

**NAI**Commercial

FOURTH QUARTER MARKET REPORT **2022**

**GREATER EDMONTON, ALBERTA**





## Economic Outlook

As 2022 closed, Alberta's commercial real estate market held an interesting yet optimistic position, with significant excitement, and small amounts of concern, for Edmonton's 2023 commercial realty scape.

Amid a cooling housing market, the retail market stole much of the focus to round off the year, with the first full-fledged post-pandemic holiday shopping season. In the face of notably decreased activity, malls and traditional shopping centres saw a rebound in Edmonton throughout the holiday season, with locally owned outlets experiencing the resulting decreased activity.

Meanwhile, industrial activity continues to surge throughout the surrounding region, as it has for more than a year now. Nisku continues to be a hub for new and revived industrial capacity, while industrial markets in other areas have drawn fewer headlines but remain busy, nonetheless. Early indicators show industrial activity, more than any other commercial realty sector, is expected to continue to thrive in the region, supported by a continually growing need for logistics buildings, and ongoing industrial migration from British Columbia to Alberta.

Office vacancies remain high in Edmonton and in the surrounding region, but the prominence of work-from-home setups impacting office use has steadied. Major companies have begun announcing new work arrangements that often include a hybrid home-and-office setup, with some others leaning into a full return to the office. This shift should result in an office occupancy rebound throughout 2023, though little change is expected until midway through the year. One interesting note is the success of suburbs compared to their once thriving downtown counterparts.

Across Canada, the average downtown vacancy rate struck 14 percent, and is expected to continue climbing,

while suburban markets host a 12 percent vacancy on a downward trend. Previously, NAI projected reduced building viability once vacancy levels reach 20 percent. As such, concerns continue in Edmonton's downtown core, with new record vacancy rate of 13.1%. Not taking government buildings into account, downtown Edmonton's vacancy rate is already broaching the 20 percent mark.

On a broader scale, some global challenges have had a significant impact locally, including supply chain disruption leading to an increase in warehouses and logistics to mitigate future issues. Inflation is perhaps the most significant challenge for Edmontonians, with residents tightening their wallets to account for increased costs. This has had a negative impact on certain retail sectors, with some companies reducing expenses where possible, leading to increased subletting in areas where vacancies are already high.

Despite Alberta's growing tech sector, there has been turbulence in the North American tech landscape, wherein significant cutbacks were seen throughout the final quarter of 2022. Trends in other large cities are pointing to potential pain points for Edmonton. Alberta's tech sector is less established than those in areas such as Toronto, but has been growing rapidly over the past handful of years. While mass layoffs haven't had a major impact on the local commercial real estate sector, it's worth making note of recent events such as Spotify's effort to sublet nearly 350,000 square feet of office space in Toronto, just two years into a 15-year lease agreement.

Despite emerging and sustained challenges in the market, optimism is high in retail, industrial, and office spaces in the Edmonton area, with inbound investment and anticipated market shifts throughout 2023 driving positive projections.

# 2022-Q4 Greater Edmonton Market Highlights

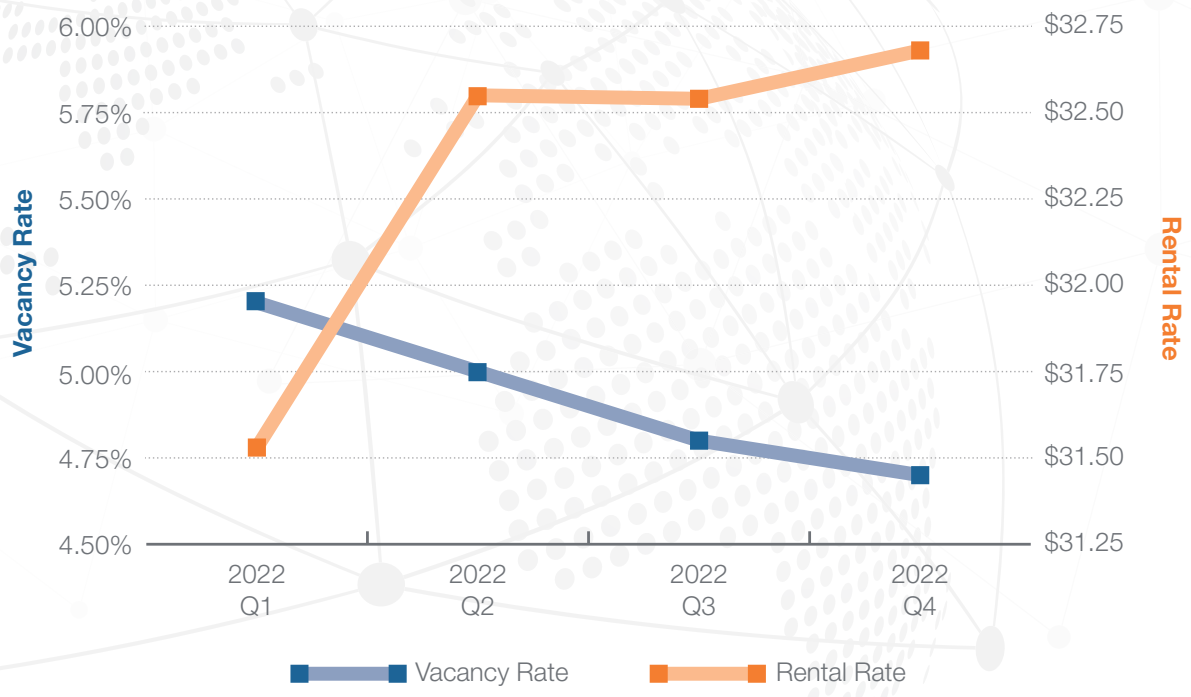
## GREATER EDMONTON AT A GLANCE OVERALL VACANCY TRENDS

Buildings Surveyed: 11,705  
Existing SF: 320.80M

2022-Q1	2022-Q2	2022-Q3	2022-Q4
5.2%	5.0%	4.8%	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

The Edmonton region's retail real estate market is a major indicator of consumer trends, especially those relating to pandemic-era e-commerce surges — and for the second quarter in a row, behaviour seems to be shifting back to in-person consumerism.

Optimism is returning to the retail scape, not only through business owners filling available spaces, but also in new investment coming into the region. The most notable commitment in Quarter 4 of 2022 came just before Christmas, when Opulence Management Corp., formed just six months prior, announced a \$270-million retail centre in Fort Saskatchewan. The project, dubbed the “Fort Saskatchewan Common,” will see a commercial centre spawned just northeast of Edmonton, on a 20-acre site and close to 300,000 square feet of retail space.

In the full region, the retail real estate market has steadied for the first time since early-2021, with a 4.3% vacancy rate in Quarters 3 and 4 of 2022. Within the city, there have been improvements in Edmonton's south core (3.7% in Q3 to 3.5% in Q4), central zone (from 6% to 5.7%), northwest (from 6.1% to 5.9%), and Whyte Avenue-Garneau (from 6.6% to 6.3%). Across-the-board gains within the capital city are reason for celebration.

Meanwhile, the suburbs have screamed consistency. Leduc continues to impress, with an astonishingly low vacancy rate of just 1.1%, which marks the seventh straight quarter of occupancy improvements for Leduc, which saw a vacancy rate peak of 5% in mid-2021. It's tough to say the vacancy rate will drop below 1% at any point, but Leduc is certainly standing out as a

retail occupancy behemoth in the region. Sustained low vacancy rates could point to the need for investment in new retail space in the area just south of Edmonton.

Sherwood Park–Fort Saskatchewan has maintained a low — though not as low as Leduc — retail vacancy rate of 3.5% quarter-over-quarter to round out 2022, bouncing back from its highest vacancy rate of 5.9% in mid-2020. The City of St. Albert is the only market to experience increased vacancy, from 3.5% in Quarter 3 to 3.7% in Quarter 4, but the change is minimal and not cause for concern. St. Albert has bounced back nicely from its most significant vacancy rate of 5.8% at the beginning of 2021.

Finally, for the first time in a long time, traditional shopping centres such as malls have seen a resurgence in activity, with the holiday season pushing an increase in visitors to Edmonton malls year-over-year. This has created some minor concerns over a potential drop in visitation to independent shops, as large centres bounce back. A balance between the two storefront types is expected to be struck in 2023, along with a better picture of the new divide between in-person and e-commerce shopping.

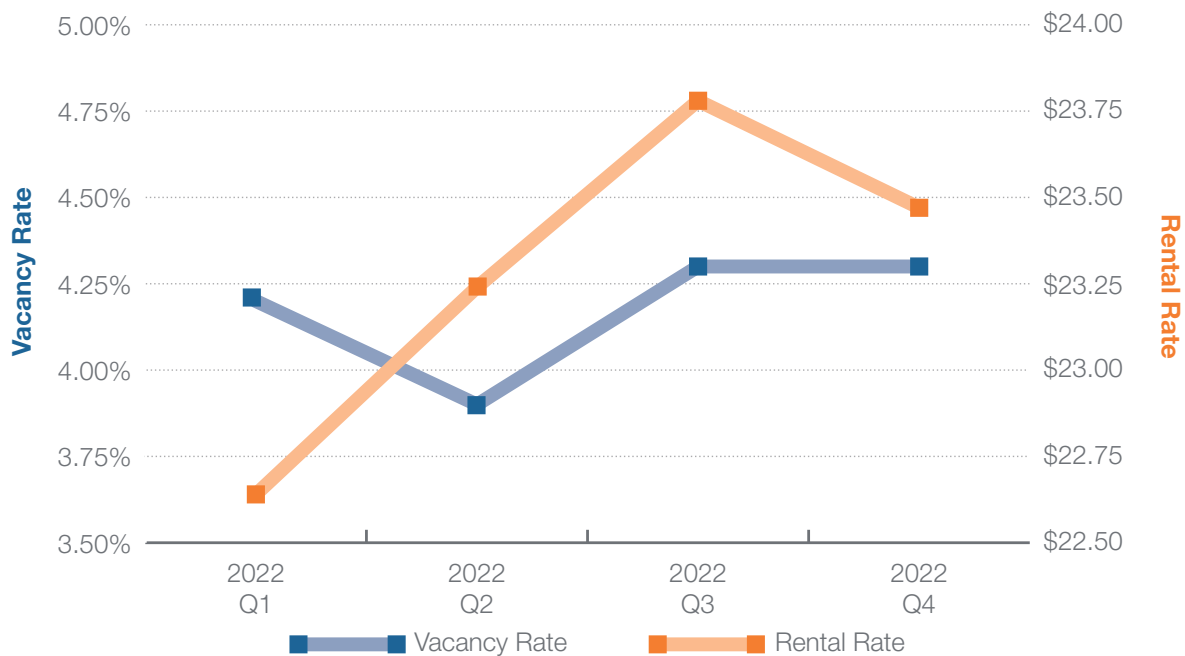
In all, the end of 2022 served as the most notable point of optimism for the region's retail landscape in quite some time. Consumer behaviours are shifting back to in-person shopping, despite a semi-sustained commitment to e-commerce, and inflation hasn't resulted in as many retail outlet vacancies as was predicted in mid-2022. It's very likely that the retail market will continue to see improvements in 2023.

## RETAIL Vacancy Trends

	2022-Q1	2022-Q2	2022-Q3	2022-Q4
<b>GREATER EDMONTON</b> Buildings Surveyed: 4,534 Existing SF: 69.43M	4.2%	3.9%	4.3%	4.3%
<b>EDMONTON WEST</b> Buildings Surveyed: 1,096 Existing SF: 18.48M	5.3%	4.9%	6.1%	5.9%
<b>EDMONTON SOUTH</b> Buildings Surveyed: 1,406 Existing SF: 22.92M	4.5%	3.6%	3.7%	3.5%
<b>EDMONTON CENTRAL</b> Buildings Surveyed: 586 Existing SF: 6.24M	6.0%	5.9%	6.0%	5.7%
<b>LEDUC</b> Buildings Surveyed: 146 Existing SF: 1.87M	3.8%	3.0%	1.2%	1.1%
<b>ST. ALBERT</b> Buildings Surveyed: 223 Existing SF: 3.53M	2.3%	3.0%	3.5%	3.7%
<b>SHERWOOD PARK / FORT SASKATCHEWAN</b> Buildings Surveyed: 396 Existing SF: 6.07M	4.1%	4.0%	3.5%	3.4%
<b>WHYTE AVENUE / GARNEAU</b> Buildings Surveyed: 191 Existing SF: 1.53M	7.3%	6.6%	6.6%	6.3%

## Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





## Office Market

Optimism is returning to Edmonton's office real estate market, with a relatively positive end to 2022 and some massive shifts to pre-pandemic norms anticipated for 2023.

The state of office real estate vacancy issues has been a concern throughout the entire country over the past few years, with pandemic trends pushing work-from-home setups that have seen business owners shed overhead costs where possible, accompanied by mass layoffs in the tech industry resulting in contracting office usage. This is particularly true in Downtown Edmonton where vacancy rates have worsened in each of the past six quarters.

That trend has continued, with a new record-high 13.1% vacancy in the downtown core in Quarter 4 of 2022, but projections show potential significant improvements heading into 2023. On the whole, the region is seeing improvements, with the full Edmonton area hosting an office vacancy of 9.9%, falling below 10% for the first time since the beginning of 2022. That regional improvement is largely driven by occupancy increases in the suburban setting, a shift that has rung true across Canada.

While high-density areas, such as downtown Edmonton, have continued to struggle in a bounce-back from pandemic-driven issues, suburbs, such as Sherwood Park–Fort Saskatchewan, Leduc, and St. Albert, have thrived as people return to work. This shift is expected to continue, with plenty of opportunity in the suburbs to scoop up business occupancy from those not wanting to operate in busy centres with typically higher cost per square footage. In the Edmonton area, suburban office vacancy rates have dropped to 7.6%, the lowest mark since the end of 2019.

Areas of the city outside the downtown core have experienced improvement similar to those seen in the suburbs, with Windermere–Summerside seeing a major occupancy win, as vacancy rates have improved from 4.2% in Quarter 3 to 3.0% in Quarter 4, the lowest vacancy rate since before 2019. The University–Garneau region has historically seen high vacancy, so the area's 15.1% vacancy rate comes as no surprise, but it is a notable improvement from the 16.7% vacancy rate struck in early-2022.

Downtown rates may soon be helped by an expected return to in-office work directives. Many major companies have begun announcing hybrid work models rather than full work-from-home agreements, pointing to a renewed desire for the accidental collaboration and innovation that comes from in-person interactions. Additional efforts in downtown Edmonton aim at gaining investment by addressing the area's culture, with the Downtown Recovery Coalition recently pushing for improved downtown safety. The group, which aims at promoting economic growth in the city's core, says a vibrant downtown requires reduced crime. Additional downtown revitalization efforts include the creation of the Downtown Spark Festival, showcasing art installations and performances, and a push for improved cleanliness in the area.

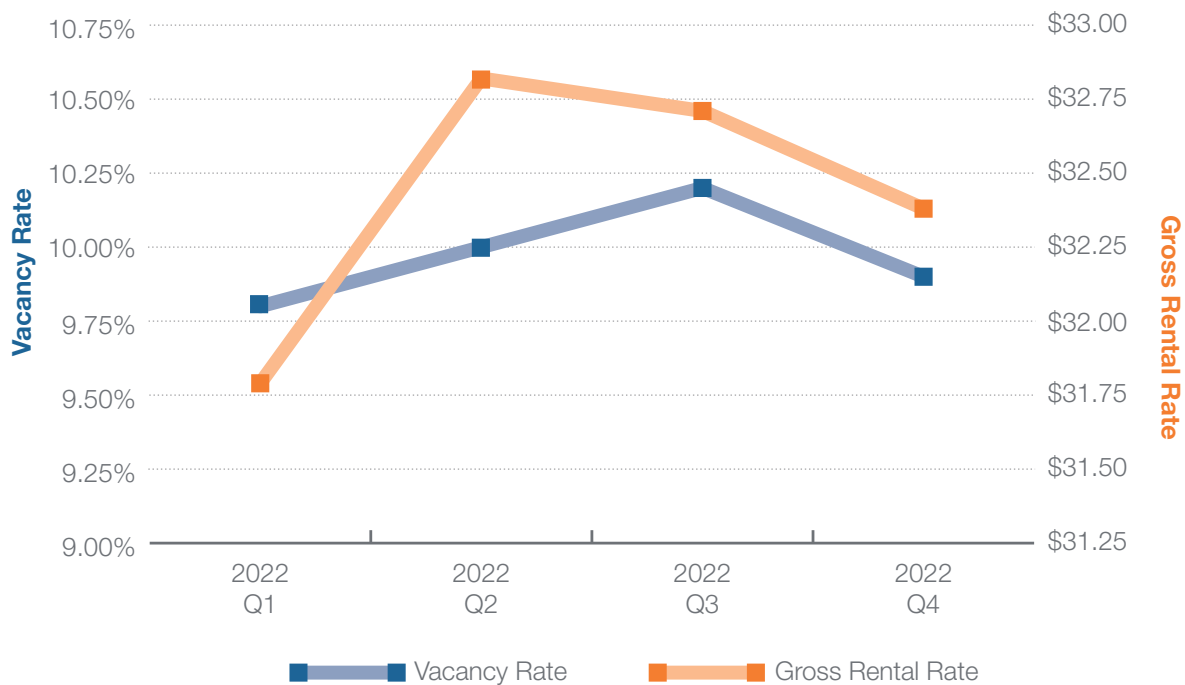
These focuses, combined with trends amongst business owners, are resulting in an improved outlook for the downtown core through 2023, with changes not likely to come until the second or third quarter of the year. On top of continued improvements in the suburbs and in other areas of the city, a rebound in downtown Edmonton could drive a significantly improved office scape throughout the entire region in '23.

## OFFICE Vacancy Trends

	2022-Q1	2022-Q2	2022-Q3	2022-Q4
<b>GREATER EDMONTON</b> Buildings Surveyed: 1,356 Existing SF: 51.51M	9.8%	10.0%	10.2%	9.9%
<b>EDMONTON DOWNTOWN</b> Buildings Surveyed: 283 Existing SF: 25.03M	10.9%	11.2%	11.7%	13.1%
<b>EDMONTON SUBURBAN</b> Buildings Surveyed: 817 Existing SF: 20.93M	8.2%	8.4%	8.2%	7.6%
<b>WINDERMERE / SUMMERSIDE</b> Buildings Surveyed: 71 Existing SF: 2.12M	4.2%	5.0%	4.2%	3.0%
<b>UNIVERSITY / GARNEAU</b> Buildings Surveyed: 61 Existing SF: 1.06M	14.8%	16.7%	15.2%	15.1%

## Average Gross Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS





# Industrial Market

Industrial activity throughout the Edmonton region has been a consistent point of positivity in the commercial real estate landscape, with ongoing quarter-over-quarter growth. That optimism continues, with major investments rounding out the end of 2022 to cap a successful fourth quarter.

Recent announcements include a purchase of one million square feet of industrial space in Nisku, which will see the conversion of a fabrication yard to a number of logistics buildings averaging more than 300,000 square feet in size. In Edmonton, Qualico announced the development of 500,000 square feet of warehouse space for a joint venture between Leon's and The Brick. Each of these developments follow the trend of upward swings in logistics and warehousing growth in and around the city, attributed to many factors including supply chain issues and a sharp increase in e-commerce operations with a local foothold.

Leduc and Nisku continue to be the greatest benefactor of surging industrial activity throughout the region, with a Quarter 4 vacancy rate of only 4.3% to round off 2022, down from an already impressive 4.7% in Quarter 3 — and marking the lowest vacancy rate since mid-2019. This plays into a full regional vacancy rate of 3.6% (no change quarter-over-quarter).

Northwest (3.4% vacancy) and South Edmonton (4.3%) have seen a slight decrease in industrial occupancy, while Sherwood Park–Fort Saskatchewan has seen a vacancy rate improvement from 4.8% in Quarter 3, to 4.6% in Quarter 4. Though the improvement is relatively small, it's trending in the right direction, after a dip in occupancy in mid-2022. Economic Development staff in Strathcona County have boasted optimism heading

into 2023, which really echoes the state of the entire region and is reflective of a province-wide feeling of excitement.

Apart from warehouse demand ballooning, the Edmonton region is becoming a hub for hydrogen and carbon capture technologies, with both industries expected to gain additional prominence throughout 2023. This is all bolstered by Alberta's Industrial Heartland, as the region is known, being named as the province's first-ever Designated Industrial Zone. The designation is expected to drive further investment in 2023 through increased regulatory efficiency and scaled infrastructure.

Meanwhile, industrial space conversions — such as that being seen for one-million square feet in Nisku — are becoming more prominent amid tightening industrial space availability, and a slowdown in new facility construction. New developments may see a surge in the near future, though, as construction cost increases begin to waver. According to Statistic Canada's Building Construction Price Index for Quarter 3 in 2022, the rate of construction cost increases has "notably slowed," both quarter-over-quarter and year-over-year. This could result in the re-emergence of new industrial development throughout the region, though supply chain issues persist related to concrete, steel, glass, and piping.

In all, the region's industrial activity is set to be a continued boom to economic growth and a strong commercial realty scape over the coming year, with a strong close to 2022 and anticipated new activity coming to the region in '23.

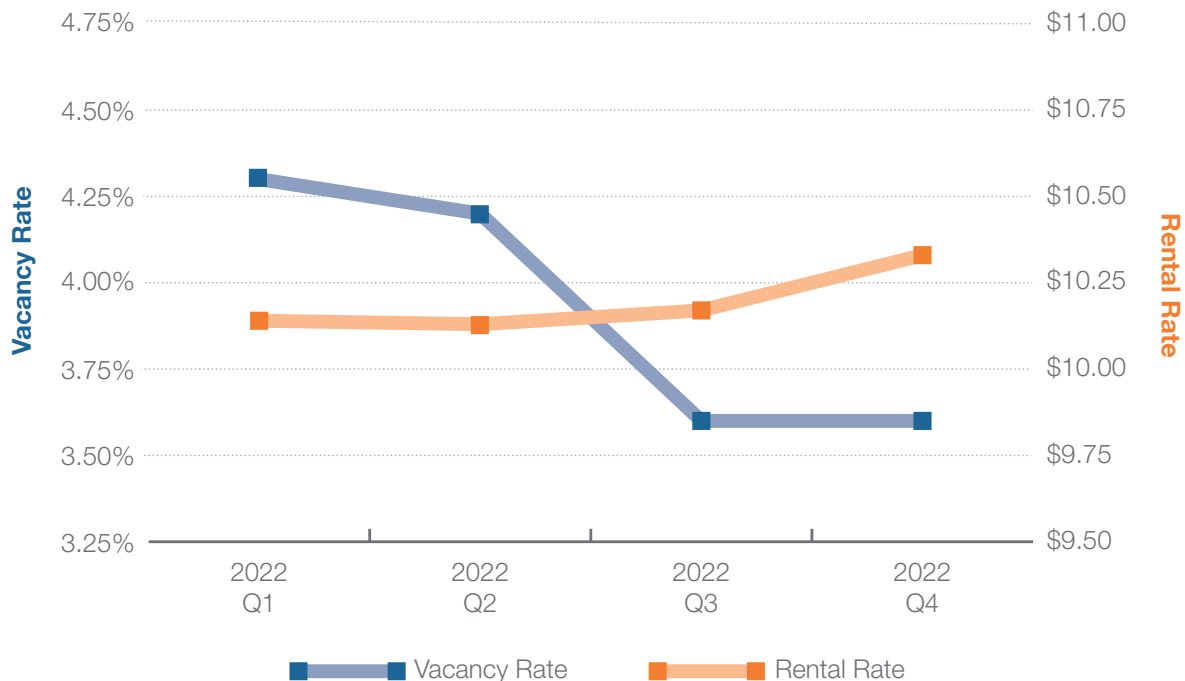


## INDUSTRIAL Vacancy Trends

	2022-Q1	2022-Q2	2022-Q3	2022-Q4
<b>GREATER EDMONTON</b> Buildings Surveyed: 5,812 Existing SF: 199.86M	4.3%	4.2%	3.6%	3.6%
<b>EDMONTON WEST</b> Buildings Surveyed: 1,888 Existing SF: 71.46M	3.5%	3.7%	3.2%	3.4%
<b>EDMONTON SOUTH</b> Buildings Surveyed: 1,742 Existing SF: 66.27M	4.7%	4.4%	4.1%	4.3%
<b>SHERWOOD PARK / FORT SASKATCHEWAN</b> Buildings Surveyed: 371 Existing SF: 11.61M	5.6%	4.2%	4.8%	4.6%
<b>LEDUC / NISKU</b> Buildings Surveyed: 825 Existing SF: 24.73M	6.5%	5.7%	4.7%	4.3%

## 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



**9871 - 279 Street**  
**Price:** \$11,478,000  
 \$254.79/sq.ft.

**Area:** Acheson  
**Property Type:** Industrial  
**Size:** 45,048 sq.ft.  
 on 6.13 acres



**6510 Gateway Blvd.**  
**Price:** \$10,250,000  
 \$257.03/sq.ft.

**Area:** Strathcona Junction  
**Property Type:** Retail  
**Size:** 39,879 sq.ft.  
 on 2.89 acres



**5003/31 - 50 Street**  
**Price:** \$9,400,000  
 \$181.56/sq.ft.

**Area:** Beaumont  
**Property Type:** Retail  
**Size:** 51,773 sq.ft.  
 3.49 acres



**937 Fir Street**  
**Price:** \$9,300,000  
 \$234.53/sq.ft.

**Area:** Sherwood Park  
**Property Type:** Retail  
**Size:** 39,654 sq.ft.  
 2.99 acres



**1101 - 16 Avenue**  
**Price:** \$6,400,000  
 \$126.08/sq.ft.

**Area:** Nisku  
**Property Type:** industrial  
**Size:** 50,761 sq.ft.  
 on 4.37 acres



**8925 - 62 Avenue**  
**Price:** \$3,900,000  
 \$274.73/sq.ft.

**Area:** Coronet Addition Industrial  
**Property Type:** Industrial  
**Size:** 14,196 sq.ft.  
 on 3.69 acres



**6750 - 51 Avenue**  
**Price:** \$3,750,000  
 \$354.78/sq.ft.

**Area:** Roper Industrial  
**Property Type:** Industrial  
**Size:** 10,570 sq.ft.  
 on 3.48 acres



**9616 - 101A Avenue**  
**Price:** \$3,000,000  
 \$92.46/sq.ft.

**Area:** Boyle Street  
**Property Type:** Office  
**Size:** 32,448 sq.ft.  
 on 0.65 acres

## NAI Listing Highlights

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



**13803 - 156 Street**  
**Lease Rate:** \$9.50  
**Area:** Mistatim Industrial  
**Property Type:** Industrial  
**Size:** Up to 19,200 sq.ft.±  
 Dock & Grade Loading



**6602 - 45 Street**  
**Sale Price:** \$11,600,000  
**Area:** Leduc  
**Property Type:** Industrial  
**Size:** 74,660 sq.ft.±  
 on 5.14 acres±



**10130 - 99 Avenue**  
**Sale Price:** \$25,000,000  
**Area:** Grande Prairie  
**Property Type:** Investment  
**Size:** 157,119 sq.ft.±  
 over two buildings



**13341 - 149 Street**  
**Sale Price:** \$5,900,000  
**Area:** Bonaventure Industrial  
**Property Type:** Industrial  
**Size:** 25,615 sq.ft.±  
 on 1.33 acres±

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