# INVESTMENT FORECAST

**Apartments**

*Edmonton*

IPA INSTITUTIONAL PROPERTY ADVISORS

2022

## Growing Tech Sector Augments Traditional Energy and Trade Economy in Edmonton

**Class A vacancy to decrease as labour market diversifies.** The Edmonton metro has long been a hub for logistics, due to its centralized location, air, rail and roadway infrastructure, as well as its standing as a major energy producer for western Canada. These jobs support healthy demand for Class B/C rentals. More recently, the economy is transforming into a research and technology hotbed. New employment opportunities in these higher-income sectors will help boost demand for upper-tier rentals near the urban core, where a live-work-play environment is desired by many young professionals. This trend was leading to a reduction in Class A vacancy, but COVID-19 disrupted momentum over the past two years. Rising foot traffic and firms returning to in-person work has occurred at faster rates than other major Canadian metros, which should lead to a strong recovery as young professionals return to urban lifestyles. New supply concentrated in the core may impact Class A fundamentals in the short term, but the long-term outlook for GEA rentals is bright.

## Edmonton Apartment Investment Trends

- A healthy household formation outlook garners buyer attention. Low-rise assets have been capturing the greatest share of investor interest in recent periods.
- Over the past three years, the average cap rate fell notably; mild entry costs in the GEA and cap rate compression elsewhere, however, will keep investors active.

## 2022 Apartment Trends

**1,520**
**UNITS**
*will be completed*

### CONSTRUCTION:

Construction has waned from the recent highs posted in 2015 and 2016. Much of the pipeline is within Downtown Edmonton or outside Anthony Henday Drive.

**40**
**BASIS POINT**
*decrease in vacancy*

### VACANCY:

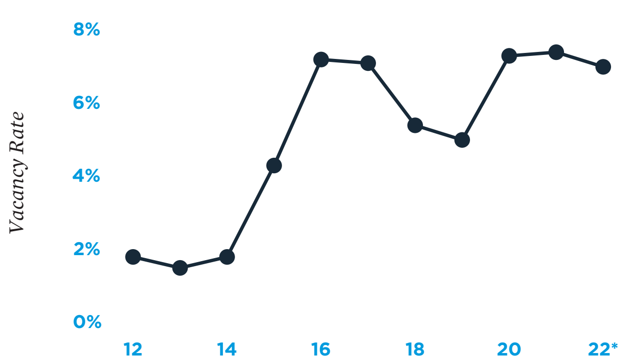
Operations will improve as the local economy reopens. The vacancy rate will fall to 6.9 per cent in 2022, as new and existing units are filled.

**2.2%**
**INCREASE**
*in effective rent*

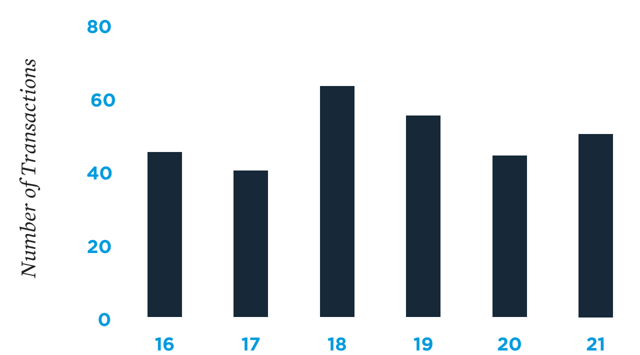
### RENT:

The average effective rent rises in 2022. New Class A units entering lease-up near the Ice District will buoy an overall market gain.

### Vacancy Trend




### Transaction Trends




*Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.*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