

## EDMONTON INDUSTRIAL

### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Edmonton Employment	788k	786k	▲
Edmonton Unemployment	6.7%	7.4%	■
Canada Unemployment	6.0%	5.7%	■

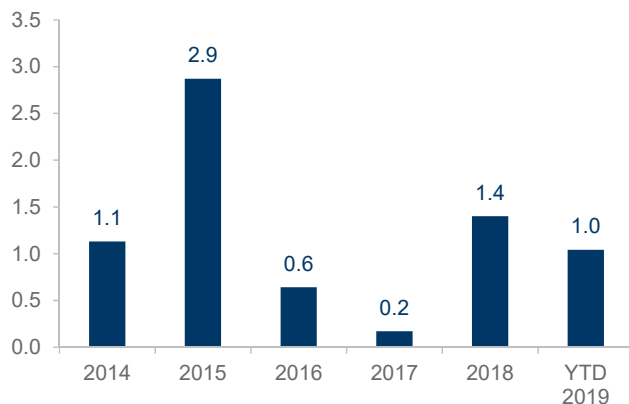
*Source: Statistics Canada*

### Market Indicators

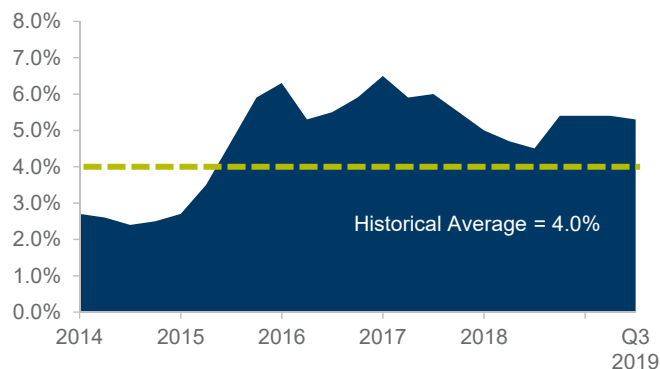
	Q3 18	Q3 19	12-Month Forecast
Lease Vacancy Rate	4.5%	5.5%	▲
Net Absorption (sf)	369,164	-99,886	■
Under Construction (sf)	1,943,500	2,746,708	▲
Overall Average Asking Rent*	\$9.34	\$9.42	■

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

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



### Overall Lease Vacancy Rate



## Economy

The federal election coupled with trade tensions observed across the global economy, had the country seeing slower growth during the second half of 2019. Uncertainty continues to drive concerns over investment and stall prospects for economic growth. Edmonton's unemployment rate remains in the 7.0% to 7.5% range as more people join the working-age population. Gains in trade and manufacturing were observed across the city, but significant reductions in the accommodation and food services, educational services, and energy sectors have led to the city's unemployment rate of 7.4 % in August 2019. Overall, non-residential building permits in Edmonton declined in August by 17% year-over-year and by 8% month-over-month. With the anticipated announcement of the oil-by-rail deal, Western Canadian Select (WCS) weakened for November delivery, trading at \$16.00 per barrel below WTI. Rail shipments are expected to drive up the price of Alberta oil by reducing the looming supply glut.

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

## Market Overview

Edmonton's industrial market vacancy remained relatively flat at 5.5% in the third quarter of 2019, only increasing by 100 basis points (bps) year-over-year. This quarter saw an uptick in activity with several large lease transactions, as well as speculative and build-to-suit construction that commenced this quarter, totaling over 640,000 square feet (sf). Absorption totals were negative 99,886 sf in the third quarter as plenty of industrial space returned to the market, particularly in the Southeast market. The negative absorption observed in Northwest was offset by the completion of MTE Logistix's 505,000-square-foot warehouse. In comparison, space available for sublease shrunk this quarter as over 100,000 sf of sublet space came off the market. Sale vacancy remains low at 0.3% compared to the rate of 1.0% from one year ago. Construction remains largely focused in the Northwest, Leduc/Nisku and Acheson markets while construction activity in the Southeast market remains quiet, in large part due to its overall vacancy rate of 6.8%, which is high compared to the rest of the city.

## Outlook

Several additional construction completions are expected to arrive by the end of the year, continuing the strong level of new construction that has been arriving to the market since 2018. However this new supply could possibly result in an increase of vacancy rate in the coming months. With the construction delays of the Trans Mountain pipeline, energy-based tenants will likely remain on the sidelines. With the current low and stable rental rates, businesses have more options when looking for newer and affordable spaces, but many are remaining cautious prior the federal election. Asking rates have remained steady quarter-over-quarter and are expected to remain so until the market adapts to a tighter market.

## MARKETBEAT

## Edmonton, AB

Industrial Q3 2019



## Key Market Statistics Q3 2019

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)	51,394,669	6.6%	0.2%	-284,010	-209,262	238,250	115,000	\$8.90	\$4.88	\$13.78
Northeast	2,476,625	5.9%	0.0%	-36,392	-52,892	0	0	\$8.14	\$3.65	\$11.79
Northwest (Incl. St. Albert)	54,707,828	5.2%	0.2%	183,956	150,327	653,332	505,000	\$9.07	\$4.50	\$13.57
Central	638,823	0.0%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson	8,126,282	2.2%	0.0%	0	398,000	252,000	398,000	\$13.15	\$3.85	\$17.00
Leduc/Nisku	13,421,321	2.7%	0.8%	36,560	155,981	1,834,629	25,000	\$10.50	\$3.55	\$14.05
<b>EDMONTON TOTALS</b>	<b>130,765,548</b>	<b>5.3%</b>	<b>0.3%</b>	<b>-99,886</b>	<b>442,154</b>	<b>2,978,211</b>	<b>1,043,000</b>	<b>\$9.42</b>	<b>\$4.49</b>	<b>\$13.91</b>

\* Rental rates reflect asking \$psf/year

## Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Monarch Business Park	66,234	Undisclosed	Lease	Leduc/Nisku
Former Powell Facility	58,393	Undisclosed	Sublease	Southeast
Eastgate Business Park	52,620	Undisclosed	Lease	Southeast
Norwester Distribution Centre	39,518	Undisclosed	Lease	Northwest
Horizon Business Park-- Building D	33,166	Undisclosed	Lease	Northwest
Cornerstone Business Park – Building C	24,324	Undisclosed	Lease	Northwest

## Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
275 Portage Close – Sherwood Park	40,049	Petrospec Engineering Ltd / Pagaro Investments (GP) Inc	\$11,250,000 / \$280	Southeast
2101/03 8 Street	96,023	Enerflex Ltd. / 2145196 Alberta Ltd.	\$8,300,000 / \$86	Leduc/Nisku
Energy Crossing	39,784	Reid-Built Homes Ltd. / Energy Crossing Leduc Inc	\$4,300,000 / \$108	Leduc/Nisku
9249 48 Street	26,762	Above & Beyond Realty / 10482447 Canada Inc	\$3,900,000 / \$145	Leduc/Nisku

## Significant Projects Under Construction

PROPERTY	SF	DEVELOPER	SUBMARKET	COMPLETION DATE
Amazon Fulfillment Facility	1,000,000	ONE Properties	Leduc/Nisku	Q3 2020
McKesson Building – Apex Business Park	315,000	Panattoni	Northwest	Q2 2020
Aurora Polaris	300,000	Dawson Wallace Construction	Leduc/Nisku	Q4 2019
Apex Business Park Building 1	216,890	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
Monarch Building 1	113,402	York Realty	Leduc/Nisku	Q4 2019
Monarch Building 2	113,338	York Realty	Leduc Nisku	Q4 2019
Southport Crossing Building 1	103,250	Bentall Kennedy	Southeast	Q4 2019

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