



NAI Commercial

FIRST QUARTER MARKET REPORT 2024

GREATER EDMONTON, ALBERTA



Economic Outlook

Good news is flooding the Edmonton region commercial real estate market early in 2024, and all signs point to continued success.

The story of the Edmonton area's commercial real estate landscape dating back to early 2020 has been twofold: an industrial boom based on warehousing and logistics; and a lagging office market, with high vacancy rates in areas with traditionally high occupancy levels, such as the downtown core.

Early in 2024, the industrial wave continues, with consistently low vacancy rates throughout the region. While not taken for granted, that's almost come to be expected; there has been mass industrial migration from major centres in British Columbia, as the Edmonton region offers friendlier costing and easy access to major transportation routes.

The big news, however, comes in turning the office real estate market on its head. Late in 2023, projections began to improve for the Edmonton region's office market uptake, with very cautious optimism referenced alongside each positive report. Those trends, though, have held true.

The office real estate market has seen the highest level of consecutive absorption since a couple of years prior to the struggles that date back to 2020; and, for the second quarter in a row, the total vacancy percentage has fallen below double digits. While a region-wide rate of 9.4% may still feel high, it's a significant improvement from a vacancy rate above 10% that plagued the area in five out of six quarters from mid-2022 through late-2023.

Finally, the retail real estate market is marking the end of 2024's first quarter with the lowest vacancy rate across the region in more than five years, at just 3%. There are undoubtedly still hurdles to overcome in the retail scape,

including a 6.5% vacancy rate in the downtown core – but the improvement has been remarkable on the heels of a Fall 2023 study that pointed to a one-third vacancy rate downtown.

All this success across industrial, office and retail realty markets early in 2024 is supported by projections for continued improvement and growth throughout the rest of the year, and into 2025. A new report by the Conference Board of Canada shows that nearly 50,000 people moved to Edmonton alone in 2023, while close to another 100,000 are expected to move to the region by the end of 2025. To accommodate this influx of migration, estimates pinpoint the need for new homes at around 30,000, which will have significant impacts on the commercial real estate market – particularly in seeing new retail built to accommodate residential growth, not to mention office and industry market impacts associated with jobs.

Population growth is coupled with multi-sector growth in the suburbs that could spark additional growth outside city borders, including a \$9-billion net-zero petrochemical project in Fort Saskatchewan with peak construction staffing 6,000 workers; a new \$86-million arena in Strathcona County; and construction of nearly 375,000 square feet of industrial space in Nisku as part of one new business park alone.

Reports such as this can sometimes be overly cautious in the face of lingering optimism, not wanting to set expectations too high – particularly since the commercial real estate dips of 2020. That's less the case here. For the first time in quite a while, the Edmonton area's surging activity across all commercial real estate sectors is being supported by massive growth and an influx of residents ready to fill the gaps, making positive trends sustainable.

2024-Q1 Greater Edmonton Market Highlights

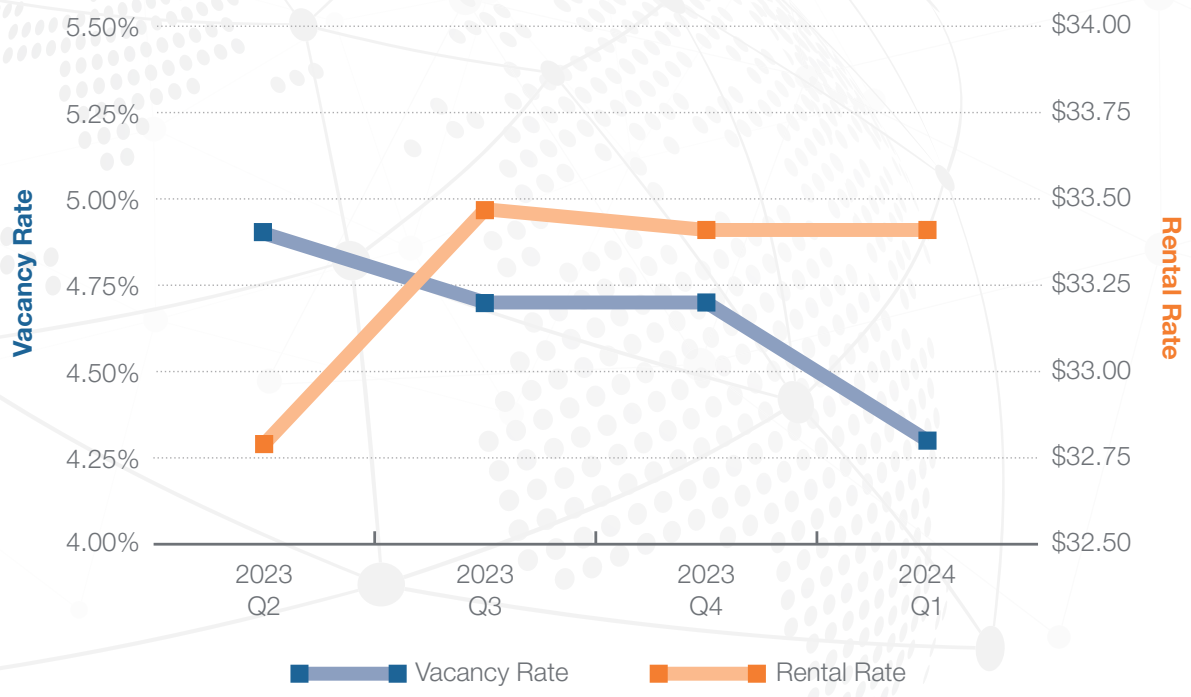
GREATER EDMONTON AT A GLANCE OVERALL VACANCY TRENDS

Buildings Surveyed: 12,049
Existing SF: 327.0M

	2023-Q2	2023-Q3	2023-Q4	2024-Q1
Vacancy Rate	4.9%	4.7%	4.7%	4.3%

Average Rental Rates vs. Vacancy

GREATER EDMONTON AT A GLANCE OVER THE PAST 12 MONTHS



About NAI Commercial

<https://www.naiedmonton.com/about-us/>

NAI Commercial is a market-leading, full service commercial real estate brokerage providing exceptional service and expertise in Edmonton and surrounding areas since 1966. We are your ideal partner given our depth of local market knowledge and the transaction volume we close on year after year for our clients.

We build our network of successful relationships based on trust and loyalty, and many of our clients choose to deal with us exclusively for all their commercial real estate needs. We offer trusted advice in Edmonton, across Canada and around the world.



Retail Market

“Build it and they will come” sounds great, but it doesn’t always hold true. “Build it once they come,” however, is an approach that could pay off dividends for the Edmonton area’s retail market.

The City of Edmonton and its surrounding suburbs have seen opportunities and challenges from shifting consumer trends. Starting in 2020, e-commerce activity rose sharply, forcing businesses to adjust to digital-first purchase models. Simultaneously, brick-and-mortar shops were compromised across the board, due to a combination of convenience and pandemic-time behaviours. This is where the capital region’s industrial market has thrived, with a warehousing and logistics surge tied to the Edmonton region’s proximity to major transportation routes.

Industry’s climb was retail’s fall, though, with significant vacancy levels throughout the region – including one-third of downtown retail spaces standing vacant, according to a University of Alberta study in fall 2023, despite official numbers showing a current vacancy rate of 6.5% downtown. That pendulum is now swinging back in a positive direction, reaching an occupancy level across the region of just 3% – a half-percentage improvement quarter-over-quarter, and the lowest vacancy level reached since before 2019.

This positive trend is expected to continue, if not speed up, as the region is flooded by population growth. Throughout 2023, the capital city attracted 50,000 new Edmontonians, and another 90,000 are set to move into Edmonton by the end of 2025. That’s not to mention those moving into the suburbs surrounding the city. Strathcona County, Fort Saskatchewan, Leduc, St. Albert and Beaumont are all experiencing significant growth.

And with growth comes offshoots. As the region’s population continues to climb, more retail space will be added to the market and existing vacant space will be occupied. Already, Sherwood Park-Fort Saskatchewan’s vacancy rate has fallen to 1.8%, leaving just 106,500 square feet of available space out of an inventory of more than 6.14-million square feet – and marking the lowest vacancy rate since before 2019.

Not to be outdone, St. Albert’s vacancy rate is next to non-existent, at just 1.3% – improved from a previous record of 1.6% set just recently at the end of 2023. Leduc, meanwhile, has tied its own record of 1.1% vacancy, previously set at the end of 2022 – but more impressive due to the more than 100,800 square feet of retail space added to the market since then.

Vacancy levels this low are rare, and point to success continuing throughout the remainder of 2024, barring an unanticipated crash. While each area will see slight occupancy level fluctuations as new spaces come online, it is likely any vacancy increases will go largely unnoticed, with many spaces spoken for before even hitting the market.

Occupancy rates in the city are a bit less squeezed, but only barely. Northwest Edmonton’s retail vacancy rate has hit 4.9% – a 0.7% improvement quarter-over-quarter, and the lowest vacancy rate achieved since midway through 2022. South Edmonton, meanwhile, saw its vacancy tumble from 3.4% to just 2.8% quarter-over-quarter, comparable to levels not seen since the beginning of 2019.

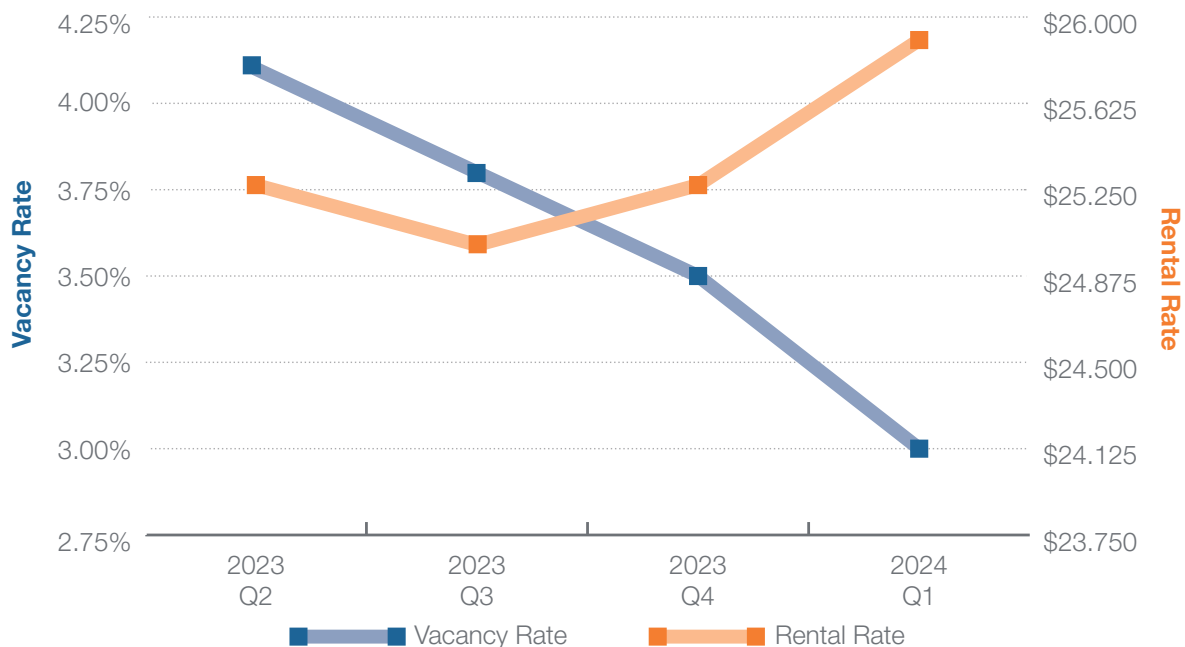
Based on what’s been seen over the past year and what’s expected in terms of regional growth, we’ve surpassed the notion of retail bounce-back; we’re now in a stage of sustained growth.

RETAIL Vacancy Trends

	2023-Q2	2023-Q3	2023-Q4	2024-Q1
GREATER EDMONTON Buildings Surveyed: 4,722 Existing SF: 72.4M	4.1%	3.8%	3.5%	3.0%
EDMONTON WEST Buildings Surveyed: 1,151 Existing SF: 19.6M	5.8%	5.8%	5.6%	4.9%
EDMONTON SOUTH Buildings Surveyed: 1,468 Existing SF: 24.1M	4.2%	3.7%	3.4%	2.8%
EDMONTON CENTRAL Buildings Surveyed: 596 Existing SF: 6.5M	6.4%	6.3%	6.7%	6.5%
LEDUC Buildings Surveyed: 158 Existing SF: 2.0M	2.3%	2.1%	1.4%	1.1%
ST. ALBERT Buildings Surveyed: 221 Existing SF: 3.6M	2.9%	2.5%	1.6%	1.3%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 406 Existing SF: 6.1M	2.6%	2.3%	2.1%	1.8%
WHYTE AVENUE / GARNEAU Buildings Surveyed: 186 Existing SF: 1.5M	6.2%	5.9%	6.4%	7.7%

Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





Office Market

Anecdotal improvements in the Edmonton region's office market closed off 2023 on a high note, but the follow-through in quantitative data has painted a bright picture of the office market to kick off 2024.

For a number of years now – dating back to the beginning of 2020 remote work trends, specifically – the office market has been a floating question mark for the Edmonton region. Despite pockets of success, the overall numbers have been up and down, with the highest vacancy rates in Edmonton's downtown core. That's still the case; recovery takes time, but things are moving in the right direction.

The Edmonton region's overall office vacancy rate is 9.4%, the first time since the end of 2021 that it's been below 9.5%, which is a huge win for the region. The downtown office scape is still largely concerning, rising back to 13%* vacancy from 12.4% quarter-over-quarter – a significant increase over a notably short time span. That said, there are plans in place for continued downtown core improvement, including individual space development. Rice Howard Place, for instance, is undergoing a \$22-million renovation. These efforts, combined with a push by the Downtown Business Association to keep the core safe and clean, should culminate in an improved market phase for downtown Edmonton. Similar sentiments are held for the Windermere-Summerside area, with a vacancy rate up from 2.7% to 4.6% quarter-over-quarter, with more than 35,000 square feet of open space added to the market.

These areas of concern aren't enough, though, to counter the overall optimism of the region's office market scape. The most glaring positive news story comes out of the University-Garneau area, which has had a rough track record for office vacancy over the past couple of years. Context considered, the new vacancy rate of

12% is a major win – down an impressive 5.1% quarter-over-quarter. The current occupancy level particularly noteworthy considering University-Garneau's peak vacancy rate of 21.6% just nine months ago. This shift has accounted for more than 87,000 square feet filled over that span.

Suburban areas, too, have seen marked improvement, landing at 6.5% vacancy in Q1 2024 – a 1.1% quarter-over-quarter improvement worth keeping an eye on. This marks the strongest occupancy level for the suburbs seen since before 2019, including a standout high of nearly 10% vacancy early in 2019.

This isn't new for the Edmonton area. High vacancies were seen at similar levels in the 1990s, with adjustments made to entice building occupancy. Similar efforts are being undertaken now, and projections for 2024 point to continuous improvement for the City of Edmonton and the surrounding region, alike. Major improvements in existing facilities are expected to increase occupancy levels, following projects like that currently underway at MNP Tower, where amenity upgrades are the name of the game.

Meanwhile, the conversion of office spaces to residential holds major potential impacts for the downtown core. On one level, it pulls vacant office space out of the market, thereby improving the occupancy rates by reducing office inventory. More than that, though, the addition of these new residential spaces will bring more residents downtown, which will in turn result in higher occupancy in downtown office and retail space.

The combination of efforts to increase the downtown population, improve the existing office space, and create a sense of safety and cleanliness downtown, is expected to go a long way in improving vacancy rates, while feeding into an improved picture across the region.

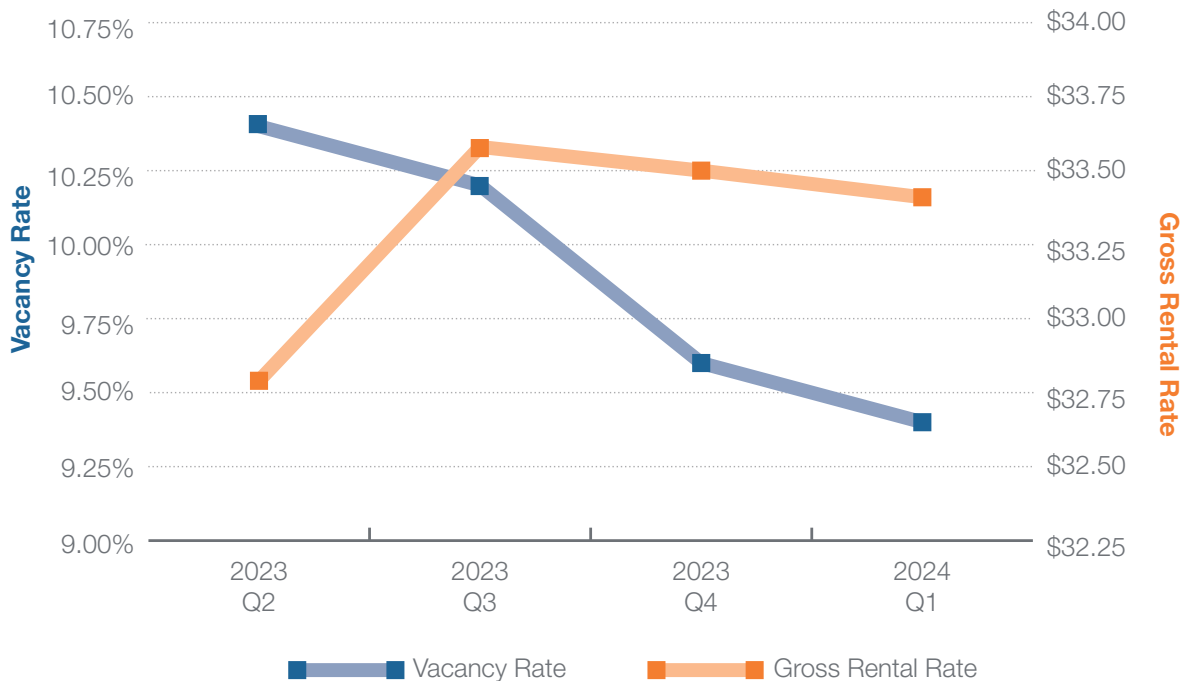
**Some reports show a significant higher vacancy, as they do not account for all downtown office properties.*

OFFICE Vacancy Trends

	2023-Q2	2023-Q3	2023-Q4	2024-Q1
GREATER EDMONTON Buildings Surveyed: 1,380 Existing SF: 50.1M	10.4%	10.2%	9.6%	9.4%
EDMONTON DOWNTOWN Buildings Surveyed: 278 Existing SF: 24.1M	13.7%	13.0%	12.4%	13.0%
EDMONTON SUBURBAN Buildings Surveyed: 834 Existing SF: 20.4M	7.9%	8.2%	7.6%	6.5%
WINDERMERE / SUMMERSIDE Buildings Surveyed: 67 Existing SF: 1.9M	2.5%	2.3%	2.7%	4.6%
UNIVERSITY / GARNEAU Buildings Surveyed: 58 Existing SF: 879K	21.6%	21.5%	17.1%	12.0%

Average Gross Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





Industrial Market

The success of Edmonton's industrial market should come as no surprise at this point, with continued growth and low vacancy rates a staple of the sector over the past handful of years. The story isn't a strong industrial market; that's old news. Instead, the story is the consistency – the sustainability – of the market which is unique not just in the industry or in Canada, but in Alberta.

The first quarter of 2024 ended with an industrial vacancy rate of just 3.5%. This marks the lowest rate since Q1 2023, though occupancy has been high throughout. The interesting piece here is where the improvement comes from.

The Leduc-Nisku area is an industrial stalwart; quick access to major transportation corridors combined with a strong groundwork for industrial development have historically served that area well, and continue to do so as more and more industrial space is added to the market. While Leduc-Nisku's vacancy rate has reached a three-year high, that story is cushioned by the addition of over 3.5-million square feet of new industrial space. So, in this case, the higher vacancy rate is a good thing.

We know filling the vacancy void will come easily enough for Leduc-Nisku, so there shouldn't be any shock stemming from that area's current circumstances. Instead, eyebrows should be raised over the industrial activity in northwest Edmonton, where the vacancy rate is at just 2.4% – the lowest level since before 2019, despite the area hosting a relatively unchanged level of total inventory.

Similarly, South Edmonton's vacancy rate fell from 4.2% to just 3.7%, quarter-over-quarter; and Sherwood Park-Fort Saskatchewan saw a small vacancy dip to

4.3%. With an average rent of just \$10.43 throughout the Edmonton region, rates are expected to continue to improve as occupancy rushes continue – particularly with migration from British Columbia.

The industrial market is an important indicator for the Edmonton region, with growth in one industry fuelling growth in the others. Edmonton's 2023 population growth of 50,000 makes sense when considering the high number of people picking up the stakes on their industrial operations and moving them to the region; then, to support that higher population, the office and retail markets also improve. This is likely to hold true in Sherwood Park-Fort Saskatchewan, with a new \$9-billion net-zero petrochemical project being built by Dow Inc. in the Fort.

With peak construction employment projected to result in 6,000 jobs, the City of Fort Saskatchewan is set to grow exponentially, with those jobs making up nearly a quarter of the Fort's current total population. As Fort Saskatchewan's residential market catches up to population growth from this project and offshoot investment, other municipalities in the region will benefit, too. This will create an environment in which retail and office space will need to be added to the market, with rising occupancy levels.

Naturally, the industrial market is far from being the main consideration in economic projections, including across the commercial real estate industry. That said, this is Alberta, and where industry goes, growth follows. The Edmonton region has already experienced a ton of growth spawned by industrial investment, and the region is set up to continue to grow throughout 2024 and into 2025.

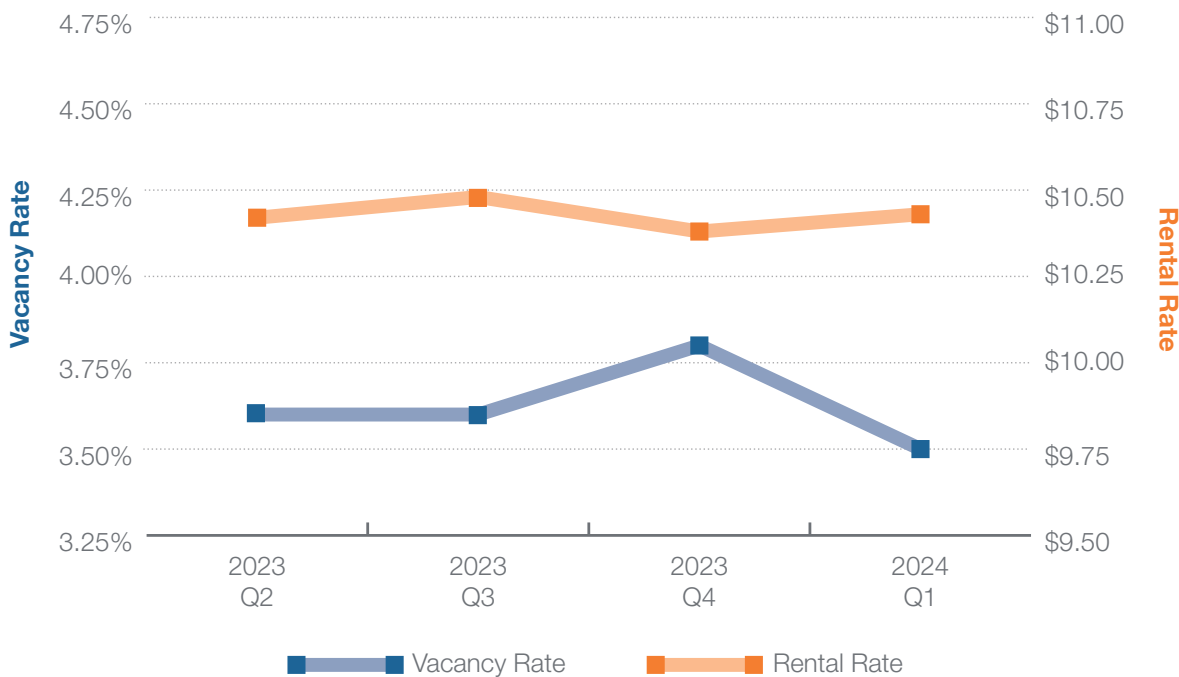
It's all hands on deck!

INDUSTRIAL Vacancy Trends

	2023-Q2	2023-Q3	2023-Q4	2024-Q1
GREATER EDMONTON Buildings Surveyed: 5,944 Existing SF: 204.5M	3.6%	3.6%	3.8%	3.5%
EDMONTON WEST Buildings Surveyed: 1,901 Existing SF: 72.1M	3.5%	3.1%	3.2%	2.4%
EDMONTON SOUTH Buildings Surveyed: 1,773 Existing SF: 67.0M	3.9%	4.0%	4.2%	3.7%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 379 Existing SF: 11.8M	3.9%	4.0%	4.5%	4.3%
LEDUC / NISKU Buildings Surveyed: 861 Existing SF: 27.5M	5.6%	5.9%	7.3%	7.6%

Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS



Notable Transactions in the Market

PROPERTIES SOLD

4 NOTES PROUDLY SOLD BY NAI COMMERCIAL



1704 - 91 Street SW
Price: \$34,000,000
 \$222,397/acre
Area: Ellerslie Industrial
Property Type: Land
Size: 152.88 acres



11104 - 180 Street NW
Price: \$24,800,000
 \$114.86/sq.ft.
Area: Edmiston Industrial
Property Type: Industrial
Size: 215,909 sq.ft.
 on 10.43 acres



2306 - 8 Street
Price: \$20,000,000.00
 \$152.90/sq.ft.
Area: Nisku
Property Type: Industrial
Size: 130,798 sq.ft.
 on 29.33 acres



4208 Calgary Trail NW
Price: \$13,400,000.00
 \$495.56/sq.ft.
Area: Rideau Park
Property Type: Retail
Size: 27,040 sq.ft.
 on 3.28 acres



6810 - 8 Street NW
Price: \$8,000,000
 \$236.32/sq.ft.
Area: Brown Industrial
Property Type: Industrial
Size: 33,852 sq.ft.
 6.94 acres



17404/56 - 102 Avenue NW
Price: \$7,590,000
 \$367.11/sq.ft.
Area: Stone Industrial
Property Type: Industrial
Size: 20,675 sq.ft.
 on 3.33 acres



12002 - 97 Avenue
Price: \$6,000,000
 \$241.94/sq.ft.
Area: Grande Prairie
Property Type: Industrial
Size: 24,800 sq.ft.
 on 1.94 acres



9650 - 20 Avenue NW
Price: \$4,990,000
 \$122.83/sq.ft.
Area: Edmonton R&D Park
Property Type: Office
Size: 40,626 sq.ft.

NAI Listing Highlights

AVAILABLE PROPERTIES FOR SALE AND/OR LEASE



10333 - 170 Street NW
Sale Price: \$5,750,000
Area: Youngstown Industrial
Property Type: Retail
Size: 15,000 sq.ft.±
 1.17 acres.±



11 Peace River Ave
Sale Price: \$7,000,000
Area: Joussard
Property Type: Land
Size: 89.12 acres±



5013 - 48 Street
Sale Price: \$3,850,000
Area: Stony Plain
Property Type: Retail/Office
Size: 24,959 sq.ft.±



5424 - 97 Street NW
Lease Rate: \$10.50/sq.ft./annum
Sale Price: \$2,825,000
Area: Coronet Industrial
Property Type: Industrial
Size: 20,843 sq.ft.±

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