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# Leduc



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Source: WinterE229 (WinterforceMedia)

## Economy

Leduc is blessed with a diverse economy that lends to its sustainability as a location to invest in real estate. It is a hub for Energy Services, Advanced Manufacturing, Transportation and Logistics, Agriculture, and Education. Energy companies use Leduc as a manufacturing base to support their exploration and drilling activities in Alberta's oil sands. Some of the largest energy service and manufacturing companies, such as National Oilwell, Varco, and Imperial Oil have located in the region and utilize Leduc's transportation links, which means their operations are more efficient and cost effective. The region is also home to the CANMET Energy Technology Centre (CETEC), the federal government's research centre for the development of hydrocarbon supply technologies, focusing on oil sands and heavy oil.<sup>1</sup>

The International Region, of which Leduc is one part, contains Canada's largest energy sector industrial park, the Nisku Business Park. The 8,000 acre park is located on the outskirts of Leduc and is home to more than 600 companies and employs nearly 30,000 highly skilled trades people. In addition, Leduc's own business park is located on the northeast end of the city, only five minutes away from the Edmonton International Airport and has 100 acres of land available for more employers and more employees<sup>2</sup>. These parks continue to attract new businesses, creating new job opportunities for Leduc residents and stimulating the local economy.

Leduc is a key transportation link for rail, truck and air transport. This accessibility is important not only for those who live in the area, but for businesses looking for a place to locate. Having excellent access to move their goods and people around increases their market competitiveness. Businesses want to locate in areas where they can operate less expensively and more efficiently and can attract top personnel and Leduc is certainly a place that excels in these areas, giving it an advantage over other locations.

Agriculture is another important sector in Leduc and adds economic stability to the area. However, crops and livestock are not the only job and income creators, big bucks come from Leduc's agriculture research and

agri-food processing sub-sectors bringing scientists and other professionals to the area seeking homes close to their places of employment. This diversity means Leduc is not as attached to the oil and gas sector, like so many other Alberta towns.

There are nine post-secondary institutions within a 45 minute drive of Leduc, which not only provide the city with access to a large and intelligent labour pool, but also acts as an economic stabilizer; as in both good and bad economic times, people continue turn to higher education. Post-secondary institutions lend themselves very well to residential real estate rental because of that. In addition to the local economy, Leduc has the benefit of the ripple effect from the big city of Edmonton. Many take advantage of abundant and varied job opportunities in Edmonton and commute via the efficient Ring Road, to get from home to office and back.

## Outlook

Alberta will continue to be a leader in job creation over the next decade, with major new oil sands projects driving job growth to 2023. Implementation of new drilling methods in tight oil plays across the province, as well as new provincial royalty incentives, have increased drilling activity and production<sup>3</sup>. According to CAPP's 2014 Crude Oil Forecast, total Canadian crude oil production will increase from 3.5 million barrels per day in 2013 to 6.4 million barrels per day by 2030<sup>4</sup>. As manufacturing base for major oil companies, Leduc will continue see job creation in the energy services, manufacturing, and transportation sectors. It has a great outlook for the future.

While oil may continue to be a major economic driver, the City of Leduc is beginning to shift towards other industries which will provide even more economic stability. Other drivers that are quickly rising in the ranks include construction & technical services, environmental services, and information technology<sup>5</sup>.

In 2014, the Government of Alberta announced that it had granted the City of Leduc's request for the annexation of 1,300 acres (526 ha) from Leduc County which will lead to increased opportunities for residential, commercial and

industrial development. As new job opportunities are created, we will see more residents begin to work within the city instead of traveling to Edmonton for work. Already, 44% of Leduc's workers are employed within the city's boundaries<sup>6</sup>.

## Demographics

### Population Growth

According to the last Federal Census (2011), the population of the City of Leduc was 24,279, an increase of 43.1% from 16,967 in 2006 (according to City census the population was 27,241 in 2013). Leduc was the ninth fastest-growing community in Canada over this time period<sup>7</sup>. With a population growth of 25.9% already recorded between 2001 and 2006<sup>8</sup>, the city has witnessed a growth of nearly 70% over the past decade. Leduc's Economic Development team believes the city's population will continue its rapid population growth, hitting 40,247 by 2021<sup>9</sup>. This is tremendous news. The frenzy of employment opportunities has and will continue to draw people to the area, people who need a place to live. In turn, housing values and rents will continue to climb.

### Median Age

Leduc is getting younger! Since 2006<sup>10</sup>, there has been a noticeable increase in the proportion of young adults ages 20 to 39 living in Leduc, bringing the average age down. The city's median age dropped to 34 in 2011 (from 36.8 in 2006). The city has become a haven for many young families moving to Edmonton region to work but wanting to live somewhere with a small-town feel. A young population means good things for a city: there are more services geared to the young and young families, which attracts more young families to the area. Younger age groups have more movement in the housing sector, meaning they move in and out of homes – renting, buying, and selling – as their life stages change. They are more apt to rent, a great thing for investors, and the buying and selling usually means a stimulated housing market. Working age residents create more money in income taxes and younger people often consume more than an older cohort; the purchase of furniture, vehicles, electronics, more food, eating out etc. means more local economic stimulation.

## Housing

### Rental Market

Different neighbourhoods command different rent and value depending on their desirability. Buying new versus old inventory has its pros and cons. It is often harder to cash flow newer properties, (although they may be more desirable to tenants), but repairs and maintenance is much lower and lower operation costs means just as much as higher rents, when it comes to the bottom line.

The adjacent table outlines the average rental rate by the housing type and number of bedrooms.

| Average Rents in Leduc   |               |              |               |
|--|---------------|--------------|---------------|
| # of Bedrooms  | Average Price | Lowest Price | Highest Price |
| <b>House</b>   |               |              |               |
| 2  | \$2,200       | \$2,200      | \$2,200       |
| 3  | \$1,925       | \$1,500      | \$2,500       |
| 4  | \$1,838       | \$1,600      | \$2,150       |
| <b>Basement Suite</b>  |               |              |               |
| 1  | \$944         | \$875        | \$1,000       |
| 2  | \$1,000       | \$1,000      | \$1,000       |
| <b>Townhouse</b>   |               |              |               |
| 2  | \$1,773       | \$1,695      | \$1,850       |
| 3  | \$1,614       | \$1,400      | \$1,900       |
| <b>Condo/Apartment</b>   |               |              |               |
| 1  | \$1,300       | \$1,300      | \$1,300       |
| 2  | \$1,394       | \$1,195      | \$1,600       |
| 3  | \$1,675       | \$1,450      | \$1,900       |
| Source: <a href="http://www.rentboard.com">www.rentboard.com</a> (October 2014). |               |              |               |

### Sales Activity

Job creation has attracted more people to Leduc, leading to a demand for housing and, consequently, higher housing values in recent years. However, Leduc still remains an affordable alternative to southern Edmonton. The average price of a home in Southwest Edmonton was \$545,231 in June 2014 and a home near the Anthony Henday in Edmonton was selling for \$504,547 in July 2013<sup>11</sup>, over \$100,000 above the average price of a home in Leduc (\$411,289)– the difference between renting and buying a home for most people.

| City of Leduc Sales Activity<br>January - June |           |           |           |
|--|-----------|-----------|-----------|
|  | 2013 YTD  | 2012 YTD  | 2011 YTD  |
| <b>Single Family Detached</b>                  |           |           |           |
| <b>Total Sales</b>                             | 171       | 189       | 191       |
| <b>Average</b>                                 | \$377,394 | \$360,307 | \$338,641 |
| <b>Median</b>                                  | \$358,500 | \$356,000 | \$320,000 |
| <b>Condominiums</b>                            |           |           |           |
| <b>Total Sales</b>                             | 36        | 41        | 71        |
| <b>Average</b>                                 | \$236,638 | \$248,607 | \$230,448 |
| <b>Median</b>                                  | \$216,450 | \$245,000 | \$220,000 |
| Source: <i>Edmonton Real Estate Board.</i>     |           |           |           |

## Recent Residential Developments

Residential building activity in Leduc has trended up in recent years, with building permit values hitting new records. In 2013 the city witnessed 506 homes begin construction, with 287 single-family homes started and 219 multi-family units started<sup>12</sup>.

The City of Leduc's most recent census results show that developing neighbourhoods are more populated than the city's established and core neighbourhoods, a trend witnessed throughout North America as density becomes more sought after by city planners. At the end of 2013, developing neighbourhoods contained more than 40% of Leduc's population<sup>13</sup>. New residential projects include the 116-unit Windrose homes (stage 9C), currently under construction at Windrose Drive and Wilkinson Place. Sales for available units start in the low \$300,000's. The 24-unit single-family home project, Southfork, is currently under construction at Southfork Drive. Sales for available units range in price from \$306,900 to over \$392,000<sup>14</sup>.

Residential building permits are a reaction to demand in the past. What is important is to see if supply is keeping up with demand or if it is out of balance. A glut of inventory can diminish values and rents, giving renters and buyers 'too much' to choose from from an investor's point of view. Currently, it seems as though demand is outstripping supply, as it certainly did in 2006/7, and while the future remains to be seen, the pro-business, pro-economic development attitude appears as though there will continue to be a housing demand in the mid-term future.

## Infrastructure

While growth is positive for a city, the rapid increase in Leduc has strained its existing infrastructure and capital budget. As the city's population continues to grow, Leduc's leadership must ensure that the city's infrastructure keeps up with resident demands. Infrastructure is important to meet the needs of the residents. People will leave a city that doesn't have the capacity to educate its children, mend its ill-stricken, or arrest its bad guys. Hospitals, schools, emergency services, as well as water, sewer, and roads are of paramount importance. Here is what Leduc has on its books as prioritized projects:

- Library at the Civic Centre - . \$6.4 million<sup>15</sup>
- New fire hall (located off 50 Avenue/Highway 39) - \$7.7 million (summer of 2015)<sup>16</sup>
- Black Gold Regional School District K-9 school - located in west Leduc with an opening capacity of 450 students and the capability of expanding to meet the needs of 700 students. (Fall 2016)
- St. Thomas Aquinas Roman (STAR) Catholic School in Leduc's Southfork neighbourhood will accommodate approximately 600 students (Fall 2016)<sup>17</sup>

## Transportation

Planning has been completed for an upgrade of 23 kilometres of Highway 2 from just south of Leduc to north of Ellerslie Road in Edmonton. Proposed improvements include twinning the highway, the construction of new interchanges, and the reconstruction of the highway through Leduc to better serve residents. According to the government of Alberta, the project will begin construction by 2016<sup>18</sup>. This twinning will reduce congestion and travel times between Edmonton and Leduc. This makes it even more attractive for people who live in Leduc and commute to Edmonton (and increasingly vice versa) by bringing the two cities 'closer together', at least in the time/space continuum!

Leduc residents will also benefit from upgrades to Highway 19. Although no official construction date has been announced, discussion and planning is currently underway for the twinning of 12.3 km of Hwy 19 from Hwy 60 to Hwy 2. The project will include two new bridges, a new airport access road, and seven intersection upgrades, including one at the airport access road intersection<sup>19</sup>. These changes benefit not only residents but make it even more attractive for businesses to locate here, once again, creating jobs and increasing the coffers of the local economy.

### Public Transit

Residents who don't want to commute via car have the option of taking the C-Line, an intermunicipal bus transit partnership between the City of Leduc and Leduc County that connects residents to Edmonton's Century Park bus/light rail transit centre. The route has 15 bus stop locations, and each bus is equipped with Wi-Fi — the only bus service with internet access in the Edmonton region<sup>20</sup>.



Source: Wilson Hui - Leduc Alberta Grain Elevator

## Political Climate

### Rental Rules

Unlike other provinces in Canada, there are no controls on the amount of rent increases in Alberta. Rent may be increased if there has not been a rent increase within the previous 365 days or since the start of the tenancy, whichever is later.

The City of Leduc's Land Use Bylaw allows three forms of secondary suites on single-detached lots: Basement Suites, Garage Suites, and Garden Suites. For more information on secondary suites in Leduc, and specific requirements for each type, click [here](#).

Landlords need to be wary of policies that make the ultimate payment of utilities, such as electricity and gas, the responsibility of the owner, not the user (tenant). If a tenant does not pay his or her bills, it will ultimately become the responsibility of the property owner, who has no access to the information about whether the bills are even being paid. Landlords may therefore wish to *include* utilities and pass these costs (plus more for administration and a buffer) on their tenants. By having the utilities in your name, you can ensure that the bills are at least being paid. Keep in mind that under the current Residential

Tenancy Act, utility charges are not recoverable if unpaid to the landlord. The bottom line: screen your tenants! One gram of Prevention is better than a kilogram of Cure.

### Tax Incentives

Leduc does not currently offer any tax incentives to businesses or investors. The city believes its surging popularity with businesses means it has no reason to offer any kind of discount or rebate to attract new business, and so far this seems to be the case.

### Economic Development

The Leduc Nisku Economic Development Association has a fantastic website. The team is quick to respond (within 1 hour on a week day), and was able to answer any questions we had. The forward-thinking economic development team has ensured Leduc will continue to attract businesses for years to come. This is a key consideration for investors. If the Economic Development office is difficult to deal with, you can often assume that they will be the same for potential employers looking to move into the region.

## Investor Rating

|   |              |
|---|--------------|
| <b>Economic Risk</b>                        | <b>11/12</b> |
| <b>Yield Growth Potential</b>               | <b>10/12</b> |
| <b>Local Politics Conducive to Business</b> | <b>6/8</b>   |
| <b>Access to Transportation</b>             | <b>7/8</b>   |
| <b>Investors' Insights</b>                  | <b>10/10</b> |
| <b>Total</b>                                | <b>44/50</b> |

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