

EDMONTON, AB

Retail H2 2023



Edmonton Census Metropolitan Area
Sources: Statistics Canada, Sitewise

ALBERTA ECONOMIC INDICATORS Q4 2023



Sources: TD Provincial Economic Outlook, Statistics Canada

ECONOMY

Economic challenges, marked by persistent inflation and a rising cost of living, have impacted consumer spending throughout 2023. Despite this, a trend towards more cautious spending habits is expected to stabilize overall expenditures in 2024. Notably, Alberta's Consumer Price Index (CPI) dropped by 110 basis points (bps) from the beginning of the year to 2.5% in November 2023, affirming its position as one of the nation's fastest-growing markets. This growth was fueled by a historic influx of population, with 61,118 new residents contributing to a provincial total of 4,756,408 as of October 1st, 2023 - a remarkable 4.3% year-over-year (YOY) increase, the highest since 1980. However, Alberta's GDP growth for 2023 saw a 50-bps decrease to 2.2%, deviating from initial economic predictions. The unemployment rate in the Edmonton region rose by 120 bps YOY, climbing from 5.4% in December 2022 to 6.6% in December 2023. Retail sales volume in Alberta reached \$8.6 billion in November 2023, a 2.6% YOY increase highlighting the resilience of the retail market contrasting the challenges seen in the overall economy.

Source: Statistics Canada, Government of Alberta

DEMAND

In the fourth quarter of 2023, Edmonton's retail market showed slight improvements as overall vacancy dropped to 3.6%, down 80 bps from the previous quarter. However, challenges persist. High-interest rates are causing local shops to adapt, with some closing due to the impending CEBA loan repayment due in 2024. Rising construction costs, site prep, and land costs continue to drive up lease rates, particularly for CRU space. The Downtown Core continues to see vacancy hover around the 7.0% range, among the highest rates in the city, largely due to low foot traffic as a result of safety concerns, hybrid working arrangements, and difficulties with parking accessibility.

Despite these challenges, Edmonton's retail market remains strong, shaped by new entrants and ongoing developments. Construction has remained active in the Edmonton Region with around 200k square feet (sf) being delivered in the second half of 2023. Suburban regions continue to witness the addition of high-quality CRU space in various neighbourhood and community centres. Leasing remains robust for quick-service restaurants with daycares becoming more active, likely attributed to Alberta's notable influx of migrants. A significant entrant to the Edmonton market is Nike securing 27,500 sf in West Edmonton Mall, becoming the largest Nike store in Canada. Further confidence has been seen as retail shopping centres continue to be an attractive asset for investors, evident in Namao South transacting at \$51.9M, a price per square foot of \$480.97. Finally, the newly built Valley LRT Line has been instrumental in adding a new transportation route between South Edmonton and the Downtown Core, providing optimism towards higher foot traffic in a struggling retail region.

OUTLOOK

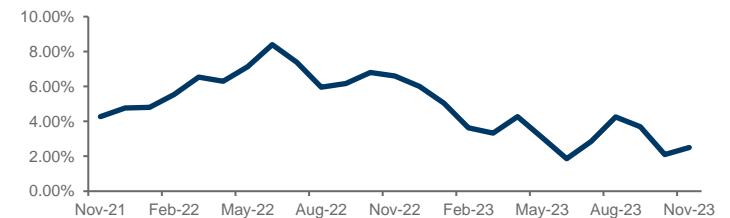
An anticipated "shakeout" is on the horizon, expected to coincide with the CEBA loan repayment due in early 2024, likely resulting in more retail space coming back to the market. Nevertheless, Edmonton is poised to welcome more and more new entrants, with businesses and investors exploring creative strategies to finance their operations. Projected cooling inflation and current high migration rates are encouraging with the Bank of Canada announcing its first interest rate decision in late January 2024.

MONTHLY CANADIAN RETAIL SALES, UNADJUSTED



Source: Statistics Canada

ALBERTA CPI DATA



Source: Alberta Population Statistics

KEY PROPERTIES UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	PROPERTY TYPE	COMPLETION DATE
Heritage Valley Town Centre	Southwest	Superstore, Shoppers Drug Mart	102,091	Regional Centre	TBD
EVER Square	Southcentral	Krispy Kreme, Filmore Construction, Great Canadian Oil Change	100,000	Power Centre	Q1 2024
The Jewel of Greisbach – Phase 2, 3, 4	Northwest	TBD	83,520	Neighbourhood Centre	2026
EVER @ Mattson	Southeast	TBD	89,054	Neighbourhood Centre	2025/2026
Manning Town Centre and Manning Village Expansion – Building 1	Northeast	Movati	70,000	Single CRU	Q2 2024
Aster – Building A, B, C, D, E, F	Southeast	TBD	57,000	Mixed Use	TBD
L'OCA Quality Market	Sherwood Park	L'OCA	40,000	Single CRU	Q2 2024

KEY ENTRANTS H2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
West Edmonton Mall	West	Nike	27,500	Headlease

KEY LEASE TRANSACTIONS H2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10404 99 Ave	Fort Saskatchewan	Dollar Tree	20,000	Headlease
5017 127 th Ave NW	Northeast	Liquidation Centre	14,418	Headlease
160 Mayfield Common	West	Activate Games	11,865	Headlease
201 Festival Way	Sherwood Park	H&W Produce	10,926	Headlease
5615 101 Ave NW	Southeast	Mark's	9,200	Headlease
800 Broadmoor Blvd	Sherwood Park	Chop Shop Physiques	7,800	Headlease
West Edmonton Mall	West	Lululemon Athletica	7,500	Renewal
West Edmonton Mall	West	Toronto Dominion Bank	6,206	Renewal

KEY SALES TRANSACTIONS H2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Namao South	Northwest	Artis Namao Ltd / SRF5 Namao South Inc.	108,011	\$51.9M / \$480.97
Heritage Village Shopping Centre	Southwest	Investors Group Trust Co. Ltd / KSRO Heritage Edmonton Inc.	86,755	\$30.7M / \$353.87
Mission Hill Plaza	St. Albert	Mission Hill GP Inc. / SRF5 Mission Hill Inc.	106,377	\$29.1M / \$273.55
13215 97 St	Northcentral	RSH Land Ltd. / 2450575 Alberta Ltd.	68,349	\$23.6M / \$345.95

RETAIL TEAM

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