

Edmonton



Quick Stats

Sales activity for owner/user properties in the third quarter exceeded the previous quarter in terms of dollar volume transacted.

+145,022 SF
Q3 Absorption

6.3%
Vacancy
Greater Edmonton Area

\$54,766,050*
Q3 Land Sales
Greater Edmonton Area
total over 18 transactions

Overall vacancy rate in the Greater Edmonton market increased by 10 basis points in the third quarter of 2018 as the region recorded 145,022 sf of positive absorption. For the second consecutive quarter, the largest change in leasing activity took place in Edmonton's southern industrial areas.

Highlighting the increased activity in Edmonton's southern industrial parks, Cityview Business Park saw two sizable lease transactions take place. Blue Water LP leased 100,000+ sf of warehouse space. They are leaders in warehousing & logistics, shipping supplies, heavy-duty lubricants and synthetic lubricants for all of Western Canada. Complimenting that was another 100,000+ sf lease to Fort McKay LP, an oilfield construction and services company, servicing all of Alberta's oil and gas industry. Both companies have lasting history in Edmonton and Alberta stretching over 30 years.

The vacancy rate in Acheson decreased by 30 basis points in the third quarter with available space concentrated in larger pockets. Smaller leasable area has become harder to find in the industrial park but is still available. Acheson continues to grow, covering over 10,600 acres with key transportation assets including rail.

The Nisku-Leduc market continues its trend of positive absorption for the year, headlined by Ford Motors moving to their new 400,000 sf distribution centre in Leduc Business Park. Ford will vacate a 247,000 sf distribution centre at 11604 - 181 Street in Northwest Edmonton.

The 800,000 sf high-tech cannabis production facility, known as Aurora Sky, is now operational at the Edmonton International Airport. The greenhouse and distribution centre is one of the largest of its kind in Western Canada and will service domestic and international markets.

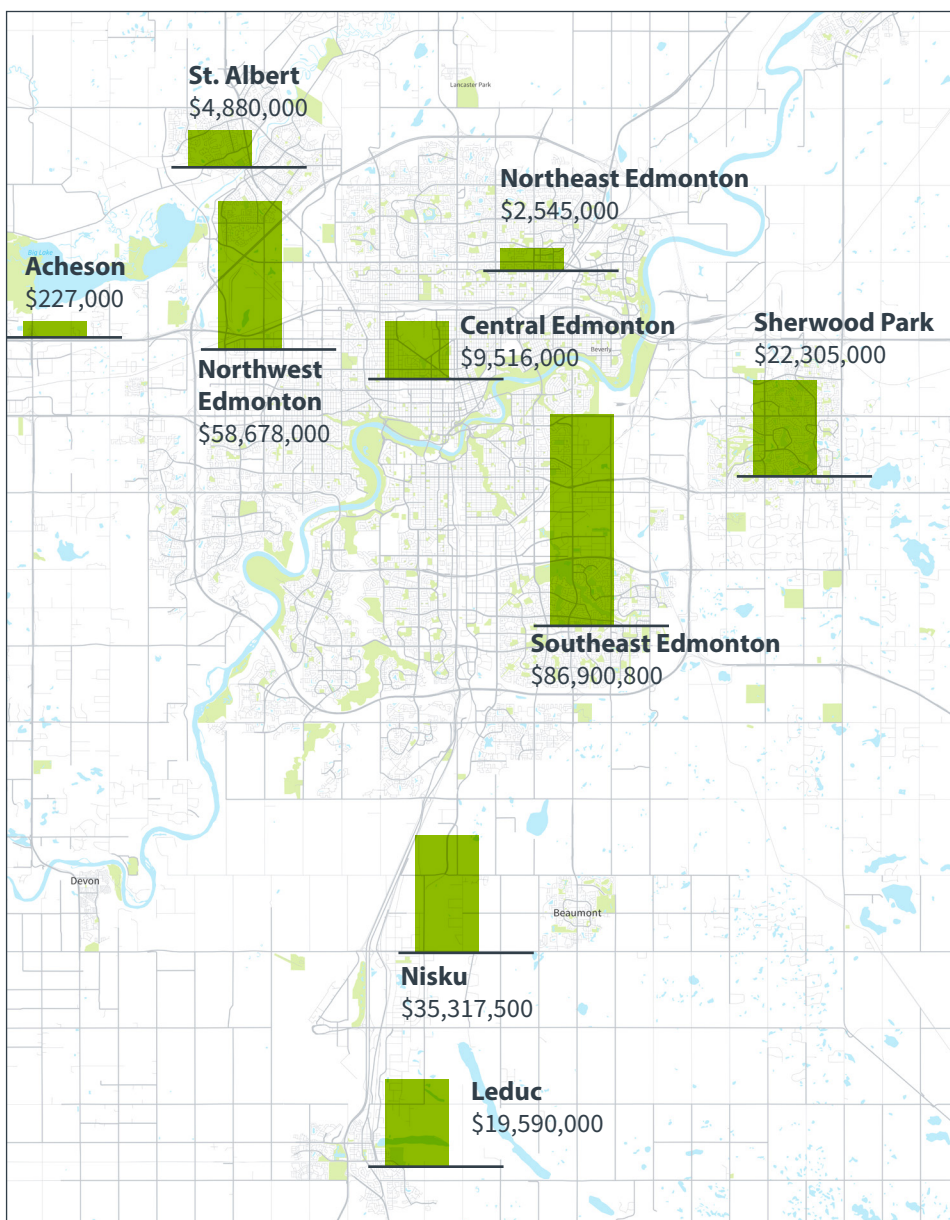
*Source: The Network

Owner/User Sales - 2018 YTD

Sales activity for owner/user properties in the third quarter exceeded the previous quarter in terms of dollar volume transacted. The most significant activity was seen in the south/southeast sector of Edmonton with over \$29 million exchanged in 14 transactions. Building sales include Dreco Energy Services ULC 98,000 sf facility on 17+ acres of land nearly doubling that of their current 61,000 sf industrial warehouse space in Pylypow Industrial park.

Leduc/Nisku experienced a significant increase in sale volume in the third quarter, accumulating over 123,000 sf of building sales and a total value of \$37,231,700. Notable building sales include \$10,800,000 for the 51,228 sf Enerflex warehouse space in Leduc and \$4,625,000 for Horizon North's 13,254 sf in Nisku.

After hitting a five-year low in 2017, land sale volume appears to have recovered in 2018 as the \$122.8 million exchanged through the first three quarters have surpassed the previous year. The most substantial increase in land sales are taking place in northwest Edmonton with nearly \$50 million in sales volume this year relative to \$12 million in the first three quarters of 2017. In Golden West Business Park on 170 Street, a 61.5-acre site sold for \$28 million. In Acheson, land sale activity has remained relatively stable in recent years as \$27.6 million in value exchanged in 10 transactions thus far in 2018 with an average cost of \$425,000 per acre.



Notable Sale Transactions - Q3 2018

Location	Subdivision	Date	Property	Sale Price	Unit Price (psf)	Vendor	Purchaser
6415 - 75 Street	Davies Industrial East	4-Jul-18	98,000 sf on 17.60 acres	\$7,300,000	\$74.49	Dreco Energy Services ULC	2057223 Alberta Ltd.
3807 - 98 Street	Strathcona Industrial Park	24-Jul-18	34,076 sf on 1.61 acres	\$4,500,000	\$132.06	1714129 Alberta Ltd.	Guardian Capital Real Estate GP Inc.
6215 - 82 Avenue	Gainer Industrial	25-Aug-18	11,668 sf on 5.47 acres	\$4,000,000	\$342.81	At-Pac Scaffold Services Inc.	Three Amigos II Land Management ULC
322 Kaska Road	Sherwood Park	14-Aug-18	17,820 sf on 1.60 acres	\$3,675,000	\$206.23	Chester Developments Ltd.	MSCP Canada Ltd.
2910 - 64 Avenue	Southeast Industrial	19-Jul-18	27,927 sf on 3.42 acres	\$3,600,000	\$128.91	F I Oilfield Services Canada Ltd.	2119639 Alberta Ltd.



Canada exported \$320 billion worth of goods to the United States and \$6 billion to Mexico in 2017. After 14 months of negotiations, a revised North American free trade agreement was struck on September 30, 2018.

"NAFTA 2.0" Agreed to in Principle

On September 30, 2018, after nearly 14 months of trade negotiations, Canada, the United States and Mexico agreed, in principle, to a trilateral deal known as the United States-Mexico-Canada Agreement (USMCA). The agreement will replace the North American Free Trade Agreement (NAFTA) as the governing policy on trade between North America's three largest economies upon ratification.

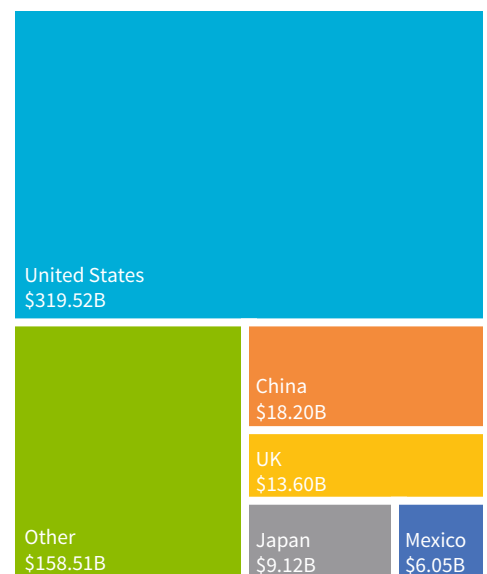
Member countries will need to ratify the agreement through their respective legislative bodies in the months closing out 2018. With the Mexican presidency changing hands and the U.S. midterm elections having taken place in November of 2018, the USMCA has some bureaucratic hurdles to cross before taking effect. This combined with the provincial and federal elections in 2019 will have a considerable affect on the electoral platforms, but once ratified will have significant impact on Albertan industries.

The USMCA includes provisions under Chapter 32, titled 'Exceptions and General Provisions,' that could potentially limit Canada's ability to establish and develop trade relationships with nations deemed "non-market economies." The article establishes that trade negotiations with non-market nations are subject to review by the other USMCA members and the North American agreement may be terminated if a free trade agreement is reached without member consent.

The article has been widely interpreted as a restriction to pursuing trade policy with China – the world's largest energy consumer and a market that imported nearly \$4 billion of Alberta goods in 2017. Chapter 32 of the USMCA can potentially serve as an impediment to expanding trade relations with China while further solidifying the U.S. as the largest consumer of Canadian exports.

Canada and the United States share the world's longest continuous border and the second largest trade partnership, behind only China-U.S. trade.

Canadian Exports by Destination (2017: \$525B)



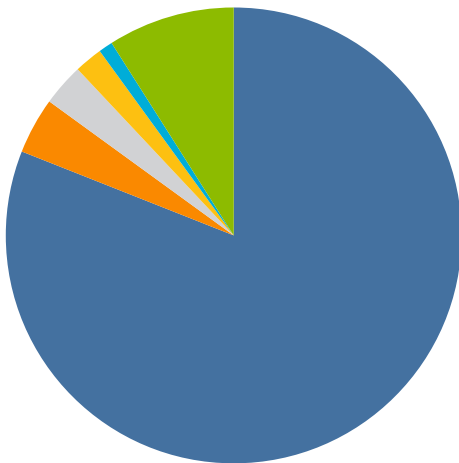


The United States is by far Alberta's largest trading partner. Annual exports shipped south of the border from Alberta have averaged nearly \$90 billion per year over the past five years.



Provincial Exports:

Alberta exported \$87.8 billion worth of goods to the United States in 2017.



Mineral, Fuel, Oil	81%
Other	9%
Plastic	4%
Machinery	3%
Organic Chemicals	2%
Meat	1%



Dairy

Dairy production and trade has been a much-publicized, contentious topic of the USMCA negotiations. The trade agreement includes greater access to Canadian markets for U.S. producers, likely increasing competition and a shifting market share to foreign producers. Alberta is the fourth-largest dairy producing province, and farmers argue that the market could be flooded with subsidized American products. The potential influx of imports from the U.S. may be beneficial for consumers but may present challenges for local production and distribution channels.

Steel & Aluminum

Tariffs that were imposed on Canadian steel and aluminum in June 2018 were not negotiated to be removed with the tentative new agreement. The U.S. government has placed a 25% tariff on Canadian steel and a 10% tariff on aluminum, while also making public statements about potential increases in the future. In return, Canada has imposed a 25% tariff on foreign steel imports to protect domestic production from discounted steel from the U.S. Alberta produces over \$9 billion in machinery and metal fabrication, therefore the counteracting tariffs will put upward pressure on steel and aluminum prices in the province.

Oil & Gas

Alberta oil shipped across the U.S. border will no longer be subject to a tax, so long as shipments do not include over 40% of diluent. This is currently higher than the existing amount of diluent being used in oil shipments from Alberta and the tax savings could amount to \$60 million annually for energy sector producers. The new agreement also eliminated NAFTA's energy proportionality clause. The clause forbid Canada or the U.S. from restricting access to one another's domestic oil products. Foreign Affairs Minister Chrystia Freeland described it as a clause that "eroded Canada's sovereign control over our energy resources." Without a binding commitment of oil products to the U.S., Alberta is in a greater position to explore export opportunities to other countries.

Featured Listings

7040 71 Street
Edmonton, AB



SITE: 6.17 ACRES

South industrial land site with re-zone possibility for both medium and heavy industrial uses.

11919-35 Wayne Gretzky Drive
Edmonton, AB



BUILDINGS: 18,727 SF
SITE: 0.69 ACRES

Two buildings on 0.69 acre with exposure to Wayne Gretzky Drive and easy access to Yellowhead Trail.

17221 106 Avenue
Edmonton, AB



BUILDING: 7,448 SF Main Floor
7,448 sf premium office/
warehouse, 2,153 professional
office and 3,669 sf second floor
office available.

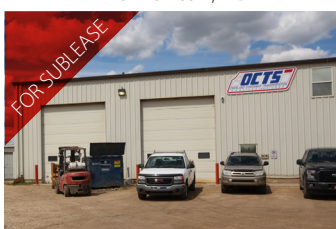
Highway 16 & Bevington Road
Acheson, AB



BUILDING: 15,700 SF
SITE: 1.65 ACRES

New construction with build-to-suit office. Four drive-thru, four drive-in loading bays.

7022 51 Avenue
Edmonton, AB



BUILDINGS: 12,500 SF
SITE: 5.00 ACRES

Freestanding building, compacted yard with 80'x120' concrete pad. Shop upgrades 2017. 5,000sf of office.

61 Mica Link
Spruce Grove, AB



BUILDING: 43,147 SF
SITE: 8.03 ACRES

Demised into main building (offices and shop) and washbay (office and service/washbay) Additional 4.77 acres available

Notable Lease Transactions - Q3 2018

Location	Commencement	Size (sf)	Tenant	
Cityview Business Park - Building 7 6474 - 6484 Roper Road	01 - Jun - 18	102,662	Blue Water Alberta LP	AVISON YOUNG
Henday Industrial Park Building 3	01 - Sept - 19	159,000	Custom Transport	
Cityview Business Park Unit #26, Building #12	01 - Feb - 19	27,602	S-I IPVF Canada, Inc. (Sunbelt Supply Co.)	AVISON YOUNG
Conerstone Business Park Building D 2930 51 Avenue	01 - Oct - 18	90,000	Quantum Supply	
Horizon Business Park 12836 184 Street	01 - Nov - 18	59,210	Custom Truck Parts	
18210 109 Avenue	01 - Apr - 19	190,678	KTN Edmonton Company (Katoen Natie)	AVISON YOUNG
Northwest Business Park Building 7B 13420 149 Street	01 - Aug - 18	77,215	North Country Tire Distributors Ltd.	AVISON YOUNG

Market by the Numbers

	Total Inventory	Direct Vacancy	Sublease Vacancy	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Serviced Land Cost
CITY OF EDMONTON							
South/Southeast	53,392,207	3,250,844	285,172	6.6% - -	6.1% - -	0.5% - -	\$650,000 - \$800,000
Northwest	60,055,792	3,765,490	158,593	6.6% ▲ 0.5%	6.3% ▲ 0.5%	0.3% - -	\$625,000 - \$725,000
Northeast	6,797,707	152,347	-	2.2% ▲ 1.5%	2.2% ▲ 1.5%	- - -	\$525,000 - \$650,000
Central	3,959,926	130,575	23,188	3.9% ▲ 0.2%	3.3% ▲ 0.9%	0.6% ▼ (0.7%)	-
SURROUNDING DISTRICTS							
Acheson	7,844,536	255,550	181,600	5.6% ▼ (0.3%)	3.3% - -	2.3% ▼ (0.2%)	\$400,000 - \$575,000
Sherwood Park	6,365,000	370,259	16,000	6.1% ▲ 0.1%	5.8% ▲ 0.1%	0.3% - -	\$650,000 - \$750,000
Nisku/Leduc	17,652,593	1,323,944	19,850	7.6% ▼ (0.5%)	7.5% ▼ (0.3%)	0.1% ▼ (0.2%)	\$500,000 - \$650,000
TOTALS							
City	124,205,632	7,299,256	466,953	6.3% ▲ 0.3%	5.9% ▲ 0.3%	0.4% - -	-
Surrounding	31,862,129	1,949,753	217,450	6.8% ▼ (0.3%)	6.1% ▼ (0.2%)	0.7% ▼ 0.1%	-
Overall	156,067,761	9,249,009	684,403	6.3% ▲ 0.1%	5.9% ▲ 0.2%	0.4% ▼ (0.1%)	-

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