

## Edmonton new apartment construction 'really hopping' new



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For the time being at least, Edmonton is enjoying a resurgence of new apartment construction.

"This part of the world is really hopping," said Curtis Way, owner of [RMS Group](#) in Edmonton. "For the first time in 25 years, it's economically viable to build these rental complexes." (Curtis Way's picture top left.)

"There were 1,400 rental units in the works over the last year or so in Edmonton."

"Edmonton is a very strong rental market," confirmed [Bradley Gingerich](#), a senior vice-president and member of the National Apartment Group for CBRE in Edmonton. "It appears the recent changes implemented by the [Canadian Mortgage and Housing Corporation](#) have slowed home ownership and tightened vacancy."

Officially, the Alberta capital's vacancy rate as 2012 bid adieu was 2.2 per cent, down a full 100 basis points from 2011. Gingerich believes the actual rate is even lower.

"There is no vacancy, really, in town," he said. "The next survey, I think, will be quite shocking."

### Developments went up in record time

Way expects his real estate development company to contribute nearly 500 new units to the mix this year, including the just-completed 142-unit [Tamarack Manor](#), located in the southeastern Edmonton neighbourhood of The Meadows. That area has a shockingly low vacancy rate of 0.9 per cent.

"We were fully rented within six weeks of the first building. The second building was fully rented in about eight or nine weeks. That's just unbelievable," Way said. "In traditional times, you might be as much as eight to 12 months to rent a project of 140, 150 units. So the market's really hot."

Way was so impressed he made a deal with the land developer to buy the spot right next door to Tamarack Manor. RMS Group is also slated to start construction of a 126-unit complex in March, followed by 98- and 126-unit projects in July.



Tamarck Manor, a 142-unit apartment building just completed by RMS Group in Edmonton

### **So who are these renters scooping up the brand-new apartments?**

"They're from all walks of life," Way said, "but it is to a large degree people 30 and younger who want to enjoy life and are willing to pay a little more for six nice new appliances.

"That's not to say you don't get some of the migratory workers moving in from Ontario, for instance, to try Edmonton for six months or a year. It used to be once upon a time a lot of people from Newfoundland, but that's shifted a bit because Newfoundland's busier now."

Before the recent resurgence, most of Edmonton's apartment buildings dated from the 1970s when CMHC was offering huge incentives to build.

"Our existing inventory is somewhat dated," said Gingerich. "Now, if you go along our new ring road (Anthony Henday Drive), every neighbourhood, every exit has new apartment buildings, new rentals."

According to CBRE's 2012 Sales Volume Review, approximately \$200 million in multi-housing investment sales were recorded last year in Edmonton. "Enhanced economic indicators, such as increased in-migration and low unemployment, helped contribute to the progression," the review stated.

The average price per suite was \$130,000, up from \$107,000 at year-end 2011. An average two-bedroom suite rented for approximately \$1,069 per month, up six per cent over the previous year. Comparable new apartments ranged from \$1,250 to \$1,400, with further increases this year.

The booming Alberta economy and a lack of rent controls obviously have had major roles in Edmonton's new apartment construction boom. However, Calgary, due to its higher average land prices, has largely been on the outside looking in, while smaller Western centres such as Winnipeg, Regina and Saskatoon have also seen impressive results.

### **Edmonton followed a far different path than the likes of other large centres.**

"It's not like Toronto and Vancouver where condos are overbuilt," Way said. "We had that same sort of thing here in 2007, 2008. I think it rolled into 2009, maybe and into 2010 . . . developers were going bankrupt. Some people bought those projects, did whatever with them, rented them out, call it what you want."

"They were more sold to individuals or to syndicators to rent out. But even the condo market here slowed right down and the guys started doing rental projects because the vacancy rate is so low in this city."

However, increasing land and construction costs mean Edmonton's new apartment construction industry will undoubtedly suffer the same fate as Calgary's in the next year or two.

"The window for construction of multi-family residential is likely not long lived," Way warned, "because the price of land is starting to push up which will make future residential projects cost-prohibitive.

"I expect this next project I'll see an eight-to 10 per cent increase (in construction costs) over the one I started 18 months ago.

"My guess is from an apartment builder's perspective, we've probably got 24 months to do our deals . . ."