CUSHMAN & WAKEFIELD
Edmonton

RETAIL MARKETPLACE

Although volumes have been down over the past year, there is still a high buyer demand for product below the $10 million price point. Is this still the market or will there be movement for the bigger assets to take advantage of redevelopment/density opportunities for under-performing assets?

The Edmonton retail market is really the tale of two segments. The institutional players who are focused on grocery anchored or power center plays compared to the local risk takers who are focused on assets that are priced under $10 million. We believe the overall market over the next twelve months will continue to be driven by fewer institution grade transactions.

There are a few fundamental issues in the sector. Retail sales growth has been flat over the past several years which is an indication of consumer caution. With fewer rooftops going up we see mixed messages coming from the grocery sector. With the trend to pushing out their store openings, we anticipate a slowing down in green field land sales as grocers become cautious with their capital outlays.

The much anticipated growth in Transit Oriented Development areas has been slower to come to fruition as groups maneuver through the planning and zoning phases. It is also unclear how this will play out over time since the Century Park site in south Edmonton has taken much longer to develop potential density than originally envisioned.

It should also be noted that the final phase of the ICE District has been delayed due to a redesign of the lower podium to take out density. The Downtown Core rental market has mainly been driven by local food and beverage groups that are likely unable to afford the higher rents demanded by the new development.

Recent transaction history indicates that deal size is trending downward and is in the category of general retail rather than shopping centres. We believe this trend is going to continue and we anticipate well located street front locations in Downtown, Whyte Avenue and 124th Street that are poorly tenanted to be potential opportunities for local investors. The investors that are looking at smaller assets in good locations that can be upgraded and aimed at local retailers with unique product offerings (food, craft breweries, boutique fitness etc.) should be active in the market.

Although the institutional players have been quiet over the last few years, good quality assets will always sell in the Edmonton market. To this end, institutional assets that come on the market, will continue to be priced aggressively.

We believe the disconnect that exists in the market is there does not appear to be too much room for rental rates to move higher to justify the low Cap Rate environment. Until there is some upward movement on bottom line performance, we think that deal volume for larger assets will continue to be lethargic.

As the retail buyer experience continues to evolve, we will see a growing trend for both retailers and developers looking to repurpose assets. The continuing innovation of retailers is creating changes in the nature of retail assets. On the sell side, it appears that most groups that will be selling are more risk averse and they are unwilling to reinvest in their properties.

As a final note, anyone looking to invest in retail assets should remember the concept that retail will always be location, location, location.

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MARKET DRIVEN BY
FEWER INSTITUTION GRADE TRANSACTIONS

SLOW DOWN IN GREEN FIELD LAND SALES
GROCERS CAUTIOUS WITH THEIR CAPITAL OUTLAYS

SLOW GROWTH IN
TRANSIT ORIENTED DEVELOPMENT

DOWNTOWN CORE RENTAL MARKET
DRIVEN BY LOCAL FOOD AND BEVERAGE GROUPS

WELL LOCATED STREET FRONT LOCATIONS
OPPORTUNITIES FOR LOCAL INVESTORS

AGGRESSIVE PRICING
FOR INSTITUTIONAL ASSETS