

INDUSTRIAL MARKET REPORT

EDMONTON

Q2 2019

LIZOTTE
AND ASSOCIATES REAL ESTATE INC.

GLOBAL
PETROLEUM
SHOW 2019



MARKET SNAPSHOT: LEASING

	Central	North East Fort Saskatchewan	North West	South Edmonton - Sherwood Park	Acheson - Spruce Grove - Stony Plain	Leduc - Nisku	Total
Total Inventory (Sq.Ft.)	3,741,007	5,823,341	66,512,044	73,152,330	11,748,136	21,337,116	182,313,974
Occupied Space (Sq.Ft.)	3,597,045	5,496,585	62,316,170	68,565,235	11,152,316	20,308,955	171,436,306
Vacant Space (Sq.Ft.)	143,962	326,756	4,195,874	4,587,095	595,820	1,028,161	10,877,668
Vacancy (%)	3.85%	5.61%	6.31%	6.27%	5.07%	4.82%	6.0%
Sublet (Sq.Ft.)	11,060	1,000	306,027	376,998	192,042	34,884	922,011
Under Construction (Sq.Ft.)	0	576,100	156,184	342,109	396,725	1,491,389	2,962,507
Base Rent \$/Sq.Ft.	\$9.94	\$10.95	\$9.18	\$9.80	\$14.30	\$13.13	

BUILDING AVAILABILITY

Sourced: Lizotte Research and Advisory & CoStar Group



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.

MARKET DISCUSSION

Edmonton's Industrial market has started 2019 like a cork in the ocean, bobbing around looking for calmer waters and direction. The Province voted unanimously in April's Provincial election for the pro-business United Conservative Party who have immediately repealed the Provincial carbon tax, knocked 1% off the corporate tax rate and taken the "pro oil and gas" fight to Ottawa – only time will tell if the unoriginal political line open for business' is more than a war cry.

Initially, the signs have been positive as through late April and May we saw an increase in activity in the market. Both Owner-Users and Institutional investors continue to search for opportunities in the market, but the uncertainty has groups looking for a deal and increased cap rates, respectively. Political factors outside municipal and provincial government control will determine the direction for the rest of 2019 – tariff's, trade wars, taxes, and Trudeau. The upcoming announcement on the Trans Mountain Pipeline expansion will hopefully mitigate the recent tanker ban on west coast waters (Bill C – 48).

Vacancy in the Northwest continues to be the highest in the city, with numerous options in all ranges of quality and size. Vancouver's Beedie Group has seen this as a time to enter the Edmonton market with the 150,000 SF Element development in Northwest Edmonton, and whilst rental options abound, high quality mid-sized bays for purchase are a little tougher to find. Beedie is offering mid-sized units (7,000 SF +) for sale, with bays facing 184 Street and offering both dock and grade loading as well as 26-foot ceilings. With Rampart, Pinnacle and Henday Industrial parks providing numerous options for lease, Beedie has separated itself in the new construction market.

Both the Southeast and Central markets were relatively quiet over the first few months of 2019, the 240,000 SF speculative Southport development now under construction on the Northeast corner of the Nisku Spine Road and 41 Avenue SW Edmonton, completing the connection of Edmonton and Nisku.

The City of Edmonton's property taxes have been a talking (and action point) over the past 12-24 months, but the surrounding municipalities offers another benefit to lower property taxes and that is time. Time that the municipalities respond to a business or developers (or real estate agents) request tends to be quicker than the city. It's time that companies can save with improving infrastructure and ease of transport networks in and around each individual park, and also time spent navigating (or avoiding) traffic to get on the major arterials and high load corridors (there are only a couple of sets of traffic lights between Amazon's Nisku and Balzac distribution centres one such example).

It is this ability to access transportation routes that sees Acheson remain tight, and there is a lot of construction activity (build-to-suit) in the Southwest corner (Zone 5 – south of Highway 16A) - over 750,00 SF under construction or slated to commence, including Champion Pet Foods 400,000 SF, Fountain Tire's recently announced 185,000 SF Distribution centre on the last of Remington's Highway 60 development and Panattoni's Stihl Distribution Centre (100,000 SF) in the Highlands Business Park.

Similar to Acheson, construction continues in Leduc and Nisku, although more speculative. Vacancy remains flat as it has done for almost 24 months, with rental vacancy hovering in the 5% range and asking lease rates steady around \$13.00 SF. Small bay units to purchase are almost non-existent, and 10,000 – 15,000 SF stand alone buildings continue to be in demand. Remington's Discovery Park, with a speculative 110,000 SF distribution building currently under construction is due to be ready for occupancy in late 2019, is just one of a number of new, multi-tenant industrial buildings under construction providing both dock and grade loading ability in both Leduc and Nisku.

LIZOTTE ANALYSIS & RESEARCH (LAR)

For a number of years Lizotte Analysis & Research (LAR) has provided customized research and advisory solutions for clients, whether they be REITs, local landlords, tenants or national developers. In December 2016, we formalized our partnership with Co-Star, North America's leading real estate market research firm. Our partnership with Co-Star allows us to monitor the largest amount of Commercial inventory in the Edmonton market. Coupled with local knowledge and experience, our superior research based on cold hard facts allow us to identify market trends and opportunities. In addition:

- We tailor research for individual clients: With real-time data we customize our research to our client's requirements which guarantees that the information they are provided is relevant and current.
- We cover the most space in Edmonton: We have the most comprehensive coverage in Edmonton, covering over 170 Million SF of Industrial inventory. We provide location advice, monitor availabilities and analyze lease and sales data in Industrial, Office, Retail, Multi-Family and Investment markets.
- Forward Thinking: Our Advisory service provides guidance for all forms of transactions, including landlord and tenant representation, acquisitions and dispositions. We provide design build solutions, portfolio strategy and planning and can assist in accessing financial and legal services.
- We write up our own research: Our reports are compiled by our Associates, the ones who are speaking with the Landlords and Purchasers, the ones actively completing deals. We proudly stand by our data – we see it and verify it in the field daily.



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RICHARD LIZOTTE
President/Broker

780.784.5360
richard@lizotterealestate.com

ALEX HEINTZ
Senior Associate

780.784.6555
alex@lizotterealestate.com

DEREK SHYBUNKA
Associate

780.784.0442
derek@lizotterealestate.com

JIM MCKINNON
Partner/Associate

780.784.5361
jim@lizotterealestate.com

KYLE BARTKUS
Associate

780.784.6556
kyle@lizotterealestate.com

LEE BERGER
Licensed Assistant

780.784.5363
lee@lizotterealestate.com

HARRIS PIPELLA
Senior Associate

780.784.5353
harris@lizotterealestate.com

DON ROBINSON
Associate

780.784.5355
don@lizotterealestate.com

ERIN KOBAYASHI
Unlicensed Assistant

780.784.6557
erin@lizotterealestate.com