

Real Estate Growth Projections

Final Report

Prepared for: City of Red Deer

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Introduction

Study Objectives

Colliers Strategy and Consulting Group was retained by the City of Red Deer to conduct a growth projection analysis that will be foundational to DIALOG's design and policy development. The intent of this work is to conduct a commercial, industrial, office, and residential land use inventory analysis which builds upon existing baseline inventories to accurately forecast future demand based on an assessment of how the population and economy will grow over time. This inventory and projection analysis results in a calculation of demand for residential, commercial, office and industrial uses, broken down by unit type and subcategory. The future projected demand is compared to existing and upcoming supply to estimate additional land requirements to satisfy future demand.

Methodology and Limitations

This study relies on data from multiple sources including but not limited to Colliers Strategy and Consulting Group, Statistics Canada, City of Red Deer, and PiinPoint. The quality of the assumptions made in the background data therefore place limitations on the study's findings, but Colliers has tried to ensure that assumptions are based on up-to-date and reliable market intelligence. However, should market conditions change significantly, the study's data and conclusions should be re-examined, particularly due to the economic uncertainties resulting from COVID-19. The data used in the report was generated during the COVID-19 pandemic. While Colliers sees this as a generation-defining crisis, in the fullness of time we expect to see a return to the real estate patterns highlighted in this report.

This document is only intended for the use of DIALOG and the City of Red Deer.

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Executive Summary

Population Projections

The medium growth projection used in previous reports does not align with the real growth rate that Red Deer has experienced in the past 10 years. The 5- and 10-year Reality growth rates have been selected for use in this report as a companion to the medium-growth scenario, as they accurately reflect the growth of Red Deer.

Throughout this report, these 3 population projections will inform different growth scenarios. With this in mind, the historical growth rates that Red Deer has experienced, both in the past 5 and 10 years, should be the basis for all planning policies moving forward.

Residential Analysis

The 5-year reality shows that no new land would need to be developed to accommodate growth, and this is very likely to be the conditions moving forward. The 10-year reality shows that no land outside of the already approved NASPs would need to be developed. This projection could occur if there is an economic upturn in Alberta, but less likely than the 5-year reality projection. The Medium Growth scenario shows that more land should be developed to accommodate demand, and this projection should not be considered.

To create a resilient residential market for Red Deer, the 5-year Reality population projection should be followed for future planning policies and no additional residential land should be annexed. Therefore, it would be advised that the City of Red Deer take the most cautious stance when determining the future demand of housing and anticipate the 5-year Reality scenario. If economic conditions should improve, then the 10-year Reality population projection can be considered, although greenfield development land annexation is still not recommended.

Retail Analysis

The gap analysis for the medium-growth scenario is optimistic and states that 32.5 acres of retail land is required, but this land already exists throughout Red Deer. 17 acres of land would be required under the 10-year Reality growth scenario, and this also already exists throughout Red Deer. Finally, 0 acres are required in the 5-year Reality growth scenario.

To create a healthier supply of retail space, and avoid further oversupply issues, both the 5-year and 10-year Reality growth projections can be the basis for planning policies moving forward. In the short-term, the 5-year growth projection should be utilized to address the current demand and use of retail space. Should economic conditions improve, the 10-year growth projection can augment the conservative retail planning policies.

Industrial Analysis

Under the Medium Growth Scenario, an additional 491 acres of land would be required to meet demand. The 10-year Reality Growth Scenario anticipates that an additional 287 acres of land would be required, and the 5-year Reality Growth Scenario would require no additional land.

Similar to projections for other asset classes, the 5-year Reality Growth Scenario should be following for the foreseeable future. The current vacancy rate indicates that there is more than enough current supply to absorb market demand. Should the industrial market indicators improve, then the City of Red Deer could consider



intensifying land to meet a higher demand for industrial land. This long-term outlook will give the City of Red Deer ample time to assess the market demand and land supply and adjust as necessary moving forward.

Office Analysis

The gap analysis for the medium-growth scenario is optimistic and states that over 500,000 SF of office space is required to meet the demand, but this space could be absorbed through denser, mixed-use developments. 289,000 SF of office space would be required under the 10-year Reality growth scenario, and this also already exists throughout Red Deer. Finally, no additional space would be required in the 5-year Reality growth scenario.

The office market throughout Alberta and Canada has been volatile, with little certainty on the future demand of office space. The trend toward hybrid workspaces with smaller footprints has created conditions for diminished demand for office space that could continue long into the future.

It would be advisable that Red Deer follow the most conservative 5-year Reality projection. If economic conditions improve and the demand for new office space becomes more apparent, then the additional 289,000 SF of office space anticipated in the 10-year Reality projection could be added through dense, mixed-use developments in the downtown core.



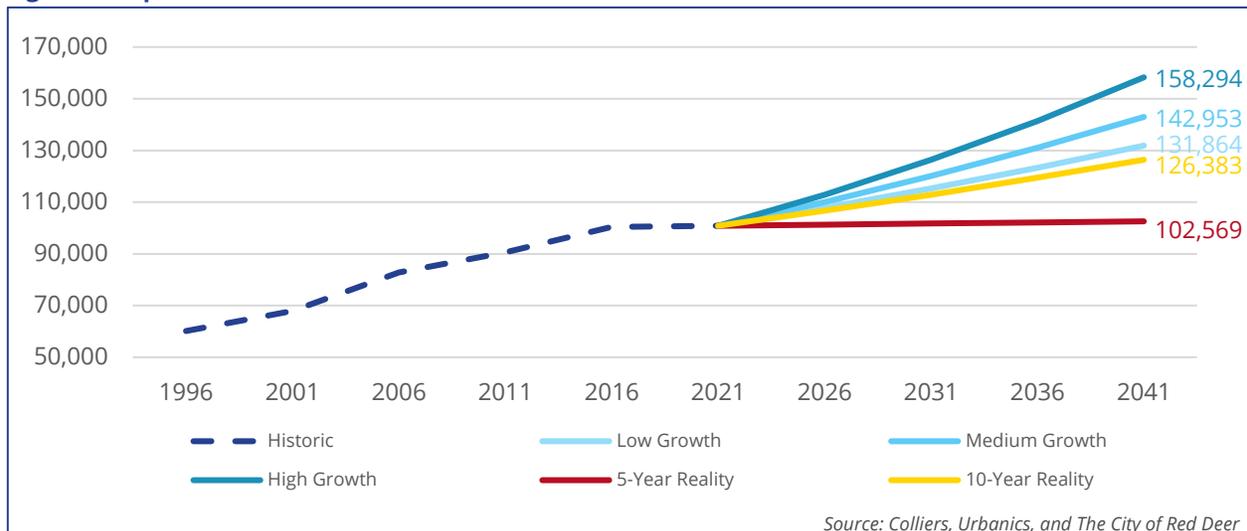
1. Population Projections

Colliers Strategy & Consulting utilizes updated population projection metrics based on the most up-to-date data within the 2021 Statistics Canada Census.

Colliers was provided 5 population projections based on different levels of population growth. Three of these population projections (High Growth, Medium Growth, and Low Growth) were initially created by Urbanics, with adjustments provided by Colliers in previous Economic Development Strategy Reports. These population projections were calculated using the Cohort Component Method, which includes assumptions regarding future fertility rates, mortality rates, and net migration. The medium-growth rate projection has been the basis of demand projections provided by Colliers in previous reports.

As of the 2021 Census, the population of Red Deer was 100,844. Under the previous Medium Growth scenario used in the 2020 report, the 2021 population was projected to grow by 8.2%, which would be a population of 108,652 in 2021. Therefore, the City of Red Deer has underperformed the growth projection by 7.18%, which is a significant margin. For this reason, this report will also provide two additional population projections scenarios utilizing the 5- and 10- year Reality Growth rates. The annual growth rate of the past 5 years has been 0.08%, and the annual growth rate of the past 10 years has been 1.14%.

Figure 1: Population Growth Scenarios



The average annual growth rate in the past 10 years (1.14%) is still lower than the Low Growth scenario (1.35%) projected in the previous 2020 report. The historic annual growth rate of the past 5 years (0.08%) is substantially lower than any projection used in the previous 2020 report. Overestimating the rate of growth and future population of the city could lead to an oversupply and overdevelopment of residential land to attempt to absorb this projected population. As Alberta's resource-based economy is vulnerable to market shifts, this report also provides demand projections based on the 10-year Reality Growth projection, with an annual projected growth rate of 1.14% per year.



Figure 2: Population Growth Scenarios (projections shown in *italics*)

	2011	2016	2021	2026	2031	2036	2041	Annual Growth
Census Count	90,564	100,418	100,844					
High Growth Scenario			100,844	<i>112,877</i>	<i>126,345</i>	<i>141,420</i>	<i>158,294</i>	2.28%
Medium Growth Scenario			100,844	<i>110,036</i>	<i>120,066</i>	<i>131,011</i>	<i>142,953</i>	1.76%
Low Growth Scenario			100,844	<i>107,837</i>	<i>115,315</i>	<i>123,312</i>	<i>131,864</i>	1.35%
Baseline Scenario 5-Year Reality		100,418	100,844	<i>101,273</i>	<i>101,703</i>	<i>102,135</i>	<i>102,569</i>	0.08%
Baseline Scenario 10-Year Reality	90,564	100,418	100,844	<i>106,699</i>	<i>112,894</i>	<i>119,448</i>	<i>126,383</i>	1.14%

Source: Colliers, Urbanics, and The City of Red Deer

The High Growth Scenario is the most optimistic, with an average annual growth rate of 2.28%. Using this assumption, Red Deer is expected to reach a population of 126,345 residents by 2031, and 158,294 residents by 2041. The Medium Growth Scenario, used in previous reports, has an average annual growth rate of 1.76%, a projected 2031 population of 120,066, and a projected 2041 population of 142,953. The Low Growth Scenario is the least optimistic scenario based on projected assumptions. This scenario has an average annual growth rate of 1.35% with a 2031 projected population of 115,315, and a 2041 projected population of 131,864.

In the past 10 years, the rate of growth has not met previous projections. The 5-year reality is an average annual growth rate of 0.08%, and the 10-year reality has an average annual growth rate of 1.14%. Extrapolating based on these observed baselines, there is a projected population in 2031 of 101,703 (5-year reality) and 112,894 (10-year reality). The 5- and 10-year realities have been selected for use in this report as a companion to the medium-growth scenario, as they better reflect the actual conditions of growth in Red Deer.

The medium growth projection does not align with the real growth rate that Red Deer has experienced in the past 10 years. The 5- and 10-year Reality growth rates have been selected for use in this report as a companion to the medium-growth scenario, as they accurately reflect the growth of Red Deer.

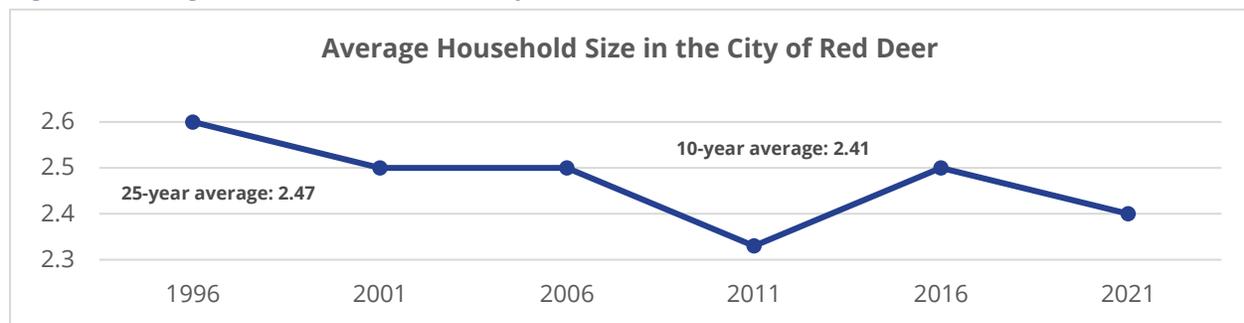
Throughout this report, these 3 population projections will inform different growth scenarios. With this in mind, the historical growth rates that Red Deer has experienced, both in the past 5 and 10 years, should be the basis for all planning policies moving forward.

2. Residential Analysis

2.1 Residential Demand

As per the most recently updated and completed Statistics Canada Census, the City of Red Deer has a total population of 100,844 individuals living in 40,510 dwelling units. Assuming the 2021 average household size remains stable at 2.4 over the projection period, a household size that is smaller than historically observed, future demand for additional residential units can be projected as outlined below, with the projected values italicized.

Figure 3: Average Household Size in the City of Red Deer



Source: Statistics Canada

Figure 4: Dwellings Required in Each Scenario (projections shown in *italics*)

Medium-Growth Scenario	2016	2021	2026	2031	2036	2041
Population	100,418	100,844	<i>110,036</i>	<i>120,066</i>	<i>131,011</i>	<i>142,953</i>
Household Size	2.5	2.4	2.4	2.4	2.4	2.4
Dwellings Required	39,985	40,510	<i>45,848</i>	<i>50,028</i>	<i>54,588</i>	<i>59,564</i>
10-year Reality Scenario	2016	2021	2026	2031	2036	2041
Population	100,418	100,844	<i>106,699</i>	<i>112,894</i>	<i>119,448</i>	<i>126,383</i>
Household Size	2.5	2.4	2.4	2.4	2.4	2.4
Dwellings Required	39,985	40,510	<i>44,458</i>	<i>47,039</i>	<i>49,770</i>	<i>52,660</i>
5-year Reality Scenario	2016	2021	2026	2031	2036	2041
Population	100,418	100,844	<i>101,273</i>	<i>101,703</i>	<i>102,135</i>	<i>102,569</i>
Household Size	2.5	2.4	2.4	2.4	2.4	2.4
Dwellings Required	39,985	40,510	<i>42,197</i>	<i>42,376</i>	<i>42,556</i>	<i>42,737</i>

Source: Colliers



Three growth scenarios have been used to project future residential demand. The medium-growth scenario has been used in the past, but the real growth rates of the past 5 and 10 years have been significantly lower. In a medium-growth scenario, the population by 2031 of 120,066 residents could require 50,028 dwellings. In a 10-year Reality growth scenario, the 2026 population of 112,894 residents could require 47,039 dwellings. In a 5-year Reality growth scenario, the 2026 population of 101,703 could require 42,376 dwellings. In 2041, the City of Red Deer could see a medium-growth scenario of 142,953 residents requiring 59,564 dwellings, a 10-year-reality growth scenario of 126,383 residents requiring 52,660 dwellings, or a 5-year reality growth scenario of 102,569 residents requiring 42,737 dwellings.

To forecast the total demand for additional housing in the next 20 years to accommodate population growth, it is essential to add the total number of units required by pure population growth to the number of units that are anticipated to require replacement each year due to factors such as age, deteriorating quality, and reinvestment. Based on previous reporting, it is assumed that 0.25% of existing homes will need to be replaced annually over the projection period.

Figure 5: Source of New Housing Demand (projections shown in **italics**)

Medium-Growth Scenario	2022-26	2027-31	2032-36	2037-41
Units needed by additional residents	<i>4,760</i>	<i>3,555</i>	<i>3,878</i>	<i>4,231</i>
Units needed to replace demolished units	<i>573</i>	<i>625</i>	<i>682</i>	<i>745</i>
Total Units Demanded (5-Year Period)	<i>5,333</i>	<i>4,180</i>	<i>4,560</i>	<i>4,976</i>
Total Units Demanded (Annual Avg.)	<i>1,067</i>	<i>836</i>	<i>912</i>	<i>995</i>
10-year Average Growth Scenario	2022-26	2027-31	2032-36	2037-41
Units needed by additional residents	<i>3,948</i>	<i>2,581</i>	<i>2,731</i>	<i>2,890</i>
Units needed to replace demolished units	<i>556</i>	<i>588</i>	<i>622</i>	<i>658</i>
Total Units Demanded (5-Year Period)	<i>4,504</i>	<i>3,169</i>	<i>3,353</i>	<i>3,548</i>
Total Units Demanded (Annual Avg.)	<i>901</i>	<i>634</i>	<i>671</i>	<i>710</i>
5-year Average Growth Scenario	2022-26	2027-31	2032-36	2037-41
Units needed by additional residents	<i>1,687</i>	<i>179</i>	<i>180</i>	<i>181</i>
Units needed to replace demolished units	<i>527</i>	<i>530</i>	<i>532</i>	<i>534</i>
Total Units Demanded (5-Year Period)	<i>2,215</i>	<i>709</i>	<i>712</i>	<i>715</i>
Total Units Demanded (Annual Avg.)	<i>443</i>	<i>142</i>	<i>142</i>	<i>143</i>

Source: Colliers

Under the Medium-Growth scenario, there could be demand for a total of 9,513 new units of housing by 2031, averaging 951 units per year. Under the 10-year Reality Growth scenario, there could be demand for a total of 7,673 new units of housing by 2031, averaging 767 units per year. Under the 5-year Reality growth scenario, there could be demand for 2,923 new units of housing, averaging 292 units per year.



The projection scenarios that determine the potential demand for housing by 2031 have a wide range of dwelling units required per year. The Medium-Growth scenario is the most optimistic but does not reflect the demand for housing that has occurred in the past 10 years. **The 10- and 5-year Reality growth scenarios should be considered in the planning for future growth, but the 5-year Reality should be the conservative basis for housing demand for the next 10 years.**

By 2041, the differences in housing demand among the projections are more evident. Under a Medium-Growth scenario, there could be demand for a total of 19,049 new units of housing by 2041. Under the 10-year Reality Growth scenario, there could be demand for a total of 12,145 new units of housing by 2041. Under the 5-year Reality growth scenario, there could be demand for 2,222 new units of housing, averaging 186 units per year.

The economic conditions of 2041 are challenging to predict. **Therefore, it would be advised that the City of Red Deer take the most cautious stance when determining the future demand of housing and anticipate the 5-year Reality scenario**, allowing them to adjust the supply of housing depending on the realized demand.

The table below outlines the housing share by dwelling type per historic CMHC and Canada Census data, where 53.2% of total dwelling units were single-detached homes in 2021. With an understanding that the City of Red Deer intends on slowly transitioning to a more dense, walkable, and sustainable city, particularly in the downtown core, future projections assume a gradual shift in the share of each housing type so that by 2031, single-detached homes begin to make up a less significant proportion of the total housing supply. This model assumes that single-detached housing decreases as a proportion of total housing by 2% per census period with attached housing (semi-detached and townhouse/rowhouse) increasing by 1% per census period to align with upcoming planning initiatives. The total number of apartments in the City of Red Deer as a proportion of total housing has remained relatively stable over time and is anticipated to continue as a trend.

Figure 6: Projected Housing Type Share (projections shown in *italics*)

	2006	2011	2016	2021	2026	2031	2036	2041
Single-Detached House	51.2%	53.5%	52.7%	53.2%	<i>51.2%</i>	<i>49.2%</i>	<i>47.2%</i>	<i>45.2%</i>
Apartment	24.2%	21.2%	22.5%	22.4%	<i>22.4%</i>	<i>22.4%</i>	<i>22.4%</i>	<i>22.4%</i>
Semi-Detached	11.7%	11.3%	13.8%	10.1%	<i>11.1%</i>	<i>12.1%</i>	<i>13.1%</i>	<i>14.1%</i>
Townhouse/Rowhouse	10.0%	10.8%	8.2%	11.7%	<i>12.7%</i>	<i>13.7%</i>	<i>14.7%</i>	<i>15.7%</i>
Mobile Home	2.9%	3.2%	2.8%	2.6%	<i>2.6%</i>	<i>2.6%</i>	<i>2.6%</i>	<i>2.6%</i>

Source: Colliers

To achieve this desired housing mix, development patterns will need to continue trending towards higher density formats as a greater proportion of all new homes. As outlined below, this could be achieved through a mix of homes being built, with the number of single-detached homes decreasing and the number of higher-density homes increasing. In terms of policy, this can be achieved through several means including reducing peripheral low-density housing expansion, encouraging urban attached developments, and supporting more townhouse and semi-detached developments. Should there be an inefficient supply of new housing to accommodate population growth, the City of Red Deer may experience upward pricing pressure on the housing market which may result in limited future potential growth, force households to relocate, or place additional financial strain on vulnerable households.



Utilizing the projected housing type share anticipated between 2022 and 2041 with anticipated population growth forecasts for the City of Red Deer, three different forecasts were made to project future new unit demand. As outlined below, the growing population can be accommodated through a mix of housing types being built, with the number of single-detached houses decreasing and the amount of medium-higher density housing increasing.

Figure 7: Total New Units Demanded – Medium Growth Projection (projections shown in *italics*)

	2006-11	2012-16	2017-21	2022-26	2027-31	2032-36	2037-41	Avg. Units per Year
Single-Detached	3,045	1,290	490	<i>1,920</i>	<i>1,139</i>	<i>1,151</i>	<i>1,157</i>	268
Apartment	-70	1,195	80	<i>1,197</i>	<i>938</i>	<i>1,024</i>	<i>1,117</i>	214
Semi-Detached/Duplex	330	1,365	-1,455	<i>995</i>	<i>963</i>	<i>1,096</i>	<i>1,245</i>	215
Townhouse/Rowhouse	735	-725	1,485	<i>1,084</i>	<i>1,032</i>	<i>1,172</i>	<i>1,328</i>	231
Mobile Home	255	-80	-70	<i>138</i>	<i>108</i>	<i>118</i>	<i>128</i>	25
Total Units Demanded Over 5-Years	3,045	1,290	490	<i>5,333</i>	<i>4,180</i>	<i>4,560</i>	<i>4,976</i>	952
Total Units Demanded Annually				<i>1,067</i>	<i>836</i>	<i>912</i>	<i>995</i>	

Source: Colliers

In a **medium population growth scenario**, from 2022 to 2031, it is suggested that of the 9,513 new units of housing needed, approximately 65% of units (6,209) should be built in higher-density formats such as apartments, townhomes, and semi-detached. During the period from 2032-2041, approximately 73% (6,982) of the 9,536 new units demanded would be of higher-density formats. This scenario shows no negative demand during the projected period, meaning that there is sufficient future demand for newly developed units to support the development of new land.

Figure 8: Total New Units Demanded – 10-year Reality Growth Projection (projections shown in *italics*)

	2006-11	2012-16	2017-21	2022-26	2027-31	2032-36	2037-41	Avg. Units per Year
Single-Detached	3,045	1,290	490	<i>1,208</i>	<i>380</i>	<i>348</i>	<i>311</i>	112
Apartment	-70	1,195	80	<i>885</i>	<i>579</i>	<i>613</i>	<i>649</i>	136
Semi-Detached/Duplex	330	1,365	-1,455	<i>841</i>	<i>756</i>	<i>827</i>	<i>904</i>	166
Townhouse/Rowhouse	735	-725	1,485	<i>907</i>	<i>799</i>	<i>873</i>	<i>952</i>	177
Mobile Home	255	-80	-70	<i>102</i>	<i>67</i>	<i>70</i>	<i>75</i>	16
Total Units Demanded Over 5-Years	4,295	3,045	530	<i>3,943</i>	<i>2,581</i>	<i>2,731</i>	<i>2,890</i>	607
Total Units Demanded Annually				<i>570</i>	<i>516</i>	<i>546</i>	<i>578</i>	

Source: Colliers



Utilizing the **10-year Reality growth scenario**, in 2031 it is projected that of the 6,524 new units of housing that are needed, approximately 73% (4,767) units should be higher-density construction such as apartments, townhomes, and semi-detached dwellings. From 2031 to 2041, approximately 85% (4,817) of the 5,621 new units demanded would be in these higher-density formats.

Figure 9: Total New Units Demanded – 5-year Reality Growth Projection (projections shown in *italics*)

	2006-11	2012-16	2017-21	2022-26	2027-31	2032-36	2037-41	Avg. Units per Year
Single-Detached	3,045	1,290	490	51	0	0	0	0
Apartment	-70	1,195	80	378	40	40	41	25
Semi-Detached/Duplex	330	1,365	-1,455	591	444	447	450	97
Townhouse/Rowhouse	735	-725	1,485	619	447	450	454	98
Mobile Home	255	-80	-70	43	5	5	5	3
Total Units Demanded Over 5-Years	4,295	3,045	530	1,682	936	942	950	111
Total Units Demanded Annually				336	187	188	190	

Source: Colliers

Utilizing the **5-year Reality growth scenario**, in 2031 it is projected that there will be a demand for 2,618 new units of housing. Included in this is the demand for 0 single-family dwellings. This lack of demand is determined by the fact that there will be enough single-detached housing stock throughout Red Deer to capture the anticipated demand. This decline in demand will be reabsorbed in the higher-density forms of housing that will have a total demand of 2,518 units. By 2041, we will see the same pattern continuing, with the overall demand for new housing units being 1,892, with the demand for being completely attributed to higher-density units.

These figures are estimates based on the goal of Red Deer becoming a healthier, denser, and more walkable city. It should be noted that, despite City goals, many households residing in the City of Red Deer still will demand a suburban, vehicle-dependent lifestyle, and as such, Red Deer may need to incentivize the construction of higher-density housing or limit the creation of low-density housing.



Figure 10: Land Demand – Medium Growth Projection

	Total 21-30	Total 31-41	21-41 Total Change	21-41 Annual Change	UPA (Low)	UPA (High)	Land (Low UPA)	Land (High UPA)
Single-Detached	3,059	2,308	5,367	268	5	8	1,073 ac	671 ac
Apartment	2,136	2,141	4,276	214	35	40	153 ac	134 ac
Semi-Detached/Duplex	1,957	2,341	4,299	215	20	25	268 ac	215 ac
Townhouse/Rowhouse	2,116	2,500	4,616	231	20	25	268 ac	215 ac
TOTAL	9,268	9,290	18,558				1,763 ac	1,234 ac

Figure 11: Land Demand – 10-year Reality Growth Projection

	Total 21-30	Total 31-41	21-41 Total Change	21-41 Annual Change	UPA (Low)	UPA (High)	Land (Low UPA)	Land (High UPA)
Single-Detached	1,589	659	2,247	112	5	8	449 ac	281 ac
Apartment	1,465	1,262	2,726	136	35	40	64 ac	56 ac
Semi-Detached/Duplex	1,597	1,731	3,328	166	20	25	112 ac	90 ac
Townhouse/Rowhouse	1,706	1,825	3,530	177	20	25	112 ac	90 ac
TOTAL	6,356	5,476	11,832				738 ac	517 ac

Figure 12: Land Demand – 5-year Reality Growth Projection

	Total 21-30	Total 31-41	21-41 Total Change	21-41 Annual Change	UPA (Low)	UPA (High)	Land (Low UPA)	Land (High UPA)
Single-Detached	0	0	0	0	5	8	0 ac	0 ac
Apartment	418	81	499	25	35	40	14 ac	12 ac
Semi-Detached/Duplex	1,035	898	1,933	97	20	25	97 ac	77 ac
Townhouse/Rowhouse	1,066	904	1,970	98	20	25	98 ac	79 ac
TOTAL	2,519	1,883	4,402				209 ac	168 ac

Source: Colliers

The charts above show the ranges in land demand provided by the three growth scenarios. In the next 20 years, the City of Red Deer is anticipated to need between 1,234 and 1,763 acres of land in a medium population growth scenario and 517 to 738 acres of land in a 10-year population growth scenario to accommodate the anticipated demand for new residential units to accommodate the growing population. In the 5-year Reality growth scenario, there is a demand for land used for higher density housing, which is between 168 and 209 acres. We see in this scenario that there is 0 land demanded to develop single-detached units, due to the anticipated absence for housing type. The existing amount of residential development land can absorb all upcoming units in this scenario.

Given the risk of oversupply of residential development land, it is advised that Red Deer severely limit the upcoming supply of land attributed to single-detached dwelling development and reallocate this supply to higher-density development land. This could be accomplished through the creation of higher-density infill projects offsetting the lack of demand for single-family, where existing single-detached land can be used to accommodate multi-unit development.

It is understood that the City of Red Deer anticipates capacity for approximately 7,689 units in existing residential communities that are presently unbuilt in various stages of development in existing Neighbourhood Area Structure Plans and Area Redevelopment Plans. Based on the available greenfield land supply presently available in the City of Red Deer, there is approximately 1,550 hectares of land that can accommodate future residential development. Given that 7,689 units of the 11,832 to 18,558 future units demanded can be more immediately accommodated on existing greenfield development land, the City of Red Deer should have a sufficient supply of land to accommodate growth in existing communities supplemented with land in greenfield expansion projects.

2.2 Residential Supply

Over the past 10 years between 2011 and 2021, the City of Red Deer has added an average of 468 new units to the City's housing stock annually, with 52% (2,512) of units being low-density, single-detached homes during the same time.

The number of new housing completions has been declining from the peak of 1558 new units in 2003. The number of new units over the past five years averages 258 units annually. This decrease in new housing completions has affected every housing type. In 2019, apartment-style housing completions exceeded single-family housing completions, but that trend did not continue.

Figure 13: Housing Completions by Type 2000 – 2021

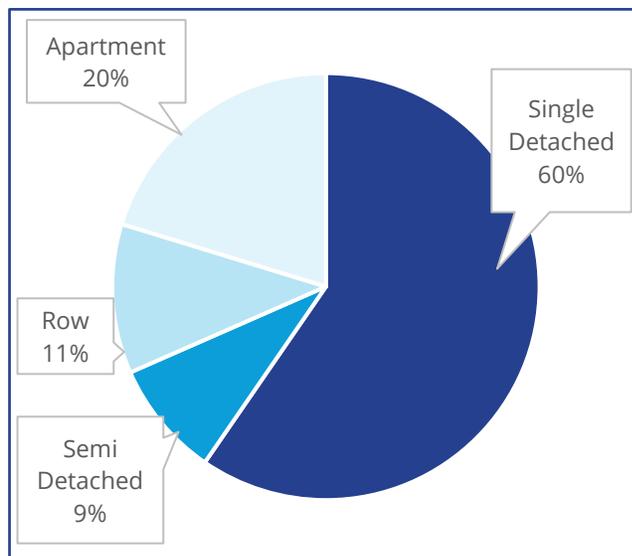
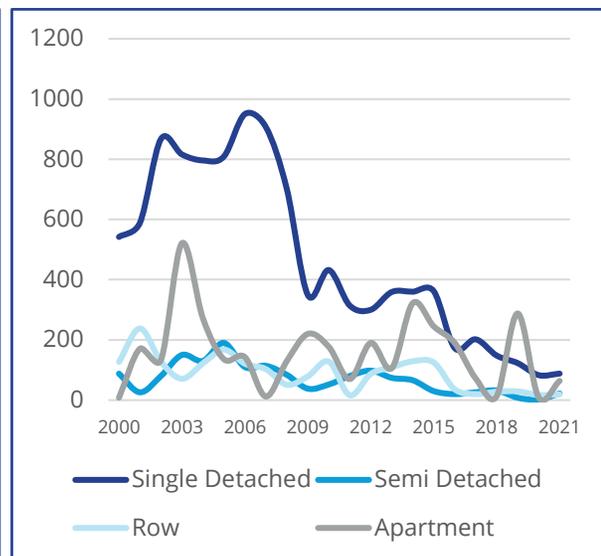


Figure 14: New Housing Completions by Type



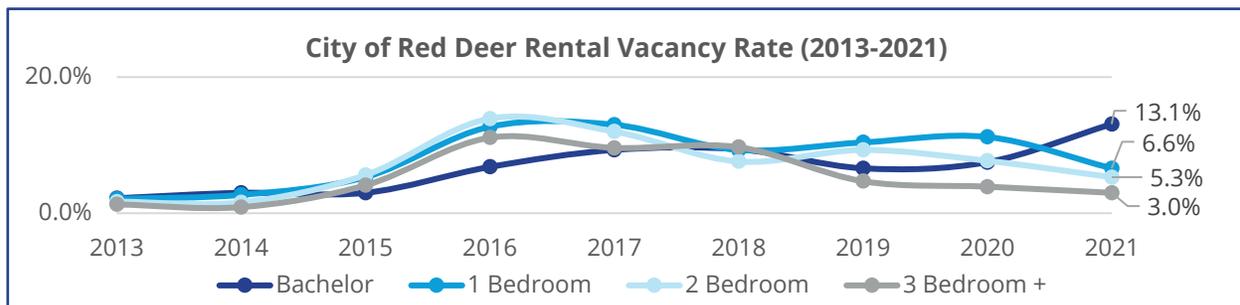
Source: CMHC

As of October 2022, there have been 111 new housing starts in the City of Red Deer, coming to market by late 2022 or early 2023. 71% (79) of these new housing starts have been single-detached dwellings. Proposed residential development will be concentrated on greenfield development land on the periphery of Red Deer, as per the approved Neighbourhood Area Structure Plans (NASPs). As of 2021, 4,823 units of housing, mostly single-detached dwellings, could be built within these NASPs, although the development timelines may be further into the future than can be projected. **The units allocated to these NASPs can easily accommodate all the existing and short-term demand projected within the 10-year Reality growth projection and will exceed the demand anticipated in the 5-year Reality growth projection. Due to the risk of low-density residential oversupply, the development of greenfield land for single-detached dwellings should be limited.**

2.3 Residential Vacancy and the Rental Universe

As outlined below, the Canadian Mortgage and Housing Corporation track the primary rental market for the City of Red Deer. This is important to understand as it provides a general view of the existing number of vacant rental units that could accommodate future population growth and rental demand. In addition, it gives an overview of the health of the housing market citywide.

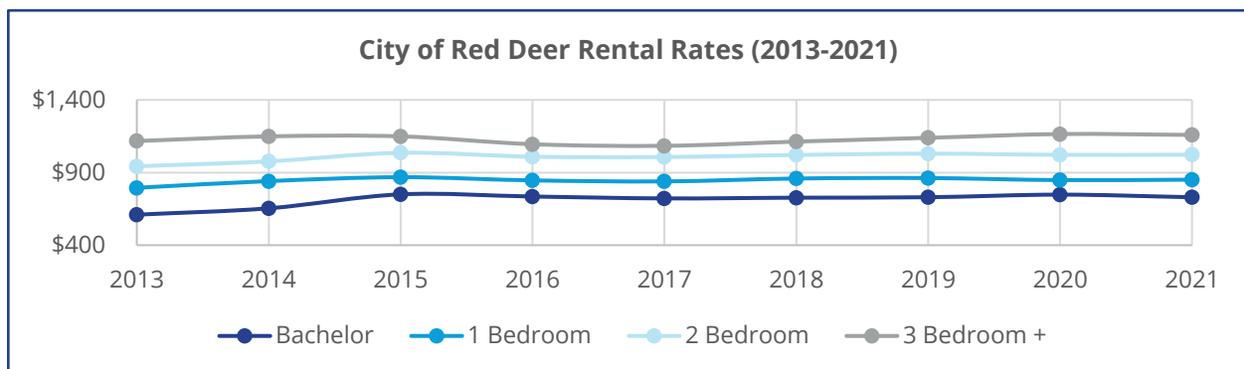
Figure 15: Rental Vacancy Rates



Source: CMHC

In the period between 2016 and 2020, the City of Red Deer experienced a decrease in residential vacancies among all housing types. In 2021, the vacancy rate among 1-bedroom, 2-bedroom, and 3-or-more-bedroom units has slightly decreased, but it is unknown if this trend will continue given increased pressures and demand in rental markets across Canada. There has been a sharp rise in vacancies of bachelor-type units since 2019. Comparably, the typical overall vacancy rate for Red Deer over the past 20 years had been 5%, lower than the current overall vacancy from 2023 to 2021 of 6.9% indicating a slight oversupply of current rental housing.

Figure 16: Rental Rates



Source: CMHC

Across Canada, the demand for rental housing has been increasing as housing prices increase. The average rental rates in the City of Red Deer have been extremely stable since 2016. The largest increase in average rental rates that occurred during this period has been among the 3-or-more-bedroom type units, with an increase of \$75. The increase during the same period for bachelor-type units was \$8.



The 5-year reality shows that no new land would need to be developed to accommodate growth, and this is very likely to be the conditions moving forward. The existing supply of land should be developed with higher-density forms of housing, as the existing and proposed supply of single-detached dwellings meets the forecasted demand. For future planning, erring on the side of caution and following this projection would be most beneficial to the City of Red Deer.

The 10-year reality shows that no land outside of the already approved NASPs would need to be developed. This projection could occur if there is an economic upturn in Alberta, but less likely than the 5-year reality projection.

The Medium Growth scenario shows that more land should be developed to accommodate demand, and this projection should not be considered. The historical trends of the past 10 years, as well as future economic forecasting, do not support this level of growth. The risk of following this projection is land overdevelopment, leading to an oversupplied residential market with little demand and low absorption rates.

To create a resilient residential market for Red Deer, the 5-year Reality population projection should be followed for future planning policies and no additional residential land should be annexed. Therefore, it would be advised that the City of Red Deer take the most cautious stance when determining the future demand of housing and anticipate the 5-year Reality scenario. If economic conditions should improve, then the 10-year Reality population projection can be considered, although greenfield development land annexation is still not recommended.



3. Retail Analysis

3.1 Retail Demand

Colliers' proprietary retail-commercial demand model projects the retail expenditure potential from a population based on socioeconomic variables, provincial and federal data, and retail industry benchmarks. Expenditures are then split against retail categories using the most recent profile of retail sales data compiled by Statistics Canada. The model uses Personal Disposable Income (PDI) as a basis to calculate the total retail expenditure potential within a given area.

The first step is to delineate the trade areas from which the majority of retail sales are expected to originate. Under the assumption that retail demand at the City level should be contained within, the Primary Trade Area is considered to be the entire City.

Next, an average per capita income estimate is calculated by dividing household income projections by household size. Using the differential between the trade area per capita incomes and the Alberta average, Colliers calculates the PDI for the trade area. This allows for a local PDI but does not rely on specific income data, which can be prone to large degrees of error. Since not all income is spent on retail goods, the next step is to reduce the PDI by a retail expenditure to PDI ratio which is an adjusted rate provided by the Conference Board of Canada (43.5% in Red Deer). Market capture rates are then applied based on the competitive retail environment and physical/psychological barriers that impact accessibility. The resulting potential expenditures are then converted into warranted retail floor space using market-appropriate productivity rates. Within the City of Red Deer's trade area, the initial income metrics are outlined below.

Figure 17: Income Statistics

Income Statistics	Alberta	Primary Trade Area
Average Personal Disposable Income (PDI)	\$39,785	\$37,267
Provincial Income Ratio	100%	93.7%
Household Size (2021)	2.6	2.4

Source: Statistics Canada

Using the demand model combined with current estimates of existing occupied and vacant retail space, the estimated impacts of e-commerce, and the various anticipated population growth forecasts, Colliers projected future additional retail demand broken down by the 18 North American Industry Classification System (NAICS) categories identified below.

In total, based on the existing supply of commercial space in the City of Red Deer combined with growth factors such as a growing population (medium growth scenario), the City could support an additional 1.61 million square feet of retail and commercial floor area by 2040. Future projected demand based on sales performance requirements anticipates a conservative growth rate of 1% per year. If there are less than 1.61 million square feet of additional retail floor space introduced to the City during this period, it can be realistically assumed that existing tenants will experience higher sales performance resulting in relatively lower tenant turnover. Following this logic, it would be harmful to the City of Red Deer to be oversupplied with retail floor area rather than undersupplied. If the City grows at a lesser rate of growth more similar to the 10-year average annual growth rate, the City of Red Deer is anticipated to require 50% less additional floor area at 868,000 square feet of commercial space.



Figure 18: Additional Retail Floor Area Demand – Medium Growth Projection

Total Warranted Floor Area by Category (SF)	2021-2026	2026-2031	2031-2036	2036-2040	Total
Furniture and home furnishings stores [442]	16,763	12,823	13,558	9,607	52,751
Electronics and appliance stores [443]	12,909	9,875	10,441	7,398	40,623
Building materials and supplies [444]	25,166	19,251	20,355	14,423	79,196
Food and beverage stores [445]					
Grocery stores [4451]					
Supermarkets and other grocery stores [44511]	65,144	55,827	59,390	44,902	225,263
Convenience stores [44512]	4,662	3,995	4,250	3,213	16,120
Specialty food stores [4452]	5,114	4,309	4,580	3,432	17,436
Beer, wine and liquor stores [4453]	15,999	13,711	14,586	11,028	55,323
Health and personal care stores [446]	30,698	26,061	27,711	20,848	105,317
Clothing and clothing accessories stores [448]	40,054	30,640	32,397	22,956	126,047
Sporting goods, hobby, book and music stores [451]	15,344	11,738	12,411	8,794	48,287
General merchandise stores [452]	93,764	71,726	75,840	53,737	295,067
Miscellaneous store retailers [453]	22,007	16,834	17,800	12,612	69,253
Net Warranted Retail Floor Area	347,624	276,789	293,318	212,950	1,130,681
Drinking places (alcoholic beverages (7224)	2,196	1,865	1,983	1,492	7,536
Full-service restaurants (722511)	29,209	24,797	26,367	19,837	100,209
Limited-service restaurants (722512)	30,843	26,184	27,841	20,946	105,813
Net Warranted Food & Beverage Floor Area	62,248	52,845	56,190	42,274	213,558
Service Commercial	81,974	65,927	69,902	51,045	268,848
Total Warranted Floor Area	491,846	395,561	419,410	306,269	1,613,087

Source: Colliers

In this Medium-Growth scenario, the City could support an additional 887,407 square feet of retail and commercial floor area by 2031, or 1.61 million square feet of additional floor area by 2040. Future projected demand based on sales performance requirements anticipates a conservative growth rate of 1% per year. If there are less than 1.61 million square feet of additional retail floor space introduced to the City during this period, it can be realistically assumed that existing tenants will experience higher sales performance resulting in relatively lower tenant turnover. Following this logic, it would be harmful to the City of Red Deer to be oversupplied with retail floor area rather than undersupplied.



Figure 19: Additional Retail Floor Area Demand – 10-year Reality Growth Projection

Total Warranted Floor Area by Category (SF)	2021-2026	2026-2031	2031-2036	2036-2040	Total
Furniture and home furnishings stores [442]	14,053	13,724	14,347	11,585	53,709
Electronics and appliance stores [443]	10,822	10,569	11,048	8,921	41,360
Building materials and supplies [444]	21,097	20,605	21,539	17,392	80,634
Food and beverage stores [445]					
Grocery stores [4451]					
Supermarkets and other grocery stores [44511]	46,074	45,821	48,209	39,352	179,456
Convenience stores [44512]	3,297	3,279	3,450	2,816	12,842
Specialty food stores [4452]	3,721	3,689	3,877	3,159	14,446
Beer, wine and liquor stores [4453]	11,315	11,253	11,840	9,664	44,073
Health and personal care stores [446]	22,063	21,902	23,029	18,777	85,771
Clothing and clothing accessories stores [448]	33,578	32,794	34,282	27,682	128,336
Sporting goods, hobby, book and music stores [451]	12,863	12,563	13,133	10,604	49,163
General merchandise stores [452]	78,605	76,768	80,251	64,801	300,425
Miscellaneous store retailers [453]	18,449	18,018	18,835	15,209	70,510
Net Warranted Retail Floor Area	275,937	270,984	283,840	229,962	1,060,724
Drinking places (alcoholic beverages (7224)	1,579	1,567	1,648	1,344	6,137
Full-service restaurants (722511)	20,993	20,839	21,912	17,867	81,611
Limited-service restaurants (722512)	22,167	22,005	23,137	18,866	86,175
Net Warranted Food & Beverage Floor Area	44,739	44,411	46,697	38,076	173,922
Service Commercial	64,135	63,079	66,107	53,608	246,929
Total Warranted Floor Area	384,811	378,475	396,644	321,645	1,481,575

Source: Colliers

In this 10-year Reality Growth scenario, the City could support an additional 763,286 square feet of retail and commercial floor area by 2031, or 1,481,575 square feet of additional floor area by 2040. It must be noted that this additional requirement could be in the form of intensified retail spaces and renovations to existing spaces, rather than more greenfield development. While this projection is more conservative than the Medium-Growth projection, there is still a risk in oversupplying the retail market, therefore increasing the vacancy rate and lowering the rate of absorption.

The demand for additional retail floor area under this scenario can be considered for more long-term planning policies that can be adjusted as a reaction to the realized growth and demand in Red Deer. Recently, new retail floor area has been added into greenfield residential developments, as seen in the Timberlands development in northeast Red Deer. Echoing the demand for residential greenfield development, the current level of commercial greenfield development should also be drastically reduced.

Figure 20: Additional Retail Floor Area Demand – 5-year Reality Growth Projection

Total Warranted Floor Area by Category (SF)	2021-2026	2026-2031	2031-2036	2036-2040	Total
Furniture and home furnishings stores [442]	5,428	4,649	4,800	3,762	18,639
Electronics and appliance stores [443]	4,180	3,580	3,696	2,897	14,354
Building materials and supplies [444]	8,149	6,980	7,206	5,648	27,983
Food and beverage stores [445]					
Grocery stores [4451]					
Supermarkets and other grocery stores [44511]	3,284	798	844	540	5,468
Convenience stores [44512]	235	57	60	39	391
Specialty food stores [4452]	476	274	284	215	1,248
Beer, wine, and liquor stores [4453]	807	196	207	133	1,343
Health and personal care stores [446]	2,281	1,087	1,131	834	5,334
Clothing and clothing accessories stores [448]	12,970	11,110	11,469	8,989	44,537
Sporting goods, hobby, book and music stores [451]	4,968	4,256	4,394	3,443	17,062
General merchandise stores [452]	30,361	26,007	26,849	21,042	104,259
Miscellaneous store retailers [453]	7,126	6,104	6,301	4,939	24,470
Net Warranted Retail Floor Area	80,264	65,100	67,243	52,480	265,087
Drinking places (alcoholic beverages (7224)	163	78	81	60	382
Full-service restaurants (722511)	2,170	1,035	1,076	794	5,075
Limited-service restaurants (722512)	2,292	1,093	1,137	838	5,359
Net Warranted Food & Beverage Floor Area	4,625	2,205	2,294	1,692	10,816
Service Commercial	16,978	13,461	13,907	10,834	55,181
Total Warranted Floor Area	101,867	80,766	83,444	65,006	331,084

Source: Colliers

In the 5-year Reality growth scenario, 182,633 square feet of additional retail space could be absorbed, with a total demand for 331,084 square feet by 2041. One of the largest declines in new retail space demanded is within the supermarkets category, as the existing number of supermarkets will be able to meet all demand from the slowly growing population. Adding any new supermarket space would reduce profitability to existing stores, which have large floorplates and are challenging to retrofit and re-lease.

This conservative projection for upcoming retail area demand should be the basis for short-term commercial planning policies. The entirety of the additional retail space demanded in this scenario could be added through the densification, intensification, and renovation of existing retail area throughout Red Deer. Special attention should be paid to underperforming retail areas nearer to the city centre that would greatly benefit from increased investment.



3.2 Retail Supply

The negative impacts of COVID-19 resulted in record foreclosures and bankruptcies with many businesses forced to permanently close and those that stayed open were hit with significant costs of government-enforced restrictions and lockdowns. These businesses were only hit again with supply chain issues late in 2021, market shortages, and logistical environmental impacts.

Alberta experienced a record-breaking decrease in retail sales of almost 30% between February 2020 and March 2021. The uncertainty in the market was profound with over 50 major retail businesses in Canada experiencing bankruptcy, restructuring, or multi-store closures. Local businesses struggled to stay open amid the lockdowns and re-openings with many facing staffing shortages as employers struggled to compete with government subsidies offered to employees. However, while most retail industries struggled, some came out relatively well. Quick-service restaurant groups, liquor stores, home improvement shops, sporting goods stores, and home furnishings all proved to be somewhat COVID-resistant.

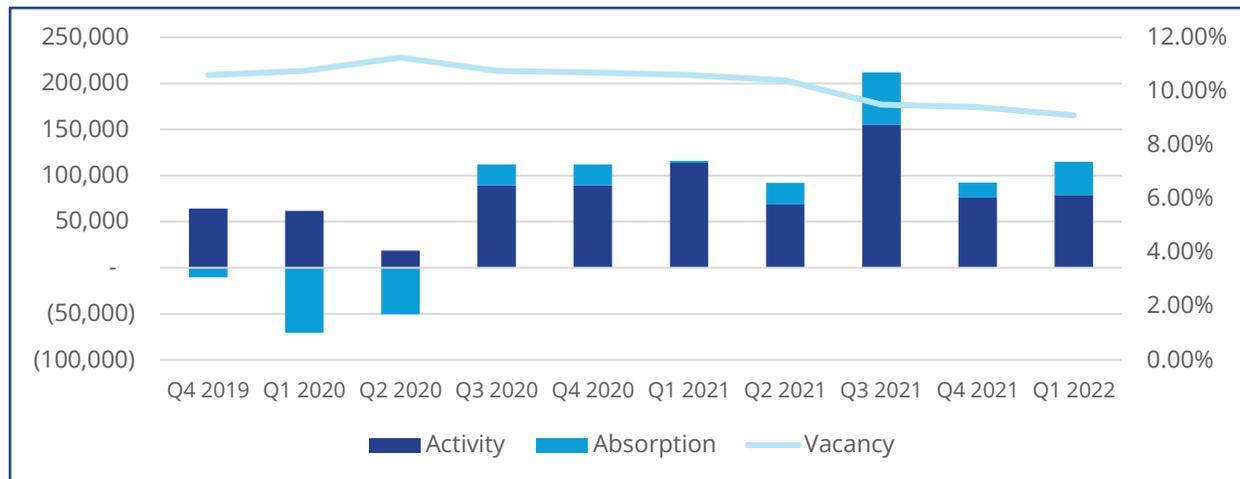
Over the long term, consumer shopping habits are expected to return to their pre-pandemic levels of growth and expenditure patterns. As the retail strategy for the City of Red Deer is based on longer-term expenditure trends and population growth, COVID-19 is not expected to have a consequential impact on the overall viability of the retail demand projections outlined in this report.

Figure 21: 2022 Retail Inventory

Retail Format	Inventory (SF)	# Properties	Vacant (SF)	Absorption Q1 2022 YTD	Vacancy (Q4 2021)	Average Rate (\$/SF)
Enclosed Malls	1,010,936	2	197,348	3,288	19.52%	\$23.71
Power Centres	1,409,012	23	108,183	-14,266	7.64%	\$27.21
Shopping Centres	314,770	7	17,831	5,527	5.66%	\$28.20
Strip Mall	1,689,131	94	206,589	32,674	12.14%	\$17.39
General Retail	4,297,129	358	270,161	-3,598	6.19%	\$15.99
Total	8,740,978	481	819,486	97,733	9.09% (weighted)	\$20.47 (weighted)

Source: Solomans Commercial

Figure 22: Retail Market Health



Source: Solomans Commercial

As of the most recent market reports published in 2022 by Solomons Commercial, the City of Red Deer has an estimated 8.80 million square feet of retail floor area, of which approximately 800,112 square feet (10.23%) are vacant. When broken down by type of inventory, the weighted average vacancy rate is 9.09%. In terms of per capita retail supply, when aligned with the 2021 nationwide census, the City of Red Deer has approximately 87 square feet of retail floor space per capita, a 13% increase from the previously completed study in March 2020. This supply of retail floor space is 52% higher than found in the City of Calgary with approximately 57 square feet of retail floor space per capita.

Utilizing an average floor area ratio of 0.5 for existing retail space in the City of Red Deer, it is estimated that there is approximately 401 acres of land currently utilized for retail space, largely for standalone retail plazas and shopping centres.

Figure 23: 2022 Retail Summary by Geography

Submarket	Inventory	# Properties	Vacant (SF)	Vacancy Rate	Average Asking Rate (\$/SF)
Downtown	1,658,445	172	135,691	8.18%	\$12.29
North Red Deer	2,721,669	153	240,842	8.85%	\$21.13
South Red Deer	4,426,588	159	423,579	9.57%	\$23.41
Total	8,806,702	484	800,112	9.09% (weighted)	\$20.47 (weighted)

Source: Solomans Commercial

3.3 Retail Gap Analysis

The charts below examine the gap between existing supply and future demand, as well as potential additional supply that could fulfill demand with current vacancies and upcoming developments anticipated to be completed in the near future. On top of existing vacancies of approximately 800,112 square feet, there is an estimated 307,440 square feet of new retail space that is currently in the development pipeline which will represent an additional 3.4% additional retail floor space added to the City of Red Deer market.

Medium Growth Scenario

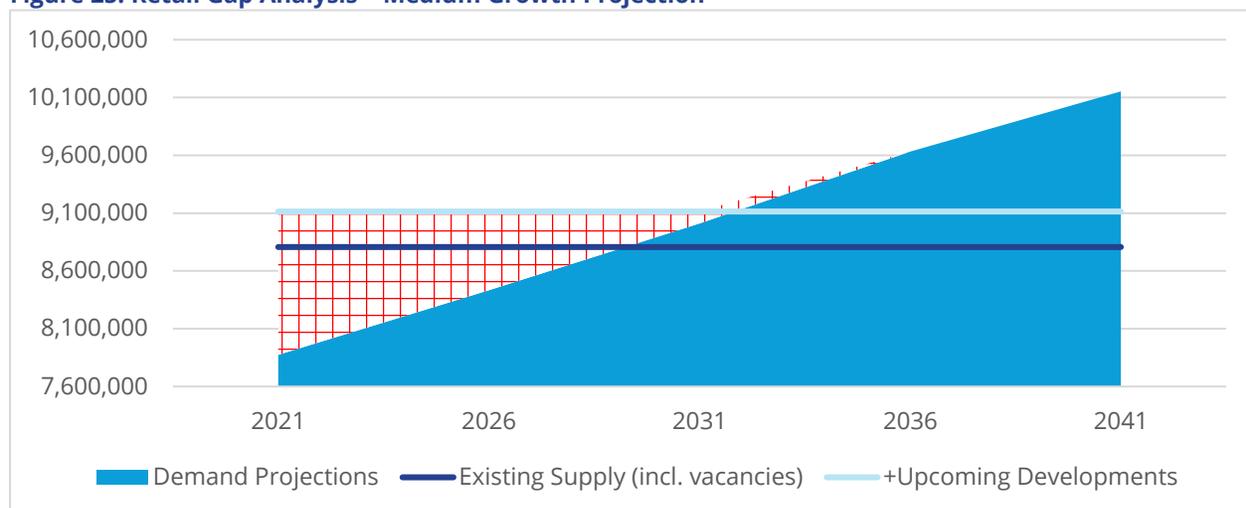
Figure 24: Projected Additional Land Required by 2041 - Medium Growth Projection

Projected Additional Land Required to Meet Retail Demand by 2041	
Total Additional Square Feet Required	2,278,622
Existing Vacancy and Upcoming Supply	1,107,552
Density	0.5 FAR
Total Additional Retail Land Required	26.2 Acres

Source: Colliers

Based on the City of Red Deer’s anticipated future population based on the medium growth scenario, it is estimated that there will be additional demand for approximately 2.3 million square feet of retail floor space by 2041. Based on a medium population growth forecast of 1.76% annually, the currently vacant retail space coupled with upcoming developments, it can be realistically assumed that the existing and known upcoming supply will be sufficient to last through to 2032. Taking into account the supply of currently vacant retail space and upcoming floor area in new and proposed developments, to accommodate future retail spending needs, the City of Red Deer will need to have approximately 26.2 acres of land available by 2041 for future commercial development.

Figure 25: Retail Gap Analysis - Medium Growth Projection



Source: Colliers



Despite this, the City of Red Deer already has a suitable amount of retail floor area and sufficient land available for future retail uses. Given the rise of e-commerce sales and shifting consumer patterns, the existing supply of retail floorspace that is already built may be sufficient. Additionally, some existing retail properties may be inadequate for current and future users, it is likely that some existing properties will be redeveloped as mixed-use retail developments or modernized retail plazas to ensure retail formats are desirable for prospective tenants or if they have reached the end of their economic lifespan.

10-Year Reality Growth Scenario

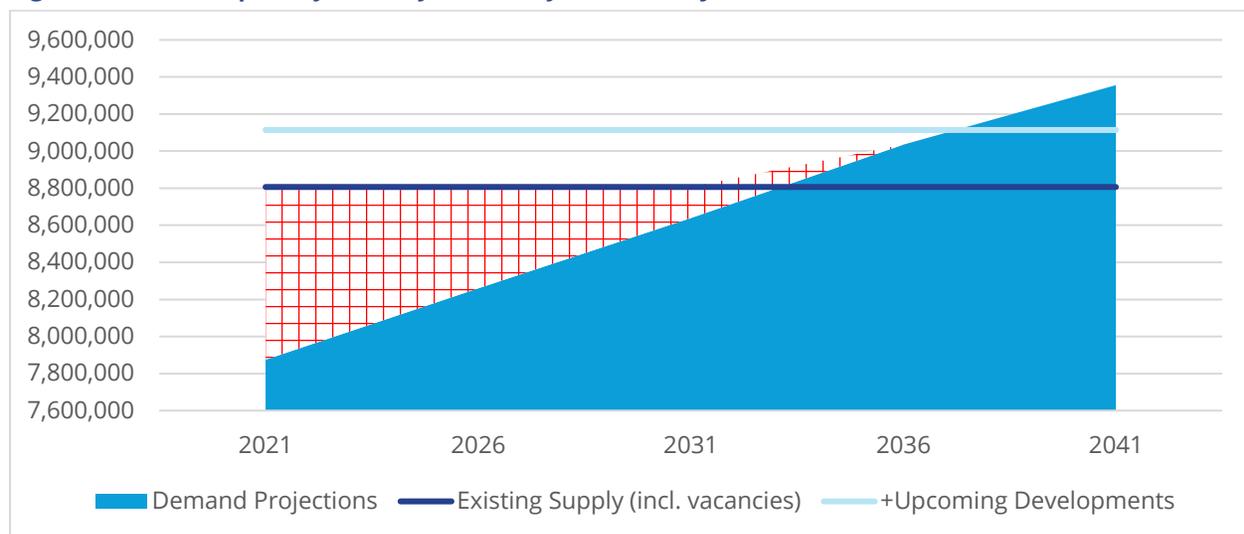
Figure 26: Projected Additional Land Required by 2041 – 10-year Reality Growth Projection

Projected Additional Land Required to Meet Retail Demand by 2041	
Total Additional Square Feet Required	1,481,575
Existing Vacancy and Upcoming Supply	1,107,552
Density	0.5 FAR
Total Additional Retail Land Required	17 Acres

Source: Colliers

Based on the average population growth Red Deer has experienced over the past 10 years, the projected future population is forecast to grow by 1.14% annually. Based on the currently vacant retail space in the City of Red Deer coupled with upcoming developments, it can be realistically assumed that the existing and known upcoming retail supply will be sufficient to last through to 2036. As a result, after 2036, 17 acres will be required to meet the demand expected by 2041. These 17 acres should not be located in sprawling greenfield areas, but within denser retail footprints to support a thriving downtown and residential densification.

Figure 27: Retail Gap Analysis – 10-year Reality Growth Projection



Source: Colliers



5-Year Average Annual Population Growth Forecast

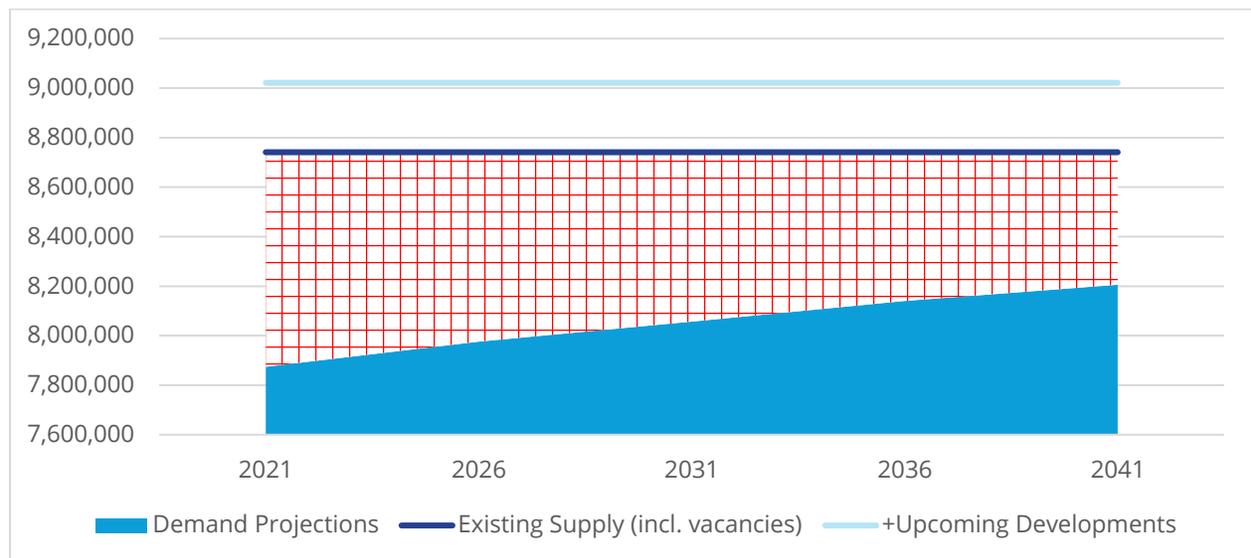
Figure 28: Projected Additional Land Required by 2041 – 5-year Reality Growth Projection

Projected Additional Land Required to Meet Retail Demand by 2041	
Total Additional Square Feet Required	331,084
Existing Vacancy and Upcoming Supply	1,107,552
Density	0.5 FAR
Total Additional Retail Land Required	0 Acres

Source: Colliers

Furthering the point under the 10-year Reality growth scenario, the 5-year Reality growth scenario still requires 0 additional acres of land to meet the supply. The graph below, unlike the other two graphs, shows that the demand will not meet the existing supply by 2041. Under this scenario, it would be advisable that Red Deer support the existing retail area available in alignment with planning policies about density and employment lands.

Figure 29: Retail Gap Analysis – 5-year Reality Growth Projection



Source: Colliers



While each projection shows varying amounts of retail area required to meet future demand, it should be stressed that no new land is needed to fulfil this need. The gap analysis for the medium-growth scenario is optimistic and states that 32.5 acres of retail land is required, but this land already exists throughout Red Deer. 17 acres of land would be required under the 10-year Reality growth scenario, and this also already exists throughout Red Deer. Finally, 0 acres are required in the 5-year Reality growth scenario.

To avoid a higher degree of oversupply than what has already been experienced in the past 5 years, the development of additional retail space should be minimized. Any new retail floor area can be created in more favourable locations that align with the vision of limiting urban sprawl.

To create a healthier supply of retail space, and avoid further oversupply issues, both the 5-year and 10-year Reality growth projections can be the basis for planning policies moving forward.

In the short-term, the 5-year growth projection should be utilized to address the current demand and use of retail space. Should economic conditions improve, the 10-year growth projection can augment the conservative retail planning policies.

4. Industrial Analysis

4.1 Recent Employment Growth Trends

Colliers has compiled employment statistics from Statistics Canada to examine the employment trends of the past 10 years. These baseline trends can assist in the prediction of short- and long-term employment growth among different sectors. The following table summarizes the number of employees in each sector and the growth of each sector between census periods. This past employment growth will be used as the basis for the Industrial and Office Analysis projections within this report.

Figure 30: Past Employment Growth by Industry

	Employment by Industry (persons)			Employment by Industry (growth rate)		
	2011	2016	2021	2011	2016	2021
Employment in primary industries	5,010	4,620	3,450	-	-7.8%	-25.3%
Population based employment	27,165	29,678	28,278	-	9.2%	-4.7%
Tourism based employment	7,500	8,753	7,473	-	16.7%	-14.6%
Industrial based employment	12,795	13,865	12,510	-	8.4%	-9.8%
Total Employment in Red Deer	52,470	56,915	51,710	-	6.6%	-13.6%

Source: Statistics Canada

1. Primary industries: include farms, forestry, fishing, hunting, and mining oil and gas extraction
2. Population-based employment includes jobs in FIRE, business service, institutional and 50% of retail trade.
3. Tourism-based employment includes jobs in accommodation, food and beverage and other service and 50% of retail trade
4. Industrial-based employment includes jobs in manufacturing, wholesale trade, construction, transportation and storage and utilities

Between 2011 to 2016, the City of Red Deer added 4,445 jobs, representing a growth rate of 6.6%. During this time, the only job losses were experienced in Primary Industries (farming, forestry, fishing, mining, and oil and gas extraction), which reflects the decline experienced throughout much of Alberta.

Between 2016 and 2021, the City of Red Deer experienced a decline in the number of employees by 5,205, representing a decline of 13.6%. Comparatively, the Province of Alberta's total number of employed members of the labour force declined by only 0.33% over the same period. In Red Deer, the decline of employment within Primary Industries continued and was much more pronounced in Red Deer than in the province (-25.3% in Red Deer but only -14.4% in Alberta). There was a significant reduction in employment among Tourism-Based Employment, returning this category to the level of employment in 2011. Declining Tourism-Based Employment reflects challenges in the tourism, accommodation, and food and beverage sectors during the COVID-19 pandemic, which were felt across the province as well. Red Deer employment rates may be recovering post-pandemic, with an increase from 102,600 employees in July 2022 to 111,000 employees in November 2022.

4.2 Long-term Industrial Demand

Although calculating forecasts of long-term industrial demand for periods exceeding 10 years can be prone to unforeseen variables that cannot be accounted for in the mathematical modelling process, Colliers projected future demand based on the same methodology as the previous sections of the report. Utilizing the 5-year Reality Growth Rate, 10-year Reality Growth Rate, and Medium Growth Projection provides insight into different economic conditions that Red Deer may experience over the next 20 years. The employment forecasts for each scenario are shown below.



Medium Growth Scenario

Figure 31: Employment by Industry Projection – Medium Growth Projection

Employment by Industry	2026	2031	2036	2041
Primary Industry Employment	3,754	4,084	4,443	4,834
Population-Based Employment	30,766	33,473	36,419	39,624
Tourism-Based Employment	8,130	8,846	9,624	10,471
Industrial-Based Employment	13,611	14,809	16,112	17,530
Total Employment	56,260	61,211	66,598	72,459

Source: Colliers

Under the Medium Growth Scenario, the rate of employment is expected to grow in line with the population forecasted in this scenario at 1.76% per year. There is projected to be consistent growth among different types of employment in Red Deer. This rate of growth projects that there will be 61,211 employees by 2031, and 72,459 employees by 2041.

10-year Reality Growth Scenario

Figure 32: Employment by Industry Projection – 10-year Reality Growth Projection

Employment by Industry	2026	2031	2036	2041
Primary Industry Employment	3,647	3,855	4,074	4,306
Population-Based Employment	29,889	31,593	33,394	35,297
Tourism-Based Employment	7,898	8,349	8,825	9,328
Industrial-Based Employment	13,223	13,977	14,773	15,616
Total Employment	54,657	57,773	60,066	64,547

Source: Colliers

Under the 10-year Reality Growth Scenario, the rate of employment is expected to grow in line with the population forecasted in this scenario at 1.14% per year. There is projected to be consistent growth among different types of employment in Red Deer. This rate of growth projects that there will be 57,773 employees by 2031, and 64,547 employees by 2041.



5-year Reality Growth Scenario

Figure 33: Employment by Industry Projection – 5-year Reality Growth Projection

Employment by Industry	2026	2031	2036	2041
Primary Industry Employment	3,465	3,479	3,494	3,509
Population-Based Employment	28,398	28,518	28,640	28,762
Tourism-Based Employment	7,504	7,536	7,568	7,600
Industrial-Based Employment	12,563	12,617	12,670	12,724
Total Employment	51,930	52,151	52,372	52,595

Source: Colliers

Under the 5-year Reality Growth Scenario, the rate of employment is expected to grow in line with the population forecasted in this scenario at 0.08% per year. There is projected to be consistent growth among different types of employment in Red Deer. This rate of growth projects that there will be 52,151 employees by 2031, and 52,595 employees by 2041.

To determine the demand for industrial land, employment occurring on industrial land can be represented with 70% of industrial-based jobs, and 10% of the employment in tourism and primary industries. The following chart outlines the demand for industrial land and the number of industrial employees anticipated in each growth scenario.

Figure 34: Industrial Land Demand – All Scenarios

	Total Industrial Employment (persons)				Total Industrial Space Demand (acres)				Average Annual Demand (acres)			
	2026	2031	2036	2041	2026	2031	2036	2041	2022-2026	2027-2031	2032-2036	2041
Medium Growth Projection	13,793	15,006	16,327	17,764	1,452	1,580	1,719	1,870	23	26	28	30
10-Year Reality Projection	13,400	14,163	14,971	15,824	1,410	1,491	1,576	1,666	15	16	17	18
5-Year Reality Projection	12,731	12,785	12,839	12,894	1,340	1,346	1,352	1,357	1	1	1	1

Source: Colliers

Based on market research, comparable reports, and the Red Deer Economic Development Strategy, an employee per industrial acre rate of 9.5 has been used within these demand projections. Given that there are currently 12,677 employees within Red Deer using industrial land for employment, the current demand for industrial land would be 1,334 acres.

For the Medium Growth Projection, the 15,006 employees will require 1,452 acres of land by 2031, and 17,764 employees will require 1,870 acres of land by 2041. Accounting for the current demand of 1,334 acres, the additional demand of 536 acres could be absorbed at a rate between 23 and 30 acres per year.



For the 10-year Reality Growth Projection, the 14,163 employees will require 1,491 acres of land by 2031, and 15,824 employees will require 1,666 acres of land by 2041. Accounting for the current demand of 1,334 acres, the additional demand of 332 acres could be absorbed at a rate between 15 and 18 acres per year.

For the 5-year Reality Growth Projection, the 12,785 employees will require 1,346 acres of land by 2031, and 12,894 employees will require 1,357 acres of land by 2041. Accounting for the current demand of 1,334 acres, the additional demand of 23 acres could be absorbed at a rate of 1 acre per year.

4.3 Industrial Supply

The City of Red Deer has approximately 1,379 acres of industrial land with at least 9.78 million square feet of industrial floor area distributed among 8 industrial parks. This amount does not include lands within the City boundary that are identified in the MASPs for future industrial uses that have not yet been zoned accordingly. This is an increase of 90,000 square feet of industrial space but a decrease of 12 acres of industrial land. This change may have been caused by the more progressed development of Queens Business Park and rezonings. There is also an additional 1,390 acres of industrial land in the surrounding areas of Red Deer County, outside of City limits.

The average site coverage ratio is 16%, and the weighted average vacancy rate is 8.59%. The vacancy rate within the previous report was 6.1%, which was already higher than what would be considered a 'healthy vacancy rate' of 5%. This increased vacancy rate in the past 2 years indicates an even softer industrial market when compared to 2013. Vacancy rates are highest in the Edgar Industrial Park and Northland Industrial Park.

Figure 35: Red Deer and Red Deer County Industrial Supply (2022)

Red Deer Industrial District	Sub-Area	Acreage	Total Land (sqft)	Total Building (sqft)	SCR	Vacancy rate (%)
52nd Avenue Industrial Dist.	Northwest	20.2	879,916	302,500	34%	6.50%
Chiles Industrial Park	Northwest	233.0	10,149,521	575,550	6%	4.04%
Edgar Industrial Park	Northwest	443.6	19,323,293	3,268,895	17%	14.81%
Goldenwest Industrial Park	Northwest	165.1	7,191,785	1,175,485	16%	6.67%
Northland Industrial Park	Northwest	130.3	5,675,891	1,454,411	26%	13.38%
Queens Business Park - developed	Northwest	130.1	5,667,179	921,810	16%	2.94%
Queens Business Park - undeveloped	Northwest	247.1	10,763,719			
Riverside Heavy Industrial	Northwest	185.3	8,071,700	1,149,747	14%	1.85%
Riverside Light Industrial	Northwest	72.0	3,136,333	932,745	30%	8.76%
Total Red Deer Industrial	Red Deer	1,379.2	60,091,260	9,781,143	16%	8.59% (weighted)

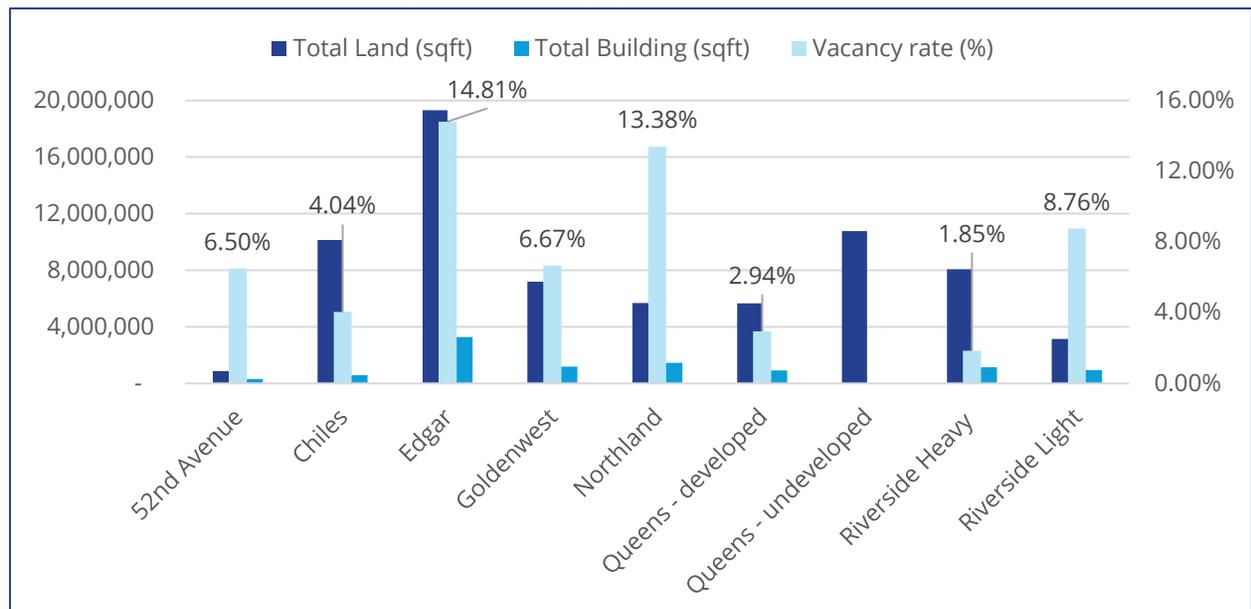
RD County Industrial District	Sub-Area	Acreage	Land (sqft)	Building (sqft)	SCR	VAC
Belich Business Park	RD County	20.2	879,916	484,056	55%	6.06%
Blindman Industrial Park	RD County	280.3	12,209,917	841,702	7%	13.49%
Burnt Lake Business Park	RD County	280.3	12,209,917	1,503,518	12%	12.06%
Clearview Industrial Park	RD County	135.6	5,906,760	788,623	13%	1.20%
McKenzie	RD County	58.4	2,543,914	339,900	13%	2.32%
Other Industrial Areas (2015 Data)	RD County	519.3	22,620,709			
Petrolia Business Park	RD County	60.0	2,613,610	388,760	15%	1.76%
Total RD County Industrial	RD County	1,354.1	58,984,742	4,346,559	7%	9.21% (weighted)

Source: Salomons Commercial

There are still approximately 247 acres of undeveloped industrial land or proposed industrial development land within Queens Business Park. This surplus land is expected to be able to accommodate future growth over the short- and medium-term.

The figure displayed below provides an initial visual analysis of Red Deer's industrial land, building space, and vacancy rates broken down by industrial development.

Figure 36: Industrial Land, Buildings, and Vacancy by Area (2022)



Source: Salomons Commercial

The figure below shows the variability in the vacancy rate since Q1 2020 with no significant changes in the amount of industrial floor space inventory. The statistics below represent both Red Deer and Red Deer County but shows how the vacancy rate may be returning to pre-pandemic levels and contributing to the health of the industrial real estate sector.

Figure 37: Industrial Land Inventory and Vacancy Rate (2019-2022)



Source: Salomons Commercial

4.4 Industrial Gap Analysis

The charts below examine the gap between existing supply and future demand, as well as potential additional supply that could fulfill demand with current vacancies and upcoming development anticipated to be completed in the near future.

Medium Growth Population Growth Scenario

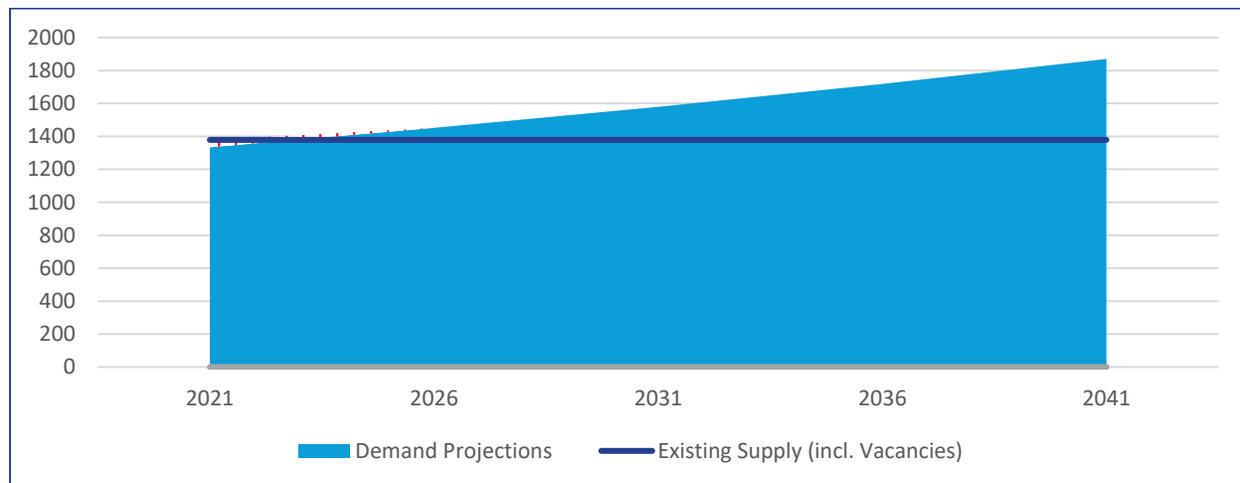
Figure 38: Projected Additional Land Required by 2041 – Medium Growth Projection

Projected Additional Land Required to Meet Industrial Demand by 2041	
Total Additional Acres Required	1,870 Acres
Existing Vacancy and Upcoming Supply	1,379 Acres
Total Additional Industrial Land Required	491 Acres

Source: Colliers

Based on the City of Red Deer’s anticipated future population based on the medium growth scenario, it is estimated that there will be additional demand for approximately 1,580 acres of industrial land by 2031, and 1,870 acres by 2041. Based on this projection and the current supply, it can be realistically assumed that the current supply would not meet the anticipated demand by 2023. Taking into account the supply of currently vacant industrial space, to accommodate future industrial space needs, the City of Red Deer would need to have an additional 491 acres of land available.

Figure 39: Industrial Gap Analysis – Medium Growth Projection



Source: Colliers

As stated throughout this report, it is unlikely that Red Deer will experience the level of population growth and demand for industrial space that is shown in this projection scenario. If the economic and population conditions in Red Deer were to change, then any additional demand for industrial space coming from this increased demand could be absorbed through industrial intensification, renovations of existing space, new industrial formats requiring a smaller building footprint, and annexation of urban sprawl development land (although annexation is not recommended).



10-year Reality Growth Scenario

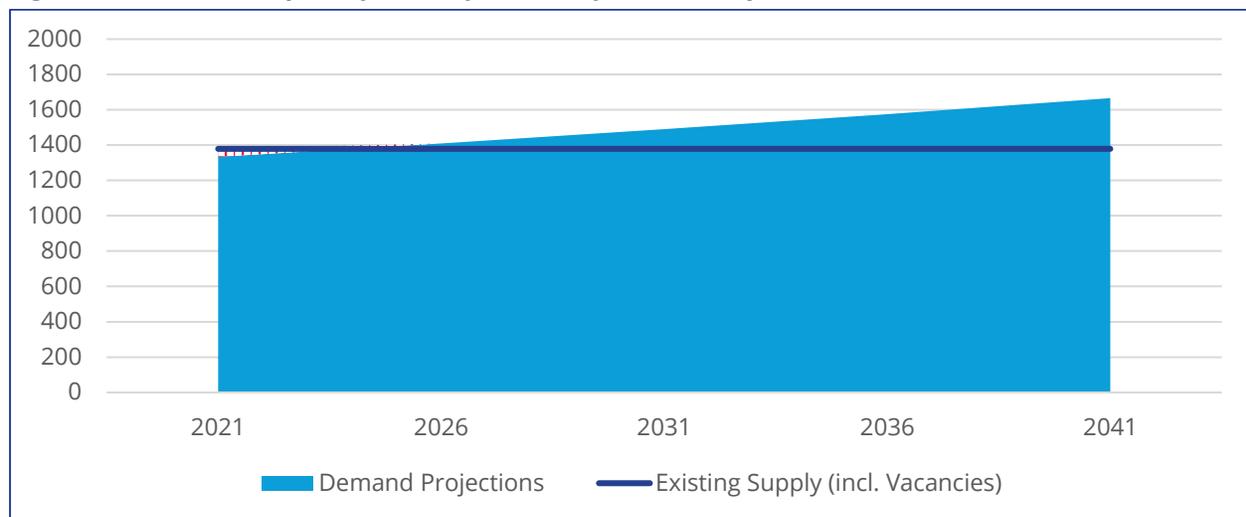
Figure 40: Projected Additional Land Required by 2041 – 10-year Reality Growth Projection

Projected Additional Land Required to Meet Industrial Demand by 2041	
Total Additional Acres Required	1,666 Acres
Existing Vacancy and Upcoming Supply	1,379 Acres
Total Additional Industrial Land Required	287 Acres

Source: Colliers

Based on the City of Red Deer’s anticipated future population based on the 10-year reality growth scenario, it is estimated that there will be additional demand for approximately 1,491 acres of industrial land by 2031, and 1,666 acres by 2041. Based on this projection and the current supply, it can be realistically assumed that the current supply will be sufficient to meet demand through 2025. Taking into account the supply of currently vacant industrial space, to accommodate future industrial space needs, the City of Red Deer would need to have an additional 287 acres of land available.

Figure 41: Industrial Gap Analysis – 10-year Reality Growth Projection



Source: Colliers

Given that this population projection reflects the conditions of the past 10 years, it is likely that the demand for 1,666 industrial acres could realistically be experienced by 2041. Red Deer has the capacity to add 287 acres of industrial land in response to emerging demand through industrial intensification, additional light industrial space in traditional retail settings, and annexation of urban sprawl development land (although annexation is not recommended).



5-year Reality Growth Scenario

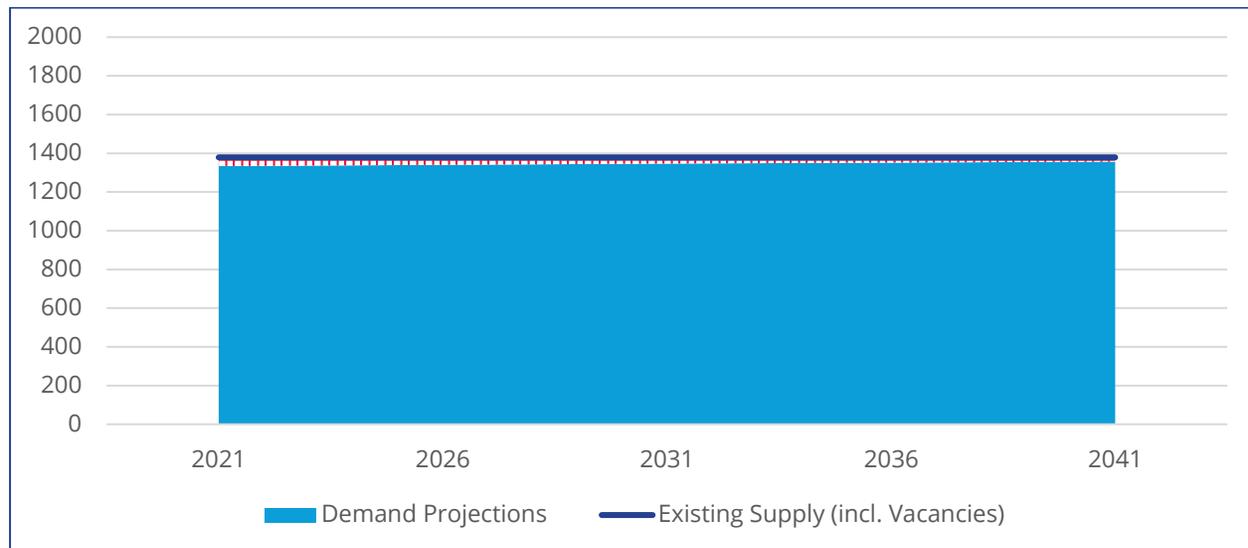
Figure 42: Projected Additional Land Required by 2041 – 5-year Reality Growth Projection

Projected Additional Land Required to Meet Industrial Demand by 2041	
Total Additional Acres Required	1,357 Acres
Existing Vacancy and Upcoming Supply	1,379 Acres
Total Additional Industrial Land Required	0 Acres

Source: Colliers

Based on the City of Red Deer’s anticipated future population based on the 5-year reality growth scenario, it is estimated that there will be additional demand for approximately 1,346 acres of industrial land by 2031, and 1,357 acres by 2041. Based on this projection and the current supply, it can be realistically assumed that the current supply will be sufficient to meet demand well beyond 2041. Taking into account the supply of currently vacant industrial space, the City of Red Deer would require no additional acres of land for industrial development.

Figure 43: Industrial Gap Analysis – 5-year Reality Growth Projection



Source: Colliers

If the rate of population that has been experienced in the past 5 years were to continue, combined with the slowing of industrial sector growth and declining industrial employment numbers, Red Deer would experience an oversupply of industrial land for the foreseeable future. Under this scenario, it would be advisable that Red Deer support the existing industrial areas in alignment with planning policies pertaining to density and employment lands.



Under the Medium Growth Scenario, an additional 491 acres of land would be required to meet demand. The 10-year Reality Growth Scenario anticipates that an additional 287 acres of land would be required, and the 5-year Reality Growth Scenario would require no additional land.

Similar to projections for other asset classes, the 5-year Reality Growth Scenario should be following for the foreseeable future. The current vacancy rate indicates that there is more than enough current supply to absorb market demand. Should the industrial market indicators improve, then the City of Red Deer could consider intensifying land to meet a higher demand for industrial land. This long-term outlook will give the City of Red Deer ample time to assess the market demand and land supply and adjust as necessary moving forward.

To support the existing industrial market within Red Deer, existing industrially designated land could be leveraged to create higher-density industrial buildings. This would align with the planning goals of developing a denser, less sprawl-oriented community.

For these reasons, Colliers recommends that Red Deer does not annex any additional



5. Office Analysis

5.1 Long-term Office Demand

The demand for office space is predicated on the same population projections that were used in the industrial space employment forecasts. To reiterate, the following chart summarizes the findings from page 25.

Figure 44: Population Projections

Growth Forecast	2031	2041
Medium Growth Projection	61,211	72,459
10-year Reality Growth Projection	57,773	64,547
5-year Reality Growth Projection	52,151	52,595

Source: Colliers

To determine the demand for office space, employment occurring on commercial land used for office can be represented with 10% of industrial-based jobs, plus 50% of the population-based employment, 50% of the employment in tourism, and 10% of employment in primary industries. The following chart outlines the demand for office space and number of office employees anticipated in each growth scenario.

Figure 45: Office Space Demand

	Total Office Employment				Total Office Space Demand (SF)				Average Annual Demand (SF)			
	2026	2031	2036	2041	2026	2031	2036	2041	2022-2026	2027-2031	2032-2036	2037-2041
Medium Growth Projection	21,184	23,049	25,077	27,284	2,139,629	2,327,917	2,532,773	2,755,657	34,612	37,657	40,971	44,577
10-Year Reality Projection	20,581	21,754	22,994	24,305	2,078,666	2,197,149	2,322,387	2,454,763	22,419	23,697	25,048	26,475
5-Year Reality Projection	19,554	19,637	19,720	19,804	1,974,933	1,983,331	1,991,765	2,000,234	1,672	1,680	1,687	1,694

Source: Colliers

Based on market research and comparable reports, an area per office worker rate of 101 SF has been used within these demand projections.

For the Medium Growth Projection, the 23,049 employees will require 2,327,917 SF of office by 2031, and 27,284 employees will require 2,755,657 SF of office by 2041. Accounting for the current demand for 1,966,571 SF, the additional demand of 789,986 SF could be absorbed at a rate between 34,000 and 44,000 SF per year.

For the 10-year Reality Growth Projection, the 21,754 employees will require 2,197,149 SF of office by 2031, and 24,305 employees will require 2,454,763 SF of office by 2041. Accounting for the current demand for 1,966,571 SF, the additional demand of 488,192 SF could be absorbed at a rate between 22,000 and 26,000 SF per year.



For the 5-year Reality Growth Projection, the 19,637 employees will require 1,983,331 SF of office by 2031, and 19,804 employees will require 2,000,234 SF of office by 2041. Accounting for the current demand for 1,966,571 SF, the additional demand of 33,663 SF could be absorbed at a rate around 16,00 SF per year.

5.2 Office Supply

COVID-19 negatively impacted office space utilization as more employees were working from home. As the pandemic matures, the return to office has been slow. The prevalence of hybrid work has created conditions where employees can be in office some days, and at home some days. This fluidity has shown that employees do not have the same physical space requirements anymore due to a higher reliance on technology.

The market has seen an increased demand for new, modern office spaces that can accommodate hybrid working with emerging communication technologies. After the initial and steep decline in office demand coming out of the pandemic, Canada's office market as a whole seems to be showing positive signs of recovery. The absorption rate of office space reached a 15-year high in 2022 with a rate 6.2 million SF (CBRE, 2022).

This being said, Red Deer is a secondary market that lacks the inventory of modern, Class A or AAA office space that large firms are showing demand for. The downstream affects of the office sector recovery could be felt in Red Deer, but to a lesser degree. The chart below shows data gathered by Salomons as of Q1 2022, which does not reflect the optimism of the Canada-wide office sector.

Figure 46: Office Space Demand

Submarket	Inventory (SF)	Inventory (# of Properties)	Vacant (SF)	YTD Absorption	Vacancy Rate	Average Asking Rent (\$/SF)
Downtown	1,783,147	84	366,280	-16,303	20.54%	\$14.34
DT Class A	657,639	14	144,234	14,643	21.93%	\$20.1
DT Class B	829,728	40	163,735	-24,500	19.73%	\$12.73
DT Class C	295,780	30	58,311	-6,446	19.71%	\$10.97
North Red Deer	101,940	5	31,736	2,109	31.13%	\$19.35
South Red Deer*	280,600	17	44,285	0	15.78%	\$10.33
Total Red Deer	2,165,687	106	442,301	-14,194	20.42% (weighted)	\$14.92

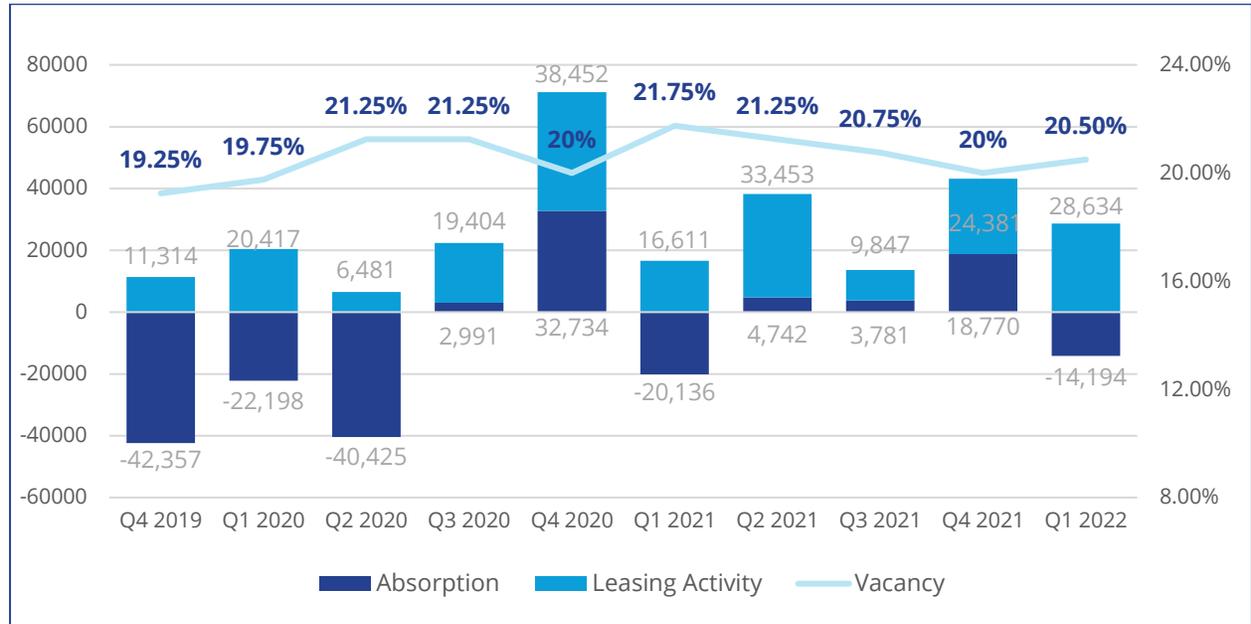
Source: Salomons Commercial

The trend identified in the previous report of a decreasing downtown vacancy rate has not continued into the pandemic. The downtown office market vacancy has increased across the board, with Class A office space having the highest vacancy rate of 21.93%. The overall vacancy rate weighted by inventory is 20.42%. The area with the lowest vacancy rate is South Red Deer, which does include Gasoline Alley. This area is dominated by newer employment and business parks along the highway and reflects the ongoing trend of commercial and employment lands moving south, away from downtown.



The chart below shows the historical conditions of the office market. Although the vacancy is high, it has remained fairly stable at around 20.5% since Q4 2019. The absorption and leasing activity has been more volatile and is highly influenced by new developments and vacancies coming to market.

Figure 47: Historical Absorption, Activity, and Vacancy



Source: Salomons Commercial



5.3 Office Gap Analysis

The charts below examine the gap between existing supply and future demand, as well as potential additional supply that could fulfill demand with current vacancies and upcoming development anticipated to be completed in the near future.

Medium Growth Projection Scenario

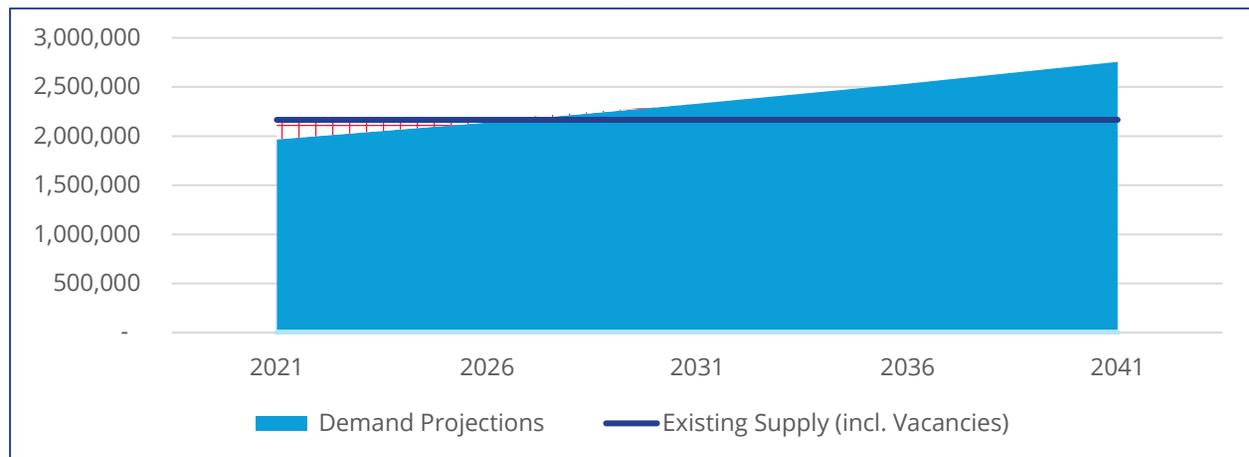
Figure 48: Projected Additional Office Space Required by 2041 – Medium Growth Projection

Projected Additional Land Required to Meet Office Demand by 2041	
Total Additional Square Feet Required	2,755,773 SF
Existing Vacancy and Upcoming Supply	2,165,687 SF
Total Additional Retail Land Required	590,086 SF

Source: Colliers

Based on the City of Red Deer’s anticipated future population based on the medium growth scenario, it is estimated that there will be additional demand for approximately 2,327,917 SF of office space by 2031, and 2,755,773 SF by 2041. Based on this projection and the current supply, it can be realistically assumed that the current supply will be sufficient to meet demand through 2027. Taking into account the supply of currently vacant office space, to accommodate future industrial space needs, the City of Red Deer would need to have an additional 590,086 SF of office space available.

Figure 49: Office Gap Analysis – Medium Growth Projection



Source: Colliers

Again, it is unlikely that Red Deer will experience the level of population growth and demand for office space that is shown in this projection scenario. Should the economic outlook for Red Deer drastically improve, then any additional demand for office space could be absorbed through more dense office developments in mixed-use settings, renovations to existing space, and should be located in the downtown core.



10-year Reality Growth Scenario

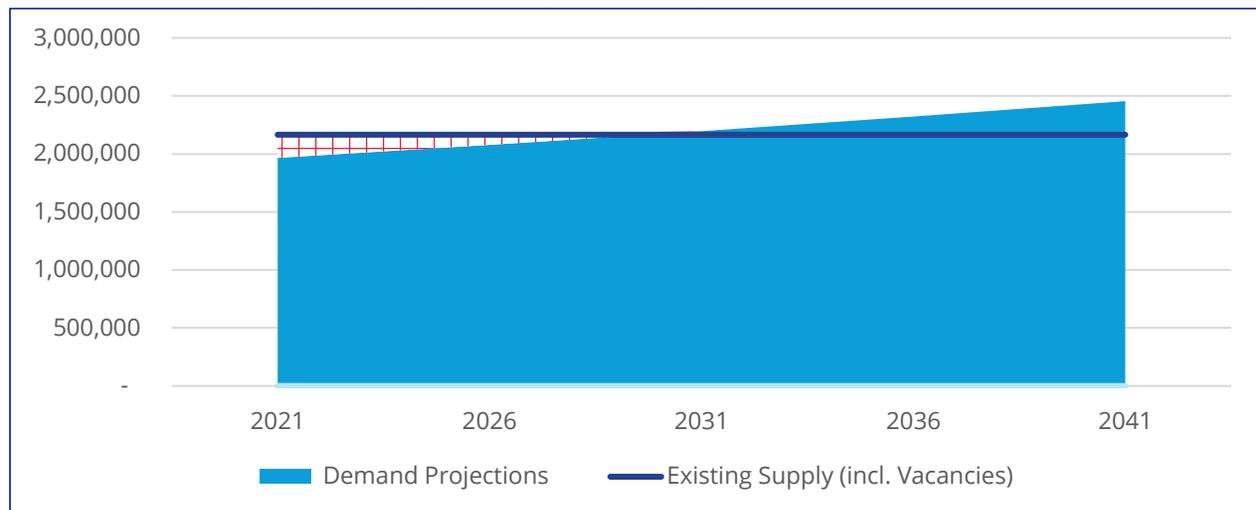
Figure 50: Projected Additional Office Space Required by 2041 – 10-year Reality Growth Projection

Projected Additional Land Required to Meet Office Demand by 2041	
Total Additional Square Feet Required	2,454,763 SF
Existing Vacancy and Upcoming Supply	2,165,687 SF
Total Additional Retail Land Required	289,076 SF

Source: Colliers

Based on the City of Red Deer’s anticipated future population based on the 10-year Reality Growth scenario, it is estimated that there will be additional demand for approximately 2,197,149 SF of office space by 2031, and 2,454,763 SF by 2041. Based on this projection and the current supply, it can be realistically assumed that the current supply will be sufficient to meet demand through 2030. Taking into account the supply of currently vacant office space, to accommodate future industrial space needs, the City of Red Deer would need to have an additional 289,076 SF of office space available.

Figure 51: Office Gap Analysis – 10-year Reality Growth Projection



Source: Colliers

Given that this population projection reflects the conditions of the past 10 years, it is likely that the demand for 289,076 SF of office space could realistically be experienced by 2041, but the office market is currently undergoing uncertainty across Canada. It would be best to take a ‘wait and see’ approach regarding the development of new office space in Red Deer.



5- year Reality Growth Scenario

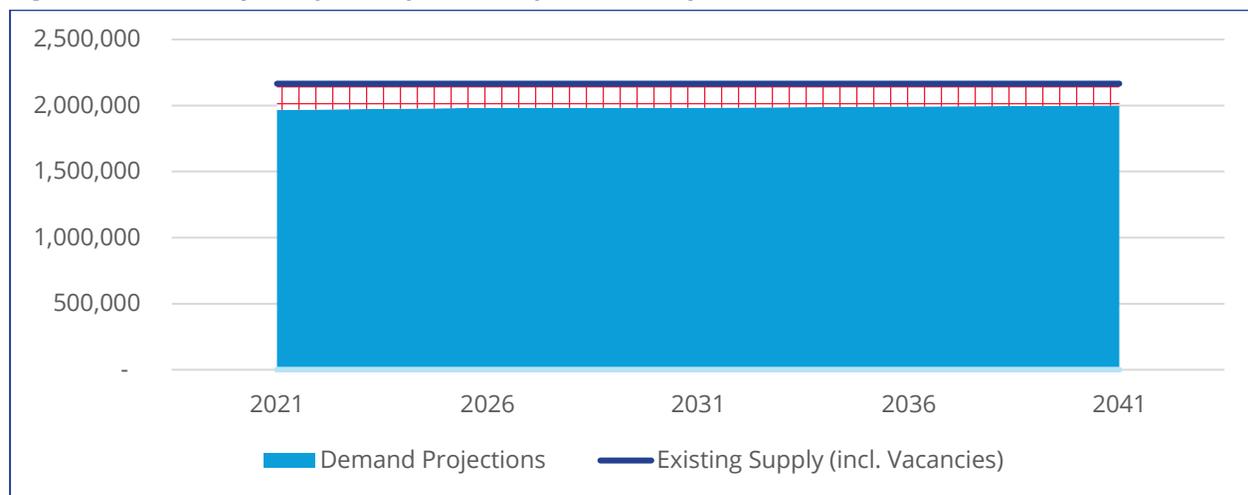
Figure 52: Projected Additional Office Space Required by 2041 – 5-year Reality Growth Projection

Projected Additional Land Required to Meet Office Demand by 2041	
Total Additional Square Feet Required	2,000,234 SF
Existing Vacancy and Upcoming Supply	2,165,687 SF
Total Additional Retail Land Required	0 SF

Source: Colliers

Based on the City of Red Deer’s anticipated future population based on the 5-year reality growth scenario, it is estimated that there will be additional demand for approximately 1,983,331 SF of office space by 2031, and 2,000,234 SF by 2041. Based on this projection and the current supply, it can be realistically assumed that the current supply will be sufficient to meet demand well beyond 2041. Taking into account the supply of currently vacant commercial and office space, the City of Red Deer would require no additional commercial land or building area for office development.

Figure 53: Office Gap Analysis – 5-year Reality Growth Projection



Source: Colliers

If the rate of population that has been experienced in the past 5 years were to continue, combined with the slowing of office-based employment growth, Red Deer would experience an oversupply of industrial land for the foreseeable future. Under this scenario, it would be advisable that Red Deer support the existing office, commercial and employment areas that have the capacity to absorb any new office employment growth.



The gap analysis for the medium-growth scenario is optimistic and states that over 500,000 SF of office space is required to meet the demand, but this space could be absorbed through denser, mixed-use developments. 289,000 SF of office space would be required under the 10-year Reality growth scenario, and this also already exists throughout Red Deer. Finally, no additional space would be required in the 5-year Reality growth scenario.

The office market throughout Alberta and Canada has been volatile, with little certainty on the future demand of office space. The trend toward hybrid workspaces with smaller footprints has created conditions for diminished demand for office space that could continue long into the future.

It would be advisable that Red Deer follow the most conservative 5-year Reality projection. If economic conditions improve and the demand for new office space becomes more apparent, then the additional 289,000 SF of office space anticipated in the 10-year Reality projection could be added through dense, mixed-use developments in the downtown core.