Top 10 Real INSIGHTS

2020 Alberta Real Estate Forum

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TOP 10 | REAL INSIGHTS | 2020 Alberta Real Estate Forum | ISSUE 52

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

1

PANDEMIC + PLUNGING OIL PRICES: ALBERTA DEALT A DOUBLE BLOW

Alberta to lead the way in a 2021 economic comeback.

2

FLIGHT TO QUALITY CONTINUES

Abatements and availability induce tenants to move to Class AA, A buildings.

3

ALBERTA CONTINUES TO LURE LARGE INDUSTRIAL TENANTS

Rise in e-commerce will supply a degree of resilience to the industrial sector.

4

CAPITAL FLOWS INTO ALBERTA SLOWS TO TRICKLE

Quality product attracts buyers, but no discount in pricing.

5

ALBERTA'S SECONDARY MARKETS ATTRACTING ATTENTION

Lower costs attract new businesses to these smaller cities.

6

PANDEMIC HAS NOT HALTED DEVELOPMENT

Billions of dollars worth of development is occurring in Alberta's two largest cities.

7

APARTMENT RENTAL RATES RECEDE

Migration and substantial new rental supply in Alberta's largest cities impact vacancy rates.

8

REASONS FOR OPTIMISM WITHIN RETAIL SECTOR

New stores are opening, and retail centres are being redeveloped as this sector continues to evolve amid economic challenges and shifting consumer behaviour.

9

DOWNTOWNS INVIGORATED BY NEW ARENAS

New state of the art arenas are sources of civic pride & catalysts for downtown revitalization.

10

INFRASTRUCTURE INVESTMENT A KEY COMPONENT OF ALBERTA'S ECONOMIC RECOVERY

Unprecedented infrastructure spending as billions of dollars promised to boost the economy.

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1. PANDEMIC + PLUNGING OIL PRICES: ALBERTA DEALT A DOUBLE BLOW

Alberta to lead the way in a 2021 economic comeback.

The Alberta economy is predicted to decrease by 11.3% in 2020, as stated by the Conference Board of Canada in an end of August report. Causes cited include the declining global demand for oil and the broader effects of the global pandemic.

The Board's Chief Economist, Pedro Antunes, is optimistic about a rebound in 2021, forecasting that Alberta will outperform all the other provinces in consumer spending with an increase of 7.9% as the demand for oil rebounds and consumer spending returns(Spending by household is on track to drop 13.6% this year).

According to the Statistics Canada September 2020 Labour Force Survey, Alberta's unemployment rate dropped slightly by 0.1% in the month, sitting at 11.7%. The 38,000 employment increase in September was nearly all in full-time work.

The Calgary unemployment rate was 12.6% in September, down from 14.4% in August, according to Statistics Canada.

Edmonton recorded an unemployment rate of 12.6% in September compared to 13.6% the month before.

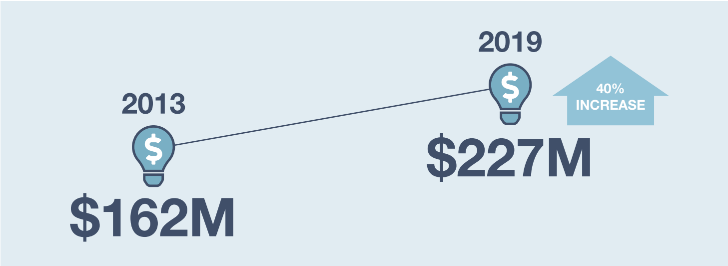
The Alberta deficit has expanded to $24.2 B - three times the amount projected by the United Conservative government in February. In an economic update, Finance Minister Travis Toews reported that corporate tax revenue is to fall by more than half. Non-renewable resource revenue is expected to drop by 73%.

In an effort to get the provincial economy back on track, Jason Kenney unveiled a strategy entitled "Alberta's Recovery Plan" at the end of June. The multi-faceted approach, which the Premier calls a "bold, ambitious long-term strategy to build our province, to diversify our economy, and to create jobs," includes:

- A $10 B investment in the province's infrastructure, which is expected to create 50,000 jobs – the highest amount in Alberta's history.
- Fast-tracking the Job Creation Tax Cut. The corporate income tax rate dropped to 8% as of July 1, making it half of BC's tax rate and the lowest among all provinces.
- A $1.5 B investment into a Cultural Event Relaunch Program over the next decade, in order to promote performing arts, music, and events throughout the province.
- A new, dedicated provincial investment promotion agency, Investment Alberta, will be established and will be tasked with pitching Alberta to potential investors from around the globe.
- A $175 M investment over three years will go towards the technology sector through the Alberta Enterprise Corporation.

As a result of the efforts to diversify the economy, the tech industry is gaining momentum in the province.

Alberta posted a ten year high of VC startup investment activity in 2019, with a total deal volume of $227 M spread across 39 deals. This was a 40% increase over the next closest year on record ($162 M in 2013), according to the Canadian Venture Capital Association (CVCA) 2019 Venture Capital Overview Report.



VC STARTUP INVESTMENT

Alberta Enterprise portfolio funds Inovia Capital and Panache Ventures were among the most active funds in Canada in 2019 based on the number of deals.

Momentum carried through to the beginning of this year with an Alberta Venture Capital investment in 2020 kicking off a strong start seeing several notable financings, including Calgary-based Symend's $73 M Series B raise led by Inovia Capital's Growth Fund.

Calgary made its first appearance in this year's CBRE North America Tech Talent ranking, coming in at number 34.

The report cited the pace of tech employment growth to have increased by 17.1% between 2014 and 2019.

On their 2019 Canadian Tech Talent ranking, Edmonton's overall score improved more than any other city and ranked ten overall. Calgary maintained its position in sixth place.

Top drivers for Edmonton included quality of labour, which received an A rating, as well as the city's strength in artificial intelligence R&D.

2. FLIGHT TO QUALITY CONTINUES

Abatements and availability induce tenants to move to Class AA, A buildings.

Calgary

According to Altus Group, Calgary's downtown office vacancy rate was 24.5% in the third quarter of 2020, down from 24.9% in the previous quarter and 24.8% in the same quarter last year. The overall vacancy for the Calgary Market Area in Q3 2020 was 21.4%.

Colliers reports negative absorption of almost 154,000 SF, which predominantly occurred in Class B buildings. The company reported no COVID-related discounts to posted rates as of the end of June.

Q3 2020 saw 92,000 SF of new supply added to Calgary, with the completion of two Cityspace Landing buildings, Altus Group reports. Approximately 72,000 SF remains under construction in Calgary.

Tech firm Absorb Software has leased 80,000 SF in the TELUS Sky building. However, JLL reports that iQ co-working company has pulled out of their lease in the 60-storey new office tower. The company says that the co-working industry represents about 550,000 SF of Calgary's Downtown office inventory.

Tech companies Symend and Userful have leased a total of 105,000 SF at First Tower. Hine's Class A, 27-storey office building recently underwent an extensive renovation and upgrade. With these two new leases, occupancy is just under 50% of the 730,200 SF building.

Edmonton

Q3 2020 Edmonton's office vacancy rate increased from 13.8% to 14.3% quarter-over-quarter, and from 13.4% in the same quarter last year, Altus Group reports. As of Q3 2020, there are no office projects under construction in Edmonton.

CBRE reports average Class A Net Rent dropped $0.58 to $21.16 PSF. The company predicts that Class A asking rents will decrease further before hitting bottom.

The number of leasing transactions that were completed in Q2 decreased by 38% as a direct impact of the pandemic , Collier reports. The firm predicts an even quieter H2 2020.

The lease transactions that did occur in the second quarter included Scotia Wealth Management with over 60,000 SF in Stantec Tower; Barr Picard with 11,463 SF on the twenty fifth floor of Sun Life Place; BDO and AltaML with 33,057 SF and 15,853 SF, respectively, at 103 Street Centre, and the Realtors Association of Edmonton with 13,232 SF at CX Place in the West End.

As more and more people are expected to return to their workplaces in the Fall, the fate of the office has been widely contemplated.

In their report "The Future of Workplace," Cushman & Wakefield collected 1.7 million data points from more than 50,000 respondents in the current work from home environment. They found that though effective collaboration was able to take place remotely thanks to better leverage of technology, social connection has suffered. However, 73% of the workforce believes companies should embrace some level of working from home going forward. The company posts a Total Workplace Ecosystem theory and states that the workplace will no longer be a single location, but an ecosystem of various locations and experiences to support convenience, functionality and employee well-being.

"The purpose of the office will be to provide inspiring destinations that strengthens cultural connection, learning, bonding with customers and colleagues, and supports innovation," the report states.

3. ALBERTA CONTINUES TO LURE LARGE INDUSTRIAL TENANTS

Rise in e-commerce will supply a degree of resilience to the industrial sector.

Calgary

The completion of about 600,000 SF industrial space in brings the availability rate to 7.4% in Q3 2020, up from 6.8% in the previous quarter, Altus Group reports. Another 1.4 MSF is currently under construction in Calgary.

Despite the spike in availability, Calgary's overall average net rental rate held steady at$10.07 PSF in the third quarter

In an effort to support the remaining lease transactions, landlords have begun to offer increased free rent and inducement packages.

Lowe's Canada finalized their lease of 1.2 MSF in High Plains Industrial Park. The facility is scheduled to open in the Fall of 2021.

JLL states that this is a strong indicator of Calgary's strategic geographic location as a distribution hub. This will be the second-largest industrial building in the Greater Calgary Area. The new Sobey's distribution centre, which is located in the same park, is currently the largest.

Edmonton

Industrial availability in GEA increased to 7.1% in the third quarter this year, compared to 6.3% in the previous quarter.

Approximately 1 MSF of new industrial completions was delivered in Q3, the majority of which is the new Amazon Edmonton warehouse located in the Nisku Business Park. Nearly 400,000 SF is currently under construction, which is likely to be delivered this year.

Rental rates have ticked up slightly to $9.63 PSF from $9.20 the quarter before.

Panattoni Canada Executive Vice-President for Eastern Canada, Michael Smele, reported that the company would continue to develop on a build-to-suit basis in Edmonton. "There are groups that are still looking for modern, efficient and functional buildings, and that's what we focus on."

Panattoni Canada has recently completed a 317,000 SF, build-to-suit facility at Apex Business Park for pharmaceutical and medical supply distributor McKesson Canada, has space ready for immediate occupancy in Building 1, and plans to build a 285,000 SF spec building at the park in 2021.

Panattoni has partnered with Manulife to develop the Fulton Creek Business Park acquiring the 148-acre parcel in southeast Edmonton from Shawcor. The site has 1.5 MSF of development potential.

StatsCan reports that online shopping by Canadians has doubled during the pandemic and now constitutes 10% of all shopping by Canadians. In the US, Moody's Analytics estimates that the share of e-commerce spending relative to total retail sales increased from 11.4% at the end of 2019 to a historic 16.4% in March and April alone. This has fuelled an increase in demand for warehouse and distribution space across North America.

Prologis estimates that e-commerce retailers need about three times the warehouse space to generate comparable revenues relative to brick-and-mortar retailers.

In Canada, e-commerce dominated leasing with 47.5% of large block leasing volume in the second quarter of this year.

Law firm Bennett Jones states that, "the shift to e-commerce is also transforming traditional warehousing and distribution models. Businesses such as Calgary-based Attabotics Inc. represent a new wave of innovation that are remodeling warehouses from large, open structures relying on forklifts and pallets to compact and agile automated distribution centres using artificial intelligence to store and fulfill orders directly to consumers."

4. CAPITAL FLOWS INTO ALBERTA SLOWS TO TRICKLE

Quality product attracts buyers but no discount in pricing.

Buyers and sellers have been far apart on pricing. Most sellers are well-capitalized and unwilling to sell in a downturn or to offer a "COVID discount," According to JLL.

In the first half of 2020, Altus reports that on a national level, investment activity was down by 20%.

In the second quarter of 2020, the Edmonton commercial real estate market recorded 79 transactions totalling $249 M. This brought the total for H1 2020 to $1.3 B. "Despite the pandemic impacts, the first half of 2020 is up slightly from the $1 B recorded in the first half of 2019," according to Altus Group.

The multi-family market in Edmonton accounted for almost half of all investment sales in the city in H1 2020 and at $495 M, has already exceeded totals for the past three years. According to JLL, most of the deals that contributed to the record level were done in 2019 and closed in early 2020.

CAPREIT and Centurion Apartment REIT accounted for 75% of all capital flows into this asset class. Centurion completed a portfolio acquisition of five apartment buildings with a total of 856 units from Devonshire Properties. The Edmonton properties they acquired are relatively new and located in the city's Oliver neighbourhood. The average cap rate for these properties was just under 4%, according to Altus Group.

RioCan REIT purchased a 50% share in the Mayfield Commons shopping plaza from Sun Life Financial at a price of $56 M, or $125 PSF. The building is located at the corner of 170th and Stony Plan Road in proximity to West Edmonton Mall.

There were 24 transactions in the Edmonton industrial asset class in Q2, totalling $88 M. Industrial demand was up 22% in Q2 2020 over Q2 2019;with demand in this sector being driven by e-commerce.

6020 20th Street NW is a 249,021 SF warehouse and distribution centre located in Edmonton's southeast industrial park. The property was sold by KingSett Capital to tire distributor Groupe Touchette for $23.8 M.

In Calgary, overall investment mid-year was down 9% to about $1.2B.

Q2 commercial property transactions dropped 15% from Q2 2019 to $390 M in 84 transactions.

Calgary's industrial sector composed 29% of total Q2 activity with 24 industrial transactions recorded, totalling $112 million in value, according to Altus Group. The industrial sector looks to remain active in the short term and Calgary's strategic location in distributing goods for Western Canada will keep some interest among investors looking to capitalize on the acceleration in e-commerce.

Skyline Commercial REIT acquired two distribution facilities from Triovest for $52.25 M in Q2.There was only $170 M in office sales recorded in H1 2020, although the transactions were a carryover from 2019. Half of this liquidity can be credited to Crestpoint, which spent $85 M to acquire two high profile assets, TransAlta Place and Stampede Station, at $149 PSF and $218 PSF, respectively, from Artis REIT.

JLL reports that cap rates were generally flat in the suburbs. Downtown cap rates have increased between 20-40 bps. Pricing on a per-square-foot basis has fallen around 40% since the beginning of the oil downturn in 2014, the company has calculated.

There was very little activity in either the multi-family or retail sectors.

5. ALBERTA'S SECONDARY MARKETS ATTRACTING ATTENTION

Lower costs attract new businesses to these smaller cities.

Balzac

The area of Balzac in Rocky View County, just north of Calgary, has become a magnet for large commercial real estate projects and job growth.

"For 10 years, Rocky View County has been pursuing a strategy to attract business and commercial development to the east Balzac area with great success," said Grant Kaiser, Director of Marketing and Communications for Rocky View County.

David Kalinchuk, Economic Development Manager of Rocky View County, told RENX that they estimate that half of the land in East Balzac has been developed to date, leaving about 2,400 acres for additional commercial and industrial development.

Balzac is also home to Amazon's new 600,000 SF distribution centre, Walmart's two 500,000 SF buildings, Gordon Food Services, Smucker's and Pet Value.

One of the largest developers in the market is Highfield Investment Group, which will be constructing Lowe's new $120 M distribution centre. It will be located within the 1100-acre master-planned High Plans Industrial Park.

"High Plains Industrial Park is centre ice for corporate Canada's Western distribution centres and e-commerce fulfillment facilities due to its excellent transportation efficiencies, outstanding labour force, and compelling rent economics," said Adrian Munro, President of Highfield Investment Group.

The total built-out space in Balzac is close to 9.5 MSF. The Lowe's project will push it well beyond 10 MSF.

Other major commercial projects have included the CrossIron Mills shopping centre, the New Horizon Mall and the Century Casino and Racetrack.

Companies are attracted to lower tax rates and land prices that the area offers. The planning department is also faster to deal with than in Calgary, and development applications are processed faster.

Grande Prairie

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

The city has nearly doubled in population in the last 20 years, reaching 69,088. It 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 community in the province.

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 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. Prior to the pandemic, downtown retail vacancy sat at 3.03% and the office vacancy rate at 5.69%.

Construction began in February 2019 on Toremide Towers. The downtown development will consist of 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 opening in 2021
- $109 M aquatics and wellness facility
- $30 M for the Downtown Streetscape Enhancement and Rehabilitation Project

Retail spending in the city was $1.4 B, spread over a retail inventory of 4.38 MSF. 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.

Leduc

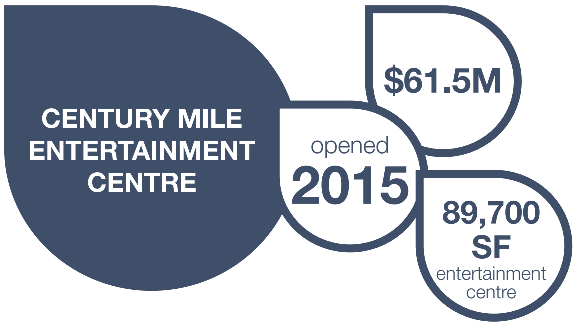
Leduc is one of the fastest-growing regions in Alberta, attracting many new commercial and residential developments. Its proximity to the Edmonton International Airport makes Leduc a strategic location for distribution centres.

The Leduc/Nisku area has seen a substantial amount of new space added, as a number of large projects have recently wrapped up construction.

Amazon recently completed a 1 MSF fulfillment centre in the area, which ONE Properties and TD Greystone Asset Management partnered on to develop. In addition to this development, were the 800,000 SF Aurora Cannabis facility and the 400,000 SF Ford distribution centre.

As of Q2 2020, there were 1.5 MSF of industrial space under construction in the Nisku/Leduc submarket.

An economic driver of the area is the $61.5 M Century Mile Entertainment Centre which opened in 2015. It features a race-track, gambling areas, a grandstand building and the 89,700 SF entertainment centre.



While the city of Leduc is just 15 minutes south of Edmonton, almost 60% of its over 34,000 residents both work and live in the community. In what was once the fastest-growing segment of the population were seniors, the average age of the area is now 37.

The affordability of its housing options, when compared to Edmonton, continues to be a big driver, says Patrick Shaver, President of Avillia Developments. His firm is developing the neighbourhood of Woodbend in conjunction with Carrington Land Ltd., on 160 acres in Leduc's west end.

The area is also growing its reputation as an agri-innovator. It is home to the Agrivalue Processing Business Incubator (APBI) and the Food Processing Development Centre. The purpose of the APBI facility is to assist with the start up of new food businesses as well as attracting product/process development initiatives of established food industry companies to Alberta.

6. PANDEMIC HAS NOT HALTED DEVELOPMENT

Billions of dollars worth of development is occurring in Alberta's two largest cities.

Last Fall, the Edmonton Journal reported that there were billions of dollars worth of development that was taking place in Downtown Edmonton, much of it multi-use. According to Ian O'Donnell, Executive Director of the Downtown Business Association, the value was estimated to be $7 B.

Construction on Glenora Park, a 290-unit, 23-storey retirement residence is underway. Located at 102 Avenue and Clifton Place, the property is being developed by ONE Properties and Revera Inc. Targeting LEED Silver certification, the residence is expected to be completed and open in the Fall of 2021.

A major upgrade for the Canadian National Institute for the Blind's Edmonton offices comes with a two-floor retail and office base and an additional 33 storeys of rental units. The building is specifically designed to accommodate those with visual impairments. The project will be complete sometime in 2021.

Two residential towers are slated to be built at 100 Avenue and 104th Street on the site of a surface parking lot. The 44 and 38-storey "Falcon Towers" by Langham will add a total of 652 units of housing. Construction has yet to begin on the development, which will also include ground-floor retail space as well as a restaurant with patio space.

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

The site, which will be serviced by the Stadium LRT station, will eventually include more than 720 residential units, with a commercial main street and parks. The first phase will include 247 units of high-end rental housing, which are slated for completion late 2020. Units range in price from $1,050 to over $1,815 and sizes range from 500 to 939 SF.

Just outside of Calgary, ground has broken on Dream Unlimited's $2.5 B Alpine Park development located southwest of downtown. The company began to assemble the site in 1997 and has grown to 1,800 acres. The mixed-use master-planned community will take an estimated 15 years for full build out and will be home to about 10,000 residents once complete.

The area of Bridgeland/Riverside is booming with numerous major projects recently completed or in the pipelines. A catalyst for construction was the demolition of the Calgary General Hospital in 1998 and the subsequent approval of the "The Bridges" masterplan to redevelop the hospital site.

"Dominion" by Bucci is currently under construction at 1018 McDougall Road NE. It consists of two 15 storey towers with a total of 300 units. The development will also include space for retail, restaurant and a co-working offerings.

Also under construction is "Columbus Court," an affordable housing project designed by NORR Architects and developed by Bishop O'Byrne Housing Association. The five-storey building will contain 104 units.

STEPS Bridgeland is under construction again; this project has started and stopped construction a couple of times. The six-storey building is now being developed by Centurion Asset Management and will add 122 new homes on the east side of the community.

Jemm Properties began construction on The Bridge at 950 McPherson Square NE this spring. Designed by Zeidler Partnership Architects, it has a 16-storey central tower with 11 and 7 storey wings on either side. It will add 285 new homes and retail along the street.

Battistella Developments is planning a 177-unit condo complex in the West Beltline neighbourhood. The energy-efficient development is estimated to be complete in 2022.

In East Village at 6th Avenue and 4th Street SE, BOSA is constructing the Arris development. The project consists of two residential towers that will sit atop a two storey, 178,000 SF retail podium. The retail component will house RioCan's 5th and Third shopping centre anchored by a Real Canadian Superstore. The first residential tower, with 190 rental units, is expected to be ready in spring 2021.

7. APARTMENT RENTAL RATES RECEDE

Migration and substantial new rental supply in Alberta's largest cities impact vacancy rates.

CMHC calculated Calgary's rental vacancy rate at 3.9% at the end of 2019 – unchanged from the year before. The average monthly rental rate in the city last year was $1,181, up 1.7% from $1,149 in 2018.

These figures were collected prior to the onset of COVID-19 and a further slump in the global demand for oil. Now, there are indications that the vacancy rate in the city is increasing.

Rents declined during September with the average listed monthly rent for a one-bedroom apartment on the site sitting at $1,183, down 4.8% from the year before, according to the national rentals listing website, Rentals.ca.

In addition, there has been a significant increase to the rental stock. According to CMHC data, there have been 371 purpose-built rental unit completions in the first half of 2020 and there are 2,655 under construction. An average of 1,300 units have been added annually over the last 10 years.

Calgary has the highest homeownership rate of any major Canadian city at 73%, and the lowest ratio of rental units per 100 people at 2.6 (the national average is over 7).

The story is similar in Edmonton. Multi-family vacancy has fallen steadily since 2016 and now sits at 4.9%, according to CMHC. Again, this vacancy rate was calculated in a pre-COVID environment.

Despite a drop in vacancy, Edmonton's rental supply in both the purpose-built and condominium rental markets grew significantly. CMHC reported an additional 2,009 units added to the overall rental stock in Edmonton from these two rental markets, with more than half being condominium rental units.

Rentals.ca indicates that rents are coming down in the city, an indicator that vacancy rates are nudging higher. The average rent for a one-bedroom unit in September was $1,027, 2.7% lower than the year before.

In Edmonton, housing starts in July were 66% higher than in June, according to CMHC. The increase was due mainly to the apartment sector which accounted for 42% of all starts. From January to July, apartment starts numbered 758. There are currently 5,102 units are under construction.

The Government of Alberta estimates that net migration to Alberta will drop to 36,000 from 43,460 last year due to COVID-19 travel restriction. It's likely to slow even further in 2021 and remain low in 2022. Ultimately, migration will depend on Alberta's economy.

Data suggests people from outside of Canada will account for 54% of the expected growth over time.

Migration has been a key demand driver of multi-family apartment units and a reduction in these numbers will cause vacancy to tick up.

In their Summer 2020 Housing Market Outlook, CMHC projected that an increase in rental supply with low demand is likely to lead to increases in vacancy rates in Edmonton in 2020 and 2021. While in Calgary, "a reduction of immigration and migration will significantly reduce rental demand."

Prior to the pandemic, foreign-student enrollment has been increasing by about 10% per annum in Calgary and Edmonton, according to the Canadian Bureau for International Education. Investors and developers of purpose-built student accommodation (PBSA) have taken note, and are entering these underserved markets.

Alignvest Student Housing has acquired a 37-unit PBSA at White Avenue and 110 St, in close proximity to the University of Alberta in Edmonton.

The property contains 37 fully furnished units, with a total of 72 beds in four primary configurations that include bachelor, two-bedroom, three-bedroom, and four-bedroom suites. The property is equipped with a commercial kitchen, office space, games room, boardroom, event space and a fitness center. In 2010, the property underwent extensive renovations.

Campus Suites is set to deliver The Hub, a 509 bed, mixed-use, PBSA development located between the University of Calgary and SAIT. Campus Suites has delivered multiple student housing developments in the US and Canada. They include: The Arc at The University of Manitoba,The Quad at York University, and Foundry Lofts near Brock University.

Alignvest and Campus Suites joined Mainstreet Equity Corp. in targeting the student housing sector in these cities.

Mainstreet Equity's student-housing strategy posted a 49% return year-to-date as of the third quarter of 2019. Mainstreet Founder and CEO Bob Dhillon said this is just the beginning.

On their decision to enter the Western Canada market, Sanjil Shah, Managing Partner of Alignvest, said it "…is highly strategic given that it represents one of the most supply-constrained PBSA markets in Canada."

8. REASONS FOR OPTIMISM WITHIN RETAIL SECTOR

New stores are opening, and retail centres are being redeveloped as this sector continues to evolve amid economic challenges and shifting consumer behaviour.

Retail spending surged by 23.7% in June with Alberta leading the way. National retail sales exceeded pre-pandemic levels and were 3.8% higher than the year before, according to StatsCan.

Statistics Canada forecasted that sales would continue to grow in July by a further 0.7%. In fact, sales in July were up just 0.6%.

Retail spending fell 31% between February and April as stores were forced to shutter under pandemic restrictions. However, as lockdown restrictions let up, sales were up significantly in May (up 19% from April) and June (up 24% from May).

July's increase was more like a "normal" report, Douglas Porter, Chief Economist at Bank of Montreal, said in a client note.

Edmonton City Council has voted to remove minimum parking requirements becoming the first major city in Canada to do so.

Since July 2, 2020, developers, homeowners and businesses are now able to decide how much on-site parking to provide on their properties. This is to address the oversupply of parking in the city. Data collected by the city indicates that parking use is at 40%, and most sites are underused.

Removing the requirements will help Edmonton become a more walkable, active city, Kim Petrin, Development Services Branch Manager for the City of Edmonton said.

City Council has approved the RioCan's plans to redevelop Jasper Gates Shopping Centre. RioCan has JVed with Stantec to build up to 1,000 residential units and 162,000 SF of commercial space. The development will benefit from a future Valley Line West LRT station.

Council has approved buildings up to 10 storeys high to be built on the site, along with up to four towers ranging from 25 to 30 storeys.

West Edmonton Mall continues to attract retailers such as Uniqlo and Canada Goose, and Aurora Cannabis has opened an 11,000 SF flagship store. Mayfield Toyota has created a 317,000 SF automotive experience that will include a showroom, car detailing and valet parking for the mall.

The Brick had opened a flagship furniture store on the second level of the former Sears space, directly above what will become the Mayfield Toyota Dealership Experience. Construction on the project will begin in March 2020, with completion expected for the spring of 2021.

Holt Renfrew closed its Manulife Place location in January. According to Retail Insider, West Edmonton Mall's leasing team is said to be targeting brands that were within Holt Renfrew to open standalone units at their centre.

After losing its anchor tenant, Manulife Investments Management has announced that it will invest $30 M to overhaul the Manulife Place retail podium. Construction is expected to be completed by the end of 2021.

Hudson's Bay has decided to close their location in Edmonton City Centre as they look to restructure their brick-and-mortar footprint.

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

- Southgate Centre is the fifth-most productive shopping centre in Canada in terms of sales per square foot.
- Londonderry Mall recently completed a $130 M redevelopment, which included replacing the food court and the addition of a 90,000 SF Simons.
- South Edmonton Common now houses a large Ikea as well as Nordstrom Rack and Saks OFF 5TH, a new-concept Canadian Tire and a MEC – which was just bought by American company Kingswood Capital Management.

Canopy Growth Corp. opened its first retail cannabis stores in Alberta in September. The company is set to open 10 stores under the Tweed and Tokyo Smoke banners and has additional locations in the pipeline.

Seven locations will be located in Calgary, and one each in Spruce Grove, Lethbridge and Edmonton.

In all, 509 stores have been approved by Alberta Gaming, Liquor and Cannabis - about half of all pot retail locations in the entire country.

Statistics Canada says that since October 2018, when cannabis was legalized, overall use has risen from 16% to 19% in Alberta.

Calgary-based developer Royop has begun construction of its first phase of the Township development, which will include about 300,000 SF of retail space. Sobeys, Bed Bath & Beyond, Buybuy Baby, and Winners have signed on as tenants. Jeremy Thal, Royop's President and CEO told Retail Insider that they have commitments for more than 200,000 SF of other space as well.

A 151,000 SF Costco opened in the mixed-use development Taza on the Tsuut'ina Nation in August. It is located in The Shops at Buffalo Run at Taza Exchange. The Shops at Buffalo Run is a 260,000 SF retail centre that will be completed in 2022.

Leon's will open a 50,000 SF showroom in Calgary. The new showroom is modelled after the innovative 'smart store' concept that was rolled out last year. "Reinventing the 'big box' style store that they are known for, Leon's utilizes technology as a way to showcase the vast collection of products and services in a smaller retail footprint," the company reported in a release.

David's Tea reopened in the Chinook Centre and Market Mall. The company intends to close 166 of its retail locations in Canada and all 42 of its US shops. A West Edmonton Mall store will also reopen.

9. DOWNTOWNS INVIGORATED BY NEW ARENAS

New state of the art arenas are sources of civic pride & catalysts for downtown revitalization.

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

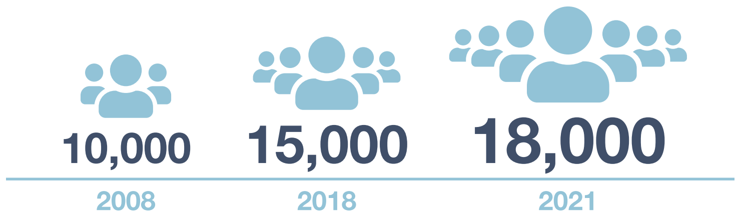
Central to this transformation is the development of the Ice District, the $2.4 B mixed use development encompassing 25 acres. Along with Rogers Place, which opened in 2016, it includes the city's two tallest towers, the Stantec Tower and the Edmonton Tower, as well as the JW Marriott Edmonton ICE District hotel – which was being used during the NHL playoffs.

The 66-storey Stantec Tower — Canada's tallest building outside of Toronto — and the JW Marriott have recently won an international design award as the best retail and mixed-use development at Engineering News-Record's eighth annual Global Best Projects competition.

The second phase of the Ice District will include 12 residential towers totalling up to 4,500 residential units. It has already begun with the opening of the retail podium above the underground parking lot that was built on the former Greyhound bus depot. Eventually, the podium will be topped by Ice District Tower B as it is now known, a high-rise residential building that will add 568 residential units and amenities to the area.

As a result of the ICE District, downtown development has intensified. Downtown Business Association Executive Director Ian O'Donnell stated about the district, "It's certainly brought a new sense of rejuvenation, a new sense of pride and a new feel to downtown," he said. "It's what we've been hoping for and certainly exciting to see. Things are bustling everywhere." He estimates that $1 B in development has been invested downtown since the opening of the Rogers Centre by companies other than the Katz Group.

The population of the downtown core has grown from 10,000 in 2008 to 15,000 in 2018. It is projected that there will be 18,000 residents by 2021.



When Edmonton was officially chosen as one of two hub cities for the restart of the NHL playoffs, the city welcomed 12 teams and staff about 900 people.

Premier Jason Kenney estimated that 2,000 jobs in Edmonton would be created as a result of $60 M worth of hub-related economic activity.

The city of Calgary has finally pulled the trigger on a new home for the Calgary Flames after years of discussion.

Construction is slated to begin on the new event centre next summer and should be completed in time for the 2024-2025 hockey season.

The building will be located on the eastern side of downtown Calgary, just north of the Scotiabank Saddledome, in the Victoria Park neighbourhood. The Saddledome will be demolished once the team moves into the new arena.

The venue will feature an arena with up to 19,000 seats and will also become home to the Western Hockey League's Calgary Hitmen and National Lacrosse League's Calgary Roughnecks, both of which are owned by Calgary Sports and Entertainment Corporation.

Calgary Municipal Land Corp. (CMLC), is quarterbacking the project the $550 M project. Global design company HOK and local company Dialog won the contract to design the space. These companies also worked together on Edmonton's Rogers Place.

Over 14,000 people took part in a public engagement process that the CMLC held to identify what Calgarian envision for the new space.

Participants indicated their desire for a space that could host festivals, outdoor concerts, free performances and provide outdoor screens for people to gather to watch events.

City officials hope to see the transformation of East Victoria Park over the next few years into a cultural “gathering place” for Calgarians and attract further private investment in residential and commercial development.

10. INFRASTRUCTURE INVESTMENT A KEY COMPONENT OF ALBERTA’S ECONOMIC RECOVERY

Unprecedented infrastructure spending as billions of dollars promised to boost the economy.

In response to the impacts of the COVID-19 pandemic and the crash in commodity prices, the Government of Alberta has announced the $10 B Alberta Recovery Plan. The plan includes significant investments in infrastructure. The government has proposed the introduction of the Alberta Infrastructure Act and a new 20-Year Strategic Capital Plan to guide its infrastructure planning decisions.

The government is planning to introduce the Alberta Infrastructure Act in the fall 2020 legislative session. The proposed legislation is intended to increase accountability and transparency in Alberta’s capital planning framework. It will legislate prioritization criteria, which include:

- health, safety and compliance
- strategic alignment
- economic impacts
- improved program and services delivery
- life cycle costs and return on investment
- resilient communities

To support the Act, the government plans to release a 20-Year Strategic Capital Plan in early 2021. The plan will provide a vision of Alberta’s infrastructure future to help determine the priority of infrastructure projects in key sectors.

The Economic Recovery Plan has earmarked money for the following projects:

- Water infrastructure grants of $150 M to support 55 water and wastewater improvement projects through the Alberta Municipal Water/Wastewater Partnership and Water for Life.
- The development of a high-speed rail line between Calgary and Banff. The project is estimated to cost $660 M and would be a boost to the tourism industry.

The government will also provide municipalities with $500 M in additional funding to build shovel-ready infrastructure projects starting in 2020. The $500 M will boost municipal infrastructure funding by almost 30%, and create an estimated 2,500 jobs from projects that will begin construction in 2020 or 2021.

A series of large-scale infrastructure projects was launched this summer worth a total cost of $612 M. These projects are designed to create at least 2,500 jobs, and have been chosen to improve long-term economic growth and to encourage investment across the province, according to a press release.

The plan will also support Calgary and Edmonton's LRT projects.

In Calgary, the Green Line LRT was given the OK to proceed this summer by the city council. Stage 1 will consist of 15 new stations on 20 kilometres of track and will cost an estimated $4.9 B to build. The provincial and federal governments have promised to chip in approximately $1.5 B each.

The entire 46-kilometre line, when complete, will consist of 28 stations from 160th Avenue N to Seton. The project is expected to create 20,000 jobs. The first stage is anticipated to open as soon as 2026.

"The Green Line is not only the largest public works projects in the history of Calgary, it's about three-and-a-half times bigger than the second-largest project," Calgary Mayor Naheed Nenshi stated.

In Edmonton, the first phase of the Valley Line LRT project - the 12 stop southeast portion – is heading towards completion and will open sometime in 2021.

In 2021, construction will begin on the Valley Line West downtown to Lewis Farms and Metro Line NAIT to Blatchford. Provincial and federal funding of $2.25 B has been allocated for these lines.

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.

Of the province's infrastructure investment plan, Premier Jason Kenney stated: "This, the largest infrastructure build in Alberta history, and by far the largest in the country on a per-capita basis, representing about a 40 percent increase over what has initially been budgeted in the province's capital plan for this fiscal year."

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