

EDMONTON INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Edmonton Employment	762k	788k	▲
Edmonton Unemployment	8.7%	6.7%	▼
Canada Unemployment	7.2%	6.0%	▼

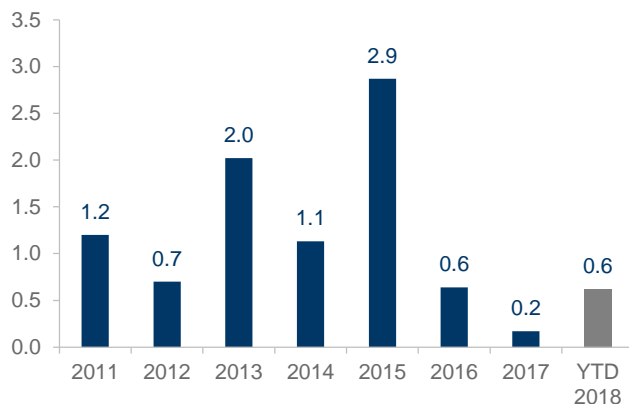
Source: Statistics Canada

Market Indicators

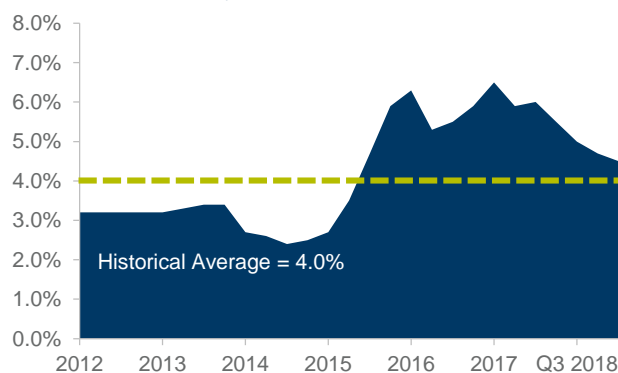
	Q3 17	Q3 18	12-Month Forecast
Lease Vacancy Rate	6.0%	4.5%	▼
Net Absorption (sf)	48,195	369,164	▲
Under Construction (sf)	1,647,284	2,343,500	▼
Overall Average Asking Rent*	\$9.24	\$9.34	▲

*Rental rates reflect net asking \$psf/year

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



Overall Lease Vacancy Rate



Economy

Edmonton continues to show strong growth through the third quarter of 2018 as manufacturing climbed across the province, unemployment has dropped 2.0% over the course of the past year, and expectations for GDP growth in the Edmonton area is expected to reach 2.6% by the end of the year. Oil prices have continued to increase and have now settled above \$70 a barrel, although drilling figures remain flat from 2017. Trade negotiations with the USA and Mexico have been completed, reducing potential volatility in the marketplace and raising the likelihood of a rate hike from the Bank of Canada in the near term. However, Edmonton still faces some headwinds due ongoing uncertainty around pipeline construction. Overall the Edmonton region is expected to benefit from ongoing growth in the coming months.

Source: City of Edmonton, Finance Ministry of Alberta

Market Overview

Edmonton's industrial market continued a trend of falling lease vacancy, dropping to 4.5% city-wide. Industrial space within the city-proper saw over 200,000 square feet (sf) absorbed, while Edmonton's peripheral markets absorbed over 150,000 sf. The rate of absorption in Edmonton's peripheral markets has slowed following a rapid improvement during the beginning of Alberta's recovery from the recent downturn as the amount of vacant space has dwindled. Overall lease and sale vacancy within the Leduc/Nisku markets has dropped from 17.9% in the first quarter of 2017 to just 8.7% in this quarter. Asking rents remain elevated year-over-year as the market adapts to a tighter market. Sublease space available has also diminished this quarter as 222,858 sf left the market, with total sublease space available at its lowest level since before the downturn at just over half a million square feet. Sale vacancy has remained stable quarter-over-quarter at 1.0%. Few large industrial sales occurred this quarter, breaking a trend of large value sales recorded over the past several years. Construction remains largely focused in Acheson, Leduc, and Nisku with several larger projects expected to complete before the end of 2018.

Outlook

Lease vacancy is expected to drop further before the end of the year, and sale vacancy is expected to drop below the 1% level it has remained at for much of the past year. Asking rents are expected to remain higher than 2017 levels and will likely edge higher as a tighter industrial market leads to a more landlord-favoured market. The construction pipeline for new buildings is expected to drop somewhat after the next quarter with few major projects on the horizon, although recent increased interest in industrial properties is expected to drive development in the mid-term.

MARKETBEAT

Edmonton, AB

Industrial Q3 2018



Key Market Statistics Q3 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)	52,107,647	4.6%	1.0%	116,408	541,523	179,430	0	\$9.16	\$4.41	\$13.57
Northeast	2,649,310	1.7%	0.0%	-10,403	-33,534	0	0	\$8.50	\$3.90	\$12.40
Northwest (Incl. St. Albert)	55,135,413	4.3%	0.4%	103,497	200,754	566,070	179,821	\$8.21	\$3.94	\$12.15
Central	655,723	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson**	3,413,206	284,509 SF	0.0%	25,892	159,735	398,000	0	\$13.79	\$4.16	\$17.95
Leduc/Nisku	12,330,464	4.3%	4.4%	133,770	279,782	1,200,000	436,962	\$14.17	\$3.46	\$17.63
EDMONTON TOTALS	126,291,763	4.5%	1.0%	369,164	1,148,260	2,343,500	616,783	\$9.34	\$4.09	\$13.44

* 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 Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Gateway Distribution Building	66,585	Undisclosed	Lease	Southeast
Gateway Business Park Building 1	54,498	Undisclosed	Lease	Southeast
Morin Industrial Building	49,950	Undisclosed	Lease	Northwest
Wesco	36,539	Undisclosed	Lease	Northwest
10808 120 Street NW	30,363	Undisclosed	Lease	Northwest
Centre 118	22,885	Undisclosed	Lease	Northwest

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
6415 75 Street	98,000	Dreco Energy Services ULC / 2057223 Alberta Ltd.	\$7,300,000 / \$74	Southeast
ENS Building	34,076	1714129 Alberta Ltd. / Guardian Capital Real Estate GP Inc.	\$4,500,000 / \$132	Southeast
6215 82 Avenue	11,668	At-Pac Scaffold Services Inc. / Three Amigos II Land Management ULC.	\$4,000,000 / \$343	Southeast
322 Kaska Road	17,820	Chester Developments Ltd. / MSCP Canada Ltd.	\$3,675,000 / \$206	Sherwood Park
2910 64 Avenue	27,927	F I Oilfield Services Canada Ltd. / 2119639 Alberta Ltd.	\$3,600,000 / \$129	Southeast
7004 45 Street	15,243	1593958 Alberta Ltd. / Ultrerra GP Ltd.	\$3,100,000 / \$351	Leduc

Significant Projects Under Construction

PROPERTY	SF	DEVELOPER	SUBMARKET	COMPLETION DATE
Aurora Cannabis	800,000	Larsen Ltd.	Leduc	Q4 2018

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