

# Edmonton Multi-Housing

SECOND QUARTER 2005

## QUICK STATS

	Current Half Yr.	Change from last	
		Half Yr.	Yr.
Vacancy	4.4%	↓	↓
Sales Volume	\$46.1 M	↓	↓
Price Per Suite	52.0K	↔	↓
Ave. Rents	\$643/mth	↓	↓

## HOT TOPICS

- Edmonton's apartment vacancy rate dropped by 0.9% from 5.3% in November 2004 to 4.4% in June of 2005.
- Rental rates have fallen by 2.5% since November.
- Sales volume is down significantly from \$93 million 2Q 04 to \$46 million 2Q05 million.

After experiencing increases in vacancy rates for the past three years, it appears the trend has reversed itself. According to CB Richard Ellis's June 2005 vacancy and rental survey of the Edmonton Rental Market, the vacancy rate dropped by 0.9% from 5.3% in November 2004 to 4.4%. The vacancy rate in Edmonton reached a low of 0.9% in 2001 and since then has been steadily increasing from 1.7% in 2002, 3.4% in 2003 to a high of 5.3% in November 2004. The survey included 46,053 units in 1,131 buildings. The total number of vacant units was 2,030.

This drop in vacancy is due to a number of factors. Primarily, it would appear that tenant movement to home ownership has subsided as construction costs have risen making home ownership less affordable. At the same time construction of new condominiums and housing starts was down by 31% according to CMHC.

Rental rates have fallen since November 2004, which is likely another factor that has affected the vacancy rate. Incentives are quite common in the marketplace with

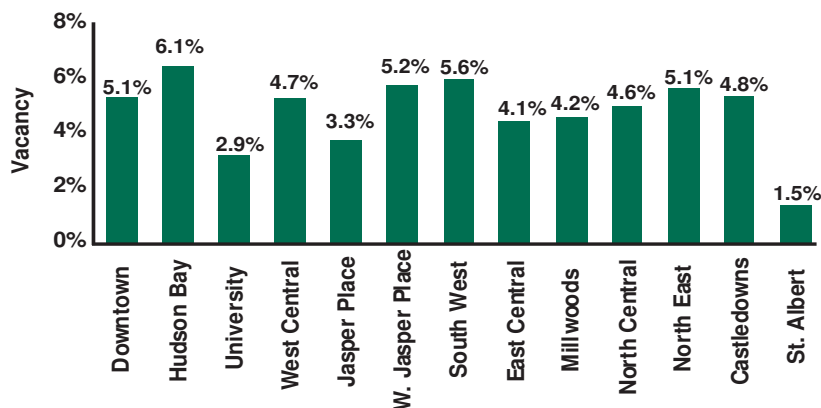
approximately 30% of all buildings offering them in some form or another. Rents fell 2.5% since November. Incentives are not factored into these rental rates. If they were the rental rates would be even lower.

Sales volume has fallen fifty per cent with 2005 mid-year sales coming in at \$46 million compared with \$94 million at this time last year. A total of 964 units in 41 buildings have traded hands as at the middle of June 2005. This also represents buildings ranging from 6 units up to 99 units. All of the sales were walk-ups and only 5 sales were greater than 49 units.

The overall average price per unit came in at \$52,000. This is down significantly from the \$63,400 price per unit in 2004. This is attributed to the fact that there have been no significant large transactions and no high-rises sold this year. Of the 41 buildings sold, 36 buildings were under 50 units with the majority of those between 12 and 20 suites. With a lack of good available product investors have purchased in less desirable areas, contributing to the lower overall average price per suite.

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## VACANCY RATES BY ZONE



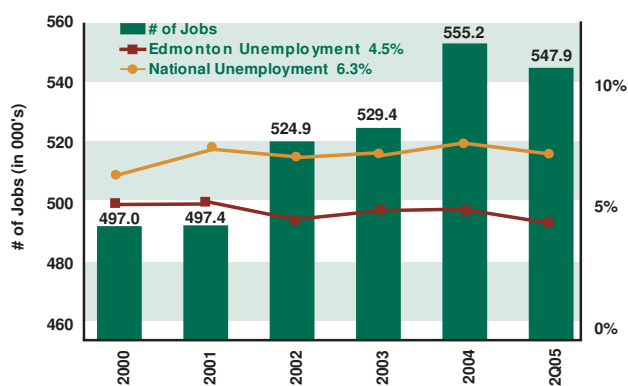
Source: CMHC

Market	Vacancy Rate (%)	Average Bachelor (\$/mth)	Average 1 Bedroom (\$/mth)	Average 2 Bedroom (\$/mth)	Average 3 Bedroom (\$/mth)
Downtown	5.1	524	633	820	942
Hudson Bay Reserve	6.1	445	537	640	721
University Area	2.9	567	673	774	757
West Central	4.7	424	541	627	695
Jasper Place	3.3	473	567	662	737
West Jasper Place	5.2	571	696	764	878
South West	5.6	562	634	732	844
East Central	4.1	480	550	659	819
Millwoods	4.2	550	598	706	795
North Central	4.6	417	504	636	735
North East	5.1	488	593	691	744
Castledowns	4.8	440	584	691	811
St. Albert	1.5	N/A	609	708	750
Survey Market Average	4.4	495	598	701	782

Source: CMHC

## JOB GROWTH

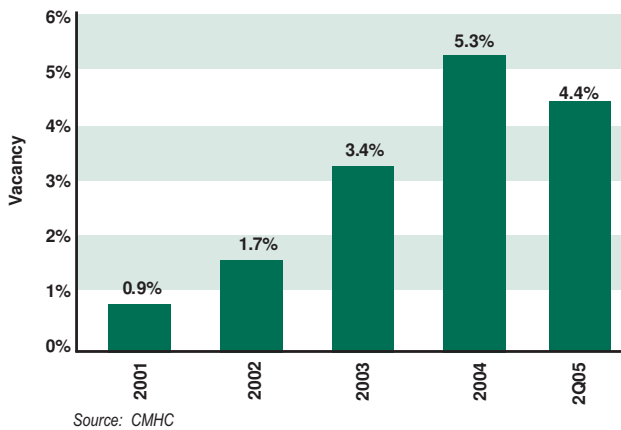
### Employment Statistics (Seasonally Adjusted)



Source: Statistics Canada

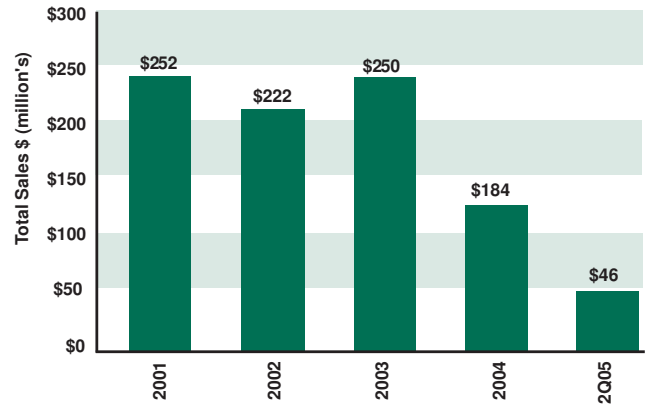
Edmonton's employed labour force decreased by 7,300 jobs as the unemployment rate decreased slightly to 4.5% over the first half of 2005. The city's unemployment rate remains significantly below the national average of 6.3%. According to the Conference Board of Canada, Edmonton's real GDP growth is forecasted to decelerate in 2005. However, after the unemployment rate posted its lowest recorded average ever in 2004, it is forecasted to drift even lower throughout 2005.

### VACANCY



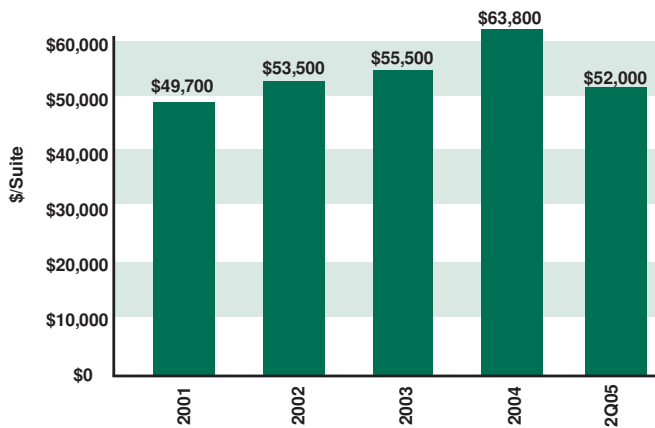
The highest vacancies were recorded in the Oliver District of Zone 1, coming in at 8% with Downtown Cromdale and The Hudson Bay Reserve followed at 6.2% and 6.1% respectively. The lowest vacancy of 1.5% was recorded in St. Albert, which has been consistent with previous years. Those areas that recorded the highest vacancies at year-end 2004 showed the greatest improvement with Hudson Bay Reserve dropping 2.8% and Jasper Place going from 6.2% to 3.3%.

### SALES VOLUME (ALL SALES)



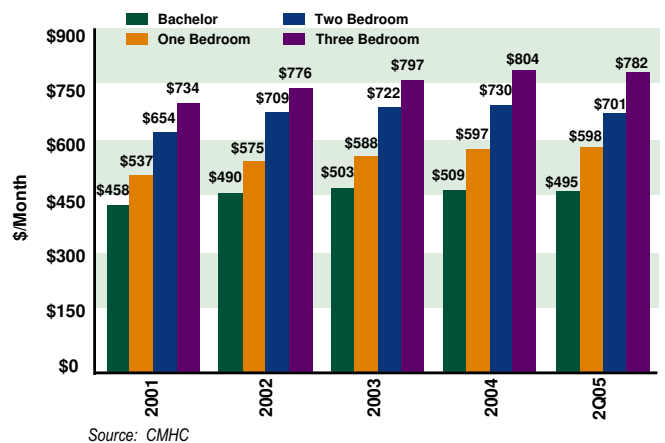
Total sales volume were down for all sizes of multi-family transactions which was \$46 million in the second quarter 2005 down by \$48 million in the fourth quarter 2004. These sales represented buildings ranging from 6 units up to 99 units. All the buildings were wood frame buildings that we classify as walkups although several of the buildings sold did have elevators. There were 964 units sold in 41 buildings. If we extrapolate this forward we should see total sales volume push past the \$100 million mark by year end.

### PRICE PER SUITE



The overall average price per suite was \$52,000 in second quarter 2005. All of the sales were in walkups. There were 5 buildings totaling 387 units of 50 units or more that sold at an average price of \$48,800 per unit. The remaining 577 units of 50 suites or less in 36 buildings averaged \$54,300 in the second quarter 2005. While the overall average was down significantly the average for buildings of under 50 units was only down \$430 per unit indicating the values have remained fairly steady despite higher vacancies, higher operating costs etc. Interest rates remain low and as a result we are seeing cap rates fall thereby keeping values level.

### AVERAGE RENTS PER MONTH

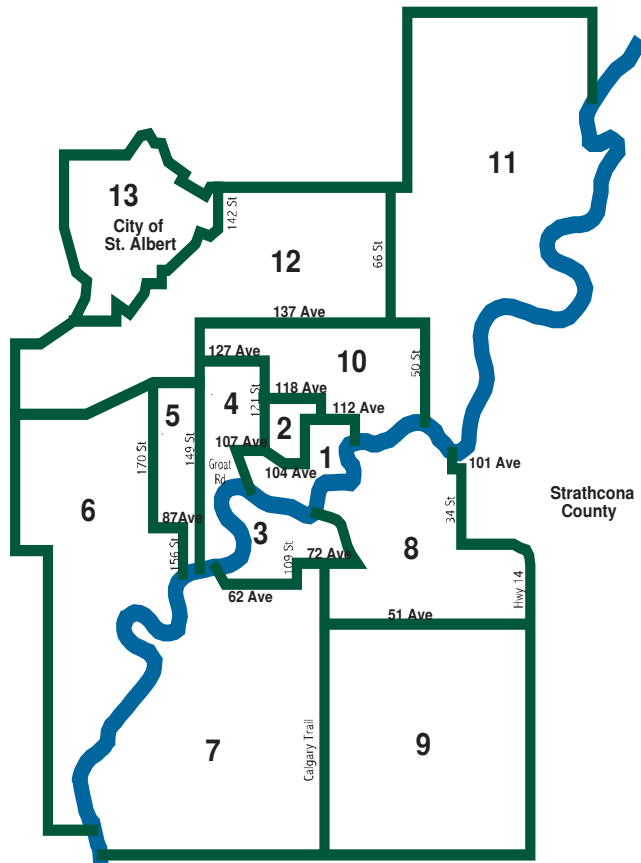


Overall average rents dropped 2.5% at the end of 2004 increasing from \$660 to \$643 at mid-year 2005. Two bedrooms dropped the furthest by 4% from an average of \$730 to \$704 over the same time period. The drop in one bedroom rents was insignificant at 0.5% with bachelors and three bedrooms dropping 2.7%. The best bargain for a one bedroom is in the North Central Zone 10 District at an average of \$504. Cromdale offers the lowest rent on two bedrooms with an average of \$612. The highest rents for two bedrooms were in Downtown high-rises.

TRANSACTIONS

Sale Price (\$ millions)	Building	Address
\$7.8	Emerald Manor	10501 - 111st Street, Grande Prairie
\$2.6	Spanish Lantern	9830 - 82nd Avenue
\$3.3	Royal Scott	10514 - 92nd Street
\$9.5	Village Acres	131A Avenue 66 Street
\$6.3	--	3147 - 151 Avenue
\$3.9	Victoria Gardens	10616 - 156 Street

EDMONTON SUBMARKET MAP



Edmonton Metropolitan Area Survey Zones

- |                       |                   |
|-----------------------|-------------------|
| 1. Downtown           | 8. East Central   |
| 2. Hudson Bay Reserve | 9. Millwoods      |
| 3. University Ave     | 10. North Central |
| 4. West Central       | 11. North East    |
| 5. Jasper Place       | 12. Castledowns   |
| 6. W. Jasper Place    | 13. St. Albert    |
| 7. South West         | 14. Other Centres |



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