

Lloydminster

Retail Mall Vacancy Survey

January 2019

1.0 Economic Background

The [City of Lloydminster](#) is located on the Yellowhead Highway approximately 250 km east of Edmonton and 275 km west of Saskatoon, straddling the border (4th Meridian) between Alberta and Saskatchewan. The population, according to the [Stats Canada 2016 Census](#), Lloydminster showed a population of 34,583 persons. The [City of Lloydminster's 2015 Municipal Census](#) showed a population of 31,377 persons (a .338% decrease over its 2013 Municipal Census population of 31,483). Of the 31,377 residents, 19,740 (63%) lived on the Alberta side and 11,637 (37%) lived on the Saskatchewan side.

Lloydminster is surrounded by some of the richest farmland in western Canada. The district enjoys a relatively stable economy, with a mix of agricultural and oil industry base. The city centres a 2,500-square-mile oil field, said to be the largest concentration of heavy crude in North America. Oil activities, particularly servicing, refining, pipelining and upgrading, have been a predominant Lloydminster activity for many years. Another activity to note is specialized manufacturing and machining which manufactures equipment for the petroleum industry.

One measure of economic activity in a city is the level of construction. **Building permits for 2018** (obtained from the City of Lloydminster Engineering/Planning Dept.) were down to 194 permits totaling \$25.1 million compared to 212 permits totaling \$40.7 million in 2017 and 257 permits totaling \$36.8 million in 2016. Of these, 38 were for new dwellings compared to 51 the previous year.



The MLS residential sales statistics for the city show that the Saskatchewan side had 109 sales (30.0%) and the Alberta side had a total of 249 (70.0%). This includes only urban residential properties within the City of Lloydminster and does not include “unconditional” sales as at December 31, 2018. The average house price on the Alberta side was \$325,585 down from \$351,342 in 2017. The average house price on the Saskatchewan side was \$251,181 down from \$257,034 in 2017. This is an approximate 8.1% decrease from the previous year for Alberta and 2.3% decrease for Saskatchewan. The average house price is the total sale price of all residential sales divided by the number of sales. The average house price on the Alberta side is approximately 30% higher than the Saskatchewan side. Out of the 358 residential sales in Lloydminster, 28 or 8% were condominium ownerships.

The following table summarizes the MLS statistics and reflects the past 5 years:

| Table #1 | | | | | | |
|--------------------------------|-------------------|-------------------------------|----------------------------------|---------------------|-------------------------------|--------------------------------|
| MLS RESIDENTIAL STATS | | | | | | |
| As Of December 31, 2018 | | | | | | |
| Province | ALBERTA | | | SASKATCHEWAN | | |
| Year | # of Sales | Gross Sales (Millions) | Avg. Price/home (Alberta) | # of Sales | Gross Sales (Millions) | Avg. Price/home (Sask.) |
| 2014 | 505 | \$189.07 | \$374,398 | 257 | \$82.47 | \$320,882 |
| 2015 | 280 | \$110.40 | \$394,301 | 159 | \$49.27 | \$309,875 |
| 2016 | 185 | \$69.10 | \$373,468 | 105 | \$30.5 | \$287,137 |
| 2017 | 252 | \$89.29 | \$354,342 | 126 | \$32.25 | \$257,034 |
| 2018 | 249 | \$81.07 | \$325,585 | 109 | \$27.38 | \$251,181 |
| Change from 2017 to 2018 | ↓3 | ↓\$8.22 | ↓8.1% | ↓17 | ↓\$4.87 | ↓2.3% |

According to CMHC, Lloydminster apartment vacancy rates decreased significantly from 17.4% in 2017 to 11.5% in 2018. Rents increased slightly between 2017 and 2018 or remained the same (2 & 3 bedroom). The 2018 apartment survey consisted of 2,263 suites, of which nearly one third are located on the Saskatchewan side of the border. The following is a chart for Lloydminster showing the average apartment rental rates from 2014 to 2018:

| Table #2 | | | | | | % ↑/↓ from previous year |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|---|
| CMHC STATS | | | | | | |
| Lloydminster – December 2018 | | | | | | |
| Average Apartment Rent | 2014 | 2015 | 2016 | 2017 | 2018 | |
| Bachelor | \$699 | \$688 | \$622 | \$612 | \$636 | ↑3.9% |
| 1 Bedroom | \$938 | \$961 | \$915 | \$914 | \$936 | ↑2.4% |

| | | | | | | |
|------------------------|--------|--------|--------|--------|--------|--------|
| 2 Bedroom | \$1226 | \$1090 | \$1023 | \$1017 | \$1016 | ↓0.06% |
| 3 Bedroom and + | \$1270 | \$1309 | \$1293 | \$1324 | \$1324 | 0% |
| Average Rent | \$1131 | \$1058 | \$999 | \$996 | \$1008 | ↑1.2% |

Overall, vacancy decreased by 5.9%, from 17.4% in 2017 to 11.5% in 2018 and average rents increased minimally by 1.2%. This equates to approx. 260 suites vacant in the entire city.

Local industries include the Heavy Oil Bi-Provincial Upgrader, plus several other smaller secondary manufacturing and distributing companies, many of which are related to the oil industry.

Husky Oil is the largest employer in Lloydminster. Since the construction of the Bi-Provincial Upgrader in 1992, Husky has built the 215 megawatt Meridian Co-generation Plant which reached full operating capacity in 1999. Western Canada's largest ethanol plant employs approximately 25-30 full time permanent positions. This plant supports the local economy by purchasing goods and services from local suppliers including approximately 350,000 tonnes of feedstock from local producers, produces approximately 130 million litres of fuel grade ethanol per year and produces approximately 134,000 tonnes of distillers dried grain with solubles (DDGS) per year. Husky Oil has also announced a future expansion of the upgrader, however the timing of this expansion is still undetermined.

Lloydminster has numerous parks and playgrounds, a golf course and other leisure facilities, including an outdoor swimming pool and an indoor swimming pool and water slide facility. Servus Sports Centre is a \$25 million dollar multi-plex sports complex on the south side of the city. Built in 2005, this multi-use recreational complex contains twin ice arenas, twin indoor fieldhouses, a fitness wellness center, a physiotherapy/sports medicine center, upper level running track, exterior oval speed skating rink, child care space, retail sports shop, concession kiosk, lounge/kitchen, etc. and services Lloydminster and the surrounding communities. Best Western Plus Meridian is a hotel with direct access to the multi-plex via a second floor walkway, and was built to service the expected clientele of Servus Sports Centre. The city is well serviced with approximately 15 other hotel/motels located along the Trans Canada Highway No. 16 (44th Street) and Highway No. 17 (50th Avenue).

The City of Lloydminster has two fire halls, one is located in the downtown core on 49th Avenue and 50th Street, and the other one is located on the truck route or 59th Avenue and is in the southwest quadrant of the city.

The Lloydminster Hospital is a community hospital located on the Saskatchewan side of the border. The hospital is operated by the Prairie North Health Region

and also serves the Alberta side of the community under contract to Alberta Health Services.

The extreme south central area of the city along 50th Avenue (Highway No. 17), includes a Tim Hortons, Subway, Papa Johns, Servus Credit Union, a Lloydminster & District Co-op gas station/convenience store, a McDonalds, an A & W, and numerous other businesses.

In the extreme west central area of the city north of Highway No. 16 and west of 80th Avenue is a fairly new area known as Hampton Square, which includes a Lloydminster & District Co-op gas station, two retail buildings, and two hotels (Hampton Inn and Meridian Inn and Suites).

To the east, along 44th Street (Trans Canada Highway No. 16) and 39th Avenue on the Saskatchewan side of the border, is a Sawmill Restaurant. Also west of 40th Avenue and south of 44th Street (Trans Canada Highway No. 16) is a newer area known as Iron Wells Crossing, which includes a Lloydminster Co-op gas station, Mary Browns, Tim Hortons, Solo Liquor store, the Gold Horse Casino, two hotels (Microtel Inns & Suites and Super 8), etc.

The Gold Horse Casino is a new 33,750 sq. ft. casino which opened in December of 2018 in the Iron Wells Crossing area along 40th Avenue and just off of Trans Canada Highway No. 16. There are 250 slot machines, 18 electronic gaming tables, 5 live gaming tables, an event centre, a deli and a bar & grill restaurant included in this facility. In previous locations, SIGA (Saskatchewan Indian Gaming Association) casinos have been a major tourist draw to the cities that they are located in.

In the city centre located west of 50th Avenue and south of 44th Street is a development known as City Centre which includes the anchor Real Canadian Superstore, Sleep Country, Pet Smart, Sally Beauty, Dollar Tree, Fit 4 Less, Little Caesars, an Original Joe's restaurant, Burger King, etc.

There are a full range of educational facilities, including numerous schools from Kindergarten to Grade 12 and the multi-million dollar Lakeland College Campus developed in the southwest sector of the city. This campus provides community college courses up to university degree courses in several disciplines. The Vic Juba Community Theatre is also a 555 seat arts and entertainment theatre on the Lakeland College Campus.

As discussed above, the city has a diversified economic base which has been in a recession for the approximate past four years, but now appears to be stabilizing and is expected to remain so for the near future.

2.0 Study Area and Inventory

The study area includes the entire City of Lloydminster. The majority of the strip retail is concentrated on 44th Street (Trans Canada Yellowhead Highway No. 16), which runs the entire width of the city. There is a secondary Highway commercial strip which is 50th Avenue, the Meridian, also known as Provincial Highway No.17. Excluded from this study is the retail component of the downtown core. The malls are classified as either an enclosed retail mall or strip development which includes "Big Box" retail. Excluded from the survey were any one-storey free-standing buildings on pads unless they were part of a mini power center, "Big Box" retail or part of a major development such as Cornerstone, Brentwood Developments, Hampton Square, City Centre, Iron Wells Crossing, 18th Street Crossing, etc.

The total inventory is approximately 2,308,135 sq. ft., including one enclosed mall located in the centre of the city on the Trans Canada Yellowhead Highway on the Alberta side of the border. Anchors in this enclosed mall include Safeway & Shoppers Drug Mart.

Added to the survey this year was a 16,800 sq. ft. building located on 44th Street (Trans Canada Highway No. 16) previously known as the Meridian Booster building which was once owner occupied, but is now considered to be a retail mall with leased space.

3.0 Retail Space Overview

The Lloydminster retail market presently has 199,982 (8.7%) sq. ft. in the enclosed mall and 1,937,497 (83.9%) sq. ft. in strip retail on the Alberta side of the city and 170,656 (7.4%) sq. ft. on the Saskatchewan side. As a result, the addition of any retail development 10,000 sq. ft. or over can have an impact on the vacancy in that category over the short term. Establishing absorption figures over a period of time is one of the objectives of the study and will come into play in the future as historical information is available.

The information gathered and summarized in the following table is effective as of December 31, 2018.

| Table #3 | | | | | | | | | |
|---|----------------------------|------------------------|-----------------------|------------------------------|------------------|------------------|------------------|------------------|------------------|
| RETAIL MALL SURVEY | | | | | | | | | |
| EXECUTIVE SUMMARY - Effective December 31, 2018, Conducted January 3, 2019 | | | | | | | | | |
| Type | Total Area (Sq.Ft.) | Anchor (Sq.Ft.) | CRU's (Sq.Ft.) | Total Vacant (Sq.Ft.) | Vac. 2018 | Vac. 2017 | Vac. 2016 | Vac. 2015 | Vac. 2014 |
| Enclosed | 199,982 | 109,433 | 90,549 | 47,672 | 23.84% | 24.13% | 4.40% | 3.71% | 11.37% |
| Strip | 1,937,497 | 914,904 | 1,022,593 | 58,683 | 3.03% | 2.02% | 3.35% | 2.79% | 1.25% |
| Total Alberta | 2,137,479 | 1,024,337 | 1,113,142 | 106,355 | 4.98% | 4.12% | 3.46% | 2.89% | 2.39% |
| Total Sask. | 170,656 | 0 | 170,656 | 21,028 | 12.32% | 8.40% | 7.23% | 11.66% | 0% |

| | | | | | | | | | |
|------------|-----------|-----------|-----------|---------|-------|-------|-------|-------|-------|
| Total City | 2,308,135 | 1,024,337 | 1,283,798 | 127,383 | 5.52% | 4.44% | 3.76% | 3.64% | 2.20% |
|------------|-----------|-----------|-----------|---------|-------|-------|-------|-------|-------|

4.0 Vacancy

The overall city-wide mall vacancy is 5.52% with 4.98% on the Alberta side and 12.32% vacancy on the Saskatchewan side. The Alberta side of the city has 92.6% of all the mall retail space while the Saskatchewan side has 7.4%. The Alberta side vacancy rate increased from the previous year from 4.12% in 2017 to 4.98% in 2018. Saskatchewan vacancy also increased from 8.40% in 2017 to 12.32% in 2018. Vacancy increased in the strip category on the Alberta side from 2.02% in 2017 to 3.03% in 2018. This is considered to be a slight increase from the previous year.

As of December 31, 2018, vacancy decreased slightly from 2017 to 2018 in the enclosed mall from 24.13% vacancy to 23.84% in 2018 which equates to four units plus one anchor (Sears) for a total of 47,572 sq. ft. vacant. Sears closed across Canada in 2017. The mall advises that they are in the process of re-merchandising this space.

The overall city vacancy rate has increased slightly from the previous year from 4.44% to 5.52%. This vacancy rate is still considered to be quite low and the retail sector is felt to be quite strong in Lloydminster.

5.0 New Construction

Over the last decade most of the new retail construction in Lloydminster has been concentrated on the Alberta side of the border with the exception of the casino and the Iron Wells Crossing development. Commercial vacant land parcels fronting onto 50th Avenue (Highway No. 17 S.) on the Saskatchewan side of the border have mostly been developed.

No new construction has occurred in 2018 for retail mall properties on either side of the border.

Lloydminster is strategically located between Saskatoon and Edmonton's trade markets allowing for Lloydminster to have a growing trade area of well over 100,000 people. The retail sector has definitely had a positive effect on Lloydminster's economy.

Lloydminster is one of the most dynamic smaller cities in Canada. The city's strategic location plus its strong foundation in agricultural, oil and retail makes the overall economy of Lloydminster good, and therefore, the city is a relatively stable place.

6.0 Rental Rates

Discussion with leasing agents indicate that there is stronger interest on the Alberta side. Historically, the Saskatchewan side leases up more slowly, at a slightly lower rate than comparable space on the Alberta side. Overall, lease rates are slightly down with the dip in the economy.

Rental rates for the strip malls and mini power centers on the Alberta side are in the \$8.00/sq. ft. triple net to \$32.00/sq. ft. triple net range and appear to be in line with retail rates in other major urban centers in Alberta. The rental rates on the Saskatchewan side appear to be in the \$8.00/sq. ft. triple net to \$25.00/sq. ft. triple net range, which is also in line with rental rates for cities of similar size.

Leasing inducements which include rent free periods and/or tenant improvements appear to be minimal in the Lloydminster market. The majority of new construction has been on a pre-leased basis.

7.0 Market Overview

The petroleum industry has a very significant impact on the city's economy. According to West Texas Intermediate (WTI), the benchmark for North American crude oil, prices have decreased over the past year by approximately 1.7%, from \$57.95 USD/barrel in December 2017 to \$56.96 USD/barrel in November of 2018. As of November 2018, Western Canadian Select (WCS) was trading approximately \$45.93/USD/barrel lower than WTI at \$11.03/USD/barrel. As a result, the premier of Alberta announced a cut in production to help eliminate the glut and reduce the current inventories. This should increase the dollar amount/barrel. Economists predict a slow increase in price over the next year. The downturn in this industry has had a significant impact on the real estate market.

Apartment vacancies have decreased 5.9% over the past year. It is interesting to note that, even with a vacancy rate at 11.5%, apartment rental rates have actually increased slightly by 1.2%. They have not seen the sharp declines in relationship to the percentage change in vacancy. Economic conditions have kept vacancies slightly elevated.

The single family residential market in the city has also seen a 5% decrease in units sold over the past year and overall, values have decreased by approximately 8.1% on the Alberta side and 2.3% on the Saskatchewan side. After four years of declining prices, the residential market appears to be heading towards stabilization.

The retail sector has so far weathered the change in the economy with only a 1.9% increase in vacancy over the past three years. The current vacancy at 5.52% for the entire city is still considered to be a fairly strong market.

The Gold Horse Casino opened its doors in Lloydminster on December 21, 2018. The building of this casino has brought approximately 140 long term jobs to the local economy, as well as attracting customers to retail outlets and restaurants, and will promote economic growth in the community by drawing on local suppliers and supporting spin-off businesses. A portion of profits will also go to community causes and priorities in the form of donations and sponsorships.

Overall, there is cautious optimism in the market for the near future.

8.0 Acknowledgements

Our sincere appreciation is extended to the Engineering & Planning Department at the City of Lloydminster. Many thanks to Musgrave Developments and Musgrave Agencies for their input regarding the "mini" Power Centers and a sincere thanks to Century 21 for their continued support regarding leased space. Also, a huge thanks to Brentwood Developments, Springwood Developments and Avison Young for their valuable input. Various other real estate agents and property managers also provided valuable assistance.

9.0 Qualifications

Readers of this Study are welcome to use the information as deemed appropriate, providing **M.I.T. Appraisals Ltd.** and **Brunsdon, Lawrek & Associates Real Estate Appraisals & Advisory Services** are quoted as the reference sources. The information contained herein is believed but not warranted to be accurate. Readers are cautioned to make their own investigation before making any financial decisions.

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