

# Edmonton, AB



## Quick Stats

**6.7%**

Overall Vacancy rate

**-0.1%**

Year-over-Year change in Vacancy Rate

**48**

Number of Industrial sale transactions in Q2 2021

**3.89m**

Total space under construction (sf)

**5**

Properties with 150k sf of space or more in the Greater Edmonton area

**At the midway point of 2021, the industrial market has maintained the stability and growth that was prevalent throughout the first quarter.**

Q2 2021 marks the third consecutive quarter that there has been a drop in the overall vacancy rate. While the quarterly change was a 0.2% decrease, and the year-over-year change was a 0.1% decrease, that doesn't quite tell the entire story. It was during the second quarter of 2020 when the industrial market started feeling the impact of COVID-19 lockdown measures being implemented. The vacancy rate during that time spiked from Q1's 5.4% to 6.8%, the highest quarterly change in vacancy that had been seen in recent history. It continued climbing to the peak in Q3 at 7.5%. Fast-forward to today and the vacancy rate has consistently fallen ever since that peak.

From an economic standpoint, forecasting suggests that Alberta is primed to be a leader in recovery amongst the Canadian provinces. Resource production and manufacturing, along with an increase in global oil prices,

are some of the main industries that will return to normal operations first. Due to the strong industrial sector in Alberta, GDP is estimated to reach 7.2 percent for 2021 and 5.6 percent in 2022.

With Alberta having lifted the vast majority of public health measures on July 1st, coupled with a boost from the economic side, it would seem the road to recovery is truly underway. It will still take time for the market to adjust however, as companies continue to navigate the pandemic environment. With that in mind, the remainder of this year will likely continue the trend of modest recovery and additional stabilization, with 2022 anticipated to be a strong growth year.

## Big Box Distribution

While the industrial market as a whole is starting to see an increase in activity levels, big box distribution space is receiving the most attention and the strongest resurgence in demand. Developers are trending toward projects in the 400,000 sf to 500,000 sf range, as opposed to the more traditional options in the 100,000 sf to 250,000 sf range. Combined with steady interest from high-profile groups such as Amazon, Fed Ex, Finning, Alberta Health Services, Sobeys, etc - , it is a relatively safe bet to project that big box distribution space will continue to push new development and affect the wider market. Given the relatively low amount of developable land within Edmonton's city limits, along with the higher tax rates, the outer municipalities such as the Leduc/Nisku area are primed to see increased development activity of these assets. As more developments come online, aging product will likely experience more pressure to stay relevant in the market. However, given the current delays of bringing new product to market combined with the fact that the demand for new product has yet to be fully satiated, aging product will likely retain its current value for a while yet. We would predict a correlation in absorption and rental rate pressure through the older but still functional product (90's – 00's with 22' clear plus).



## Increasing Construction Costs

A notable element of the industrial landscape has been the rise in construction costs, primarily due to shortage of materials, increased demand, and decrease in the skilled labour force. Shortages due to the pandemic for raw materials such as lumber, steel, and copper have put upward pressure on prices. Additionally, increased health measures to contain the virus slowed down progress at work sites while an increasing number of skilled labourers nearing the end of their careers opted to take an early retirement due to the high-risk of working in the pandemic environment. For projects that had just began, the substantial and sudden increase in costs were felt hard. With delays in new product coming to market, aging product saw its own resurgence in pricing and demand as some groups who were waiting to jump into new space didn't want to wait any longer with uncertain development timelines. Moving forward, upward pressure on raw material prices is expected to continue for a while longer as logistics and supply lines slowly recover, however there are many active developers in the market just waiting to kick-off new and existing projects.

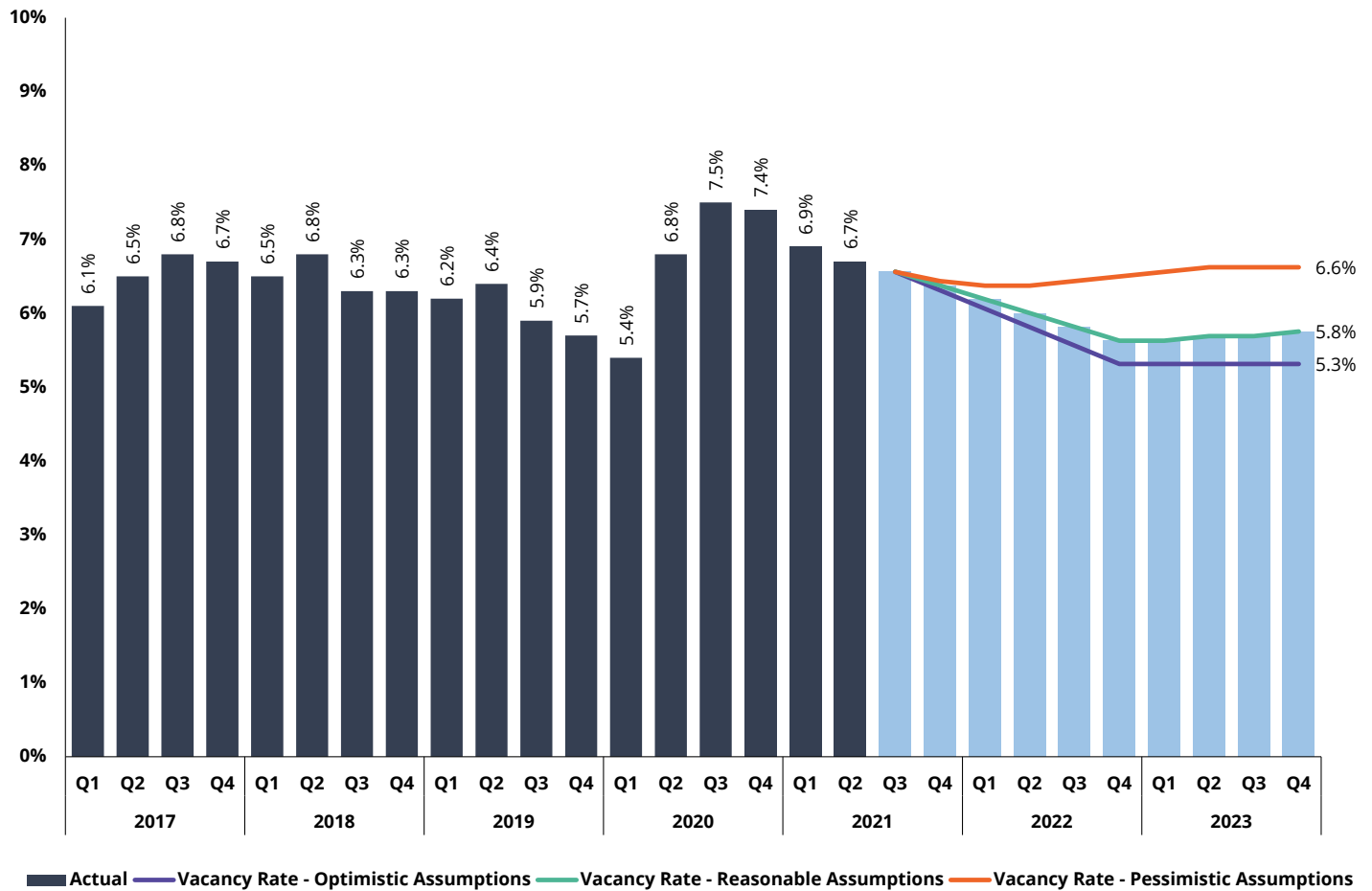


## Energy Sector & The Future

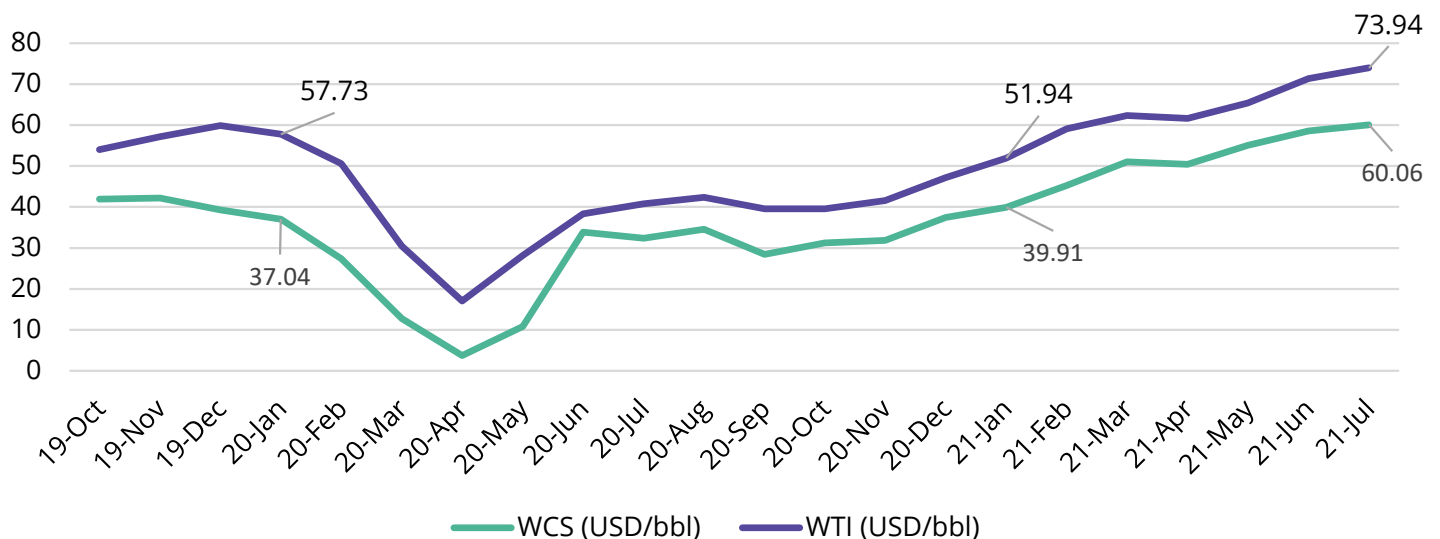
Over the past quarter oil prices for Western Canadian Select (WCS) and West Texas Intermediate (WTI) have recovered substantially since last year. As of reporting, WCS is hovering around US \$60 per barrel, while WTI is at US \$74 per barrel. This, compared to last year where prices were around US \$34 and US \$38 per barrel respectively. As global economies increase vaccination rates and start reopening, demand for oil is set to increase along as developments start back up and in general people return to the workplace. Beyond traditional energy, Alberta is also seeing an increased interest in the hydrogen production space. Back in May, Suncor and ATCO announced they were collaborating to bring a new hydrogen facility to the Fort Saskatchewan area that would produce 300,000 tonnes of hydrogen annually. As well, Air Products announced in June a multi billion-dollar plan to build a hydrogen energy complex that would make Edmonton the centre of western Canada's hydrogen economy. The focus on diversity within the energy sector will be a huge upside for Alberta, particularly as one of the largest hurdles traditionally has been environmental concerns regarding new projects. While Alberta does have a long path ahead to fully recover from the pandemic and energy sector crash, the general sentiment remains optimistic from forecasts as the province seems to be on track to see greater recovery than many of the other Canadian provinces due to the rebounding energy sector.



## Edmonton Industrial Historic Overall Vacancy



## Historic Oil Prices





## Recent Transactions

| Land Sales                                  | Location          | Site Size     | Sale Price              | Zoning |
|---------------------------------------------|-------------------|---------------|-------------------------|--------|
| 279 St & 89 Avenue                          | Acheson           | 66.47 Acres   | \$28,914,450            | IM     |
| 53361 RR 232                                | Strathcona County | 39.29 Acres   | \$9,000,000             | IM     |
| 7800 39 Street                              | Leduc             | 7.66 Acres    | \$4,224,000             | IM     |
| Building Sales                              | Location          | Building Size | Sale Price              | Zoning |
| 21216 113 Avenue                            | Edmonton          | 122,264 sf    | \$6,500,000             | IM     |
| 9504 58 Avenue                              | Edmonton          | 95,000 sf     | \$11,775,000            | IH     |
| 11704 170 Street                            | Edmonton          | 70,158 sf     | \$7,000,000             | IB     |
| Leased                                      | Location          | Building Size | Tenant                  | Zoning |
| Yellowhead Crossing - Building 4            | Edmonton          | 229,225 sf    | Finning                 | IM     |
| Rampart Business Park - Building 4          | Edmonton          | 121,000 sf    | MTE Logistix            | IM     |
| Yellowhead Crossing - Phase 2<br>Building 2 | Edmonton          | 108,971 sf    | Alberta Health Services | IM     |

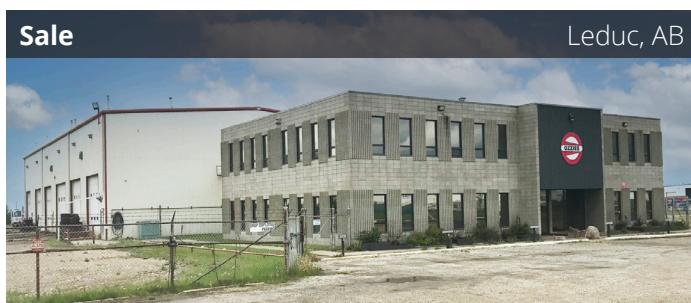
## Feature Listings

**17403 - 114 Ave**

Up to 40,994 sf on 2.2 acres  
 Asking: Lease: \$9.00 psf  
 Sale: \$8,600,000

**7072 - 72 Avenue**

45,367 sf on 5.95 acres  
 Asking: Market

**7506 - 43 Street**

30,808 sf on up to 12.9 acres  
 Asking: \$7,450,000

**5710 - 36 Street**

60,900 sf with 4,500 sf office on 4.85 acres  
 Asking: \$9.50

## Market by the numbers

|                              | Total Inventory | Direct Vacancy | Sublease Vacancy | Absorption    | Vacancy Rate   |               |                | Vacancy Direct |                | Vacancy Sublease |                 | Serviced Land Cost    |
|------------------------------|-----------------|----------------|------------------|---------------|----------------|---------------|----------------|----------------|----------------|------------------|-----------------|-----------------------|
| City of Edmonton             |                 |                |                  |               |                |               |                |                |                |                  |                 |                       |
| South/Southeast              | 53,630,457      | 4,364,178      | 346,817          | (234,436)     | 8.8%           | ▲             | 0.4%           | 8.1%           | ▲              | 0.4%             | 0.6% - -        | \$650,000 - \$800,000 |
| Northwest                    | 61,399,639      | 3,068,151      | 150,073          | 227,063       | 5.2%           | ▼             | (0.4%)         | 5.0%           | ▼              | (0.3%)           | 0.2% ▼ (0.1%)   | \$625,000 - \$725,000 |
| Northeast                    | 6,809,847       | 59,960         | 9,503            | 9,220         | 1.0%           | ▼             | (0.1%)         | 0.9%           | ▼              | (0.3%)           | 0.1% ▲ 0.1%     | \$525,000 - \$650,000 |
| Central                      | 3,959,926       | 94,434         | -                | 34,812        | 2.4%           | ▼             | (0.9%)         | 2.4%           | ▼              | (0.9%)           | - - -           | -                     |
|                              |                 |                |                  |               |                |               |                |                |                |                  |                 |                       |
| Surrounding Districts        |                 |                |                  |               |                |               |                |                |                |                  |                 |                       |
| Acheson                      | 8,477,036       | 445,616        | 9,804            | (100,105)     | 5.4%           | ▲             | 1.2%           | 5.3%           | ▲              | 1.8%             | 0.1% - - (0.6%) | \$400,000 - \$575,000 |
| Sherwood Park                | 6,365,000       | 146,611        | 33,000           | 57,120        | 2.8%           | ▼             | (0.9%)         | 2.3%           | ▼              | (0.9%)           | 0.5% - -        | \$650,000 - \$750,000 |
| Nisku/Leduc                  | 19,700,883      | 1,999,269      | 15,865           | 312,742       | 10.2%          | ▼             | (1.6%)         | 10.1%          | ▼              | (1.6%)           | 0.1% - -        | \$450,000 - \$650,000 |
|                              |                 |                |                  |               |                |               |                |                |                |                  |                 |                       |
| Totals                       |                 |                |                  |               |                |               |                |                |                |                  |                 |                       |
| City                         | 125,799,869     | 7,586,723      | 506,393          | 36,659        | 6.4%           | -             | -              | 6.0%           | -              | -                | 0.4% - -        | -                     |
| Surrounding                  | 34,542,919      | 2,591,496      | 58,669           | 269,758       | 7.7%           | ▼             | (0.8%)         | 7.5%           | ▼              | (0.6%)           | 0.2% - - (0.2%) | -                     |
| Overall                      | 160,342,788     | 10,178,218     | 565,062          | 306,417       | 6.7%           | ▼             | (0.2%)         | 6.3%           | ▼              | (0.1%)           | 0.4% - - (0.1%) | -                     |
|                              |                 |                |                  |               |                |               |                |                |                |                  |                 |                       |
|                              | Southeast       |                | Northwest        |               | Northeast      |               | Leduc/Nisku    |                | Sherwood Park  |                  | Acheson         |                       |
| Net Asking Rent By Bay Size: | Multi - Tenant  | Free-standing  | Multi - Tenant   | Free-standing | Multi - Tenant | Free-standing | Multi - Tenant | Free-standing  | Multi - Tenant | Free-standing    | Multi - Tenant  | Free-standing         |
| 0 - 5,000 sf                 | \$9.75          | \$13.50        | \$9.75           | \$10.75       | \$9.50         | -             | \$9.75         | \$13.75        | \$14.25        | -                | \$9.50          | -                     |
| 5,001 sf - 10,000 sf         | \$9.25          | \$13.00        | \$9.50           | \$9.75        | -              | \$17.00       | \$9.25         | \$12.50        | \$14.00        | \$11.00          | \$10.00         | \$15.00               |
| 10,001 sf - 20,000 sf        | \$9.00          | \$12.50        | \$7.75           | \$9.75        | -              | -             | \$10.00        | \$11.75        | \$12.00        | \$12.00          | \$11.50         | \$15.00               |
| 20,001 sf - 50,000 sf        | \$8.75          | \$12.00        | \$7.50           | \$9.25        | \$6.50         | -             | \$9.75         | \$9.50         | \$11.50        | -                | -               | \$14.75               |
| 50,001 sf - 100,000 sf       | \$8.00          | \$10.50        | \$7.50           | \$7.25        | -              | -             | \$8.50         | \$8.50         | \$11.50        | \$9.25           | -               | \$14.00               |
| 100,001 sf & Up              | \$8.00          | \$9.50         | \$7.75           | \$6.75        |                |               | \$8.25         |                |                |                  |                 | \$13.00               |

## Get more market information

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