low to high) | 540 -633 units | 540-633 units | 567 -608 units | 595 – 638 units | 625 – 669 units |
| Percentage Gain | 2010 Level | 2010 Level | + 5% annual | + 5% annual | + 5% annual |
| Total Units 2011 - 2015 | 2867 – 3181 units | | | | |

4.3 Conclusions

- Based on historic trend for new housing starts, 62% of all housing starts in the Edmonton CMA have occurred within the City of Edmonton. With regard to multifamily unit starts, 77% of all multifamily unit starts have taken place within the City of Edmonton.
- For the year 2011, total new multifamily unit starts in the Edmonton CMA are forecasted to reach 3,600 units as developers are expected to reduce current inventories and increase pre-sales required to finance new projects.

- Based on the historic trends, it is assumed that 75% and 80% of the forecasted multifamily unit starts for Edmonton CMA will occur within the City of Edmonton, translating into a range between 2,700 and 2,880 units.
- Based on 2009 – 2010 building permit data for town home unit starts in Edmonton CMA, town home units form approximately 20% – 22% of all multifamily unit starts. Based on this trend, the forecasted demand for town home units in the City of Edmonton for the year 2011 can range from a low of 540 units to a high of 633 units.
- Based on CMHC's Market Outlook, at the absorption rates experienced in 2010, the current inventory level is estimated to last around the first quarter of 2012. With this assumption the City of Edmonton will need approximately 540- 633 new town home units per year till 2012.
- Assuming the market conditions remains stable till the year 2012, we anticipate a 5% annual increase in the percentage of town home units that can be absorbed in the City of Edmonton till 2015.
- Based on these assumptions the following is a five year forecast for the demand of town home units in the City of Edmonton:
 - Assuming the 2010 development activity level, the anticipated absorption rate for town home units in 2011 and 2012 will range between 540 – 633 units.
 - Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2013 will range between 567 – 608 units.
 - Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2014 will range between 595 – 638 units.
 - Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2015 will range between 625 – 669 units.

5.0 DEVELOPMENT POTENTIAL COMPARISON

The section provides information on the number of town home units that can be developed on the surplus school sites in each zone of the City. The section also compares the total town home units that can be developed in each City zone based on the total number of RF5 Sites that are currently zoned and undeveloped and will be potentially developed in the next 5 to 10 years.

The following is a development potential assessment for town home units distributed across the 5 geographical zones of the City excluding the Central zone. Note: There are no surplus school sites and no undeveloped RF5 sites in the Central zone of the City.

5.1 Northeast Zone

Table 10: Surplus School Sites and Potential Units in Northeast Zone

| Surplus School Site Location | Area | Potential Units |
|------------------------------|--------------------|------------------|
| Canon Ridge | Built – Pilot Site | |
| Belle Rive | 1.6 ha | 67 |
| McLeod Casselman | 1.2 ha | 50 |
| Kernohan | 1.2 ha | 50 |
| Kirkness | 1.4 ha | 59 |
| Sifton Park | 0.8 ha | 33 |
| Total | 6.2 ha | 259 units |

Refer to Map 2 in the Appendix

- As shown in Table 10, there are five (5) surplus school sites with a total area of 6.2 ha (15.32 ac) and a development potential of 259 town home units in the northeast zone of the City.
- As shown in Map 2, there are currently seven (7) undeveloped RF5 sites, totalling an area of 8.48 ha (20.98 ac) and total development potential of 356 units.

5.2 Northwest Zone

Table 11: Surplus School Sites and Potential Units in Northwest Zone

| Surplus School Site Location | Area | Potential Units |
|------------------------------|---------------|-----------------|
| Caernaevon | 1.4 ha | 59 |
| Dunluce | 1.2 ha | 50 |
| Total | 2.6 ha | 109units |

Refer to Map 3 in the Appendix

- As shown in Table 11, there are two (2) surplus school sites with a total area of 2.6 ha (6.4 ac) and a development potential of 109 town home units in the northwest zone of the City.
- As shown in Map 3, there are currently twelve (12) undeveloped RF5 sites, totalling an area of 22.1 ha (54.40 ac) and total development potential of 928 units.

5.3 Southeast Zone

Table 12: Surplus School Sites and Potential Units in Southeast Zone

| Surplus School Site Location | Area | Potential Units |
|---------------------------------|--------------------|------------------|
| Greenview | Built – Pilot Site | |
| Larkspur | 1.6 ha | 67 |
| Michaels Park (Catholic School) | 1.2 ha | 50 |
| Michaels Park (Public School) | 0.8 ha | 33 |
| Tawa | 0.8 ha | 33 |
| Total | 4.4 ha | 183 units |

- Refer to Map 4 in the Appendix
- As shown in Table 12, there are four (4) surplus school sites with a total area of 4.4 ha (10.8 ac) and a development potential of 183 town home units in the southeast zone of the City.
- As shown in Map 4, there are currently four (4) undeveloped RF5 sites, totalling an area of 8.14 ha (20.12 ac) and total development potential of 341 units.

5.4 Southwest Zone

Table 13: Surplus School Sites and Potential Units in Southwest Zone

| Surplus School Site Location | Area | Potential Units |
|------------------------------|-------------|------------------|
| Bearspaw | 1.2 ha | 67 |
| Blue Quill | 1.2 ha | 50 |
| Bulyea Heights | 0.8 ha | 33 |
| Haddow | 0.8 ha | 33 |
| Skyrattler | 1.2 ha | 50 |
| Twin Brooks | 0.8 ha | 33 |
| Total | 6 ha | 266 units |

Refer to Map 5 in the Appendix

- As shown in Table 13, there are six (6) surplus school sites with a total area of 46 ha (14.8 ac) and a development potential of 266 town home units in the Southwest zone of the City.
- As shown in Map 5, there are currently twenty (20) undeveloped RF5 sites, totalling an area of 30.04 ha (74.25 ac) and total development potential of 1,261 units.

5.5 West Zone

Table 14: Surplus School Sites and Potential Units in West Zone

| Surplus School Site Location | Area | Potential Units |
|------------------------------|---------------|-----------------|
| Dechene | 1.2 ha | 50 |
| Total | 1.2 ha | 50 units |

Refer to Map 6 in the Appendix

- As shown in Table 14, there is one (1) surplus school sites with a total area of 1.2 ha (2.9 ac) and a development potential of 50 town home units in the West zone of the City.
- As shown in Map 6, there are currently six (6) undeveloped RF5 sites, totalling an area of 15.2ha (37.5 ac) and total development potential of 638 units.

5.6 Conclusion

For the City of Edmonton, the total number of town home units that can be developed on the school surplus sites and the undeveloped RF5 sites city wide is:

- Based on the current density permitted under the RF5 zone, the total number of town home units that can be developed on all the 18 surplus school sites is 867 units.
- Total number of units that can be developed on the undeveloped RF5 sites city wide is 3,524 units.

The following are the conclusion of the market analysis conducted in this report:

Economic Outlook

1. Based on CMHC's Economic Outlook for the year 2010, the economy of the Alberta Capital Region has shown evidence of improvements in areas such as construction in 2010, but unemployment remains high compared with pre-recession levels.
2. With an anticipated improvement in 2011, new job creation is expected to average just below two percent, representing a net increase in annual employment of 12,000 jobs.
3. With the anticipated new job creation, an expected 12,000 newcomers will be attracted to Edmonton due to factors such as decrease in unemployment rates, increased job creation and improved income growth.
4. The year 2010 saw a 54% increase in overall new housing starts compared to 2009. For 2011, the housing market activity levels are expected to mirror 2010, with new housing starts reaching approximately 9,600 units.
5. The year 2010 saw a 51% increase in new housing starts for multifamily units in comparison to 2009.
6. In the Edmonton CMA, 43% of all multifamily condominium apartments were priced between \$200,000 and \$300,00 and 75% of all town home condominiums sold in 2010 were also priced between \$200,000 and \$300,000.

Housing Market Supply

7. In the City of Edmonton, there are currently eighteen (18) town home development sites representing a total of 1,449 town home units. Out of the total 1,449 units:
 - 118 units were built in 2010 and are available for sale;
 - 1,206 units are under construction; and
 - 125 units are planned to begin construction in the near future.
8. Majority of the developments are located in the southeast and southwest zone of the City with 514 and 393 units respectively, followed by the northeast zone which had 348 units under development. In comparison, the central zone and the west zone had the lesser number of developments, with 80 units and 135 units respectively
9. With the exclusion of the five (5) higher-end developments out of the total eighteen (18) active town home development sites identified in Section 3, a unit price comparison of comparable units reveals that average prices are highest in the northwest zone at approximately \$300,000, followed by southwest zone at \$291,650 and northeast zone had an average price of \$274,950.

10. The unit sizes for most development range from 1,200 sq.ft. to 1,450 sq.ft. and average prices range from the \$220,000 to \$300,000;
11. Per square foot price for majority of the development range anywhere between \$220 and \$260.
12. The units sold on the pilot sites for the First Place Home Ownership Program had a more favourable price range of \$214 to \$245 per square foot in 2009, when the prices were generally higher than those in 2010.
13. Out of the eighteen (18) development sites identified, four (4) developments, Carlton Villas on the Lake, Ellerslie Lane Townhomes, Serenity Gardens and Brownstones development are being built to cater to the high end market, with unit prices ranging anywhere between \$300,000 to \$500,000 per unit.

Housing Demand

14. Based on historic trend for new housing starts, 62% of all housing starts in the Edmonton CMA have occurred within the City of Edmonton. With regard to multifamily unit starts, 77% of all multifamily unit starts have taken place within the City of Edmonton.
15. For the year 2011, total new multifamily unit starts in the Edmonton CMA are forecasted to reach 3,600 units as developers are expected to reduce current inventories and increase pre-sales required to finance new projects.
16. Based on the historic trends, it is assumed that 75% and 80% of the forecasted multifamily unit starts for Edmonton CMA will occur within the City of Edmonton, translating into a range between 2,700 and 2,880 units.
17. Based on 2009 – 2010 building permit data for town home unit starts in Edmonton CMA, town home units form approximately 20% – 22% of all multifamily unit starts. Based on this trend, the forecasted demand for town home units in the City of Edmonton for the year 2011 can range from a low of 540 units to a high of 633 units.
18. Based on CMHC's Market Outlook, at the absorption rates experienced in 2010, the current inventory level is estimated to last around the first quarter of 2012. With this assumption the City of Edmonton will need approximately 540- 633 new town home units per year till 2012.
19. Assuming the market conditions remains stable till the year 2012, we anticipate a 5% annual increase in the percentage of town home units that can be absorbed in the City of Edmonton till 2015.
20. Based on these assumptions the following is a five year forecast for the demand of town home units in the City of Edmonton:
 - Assuming the 2010 development activity level, the anticipated absorption rate for town home units in 2011 and 2012 will range between 540 – 633 units.
 - Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2013 will range between 567 – 608 units.

- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2014 will range between 595 – 638 units.
- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2015 will range between 625 – 669 units.

Total Town Home Development Potential

21. Based on the current density permitted under the RF5 zone, the total number of town home units that can be developed on all the 18 surplus school sites is 867 units.

22. Total number of units that can be developed on the undeveloped RF5 sites city wide is 3,524 units.

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APPENDIX

1. Map 1 – Central Zone, Site Locations & Existing Town home Developments
2. Map 2 – Northeast Zone, Site Locations & Existing Town home Developments
3. Map 3 – Northwest Zone, Site Locations & Existing Town home Developments
4. Map 4 – Southeast Zone, Site Locations & Existing Town home Developments
5. Map 5 – Southwest Zone, Site Locations & Existing Town home Developments
6. Map 6 – West Zone, Site Locations & Existing Town home Developments

