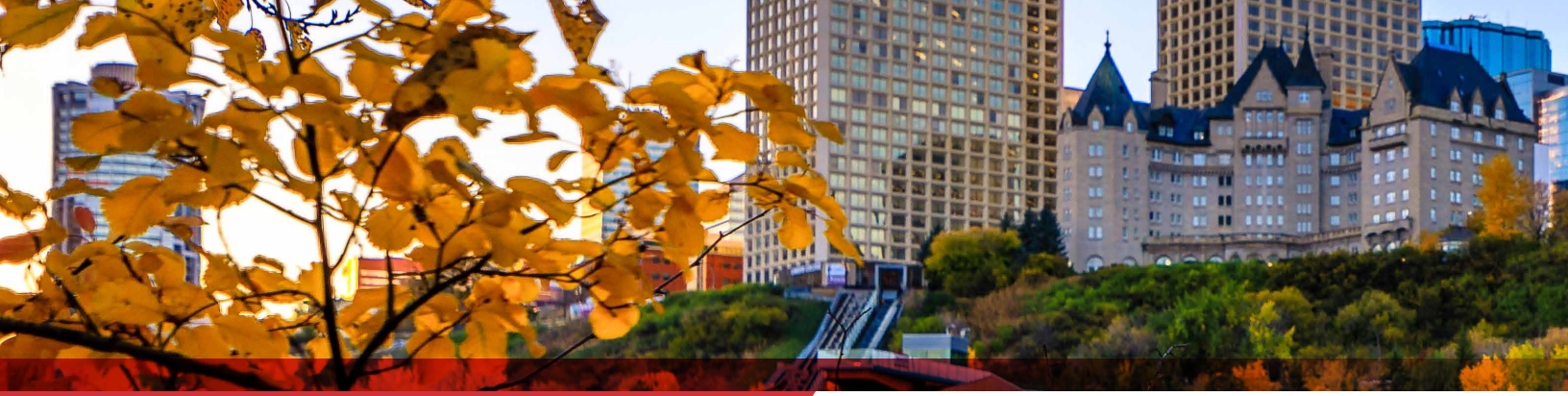


NAI Commercial

THIRD QUARTER MARKET REPORT 2023

GREATER EDMONTON, ALBERTA





Economic Outlook

In the face of turbulent economic times across Canada throughout Quarter 3 of 2023, Edmonton and the surrounding region are being touted as an accessible landing spot for business owners, investors, and homeowners alike. Within Alberta, Edmonton's housing market has been widely recognized as being more affordable than its southern counterpart in Calgary. Meanwhile, Edmonton has been listed as one of the Top 10 places to buy real estate in all of Canada.

That, tied with a dynamic commercial real estate landscape, has drawn additional investment to the region, with innovation driving success in industrial, office and retail spaces. Across all commercial real estate spaces, vacant space accounts for 4.7% of all square footage — down 0.2% from Quarter 2 of 2023. This quarter-over-quarter improvement may seem mundane, especially considering the overall commercial vacancy rate was 4.7% to close 2022, as well. However, year-over-year, the commercial realty inventory has increased by nearly 4.5-million square feet.

A maintained vacancy rate in the face of rapidly expanding space is a fantastic sign for the City of Edmonton and its regional municipal partners — and points to a strong market bouncing back from the numerous struggles that occurred between 2020 and 2022, particularly as a result of the COVID-19 pandemic. In fact, the Q3 4.7% vacancy rate is below the pre-pandemic rate of 5.9%, which was experienced when the market had 12.8-million less square feet in commercial space inventory than it does now.

This is a good news story for the capital region and for the local-area market, at a time when good news is needed in the face of tough economic circumstances driven by inflation and rising interest rates. A lot of the tough times

seen over the past handful of years have been seen specifically in office space vacancy, which has acted as a bit of a 'canary in the coalmine' as an indication of the health of Edmonton's downtown core. However, the continuously high downtown vacancy rate is being met with innovation, as more than 30 office buildings in downtown Edmonton have already been converted from office space to housing units.

That's being reflected in a drop in downtown office vacancy from 13.7%* in Quarter 2 of 2023, to 13%* flat in Quarter 3 — an improvement that is notable within context, reaching the lowest vacancy rate seen in downtown Edmonton since midway through 2022.

On the other end of the spectrum, Edmonton's industrial landscape has proven strong quarter after quarter, with investors across the region leveraging opportunities tied to logistics and distribution space needed in Western Canada — to the point of pulling business away from other provinces over the past two years. That trend continued in Q3, with a flat quarter-over-quarter vacancy rate of 3.6%, despite the addition of nearly 2-million square feet of industrial space.

Finally, in the face of strong economic activity in the Edmonton region throughout Q3, retail has benefitted with a total regional retail vacancy rate of 3.8% — the first time it has dropped below 4% since midway through 2022, and the lowest it's been since the end of 2019.

There's still a lot of growth to be found, and improvements in vacancy rates are always being pushed; however, commercial realty activity has proven resilient through tough economic times, including across-the-board improvements that should drive continued occupancy hikes throughout the rest of 2023.

**Some reports show a significant higher vacancy, as they do not account for all downtown office properties.*

2023-Q3 Greater Edmonton Market Highlights

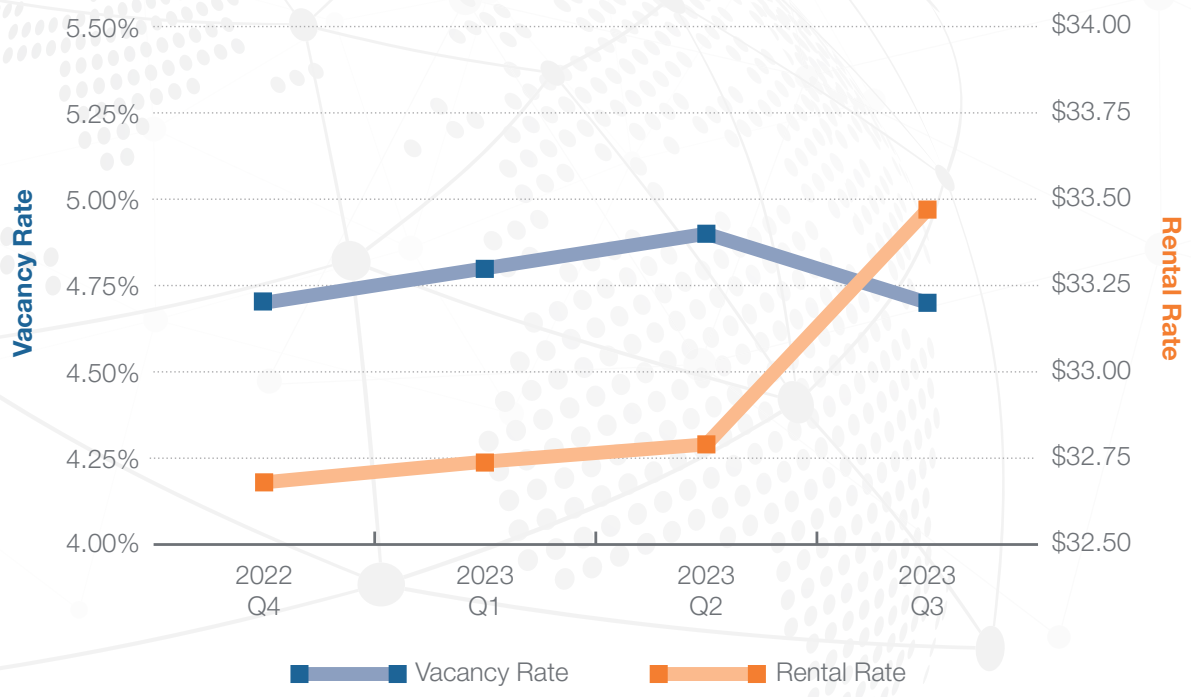
GREATER EDMONTON AT A GLANCE OVERALL VACANCY TRENDS

Buildings Surveyed: 11,884
Existing SF: 324.78M

	2022-Q4	2023-Q1	2023-Q2	2023-Q3
Vacancy Rate	4.7%	4.8%	4.9%	4.7%

Average Rental Rates vs. Vacancy

GREATER EDMONTON AT A GLANCE OVER THE PAST 12 MONTHS



About NAI Commercial

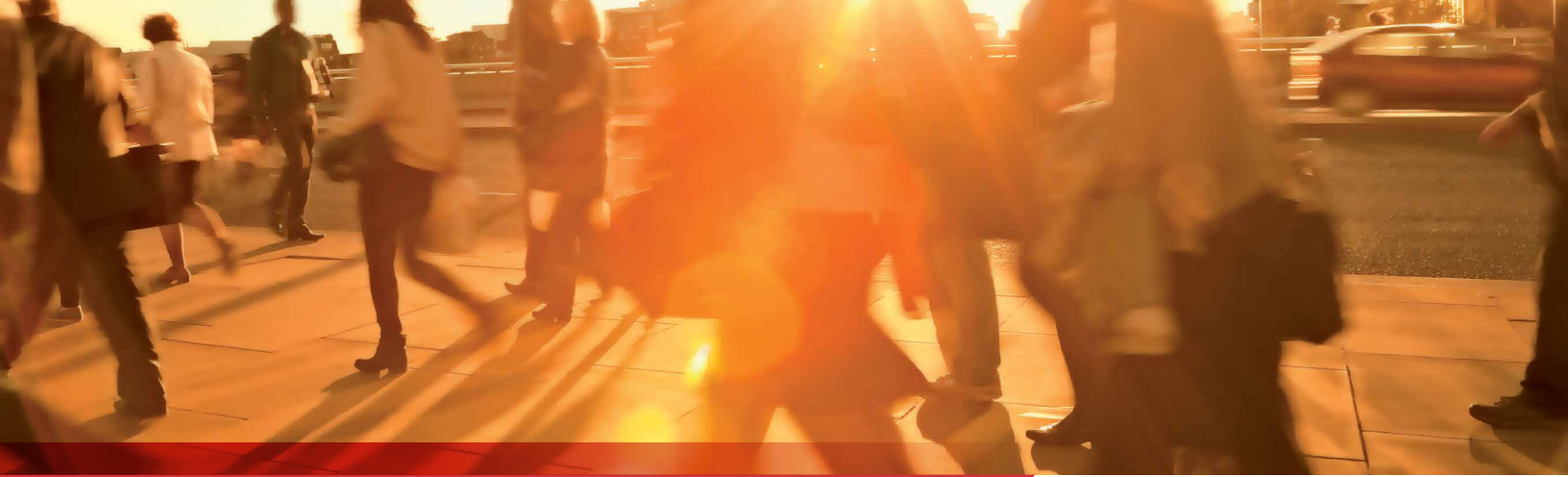
<https://www.naiedmonton.com/about-us/>

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.



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Retail Market

Nationwide, retail markets have been hampered by interest rates, inflation, and supply chain issues, but stability remains as the market adjusts to evolving pressures. In Edmonton, that has included major shifts that have seen American big-box retailers uproot and disappear — only for those spaces to be filled by homegrown Canadian retailers and others looking to patch the holes created by the mass American retail exodus.

Over the course of fewer than nine months, Buy-Buy Baby was overwhelmed by space-filling Babies ‘R’ Us, and other major retailers followed suit. Those looking to redecorate went from buying at Bed, Bath and Beyond to purchasing through a new chain called “rooms + spaces.” Meanwhile, the blink-of-an-eye retail shifts resulted in a vacancy rate that actually dropped from 4.1% in Quarter 2, to 3.8% in Quarter 3, throughout the Edmonton region.

Holding the low-tally torch for vacancy rate at 2.1%, Leduc remains a retail powerhouse in the region, with just over 80,000 square feet of retail space still available out of an inventory approaching 2-million square feet, and growing each quarter. Similarly, in St. Albert, vacancy has dropped from 2.9% to 2.5% quarter-over-quarter, while Sherwood Park-Fort Saskatchewan is experiencing the lowest vacancy rate seen since before 2019, at just 2.3%.

Things are a bit less happy-go-lucky in the capital city, with Edmonton’s Whyte Avenue-Garneau area dealing

with a 7.4% vacancy rate, which has held steady over the past two quarters despite a slight dip in inventory square footage. Edmonton’s northwest area carries a retail vacancy rate of 5.8%, which has now held steady over the span of four consecutive quarters; and central Edmonton holds a vacancy rate of 6.3%.

The southside, meanwhile, which typically boasts stronger retail occupancy levels than some other areas of Edmonton, has seen a quarter-over-quarter improvement, from 4.2% (Q2) to 3.7% (Q3), bringing the southside pocket back to occupancy levels seen at the end of 2022.

All the while, retail opportunities remain strong in the Edmonton area, with an average asking rental rate of just \$25.01 per square foot across the region, marking the third consecutive quarter in which rental rates have dropped. Looking back at early-2019 rental rates, this means the cost of retail space occupancy across the Edmonton region has increased below the rate of inflation — something seldom seen these days, as prices in every other area of life continue to rise.

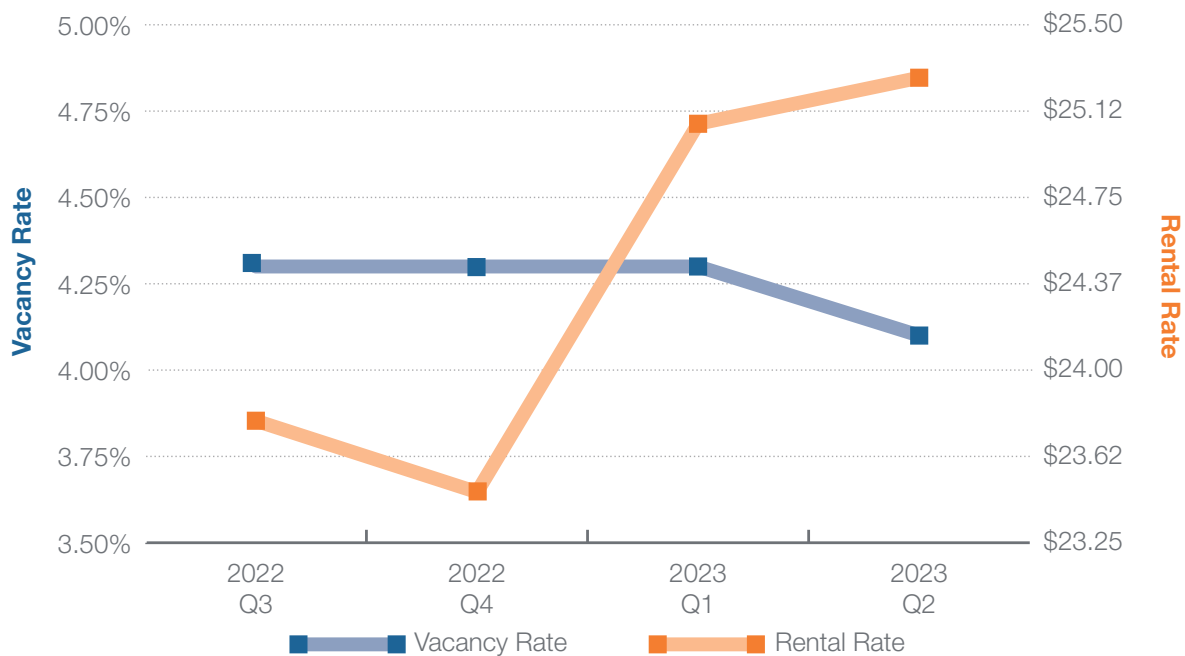
At the cash register, consumers are spending nearly 10% more on essential items than they were at this time in 2022, according to September 2023 reports. That rise has coincided with lower discretionary spending. However, the end of the early-summer travel boom means people will remain at home this fall, and into Quarter 3, driving opportunities for retailers across the region, heading into the holiday season.

RETAIL Vacancy Trends

	2022-Q4	2023-Q1	2023-Q2	2023-Q3
GREATER EDMONTON Buildings Surveyed: 4,651 Existing SF: 71.30M	4.3%	4.3%	4.1%	3.8%
EDMONTON WEST Buildings Surveyed: 1,127 Existing SF: 18.97M	5.9%	5.9%	5.8%	5.8%
EDMONTON SOUTH Buildings Surveyed: 1,448 Existing SF: 23.70M	3.5%	3.8%	4.2%	3.7%
EDMONTON CENTRAL Buildings Surveyed: 589 Existing SF: 6.37M	5.7%	5.6%	6.4%	6.3%
LEDUC Buildings Surveyed: 151 Existing SF: 1.93M	1.1%	1.7%	2.3%	2.1%
ST. ALBERT Buildings Surveyed: 223 Existing SF: 3.55M	3.7%	3.1%	2.9%	2.5%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 402 Existing SF: 6.12M	3.4%	3.4%	2.6%	2.3%
WHYTE AVENUE / GARNEAU Buildings Surveyed: 190 Existing SF: 1.54M	6.3%	8.3%	7.5%	7.4%

Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





Office Market

The office market has been the softest asset class of Edmonton commercial real estate for some time now, acting as a blight on an otherwise strong commercial realty scape — but optimism is strong as occupancy rates improve and plans are made in adjustment to evolved worker demands.

Despite a 13%* downtown office vacancy rate, the City of Edmonton's commitment to converting vacant office buildings into residential housing may act as a catalyst for the downtown core — and for return to office. When employees were forced to work from home during the 2020 pandemic, a lot of weight was put on the amount of time workers were saving each month by not having to commute to work. That discussion was particularly true for those downtown Edmonton, with a higher level of congestion than in the suburbs, which was one of many reasons that business owners lifted their roots and replanted them in the quieter outer ring of the capital city.

With high levels of residential conversion, though, comes the ability to rejuvenate the downtown area's retail and service industries, with more people living in the vicinity. Equally as important, though, is that return-to-work structures — or at least hybrid working models — are more palatable for those moving to these new residential spaces downtown and who also work downtown, with commuting no longer a factor.

Simultaneously, the shift to suburban office space has held steady, with an occupancy rate of 91.8%, which falls in line with numbers seen over the past two years, and still shows higher vacancy than was seen pre-

pandemic, at the beginning of 2019. Providing similar qualities as the suburbs, Edmonton's Windemere-Summerside area carries a vacancy rate of just 2.3%, with just over 180,000 square feet of available square footage remaining, from nearly 2-million square feet of total supply.

Though not spoken about as frequently as the downtown area, the city's University-Garneau area continues to struggle to maintain office occupancy, but a 21.5% vacancy rate has now held relatively steady over the span of three quarters. Still, the low level of office occupation is eyebrow raising, especially considering total inventory has been unchanged for four consecutive quarters; prior to that, inventory actually dropped by more than 200,000 square feet in 2022, between Quarters 2 and 3.

Downtown office conversions may act as a pilot to larger projects to convert office buildings to other uses, where appropriate, recognizing that the cost of modernizing older buildings isn't attractive to numerous landlords, for whom construction expenses have skyrocketed over the past three years. Many of the downtown office building conversions are notably to edifices that are, in fact, aging out. Innovative conversion to new uses, then, is a solid opportunity for landlords hoping to readjust in alignment with the market.

Still, with a total vacancy of just 10.2% across the Edmonton region, there is hope that slow return-to-work protocols and innovation for office-to-residential conversion will have a positive impact on future occupancy rates.

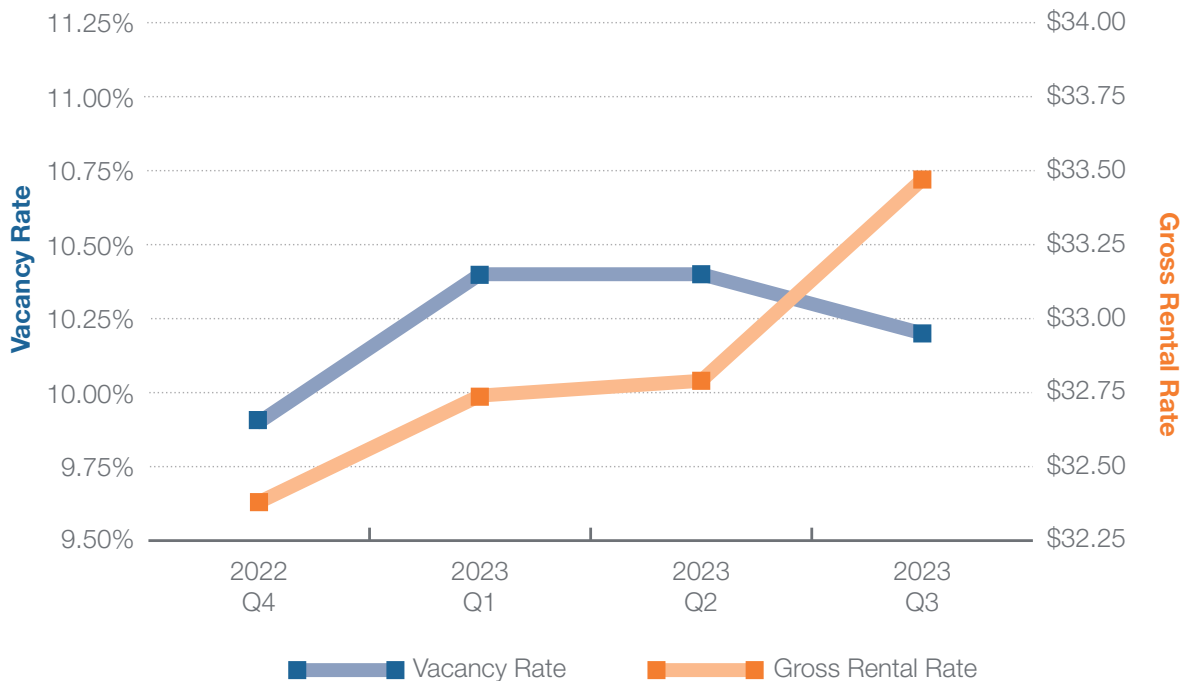
**Some reports show a significant higher vacancy, as they do not account for all downtown office properties.*

OFFICE Vacancy Trends

	2022-Q4	2023-Q1	2023-Q2	2023-Q3
GREATER EDMONTON Buildings Surveyed: 1,350 Existing SF: 50.91M	9.9%	10.4%	10.4%	10.2%
EDMONTON DOWNTOWN Buildings Surveyed: 283 Existing SF: 25.13M	13.1%	13.6%	13.7%	13.0%
EDMONTON SUBURBAN Buildings Surveyed: 817 Existing SF: 20.40M	7.6%	8.0%	7.9%	8.2%
WINDERMERE / SUMMERSIDE Buildings Surveyed: 66 Existing SF: 1.92M	3.0%	2.6%	2.5%	2.3%
UNIVERSITY / GARNEAU Buildings Surveyed: 59 Existing SF: 864K	17.9%	20.1%	21.6%	21.5%

Average Gross Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





Industrial Market

With nearly 2-million square feet of industrial space added to the Edmonton region from Quarter 2 to Q3 of 2023, the area's industrial market remains strong — with the creation of new industrial space supported by quick uptake. In many cases, space is spoken for before it ever goes to market, showing the level of demand that stands in stark contrast to pre-2020 concerns.

In particular, between 2015 and 2019, a surge of industrial development resulted in concerns of over-supply across Alberta, with particular focus on the two major cities in Edmonton and Calgary. Of note, in 2019, was the lingering availability of multiple 100,000-square-foot buildings. Adjusting to the market in 2020, to respond to a sharp spike in desired industrial space for distribution and logistics, that oversupply was quickly eaten up. The need for this space is driven by what some economists are referring to as a “Commodity Bubble,” seen when the price of materials and resources sees an increase, aligned with current inflation rates.

The outcome, though, has been a steady demand for industrial space to accommodate the current environment. Despite consumer belt tightening in September 2023, spending is still trending positive in key areas of consumption, including gasoline, vehicles, groceries, and essential goods.

When looking at occupancy rates, it can be tempting to look at ownership rates, but numerous reports show that Edmonton's industrial market burst includes both sales and leasing activity, the latter of which is much friendlier in Alberta's capital region than it is in larger

centres like Vancouver and Toronto. Anecdotally, NAI Commercial Edmonton has cited “the most \$10-million-plus sales” seen in a long time in the Edmonton region, as noted in Real Estate News Exchange.

Looking through the lens of current activity, it would seem, then, that investment is taking place in the face of continued inflation stresses and — even more indicative of a strong market — in spite of high interest rates. Lease rates, in particular, have remained steady, going largely unchanged over a 10-year span, with the current per-square-foot rate of under \$11 standing in stark contrast to Vancouver's lowest lease rates starting at \$18 per square foot.

With an eye on Leduc-Nisku as the region's typically most active industrial scape, a 5.9% vacancy rate in Quarter 3 is a notable improvement from 5.6% in Quarter 2, despite close to another 700,000 square feet coming on the market. The adjacent southside industrial area has a vacancy of just 4.0%, while Edmonton's northwest holds a vacancy rate of 3.1%, and Sherwood Park-Fort Saskatchewan sits at a vacancy rate of 4.0%.

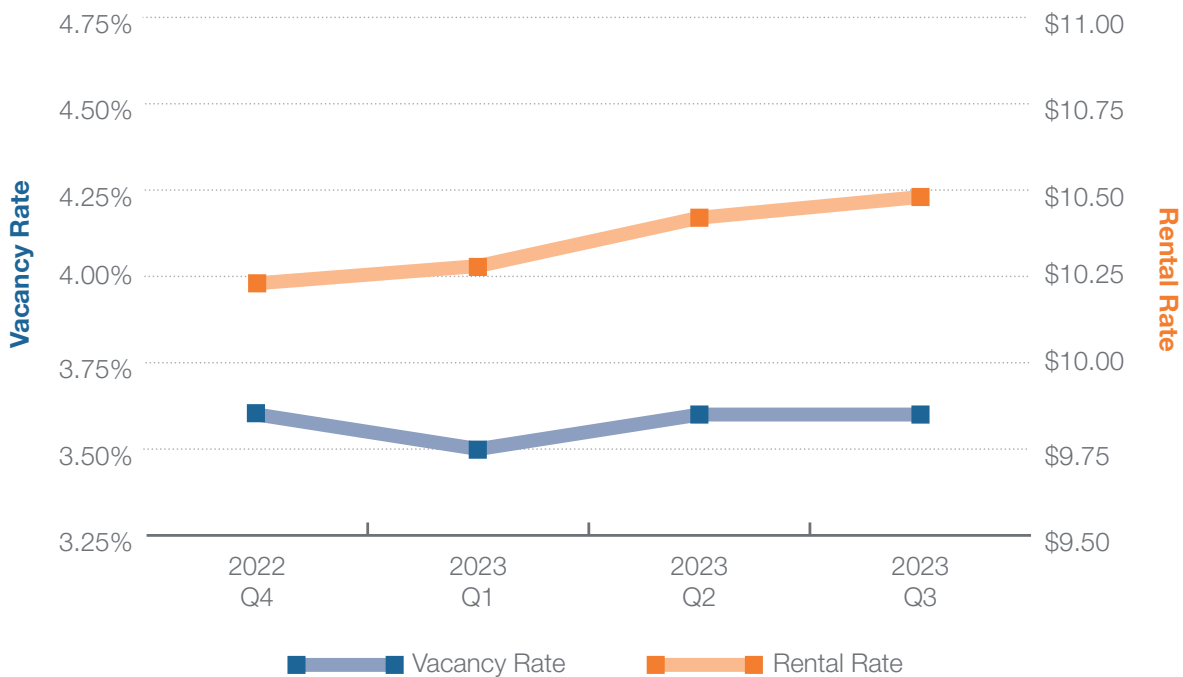
Meanwhile, industrial development continues, with 175,000 square feet pre-leased in the Fulton Creek Business Park in south Edmonton, and a Loblaws distribution centre filling 365,000 square feet in northwest Edmonton. Sales prices remain significant, as well, with a 375,000-square-foot former cannabis facility selling for \$15 million — a modest price compared to a \$94-million five-building purchase in the Wilson Industrial Area, and a \$67.8-million industrial park purchase of in Leduc.

INDUSTRIAL Vacancy Trends

	2022-Q4	2023-Q1	2023-Q2	2023-Q3
GREATER EDMONTON Buildings Surveyed: 5,870 Existing SF: 202.58M	3.6%	3.5%	3.6%	3.6%
EDMONTON WEST Buildings Surveyed: 1,895 Existing SF: 71.92M	3.4%	3.0%	3.5%	3.1%
EDMONTON SOUTH Buildings Surveyed: 1,757 Existing SF: 66.61M	4.3%	4.3%	3.9%	4.0%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 377 Existing SF: 11.75M	4.6%	4.4%	3.9%	4.0%
LEDUC / NISKU Buildings Surveyed: 852 Existing SF: 26.94M	4.3%	4.3%	5.6%	5.9%

Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS



Notable Transactions in the Market

PROPERTIES SOLD

4 NOTES PROUDLY SOLD BY NAI COMMERCIAL



9615 - 160 Avenue NW

Price: \$51,950,000
\$480.97/sq.ft.

Area: Eaux Claires

Property Type: Retail

Size: 108,011 sq.ft.
on 8.05 acres



10050 Macdonald Dr NW

Price: \$22,000,000
\$151.99/sq.ft.

Area: Downtown

Property Type: Institutional

Size: 144,747 sq.ft.
on 1.56 acres



8332 Sparrow Crescent

Price: \$10,200,000.00
\$88,696/suite

Area: Leduc

Property Type: Hotel

Size: 1.96 acres



14135 - 142 Street NW

Price: \$7,103,822
\$137.94/sq.ft.

Area: Rampart Industrial

Property Type: Industrial

Size: 51,500 sq.ft.
4.39 acres



10241/45 - 109 Street NW

Price: \$5,700,000
\$162.90/sq.ft.

Area: Downtown

Property Type: Office

Size: 34,989 sq.ft.
28,000 sq.ft.



10103 - 175 Street NW

Price: \$4,625,000
\$226.75/sq.ft.

Area: Stone Industrial

Property Type: Industrial

Size: 20,397 sq.ft.
on 1.34 acres



9651 25 Avenue NW

Price: \$4,300,000
\$215.28/sq.ft.

Area: Parsons Industrial

Property Type: Industrial

Size: 19,974 sq.ft.
on 1.96 acres



11517 - 89 Avenue

Price: \$2,775,000
\$185.79/sq.ft.

Area: Grande Prairie

Property Type: Industrial

Size: 14,936 sq.ft.
on 2.59 acres

NAI Listing Highlights

AVAILABLE PROPERTIES **FOR SALE AND/OR LEASE**



17250 Stony Plain Rd NW

Sale Price: \$5,500,000

Area: Stone Industrial

Property Type: Industrial

Size: 33,600 sq.ft.±
on 0.88 acres±



17410 - 107 Avenue

Sale Price: \$5,795,000

Lease Rate: From \$9.00/sq.ft.

Area: McNamara Industrial

Property Type: Office/Retail

Size: 7,700 - 15,400 sq.ft.±
on 0.68 acres±



6810 - 8 Street NW

Sale Price: \$8,900,000

Area: Maple Ridge Industrial

Property Type: Industrial

Size: 33,852 sq.ft.±
with 6.94 acre± yard



6912/20/36/40 Roper Road

Sale Price: \$3,250,000

Area: Roper Industrial

Property Type: Investment

Size: 15,780 sq.ft.±

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