

Edmonton's industrial real estate market flat

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Cranes stand above a construction zone on the U of A campus in Edmonton.

Photograph by: John Lucas, edmontonjournal.com

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EDMONTON - Edmonton's industrial real estate market shows signs of stability and emerging demand after a turbulent downturn, said a new report Friday.

Overall vacancy in greater Edmonton remained flat at 4.4 per cent at the end of the third quarter, said an industrial market report from commercial real estate firm Avison Young.

"Rental rates and land pricing seem to have stabilized and demand appears to have resurfaced in the last few months," said the report. "Perhaps one of the most positive indicators of a healthy industrial market is the re-emergence of developers preparing new sites to once again build new speculative projects."

Larger industrial land deals pushed the total amount of acreage and dollar volume for the first three quarters of 2010 to levels already surpassing 2009 totals, the report said.

In one deal, Western Asset Management acquired 92 acres of serviced industrial land with plans to build 400,000 square feet immediately on the site.

Edmonton's commercial real estate investment market had also seen more activity by the end of the third quarter, recording \$1.0 billion in sales, up 56 per cent over the same nine-month period in 2009,

according to Avison Young.

John Ross, an Avison Young Edmonton principal said there is abundant capital in the Edmonton market. "Good quality assets (are) garnering interest from all investor classes, including private, pension, public and REIT players.

"Multiple bids are not at all uncommon across virtually every asset class."

In Edmonton's office market, the vacancy rate inched up 1.3 percentage points to 9.6 per cent in the third quarter compared to the second.

Tenants left behind 75,872 square feet more space than they took up between July 1 and Sept. 30. It was the third straight quarter the market saw negative absorption, said Avison Young.

"Despite the negative absorption, a moderate level of momentum is returning to the office market, as we have witnessed in leasing activity over the past three months," said Cory Wosnack, another Edmonton principal.

"With asking rates back to levels not seen since 2006, tenants are taking advantage of the opportunity to sign favourable lease agreements."

Competition for tenants is pushing lease rates down across all sectors of the office market, with levels expected to fall by another 10 to 15 per cent over the next 12 months, according to the firm.

The asking rental rate for Class AA space in the downtown financial district is \$25 per square foot, down from \$27 psf in the first quarter. Class A downtown space has dropped to \$23 psf from \$25 psf in the first quarter.

Wosnack anticipates more tenants will upgrade their addresses as rates drop.

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