

LEDUC & NISKU

SPRING 2020

LIZOTTE
AND ASSOCIATES REAL ESTATE INC



INTRODUCTION

The Leduc and Nisku Industrial markets have undergone significant change over the past 5 years and while nowhere near as buoyant as the first half of the last decade (2010–2014), activity has been constant – although sometimes it has felt a little like “whack-a-mole” where as soon as one property is leased or sold, another pops up for lease or sale around the corner.

Prior to the COVID-19 / Oil Price war, owners with a little patience were able to find a suitable Tenant or Purchaser, and contrary to what many may believe, potential Tenants are often found but may lack the covenant or history to appease the Landlord who would rather leave their property vacant than lease to an unsuitable applicant.

TOO EARLY

We are just over two months into the COVID-19 / Oil Price issues and it is too early (and foolish) to even try and predict what might happen in the medium to long term (second half of 2020), but we do expect the industrial - warehousing/distribution markets to be better placed to weather the storm than any other sector of commercial real estate (perhaps except for farmland, if that can be included in the same category).

With current oil prices depressed and a slow return of business, we expect pressure to come onto lease rates and the length of lease term over summer. Purchasers might struggle to get access to finance whilst Tenants will look to preserve capital and ask more of Landlords by way of Leasehold Improvements or Tenant Inducements (Free Rent period). Expect both sides of a Lease transaction and Purchasers to exert extreme caution when assessing a deal. For Landlords, the inclusion of a Landlord condition is one way to keep a deal alive whilst at the same time conducting due diligence on the Tenant - at least the deal is Conditional and moving forward. For Tenants, there continues to be options to strategically assess current leases, deferred rents could place pressure on Tenants' future cash flow, and Tenants/Purchasers in the market need to be forewarned that the motivation of the Landlords/Vendors will differ and it will pay to have an honest and clear idea of the other party's expectations.

SO FAR

We have anecdotally heard that Industrial Landlords (those with large single tenant portfolios and multi-tenant spaces) have collected close to 75–85% of rents for April / May, with the full economic effects of both the low oil price and COVID not to be really felt until we hit the summer months. Deferred rents will place pressure on Tenants' future cash flow, and Tenants/Purchasers in the market need to be forewarned that the motivation of Owners will differ and it will pay to have an honest and clear idea of the other party's expectations.

Having analyzed Leduc and Nisku microscopically over the past 5 years (and been very active in both Leasing and Sales), we are confident of the following facts:

- Leduc/Nisku leasing vacancy has been relatively flat for the past 2 years around 5%, but we expect to climb over summer.
- Lease rates have averaged around \$12 – 13 SF over this period (+/- a few dollars per SF depending on building quality, site coverage etc.).
- Land demand, and ultimately sales, have come off the boil and raw land can be found around \$400,000 - \$450,000/acre.
- Majority of Sales of buildings sub \$100 SF have been 25,000 SF or greater. In all sales they have been typically older buildings or lack amenities, thereby limiting number of potential Purchasers (FORD Distribution Centre being the exception).



Warehouse on 10.16 Acres FOR SALE

7509 - 42 Street, Leduc

Size: 13,250 Sq.Ft. (+/-)

Price: \$6,500,000

[Download Brochure](#)

Property Highlights

- 5 Grade loading doors
- Large concrete apron
- Fully fenced, compact gravel yard
- Drive-thru yard with multiple access points to site
- Large quonset (5,800 Sq.Ft.)
- Emergency safety system
- Security system
- Large pylon signage and nicely landscaped
- 2,500 Sq.Ft. covered assembly/loading area



High Exposure Shop FOR SALE/LEASE

608 - 19 Avenue, Nisku

Size: 15,941 Sq.Ft. (+/-)

Price: \$4,500,000

[Download Brochure](#)

Property Highlights

- 5 T Overhead crane, floor drain + sump
- 5 Grade loading doors
- Fully fenced, compact gravel yard
- Rooftop patio/barbeque area
- Paved, powered parking stall
- Immaculate condition: property ideal for many industrial users
- Quick access to Airport Road, QEII Highway, Edmonton International Airport



Shop With Crane on 2 Acres FOR SALE

7803 - 39 Street, Leduc

Size: 11,000 Sq.Ft. (+/-)

Price: \$2,950,000

[Download Brochure](#)

Property Highlights

- 10T Overhead crane
- 3 Grade loading doors
- Fully fenced, compact gravel yard
- Main floor and mezzanine office
- Additional storage built above mezzanine
- Immaculate condition: property ideal for many industrial users
- Quick access to Airport Road, QEII Highway, EIA and Remington's Discovery Business Park



CustomVac Office/Shop FOR SALE/LEASE

605 - 15 Avenue, Nisku

Size: 22,500 Sq.Ft. (+/-)

Price: \$4,800,000

[Download Brochure](#)

Property Highlights

- 2.17 Acres (+/-)
- 20,000 Sq.Ft. (+/-) shop
- 2,500 Sq.Ft. (+/-) office
- Make up air units
- Low site coverage, with fully fenced and gated yard
- Wash bay, sumps, Hotsy
- Cranes
- Heavy power



Freestanding Building FOR SALE

1610 - 8 Street, Nisku

Size: 12,900 Sq.Ft. (+/-)

Price: \$3,200,000

[Download Brochure](#)

Property Highlights

- 12,900 Sq.Ft. Stand-alone shop with office on 5 acres
- Low site coverage
- Demised into: north - single bay, middle - double bay, south - single bay
- Fully fenced/gated yard
- 2 Access points to site (north and south of building)
- 5T Crane
- Built-out mezzanine with office, locker room, wash-room, and shower



SAI Airport Plaza FOR LEASE

#7, 201 - 19 Avenue, Nisku

Size: 2,169 Sq.Ft. (+/-)

Lease: \$13.50/Sq.Ft.

[Download Brochure](#)

Property Highlights

- Built-out showroom and washroom
- Fenced and gated yard available
- Easy access to QE II, Highway 625, Edmonton International Airport, Premium Outlet Collection and Century Mile Racetrack and Casino
- 2-stage sump
- High-efficiency furnace
- Fully paved driveway and landscaping



Industrial Building in Nisku FOR SUBLEASE

1101 - 16 Avenue, Nisku

Size: 32,554 Sq.Ft. (+/-)

Lease: \$12.00/Sq.Ft.

[Download Brochure](#)

Property Highlights

- 32,554 Sq.Ft. (+/-) on 4.37 Acre site
- 26,300 Sq.Ft. (+/-) Shop
- 6,250 Sq.Ft. (+/-) Office
- Multiple grade loading doors
- Wash bay with Hotsy, floor drains and sumps
- 4 x 10T Cranes
- Male and female locker rooms
- Fully fenced, gated, and shared yard

WAREHOUSING

Currently over 850,000 SF of speculative construction in North Nisku, some of which now have lease commitments:

- **WAREHOUSING AND DISTRIBUTION:** Surge in demand for grocery items and essentials might be the saving grace for the Industrial/Warehousing markets around the world. In the short term, expect a lot of businesses to keep more stock on hand and tighten up their supply chains, as well as seek alternative manufacturers of products (hopefully some more local manufacturing). Speculative, large scale Multi Tenant construction continues through Nisku and Leduc and looks well-paced to be able to handle any increase in demand for warehousing
- **York have approximately 50% of properties under construction leased!** They have begun construction of a third property (110,000 SF) in Monarch Business Park – total SF in York/Cameron’s Monarch Development now under construction is almost 400,000 SF
- **Asking Base Rental** rates in newer properties hover around \$9 - 10 SF (shell space), with Operating Costs around \$3.00 SF. The base rate may face some pressure, and this new product will continue to place pressure on rates of existing / older inventory, even if not exactly comparable (i.e. free-standing fabrication shops)
- **Southport, Edmonton** will suit those looking for an Edmonton address, but will have to be aggressive on Base Rent as Operating Costs a higher than those in Nisku (Property Taxes)
- **Remington/QUADREAL** at Discovery Business Park have leased 120,000 SF in their first building and now starting construction of a second building

NORTH NISKU DEVELOPMENT - MARCH 2020





Leduc Business Park Bays

FOR LEASE

3902 - 65A Avenue, Leduc

Size: 40,250 Sq.Ft. (+/-)

Lease: \$13.50/Sq.Ft.

[Download Brochure](#)

Property Highlights

- Bays starting from 2,500 Sq.Ft.:
- 2,500 Sq.Ft, 3,300 Sq.Ft., 5,000 Sq.Ft., 10,000 Sq.Ft., 20,250 Sq.Ft.
- Includes yard storage - modified from current set up
- Grade loading SUNSHINE doors
- 5 Ton crane capable
- 21' clear under beam in warehouse



Stand Alone Building w/ Yard

FOR SALE/LEASE

1605 - 10 Street, Nisku

Size: 30,360 Sq.Ft. (+/-)

Price: \$6,250,000

[Download Brochure](#)

Property Highlights

- Twelve (12) 20 x 20 Grade Level Doors (Drive-Thru Bays)
- Six (6) 5 Ton Cranes
- High Ceilings
- Heavy Power
- Two Make Up Air Units
- Partially Paved and Fully Fenced Yard



Warehouse & Showroom

FOR SALE

6609 Sparrow Drive, Leduc

Size: 9,600 Sq.Ft. (+/-)

Price: \$2,675,000

[Download Brochure](#)

Property Highlights

- 1.33 Acre site (+/-)
- Excellent exposure fronting Sparrow Drive - 120 metres of frontage
- Exposure to QEII and highway ramps
- Beautiful glass showroom
- Four large grade loading doors
- Low site coverage
- Ideal uses include: automotive, RV, marine and recreational vehicle sales and service



Stand-Alone Building with Yard

FOR LEASE

1201 - 5 Street, Nisku

Size: 7,100 Sq.Ft. (+/-)

Lease: \$12.50/Sq.Ft.

[Download Brochure](#)

- 1.22 Acre site (+/-)
- 3 x grade loading doors
- Two access points to yard
- Fully fenced/gated yard
- Quick access to Airport Road, QEII Highway, Edmonton International Airport, Discovery Business Park, Century Mile Racetrack and Casino



Leduc Business Park Lot 6

FOR LEASE

3307 - 74 Avenue, Leduc

Size: 19,890 Sq.Ft. (+/-)

Lease: \$13.50/Sq.Ft.

[Download Brochure](#)

Property Highlights

- Stand-alone building with yard
- Turn-key insulated concrete tilt up buildings
- Fenced and graveled
- Dock loading options available
- Flexible drive-thru wash bay options
- Food grade quality
- High efficiency



Leduc Industrial Shop

FOR SALE/LEASE

7500 - 43 Street, Leduc

Size: 15,700 Sq.Ft. (+/-)

Price: \$4,750,000

[Download Brochure](#)

Property Highlights

- 11.69 Acre site (+/-)
- Compacted, fully fenced and gated yard, currently used for pipe storage & handling
- Ideal site for various industrial users
- Low site coverage
- Two quonset (5,000 Sq.Ft each) - 1 heated, 1 cold storage
- Office over two floors in south shop, includes private offices, lunchroom and meeting room



High Exposure Warehouse

FOR SALE/LEASE

2803 - 9 Street, Nisku

Size: 17,490 Sq.Ft. (+/-)

Price: \$2,900,000

[Download Brochure](#)

Property Highlights

- Fronting Phase 1 of Nisku Spine Road 2 minutes from new Amazon facility
- Great drive-thru shop with oversized & powered grade loading doors & sumps
- Separate 2 storey office with abundant natural light and AC
- Large fully fenced yard (site is 3.79 Acres)
- 5 minutes to QEII Highway

LAND SALES 2019

Demand for land through Leduc and Nisku, along with price, has come back over the past couple of years.

- Rough market rates for smaller raw land parcels (2 – 5 acres) as follows:
 - North Nisku: \$525,000 - \$575,000 per acre
 - Central Nisku: \$400,000 - \$475,000 per acre
 - Leduc: \$400,000 - \$450,000 per acre
- Raw land in Leduc now comparable to Acheson, and almost 50% of the price of South East Edmonton
- 65th Avenue interchange in Leduc may open up the southern portion of Leduc Industrial park
- \$200,000 - \$250,000 per acre to develop raw land with geo-textile fabric, 12" gravel and compaction

LAND OPTIONS IN LEDUC & NISKU



Fenced, Gated & Graveled Yard FOR LEASE

1201 - 16 Avenue, Nisku

Size: 4.37 Acres (+/-)

Lease: \$3,500/acre/month

[Download Brochure](#)

- #### Property Highlights
- Easy access to Highway 625 and Airport Road
 - Fully fenced, gated and graveled
 - Minutes from Edmonton International Airport (EIA), EIA Premium Outlet Collection, Discovery Business Park, Century Mile Race Track and Leduc
 - Zoned IND (Industrial)



Leduc Pipe Yard FOR SALE/LEASE

6704 - 39 Street, Leduc

Size: 5.39 Acres (+/-)

Price: \$3,500,000

[Download Brochure](#)

- #### Property Highlights
- Compacted pipe yard located in Leduc Business Park
 - Fully fenced & gated
 - Two gated access points
 - Easy access to 65 Avenue & QEII Highway



Fenced & Graveled Yard FOR LEASE

6705 - 39 Street, Leduc

Size: 1.25 Acres (+/-)

Lease: \$5,000/month

[Download Brochure](#)

- #### Property Highlights
- Fully fenced and graveled
 - Security System
 - Quick access to 65 Avenue and QE II Highway
 - Zoned IM (Medium Industrial)



Compact Yard with Quonset FOR LEASE

3290 - 8 Street, Nisku

Size: 3,600 Sq.Ft. (+/-)

Lease: \$6,000/month

[Download Brochure](#)

- #### Property Highlights
- Excellent location in Nisku
 - Exposure to QEII Highway
 - Quick access north to 41 Ave SW and south to Edmonton International Airport (EIA), EIA Premium Outlet Collection, Discovery Business Park and Century Mile Race Track and Leduc
 - Zoned IND (Industrial)
 - Fenced, gated and graveled



High Profile Development Land FOR SALE

2010 Sparrow Drive, Leduc

Size: 4.25 Acres (+/-)

Price: Market

[Download Brochure](#)

- #### Property Highlights
- Northeast corner of HWY 2 & HWY 625 (20 Avenue)
 - 4.25 Acres (+/-) with additional adjacent 1.49 Acres (+/-) available
 - Premium exposure; over 110,000 vehicles per day
 - Commercial service zoning
 - Partially graveled and fenced
 - Municipal services available



Rare Small Bay Opportunity

FOR SALE/LEASE

7609 Sparrow Drive, Leduc

Size: Up to 28,000 Sq.Ft. (+/-)

Price: \$376,250

Lease: \$13.00/Sq.Ft.

[Download Brochure](#)

Property Highlights

- 1,750 Sq.Ft. (+/-)
- Brand new construction
- Right in the heart of Leduc and Nisku business parks
- Easy access to QEII Highway
- Minutes from Edmonton International Airport (EIA), EIA Premium Outlet Collection, Discovery Business Park and Century Mile Race Track
- Fully paved yard / marshalling area



Rare Leduc Opportunity

FOR SALE

6534 Sparrow Drive, Leduc

Size: 7,490 Sq.Ft. (+/-)

Price: \$1,750,000

[Download Brochure](#)

Property Highlights

- 7,490 Sq.Ft on 0.46 Acres (+/-)
- High traffic fronting on Sparrow Drive
- Exposure to QEII and entrance ramp to Leduc
- Ideal for owner user or first time investor
- Multiple income streams
- 2 units/offices on 2nd floor mezzanine
- Asphalt parking at front of building
- Yard storage at the rear



Freestanding Building

FOR SALE

702 - 19 Avenue, Nisku

Size: 8,000 Sq.Ft. (+/-)

Price: \$1,999,999

[Download Brochure](#)

Property Highlights

- 8,000 Sq.Ft standalone building on 2.29 Acres (+/-)
- 6,500 Sq.Ft (+/-) warehouse/shop
- 1,500 Sq.Ft (+/-) office, additional 1,500 Sq.Ft mezzanine office/suite
- Low site coverage and great ingress/egress
- Exposure to highway 625/20th Avenue
- Easy access to QEII Highway and 20th Avenue
- Drive-through washbay



High Exposure Bays

FOR LEASE

3390 - 8 Street, Nisku

Size: 13,800 Sq.Ft. (+/-)

Lease: \$12.00/Sq.Ft.

[Download Brochure](#)

Property Highlights

- Visibility from QE II Highway
- Demisable bays
- 10 tonne crane capability
- Heavy power: 600v / 3 phase
- Oversized grade loading doors (24'w x 20'h)
- Yard space available



Harvest Industrial Park

FOR LEASE

3496 - 63 Avenue, Leduc

Size: 11,040 Sq.Ft. (+/-)

Lease: \$13.00/Sq.Ft.

[Download Brochure](#)

Property Highlights

- Concrete standalone building with yard
- Two 11,040 Sq.Ft office/warehouses both leased
- Zoning - IL (Light Industrial)
- Fenced and graveled
- Crane ready - 10 ton
- Design build office options available
- Bonus storage mezzanine
- Available immediately



CoStar™

POWERBROKER™ AWARD

Lizotte and Associates Real Estate Inc. is proud to be recognized as one of the top-performing commercial real estate firms and brokers in Edmonton, recognized in the CoStar Power Broker Awards for 2019.

2020 LEASING

QUATERLY January was slow, February busy, activity solid and looked like we were heading in the right direction, only for COVID-19 and OIL issues to come along and slow things down in March. It seems an eternity ago that TECK Resources withdrew their application of the Frontier Mine project (it was February 23, 2020) – obviously market conditions will determine future investment in Alberta's industrial / energy / manufacturing industries.

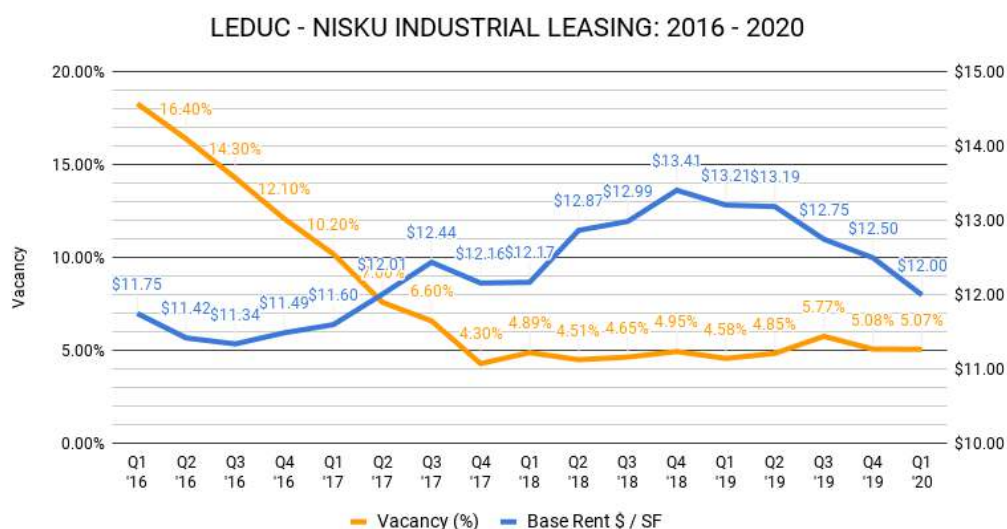
CAPITAL PRESERVATION NOW BUSINESS PRESERVATION We expect most businesses to ask for some type of rent deferral. Businesses (especially Oil/Gas) were desperate to preserve capital over the past couple of years, most notably to us in relation to office build outs and increased amenities in warehouses and shops. Tenant's had been looking for Landlord's to build out offices, add in cranes / air make up units etc. and have the value of these improvements added to their total lease / amortized over the lease term.

Rent Deferral **DOES NOT EQUAL** Free Rent, it will have to be paid back. Expect Tenant Inducements for new Tenant's (Free Rent and Tenant Improvement allowance) to become even more aggressive than before, but expect Landlord's to be more diligent in their approval of new Tenant's and to want to have a better understanding of their Tenant's business.

MARKET NOTES

- Vacancy flat around 5% - 6%, but expected to rise in the coming months. Increase in sublease space likely, but will depend on what arrangements Tenants and Landlords are able to agree to
- On a positive note, there have been one or two sectors of the market that seem to be doing ok (Health + Safety), and we had an increase in interest in small bay Multi-Tenant facilities through Feb/March
- Rental rates continue to push down towards **\$12.00 SF** (a few dollars either way depending on site coverage, building quality, length of lease term, Tenant inducements)
- **Small bays** around **\$10 - 12 SF**
- Good quality **10,000 SF free standing buildings** in the **\$13 - \$15 SF range**
- Few enquiries on land (both Lease / Sale), 60 - 75c SF lease rate
- We have has a couple of enquiries for shorter term leases, and we expect pressure to come to the LENGTH OF TERM that Tenants will be requesting in the foreseeable future
- We have cranked up our marketing, researching and calling during April

LEDUC & NISKU LEASE RATES AND VACANCY 2016-2020



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 our own research.** Our reports are compiled by our Associates, the ones who are speaking with the Landlords and Purchasers, and who are actively completing deals. We proudly stand by our data.

CONTACT INFORMATION

Report compiled by:

JIM MCKINNON
Partner/Associate

780.784.5361
jim@lizotterealestate.com

DON ROBINSON
Senior Associate

780.784.5355
don@lizotterealestate.com

DEREK SHYBUNKA
Associate

780.784.0442
derek@lizotterealestate.com

RICHARD LIZOTTE
President/Broker

780.784.5360
richard@lizotterealestate.com

KYLE BARTKUS
Associate

780.784.6556
kyle@lizotterealestate.com

ERIN KOBAYASHI
Associate

780.784.6557
erin@lizotterealestate.com

ALEX HEINTZ
Senior Associate

780.784.6555
alex@lizotterealestate.com

LEE BERGER
Associate

780.784.5363
lee@lizotterealestate.com

TAYLOR KAYFISH
Marketing Coordinator

780.784.6551
taylor@lizotterealestate.com



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#1200, 10117 Jasper Avenue, Edmonton, AB T5J 1W8

P: 780.488.0888 | F: 780.483.2277

www.lizotterealestate.com