



Even though the price of oil is crashing and the provincial government is raising taxes and introducing user fees, developers like condo king Brad Lamb are still pouring money into new high-rise projects in Edmonton. For them, the party's not over yet; in fact ...

IT'S ON LIKE DONKEY KONG

by Steven Sandor
Illustration by Josh Holinaty



The party was rocking, but the guest of honour wasn't there.

Developer, salesman and former reality TV star Brad J. Lamb was throwing an early-November party to launch the sales drive for his first-ever condo venture in Edmonton. The lobby of the Art Gallery of Alberta was filled with real-estate salespeople, developers and city councillors, as well as a roster of young, hip influencers — from local Twitter stars to a who's who of the Make Something Edmonton crowd. Waiters brought around canapés while whiskey flowed freely from the bar.

The party was a sign that Lamb, the millionaire who has been crowned the Canadian king of condos, was diving into Edmonton at the deep end.

The guests waited and mingled. They mingled and waited. Finally, Lamb — who was easy to spot, being bald and over six feet tall — made an appearance in the back of the room. He took some time to chat with Mayor Don Iveson. Finally, he took the stage and trumped a new condo concept meant to capture the imaginations of hip young Edmontonians who wanted a downtown lifestyle.

It was designed to be a shock-and-awe moment. While Lamb was already giving his new Jasper House concept the hard sell, he hadn't yet secured the zoning — or sold enough units — needed to go ahead and start building the 37-storey project on 106th Street, north of Jasper Avenue. In the condo business, you need to sell people on your vision; when you have enough sales commitments, the bank will release the money so you can start construction.

Lamb's blitz came just weeks before oil prices started to tank. And though his big party happened just half a year ago, it already feels like years have gone by since oil slipped under US\$50 a barrel. When Lamb was here, we were optimistic; since then, we've heard about natural-resource rollbacks and higher taxes.

Yet, the doom and gloom has done little to slow the demand for housing. Edmonton is still dealing with the after-effects of the last oil boom — most notably, finding a way to house a population that has surged over the last decade.

City of Edmonton chief economist John Rose says that, at the end of 2014, Edmonton's rental vacancy rate was as low as 1.7 per cent. To put that in perspective, what's considered "normal" is a rate of four to five per cent. The rental vacancy rate is a prime indicator of how hot the housing market will be.

"We're not going to see a rapid decrease in housing prices," says Rose. "That's because we have such a pent-up demand for housing, because of the very significant infusion of people coming to Edmonton over the last couple of years, and rising incomes in Edmonton."

In fact, to deal with the no-vacancy crush, Rose thinks the market for high-density projects — condos and townhouses — will remain strong.

"In some areas of the city, the vacancy rate is effectively zero," he says. "So, for some people who want to live close to their workplace

or close to the LRT, they don't have the choice to do so."

Robert McLeod, a member of *Avenue's* Top 40 Under 40 class of 2011 and principal behind McLeod Project Marketing, says that a 1.7 per cent rate is "effectively zero," as that small number of "vacancies" will be taken up by units that are being repainted or renovated.

(Disclosure: While the editorial staff at *Avenue* has no business relationship with McLeod, our publisher is involved in a business partnership with his company.)

This Valley is Different

In the past, Alberta's boom-and-bust economy has only made the housing crunches even worse. McLeod says that, historically, when we're in the valley of the natural resource price roller-coaster, builders delay or cancel planned projects, waiting for economic indicators to improve.

"It's a herd mentality," McLeod says. "So what happens is that we have a real lack of inventory, and then the province jacks up again."

But, when we're in the valley, that's when we should be playing catch-up in terms of our housing inventory. As one developer put it: This is when labour costs fall, and it becomes more economical to take on large projects.

This downturn looks to be different, though. The oil-price dive came at a very unique time in Edmonton's history. A new arena is being built downtown, as is a new provincial museum. New hotels have been promised. Stantec and the Katz Group have committed to a 62-storey office building. And, outside of Lamb, a slew of developers are in the process of selling or building ambitious condo projects. The 35-storey Pearl Tower on Jasper Avenue is almost complete. The Symphony Tower, near the Legislature grounds, advertises that it is over 55 per cent sold. The 33-storey Fox II is under construction. Just west of downtown, Vibe Condos promises the kind of open-plan, modern concepts to attract the young professionals that Lamb also covets.

Rose says that, while the city doesn't keep statistics on who is building and buying the condos, there is no doubt that Edmonton is seeing an increase in the number of out-of-town developers targeting the city.

He adds he was taken aback by a Canada Mortgage and Housing Corporation study of Edmonton's condo market, which found that

30 per cent of the units were being rented out. "I would expect to see that 30 per cent number in Vancouver or Toronto, but not Edmonton."

According to a report from the Realtors Association of Edmonton, condo prices in the city rose by 4.5 per cent from 2013 to 2014.

Reza Mostashari is the president of Langham Developments, which built the Fox I tower and will soon complete the Fox II project, near its two Icon towers on 104th Street. He agrees that the demand for downtown living spaces will mitigate the impact of a slowing natural-resource economy.

"We have created a bit of a microclimate here in downtown Edmonton, because of the arena. And the trend continues to be that more and more Edmontonians want to urbanize their lifestyles. I don't think that desire to come downtown will evaporate."

"I think, if you build a good, quality product, there is always going to be a demand for it."

While Mostashari won't reveal where he'll build next, he says he isn't done building downtown. He has faith the market will stay strong, and he thinks that having more developers will only create more housing options and improve the core for everyone.

"I worry about what I do; I don't lose any sleep over what other developers will do. I wish them luck."

Kicking the Tires

Lamb hopes that the Jasper House project will break ground in late 2015 or early 2016. He has also purchased land just up the street, earmarked for a second condo project simply named North.

He first began looking at Edmonton in 2010, but he says the timing wasn't quite right. But Lamb, who had previously concentrated his projects in Toronto and Ottawa, did decide to invest in Calgary. (Lamb claims over \$1 billion worth of condo development in Toronto.) When the plan to build Edmonton's new downtown arena finally got the green light from city council, Lamb's enthusiasm for the city turned into a fever.

"I liked what I saw here. I liked the unemployment rate, I liked the disposable income, I liked the fact that the per capita income is highest here and that the hotel rates are the highest in Edmonton and in Calgary. So we started in Calgary mainly because it was on the radar for people coming from the east. We did a project [the 31-storey 6th and Tenth condo], it was successful, and we bought some more land for two more projects. Then, we decided to open up a fourth city to mitigate risk. So, if you screw up in one city, it can't take you down."

"I came in and I looked at Edmonton, and I was amazed. All the economic factors were here. And the whole hockey arena was a real catalyst for me to come here. And what won me over was that this is a far cooler city than anyone knows outside of Edmonton. It punches above its weight in coolness. I don't think the rest of Canada gives Edmonton its due. I am one of those people; before I came here, I didn't realize that. It's a bigger and more vibrant city than I expected, and I was pleasantly surprised."

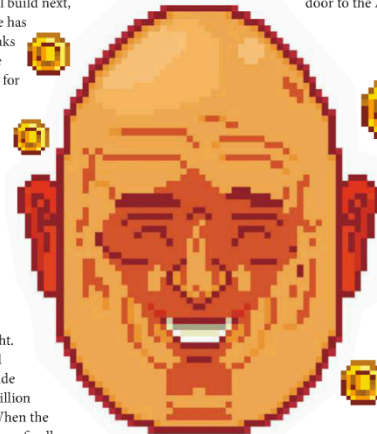
But, as the economy tightens, so do the margins for developers. That's

because banks will be more hesitant to lend money. And that even affects Lamb, whose appearances on reality TV in Canada have made him arguably the most recognized real-estate player in the country.

"This is a massively risky business. [The whole real estate business is] taking a flier, spending millions of dollars on marketing. And you have to sell. In Alberta, it depends on the environment. Generally, you are going to need to sell 60 to 70 per cent of your building [before a bank lends the money for the project's construction]. It used to be 50 [per cent] in this province before banks would lend money. Now it's 60 to 70 because they've gotten tighter in their criteria. There are 240 units [in Jasper House], so I've got to sell 160, 165."

"But I wouldn't want to sell them all in a month because that tells me I've sold them too cheap."

At the Jasper House sales centre on 106th Street, next door to the Alberta Craft Council, condos are advertised



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—Brad Lamb

starting at \$239,000 and then climbing to over \$1 million.

McLeod says that, while there are some artist's renderings of Jasper House and a sales office, there are no shovels in the ground. And, until the project actually has a land-mover or a crane on site, it's not real.

"A project that's worth talking about is the one that's being built."

Mostashari goes even further: He says the buyer needs to have the keys in his or her hands.

After all, many of us drive by the Glenora Skyline project at the corner of 142nd Street and Stony Plain Road. Excavation on developer Alex Davidoff's project began in May 2012. A concrete skeleton was up by September 2013, the date of the last construction update from the developer. No updates on the Skyline have been posted on the company's Facebook page since November 2013.

In fact, McLeod says that Oliver's 29-storey The Hendrix tower and the 25-storey Buena Vista Apartments, slated to replace the old Glenora Hotel at 124th Street and 102nd Avenue, will have more influence on the Edmonton high-density housing market than Lamb's project will. Both the Hendrix and Buena Vista are being built by Vancouver's Edgar Development Corp.



“That will be a challenge for some of the local developers, to build better projects.”

—Robert McLeod

McLeod says that people need to be educated between the difference between plans and artists’ renderings of new projects versus developments already underway.

“There aren’t a lot of projects actually under construction,” McLeod says. “In Edmonton, there is a lot of wealth, and developers often finance their projects simply by signing a cheque. That’s different than Calgary, where there are more partnerships and financing. But it is changing. We’ve just sold some land to a Chinese developer, and the Hendrix tower is a major project.”

Why are Edmonton’s developers so conservative? In Vancouver and Toronto, you can get \$1,000 more per square foot than you can get in Edmonton. But, in Edmonton, construction costs are 15 per cent higher than in Vancouver because of our still-overheated labour market.

The Evolution of the Edmonton Market

Lamb’s shock-and-awe style of development has definitely added more air to the condo market. But Kendal Harazny, the principal at Wexford Developments, says that Edmonton isn’t being changed by Lamb or any other out-of-town developer. Instead, these new players are reacting to changes that were already taking place.

“I think Edmonton has been evolving and transforming for the last 10 years,” says Harazny, whose company will build a six-storey project on what had been quarantined gas station land on Whyte Avenue. “But a lot of attention has been placed on what’s happening in a three-block radius. Edmonton has been a great city for development for a while.”

Harazny went to the University of Alberta, but Wexford is based in Calgary. Harazny says that, after making plans for eight residential towers in the shadow of the Stampede — plus a 150-acre commercial site in Sherwood Park — his company is already looking north. Why? He says his hometown currently offers more bang for the buck. The Edmonton

real estate market isn’t as saturated as Calgary’s, and Harazny predicts his company will be part of a stream of developers who will take their trucks north up the QEII to better take advantage of the market in the capital.

And that’s where Wexford and Lamb have something in common — they’ve built themselves up in other cities, but now see Edmonton as the place to be. And they aren’t the only ones.

“We are based in Alberta, and our capital is here,” Harazny says. “But we know that a lot of outside investors are involved in a lot of the deals going on that we aren’t involved in. I think that’s because Edmonton is now viewed as a major Canadian city, and that might not have been true five years ago.”

And what will those developments do to the city? Lamb predicts a downtown with increased buzz and increased traffic. He expects housing prices will rise.

“You have more money than us in the east, and your economy is better,” Lamb says. “So it’s a no-brainer that your economy is going to soar. The cities will get bigger, they’re going to get more expensive, they’re going to get better. That means they’re going to get denser.”

But, how fast will it change?

McLeod thinks that Lamb took a massive risk with the blitz last fall, kicking off a project with the party at the AGA and a media blitz. He believes that approach works in Toronto or Vancouver, where there are long lineups of people waiting to drop more than \$1,400 per square foot for new luxury digs. But he says the Edmonton buyer is different — the buyer will take weeks to settle on whether or not to buy a condo. Customers shop around.

“He made a big splash last fall, but how much do you hear about Jasper House now?” McLeod asks. “Not much. In Edmonton, you need to market slow and steady.”

Mostashari agrees; in all of the projects he’s directed, the flow of potential buyers has been “steady.”