



INSIGHTS FROM
INDUSTRY
LEADERS DURING
THE CONTENT
FORMATION OF THE
EDMONTON REAL
ESTATE FORUM

## EDMONTON THRIVES AMID ECONOMIC PRESSURE

Strong market fundamentals suggest that now is good time to invest is Edmonton.

## EDMONTON IS OPEN FOR

Edmonton's ICE District, the Valley Line LRT and Inter Pipeline have been identified as 'key economic drivers'.

**BUSINESS** 

## INDUSTRIAL SECTOR GETTING BOOSTS FROM DISTRIBUTION & CANNABIS

Falling vacancy rates and positive absorption point to a rebounding asset class.

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\$5 B is being invested in the downtown core over 5 years and development is following.



## IMMINENT CANNABIS LEGALIZATION SETTING CRE ABLAZE

In advance of the July 1st implementation, there has been a flurry of commercial real estate activity around the production and selling of marijuana.

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## REDEVELOPMENT IS CREATING NEW OPPORTUNITIES

New development opportunities are plentiful in Edmonton, from office buildings to the City Centre Airport Lands. 9

## RETAIL SECTOR BUOYED BY GROWING GDP & EMPLOYMENT

With new retail destinations (Brewery District, the ICE District and Premium Outlet Collection), retail development is taking place on a large scale.



#### EDMONTON EMBRACING TOD

There has been a learning curve for both developers and city officials, but TOD projects are now occurring spurred on by the new LRT line. For further details on these top trends please visit the Real Estate Forums Portal at realestateforums com

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2018 Edmonton Real Estate Forum

#### 1. EDMONTON THRIVES AMID ECONOMIC PRESSURE

Strong market fundamentals suggest that now is good time to invest is Edmonton.

The recovery of Edmonton's economy outpaced most pre-2017 projections with 4.1% GDP growth over the year according to RBC Economics. The forecasted growth for 2018 is 2.2%.

Unemployment in Alberta fell over 150 bps over the course of 2017 to 6.9%, the lowest level since 2015.

There was a high volume of deal activity in 2017, which is anticipated to spill over into 2018.

According to the CBRE's 2018 Canadian Real Estate Market Outlook report released late April 2018, investment in Edmonton's commercial real estate is expected to rise 6.5% in 2018 with investments totaling more than \$2.5 B, up from \$2.3 B in investments in 2017 and \$2.4 B in 2016.

#### 2. EDMONTON IS OPEN FOR BUSINESS

Edmonton's ICE District, the Valley Line LRT and Inter Pipeline have been identified as 'key economic drivers' that will ensure the prolonged economic growth of the Edmonton CMA.

Inter Pipeline Ltd. finalized its new \$3.5 B propane dehydrogenation and polypropylene complex in Strathcona County. It is expected to generate 13,000 direct and indirect jobs, along with 180 full-time positions when operations begin in 2021.

In March, the province announced that it would give an additional \$1 B over the next 4 years to the second round of the petrochemicals diversification program and a new feedstock infrastructure program. Inter Pipeline was one of the recipients of the first round of the petrochemicals program funding.

Edmonton's City Council has just approved the next phase of the Valley Line LRT.

The Valley Line West just received council approval in March and will run from Lewis Farms to 102 Street. The province confirmed that it would be providing \$1.5 B in new money over the next 10 years for this

A number of economic development initiatives have been announced for Edmonton:

- Mayor Don Iverson has established an Innovation Corridor along the University of Alberta and NAIT to unite business, research and government partners across Edmonton.
- Edmonton Global brings together all 15 municipalities and hopes to be operating by July 1, 2018. The goal is to create a regional economic strategy and entity.
- The Industrial Action Plan established in 2016, seeks to increase investment competitiveness, create new markets and diversify the region's economy.

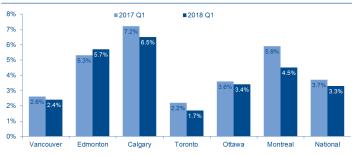
Along with these economic development initiatives, Edmonton has an educated workforce, a lower cost of living and a thriving downtown that gives it an advantage over some other Canadian CMAs.

#### 3. INDUSTRIAL SECTOR GETTING BOOSTS FROM DISTRIBUTION & CANNABIS INDUSTRIES

Falling vacancy rates and positive absorption point to a rebounding asset class.

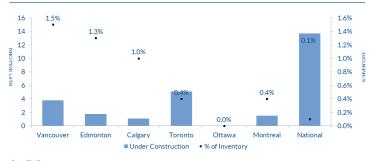
#### Industrial Vacancy Rates Remain Low Across Canada





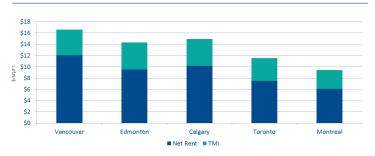
### Industrial Under Construction, as % of Inventory Remains Low (Q1 2018)





## Industrial Rental Rates Continue to Creep Up (Q1 2018)





Source: Altus Group

## HIGHLIGHT DETAILS

REAL INSIGHTS



2018 Edmonton Real Estate Forum

In Greater Edmonton, vacancy rates have increased slightly to 5.7% in Q1 2018, according to a report by Altus Group. Net rental rates are hovering around \$10.25.

Over 1.5M SF is under construction, a substantial increase from the previous year.

Most of the supply is centred around Leduc / Nisku with the following industrial developments estimated to be complete in 2018:

- · Aurora Cannabis 800,000 SF production facility
- · Ford Motor Company's 400,000 SF parts distribution centre
- · QEMT I 73,320 SF multi-tenant building
- · QEMT III 100,000 SF multi-tenant building

In Q4, the cannabis industry alone absorbed over 200,000 SF of industrial space in two significant transactions and is expected to have a continued impact on the industrial market.

There has also been a noticeably high demand for the smaller owner / user buildings.

#### 4. IMMINENT CANNABIS LEGALIZATION SETTING CRE ABLAZE

In advance of the July 1st implementation, there has been a flurry of commercial real estate activity around the production and selling of marijuana.

#### **Cannabis Facilities in Canada**



	Existing	Underway
British Columbia	2.5	4,000.0
Alberta	55.2	900.0
Saskatchewan	15.0	75.0
Ontario	1,125.4	1,928.0
Quebec	50.0	748.0
New Brunswick	133.0	504.0
	1,381.1	8,155.0

 $\mathsf{Sq.Ft.} \ \mathsf{in} \ \mathsf{000's} \ | \ \mathsf{Includes:} \ \mathsf{green} \ \mathsf{houses, grow} \ \mathsf{rooms, related} \ \mathsf{vegetation, nutrient} \ \mathsf{delivery} \ \mathsf{and} \ \mathsf{post} \ \mathsf{production} \ \mathsf{infrastructure.} \ \mathsf{post} \$ 

Brokers swamped with calls requested retail space for cannabis shops.

City planners also inundated with calls regarding the zoning and permit required to operate cannabis related industries.

A large and immediate impact will be felt in the industrial sector:

- Aurora will open the largest production facility in western Canada by the airport this year.
- Canopy Growth is retrofitting a 160,000 SF facility in the Morris Industrial Park
- Freedom Cannabis is converting a 125,000 SF facility in Acheson.
- RavenQuest BioMed is renovating a 35,500 SF structure in the Northwest Industrial Area.
- Pebble Grass is renovating a 25,000 SF building in South Edmonton.

Aurora Cannabis signed a \$103.5M deal to buy a minority stake in Liquor Stores N.A. Ltd, which plans to launch a brand of cannabis stores.

In April, Second Cup announced that it has signed an agreement with marijuana clinic operator National Access Cannabis to develop and operate a network of recreational pot stores.

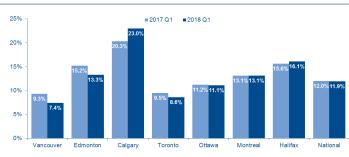
After cannabis was legalized in Colorado, it was reported that the cannabis industry made up of 3% of the total industrial market in Denver. If Edmonton follows in the same pattern, there will be more demand to come.

#### 5. DOWNTOWN EDMONTON IN THE THROWS OF A MAJOR TRANSFORMATION

\$5 B is being invested in the downtown core over 5 years and development is following.

#### Office Vacancy Rate in Balance





Numerous development projects underway are breathing new life into downtown Edmonton.

Expected to open this year, the new Royal Alberta Museum will be the largest museum in western Canada with a total of 419,000 SF including over 80,000 SF of exhibition space.

#### Raymond Block

The former Esso station has been remediated and construction has started by Wexford Developments on a six storey rental apartment with two floors of retail and office space.

#### West Block

In-House, a subsidiary of Beaverbrook Developments is developing a 3.5 acres site the corner of Stony Plain Road and 142nd Street. The first phase of residential development in the mixed used project will be completed this year. This spring, they'll start building the \$85 M first phase, a 16-storey tower containing offices and shops on the first two floors, with residents expected to arrive in 2018.

The next phases will include a 24-storey residential tower, townhouses and a 12-storey seniors residence. IT will between 500 and 550 units according to George Cantalini, chief executive of Beaverbrook.

## HIGHLIGHT DETAILS

REAL INSIGHTS



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#### Ice District

A 25+ acre development combining 1.3 M SF of office space, condos, a public plaza, sports, entertainment and 300,000 SF of retail space centering around the new Rogers Centre. Within this district:

Occupancy of the new Stantec Tower is set for October 1, 2018.

Occupancy of Marriott-Legends tower is scheduled for spring 2019.

#### **Brewery District**

A mixed use development JV between Toronto-based First Capital & Sun Life centres around the redevelopment of the historic Molson Tower which is anticipated to be complete mid 2018. The development will include 350,000 SF of commercial space.

#### 6. WITH 6 POST - SECONDARY INSTITUTIONS, EDMONTON IS A HUB OF HIGHER LEARNING

With 117,000 students, Edmonton has the highest rate of post-secondary attainment in Canada.

Enrollment of visa students has doubled over the past 10 years.

Northern Alberta Institute of Technology is one of the largest apprenticeship trainer in Canada offering 34 registered trades programs

The University of Alberta is among the World's Top 100 ranked universities and has one of the top 5% ranked engineering schools in North America.

Expansions of MacEwan University and Norquest College creating an education cluster in the downtown core.

- MacEwan's downtown campus underwent a 5 storey, \$175 M renovation. It includes theatres, a recital hall, recording studios, twostorey dance spaces, fine art and digital design classrooms, and a student art gallery.
- Norquest College's Singhmar Centre for Learning completed a 4 storey, \$192 M expansion. It includes libraries, a daycare, classrooms and meeting spaces.

Both expansions opened September 2017.

Concordia University recently received \$6.55 M from the Federal Government's Post-Secondary Institutions Strategic Investment Fund, which will enhance and modernize research facilities on Canadian campuses and improve the environmental sustainability of these facilities. The university will use this investment to create the new Centre for Science, Research and Innovation.

A new exchange agreement will create connections for Edmonton-based post-secondary students to pursue internships in Ostwestfalen-Lippe, one of Europe's leading technology and commercial zones. The new agreement was signed at the University of Alberta on April 18, 2018.

#### 7. EDMONTON AT THE CENTRE OF LEADING EDGE TECHNOLOGY

Edmonton is the location of leading technology companies such as DeepMind, Active Aurora and Bioware and a number of hubs that assist developing research and technology companies.

DeepMind's first ever international AI research office opened in Edmonton this past year. Working in close collaboration with the University of Alberta, the intent is to support AI programs at the university. The hope is that this collaboration will help grow Edmonton as a technology and research hub, attracting even more world-class AI researchers to the region.

Granify, another Edmonton-based AI start up, uses big data and machine learning that enables online retailers maximize their sales. The company is backed by venture capital firms in Canada and in the US.

Edmonton will host Canada's first smart network for cars. The project is the venture The University of Alberta's Active Aurora initiative. Smart vehicles are being equipped with technology that collects information from inside and outside the vehicle and process data in real time. Vehicles with the technology will be able to inform each other about road conditions, how long a green light will last or when pedestrians are about to cross the road. Sensors have been placed along roads in Edmonton to test this new technology.

BioWare the Edmonton based video game developer continues to grow and is moving its local offices to the EPCOR Tower.

Hubs like TEC Edmonton and the Edmonton Research Park aid technology companies.

TEC Edmonton—a joint venture of the U of A and the Edmonton Economic Development Corporation— has assisted 27 spinoff companies that launched nearly 200 products and services, created 400 jobs and generated \$235 M in revenue during the 2016-17 fiscal year, along with raising \$90 M in financing.

TEC Edmonton's innovation district was launched in early 2017 to give entrepreneurs 24-hour access to working space downtown. It was among recent upgrades that contributed to TEC Edmonton's third-place rank among university-linked business incubators worldwide.

The Edmonton Research Park (ERP) is home to more than 1,500 members and over 55 companies working in diverse fields. Startups and growing companies can access a variety of workspaces. They operate two buildings in the park designed to nurture research initiatives: the Advanced Technology Centre and the Biotechnology Business Development Centre. The ERP makes land available for qualified companies planning to build research facilities within four areas of focus: biotechnology, nanotechnology, clean energy and oil and gas support.



## HIGHLIGHT DETAILS

REAL



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#### 8. REDEVELOPMENT IN EDMONTON IS CREATING NEW OPPORTUNITIES

From repurposing office buildings to the redevelopment of the City Centre Airport Lands, new development opportunities are plentiful in Edmonton.

An estimated 1.8 M SF of new office space will be created with the completion of new office developments like the Edmonton Tower and the Stantec Tower in the ICE District.

A 'flight to quality' means that owners of Class B & C office buildings are considering redeveloping their buildings.

Calgary based developer Strategic Group is redeveloping Harley Court, a 15 storey office building on 111 St NW. The building will be converted into a mix of 177 one and two bedroom unit residential rental building.

The Bank of Montreal building on Rice-Howard Way is vacant after the bank moved into the Enbridge Tower. Last October the new owners, Regency Developments, applied for a demolition permit. A mixed-use development is planned for the site, which will be on the Valley Line LRT.

Two acres on Jasper Avenue will be coming up with the relocation of Edmonton Motors to the west end.

The redevelopment of the 536 acre City Centre Airport Lands into the mixed-use Blatchford community is well underway. Residential construction will commence this year and the first residents of the new community will move in by 2019. The development will contain approximately 1 to 2 M SF of office space and 400,000 SF of retail space and will house up to 30,000 people.

### 9. RETAIL SECTOR BUOYED BY GROWING GDP AND EMPLOYMENT NUMBERS

With new retail destinations such as the Brewery District, the ICE District and the new Premium Outlet Collection, retail development is taking place on a large scale in Edmonton.

According to an April report by the Alberta Treasury Board, retail sales in the province were up 7.5% in 2017 from the year before and up 1.3% in the first two months of the year compared with 2017.

Edmonton's newest mall, Premium Outlet Collection opened on May 2 2018. Located by the Edmonton International Airport, the development will have several locations displaying flight information, boarding pass printing areas and an airport shuttle that runs every half hour. The mall, an Ivanhoe Cambridge – Simon Property Group JV, encompasses 428,000 SF and houses 100 retailers including 6 anchors. The project was 77% leased at the time of opening and is expected to be 95% leased up by the end of the year.

Cameron Development Corporation has a number of retail developments underway. Two of their projects, Currents of Windermere in SW Edmonton is a 1.2 M SF development and the Manning Town Centre in NE Edmonton is a 850,000 SF development. Cabelas will tenant both developments.

Toronto based cannabis retailer Fire & Flower is moving its headquarters to Edmonton. In its first phase, it plans to open 30 stores in Alberta, most of them in Edmonton.

Completed in 2017, the Brewery District adds 290,000 SF of retail space to the City and once the ICE District is complete, it will add another 300,000 SF of retail space.

\$70 M has been invested into the Quarters district by the City and has significant retail potential.

#### 10. EDMONTON EMBRACING TRANSIT ORIENTED DEVELOPMENT

There has been a learning curve for both developers and city officials, however TOD projects have started to occur around the city spurred on by the new LRT line.

The proposed Strathearn Heights redevelopment is estimated have up to 1,900 residential units on 24 acres with a mix of retail and residential development right beside the new LRT station. It would replace the 500 units of 1950s' walk-up apartments there now. The city rerouted the LRT, putting a station at 88 Street and 95 Avenue, specifically because of this redevelopment potential.

Westblock, currently under construction, is one of Edmonton's first Transit Oriented developments. Beaverbook Developments bought the site after the previous developer went broke leaving the site abandoned. The first phase will be ready for residential occupancy this year.

The city of Edmonton is partnering with Brookfield Residential to develop land on the Capital Line by the Commonwealth Station. Edmonton and Brookfield will invest a total of \$14 M to prepare a 7.5 acre parcel of land to sell to condo developers. Partnering with the private sector is a new approach the city has taken on transit-oriented development. Brookfield is in advanced talks with a developer to build on the site, which could supports as many as 1,400 units as well as a significant retail component.

Regency Developments is in negotiations with the city for its proposed Holyrood Gardens project. The residential project will be at located right at the new Valley Line LRT station on 85th Street.

A 26,200-square-foot development site in Belgravia, has just sold for \$4.1 M. The transit-oriented development land is located just 650 feet from the Belgravia LRT station.





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