

EDMONTON INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Edmonton Employment	836k	801k	▼
Edmonton Unemployment	7.5%	6.3%	▼
Canada Unemployment	5.7%	5.6%	■

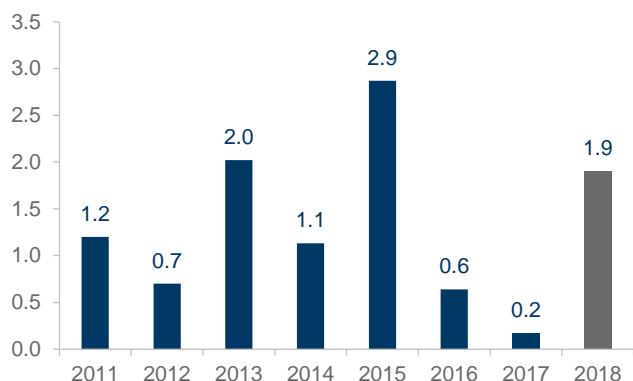
Source: Statistics Canada

Market Indicators

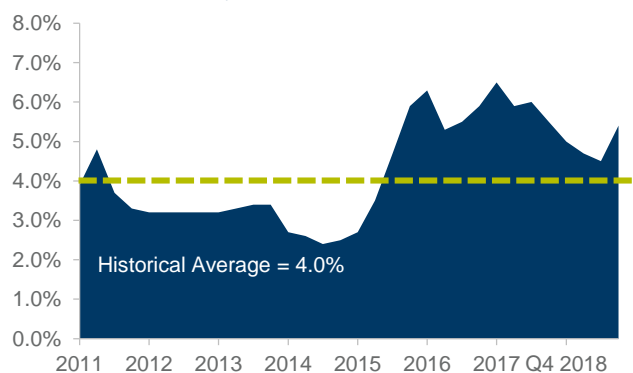
	Q4 17	Q4 18	12-Month Forecast
Lease Vacancy Rate	5.5%	5.4%	▼
Net Absorption (sf)	1,108,746	551,611	▼
Under Construction (sf)	2,846,280	2,626,132	▼
Overall Average Asking Rent*	\$9.23	\$9.24	▲

*Rental rates reflect net asking \$psf/year

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



Overall Lease Vacancy Rate



Economy

GDP growth in Alberta had moderated by the end of 2018 towards 2.5%, with 2019 growth anticipated to be 1.4% as cuts in oil production continue. This will have a negative impact on the level of investment in the energy sector. Edmonton unemployment has dropped quarter-to-quarter to round out 2018 at 6.3%. This drop reflects a 1.2% decrease in unemployment year-over-year due to growth in the manufacturing and service sectors. Oil prices reached \$75 in the beginning of the fourth quarter but drastically declined by the end of the year to \$45 a barrel, threatening the local industry in the coming months and limiting overall economic growth. Alberta's construction activity remained weak as of November 2018 with total value of permits down to 17.1% year-over-year.

Source: City of Edmonton, Finance Ministry of Alberta

Market Overview

Edmonton's industrial market experienced slower growth than anticipated in the fourth quarter of 2018, as lease vacancy increased to 5.4% from 4.5% last quarter and the sublease market saw only a minimal contraction in available space at under 10,700 square feet (sf). However, sale vacancy dropped by 30 basis points from last quarter to 0.7%, driven by sales in Leduc/Nisku, Southeast and Northwest. Although absorption in 2018 has been consistently positive, significant negative absorption of 631,087 sf and 210,618 sf occurred in the Southeast and Northwest markets respectively during the fourth quarter. This shift in absorption could be a reflection of last year's downturn but is more likely a result of significantly sized products coming on the market simultaneously during this quarter. Overall 2018 net absorption reached 1.7 million square feet, an impressive total that reflects the rapid improvement of Edmonton's industrial market this year. Ford Distribution Centre and Aurora Cannabis both contributed significantly to this quarter's positive absorption as they were fully leased and occupied upon completion. This year's gross rents have been stable quarter-over-quarter with no drastic change in the fourth quarter with an average gross rent of \$13.82 per square foot, only a 2% increase year-over-year. Several construction projects are underway, located mainly in Southeast and Leduc, and are expected to be completed in 2019.

Outlook

Industrial markets will continue to see improvement in 2019 as development activity increases, reflecting healthier leasing demand, and vacancy rates are anticipated to decrease to around 5.0%. A continuing increase in industrial land sales by potential users demonstrates an increasing interest in build-to-suit options and industrial development, especially in the more affordable peripheral markets of Leduc and Nisku. These submarkets will continue to improve due to their history of declining vacancy and overall positive absorption. Rents are expected to remain high as vacancy continues to tighten, resulting in a landlord-favoured market through the upcoming months.

MARKETBEAT

Edmonton, AB

Industrial Q4 2018



Key Market Statistics Q4 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)	51,745,806	6.1%	0.8%	-631,087	-89,564	698,132	61,070	\$9.09	\$4.95	\$14.04
Northeast	2,585,234	3.6%	0.0%	-48,210	-81,654	0	0	\$8.50	\$3.90	\$12.40
Northwest (Incl. St. Albert)	54,555,647	4.9%	0.3%	-210,618	-9,864	505,000	179,821	\$8.65	\$4.46	\$13.11
Central	655,723	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson**	3,413,206	286,025	0	-1,516	158,219	398,000	0	\$13.79	\$4.00	\$17.79
Leduc/Nisku	13,556,094	3.9%	2.2%	1,442,952	1,722,734	1,025,000	1,636,962	\$11.00	\$4.00	\$15.00
EDMONTON TOTALS	126,511,710	5.4%	0.7%	551,611	1,699,871	2,626,132	1,877,853	\$9.24	\$4.58	\$13.82

* 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 Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Gateway Distribution Building	66,585	Undisclosed	Lease	Southeast
Surplus Warehouse / Distribution Space	30,363	Undisclosed	Lease	Northwest

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
4103 84 Avenue	162,975	The Goldman Group (Sherwood Industrial) / 10252832 Canada Inc.	\$16,320,000 / \$100	Southeast
1306 5 Street – Nisku	23,040	Weatherford Canada Ltd. / Nisku Goldenwest JV Inc.	\$14,000,000 / \$81	Nisku
13072 Yellowhead Trail NW	39,536	13120 Yellowhead Trail Ltd / Mike Priestner Estate Inc	\$13,750,000 / \$348	Northwest
182 Turbo Drive - Sherwood Park	149,900	Lockwood Holdings Inc. / Tin Tara Properties Ltd.	\$8,697,011 / \$58	Southeast
1215 95 Street SW	65,997	1344722 Alberta Ltd. / 2138153 Alberta Ltd.	\$8,250,000 / \$125	Northwest
12011 111 Avenue	47,292	1576186 Alberta Ltd. / 671683 Alberta Ltd.	\$6,450,000 / \$136	Northwest
26006 115 Avenue – Acheson	15,625	Complete HDD Rentals Inc / Klair Group Industries Ltd.	\$5,748,950 / \$368	Acheson
9120 34A Avenue	60,586	Dreco Energy Services ULC / Amnor Nov Inc.	\$5,000,000 / \$83	Southeast

Significant Projects Under Construction

PROPERTY	SF	DEVELOPER	SUBMARKET	COMPLETION DATE
Border Business Park Horizon Facility	1,000,000	ONE Properties	Leduc	Q3 2021
MTE Logistix Warehouse	505,000	Private	Northwest	Q2 2019
Champion PetFoods	398,000	Private	Acheson	Q2 2019
Cornerstone – Building E	179,430	Hopewell	Southeast	Q3 2019
Maple Ridge Building 1	165,452	IMR	Southeast	Q3 2020
Southport Crossing Building 2	135,000	Bentall Kennedy	Southeast	Q3 2019
Pylypov 15 General Industrial Building	115,000	Kemway Builders	Southeast	Q3 2019
Southport Crossing Building 1	103,250	Bentall Kennedy	Southeast	Q3 2019

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