

NAI Commercial

THIRD QUARTER MARKET REPORT 2024

GREATER EDMONTON, ALBERTA





Economic Outlook

The third quarter of 2024 was marked by stories with significant economic impacts across Alberta, from Jasper's horrific wildfires to the optimistic return of the Edmonton Oilers' regular season play. In Edmonton, though, one story that has received too little attention is the incredible resilience shown in a continuously improving commercial real estate market across industrial, office, and retail subsections.

This is a good news story in the face of some provincial economic questions, including an unemployment rate of 7.7% (up 2% year over year). However, migration from other provinces to Alberta has resulted in record population increases, and has contributed to the continued influx of tenancy across commercial real estate openings in Alberta's capital city, with businesses pulling up their stakes and moving to financially stable sectors in the Edmonton region. Meanwhile, economic forecasts continue to place Alberta ahead of all other provinces and the territories, both for 2024 and for 2025.

For the second quarter in a row (Q2 and Q3, 2024), the Edmonton region's commercial vacancy rate totalled just 4.2%. That rate stability is made all the more impressive by the fact that 160 buildings – accounting for a whopping 730,581 square feet – were added to the market inventory between Quarter 2 and Quarter 3. As such, the stability in vacancy percentage quarter over quarter actually points to an occupancy improvement rather than stagnation.

At the same time, it is worth noting that the quarter-over-quarter addition of more than 730,000 square feet marks the biggest increase in commercial real estate inventory from one quarter in a year.

Interestingly, movement is being seen across all sub-sectors of commercial realty, with perhaps the most notable optimism seen in the future of the Edmonton area's

industrial market landscape. While industrial growth should come as no surprise locally, the recent 25th anniversary of Alberta's Industrial Heartland coincided with numerous significant announcements for new development in the region, coupled with a continued surge in industrial migration to Edmonton from areas such as Vancouver and Toronto.

The retail landscape, meanwhile, has seen continued improvement in alignment with economic growth that has surpassed the Bank of Canada's projections. Still, earlier this year, it was noted that much of that growth has stemmed from government spending rather than consumerism – placing the Edmonton region at odds with financial analyses in the best way possible, as retail continues to surge across the capital area. And while there have been notable affordability challenges across the country over the past few years, including in Alberta, retail expansion has continued by big box brands such as Rooms + Spaces and Simons. Local outlets have found less success in some ways, with closures on 124th Street racking up in Quarter 3, from the parcel + prose stationary boutique and Credo Coffee closing their doors. However, the regional outlook remains strong, with continuously increasing occupancy rates in many pockets throughout the region, including a major surge in the University-Garneau stretch.

Finally, there is optimism to be found on the office market front, despite continued stagnation in downtown Edmonton, when considering all building types, as the capital region strikes an office vacancy rate below 10% for the fourth consecutive quarter.

All that said, there are hurdles to overcome – and it seems as though many are finding a way. Real estate-related optimism should always be cautious, without a doubt, but the Edmonton area's commercial real estate market stands at its strongest in half a decade.

2024-Q3 Greater Edmonton Market Highlights

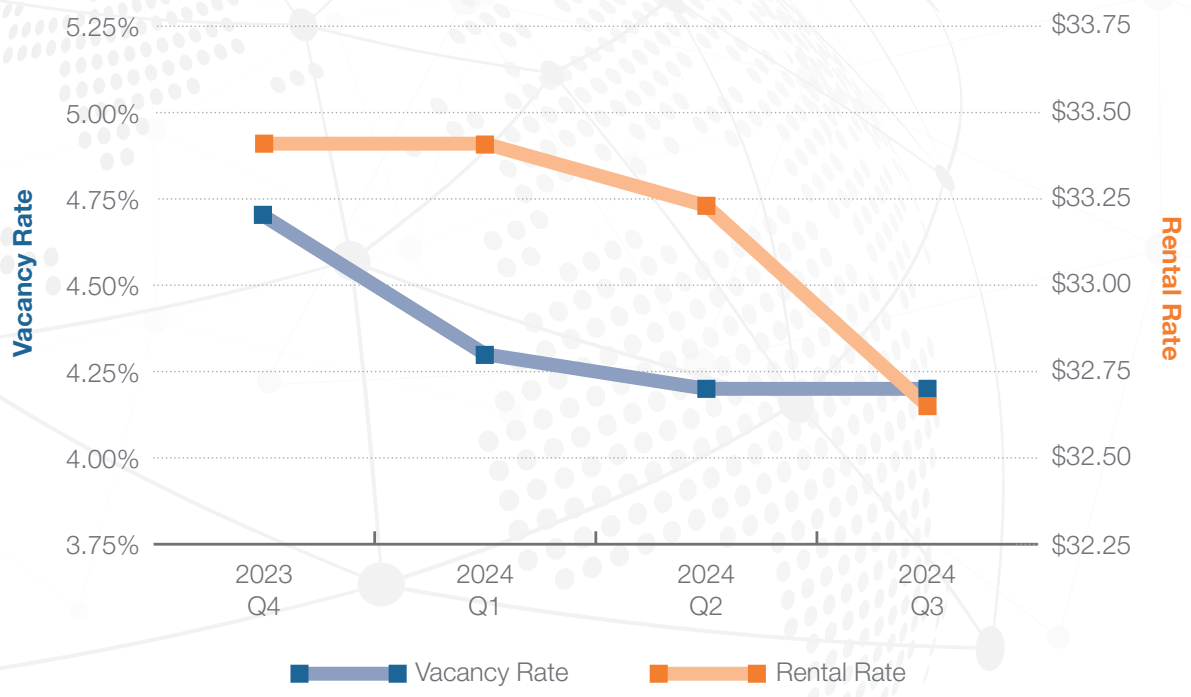
GREATER EDMONTON AT A GLANCE OVERALL VACANCY TRENDS

Buildings Surveyed: 12,256
Existing SF: 326.7M

	2023-Q4	2024-Q1	2024-Q2	2024-Q3
Vacancy Rate	4.7%	4.3%	4.2%	4.2%

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.



THE INFORMATION CONTAINED IN THIS REPORT, AND IN ALL NAI COMMERCIAL EDMONTON REPORTS, IS SOURCED FROM NAI COMMERCIAL REAL ESTATE INC., COSTAR GROUP, AND ADDITIONAL THIRD PARTIES AS RELEVANT AND APPLICABLE. THIS INFORMATION IS DEEMED RELIABLE AND THOUGHT TO BE CORRECT, THOUGH WE MAKE NO ABSOLUTE GUARANTEES OF COMPLETENESS OR ACCURACY. ©2024 NAI Commercial Real Estate Inc.



Retail Market

Edmonton's retail market is officially a national anomaly.

Despite a continuously low vacancy rate across the Edmonton region (just 3.2%) for retail space – even in the face of nearly 110,000 new square feet of inventory added between Quarter 2 and Quarter 3 of 2024 – Edmonton's retail rental rate has held steady. This is huge for potential new landlords and tenants alike, with predictability creating a sense of stability in the city's retail market, despite continued turbulence in other parts of the country.

From Quarter 2 to 3 of 2024, the asking rental rate was unchanged at \$26.56 per square foot – an increase of just \$2.70 per square foot year-over-year. The steady rate isn't the only financial element attracting new investment in Edmonton's retail landscape, as the rate has also proven low against comparable major city regions. In-province, Calgary has an average retail rental rate of \$33.37 per square foot, for example, while taking a broader view shows per-square-foot rates of \$43.31 in Vancouver, \$35.74 in Ottawa, \$30.90 in Montreal, and \$30.71 in Toronto. That means that, in terms of comparable major markets, Edmonton's average retail rental rate falls an impressive \$4.15 per square foot below the next lowest rate.

It should therefore come as no surprise that the greater Edmonton region's vacancy rate of 3.2% represents what has largely been a steady decline in available space since 2021, when vacancy peaked at 5.2% over the first two quarters.

Looking at the landscape more granularly, the suburbs continue to be the belle of the retail ball, with St. Albert maintaining a near-non-existent vacancy rate of just 1.2%. This rate is impressively unchanged quarter-over-quarter, but what's perhaps even more impressive is the traction St. Albert has gained in attracting retail occupancy year-

over-year, falling from a still-low vacancy rate of 2.5% in Q3 2023, and tumbling even further from a record-high 5.8% vacancy rate at the beginning of 2021.

Meanwhile, Sherwood Park-Fort Saskatchewan set its new a record-low vacancy rate of just 1.7% in Quarter 3 of 2024 (a slight improvement from 1.9% vacancy in Quarter 2, despite 36,000 square feet of inventory added quarter-over-quarter). Leduc's 2.1% vacancy rate is virtually unchanged quarter-over-quarter, though the area has stagnated in available inventory (2.05-million square feet across 162 buildings), completely unchanged quarter-over-quarter for the first time since early-2022.

Within Edmonton, occupancy has been relatively consistent which is a good sign ahead of the 2024 holiday season, with the southside's 3.1% vacancy rate standing out as an area to keep an eye on, with residential and commercial expansion continuing towards the City of Beaumont.

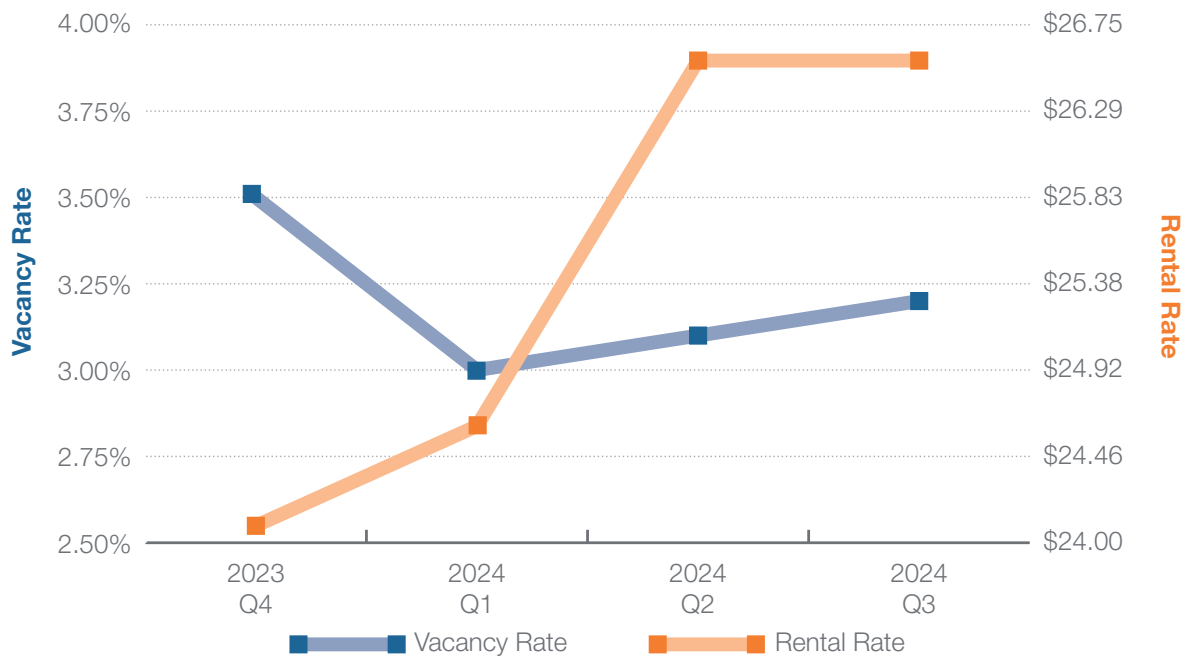
One story of note within the City of Edmonton comes in the downtown core. Despite a vacancy rate of 5.8% in the central area – and a 7.1% vacancy rate in the retail-heavy Whyte Avenue-Garneau stretch – there is a significant amount of optimism for late-2024, early-2025. Much of the positive outlook has been based on the masses that flocked to these retail centres during the Edmonton Oilers' 2024 playoff run, carrying a new sense of retail vibrancy and excitement with them. While we can't always bank on the Oilers to spur economic activity, it's not unrealistic to expect a similar surge in 2025, with numerous hockey analysts projecting a deep Oilers playoff run. Similar high expectations in the past (think back to the mid-2000s for this one) brought high levels of retail activity to concentrated areas before, and there's no reason to doubt the same being seen this year.

RETAIL Vacancy Trends

	2024-Q1	2024-Q2	2024-Q3	2024-Q3
GREATER EDMONTON Buildings Surveyed: 4,851 Existing SF: 73.9M	3.5%	3.0%	3.1%	3.2%
EDMONTON WEST Buildings Surveyed: 1,178 Existing SF: 20.7M	5.6%	4.9%	4.8%	4.8%
EDMONTON SOUTH Buildings Surveyed: 1,500 Existing SF: 24.2M	3.4%	2.8%	2.8%	3.1%
EDMONTON CENTRAL Buildings Surveyed: 608 Existing SF: 7.7M	6.1%	6.0%	5.9%	5.8%
LEDUC Buildings Surveyed: 162 Existing SF: 2.1M	1.4%	1.6%	2.2%	2.1%
ST. ALBERT Buildings Surveyed: 221 Existing SF: 3.6M	1.6%	1.3%	1.2%	1.2%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 409 Existing SF: 6.2M	2.1%	1.8%	1.9%	1.7%
WHYTE AVENUE / GARNEAU Buildings Surveyed: 186 Existing SF: 1.5M	6.4%	7.7%	6.8%	7.1%

Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





Office Market

Could it be? Has the Edmonton area's office real estate landscape finally bounced back from major shifts in business behaviour since 2019?

It's no secret that economic pressures and work-from-home trends have created an occupancy dip in Edmonton's office spaces dating back to 2019. NAI Edmonton's early-2024 reports showed a resurging optimism in the office market, but that trend has persisted, confirming early projections of continued office vacancy improvements throughout Edmonton.

Across the capital city region, the office vacancy rate sits at 9.3%; while it would be nice to see an even lower vacancy rate, it is noteworthy that this marks the best occupancy level achieved since the end of 2021 – and a sustained sub-10% vacancy rate over the past four quarters. A full year of single-digit vacancy shows stability in the market, despite continued struggles in specific pockets across the region.

We have to be realistic in this outlook, celebrating successes and recognizing where more work needs to be done. In this case, that realism brings us to Edmonton's downtown core, which has been a magnet for discussions around high vacancy rates, the need for office-to-residential conversions, and similar topics tied to the centre's low office occupancy dating back to the beginning of 2019.

Though some reports have shared a headline-worthy rise in office space uptake in downtown Edmonton, the reality when accounting for all building types and sizes – including government-owned buildings – is the downtown vacancy rate continues to struggle, at 12.8%*. That said, optimism does still stand strong for downtown Edmonton, with many companies moving away from fully work-from-home structures and new entrepreneurs finding their way into the downtown core.

More broadly, the city has seen major success in other areas that have been in dire need of a good-news retail story. So, let's give kudos where it's due: University-Garneau. This stretch has been a continuous sticking point for Edmonton retail occupancy, so much so that it reached a vacancy rate of over 21% for two consecutive quarters just one year ago. But that third-quarter 21.5% rate in 2023 is a distant memory in the face of a – drum roll, please – 9.1% vacancy rate in Q3 of 2024! That's the only exclamation point used in this report, and it is well earned. An occupancy level of nearly 91% is the best seen in University-Garneau since before 2019. This makes the rental rate of \$34.37 all the more impressive, as it is virtually unchanged quarter-over-quarter and is actually down from a high-rate point of \$35.50 that kicked off 2024.

Before we get too lost in University-Garneau's office occupancy surge, though, it's also important to acknowledge the success of the Windemere-Summerside area, which rocks a vacancy rate of just 1.7% – down from 3.3% last quarter. This means that Windemere-Summerside, too, has achieved its highest occupancy rate since pre-2019, as well, with just 31,791 square feet available at this time (down from 62,245 square feet last quarter, and 87,435 just two quarters ago).

Finally, the suburbs continue to see relative office space success, with a vacancy rate of 6.3%, which may seem high compared to some of the areas mentioned in Edmonton, but which points to sustained quarter-over-quarter and year-over-year success that doesn't seem to be slowing down anytime soon. That nearly-94% occupancy rate is worth raving about, and NAI Edmonton's projections show continued suburban success moving into 2025.

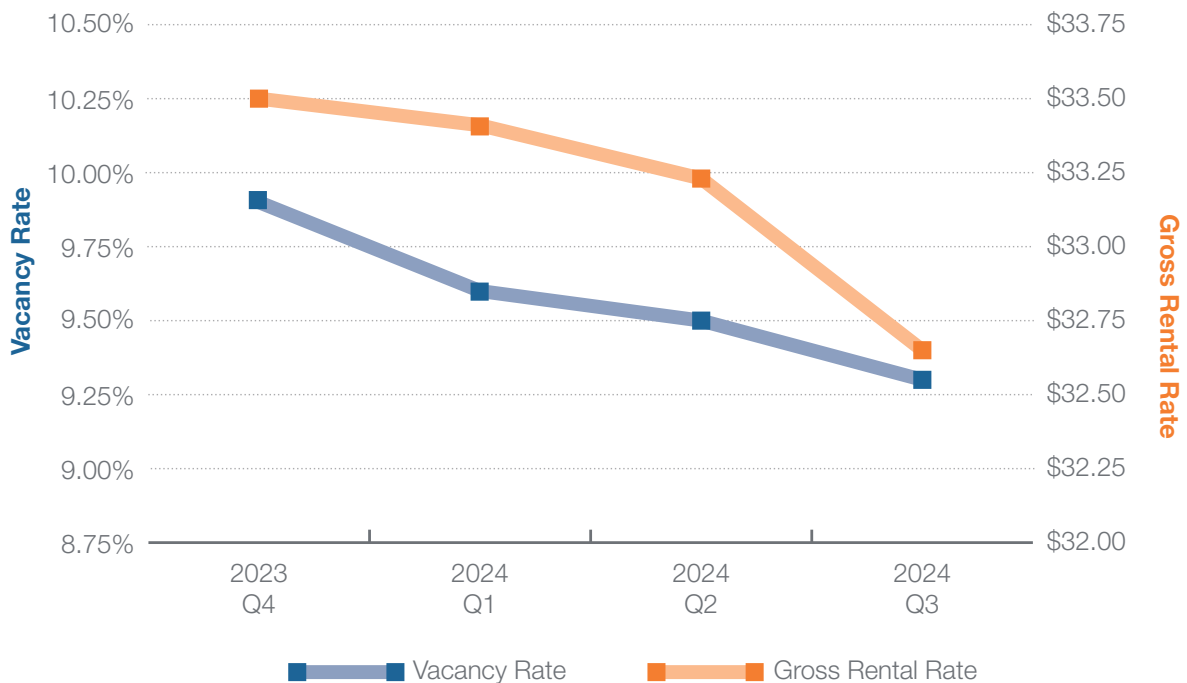
**Some reports show a significant higher vacancy, as they do not account for all downtown office properties.*

OFFICE Vacancy Trends

	2023-Q4	2024-Q1	2024-Q2	2024-Q3
GREATER EDMONTON Buildings Surveyed: 1,381 Existing SF: 48.7M	9.9%	9.6%	9.5%	9.3%
EDMONTON DOWNTOWN Buildings Surveyed: 274 Existing SF: 23.6M	12.4%	13.0%	12.7%	12.8%
EDMONTON SUBURBAN Buildings Surveyed: 832 Existing SF: 19.8M	7.6%	6.5%	6.7%	6.3%
WINDERMERE / SUMMERSIDE Buildings Surveyed: 67 Existing SF: 1.9M	2.7%	4.6%	3.3%	1.7%
UNIVERSITY / GARNEAU Buildings Surveyed: 59 Existing SF: 882K	17.1%	12.0%	12.5%	9.1%

Average Gross Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





Industrial Market

Edmonton's industrial sector continues to thrive as logistics and distribution rule the landscape, but emerging innovations may continue to challenge the City of Edmonton's foothold on the regional industrial landscape.

Since 2019, the Edmonton region has seen the addition of 334 new industrial spaces to the area's inventory, amounting to an increase of 16.9-million square feet, for a total square footage of more than 204.1-million. That puts into perspective the high regional occupancy level of 96.6% in Quarter 3 of 2024, virtually unchanged going back two years to Quarter 3 of 2022 – despite the addition of more than 7.5-million square feet of inventory over that stretch.

For quite some time, it's been obvious that logistics, distribution, and warehousing have fuelled the Edmonton industrial market. Separate from this, though, the City's industrial leaders have helped their case through significant affordability compared to areas such as Vancouver and Toronto. A local average per-square-foot rental rate of \$10.79 is nothing compared to industrial rental space in Vancouver, at an average rental rate of \$22.89 per square foot, while Toronto's average industrial rate lands at \$17/sq.ft.

The Leduc-Nisku industrial area's a 5.9% vacancy rate marks the lowest tally in a year, though nearly 500,000 sq.ft. of new industrial space was added during that period. Meanwhile, the northwest area of Edmonton continues to boast a vacancy rate of just 2.6%, despite having more than twice the amount of industrial inventory than Leduc-Nisku (71.2-million sq.ft. vs. 27.9-million sq.ft.). Finally, with a total of nearly 66.5-million square feet of industrial space, Edmonton's southside vacancy rate of 3.8% is notable.

To date, all of this has been an important piece of the City of Edmonton's financial puzzle, with the industrial and commercial tax base generating more City revenue

than residential taxes, despite making up just over 20% of properties. Though that's proven sustainable for the City to date, there is work to be done to secure an influx of industrial investment moving forward. Just 15 years ago, Edmonton held 72% of the region's industrial properties, which has since fallen to 60%, noted as concerning by Edmonton Mayor Amarjeet Sohi in June 2024. Leduc-Nisku and Sherwood Park-Fort Saskatchewan combine for nearly 40-million square feet of industrial space alone – an increase of around 6-million square feet of industrial space since just the beginning of 2021. In that same time, northwest and southside Edmonton's combined industrial inventory grew by only 216,782 square feet.

Meanwhile, Sherwood Park-Fort Saskatchewan is poised for sustained growth. The area's vacancy rate of 3.4% has tumbled significantly year-over-year dating back to Quarter 3 of 2019, when it reached nearly 10%. Interestingly, Sherwood Park-Fort Saskatchewan stands apart from the logistics and distribution trends (while still benefitting from them), in that the region has instead become a hub for industrial innovation. In August, Linde announced an investment of \$2 billion in Fort Saskatchewan for a new hydrogen facility, while September saw ATCO's regulatory submission for a massive pipeline project running from Edmonton to Fort Sask., and July witnessed a major pre-construction milestone for Dow's path2zero project that will result in a new 2,500-acre site in Sherwood Park-Fort Saskatchewan set to hit peak construction in summer 2025, as part of a \$10-billion net-zero petrochemical project.

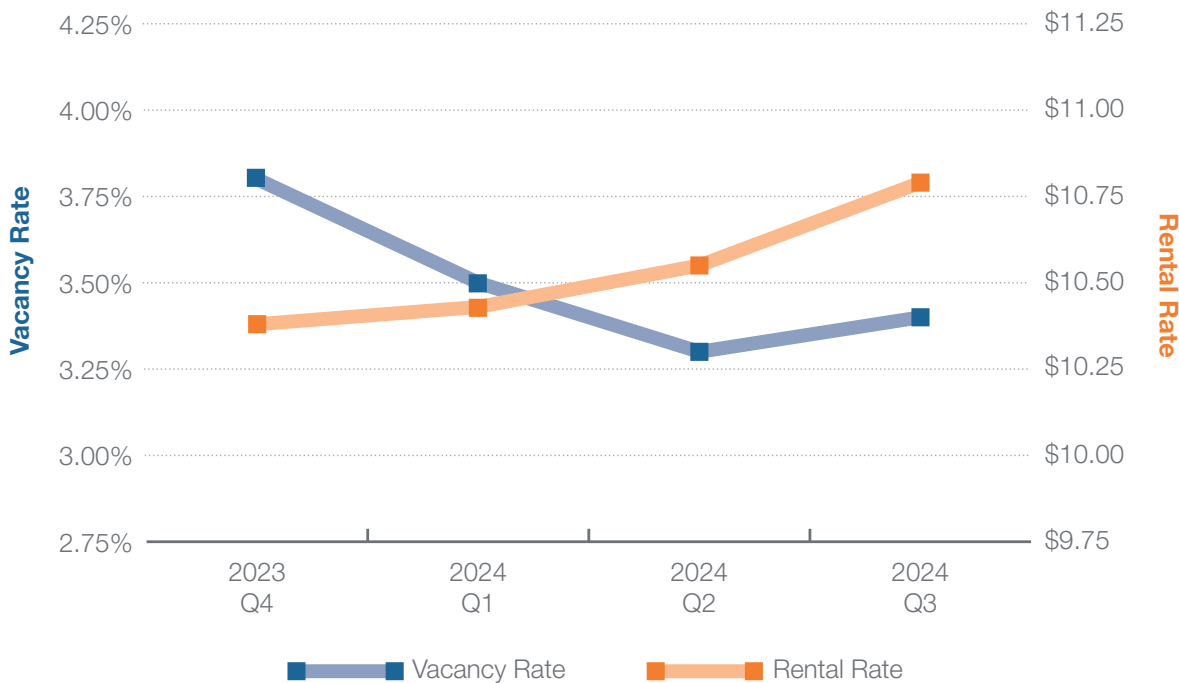
As the City of Edmonton eyes industrial growth, and surrounding municipalities capitalize on industrial innovation hubs, projections point to positive industrial gains for the Edmonton area for years to come. In turn, these investments will further buoy retail, office, and residential real estate growth across the region.

INDUSTRIAL Vacancy Trends

	2023-Q4	2024-Q1	2024-Q2	2024-Q3
GREATER EDMONTON Buildings Surveyed: 6,021 Existing SF: 204.1M	3.8%	3.5%	3.3%	3.4%
EDMONTON WEST Buildings Surveyed: 1,902 Existing SF: 71.2M	3.2%	2.4%	2.2%	2.6%
EDMONTON SOUTH Buildings Surveyed: 1,801 Existing SF: 66.4M	4.2%	3.7%	3.9%	3.8%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 390 Existing SF: 12.2M	4.5%	4.3%	3.3%	3.4%
LEDUC / NISKU Buildings Surveyed: 864 Existing SF: 27.9M	7.3%	7.6%	6.2%	5.9%

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



3735 - 8 Street
Price: \$14,305,000
 \$183.72/sq.ft.
Area: Nisku
Property Type: Industrial
Size: 77,862 sq.ft.
 on 28.61 acres



18208 Stony Plain Rd NW
Price: \$13,000,000
 \$640.39/sq.ft.
Area: Morin Industrial
Property Type: Industrial
Size: 20,300 sq.ft.
 on 5.07 acres



12410 - 142 Street NW
Price: \$11,066,000.00
 \$90.31/sq.ft.
Area: Dominion Industrial
Property Type: Industrial
Size: 122,527 sq.ft.
 on 6.36 acres



3503 - 99 Street NW
Price: \$10,800,000.00
 \$153.30/sq.ft.
Area: Strathcona Ind. Park
Property Type: Retail
Size: 70,449 sq.ft.
 on 3.42 acres



53213 RR 231
Price: \$7,290,000
 \$822.98/sq.ft.
Area: Sherwood Park
Property Type: Industrial
Size: 8,858 sq.ft.
 15.41 acres



7001/05 - 39 Street
Price: \$6,500,000
 \$363.12/sq.ft.
Area: Leduc
Property Type: Industrial
Size: 17,900 sq.ft.
 on 6.01 acres



13304 St Albert Trail NW
Price: \$6,500,000
 \$121.43/sq.ft.
Area: Bonaventure Industrial
Property Type: Retail
Size: 53,530 sq.ft.
 on 2.06 acres



13630 - 159 Street NW
Price: \$5,750,000
 \$239.58/sq.ft.
Area: Mistatim Industrial
Property Type: Office
Size: 27,489 sq.ft.
 on 1.51 acres

NAI Listing Highlights

AVAILABLE PROPERTIES FOR SALE AND/OR LEASE



7 & 9 St. Anne Street
Sale Price: \$6,500,000
Area: St. Albert
Property Type: Investment
Size: 44,800 sq.ft.±
 on 1.35 acres±

**Inquire about leasing opportunities*



4103 - 84 Avenue NW
Sale Price: \$24,000,000
Area: Morris Industrial
Property Type: Investment
Size: 168,519 sq.ft.±
 on 6.97 acres±



14604 - 115A Avenue NW
Lease Rate: \$7.50/sq.ft.
Area: Armstrong Industrial
Property Type: Industrial
Size: 21,870 sq.ft.±
 on 0.67 acres±



3104 - 39 Street
Sale Price: \$6,950,000
Area: Camrose
Property Type: Industrial
Size: 11,664 sq.ft.±
 on 63.26 acres±

THE INFORMATION CONTAINED IN THIS REPORT, AND IN ALL NAI COMMERCIAL EDMONTON REPORTS, IS SOURCED FROM NAI COMMERCIAL REAL ESTATE INC., COSTAR GROUP, AND ADDITIONAL THIRD PARTIES AS RELEVANT AND APPLICABLE. THIS INFORMATION IS DEEMED RELIABLE AND THOUGHT TO BE CORRECT, THOUGH WE MAKE NO ABSOLUTE GUARANTEES OF COMPLETENESS OR ACCURACY.

©2024 NAI Commercial Real Estate Inc.