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Edmonton, AB  
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# EDMONTON JOURNAL

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## Edmonton industrial real estate market shows signs of recovery

### Analysts cautiously optimistic as demand grows

BY DAVID FINLAYSON, EDMONTONJOURNAL.COM JUNE 7, 2010 11:02 AM BE THE FIRST TO POST A COMMENT

EDMONTON — A slight rise in Edmonton's industrial real estate market's vacancy rate hasn't dented the overriding optimism for the rest of the year, a new report says.

The 0.2-per-cent first-quarter rise to 4.4 per cent came as companies started to find their balance after a tough 2009, according to Avison Young's spring report.

A stronger economy, boosted by recovering energy prices, has helped stabilize the marketplace as businesses adjust to the new economic realities of a recovering Alberta, Avison Young principal Rob Iwaschuk said.

"Our research indicates that despite the small increase in the overall vacancy rate, there is still a healthy demand for top-tier industrial space in the city.

"Rental rates have stabilized and companies that may have been sitting on the sidelines in 2009 are re-entering the marketplace prepared to make real estate decisions with growth in mind."

However, history has told us that we must look forward with a measured degree of caution, he said.

"While demand for industrial space appears to be rising, lease rates continue to face downward pressure due to the extraordinary amount of sublease space available."

Slower than usual absorption of space in new industrial parks in the capital region has also resulted in a near full stop of any new speculative construction over the past year, he added.

New developments continue at a much slower pace than in the boom years of 2007 and 2008, but moderate growth is still expected this year, the report notes.

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As commodity prices continue to show moderate growth, business owners will be able to make longer-term plans that will further stimulate the market, it adds.

Although transaction volumes were down, land prices jumped 32 per cent year over year while the price per square foot for building increased 3.6 per cent.

The average price of \$428,000 per acre for land the first quarter compares with \$323,000 for all of 2009.

A healthy vacancy rate and abundant sublease opportunities pushed first-quarter rental rates down, with small to medium bays averaging \$8.25 to \$10.50 a square foot in the city and slightly higher in the surrounding counties.

Larger bays are renting for \$5.50 to \$8.50 a square foot in all areas.

"This is a very good time for potential tenants to enter into lease agreements that will provide them with terms that should benefit them over the longer term," the report says.

"Due to the slowdown in construction of new industrial sites, it is expected that lease rates will start to rise in the longer term as vacant space is absorbed."

The biggest investment deal so far this year was the April sale of Pinnacle Business Park at 75th Street and 52nd Avenue to Concert Real Estate Corp. for \$40.65 million.

"As the energy markets continue to grow and properties regain some of the short-term value previously lost, the long-term outlook is that activity in that market will increase."

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