

EDMONTON INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Edmonton Employment	803K	836K	▲
Edmonton Unemployment	7.4%	7.5%	▼
Canada Unemployment	6.9%	5.7%	■

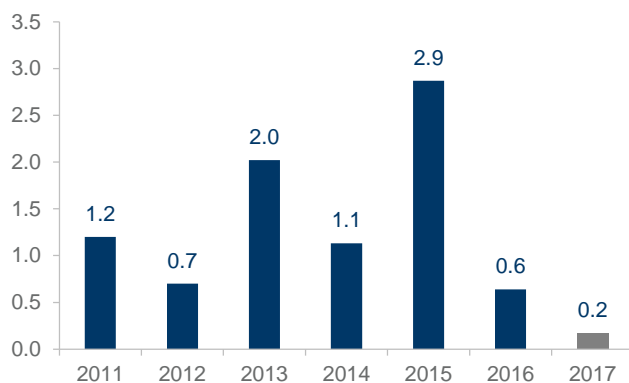
Source: Statistics Canada

Market Indicators

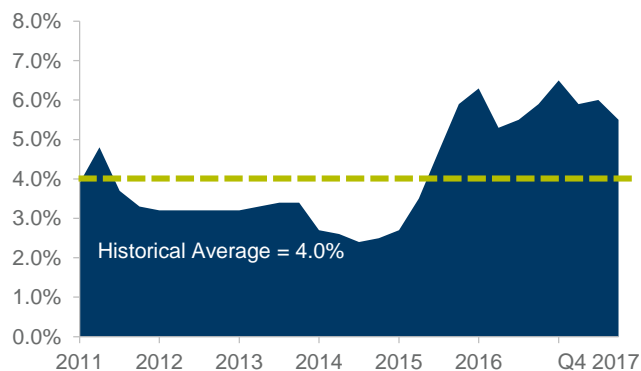
	Q4 16	Q4 17	12-Month Forecast
Lease Vacancy Rate	5.9%	5.5%	▼
Net Absorption (sf)	-317,487	1,108,746	▲
Under Construction (sf)	391,183	2,846,280	▲
Overall Average Asking Rent*	\$9.62	\$9.23	▲

*Rental rates reflect net asking \$psf/year

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



Overall Lease Vacancy Rate



Economy

The City of Edmonton experienced a stronger than anticipated recovery over the past year. Growth is expected to moderate towards 2.4% in 2018, lower than 2017 but higher than most other provinces, as sensitivity to oil prices will continue to weigh on Albertan industry and limit overall growth. Unemployment in the Edmonton region has dropped quarter-over-quarter by over 100 basis points to 7.5%, investment in local industry has increased, and oil recently surpassed the \$60 mark for the first time since 2014, likely remaining at least in the mid-\$50 range on average through 2018. Non-residential construction spending, muted in 2017, is expected to remain weak.

Source: City of Edmonton, Finance Ministry of Alberta

Market Overview

Edmonton's industrial market experienced a strong finish in 2017, as lease vacancy retreated to 5.5%, the sublease market contracted by almost 200,000 square feet (sf), and the sale of industrial land increased significantly. Sale vacancy dropped by 40 basis points to 1.8%, driven by sales in Southeast and Northwest Edmonton and Leduc/Nisku. Overall 2017 absorption reached almost 1.5 million square feet (msf), reflecting expectations that growth in Edmonton had returned following the downturn. While asking rents decreased across the city by a cent over the past quarter, gross rents increased for the first time in the past two years to \$13.53 per square foot (psf), a seven cent increase. Leduc/Nisku in particular has outperformed the other markets, with overall vacancy dropping from 17.9% in the first quarter, to 14.6% in the third quarter, and on to 12.8% in the fourth quarter. Average rents in the market have responded to the significant activity in the market by rising to \$13.39 psf. Additionally, several high profile construction projects are underway in the Leduc/Nisku submarket. Aurora is constructing the world's largest legal marijuana grow-op at 800,000 sf, and Ford is developing a new 400,000-square foot distribution centre as well.

Outlook

Industrial markets will continue to see improving fortunes in 2018 as a combination of limited new supply and stronger market fundamentals tightens vacancy towards 5%. The sublease market will likely fall below 1 msf, a level unseen since the first quarter of 2015. Rents are expected to begin increasing in Edmonton's larger submarkets in the coming year, reflecting a less tenant-favoured leasing environment. An increase in industrial land sales by potential users demonstrates increasing interest in build-to-suit options, especially in the more affordable peripheral markets of Acheson, Leduc, Nisku and Sherwood Park.

MARKETBEAT

Edmonton, AB

Industrial Q4 2017



Key Market Statistics Q4 2017

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)	53,617,727	6.1%	1.4%	334,063	451,900	179,430	72,000	\$9.22	\$4.97	\$14.19
Northeast	2,726,371	1.9%	0.5%	84,667	40,167	0	0	\$8.12	\$2.52	\$10.64
Northwest (Incl. St. Albert)	56,202,141	4.9%	1.1%	469,620	505,578	239,888	102,400	\$8.24	\$3.91	\$12.15
Central	655,723	0.0%	0.4%	1,593	1,742	0	0	\$13.00	\$4.00	\$17.00
Acheson**	2,050,480	233,376 SF	29,068 SF	-1,585	-73,320	0	0	\$13.82	\$4.22	\$18.04
Leduc/Nisku	12,466,173	5.4%	7.4%	220,217	571,828	2,426,962	0	\$13.39	\$3.59	\$16.98
EDMONTON TOTALS	127,718,615	5.5%	1.8%	1,108,575	1,497,895	2,846,279	174,400	\$9.23	\$4.30	\$13.53

* 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 Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1604 10 Street	66,795	Undisclosed	Lease	Nisku
Eastgate Business Park - Building 2	39,528	Undisclosed	Lease	Southeast
City West – Building A	22,080	Undisclosed	Lease	Northwest
McKenzie IV Building	20,902	Maserati / Alfa Romeo	Lease	Northwest
McKenzie Distribution Centre Phase II	18,510	Independent Glass Distributors Ltd.	Lease	Northwest

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
10811 209 Street	17,837	Redco Properties Ltd. / 180685 Alberta Ltd.	\$5,100,000 / \$286	Northwest
8207 39 Street – Leduc	23,040	Cudel #1 Properties Co Ltd / Joseph & Victoria Mojica	\$4,350,000 / \$189	Leduc
11528 160 Street	45,734	SDLP Snowcat Limited / Tin Tara Properties Ltd.	\$4,300,000 / \$94	Northwest
670 Acheson Road – Acheson	24,800	720665 Alberta Ltd / 2063444 Alberta Ltd	\$4,150,000 / \$167	Acheson
8925 62 Avenue	10,140	Brock Canada Industrial Ltd. / Laurax Group Inc.	\$3,869,450 / \$382	Southeast
14238 134 Avenue	15,706	1371047 Alberta Ltd. / Terwil Holdings Inc.	\$3,600,000 / \$229	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	Cathton Investments Ltd.	Leduc	Q2 2018
Horizon Building D	179,821	Hopewell	Northwest	Q2 2018
Allard Avenue & 36 Street	36,962	York Realty	Leduc	Q2 2018

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