

## Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
<b>3.6%</b> Overall Vacancy Rate	▼	▲
<b>925,448</b> Net Absorption, SF	▼	▲
<b>\$11.32</b> Asking Rent, PSF	▲	▲

Overall, Net Asking Rent  
Source: CoStar

### ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
<b>852.3K</b> Edmonton Employment	▲	▼
<b>6.0%</b> Edmonton Unemployment Rate	▲	▲
<b>5.5%</b> Canada Unemployment Rate	▲	▲

Source: Statistics Canada

### ECONOMY

Analysts predicted Alberta's GDP to grow by 2.4% this year, however as of the third quarter, Alberta's GDP is on pace to rise by 2.7%. This 30-basis point (bps) increase from the beginning of the year underscores the strength of the Albertan economy. While inflation has hit Canada hard, Alberta has proceeded to weather the storm better than most provinces as spending trends and job/population growth in the province have remained strong. Alberta attracted 50,061 new residents between Q2 and Q3, a growth rate of 1.1%. Analysts further predict that annual population growth in the province will be at 4.5% by the end of FY 2023 – its highest level since 1981. Locally, GDP is expected to grow by 2.1% this year in Greater Edmonton and is expected to hover at this level until 2026. Oil output in the province dropped by 15% due to wildfires and maintenance disruptions from May-July 2023 hitting its lowest level since the Fort McMurray wildfires in 2016. That said, the province is set to experience a rebound in production in 2024. As of August 2023, barrel prices were traded at around \$80 USD with the price spread between WTI and Alberta's benchmark WCS widening by \$3 USD to -13 \$/bbl from Q2. Despite this gap, the completion of the Trans Mountain pipeline later this year will help sustain WCS prices as the newly expanded pipeline will be able to carry an additional 590,000 bbls per day, totaling 890,000 in overall capacity. Furthermore, the Alberta government expects a \$2.4 billion surplus by the end of FY 2023.

### DEMAND

As of August 2023, Edmonton ranks 4th nationwide in terms of inventory at 202.5M SF, and second in Market Construction at 3.78M SF. The overall vacancy rate in the Edmonton industrial market is at 3.6%. These figures indicate a promising future for Edmonton's industrial market, with ample opportunities, potential for rent rate growth, and attractive yields. Activity in the capital region saw 925,448 SF in net absorption, an 84% increase compared to Q2. This activity is likely to stabilize as net absorption is expected to align with the incoming pre-leased supply. Distribution leasing has been quite strong in the last 2 years, and despite overall absorption cooling off, deal velocity remains strong. Leasing activity in Q3 has predominantly occurred in the sub-50,000 SF market, particularly inside 10,000 – 30,000 SF. On average, lease sizes are 12,000 SF, a 4,000 SF increase from the previous quarter. The Northwest and Southeast submarkets of the capital experienced high deal velocity/volume compared to other regions this quarter and this trend is expected to continue into 2024. Additionally, rental rates decreased by \$0.37 PSF compared to Q2. These figures suggest Edmonton's Industrial market experiencing strong activity amid the current economic implications seen in the Canadian market.

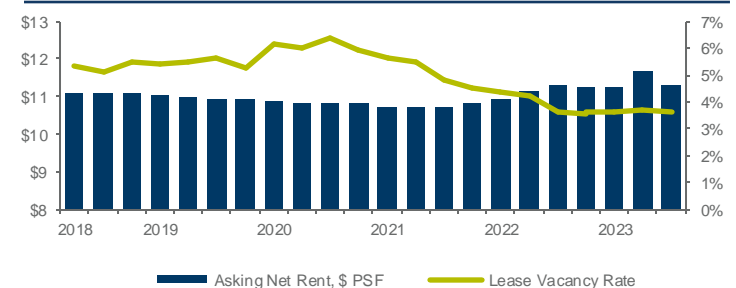
### OUTLOOK

The remainder of 2023 will see a large influx of industrial SF entering the market, with additional inventory expected to come online in 2024. Q3 will see the notable completions of Fulton Creek Building 2 and Border Business Park Building M both at 534,346 and 481,450 SF respectively. Current construction totals are at 3.78M SF. Vacancy rates, as a result, are expected to remain stable going into Q4 as most of the incoming SF is pre-leased. Additionally, B and C-class industrial properties have continued to be attractive for investors, as these properties present a steady flow of income seen through higher rents upon tenant renewal or turnover.

#### SPACE DEMAND / DELIVERIES



#### OVERALL LEASE VACANCY & NET ASKING RENT



## Industrial Q3 2023

### MARKET STATISTICS

KEY SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTR (SF)	CONSTR	YTD COMPLETIONS (SF)	AVG NET RENTAL RATE	AVG NET ADDITIONAL RATE	AVG GROSS RATE
Southeast	63,580,249	3.7%	-32,443	213,142	1,181,944		252,834	\$9.26	\$4.44	\$13.70
Northeast	8,433,868	4.5%	1,500	-62,757	9,283		0	\$10.66	\$4.16	\$14.82
Northwest	68,784,697	3.2%	586,183	793,659	723,746		595,871	\$9.42	\$4.49	\$13.91
Sherwood Park/Strathcona County	11,747,050	4.1%	-39,945	14,180	146,966		0	\$11.18	\$4.17	\$15.35
Acheson	12,630,722	1.2%	-70,877	-95,532	630,000		0	\$16.28	\$4.43	\$20.71
Leduc/Nisku/Leduc County	26,786,640	2.5%	481,030	716,546	501,361		481,450	\$11.56	\$3.36	\$14.92
<b>EDMONTON MARKET TOTALS</b>	<b>202,462,903*</b>	<b>3.6%*</b>	<b>925,448</b>	<b>1,579,238</b>	<b>3,781,978*</b>		<b>1,330,155</b>	<b>\$11.32</b>	<b>\$4.05</b>	<b>\$15.34</b>

Source: CoStar, \*Sturgeon County and Parkland County included in total.

### KEY LEASE TRANSACTIONS Q3 2023

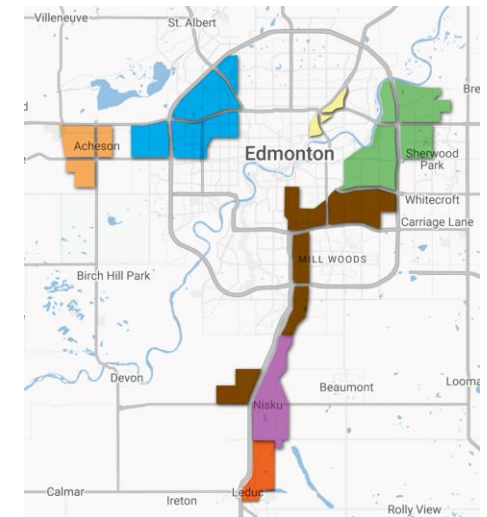
PROPERTY	SUBMARKET	TENANT	SF	TYPE
13106 93 Av SW	Nisku	Crown Packaging	50,584	Lease
10231-10247 184th St NW	Northwest	Harv Wilkening Transport Ltd., DBA Ecco Transport	46,499	Lease
1444 78th Ave NW	Southeast	Sunbelt Rentals of Canada Inc.	33,800	Lease
12378 184 St NW	Northwest	Bestbuy Distributors Limited	30,893	Sublease

### KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Cornerstone Business Park – Buildings C & D	Southeast	Hopewell Developments Inc./Optrust Industrial Inc.	358,860	\$55,736,500 / \$155.31
14505 Yellowhead Trail NW	Northwest	Federated Co-operatives Limited/1101731 Alberta Ltd.	98,244	\$6,000,000 / \$61.07
JD Building – 11527 160 St	Northwest	Multi Developers Inc./Trivan Capital Prairies Opportunity Fund FP Ltd.	86,060	\$8,690,000 / \$100.98
1607 8th St – North Shop	Leduc	Horn Ridge Holdings Ltd/2378413 Alberta Ltd.	72,158	\$5,016,000 / \$69.51

### KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	OWNER / DEVELOPER	COMPLETION DATE
The Brick/Leon's Distribution Centre	Northwest	548,124	Leon's/Qualico	Q1 2024
Fulton Creek Building 2	Southeast	534,346	Panattoni	Q4 2023
Border Business Park (Building M)	Nisku/Leduc	481,450	Hopewell	Q4 2023
Building 2B – Anthony Henday BP	St. Albert	253,973	Quadreal	Q1 2024
Park Central Square – Building 1	Southeast	204,230	Beedie	Q3 2024
5104 50 St Nw Distribution Centre	Southeast	165,145	Scott Builders	Q4 2023



For more information, contact:

#### INDUSTRIAL TEAM

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