

## Q3 2023 EDMONTON CRE MARKET OVERVIEW

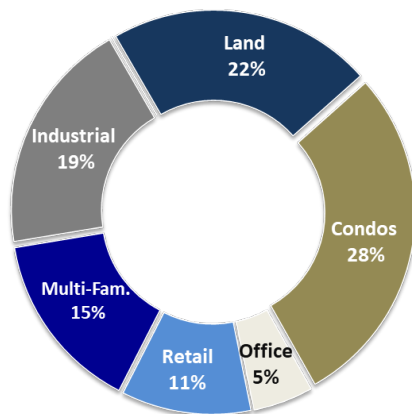
### November 2023

Commercial real estate investment in the Edmonton market continued its upward trajectory as 2023 progressed. Building on substantial mid-year investment dollar volume, an additional \$603 million in sales closed during the third quarter of the year and brought total year-to-date (ytd) dollar volume to \$2.36 billion – a five-year high.

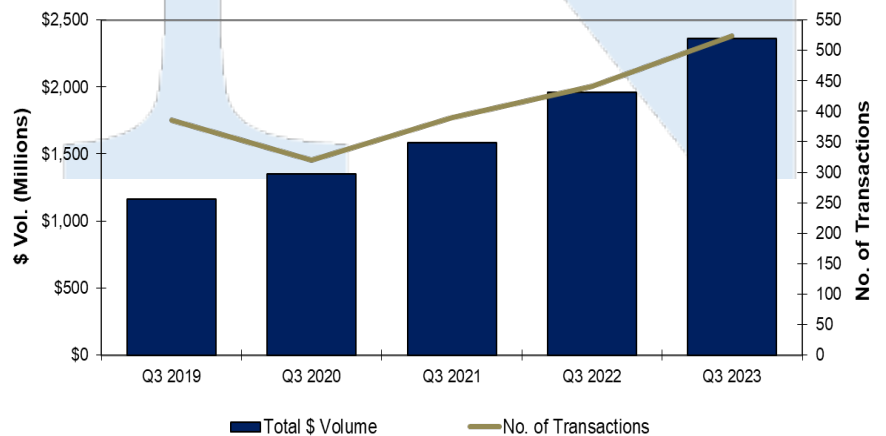
At September 30<sup>th</sup>, all but the industrial asset class saw a year-over-year increases in dollar volume and sales. Supporting the strong year-to-date quarter investment numbers was substantial transaction activity among multi-family and retail properties. These asset classes generated just under \$843 million and \$373 million in total dollar volume, respectively. Commercial condominium sales remained strong as we've come to expect, while renewed interest in office properties was a pleasant surprise with sales up by half and investment dollar volume up by about one-third. Land sales and overall investment continued to recover from pandemic lows but industrial investment posted year-over-declines in total ytd sales and dollar volume invested.

	Q3-2019	Q3-2020	Q3-2021	Q3-2022	Q3-2023
<b>Land</b>					
Total \$ Value:	\$359,626,439	\$196,235,673	\$184,448,924	\$318,091,680	\$380,341,475
No. of Transactions:	113	90	65	104	113
<b>Buildings</b>					
Total \$ Value:	\$804,476,407	\$1,156,219,452	\$1,401,369,980	\$1,640,929,225	\$1,978,515,3855
No. of Transactions:	272	230	325	337	410
<b>Totals</b>					
Total \$ Value:	\$1,164,102,846	\$1,352,455,125	\$1,585,818,904	\$1,959,020,905	\$2,358,856,860
No. of Transactions:	385	320	390	441	523

Q3 2023 Sales Distribution



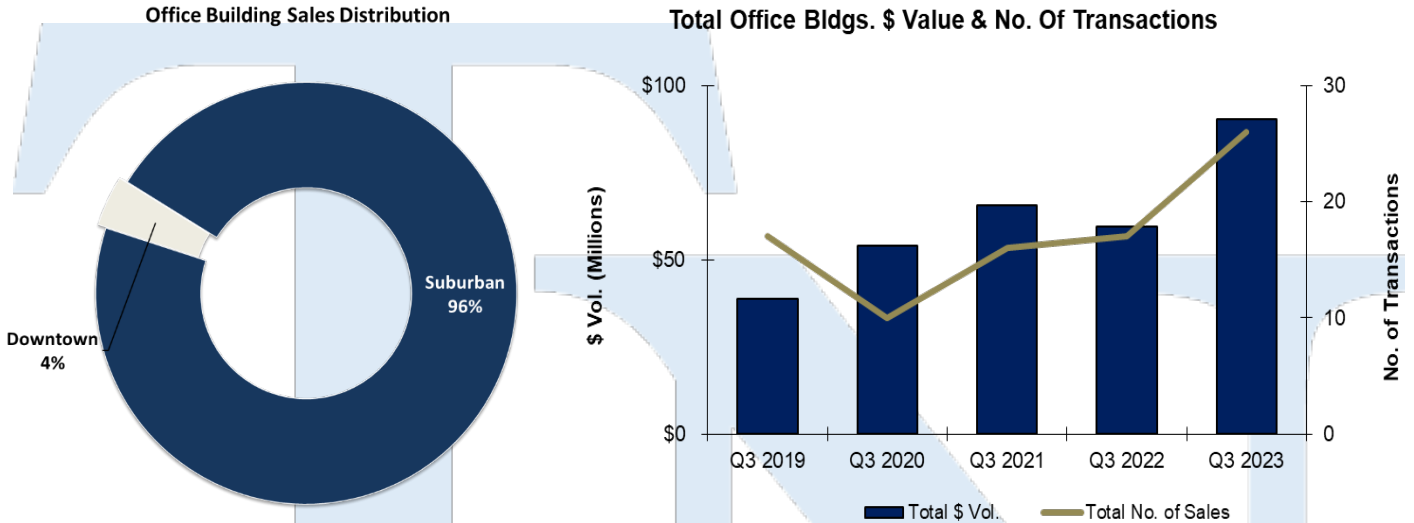
Total \$ Volume & No. of Transactions



## OFFICE SECTOR

Six office building transactions closed during the third quarter, contributing more than \$13 million to the September 30<sup>th</sup> total of \$90.2 million. The suburbs continued to be the source of investors' interest, with 25 of the 26 commercial property sales occurring outside of the Downtown. Investors' appetite for office properties remained on a general upward trajectory from a five-year low in 2019 and average price paid per square foot increased accordingly to \$174/sf.

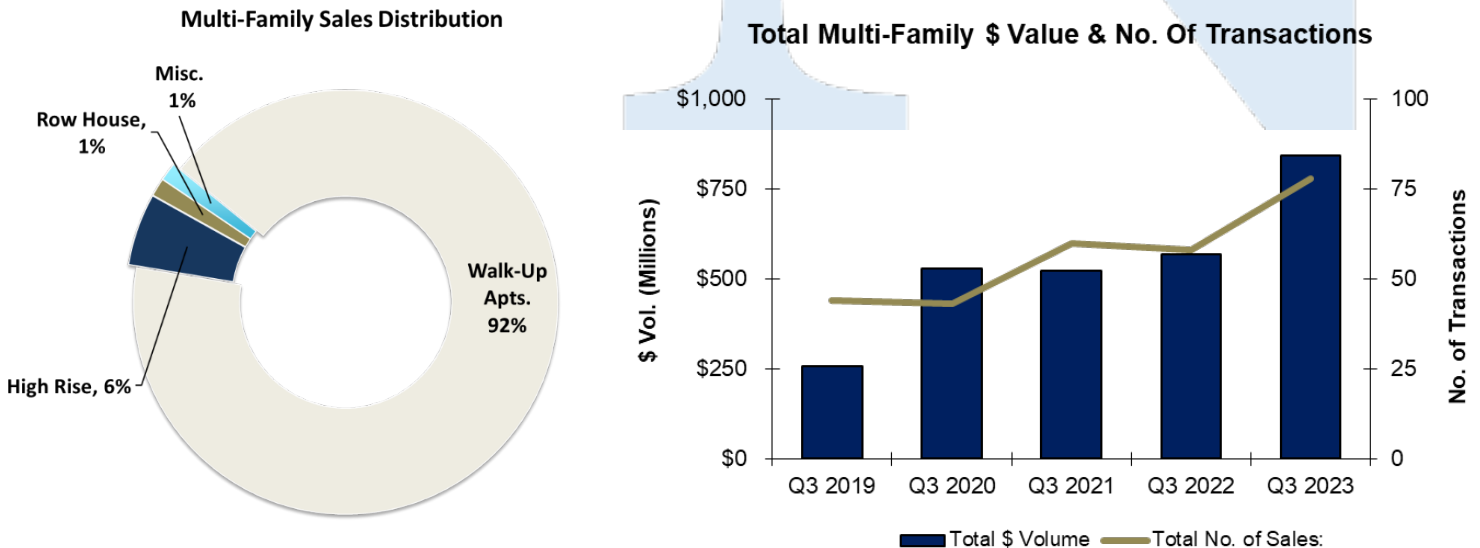
To the end of Q3, just one transaction had closed above \$10 million; 5555 Calgary Trail, which was part of a two-property portfolio that includes Centre 104 (5241 Calgary Trail). This portfolio totals \$23,400,000.



## MULTI-FAMILY SECTOR

Investment in multi-family properties jumped significantly during the third quarter of 2022, with 19 additional transactions closing. These totalled more than \$70 million and brought total investment to just under \$749 million over 78 total sales. This contrasts with 58 sales totaling \$559 million one year prior. Through September 30<sup>th</sup>, multi-family properties moved for an average of \$155,000 per unit, up from \$137,000 at Q3 2022. Cap rates were unchanged at 5.1%.

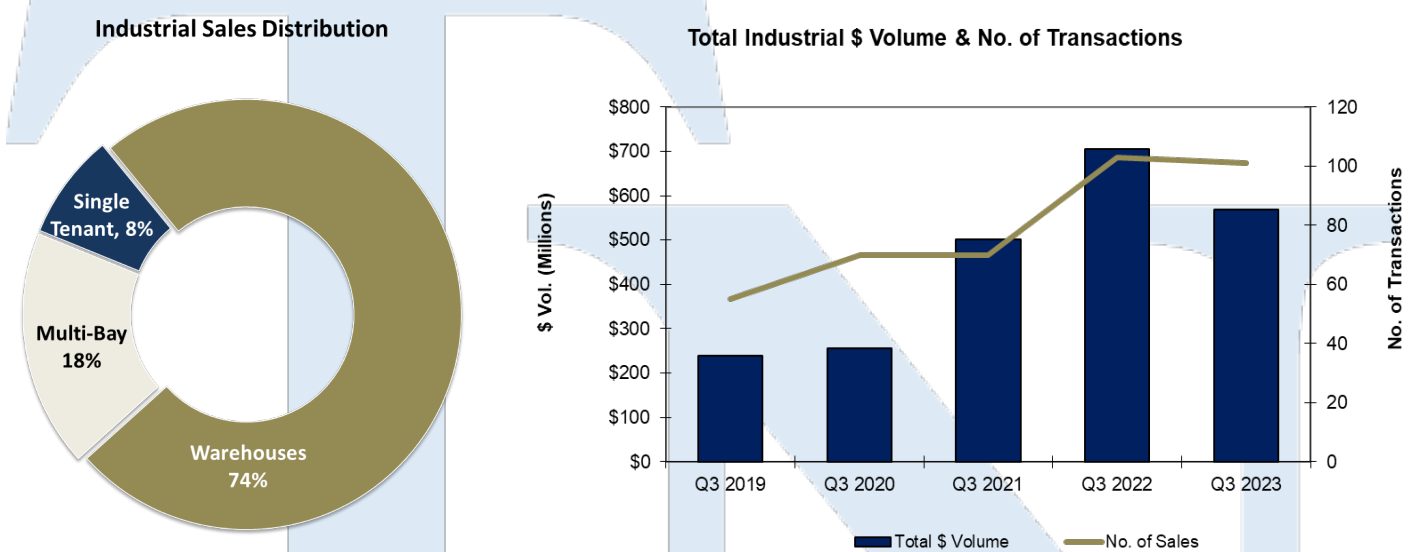
The largest transaction of Q3 2022 was the \$90.6 million purchase of the 300+ unit 121 West (4.71% cap). The property moved for \$231,000/suite - among the highest price per door seen so far this year. The highest price per door was the \$538,000/suite price paid for Capital Apartments (\$63 million overall) in June.



## INDUSTRIAL SECTOR

Investors took a breather in the third quarter of 2023, purchasing just 35 industrial properties for a total of \$117 million. This brought year-to-date sales to 101 totalling \$569.5 million – a year-over-year decrease of two sales and \$135.3 million in dollar volume. Just three transactions closed above \$25 million at September 30<sup>th</sup>, the largest being the \$94 million sale of 17803 - 111 Avenue which forms part of the Alberta Industrial Portfolio (\$309.25 million total). This portfolio entails 16 buildings across four business parks in Edmonton & Calgary.

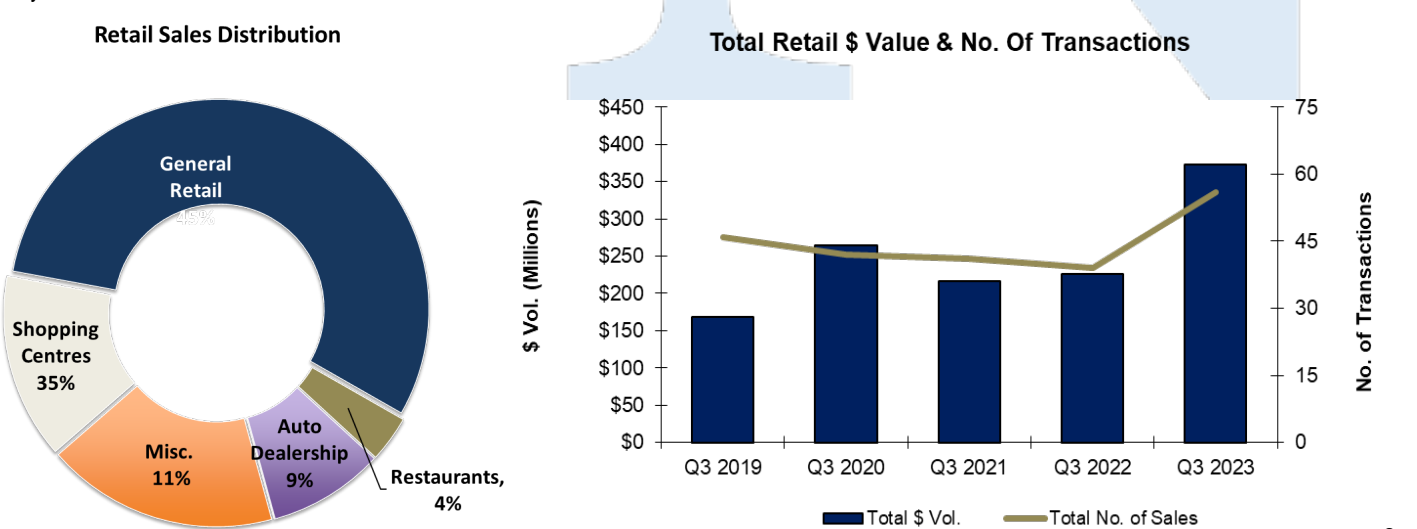
Owner/Users accounted for more than three quarters of year-to-date transactions and generated more than \$235 million in sales. The largest transaction within this group was the \$17.8 million purchase of Northgate Industries Complex (\$72/sf). The low price per square foot was due to this property being acquired through an expropriation process. The final compensation including market value is not yet determined.



## RETAIL SECTOR

Just under \$97 million in transactions closed among retail assets during Q3, bringing total dollar volume at September 30<sup>th</sup> to \$372.7 million. This is up markedly from \$225.7 million a year earlier. Year-over-year total sales were also up substantially to 56 from 39.

The \$69 million sale of The Millwoods Town Centre & Millwoods Town Centre Professional Building (\$151/sf & 10.4% cap.) was a major contributor to the overall increase in year-to-date dollar volume. At the low end of transaction size, but commanding top-dollar per square foot, was the September sale of West Edmonton Hyundai which commanded \$650/sf.

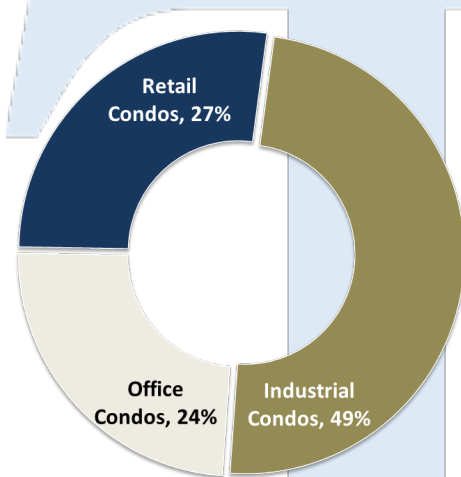


## COMMERCIAL CONDOMINIUM SECTOR

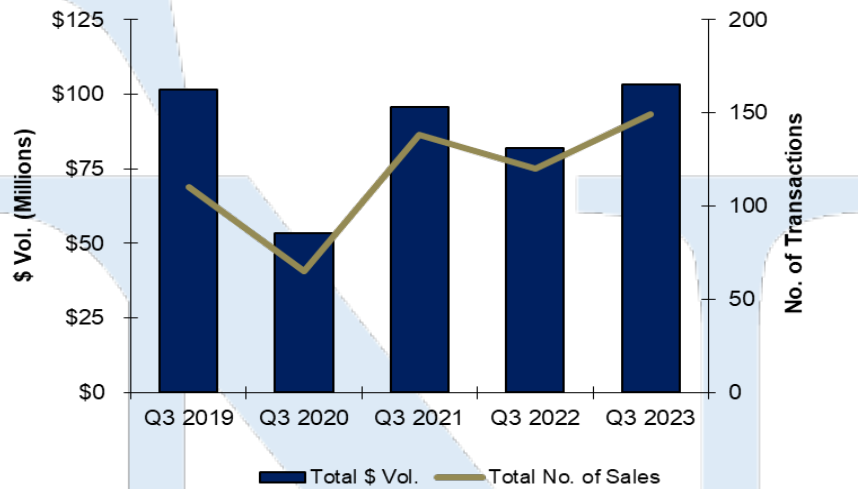
Just over \$103 million in transitions closed among commercial condominiums through the third quarter of 2023, with \$34 million of this occurring in Q3 alone. Year-to-date investment marked a five-year high, surpassing the \$101.5 million invested in commercial condos through Q3, 2019. Total sales reached an all-time high of 149 and industrial condos continued to dominate sales, comprising 49% of transactions to September 30<sup>th</sup>.

Speaking to prices per square foot, this metric remained stable for office condos at \$341/sf while industrial condo prices per square foot prices fell to an average of \$207/sf from \$225/sf at Q3 2022. Price per square foot values for retail condos increased however, to \$419/sf per square foot from \$379/sf on a year-over-year basis.

Commercial Condo Sales Distribution



Total Condo \$ Value & No. Of Transactions



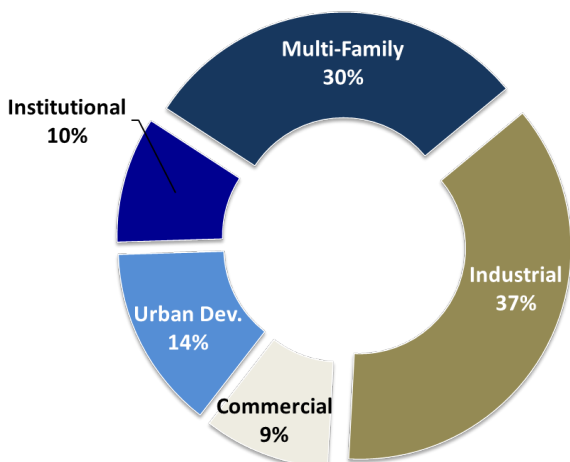
## LAND SECTOR

Nearly \$181 million in land transactions closed during the third quarter of 2023, bringing total investment in this asset class to \$380.4 million and surpassed the previous high water mark of \$359.6 million at Q3 2019. The number of overall sales matched the a five-year high of 113 set in that same year.

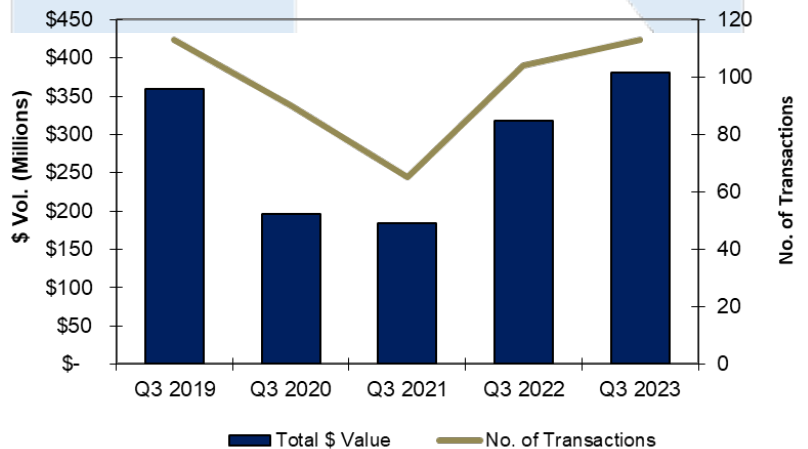
The stand-out transaction of 2023 through September 30<sup>th</sup> was the \$50.8 million (\$1.9 million/acre) purchase of 26.7 acres at 11904 - 109 Street NW by The Board of Governors of the Northern Alberta Institute of Technology (NAIT). This transaction entailed an acquisition of five sites adjoining the NAIT campus for campus expansion.

Land designated for industrial use was in heaviest demand through Q3, contributing more than \$92 million to the year-to-date total over 42 ytd transactions.

Land Sales Distribution



Total Land \$ Value vs No. Of Transactions



## MARKET SYNOPSIS & PREDICTION SUMMARY

As 2023 progressed through the second and third quarters, investment in the Edmonton commercial real estate market continued to accelerate and rise notably above 2019-2022 levels. The third quarter of 2023 saw investment continue to rise well above pre-pandemic levels and as of September 30<sup>th</sup>, we have almost certainly seen a recovery manifest. As with the first and second quarters of the year, investment numbers this strong were unexpected, especially considering that most economic forecasts were projecting an economic downturn to take place in late 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 to be holding strong. 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. With multiple economic forecasts suggesting interest rates have plateaued for the foreseeable future, our expectation is that commercial condominium sales will continue to be a major investment sector for some time to come.

We are optimistic that with the level and breadth of investment exceeding last year's numbers, the remaining months of 2023 look considerably rosier than we would have anticipated at this point last year.

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