



## EDMONTON INDUSTRIAL

### Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Edmonton Employment	832k	767k	▲
Edmonton Unemployment	7.9%	6.5%	▼
Canada Unemployment	6.6%	5.8%	■

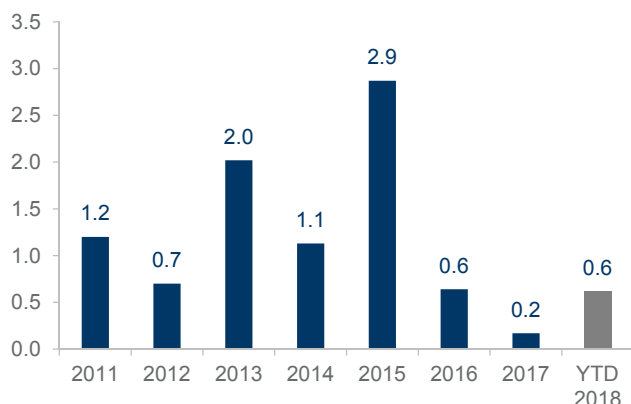
Source: Statistics Canada

### Market Indicators

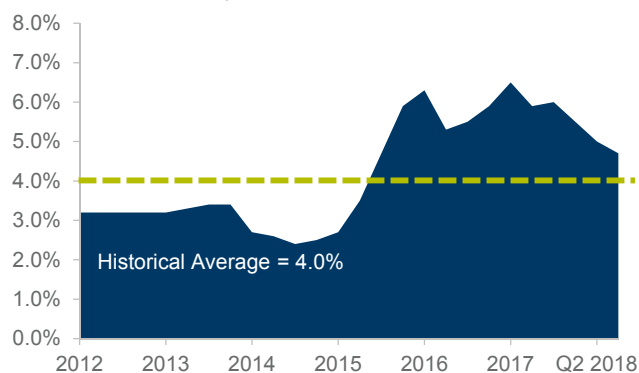
	Q2 17	Q2 18	12-Month Forecast
Lease Vacancy Rate	5.9%	4.7%	▼
Net Absorption (sf)	674,600	458,327	▲
Under Construction (sf)	1,647,284	1,040,500	▼
Overall Average Asking Rent*	\$9.35	\$9.41	▲

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

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



### Overall Lease Vacancy Rate



## Economy

Alberta in general and Edmonton in particular continued to show growth into the second quarter of 2018. Unemployment in Edmonton dropped another 30 basis points to 6.5%; although this rate is surprisingly high considering the rise in housing starts, accelerating wage growth, and the fact that oil prices remain well above \$60 a barrel. Non-residential construction has seen minimal growth so far this year as a variety of major projects throughout the city have been completed. Ongoing trade disputes, concerns regarding pipeline construction, and the potential for volatility in oil prices remain key concerns for industry across the province.

Source: City of Edmonton, Finance Ministry of Alberta

## Market Overview

The second quarter of 2018 ended with Edmonton's industrial market performing well on almost all fronts. Lease vacancy has continued to contract, dropping another 30 basis points from the first quarter of 2018 to reach 4.7%. The majority of the available space was absorbed in Southeast Edmonton and the Leduc/Nisku submarkets, the latter of which was worst hit by the downturn and which has seen the fastest recovery of all of Edmonton's submarkets. Rental rates have responded by increasing marginally across the city, although more significantly in the before mentioned submarkets, as the overall market tightens and landlords face less competition for tenants. Construction remains constrained with few projects currently under construction and many developers holding off on proposed developments. Most construction is occurring in Edmonton's peripheral markets and is largely user built, while most stalled or delayed projects are in Edmonton's Northwest or Southeast markets. Sale vacancy remained stable quarter-over-quarter at 1.0% as the industrial sale market continues to outperform 2017. Industrial building sales have increased 63% year-to-date over the same period last year, while sales of industrial land has more than tripled at a 345% increase. Available space for sublease declined to 764,731 square feet (sf) overall this quarter, a decrease of over 100,000 sf since the first quarter of this year.

## Outlook

Edmonton's industrial market will continue to see vacancy drop and rents rise in the coming quarters as growth across Alberta encourages demand for industrial space. While construction of new industrial space will remain diminished in the near term, the market is expected to see increased building intentions in the coming year. Sale vacancy is anticipated to remain largely flat while a lack of available buildings for purchase will likely help spur interest in developing new properties.

MARKETBEAT

## Edmonton, AB

Industrial Q2 2018



## Key Market Statistics Q2 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)	53,110,839	4.8%	0.9%	356,476	425,115	179,430	0	\$9.20	\$4.64	\$13.84
Northeast	2,671,740	1.3%	0.0%	0	-23,131	0	0	\$8.50	\$3.90	\$12.40
Northwest (Incl. St. Albert)	55,522,723	4.5%	0.4%	4,674	97,257	61,070	179,821	\$8.36	\$3.96	\$12.32
Central	655,723	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson**	3,388,006	310,401 SF	0.0%	-15,625	133,843	0	0	\$14.13	\$4.22	\$18.35
Leduc/Nisku	12,954,985	5.1%	4.1%	112,802	146,012	800,000	436,962	\$13.83	\$3.50	\$17.33
<b>EDMONTON TOTALS</b>	<b>128,304,016</b>	<b>4.7%</b>	<b>1.0%</b>	<b>458,327</b>	<b>779,096</b>	<b>1,040,500</b>	<b>616,783</b>	<b>\$9.30</b>	<b>\$4.31</b>	<b>\$13.62</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 Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Northwest Business Park	88,849	Alberta Health Services	Lease	Northwest
Yellowhead Transport Depot	61,000	Undisclosed	Lease	Northwest
Eastgate Business Park	25,599	Undisclosed	Lease	Southeast
Northwest Business	24,611	Undisclosed	Lease	Northwest
Papaschase Building 6	19,800	Progressive Machine Works	Lease	Southeast
Eastgate Business Park	14,461	Galaxy Windows	Lease	Southeast

## Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Sunwapta Business Centre	415,557	1784777 Alberta Ltd / Fiera Properties Core Fund GP Inc	\$62,954,334 / \$151	Northwest
117 Avenue Business Centre	319,841	Investors Group Trust Co. Ltd. / Timbercreek Four Quadrant GP Ltd.	\$21,600,000 / \$68	Northwest
Sheffield II, III & IV	133,261	WCBME Inc. Et. al. / 10064963 Canada Inc.	\$11,910,000 / \$89	Northwest
Norali Business Park	110,250	1530021 Alberta Ltd. / Redco Properties Ltd.	\$10,500,000 / \$95	Northwest
2604 9 <sup>th</sup> Street - Nisku	26,000	1736799 Alberta Ltd. / 2106917 Alberta Ltd.	\$6,600,000 / \$254	Nisku
6400 30 <sup>th</sup> Street	15,243	560832 B.C. Ltd. / 1826856 Alberta Ltd.	\$3,000,000 / \$197	Southeast

## Significant Projects Under Construction

PROPERTY	SF	DEVELOPER	SUBMARKET	COMPLETION DATE
Aurora Cannabis	800,000	Larsen Ltd.	Leduc	Q3 2018

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