

## FIRST QUARTER 2023 EDMONTON CRE MARKET OVERVIEW

### May 2023

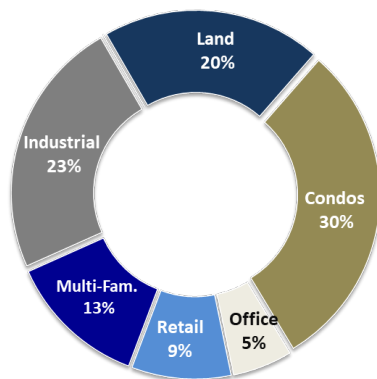
Commercial real estate investors were back in a big way in the Edmonton market, purchasing \$752.6 million of assets through the first quarter of 2023. This represents a significant increase of more than \$227 million (43%) versus Q1 2022 and brought investment within the pre-pandemic average. Investment was up across four of the six asset classes we track, with dollar volume falling slightly among multi-family properties and land.

Industrial properties were number one on investors' lists, with more than \$304 million worth of assets purchased. The multi-family asset class was the next top performer despite the above-noted decrease, drawing more than \$172 million. Retail assets were also back on the radar, attracting more than \$147 million in purchases. At the other end of the spectrum, just nine office buildings totalling \$25.4 million changed hands during the quarter.

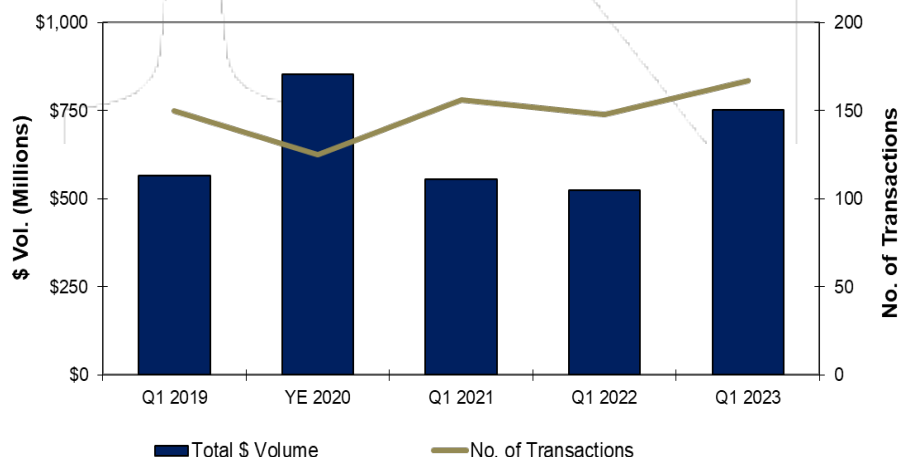
Also of note was the level of sales activity this quarter at 167 transactions, which was up 14% year-over-year. This is a multi-year high, surpassing Q1 '22 and Q1 '19 activity of 156 and 150 transactions, respectively.

	Q1-2020	Q1-2021	Q1-2022	Q1-2023	Y-O-Y Change
<b><u>Land</u></b>					
Total \$ Value:	\$97,088,230	\$48,203,382	\$78,765,100	\$75,514,508	\$(3,250,592)
No. of Transactions:	34	22	35	33	(2)
<b><u>Buildings</u></b>					
Total \$ Value:	\$757,472,631	\$506,354,186	\$446,214,356	\$677,088,890	\$230,874,534
No. of Transactions:	91	134	113	134	21
<b><u>Totals</u></b>					
Total \$ Value:	\$854,560,861	\$554,557,568	\$524,979,456	\$752,603,398	\$227,623,942
No. of Transactions:	125	156	146	167	19

Q1 2023 Sales Distribution



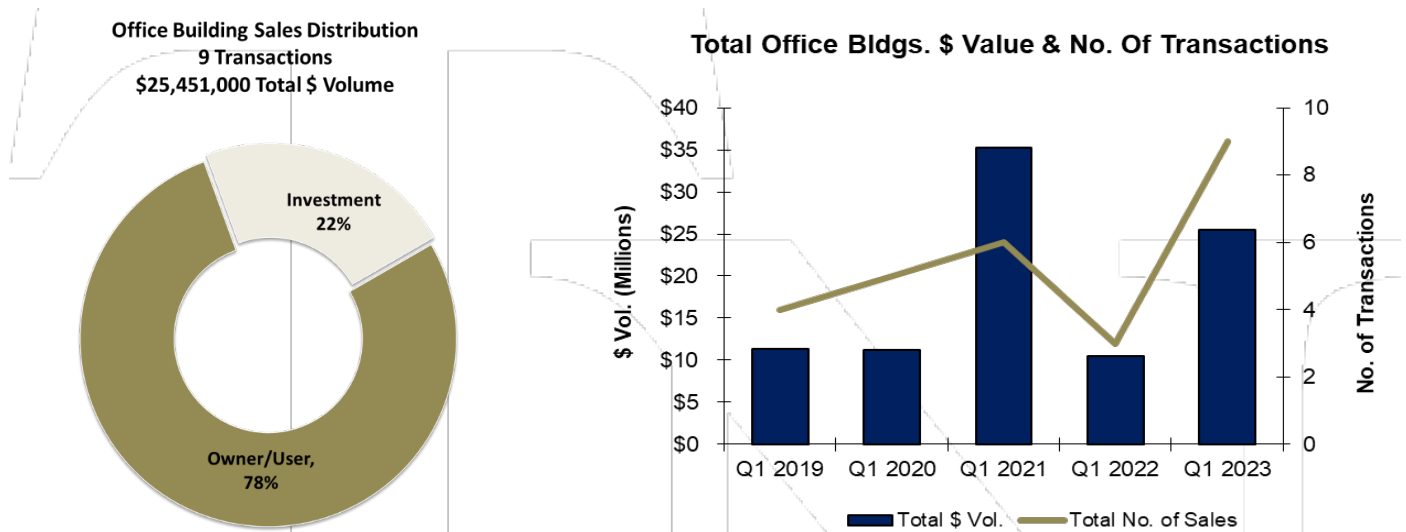
Total \$ Volume & No. of Transactions



## OFFICE SECTOR

Despite the number of sales tripling and dollar volume more than doubling year-over-year, Edmonton's office asset class remained the weakest of the six we track. More than \$25 million over nine transactions was invested, up significantly from the \$10 million generated through three sales a year earlier. Of note, seven of the nine office property sales were to owner/users with the balance sold as investments. The latter is elaborated on below.

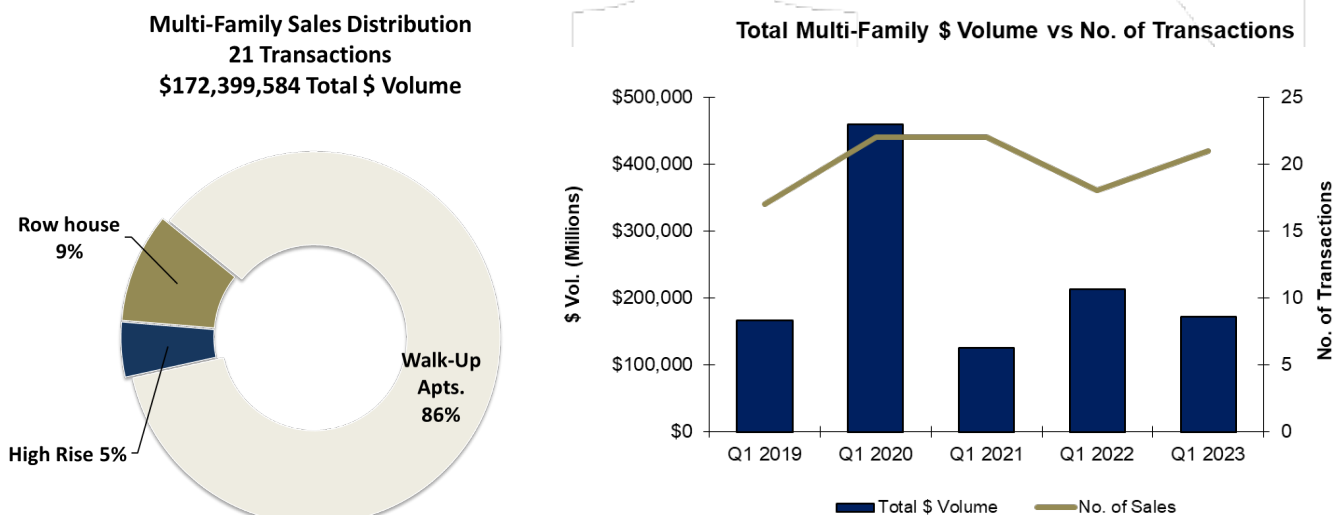
The largest sales to date this year were the \$9.5 million sale of 9618-42 Avenue (Whitemud Business Park) to Whitemud Business Centre General Partner Inc. and the \$4 million sale of 7121-7125 – 109<sup>th</sup> Street (5.7% cap.) to Medi Bidata Corp.



## MULTI-FAMILY SECTOR

Multi-family properties increased slightly compared to Q1 2022, though for lesser-priced assets. In the first three months of this year, 21 sales totalling more than \$172 million were completed, versus 18 sales totaling \$212 million one year prior. During the first quarter of this year, multi-family properties moved for an average of \$172,000 per unit as opposed to \$121,000 a year earlier. Cap rates also came in at 5.2% at March 31<sup>st</sup>, 2022 versus 4.2% last year.

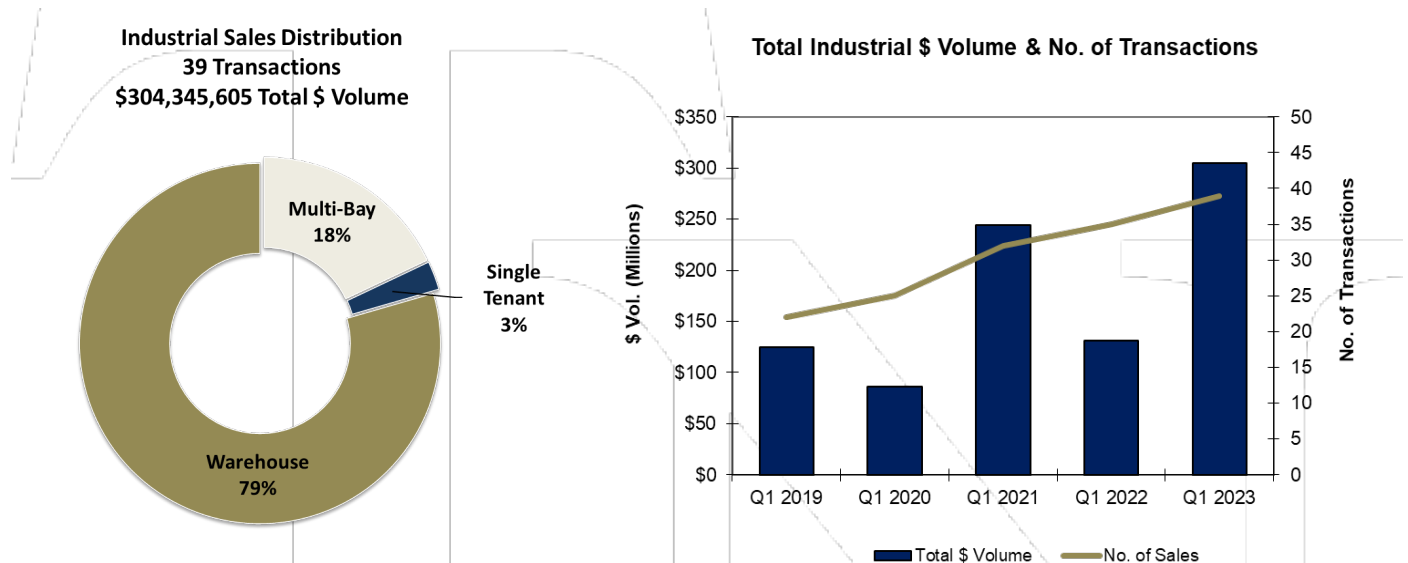
The most significant transaction through March 31<sup>st</sup> was the \$51 million purchase (5.53% cap.) of Raymond Block by Auctus Property Fund GP Inc. This purchase also came in at the highest price paid per unit at \$537,000/suite, with the latter being influenced by large commercial component.



## INDUSTRIAL SECTOR

Industrial properties were a popular asset class among investors in Q1 2023, both in terms of sales and total dollar volume. The latter metric more than doubled Q1 2022 levels, reaching \$304.3 million. Owner/User warehouse facilities accounted for 31 of the 39 transactions completed during this period, comprising more than \$107 million.

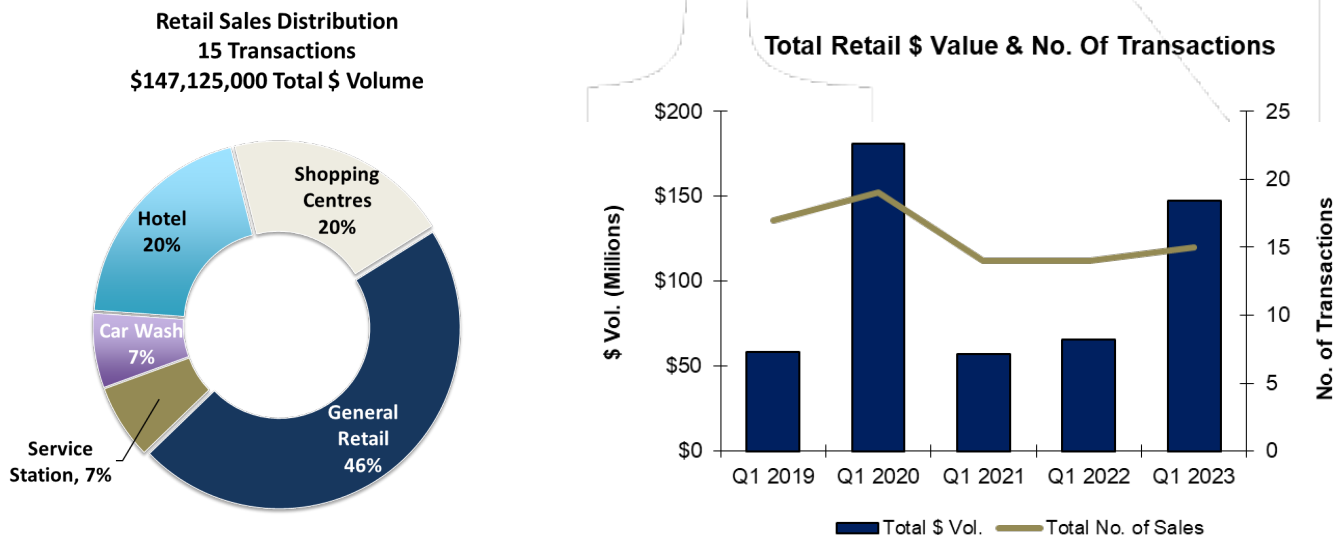
The average price per square foot increased to \$190/sf from \$171/sf a year ago. A couple of contributors to this were the sales of 7804 - 18 Street and 2460 132 Avenue NE which sold for \$411/sf and \$382/sf, respectively.



## RETAIL SECTOR

Dollar volume invested in retail assets more than doubled over Q1 2023 levels, reaching \$147 million versus approximately \$66 million a year ago. Sales numbers however, were essentially flat year-over-year with just one additional transaction. This demonstrates the extent to which big-ticket items impacted first-quarter numbers.

Just four sales comprised approximately half of total investment this quarter, with the most notable of them being the \$69 million sale of Millwoods Town Centre & Millwoods Town Centre Professional Building to Maclab Developments and the \$23.6 million sale of Northgate Chevrolet Buick GMC to 2450575 Alberta Ltd.

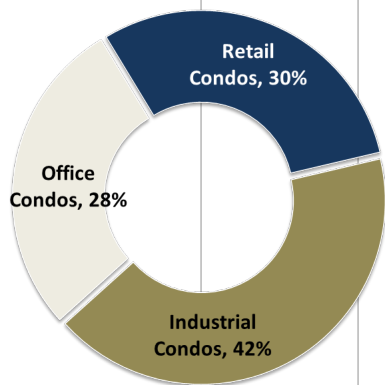


## COMMERCIAL CONDOMINIUM SECTOR

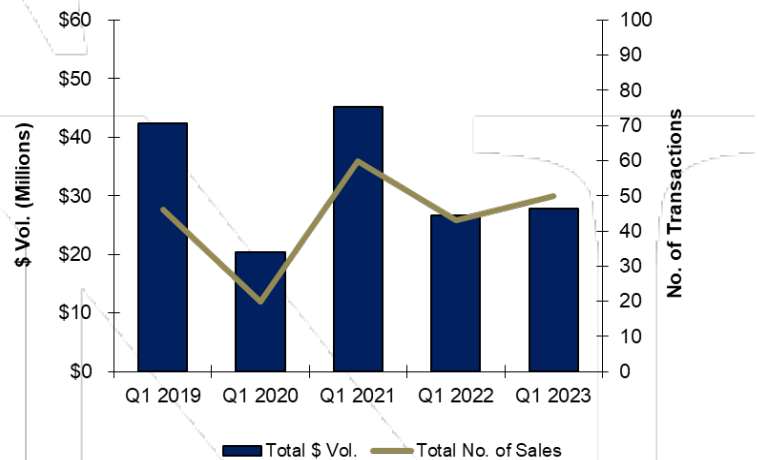
Demand for commercial condos was essentially flat year-over-year, with total dollar volume invested increasing by just \$1 million over Q1 2022. Overall sales activity however, increased notably with 50 transactions closing at March 31<sup>st</sup> and totalling \$27.8 million; up from 43 sales totalling \$26.7 million a year ago. As with the first quarters of the previous three years, demand for industrial condos was far greater than for office and retail product. In Q1 2019, the opposite was true and by a wide margin.

Prices per square foot decreased slightly year-over-year for office and industrial condos to \$339 (psf) and \$214 psf, respectively; each down approximately \$10 psf. Per square foot prices increased notably for retail condominiums however, to an average of \$454 psf from \$359 psf one year earlier.

**Commercial Condo Sales Distribution**  
50 Transactions  
\$27,767,701 Total \$ Volume



**Total Condo \$ Value & No. Of Transactions**

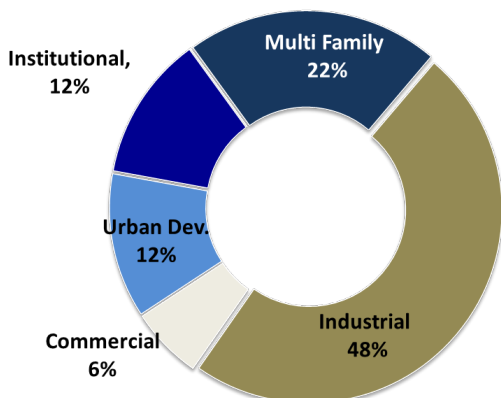


## LAND SECTOR

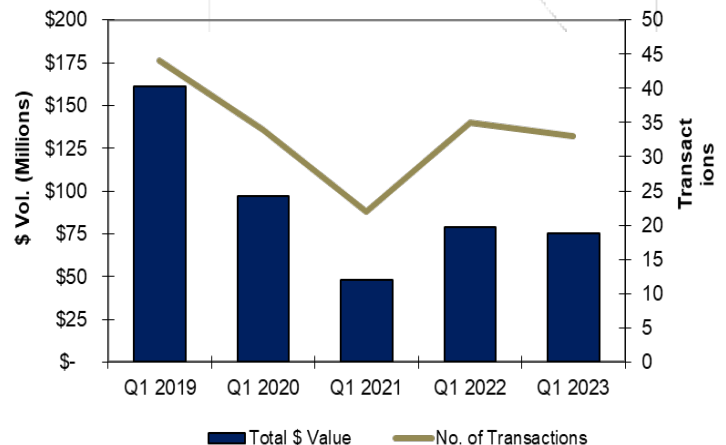
Investment in the land sector moderated slightly in the first quarter of 2023, following a large bounce-back in Q1 2022. The first three months of 2023 saw a total of \$75.5 million, down slightly from \$78.8 million a year earlier. Total sales also eased, with 33 transactions closing, versus 35 at March 31, 2022. The stand-out transaction of this quarter was the 62-acre purchase at 19904 - 109 Avenue NW by One Ninety Nine Business Park Ltd. for \$20.5 million. This transaction included 12 fully serviced IB and IM-zoned industrial lots.

Industrial and multi-family-designated land were in highest demand, generating \$36.7 million and \$19.6 million in sales, respectively.

**Land Sales Distribution**  
33 Transactions  
\$75,514,508 Total \$ Volume



**Total Land \$ Value vs No. Of Transactions**



## MARKET SYNOPSIS & PREDICTION SUMMARY

The first quarter of 2023 saw investment more in line with pre-pandemic levels and appears to suggest a recovery. Investment numbers this strong were unexpected, especially considering that most economic forecasts were projecting a downturn in activity for 2023. Also, investor activity was spread across a much larger number of asset classes, whereas investors were much more focused in 2022 - a trend we anticipated would extend into this year.

Over the previous few years, we've witnessed strong demand emerge for commercial condominiums in the Edmonton & area market. Despite Q1 '23 investment remaining below the multi-year high seen in the first quarter of 2021, the appeal of owning one's real estate appears to be holding strong, as demonstrated by the increased year-over-sales we noted. This was another unexpected development, as we had anticipated an investment decrease in this type of asset due to the series of quick and consistent interest rate increases through late 2022.

More time and information are required to confidently announce a recovery in CRE investment. We are, however, optimistic that with the level and breadth of investment this quarter being similar to Q1 2019 and 2020 levels, sunny days lay ahead for the balance of 2023.

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#### Contacts:

Nathan Gettel, President

Brian Gettel, B.Comm., AACI

Anthony B. Scott – Research & Marketing

#### SUBSCRIPTIONS:

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

10129 – 161 Street NW

Edmonton, AB T5P 3H9

Ph: (780) 425-3939 – Edmonton

(403) 719-3959 - Calgary

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