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## Industrial real estate set to rise Market shows signs of growth, agency report says

BY BILL MAH, EDMONTON JOURNAL DECEMBER 11, 2009 COMMENTS (5)

Edmonton's industrial real estate market has bottomed out and is set to start growing again, according to a new report by Avison Young.

Overall vacancy in the industrial sector rose to 4.2 per cent in the third quarter of 2009, up from 1.3 per cent at the end of last year, said the commercial real estate firm's fall 2009 report released Thursday.

"Our research indicates that despite the increase in the overall vacancy rate, there is still a healthy demand for top-tier industrial space in the city," said Avison Young principal Rob Iwaschuk.

"In the wake of downward pressure on rental rates and property values, including land, we believe the market has now stabilized. We anticipate positive growth in the mid-to-longer term, which will only be reinforced by strengthening commodity prices."

After three years of minuscule vacancy rates in Edmonton, Avison Young says the market has actually moved back into normal ranges for a steady-growth economy. Despite being a sizable increase, the vacancy rate is still far from the 5.4 per cent Edmonton posted in the late 1990s.

Low commodity prices forced many companies to restructure and that slowed the industrial real estate market during the first half of 2009, the report said.

"A similar level of activity is anticipated for the end of the year and into 2010."

Rental rates were pushed down by a surge in available space--including sublease options.

As an example, the report says new small-to medium-sized bays in northwest Edmonton that last year cost \$10 to \$12 per square foot dropped to between \$9 and \$10 per square foot.

The market has also seen both building and land sales plunge over the past nine months, with transaction volumes dropping 52 per cent

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compared to the first three quarters of 2008.

New construction in the Edmonton area has also dropped off significantly as developers shelved or postponed projects for late 2010. However, some major developments went up in 2009, adding more space in the northwest and southeast.

In northwest Edmonton: Westpoint Corporate Centre; Yellowhead Transport Depot; Yellowhead Crossing Phase II; Winfield West; Sunwapta Business Park; and Northport Business Park.

In the southeast: Gateway Business Park Phase II; CityView Business Park; 53rd Avenue Business Centre; Roper Ridge Business Park; Pylypow Industrial; and 50th Street Business Park

"The new space has been met with reasonable demand as several large tenants have leased space in the new developments," the report said.


Avison Young predicts a modest rebound next year.

"A gradual recovery is expected and a stabilized marketplace is forecast if current conditions are maintained.

"A limited amount of speculative development under construction or nearing completion will help to insulate the market going into 2010. Despite the controlled growth, new developments in both Acheson and Nisku will increase the availability of industrial facilities and it is projected that strong demand figures will not appear in the Edmonton market until 2011."

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