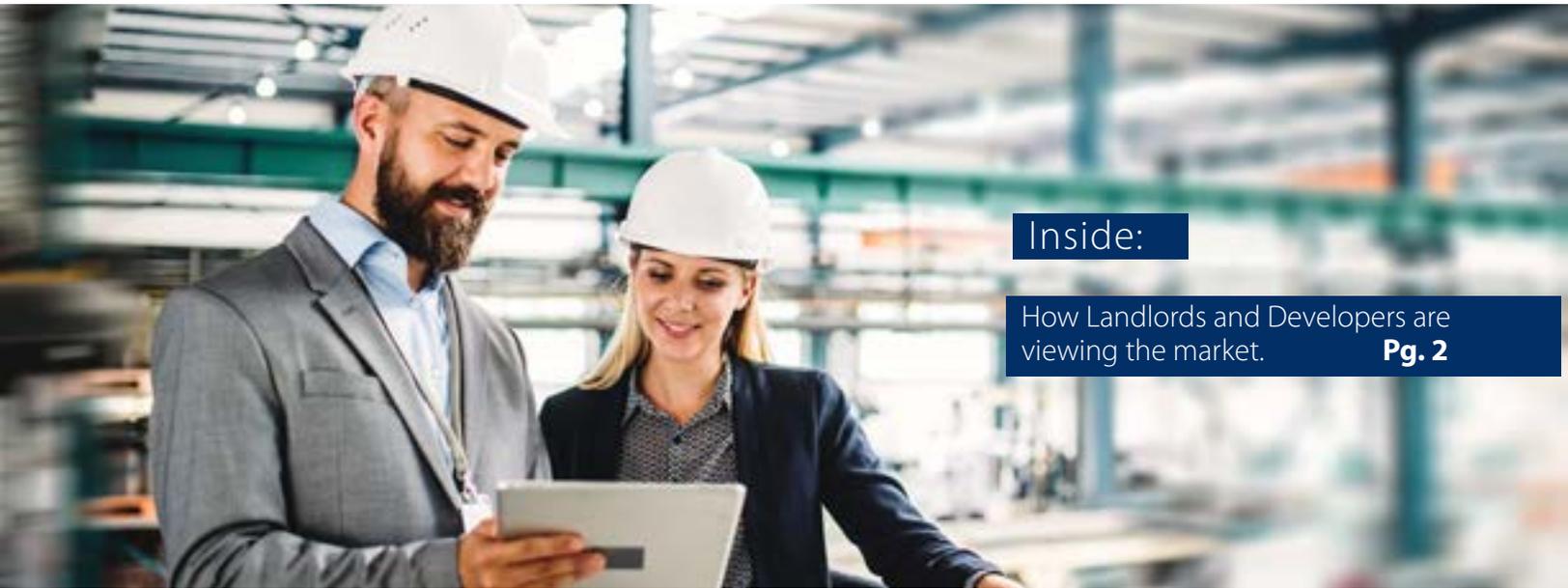


# Greater Edmonton Area



Inside:

How Landlords and Developers are viewing the market. **Pg. 2**

## Quick Stats

**5.7%**

Overall Vacancy rate

**-0.6%**

Year-over-Year change in  
Vacancy Rate

**487k**

New Q4 Supply

**2.2m**

Total space under construction

**15**

Number of properties in the  
Greater Edmonton Market with  
more than 100,000 sf available

## Market Overview

In 2019, Edmonton was subjected to general market uncertainty from pipeline delays to provincial and federal political changes, amongst other things. However, the market landscape in 2020 seems primed and ready to finally bounce back from the economic slowdown of recent years.

Politically, the United Conservative party (UCP) made their first major move to bring business back to Alberta and get government spending under control by introducing Budget 2019, which aims to reduce operating expenses by 2.8% over four years.<sup>1</sup> While this has prompted Edmonton City Council to make some tough decisions in order to cut costs, it does remove some uncertainty as to how the UCP intends to balance Alberta's book and promote economic stability.

Positive news came out of the energy sector as the Trans Mountain pipeline (TMX) broke ground after years of being in regulatory limbo, with the project slated for 2022-2023 completion. While the future of new pipeline projects getting underway is unclear, groups are adapting to the current environment. Enbridge and TC Energy for instance are

working on an optimization process that would increase oil flow through existing pipelines.<sup>2</sup>

As of the end of December 2019, oil prices for the Western Canada Select (WCS) sat at USD \$39.31 per barrel, its lowest point since January 2019.<sup>3</sup> Conversely, the West Texas Intermediate (WTI) ended the month at USD \$59.86 per barrel.

Despite the poor performance of the WCS, the special production allowance implemented by the UCP in December, which allows operators to apply monthly to increase oil production so long as the new product is moved by rail, coupled with continued innovation efforts by Enbridge and TC Energy, should help prices rebound over the course of the year.<sup>4</sup>

From opening the province up to investment opportunities through reducing regulatory red tape, to Edmonton aiming to craft a sustainable growth model for the city, 2020 appears to be the first step in returning to an economically stable environment. And while it is unreasonable to predict it will be a "boom" year, it does provide a more optimistic outlook for the market than what has been the case in recent years.

# Edmonton Market Forecast Survey

We asked landlords and developers for their thoughts on what would happen in 2020. Here are their responses:

**Q) Looking forward into 2020, what do you predict will happen with vacancy in:**

■ Increase  
■ Decrease  
■ Remain Flat

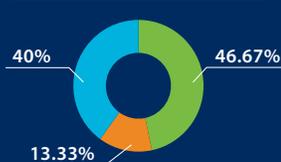
City limits of Edmonton



Acheson



Sherwood Park



Leduc County



**Q) Looking forward into 2020, would you expect new development to:**

New Development



\*Not Currently Underway

	Major decrease	Slight decrease	No Change	Slight increase
Logistics/Warehousing	6.25%	18.75%	12.50%	62.50%
Oil and Gas	18.75%	43.75%	6.25%	31.25%
Manufacturing	6.25%	37.50%	37.50%	18.75%
Bio-Tech	6.25%	12.50%	31.25%	50.00%
Refrigerated Warehousing	6.25%	6.25%	68.75%	18.75%

**Q) How would you describe Edmonton's permit process compared to the surrounding municipalities?**

Better **6.25%**  
About the Same **12.25%**  
Much Worse **81.25%**

**Q) In your opinion, which current topic of discussion has the greatest bearing or influence on the Greater Edmonton Industrial Market:**

Federal Politics **12.5%**  
Provincial Politics **0%**  
Environmental Activism **6.25%**  
Pipeline Construction **68.75%**  
Property Tax **6.25%**  
Global Economic/Political Factors **6.25%**

**Q) If you were to spec development, where would you want to build?**

South Edmonton **26.67%**  
NW Edmonton **6.67%**  
Acheson **6.67%**  
Leduc County **40%**

Question:

Over the past decade, we have seen a compression of the average length of lease terms which tenants are willing to commit to. How are you prepared to deal with this evolution in the demand pool?

Would you anticipate challenges with your lenders, will tenants need to finance their own TI's, how does that affect your return, how will this change the development game?

Sample of Answers:

**A)** I would expect TI packages to decrease where shorter lease terms are presently requiring tenants to potentially invest their own capital.

**A)** We are a rarity for landlords in that we will do 1 year terms, however incentives or offerings decline in doing so (TI's and landlord's work) and this could affect lending as well.

**A)** With regards to warehousing/logistics tenants rather than manufacturing/shop facilities, they will make for higher renewal probabilities in the warehousing/logistics space.

**A)** You have to be flexible as we believe it will be a tenant's market for some time. Lower NER's and certainty are a reality of today's market due to the oil/gas industry.

**A)** Continue to be flexible on term. We will continue to see challenges with lenders in the Edmonton market. Will slow down spec development in the market.

**A)** If tenants are pushing for a shorter term lease, the landlord will require additional security. Unfortunately, construction pricing has not declined, meaning the improvement costs are still the same. If the tenant wants a turn-key premises on a shorter term deal the developer will need a higher rental rate and likely additional security, the other option is to have the tenant take the premises on a shell basis and be responsible for their own build-out.

**A)** All landlords should expect to be creative on lease terms and provide tenants options to protect them self from growth and/or downsizing. In return, tenants should have reasonable expectations on TI's, rent and other incentives.

## Industrial Overview

While construction activity was relatively modest this quarter, with a total completed amount of just under 500k sf, it is interesting to note that the completions were split evenly between Edmonton and the surrounding markets. The majority of projects currently under construction are located outside the city, however the 1 million sf Amazon Distribution facility makes up most of that total. Industrial construction activity is anticipated to moderate slightly in 2020 as land prices and development costs continue to rise.

While the energy sector is demonstrating signs of improvement, more recovery time is needed before we see new energy-based tenants arrive or existing ones expand operations. The market will likely move at a slower pace to start 2020, but as the energy sector picks up, so too will the industrial sector.

" Recovery and growth of the energy sector will in turn increase overall market activity"

- 2020 Forecast Report

## Notable Transactions

Address Submarket	Tenant	Size	Lease Type
3006 - 51 Avenue South Edmonton	Uniropo Ltd.	24,324 sf	New
14803 - 114 Avenue West Edmonton	Sandhills Manufacturing Inc.	16,294 sf	New
17850 - 105 Avenue West Edmonton	Scott's Consolidated Ltd.	6,728 sf	New



## Feature Listings



### DAVIES STATION 6008 75th Street NW Edmonton, AB

Available 5,382 - 12,410 Condo Bays  
 Lease Rate Market  
 Additional Numerous sizing options, IB zoning, close to transit and amenities



### 11036 - 261 STREET Acheson, AB

Available 11,625 sf freestanding building on 2.74 acres  
 Sale Price \$3,475,000  
 Additional 1,475 sf - Main Floor Office  
 7,025 sf - Warehouse/shop  
 3,125 sf - Washbay  
 11,625 sf - TOTAL



### 5804 - 51 AVENUE Edmonton, AB

Available Two 37,115 sf freestanding buildings on 5.19 acres  
 Lease Rate \$13.95 psf  
 Additional 28' clear height, 3 phase power, capacity for 10-ton crane capacity in drive-in bays



### CITY WEST BUSINESS PARK 11219 189 Street Edmonton, AB

Available 87,000 sf remaining  
 Lease Rate \$6.75 psf  
 Additional Dock and grade loading, T5 lighting, 6" slab flooring, ESFR ready

Market by the Number

	Total Inventory	Direct Vacancy	Sublease Vacancy	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Serviced Land Cost
<b>CITY OF EDMONTON</b>							
South/Southeast	53,630,457	3,312,505	189,894	6.5% ▼ (0.3%)	6.2% ▼ (0.4%)	0.4% ▲ 0.1%	\$650,000 - \$800,000
Northwest	60,714,165	3,186,722	118,373	5.4% ▼ (0.4%)	5.2% ▼ (0.3%)	0.2% ▼ (0.1%)	\$625,000 - \$725,000
Northeast	6,809,847	123,477	6,000	1.9% ▲ 0.1%	1.8% ▲ 0.1%	0.1% - -	\$525,000 - \$650,000
Central	3,959,926	40,462	-	1.0% ▼ (2.3%)	1.0% ▼ (2.3%)	- - -	-
<b>SURROUNDING DISTRICTS</b>							
Acheson	8,245,536	162,783	45,370	2.5% ▼ (0.2%)	2.0% ▼ (0.2%)	0.6% - -	\$400,000 - \$575,000
Sherwood Park	6,365,000	432,718	-	6.8% ▲ 0.7%	6.8% ▲ 0.8%	- ▼ (0.2%)	\$650,000 - \$750,000
Nisku/Leduc	18,225,582	1,269,398	39,685	7.2% ▲ 0.3%	7.0% ▲ 0.4%	0.2% ▼ (0.1%)	\$450,000 - \$650,000
<b>TOTALS</b>							
City	125,114,395	6,663,166	314,267	5.6% ▼ (0.4%)	5.3% ▼ (0.4%)	0.3% - -	-
Surrounding	32,836,118	1,864,899	85,055	5.9% ▲ 0.2%	5.7% ▲ 0.4%	0.3% ▼ (0.1%)	-
Overall	157,950,513	8,528,065	399,322	5.7% ▼ (0.3%)	5.4% ▼ (0.2%)	0.3% ▼ (0.1%)	-

Net Asking Rent By Bay Size:	Southeast		Northwest		Northeast		Leduc/Nisku		Sherwood Park		Acheson	
	Multi - Tenant	Freestanding										
0 - 5,000 sf	\$10.00	\$12.00	\$11.00	\$11.00	\$9.50	-	\$10.00	\$14.00	\$14.25	-	\$11.00	-
5,001 sf - 10,000 sf	\$9.50	\$12.00	\$10.00	\$10.00	-	\$17.00	\$10.50	\$13.00	\$14.00	\$11.00	\$10.00	-
10,001 sf - 20,000 sf	\$9.25	\$11.50	\$8.25	\$10.00	-	-	\$11.00	\$12.00	\$12.00	\$12.00	\$14.50	\$15.00
20,001 sf - 50,000 sf	\$9.00	\$10.00	\$7.50	\$9.50	\$6.50	-	\$10.50	\$10.00	\$11.50	-	-	\$14.75
50,001 sf & Up	\$8.00	\$9.00	\$7.00	\$7.50	-	-	\$9.00	\$9.00	\$11.50	\$9.25	-	-

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Sources

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