INVESTMENT FORECAST

Retail

Edmonton

IPA INSTITUTIONAL PROPERTY ADVISORS

2022

Investors are Optimistic the Turnaround in Retail Performance Extends into 2022

Recovering energy prices and tourism key to retail market. Employers recouped all the jobs lost during the early months of the health crisis in 2021, and additional gains are expected this year. A resumption in worldwide energy demand, which still serves as the backbone of the market until a more diverse economy is established, was the primary factor in last year's success. In 2022, the relaxation of pandemic restrictions should allow some of the most challenged sectors to take the reins of the improving retail segment. Tourism, for instance, will begin to move toward previous levels, after being hamstrung by untimely COVID-19 variants. A return of summer festivals, among other attractions that drive foot traffic, will help absorption reach the highest level since 2018. Construction, meanwhile, is not expected to impact existing operations, as deliveries fall to the lowest amount since 2016. The three-story retail platform of the latest ICE District tower accounts for the largest increase in inventory this year.

Edmonton Retail Investment Trends

- Local, private buyers are most active navigating the investment climate, while increasing their focus on multi-tenant properties. As a result, the average cap rate ticked up modestly last year, while the mean per-square-foot price dipped.
- A combination of value-add potential and strengthening space demand will keep investors active this year. Assets with a strong anchor and vacant inline space will be favored.

2022 Retail Trends

1.1 MILLION SQUARE FEET
will be completed

CONSTRUCTION:
After 1.2 million square feet was delivered in 2021, stock rises by 1.6 per cent this year. More than 70 per cent of the space underway has secured a tenant commitment.

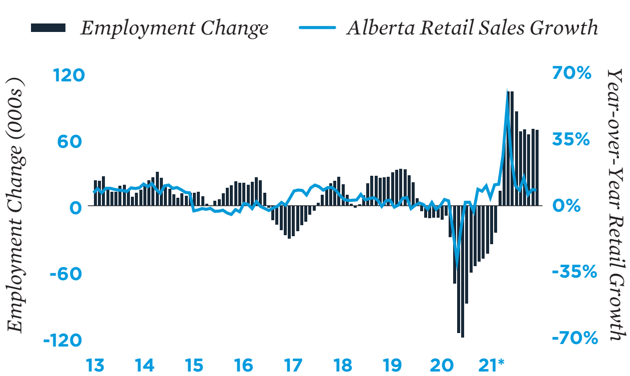
30 BASIS POINT
decrease in vacancy

VACANCY:
Vacancy falls to 4.6 per cent in 2022, as space surrendered at the onset of the health crisis is refilled. The rate declined 10 basis points in 2021.

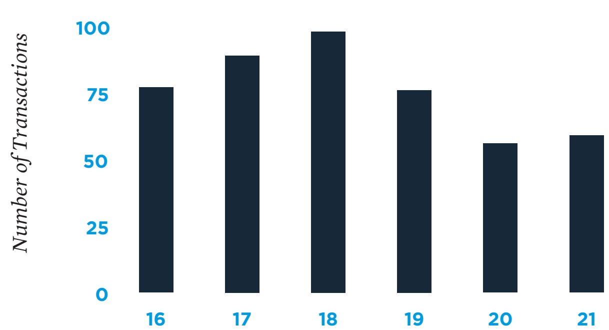
0.8% DECREASE
in asking rent

RENT:
Although conditions are tightening, operators will not have sufficient leverage to increase asking rent, which will finish the year at $21.90 per square foot.

Employment vs. Retail Sales Trends



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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