

Edmonton Commercial Condominium Investment Insights

Market Analysis | Edmonton • Year-End 2023

The commercial condominium sector in Edmonton is attracting an increasingly diverse group of occupiers and investors, while owners benefit from overall cost-savings and growing equity.

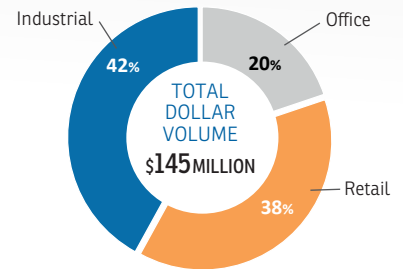
Since 2020, ownership of commercial condo units has increased year-over-year (y-o-y) – surpassing 2019 levels in 2022 and posting further y-o-y growth in 2023.

Demonstrating the attractiveness of this commercial product, nearly \$42 million in transactions closed among commercial condominiums during the final quarter of 2023. This brought total investment in

this type of asset to just under \$145 million for the year; approximately 8% over 2022 dollar volume.

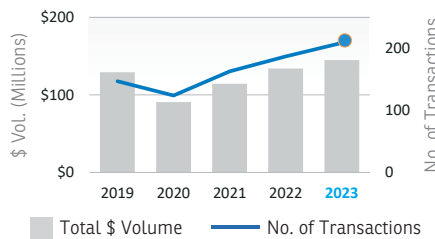
Several formats – office, industrial and retail/medical are available and can be found in a variety of options from units in small, multi-tenant buildings to dedicated business parks – all of which provide distinct advantages such as fixed and clear costs, complete control over design within the premises, and notably, tax benefits not available to leasing tenants.

YEAR-END 2023 COMMERCIAL CONDO INVESTMENT ACTIVITY DISTRIBUTION

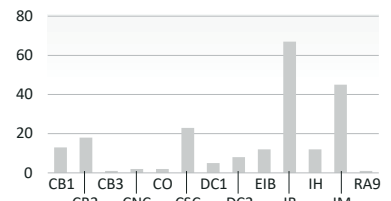


	Year-End 2022	Year-End 2023	Y-O-Y Change
Total Dollar Volume	\$134,107,301	\$144,959,187	\$10,851,886
Office Condo Dollar Volume	\$44,552,906	\$28,748,620	(\$15,804,286)
Retail Condo Dollar Volume	\$26,497,246	\$55,262,705	\$28,765,459
Industrial Condo Dollar Volume	\$63,057,149	\$60,846,862	(\$2,210,287)

TOTAL \$ VOL. & NO. OF TRANSACTIONS



OVERALL TRANSACTIONS BY LAND USE



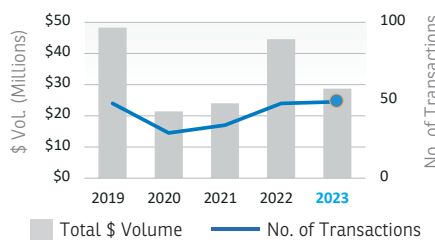
Office Condo Investment

Office condominium sales typically constitute about one-fifth of total commercial condominium sales and demand for this format is typically driven by professional service firms - small to mid-sized business such as an engineering, law, consulting, accounting or contracting firms looking to build equity. Additionally, local and international investors seek this asset class for its potential predictable cash flow.

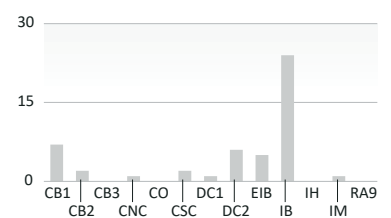
While demand varies across building types and land use classes, the desire among owner/users to own one's real estate has rebounded from 2020 lows and sales through 2023 surpassed 2019 levels. While total dollar volume has fluctuated over the previous four-year period, an average annual increase emerged after making a dramatic drop from 2019 levels.

Costs associated with office condos, such as construction and land prices (often tied to location) and parking – whether underground or above ground – typically price this product in the mid-range between industrial and retail formats. As

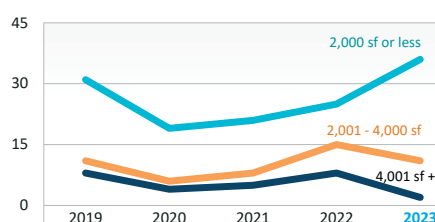
\$ VOLUME & NO. OF TRANSACTIONS



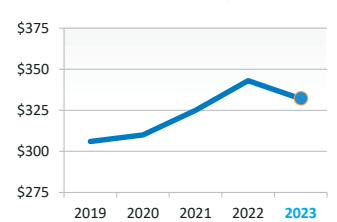
NO. OF TRANSACTIONS BY LAND USE



NO. OF TRANSACTIONS BY SIZE RANGE



AVERAGE PRICE PER SQUARE FOOT



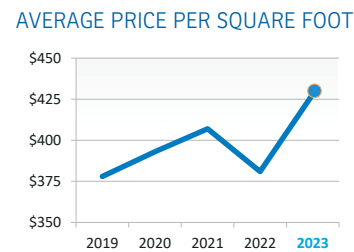
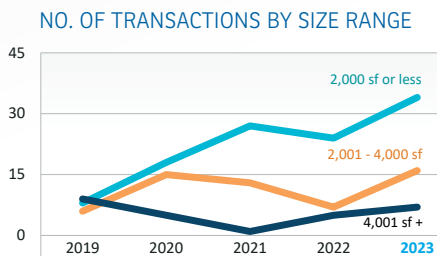
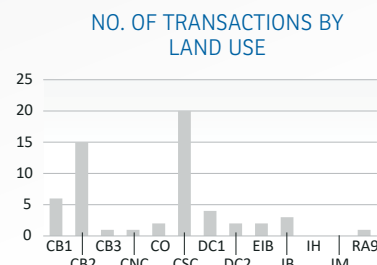
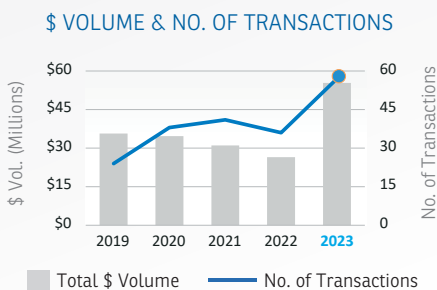
noted above, prices per square foot for this product span a fairly wide range, which is reflective of the variation in building types and urban/suburban locations in which this product can be found.

Retail & Medical Condo Investment

Retail condominiums are a unique product type, in that they attract the widest array of owners from Real Estate investment Trusts (REITs) to owner/users such as pharmacies, physiotherapy or medical clinics, concept restaurants and quick-service restaurants. These services thrive best in main floor, street-level locations.

Sales of this condo format increased year-over-year from 2019 through 2021 even as overall dollar volume moved in the opposite direction. For 2023 however, a significant jump in both metrics was noted as owner/users were drawn to new shopping & entertainment developments which, like Calgary, are increasingly small, convenience store-anchored retail plazas and mixed-use developments. These local shopping and service plazas are proving to be fertile ground for owner/user professional services and retail businesses.

Retail condominiums typically represent about one-third of commercial condo sales and command the highest average price per square foot among the three commercial condo formats. This is due to the higher costs associated with plentiful parking,



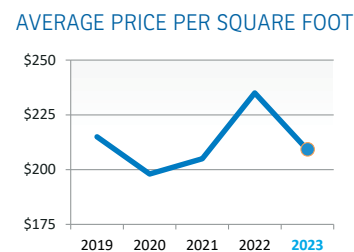
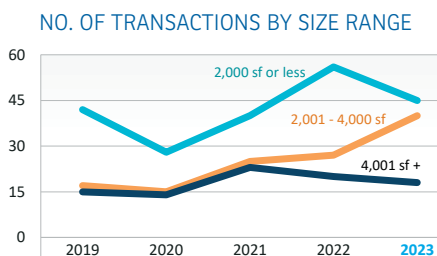
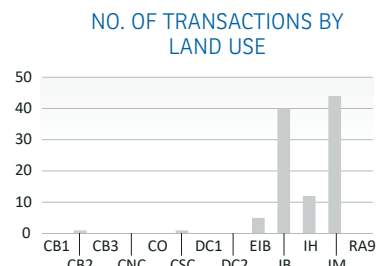
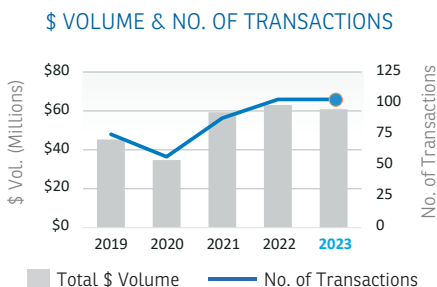
unit design & construction (which often involves lots of glass for natural light and visibility), and land costs related to high-traffic locations such as SQUARE on 23rd. As noted above, prices per square foot for retail condos tend to span a wider range than the other formats.

Industrial Condo Investment

Reflecting the robustness of the Greater Edmonton Area's industrial market, the industrial condominium format has consistently experienced the highest demand among the three commercial condo types. At the close of 2023, industrial condo sales comprised 42% of the year's sales and continued a multi-year trend in which this format constituted approximately half of all commercial condo sales.

The industrial condo format is typically sought by small contracting companies such as landscaping/snow removal, plumbing or electrical services, automotive tuning and customizing shops, and microbreweries. Given that typical industrial condo sizes measure less than 4,000 square feet, these businesses find a natural fit in this type of space. Often located in urban industrial parks such as Eastgate Business Park and Mistatim Industrial, these spaces are convenient for customers to access.

Industrial condos usually sell at the lowest price per square foot among the three commercial condo formats. This is because industrial condos typically require minimal parking, have an open design with



minimal construction and finishing, as a substantial portion of the unit(s) is dedicated to loading bay space. Additionally, land costs are cheaper due to their tendency to be located in more out-of-the-way and less developed locations. As noted above, prices per square foot for industrial condos fluctuate within a fairly narrow range.