

Industrial Q2 2020

YoY Chg 12-Mo. Forecast

6.7%
Overall Vacancy Rate



379,876
Net Absorption, SF



\$9.29
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

675.4K
Edmonton
Employment



13.6%
Edmonton
Unemployment Rate



13.7%
Canada
Unemployment Rate



Source: Statistics Canada

ECONOMY

Edmonton's economic outlook took a dramatic turn at the end of the first quarter of the year due to the impact of the coronavirus pandemic and its damaging effect on all sectors of the economy. These unprecedented times have resulted in a snowball effect worldwide, causing business closures, mass layoffs, volatile oil prices, and economic uncertainty and slowdown. Edmonton employment, where the pandemic's impact in the economy was first observed in mid-March, lost 48,200 positions across all industries between April and May 2020, while the unemployment rate climbed to 13.6% from 10.0% during the same period. In response to these difficult times, the Government of Alberta has announced several policies and initiatives to create jobs, an example is increased spending on infrastructure projects. Edmonton's year-to-date non-residential construction permits declined by 3.2% year-over-year (YoY) with industrial increasing by 21.0% and commercial decreasing by 12.8%.

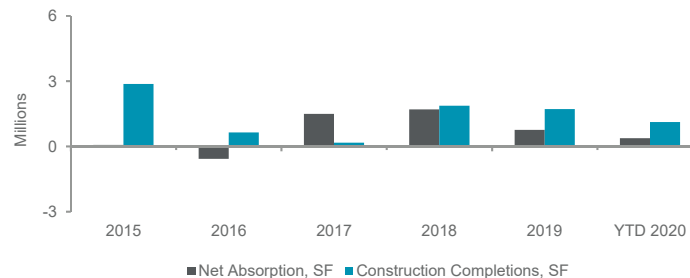
DEMAND

In the Edmonton region, the demand for logistics and distribution services is expected to continue to increase as e-commerce sales grow rapidly amid the pandemic. To meet this demand, new projects with larger building sizes and higher ceiling heights have recently come online, including the Apex Business Park in Northwest and the Monarch Business Park in Leduc/Nisku. The second quarter of 2020 experienced positive absorption of 379,876 square feet (sf), attributed to the completion of the 194,000-sf Cannabis Genomics Facility in Leduc/Nisku, and SMS Equipment signing a 108,000-sf lease at Northview Business Park II and their 167,000-sf expansion onto their existing building in Acheson, coupled with several small to mid-size deals. Notable leases this quarter included the 66,956-sf space in Monarch Business Park and the 73,051-sf space leased by Nippon Express Canada at Horizon Business Park – Building D. The overall vacancy rates increased quarter-over-quarter (QoQ) to 6.7%, a rise of 60 basis points (bps), and an increase YoY by 90 bps. The majority of vacancy increases were observed in Acheson and Leduc/Nisku submarkets, where a concentration of the region's energy sector is situated. The overall lease vacancy rate and space that is available for sublease increased QoQ, by 7.3% and 5.5% respectively.

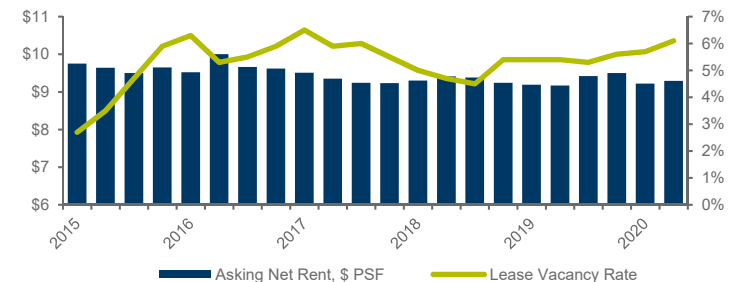
OUTLOOK

As the demand for oil decreases, the oil and gas sector will experience reduced activity in the coming months. The industrial vacancy rate will continue to climb, while rental rates are expected to decrease. Flight-to-quality is anticipated in the coming months as newer product offers affordable options to attract tenants. Although, due to the social and economic implications of COVID-19, the landlord's ability to find new entrants to the market will be difficult for the foreseeable future. With the construction on the Keystone XL (KXL) oil pipeline begins in Alberta amid the pandemic, this breakthrough for the energy sector signals optimism for the province's economy. However, opposition to KXL in the US is already causing delays and setbacks on the project. And with presidential nominee Joe Biden committed to blocking KXL if he is elected president of the United States in November, the future of KXL remains uncertain.

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)	51,260,662	7.2%	0.3%	7.6%	-68,807	-140,426	74,230	0	\$8.74	\$4.41	\$13.15
Northeast	2,460,460	2.8%	7.9%	10.7%	-1,800	-140,199	0	0	\$7.59	\$3.05	\$10.64
Northwest (Incl. St. Albert)	53,493,942	6.4%	0.2%	6.6%	-6,362	-171,879	934,092	291,370	\$8.76	\$4.58	\$13.34
Central	623,732	5.2%	0.4%	5.6%	0	-32,448	0	0	\$13.00	\$4.00	\$17.00
Acheson	8,151,026	2.6%	1.6%	4.2%	166,317	248,049	295,866	231,770	\$13.24	\$3.85	\$17.09
Leduc/Nisku	14,477,478	3.9%	0.8%	4.7%	290,528	489,784	1,327,577	596,240	\$10.98	\$3.64	\$14.62
EDMONTON TOTALS	130,467,300	6.1%	0.6%	6.7%	379,876	252,881	2,631,765	1,119,380	\$9.29	\$4.33	\$13.62

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Monarch Business Park - Building 1	Leduc/Nisku	Undisclosed	113,402	Lease
Horizon Business Park - Building 'D'	Northwest	Nippon Express Canada	73,051	Lease
Monarch Business Park - Building 2	Leduc/Nisku	Modern Niagara Alberta Inc.	66,956	Lease

For more information, contact:

INDUSTRIAL TEAM

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*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
6020 20 St NW	Southeast	KS 6020-20th Street Inc / Groupe Touchette Real Estate Inc	249,021	\$23,750,000 / \$95
5618 76 Ave	Southeast	CU Real Property (4) Ltd and CU (4) GP Inc. / Firm Capital (AB) Industrial Centre Inc	90,348	\$11,000,000 / \$121
11931 145 St	Northwest	Keylor Realty Ltd / Imperial Equities Inc	71,381	\$7,068,000 / \$99

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	OWNER / DEVELOPER	COMPLETION DATE
Amazon Fulfillment Facility	Leduc/Nisku	1,000,000	ONE Properties	Q3 2020
Uline Building	Northwest	509,929	QuadReal	Q1 2021
McKesson Building – Apex Business Park	Northwest	315,000	Panattoni	Q3 2020
Border Business Park - Building P	Leduc/Nisku	219,000	ONE Properties	Q3 2020
Fountain Tire Distribution Centre	Acheson	181,500	Remington Development Corp	Q3 2020

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