MARKET & CYCLE UPDATE

The Impact of the COVID-19 Pandemic on Canadian Real Estate

Alberta Q4 2021

REIN
Real Estate Investment Network

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The Impact of the COVID-19 Pandemic on Canadian Real Estate

Alberta Market & Cycle Update Report Q4 2021

The COVID pandemic has been an incomparable black swan event which has insidiously impacted every aspect of the global economy and much of the populace since the initial lockdowns and restrictions began in March 2020. Canada, like every other country, has been at the mercy of lockdowns, re-openings, international border shutdowns, restrictions, and shifting trends regarding public health mandates. From production to supply chain breakdowns and labour shortages there is no sector of Canada's economy that has not been affected. The economic impact is immeasurable. Which is not to say that all is lost, or that all has even been negative. The effects of COVID-19 have impacted sectors of the economy and geographies across this vast country differently. Like all black swan events, new opportunities will emerge out of the challenges facing our country, driven by a need to adapt and innovate. In crisis, both danger and opportunity exist, and COVID-19 is no exception.

In addition to yet unknown COVID disruptors, investors and housing professionals are well served to keep their eyes on other somewhat more predictable economic, political, and cultural disruptors. Murmuring in the political ranks to "fix" the housing market abounds. Supply and demand issues dominate making housing less affordable than ever. Rental markets have already experienced rent and eviction freezes. And rent increases, when governed, are paltry and below inflation. Although intentions to right the lack of supply through incentives and tax breaks to create affordable housing are laudable, builders will still be constrained by a lack of supplies and skilled workers. As always, investors are reminded to keep abreast of the news in their investment location.

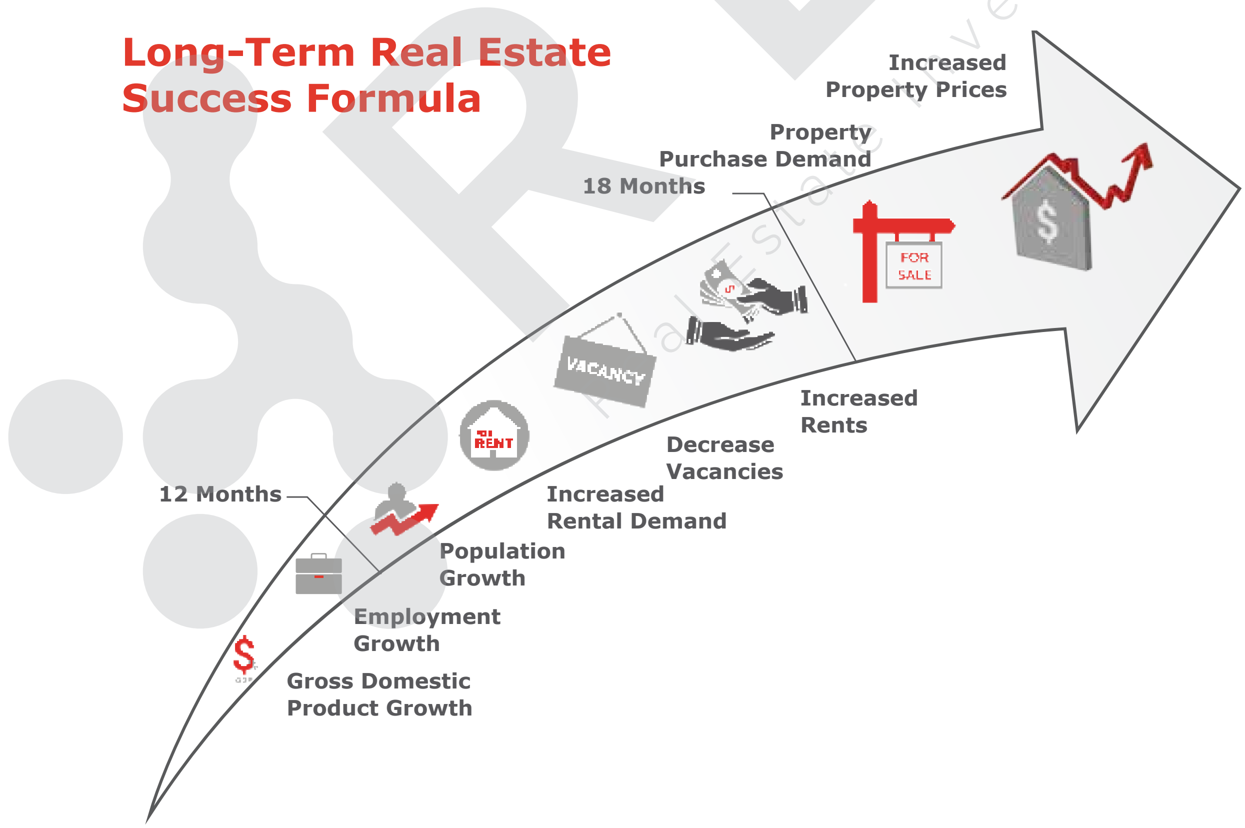


Figure 1. The Long Term Real Estate Success Formula

This report captures the status of some key factors in REIN's Long Term Real Estate Success Formula over the last 16 months, roughly since the pandemic took full force. Beginning with a gloss of Canada, the report next moves to investigate the same factors for Alberta and Calgary. A full analysis is offered for Edmonton, including a cycle update. For a reminder of what drives growth in the real estate sector, see REIN's formula above.

Canada's GDP

Housing and its accompanying supporting sectors have long been significant to Canada's Gross Domestic Product (GDP), a way of measuring the growth of an economy. Yet no one, including our country's top economists, anticipated the unprecedented growth in demand for home ownership that Canada has been experiencing. Beginning in the second quarter of 2020, when we break down what have been the key drivers of Canada's economy, none compared to the surprising shift in the growth of real estate. In fact, real estate is currently the leading driver of GDP in our country and has been since about June of 2020 when data first started becoming available about the pandemic's impact. This is a factor to keep an eye on as the vaccine rollout begins to offer a return to normalcy in Canada.

Canada's Employment Insights

Labour issues are one area of uncertainty across the country and different sectors are rebounding at different rates. The national unemployment rate was 6.9 percent in September 2021, a reduction from 9.2 percent in the same period for 2020.

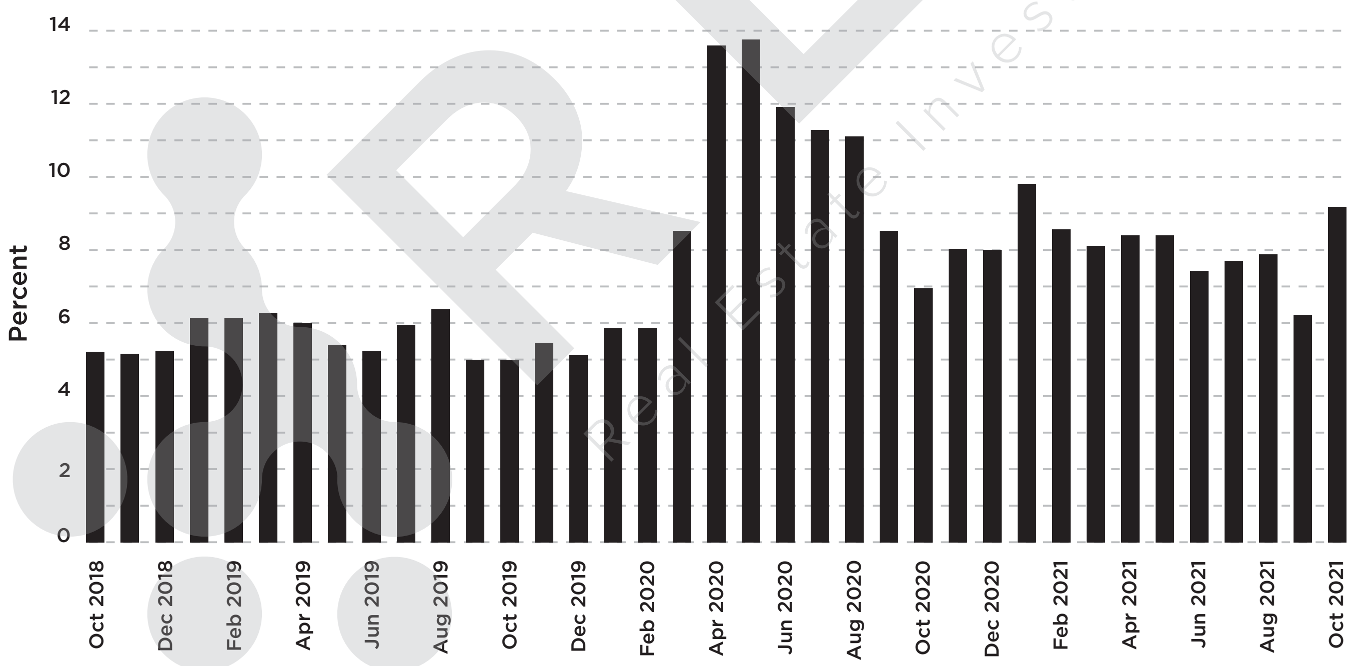


Figure 2. Canadian Unemployment Rate

The recovery is slow and uneven across industrial sectors with hospitality and entertainment the hardest hit and taking the longest to recover. Further, early in the re-opening of the economy, many new jobs were part-time and low paying, primarily in the service economy. In contrast, some occupations, such as those in Information Technology, are in demand and prospective employees are being offered signing bonuses, some including tens of thousands of dollars for a down payment near the new office. Investors are advised to keep abreast of changes in the labour force.

An investor's due diligence should include questioning the types of jobs being created in their prospective investment region. Are they well-paying and stable jobs? Is there diversity amongst the jobs available that will attract different labourers to the area? As Canada and the world adjust to COVID-19, how much will employment growth in larger urban centres continue to matter? Manufacturing was shipped overseas decades ago but might now rebound as countries take on a protectionist stance following the numerous supply crises experienced during the pandemic. Further, the creative class can work from anywhere, and it is they who have largely been driving the rapid change in home purchases. It appears we are moving into a hybrid working situation where many companies will continue to allow their employees to stay home despite the vaccine rollout. There could be permanent and fundamental shifts to labour in Canada.

Increased Rental Demand

Whether people can muster the down payment to purchase or not, the same cultural shifts and employment changes impact those who rent, such as a desire for more space to house a new home office. A lack of affordability or the ability to save for a down payment will only further drive demand in the single family detached rental home category. Investors are advised to understand the needs of their tenant profile with regards to property type.

Property Purchase Demand

The sudden and rapid growth in real estate during a global pandemic has led to a surprise shift in housing demand that is being driven by what REIN referred to as the Great Canadian Migration. Whether it is the increasing demand for more space in the home or yard, the urge to flee congested cities with high rates of infection, or the sudden impact of working from home and home schooling, the trend of folks moving to suburban and even rural areas is unprecedented. For many creative and knowledge based workers, as long as Wi-Fi is available, people can live and work from anywhere.

Lockdowns drove the desire for greenspace and travel restrictions encouraged Canadians to vacation close to home. These pandemic related cultural shifts in leisure activities and consumption practices drove prices surging upwards for: single-family homes; homes in areas with traditionally low employment engines; and vacation homes. As a result, several small cities across Canada experienced double-digit growth in both their population and real estate prices. COVID-19 severely altered the traditional supply and demand equation for real estate in Canada.

Increased Property Prices

2021 will be the best year on record for residential home sales in Canada. New home listings sunk to record lows across the nation as Canada's largest cohort – the Millennials – sought to purchase housing due to low interest rates. Market experts such as the Canada Mortgage and Housing Corporation (CMHC) forecasted a nearly 19 percent increase in sales in 2021.

Forecast Summary CANADA									
	2018	2019	2020	2021 (F)		2022 (F)		2023 (F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Starts-Total	212,843	208,685	217,802	221,100	230,000	222,500	234,500	216,800	231,900
Resale Market									
MLS® Sales	459,603	489,880	551,392	584,000	602,300	529,000	547,100	539,600	561,100
MLS® Average Price ($)	490,931	502,812	567,699	628,400	649,400	651,600	676,500	669,500	704,900
Economic Overview									
Real GDP (index, 2019=100)	97.8	100.0	94.3	98.4	100.6	100.9	104.1	103.5	105.8
Employment rate (%)	61.5	61.8	58.0	59.1	59.8	59.4	60.1	59.7	60.1
Mortage Rate (fixed 5 year) (%)	4.38	4.24	3.72	3.55	4.30	3.65	4.40	3.80	4.55

Table 1. CMHC Forecast Summary

Across the country, the average number of listings for single family detached homes sits around two to three months of inventory. Sales will decrease because of this lack of choice; yet, the same lack will drive prices upwards.

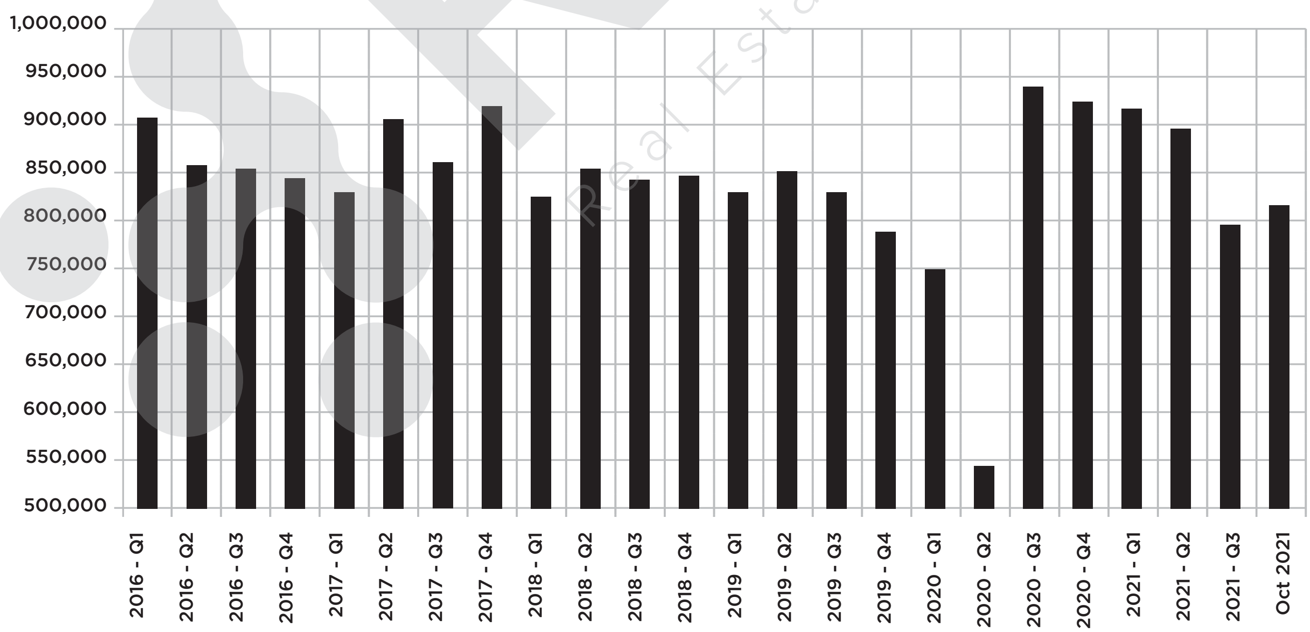


Figure 3. Canada Residential New Listings (October 2021)

The detached market fetches higher prices than other types of real estate and has seen the highest average price increases alongside the quickest sales.

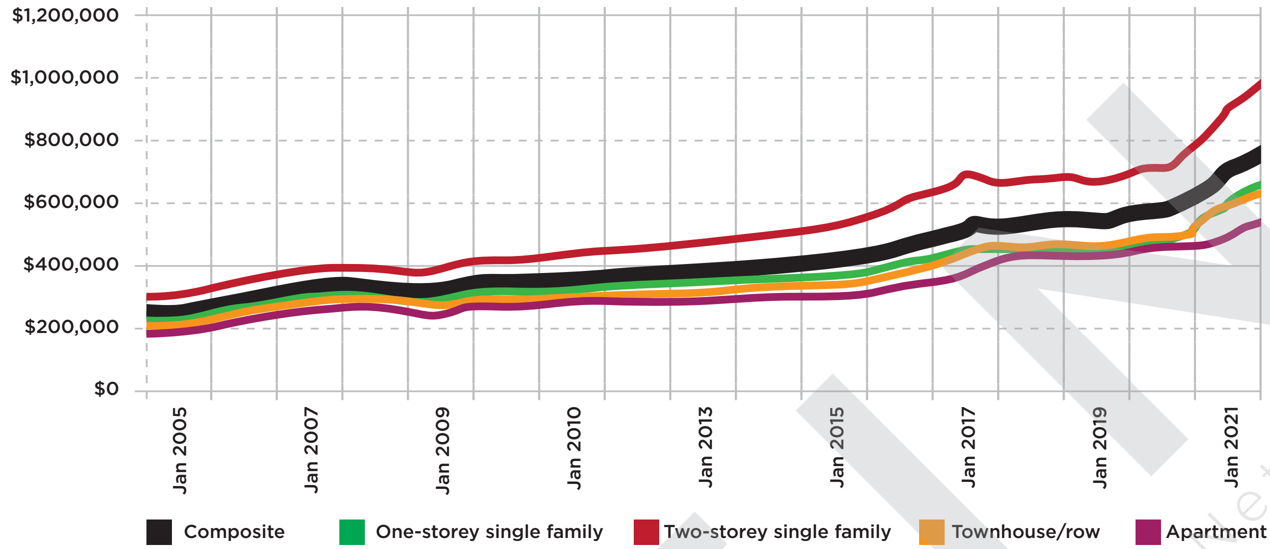


Figure 4. Aggregate MLS HPI Benchmark Prices in Canada

The Alberta Market

In Alberta, real estate is lagging behind some of the other provinces due to pre-pandemic factors in the economy. However, for many investors who are searching for yield and the opportunity to leverage their capital, in a low interest rate environment, Alberta shows promise. Unlike BC, Ontario, and the East Coast, Alberta has not experienced the exceptionally high demand for homes and the resulting supply challenges. There are issues with the economy, but the data is promising as we look to the future.

Alberta's economy has been recovering more quickly than originally expected. The Alberta Activity Index increased by 9 percent through May 2021 and the trend appears to be continuing into the final quarter of the year. The Index, which was developed by the Alberta Treasury and Board of Finance, is a weighted average of nine monthly indicators ranging from employment and average weekly earnings to manufacturing shipments, housing starts, and oil production.

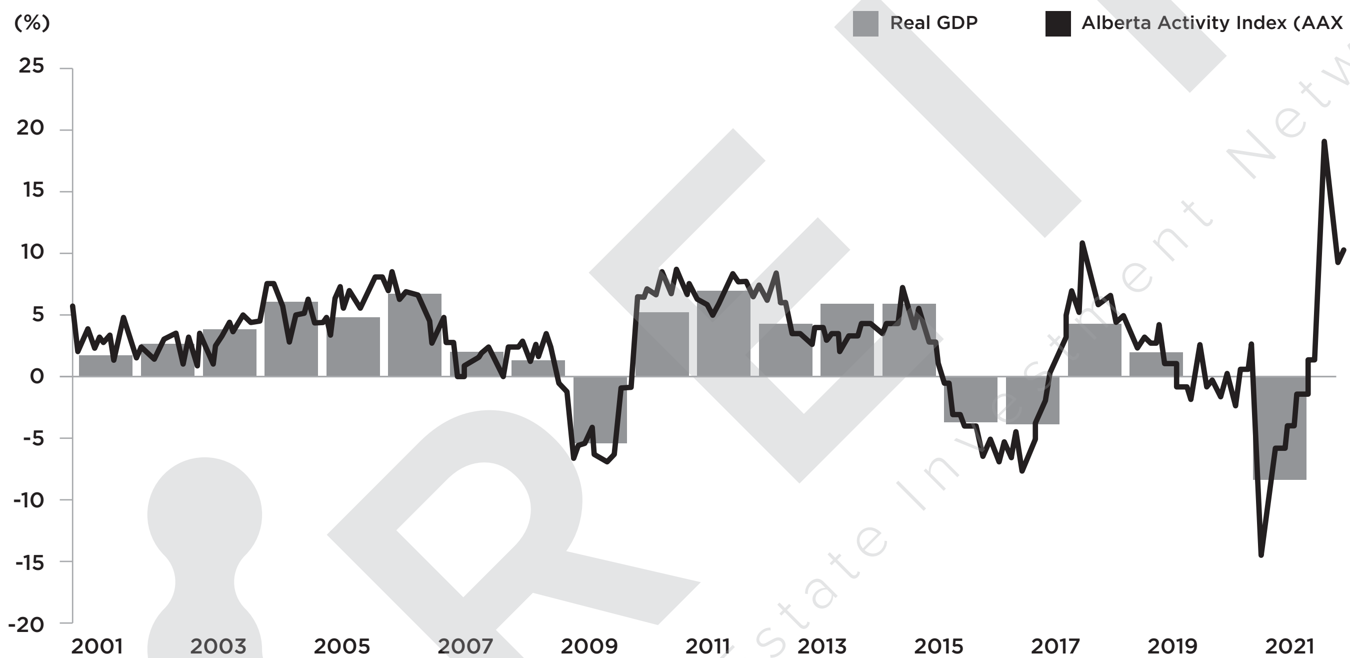


Figure 5. Alberta Activity Index

Although uncertainty is not unique to the province of Alberta during COVID-19, the overarching elephant in the room is the province's increasing debt level and available means of paying down the debt. Arguably, the debt has been at least partially driven by Alberta's lack of provincial sales tax, the only province in Canada without one. Some argue the lack of tax has led to an over-dependence on oil and gas revenues which is a gamble that has hurt the province since 2014. The subsequent drop in oil prices in 2014 as a result of the downturn in the oil and gas industry stalled Alberta's economy and along with it, its real estate. As any residence of the province knows, Alberta has a very strong economic dependence on oil and gas revenue. Since the mid-1970's the province's economy, and its real estate, has followed the peaks and valleys of this primary industry. Ultimately, royalty revenues from this sector have underperformed what the government had been forecasting due, in part, to the COVID-19 reduction in gas consumption. In the past, when royalties were high and the books were balanced, the government had it easy. But as history demonstrates, nothing is ever guaranteed to last. Ultimately, for Alberta to recover and balance the provincial budget, gas and oil royalties need to generate at least one quarter of the entire budget's revenue.

Alberta's troubled oil industry shows signs of a rebound though. Oil production in Alberta was reduced in 2020 due to the crash in oil prices and the reduced global demand brought on by the early stages of the pandemic. Now oil production in Alberta - over the first eight months of 2021 - has reached the highest historical rate of production.

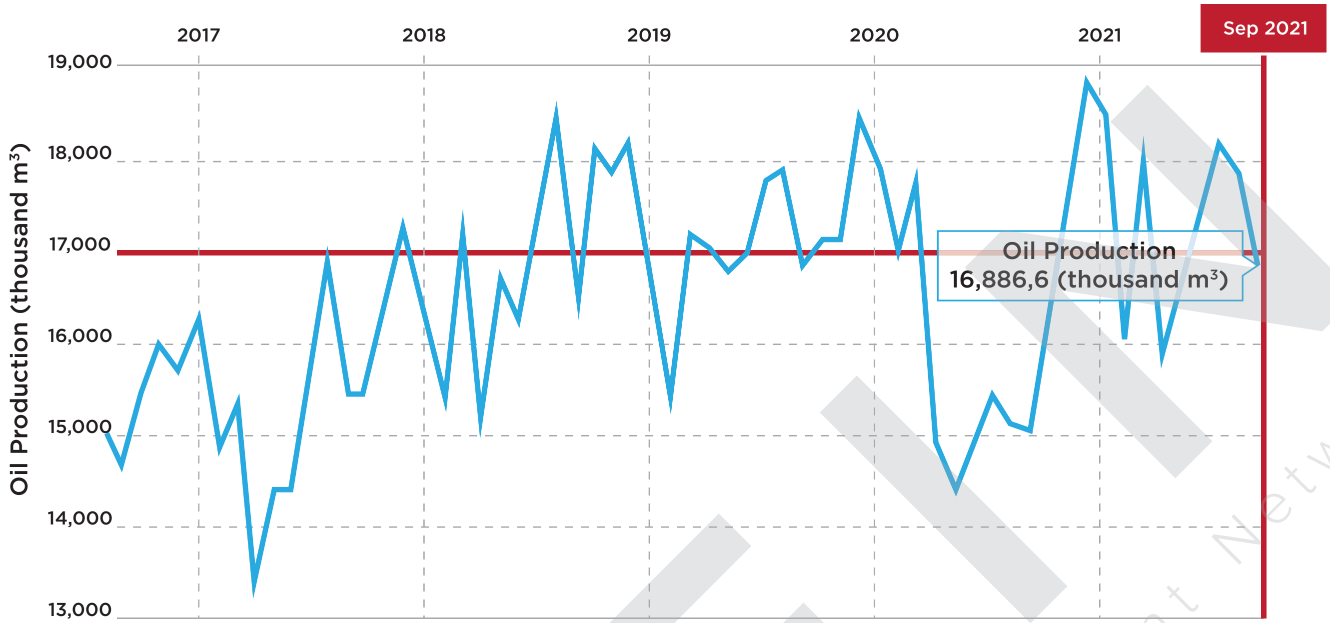


Figure 6. Oil Production in Alberta

The Fort McMurray area oil sands accounted for 86 percent of the total production over this period. Year-to-date production in 2021 was 9 percent higher than in 2020 and 2 percent higher than in 2019. Previous and ongoing capital investments have enabled the increase in production, an increase demanded by rebounding global use and robust prices. On October 1, 2021, the completion of the long overdue Line 3 pipeline expansion project from Alberta to Wisconsin added 370,000 barrels of export capacity per day. Alberta now has the capacity to export four million barrels of oil a day to the United States. This is only the third time in recorded history that such volume has been possible. This increase in capacity will add to the much-needed royalty revenue to support the provincial budget.

Alberta's GDP

The good news is that the province's real GDP is expected to rebound by 6.7 percent in 2021, which is a notable increase from the predicted 4.8 percent growth noted in the budget for the year. Going forward into 2022, Alberta's real GDP is forecast to rise by an additional 4.3 percent, bringing Alberta's economy back to levels not seen since 2014. Of course, the impact of the pandemic continues to pose risks to Alberta' economic outlook and will for many years no doubt, possibly in surprising ways. Nonetheless, investors are reminded to be diligent in defining their investment plans, particularly as different sectors of the economy are expected to recover at different paces post pandemic.

Calendar Year	2020 Actual	2021 Q1 Forecast	2022Q1 Forecast
Economic Growth (% change in Real GDP)	-8.2	6.7	4.3
Employment (% change)	-6.6	5.2	3.5
Unemployment Rate (%)	11.4	8.9	7.3

Table 2. Alberta Economic Assumptions

Alberta's Employment Insights

A key driver of the Long-Term Real Estate Success Formula is employment. Not unlike other provinces, Alberta made some gains in the employment market, but the unemployment rate remains high. Alberta was one of six provinces that saw unemployment increase going into the fourth quarter of 2021. In September 2021, Alberta's seasonally adjusted unemployment rate was 8.1 percent, up from 7.9 percent in August 2021, but down 4.0 percentage points from September 2020.

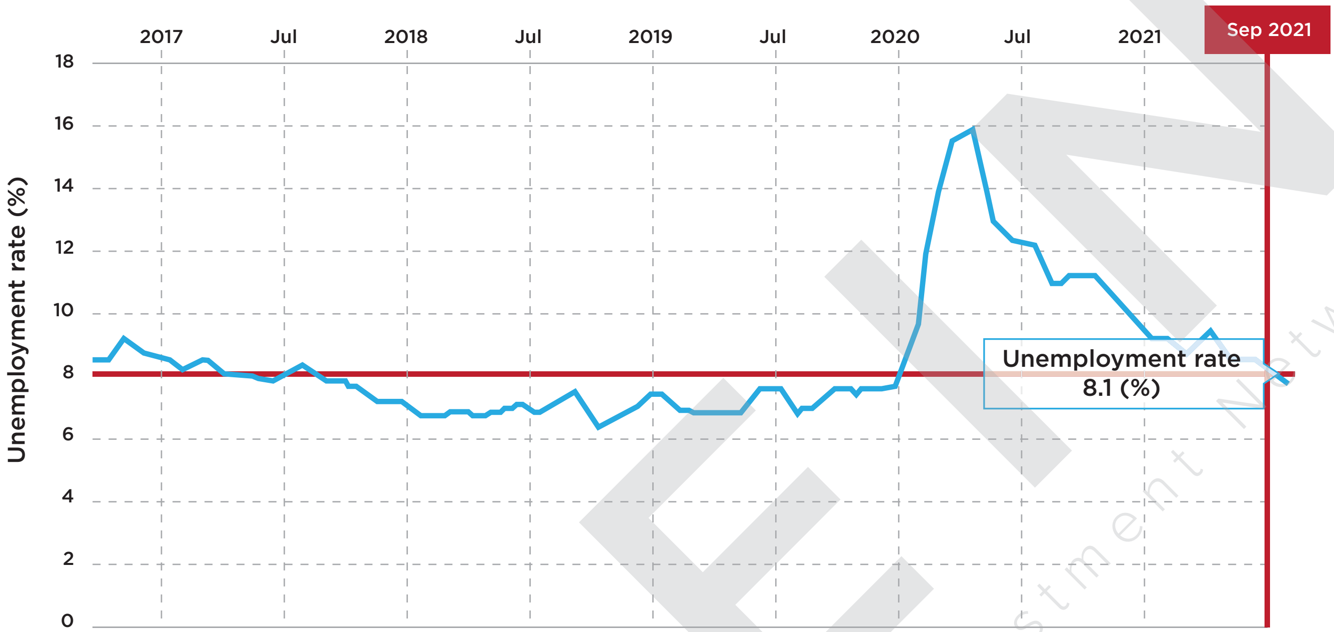


Figure 7. Alberta Unemployment Rate September 2021

According to Statistics Canada's September 2021 Labour Force Survey, Alberta's jobless rate remains above the pre-pandemic rate of 7.5 percent recorded in February 2020. The province has added more than 70,000 jobs since the start of this year, gaining back nearly 90 percent of the jobs lost at the beginning of the pandemic. But despite the good news about the increasing production capabilities and the rising price of oil, these factors have not yet been enough to change Alberta's unemployment rate. Alberta's unemployment rate remains higher than it was before the COVID-19 pandemic began.

The increases in both employment and the labour force participation are positive signs of growth after relatively flat periods over the past several months of restrictions. The sectors with the strongest job gains were in transportation and warehousing, followed by finance, insurance, real estate, and leasing. Accommodation, food services, and information technology, along with culture and recreation, continued to post improvements on a year-over-year basis compared to 2019. Employment growth throughout the third quarter of 2021 appears to correspond with the easing of public health restrictions. Looking ahead, the pace of growth will likely be impacted by any new provincial restrictions that are in effect and a significant repeat of third quarter gains is not expected going forward.

There are limitations to employment trends because they tend to lag the overall economic activity. Because of the delay, employment trends are a better indicator of past rather than current conditions in the economy. Regardless, employment trends are still useful predictors of future changes in income and consumer spending. Although Statistics Canada publishes a three-month moving average of all labour force estimates, the number of reported jobs may lag developments in a region's economy. It is important for investors to keep an eye on the data and remain connected to what is happening in the job market as we weave our way through the economic conditions created by the pandemic.

Alberta is committed to diversifying its economy as a means of continuing its economic rebound and breaking its past dependency on the oil and gas industry. To that end, the province saw the largest proposed investment in its history when Dow Chemical announced the world's first net-zero petrochemical plant. This illustrates that Alberta is positioning itself as a global leader in emissions reduction. Diversification also includes new product distribution centers, a burgeoning marijuana growing industry, the film sector which has doubled in investment, and a developing technology sector which is growing rapidly. As stated earlier, the pandemic is an engine fueling the requirement for businesses to diversify, innovate, and reinvent their products or the delivery of their services. Provincial governments such as Alberta are no exception to this trend. Edmonton and Calgary are the two major provincial centers, and they are opening their doors to new ways of doing business and are expanding their infrastructure. Looking ahead, the data suggests the province is trending in the right direction and Alberta has a very promising economic future. This is good news for investors who have a long-term investment time horizon.

Although there is new momentum in the oil and gas industry there is now an inherent risk of not being able to attract talent to that sector. Many of the skilled labourers are leaving the industry to apply their training in other sectors. Veterans in the oil and gas industry have grown tired of the rocky nature of the industry and the subsequent uncertainty in the related job market. Given that attracting skilled workers is becoming a growing issue for the province, investors need to consider evidence of Alberta's commitment to industry diversification, particularly at the local level.

Alberta's Population Insights

Alberta's year-over-year population growth slowed to its lowest level since 1987. The impact of the pandemic and net outflows of interprovincial migrants have dampened Alberta's population growth. Estimates by Statistics Canada indicate that Alberta added 4,100 residents in the third quarter of 2021 to bring the province's population to about 4,443,000.

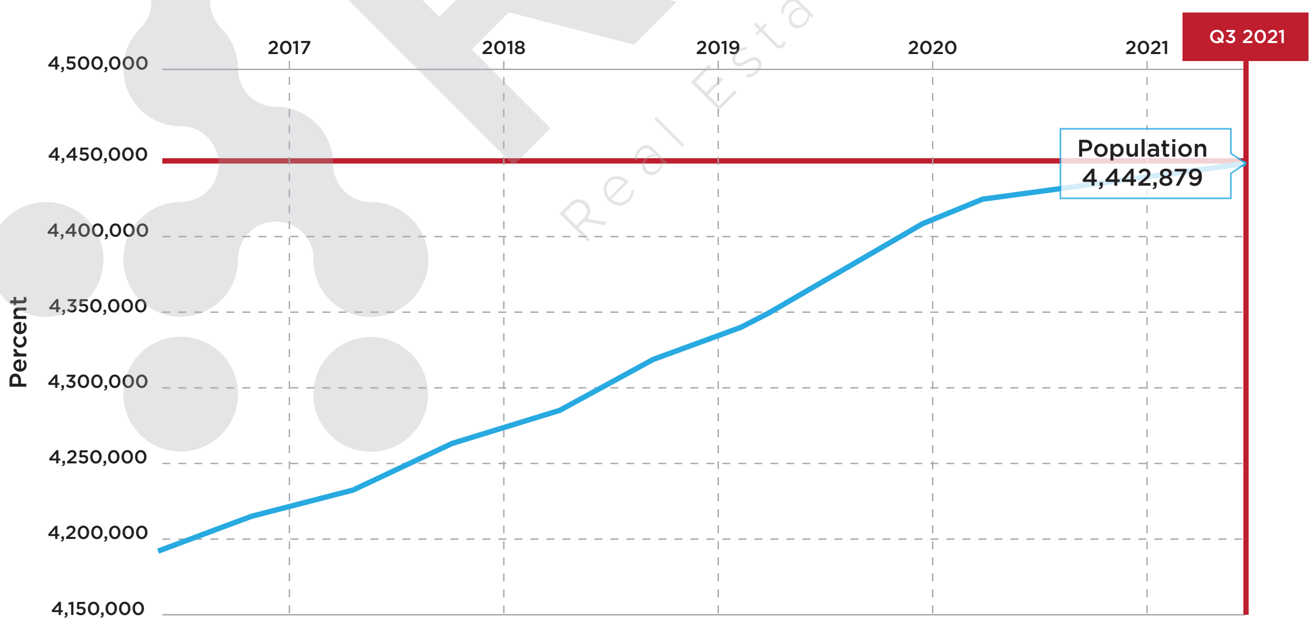


Figure 8. Alberta's Population (2016-2021)

That suggests a growth rate of 0.09 percent in the third quarter of 2021. However, natural increases contributed little to the overall growth. There were signs of improved international migration, another indication of the province's recovery from COVID-19. However, the gains in international migration were offset by the net outflow of interprovincial migrants, even though the move from Alberta to other jurisdictions had slowed. At the end of the second quarter of 2021 Alberta saw a loss of about 1,100 residents.

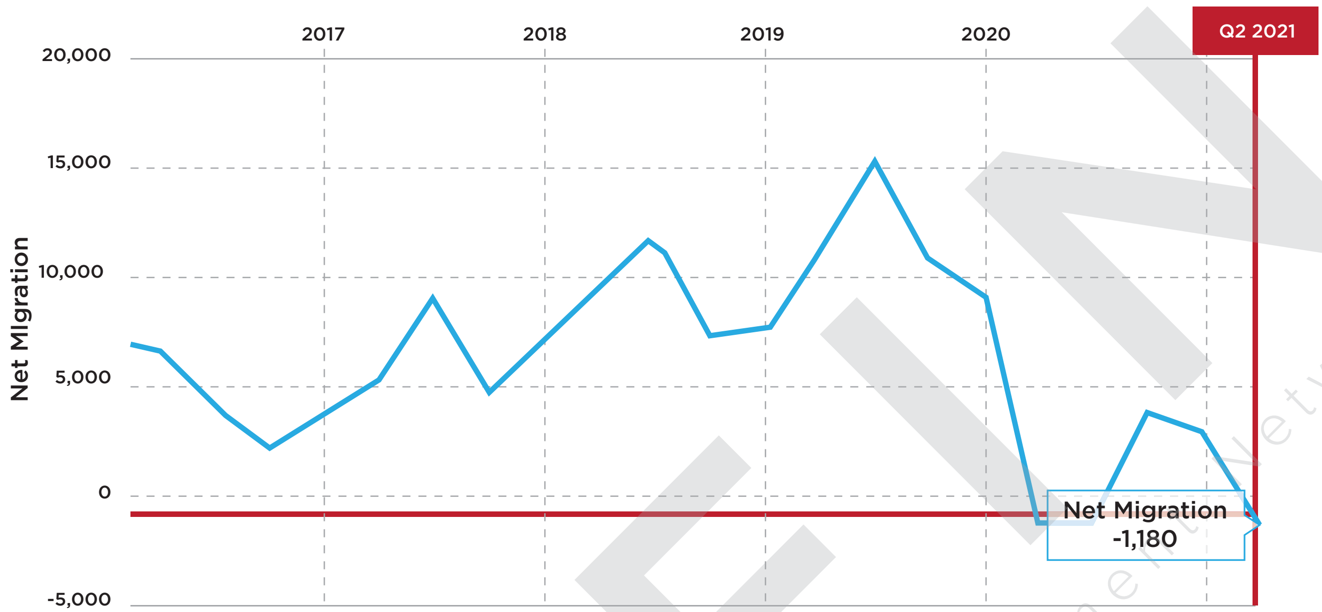


Figure 9. Alberta's Net Migration Q2 2021

There has been an elevated number of deaths as well as lower birth rates and these factors have weighed on the growth of the population. Historically, Alberta's young population have added to positive growth as this demographic is in its prime childbearing years. Yet, the Millennial cohort is having fewer children and having them later in life. It is expected that borders will begin opening and support higher levels of immigration relative to the beginning of the pandemic.

Conclusion

The data for the long-term economic outlook remains promising given the opportunities for the province to diversify its economy. Investors who have a seven to ten-year timeline (or beyond) and can resolutely maintain a commitment to the long-game should benefit from the upside for Alberta real estate. When compared to markets in other provinces the room for growth in house prices in Alberta appears plentiful, even at a relative price comparison level. Like other markets across the country the lack of inventory, particularly in single family detached homes, will result in growing upward pressure on prices. Yet builders who are at the mercy of the labour market and supply challenges will pass on increased costs to the consumer. These challenges could be exacerbated as immigration opens again if new arrivals choose the affordability of Alberta. Economically, Alberta is lagging behind Ontario and BC, yet average weekly income levels are higher than any province in the country. In the balance, Albertan cities and towns have potential as an investment vehicle.

Calgary and Edmonton are Alberta's two primary cities; however, Lethbridge, Red Deer, and Medicine Hat are centers that are following the trend of attracting families who seek greater affordability. These smaller communities offer a slower, quieter lifestyle alongside larger homes. When it comes to economic trends, Calgary and Edmonton continue to show similar trajectories, with Calgary typically leading the charge and Edmonton following months later. Investors who have an eye to the future can benefit from the potential upside for Albertan real estate.

The Calgary Market

In June 2021 Calgary announced the launch of phase one of the green line light rail transit (LRT) project which is anticipated to directly and indirectly generate 20 thousand jobs. Additionally, the final section of the city's ring road is under construction. These major infrastructure projects will drive job growth, fuel consumer confidence, and create population growth, ultimately putting positive pressure onto the real estate market. Please see REIN's transportation report for the detailed infrastructure plans in Calgary and the significance of purchasing rental properties near LRT stations.

Calgary's Employment Insights

Calgary's unemployment rate is the second highest in the 34 metropolitan cities of Canada. The unemployment dropped to 8.9 percent in September 2021. While still high, this an improvement when compared to 9.6 percent unemployment the month prior. However, increases in both employment and labour force participation are positive signs of growth after relatively flat periods during the past several months when COVID-19 restrictions were more plentiful. The sectors with the strongest job gains were in transportation and warehousing, followed by finance, insurance, real estate and leasing.

Median household income was $105,060 in 2019, up 2.43 percent year-over-year. Also trending upward are the average weekly earnings at $1,228.43 in May 2021, which is at the same level as Edmonton and the highest in the country.

Calgary's GDP

The forecasted GDP for 2021 is a 5.8 percent growth after a decline of 5.7 percent in 2020.

Real GDP Growth	Vancouver	Edmonton	Calgary	Saskatoon	Toronto	Ottawa	Montreal	Canada
2020	-4.0%	-6.6%	-5.7%	-3.4%	-4.7%	-4.2%	-4.5%	-5.3%
2021	4.9%	6.4%	5.8%	4.9%	3.6%	3.5%	5.0%	6.2%

Table 3. Calgary Economic Development

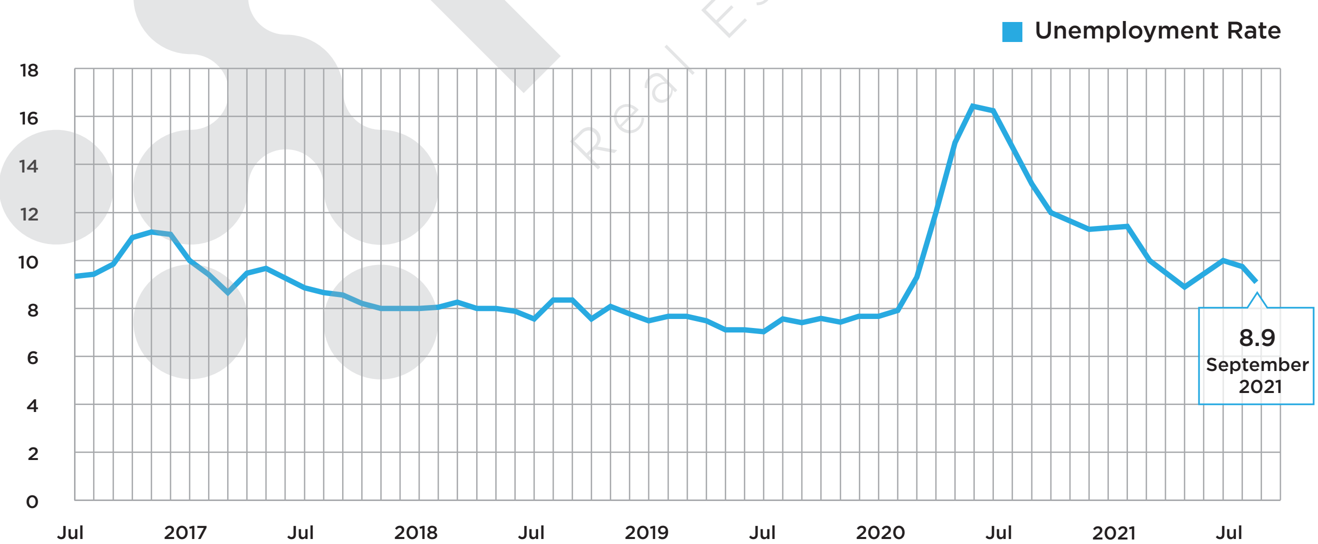


Figure 10. Statistics Canada

Calgary's Population Insights

Calgary is the largest city in Alberta, the third largest city in Canada, and the 20th largest city in North America. However, the Calgary Census Metropolitan Area (CMA) is only the fourth largest in Canada behind Vancouver, Toronto, and Montreal. The 2021 metro area population of Calgary is 1,581,000, which is a 2.20 percent increase from 2020. While the pandemic restricted international migration into Calgary, thus reducing the yearly growth by 0.25 percent, 2020 was still in line with Calgary's trend of averaging about 2.5 percent population growth per year since 2017. By 2041 the population of the Calgary CMA is projected to grow to 2.4 million. There are two other cities in the Calgary CMA: Airdrie with a population exceeding 61,000; and, Chestermere with a population of 43,000. Airdrie and Chestermere have a history of being two of the fastest growing cities in Canada and are only a short drive to the Calgary city limits. Much of the anticipated population growth is likely to occur just outside the city boundaries in suburban commuter towns like Airdrie and Chestermere.

Other CMAs in Canada

CMA	Population
Toronto	6,255,000
Montreal	4,247,000
Vancouver	2,606,00
Calgary	**1,581,000**
Edmonton	1,491,000

Table 4. United Nations
- World Population Prospects

Calgary - Historical Population Data

Year	Population	Growth Rate
2021	1,581,000	2.20%
2020	1,547,000	2.25%
2019	1,513,000	2.44%
2018	1,477,000	2.78%
2017	1,437,000	2.79%

Table 5. United Nations
- World Population Prospects

Calgary's Home Sales Insights

Calgary was no exception to the national trend of a mini real estate boom. Residential sales totalled 2,162 in September 2021, nearing the previous record high set in 2005. While sales activity in the fall tends to be slower than in the spring months, the continued strong sales are being driven by consumers who were unable to complete transactions earlier in the year when supply levels had not yet adjusted to demand. Increased listings likely supported some of the sales growth but in the future supply is forecast to continue to be an issue. We expect the market to continue to favour the seller as the economy expands.

Inventory levels are expected to ease slightly but the current supply is less than three months. However, there is significant variation depending on the property type and the tightest conditions continue to be in the detached market, which has less than two months of inventory. Concurrently, the condominium sector is not facing the same supply challenges and has nearly five months of inventory available. Supply adjustments could help ease the upward pressure on home prices but as the economy gains momentum so does the demand pressure.

September 2021											
	Sales		New listings		Inventory		S / NL	Months of Supply		Benchmark Price	
	Actual	Y/Y%	Actual	Y/Y%	Actual	Y/Y%	Ratio	Actual	Y/Y%	Actual	Y/Y%
Detached	1,268	20%	1,562	6%	2,496	-19%	81%	1.97	-32%	$537,500	10%
Semi	210	37%	296	6%	517	-13%	71%	2.46	-37%	$424,900	8%
Row	318	24%	417	5%	876	-8%	76%	2.75	-26%	$299,600	7%
Apartment	366	51%	632	9%	1,718	5%	58%	4.69	-31%	$253,200	1%
Total Residential	2,162	27%	2,907	6%	5,607	-10%	74%	2.59	-29%	$457,900	9%

Table 6. Calgary Real Estate Board

Prices have eased slightly relative to a few months ago, but they remain well above levels recorded earlier in the year. As of September 2021, the residential benchmark price in Calgary was $457,900, over eight percent higher than the year prior.

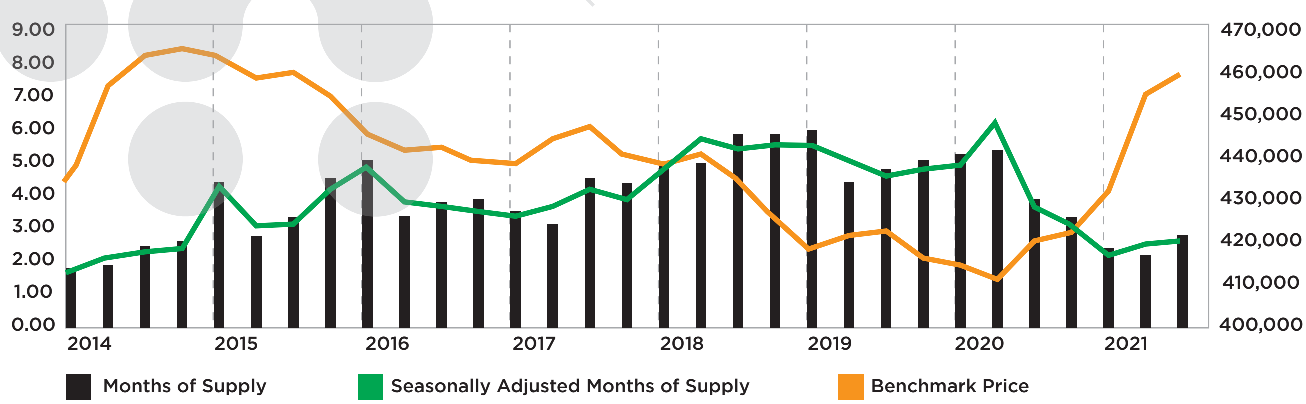
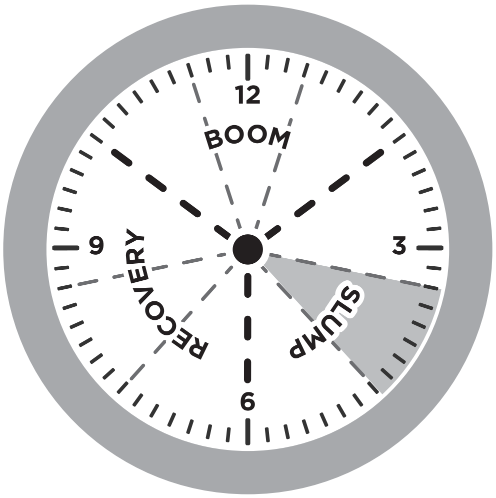
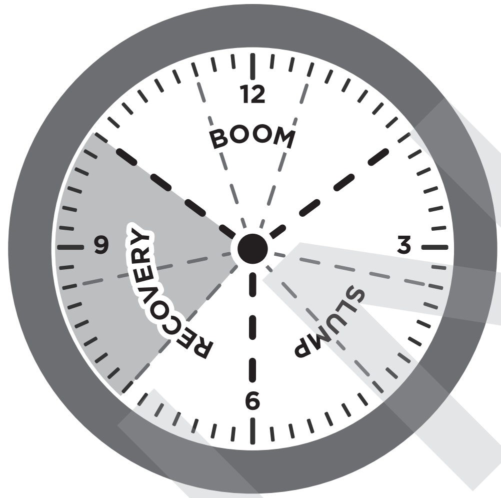


Figure 11. Calgary Real Estate Board 2021 Q3 Calgary & Region Quarterly Update Report

Real Estate Cycle Update for Calgary



MARCH 2021



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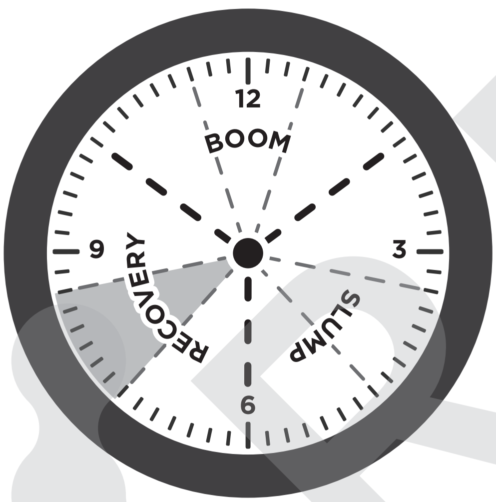


AUGUST 2021

SEPTEMBER 2021

March 2021	July 2021	August 2021	September 2021
Middle-of-slump	Middle-to-end-recovery	Middle-of-recovery	**Middle-of-recovery**

Watch for the market to shift to the next phase of the cycle. Watch for the GDP for Calgary, keeping in mind that increases in oil prices have a direct impact on employment and household income. Interprovincial migration levels continue to shift as COVID-19 super-charged the movement of Canadians to British Columbia and Atlantic Canada. Most of the movement came from exits out of Ontario and Alberta. When migration levels start to trend upward, this, along with shifts in GDP, will lead to the beginning of the boom phase. Rents should increase as immigration levels does, thus boosting demand, and a return to pre-pandemic levels is expected. Real estate listings are currently increasing, but demand and absorption need to keep up in order for the market to shift to the next phase of the cycle.

The Edmonton Market

Edmonton is the capital city of Alberta, located in the North Saskatchewan River at the centre of the Edmonton Metropolitan Region and surrounded by Alberta's central region. Known as the "Gateway to the North," the city is a staging point for large-scale oil sands projects occurring in northern Alberta and large-scale diamond mining operations in the Northwest Territories. The city anchors the north end of what Statistics Canada defines as the "Calgary–Edmonton Corridor."

Edmonton has a number of major infrastructure projects that will drive job growth, fuel consumer confidence, and create population growth, ultimately positively impacting the local real estate market. Like Calgary, Edmonton is focused on infrastructure and transportation. Work on the Northwest Metro line began in the summer of 2020, while the Valley Line Southeast construction activities - which began in spring 2016 - is expected to launch service in 2022. Please see REIN's transportation report for the detailed infrastructure plans in Edmonton and the significance of purchasing rental properties near LRT stations.

Edmonton's GDP

The forecasted GDP for 2021 is higher than Calgary at 6.4 percent growth after a decline of 6.6 percent recorded in 2020.

	Major Canadian Cities Real GDP Growth Comparison							
	Vancouver	Edmonton	Calgary	Saskatoon	Toronto	Ottawa	Montreal	Canada
2020 Real GDP Growth	-4.0%	-6.6%	-5.7%	-3.4%	-4.7%	-4.2%	-4.5%	-5.3%
2021 Real GDP Growth	4.9%	6.4%	5.8%	4.9%	3.6%	3.5%	5.0%	6.2%

Table 7. Calgary Economic Development

Median household income was $87,084 in August 2021. Also trending up were the average weekly earnings at $1,228.43, which are the same as Calgary and the highest in the country.

	Provincial Average Weekly Earnings						
	Canada	Edmonton	Calgary	Saskatoon	Toronto	Ottawa	Montreal
May 2021	$1,134.18	$1,123.26	$1,228.43	$1,228.43	$1,102.34	$1,177.70	$1,071.92

Table 8. Calgary Economic Development

Edmonton's Employment Insights

Seasonally adjusted labour market conditions in the Edmonton CMA continued to see improvements as of September 2021. Labour force participation sat at 70.1 percent in September 2021. Employment has consistently increased on a month-over-month basis since July 2021 surpassing pre-pandemic levels. The Edmonton CMA's labour market recovery was stronger than expected, with growth largely coming from the service sector. Accommodation, food services, information technology, and culture and recreation continued to post improvements on a year-over-year basis compared to 2019. Employment growth throughout the third quarter of 2021 appears to correspond with the easing of public health restrictions. However, Edmonton's unemployment rate was unchanged in September 2021, sitting at 8.2 percent, a reduction from 8.8 percent in July 2021. Like Calgary and the province overall, these unemployment numbers are above the National unemployment rate of 6.9 percent. Looking ahead, the pace of growth could be impacted by any new provincial restrictions that come into effect to manage COVID-19.

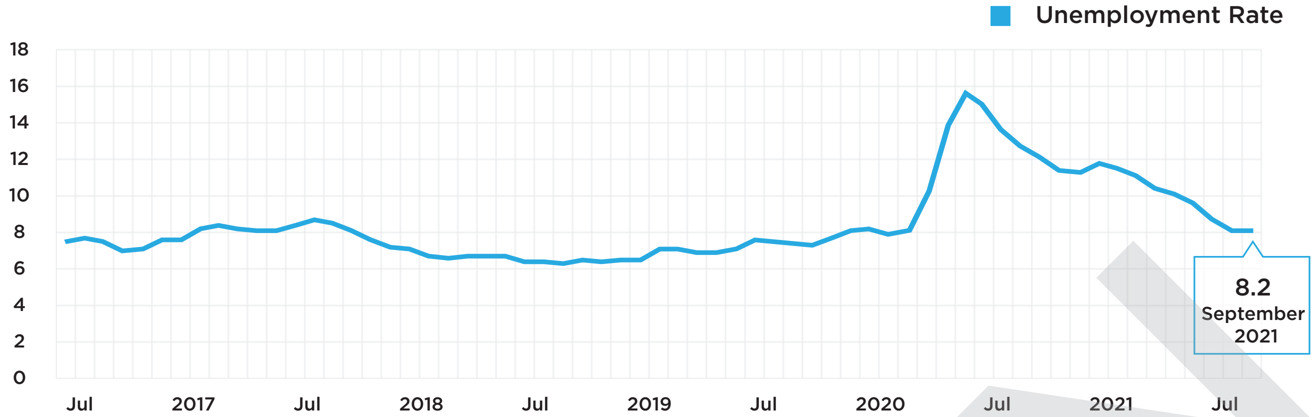


Figure 12. Statistics Canada

Edmonton's Population Insights

At the beginning of 2021 the metro area of Edmonton had a population of 1,491,000 making it Alberta's second largest city and Canada's fifth largest municipality. For additional perspective, in 2016 Edmonton had a metropolitan population of just over 1,321,426, while the 2019 municipal census recorded a population of 972,223. Similar to Calgary, Edmonton has consistently grown an average of two percent per year, although the growth for 2021 was 2.05 percent. Edmonton's historic growth has also been aided by the absorption of five adjacent urban municipalities: Strathcona, North Edmonton, West Edmonton, Beverly, and Jasper Place. Further, a series of annexations began in 1982, including the recent annexing of 8,260 hectares of land from Leduc County and the City of Beaumont in early 2019.

Other CMAs in Canada

CMA	Population
Toronto	6,255,000
Montreal	4,247,000
Vancouver	2,606,00
Calgary	1,581,000
Edmonton	**1,491,000**

Table 9. United Nations
- World Population Prospects

Edmonton - Historical Population Data

Year	Population	Growth Rate
2021	1,491,000	2.05%
2020	1,461,000	2.17%
2019	1,430,000	2.36%
2018	1,397,000	2.65%
2017	1,361,000	2.64%

Table 10. United Nations
- World Population Prospects

Edmonton's Vacancy Rates

In the multi-family arena, vacancy rates were down 1.2 percent to 6.8 percent in the first half of 2021.

Office vacancy is high in Edmonton, second in Canada only to Calgary. Office vacancies in the second quarter of 2021 were 21.4 percent, compared to 15.7 percent for the rest of Canada. In addition, given school lockdowns and restrictions it was unsurprising that vacancy rates were highest in the downtown and University areas. Please see REIN's University Effect report for a detailed explanation regarding the significance of purchasing rental properties near schools, and how international students have fueled growth in this sector. And how, consequentially, the international border shut-downs and schools closures during COVID-19 have significantly impacted certain neighbourhoods and investments.

Edmonton's Housing Supply

Edmonton is experiencing an increase in housing starts. Year-to-date starts totalled 8,148 as of August 2021. Most of this new building is occurring in the Southwest, West Jasper Place, and Millwood's and most of these new starts were single-family homes. The number of starts is up from the same period in 2020, which saw 6,758 new builds begin, primarily in the same three neighbourhoods. As of August 2021, there were 10,955 resident structures under construction. Housing construction currently plays a strong role in the job market.

Completions numbered 7,386 year-to-date for 2021, breaking down as: 2,842 single-family homes; 808 semi-detached homes; 812 townhouses; and 2,924 apartments. 7,621 homes were completed in the same period in 2020.

	Jan-Aug 2021	Jan-Aug 2020	Y/Y % Change
Housing Starts	8,148	6,785	20.09%
Housing Completions	7,386	7,621	-3.08%

Table 11. CMHC Starts and Completions Survey

Year-to-date listings were up 4.9 percent from the same period in 2020, but new residential listings were down month-over-month, falling 1.7 percent from August 2021. Overall inventory in the Edmonton area was down 2.3 percent from September 2020 and decreased 4.1 percent from August 2021.

	Sept 2021	M/M % Change	Y/Y % Change
New Listings	3,075	-1.7%	4.9%
Inventory	7,376	-4.1%	-2.3%

Table 12. Realtors Association of Edmonton

The average price for all inventory types declined marginally, with the exception of detached homes. And the detached market only saw a nominal increase compared to most markets in the rest of the country. The average price was $377,554 in September, up slightly (0.3 percent) from September 2020 and down 1.9 percent from August 2021. Detached homes averaged $453,011, which is up 2.95 percent year-over-year but down 1.9 percent from August 2021. Townhouses averaged $337,000, which is down 0.9 percent from September 2020 and down 5.1 percent from August 2021. Finally, the average condo cost $224,212, which is a 3.5 percent decrease year-over-year, and a 1.5 percent decrease when compared to August 2021.

Home Type	Average Price	Y/Y % Change
Detached	$453,011	2.8%
Townhouse	$337,000	-0.9%
Condominium	$224,212	-3.5%
All residential	$377,554	0.3%

Table 13. Realtors Association of Edmonton

The Greater Edmonton Area Aggregate Benchmark MLS price has been trending down since June 2021 after reaching a peak in January 2021. In September 2021, the benchmark price was $345,200, an increase of 5.0 percent from the previous year. However, detached homes averaged $414,800, up 5.9 percent year-over-year.

MLS® HPI Benchmark Price* (for all-residential sales in GEA)	September 2021	M/M % Change	Y/Y % Change
SFD benchmark price	$414,800	-0.8%	5.9%
Apartment benchmark price	$181,800	-1.1%	-1.1%
Townhouse benchmark price	$212,800	1.7%	1.8%
Composite benchmark price	$345,200	-0.6%	5%

Table 14. Realtors Association of Edmonton

Affordability

The Home Price Index (HPI) measures the change in average price from a baseline measurement of 100 which is set to January 2005. The HPI was recently 195.4, up 10 points from six months prior but only slightly up from five years ago.

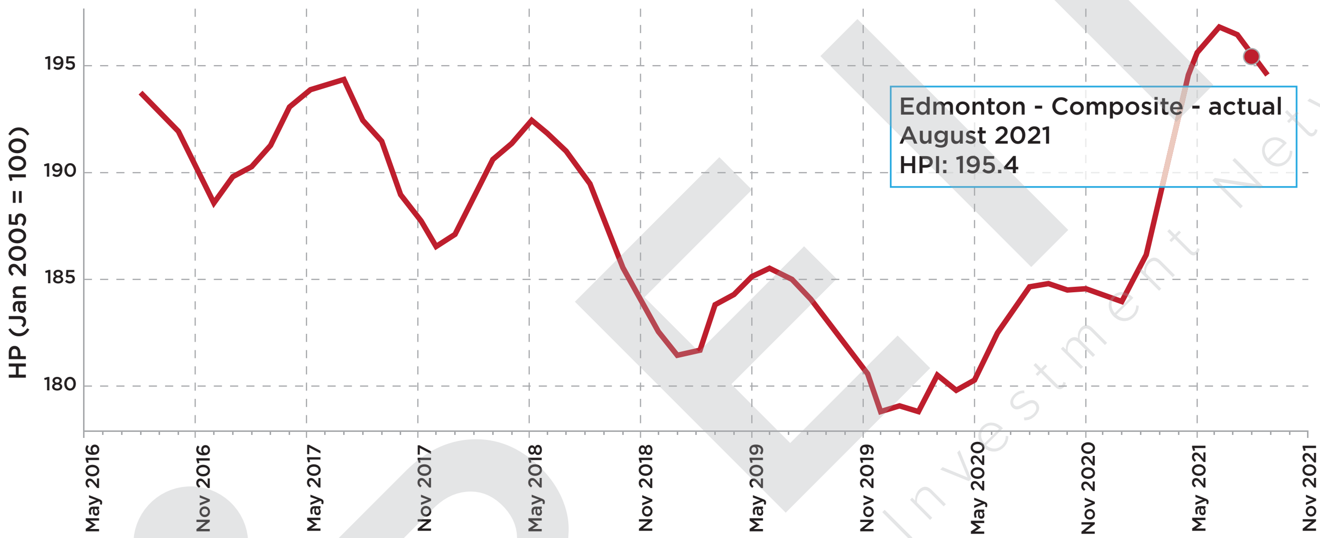


Figure 13. MLS® HPI Tool

Real estate affordability has shifted nominally since the cycle update one year ago. The Royal Bank of Canada's aggregate measure was 27.4 percent, a small increase from a year ago when it was 27.1 percent, but comfortably below the cities long-term average of 32.7 percent.

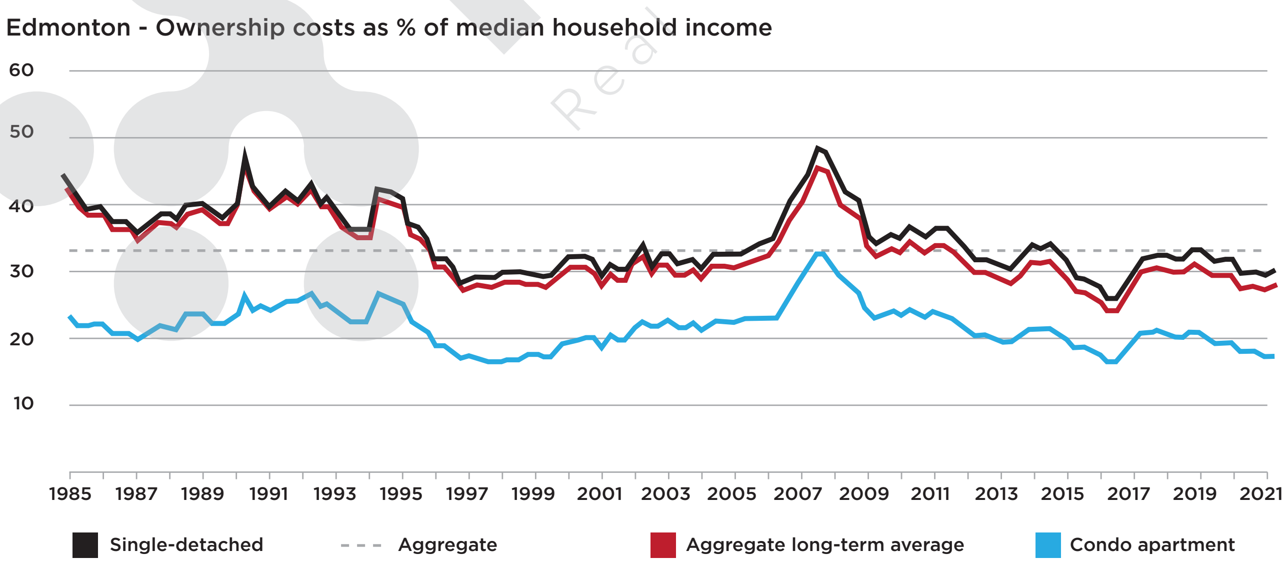
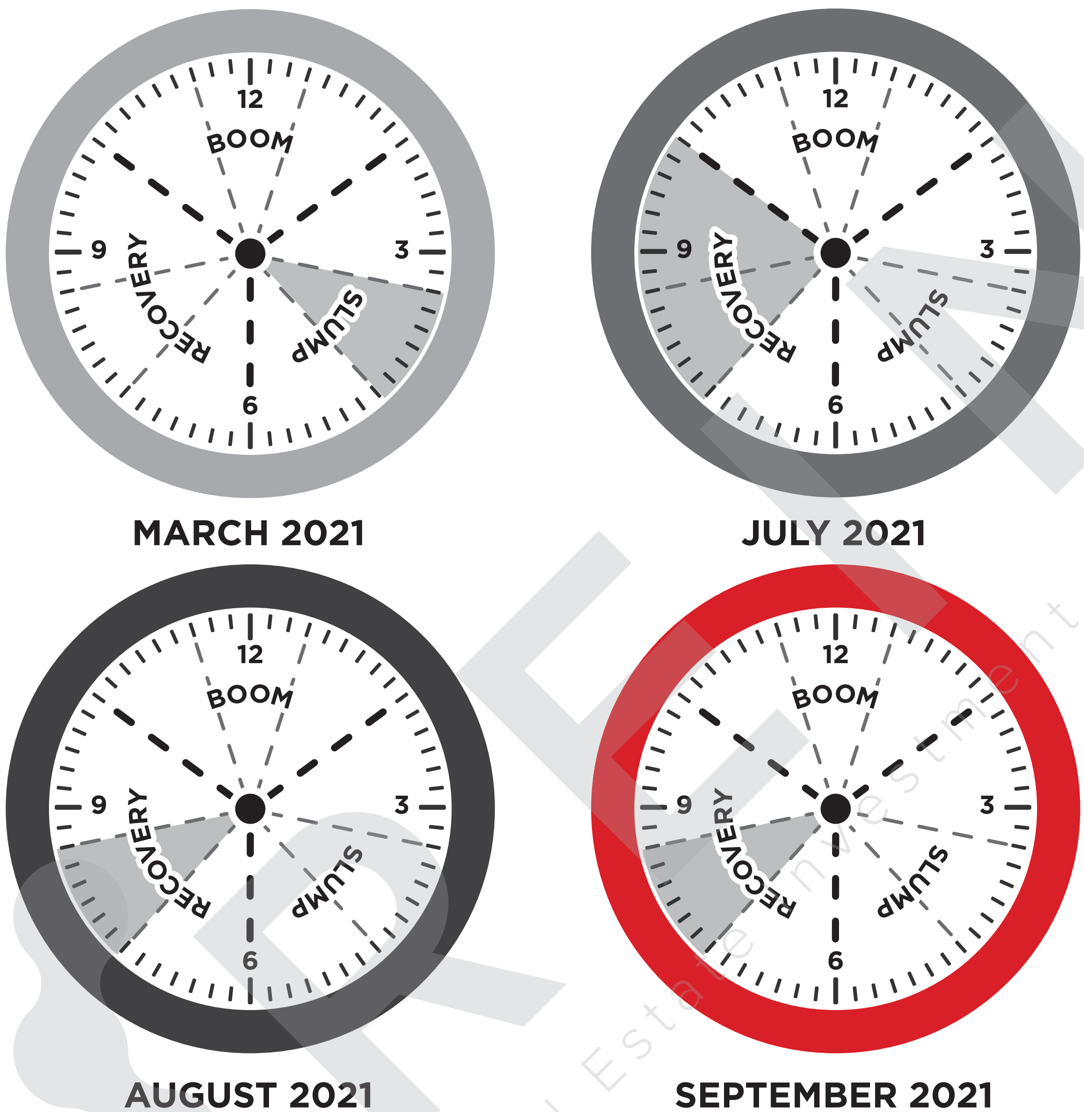


Figure 14. RPS, Statistics Canada, Bank of Canada, Royal LePage, RBC Economics

Real Estate Cycle Update for Edmonton



March 2021	July 2021	August 2021	September 2021
Middle-of-slump	Middle-to-end-recovery	Middle-of-recovery	**Middle-of-recovery**

Watch for the market to shift to the next phase of the cycle. Watch the GDP for Calgary and Edmonton, keeping in mind that increases in oil prices have a direct impact on employment and household income. Interprovincial migration levels continue to shift as COVID-19 super-charged the movement of Canadians to British Columbia and Atlantic Canada. Most of the movement came from exits out of Ontario and Alberta. When migration levels start to trend upward, this, along with shifts in GDP, will lead to the beginning of the boom. Rents should increase as immigration does, thus boosting demand, and a return to pre-pandemic levels is expected. Real estate listings are currently increasing, but demand and absorption need to keep up in order for the market to shift to the next phase of the cycle.

Conclusion

From a tactics perspective buy and hold single family detached units with a basement or secondary suite remain foundational in the Alberta Market. To maintain a competitive advantage and attract quality tenants, investors must consider investing in updated and well-maintained properties. Great curb appeal and a green space/area are factors that will set properties apart. Rising property values and a more stringent mortgage qualification process is creating opportunities for investors who understand and are interested in Rent-to-Own (RTO) strategies. Fix and flip/BRRR opportunities exist in most Alberta markets depending on exit strategies. For example; Renovate to rent or renovate to sell to an end user.

Upgraded Townhouse units in the right location are back in demand have good opportunity for cash flow if bought at the right price. As Alberta's Recovery Plan continues to expand and diversify, it will lead to job creation. Diversification in Alberta includes the growing product distribution centers and the film sector which has now doubled in investment, in addition to that, their tech sector continues to grow rapidly. As the fickle labour market is a growing issue and reality for the province, investors need to consider Alberta's ability to diversify. Looking ahead from today, data is trending in the right direction and Alberta appears to have a very promising economic future.

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