

## EDMONTON INDUSTRIAL

### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Edmonton Employment	845k	798k	▼
Edmonton Unemployment	6.8%	7.0%	▲
Canada Unemployment	5.8%	5.8%	▬

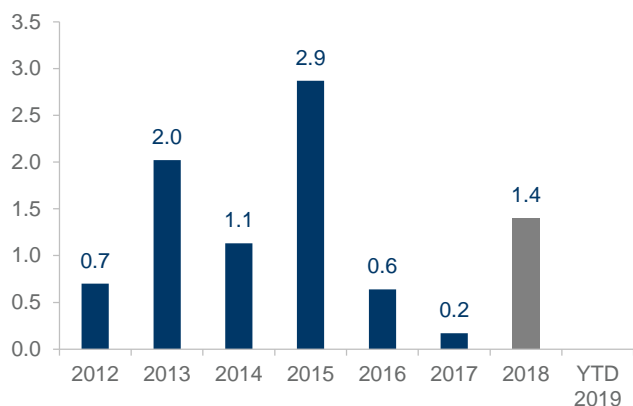
Source: Statistics Canada

### Market Indicators

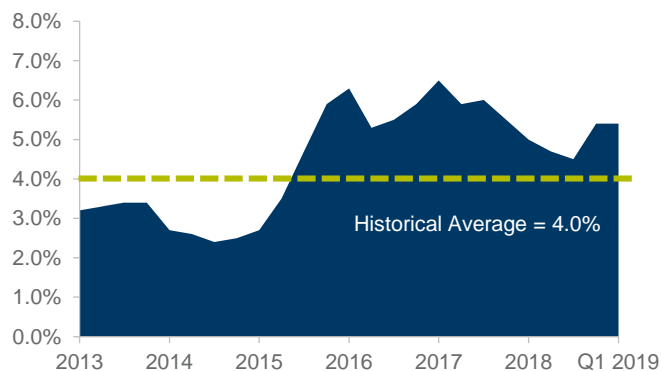
	Q1 18	Q1 19	12-Month Forecast
Lease Vacancy Rate	5.0%	5.4%	▲
Net Absorption (sf)	320,769	117,558	▼
Under Construction (sf)	1,567,462	2,490,139	▲
Overall Average Asking Rent*	\$9.30	\$9.19	▼

\*Rental rates reflect net asking \$psf/year

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



### Overall Lease Vacancy Rate



## Economy

The slowing economic activity in Alberta first seen in year-end 2018 has continued into the first quarter of 2019. Falling oil prices over the first three months of the year, currently averaging around \$51 CAD a barrel, and weaker energy investment, are indications that Alberta's economic recovery is expected to trend lower in 2019 compared to 2018, with GDP growth projected at below 2.0%. The unemployment rate has begun to reflect this softening outlook, as Edmonton's first quarter 2019 unemployment rate increased to 7.0% after a continuous quarter-over-quarter decline in 2018. Edmonton lost 3,900 positions between January and March, with losses concentrated in part-time positions occurring in the financial services, manufacturing, logistics, construction, and professional services sectors. Alberta's non-residential construction activity remained weak with total permits down by 0.2% year-over-year.

Source: City of Edmonton, Finance Ministry of Alberta, The Conference Board of Canada

## Market Overview

It was a slow start for Edmonton's industrial market as the overall vacancy rate stabilized at 5.9% and the lease vacancy rate remained unchanged from last quarter at 5.4%. Sale vacancy decreased quarter-over-quarter by 20 basis points to 0.5%, driven by sales in the Southeast and Leduc/Nisku markets. Similarly, sublease vacancy contracted by over 100,000 square feet (sf) in the first quarter of 2019, primarily in Acheson. Edmonton's peripheral markets have continued to outperform other markets during the past year, most notably in Leduc/Nisku, where manufacturing, transportation, and the cannabis industry are significant and have contributed to a 4.2% contraction in vacancy year-over-year. This quarter over 200,000 sf of space was absorbed in Edmonton's peripheral markets of Acheson and Leduc/Nisku, reflecting healthier market activity and demand just outside the city borders. Acheson's growing market is attributable to the town's initiative of increasing its permeability through new infrastructure and access roads such as the twinning of Highway 60 and construction of a rail line overpass, hence, potentially attracting investors and developers.

Despite the improving market conditions in Edmonton's peripheral markets, overall net asking rents declined by 0.5% to \$9.19 per square foot compared to Q4 18, responding to slowing activity in the market.

## Outlook

The Industrial market is anticipated to slowly improve in the coming months. The decline in asking rents, particularly for space that has been on the market for a while, will be more attractive for tenants seeking affordable options. In this tenant-favoured environment, it is expected there will be a marginal decline in vacancy from tenants taking advantage of the slow market. However, the upcoming federal elections could impact these decisions and have a potential ripple effect on the local market. Rents are expected to stabilize until the market becomes active again.

MARKETBEAT

## Edmonton, AB

Industrial Q1 2019



## Key Market Statistics Q1 2019

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)	51,923,094	6.5%	0.5%	-31,123	-31,123	353,250	0	\$9.00	\$5.14	\$14.14
Northeast	2,585,234	3.6%	0.0%	0	0	0	0	\$8.50	\$3.90	\$12.40
Northwest (Incl. St. Albert)	54,628,959	5.0%	0.3%	-63,836	-63,836	505,000	0	\$8.81	\$4.48	\$13.29
Central	638,823	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson**	3,303,606	176,425	0	109,600	109,600	418,000	0	\$13.79	\$4.00	\$17.79
Leduc/Nisku	13,557,694	3.5%	1.8%	102,917	102,917	1,138,889	0	\$10.29	\$3.59	\$13.88
<b>EDMONTON TOTALS</b>	<b>126,637,410</b>	<b>5.4%</b>	<b>0.5%</b>	<b>117,558</b>	<b>117,558</b>	<b>2,415,139</b>	<b>0</b>	<b>\$9.19</b>	<b>\$4.62</b>	<b>\$13.81</b>

\* 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 Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
14755 121A Avenue	41,194	Undisclosed	Lease	Northwest
Pelican Products/Ram Manufacturing	30,006	Ram Manufacturing Ltd.	Lease	Northwest
Horizon Business Park – Building A	15,842	Accurate Screen & Grating	Lease	Northwest
12380 184 Street NW	14,967	Coast Wholesale Appliances Ltd.	Lease	Northwest
Capilano North	14,313	Undisclosed	Lease	Southeast

## Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
11755 108 Avenue	218,126	York Realty Inc./ GPM (13) Inc.	\$24,500,000 / \$112	Northwest
4104 78 Avenue	170,273	SPIRE Sherwood Business Centre Inc. / FEIGEL Investments Ltd.	\$18,300,000 / \$107	Southeast
17306 116 Avenue	148,470	BCIMC Realty Corporation / Summit Ltd.	\$17,525,000 / \$118	Northwest
15783 116 Avenue	110,250	Redco Properties Ltd/ / CCP Dixie GP Ltd.	\$11,800,000 / \$107	Northwest

## 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
Southport Crossing Building 2	135,000	Bentall Kennedy	Southeast	Q4 2019
Pylypov 15 General Industrial Building	115,000	Kemway Builders	Southeast	Q2 2019
Discovery Centre	113,889	Remington Development Corp	Leduc	Q3 2019
Southport Crossing Building 1	103,250	Bentall Kennedy	Southeast	Q3 2019
Mustang Freightways Ltd.	20,0000	Private	Acheson	Q3 2019

Cushman & Wakefield  
Edmonton  
Suite 2700 TD Tower  
10088 – 102 Avenue  
Edmonton, AB, T5J 2Z1  
www.cwedm.com

For more information, contact:  
Industrial Team  
Tel: +1 780 420 1177  
Fax: +1 780 424 9780  
Industrial@cwedm.com

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