

## Industrial Q4 2022

YoY Chg  
12-Mo. Forecast

**3.6%**  
Overall Vacancy Rate



**1,231,998**  
Net Absorption, SF



**\$11.30**  
Asking Rent, PSF

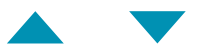


Overall, Net Asking Rent  
Source: CoStar

### ECONOMIC INDICATORS Q4 2022

YoY Chg  
12-Mo. Forecast

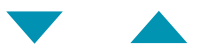
**806.2K**  
Edmonton  
Employment



**5.4%**  
Edmonton  
Unemployment Rate



**5.0%**  
Canada  
Unemployment Rate



Source: Statistics Canada

### ECONOMY

In 2022, Alberta's economy was one of the fastest growing in the nation. The province saw significant job growth, especially in the professional, scientific, and technical services industries. High energy prices and a rebound in agriculture production after the 2021 drought spurred this growth. Unemployment is at 5.4%; however, that number is expected to climb in 2023. Despite high commodity prices, Alberta's economy is expected to grow at a slower rate in 2023. Inflation remains historically high, with the CPI coming in at 6.8% in November. To fight this, the Bank of Canada increased the overnight lending rate by 50 Basis Points (bps) in November, bringing it to 4.25%. The rate hikes, paired with a healing supply chain, should ease inflation, particularly in Alberta. These interest rate increases have already slowed consumer spending. In the third quarter of 2022, Alberta led the country in population growth, welcoming 58,203 new residents (a population growth rate of 1.28%). This healthy level of immigration should provide an offset to these consumer spending headwinds.

### DEMAND

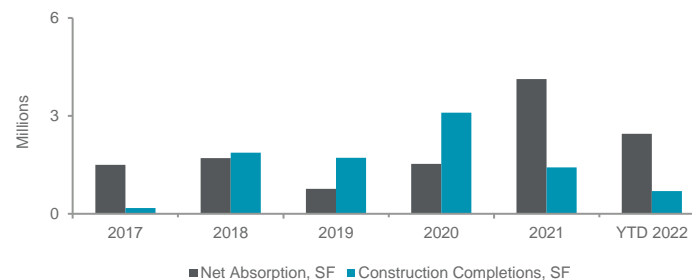
Any metric shows that Edmonton's industrial market had a strong 2022. Strong fourth-quarter numbers show that the market continues to gain momentum, with vacancy dropping to 3.6% market-wide. Edmonton city-proper saw a strong quarter, with over 875,000 square feet of leasing, compared to submarkets which absorbed 355,000 square feet. Rents increased by 3.5% year-over-year (YoY) and are expected to increase further in 2023.

E-commerce and the logistics industry have had a significant role in tightening Edmonton's industrial market. Due to its strong fundamentals, land available for future development and affordable rental rates, the Edmonton market has been attractive to out-of-province investors. Edmonton has also benefitted from its proximity to the major west coast ports of Vancouver and Prince Rupert. Developers and investors have been eager to develop multi-bay warehouses for these logistics tenants, with 57% of the space under construction in Edmonton already being pre-leased. Building this type of product also yields developers returns that they deem justifiable, even with the heightened construction costs that we have seen in the past few years.

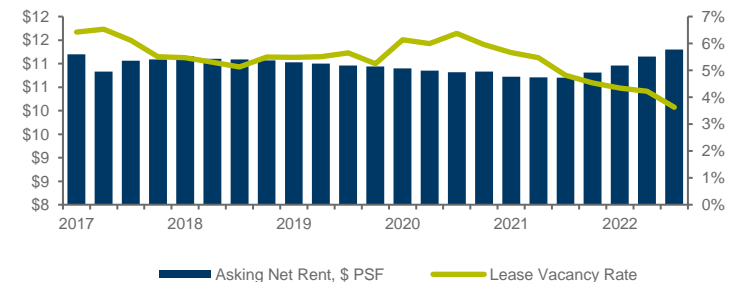
### OUTLOOK

With low vacancy and a large percentage of projects under construction already being leased, rents could increase by up to 10% by the end of 2023. As such, we'll likely see more tenants lock in their leases and secure new or additional space if required before further increases take effect. This heightened demand should send vacancy rates sub 3.5 % by early 2023. With heightened interest rates that could be subject to increase further, cap rates are expected to decompress as a result. Investment purchasers will need cap rates to increase to make a purchase financially feasible, whereas sellers who previously purchased properties at a lower cap rate will not be inclined to sell at a higher rate. The sales volume is expected to slow down in 2023 as a result.

### SPACE DEMAND / DELIVERIES



### OVERALL LEASE VACANCY & NET ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	AVG NET RENTAL RATE	AVG NET ADDITIONAL RATE	AVG GROSS RATE
Southeast (Incl. Sherwood Park)	57,278,986	5.40%	313,102	354,443	0	154,000	\$10.94	\$4.25	\$15.19
Northeast	3,247,542	2.40%	51,023	68,302	0	0	\$9.36	\$4.11	\$13.47
Northwest (Incl. St. Albert)	55,646,054	5.70%	513,207	1,121,260	1,294,353	313,250	\$9.75	\$4.35	\$14.10
Central	1,203,195	11.40%	0	-61,808	0	0	\$9.96	\$4.49	\$14.45
Acheson	8,489,204	0.80%	9,144	209,561	2,920,000	46,024	\$13.16	\$3.91	\$17.07
Leduc/Nisku	20,213,101	4.40%	274,649	358,970	622,969	20,038	\$12.14	\$4.00	\$16.14
<b>EDMONTON TOTALS</b>	<b>146,078,082</b>	<b>3.60%</b>	<b>379,876</b>	<b>2,050,728</b>	<b>4,837,322</b>	<b>533,312</b>	<b>\$11.30</b>	<b>\$4.11</b>	<b>\$14.14</b>

## KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1102 6 St	Leduc/Nisku	New-Firmus Inc.	66,646	Lease
1101 16 Ave	Leduc/Nisku	Blackstone Pipeline & Environmental Solutions Inc.	33,959	Lease
19904 111 Ave	Northwest	Sunbelt Rentals	18,386	Lease
3603 93 St	Southside	FourQuest Energy	65,775	Lease

For more information, contact:

**INDUSTRIAL TEAM**

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## KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3850 98 St	Southside	9318470 Canada Inc / 2431303 Alberta Ltd	260,916	\$21,900,000 / \$83.94
3905 Allard Ave	Leduc	North Garage Investments / BTB Allard Leduc	51,228	\$12,958,000 / \$252.95
9871 279 St	Acheson	1847822 Alberta Ltd / LS Properties	45,048	\$11,478,000 / \$254.79
3567 97 St	Southside	Pumm Developments/2431010 Alberta Ltd	88,546	\$8,150,000 / \$92.04

## KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	OWNER / DEVELOPER	COMPLETION DATE
Building 2A & 2B – Anthony Henday Business Park	St. Albert	423,481	Quadreal	Q3 2023
Buildings 1 & 2 – Fulton Creek	Southeast	418,209	Panattoni	Q1 2024
Horizon Building F - Horizon Business Park	Northwest	300,000	Hopewell	Q2 2023
Pioneer Skies BP Building 1	Leduc/Nisku	375,320	York	Q2 2023
The Brick/Leon's Distribution Centre	Northwest	500,000	Leon's/Qualico	Q1 2024

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