

QUARTERLY HIGHLIGHTS

- Construction activity increased in Acheson during 2018, Acheson remains tightest market in Edmonton
- Leduc-Nisku's rebound from the downturn of 2015 reached a new level as over \$160 million of Industrial property sale transactions in 2018
- With Nisku and Edmonton now touching, interest will be strong during 2019 and we expect vacancy will tighten in the second half of 2019

MARKET DISCUSSION

We have started 2019 the same way 2018 ended - with a high level of caution - and the big announcements of the second half of 2018 acting like a much needed adrenaline shot and keeping life in the market. Industrial property markets have been the hottest commercial markets around the world. In Canada, both Toronto and Vancouver's industrial markets have boomed, with vacancy rates under 2% in both cities, rental rates increasing and the availability of land decreasing in addition to the physical constraints pushing new developments further to the periphery of each city. The uncertainty surrounding the Albertan energy sector from the provincial government's intervention in oil production to the Federal governments purchasing of the stalling Trans Mountain pipeline project has subdued Edmonton's industrial market.

The West and South East of the city have almost been mirror images over the past 3 years, with vacancy moving in unison. Base rent is \$1 SF (+/-) cheaper in the West with operating costs being a similar price. Both areas of the city have a couple of large projects under construction, in the North East Rampart Business Park's 4th building is now complete and MTE Logistics new 500,000 SF facility in the West is due later this year, and with steel going up in Southport Crossing at the intersection of 41st Ave SW and the Nisku Spine Road, the union of Nisku and Edmonton is now underway.

Leduc-Nisku's rebound from the downturn of 2015 reached a new level as over \$160 million of Industrial property transactions in 2018, almost 2 times the previous two years. With increased interest from investors, the changing nature of warehousing and consumer demands (highlighted by December's news of Amazon's 1,000,000 SF fulfillment centre in Nisku) and with Nisku and Edmonton now touching, we think interest will be strong during 2019 and vacancy will tighten in the second half of 2019.

Availability of space in Acheson, Stony Plain and Spruce Grove continues to remain tight, although demand for space in both Stony Plain and Spruce Grove remains tepid, in contrast to Acheson which continues to see a high demand and an increase in construction activity, from the two well publicized anchors on Highway 60 (Champion Pet Foods) and Highway 16A (North American Construction Group), to the more inconspicuous but no less important projects of the Freedom Cannabis, Frac Shack and Reach Construction.

MARKET SNAPSHOT: LEASING

	Central	North East (Including Fort Saskatchewan)	North West	South Edmonton & Sherwood Park	Acheson, Spruce Grove & Stony Plain	Leduc & Nisku	Total
Total Inventory (Sq.Ft.)	3,443,293	5,710,515	66,278,477	74,347,345	11,531,278	20,373,477	181,684,385
Occupied Space (Sq.Ft.)	3,300,858	5,417,617	62,206,375	69,494,099	11,193,558	19,364,431	170,976,938
Vacant Space (Sq.Ft.)	142,435	292,898	4,072,102	4,853,246	337,720	1,009,046	10,707,447
Vacancy (%)	4.14%	5.13%	6.14%	6.53%	2.93%	4.95%	5.9%
Sublet (Sq.Ft.)	11,060	3,657	358,112	546,536	192,042	45,108	1,156,515
Under Construction (Sq.Ft.)	0	576,100	516,136	236,675	1,464,567	1,089,097	3,882,575
Base Rent \$/Sq.Ft.	\$11.23	\$10.52	\$8.90	\$9.77	\$14.39	\$13.41	

Sourced: Lizotte Research and Advisory & CoStar Group 2019

WHERE TO IN 2019

Our market reports provide a record of recent transactions, but more importantly they provide a form guide for future decisions – below are 5 areas we think will impact the Edmonton Industrial Market in 2019:

1. Adoption of new **TECHNOLOGY and AUTOMATION** in all industries continues at increasing speed. From manufacturers and fabricators to wholesalers and retailers, the role of robots, artificial intelligence and automated systems will see occupiers of space looking for properties that will allow for improved efficiency, with a higher priority placed on such attributes as dock loading doors, increased ceiling height and less office as a percentage of total space.
2. **DISTRIBUTION and WAREHOUSING** will continue to be the biggest driver of industrial property absorption, as traditional logistic and distribution models continue to be disrupted. With consumers looking for same day delivery for online purchases and expecting similar “instant” services from all providers (from plumbers to electricians), properties with easy access to major arterials will continue to be desirable. We have yet to see increased activity in the relatively small central industrial market, but this may change as downtown residential development increases.
3. Don't count out the **ENERGY MARKET** – one major announcement and the game changes. Space will be very hard to come by later in the year in Leduc, Nisku and Acheson should a positive pipeline announcement be made.
4. The energy sector premium has all but disappeared around greater Edmonton, with **GROSS RENTS ALIGNING** through Edmonton's six Industrial markets. Gross rents are within a couple of dollars throughout the city, with the City of Edmonton's property tax almost double that of the surrounding municipalities. This has driven a number of businesses from both the South East and West of the city to the nearby Industrial parks out of the city that were once only the domain of energy related firms and will continue to do so.
5. With both Federal and Provincial elections this year, **GOVERNMENT INTERVENTION** will be more noticeable, from the energy market to infrastructure spending. Already in 2019 Parkland County (Acheson) and the City of Leduc have been the beneficiaries of positive news from the provincial government on infrastructure spending – namely highways and improving corridor access. Expect more news as elections get closer.

LAND AVAILABILITY



BUILDING/LAND LEASE

FOR LEASE

MUNICIPAL ADDRESS: 1806 - 5 Street, Nisku

SIZE: 18,183 Sq.Ft. (+/-) on 16 Acres

LEASE RATE: Negotiable



HIGH PROFILE DEVELOPMENT LAND

FOR SALE

MUNICIPAL ADDRESS: 2010 Sparrow Drive, Leduc

SIZE: 4.25 Acres(+/-) plus 1.49 Acres

PURCHASE PRICE: Market

BUILDING AVAILABILITY



THE TURBO BUILDINGS

FOR LEASE/SALE

MUNICIPAL ADDRESS: 182 Turbo Drive, Sherwood Park
SIZE: 154,275 Sq.Ft. (+/-)
PURCHASE PRICE: \$19,699,000
LEASE RATE: \$7.95/Sq.Ft.



FORCE INSPECTION

FOR SALE/LEASE

MUNICIPAL ADDRESS: 7500-43 Street, Leduc
SIZE: 15,700 Sq.Ft on 11.69 Acres
PURCHASE PRICE: \$6,500,000
LEASE RATE: \$35,000net/Month



HARVEST INDUSTRIAL PARK

FOR LEASE

MUNICIPAL ADDRESS: 3494 - 63 Avenue, Leduc
SIZE: 20,250 Sq.Ft (+/-)
LEASE RATE: \$14.50/Sq.Ft.

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