

## 2022 YEAR-END EDMONTON MARKET OVERVIEW

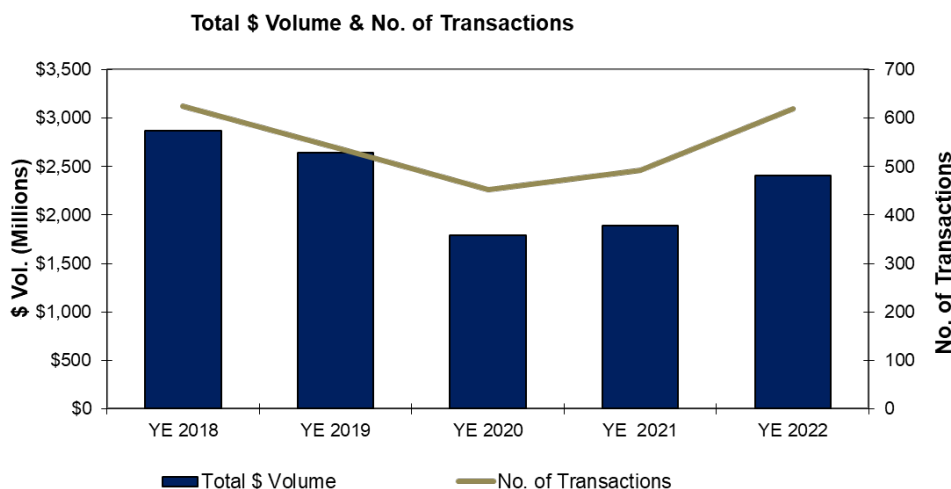
Edmonton's commercial real estate market came roaring back in 2022, following two years of relative cautiousness on the part of investors. More than \$2.4 billion in total dollar volume was invested through the year; up 27% over 2021 and 34% over 2020 numbers. Total sales were also up substantially, exceeding the annual total sales seen during each of the three previous years.

Investment was up in five of the six asset classes The Network tracks and even the laggard (office) was essentially flat on a year-over-year basis. 2022 truly was an 'all-around good news' year for commercial investment.

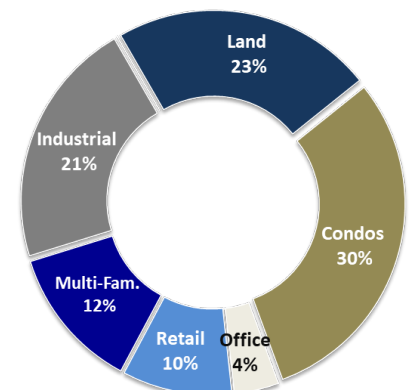
The Industrial asset class, saw a four-year high of more than \$800 million invested. The Land sector saw total investment more than double on a year-over-year basis and like the industrial asset class, investment in multi-family properties reached a four-year high in both sales and dollar volume.

As we've noted in our chart below, 2020 marks a multi-year low for both total investment and sales activity. This should come as little surprise, given the coincident onset of the Covid-19 pandemic. The pleasant revelation is the speed and extent of the recovery in investment and sales activity in the short two-year period since.

	2018	2019	2020	2021	2022
<b>Land</b>					
Total \$ Value:	\$519,591,723	\$443,226,628	\$237,360,367	\$243,446,339	\$434,611,899
No. of Transactions:	172	144	118	86	140
<b>Buildings</b>					
Total \$ Value:	\$2,353,014,943	\$2,201,484,692	\$1,552,163,992	\$1,647,182,026	\$1,971,650,200
No. of Transactions:	452	396	335	407	480
<b>Totals</b>					
Total \$ Value:	\$2,872,606,666	\$2,644,711,320	\$1,789,524,359	\$1,890,628,365	\$2,406,262,099
No. of Transactions:	624	540	453	493	620



**YE 2022 Sales Distribution**



## Commercial &amp; Industrial Condo Sales Activity.

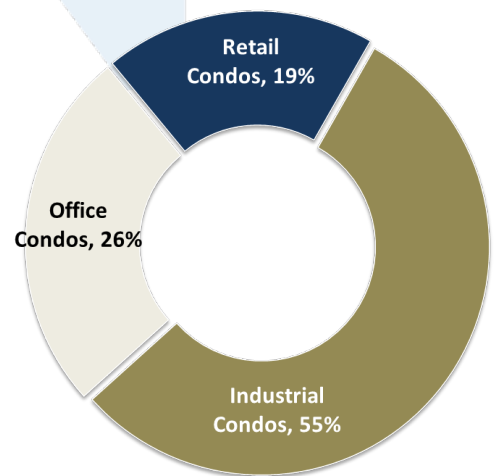
	Year-End 2019	Year-End 2020	Year-End 2021	Year-End 2022
<b>Office Condos</b>				
Total \$ Value:	\$48,299,844	\$21,417,914	\$24,038,442	\$44,552,906
No. Of Transactions:	50	29	34	48
Avg. Price/sq.ft.	\$314/sq.ft.	\$310/sq.ft.	\$325/sq.ft.	\$343/sq.ft.
<b>Retail Condos</b>				
Total \$ Value:	\$35,709,793	\$34,688,732	\$31,052,969	\$26,497,246
No. Of Transactions:	23	38	41	36
Avg. Price/sq.ft.	\$371/sq.ft.	\$393/sq.ft.	\$407/sq.ft.	\$381/sq.ft.
<b>Industrial Condos</b>				
Total \$ Value:	\$45,352,730	\$34,723,114	\$59,332,972	\$62,057,149
No. Of Transactions:	74	57	88	103
Avg. Price/sq.ft.	\$215/sq.ft.	\$198/sq.ft.	\$205/sq.ft.	\$235/sq.ft.
<b>Totals</b>				
Total \$ Value:	\$129,362,367	\$90,829,760	\$114,424,383	\$134,107,301
No. Of Transactions:	147	124	163	187

Following a substantial second quarter upswing in commercial condominium investment, sales remained strong through the third and fourth quarters of the year. At December 31<sup>st</sup>, total investment was up by approximately \$20 million on increased year-over-year sales.

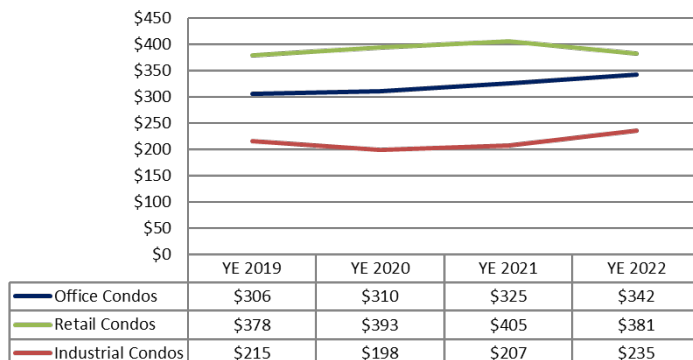
Industrial condos were in high demand, comprising 103 of the 187 total sales. As we've stated in earlier editions of this report, industrial condo sales tend to represent an outsized portion of overall sales, but the numbers for 2022 stand out against prior years.

Demand for office condominium product also increased notably, nearly matching 2019 sales. Retail condos however, fell out of favour late in 2022 and ended the year with fewer sales than 2021 (36 vs. 41) and down more than \$4.5 million in dollar volume. Notably, 2022 retail condo investment was the lowest in the last four years at \$26.5 million.

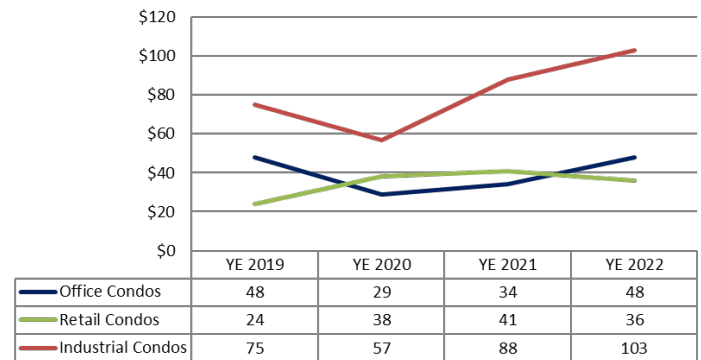
Commercial Condo Sales Distribution



Average Condo Unit Price



Commercial Condo Transactions



## Office Sales Activity.

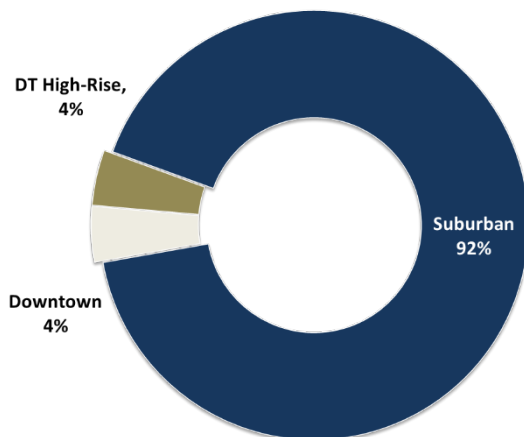
	Year-End 2019	Year-End 2020	Year-End 2021	Year-End 2022
<b><u>Suburban Office</u></b>				
Total \$ Value:	\$38,178,500	\$30,283,250	\$67,640,000	\$67,520,188
No. Of Transactions:	18	16	19	22
Avg. Price/sq.ft.	\$259/sq.ft.	\$248/sq.ft.	\$254/sq.ft.	\$283/sq.ft.
<b><u>Downtown Office</u></b>				
Total \$ Value:	\$9,785,000	\$5,530,500	\$8,750,000	\$3,800,000
No. Of Transactions:	3	1	2	1
<b><u>Downtown High-Rise Office</u></b>				
Total \$ Value:	\$827,700,000	\$199,525,167	\$0	\$4,400,000
No. Of Transactions:	2	4	0	1
<b><u>Totals</u></b>				
Total \$ Value:	\$875,663,500	\$235,338,917	\$76,390,000	\$75,720,188
No. Of Transactions:	23	21	21	24

2022, as with 2021, was a lean year for Edmonton's commercial office market. While year-over-year sales increased, total investment was essentially flat - down approximately \$670,000. Both recent years pale in comparison to investment the volume seen in 2020 or 2019.

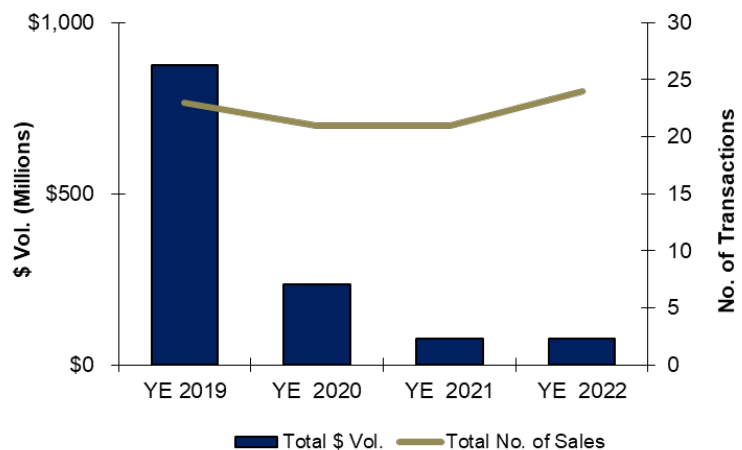
The similarity to 2021 is striking with suburban office sales, which were the primary focus of investors seeking office product in both years to the extent that just under 90% of each year's total dollar volume was placed outside the city's downtown. The ongoing demand for suburban product pushed average prices per square foot up year-over-year for a third straight year. As noted in an earlier 2022 edition of our report, the Oliver area was a popular location with six properties changing hands in that neighborhood..

Through the year, two transactions closed around the ten million dollar mark. In June, a three-property portfolio sale of 10503 81<sup>st</sup> Avenue, 10315 109<sup>th</sup> Street & 10503 81<sup>st</sup> Avenue to 2399449 Alberta Ltd. closed, while 9604 20 Avenue was sold to Feigel Investments Group Inc. in September.

Office Building Sales Distribution



Total Office Bldgs. \$ Value &amp; No. Of Transactions



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## Industrial Sales Activity.

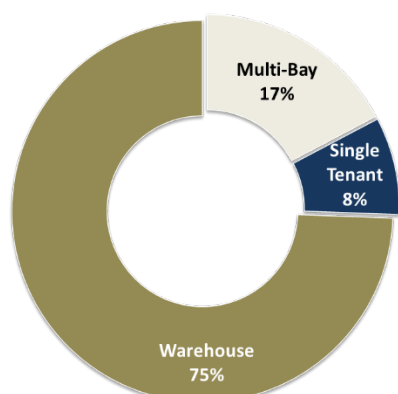
	Year-End 2019	Year-End 2020	Year-End 2021	Year-End 2022
<b><u>Owner/User Warehouse</u></b>				
Total \$ Value:	\$188,545,844	\$216,707,538	\$294,856,000	\$284,998,789
No. Of Transactions:	66	68	82	99
Avg. Price/sq.ft.	\$213/sq.ft.	\$151/sq.ft.	\$181/sq.ft.	\$173/sq.ft.
<b><u>Multi-Bay Warehouse</u></b>				
Total \$ Value:	\$301,710,191	\$67,115,000	\$317,995,000	\$253,626,699
No. Of Transactions:	22	16	15	23
Avg. Price/sq.ft.	\$133/sq.ft.	\$134/sq.ft.	\$126/sq.ft.	\$133/sq.ft.
Avg. Cap Rate	7.1%	7.5%	6.6%	6%
<b><u>Single-Tenant</u></b>				
Total \$ Value:	\$102,071,100	\$38,323,000	\$21,250,000	\$280,165,000
No. Of Transactions:	14	5	4	11
Avg. Price/sq.ft.	\$176/sq.ft.	\$172/sq.ft.	\$137/sq.ft.	\$215/sq.ft.
Avg. Cap Rate	6.7%	7%	6.3%	5.8%
<b><u>Misc.</u></b>				
Total \$ Value:	\$23,000,000	\$0	\$11,920,000	\$0
No. Of Transactions:	1	0	1	0
<b><u>Totals</u></b>				
Total \$ Value:	\$615,918,885	\$332,145,538	\$646,021,000	\$818,790,488
No. Of Transactions:	103	89	102	133

Consistent with previous years, owner/user warehouse product remained the most desired among industrial investors and garnered the largest portion of total sales & total dollar volume. While total investment was down approximately \$10 million versus 2021, an additional 17 transactions closed, for a four year high.

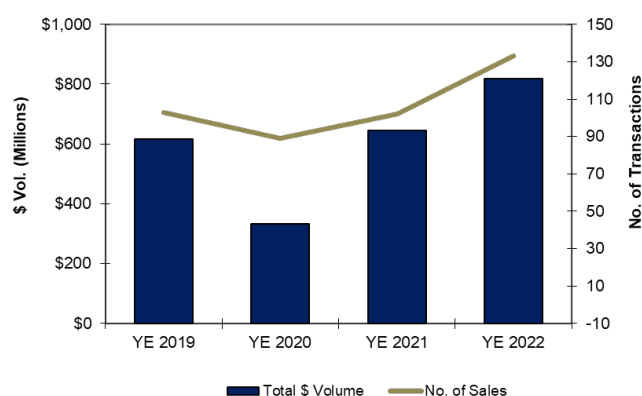
Investment dollar volume among multi-bay warehouses fell substantially on a year-over-year basis but remained around the average of previous years (2019 saw \$302 million invested in multi-bay properties, for example). In this light, the \$67 million invested in 2020 is an outlier. As with owner/user product, 2022 saw a multi-year high in terms of sales activity.

Single-tenant industrial properties are the big story of 2022. Investment in this product is responsible for boosting total industrial investment to a multi-year record. An impressive \$280 million was invested in this subclass through 2022, with more than two-thirds of that stemming from just two transactions. The sale of 2004 - 64 Avenue NW for \$118 million to QR 266 Street Holdings Inc. was the largest industrial transaction of the year, followed closely by the \$91 million sale of 11250 - 189 Street. Both were parts of portfolio sales which comprised three properties and two properties, respectively.

Industrial Sales Distribution



Total Industrial \$ Volume &amp; No. of Transactions



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## Multi-Family Sales Activity.

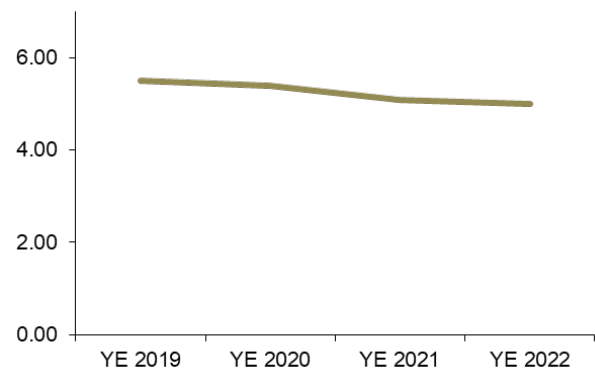
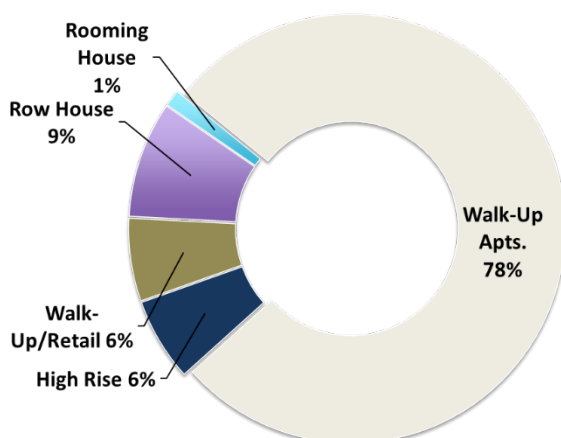
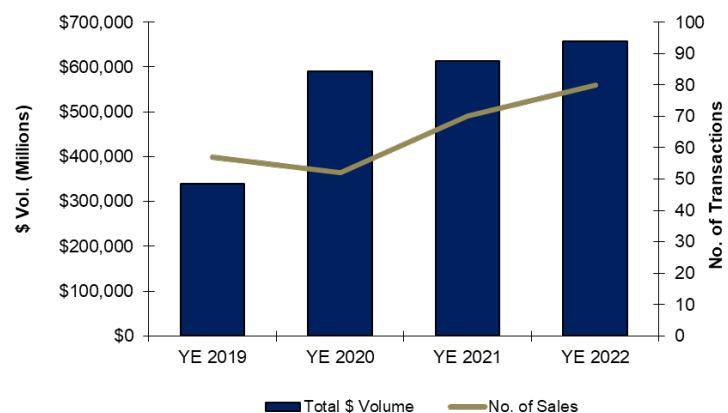
	Year-End 2019	Year-End 2020	Year-End 2021	Year-End 2022
<b><u>Walk-Ups</u></b>				
Total \$ Value:	\$216,376,085	\$205,998,100	\$385,404,000	\$337,274,424
No. Of Transactions:	50	39	60	62
Avg. Price/Suite	\$124,000/suite	\$121,000/suite	\$117,000/suite	\$125,000/suite
Avg. Cap Rate %	5.3%	5.5%	5.1%	4.9%
<b><u>High-Rise Apartments</u></b>				
Total \$ Value:	\$63,290,000	\$305,000,000	\$104,103,000	\$198,176,477
Avg. Price/Suite	\$217,000/suite	\$290,000/suite	\$172,000/suite	\$280,000/suite
No. Of Transactions:	3	3	4	5
<b><u>Misc.</u></b>				
Total \$ Value:	\$59,085,000	\$79,997,641	\$124,652,900	\$121,997,500
No. Of Transactions:	4	10	6	13*
<b><u>Totals</u></b>				
Total \$ Value:	\$338,751,085	\$590,995,741	\$614,159,910	\$657,448,401
No. Of Transactions:	57	52	70	80

**\*Misc – 7 Row Houses, 5 Walk-up/Retail, 1 Rooming House**

The multi-family property asset class saw an impressive fourth year of increased annual investment, culminating in an \$85 million dollar boost over 2021 dollar volume. This difference was the result of dramatically larger overall investment in high-rise apartment buildings and row houses.

Row house properties were in high demand, with seven transactions closing through 2022. This represents the total number of row houses sold through 2019-2021 combined.

More impressive still, the three row house properties sold during the first half of the year all closed between \$26.5 and \$47.6 million each.

**Multi-Family Capitalization Rate (%)****Multi-Family Sales Distribution****Total Multi-Family \$ Volume vs No. of Transactions**

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## Retail Sales Activity.

	Year-End 2019	Year-End 2020	Year-End 2021	Year-End 2022
<b><u>General Retail</u></b>				
Total \$ Value:	\$88,047,959	\$40,727,000	\$55,812,825	\$89,167,240
No. Of Transactions:	42	25	23	33
<b><u>Shopping Centres</u></b>				
Total \$ Value:	\$100,881,000	\$130,255,000	\$82,555,918	\$90,910,000
No. Of Transactions:	11	10	11	7
Avg. Cap Rate %	5.6%	6.1%	6.1%	6.2%
<b><u>Misc.</u></b>				
Total \$ Value:	\$51,599,920	\$208,038,177	\$129,265,930	\$105,506,582
No. Of Transactions:	11	20	16	16*
<b><u>Totals</u></b>				
Total \$ Value:	\$246,578,879	\$342,020,177	\$267,634,673	\$285,583,822
No. Of Transactions:	64	55	50	56

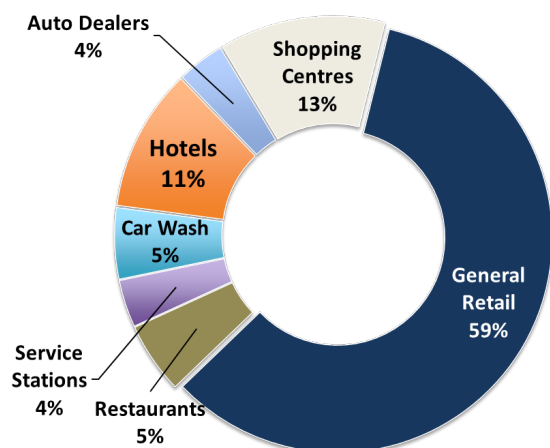
\*Misc. – 6 Hotels, 3 Car Washes, 3 Restaurants, 2 Service Stations, 2 Auto Dealerships.

The commercial retail market was like a perpetual motion machine through 2022; investment kept gathering steam, quarter-over-quarter, to end the year far above expectations. At mid-year, total dollar volume had more than doubled March 31<sup>st</sup> numbers at just under \$84 million. Through Q3 that built to more than \$255 million and at December 31<sup>st</sup>, total investment reached approximately \$286 million.

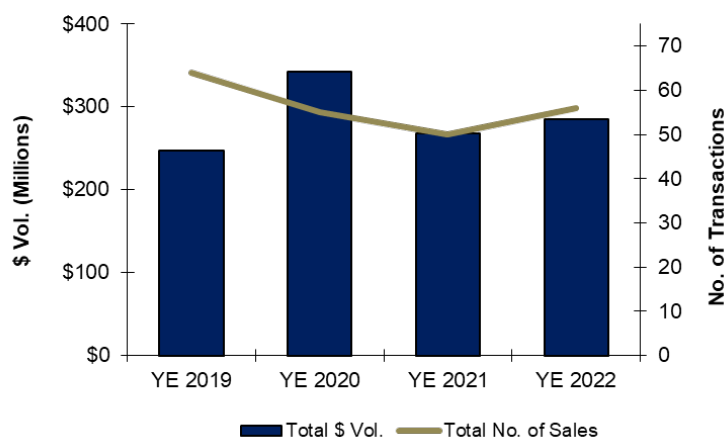
Investment in shopping centres provided the bulk of retail investment through mid-year but then investors began focusing on general retail properties such as strip malls, a former Rona location and street front stores. As a result, year-end general retail investment reached a four-year high and surpassed even 2019 levels (\$88 million).

Significant contributors to 2022 retail investment numbers include the \$34.1 million sale of Capilano Mall from I.G. Investment Management to Calloway REIT and the \$18 million sale of 18925 Stony Plain Road – a BMW dealership) to Mike Priestner Real Estate Inc. A small sale, but commanding top-dollar per square foot, was a Chevron gas station at 3006 Calgary Trail which sold for \$1,232/sf. to 1965945 Alberta Ltd.

Retail Sales Distribution



Total Retail \$ Value &amp; No. Of Transactions



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## Land Sales Activity.

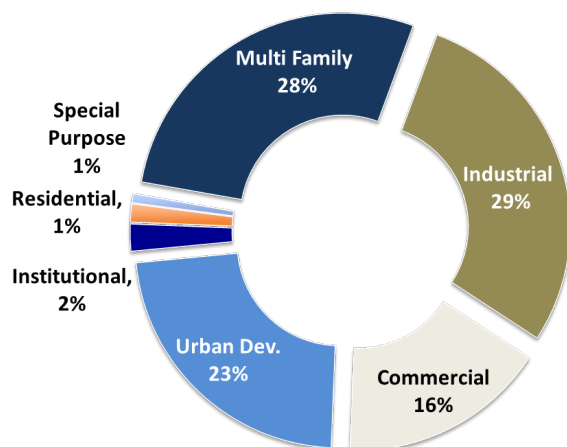
	Year-End 2019	Year-End 2020	Year-End 2021	Year-End 2022
<b><u>Commercial Land</u></b>				
Total \$ Value:	\$121,348,173	\$60,444,096	\$63,453,056	\$50,635,303
No. Of Transactions:	33	30	23	40
Avg. Price/Sq.ft.	\$86/sq.ft	\$66/sq.ft	\$58/sq.ft	\$48/sq.ft
<b><u>Industrial Land</u></b>				
Total \$ Value:	\$74,659,375	\$52,206,837	\$13,326,500	\$154,309,591
No. Of Transactions:	33	28	10	23
Avg. Price/Acre	\$659,825/acre	\$707,399/acre	\$501,734/acre	\$829,506/acre
<b><u>Multi Family Land</u></b>				
Total \$ Value:	\$117,411,577	\$77,459,479	\$106,538,193	\$107,286,812
No. Of Transactions:	44	28	31	39
<b><u>Urban Development Land</u></b>				
Total \$ Value:	\$103,330,631	\$30,999,750	\$53,970,390	\$113,307,268
No. Of Transactions	26	26	17	32
Avg. Price/Acre	\$155,554/acre	\$211,175/acre	\$180,459/acre	\$276,663/acre
<b><u>Institutional Land</u></b>				
Total \$ Value:	\$26,648,372	\$14,936,690	\$2,389,800	\$7,462,925
No. Of Transactions	7	3	2	5
<b><u>Totals</u></b>				
Total \$ Value:	\$459,107,179	\$242,060,367	\$254,873,259	\$434,611,899
No. Of Transactions	164	119	92	140*

\*Total includes – 1 Special-Purpose (Church: \$1,610,000)

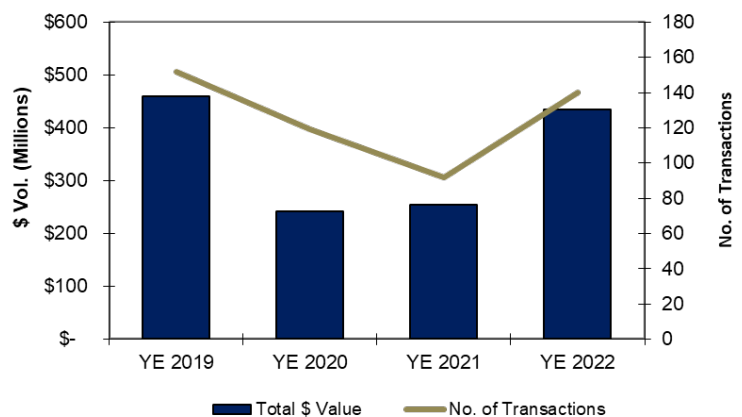
Coming out of a two-year trough, the land asset class saw approximately \$435 million in transactions close through 2022; a full 70% year-over-year increase from 2021. Sales were up more than 50% y-o-y as well, putting 2022 almost back on equal footing with 2019 when 164 transactions totalling \$459 million closed.

Demand for Industrial and Urban Development land was surprisingly strong, with year-over-year dollar volume for the former increasing eleven-fold and the latter more than doubling. These two land types were the primary drivers of the recovery in this asset class in 2022.

Land Sales Distribution



Total Land \$ Value vs No. Of Transactions



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## MARKET SYNOPSIS & PREDICTION SUMMARY

2022 saw investors collectively keep their feet on the gas pedal through the year, bringing total sales and dollar volume well-above that seen in the two prior years and to pre-pandemic levels. All but one asset class - commercial office assets – saw notable recoveries toward 2019 investment levels and in a few cases, even exceeded that high water mark. This seems to indicate that a major corner has been turned and the impacts of the Covid-19 pandemic on commercial investment activity may well be in the rear-view mirror.

Higher interest rates are a factor which will influence the market heading into 2023. Higher mortgage rates typically slows sales activity and prices with upwards pressure in capitalization rates. Demand for quality investment properties however remains high. 2023 will be an interesting year to watch trends play-out.

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#### Contacts:

Nathan Gettel, President  
Brian Gettel, B.Comm., AACI  
Anthony B. Scott – Research & Marketing

#### SUBSCRIPTIONS:

Send Email to: [thenet@getteln.ca](mailto:thenet@getteln.ca)

10129 – 161 Street NW  
Edmonton, AB T5P 3H9  
Ph: (780) 425-3939 – Edmonton  
(403) 719-3959 - Calgary