

ECONOMIC INDICATORS

National

	2017	2018	12-Month Forecast
GDP Growth	4.4%	2.5%*	▼
CPI Growth	2.1%	2.4%*	▲
Consumer Spending Growth	3.5%	2.0%*	▼
Retail Sales Growth	6.7%	1.8%*	▼

Regional

	2017	2018	12-Month Forecast
Household Income	\$107,470	\$113,281*	▲
Population Growth	1.6%	1.4%*	▼
Unemployment	7.5%	6.3%*	▼

Sources: RBC Economics, TD Economics, Finance Ministry of Alberta
*2018 Forecast

Economy

GDP growth in Alberta had moderated by the end of 2018 towards 2.5%, with 2019 growth anticipated to be 1.4% as cuts in oil production continue. This will have a negative impact on the level of investment in the energy sector. Edmonton unemployment has dropped quarter-to-quarter to round out 2018 at 6.3%. This drop reflects a 1.2% decrease in unemployment year-over-year due to growth in the manufacturing and service sectors. Oil prices reached \$75 in the beginning of the fourth quarter but drastically declined by the end of the year to \$45 a barrel, threatening the local industry in the coming months and limiting overall economic growth. Alberta's construction activity remained weak as of November 2018, with total value of permits down to 17.1% year-over-year.

Source: City of Edmonton, Finance Ministry of Alberta, RBC Economics

Market Overview

Although the Edmonton retail market had a stable second half of 2018, overall retail growth for the year was slightly weaker than 2017. As of October 2018, Alberta had generated retail sales of \$6.7 billion. The volume of sales was propped up by higher consumer prices, although it was not enough to counteract the decrease in overall retail sales which was largely driven by a decrease in motor vehicle sales and general merchandise stores. However, high consumer expenditure in restaurants and bars signals Alberta's confidence in consumer spending. Market fundamentals remain strong with the average weekly earnings across the province sitting at \$1,155 which sustained through the last few months of 2018.

The opening of several retailers including Nordstrom Rack, the Premium Outlet Collection, multiple cannabis retailers, coupled with strong retail sales in existing large retailers in the market contributed to this year's overall positive sales volume. Although there was an overall decrease in construction in 2018, several residential towers are slated to commence construction in 2019. Several high-rise residential apartments in downtown such as the Falcon Towers, Emerald Tower and the MacLaren are some of the many mixed-use projects that will potentially set a precedent for central retail development through its ideal urban lifestyle, close proximity to downtown's shopping centres, and a vibrant and pedestrian-scale design that provides walkable routes for people. 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. Retail sales that transacted throughout the year were mostly located in the peripheral markets; demonstrating the rapid growth and desirability to be located in the outskirts of Edmonton. Several retail developments in Edmonton's peripheral markets are being built to accommodate the city's expansion and residential growth such as the development of North Central Co-op at Chappelle which is a 43,077-sf grocery store, and the opening of Costco in Nisku. The City of Edmonton has been working to revitalize the downtown scene with projects such as the ICE District, where increased pedestrian activity is anticipated to drive retail growth in the downtown area.

Outlook

Alberta's recovery from the 2015-2016 recession continues and expectations for the economy to grow rapidly in 2019 might weaken in the coming months due to pipeline bottlenecks and declining oil prices. Several Canadian retailers are moving out of the market due to high competitiveness, strategic turnabout, or bankruptcy, likely resulting in increased vacancy. Helping to offset this will be the opening of cannabis stores in 2019, as currently there are 65 licensed retailers in the province. The entering of cannabis retailers into the Edmonton marketplace will result in increased employment, higher cash flow, and increased demand for commercial spaces. However, due to the high demand and limited supply, there is uncertainty on the long-term impact on the local economy. International retailers such as the Korean supermarket H-mart is opening in early 2019, and retailer MINISO is looking to expand. As a result, 2019 might see a slight decline in vacancy. However, with potential rising interest rates in 2019 and continued unemployment many consumers could be forced to reduce spending, and this may result in slow activity in retail.

MARKETBEAT

Edmonton, AB

Retail Q4 2018



Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
South Park Centre	42,000	H-Mart	Lease	Southeast
Commerce Place	25,000	GoodLife Fitness	Lease	Northwest
West Edmonton Mall	15,000	Starlight Casino Edmonton	Expansion	Northwest

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Village Landing	130,089	Village Landing St. Albert GP Ltd / 1172362 B.C. Ltd	\$51,200,000 / \$394	St. Albert
Hawkstone Plaza	88,955	Reid-Built Homes Ltd. / Voiture Capital 2011 Inc.	\$29,200,000 / \$328	Southwest
Broadmoor Heritage Plaza	65,195	Broadmoor Commercial Plaza Development Corp. / H. Brum Enterprises Ltd.	\$23,000,000 / \$353	Sherwood Park
Sherwood Park Plaza	44,267	SP Plaza Inc. / BRIJ Mohan Investments Ltd.	\$13,300,000 / \$300	Sherwood Park
Revolution Square	81,204	Revolution Square GP Ltd / 1886938 Alberta Ltd	\$13,300,000 / \$178	Northwest
14220 Yellowhead Trail NW	20,616	Ambae Investments Inc / The City of Edmonton	\$6,150,000 / \$283	Northwest

Key Properties Under Construction

PROPERTY (Developer)	SF*	MAJOR TENANTS	PROPERTY TYPE	SUBMARKET
Currents of Windermere	1,200,000	Walmart, Cabela's, Home Depot	Regional Centre	Southwest
Manning Town Centre & Village	850,000	Canadian Tire, Lowe's, Cabela's	Regional Centre	Northeast
Erin Ridge Shopping Centre	480,971	Costco, Lowe's	Regional Centre	St. Albert
Harvest Pointe Shopping Centre	375,000	Walmart, Sobeys	Regional Centre	Southeast
Heritage Valley Shopping Centre	303,472	Superstore, Shoppers	Regional Centre	Southwest
Ice District	300,000	Cineplex, Joey, Rexall	Entertainment District	Central
Tamarack	185,125	Shoppers, Sportchek, Michaels	Community Centre	Southeast
Windermere Crossing	160,000	Superstore	Community Centre	Southwest
The Shoppes of Jagare Ridge	119,650	RBC, Subway, DQ, Beach Front	Community Centre	Southwest
Tamarack Common	114,000	Sobeys, RBC, Browns Socialhouse	Community Centre	Southeast
Griesbach Village	110,622	Shoppers Drug Mart	Community Centre	Northwest
Jensen Lakes Crossing	104,999	Landmark Cinemas	Regional Centre	St. Albert
Chapelle Commons	100,000	Co-op, Tim Hortons, Pet Valu, Dollarama	Community Centre	Southwest
Edgemont	91,320	Sobeys	Community Centre	Southwest

*Square footage represents full development build out, includes some partially completed developments and those with CRUs under construction.

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