Top 10 Real

INSIGHTS

2019 Edmonton Real Estate Forum

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1. EDMONTON ECONOMY IN RECOVERY MODE

A growing population, a productive workforce and major investment are propelling the city's economy forward.

The Edmonton Metropolitan Region, which accounted for 30% of Alberta's GDP in 2016, is the second fastest growing region in Canada.

It contains 1.3 M people and 725,000 jobs. Population is forecasted to continue growing to 2.2 M in 30 years with 1.2 M jobs.

Edmonton has one of the most highly trained workforces in Canada. Over 117,000 students are enrolled in its six post-secondary institutions. Growth in enrolment has been supported by an increase in visa students which has doubled in the last 10 years.

- Norquest College has almost doubled its student population in the past five years and has been building to accommodate them.
- Northern Alberta Institute of Technology (NAIT) is the largest apprenticeship trainer in Canada with the capacity to train about 15,000 apprentices annually in 33 trades.
- The University of Alberta is among the World's Top 100 ranked universities, with one of the top 5% ranked engineering schools in North America.

Edmonton has had one of the fastest growing GDPs among cities in Canada in the past five years. Its GDP per capita is 38% above the national average. The region has benefitted from a significant influx of residents and is among the top three cities in Canada for population growth, net migration and average incomes.

Employment growth in 2018 in Edmonton has been stronger than other areas of the province, driven in large part by industries such as oil and gas extraction, educational services and public administration. Edmonton added over 16,000 jobs in the first 10 months of 2018, representing an increase of 2.1% from the corresponding period last year. Average weekly earnings have also gained momentum in 2018 compared to last year, according to CMHC.

The first phase of the Valley Line LRT project— the 12 stop southeast portion— is expected to open by the end of 2020. The Valley Line LRT project is a long-term plan to expand Edmonton's public transportation network with a 27-kilometre, 28-stop light rail transit route operating between Mill Woods in the southeast and Lewis Farms in west Edmonton via the downtown.

Edmonton added over 16,000 jobs in the first 10 months of 2018, representing an increase of 2.1% from the corresponding period last year

A new health-care facility has been proposed in southwest Edmonton at the Ellerslie Research Station on 127 Street NW. The 320-acre site will house between 350 and 500 inpatient beds and is located adjacent to the planned LRT expansion routes. The Alberta government has pledged $400 M for the project which is estimated to cost $2 B. Construction is scheduled to start in 2020 and anticipated to become operational in 2026.

The Edmonton International Airport Authority has become an economic driver in the GEA. As well as expanding its flight operations, it is developing its surrounding lands. Last year, a new Costco warehouse, the Premium Outlet Collection mall and the 800,000 sq. ft. Aurora Cannabis production facility opened at the EIA. The 135-room Fairfield Inn by Marriott Hotels as well as Century Casino's race track and entertainment facility is scheduled to open this year.

Edmonton Global has announced that it has received federal funding to establish its International **Investment and Trade Program** to increase foreign direct investment in the Edmonton Metropolitan Region.

The **Investment and Trade Program** will boost the Edmonton Metropolitan Region's business growth and competitiveness by identifying global opportunities, attracting foreign direct investment, supporting high growth SMEs and increasing market awareness of western Canadian products and services.

2. DOWNTOWN OFFICE VACANCY IS BEGINNING TO DROP DESPITE PROLIFERATION OF NEW PRODUCT

Tech industry and building conversions lead to positive absorption as flight to quality trend continues.

Downtown office vacancy rates decreased from 16.8% in Q1 2017 to 14.5% in Q1 2019. However, office vacancy rates in the Greater Edmonton Area remained the same at 15.4% in Q1 2019, according to Altus Data Solutions.

Vacancy rates are down despite the completion of 592,970 sq.ft. of new, high-quality office space at the end of 2018, most notably within the Stantec Tower in downtown Edmonton last year, says Altus Group. While still oversupplied, the Edmonton office market has shown signs of improvement over the past 12 months. The Stantec Tower opened at the end of 2018. The building arrived to market almost fully leased where Stantec is the anchor tenant leasing 450,000 sq.ft..

The Downtown and Suburban markets exhibited positive net absorption—160,396 sq.ft., for the year. According to Altus Group, downtown buildings asking net rents averaged $17.68 per sq.ft. while buildings in the Greater Edmonton Area averaged $16.79 per sq.ft. in Q1 2019.

The vacancy decline was largely driven by significant leasing activity in Edmonton's downtown financial core where Class AA and Class A spaces continued to be in high demand to accommodate company growth, according to Cushman & Wakefield. This flight-to-quality trend, with increased emphasis on new products with large floor plates and top-rated amenities, is driving demand for new office space.

Contributing to the demand for office space is the tech industry, especially in the downtown core.

One big reason for the improvement in office demand is the growing presence of high-tech operations in the core, Edmonton Avison Young managing director Cory Wosnack said.

"Technology companies, software companies and gaming development companies, they are having a big positive impact on the office market," he said.

The conversion of some buildings to residential from commercial is also helping to bring down vacancy rates.

Lighthouse Hospitality Inc. is turning the 23-storey Enbridge Tower at Jasper Avenue and 102 Street into a hotel, and Regency Developments has demolished the 123,000 sq.ft. Bank of Montreal building with plans to put up a residential high-rise.

Strategic Group is in the process of turning Harley Court on 111 Street and 100 Avenue and the Centre West building at Jasper Avenue and 108 Street into a total of 388 apartment suites.

“You only need to do that about 10 times and you suddenly have a rebalanced market,’ Randy Ferguson, COO of Strategic Group says.

Renovations at Harley Court meant tenants who had to leave took 40,000 sq.ft. at Strategic’s renovated CN Tower, virtually filling the building 10 years faster than expected, Ferguson says.

3. DEMAND FOR MULTI-RESIDENTIAL UNITS STRONG

Stronger employment growth and migration supported rental demand which is forecasted to support rental rates through 2019.

Average rental vacancy dropped to 5.3% in October 2018 from 7.0% a year before. Vacancy dropped despite a 2.4% increase in the primary rental market. Supply of purpose-built rentals rose by 1,638 units.

“Despite growing supply in the primary rental market, vacancy rates have moved lower and rental rates have risen,’ said James Cuddy, Senior Analyst, CMHC.

Average rental rates grew by 1.2% to $1,131. The average two-bedroom rent was $1,246 in October 2018 compared to $1,215 in October 2017.

Rental demand has accelerated as a by-product of a strong economic growth trend and the rising rate of family formation within Edmonton’s younger working-age cohorts. Increased migration to the region has also contributed to the demand pressure, which was, to a large extent, offset by the introduction of newly built supply to the market. Rents are expected to continue to gradually stabilize during the late stages of 2018 and into 2019 according to CMHC.

Almost 38% of all condominiums are investor-owned and are rented out in Edmonton. CMHC reports that the supply of these units decreased slightly by 0.4% from 20,258 units in October 2017 to 20,186 units in October 2018. The condo vacancy rate decreased to 4.2% in October 2018 from 6.9% in October 2017. The average condominium apartment rent was $1,321 in October 2018, compared to $1,265 in October 2017— almost $200 more than the overall average rental rates.

Total housing starts in 2018 are projected to decline from 2017 and remain flat in 2019. New housing starts are expected to make modest gains in 2020 as inventory levels decline.

The average residential sale prices in Edmonton decreased from $393,003 in 2017 to $379,539 in 2018. Re/max has forecasted a decline in sales in 2019 as Alberta’s economy continues to recover. The federal government’s stress test, higher interest rates and higher unemployment rates were all cited as reasons.

Average rents for a 2-bedroom

	October 2017	October 2018
Edmonton	$1,215	$1,246

The newly built luxury market is reported to be thriving as cannabis investors and migrant speculators purchase more expensive homes and may continue to drive this market into 2019.

Colliers reports that there are currently seven residential projects underway which are slated to add approximately 1,540 units to the downtown market. An additional seven residential projects with a total of 3,200 units are in preliminary stages.

Great Gulf is proposing the construction of a tower in Frank Oliver Park on Jasper Avenue in front of the Hotel Macdonald. Currently, the space is a privately-owned park. Great Gulf is proposing a commercial-residential tower that could be about 58 storeys containing 400 residential units.

Morguard Investments has proposed to rezone the site of the Bonnie Doon shopping centre, transforming it into a mixed-use development with residential, retail and office space. If approved, the area would see the development of more than 4,000 residential units on the 29.5-acre site. It would include row housing, mid-rise and high-rise buildings. The city is reviewing the rezoning application for the project, which could take up to 30 years to complete.

The City of Edmonton has approved the construction of two tall condo towers that will hold approximately 650 housing units. The project, by Langham Developments, will consist of a 37-storey and a 43-storey tower on 104 Street near 100 Avenue. The towers will have two storeys of street-level retail and commercial space and include 29 three-bedroom lofts aimed at families. Langham hopes to begin construction this year.

4. TECHNOLOGY CONTINUES TO CHALLENGE THE STATUS QUO

Technology is attracting huge amounts of capital from the real estate sector.

In 2012, $221 M was funnelled into the global PropTech market, according to startup data provider CB Insights. That number increased to $4.2 B in global venture capital in 2016, with 2017 seeing a total investment of $12.6 B, according to market research agency Re:Tech, and while the dollar volume of investment was down in 2018, the number of deals increased substantially.

According to Altus Group’s latest report on PropTech adoption, 61% of commercial real estate executives indicated their firms are using or already trying out online lending places, with 23% using them in a significant way.

One of the verticals of PropTech is Smart Buildings. Propelled by The Internet of Things IoT (in which a network of physical devices, appliances and software connect and exchange data to support automation) this class of PropTech assists with asset management in a variety of ways:

Building Maintenance – Sensors measure and report of equipment usage, changes or failure. Sensors in supply rooms can let facilities managers know when inventory needs to be stocked.

Energy Management - Energy represents 19% of the total expenditures for the typical building in the US. Smart sensors decrease building operation costs by automatically adjusting lighting, ventilation and temperatures based on the number of occupants and building usage patterns. According to Energy Star, even a 10% decrease in energy use can lead to a 1.5% increase in net operating income.

Space Utilization - Smart sensors can detect building occupants’ locations, count, and movements with extreme precision. Based on the data, CRE companies can reconfigure building layout or plan for changing demand. They can also help tenants make data-based decisions to adjust office layout, add or subtract meeting rooms, or implement hotdesking strategies.

These are some examples of PropTech companies that are shaking up the industry:

Oakland startup, Comfy, allows employees to control temperature, lighting, book meeting rooms and desks and submit work requests via an app. It has led to a 20% decrease in HVAC energy use and a 30% potential increase in space utilization. Comfy, which was recently acquired by Siemens, is used in 25 M sq.ft. of space and in some Oxford offices.

NestReady, is a Canadian company that has raised $5.7 M from investors that include the National Bank of Canada. It is a platform that leverages property data with location trends to allow homebuyers to explore homes and neighbourhoods, with access to on-demand real estate and financing support when they need it.

Enertiv uses data to enhance building operations in commercial real estate portfolios, with a focus on office and multifamily buildings. They use a highly granular data set to design tools for making building easier to operate, healthier to occupy and increases their profitability.

According to a PwC study, the global market value for business services that use drones is over $127 B. Drones were the top real estate disruptor identified in its 2019 Emerging Trends survey. Interviewees suggested there was potential in using drones to show job site progress, and others are looking to integrate docking stations into communities to accommodate last-mile delivery needs.

Drone footage is in demand by property owners who are looking to attract tenants for their commercial property. The advantage of video over photos is that even a two-minute sequence can show traffic animation and movement around neighbouring businesses in addition to geographic context and access to the site, says Chris Anderson of UAV North in Edmonton. He was recently asked to do a 360-degree video of the Stantec Tower that would show the views from the 69-storey building.

5. INDUSTRIAL VACANCY HAS BEEN INCREMENTALLY RISING IN THE GEA

In Q1 of 2019, industrial vacancy in the GEA stayed at above 6% level, leading to a year-over-year increase of 0.6% - Altus Group.

Rental rates slightly rose from $13.93 per sq.ft. in Q1 2018 to $13.95 per sq.ft in in Q1 2019, Altus Group reports.

Approximately 1.4 M sq.ft. of new industrial product was delivered in 2018.

Most of the new space was comprised within two buildings:

- The 800,000 sq.ft. cannabis production facility, Aurora Sky, became operational late last year in Leduc. The marijuana greenhouse and distribution centre is the largest of its kind in Western Canada.
- The Nisku-Leduc region also saw Ford Motors Co. move to a new 400,000 sq.ft. distribution centre in Leduc Business Park. Ford will vacate a 247,000 sq.ft. distribution centre in Northwest Edmonton.

Construction of industrial product continues in Edmonton with the following buildings slated for completion in Q2 2019:

- MTE Logistix Warehouse, a 505,000 sq.ft. light industrial warehouse located in the Northwest.
- Champion Pet Food, a 398,000 sq.ft. facility in Acheson Industrial Park.

Amazon has announced that it plans to build its 11th Canadian fulfillment center in the Border Business Park situated in Leduc County. The 1 M sq.ft. facility will be developed by TD Greystone Asset Management and One Properties. Upon completion, it is projected to employ 600 and is expected to be operational by 2020.

A continuing increase in industrial land sales by potential users demonstrates an increasing interest in build-to-suit options and industrial development, especially in the more affordable peripheral markets of Leduc and Nisku, Cushman & Wakefield reports. These submarkets will continue to improve due to their history of declining vacancy and overall positive absorption. Rents are expected to remain high as vacancy continues to tighten, resulting in a landlord-favoured market through the upcoming months.

The favourable tax structure of Nisku/Leduc will continue to incentivize tenants and landlords in the face of Edmonton's rising property taxes. The year-over-year average asking net rent has grown 9.1%; from $11.84 per sq.ft. in Q4 2017 to $12.92 per sq.ft. in Q4 2018.

Nisku/Leduc outperformed the Southeast and the Northwest submarket experienced negative absorption of 631,087 sq.ft. and 210,618 sq.ft. respectively.

6. LENDER SENTIMENT REMAINS POSITIVE

As lenders plan to deploy more capital to real estate in 2019, many keen on Edmonton market.

While lenders are demonstrating a degree of cycle awareness and have become more selective in their targeted lending programs, they are still very active in the Canadian marketplace, CBRE reports in their 2018 Canadian Lenders' Report. As 73.3% of lenders plan to deploy an additional 10-20% of net new capital to real estate in 2019, capital will continue to be abundant.

Of the lenders that were surveyed, 40% stated that they had a moderate to strong appetite to lend in the Edmonton market. 16.7% of survey respondents said that they planned to increase their loan budget in Alberta in 2019, while 46.7% said that they planned to maintain their 2018 budget.

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Lenders expect spreads to widen in 2019 with the majority of lenders calling for an increase up to 20 bps for 5-year terms. For spreads in the 10-year term, lenders were a bit more divergent with 30% anticipating no movement while 40% called for a 20-30 bps increase, CBRE reports.

Alternative lenders are playing a growing role in Canada's real estate market. As the industry searches for new sources of financing, risk-averse banks become pickier, and investors look for yield.

In 2019, the greatest growth in originations is expected from alternative lenders such as mortgage REITs and debt funds (49% anticipate growth greater than 5%), according to the commercial real estate finance outlook survey.

A recent study conducted by Altus Group found that more than 82% of the 400 development executives surveyed are using at least one alternative lending vehicle to fill their capital stack. These debt funds have created competition for traditional banks. Debt funds are not subject to the same strict restrictions as banks— making them more appealing to borrowers in need of quick and more creative financing options.

"… (T)he debt portion of the capital stack is actually very attractive for several reasons; one, returns are still good at this point, and two, is it actually provides a little more protection [and] a little lower risk, because they are lower on the capital stack," said Altus Group Senior Executive Vice President of Advisory, Rick Kalvoda. "Any drop in [property] value first comes away from the equity, then goes down to mezzanine financing, bridge loans, then goes down to senior loans— which is where a lot of these debt funds operate in the lending space."

The results of RealPac's Q4 2018 Canadian Real Estate Sentiment Survey states that overall debt capital remains available and lenders continue to be competitive. Less established groups without a track record may experience increased difficulty in acquiring credit. One person who was surveyed stated:

"No problem with debt for established companies with relationships with the major banks and insurance companies. For others, [lenders] may decide to cut back for the newer entries into the market and less established ones, as it is the established players that really will continue to get what they need because of the relationship side of the business as opposed to just standing on the economics of the deal."

Of those surveyed, 62% believe that the availability of debt capital will remain the same at the end of 2019 as it was at the end of 2018.

7.INVESTORS BULLISH ON EDMONTON

Capital poured into commercial real estate in 2018 with investment volumes reaching a five-year high.

"Investors came back to Edmonton's commercial real estate investment market and liked what they saw in 2018," stated George Larson, VP Barclay Street Real Estate.

Edmonton registered 830 transactions of properties worth more than $500,000 in 2018, representing a total investment value of $3.99 B, which was up 39% from the previous year, according to Altus Group.

Besides the Q3 2018 $400 M sale of the Edmonton Tower to AIMco, most investment in the office sector has been dominated by private investors.

Edmonton's second-largest office property deal of 2018 was the $22 M sale of Enbridge Tower, which will be converted to a high-end hotel by Lighthouse Hospitality Management Inc.

REITs and public investors made significant investments into the multi-residential sector and were especially interested in newly-constructed product.

Skyline REIT acquired the **Portofino Suites** on Ellerslie Road SW for $55.9 M. The 240-suite complex was constructed in 2017 and sold by Abbey Lane Homes.

Edgar Development Corp. sold **The Hendrix** at 9733 111 St to GWL in November for $96.1 M. The 260-unit building was completed in 2017.

The Vibe (10620 116 St.), a 176-unit apartment block built by Carrington in 2017, was sold in September for $47 M to Killam Apartment REIT.

ProCura announced in March that it was putting **The Mayfair on Jasper** on the block. The 10-storey building which was completed in 2016, has 238 units and over 25,000 sq.ft. of commercial space. It is 98% occupied, has high-speed Internet; smart key entry, and a Parcel Pending package management system.

Industrial investment was boosted by user-purchasers. In Q4 2018, cannabis company Tweed acquired 4103 84th Avenue N.W. for $16.32 M.

Summit REIT acquired the distribution facility located at 17304-17404 116th Avenue N.W. from QuadReal for $17,525,000.

Edmonton registered 830 transactions of properties worth more than $500,000 in 2018

8. GOVERNMENT POLICIES ARE SOMEWHAT FRUSTRATING BUT ARE FOCUSED TO PROMOTE GROWTH

Municipal and Provincial Policies at work to support a growing Edmonton. Could high commercial property taxes stifle their progress?

Growth Management Boards

The Province has recognized that growth in Alberta's metropolitan regions will generate increased demand for services and infrastructure, put pressure on the natural and built environments, and create opportunities for economic prosperity.

Alberta has established growth management boards for both the Calgary and Edmonton metropolitan regions to help ensure regional collaboration and coordinated decision making. The mandate of growth management boards is to:

- Promote the long-term sustainability of the region;
- Ensure environmentally responsible land-use planning, growth management and efficient use of land;
- Develop policies regarding the coordination of regional infrastructure investment and service delivery;
- Promote the economic well-being and competitiveness of the regions; and
- Develop policies outlining how the Board shall engage the public on the Growth Plan and Servicing Plan.

The growth management boards will achieve this by developing a regional Growth Plan and Servicing Plan that will guide integrated planning and service delivery throughout the region.

Commercial Property Tax Rates

A recent report produced by the local chapter of Commercial and Real Estate Development Association showed the City of Edmonton's non-residential median mill rate was approximately 65% higher than the mill rate in the surrounding municipalities.

In 2010, the non-residential mill rate was 15.5588. In 2018 the tax rate increased to 21.2187. Between 2010 and 2018 non-residential property taxes went up 54.35%.

Higher taxation in Edmonton has already impacted site selection, said Dave Young, Managing Director, CBRE Edmonton, with Champion Pet Foods, Ford Motor Co. and Amazon looking outside the city limits where they can save about $1.50-$2 per sq.ft. on property taxes.

"From the city's perspective, if you're losing those other tenants to municipalities surrounding the city, you're losing property tax revenue and that is a concern," Young stated.

Extra Density

In a bid to lure more families and shoppers downtown, the City of Edmonton is considering density bonus of two extra floors on condo projects, if the new units are three-bedroom suites. Developers would also be allowed to add ground-floor retail space.

The rules would apply to new multi-family construction for condo towers zoned for up to 18 storeys. Developers would get city permission for two extra storeys if they commit to building eight three-bedroom units or 7% of the project, whichever is less.

Growth Coordination Strategy

Edmonton is a young city experiencing significant growth. Over the next 30 years, Edmonton will be home to more than one million people.

In order to responsibly accommodate this growth, the City has adopted a Growth Coordination Strategy, which was approved by Council in November 2012.

The Growth Coordination Strategy seeks to share information and data to inform decision making and provides a framework to identify and manage future public obligations and accommodate growth in the City through the following actions: monitoring, reporting, coordinating & communicating.

The Growth Coordination Strategy works in conjunction with other City policies and initiatives with ongoing discussions with stakeholders in the development of new communities.

Infill Development

Beginning in 2013, the city has been at the forefront of infill development when the city first started allowing 50-foot lots to be split in certain residential areas. The rules were further relaxed in 2015, allowing skinny homes in all mature neighbourhoods. Skinny homes are usually built on 25-foot wide lots after a 50-foot lot has been split into two and are about 17 feet wide.

"That's really when the skinnies took off because it just opened the door to neighbourhoods like Glenora and Westmount," Chris Proctor, a realtor with Maxwell Devonshire Realty said.

In the last year, Edmonton has been updating its policy. "Infill Roadmap 2018" will see industry leaders and city planning staff work to see if the lines of communication can improve.

The city has turned its attention to "missing middle" development. The city's infill stock is comprised of small detached homes that are too pricey, or massive towers of condominiums and apartments, but little in between.

The term 'missing middle' refers to multi-unit housing that falls between single detached homes and tall apartment buildings. It includes row housing, triplexes/fourplexes, courtyard housing and walk-up apartments.

Encouraging this type of housing is essential for welcoming new people and homes into older neighbourhoods and creating complete communities with a variety of housing options for people at every stage of life and income level.

In December, the city launched a 'missing middle' infill design competition.

Five City of Edmonton-owned parcels of land at the northeast corner of 112 Avenue and 106 Street in the Spruce Avenue neighbourhood are up for redevelopment. The City is soliciting proposals to design a multi-unit, medium-density, or 'missing middle' housing development on these lots.

The winning team will be given the opportunity to purchase the site and build their winning design, conditional upon rezoning approval. The finished development will be used to inspire innovative 'missing middle' infill development in other parts of the city.

As Edmonton's population grows over the coming decades, there will be infill in major projects like Blatchford, the Exhibition Lands and along the Valley Line LRT in places like Holyrood, Bonnie Doon and Mill Woods to the south, plus other locations to the west, city officials say.

9. EDMONTON RETAIL SECTOR THRIVING

A growing economy and a declining unemployment rate are supporting a vibrant retail community in Edmonton.

Alberta retail sales were relatively unchanged at $6.8 B in December. Compared to a year ago, sales were up 1.5%. For the 2018 calendar year sales increased by 1.7%.

NAI Edmonton estimates that the Q1 2019 retail vacancy rate for the GEA will be 3.1% unchanged from the previous quarter. South Edmonton has the lowest vacancy rate of 2.3%. Average rental rates are steadily increasing and sit at about $22.80 per sq.ft.

New retail developments that have arrived on the market in 2018 include Heritage Valley Town Centre, The Shoppes of Jagare Ridge, Jensen Lakes Crossing and Manning Town Centre with leasing activity in all projects being favourable.

Southgate Centre ranks fifth of 30 Canadian Shopping Centres in terms of productivity. Ivanhoé Cambridge's 942,000 sq.ft., 159 store shopping centre does $1,128 per sq.ft. in sales. By comparison, Toronto's Eaton Centre ranks fourth at $1,556 sales per sq.ft.

The ICE District, which has been a catalyst in the revitalization of Edmonton's downtown, will attract increased pedestrian traffic and drive retail growth within the core, Cushman & Wakefield predicts.

The ICE District anticipates about 11 million annual visitors. By the year 2020, it expects to house 8,800 employees (7,200 in offices, about 1,000 in hospitality and 600 hotel workers). There will be about 30,000 employees within a 400-metre radius and about 75,000 within 800 metres of the site.

Nearly 2,000 people are expected to live on-site with about 8,700 residents living within 400 metres and about 13,300 within 800 metres of the ICE District.

Edmonton-based Boston Pizza has opened a new two-floor flagship location at the base of Edmonton Tower in the ICE District.

In March, Loblaws CityMarket, was announced as the first retail anchor tenant in ICE District, at the former Greyhound bus terminal now known as Block BG. The 22,000 sq.ft. store will be located on the corner of 103 Avenue and 103 Street, occupying the second floor of the building and is scheduled to open in fall 2020.

Cushman & Wakefield reported that at as of Q4 2018, retail projects that are currently under construction will total over 4 M sq.ft. once fully built out.

Qualico is building the Cy Becker retail complex at 167 Avenue & 42 Street. The 62,000 sq.ft. complex will be completed next year.

The Currents of Windermere will contain 1.2 M sq.ft. of retail space in Edmonton's Southwest once it is built out. Anchor tenants include Cabela's, Walmart and Home Depot.

Korean supermarket H-mart is opening in early 2019. Value-priced Chinese retailer MINISO is looking to continue its rapid expansion. This year will also see the opening of a number of cannabis stores—currently, there are 65 licensed retailers in the province. All of this new demand for space will no doubt put downward pressure on vacancy rates in 2019.

10. DOWNTOWN INVIGORATED

Edmonton is in the midst of a $5 B transformation of active development and investment in downtown, made up of office towers, restaurants, hotels, retail spaces, arts and culture facilities and residences.

Central to this transformation is the development of the Ice District, the $2.4 B mixed-use development encompassing 25 acres. Along with Rogers Place which opened in 2016, it includes the city's two tallest towers, the Stantec Tower and the Edmonton Tower, and the JW Marriott Edmonton ICE District hotel, which will occupy the lower 22 storeys of a 56-storey tower topped by The Legends Private Residences; it opened last spring.

Downtown development has intensified. "The rate of that trajectory is dramatically amplified by ICE District and by the arena," said Simon O'Byrne, VP at Stantec.

There are approximately 30 significant projects either under construction or in various stages of the City Hall approval process in the downtown core. Colliers reported in February that there are seven residential projects under construction and seven more in the planning phase downtown.

The population of the downtown core has grown from 10,000 in 2008 to 15,000 in 2018 to a projected 18,000 residents by 2021.

Fahad Shaikh, VP, office and healthcare real estate for Colliers in Edmonton, says companies are deciding to move downtown based on where their employees are living and likely to live. This is especially true of the tech sector.

Edmonton-based **Bioware** recently moved from the suburbs into the core, and British gaming firm **Improbable** recently established an office in downtown Edmonton. Artificial Intelligence firms and institutes such as DeepMind and AMII (Alberta Machine Intelligence Institute) have also moved downtown.

The Quarters is a neighbourhood on the eastern end of downtown. The city plans to revitalize the almost 100-acre area and drastically increase the population of the Quarters to between 18,000 and 20,000 in the next 20 years. The city has invested $70 M into the Quarters and is in the process of rehabilitating two vacant buildings.

Cidex is building the Hat at Five Corners, a 25-floor 199-unit multi-family apartment tower on Jasper Avenue at 96th Street.

The Quarter Note Hotel, a mirrored glass building on Jasper Avenue opened in 2017. Primavera is working on the Brighton Block, an Edwardian red brick building on Jasper. Due to long-term neglect, the firm had to build an all-new office building behind the original facade and is adding an addition on top.

"We're adding three 5,800-square-foot jewel-box floors on the top of the original building, which has about a 7,300-square-foot floor plate," Ken Cantor, president of Primavera Development Group said.

"We'll be looking at substantial completion sometime the second quarter of this year," he says. Tenants will be able to move in during Q3.

The city has also put up $6 M and land for Artists Quarters, a live-work facility that will be part of a larger renewal plan for The Quarters.

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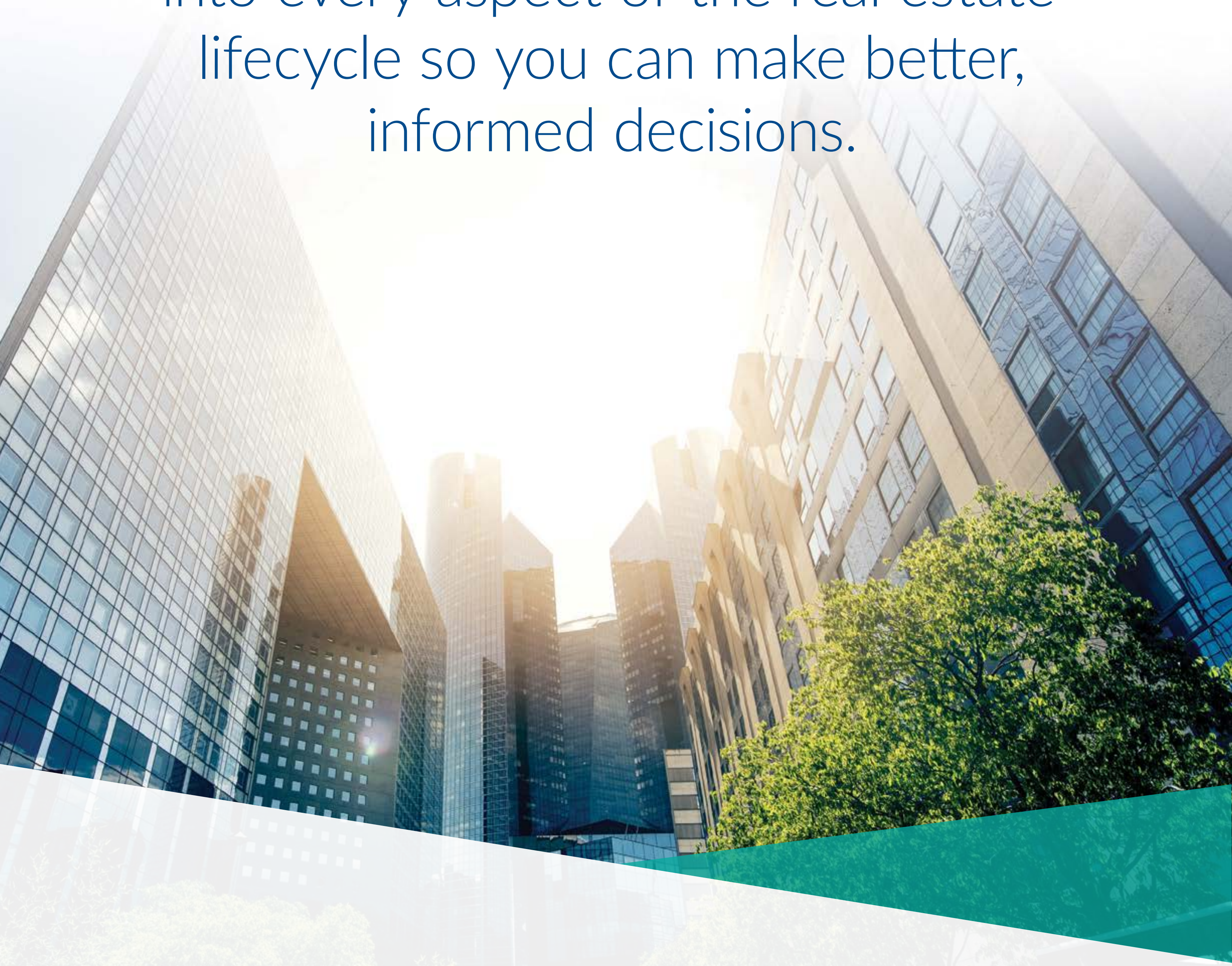

Altus Group is a leading provider of commercial real estate advisory services, software and data solutions.

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