

EDMONTON INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Edmonton Employment	763k	767k	▲
Edmonton Unemployment	7.0%	6.5%	▼
Canada Unemployment	6.9%	5.8%	▼

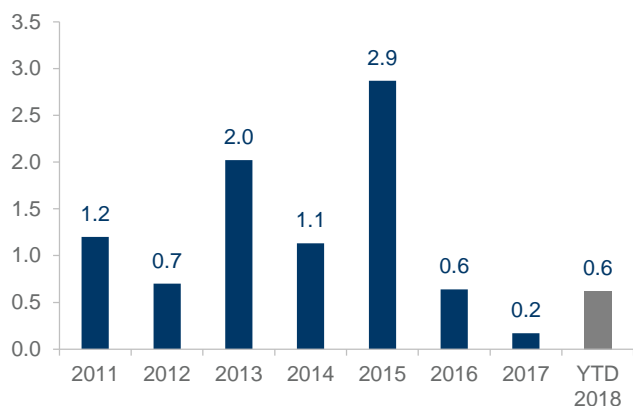
Source: Statistics Canada

Market Indicators

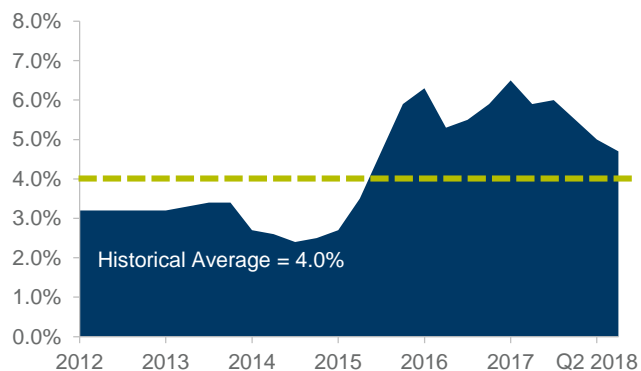
	Q2 17	Q2 18	12-Month Forecast
Lease Vacancy Rate	5.9%	4.7%	▼
Net Absorption (sf)	674,600	458,327	▲
Under Construction (sf)	1,647,284	2,343,500	▲
Overall Average Asking Rent*	\$9.35	\$9.41	▲

*Rental rates reflect net asking \$psf/year

Year-to-date New Supply (Million Square Feet)



Overall Lease Vacancy Rate



Economy

Alberta in general and Edmonton in particular continue to show growth into the second quarter of 2018. Long term growth is expected to Unemployment in Edmonton has dropped another 0.3% to 6.5%, surprisingly high housing starts throughout the province, wages continue to improve for Albertan workers and oil prices remain well above \$60 a barrel. Non-residential construction has struggled to see growth so far this year as a variety of major projects throughout the city come to their conclusion. Ongoing trade disputes, concerns regarding pipeline construction, and the potential for volatility in oil prices remain key concerns for industry across the province.

Source: City of Edmonton, Finance Ministry of Alberta

Market Overview

The second quarter ends with Edmonton's industrial markets performing well on almost all fronts. Vacancy in Edmonton continued to contract in the second quarter of 2018, dropping another 30 basis points to 4.7% across the city. Much of this space was absorbed in Southeast Edmonton and the Leduc/Nisku markets, the latter of which was worst hit by the downturn and which has seen the fastest recovery of all of Edmonton's submarkets. Rents responded by increasing marginally across the city and more significantly in those submarkets as the overall market tightens and landlords face less competition for tenants. Construction remains depressed with few projects currently under construction and many developers holding off on proposed developments. Most construction is occurring in Edmonton's peripheral markets and is largely user built, while most stalled or delayed projects are in Edmonton's Northwest or Southeast markets. Sale vacancy remained stable quarter-over-quarter at 1.0% of the market as the industrial sale market continues to outperform 2017. Industrial building sales have increased 63% year to date over the same period last year, while sales of industrial land has more than tripled at a 345% increase. Sublease space dropped to 764,731 square feet overall, a decrease of over 100,000 square feet since the first quarter.

Outlook

Edmonton's industrial market will continue to see vacancy drop and rents rise in the coming quarters as growth across Alberta encourages demand for industrial space. While construction of new industrial space will remain diminished in the near term we expect to see increased building intentions in the coming year. Sale vacancy is expected to remain largely flat while a lack of available buildings for purchase will likely help spur interest in developing new properties.

MARKETBEAT

Edmonton, AB

Industrial Q2 2018



Key Market Statistics Q1 2018

SUBMARKET	INVENTORY (SF)	LEASE VACANCY RATE	SALE VACANCY RATE	CURRENT QUARTER ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	WEIGHTED AVG. NET RENTAL RATE*	WEIGHTED AVG. ADDITIONAL RATE*	WEIGHTED AVG. GROSS RATE*
Southeast (Incl. Sherwood Park)	53,110,839	4.8%	0.9%	356,476	425,115	179,430	0	\$9.20	\$4.64	\$13.84
Northeast	2,671,740	1.3%	0.0%	0	-23,131	0	0	\$8.50	\$3.90	\$12.40
Northwest (Incl. St. Albert)	55,522,723	4.5%	0.4%	4,674	97,257	566,070	179,821	\$8.36	\$3.96	\$12.32
Central	655,723	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson**	3,388,006	310,401 SF	0.0%	-15,625	133,843	398,000	0	\$14.13	\$4.22	\$18.35
Leduc/Nisku	12,954,985	5.1%	4.1%	112,802	146,012	1,200,000	436,962	\$13.83	\$3.50	\$17.33
EDMONTON TOTALS	128,304,016	5.0%	1.0%	458,327	779,096	2,343,500	616,783	\$9.30	\$4.31	\$13.62

* Rental rates reflect asking \$psf/year

** The Acheson inventory is currently undergoing review and updates. Vacancy is displayed as SF rather than as a rate until revised.

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Northwest Business Park	88,849	Alberta Health Services	Lease	Northwest
Yellowhead Transport Depot	61,000	Undisclosed	Lease	Northwest
Eastgate Business Park	25,599	J&S Foods	Lease	Southeast
Northwest Business Park	24,611	Undisclosed	Lease	Northwest
Papaschase Building 6	19,800	Progressive Machine Works	Lease	Southeast
Eastgate Business Park	14,461	Galaxy Windows	Lease	Southeast

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Sunwapta Business Centre	415,557	1784777 Alberta Ltd / Fiera Properties Core Fund GP Inc	\$62,954,334 / \$151	Northwest
117 Avenue Business Centre	319,841	Investors Group Trust Co. Ltd. / Timbercreek Four Quadrant GP Ltd.	\$21,600,000 / \$68	Northwest
Sheffield II, III & IV	133,261	WCBME Inc. Et. al. / 10064963 Canada Inc.	\$11,910,000 / \$89	Northwest
Norali Business Park	110,250	1530021 Alberta Ltd. / Redco Properties Ltd.	\$10,500,000 / \$95	Northwest
2604 9 th Street - Nisku	26,000	1736799 Alberta Ltd. / 2106917 Alberta Ltd.	\$6,600,000 / \$254	Nisku
6400 30 th Street	15,243	560832 B.C. Ltd. / 1826856 Alberta Ltd.	\$3,000,000 / \$197	Southeast

Significant Projects Under Construction

PROPERTY	SF	DEVELOPER	SUBMARKET	COMPLETION DATE
Aurora Cannabis	800,000	Larsen Ltd.	Leduc	Q2 2018
Ford Distribution Centre	400,000	Farm Air Properties	Leduc	Q3 2018
MTE Warehouse	505,000	Private	Northwest	Q2 2019
Champion Pet Food	398,000	Private	Acheson	Q2 2019

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