

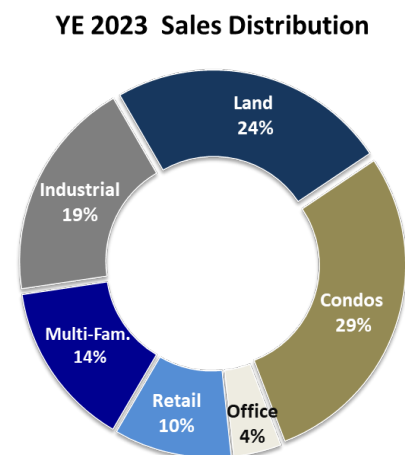
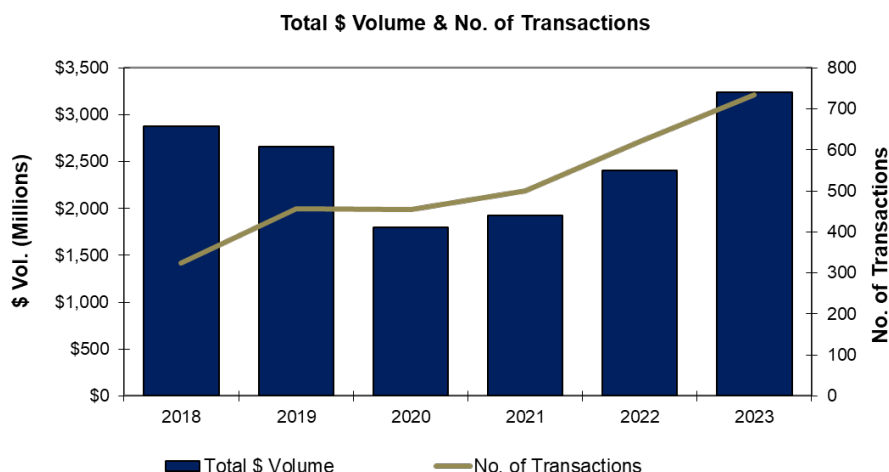
## 2023 YEAR-END EDMONTON MARKET OVERVIEW

Commercial real estate investors kept their wallets open through 2023, purchasing land and buildings at a rate not seen since the 2007 economic boom when 1,039 transactions closed for a total exceeding \$4 billion. Total dollar volume for 2023 surpassed \$3.2 billion and indicates that the pandemic recovery we anticipated did indeed take hold. Total investment represents an increase of approximately 34% versus 2022 and kept investment levels well above pre-pandemic levels.

Continuing the flurry of investment activity noted in each of our previous quarterly reports, an additional 206 transactions closed during the fourth quarter, bringing an additional \$730.4 million of investment to the Edmonton market and building on the approximate \$2.5 billion of asset sales through the first three quarters of the year.

Year-over-year investment increased in five of the six asset classes we track, with dollar volume falling slightly among industrial properties. This asset class reached a near-decade high in 2022.

	2019	2020	2021	2022	2023
<b>Land</b>					
Total \$ Value:	\$443,226,628	\$237,360,367	\$243,446,339	\$434,611,899	\$575,451,295
No. of Transactions:	144	118	86	140	176
<b>Buildings</b>					
Total \$ Value:	\$2,201,484,692	\$1,552,163,992	\$1,647,182,026	\$1,971,650,200	\$2,660,716,992
No. of Transactions:	396	335	407	480	559
<b>Totals</b>					
Total \$ Value:	\$2,644,711,320	\$1,789,542,359	\$1,890,628,365	\$2,406,262,099	\$3,236,168,287
No. of Transactions:	540	453	493	620	735



## Commercial Condo Sales Activity Highlights.

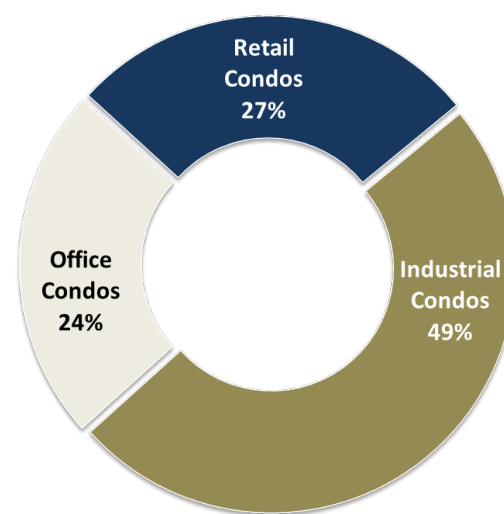
	2020	2021	2022	2023
<b>Office Condos</b>				
Total \$ Value:	\$21,417,914	\$24,038,442	\$44,552,906	\$28,748,620
No. Of Transactions:	29	34	48	49
Avg. Price/sq.ft.	\$310/sq.ft.	\$325/sq.ft.	\$343/sq.ft.	\$332/sq.ft.
<b>Retail Condos</b>				
Total \$ Value:	\$34,688,732	\$31,052,969	\$26,497,246	\$55,262,705
No. Of Transactions:	38	41	36	57
Avg. Price/sq.ft.	\$393/sq.ft.	\$407/sq.ft.	\$381/sq.ft.	\$428/sq.ft.
<b>Industrial Condos</b>				
Total \$ Value:	\$34,723,114	\$59,332,972	\$62,057,149	\$60,846,862
No. Of Transactions:	57	88	103	103
Avg. Price/sq.ft.	\$198/sq.ft.	\$205/sq.ft.	\$235/sq.ft.	\$209/sq.ft.
<b>Totals</b>				
Total \$ Value:	\$90,829,760	\$114,424,383	\$134,107,301	\$144,959,187
No. Of Transactions:	124	163	187	209

Investment in commercial condos properties increased by approximately \$42 million during the final quarter of 2023, bringing investment in this asset class to a five year high of just under \$145 million. Through the third quarter of 2023, each three-month period saw stronger demand than during the same period of 2022, demonstrating the desire among small business owners to also own their real estate. Demand for office and industrial condos dropped-off in the final quarter of the year but retail condos remained a hot commodity and posted five-year highs in both sales and total investment.

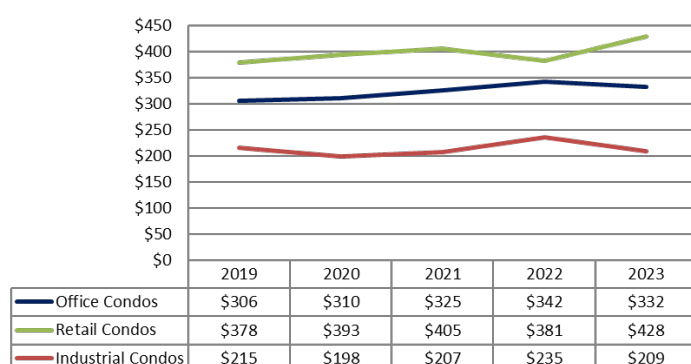
Industrial condos continued to comprise the majority of commercial condo sales but reached a three-year plateau in terms of total dollar volume invested.

Office condo sales were generally consistent with previous years, in terms of total sales. Dollar volume and price per square foot also showed remarkable stability.

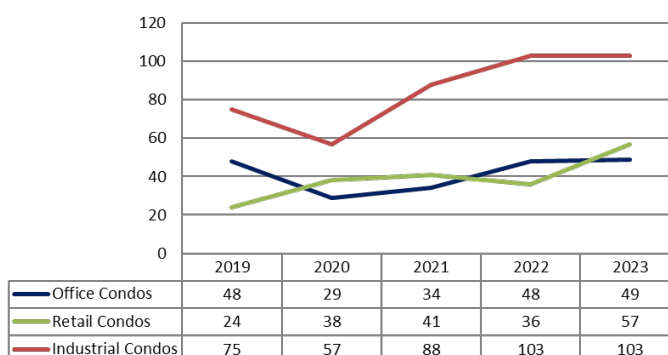
### Commercial Condo Sales Distribution



### Average Condo Unit Price



### Commercial Condo Transactions



## Office Sales Activity Highlights.

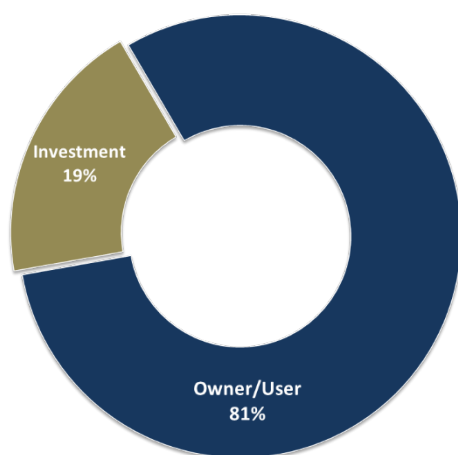
	2020	2021	2022	2023
<b><u>Suburban Office</u></b>				
Total \$ Value:	\$30,283,250	\$67,640,000	\$67,520,188	\$93,663,500
No. Of Transactions:	16	19	22	30
Avg. Price/sq.ft.	\$248/sq.ft.	\$254/sq.ft.	\$283/sq.ft.	\$178/sq.ft.
<b><u>Downtown Office</u></b>				
Total \$ Value:	\$5,530,500	\$8,750,000	\$3,800,000	\$6,800,000
No. Of Transactions:	1	2	1	1
<b><u>Downtown High-Rise Office</u></b>				
Total \$ Value:	\$199,525,167	\$0	\$4,400,000	-
No. Of Transactions:	4	0	1	-
<b><u>Totals</u></b>				
Total \$ Value:	\$235,338,917	\$76,390,000	\$75,720,188	\$99,363,500
No. Of Transactions:	21	21	24	31

All but one office property sale in 2023 were in suburban locations and that lone downtown building sold late in the third quarter of the year. During the fourth quarter of 2023, four additional office sales closed, totalling approx. \$9.2 million and bringing mid-year investment to its highest point since 2020. The inverse was true for prices per square foot, however; this metric – for suburban office properties specifically - reached a multi-year low.

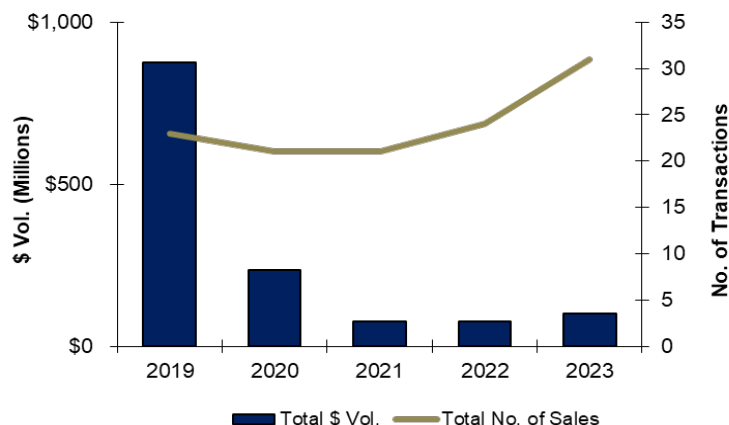
As noted in the doughnut chart at bottom, owner/users were the primary driver of year-to-date investment. This group of investors was collectively responsible for just over four-fifths of total purchases and just over half (\$54 million) of total dollar volume.

It's worth noting here, that the unusually high 2019 office investment seen in the below chart was artificially inflated by the \$517.5 million purchase of 10220-103 Avenue. Removing that outlier, 2019 office investment in Edmonton was well within long-term averages, as was 2020 investment in this asset class. With this in mind, we believe this asset class is showing a post-pandemic recovery similar to the other asset classes we track.

Office Building Sales Distribution



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



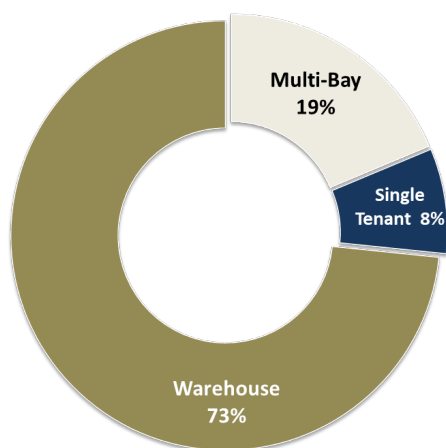
## Industrial Sales Activity Highlights.

	2020	2021	2022	2023
<b><u>Owner/User Warehouse</u></b>				
Total \$ Value:	\$216,707,538	\$294,856,000	\$284,998,789	\$307,582,427
No. Of Transactions:	68	82	99	103
Avg. Price/sq.ft.	\$151/sq.ft.	\$181/sq.ft.	\$173/sq.ft.	\$181/sq.ft.
<b><u>Multi-Bay Warehouse</u></b>				
Total \$ Value:	\$67,115,000	\$317,995,000	\$253,626,699	\$354,436,500
No. Of Transactions:	16	15	23	26
Avg. Price/sq.ft.	\$134/sq.ft.	\$126/sq.ft.	\$133/sq.ft.	\$133/sq.ft.
Avg. Cap Rate	7.5%	6.6%	6%	6.9%
<b><u>Single-Tenant</u></b>				
Total \$ Value:	\$38,323,000	\$21,250,000	\$280,165,000	\$86,475,000
No. Of Transactions:	5	4	11	11
Avg. Price/sq.ft.	\$172/sq.ft.	\$137/sq.ft.	\$215/sq/ft	\$165/sq/ft
Avg. Cap Rate	7%	6.3%	5.8%	6.9%
<b><u>Misc.</u></b>				
Total \$ Value:	-	\$11,920,000	-	-
No. Of Transactions:	-	1	-	-
<b><u>Totals</u></b>				
Total \$ Value:	\$332,145,538	\$646,021,000	\$818,790,488	\$748,493,927
No. Of Transactions:	89	102	133	140

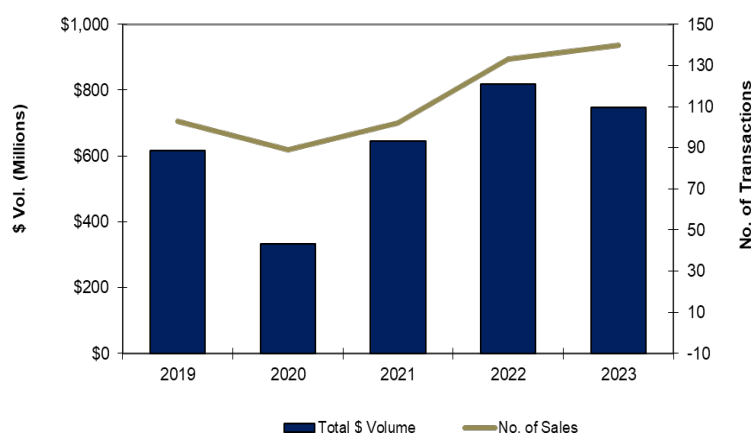
Investors continued easing off the gas pedal through the final quarter of 2023, purchasing just 39 properties for a total of \$179 million in transactions. As a consequence, this asset class saw the first decline in year-over-year investment – albeit on slightly increased sales - since the Covid-19 pandemic began in Spring of 2019.

As is typically the case in this asset class, owner/users remained the major contributor to overall sales and dollar volume through 2023. Multi-bay warehouse dollar volume remained high by historical standards – even on essentially flat year-over-year sales, while single-tenant warehouse investment decreased significantly from 2022 levels.

**Industrial Sales Distribution**



**Total Industrial \$ Volume & No. of Transactions**



## Multi-Family Sales Activity Highlights.

	2020	2021	2022	2023
<b>Walk-Ups</b>				
Total \$ Value:	\$205,998,100	\$385,404,000	\$337,274,424	\$634,203,942
No. Of Transactions:	39	60	62	92
Avg. Price/Suite	\$121,000/suite	\$117,000/suite	\$125,000/suite	\$140,000/suite
Avg. Cap Rate %	5.5%	5.1%	4.9%	5.07%
<b>High-Rise Apartments</b>				
Total \$ Value:	\$305,000,000	\$104,103,000	\$198,176,477	\$165,273,000
Avg. Price/Suite	\$290,000/suite	\$172,000/suite	\$280,000/suite	\$169,500/suite
No. Of Transactions:	3	4	5	5
<b>Misc.</b>				
Total \$ Value:	\$79,997,641	\$124,652,900	\$121,997,500	\$195,784,000
No. Of Transactions:	10	6	13	8*
<b>Totals</b>				
Total \$ Value:	\$590,995,741	\$614,159,910	\$657,448,401	\$995,260,942
No. Of Transactions:	52	70	80	105

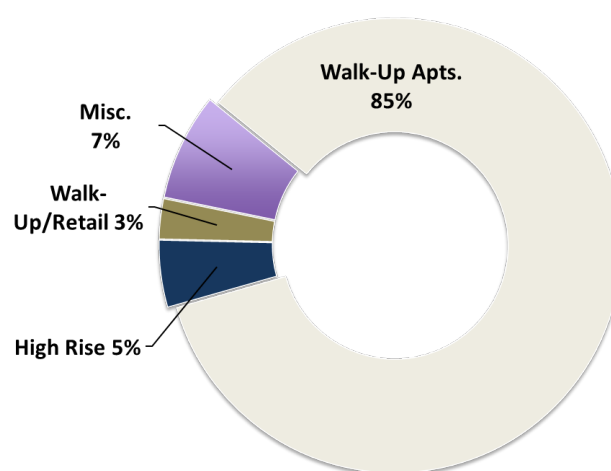
\*Misc – 4 Assisted Living developments, 2 Row Houses, 1 Boarding House & 1 Rooming House

Investment in the multi-family asset class continued its upward trajectory through the final quarter of 2023 with an additional 27 sales totalling \$152.3 million closing. This brought total investment for 2023 to just under \$1 billion; by far the greatest total investment in a decade.

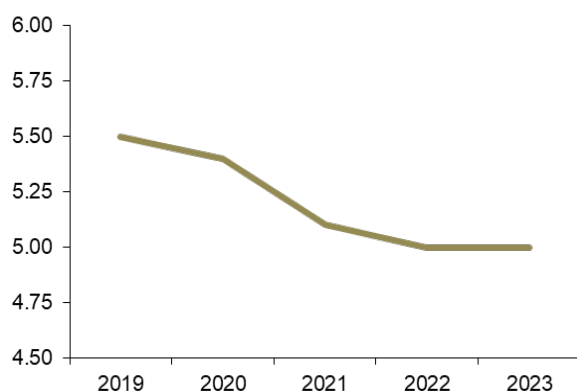
Demonstrating the incredibly strong appeal of these assets, investment in this asset class had surpassed total 2022 numbers by the end of the third quarter.

As with 2022, assisted living properties were a hot commodity with four such properties transacting through 2023 for a total of \$177.5 million. Among the top ten largest sales of the year, three were assisted living facilities.

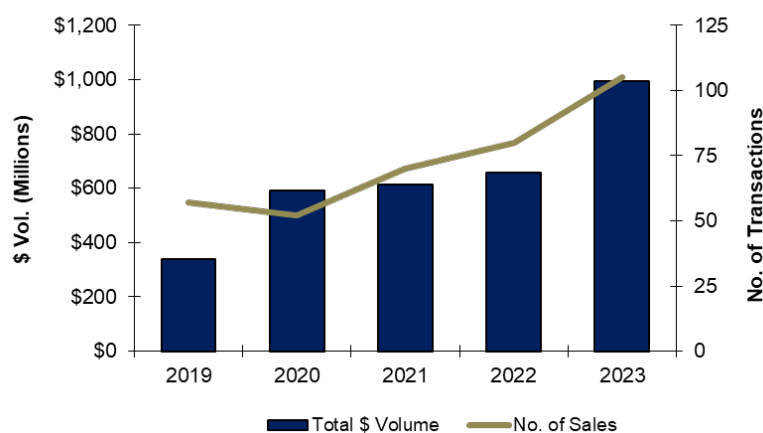
**Multi-Family Sales Distribution**



**Multi-Family Capitalization Rate (%)**



**Total Multi-Family \$ Value & No. Of Transactions**



## Retail Sales Activity Highlights.

	2020	2021	2022	2023
<b><u>General Retail</u></b>				
Total \$ Value:	\$40,727,000	\$55,812,825	\$89,167,240	\$286,439,436
No. Of Transactions:	25	23	33	42
<b><u>Shopping Centres</u></b>				
Total \$ Value:	\$130,255,000	\$82,555,918	\$90,910,000	\$215,720,000
No. Of Transactions:	10	11	7	10
Avg. Cap Rate %	6.1%	6.1%	6.2%	7.27%
<b><u>Misc.</u></b>				
Total \$ Value:	\$208,038,177	\$129,265,930	\$105,506,582	\$170,480,000
No. Of Transactions:	20	16	16	22*
<b><u>Totals</u></b>				
Total \$ Value:	\$342,020,177	\$267,634,673	\$285,583,822	\$672,639,436
No. Of Transactions:	55	50	56	74

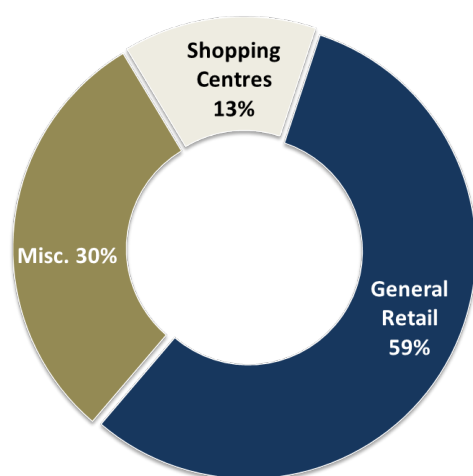
\*Misc. – 6 Hotels, 5 Car Dealerships, 4 Service Stations, 4 Restaurants, 1 Car Wash, 1 Motel & 1 Self Storage facility.

Similar to the multi-family asset class, the commercial retail market exceeded full year 2022 investment volume by the end of the third quarter of 2023. During the fourth quarter of the year, an additional 16 sales closed, totalling just under \$153 million. The result was a more than doubling of total investment seen during the previous two years and nearly double 2020 dollar volume.

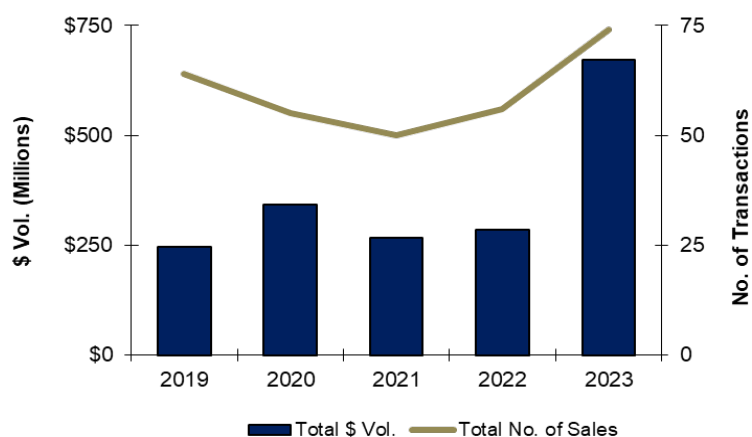
Shopping Centre dollar volume comprised approximately one-third of 2023 total dollar volume and we noted a substantial increase in miscellaneous property sales versus the previous two years. These properties comprised appx. 28% of overall sales in 2023. Investment in this miscellaneous group was up significantly on a year-over-year basis after a notable drop in 2022.

The \$93.2 million sale of Pure Argyll Casino (7055 Argyll Road), the \$69 million sale of The Millwoods Town Centre & Millwoods Town Centre Professional Building and the \$64 million sale of Century Casino & Hotel (13103 Fort Road NW) provided significant boosts to overall investment this asset class.

**Retail Sales Distribution**



**Total Retail \$ Value & No. Of Transactions**



## Land Sales Activity Highlights.

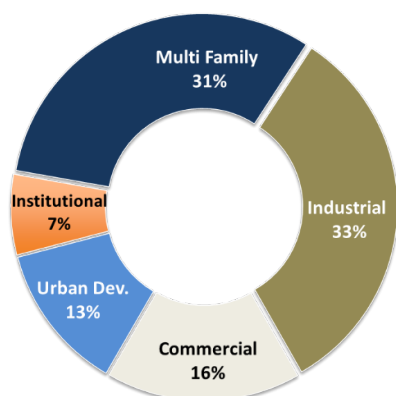
	2020	2021	2022	2023
<b><u>Commercial Land</u></b>				
Total \$ Value:	\$60,444,096	\$63,453,056	\$50,635,303	\$80,506,952
No. Of Transactions:	30	23	40	29
Avg. Price/Sq.ft.	\$66/sq.ft.	\$58/sq.ft.	\$48/sq.ft.	\$56/sq.ft.
<b><u>Industrial Land</u></b>				
Total \$ Value:	\$52,206,837	\$13,326,500	\$154,309,591	\$134,010,533
No. Of Transactions:	28	10	23	57
Avg. Price/Acre	\$707,399/acre	\$501,734/acre	\$829,506/acre	\$918,868/acre
<b><u>Multi Family Land</u></b>				
Total \$ Value:	\$77,459,479	\$106,538,193	\$107,286,812	\$137,015,770
No. Of Transactions:	28	31	39	55
<b><u>Urban Development Land</u></b>				
Total \$ Value:	\$30,999,750	\$53,970,390	\$113,307,268	\$99,390,723
No. Of Transactions	26	17	32	22
Avg. Price/Acre	\$211,175/acre	\$180,459/acre	\$276,663/acre	\$195,908/acre
<b><u>Institutional Land</u></b>				
Total \$ Value:	\$14,936,690	\$2,389,800	\$7,462,925	\$124,527,317
No. Of Transactions	3	2	5	13*
<b><u>Totals</u></b>				
Total \$ Value:	\$242,060,367	\$254,873,259	\$434,611,899	\$575,541,295
No. Of Transactions	119	92	140	176

\*Misc. – Includes 6 Schools & 1 Church

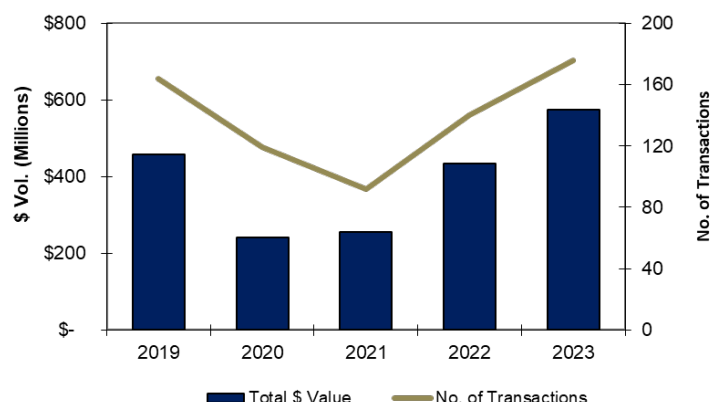
Building on a strong third quarter - at which point both investment sales had surpassed previous year levels - 2023 ended with an extremely strong fourth in which an additional 63 transactions totalling \$195.1 million closed. With total investment for the year reaching nearly \$576 million, a new five-year high was reached both in terms of dollar volume and over sales.

Investors' interest in multi-family designated land translated into the highest sales and total investment numbers in several years but the major story within this asset class was institutional land (in some cases with existing buildings) which drew substantial investment. Purchased in this category were six schools and one church – all in prime locations with very high land values – for a collective \$43.2 million. Boosting institutional land sales 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 Sales Distribution



Total Land \$ Value vs No. Of Transactions





## **MARKET SYNOPSIS & PREDICTION SUMMARY**

Commercial investment at the end of 2023 reached well above pre-pandemic levels and demonstrated that an economic recovery had, in fact, taken place. As we noted throughout the year, the strong investment numbers seen at the end of each successive quarter - with the exception of industrial assets - were unexpected, especially considering that most economic forecasts were projecting an economic downturn in 2023. A trend we did anticipate would extend through the year, however, was the diversity of investor activity. As the year progressed, sales investors' interest broadened among 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 is holding strong, as demonstrated by the increased year-over-sales numbers. We had anticipated decreased investment in this type of asset to manifest as 2023 progressed, 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 investment.

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.

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