

EDMONTON INDUSTRIAL

Economic Indicators

| | Q2 18 | Q2 19 | 12-Month Forecast |
|-----------------------|-------|-------|----------------------|
| Edmonton Employment | 767k | 796k | ▲ |
| Edmonton Unemployment | 6.5% | 7.0% | ■ |
| Canada Unemployment | 5.9% | 5.4% | ■ |

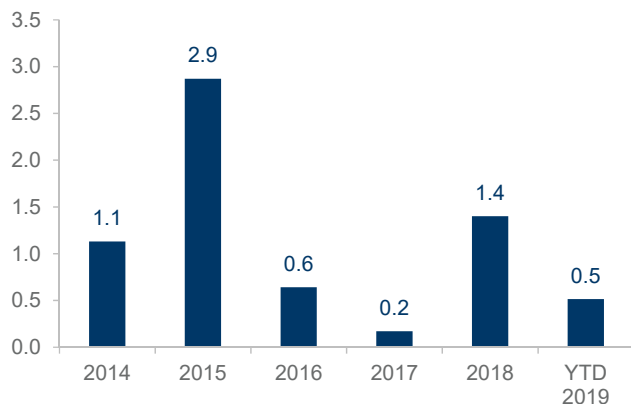
Source: Statistics Canada

Market Indicators

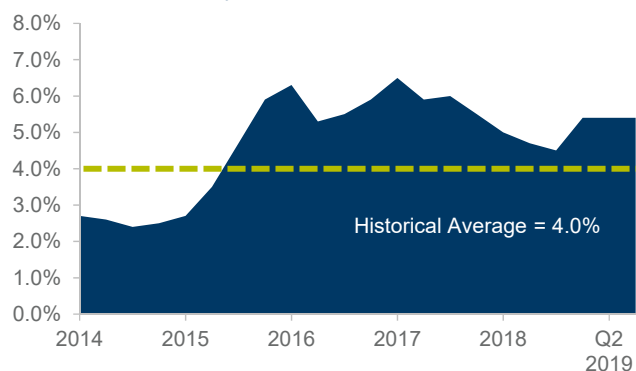
| | Q2 18 | Q2 19 | 12-Month Forecast |
|------------------------------|-----------|-----------|----------------------|
| Lease Vacancy Rate | 4.7% | 5.4% | ▼ |
| Net Absorption (sf) | 458,327 | 542,040 | ▲ |
| Under Construction (sf) | 1,040,500 | 2,886,138 | ▲ |
| Overall Average Asking Rent* | \$9.41 | \$9.17 | ▼ |

*Rental rates reflect net asking \$psf/year

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



Overall Lease Vacancy Rate



Economy

Following the weakness seen at the end of 2018 and early 2019, the Alberta economy is starting to show signs of positive growth as we reached the halfway point of the year. Unemployment rate in Edmonton slightly climbed up month-over-month, rounding at 7.0% in June as 600 part-time positions were lost while full-time employment saw an increase the same month. Although non-residential permits in Alberta increased by 20% month-over-month in April 2019, mostly led by industrial, institutional, and governmental permits, overall building permits have remained low compared to 2018. Higher prices and production in the oil sector, WTI currently averaging around \$60 USD per barrel, and stronger exports of non-energy products are suggesting optimism, albeit slight, for Alberta's economy. The recent approval of the Trans Mountain pipeline expansion and the upcoming federal election in the fall of 2019 remain key concerns for industries throughout the province.

Source: City of Edmonton, Finance Ministry of Alberta, The Conference Board of Canada

Market Overview

Industrial vacancy remained flat at 5.4% in the second quarter of 2019 as several large industrial spaces have been leased but was offset by a few blocks of space that returned to the market. Sale vacancy contracted by 10 basis points from last quarter to 0.4% with continued interest in the Southeast and Leduc/Nisku submarkets, indicating growing investor confidence in these areas. The construction completion of Champion Pet Foods facility in Acheson, coupled with several lease transactions across the market, greatly contributed to this quarter's 542,040 square feet (sf) of absorption. Average rental rates have marginally declined quarter-over-quarter to \$9.17 per square foot, and the market is starting to see more tenants either looking to expand or to move to newer product to take advantage of the slow market conditions. Construction activity has also strengthened this quarter in Edmonton and its peripheral markets with two more cannabis facilities in Leduc/Nisku markets, some build-to-suit industrial spaces in Acheson, as well as speculative buildings within the city currently being built. Overall vacancy dropped by 10 basis points from last quarter to 5.8%, with rental rates continuing to decline and investor confidence gaining some momentum.

Outlook

The Edmonton Industrial market is anticipated to continue to improve in the coming months as the recent approval of the Trans Mountain pipeline has bolstered confidence in the marketplace. There are several pre-leased industrial buildings slated for completion next quarter that will likely contribute to positive absorption and expect to see a slight improvement in vacancy as current low rental rates continue to attract new and existing tenants to move to affordable and newer product. Rental rates are anticipated to remain stable through next quarter until uncertainties arise in the province surrounding the federal election.

MARKETBEAT

Edmonton, AB

Industrial Q2 2019



Key Market Statistics Q2 2019

| 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) | 51,749,793 | 6.8% | 0.3% | 74,748 | 43,625 | 238,250 | 115,000 | \$8.90 | \$4.90 | \$13.80 |
| Northeast | 2,587,624 | 4.2% | 0.0% | -16,500 | -16,500 | 0 | 0 | \$8.13 | \$3.46 | \$11.59 |
| Northwest (Incl. St. Albert) | 54,042,292 | 5.0% | 0.4% | -33,629 | -97,465 | 717,127 | 0 | \$8.56 | \$4.43 | \$12.99 |
| Central | 638,823 | 0.0% | 0.4% | 0 | 0 | 0 | 0 | \$13.00 | \$4.00 | \$17.00 |
| Acheson | 8,126,282 | 2.2% | 0 | 398,000 | 507,600 | 252,000 | 398,000 | \$13.15 | \$3.85 | \$17.00 |
| Leduc/Nisku | 13,306,499 | 3.7% | 0.8% | 119,421 | 222,338 | 1,632,889 | 0 | \$10.18 | \$3.56 | \$13.74 |
| EDMONTON TOTALS | 130,451,313 | 5.4% | 0.4% | 542,040 | 659,598 | 2,840,266 | 513,000 | \$9.17 | \$4.46 | \$13.64 |

* Rental rates reflect asking \$psf/year

Key Lease Transactions Q2 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|--|---------|-------------|------------------|-----------|
| City West Business Park – Building F | 106,065 | Undisclosed | Lease | Northwest |
| 3703 98 Street – Industrial Facility | 46,541 | Undisclosed | Lease | Northwest |
| Westminster Building 'B' | 39,204 | Undisclosed | Lease | Northwest |
| 50 th Street Business Park – Building L | 28,136 | Undisclosed | Lease | Northwest |

Key Sales Transactions Q2 2019

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|-----------------------------|--------|--|---------------------|-------------|
| 2305 84 Ave - Sherwood Park | 91,647 | 1476459 Alberta Ltd / Above & Beyond Realty Inc | \$8,700,000 / \$94 | Southeast |
| 2107 6 St - Nisku | 50,875 | Hyduke Drilling Solutions Inc / Camber Corporation | \$8,000,000 / \$157 | Leduc/Nisku |
| 4755 Eleniak Road | 28,750 | GHT Properties Ltd / 1388651 Alberta Ltd | \$4,450,000 / \$154 | Southeast |
| 13508 163 St | 16,861 | 1744031 Alberta Ltd / Bridgepoint Realty Inc | \$4,200,000 / \$249 | Northwest |
| 1101/07 8A St - Nisku | 61,890 | Lufkin Industries Canada ULC / 2102581 Alberta Ltd | \$3,700,000 / \$59 | Leduc/Nisku |

Significant Projects Under Construction

| PROPERTY | SF | DEVELOPER | SUBMARKET | COMPLETION DATE |
|---------------------------------------|-----------|-----------------------------|-------------|-----------------|
| Border Business Park Horizon Facility | 1,000,000 | ONE Properties | Leduc/Nisku | Q3 2020 |
| MTE Logistix Warehouse | 505,000 | Private | Northwest | Q3 2019 |
| Aurora Polaris | 300,000 | Dawson Wallace Construction | Leduc/Nisku | Q4 2019 |
| The Apex | 212,127 | Panattoni | Northwest | Q2 2021 |
| Cannabis Genomics Facility | 194,000 | Private | Leduc/Nisku | Q2 2020 |
| SMS Equipment Expansion | 167,000 | Private | Acheson | Q2 2020 |
| Southport Crossing Building 2 | 135,000 | Bentall Kennedy | Southeast | Q4 2019 |
| Discovery Centre | 113,889 | Remington Development Corp | Leduc/Nisku | Q3 2019 |
| Southport Crossing Building 1 | 103,250 | Bentall Kennedy | Southeast | Q3 2019 |

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