Top 10 Real INSIGHTS

2020 Edmonton Real Estate Market

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ISSUE 42

TOP 10 | REAL INSIGHTS | 2020 Edmonton Real Estate Market | ISSUE 42

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for further details on these top trends please visit the real estate forums portal at realestateforums.com

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1. GROWTH FORECASTED TO PICK UP IN 2020

Rebounding production and investment in the energy sector was suppose to drive GDP growth to 2.2% this year according to CBofC.

A report issued by the Conference Board of Canada at the beginning of the year stated that Alberta's economy shrunk slightly in 2019, with real GDP contracting by 0.2% compared to the year before.

"Difficult operating conditions in the energy sector led many oil and gas companies to slash their 2019 spending plans, deleverage debt and focus on shoring up their financial positions," the report reads.

The Conference Board had forecasted growth of 2.2% this year and 2.3% in 2021. "Rebounding investment and production in the energy sector is the key factor underpinning the province's economic recovery," the report said, that is now all up in the air as oil prices are slashed and social distancing has halted the economy at large.

ATB was less optimistic about provincial growth in 2020, forecasting a growth rate of 0.9% but improving to 2.1% in 2021.

RBC stated that there are good reasons to be cautiously optimistic about growth in Alberta in their 2020 Outlook. They cite the gradual lifting of mandated oil production cuts, Enbridge's Line 3 Pipeline as well as the growth of crude-by-rail shipments which is set to reach 550,000 barrels per day, Alberta Premier Jason Kenney stated in December. RBC expects capital investment to pick up reflecting the ramp-up of the Trans-Mountain Pipeline construction. Those expectations are sure to be adjusted now in light of social and economic impacts of international forces.

In addition, "corporate income tax cuts by the provincial government will also create a more favourable investment environment in the Province," RBC wrote.

On July 1, 2019, Alberta's corporate tax rate dropped from 12% to 11% as part of the UCP government's Job Creation Tax Cut, making the province's corporate sector the lowest taxed in the country.

12%

11%

(LOWEST TAXED)

A total of four cuts are planned to lower corporate taxes to 8% by 2022 which was one of UCP's election pledges.

Employment growth in Edmonton stalled in 2019 and at 8.0% Edmonton has the highest unemployment rate of all of Canada's major cities. It was hoped that the tax cuts would have buoyed job creation throughout the province.

Alberta's deficit will decrease by $200 M this year, bringing it to $6.8 B, according to the UCP's 2020 budget released mid-February.

The government said it plans to hold the line on salary hikes for public sector workers while continuing to reduce jobs, mainly through attrition.

It predicted a rebound in the oil sector as pipeline projects come online and exports increase. Natural resource revenue was pegged at about 10% percent of total income and was expected to grow by 15% by 2022-23.

2. RENTAL HOUSING DEVELOPMENT EXPLOSION IN EDMONTON – UNTIL COVID-19

Population growth and modern amenities supported the absorption of new units.

A substantial number of residential projects were under development or near completion in 2019. Three new rental projects containing a total of 369 units were launched during the second quarter and seven new rental projects totalling 782 units were launched in Q3 2019, according to JLL.

Despite the increase in supply, the overall vacancy rate in the city decreased in the past year.

The average vacancy rate of purpose-built apartment units in the Edmonton Census Metropolitan Area (CMA) decreased to 4.9% in 2019 from 5.3% in 2018. The vacancy rate for condos dropped from 4.2% in 2018 to 2.5% in 2019.

According to CMHC, almost 40% of condominium apartments were identified as rental units. New rental supply from the condo rental market totalled 1,196 while there were 813 new units supplied by the purpose-built market.

CMHC data also shows that people are renting longer in Edmonton as turnover rates fell from 32% in October 2018 to 29.4% for the same month last year.

A softened job market and a slow economic recovery were helping to keep renters staying in rental homes longer and postponing the move to homeownership.

CMHC's Edmonton report said, "Rental demand continued to outpace supply, partly attributable to the steady population growth in 2019, mostly driven by international and interprovincial migration."

Edmonton's population growth rate averaged 2.6% over the last five years. John Rose, the city's Chief Economist, expects 2.1% growth this year, exceeding both the province at 1.9% and the country, with an anticipated overall growth of 1.4%.

Net interprovincial migration into Alberta shifted to net positive between 2018 and 2019, from net negative seen a year prior. This had ended the 2-year exodus of individuals from Alberta during the oil price downturn. In light of new developments on the international stage, we will need to see how this plays out over the next 12-18 months.

Edmonton had the population growth to support the new rental stock. As well, newly constructed units were attracting renters with high-quality finishes and improved amenities.

"We see better amenities in purpose-built rentals now than we do in condos," Andie Daggett, Manager of rental market data for Alberta at Urban Analytics says. "With condos, there might be a roof-top patio and barbecues, some sort of common space."

By comparison, many new purpose-built rentals in the city offer full fitness facilities, dog washes, games rooms and even golf simulators.

New supply of purpose-built rentals have been absorbed quickly as demand for newer apartment units remains strong, JLL writes. This was expected to result in a tightening of the rental market over the coming year.

3. LENDERS CONTINUED TO EXPRESS INTEREST IN ALBERTA, WITH RECENT EVENTS – IT IS A WAIT AND SEE APPROACH NOW

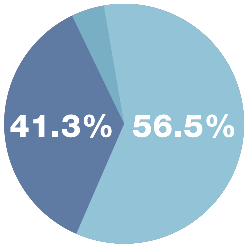
Over 10% of surveyed lenders had plans to increase their budgets in the province.

According to the results of CBRE's annual lender survey, apartment and industrial properties are in the highest demand for lenders. The industrial sector was bolstered by the tightest market fundamentals on record and the proliferation of e-commerce in Canada.

For the multifamily rental asset class in particular, 15.2% of lenders did not make their target allocation while 39.1% indicated that they planned to increase their budget allocation for this product in 2020.

Approximately 24% of lenders did not hit their target allocation for industrial product and 39.1% planned to increase their budget for this asset class.

As a whole, lenders are showing lower levels of concern regarding real estate compared to last year. Across all asset classes, 56.5% of surveyed lenders expect to maintain their real estate exposure in 2020, while 41.3% are poised to increase it.



Although it ranked last on the list among Canada's major cities, 8.7% of survey respondents still stated that they had a strong desire to lend in Edmonton.

CBRE wrote that Lender activity remains dependent on a deal or relationship-specific basis and 41.3% stated that lending in the Edmonton market was deal-specific - the highest of the major cities in Canada.

Among the provinces, 13% stated that they were underfunded in Alberta in 2019 and 10.9% stated that they had plans to increase their budget in Alberta in 2020.

Avison Young reported that the availability of debt was still strong for Alberta, "but we have seen the further tightening of how risk is factored into the debt underwriting. This is exacerbated by the receivership of a major Alberta player, Strategic Group. With an excess of $650M of debt facilities being registered on titles, the exposure of lenders, whether direct or indirect, may cause some lessening of the desire to lend in Alberta for specific groups."

According to JLL, the supply of debt capital was widely available in the Canadian market in 2019. However, both foreign and domestic lenders are demonstrating more cautious behaviour. There has been a 'flight to quality' with a focus on sponsorship, stability of cash flow, asset quality, and preferential location.

4. REVITALIZATION OF EDMONTON'S DOWNTOWN CORE WAS CONTINUING

Momentum was building around Stadium Yards and The Quarters District.

Rohit Land Development, Brookfield Residential and the City of Edmonton had joined forces to redevelop the old Muttart Lands rebranding the 7-acre space "Stadium Yards".

The site will eventually include more than 720 residential units, with a commercial main street and parks. Situated next to the Stadium LRT station, the site is walking distance to Kinnaird Ravine, Dawson Park, the North Saskatchewan River valley, Commonwealth Recreation Centre and nearby amenities like grocery stores, according to Rohit.

In addition to housing in a series of low-rise buildings, Rohit will be developing commercial space including a High Street with restaurants, cafés and services that will bisect the development. Two large community plazas are included in the village. The first phase will include 260 units of high-end rental housing. The first tenants could move in by the summer of 2020.

The City's plan to transform The Quarters District into a thriving eclectic neighbourhood is well underway. The almost 100-acre site now houses around 2,400 residents. By the time city plans are fully realized in 20 years, there should be 18,000 to 20,000 people living in The Quarters, according to the area's revitalization plan.

The redesign of the historic Pendennis Hotel is nearing completion. Pendennis Developments bought the historic hotel in January 2019. The company has invested $10 M into the shell of the structure, with that work slated to be complete this spring.

The Cidex Group has commenced construction on a 24 storey rental apartment building on the northeast corner of 95 Street and Jasper Avenue. To be called The Hat at Five Corners, the Cidex tower will have 199 units ranging in size from studios to three-bedroom suites.

Kenneth Cantor, President of Primavera Development Group, is working on the Brighton Block. 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 sq. ft. jewel-box floors on the top of the original building, which has about a 7,300 sq. ft. floor plate," says Cantor. Primavera bought the Brighton Block in October 2017 for $1.875 M.

Beljan Development was also refitting the Strathcona Hotel on Whyte Avenue into commercial retail space.

Throughout the city, residential development shows little sign of slowing down.

The Augustana located at 9901–107 Street NW in downtown is scheduled for completion in 2020. The Pangman Development Corporation's mixed-use development consists of a 30 storey apartment building, with 240 apartment units for rent ranging from studios to 3 bedrooms. The building also incorporates 6,400 sq. ft. of commercial space on the ground floor

Castlebrook Greens located at 17430–110 Street NW Chambery is also expected to be completed in 2020. The four-storey Seymour Pacific Developments project will contain 235 units consisting of one two and three-bedroom units.

Also under construction is Southpark on Whyte, an apartment development by ONE Properties and Wheaton Properties located at 82 Avenue NW. The project features retail space on the ground floor, and a total of 660 residential units. Phase 1 was to be completed in Fall 2020 with 98 residential units.

Construction had just begun on a 21-storey residential town with 222-units. Located at 110 Street between Jasper Avenue and 100 Avenue, it was set to be built at the location by InHouse by Beaverbrook. The building will feature eight street-facing townhouses in the tower's podium and a rooftop amenity space with views of the Alberta legislature and river valley.

Last June, Edmonton city council gave the go-ahead to two major apartment complexes with a total of four high-rises, paving the way for construction of up to 1,500 new residential units.

A two-tower apartment complex was approved for the former Edmonton Motors site in Oliver, on the southeast corner of Jasper Avenue and 115th Street. The developers behind the project are Pangman Development Corp. and John Day Developments.

A second two-tower complex, proposed by Edgar Development, was also given the go-ahead for downtown at 102nd Avenue and 106th Street.

5. INVESTORS WERE CHASING YIELD IN EDMONTON

With total investment reaching $3.3 B, 2019 was one of the best years on record.

Edmonton's overall investment levels underperformed for each of the first three quarters of 2019 compared to the same period last year, until Q4, which registered a record $1.7 billion in 140 transactions, amounting to 53% of the annual sales total, indicating several significant deals transacting in the quarter. Although, total volume for 2019 was slightly lower than 2019, the year totalled 489 transactions which almost $3.3 billion of investment value and considered one of the higher performing years to date, Altus Group reports.

The buyer pool was split fairly evenly between private investors, REITs, and foreign buyers, according to JLL. These investors are attracted to Edmonton in search of higher yields relative to what can be found in Vancouver, Toronto and Montreal.

The Katz Group sold the office portion of Stantec Tower, Canada's 6th tallest building, to Deka Immobilien, a German investment fund. The transaction totalled $517.5 M and was valued at a 5.78% cap rate.

Edmonton City Centre was sold by Oxford Properties and CPPIB to a consortium of investors including LaSalle Investment Management, Canderel, and Bayerische Versorgungskammer (BVK), a German pension fund for $310.2 M. This sale contains a total of gross leasable area of approximately 1,400,000 square feet and includes: Edmonton City Centre Mall, TD Tower, Oxford Tower, Centre Point Place. The Oxford Tower and the TD Tower includes 666,000 square feet of office space.

2019 was Edmonton's industrial market highest year on record with $892 M in total sales, a 5% increase from 2018, Altus Group reports.

The largest industrial deal of the year was Summit REIT's acquisition of PIRET's 3.3 M sq. ft. light industrial portfolio for $588 M. Twenty-two of the 37 properties, representing $338 M in value, were in Edmonton, the remainder were in Calgary and Grand Prairie.

Edmonton apartment sector recorded $406.5 M in 2019, which was a significant decline from the previous year, at almost half of the total volume compared to the previous year, which had the highest multifamily sales volume recorded since 2013, according to Altus Group. Investor sentiment remains strong, especially in the suburbs. Cap rates there were compressing and valuations were on the rise, JLL reports.

2020 was supposed to surpass the level of investment achieved the year before with $874 M worth of buildings transacted in January alone in Edmonton, but for now with social distancing measures, the market has been muted.

Centurian Apartment REIT acted as the purchaser in the two transactions that comprise the bulk of the total investment so far, which included:

- A three-building, high-rise apartment portfolio with a total of 832 rental suites, plus 39,000 sq. ft. of commercial space, which sold for $205 M.
- The Mayfair, a mixed-use multi-family complex on Jasper Avenue with 24,901 sq. ft. of ground-floor retail was acquired for $100 M.

6. ECONOMIC DIVERSIFICATION EFFORTS STALL

BC was on schedule to potentially benefit from provincial reduction of tax breaks and incentives to tech industry.

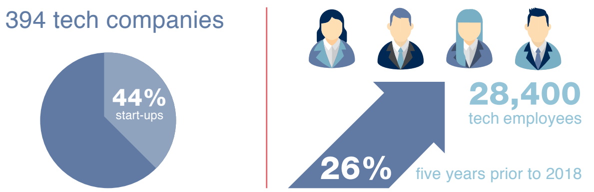
Technology was the third-largest sector in Alberta's economy, behind oil and gas and agriculture, with a revenue of $15.6 B in 2015, according to government statistics.

Edmonton was named as one of three hubs for Artificial Intelligence research in Canada with the announcement of the Pan-Canadian AI Strategy in the 2017 federal budget. The $125 M strategy will fund three Artificial Intelligence institutes in Canada over the course of the five-year strategy.

One of the institutes to receive this funding is Edmonton's Alberta Machine Intelligence Institute, which operates out of the University of Alberta's Computing Science department.

The University of Alberta is ranked number six in the world for Artificial Intelligence/Machine Learning Research (CSRankings, 2018).

There are 394 tech companies in Edmonton, 44% are considered start-ups, according to the Accelerating Tech in Downtown Edmonton: Impacts and Opportunities report. In 2018, there were 28,400 tech employees in Edmonton. The number of employees in the tech sector has grown by 26% over the five years prior to 2018, according to the document.



But by the Fall of 2019, the United Conservative Party government's inaugural budget scrapped tax incentives brought in by the NDP that were aimed at diversifying the economy toward tech and other sectors.

The provincial top-up to Ottawa's Scientific Research and Experimental Development program – more commonly known as SR&ED or "shred" – as well as a new 25% interactive media tax credit, the Alberta Investor Tax Credit and the Capital Investment Tax Credit were all axed.

The government cut $76 M from a provincially funded agency focused on research, Alberta Innovates, eliminating 125 jobs.

Last year Brenda Bailey, Executive Director of the DigiBC industry association representing the province's gaming sector, spent much of the past year campaigning the B.C. government to boost its interactive digital media tax credit.

The B.C. credit tops out at 18% compared with Alberta's previous 25% credit.

She said the threat of Alberta's gaming sector luring companies away from B.C. was real at the time, but those roles have now reversed, and the Alberta gaming industry now has significant concerns about its ability to grow.

The incentives that were cut were replaced by the "New Jobs Blueprint" which promises $200 B for growth initiatives in areas like high-tech, artificial intelligence, aviation and financial services.

Premier Jason Kenney was attempting to further economic diversification with his pledge to cut corporate taxes in the province to 8% from 12% over the next four years. He has said the tax cut will entice companies outside the province to relocate, as will chopping other costs, regulatory timelines and bureaucratic red tape, the National Post writes.

But lower corporate taxes don't drive on their own economic diversification, said Canada West Foundation Chief Executive Martha Hall-Findlay.

"Don't expect unicorns to come from somewhere else," she said, adding the province needs a stable, long-lasting approach to economic diversification if it's going to be successful.

7. OFFICE VACANCY DROPS SLIGHTLY PRE COVID-19

There was a flight to quality as tenants took advantage of competitive rental rates.

In Q1 2020 Edmonton's office vacancy rate remained unchanged at 13.3% quarter-over-quarter, and dropped from 14.2% in the same quarter last year, Altus Group reports.

Average asking net rates for Class A downtown space were up very slightly to $18.45 per sq. ft.

Tenants are taking advantage of discounted rental rates seen throughout the city to move to higher-quality buildings. Property owners have been upgrading tenant focused amenity spaces to try and attract and retain tenants.

In 2019, Edmonton's government sector fared relatively well, with absorption of 55,358 sq. ft., according to CBRE numbers. However, prospective job cuts in the public sector and now COVID-19 impacts across the board may jeopardize further absorption from this sector in 2020.

The financial sector had negative absorption of 352,805 sq. ft. The increase in sublease space in the financial sector throughout the year, played a significant factor in the negative absorption experienced in 2019.

Edmonton is ranked 9th in the 25 up-and-coming tech markets in U.S.A and Canada. There has been a 25.7% increase in tech talent in the past 5 years (2013-2018), with a total of over 28,400 tech employees in Edmonton.

As with other major Canadian cities, growth in the tech sector has been a significant demand driver for office space. Across Canada, the tech industry has accounted for 17.1% of major office leasing activity since the start of 2018.

Jobber was one of the largest tech deals done in Edmonton in 2019, taking 37,000 sq. ft. in 103 Street Centre. Alberta Machine Intelligence Institute (AMII) leased 22,362 sq. ft. in the First & Jasper building in the downtown financial core in the third quarter of the year.

Tech firms were increasingly expressing interest in leasing space in the downtown core where there is proximity to transit and new residential developments servicing the area.

Bioware recently moved from the suburbs into the core and British gaming firm Improbable recently established an office in downtown Edmonton.

Alphabet-owned artificial Intelligence research firm DeepMind also moved downtown in 2017.

In the surburban office market, vacancy rates dropped from 14.3% in Q4 2019 to 13.7% in Q1 2020, and from 15.1% in Q1 2019.

In 2019, almost 148,000 sq. ft. of new office supply was added to the Edmonton market representing 4 buildings; Brighton block in Q4 2019, and 100 & 300 West Block and The Edmonton brewery District – Building 3 in Q3 2019, according to Altus Group.

As of Q1 2020, there are no office projects under construction in Edmonton. The market is now experiencing a pause until the economy and society are back up and running.

8. SOLID PERFORMANCE OF EDMONTON'S RETAIL SECTOR CAUGHT OUR ATTENTION PRE COVID-19

Rental rates rise despite the delivery of 1.5 M sq. ft. of new supply.

Edmonton's retail vacancy rate has increased by 70 bps year-over-year to close 2019 at approximately 4.0%, Costar reports. However, there was 1.5 M sq. ft. of new retail space delivered in 2019.

Despite all of the new retail space, JLL reports that net rents hit $24.88 per sq. ft. in 2019 - their highest level since 2016.

Consumer spending in Edmonton is expected to grow by 0.9% in 2019, below the national average of 1.1%. Costar stated that consumer confidence was expected to increase in 2020, and consumer spending was forecasted to grow by 1.6% in 2020 - those expectations are now all being redefined.

Edmonton's retail market was stable through the second half of 2019. The inevitable store closures observed both nation-wide and locally have made several big retailers cautious in their plans for growth and expansion; however, certain companies seemed unaffected by this trend, according to Cushman & Wakefield.

In 2019 big-box retailers and big brands such as Forever 21, Home Outfitters, Lowe's and Payless Shoe Source either closed locations or ceased operations altogether. In the wake of COVID-19, we expect this list to grow.

However, some of these spaces have already been backfilled by retailers that promote unconventional features to their services such as engaging and experiential retail, revamped brick-and-mortar stores, and e-commerce strategies, Cushman & Wakefield reports.

Japanese fashion retailer Uniqlo started a national expansion by opening a storefront at West Edmonton Mall. It was one of the many new retailers that opened in West Edmonton Mall in 2019. Canada Goose opened its 5,000 sq. ft. space and has the country's largest 'cold room'. Laura, Brown Shoes and Evelyn Charles occupied 10,000 sq. ft. of the former Target location. Mayfield Toyota is anticipated to transform part of a wing, approximately 117,000 sq. ft., in the mall and will include an automotive experience centre along with the construction of a 200,000 sq. ft. car detailing and service centre. In addition, Aurora Cannabis opened its 11,000 sq. ft. flagship store and experience centre.

Over a year into legalization, the billion-dollar market for recreational cannabis has made impressive strides.

In Alberta, the province has given oversight and retail licensing to the Alberta Gaming and Liquor Commission to mirror how alcohol and tobacco are regulated. This has allowed privately-run retail stores to sell cannabis rather than government-run entities only. This has resulted in a swift rollout of cannabis retail locations in Alberta.

The Valley Line is already changing the retail landscape of southeast Edmonton, JLL states. Morguard is planning to transform the 30 acres Bonnie Doon Mall site into a diverse mixed-use district that will feature over 4,000 residential units, senior housing, retail, and public spaces. Further down the line, RioCan is planning to build a single-level shopping centre at Millwoods Town Centre. This site encompasses 62 acres and will eventually house retail, restaurants, and nearly 2,000 housing units. The site will be anchored by a pedestrian street.

The Edmonton Holt Renfrew store, located at the Manulife Place shopping complex, closed at the beginning of January after 70 years.The store spanned two levels of retail space that included a second-level restaurant, as well as basement space.

Manulife Investments Management has announced that it will invest $30 M to overhaul the Manulife Place retail podium, which will include a large rooftop terrace. Construction was expected to be completed by the end of 2021.

"The City of Edmonton is undergoing a renaissance that will breathe life into its downtown service and amenity offerings," said Ted Willcocks, Manulife Investment Management's Global Head of Asset Management, Real Estate. "The repositioning of Manulife Place is integral to this evolution and we are excited to be a part of redefining the community."

ONE Properties and the Katz Group are building the 25-acre ICE District two blocks to the north of the Manulife Place, which includes more than 200,000 sq. ft. of retail space. A Loblaws City Market grocery store is a confirmed new tenant for the ICE District development.

Outside of downtown, Edmonton has a number of retail centres, in addition to the West Edmonton Mall, that had performed very well and attract top tenants.

- Southgate Centre is the fifth-most productive shopping centre in Canada in terms of sales per square foot.
- Kingsway Mall, located north of downtown Edmonton, features popular retailers not available downtown such as Lululemon, Aritzia, and Browns Shoes.
- Londonderry Mall saw more than $130 M invested into the centre over the past five years that included the addition of a Simons department store, Retail-Insider reports.
- South Edmonton Common houses a large Ikea as well as Nordstrom Rack and Saks OFF 5TH, a new-concept Canadian Tire and other retailers.

Retail is taking a strong hit from COVID-19 and we will need to see how things settle as we move past social isolation into the new normal.

9. STRONG DEMAND FOR QUALITY INDUSTRIAL PRODUCT WAS THE TREND BEFORE MARCH

New supply could not outpace demand and vacancy slides to 5.6%.

Altus Group reports that the overall vacancy rate for the Greater Edmonton Area in Q1 2020 jumped to 5.8% from 5.1% in Q4 2019. Average asking net rents pushed up slightly by 3% from $8.95 per sq. ft. in Q4 2019 to $9.22 per sq. ft. in Q1 2020. About 2.1 M sq. ft. of industrial space is under construction in the Greater Edmonton market. Amazon's new warehouse and distribution centre is one of the larger industrial developments under construction in Leduc County. The facility is being developed by TD Greystone Asset Management located in the the Nisku Business Park (Border Business Park) and is expected to be completed by the end of 2020, at about 1 M sq. ft. upon completion.

Despite overall uncertainties in 2020, the industrial supply remained stable at the end of Q1 2020. There were minimal rental deferments and discounts in industrial properties. The challenges were predominantly from small businesses that were affected the most by COVID-19, Altus Group states.

Avison Young anticipates industrial construction activity to moderate slightly in 2020 as land prices and development costs continue to rise.

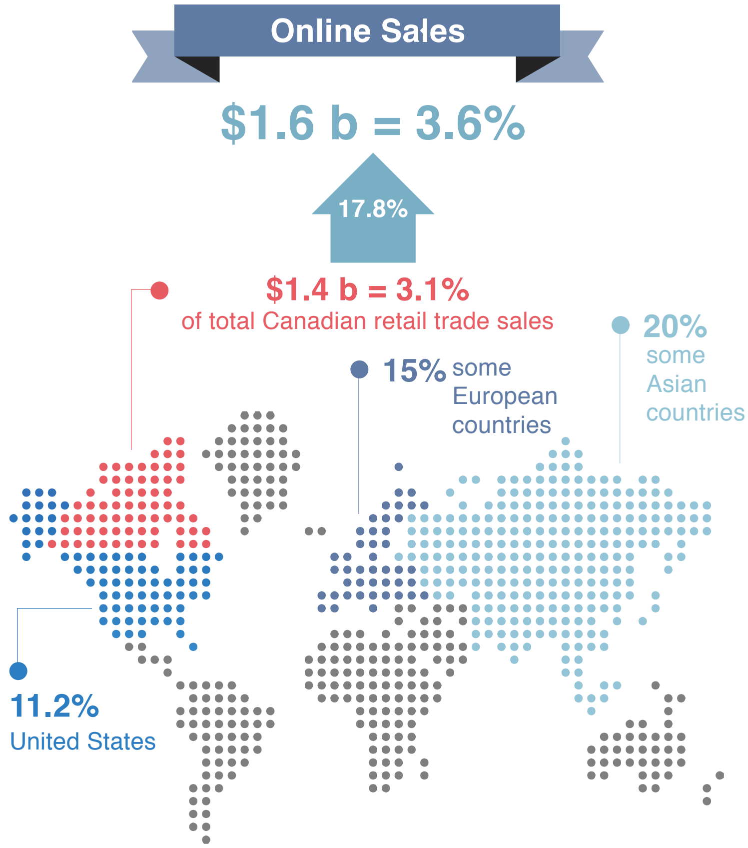
In Q1 2020, CBRE expected the trend of owner/user sales to outpace demand for lease space. Those electing to lease warehouse space will continue the flight to quality to take advantage of attractive lease rates offered in Class A properties, the company states. Based on global pandemic events in Q1 2020, this may need to be revisited.

Manulife Investment Management and Panattoni Development Company have partnered to purchase the 148-acre parcel in Fulton Creek Business and have said that there is potential to a build-to-suit and/or multi-phase spec development in excess of 1.5 M sq. ft.

PC Urban is planning to redevelop an industrial warehouse near the Davies LRT station into a multi-bay strata property. The redevelopment at 6008 75 St. NW will create 13 commercial condo properties with unit sizes from 5,300 to 12,400 sq. ft. Prices will start at $220 per sq. ft. and occupancy is expected by the end of 2020.

Industry sources estimate that pre COVID-19, e-commerce was driving 30% to 40% of industrial development with increased adoption of online shopping, this will likely continue.

Online sales totalled $1.4 billion which accounted for just 3.1% of total Canadian retail trade sales in March of 2019. That compares to 11.2% in the United States in Q3 2019 and between 15% and 20% of retail sales in some European and Asian countries. In February 2020, Canadian retail e-commerce sales totalled $1.6 billion which accounted for 3.6% of total retail trade. On a year-over-year basis, retail e-commerce increased 17.8%, while total unadjusted retail sales rose 7.0%, according to Statistics Canada.



"We still have a tremendous amount of runway in Canada on e-commerce....That's going to continue to drive logistics, e-commerce and warehousing," said Teresa Neto, Chief Financial Officer of Granite REIT, prior to COVID-19 social distancing measures.

Paul Morassutti, Vice-Chairman of CBRE Canada called industrial "the new rock star" of commercial real estate.

Goodman Group and the Canada Pension Plan Investment Board have announced that they will invest an additional US$2.5 B in their Goodman North American Partnership (GNAP), increasing their total equity commitment to US$5.5 B. The fund was established in 2012 to invest in high-quality logistics and industrial properties in key North American markets.

10. OPPORTUNITIES WERE PLENTIFUL IN ALBERTA'S SECONDARY MARKETS

Population growth, lower taxes and higher incomes made Alberta's secondary cities attractive investment destinations.

Lethbridge

Western Investor had selected Lethbridge as one of the top western Canadian towns for investment opportunities in 2020.

Despite the province-wide slowdown, Lethbridge's economy has fired on all cylinders over the past two years, expanding by 5.1% in 2018. The unemployment rate for the Lethbridge-Medicine Hat region dropped to 4.0% in December 2019, making it the lowest rate in the province at that time.

Lethbridge's performance is attributed to a diversified economy that is underpinned by agriculture, not oil and gas extraction. Education and health care are two major sectors accounting for nearly 20% of GDP. Lethbridge is home to Lethbridge College and the University of Lethbridge, and several health care facilities, including the Lethbridge Health Unit, the Chinook Regional Hospital, and the St. Michael's Health Centre.

Grande Prairie

The Northern hub of Grande Prairie serves an area of approximately 300,000 people.

The city nearly doubled to 69,088 (2018 Federal Census) in the last 20 years and has seen an annual average growth rate of 3.69% since 2000, making it one of the fastest-growing cities in Canada. With an average age of 31.9, Grande Prairie is the youngest town in the province.

The Canadian Federation of Independent Business has consistently recognized Grande Prairie as one of the most entrepreneurial cities in Canada. Boasting the smallest businesses per capita in Canada. We will be watching closely to see how the town does in the midst of social distancing measures that is impactful on small businesses.

The downtown has witnessed a substantial amount of private investment in recent years. Assessed values have increased from $308.7 M in 2010, to over $462.3 M in 2018. Downtown retail vacancy sat at 3.03% and the office vacancy rate was 5.69%, pre pandemic.

Construction began in February 2019 on Toremide Towers. The downtown development will consist three mixed-use buildings with ground-level commercial and three floors of residential above.

Significant recent investments in infrastructure, arts and culture, sport and recreation, and health care facilities include:

- $730 M regional hospital and cancer centre that was scheduled to open in 2021;
- $109 M aquatics and wellness facility ;
- $30 M Downtown Streetscape Enhancement and Rehabilitation Project.

Retail spending in the city was $1.4 B, spread over a retail inventory of 4.38 M sq. ft. Grande Prairie has attracted some big-name retailers and is home to the largest single-storey Canadian Tire franchise and the biggest Ford dealership in the country.

Grande Prairie's economy is driven by three main industries: agriculture, forestry and oil and gas. The region is strategically located on two of the largest oil and gas plays in North America, the Montney and Duvernay basins.

The Montney's product diversity, combined with major innovations in fracking technology, put Grande Prairie on the map and, to some extent, insulated it from the broader energy-driven downturn the rest of the province is facing, said Jordan Johnson, Vice-President of Operations and Engineering at Seven Generations, the biggest operator in the Montney.

Wood Buffalo - Fort McMurray

The Wood Buffalo region is home to 111,687 people, with 73,974 people living in Fort McMurray, the region's urban service area, and 37,713 living in rural hamlets or work camps.

Average home prices for a single-family detached home dropped 7% from $571,992 in December 2018 to $532,013. The average rental rate for a one-bedroom property decreased by 3% to $1195 during the same time period.

In 2019, the Wood Buffalo Economic Development Corporation (WBEDC) created a four-pillared plan to help boost the local economy: Branding and corporate services, business investment and attraction, tourism, and entrepreneurship and innovation.

The development and revitalization of downtown Fort McMurray will also be the focus of WBEDC, as well as a downtown revitalization committee and a waterfront advisory committee.

In addition, the economic development corporation has recently undertaken a rebrand in a bid to attract large retailers. This strategy may need to be revisited once business as usual – to some degree – returns.

The region had many factors that made it a prime location for retailers - an unemployment rate that was lower than the Alberta average, high levels of income, elevated spending per capita compared to other jurisdictions, a young population, accessibility to labour and perhaps most importantly plenty of serviced, commercial land available for development which had come on stream only in the last few years.

Two large land tracks have been released and serviced to accommodate up to 44,000 people and large-scale commercial development. In addition, 36 acres of highway commercial and 147 acres of commercial lands located near the airport are ready to accommodate new development, according to Retail-Insider.

The region had the highest spending power in Canada with an average household income of $211,748 and an average discretionary income of $112,416 (more than double the respective averages for Canada).

Pre COVID-19 and oil price disruption, Alberta approved a new project by Grizzly Oil Sands ULC in December. The May River project approximately 130 kilometres southeast of Fort McMurray would produce 12,000 barrels a day in a first phase that might be ready by 2023 before the eventual output of about 80,000 barrels a day.

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