NAI Commercial

# FOURTH QUARTER MARKET REPORT **2024**

**GREATER EDMONTON, ALBERTA**


# Economic Outlook

Renewed focus on residential growth and investment in the City of Edmonton, and the surrounding area, could lead to exponential commercial real estate growth in 2025.

Throughout 2024, there was a lot of emphasis placed on the consistent growth of local-area industry, with a continued uptick in shipping and logistics taking a foothold throughout the region. That trend has persisted early in the New Year, largely attributed to low-cost space in Alberta's capital region and high levels of innovation driving growth, along with easy access to major transportation routes and a regulatory-friendly environment.

That story is now being replaced by a new narrative stealing the spotlight, as the story now is focused on residential growth, and an associated investment that may result in a retail development upshot in 2025.

New home prices in Edmonton have risen by around $100,000 over a two-year span, but construction has only increased, with a record number of housing starts in Edmonton in 2024 beating the previous record set in 2015. The City's new automated review process for housing development permits launched in 2024, allowing for some applicants to begin construction on the same day as application. With the system now sustainable, it's expected to drive continued residential development growth in 2025, as well.

Meanwhile, suburban areas surrounding the City, have seen a reduction in new housing appeal. Areas like Sherwood Park once boasted larger lots consistent with the ideation of suburban living. However, lot and home sizes in capital region suburbia now largely mirror those being built in the city, itself, putting the entire region on an even playing field.

From a commercial investment perspective, this opens the floodgates for consistency in approach beyond city borders. The investment in commercial growth for new communities in Leduc, Sherwood Park, St. Albert, and Beaumont, for example, now carries the same parameters as setting up shop within city limits, with barriers to access largely removed.

At the same time, the City of Edmonton is still focused on building up rather than out, densifying existing areas of the capital city. Retail and office space in those areas was designed to accommodate the lower-density model of the time, meaning adjustments are now required to accommodate the higher population.

While the past couple years of commercial real estate were anchored in existing (ie. space upgrades, conversions, tenant changes, etc.), accompanied by new investment, the commercial real estate story for 2025 appears driven by a shift in the residential market. Even with cost increases, a $500,000 budget in Edmonton will get you further than the same home budget in comparable regions like Ottawa and Calgary.

So, with 2025 primed for residential, retail, and industrial growth, the only commercial outlier is the market for office space. Even there, though, there are positives. Demands continue to rise for office-to-residential conversions downtown, but more companies have implemented return-to-office policies while impressing maintained work-life flexibility. This could lead to more boutique office spaces in livable areas replacing the traditional high-density office layout of a downtown core. Again, residential livability wins the day, and it could mean truly significant – but positive – impacts on the commercial market in the Edmonton region.



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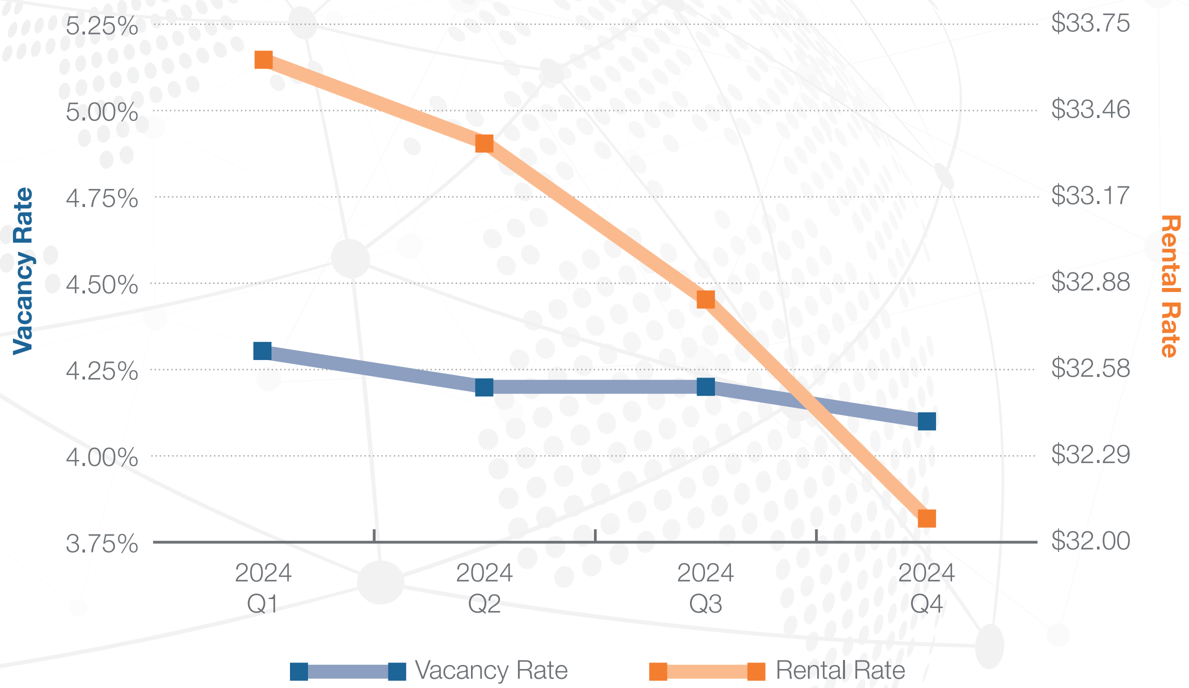
2024-Q4 Greater Edmonton
# Market Highlights

| GREATER EDMONTON AT A GLANCE<br>OVERALL VACANCY TRENDS | 2024-Q1 | 2024-Q2 | 2024-Q3 | 2024-Q4 |
|---|---|---|---|---|
| Buildings Surveyed: 12,373<br>Existing SF: 326.8M | **4.3%** | **4.2%** | **4.2%** | **4.1%** |

## Average Rental Rates vs. Vacancy

GREATER EDMONTON AT A GLANCE OVER THE PAST 12 MONTHS




BUSINESS EXCELLENCE 59 YEARS EDMONTON & AREA

## 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.



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# Retail Market

Investment into new spaces and a shift back to in-person shopping are beginning to overtake the now drawn-out narrative of a retail market once challenged by a sharp rise in e-commerce activity and a mass exodus of big box stores.

Leading the charge of retail investment comes a new shopping centre in the works for south Edmonton, totalling 85,000 square feet spread across 10 buildings, including a 34,500-square-foot anchor tenant (typically a large grocery store or big box outlet). The development is expected to serve a population of up to 23,000 residents, with parking capacity for 300 vehicles.

The Edmonton International Airport is also tossing its hat into the retail ring, though in a less traditional sense, as it seeks to launch plans for cargo, real estate, and air delivery-by-drones. At first glance, this comes as a buoy to e-commerce more than it does the physical retail market, but digging deeper shows more synergies than anything. As the airport team is eyeing the development of warehousing, distribution, manufacturing, and logistics as part of an industrial footprint, it has also emphasized a desire for people to stick around at the airport, with entertainment and hospitality opportunities that would require associated retail growth. This would build on the successful introduction of the outlet mall and Costco to the airport area, and intends to serve more than those who land at the airport, including residents of south Edmonton, Leduc, Beaumont, Devon, and more. This all points to expanded retail opportunity south of the city.

This is happening more and more in response to residential demands. In Old Strathcona, for example, rezoning will see a century-old school site altered for retail, alongside residential development. Downtown, streetwear outlet Foosh has set up shop in downtown Edmonton, with the owner stating point-blank that the current vacancy rates aren't concerning to them. And in new communities skirting the Anthony Henday ring road, and in suburban communities outside the city, new residential developments are spurring significant development of commercial shopping centres.

With an already-low vacancy rate of 2.7% throughout the Edmonton region, it's evident that the in-person shopping experience remains strong, and that further growth is likely on the horizon. As host of most of the new development occurring in Edmonton, the south side has a vacancy rate of just 2.2% despite the addition of nearly 2-million square feet of new retail space over a five-year span.

Outside city borders, Sherwood Park-Fort Saskatchewan and St. Albert continue to embrace a development path largely centred on urban sprawl, with traditional retail centres built in response to community development accounting for continued growth. That's led to low vacancy rates for both Sherwood Park-Fort Saskatchewan (1.4%) and St. Albert (2.1%). And, while Leduc is witnessing quarter-over-quarter stability in a 3.2% vacancy rate that seems like an unfortunate rise from the 1.8% rate struck midway through 2024, it's still a sustained improvement from the 9.0% high struck at the end of 2023.

All signs point to the need for new conversations around the Edmonton region's retail market. While so much effort was put into seeing how the retail landscape would bounce back after the 2020-driven climb in e-commerce activity, it would seem those questions have been answered with a successful return to retail prominence. Now, the question becomes more about how things move forward in a significant growth phase, recognizing that eventually, the City of Edmonton will be built out and suburban communities will adjust their approach to urban sprawl. In the meantime, however, growth begets growth.



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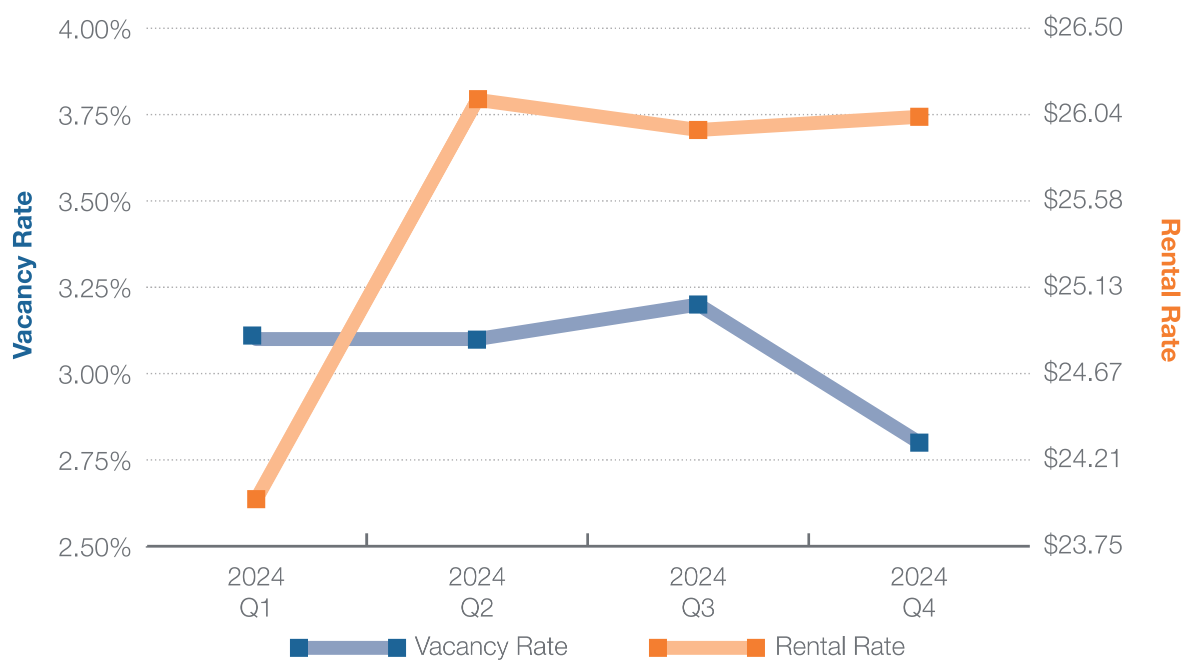
RETAIL
## Vacancy Trends

| | 2024-Q1 | 2024-Q2 | 2024-Q3 | 2024-Q4 |
|---|---|---|---|---|
| **GREATER EDMONTON**<br>Buildings Surveyed: 4,897<br>Existing SF: 74.1M | 3.1% | 3.1% | 3.2% | 2.8% |
| **EDMONTON WEST**<br>Buildings Surveyed: 1,191<br>Existing SF: 20.9M | 4.8% | 4.8% | 4.7% | 4.0% |
| **EDMONTON SOUTH**<br>Buildings Surveyed: 1,518<br>Existing SF: 24.3M | 2.9% | 2.8% | 3.2% | 2.7% |
| **EDMONTON CENTRAL**<br>Buildings Surveyed: 611<br>Existing SF: 7.9M | 5.8% | 5.7% | 5.6% | 4.2% |
| **LEDUC**<br>Buildings Surveyed: 163<br>Existing SF: 2.1M | 1.6% | 1.9% | 1.8% | 3.2% |
| **ST. ALBERT**<br>Buildings Surveyed: 223<br>Existing SF: 3.6M | 1.3% | 1.3% | 1.2% | 2.2% |
| **SHERWOOD PARK / FORT SASKATCHEWAN**<br>Buildings Surveyed: 414<br>Existing SF: 6.3M | 2.0% | 2.0% | 1.8% | 1.4% |
| **WHYTE AVENUE / GARNEAU**<br>Buildings Surveyed: 189<br>Existing SF: 1.6M | 7.4% | 6.6% | 6.9% | 7.1% |

## Average Rental Rates vs. Vacancy
GREATER EDMONTON OVER THE PAST 12 MONTHS



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# Office Market

The office market has been a consistent sticking point in overall commercial market improvements since 2020, with continued struggles based simply off behavioural shifts that have sustained work-from-home structures. This year, however, should mark a tipping point – one way or the other – for the future of traditional office space in the Edmonton region. And, while some may be taking a ‘wait and see’ approach to the space’s evolution, others are placing their bets on an office resurgence.

Of importance, there have been many headlines surrounding return-to-office (RTO) mandates in Alberta and beyond, as companies work to determine how best to accommodate worker flexibility. In September, the federal government mandated a 3-day RTO-hybrid model. Two months later, Starbucks announced its RTO policy for January 2025, impacting corporate employees in Alberta. And, while the media focuses on similar mandates from large companies including JPMorgan Chase, WPP, and Amazon, small- and medium-sized businesses have established similar RTO mandates.

Another signal that we’re on the path to office market stabilization comes from direct investment. In the span of just 1.5 years, a dozen sizable office buildings were purchased by local investors for a combined $135 million. Those buildings are now being updated and will continue to operate as office spaces, showing signs of life in a market that was mired in turbulence just four years ago.

Notably, this optimism surrounds a coming rebound. While the numbers rounding out 2024 don’t necessarily point to strong activity in favour of a growing office landscape, with a region-wide vacancy rate of 9.2% (exactly where it was at the start of 2024), there are glimmers of hope drawing some attention. Aside from the continually struggling downtown core, with a vacancy rate that fell half a point to 13.9% in Q4, numerous pockets are showing strong upside.

Suburban areas around the city, for instance, saw a slight (0.2%) occupancy improvement, with a combined vacancy rate of 5.7%. This marks the fourth consecutive quarter of suburban improvement. Similarly, development-heavy Windermere-Summerside has an office vacancy rate of just 2.0%, despite more than 100,500 square foot of inventory being added in a five-year span. This all supports the notion that RTO policies and investment innovations are shifting the way in which traditional office spaces are used and where they might be located. Through all of it though, the consistent element is a resurgence of office space usage amongst several sectors.

Advocacy for office-to-residential conversion downtown may simply continue to push this trend further. A group of business leaders is looking for $500 million in government investment for office-to-residential conversions over a 10-year span, as part of a plan to attract activity to the downtown core. With impacts on government funding resulting from slowed downtown activity (one report points to a 3.5% tax contribution decrease), moves may be made to accommodate that timeline, recognizing that such transitions don’t happen overnight. However, as office facilities are converted, they’re pulled from the inventory, marking improvements in office occupancy across the Edmonton region, supported further by continued growth and uptake in the suburbs and in new communities.

The office market is still a bit of a question mark, but at least there’s clearer direction now. The end of 2024 has important for the future of office space usage in the capital region. There are indications of continued growth, where that growth may occur, and how areas that have seen challenges may now find stability. Combined, those elements place an optimistic lens over any remaining uncertainty.

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



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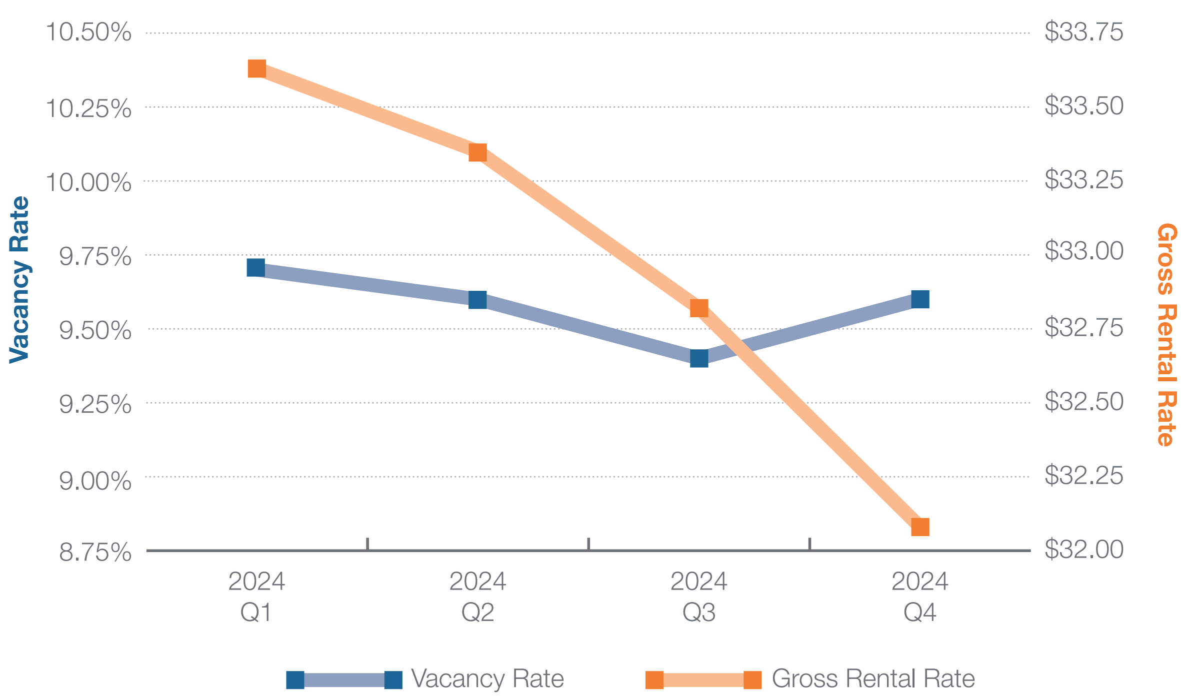
OFFICE
# Vacancy Trends

| | 2024-Q1 | 2024-Q2 | 2024-Q3 | 2024-Q4 |
|---|---|---|---|---|
| **GREATER EDMONTON**<br>Buildings Surveyed: 1,377<br>Existing SF: 47.9M | 9.7% | 9.6% | 9.4% | 9.6% |
| **EDMONTON DOWNTOWN**<br>Buildings Surveyed: 276<br>Existing SF: 23.1M | 13.4% | 13.0% | 13.1% | 13.9% |
| **EDMONTON SUBURBAN**<br>Buildings Surveyed: 828<br>Existing SF: 19.6M | 6.7% | 6.8% | 6.3% | 6.0% |
| **WINDERMERE / SUMMERSIDE**<br>Buildings Surveyed: 67<br>Existing SF: 1.9M | 4.6% | 3.2% | 1.3% | 2.8% |
| **UNIVERSITY / GARNEAU**<br>Buildings Surveyed: 60<br>Existing SF: 883.6K | 12.0% | 11.9% | 9.0% | 10.8% |

# Average Gross Rental Rates vs. Vacancy
GREATER EDMONTON OVER THE PAST 12 MONTHS



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# Industrial Market

At this point, the industrial market update just snowballs from one quarter to the next, with sustained growth based on a consistent set of factors that have influenced the region for some time now.

The vacancy rate remains a low 3.1% across the Edmonton region. The fact that this is virtually unchanged for five consecutive quarters points to established sustainability across the region, with little shifts in industrial occupancy despite more than 2-million square feet of new inventory added to market since early-2024. In this case, the sum is an accurate whole of its parts, with similar sustainability seen across the region. The industry-heavy Leduc-Nisku area, for instance, has maintained a sub-6.5% vacancy rate for a full year, and Sherwood Park-Fort Saskatchewan's incredibly low 2% vacancy rate actually marks a slight increase (0.2%) quarter-over-quarter.

So, with so much staying the same, what's the story? This tale is told in two narratives.

First, a significant amount of work is being put into attracting emerging technological and industrial needs to the region. Five hours north of Edmonton, the MD of Greenview recently announced a local data centre, with investment up to $70 billion. While outside the capital region, the announcement's impacts were felt locally. Just two months prior, regional economic investment driver Edmonton Global began positioning the local landscape as "uniquely positioned" to host data centres, pointing to a local-area push in research and applied technology into artificial intelligence and sustainable energy required to power data centres, along with the cooler climate suitable to such facilities.

The capital region could soon be established as an ideal home for further investment in each of these areas, and industry that doesn't directly align with distribution needs could soon benefit.

Second, there's a big story behind what may appear to be cents on the dollar. Until now, industrial asking rates per square foot have actually countered inflationary pressures, with a virtually unchanged asking rate between Q1-2023 and Q4-2024. Over the past three quarters, however, the asking price has crept up slowly, from $10.57 per square foot to $10.99. This is important, not because it's an indication of rising costs, but because it is an indication of steady handedness in cost adjustment. At just under $11/sq. ft., Edmonton remains a leader in industrial space affordability – particularly against its direct large-market comparators (ie. Vancouver, Toronto, Ottawa, Calgary). At the same time, the new (albeit minimal) rate hikes show that those within the region don't exist within an unsustainable bubble. Instead, the measured increases over an extended period of time show a considerable amount of predictability for tenants, and for future development.

The Edmonton region's industrial market remains a growing one but more importantly, the trends and the statistics have now collided to show that growth has not been a fluke. Instead, there is a clear underlined sustainability to the Edmonton region's industrial market that should continue to fuel growth moving forward.



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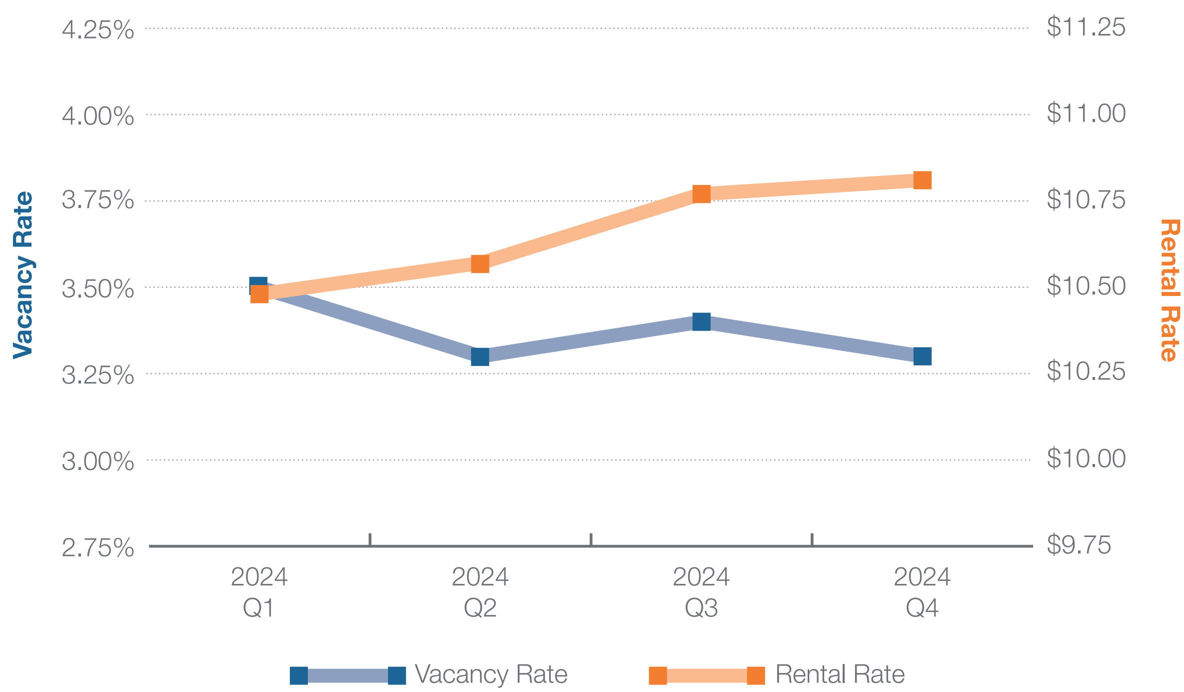
## INDUSTRIAL Vacancy Trends

| | 2024-Q1 | 2024-Q2 | 2024-Q3 | 2024-Q4 |
|---|---|---|---|---|
| **GREATER EDMONTON**<br>Buildings Surveyed: 6,096<br>Existing SF: 204.8M | 3.5% | 3.3% | 3.4% | 3.3% |
| **EDMONTON WEST**<br>Buildings Surveyed: 1,939<br>Existing SF: 71.1M | 2.5% | 2.2% | 2.7% | 2.9% |
| **EDMONTON SOUTH**<br>Buildings Surveyed: 1,805<br>Existing SF: 66.5M | 3.8% | 3.9% | 3.8% | 3.1% |
| **SHERWOOD PARK / FORT SASKATCHEWAN**<br>Buildings Surveyed: 389<br>Existing SF: 12.2M | 4.5% | 3.4% | 3.4% | 2.0% |
| **LEDUC / NISKU**<br>Buildings Surveyed: 862<br>Existing SF: 28.0M | 7.0% | 6.6% | 6.0% | 6.6% |

## Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS



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# Notable Transactions in the Market

## PROPERTIES **SOLD**

NOTES PROUDLY SOLD BY NAI COMMERCIAL

**13202 - 118 Avenue NW**
**Price:** $11,400,000
$142.50/sq.ft.
**Area:** Dovercourt
**Property Type:** Office
**Size:** 79,997 sq.ft.
on 3.44 acres

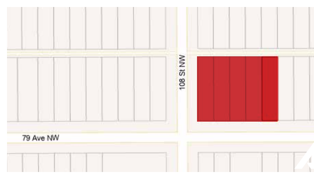
**16504 - 121A Avenue NW**
**Price:** $10,600,000.00
$128.15/sq.ft.
**Area:** Carleton Square Ind.
**Property Type:** Industrial
**Size:** 82,713 sq.ft.
on 4.99 acres

**1221 - 91 Street SW**
**Price:** $6,800,000.00
$234.63/sq.ft.
**Area:** Summerside
**Property Type:** Office
**Size:** 28,982 sq.ft.
on 1.00 acre

**11045 - 190 Street NW**
**Price:** $6,100,000
$218.72/sq.ft.
**Area:** White Industrial
**Property Type:** Industrial
**Size:** 27,890 sq.ft.
1.57 acres

**81 Broadway Boulevard**
**Price:** $3,400,000
$753,880/acre
**Area:** Sherwood Park
**Property Type:** Land
**Size:** 4.51 acres

**2803 - 50 Avenue NW**
**Price:** $3,317,936
$470.96/sq.ft.
**Area:** Southeast Industrial
**Property Type:** Retail
**Size:** 7,045 sq.ft.
on 5.63 acres




**10740 - 79 Avenue NW**
**Price:** $3,100,000
$119.23/sq.ft.
**Area:** Queen Alexandra
**Property Type:** Land
**Size:** 26,000 sq.ft.

**1312 - 77 Avenue NW**
**Price:** $2,709,621.38
$202.51/sq.ft.
**Area:** Southeast Industrial
**Property Type:** Industrial
**Size:** 13,380 sq.ft.
on 1.65 acres

# NAI Listing Highlights

## AVAILABLE PROPERTIES **FOR SALE AND/OR LEASE**

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

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

**10310 - 124 Street NW***
**Sale Price:** $4,695,000
**Area:** Westmount
**Property Type:** Investment
**Size:** 21,835 sq.ft.±
on 0.33 acres±

**11402- 89 Ave & 8906 - 114 St**
**Sale Price:** $5,400,000
**Area:** Fort Saskatchewan
**Property Type:** Industrial
**Total Size:** 22,651.5 sq.ft.±
on 3.95 acres±

*inquire about leasing opportunties*

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