



Q3 2023 Industrial Occupier

Edmonton Industrial Market

An Insight into the Edmonton Industrial Market

cresa



Market Overview

Industrial Market

This quarter has seen a slight decrease in Vacancy down to 3.51% for the Greater Edmonton Area, this has come from a decrease and further absorption in surrounding municipalities as the trend for larger industrial tenants continues to move outside of Edmonton proper. Both Northwest and Southeast Edmonton has had an uptick of sublease vacancy while new development in Nisku and Leduc experiences positive absorption.

In this issue of The Occupier, we are going to explore the evolving property tax increase and issue we are seeing in Edmonton proper, Chris Buchanan, Director of Property Tax from Altus provides an overview of the tax climate in Edmonton and the surrounding area as it pertains to industrial properties:

Property Tax – What you need to know

Before discussing property taxes, it is imperative to have a basic understanding of how property taxes are determined in Alberta. Property taxation is governed under Part 9 (Assessment of Property)

and Part 10 (Taxation) of the Municipal Government Act (MGA).

In its simplest form, property taxes are derived by applying the municipal mill rate (taxes per \$1000) to the assessed value of the property. Every year, each property in the province is assessed for the purpose of taxation. The assessment is to reflect the market value of the fee simple estate of a particular property on July 1st of the year prior to which the tax is imposed. By way of example, for the 2024 assessment of a property, it is to reflect the market value as of July 1st, 2023.

Each municipality has the jurisdiction to set the Mill rate based on its anticipated budgetary requirements each year.

Non-Residential Mill Rate Review – Greater Edmonton Area

In 2023, municipal mill rates varied greatly in the greater Edmonton region. Mill rates ranged from a low of 10.2793 in Leduc Couty to a high of 24.4727 in the City of Edmonton.

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Non-Residential Mill Rates

	2019	2020	2021	2022	2023
Edmonton	21.8496	22.2174	24.1488	25.1828	24.4727
St. Albert	14.5696	14.6643	15.5491	16.1389	16.6963
Leduc County	10.7370	9.9811	10.2327	10.5879	10.2793
City of Leduc	12.9600	11.9080	12.6530	13.3680	13.0878
Parkland County	12.2167	11.4386	12.6503	12.1862	12.3480
Strathcona County	13.2545	13.0133	13.7110	14.1538	13.8795
Spruce Grove	12.6192	12.5839	13.3791	13.5124	13.3422



Industrial Supply

198,176,405 sf



Industrial Vacancy

3.51%



Overall Industrial Vacancy

6,951,831 sf



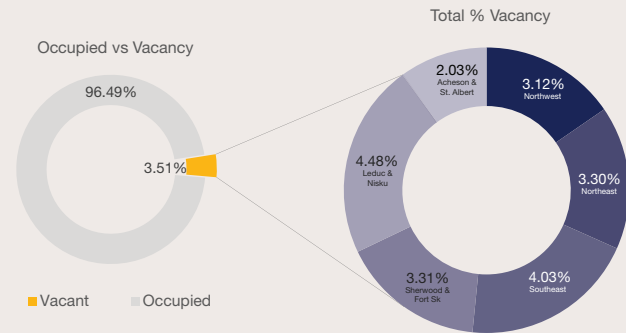
Q3 2023 Industrial Absorption

931,558 sf

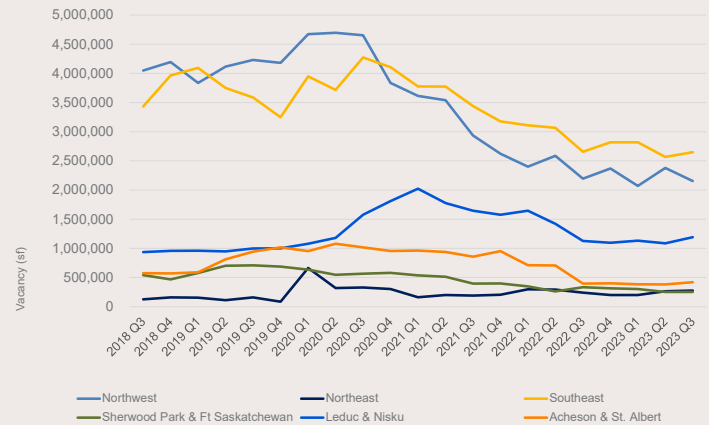
Q3 2023 Vacancy Summary, Industrial

QUADRANT	TOTAL INVENTORY (sf)	HEADLEASE (sf)	HEADLEASE (%)	SUBLEASE (sf)	SUBLEASE (%)	TOTAL (sf)	TOTAL (%)
North West	69,021,459	2,039,681	2.96%	116,724	0.17%	2,156,405	3.12%
North East	8,433,614	278,229	3.30%	0	0.00%	278,229	3.30%
South East	65,722,375	2,420,288	3.68%	230,697	0.35%	2,650,985	4.03%
Sherwood & Fort Sask.	7,659,437	244,769	3.20%	8,836	0.12%	253,605	3.31%
Leduc & Nisku	26,627,112	1,183,872	4.45%	8,033	0.03%	1,191,905	4.48%
Acheson & St. Albert	20,712,408	416,950	2.01%	3,752	0.02%	420,702	2.03%
Total Industrial	198,176,405	6,583,789	3.32%	368,042	0.19%	6,951,831	3.51%

Breakdown of Vacancy by Submarket

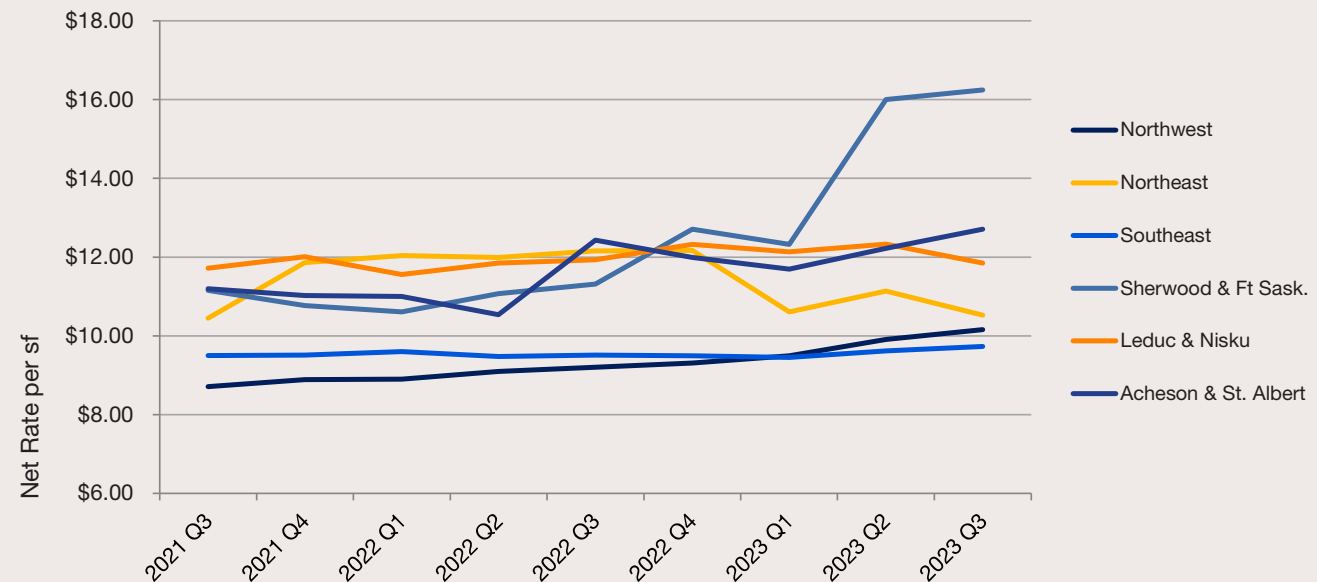


Historical Industrial Vacancy



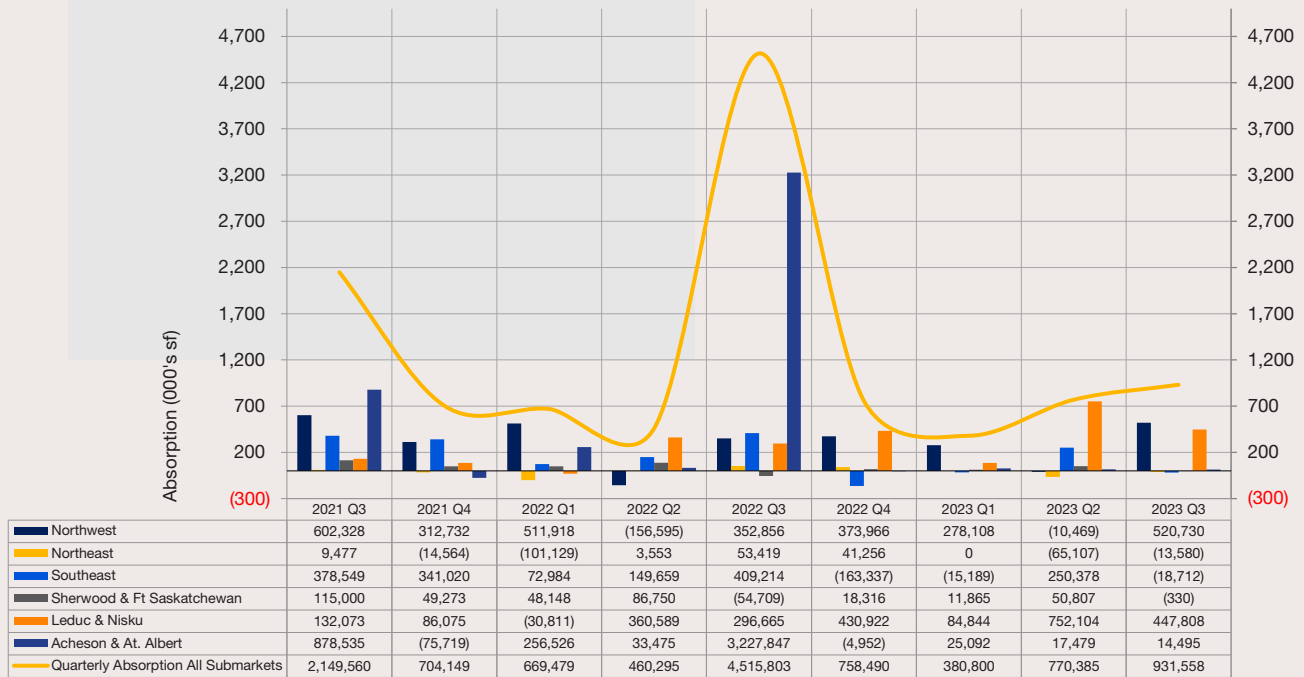
Average Asking Net Rates

Reported Submarkets



Historical Absorption

Reported Submarkets



The median mill rate in the greater Edmonton region in 2023 was 13.3422. The City of Edmonton (83%) and the City of St. Albert (25%) are well above the median while Leduc County is well below (-23%).

The non-residential mill rate is applied to all property types other than residential or multi-family. These property types include commercial land, office, retail, industrial, hotels, and shopping centres.

Why is this important? The City of Edmonton is at a competitive disadvantage when it comes to attracting new investment particularly in the industrial sector where tenants will pay significantly less property taxes in the suburban markets such as Nisku (Leduc County) and Acheson (Parkland County). This can be illustrated by assuming a building valued at \$125/sf in each jurisdiction. In Edmonton, the tenant will pay approximately \$3.06/sf in property taxes annually compared to between \$1.28 to \$2.09/sf (median \$1.65) in the surrounding municipalities. That means

a tenant occupying 10,000 square feet will pay approximately \$14K per annum more in property taxes within the City of Edmonton compared to the suburban markets.

Industrial Assessment Review

In 2023, industrial properties saw an increase of approximately 13% year over year in their assessed value. This translated into an increased tax liability of approximately 9.8%. The largest properties saw the largest increases, which ranged from 10% to nearly 40% in some cases.

In 2024, we do not expect as drastic an increase in the industrial assessments, but the larger properties are again going to feel the crunch increasing in the 10-15% range in assessed value. This coupled with a projected mill rate increase of 3% will result in 12-20% increases in the overall property taxes on large (100k+SF) properties.

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