MARKET REPORT

Multifamily

Edmonton Metro Area

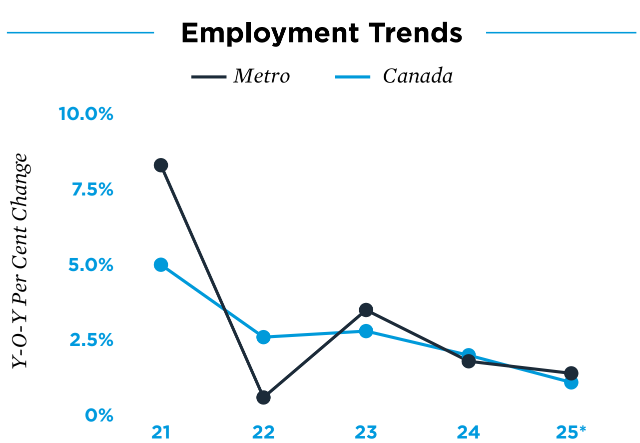
IPA INSTITUTIONAL PROPERTY ADVISORS
A DIVISION OF MARCUS & MILLICHAP, BROKERAGE

2Q/25

Market Characteristics Could Cushion the Impact of a Prolonged Trade War

Economic makeup could soften tariff impacts. Edmonton's top employers include Stantec, the Provincial Government and the University of Alberta. Stakeholders have also invested into tech, clean energy, logistics, and food and agriculture, helping to fuel economic diversification. These factors highlight the synergies between the private sector, government and post-secondary institutions, which has helped create a business-friendly environment, while also making the metro a global leader in engineering and research, as well as in artificial intelligence. Additionally, these sectors offer both stable and lucrative jobs; combined with Edmonton's lower cost of living, this has created some of the highest disposable income levels in Canada. While unemployment could rise due to a prolonged trade war with the United States – putting Edmonton's retail property sector at risk – the metro's economy and labour market are forecast to outperform the nation at large. These benefits create an optimistic long-term outlook.

Energy sector able to withstand tariffs. Edmonton houses many of Canada's oil and gas servicing companies. While a 10 per cent tariff is expected to eat into sector profits, its overall impact is manageable. Given the lack of substitutes and interconnected supply chains, oil exports will likely be inelastic. Oil producers are also signaling plans to increase output in 2025, as the recently completed Trans Mountain Pipeline allows for a more diverse export market. Combined, these will help mitigate some employment risks, cushioning the negative impact on consumer spending and retail property fundamentals.



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

Retail 2025 Outlook

11,000 JOBS
will be created

EMPLOYMENT:

Stable employment in the public and education sectors – along with more diversified trade routes – could drive job growth, albeit at a slower pace. Protectionist U.S. trade policy poses the largest risk, as it could lead to weakening labour market conditions.

610,000 SQ. FT.
will be completed

CONSTRUCTION:

While openings are set to edge lower compared with last year due to some feasibility challenges, demand for new, high-quality supply remains healthy. Construction starts have also risen since 2022, which will unlock some needed supply in the coming years.

40 BASIS POINT
increase in vacancy

VACANCY:

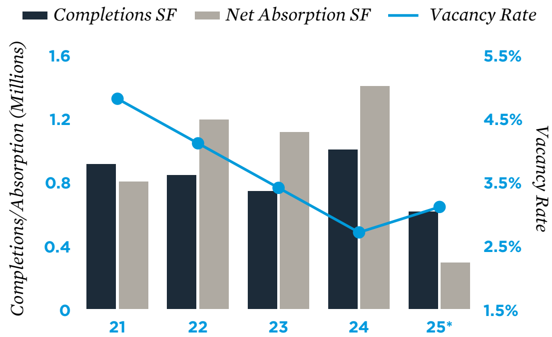
While vacancy will edge higher, lower borrowing costs, along with Edmonton's higher disposable incomes, will maintain a 3.0 per cent rate. Leasing will likely be led by franchise and national brand retailers looking to capitalize on recent population growth.

1.8% INCREASE
in asking rent

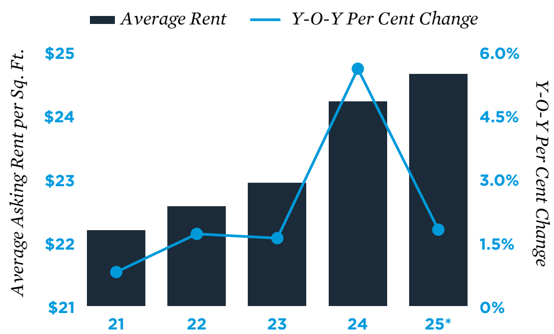
RENT:

Low vacancy and demand for new builds will drive rent growth in 2025; however, gains are likely to moderate compared with last year. Labour uncertainties, easing population growth and trade tensions could temper consumer confidence and business expansion.

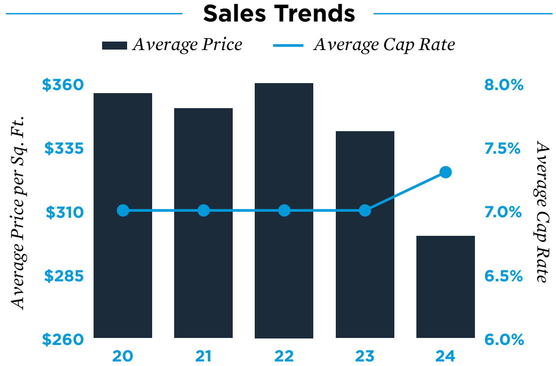
Supply and Demand



Rent Trends



Sales Trends



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Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

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4Q 2024: Trailing 12-Month Period

CONSTRUCTION

993,700 sq. ft. completed

- While completions edged higher last year, openings have been trending down since 2019. Because retail construction costs have surged, obtaining feasible rents has been challenging, putting a lid on construction.
- Amid population growth and hybrid work options, the suburbs are seeing more retail development in open-air malls and neighbourhood centres.

VACANCY

70 basis point decrease in vacancy Y-O-Y

- Deliveries have trended down since the pandemic. Coupled with healthy leasing amid historic population growth and higher disposable incomes, this has led to vacancy falling for the third consecutive year, hitting 2.7 per cent.
- South Central held the lowest vacancy rate at 1.0 per cent, but Central and Old Strathcona witnessed the largest drop at 120 basis points each.

RENT

5.6% increase in the average asking rent Y-O-Y

- As vacancy has contracted significantly in recent years amid slowing supply growth and healthy demand tailwinds, annual rent growth reached a near-decade high in 2024.
- Annual rent growth accelerated across all retail formats, led by strip centres anchored by essential goods retailers at 6.1 per cent.

Investment Highlights

- Elevated borrowing costs weighed on retail property investment in 2024. Total sales fell 10 per cent compared with 2023 – the second consecutive annual decline. As institutional capital largely remained sidelined or focused on other assets, sales in the $20 million-plus category led the overall drop. Total dollar volume was also down 50 per cent year over year as a result.
- The drop in total sales was driven by a 25 per cent decline in multi-tenant deals. In contrast, single-tenant transactions – which accounted for 62 per cent of total sales – were largely unchanged. While offering less diversification, single-tenant assets are often leased by nationally recognized tenants under long-term deals, making them attractive to investors.
- As institutional capital largely took a wait-and-see approach, private local buyers dominated the investment market, composing a 60 per cent share of total dollar volume purchased. Nevertheless, there is still some institutional interest in Edmonton's retail sector. Higher real disposable incomes and recent population growth paint an optimistic outlook. Institutional players are likely to remain focused on essential-based, neighbourhood centres.

Price: $250