

Industrial Q4 2019

5.6%
Lease Vacancy Rate

YoY
Chg



12-Mo.
Forecast



198,350
Net Absorption, SF



\$9.50
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

787K
Edmonton
Employment

YoY
Chg



12-Mo.
Forecast



7.7%
Edmonton
Unemployment Rate



5.9%
Canada
Unemployment Rate



Source: Statistics Canada

ECONOMY

Edmonton's real GDP growth is forecasted to slow in the range of 0.5% in 2019, as economic tensions such as ongoing trade wars, the fallout from both the provincial and federal elections that were held earlier in 2019, low oil production and plummeting oil prices continue to challenge the investment activity in the province. Edmonton's unemployment rate climbed to 7.7% in November 2019 from 7.1% in October 2019 as increases in the labour force outpaced the region's gains. Comparing the current year-to-date (YTD) total to the number of permits from the same period in 2018, non-residential permits in the city declined slightly by 0.6% as construction activity in the retail, commercial and institutional sectors slowed.

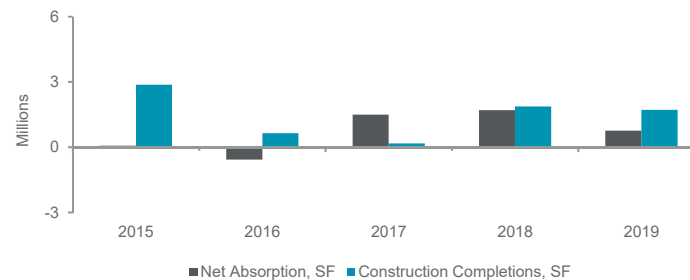
SUPPLY

The Edmonton industrial market recorded 1.7 million square feet (msf) of new supply in 2019, about 8.7% lower than in 2018. Edmonton's overall industrial market recorded 198,000 square feet (sf) of positive absorption in the fourth quarter of 2019 as occupancy of new supply in Leduc/Nisku outpaced new vacancy across the city. Overall 2019 absorption reached just over 750,000 sf, 55% lower than 2018, reflecting slower growth in the city which was anticipated. Lease vacancy rates increased quarter-over-quarter to 5.6%, a rise of 30 basis points (bps) and an increase year-over-year by 20 bps. Sale vacancy stabilized quarter-over-quarter and contracted by 40 bps year-over-year. The Southeast market continues to have the highest vacancy in the city at 7.2%, partly due to its increasing competition with Leduc/Nisku where property taxes are significantly lower. Over 2.7 msf of industrial product is currently under construction, and is highly concentrated in the Acheson, Leduc/Nisku, and Northwest submarkets.

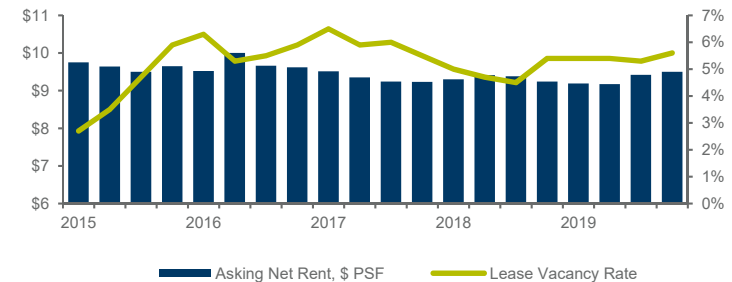
PRICING

Overall asking net rent rates remain unchanged quarter-over-quarter at \$9.50 per square foot in the fourth quarter of 2019. However, in response to the increasing vacancy in the Southeast market, there was a 3.4% decrease in asking rates this quarter compared to the same period last year. As newer product becomes more affordable and gets leased up in Leduc/Nisku and Acheson, and the older and less expensive product remains on the market, asking rents are expected to continue to drop in the next few quarters until the market picks up again.

SPACE DEMAND / DELIVERIES



OVERALL LEASE VACANCY & NET ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	LEASE VACANCY RATE	SALE VACANCY RATE	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	WEIGHTED AVG NET RENTAL RATE*	WEIGHTED AVG NET ADDITIONAL RATE*	WEIGHTED AVG GROSS RATE*
Southeast (Incl. Sherwood Park)	51,742,052	6.9%	0.3%	7.2%	-1,566	-241,951	167,000	353,250	\$8.96	\$4.60	\$13.56
Northeast	2,476,625	5.9%	0.0%	5.9%	0	-52,892	0	0	\$8.32	\$3.29	\$11.61
Northwest (Incl. St. Albert)	53,509,332	5.5%	0.2%	5.7%	-127,284	-40,793	652,332	505,000	\$9.08	\$4.59	\$13.67
Central	620,973	0.0%	0.4%	0.4%	0	0	0	0	\$13.00	\$4.00	\$17.00
Acheson	8,146,282	2.2%	0.0%	2.2%	20,000	527,600	413,500	418,000	\$13.15	\$3.85	\$17.00
Leduc/Nisku	13,835,210	3.4%	0.8%	4.1%	307,200	566,098	1,481,240	438,889	\$10.90	\$3.77	\$14.67
EDMONTON TOTALS	130,330,474	5.6%	0.3%	5.9%	198,350	758,062	2,714,072	1,715,139	\$9.50	\$4.43	\$13.93

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Opus Building	Northwest	Undisclosed	45,590	Lease
Strathcona Industrial Park	Southeast	Undisclosed	39,495	Lease
Parsons Business Centre	Southeast	Undisclosed	25,700	Lease
50 th Street Business Park	Southeast	Undisclosed	22,255	Lease
Groziec (West Building)	Northwest	Undisclosed	17,720	Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
12810 170 Street	Northwest	Piret (Fourell) Holdings Ltd / Summit Ltd	499,721	\$70,198,400 / \$140
5605 70 Street	Southeast	Piret (5605 70th Street) Holdings Inc / Summit Ltd	138,633	\$31,410,400 / \$226
11228 163 Street	Northwest	GPM (11) Inc / Gregg Properties Co. Ltd	176,310	\$31,000,000 / \$175

KEY CONSTRUCTION UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	OWNER / DEVELOPER	COMPLETION DATE
Amazon Fulfillment Facility	Leduc/Nisku	1,000,000	ONE Properties	Q3 2020
McKesson Building – Apex Business Park	Northwest	315,000	Panattoni	Q2 2020
Apex Business Park – Building 1	Northwest	216,890	Panattoni	Q2 2021
Cannabis Genomics Facility	Leduc/Nisku	194,000	Private	Q2 2020
Fountain Tire Distribution Centre	Acheson	181,500	Remington Development Corp	Q3 2020
SMS Equipment Expansion	Acheson	167,000	Private	Q2 2020

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