Edmonton Market Area Commercial Q1 2021 Statistics

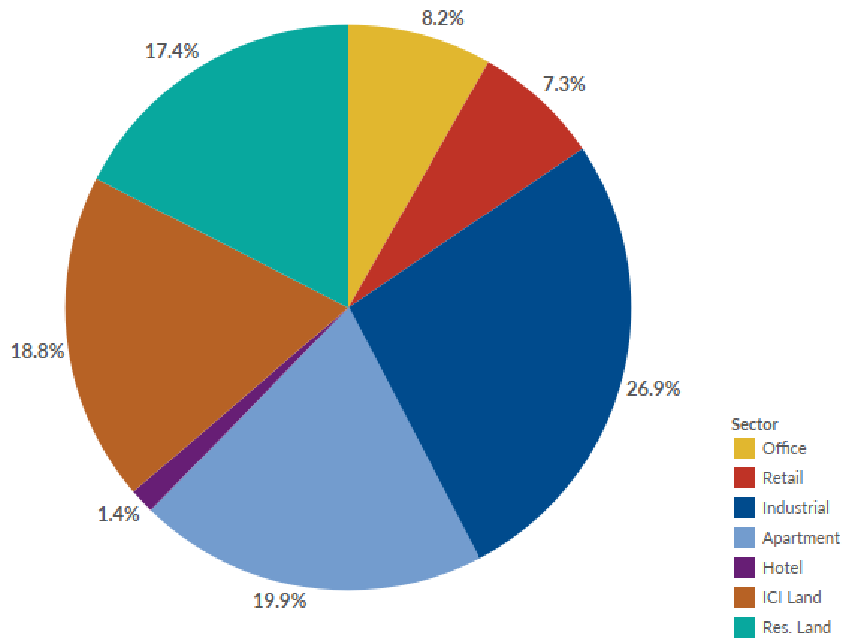
Altus Group

Q1 2021 summary

With some commercial real estate markets seeing signs of recovery throughout the first quarter of 2021, Edmonton lags behind as it continues to face economic challenges that are compounded by ongoing pandemic-related challenges. A total of 126 transactions were recorded in Q1 2O21, totalling $584 million and amounting to a 45% decrease compared to Q1 2020. However, there are some positives to draw on as we approach the midway point of the year. With the number of people being vaccinated increasing throughout the province, discussions have shifted towards the reopening of the economy and the shape that recovery will take. Still, aside from the easing of pandemic restrictions, overall commercial real estate recovery in Edmonton and the province of Alberta as a whole will depend heavily on a more favourable outlook on the market from institutional capital.

The bulk of activity in Q1 2021 was attributed to the industrial, multi-family and land sectors. Together the improved asset classes of industrial and apartment contributed to nearly 47% of all activity, while the ICI and residential land asset classes contributed 36%. Most of these sectors showed year-over-year increases when compared to Q1 of 2020.

Q1 2021 Property Transactions - Total $ Volume by Sector



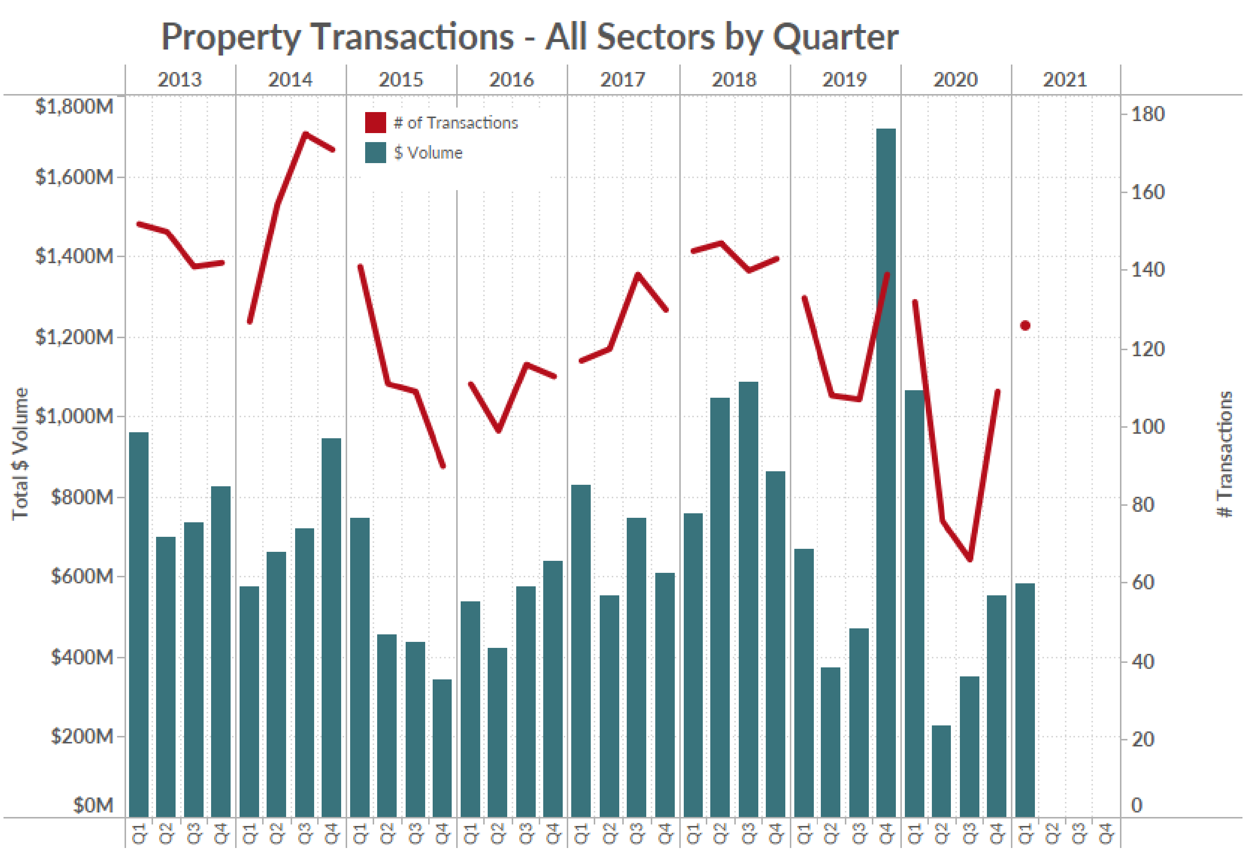
Source: Altus Group

The industrial sector recorded 40 transactions worth $157 million, an improvement of 15% compared to the same time last year. The apartment sector saw 15 transactions, totaling $116 million. Although this amounts to a drop of 78% from Q1 2020, the sector has seen increases in each quarter since a record low was seen in Q2 of 2020. Meanwhile, the adverse impacts of pandemic shutdowns and restrictive measures continue to be felt in the office and retail sectors more sharply than others.

Retail has yet to show signs of recovery with Q1 2021 recording 16 transactions totaling $42 million, down 63% from last year. The office sector has continued to fluctuate throughout the past year, evident in Q1 2021 with 11 transactions recorded for a total of $48 million, a 61% drop from the previous quarter, but a 180% increase from the same time last year. Even as investors have learned to navigate and reassess risk in this new environment, large institutional investors have remained tepid towards regions across Alberta under current conditions.

According to Altus Group's Investment Trends Survey for Q1 2021, Edmonton sits on the sell side of the location barometer, with negative momentum indicating low investor preference for the market compared to others. Overall capitalization rates increased slightly in Edmonton, with rates rising across asset classes aside from Single Tenant Industrial and Suburban Multiple Unit Residential sectors, which both remained stable in Q1 2021 compared to the previous quarter.

While some of Edmonton's market recovery hinges on the rollout of vaccines, much more will be contingent on the return of investor confidence. In the country's leading commercial real estate markets, the sector has responded positively to the prospect of a vaccinated population returning things to relative normalcy – something that is not evident within Alberta markets as of yet. That said, investor sentiment will need to shift towards a more favorable outlook for Edmonton assets in order for recovery to follow the same trajectory.



Source: Altus Group

Notable Q1 Transactions

10112 119th Street NW, Oliver – Apartment

With a purchase price of $46 million, this transaction represented the largest Edmonton apartment sale of the quarter. The purchaser of this 14-storey senior's high-rise apartment building was Revera. The property features 134 units, which includes an exercise room, library, theatre, and salon.

9110 23rd Avenue & 11510 168th Street NW, Parson's Industrial – Industrial

This two-building portfolio consists of a total of 101,200 square feet of warehouse, distribution, and flex space. The acquisition price was $14 million, representing a per square foot price of $138. The seller was a local private investor, and the buyer was Nexus REIT.

2130 121st Avenue NE, Clover Bar Area – Industrial

This industrial asset was acquired by oil and gas support services company and end-user Clean Harbours for $12.5 million, representing the second -largest industrial transaction of the quarter in the Edmonton market. The property consists of 12.26 acres and nine single-tenant buildings comprising a total of approximately 121,699 square feet, including approximately 13,104 square feet of office space.

Stantec Centre, Oliver – Office

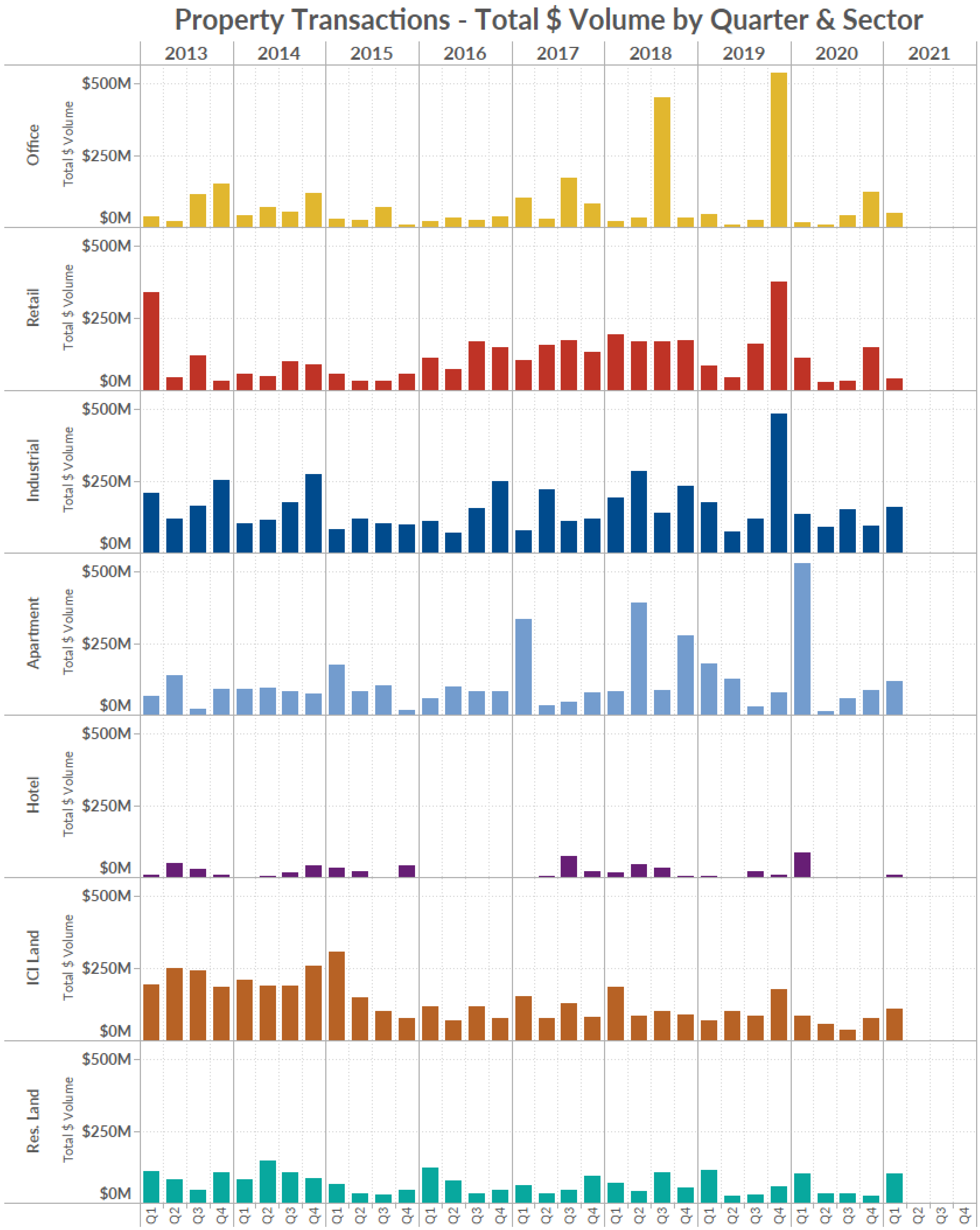
The former headquarters of Stantec, this two-building office complex was acquired for approximately $14.3 million, representing a price per square foot of $75. The purchaser is a local private investor involved in Edmonton's residential development sector. Each building is seven storeys in height, and the complex contains 189,000 square feet of office space.

Garneau Professional Centre, Garneau – Office

The Garneau Professional Centre is located at 11044 82nd Avenue NW. A local private buyer, Feigel Investments, acquired the five-storey, 47,710 square foot office complex for a purchase price of $12 million.

Property Transactions by Quarter and Sector

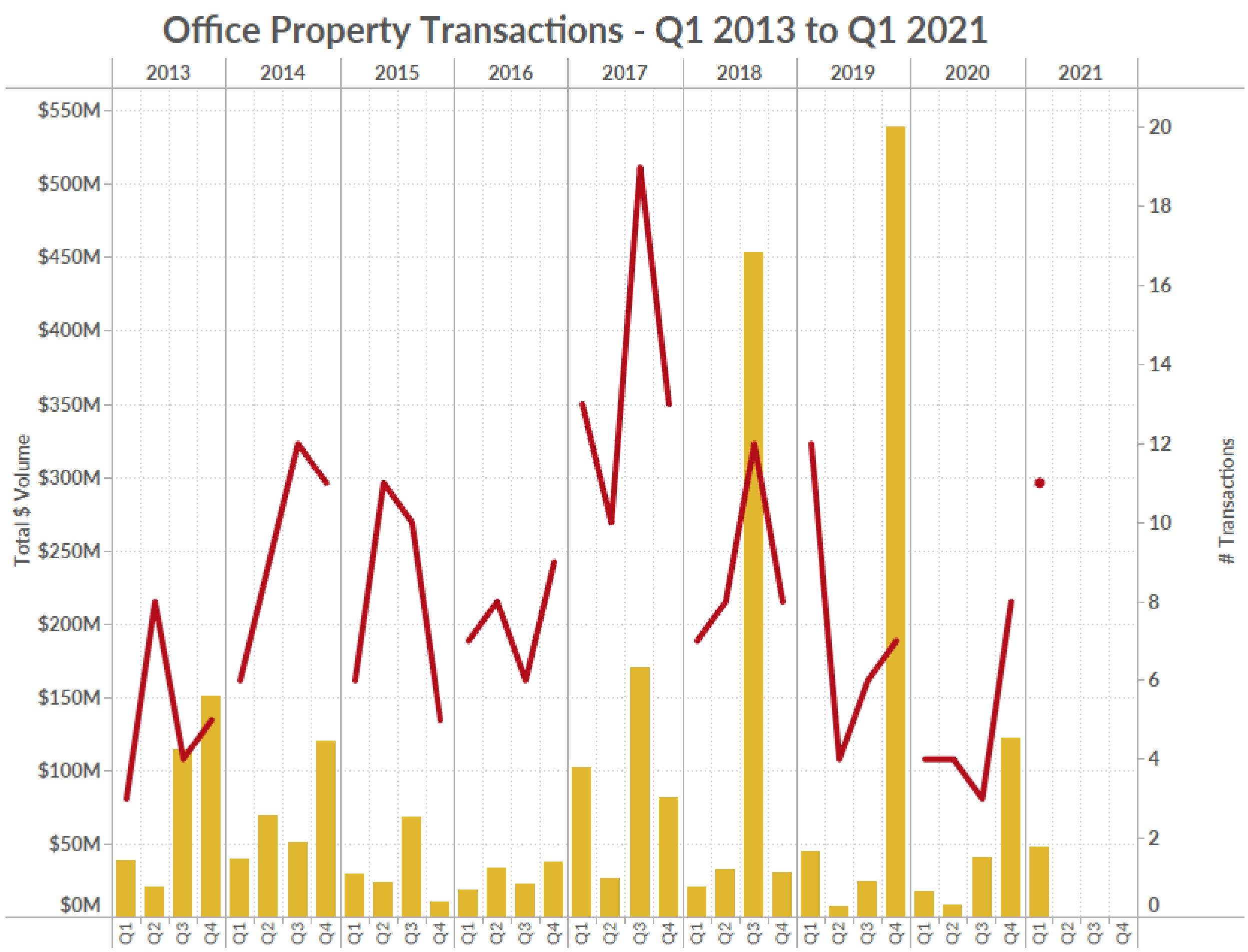
The Office, Industrial, and Residential Land sectors all saw growth in the first quarter of 2021 compared to the same quarter in previous year.



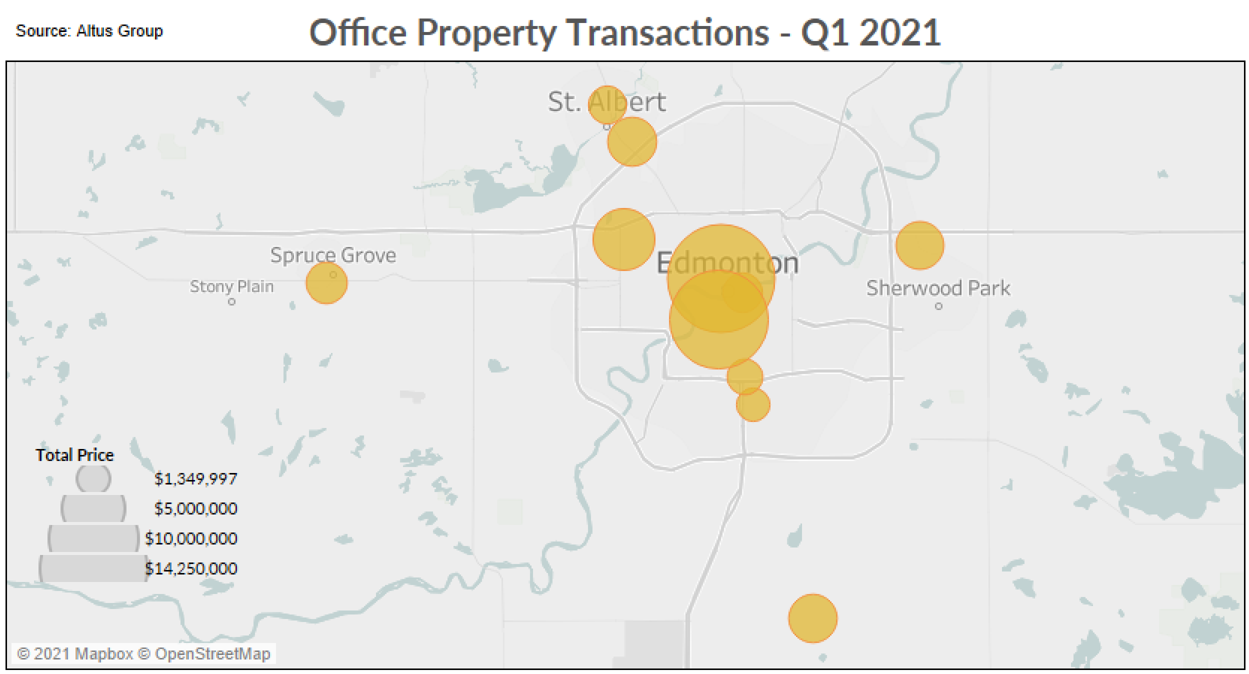
Source: Altus Group

Office Transactions

While the office sector has been struggling recently, the $48M in overall transaction volumes in Q1 2021 was up 180% over Q1 2020 as the number of transactions has been increasing.



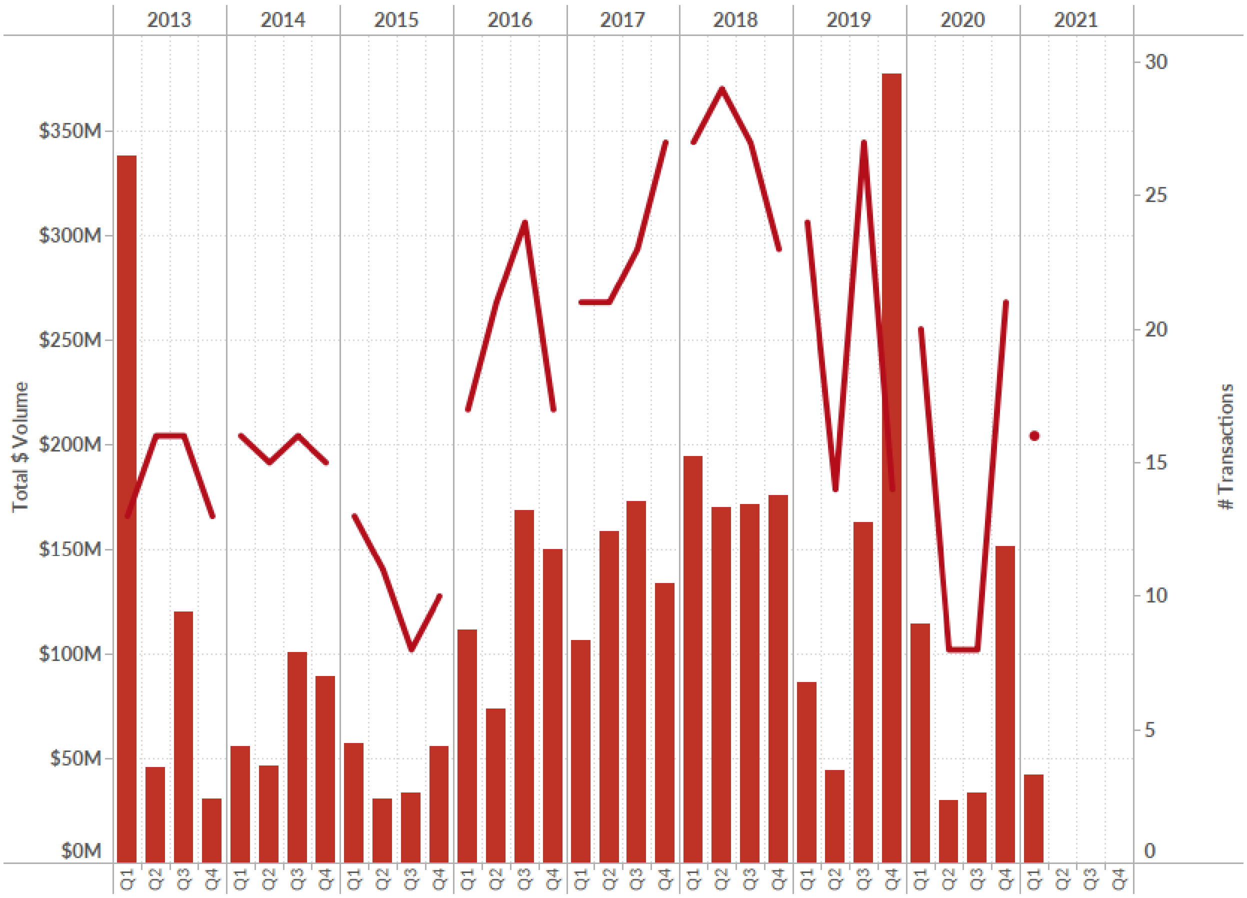
Source: Altus Group



Retail Transactions

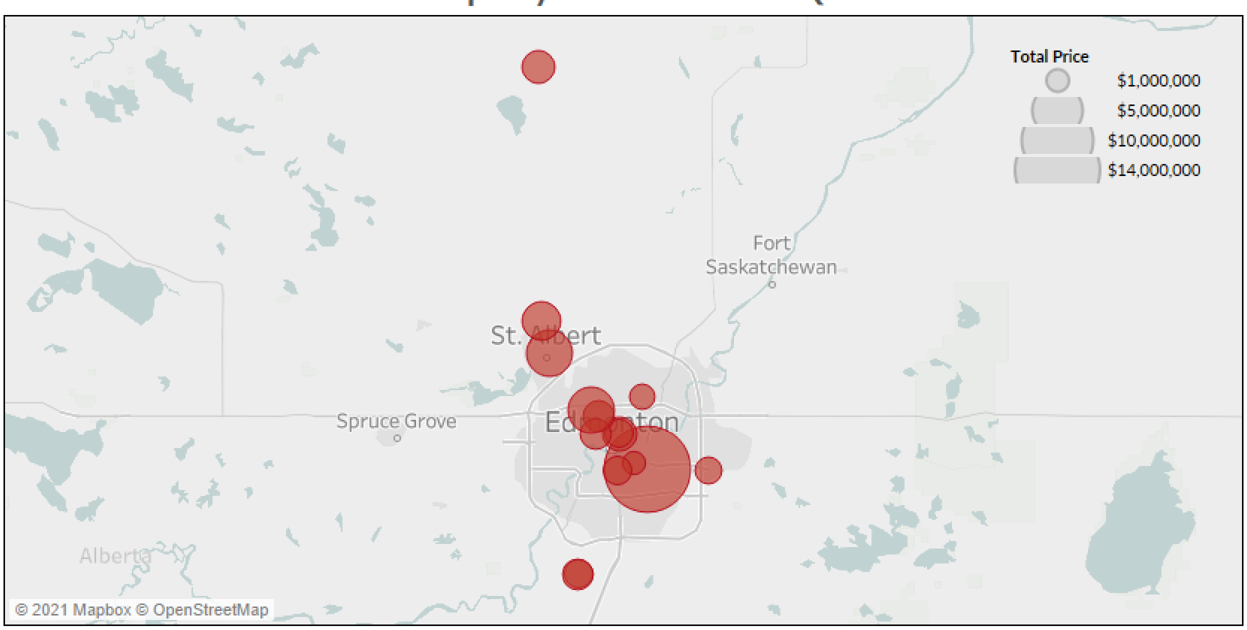
The retail sector took a step back in Q1 2021, with investment activity down 63% from Q1 2020 as transaction volumes have been inconsistent in this sector over the past few years.

Retail Property Transactions - Q1 2013 to Q1 2021



Source: Altus Group

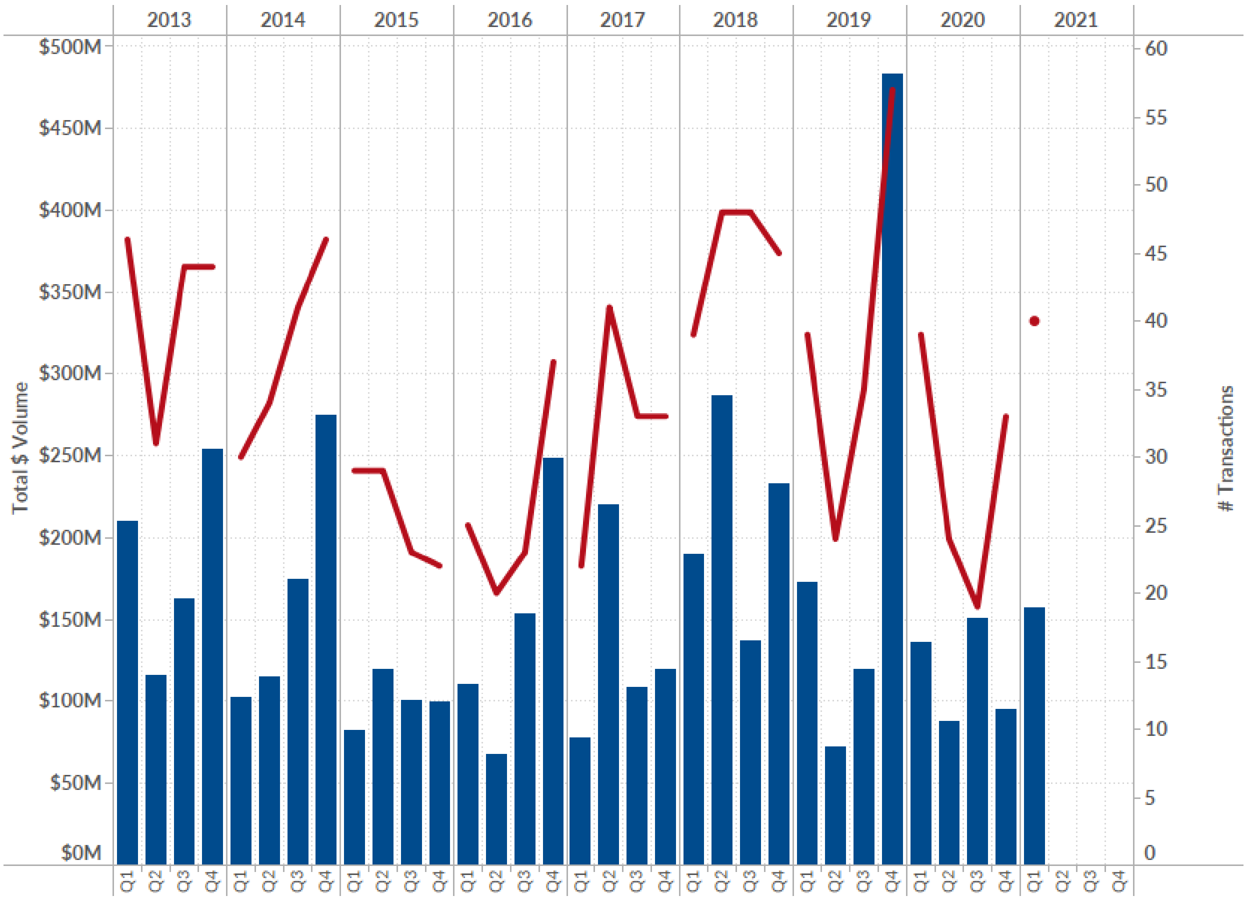
Retail Property Transactions - Q1 2021



Industrial Transactions

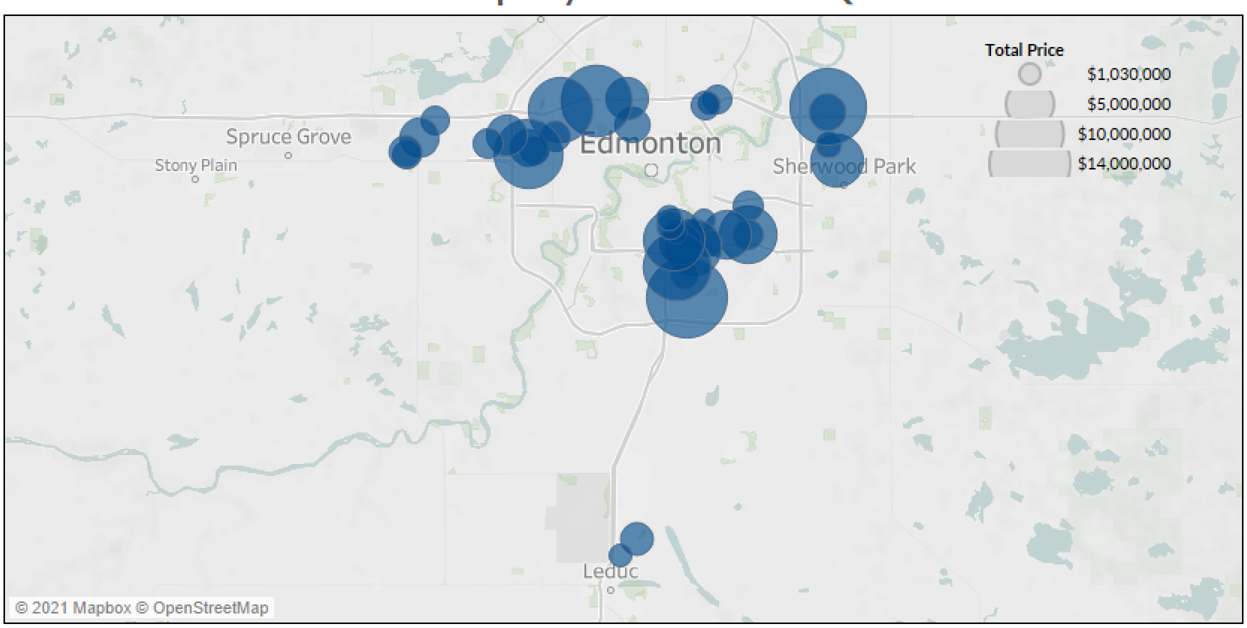
Industrial space continues to be in demand with overall investment in the Edmonton market up 15% in Q1 2021 compared to the previous year.

Industrial Property Transactions - Q1 2013 to Q1 2021



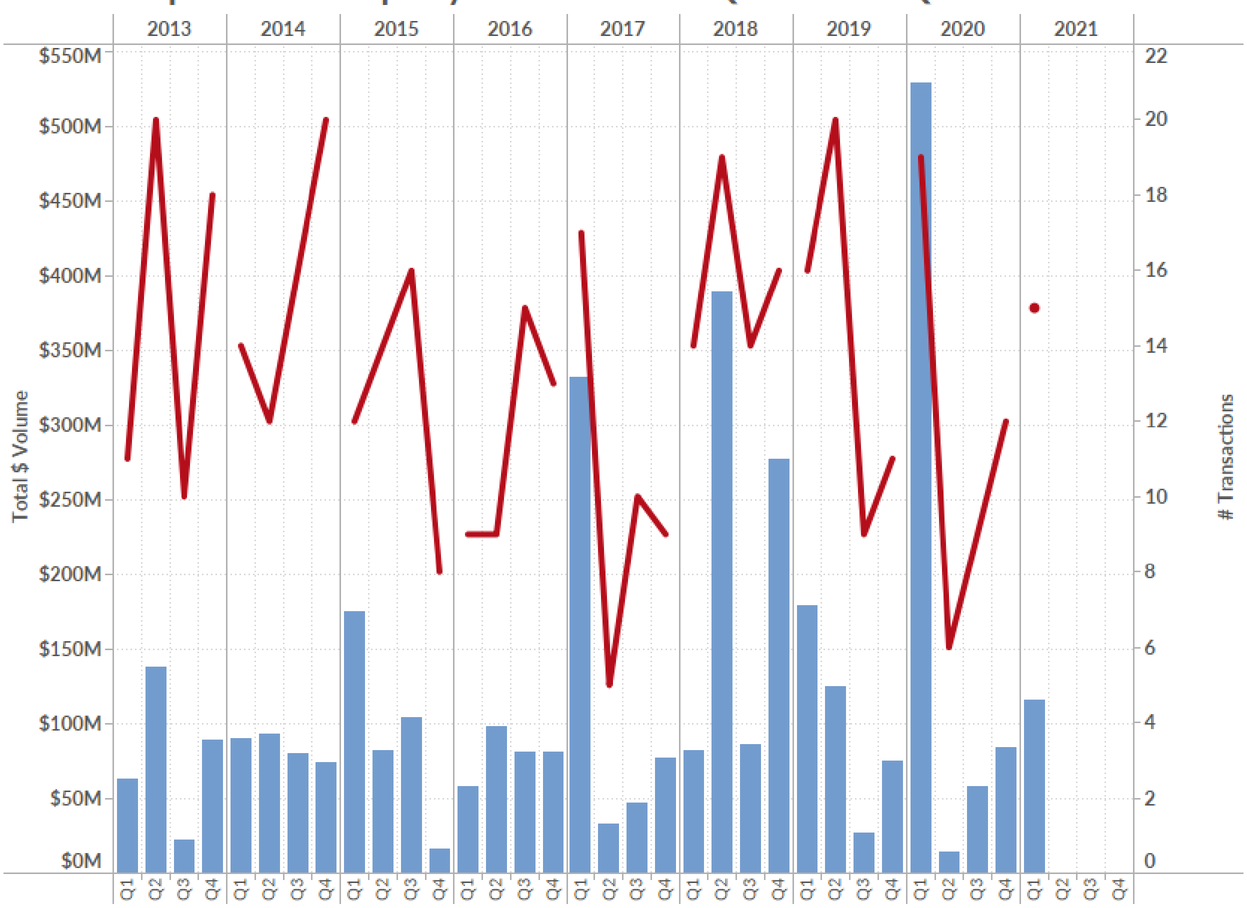
Source: Altus Group

Industrial Property Transactions - Q1 2021



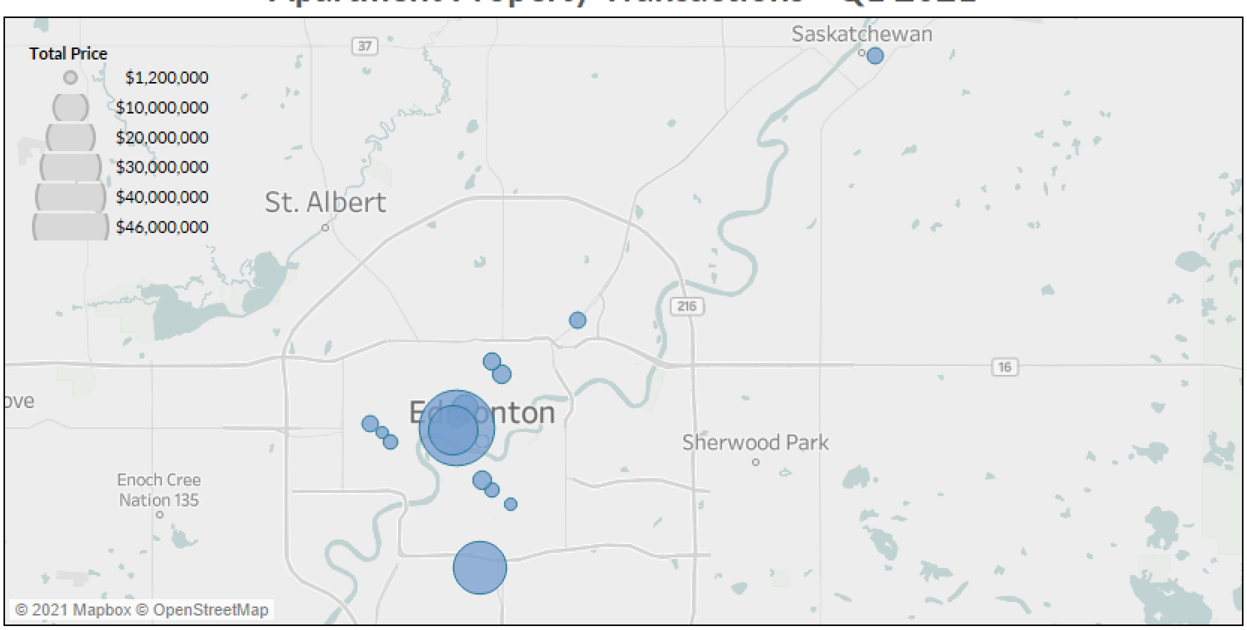
The apartment sector remains attractive to investors, athough overall investment in Q1 2021 was down 78% from a record setting quarter in Q1 2020.

Apartment Property Transactions - Q1 2013 to Q1 2021



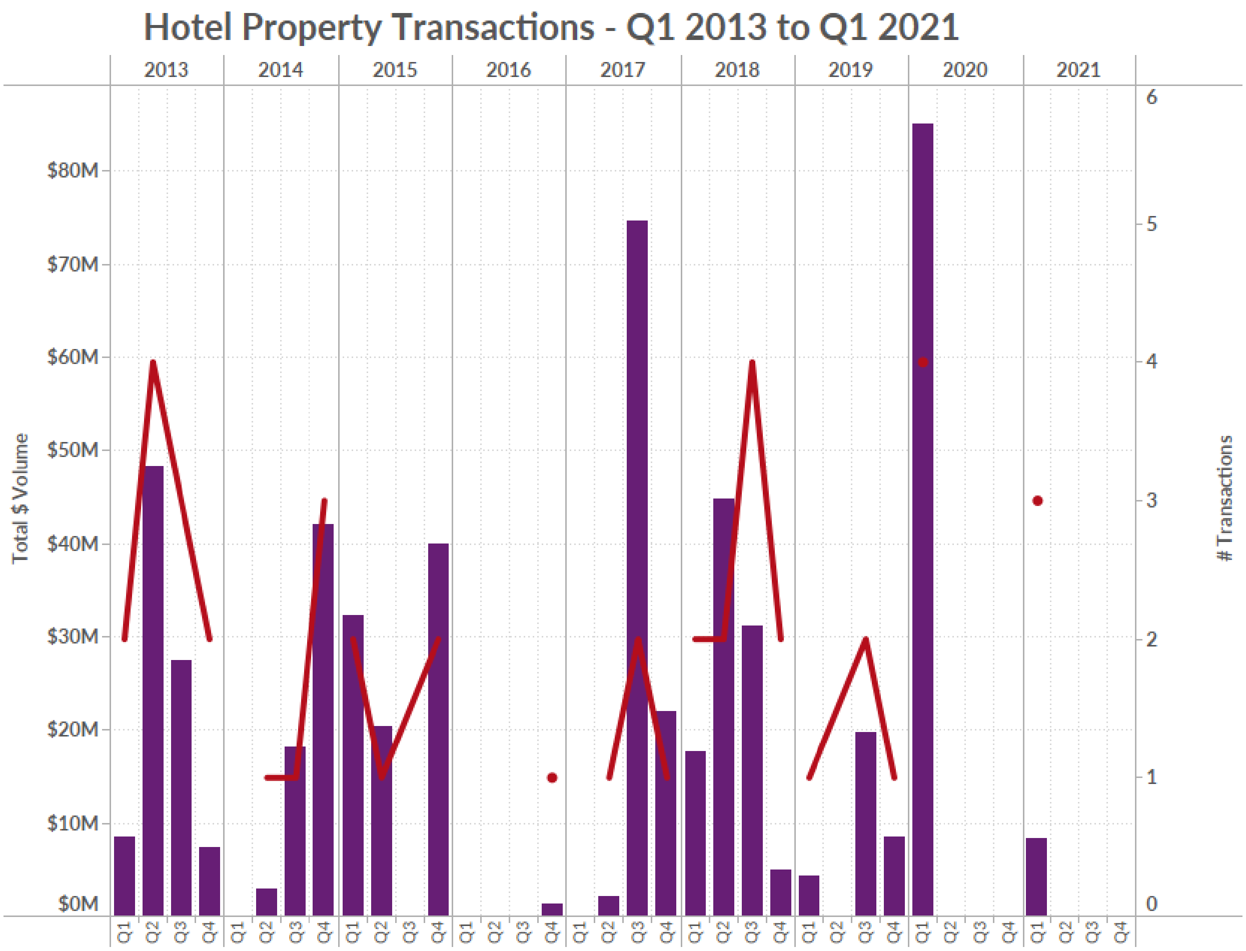
Source: Altus Group

Apartment Property Transactions - Q1 2021

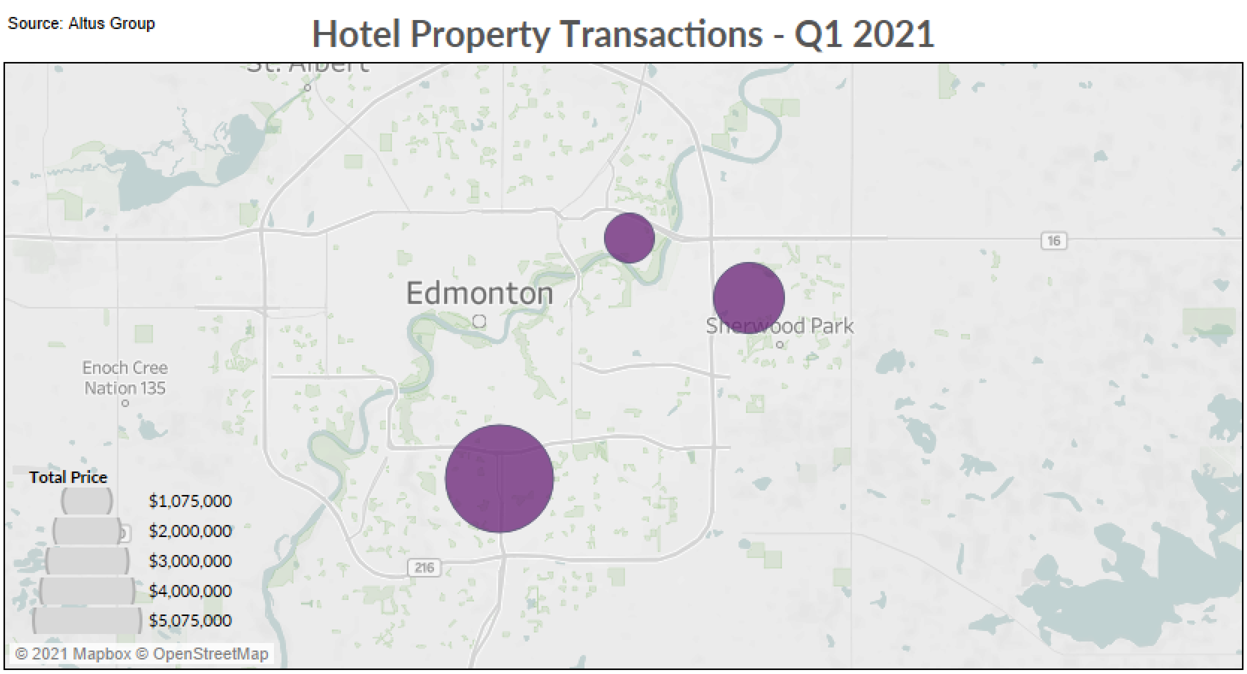


Hotel Transactions

While the hotel investment in the Edmonton market has been inconsistent, Q1 2021 did see three transactions recorded, reaching a total of $8M.

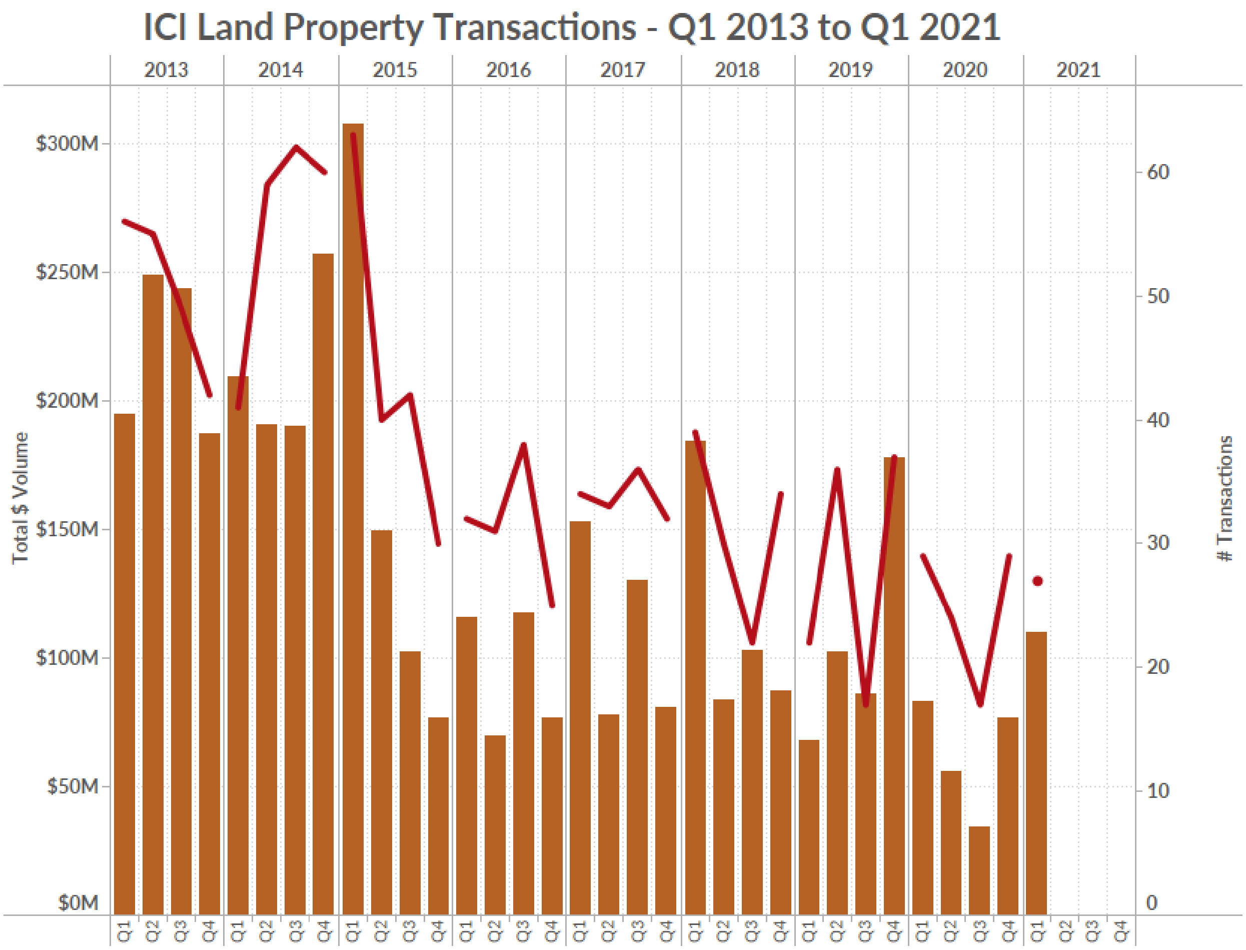


Source: Altus Group



ICI Land Transactions

While the pace of ICI Land investments in the Edmonton market has been sluggish, transaction volumes were up 32% in the first quarter of 2021.



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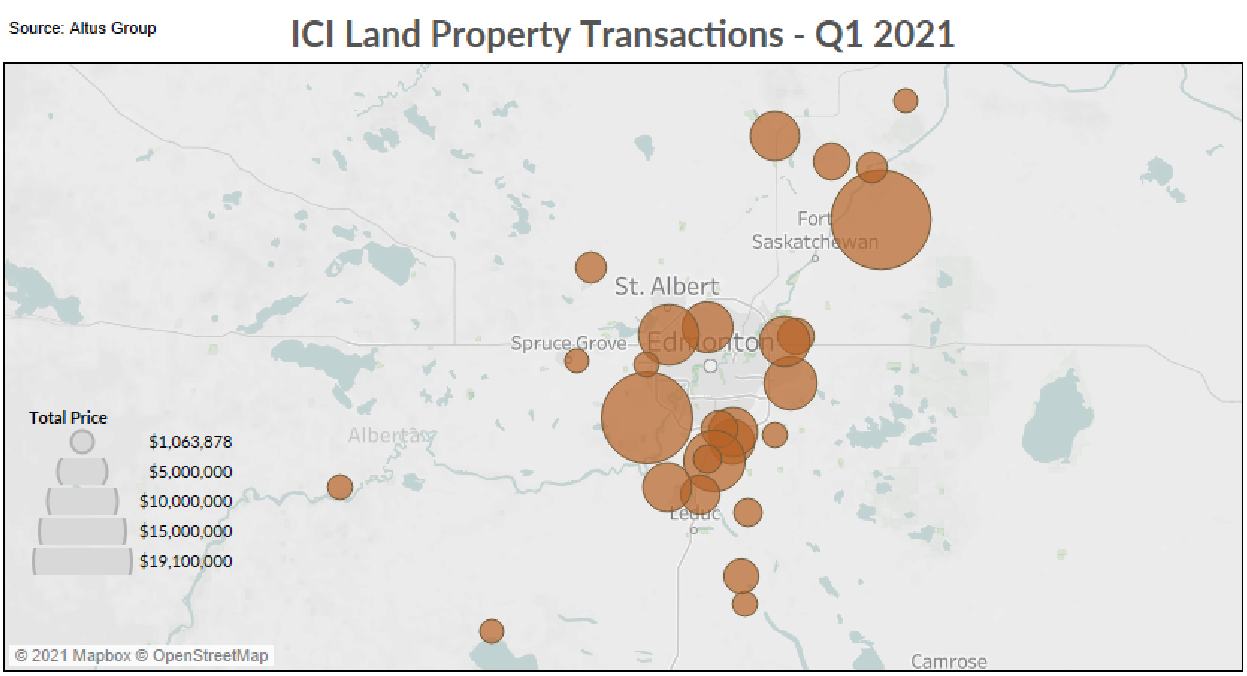
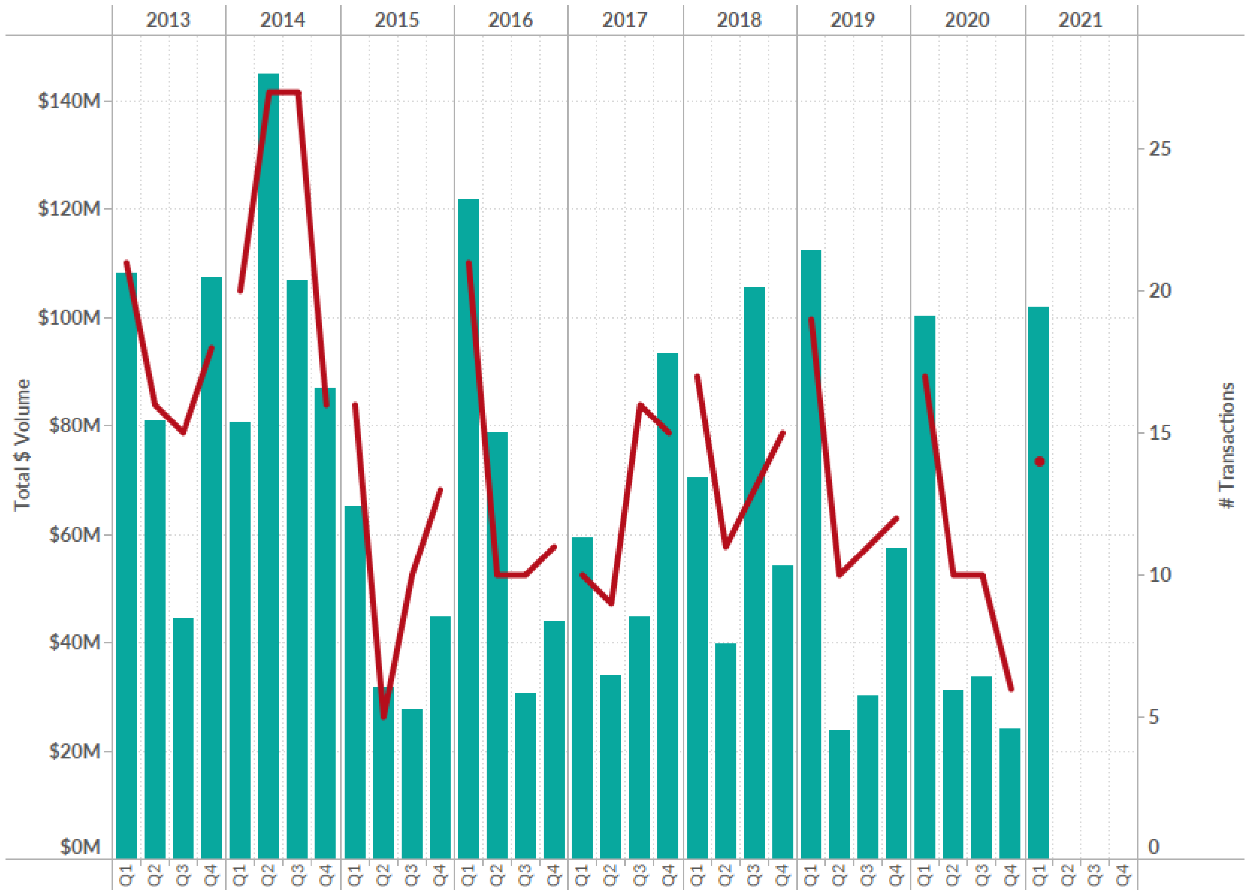


Residential Land Transactions

The first quarter of the year often sees strong residential land activity in this market and 2021 was no exception, with overall investment totalling $102M.

Residential Land Property Transactions - Q1 2013 to Q1 2021



Source: Altus Group

Residential Land Property Transactions - Q1 2021