

2023 MID-YEAR EDMONTON MARKET OVERVIEW

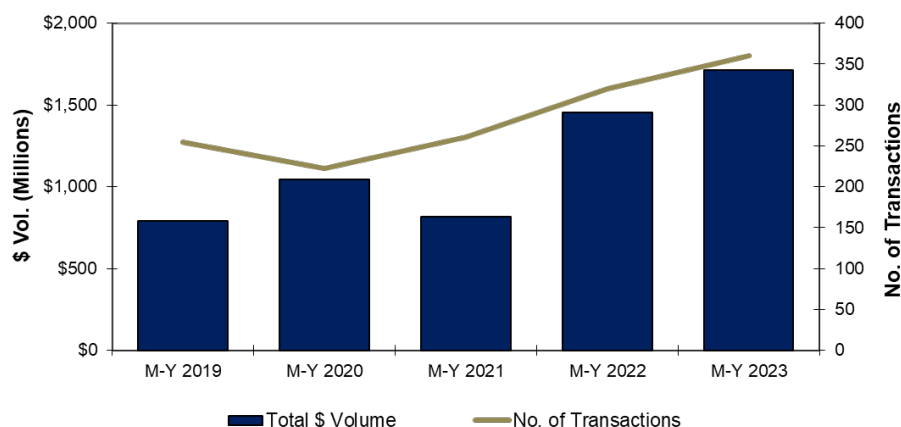
Commercial real estate investors had their wallets open through the first half of 2023. Continuing the flurry of investment activity noted in our Q1 report, an additional 193 transactions closed during the second quarter. An additional \$962.1 million of property and land sales closed in the Edmonton market, building on the \$752.6 million of asset sales through the first quarter of the year.

Total year-to-date dollar volume of more than \$1.7 billion represents an increase of approximately 18% versus mid-year 2022 and kept investment levels well above pre-pandemic levels. Year-over-year investment increased in four of the six asset classes we track, with dollar volume falling slightly among industrial properties and land.

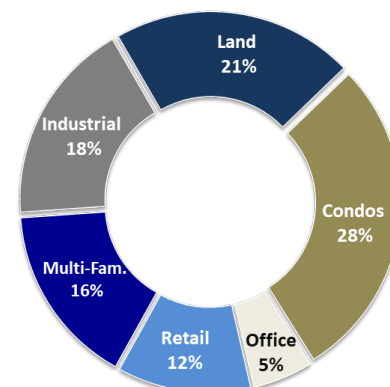
On a quarter-over-quarter basis, investment only decreased among retail and industrial properties at June 30th, while the often overlooked office sector seeing approximately \$25 million in new purchases close. The multi-family sector led Q2 with approx. \$319 million in new investment and land garnering a \$70 million increase in dollar volume.

	M-Y 2019	M-Y 2020	M-Y 2021	M-Y 2022	M-Y 2023
Land					
Total \$ Value:	\$233,442,664	\$148,403,308	\$111,802,242	\$238,144,795	\$193,725,906
No. of Transactions:	78	63	41	73	76
Buildings					
Total \$ Value:	\$555,777,152	\$893,567,789	\$706,417,084	\$1,216,933,246	\$1,521,058,662
No. of Transactions:	176	159	220	247	284
Totals					
Total \$ Value:	\$789,219,816	\$1,041,971,097	\$818,219,326	\$1,455,078,041	\$1,714,784,568
No. of Transactions:	254	222	261	320	360

Total \$ Volume & No. of Transactions



Mid-Year 2023 Sales Distribution



Commercial Condo Sales Activity Highlights.

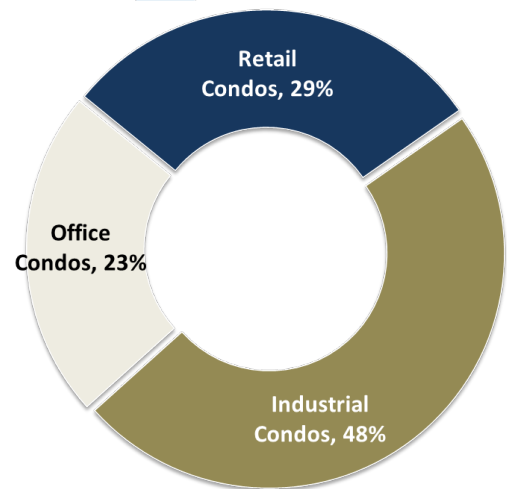
	Mid-Year 2020	Mid-Year 2021	Mid-Year 2022	Mid-Year 2023
Office Condos				
Total \$ Value:	\$11,662,819	\$15,515,572	\$15,476,880	\$15,930,720
No. Of Transactions:	12	20	20	23
Avg. Price/sq.ft.	\$354/sq.ft.	\$330/sq.ft.	\$345/sq.ft.	\$359/sq.ft.
Retail Condos				
Total \$ Value:	\$14,463,715	\$22,013,093	\$4,332,800	\$25,319,298
No. Of Transactions:	14	27	8	30
Avg. Price/sq.ft.	\$383/sq.ft.	\$418/sq.ft.	\$343/sq.ft.	\$429/sq.ft.
Industrial Condos				
Total \$ Value:	\$18,174,519	\$38,904,276	\$33,743,509	\$26,561,000
No. Of Transactions:	24	55	55	49
Avg. Price/sq.ft.	\$196/sq.ft.	\$207/sq.ft.	\$223/sq.ft.	\$206/sq.ft.
Totals				
Total \$ Value:	\$44,301,053	\$76,432,941	\$53,534,189	\$67,811,018
No. Of Transactions:	50	102	83	102

Investment in commercial condos properties increased by approximately \$12 million during the second quarter of 2023. After a first quarter that was slightly stronger than Q1 2022, an additional 52 properties changed hands. This put mid-year sales back near mid-year 2021 levels and dollar volume just below the same time period.

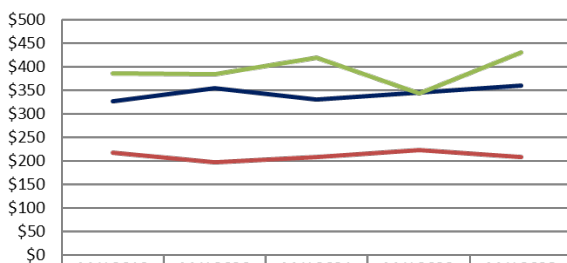
Industrial condos continued to comprise the majority of year-to-date sales, but noteworthy at this point in the year was resurgent demand for retail condos. This format was in the highest demand since 2019 - comprising approximately 30% of total sales - and also brought in record prices per square foot.

Office condo sales remained fairly consistent with previous years, in terms of total sales. Dollar volume and price per square foot also showed remarkable stability.

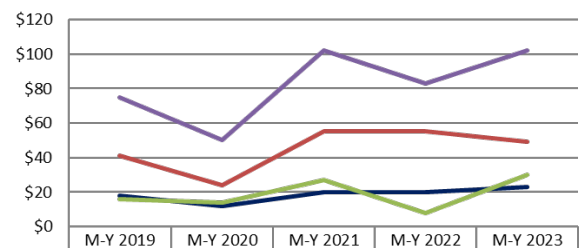
Commercial Condo Sales Distribution



Condo Average Unit Price



Commercial Condo Transactions



	M-Y 2019	M-Y 2020	M-Y 2021	M-Y 2022	M-Y 2023
Office Condos	\$327	\$354	\$330	\$345	\$359
Retail Condos	\$385	\$384	\$418	\$343	\$429
Industrial Condos	\$217	\$196	\$207	\$223	\$207
Office Condos	18	12	20	20	23
Retail Condos	16	14	27	8	30
Industrial Condos	41	24	55	55	49
Total No. of Sales	75	50	102	83	102

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Office Sales Activity Highlights.

	Mid-Year 2020	Mid-Year 2021	Mid-Year 2022	Mid-Year 2023
Suburban Office				
Total \$ Value:	\$6,071,000	\$49,852,000	\$37,213,535	\$76,221,000
No. Of Transactions:	5	10	11	19
Avg. Price/sq.ft.	\$247/sq.ft.	\$212/sq.ft.	\$332/sq.ft.	\$157/sq.ft.
Downtown Office				
Total \$ Value:	-	-	\$3,800,000	-
No. Of Transactions:	-	-	1	-
Downtown High-Rise Office				
Total \$ Value:	\$6,500,000	-	\$4,400,000	-
No. Of Transactions:	1	-	1	-
Totals				
Total \$ Value:	\$12,571,000	\$49,852,000	\$45,413,535	\$76,221,000
No. Of Transactions:	6	10	13	19

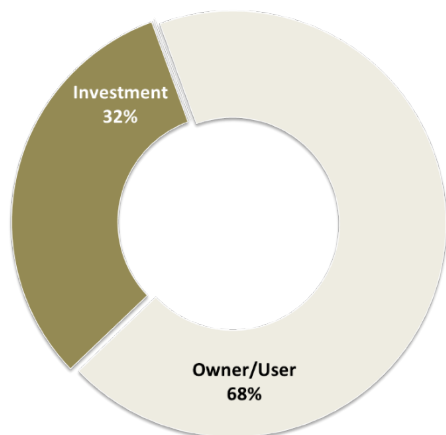
All of office property sales at the mid-point of 2023 were in suburban locations. During the second quarter of 2023, ten additional office sales closed, totalling approx. \$51 million and bringing mid-year investment to its highest point since pre-pandemic levels. The inverse was true for process per square foot, however; this metric – for suburban office properties specifically, reached a multi-year low.

As noted in the doughnut chart at bottom, owner/users were the primary driver of year-to-date investment. This group of investors made just over two-thirds of year-to-date purchases and just under half (\$30.9 million) of total dollar volume.

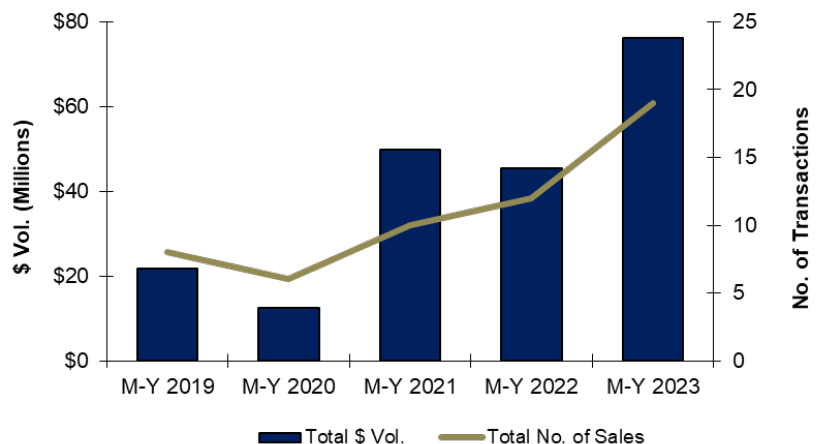
NOTABLE SALES JANUARY 1 - JUNE 30/2023

- 5555 Calgary Trail- \$16,600,000
- 9618 - 42 Avenue- \$9,470,000
- 5241 Calgary Trail - \$6,800,000

Office Building Sales Distribution



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



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Industrial Sales Activity Highlights.

	Mid-Year 2020	Mid-Year 2021	Mid-Year 2022	Mid-Year 2023
<u>Owner/User Warehouse</u>				
Total \$ Value:	\$73,124,750	\$118,271,000	\$170,832,990	\$158,865,605
No. Of Transactions:	22	35	55	50
Avg. Price/sq.ft.	\$157/sq.ft.	\$163/sq.ft.	\$185/sq.ft.	\$186/sq.ft.
<u>Multi-Bay Warehouse</u>				
Total \$ Value:	\$64,430,000	\$165,535,000	\$145,415,000	\$270,666,500
No. Of Transactions:	14	7	16	13
<u>Single-Tenant Warehouse</u>				
Total \$ Value:	\$7,068,000	\$2,500,000	\$254,505,000	\$15,750,000
No. Of Transactions:	1	1	8	1
<u>Totals</u>				
Total \$ Value:	\$144,622,750	\$286,306,000	\$570,752,990	\$445,282,105
No. Of Transactions:	37	43	79	64

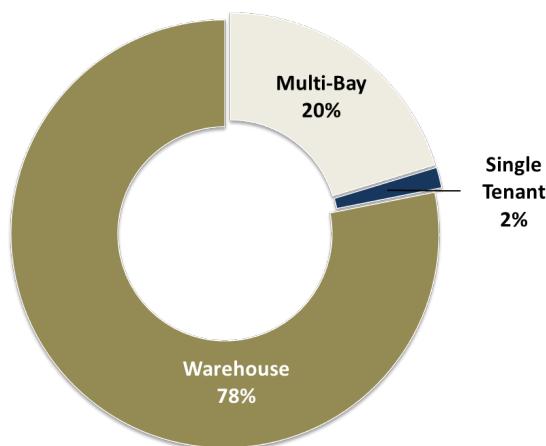
Investors took a breather during the second quarter of 2023, purchasing fewer properties among each of the categories we track on a year-over-year basis. As a consequence, this asset class saw a decline in year-over-year sales of 22% as compared to 2022.

As is typically the case in this asset class, owner/users remained the major contributor to year-to-date sales and dollar volume through the first half of 2023. Multi-bay warehouse dollar volume remained high by historical standards – even on diminished year-over-year sales, while single-tenant warehouse assets returned to single sale status.

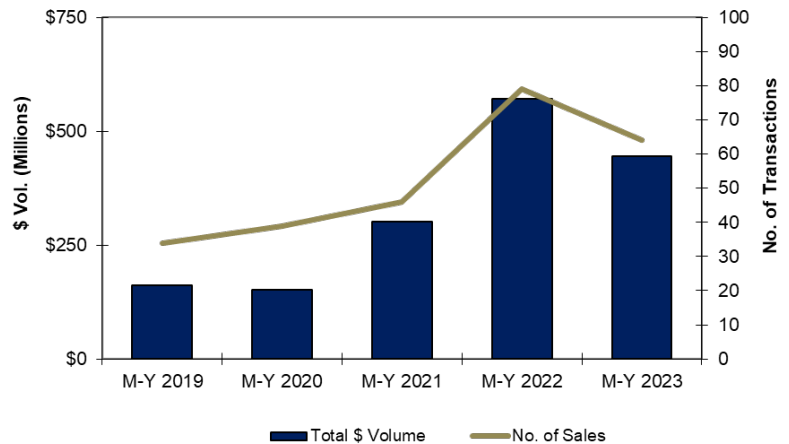
NOTABLE SALES JANUARY 1 – JUNE 30/2023

- 17803 - 111 Avenue - \$94,000,000
- 14530 - 157 Avenue - \$67,750,000
- 2710 - 51 Avenue - \$55,736,500

Industrial Sales Distribution



Total Industrial \$ Volume & No. of Transactions



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Multi-Family Sales Activity Highlights.

	Mid-Year 2020	Mid-Year 2021	Mid-Year 2022	Mid-Year 2023
Walk-Ups				
Total \$ Value:	\$126,932,950	\$94,767,700	\$179,847,804	\$407,613,336
No. Of Transactions:	24	28	31	48
Avg. Price/Suite	\$124,000/suite	\$117,000/suite	\$139,000/suite	\$156,000/suite
Avg. Cap Rate %	5.33%	5.03%	5.04%	5.06%
High-Rise Apartments				
Total \$ Value:	\$305,000,000	\$19,750,000	\$108,076,477	\$66,670,000
No. Of Transactions:	4	1	4	3
Misc.				
Total \$ Value:	\$34,510,000	\$9,747,400	\$109,970,000	\$189,834,000
No. Of Transactions:	2	7	7*	6
Totals				
Total \$ Value:	\$466,44,950	\$124,264,400	\$397,894,904	\$664,117,336
No. Of Transactions:	30	36	42	57

*Misc – 2 Row Houses, 4 Assisted Living developments

Investment in the multi-family asset class jumped significantly during the second quarter of 2023. Thirty-six additional transactions closed, totalling more than \$491 million, more than doubling first-quarter dollar volume.

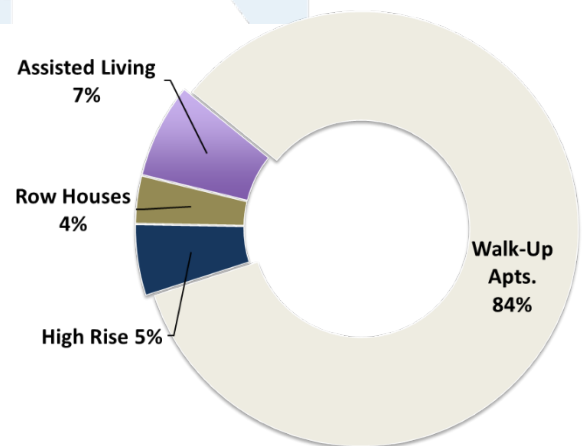
Assisted living properties were a hot commodity – and big-ticket items - during the first half of the year, with all four properties selling for between \$27.8 million and \$55.6 million each.

Conspicuous in their absence from year-to-date sales were walk-up/retail properties.

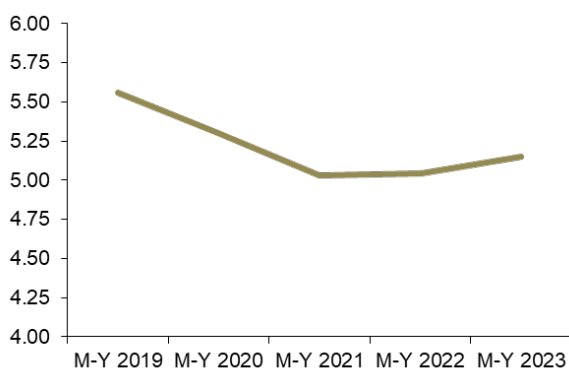
NOTABLE SALES JANUARY 1 – JUNE 30/2023

- 11804 Abbottsfield Road - \$59,500,000
- 5149 Mullen Rd - \$55,615,000
- 8155 105 Street - \$51,000,000

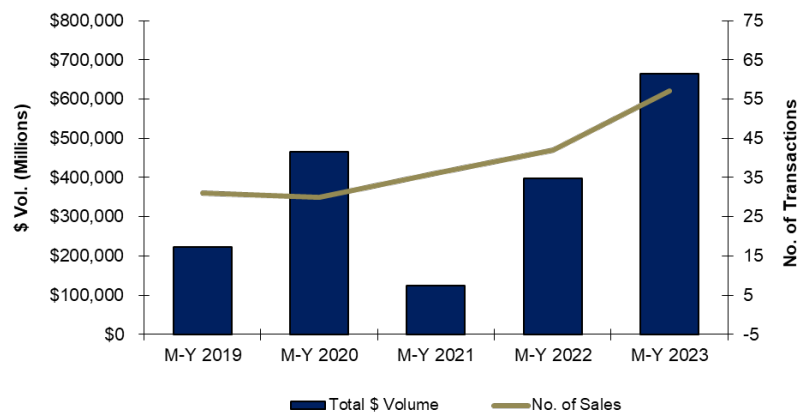
Multi-Family Sales Distribution



Multi-Family Capitalization Rate (%)



Total Multi-Family \$ Volume vs No. of Transactions



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Retail Sales Activity Highlights.

	Mid-Year 2020	Mid-Year 2021	Mid-Year 2022	Mid-Year 2023
General Retail				
Total \$ Value:	\$32,330,000	\$24,172,825	\$41,345,990	\$55,992,203
No. Of Transactions:	16	12	17	23
Shopping Centres				
Total \$ Value:	\$74,920,000	\$28,305,918	\$68,135,000	\$121,120,000
No. Of Transactions:	5	4	5	7
Avg. Cap Rate %	6.20%	6.25%	6.06%	7.59%
Misc.				
Total \$ Value:	\$107,446,036	\$101,133,000	\$39,857,261	90,515,000
No. Of Transactions:	10	10	8	12*
Totals				
Total \$ Value:	\$214,696,036	\$153,611,743	\$149,338,251	\$267,627,203
No. Of Transactions:	31	26	30	42

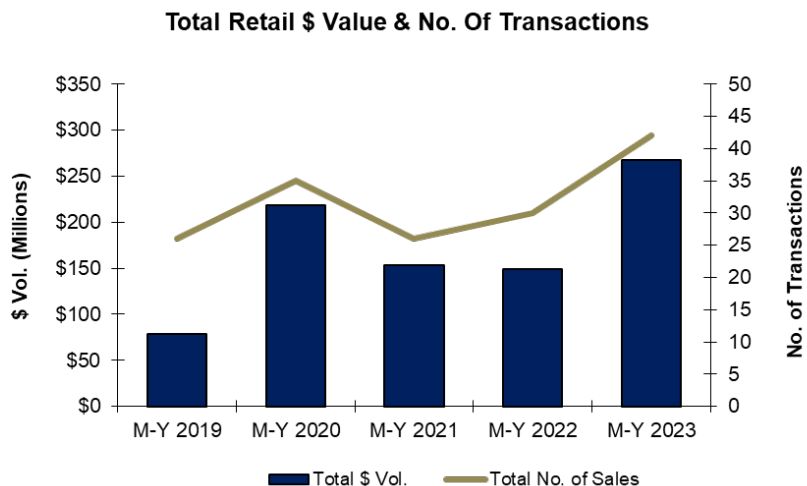
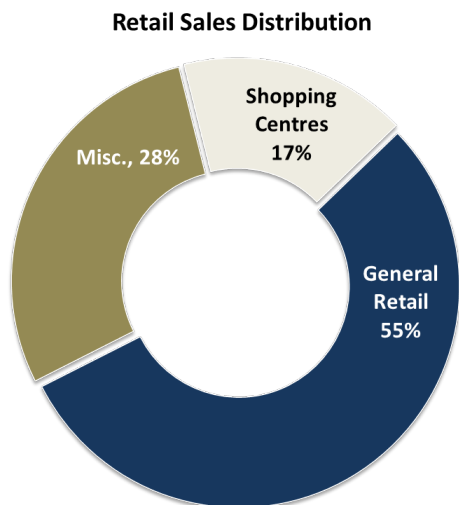
*Misc. – 4 Hotels, 2 Car Dealerships, 2 Service Stations, 2 Schools, 1 Restaurant & 1 Self Storage facility.

Similar to the industrial asset class, the commercial retail market softened during the second quarter of 2023 but both dollar volume and total transactions remained up on a year-over-years basis due to the strength of Q1. Total dollar volume nearly doubled June 30th, 2022 levels with just over \$120 million in transactions closing at the mid-point of the year. Shopping Centre dollar volume comprised approximately one-third of Q2 total dollar volume and the second quarter also saw an uptick in miscellaneous property sales which comprised appx. 25% of second quarter sales. Investment in the latter group was up significantly on a year-over-year basis after a dramatic drop at mid-year 2022.

The \$69 million sale of The Millwoods Town Centre & Millwoods Town Centre Professional Building to 2471617 Alberta Ltd. remained the largest sale of this asset class at mid-year. A small sale, but commanding top-dollar per square foot, was an Esso & Circle K at 8403 Ellerslie Road SW which sold for \$467/sf. to 2470347 Alberta Ltd. This property is part of a portfolio sale that includes 8 McKenzie Towne Avenue SE in Calgary.

NOTABLE SALES JANUARY 1 – JUNE 30/2023

- 5821 Terrace Road (Northgate Chevrolet/Buick/GMC) - \$23,645,000
- 13215 97 Street (Lowe’s) - \$22,000,000



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Land Sales Activity Highlights.

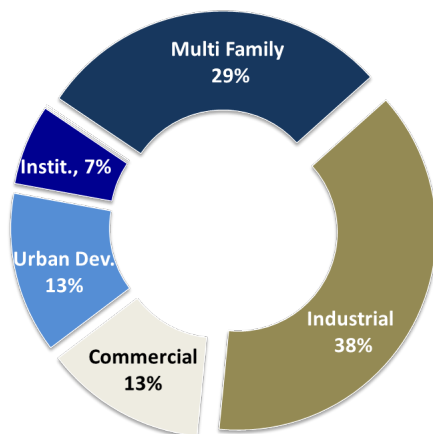
	Mid-Year 2020	Mid-Year 2021	Mid-Year 2022	Mid-Year 2023
<u>Commercial Land</u>				
Total \$ Value:	\$31,417,612	\$28,056,739	\$37,298,250	\$17,407,032
No. Of Transactions:	18	9	20	10
Avg. Per/Sq.ft.	\$59/sq.ft.	\$48/sq.ft.	\$52/sq.ft.	\$40/sq.ft.
<u>Industrial Land</u>				
Total \$ Value:	\$30,525,500	\$1,808,000	\$117,553,350	\$67,509,082
No. Of Transactions:	13	3	20	29
Avg. Per/Acre	\$638,033/acre	\$413,619/acre	\$630,253/acre	\$949,816/acre
<u>Multi Family Land</u>				
Total \$ Value:	\$52,273,006	\$64,423,113	\$49,002,102	\$52,140,750
No. Of Transactions:	17	20	19	22
<u>Urban Development Land</u>				
Total \$ Value:	\$13,706,900	\$14,906,190	\$32,681,093	\$29,563,058
No. Of Transactions	13	6	18	10
Avg. Per/Acre	\$170,353/acre	\$2,484,365/acre	\$327,756/acre	\$211,262/acre
<u>Institutional Land</u>				
Total \$ Value:	\$13,880,290	\$2,389,800	-	\$27,105,984
No. Of Transactions	2	2	-	5
<u>Totals</u>				
Total \$ Value:	\$148,403,308	\$111,802,242	\$236,534,795	\$193,725,906
No. Of Transactions	63	41	73	76

Despite a small year-over-year increase in total sales, the land asset class saw a small decrease in dollar volume versus June 30, 2022. Investment in this asset class did, however, remain well above mid-year 2020 and 2021 levels. Just over \$118 million over 43 transactions closed during the second quarter of the year, of which 15 were parcels of land designated for multi-family development and 13 for industrial use.

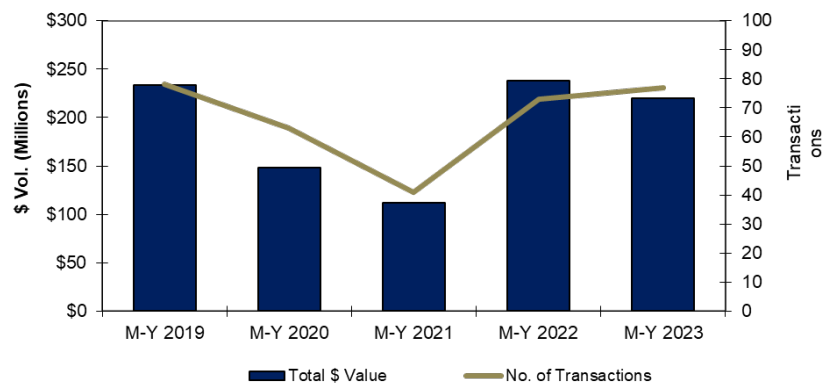
At the mid-year mark, investors’ renewed interest in multi-family designated land translated into the highest mid-year sales numbers in several years. As noted in the table above, investors’ desire for industrial land reached a four-year sales peak.

The stand-out transaction of 2023 to date is the \$20.5 million (\$328,631/acre) purchase of 62 acres at 1904 - 109 Avenue NW, entailing twelve fully-serviced industrial lots, by One Ninety Nine Business Park Ltd.

Land Sales Distribution



Total Land \$ Value vs No. Of Transactions



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MARKET SYNOPSIS & PREDICTION SUMMARY

The second quarter of 2023 saw investment well above pre-pandemic levels and as at the end of Q1 this year, appears to suggest a recovery. As with the first quarter of the year, investment numbers this strong were unexpected, especially considering that most economic forecasts were projecting an economic downturn in 2023. A trend we did anticipate would extend into this year, however, was the diversity of investor activity; sales were spread across a much larger number of asset classes than we witnessed in 2022.

Over the previous several years, we’ve witnessed the commercial condominium market develop and strong demand emerge for these assets in the Edmonton & area market. Sales activity and dollar volume seen in each quarter of the year-to-date show that the appeal of owning one’s real estate appears is holding strong, as demonstrated by the increased year-over-sales numbers. 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 and into this year.

More time and information are required to confidently announce a recovery in CRE investment. We are, though optimistic that with the level and breadth of investment exceeding last year’s numbers, the balance of 2023 looks considerably rosier than we would have anticipated at this point last year.

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