

MARKET MONTHLY



EDMONTON INDUSTRIAL MARKET

The Edmonton industrial market's pace decelerated in 2023, following two consecutive years of leasing activity at record-breaking levels. In 2023, the market reverted to more typical historical patterns, and we expect transactions to total approximately four million square feet through leases, renewals, and subletting. This underscores the persistent and substantial demand that remains, even after the surge in activity observed in 2021 and 2022. At the beginning of the year, the vacancy rate stood at approximately 3.4%, and by the year's end, it was trending upward toward the 4.0% range. Whilst vacancy edged up, rental growth increased by 6.0 – 7.0% and is expected to increase a further 5.0% through 2024. Demand for fabrication and manufacturing spaces remains strong, with energy service groups buoyant for the year ahead. Demand for logistics and warehouse spaces has tempered, with rents in the low double-digit range for newer properties, and mid-to-high single-digit rates can still be found for older spaces.

Edmonton is projected to remain an attractive destination for investors seeking income and rental income growth opportunities. Currently, market capitalization rates in the Edmonton market are hovering around 7.0%, which is notably higher than the approximately 4.0% to 4.5% yields observed in Vancouver and Toronto. Demand from owner-users continues to be robust, particularly among groups looking at properties valued between \$2 million and \$5 million. Given the positive sentiments expressed by central banks (Canada and the US) in early December, we anticipate sustained strong demand in 2024 with the leveling off, and even a potential decrease, in interest rates.

December 2023	Inventory (SF)	Occupied (SF)	Vacant (SF)	Vacancy (%)	MoM Vacancy Change	YoY Vacancy Change	Sublet (SF)	Base Rent \$ / SF	OP Cost \$ / SF	Gross Rent Range (\$/SF)
Central Edmonton	3,731,012	3,602,806	128,206	3.44%	0.00%	-0.79%	25,856	\$11.00	\$5.40	\$14 - \$17
NW Edmonton	71,539,978	69,406,942	2,133,036	2.98%	-0.45%	1.81%	625,941	\$10.00	\$4.85	\$12 - \$16
South Edmonton	62,420,489	59,940,690	2,479,799	3.97%	0.99%	0.32%	346,429	\$10.00	\$4.95	\$12 - \$17
NE Edmonton	5,516,901	5,395,611	121,290	2.20%	-1.77%	2.20%	0	\$10.00	\$4.85	\$12 - \$18
Total - Edmonton	143,208,380	138,346,049	4,862,331	3.40%	1.20%	-0.49%	998,226			
St. Albert	5,656,198	5,418,715	237,483	4.20%	0.80%	0.72%	196,400	\$12.00	\$4.90	\$14 - \$19
Fort Saskatchewan	3,258,069	3,091,890	166,179	5.10%	0.90%	4.64%	0	\$12.00	\$4.25	\$14 - \$18
Sherwood + Strathcona	12,278,600	11,778,277	500,323	4.07%	-1.03%	3.40%	7,300	\$12.50	\$4.45	\$14 - \$18
Acheson	12,681,814	12,574,166	107,648	0.85%	-3.23%	-2.98%	3,752	\$16.00	\$4.45	\$17 - \$20
Spruce + Stony Plain	4,047,499	3,988,992	58,507	1.45%	0.60%	-1.54%	3,346	\$13.50	\$4.90	\$14 - \$19
Leduc + Nisku	27,472,461	25,647,763	1,824,698	6.64%	5.20%	6.64%	97,987	\$14.50	\$3.95	\$15 - \$20
Total - Municipalities	65,394,641	62,499,803	2,894,838	4.43%	-2.22%	0.97%	308,785			
Total	208,603,021	200,845,852	7,757,169	3.72%	-0.71%	3.72%	1,307,011			

3.72%

Vacancy Rate



\$+71.00 (US)

Barrel WTI (\$US) December 2023



5.9% November 2023

Alberta Unemployment


AICRE
COMMERCIAL

3 TAKEAWAYS FOR DECEMBER 2023:

- VACANCY:** End 2023 pushing back towards 4.0%, after starting closer to 3.4%. Although vacancy edged up, rental growth increased by 6 – 7% and is expected to increase a further 5.0% through 2024.
- CAP RATES:** Market capitalization rates in the Edmonton market are hovering around 7.0%, which is notably higher than the approximately 4.0% to 4.5% yields observed in Vancouver and Toronto. Owner-users historically pay more for space that will suit their business requirements - really evident in this market.
- INTEREST RATES:** Interest rates close to peak - expect to see a leveling off of interest rates through early 2024 (even a potential decrease). Central banks (Canada and the US) positive sentiment through December has given hopes of no further rises in the near future.

RECENT NOTEABLE TRANSACTIONS

Transaction	Address	City	Zoning	Site Size (acres)	Building Size (SF)	Sale Price	\$ / SF	Year Built	Comment
Sale	12425 67 St	Edmonton	IH	0.19	3,300	\$710,000	\$215	1980	Owner/user purchase. Demised into 2 separate office areas, two 3 piece bathrooms and a shop area. 3 bays, 4 grade loading doors and 1 oil pit.
Sale	4523 94 St	Edmonton	IM	0.94	15,400	\$2,700,000	\$175	2012	Fully leased at the time of sale with 2 tenants. 10 Ton crane capable, 6 grade loading doors and 24' ceilings. Fenced and gate yards.
Sale	2802 5 St	Nisku	IND	3.53	58,000	\$6,500,000	\$112	2007	Exposure to Highway 2, also available to lease at the time of purchase. 3,000 SF of office, 6 bridge cranes, 26' ceilings and exterior crane ways.
Lease	655 30 Ave	Nisku	IND	6.00	52,683	-	\$10.00	1980	50,000 SF + fabrication, paint shop. 10 x CRANES up to 46' HOOK HEIGHT. 60' ceiling height. Flow through capability with yard.
Lease	2959 Parsons Rd	Edmonton	IM	2.00	24,279	-	\$6.00	1977	Low advertised rental rates, ideal for logistics or storage tenants. Grade and interior dock loading doors.
Lease	7606 42 St	Leduc	IND	-	7,185	-	\$14.00	2015	Well presented small bay. Fenced asphalt storage yard. Functional office layout. Dock and Grade loading.

FULLY LEASED: 605 30 Ave, Nisku

AICRE Commercial is pleased to have facilitated the transaction of 52,683 SF now making the former ARGO Shop fully leased. AICRE had previously leased 38,484 SF of the property in early fall.

AVAILABLE: 6615 45 Street, Leduc

FOR LEASE Leduc Shop With Office / Yard

- 6,900 SF on 1.08 Acres (+/-)
- Grade loading and ample fenced/gated yard
- 5 Ton Crane

