



REALTORS®
Association of
Edmonton

May 28, 2024

Q1 2024

EDMONTON CRE

MARKET OVERVIEW

Commercial Real Estate

FIRST QUARTER 2024 EDMONTON CRE MARKET OVERVIEW

May 2024

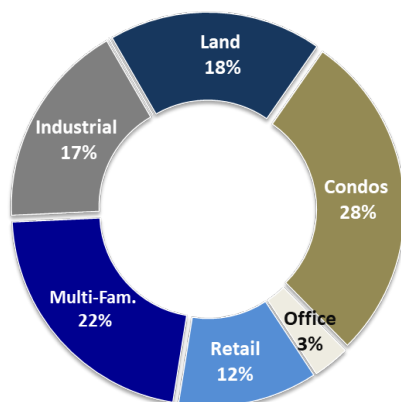
Commercial real estate investors in the Edmonton market collectively took a breather during the first quarter of 2024. A little more than \$580 million of assets was purchased through Q1 2024, which represents an overall year-over-year decrease of approximately \$172 million (23%) and saw investment levels settle back within a long-term average. Compared to Q1 2023, investment was up across just three of the six asset classes we track. Land posted strong investment gains, sales and dollar volume were up among multi-family properties and commercial condominium investment increased year-over-year (y-o-y) for a third time.

Multi-family properties were number one on investors' lists, with more than \$161 million worth of assets purchased this period. The industrial asset class was the next top performer despite a y-o-y decrease, drawing more than \$149 million. As mentioned earlier, land was back on the shopping list, attracting more than \$109 million. At the other end of the spectrum, just six office buildings totalling \$25.2 million changed hands during the quarter.

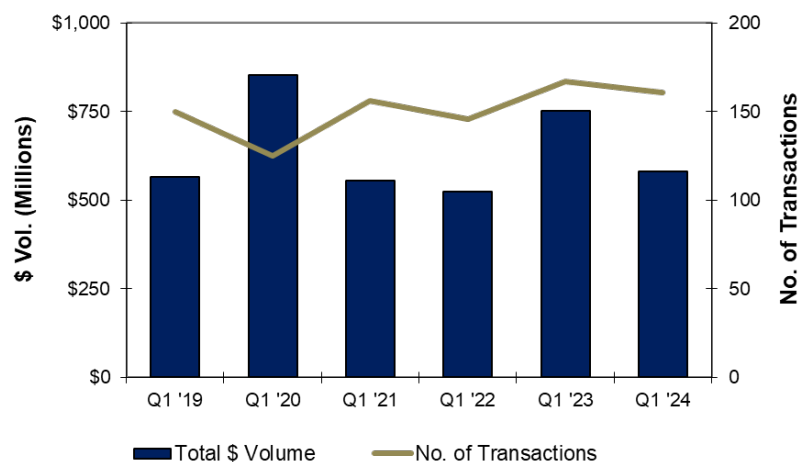
Also of note was the level of sales activity this quarter, which was down 4% year-over-year.

	Q1-2021	Q1-2022	Q1-2023	Q1-2024	Y-O-Y Change
Land					
Total \$ Value:	\$48,203,382	\$78,765,100	\$75,514,508	\$109,482,600	\$33,968,092
No. of Transactions:	22	35	33	29	(4)
Buildings					
Total \$ Value:	\$506,354,186	\$446,214,356	\$677,088,890	\$471,143,260	\$(205,945,630)
No. of Transactions:	134	113	134	132	(2)
Totals					
Total \$ Value:	\$554,557,568	\$524,979,456	\$752,603,398	\$580,625,860	\$(171,977,538)
No. of Transactions:	156	146	167	161	(6)

Q1 2024 Sales Distribution



Total \$ Volume & No. of Transactions

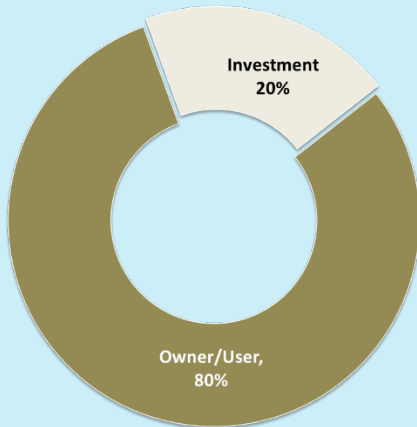


OFFICE SECTOR

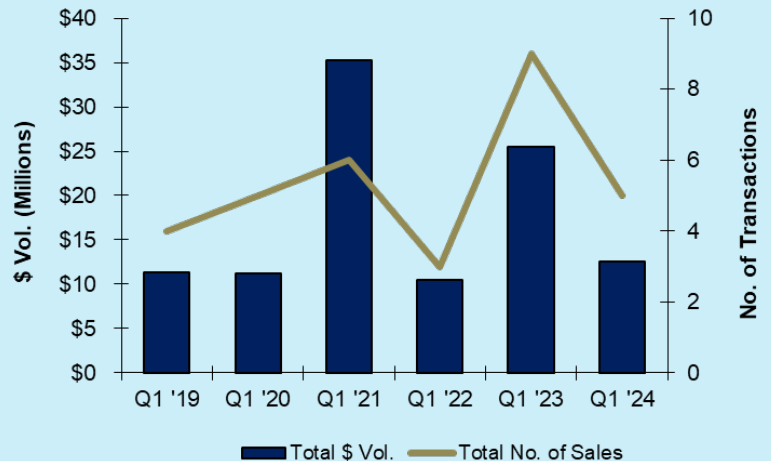
In addition to sales of office buildings to date falling substantially compared to a year ago, dollar volume invested was more than halved to \$12.6 million from \$25.5 million in Q1 2023. While Edmonton's office asset sales have historically occurred in the suburbs, this quarter magnified that trend with all five transactions occurring outside of the Downtown. Of note, four of the five office property sales were to owner/users with the sole investment play being the court-ordered sale of 10050 112 Street (Compass Place).

The Compass Place sale was also the largest office transaction of the quarter at \$6.5 million. This suburban high-rise property was bought by 2577387 Alberta Ltd.

Office Building Sales Distribution



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



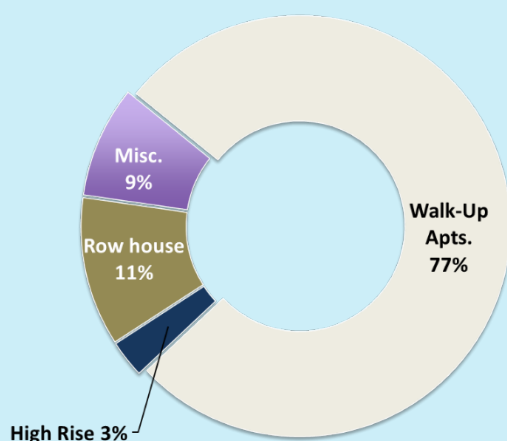
MULTI-FAMILY SECTOR

Investors' appetite for multi-family properties increased dramatically compared to Q1 2023, though for lesser-priced assets. Just four transactions exceeded \$10 million in Q1 '24, whereas five closed above this threshold in Q1 '23 and several other sales closed on the cusp. In the first three months of this year, 35 sales totalling more than \$176 million were completed, versus 21 sales totaling \$171.5 million one year prior.

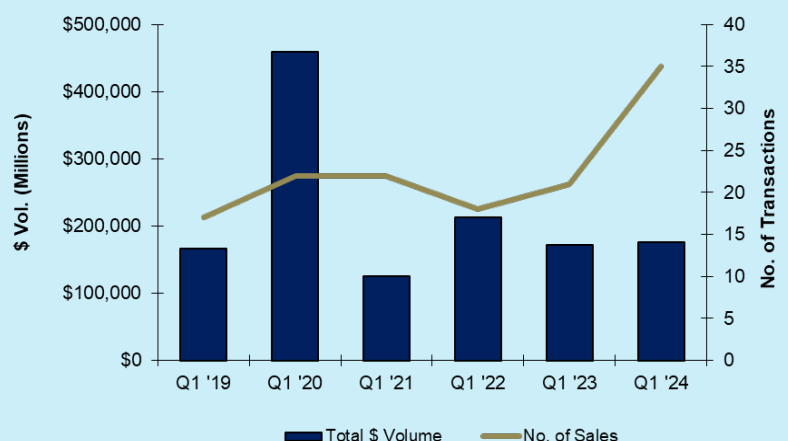
During the first quarter of this year, multi-family properties moved for an average of \$130,000 per unit as opposed to \$172,000 a year earlier. Cap rates also came in at 5.6% at March 31st, 2022 versus 5.2% last year.

The most significant transaction through March 31st was the \$45.3 million purchase (4.81% cap.) of The View At Secord (formerly Gill Village) by Boulevard Real Estate Equities Ltd. The top price per unit was paid for 12122 121 Avenue (5.07% cap), at \$297,500/suite.

Multi-Family Sales Distribution



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



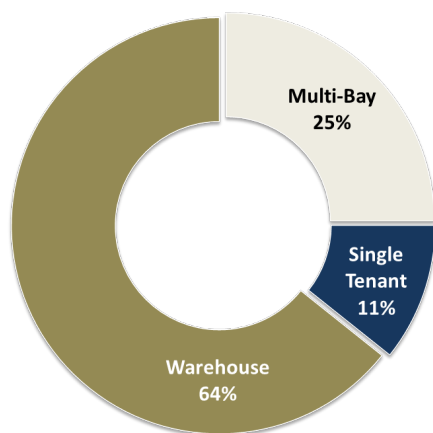
INDUSTRIAL SECTOR

After multi-year increases in Q1 sales, the first quarter of 2024 posted a significant change in direction. While industrial properties were a surprisingly popular asset class among investors in Q1 2023 - both in terms of sales and total dollar volume - softening market conditions saw dollar volume the first quarter of 2024 halved from that posted a year ago (\$149.2 million vs. \$304.3 million) with sales down by about 30%.

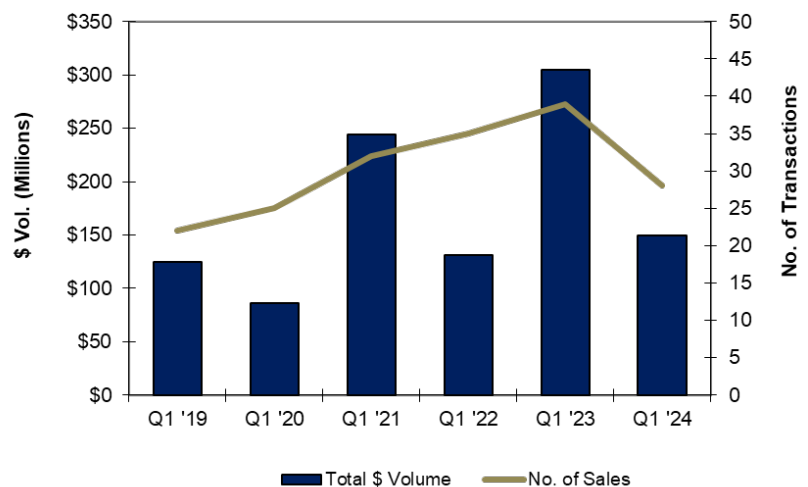
Owner/User facilities accounted for 18 of the 28 transactions completed during this period and comprised approximately one-third (\$56.3 million) of total year-to-date investment. The largest transaction within this group was the \$8 million purchase of 6810 8 Street NW by 2558817 Alberta Ltd. (\$118/sf).

Overall, average price per square foot for industrial properties remained steady at \$190/sf – the highest since pre-COVID 19. A couple of purchases that help maintain this metric were 7103 - 42 Street and 17630 - 102 Avenue which sold for \$467/sf and \$354/sf, respectively.

Industrial Sales Distribution



Total Industrial \$ Volume & No. of Transactions

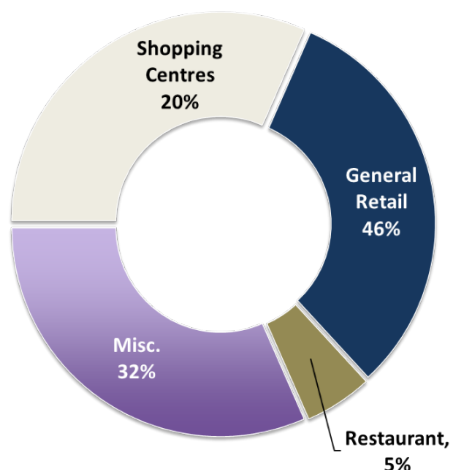


RETAIL SECTOR

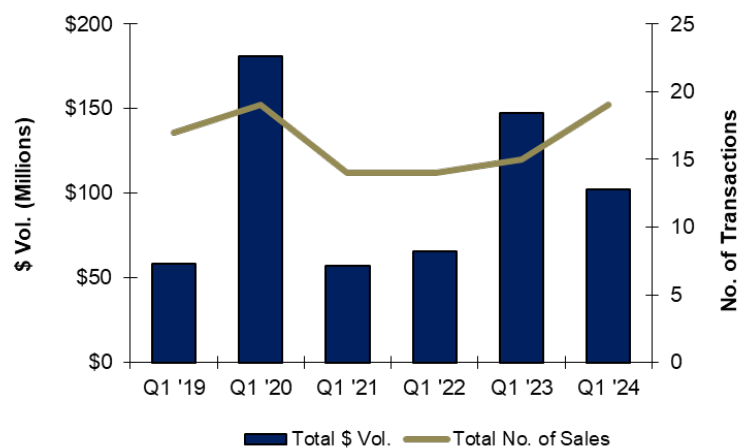
Dollar volume invested in retail assets decreased by 31% from Q1 2023 levels, achieving \$102 million versus approximately \$147 million a year ago. Sales numbers however, continued ticking upward and matched the pre-COVID 19 high of 19 first-quarter sales. This stark divergence of upward sales/decreasing dollar volume demonstrates the extent to which big-ticket items impacted first-quarter numbers last year.

Just three sales exceeded the \$10 million threshold and none were greater than \$15 million. The most notable transactions to date were the \$14.1 million and \$14.07 million respective sales of two Toys "R" Us stores as part of a portfolio sale across Alberta.

Retail Sales Distribution



Total Retail \$ Value & No. Of Transactions

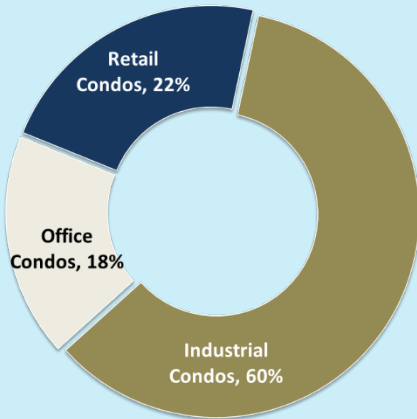


COMMERCIAL CONDOMINIUM SECTOR

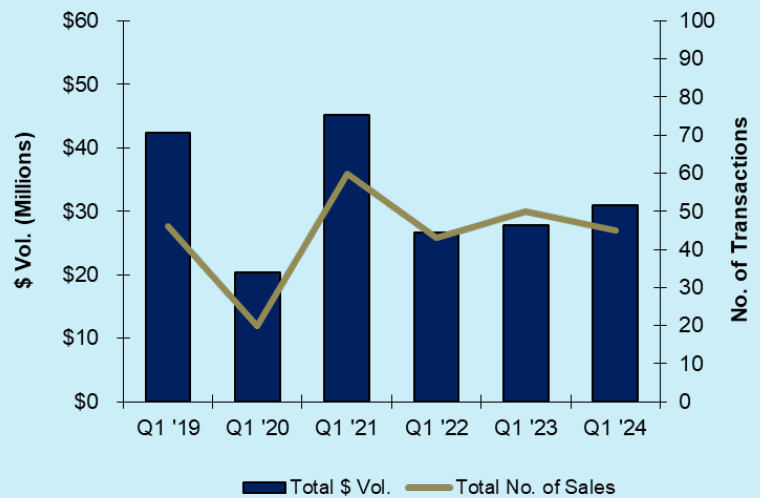
Demand for commercial condos boosted first-quarter investment levels for a third year in a row. While overall sales decreased slightly, a net \$3.1 million year-over-year investment increase was posted. Overall sales levels fell to 45 from 50 last year but as with the first quarters of the previous four years, robust demand for industrial condos was the main contributor to year-to-date investment levels. In Q1 2019, the opposite was true.

Prices per square foot decreased slightly year-over-year for office and industrial condos to \$318 (psf) and \$206 psf, respectively; each down approximately \$10 psf. Per square foot for retail condominiums continued a multi-year upward trend however, reaching an all-time high average of \$461 psf; up from \$454 psf one year earlier.

Commercial Condo Sales Distribution



Total Condo \$ Value & No. Of Transactions



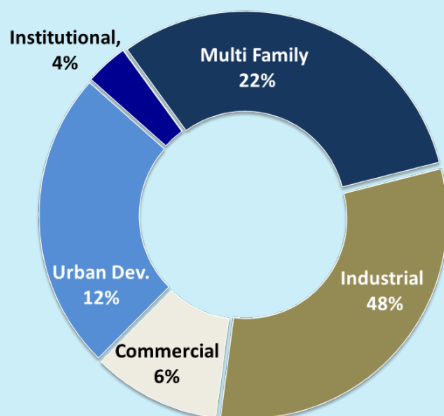
LAND SECTOR

For the first time since 2019, first quarter investment in the land sector broke the \$100 million mark. Through the first three months of 2024, investment in land reached \$109.5 million despite a small year-over-year decrease in total sales. Of the year-to-date sales, investors were much more heavily focused on multifamily and industrial land – to the near-exclusion of institutional land – than in previous years.

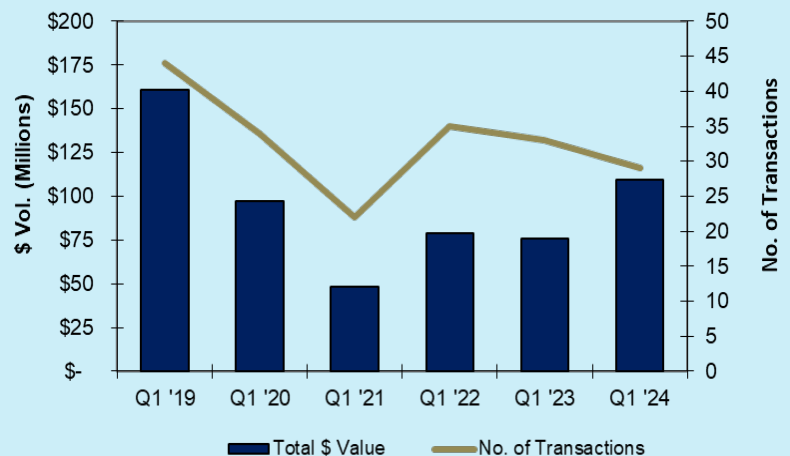
Multi-family and Industrial -designated land generated \$19.7 million and \$17.4 million in sales, respectively.

The stand-out transaction of this quarter was the 152.9-acre purchase at 1704 - 91 Street SW by the City of Edmonton for \$34 million. A Northern Alberta Institute of Technology (NAIT) industrial education campus had been proposed for this site and has since been abandoned.

Land Sales Distribution



Total Land \$ Value vs No. Of Transactions



MARKET SYNOPSIS & PREDICTION SUMMARY

The first quarter of 2023 saw investment fall back in line with long-term averages. Although both sales numbers and dollar volume were down on a year-over-year basis, the numbers are compared to a year (2023) in which the Edmonton market had a banner year for commercial investment; a year which itself got off to a surprisingly strong start.

Given that commercial investment at the end of 2023 reached well above pre-pandemic levels and demonstrated that an economic recovery had, in fact, taken place, we remain optimistic that with the level and breadth of investment exceeding last year's numbers – and to such a large extent – that 2024 will shape up to be another post-pandemic success story.

One asset type - commercial condominium product – has become a reliable part of Edmonton's larger investment market. We've tracked this market for several years and watched strong demand emerge for these assets in the Edmonton & area market. Rising sales activity and dollar volume seen in the first quarters of each of the previous three years shows that the appeal of owning one's real estate is holding strong. We had anticipated decreased investment in this type of asset to manifest near the end of 2023 and into 2024, even with the Bank of Canada holding interest rates steady. Given widespread expectations that interest rate cuts are in the cards for 2024, we're curious as to the effect it may or may not have on commercial condo investment and elsewhere in Edmonton's CRE market.

To obtain further details on specific transactions mentioned in the above report or to inquire about our subscriptions and services, please contact us.

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