

Edmonton



Quick Stats

Property sale volumes are on pace to surpass 2017, led by large-scale multi-tenant warehouse transactions.


+404,000 SF
Q2 Absorption


6.2%
Vacancy
Greater Edmonton Area

\$39,785,650*
Q2 Land Sales
Greater Edmonton Area
total over 17 transactions

Overall vacancy rate in the Greater Edmonton market decreased by 30 basis points for the second consecutive quarter. The region recorded 404,000 sf of positive absorption with the bulk of leasing activity taking place in Edmonton's southern industrial areas.

In South Central Business Park on 71 Street and 68 Avenue, FMC Technologies expanded their footprint to 70,000 sf. In the Ellerslie Industrial area south of Anthony Henday Drive, Forum Canada leased 116,000 sf in the Gateway 1 building on 12th Avenue. Flexitallic Canada Ltd. leased 127,000 sf in Sherwood Business Centre on 78 Avenue.

Renewed investment levels in late 2017 and the first half of 2018 is helping boost gains in construction activity. The local construction sector saw its output substantially reduced during 2016 and 2017 as the industry lost 14,000 jobs in Edmonton during that time.

The completion of the 546,000-sf Alberta Gaming and Liquor Commission Liquor Distribution Centre in May 2018 in St. Albert is one of several 100,000+ warehouse

construction projects expecting delivery in the next two years.

For the first time in nearly two decades, Alberta will be host of a major petrochemical plant once Inter Pipeline's facility is completed in the Industrial Heartland. Canada currently does not produce polypropylene and relies wholly on imports. The facility will manufacture high-value plastics for domestic and global markets by 2021.

Non-residential property taxes remain a factor in business attraction between the City of Edmonton and competing surrounding markets. **Edmonton's mill rate increased for the fifth consecutive year** and, at 21.2187, represents the highest non-residential tax rate in the region.

*Source: The Network

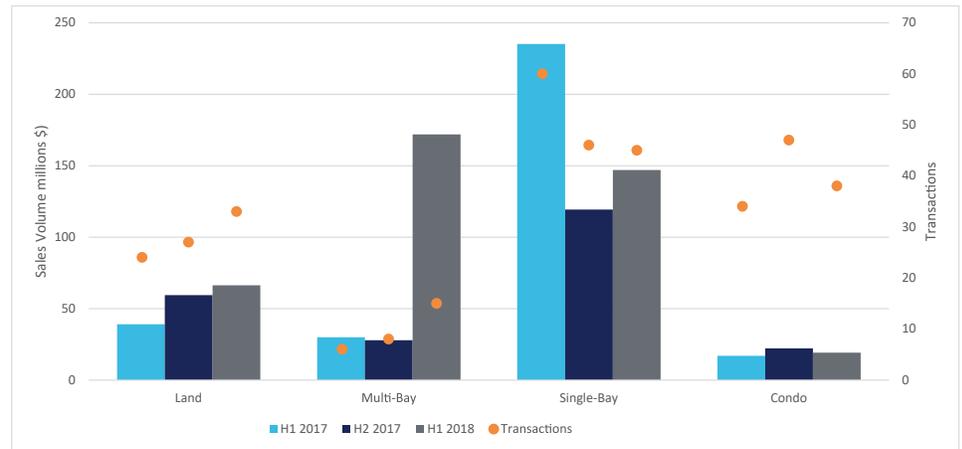
Market Sales on the Upswing

Sales volume in 2018 for industrial land, warehouses, and condominiums in the Greater Edmonton Area is on pace to surpass 2017 levels. The increased sales activity is indicative of the recovering Edmonton economy that is experiencing improved energy production, investment levels, construction, and manufacturing output. In the first six months of 2018, \$404 million has transacted in 131 land and property sales. Particularly with multi-bay warehouses and land, there has been a significant positive trend in both sale volumes and number of transactions over the past 18 months.

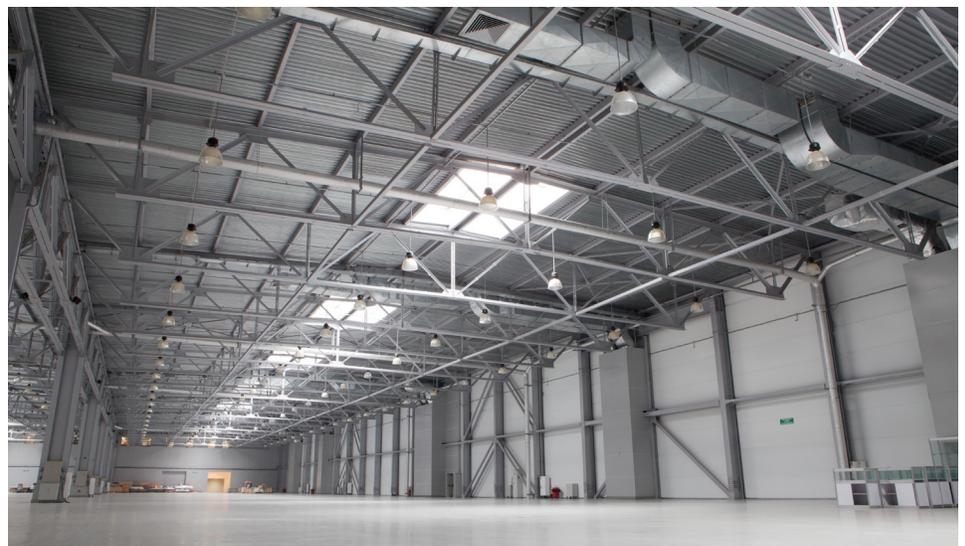
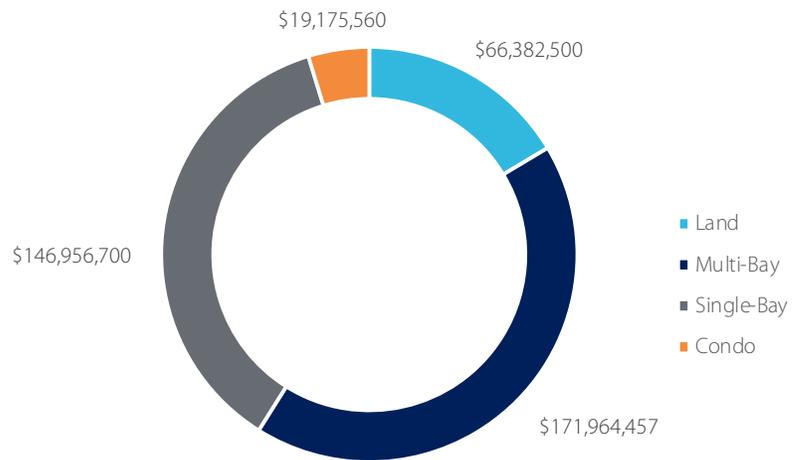
The notable outlier in the sales trend was in single-bay warehouses in the first half of 2017. During that period, 60 single-tenant properties sold for a collective \$235 million which was the highest total value for a six month period since 2013. The high sales volume was consistent with a pronounced economic recovery that also experienced increased development permit values and employment in the local industrial market.

Sales thus far in 2018 have been highlighted by a substantial increase in multi-bay investment sales. Nearly half of the multi-bay sales to date have occurred in the Northwest quadrant in the Sheffield-Norwester Industrial area. With vacant land becoming increasingly scarce inside Anthony Henday Drive, most of the sale activity for larger parcels is taking place in surrounding markets, namely Acheson and Nisku Industrial Parks. Condominiums sold for an average price of \$220 psf across 38 transactions, representing a 3.3% increase in values year-over-year.

Industrial Sales Trends - Past 18 Months

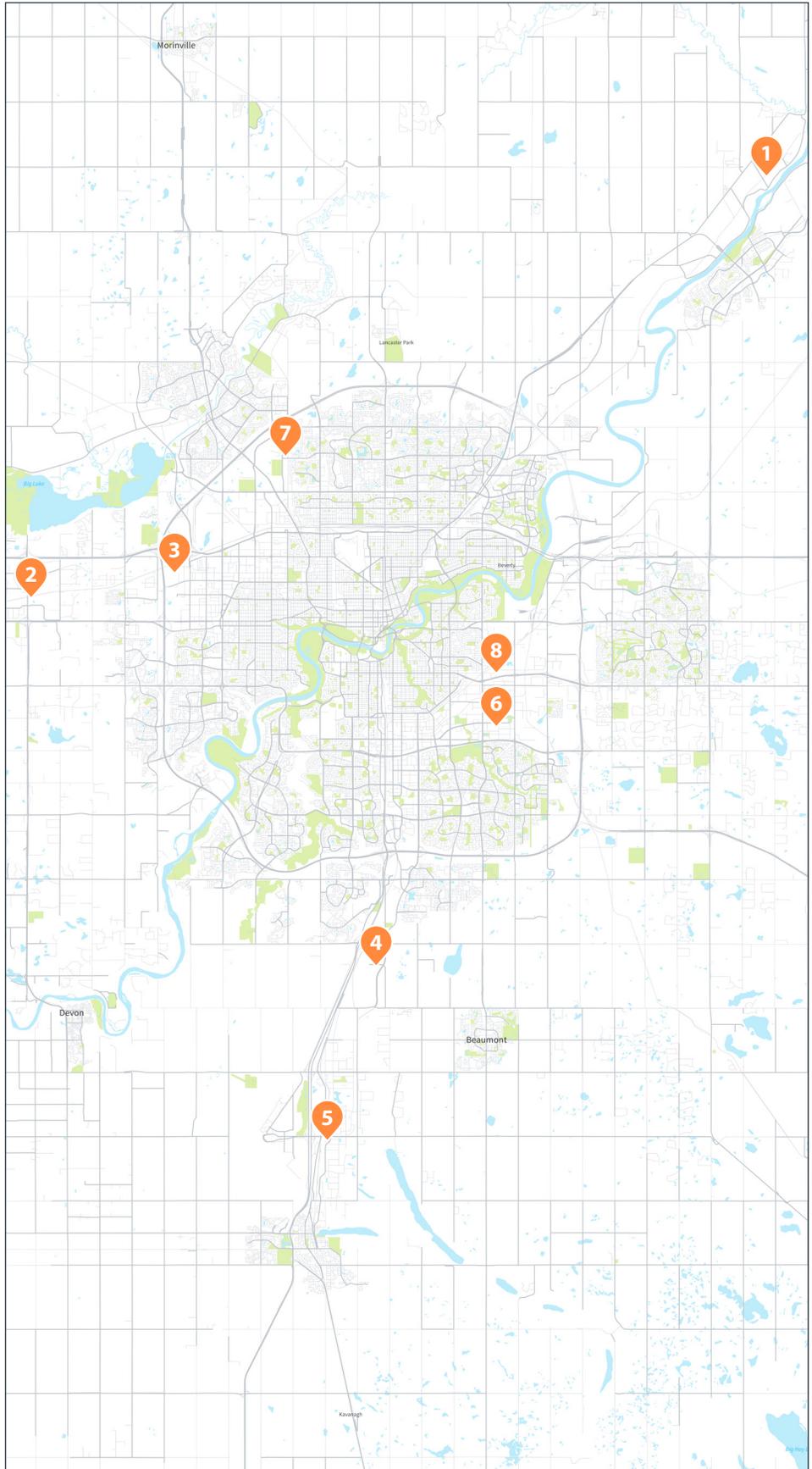


Sales Breakdown in 2018



Major Industrial Projects

1	Inter Pipeline Petrochemical Complex
Estimated Cost: \$3,500,000,000	
Expected Completion: 2021	
Production: 550,000 tonnes per year.	
A polypropylene manufacturing facility.	
2	Champion Pet Foods
Estimated Cost: \$200,000,000	
Expected Completion: 2019	
Size: 400,000 sf	
Pet food manufacturing facility in Acheson.	
3	MTE Logistix Warehouse
Estimated Cost: \$115,200,000	
Expected Completion: 2018	
Size: 500,000 sf	
A light industrial warehouse with rooftop office component.	
4	Border Business Park Horizon Facility
Estimated Cost: \$113,000,000	
Construction Commencement: 2018	
Size: 1,000,000 sf	
Industrial development within Border Business Park.	
5	Ford Motors Warehouse
Estimated Cost: \$45,000,000	
Expected Completion: 2018	
Size: 400,000 sf	
An automobile distribution centre in the Leduc Business Park.	
6	Pylypow 15 Industrial Building
Estimated Cost: \$21,700,000	
Expected Completion: 2019	
Size: 115,000 sf	
A general industrial building with office component.	
7	Rampart Industrial Park Building 4
Estimated Cost: \$5,500,000	
Expected Completion: 2018	
Size: 121,000 sf	
A general industrial building with office component.	
8	Canopy Growth Production Facility
Estimated Cost: \$5,000,000	
Expected Completion: 2019	
Size: 160,000 sf	
Conversion of existing warehouse to cannabis growing space.	



Source: Alberta Major Projects



West Texas Intermediate (WTI) is a benchmark crude oil for the North American market and Western Canadian Select (WCS) is a benchmark crude oil for the Canadian market.

-National Research Council

Energy Sector Growth Outlook

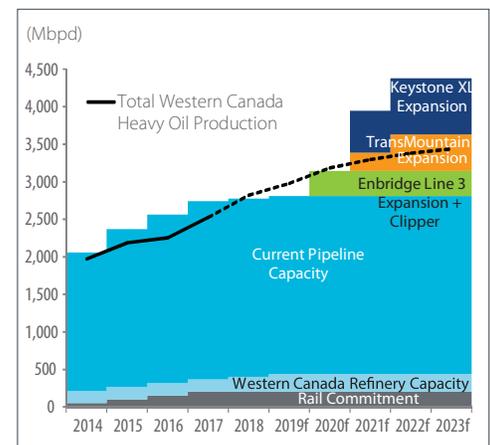
The Greater Edmonton Area recorded robust growth in real GDP of 5.0% in 2017, the second highest municipal growth rate in Canada, outpaced only by Calgary. The strong gain in growth rate was due in part from a rebounding effect from the previous year's relatively low base, however, several macroeconomic indicators signal sustained moderate growth is likely in the future.

The local economy's contraction in 2015 and 2016 was sparked by oil price declines in late 2014. Although the price of West Texas Intermediate (WTI) has experienced promising gains to date in 2018, the price of Western Canadian Select (WCS) oil has been adversely affected by transportation bottlenecks and political uncertainty. In the absence of sufficient pipeline capacity, elevated transportation costs have contributed to declining investment levels in the energy sector. Recent developments in the second quarter of 2018, however, have provided the basis for optimism for energy infrastructure developments.

The future of the Kinder Morgan Trans Mountain Pipeline Expansion, after years of political and social opposition, has become more clear after the federal government announced its intention to acquire the project for \$4.5 billion in May 2018. Upon completion, the pipeline will substantially alleviate supply constraints by increasing outflow capacity by 590,000 barrels per day to the Pacific coast.

In June 2018, Minnesota state officials conditionally endorsed the Enbridge Line 3 Replacement, clearing the last regulatory hurdle for its construction. Construction began in Alberta in summer 2017 and is expected to commence throughout Saskatchewan and Manitoba in fall 2018, and in early 2019 in Minnesota. In July, Aecon Group Inc. won a \$282-million contract to construct the project in Manitoba. The pipeline will add 375,000 barrels per day of export capacity to the United States upon its completion in late 2019. *(continued on next page)*

Pipeline and Refinery Capacity and Western Canada Heavy Oil Production



ADDITIONAL PIPELINE ACCESS IS EXPECTED TO ALLEVIATE PIPELINE BOTTLENECKS BY 2021.

Two pipeline projects approved by the federal government, TMX and the Enbridge Line 3 Expansion, would add almost 1 million bpd of transportation capacity by 2021 and alleviate bottlenecks. Keystone XL would provide additional longer-term access.

Source: Alberta Budget 2018



Five year historic high

\$90.97 WCS (\$USD)

(August 2013)

Five year historic low

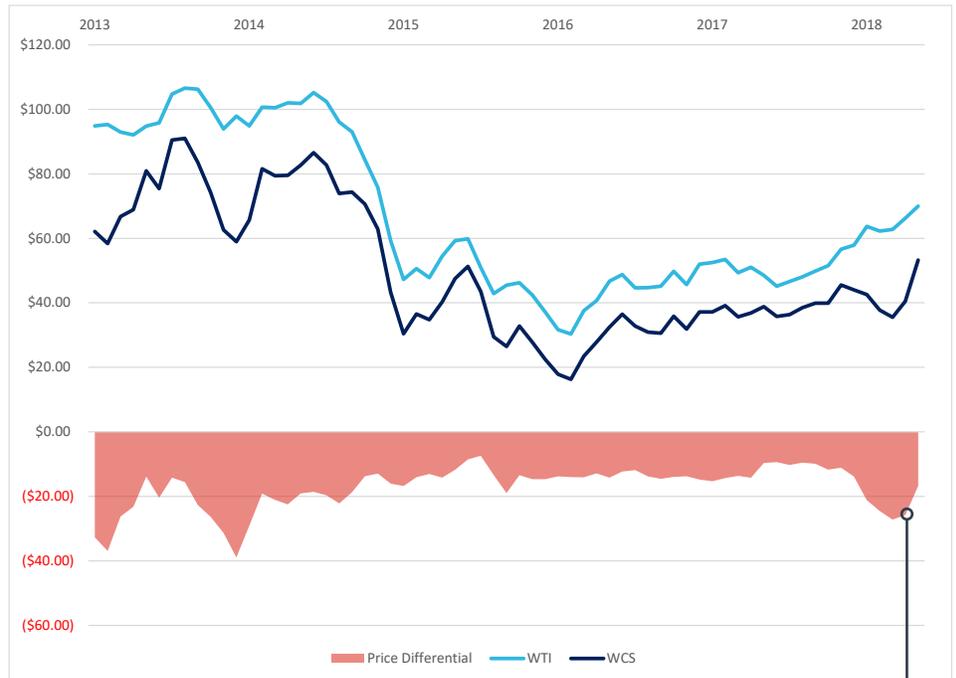
\$16.30 WCS (\$USD)

(February 2016)

Energy Sector cont'd.

Pipeline constraints are expected to be a factor in limiting utilities and manufacturing output in Edmonton to two to three per cent annual growth in the short term. Despite current political uncertainty surrounding the North American Free Trade Agreement and international trade tariff policy, the pipelines will create expanded access to Asian and U.S. markets. Once current construction is completed, and high transportation costs are mitigated, the relative price discount for WCS will likely be reduced. The lack of sufficient energy infrastructure is currently holding the utilities and manufacturing industries from reaching capacity and, once the pipelines are operational, these sectors will likely experience substantial growth increases that will ripple through Alberta.

Oil Price: West Texas Intermediate and Western Canadian Select (\$USD)



The federal government announces its intention to acquire the Trans Mountain Pipeline Expansion project.

Sources: Conference Board of Canada Metropolitan Outlook - Spring 2018, Alberta Budget 2018

Featured Listings

2308 - 8 Street
Nisku, AB



BUILDINGS: 130,798 SF
SITE: 29.33 ACRES

Two-storey office building,
fabrication facility, warehouse,
and shop with rail spur.

2113 - 64 Avenue
Edmonton, AB



BUILDING: 60,244 SF
SITE: 14.04 ACRES

Two bays of equal size. 28' ceiling
with dock & grade loading.
Proximity to arterial roads.

7022 - 51 Avenue
Edmonton, AB



BUILDING: 12,500 SF
SITE: 5.00 ACRES

Freestanding building. 5,000 SF of
office over two floors. Compacted
yard with concrete pad.

1514 - 8 Street
Nisku, AB



BUILDINGS: 7,071 SF
SITE: 2.53 ACRES

Free-standing drive-through
loading shop with large yard.
Functional shop and office area.

351 Rickard Road
Fort McMurray, AB



BUILDING: 19,119 SF
SITE: 2.14 ACRES

New construction with high end
office finishes. Can accommodate
up to five tenants. Ample yard.

15110 Yellowhead Trail
Edmonton, AB



BUILDING: 57,560 SF
SITE: 3.25 ACRES

Direct exposure to Yellowhead
Trail. Dock and ramped grade
loading on two sides of building.

Notable Sale Transactions - Q2 2018

Location	Subdivision	Date	Property	Sale Price	Unit Price (psf)	Vendor	Purchaser
10402 - 184 Street	Sunwapta Industrial	05-Apr-18	415,557 sf on 21.97 acres	\$62,954,334	\$151.49	1784777 Alberta Ltd.	Fiera Properties Core Fund GP Inc.
16311/16403 - 117 Avenue	Norwester Industrial	16-Apr-18	319,841 sf on 15.32 acres	\$21,600,000	\$67.53	Investors Group Trust Co. Ltd.	Timbercreek Four Quadrant GP Ltd.
915 - 34 Avenue	Nisku	02-May-18	56,000 sf on 4.70 acres	\$12,800,000	\$228.57	Redco Properties Ltd.	Gregg Properties Co. Ltd.
15803/15819 - 114 Avenue	Sheffield Industrial	08-May-18	133,261 sf on 6.86 acres	\$11,910,000	\$89.37	WCBME Inc.	10064963 Canada Inc.
15783 - 118 Avenue	Alberta Park Industrial	04-Apr-18	110,250 sf on 5.54 acres	\$10,500,000	\$95.24	1530021 Alberta Inc.	Redco Properties Ltd.
8770 - 24 Street	Sherwood Park	02-May-18	109,900 sf on 5.00 acres	\$8,500,000	\$77.34	1739065 Alberta Ltd.	Sweetgrass Inc.

Market by the Number

	Total Inventory	Direct Vacancy	Sublease Vacancy	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Serviced Land Cost
CITY OF EDMONTON							
South/Southeast	53,702,033	3,283,864	260,935	6.6% ▼ (0.8%)	6.1% ▼ (0.7%)	0.5% ▼ (0.1%)	\$600,000 - \$750,000
Northwest	60,330,930	3,503,416	188,331	6.1% ▲ 0.3%	5.8% ▲ 0.3%	0.3% - -	\$600,000 - \$700,000
Northeast	6,544,907	45,157	-	0.7% - -	0.7% - -	- - -	\$525,000 - \$650,000
Central	3,738,414	88,905	48,188	3.7% ▲ 0.4%	2.4% ▲ 0.4%	1.3% - -	-
SURROUNDING DISTRICTS							
Acheson	7,844,536	292,607	193,445	5.9% ▲ 0.1%	3.3% ▲ 0.1%	2.5% - -	\$400,000 - \$575,000
Sherwood Park	6,365,000	361,310	19,200	6.0% ▼ (1.9%)	5.7% ▼ (2.0%)	0.3% ▲ 0.1%	\$650,000 - \$750,000
Nisku/Leduc	17,245,593	1,451,075	45,653	8.1% ▼ (0.1%)	7.8% ▼ (0.3%)	0.3% ▲ 0.2%	\$500,000 - \$650,000
TOTALS							
City	124,073,576	7,146,525	537,698	6.0% ▼ (0.2%)	5.6% ▼ (0.2%)	0.4% - -	-
Surrounding	31,455,129	2,104,992	258,298	7.1% ▼ (0.4%)	6.3% ▼ (0.5%)	0.8% ▲ 0.1%	-
Overall	155,528,705	9,714,069	802,882	6.2% ▼ (0.3%)	5.7% ▼ (0.3%)	0.5% - -	-

	Southeast		Northwest		Northeast		Leduc/Nisku		Sherwood Park		Acheson	
Net Asking Rent By Bay Size:	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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