



EDMONTON INDUSTRIAL

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Edmonton Employment	818k	845k	▲
Edmonton Unemployment	8.3%	6.8%	▼
Canada Unemployment	6.7%	5.8%	▼

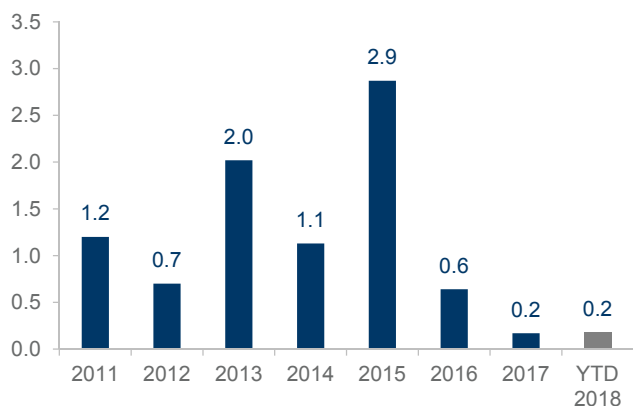
Source: Statistics Canada

Market Indicators

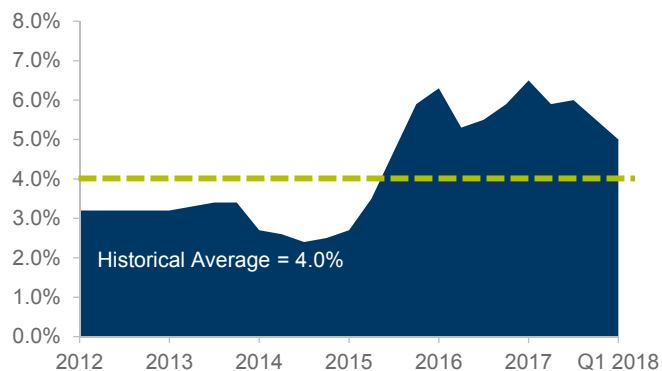
	Q1 17	Q1 18	12-Month Forecast
Lease Vacancy Rate	6.5%	5.0%	▼
Net Absorption (sf)	-333,475	320,769	▲
Under Construction (sf)	288,783	2,667,462	▼
Overall Average Asking Rent*	\$9.51	\$9.30	▲

*Rental rates reflect net asking \$psf/year

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



Overall Lease Vacancy Rate



Economy

Alberta's economic recovery was strong in 2017 but growth is expected to moderate through 2018 with the economy projected to expand by 2.7%. This is the high end of forecasted growth for Canada's provinces. Oil prices have remained turbulent but seem to have settled above \$60 per barrel, which has improved both investor sentiment and business optimism in the Albertan markets. Unemployment has continued to fall in Edmonton, with the unemployment rate recently dipping to 6.8%, and wages have seen increases year-over-year. The ongoing trade disputes will be a key concern for Alberta's economy in the coming year, as is the drop in non-residential construction taking place in the province.

Source: City of Edmonton, Finance Ministry of Alberta

Market Overview

Edmonton's industrial market has continued to improve, with a decrease in vacancy of 50 basis points from last quarter to reach 5.0% in the first quarter of 2018. Over 180,000 square feet (sf) of space was absorbed in Edmonton's peripheral markets of Acheson and Leduc/Nisku, over half of the 320,769 sf of absorption in the Edmonton market. Sublease space fell below one million square feet to 868,712 sf, unseen since Alberta's economic downturn. Sale vacancy has dropped to 1.0%, with most remaining product located in Northwest and Southeast Edmonton, as well as Leduc/Nisku. Industrial sales over \$1 million have increased 48.2% when contrasted against the first quarter of 2017. Land sales have seen a 33.2% increase over the same period. Year-to-date overall sales of industrial properties reached \$104,246,950. Average gross rents increased by eight cents from the fourth quarter of 2017 to \$13.61 per square foot (psf), reflecting an improving market sentiment among landlords and the significant decline of available product. The majority of construction is focused in Edmonton's peripheral markets, particularly in Leduc/Nisku, where several high profile projects are in the pipeline, including the 800,000-square foot Aurora Cannabis medical marijuana facility and the new 400,000-sf Ford distribution centre, both set for a Q2 2018 completion.

Outlook

While Edmonton's economy is expected to moderate over 2018, significant growth in the local market is still anticipated. We expect vacancy will continue to drop over the next several quarters as improving business sentiment in the market drives demand for industrial space. Likewise, asking rents will rise as the breadth of availabilities tightens and the market becomes more landlord favoured. Sale vacancy is expected to remain largely flat through 2018 as limited options drive interest in build-to-suit options.

MARKETBEAT

Edmonton, AB

Industrial Q1 2018



Key Market Statistics Q1 2018

SUBMARKET	INVENTORY (SF)	LEASE VACANCY RATE	SALE VACANCY RATE	CURRENT QUARTER ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD WEIGHTED AVG. NET RENTAL RATE*	WEIGHTED AVG. ADDITIONAL RATE*	WEIGHTED AVG. GROSS RATE*
Southeast (Incl. Sherwood Park)	53,629,509	5.2%	0.9%	68,639	68,639	179,430	0	\$9.22	\$4.74	\$13.96
Northeast	2,671,740	1.3%	0.0%	-23,131	-23,131	0	0	\$8.22	\$2.59	\$10.81
Northwest (Incl. St. Albert)	56,555,154	4.7%	0.4%	92,583	92,583	61,070	179,821	\$8.25	\$4.15	\$12.40
Central	655,723	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson**	3,372,381	294,776 SF	0.0%	149,468	149,468	0	0	\$14.13	\$4.22	\$18.35
Leduc/Nisku	12,679,423	5.1%	4.3%	33,210	33,210	2,426,962	0	\$13.29	\$3.57	\$16.86
EDMONTON TOTALS	129,563,930	5.0%	1.0%	320,769	320,769	2,667,462	179,821	\$9.30	\$4.31	\$13.61

* 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 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Northwest Business Park	88,849	Alberta Health Services	Lease	Northwest
180 Strathmoor Drive	48,000	Helical Pier Systems	Lease	Sherwood Park
Zaicana Building	32,709	Greenway Metal Processors Ltd.	Lease	Northwest
Eastgate Business Park	25,599	J&S Foods	Lease	Southeast
Eastgate Business Park	14,461	Galaxy Windows	Lease	Southeast

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Parsons Business Centre	173,456	Jaylor Realty Management Inc. / York Realty Inc.	\$25,000,000 / \$144	Southeast
McIntyre Centre	74,561	McIntyre Centre Ltd / Brenalen Enterprises Ltd	\$10,800,000 / \$145	Southeast
Norwester 14 Building	80,700	Norwester Holdings Ltd. / York Realty Inc.	\$8,750,000 / \$108	Northwest
1515 10 Street - Nisku	33,021	717445 Alberta Ltd. / Exceed (Canada) Oilfield Equipment Inc.	\$6,875,000 / \$208	Nisku
15815 112 Avenue	67,830	Penwest Revenue Corp. / GPM (13) Inc.	\$5,530,000 / \$82	Northwest
22603 112 Avenue	13,000	Jamboree Transport Ltd. / Ingenuity Holdings Ltd.	\$3,037,500 / \$223	Northwest

Significant Projects Under Construction

PROPERTY	SF	DEVELOPER	SUBMARKET	COMPLETION DATE
Aurora Cannabis	800,000	Larsen Ltd.	Leduc	Q2 2018
Ford Distribution Centre	400,000	Lafarge	Leduc	Q2 2018
Allard Avenue & 36 Street	36,962	York Realty	Leduc	Q2 2018

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