

EDMONTON INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Edmonton Employment	767k	796k	▲
Edmonton Unemployment	6.5%	7.0%	■
Canada Unemployment	5.9%	5.4%	■

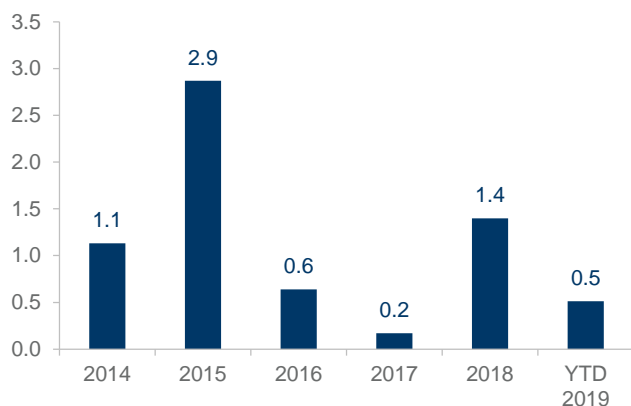
Source: Statistics Canada

Market Indicators

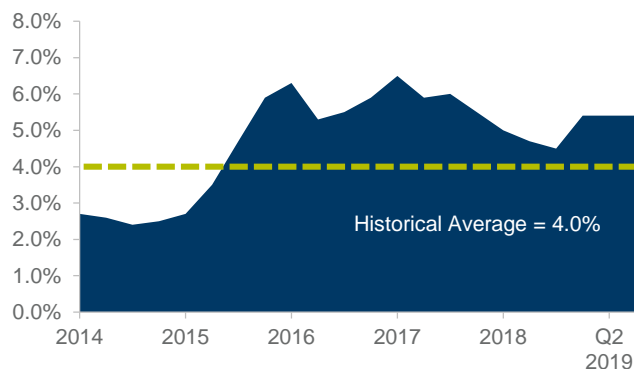
	Q2 18	Q2 19	12-Month Forecast
Lease Vacancy Rate	4.7%	5.4%	▼
Net Absorption (sf)	458,327	542,040	▲
Under Construction (sf)	1,040,500	2,840,266	▲
Overall Average Asking Rent*	\$9.41	\$9.17	▼

*Rental rates reflect net asking \$psf/year

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



Overall Lease Vacancy Rate



Economy

Following the weakness seen at the end of 2018 and early 2019, the Alberta economy is starting to show signs of positive growth as we reached the halfway point of the year. Unemployment rate in Edmonton slightly climbed up month-over-month, rounding at 7.0% in June as 600 part-time positions were lost while full-time employment saw an increase the same month. Although non-residential permits in Alberta increased by 20% month-over-month in April 2019, mostly led by industrial, institutional, and governmental permits, overall building permits have remained low compared to 2018. Higher prices and production in the oil sector, WTI currently averaging around \$60 USD per barrel, and stronger exports of non-energy products are suggesting optimism, albeit slight, for Alberta's economy. The recent approval of the Trans Mountain pipeline expansion and the upcoming federal election in the fall of 2019 remain key concerns for industries throughout the province.

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

Market Overview

Industrial vacancy remained flat at 5.4% in the second quarter of 2019 as several large industrial spaces have been leased but was offset by a few blocks of space that returned to the market. Sale vacancy contracted by 10 basis points from last quarter to 0.4% with continued interest in the Southeast and Leduc/Nisku submarkets, indicating growing investor confidence in these areas. The construction completion of Champion Pet Foods facility in Acheson, coupled with several lease transactions across the market, greatly contributed to this quarter's 542,040 square feet (sf) of absorption. Average rental rates have marginally declined quarter-over-quarter to \$9.17 per square foot, and the market is starting to see more tenants either looking to expand or to move to newer product to take advantage of the slow market conditions. Construction activity has also strengthened this quarter in Edmonton and its peripheral markets with two more cannabis facilities in Leduc/Nisku markets, some build-to-suit industrial spaces in Acheson, as well as speculative buildings within the city currently being built. Overall vacancy dropped by 10 basis points from last quarter to 5.8%, with rental rates continuing to decline and investor confidence gaining some momentum.

Outlook

The Edmonton Industrial market is anticipated to continue to improve in the coming months as the recent approval of the Trans Mountain pipeline has bolstered confidence in the marketplace. There are several pre-leased industrial buildings slated for completion next quarter that will likely contribute to positive absorption and expect to see a slight improvement in vacancy as current low rental rates continue to attract new and existing tenants to move to affordable and newer product. Rental rates are anticipated to remain stable through next quarter until uncertainties arise in the province surrounding the federal election.

MARKETBEAT

Edmonton, AB

Industrial Q2 2019



Key Market Statistics Q2 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)	51,749,793	6.8%	0.3%	74,748	43,625	238,250	115,000	\$8.90	\$4.90	\$13.80
Northeast	2,587,624	4.2%	0.0%	-16,500	-16,500	0	0	\$8.13	\$3.46	\$11.59
Northwest (Incl. St. Albert)	54,042,292	5.0%	0.4%	-33,629	-97,465	717,127	0	\$8.56	\$4.43	\$12.99
Central	638,823	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson	8,126,282	2.2%	0	398,000	507,600	252,000	398,000	\$13.15	\$3.85	\$17.00
Leduc/Nisku	13,306,499	3.7%	0.8%	119,421	222,338	1,632,889	0	\$10.18	\$3.56	\$13.74
EDMONTON TOTALS	130,451,313	5.4%	0.4%	542,040	659,598	2,840,266	513,000	\$9.17	\$4.46	\$13.64

* Rental rates reflect asking \$psf/year

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
City West Business Park – Building F	106,065	Undisclosed	Lease	Northwest
3703 98 Street – Industrial Facility	46,541	Undisclosed	Lease	Northwest
Westminster Building 'B'	39,204	Undisclosed	Lease	Northwest
50 th Street Business Park – Building L	28,136	Undisclosed	Lease	Northwest

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2305 84 Ave - Sherwood Park	91,647	1476459 Alberta Ltd / Above & Beyond Realty Inc	\$8,700,000 / \$94	Southeast
2107 6 St - Nisku	50,875	Hyduke Drilling Solutions Inc / Camber Corporation	\$8,000,000 / \$157	Leduc/Nisku
4755 Eleniak Road	28,750	GHT Properties Ltd / 1388651 Alberta Ltd	\$4,450,000 / \$154	Southeast
13508 163 St	16,861	1744031 Alberta Ltd / Bridgepoint Realty Inc	\$4,200,000 / \$249	Northwest
1101/07 8A St - Nisku	61,890	Lufkin Industries Canada ULC / 2102581 Alberta Ltd	\$3,700,000 / \$59	Leduc/Nisku

Significant Projects Under Construction

PROPERTY	SF	DEVELOPER	SUBMARKET	COMPLETION DATE
Border Business Park Horizon Facility	1,000,000	ONE Properties	Leduc/Nisku	Q3 2020
MTE Logistix Warehouse	505,000	Private	Northwest	Q3 2019
Aurora Polaris	300,000	Dawson Wallace Construction	Leduc/Nisku	Q4 2019
The Apex	212,127	Panattoni	Northwest	Q2 2021
Cannabis Genomics Facility	194,000	Private	Leduc/Nisku	Q2 2020
SMS Equipment Expansion	167,000	Private	Acheson	Q2 2020
Southport Crossing Building 2	135,000	Bentall Kennedy	Southeast	Q4 2019
Discovery Centre	113,889	Remington Development Corp	Leduc/Nisku	Q3 2019
Southport Crossing Building 1	103,250	Bentall Kennedy	Southeast	Q3 2019

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