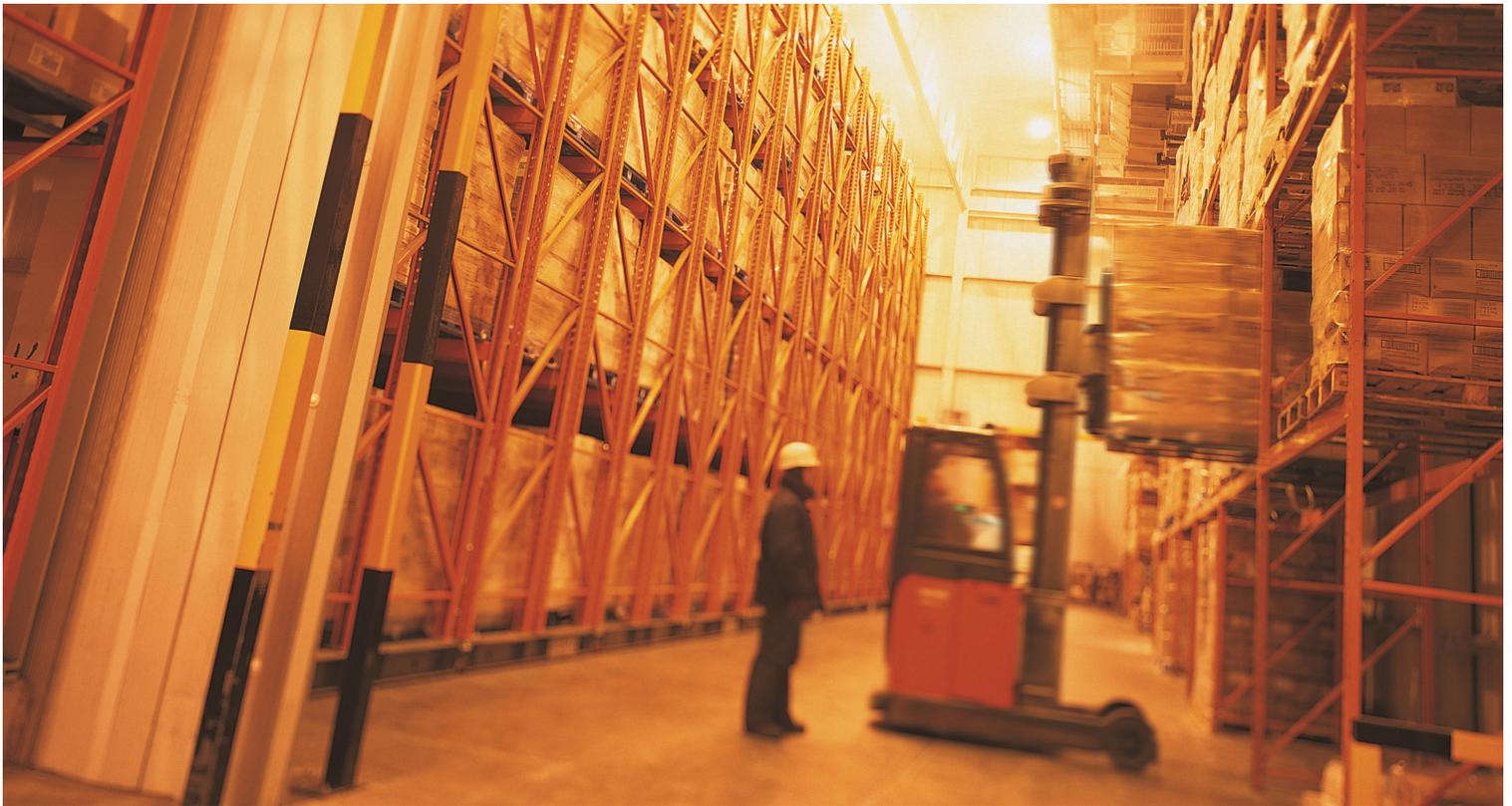


Edmonton



Optimism in the Leduc-Nisku market as new users enter and area development hits its stride.

UNDER CONSTRUCTION



2,482,000 SF

VACANCY

Greater Edmonton Area



6.5%

Q1 LAND SALES

Greater Edmonton Area

**23 TRANSACTIONS
\$109,068,000 TOTAL**

Market Highlights

Overall vacancy rate in the Greater Edmonton market **closed the first quarter of 2018 at 6.5%**, a decline of 20 basis points from the previous quarter. The incremental decrease is a continuation of a four-quarter trend of stabilized vacancy rate as municipal and provincial economies gain traction in their recovery.

A 24-month trend of depressed construction completions appears to be reversing course as **several projects are expected online in 2018**, the largest which is the 800,000 sf Aurora Sky cannabis manufacturing facility at the Edmonton International Airport. Other notable new builds include the 546,000 sf AGLC Liquor Distribution Centre and 100,00 sf Alberta Beverage Container Recycling Corporation facilities in St. Albert, a 403,000 sf Ford Motor Company Distribution Centre in Leduc, Champion Pet Foods' 371,000 sf manufacturing plant in Acheson, and 295,000 sf combined

of multi-tenant warehouses in the QEMT I & III buildings in Nisku, and Rampart Industrial Park Building 4 in Northwest Edmonton. The completions and subsequent tenant movement are expected to **add 1.0% to inventory growth and result in 900,000 sf of positive absorption.**

Industrial land sales have experienced a substantial uptick relative to the first quarter of 2017. Greater Edmonton has witnessed **21 transactions and a cumulative \$109 million changing hands thus far in 2018**, compared to 10 transactions valued at \$27 million in the first three months of 2017. In the Acheson submarket, PIRET purchased two parcels of land from Panattoni Development Company for a combined \$48 million over 52 acres. Additional activity in Acheson included four transactions valued at a combined \$20 million.

Greater Edmonton Area 5-Year Snapshot

The fourth quarter of 2014 was a pivotal point for the Edmonton Industrial market. Prior to that time, the market experienced a three-year period of maintained vacancy of two to three percent and robust positive absorption and construction outputs. Since that inflection point, vacancy rate steadily rose to above six percent as construction levels tapered off. The past year, however, delivered indications that a reversal in the trend is beginning. With 2.4 msf currently under construction and renewed optimism around manufacturing output and investment levels, the expectation is that Edmonton's industrial market will soon reflect Alberta's economic recovery.



Provincial 2018 Budget Highlights

The Government of Alberta released the 2018 Budget in March. Some relevant notes in its Economic Outlook include:

- Non-residential construction outputs are expected to begin a gradual recovery. Industrial construction remained depressed last year due to elevated vacancy levels and a pullback in oil sands investment.
- Investment in the conventional oil and gas sector is projected to increase by 6% in 2018. Increased activity in the Montney and Duvernay plays, stemming from recovering energy prices, resulted in \$505 million worth of Crown land sales in 2017.
- Budget figures are contingent on forecasted US\$59/barrel of West Texas Instrument in 2018-19. In 2017, export value grew by 27% after two years of contraction and are expected to stabilize to 3-5% growth over the next three years. At the time of writing, uncertainty remains on the construction of the Trans Mountain Pipeline Expansion and Enbridge Line 3 Replacement that are expected to significantly bolster exports beyond 2020 by expanding capacity to international markets.
- Oil production is expected to increase by 360,000 barrels per day (bpd) following an increase of almost 300,000 bpd in 2017. The largest of new projects coming online in 2018 is the Fort Hills oil sands mine with 194,000 bpd capacity.
- \$1 billion in investments are earmarked over eight years to upgrading energy infrastructure, including expanding pipeline capacity and reducing costs in bitumen production processes. A further \$1 billion will be invested in the Petrochemical industry, including \$500 million in royalty credits in Alberta-based natural gas processing and \$500 million in infrastructure development.
- Employment increased sharply in 2017 and gains are expected to extend into 2018. Increased capacity in energy and manufacturing industries will boost job gains in the goods sector and support expected average annual employment growth of 1.7% by 2021.

The Nisku-Leduc Market



The Nisku Industrial Business Park has been a booming industrial hub for most of its four-decade history. Centrally located next to the Queen Elizabeth II Highway and in proximity to the Edmonton International Airport, Nisku is an essential component to Edmonton's Industrial market. The area has experienced some trying times throughout its history during downturns in the oil and gas industries, most recently following oil price declines in late 2014. The business park, like much of the province, has taken great strides towards recovery and sees opportunity in the future. Avison Young sat down with Leduc County Director of Assessment, Rob Ballhorn to discuss the state of the market, recent developments and optimism surrounding the market.

"There appear to be misconceptions about the Nisku market," Ballhorn explained. "We think estimates on vacancy and negative absorption levels have been overreported in some cases. Our office holds intimate knowledge of the area and diligently reviews buildings and their occupancy status on a case by case basis. Our estimates in Nisku alone indicate an **inventory level of 12.7 msf with 885,000 sf available and 6.9% vacancy**, and the City of Leduc estimates 4.5 msf of industrial inventory and 11% vacancy."

The average reported figures for Nisku and Leduc among Edmonton's top five brokerage firms reflected ranges of 9.6 to 16.4 msf of inventory and vacancies of 6.9% to 18.5%. Ballhorn notes that vacancy rates did hit double digits in 2015 and 2016 but cautious optimism in the local economy and decreased lease rates have allowed industries to move into space that was unattainable in the past. The changing economic conditions are representative an exciting transformation ongoing in Leduc County.

Traditionally the area was comprised primarily of oil and gas related businesses, but diversification is presenting new opportunities that will help insulate the market against energy shocks. Ballhorn explained that the market holds deep ties to the oil and gas industry

but further expansion in other areas is welcomed. "Historically, this has been an energy park – approximately 80% of drilling rigs in Canada are manufactured here. More recently, we're beginning to see the market evolving with different users entering." He noted that he is seeing more construction users entering the market and, for the first time, an industrial hemp producer is developing hemp food, hemp fiber and hemp nutraceuticals in a leased facility within Nisku. "We're seeing more of an emphasis on new uses. **Renewable energy is another area of opportunity** in the coming years. As solar and wind energy production gains traction, we expect to see the growth of a new subset in the energy sector."

"Times for development and building permits are measured in weeks not months."

The increasing momentum in renewable energy production is in line with the Government of Alberta's initiatives to broaden the energy sector. The Province's Renewable Energy Program, which reinvests carbon tax revenues, is expecting to attract \$10 billion in private investment and add 5,000 megawatts in renewable energy capacity by 2030.

The County is also experiencing a flurry of construction at the Edmonton International Airport that will support growth in Nisku and Leduc. The major projects shaping the surrounding area include the largest cannabis production facility in Western Canada, Aurora Sky, the Premium Outlet Collection Mall, Century Mile Racetrack and Casino, Costco, and possible mega type warehousing. Ballhorn sees

The Nisku-Leduc Market

expanding infrastructure to support the area's needs, **"When we look at the projects coming online, there could be more than 2,000 new employees in the area.** Leduc County has partnered with the Cities of Edmonton and Leduc with a regional transit partnership to accommodate the added employees into the region. The Edmonton Regional Airport Authority has the freedom to undergo development with fewer restrictions in terms of development permitting. This is another competitive advantage that benefits the local region."

When asked about the future of the Nisku market, Ballhorn is optimistic. **"Nisku is in a competitive position because they maintain one of the lowest tax rates in the Greater Edmonton Area** – approximately half that of the City of Edmonton. The County maintains a lean operation to keep costs low to make it easy and economically viable to do business here. Turnaround times for development and building permits are measured in weeks not months. In terms of vacancy, we think it will gradually decline as economic conditions improve. Land values have been generally flat over the past few years and we don't expect to see a lot of change in valuation. Considerable amounts of land are held by institutional investors with the ability to stay patient to see a return. The land maintains value because of the desirable location; proximity to the Edmonton hub, the International Airport, and QE II Highway are all competitive advantages."

City of Leduc and Leduc County 2017 Quick Facts



Population:
31,224



Labour Force:
18,881



Proportion of Labour Force in Industrial Occupations
32%

Total Businesses (Proportion): **1530**

Agriculture and Natural Resources: **132 (9%)**

Construction: **132 (9%)**

Wholesale Trade: **117 (8%)**

Manufacturing: **102 (7%)**

Transportation: **76 (5%)**

Source: Sitewise Census Data

Notable Sale Transactions - Q1 2018

Location	Subdivision	Date	Property	Sale Price	Unit Price (psf)	Vendor	Purchaser
9303/9703 - 28 Avenue	Parsons Industrial	16-Feb-18	173,456 sf on 9.45 acres	\$25,000,000	\$144.13	Jaylor Realty Inc.	York Realty Inc.
4904 - 89 Street	McIntyre Industrial	13-Mar-18	74,561 sf on 5.51 acres	\$10,800,000	\$144.85	McIntyre Centre Ltd.	Brenalen Enterprises Ltd.
16304 - 114 Avenue	Norwester Industrial	14-Feb-18	80,700 sf on 4.84 acres	\$8,750,000	\$108.43	NorwesterHoldings Ltd.	York Realty Inc.
1515 - 10 Street	Nisku	01-Feb-18	33,021 sf on 4.46 acres	\$6,875,000	\$208.20	717445 Alberta Ltd.	Exceed (Canada) Oilfield Equipment Inc.
6024 Gateway Boulevard	Calgary Trail North	16-Jan-18	27,093 sf on 2.89 acres	\$3,700,000	\$136.57	Guatape Incorporated	Pagnotta Investments (GP) Inc.
22603 - 112 Avenue	Winterburn Industrial Area West	11-Jan-18	13,000 sf on 2.94 acres	\$3,037,500	\$233.65	Jamboree Transport Ltd.	Ingenuity Holdings Ltd.

 Denotes Avison Young transaction.



Feature Listings

17221 - 106 AVENUE

Edmonton, AB



FOR SALE

WAREHOUSE: 5,295 SF
OFFICE: 5,822 SF
 • Grade loading doors. Use of rear yard area. Close proximity to 170 Street.

1901 - 5 STREET

Nisku, AB



FOR SALE / LEASE

AVAILABLE: 12,356 SF
SITE AREA: 3.64 ACRES
 • Fully fenced, gated and gravelled yard. Upgraded lighting. Corner site with exposure to Highway 625.

1201 - 78 AVENUE

Edmonton, AB



FOR SALE

BUILDING AREA: 12,325 SF
SITE AREA: 0.8 ACRES
 • Heavy power facility. Proximity to Sherwood Park Freeway.

PARAGON BUSINESS PARK LAND

Sherwood Park, AB



FOR SALE / BUILD TO SUIT

LAND AREA: 15.77 ACRES
 • Smaller lots available. Fully serviced land, ready for development. Priced from \$695,000 per acre.

COMMERCE SOUTH BUSINESS PARK

Edmonton, AB



FOR LEASE

AVAILABLE: 18,850 SF
 • Exposure to Roper Road. Dock-loading with levlers. Upgraded LED warehouse lighting.

102 GOLDEN SPIKE ROAD

Spruce Grove, AB



FOR SALE / LEASE

BUILDING AREA: 64,145 SF
SITE AREA: 10.01 ACRES
 • Interior and exterior cranes throughout. Ample yard storage. Proximity to Hwy 16 and Hwy 16A.

Notable Lease Transactions - Q1 2018

Location	Commencement	Size (sf)	Tenant
18210 - 109 Avenue	01-Apr-19	190,678	KTN Edmonton Company 
18131 - 118 Avenue	01-Jan-18	100,616	Raptor Mining
Northport Business Park - Bldg A 17306/62 - 129 Avenue	01-Jun-18	100,320	Hillman Group
Northwest Business Park - Bldg 7b 13420 - 149 Street	01-Aug-18	77,215	North County Tire Distributors Ltd. 
1604 - 10 Street Nisku	02-Feb-18	66,400	Cornerstone Component Repairs

 Denotes Avison Young transaction.


Market By The Numbers

	Total Inventory	Direct Vacancy	Sublease Vacancy	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Serviced Land Cost
CITY OF EDMONTON							
South/Southeast	53,702,033	3,699,946	296,149	7.4% ▲ 0.2%	6.9% ▲ 0.4%	0.6% ▼ (0.1%)	\$600,000 - \$750,000
Northwest	60,330,930	3,326,924	193,361	5.8% ▼ (0.6%)	5.5% ▼ (0.6%)	0.3% ▼ (0.1%)	\$600,000 - \$700,000
Northeast	6,544,907	45,157	-	0.7% ▼ (0.2%)	0.7% ▼ (0.2%)	- - -	\$525,000 - \$650,000
Central	3,738,414	74,498	48,188	3.3% ▲ 0.2%	2.0% ▲ 0.2%	1.3% - -	-

SURROUNDING DISTRICTS							
Acheson	7,844,536	254,902	198,345	5.8% ▲ 1.8%	3.2% ▼ (0.6%)	2.5% ▲ 2.3%	\$400,000 - \$575,000
Sherwood Park	6,365,000	491,802	11,950	7.9% ▲ 2.7%	7.7% ▲ 2.5%	0.2% ▲ 0.2%	\$650,000 - \$750,000
Nisku/Leduc	17,245,593	1,383,344	25,322	8.2% ▼ (2.9%)	8.0% ▼ (2.9%)	0.1% ▼ (0.1%)	\$500,000 - \$650,000

TOTALS							
City	124,316,284	7,146,525	537,698	6.2% ▼ (0.1%)	5.8% ▼ (0.1%)	0.4% ▼ (0.1%)	-
Surrounding	31,455,129	2,130,048	235,617	7.5% ▼ (0.1%)	6.8% ▼ (0.7%)	0.7% ▲ 0.6%	-
Overall	155,771,413	9,276,573	773,315	6.5% ▼ (0.2%)	6.0% ▼ (0.3%)	0.5% ▲ 0.1%	-

Net Asking Rent By Bay Size:	Southeast		Northwest		Northeast		Leduc/Nisku		Sherwood Park		Acheson	
	Multi - Tenant	Freestanding										
0 - 5,000 sf	\$10.00	\$10.75	\$10.75	\$14.00	\$9.50	\$12.00	\$12.25	\$14.00	\$14.25	\$15.00	\$11.00	\$14.00
5,001 sf - 10,000 sf	\$9.50	\$12.50	\$9.75	\$11.00	\$9.00	\$10.00	\$11.25	\$14.00	\$12.25	\$15.00	\$10.00	\$14.00
10,001 sf - 20,000 sf	\$9.75	\$10.00	\$8.50	\$9.50	\$8.50	\$10.00	\$12.75	\$12.75	\$12.50	\$14.75	\$9.50	\$11.50
20,001 sf - 50,000 sf	\$9.00	\$9.50	\$8.00	\$9.50	\$7.50	\$10.00	\$13.00	\$13.00	\$14.00	\$8.00	\$9.00	\$13.00
50,001 sf & Up	\$8.00	\$7.50	\$8.00	\$6.50	\$6.50	\$8.00	\$13.00	\$15.00	\$11.50	\$6.50	\$9.00	\$10.00



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