

# **NAI**Commercial

## SECOND QUARTER MARKET REPORT **2022**

**GREATER EDMONTON, ALBERTA**







## Economic Outlook

It would appear work-from-home is here to stay, and its impact on the Edmonton commercial real estate market has been significant, with record downtown office vacancy rates offset by significant industrial gains.

A notable return-to-normal from pandemic struggles has left the Edmonton Region's retail and industrial real estate market in a positive position, though office vacancy rates remain high across the region in a frustrating setback from Quarter 1 projections.

Industrial activity continues to be Edmonton's golden pony. While office and retail markets remain cooled due to changes since COVID struck in 2020, industry has rebounded in fine fashion. As consumers continue to rely on online purchasing options, the Edmonton Region's industrial base has been buoyed by expanded delivery efforts. This has included everything from existing businesses moving into new warehouse spaces to align with increased e-commerce demand, to large-scale corporate investment from companies such as Amazon and Panattoni, which sparked the industrial surge in early-2022.

This marks the eighth consecutive quarter of net positive absorption in Edmonton's industrial market, and there's been a notable increase in demand just outside city limits as well - particularly in the Nisku/Leduc area - also largely tied to shipping opportunities. With demand spiking throughout the region, and a particular need for quality warehouse space, supply is growing significantly. There is currently more than 5-million square feet of sought-after industrial space being built in the region, with most of that construction set to be completed by 2023.

Industrial real estate's gain has fallen in line with somewhat of an improved retail market, as well. The Edmonton Region's retail vacancy rates have dropped significantly across the board, with areas surrounding Edmonton - Sherwood Park, Fort Saskatchewan, Leduc, and St. Albert - seeing noteworthy retail sector performances. This growth is expected to continue through the remainder of 2022.

Office vacancy rates continue to be the thorn among Edmonton real estate roses, particularly in the city's downtown core. While a return-to-work process was expected to take place in early- to mid-2022, no such shift has been seen to date, as staff largely continue to work from home. As a result, office vacancy rates remain high. Though some improvement is expected in that area through Quarters 3 and 4 to round out the year, cautious optimism is likely the right approach.

As Canada's central bank actively pursues a cooled economy to reduce the staggering levels of inflation seen to date in 2022, the risk of a recession is top-of-mind for many economists in Alberta, with a potential over-correction having a negative impact on the Alberta real estate market. Still, projections point to continued improvements in all three areas of Edmonton Region real estate, which is outpacing many comparable markets throughout the country in terms of a return to pre-pandemic vacancy rates.

# 2022-Q2 Greater Edmonton Market Highlights

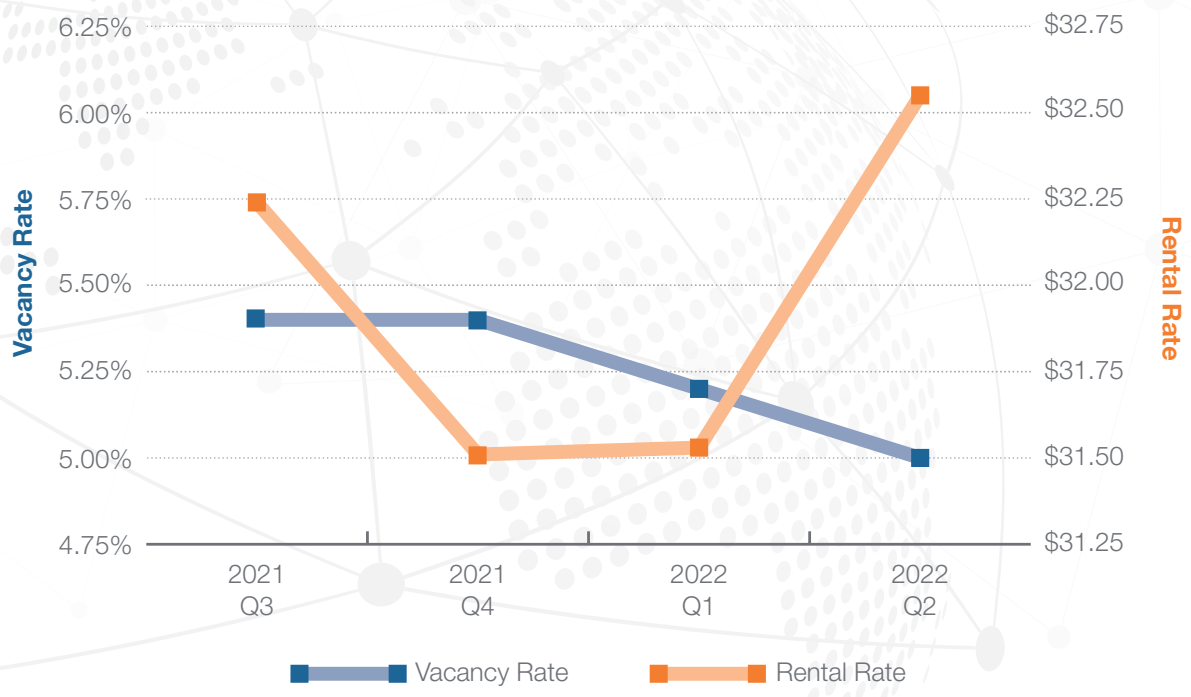
## GREATER EDMONTON AT A GLANCE OVERALL VACANCY TRENDS

Buildings Surveyed: 11,661  
Existing SF: 322M

	2021-Q3	2021-Q4	2022-Q1	2022-Q2
<b>Vacancy Rate</b>	<b>5.4%</b>	<b>5.4%</b>	<b>5.2%</b>	<b>5.0%</b>

## Average Rental Rates vs. Vacancy

GREATER EDMONTON AT A GLANCE OVER THE PAST 12 MONTHS



## About NAI Commercial

<https://www.naiedmonton.com/about-us/>

NAI Commercial is a market-leading, full service commercial real estate brokerage providing exceptional service and expertise in Edmonton and surrounding areas since 1966. We are your ideal partner given our depth of local market knowledge and the transaction volume we close on year after year for our clients.

We build our network of successful relationships based on trust and loyalty, and many of our clients choose to deal with us exclusively for all their commercial real estate needs. We offer trusted advice in Edmonton, across Canada and around the world.





## Retail Market

As retail-driven industries rebound in style following a pandemic plummet, the Edmonton Region is seeing an associated decrease in retail space availability.

Following a retail vacancy high of 5.2% in mid-2021, the area has seen a sharp decrease in vacancy to 3.9% - the region's lowest rate since before 2020. This trend shouldn't come as a shock, based on an increase in retail investment growth of 24% year-over-year across the country — but the uptake in retail space does come as a pleasant relief from the continued struggles associated with high office space vacancy.

Some of Edmonton's surrounding communities are reaping significant benefits from this positive trend, including Sherwood Park-Fort Saskatchewan, which has reached a retail vacancy rate of 4% - the lowest vacancy since before 2019. Similarly, Leduc has seen its retail vacancy rate tumble to 3%, which is the lowest rate achieved there since mid-2020. And though St. Albert's vacancy rate of 3% has increased since a record low of 2.3% in Quarter 1 of 2022, the low rate is still worth noting as a positive, harkening back to pre-pandemic levels.

Even in areas where retail vacancies remain significant, progress has been made. In the Whyte Avenue-Garneau stretch, for example, the Quarter 2 retail vacancy

rate of 6.6% is a vast improvement over the vacancy high of 8.4% in early-2021. The sharp decrease also means that, for the first time since 2020, there is under 100,000 square feet of vacant retail space. Similarly, central Edmonton's vacancy rate of 5.9% is worth some optimism; though it's only a small improvement from the record-high vacancy rate of 6% last quarter, stabilization does point to recovery - especially considering the retail space inventory has increased by nearly 150,000 square feet quarter-over-quarter.

Supply chain issues remain a concern for Edmonton-area businesses, but retail success is directly tied to delivery-related growth through the region's industrial sector improvements. Despite coming out of a restriction-laden couple of years, pandemic trends of increased online purchasing have held steady. However, companies have found success in leveraging their physical locations, combined with strategically expanded warehouse space as an operational tactic to maintain higher inventory levels, to take advantage of increased e-commerce opportunities.

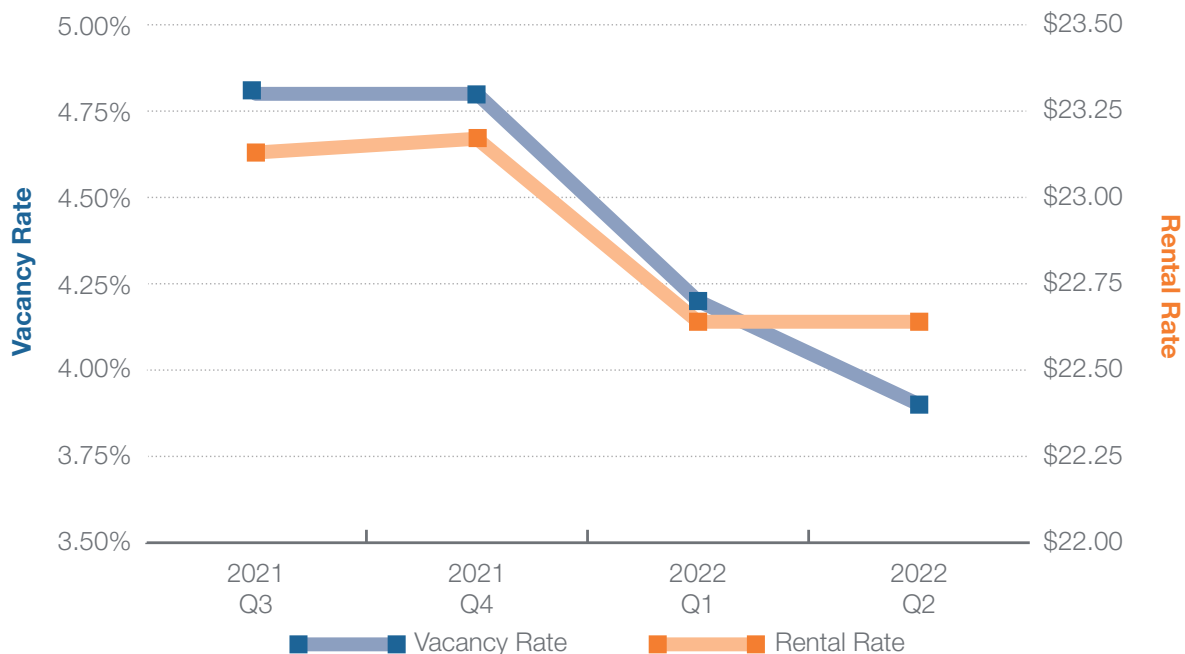
It's safe to say that throughout the region, the rebound is expected to continue, with decreased vacancy rates and a steady hold on retail space inventory.

## RETAIL Vacancy Trends

	2021-Q3	2021-Q4	2022-Q1	2022-Q2
<b>GREATER EDMONTON</b> Buildings Surveyed: 4,471 Existing SF: 69.9M	4.8%	4.8%	4.2%	3.9%
<b>EDMONTON WEST</b> Buildings Surveyed: 1,097 Existing SF: 19M	5.1%	6.1%	5.3%	4.9%
<b>EDMONTON SOUTH</b> Buildings Surveyed: 1,387 Existing SF: 22.7M	5.1%	5.0%	4.5%	3.6%
<b>EDMONTON CENTRAL</b> Buildings Surveyed: 590 Existing SF: 6.9M	4.9%	5.8%	6.0%	5.9%
<b>LEDUC</b> Buildings Surveyed: 150 Existing SF: 1.9M	4.0%	4.1%	3.8%	3.0%
<b>ST. ALBERT</b> Buildings Surveyed: 221 Existing SF: 3.7M	4.2%	3.3%	2.3%	3.0%
<b>SHERWOOD PARK / FORT SASKATCHEWAN</b> Buildings Surveyed: 392 Existing SF: 6.37M	5.4%	4.8%	4.1%	4.0%
<b>WHYTE AVENUE / GARNEAU</b> Buildings Surveyed: 193 Existing SF: 1.5M	7.1%	7.6%	7.3%	6.6%

## Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





# Office Market

Edmonton's office vacancy rate has remained relatively stable through the first two quarters of 2022, despite vacancy rates continuing to climb throughout the rest of the country. Still, the growing vacancy rate in Edmonton's downtown core can't be ignored.

While office vacancies in the Edmonton Region are the highest in more than three years, at 9.5%, the mid-point mark of 2022 offers some insight to where shifts might be leading. In the first quarter of the year, optimistic projections pointed to a rebounding office vacancy rate, with employers wanting to bring staff back to the office following the pandemic-spurred work-from-home trend. That adjustment didn't happen in a meaningful way, and vacancy rates remained high through Quarter 2 of the year as a result. While many companies are now offering hybrid working structures, others abandoned return-to-work plans altogether in response to employee push-back.

A notable number of businesses started since 2020 have been home-based businesses, with entrepreneurs opting to go out on their own in their current endeavours, or kick off new careers altogether; either way, operations are small, and office space has not filled up as a result. Six months into the year, the Edmonton Region has more than 5.1-million square feet of vacant office space – up by around a million square feet from Quarter 1. At the same time, office space supply has increased by nearly 300,000 square feet.

While the entire region approaches double-digit vacancy, Edmonton's downtown core has surpassed 11% for the first time. Early projections show downtown's vacancy rate is only expected to continue to climb beyond the current 11.2% in the coming quarter, though initial estimates point to relatively small change. High vacancy rates have been accompanied by a net negative absorption rate downtown for the fourth consecutive quarter, and for the eleventh time over the past 15 quarters, with Quarter 2 seeing a net absorption loss of just over 29,000 square feet. Still, downtown rental rates remain stable, at \$35.49 - above the regional average of \$32.55 per square foot, despite the higher-than-average vacancy rate.

Other areas are performing better, such as Edmonton's suburban areas, with vacancy rates at 8.1%; and the Windemere-Summerside area, with a total office vacancy rate of 5.1%. Though the University-Garneau area recorded the highest office vacancy rate at 16.7%, that area has held historically high rates even before the pandemic. Still, it's worth acknowledging the area's office vacancy rate has increased nearly 2% from Quarter 1 of this year.

The Edmonton Region continues to see an uphill battle in office vacancies, but there are signs that a rebound could be on the horizon, with landowners recognizing the need to reinvest in their buildings in order to attract tenants. As events return to the city following a COVID-forced moratorium, a potential downtown rebound is encouraging.

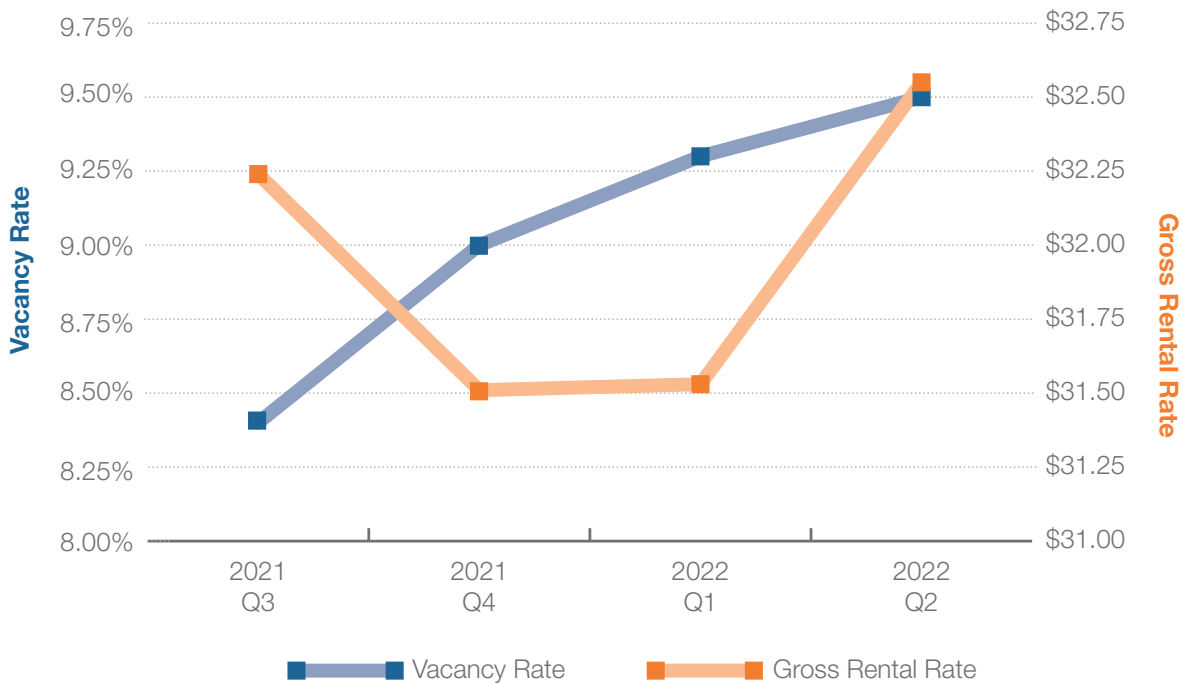


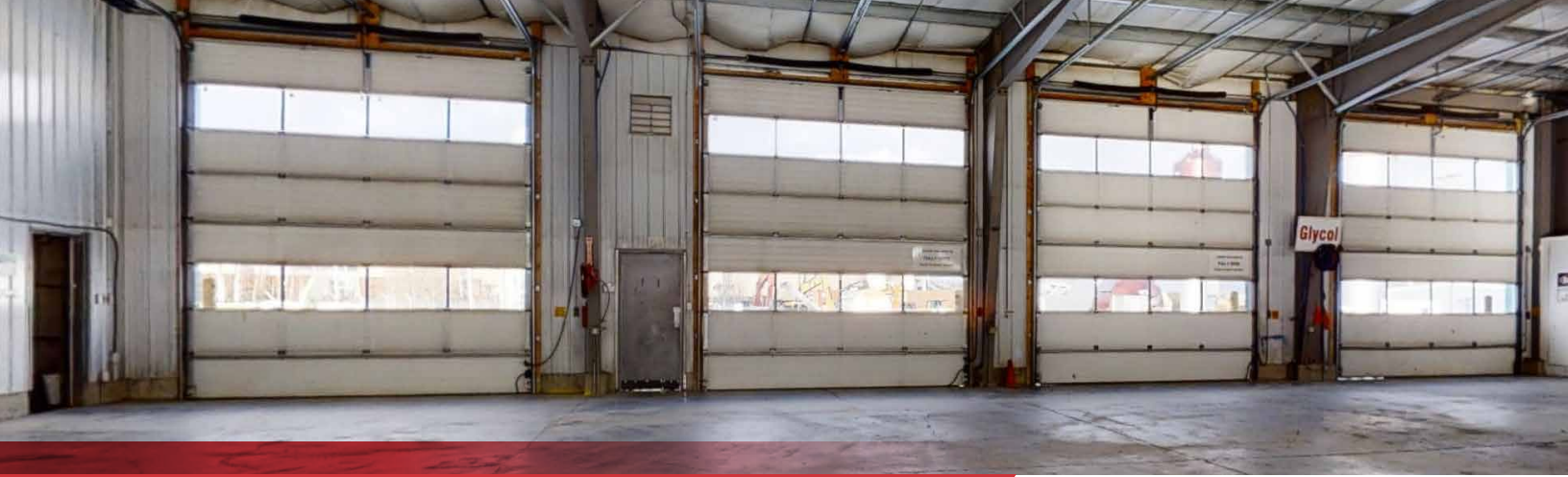
## OFFICE Vacancy Trends

	2021-Q3	2021-Q4	2022-Q1	2022-Q2
<b>GREATER EDMONTON</b> Buildings Surveyed: 1,344 Existing SF: 54M	8.4%	9.0%	9.3%	9.5%
<b>EDMONTON DOWNTOWN</b> Buildings Surveyed: 284 Existing SF: 27.4M	8.3%	10.1%	10.9%	11.2%
<b>EDMONTON SUBURBAN</b> Buildings Surveyed: 823 Existing SF: 21.9M	7.6%	7.8%	7.8%	8.1%
<b>WINDERMERE / SUMMERSIDE</b> Buildings Surveyed: 68 Existing SF: 2M	3.6%	4.4%	4.3%	5.1%
<b>UNIVERSITY / GARNEAU</b> Buildings Surveyed: 59 Existing SF: 1.1M	15.0%	14.5%	14.8%	16.7%

## Average Gross Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





## Industrial Market

Ongoing diversification efforts and industrial growth throughout the Edmonton Region have led to an impressive industrial real estate performance in Quarter 2 of 2022. This echoes success seen in the first quarter, feeding into a positive outlook for the remainder of the year.

Numerous delivery-related projects helped buoy Edmonton's industrial real estate market to impressive levels in Q2, following substantive projects that contributed to a strong beginning to 2021, including commitments from Amazon and Panattoni. This has led to increased confidence in Edmonton's industrial market, further supported by a 420,000-square-foot build in the Anthony Henday Business Park, and one exceeding 320,000 square feet in the Northport Business Park.

Despite a quarter-over-quarter increase in industrial real estate inventory of nearly 2.3 million square feet, the Edmonton area has not just maintained its vacancy rate, but has managed a slight decrease from 4.3% in early-2022 to 4.2% six months into the year. This is a significant drop from year-over-year rates of 5.5% in Quarter 2 of 2021, and 6.1% for Q2 in 2020. The quarter's net positive absorption sits at over 250,000 square feet, marking nine consecutive quarters of positive absorption - though this is the lowest absorption rate since early-2019.

Rental rates, too, have proven consistent at \$10.13/sq.ft., as maintained over the past three quarters. It's

worth mentioning this rental rate is the highest since mid-2019 (\$10.15/sq.ft.), after which time rates dropped below \$10/sq.ft. for seven consecutive quarters. While Edmonton's rate has remained above \$10/sq.ft. since Q2 of 2021, the City of Calgary's net rent asking rate sits at an all-time high \$9.49/sq.ft.

Edmonton's strong industrial performance over the past two quarters marks a notable bounce-back from early days of the pandemic - one that has far out-performed other types of commercial real estate in the city and surrounding area.

There is some anticipated turbulence in the industrial real estate market nationwide for the remainder of 2022, with construction costs continuing to climb. This is expected to create demand for existing industrial facilities, constricting vacancy rates even further, and potentially leading to higher rental rates across the board. However, Edmonton seems to be weathering the inflation storm quite well to date, with 5-million square feet of industrial space currently under construction - 4 million of which is expected to be finished by the end of the year.

High industrial occupancy and continued expansion are expected to persist through the remainder of the year. With Edmonton and Calgary being the only two major centres with availability rates above 2% in the entire country, companies are expected to shift operations to where there's space for them to call home - and Edmonton could see a major boost as a result.

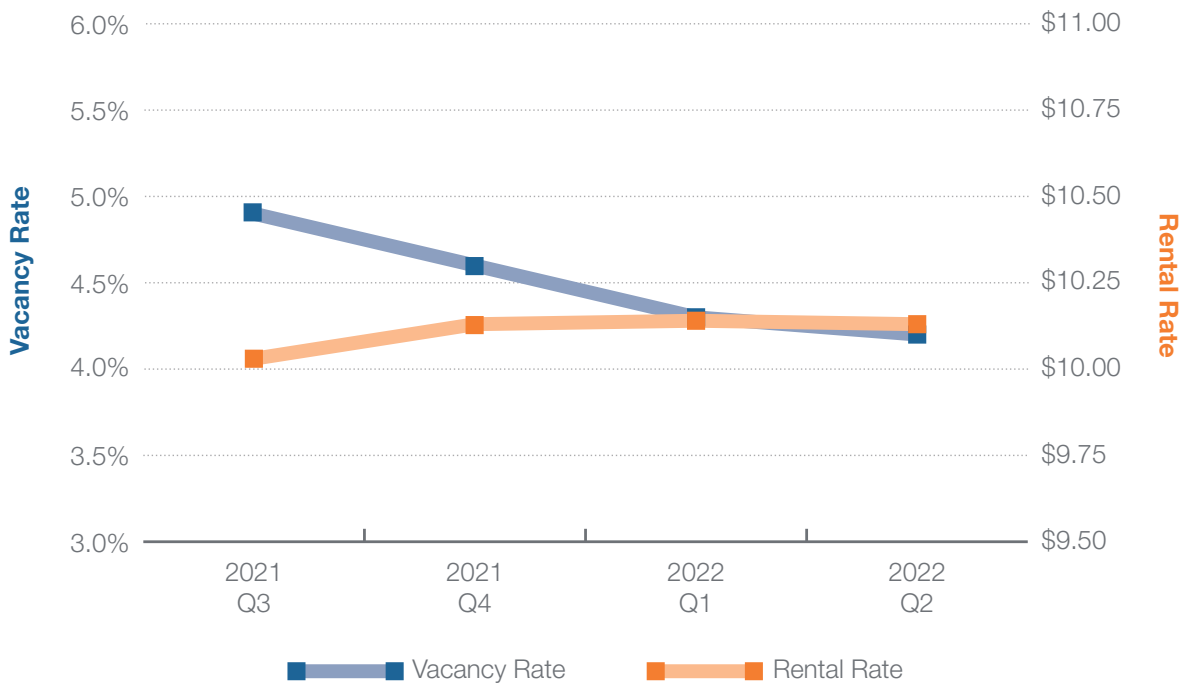


## INDUSTRIAL Vacancy Trends

	2021-Q3	2021-Q4	2022-Q1	2022-Q2
<b>GREATER EDMONTON</b> Buildings Surveyed: 5,806 Existing SF: 197.7M	4.9%	4.6%	4.3%	4.2%
<b>EDMONTON WEST</b> Buildings Surveyed: 1,897 Existing SF: 71.6M	4.5%	4.0%	3.5%	3.7%
<b>EDMONTON SOUTH</b> Buildings Surveyed: 1,746 Existing SF: 66.6M	5.2%	4.9%	4.7%	4.4%
<b>SHERWOOD PARK / FORT SASKATCHEWAN</b> Buildings Surveyed: 369 Existing SF: 11.4M	6.4%	6.6%	5.6%	4.2%
<b>LEDUC / NISKU</b> Buildings Surveyed: 778 Existing SF: 22.97M	6.9%	6.7%	6.5%	5.8%

## Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS



# Notable Transactions in the Market

## PROPERTIES SOLD

4 PROUDLY SOLD BY NAI COMMERCIAL



**16310 - 121A Avenue**  
**Price:** \$42,700,000  
 \$149.85/sq.ft.  
**Area:** Carleton Square Ind.  
**Property Type:** Industrial  
**Size:** 284,958 sq.ft.  
 on 18.76 acres



**2003 - 5 Street**  
**Price:** \$10,100,000  
 \$214.81/sq.ft.  
**Area:** Nisku  
**Property Type:** Industrial  
**Size:** 47,018 sq.ft.  
 on 13.79 acres



**80 Chippewa Road**  
**Price:** \$9,500,000  
 \$182.84/sq.ft.  
**Area:** Sherwood Park  
**Property Type:** Office  
**Size:** 51,957 sq.ft.  
 2.92 acres



**6910 - 34 Street**  
**Price:** \$7,200,000  
 \$120.66/sq.ft.  
**Area:** Pylypow Industrial  
**Property Type:** Industrial  
**Size:** 59,676 sq.ft.  
 4.32 acres



**8818 - 111 Street**  
**Price:** \$5,800,000  
 \$168.73/sq.ft.  
**Area:** Fort Saskatchewan  
**Property Type:** Retail  
**Size:** 34,374 sq.ft.  
 on 3.04 acres



**2308 - 96 Street**  
**Price:** \$4,075,000  
 \$396.63/sq.ft.  
**Area:** Parsons Industrial  
**Property Type:** Industrial  
**Size:** 10,247 sq.ft.  
 on 1.22 acres



**12825 - 144 Street**  
**Price:** \$3,950,000  
 \$91.44/sq.ft.  
**Area:** Bonaventure Industrial  
**Property Type:** Industrial  
**Size:** 43,200 sq.ft.  
 on 1.83 acres



**12001 - 99 Avenue**  
**Price:** \$3,150,000  
 \$178.98/sq.ft.  
**Area:** Grande Prairie  
**Property Type:** Industrial  
**Size:** 17,600 sq.ft.  
 on 2.26 acres

## NAI Listing Highlights

### AVAILABLE PROPERTIES FOR SALE AND/OR LEASE



**7211 - 8 Street**  
**Sale Price:** \$5,350,000  
**Area:** Maple Ridge Industrial  
**Property Type:** Industrial  
**Size:** 23,500 sq.ft.±  
 on 4.13 acres±



**68445 Range Road 160A**  
**Sale Price:** \$2,400,000  
**Area:** Plamondon  
**Property Type:** Business  
**Size:** 52 acres±



**9515 - 62 Avenue**  
**Sale Price:** \$2,700,000  
**Area:** Rosedale Industrial  
**Property Type:** Industrial  
**Size:** 11,069 sq.ft.±  
 on 2.35 acres±



**5601 Magasin Avenue**  
**Lease Rate:** \$22.00/sq.ft.  
**Area:** Beaumont  
**Property Type:** Retail/Office  
**Size:** 1,210 & 1,460 sq.ft.±

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